

TEO SENG CAPITAL BERHAD (732762-T)

NOTES TO THE QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2008

A. SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD NO. 134 - INTERIM FINANCIAL REPORTING

A1 Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with Financial Reporting Standard No. 134 - Interim Financial Reporting and Appendix 9B Part A of the Listing Requirements of Bursa Securities. This is the third interim financial report on the consolidated results for the third quarter ended December 31, 2008 announced by the Company in compliance with the Listing Requirements and as such, there are no comparative figures for the preceding year's corresponding period.

The accounting policies and methods of computation adopted by the Group for this interim financial report are in compliance with the new and revised Financial Reporting Standards issued by the MASB.

The interim financial statements should be read in conjunction with the Profoma Consolidated Financial Information and the Accountants' Report for the financial year ended March 31, 2008 as disclosed in the Prospectus of the Company dated September 26, 2008 and the accompanying explanatory notes attached to this interim financial report.

These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group.

A2 Auditors' Report

There was no qualification on the audited financial statement of the Company for the financial year ended March 31, 2008.

A3 Seasonal Or Cyclical Factors

The principal business operations of the Group were not significantly affected by seasonal or cyclical factors.

A4 Unusual Items

There was no items affecting assets, liabilities, equity, net income or cash flows of the Group that are unusual because of their nature, size or incidence.

A5 Changes in Estimates

There were no significant changes in the estimates reported in prior financial year, which have a material effect in the current period.

A6 Issuances, Cancellation, Repurchases, Resale & Repayments Of Debts And Equity Securities**TSF Acquisition**

On March 19, 2007 the Company 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 June 18, 2008.

The public issue of 38,610,000 new ordinary shares of RM0.20 each were issued at an issue price of RM0.45 per ordinary share pursuant to the listing of and quotation for the entire enlarged issued and paid up share capital of the Company on the Second Board of Bursa Securities on October 29, 2008.

Save for the above, there were no issuance, cancellation, repurchase, resale and repayment of debts and equity securities for the current financial quarter.

A7 Dividend Paid

No dividend was paid for the current quarter under review.

A8 Segmental Reporting

The segment revenue and results for business segments for the current financial year to date are as follows:

Segmental Analysis - By Activities	Segment Revenue (RM'000)	Profit / (Loss) Before Taxation (RM'000)
a) Poultry Farming	126,032	8,382
b) Investment and Trading of animal health products	12,426	870
Total	138,458	9,252

A9 Valuation of Property, Plant & Equipment

The valuations of property, plant and equipment of the Group have been brought forward without amendments from the previous annual financial statements.

A10 Capital Commitments

Capital commitments as at end of the current quarter are as follows:

	Total RM'000
Contracted but not provided for	4,158
Approved but not contracted for	4,549
	<u>8,707</u>

A11 Material Subsequent Events

There were no material events subsequent to the end of the current quarter that have not been reflected in the current financial statements.

A12 Effects of Changes in The Composition of the Group

There were no changes in the composition of the Group during the current quarter other than the acquisition of 100% equity interest in Success Century Sdn Bhd (Success) on October 31, 2008 by utilizing the proceeds from the public issue.

A13 Changes in Contingent Liabilities or Contingent Assets

There were no contingent liabilities and contingent assets other than the corporate guarantee of RM5.25 million given to the financial institutions, which upon becoming enforceable may have a material effect on the net assets, profits or financial position of our Group for the quarter under review.

B. ADDITIONAL INFORMATION AS REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS (PART A OF APPENDIX 9B)

B1 Review of Performance of the Company and its principal subsidiaries

The Company recorded a pre-tax profit of approximately RM9.25 million on the back of revenue of RM138.46 million for the current period under review. It was mainly due to the continued high selling price of eggs. However, it was partly offset by higher feed cost.

B2 Comparison with the Immediate Preceding Quarter's Results

	Current Quarter ended 31 Dec 2008 RM'000	Preceding Quarter ended 30 Sep 2008 RM'000	Variance RM'000	%
Revenue	45,441	49,135	(3,694)	(7.52)
Profit Before Tax	3,162	3,346	(185)	(5.50)

Despite the higher selling price of eggs in the current quarter, the Group's revenue is lower by approximate 7.52% from the previous RM49.14 million to RM45.44 million mainly due to the elimination of inter company sales and purchase after the completion of the acquisition of Success Century Sdn Bhd.

The Group recorded profit before tax of RM3.16 million, representing 5.5% lower than the preceding quarter due to higher raw material cost and operating expenses resulting from the provision of year end bonus.

