

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad ("**Bursa Securities**") has perused Part B of this Circular on a limited review basis pursuant to the provisions of Practice Note 18 of the Main Market Listing Requirements of Bursa Securities.

Bursa Securities takes no responsibility for the contents of this Circular, 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 the Circular.



TAFI INDUSTRIES BERHAD
(Registration No. 200401002432 (640935-P))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:

PART A

- (I) **PROPOSED BONUS ISSUE OF 252,951,400 NEW ORDINARY SHARES IN TAFI INDUSTRIES BERHAD ("TAFI SHARE(S)" OR "SHARE(S)") ("BONUS SHARE(S)") ON THE BASIS OF TWO (2) BONUS SHARES FOR EVERY ONE (1) EXISTING TAFI SHARE HELD ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER ("ENTITLEMENT DATE") ("PROPOSED BONUS ISSUE OF SHARES"); AND**
- (II) **PROPOSED BONUS ISSUE OF UP TO 63,237,850 WARRANTS ("WARRANT(S)") ON THE BASIS OF ONE (1) WARRANT FOR EVERY TWO (2) EXISTING TAFI SHARES HELD ON THE ENTITLEMENT DATE ("PROPOSED BONUS ISSUE OF WARRANTS")**

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS").

PART B

PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED NEW SHAREHOLDERS' MANDATE")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser for Part A of the Circular



AmInvestment Bank

AmInvestment Bank Berhad
(Registration No: 197501002220 (23742-V))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice convening the Extraordinary General Meeting ("**EGM**") of TAFI will be conducted entirely on a fully virtual basis through the online meeting platform of TIIH Online website at <https://tiih.online> or <https://tiih.com.my> (Domain registration number with MYNIC: D1A282781) provided by Tricor Investor & Issuing House Services Sdn Bhd, Malaysia on 21 January 2022, Friday at 11:00 a.m. or at any adjournment thereof, for the purpose of considering the Proposals and the Proposed New Shareholders' Mandate. The Notice of the EGM, together with the Proxy Form and the Administrative Guide are enclosed within this Circular.

The Proxy Form should be completed and deposited at the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or in the case of electronic appointment, the Proxy Form must be deposited via TIIH Online at <http://tiih.online> not less than forty-eight (48) hours before the time for holding the EGM or adjourned meeting at which the person named in the instrument proposes to vote. The lodging of the Proxy Form will not preclude a shareholder from attending and voting in person at the EGM should the shareholder subsequently wish to do so.

Last date and time for lodging the Proxy Form : 19 January 2022, Wednesday at 11:00 a.m.
Date and time of the EGM : 21 January 2022, Friday at 11:00 a.m.

This Circular is dated 6 January 2022

DEFINITIONS

Act	:	Companies Act 2016, as amended from time to time and any re-enactment thereof
AGM	:	Annual General Meeting of the Company
AmBank Group	:	AMMB Holdings Berhad (Registration No. 199101012723 (223035-V)) and its group of companies
AmInvestment Bank or Principal Adviser	:	AmInvestment Bank Berhad (Registration No. 197501002220 (23742-V))
Armani Synergy or ASSB	:	Armani Synergy Sdn Bhd (Registration No. 202001020520 (1376840-M))
Board or Directors	:	The Board of Directors of TAFI
Bonus Shares	:	252,951,400 new TAFI Shares to be issued pursuant to the Proposed Bonus Issue of Shares
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
Circular	:	This Circular dated 6 January 2022 in relation to the Proposals and the Proposed RRPT
Dato' Sri Andrew	:	Dato' Sri Andrew Lim Eng Guan
Dato' Sri Azlan	:	Dato' Sri Azlan Bin Azmi
Dato' Sri Wong	:	Dato' Sri Wong Sze Chien
Deed Poll	:	The deed poll to be executed by the Company, constituting the Warrants
Directors	:	Has the meaning given in Section 2(1) of the Capital Markets and Services Act, 2007 and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a director or chief executive officer of TAFI Group or holding company
EGM	:	Extraordinary general meeting of the Company
Entitlement Date	:	The date to be determined later by the Board on which the Shareholders must be registered in the Record of Depositors of the Company at the close of business in order to be entitled to participate in the Proposals
Entitled Shareholder(s)	:	Shareholders whose names appear in the Record of Depositors of the Company as at the close of business at 5.00 p.m. on the Entitlement Date in order to be entitled to the Bonus Shares and the Warrants
EPS	:	Earnings per share
FYE	:	Financial year(s) ended/ending, as the case may be
FPE	:	Financial period ended/ending, as the case may be
Interested Directors	:	Directors who are deemed to be Related Parties and are interested in the Proposed New Shareholders' Mandate

DEFINITIONS (CONT'D)

- Interested Major Shareholders** : Major shareholders who are deemed to be Related Parties and are interested in the Proposed New Shareholders' Mandate
- Interested Connected Persons** : In relation to a director and/or major shareholder, who falls under any one of the following categories:-
- i. a family member of the director or major shareholder;
 - ii. a trustee of a trust (other than a trustee for an employee share scheme or pension scheme) under which the director, major shareholder or a family member of the director or major shareholder, is the sole beneficiary;
 - iii. a partner of the director, major shareholder or a partner of a person connected with that director or major shareholder;
 - iv. a person who is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the director or major shareholder;
 - v. a person in accordance with whose directions, instructions or wishes the director or major shareholder is accustomed or is under an obligation, whether formal or informal, to act;
 - vi. a body corporate or its directors which/who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the director or major shareholder;
 - vii. a body corporate or its directors whose directions, instructions or wishes the director or major shareholder is accustomed or under an obligation, whether formal or informal, to act;
 - viii. a body corporate in which the director or major shareholder, or persons connected with him are entitled to exercise, or control the exercise of, not less than twenty percent (20%) of the votes attached to voting shares in the body corporate; or
 - ix. a body corporate which is a related corporation of the director or major shareholder
- Listing Requirements** : Main Market Listing Requirements of Bursa Securities as amended from time to time
- LPD** : 28 December 2021, being the latest practicable date prior to the printing of this Circular
- Major Shareholder** : Includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a major shareholder of TAFI as defined under paragraph 1.01 of the Listing Requirement or any other corporation which is its subsidiary or holding company.
- “major shareholder” is defined in paragraph 1.01 of the Listing Requirements as a person who has an interest or interests in one or more voting shares in a corporation and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is:-
- i. ten percent (10%) or more of the total number of the voting shares in the corporation; or
 - ii. five percent (5%) or more of the total number of the voting shares in the corporation where such person is the largest shareholder of the corporation.”
- For the purpose of this definition, "interest in shares" has the meaning given in Section 8 of the Act.”
- NA** : Net assets

DEFINITIONS (CONT'D)

NBV	:	Net book value
Proposals	:	Collectively, the Proposed Bonus Issue of Shares and the Proposed Bonus Issue of Warrants
Proposed Bonus Issue of Shares	:	A proposed bonus issue of 252,951,400 Bonus Shares on the basis of 2 Bonus Shares for every 1 existing ordinary TAFI Share held on the Entitlement Date
Proposed Bonus Issue of Warrants	:	A proposed bonus issue of up to 63,237,850 Warrants on the basis of 1 Warrant for every 2 existing ordinary TAFI Shares held on the Entitlement Date
Proposed New Shareholders' Mandate	:	Proposed new shareholders' mandate for the TAFI Group to enter into recurrent related party transactions of a revenue or trading nature with related parties in the ordinary course of business which are necessary for TAFI Group's day-to-day operations
Recurrent Related Party Transactions or Recurrent Transaction or Recurrent Transactions or RRPT or RRPT(s) or RRPTs	:	Recurring transactions of a revenue or trading nature which are necessary for the day-to-day operations and are entered into by the TAFI Group with the Related Parties in the ordinary course of business which involves the interest, direct or indirect, of a Related Party
Record of Depositors	:	A record of securities holders provided by Bursa Depository under the Rules of Bursa Depository
Related Party or Related Parties	:	Directors, major shareholders or persons connected with such director or major shareholder as defined under Chapters 1 and 10 of the Listing Requirements
Rights Issue	:	A renounceable rights issue of 46,475,700 Shares at an issue price of RM0.58 per Share which was completed on 15 June 2021
RM and sen	:	Ringgit Malaysia and sen, respectively
Rules of Bursa Depository	:	The rules of Bursa Depository as issued pursuant to the Securities Industry (Central Depositories) Act, 1991 of Malaysia as amended from time to time, including Securities Industry (Central Depositories) Amendment Act, 1998 of Malaysia
Shareholders	:	Registered holders of TAFI Shares
SC	:	Securities Commission Malaysia
TAFI or Company	:	TAFI Industries Berhad (Registration No. 200401002432 (640935-P))
TAFI Group or Group	:	Collectively, TAFI and its subsidiaries
TAFI Share(s) or Share(s)	:	Ordinary share(s) in TAFI
TEBP	:	Theoretical ex-bonus price
Treasury Shares	:	TAFI Shares held in TAFI as treasury shares
VWAP	:	Volume weighted average market price