B3 Current Year Prospects

In view of current stable feed cost, the Directors remain positive with the Group's prospects for the financial year ending March 31, 2009.

B4 Variance from Profit Forecast and Profit Guarantee

This note is not applicable to the Group.

B5 Taxation

Major components of tax expense:

	Current Quarter Ended 31/12/2008 (RM'000)	Current Year To Date Ended 31/12/2008 (RM'000)
Current Year Provision	814	1,876
Under/(Over) Provision in respect of prior years		
Deferred Taxation	(16)	284
Total	798	2,160

The provision for income tax of the Group for the current period under review reflects an effective tax rate which is slightly higher than the statutory income tax rate due to certain non deductible expenses in current period.

The Group income tax for the financial period to date reflects an effective tax rate which is lower than the statutory income tax rate due to the utilization of reinvestment allowance.

B6 Profit/(Losses) on Sales of Unquoted Investments and/or Properties

There were no disposal of unquoted investment and properties for the current quarter and financial year to date except a gain of RM122,000 on the disposal of fixed assets.

B7 Particulars Of Purchase Or Disposal Of Quoted Securities

a) There were no purchases or disposals of quoted shares by the Group for the current financial year to date.

b) Investment in quoted shares as at the end of the reporting period:

	RM'000
Investment at Cost	3
Investment at Carrying Value / Book Value	3
Investment at Market Value	2

B8 a) Status Of Corporate Proposals

Other than the below completed proposals as per item (i) and (ii), there were no other corporate proposals announced but not yet completed as at the date of this announcement.

i) Public Issue

Public issue of 38,610,000 new ordinary shares of RM0.20 each in the Company at an issue price of RM0.45 per share payable in full upon 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 sales of 42,000,000 shares at an offer price of RM0.45 per share to Bumiputer 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.

The Initial Public Offering (“IPO”) was completed on October 29, 2008.

ii) Listing

The admission to the official list and the listing of and quotation for the entire issued and paid up share capital of the Company on the Main Board of Bursa Securities was successfully done on October 29, 2008.

b) Status Of Utilisation Of Proceeds

As at the end of the current quarter and financial year to date, the utilization of the proceeds from the public issue totaling RM17.375 million was as follows:

	Timeframe for utilization from the Date of Listing	Proposed Utilisation RM'000	Utilisation as at the reporting date RM'000	Balance RM'000
Acquisition of Success Century Sdn Bhd	to be used by FYE March 31, 2010	7,500	7,500 **	-
Repayment of Success bank borrowings	to be used by FYE March 31, 2010	6,210	6,210	-
Working Capital	to be used by FYE March 31, 2010	1,865	1,865	-
Estimating listing expenses	to be used by FYE March 31, 2010	1,800	1,642	158 #
		17,375	17,217	158

** The amount of RM500,000 being part of the acquisition price of Success Century Sdn Bhd was set aside as security deposit for the profit guarantee given by the vendor.

The unutilized balance of listing expenses will be used as working capital as disclosed in the Company's Prospectus dated September 26, 2008.

B9 Group's Borrowings And Debt Securities

Detailed of Group's borrowings as at the end of reporting period:

	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)
Short-term borrowings	28,546	9,789	38,335
Hire Purchase – Current	2,419	-	2,419
Hire Purchase – Non-current	4,302	-	4,302
Long-term borrowings – Current	1,005	653	1,658
Long-term borrowings – Non-current	532	1,207	1,739
Total	36,804	11,649	48,453

All the Group's borrowings are denominated in Ringgit Malaysia.

B10 Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at the reporting date.

B11 Material Litigations

There were no pending material litigations at the date of this report.

B12 Dividend Payable

No interim dividend has been recommended for the current financial quarter under review.

However, the Company has made a tax exempt interim dividend of 3.75% amounting to RM1.5 million on January 12, 2009.

B13 Earnings Per Share

The basic earnings per share are computed by dividing the profit or loss for the period by the weighted average number of ordinary shares of the Group in issue during the period.

	Current Quarter Ended 31/12/2008	Preceding Year Corresponding Quarter 31/12/2007	Current Year To Date 31/12/2008	Preceding Year To Date 31/12/2007
Profit attributable to Ordinary Equity Holders of the Parent (RM'000)	2,363	N/A	7,092	N/A
Weighted average number of ordinary shares in issue (000)	187,130	N/A	169,970	N/A
Basic earnings per share (Sen)	1.26	N/A	4.17	N/A

B14 Authorization for Issue

The interim financial statements were authorized for issue by the Board of Directors on February 17, 2009.