DEFINITIONS (CONT'D)

Warrant(s) : Up to 63,237,850 new warrants in TAFI to be issued pursuant to the Proposed Bonus Issue of Warrants

Unless specifically referred to, words denoting the singular shall include the plural and vice versa and words denoting the masculine gender shall include the feminine and neuter genders and vice versa. References to persons shall include corporations, unless otherwise specified.

All references to “you” in this Circular are to the Shareholders.

Any reference to time of day in this Circular is a reference to Malaysian time, unless otherwise stated.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that TAFI's plans and objectives will be achieved.

TABLE OF CONTENTS

	PAGE
<u>PART A</u>	
EXECUTIVE SUMMARY	viii
LETTER TO THE SHAREHOLDERS	
1 INTRODUCTION	1
2 DETAILS OF THE PROPOSALS	2
3 RATIONALE AND JUSTIFICATION FOR THE PROPOSALS	11
4 INDUSTRY OUTLOOK AND PROSPECTS OF TAFI	12
5 EFFECTS OF THE PROPOSALS	16
6 INTERESTS OF THE DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM	20
7 APPROVALS REQUIRED AND CONDITIONALITY	20
8 ADVISER	21
9 DIRECTORS' STATEMENT AND RECOMMENDATION	21
10 ESTIMATED TIMEFRAME FOR COMPLETION	21
11 CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION	21
12 EGM	21
13 FURTHER INFORMATION	22
<u>APPENDICES</u>	
APPENDIX I FURTHER INFORMATION ON PART A OF THIS CIRCULAR	23
APPENDIX II FINANCIAL INFORMATION OF OUR GROUP	26
<u>PART B</u>	
1. INTRODUCTION	29
2. DETAILS OF THE PROPOSED NEW SHAREHOLDERS' MANDATE	30
3. PRINCIPAL ACTIVITIES OF TAFI GROUP	31
4. NATURE OF TRANSACTIONS	32
5. DETAILS OF THE PROPOSED NEW SHAREHOLDERS' MANDATE	33
6. REVIEW METHODS OR PROCEDURES FOR RRPT(S)	37
7. OUTSTANDING RRPT RECEIVABLES	38
8. STATEMENT BY THE AUDIT COMMITTEE	38

TABLE OF CONTENTS (CONT'D)

9.	DISCLOSURE IN ANNUAL REPORT	39
10.	RATIONALE OF THE PROPOSED NEW SHAREHOLDERS' MANDATE AND BENEFIT TO THE COMPANY	39
11.	EFFECTS OF THE PROPOSED NEW SHAREHOLDERS' MANDATE	39
12.	INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM	39
13.	APPROVALS REQUIRED	40
14.	BOARD'S RECOMMENDATION	40
15.	EGM	40
16.	FURTHER INFORMATION	41

ANNEXURES

ANNEXURE I	FURTHER INFORMATION ON PART B OF THIS CIRCULAR	42
ANNEXURE II	QUARTERLY REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021	45

NOTICE OF EGM	Enclosed
ADMINISTRATIVE GUIDE FOR THE EXTRAORDINARY GENERAL MEETING	Enclosed
PROXY FORM	Enclosed

PART A

**LETTER FROM THE BOARD TO THE SHAREHOLDERS IN RELATION TO THE
PROPOSALS**

EXECUTIVE SUMMARY

All definitions used in this Executive Summary shall have the same meaning as the words and expressions provided in the “Definitions” Section and context of the Circular. This Executive Summary highlights only the pertinent information of the Proposals. Shareholders are advised to read Part A of this Circular in its entirety for further details and not to rely solely on this Executive Summary in forming a decision on the Proposals before voting at the EGM.

Key information	Description
<p>Summary of the Proposals</p>	<p>On 7 December 2021, on behalf of our Board, AmInvestment Bank announced that our Company proposed to undertake the following Proposals:-</p> <ol style="list-style-type: none"> 1. Proposed Bonus Issue of Shares <p>Proposed bonus issue of 252,951,400 Bonus Shares on the basis of two (2) Bonus Shares for every one (1) existing TAFI Share held on the Entitlement Date.</p> <ol style="list-style-type: none"> 2. Proposed Bonus Issue of Warrants <p>Proposed bonus issue of up to 63,237,850 Warrants on the basis of one (1) Warrant for every two (2) existing TAFI Shares held on the Entitlement Date.</p> <p>On 27 December 2021, AmInvestment Bank, on behalf of the Board, announced that Bursa Securities, vide its letter dated 27 December 2021, had resolved to approve the following:-</p> <ol style="list-style-type: none"> a) admission of the Warrants to the official list of Bursa Securities as well as the listing of and quotation for up to 63,237,850 Warrants on the Main Market of Bursa Securities; b) listing of and quotation for 252,951,400 Bonus Shares on the Main Market of Bursa Securities; and c) the listing of and quotation for up to 63,237,850 new TAFI Shares to be issued arising from the exercise of Warrants on the Main Market of Bursa Securities.
<p>Rationale for the Proposals</p>	<p>The Proposals are an appropriate avenue to reward the existing shareholders of TAFI. The rationale for the Proposals are set out below:-</p> <p>Proposed Bonus Issue of Shares</p> <ol style="list-style-type: none"> (i) reward the Company’s shareholders by enabling them to have greater participation in the equity of TAFI by increasing the number of Shares held with no cash outlay required, while retaining their percentage of equity interest held; (ii) improve the trading liquidity and marketability of TAFI Shares on the Main Market of Bursa Securities whilst increasing the capital base of the Company; and

EXECUTIVE SUMMARY (CONT'D)

	<p>(iii) result in the Bonus Shares being more affordable in order to appeal to a wider group of public shareholders and investors, which may widen the Company's shareholder base.</p> <p>Proposed Bonus Issue of Warrants</p> <p>(i) reward the Company's shareholders by enabling them to participate in convertible securities of the Company which are tradeable on Bursa Securities without incurring any cost;</p> <p>(ii) provide existing shareholders of the Company with an opportunity to increase their equity participation in the Company through the exercise of Warrants at a pre-determined price during the tenure of the Warrants;</p> <p>(iii) allow existing shareholders of the Company to benefit from any potential capital appreciation of the Warrants; and</p> <p>(iv) help to strengthen the Company's capital base and shareholders' funds as well as potentially providing additional working capital for the Group, as and when the Warrants are exercised.</p>
Approvals Required	<p>The Proposals are subject to the following approvals being obtained:-</p> <p>(i) Bursa Securities, which was obtained vide its letter dated on 27 December 2021;</p> <p>(ii) the shareholders of TAFI at an EGM of the Company; and</p> <p>(iii) any other relevant authorities/parties, if required.</p>
Inter-conditionality	<p>The Proposed Bonus Issue of Warrants is conditional upon the Proposed Bonus Issue of Shares but not vice versa.</p>



TAFI INDUSTRIES BERHAD
(Registration No. 200401002432 (640935-P))
(Incorporated in Malaysia)

Registered Office:

PLO 3 Kawasan
Perindustrian Bukit Pasir
Mukim Sungai Raya
84300 Bukit Pasir, Muar
Johor

6 January 2022

Board of Directors

Dato' Sri Ong Chee Kean (*Non-Independent Non-Executive Chairman*)
Dato' Sri Azlan Bin Azmi (*Group Managing Director*)
Dato' Sri Wong Sze Chien (*Group Chief Executive Officer*)
Dato' Sri Andrew Lim Eng Guan (*Executive Director*)
Leong Boon Tik (*Senior Independent Non-Executive Director*)
Leong Sher-How (*Independent Non-Executive Director*)
Teh Soon Hin (*Independent Non-Executive Director*)

To: The Shareholders

Dear Sir / Madam,

- (I) PROPOSED BONUS ISSUE OF SHARES; AND**
- (II) PROPOSED BONUS ISSUE OF WARRANTS**

1. INTRODUCTION

On 7 December 2021, AmInvestment Bank, on behalf of the Board, announced that the Company proposes to undertake the following:

- (i) Proposed Bonus Issue of Shares; and
- (ii) Proposed Bonus Issue of Warrants

On 27 December 2021, AmInvestment Bank, on behalf of the Board, announced that Bursa Securities, vide its letter dated 27 December 2021, had resolved to approve the following:-

- (i) admission of the Warrants to the official list of Bursa Securities as well as the listing of and quotation for up to 63,237,850 Warrants on the Main Market of Bursa Securities;
- (ii) listing of and quotation for 252,951,400 Bonus Shares on the Main Market of Bursa Securities; and
- (iii) the listing of and quotation for up to 63,237,850 new TAFI Shares to be issued arising from the exercise of Warrants on the Main Market of Bursa Securities,

subject to the conditions as disclosed in Section 6 of Part A of this Circular.

Further details of the Proposals are set out in the ensuing sections in Part A of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSALS AND TO SET OUT THE VIEWS AND RECOMMENDATION OF OUR BOARD AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE TOGETHER WITH THE PROXY FORM ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF PART A OF THIS CIRCULAR TOGETHER WITH ITS APPENDICES BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSALS

2.1 Details of the Proposed Bonus Issue of Shares

2.1.1 Basis and number of Bonus Shares to be issued

The Proposed Bonus Issue of Shares entails the issuance of 252,951,400 Bonus Shares on the basis of two (2) Bonus Shares for every one (1) existing TAFI Share held by the Entitled Shareholders.

The actual number of the Bonus Shares to be issued pursuant to the Proposed Bonus Issue of Shares will depend on the total number of issued shares of the Company on the Entitlement Date. As at the LPD, the total issued share capital of TAFI comprises of 126,475,700 TAFI Shares, including 2,540,500 Treasury Shares. For the avoidance of doubt, any Treasury Shares held by the Company on the Entitlement Date will be entitled to the Bonus Shares as permitted under Section 127 of the Act and such Bonus Shares will be treated as Treasury Shares held by the Company at the time the Bonus Shares are allotted. Upon completion of the Proposed Bonus Issue of Shares, the total issued share capital of TAFI would comprise 379,427,100 TAFI Shares (including 7,621,500 Treasury Shares).

The entitlement basis for the Proposed Bonus Issue of Shares was arrived at after taking into consideration the potential enhancement to the trading liquidity of TAFI Shares in the market given the adjustment to the share price and the increase in the number of TAFI Shares pursuant to the Proposed Bonus Issue of Shares as well as the compliance with Paragraph 6.30(1A) of the Listing Requirements which states that a listed issuer must ensure that its share price adjusted for a bonus issue is not less than RM0.50 based on the daily VWAP during the 3-month period before the application date (“**Para 6.30(1A)**”).

Fractional entitlements of the Bonus Shares arising from the Proposed Bonus Issue of Shares, if any, shall be disregarded and dealt with in such manner as the Board may in its absolute discretion deem fit, expedient and in the best interest of the Company.

The Entitlement Date will be determined by the Board and announced by the Company at a later date upon receipt of all relevant approvals for the Proposals. The Proposed Bonus Issue of Shares will be implemented in a single issuance and is not intended to be implemented in stages over a period of time. For the avoidance of doubt, the Proposed Bonus Issue of Shares will be implemented concurrently with the Proposed Bonus Issue of Warrants.

2.1.2 No capitalisation of reserves

The Bonus Shares in respect of the Proposed Bonus Issue of Shares will be issued as fully paid, at nil consideration and without capitalisation of the Company's reserves.

With Section 74 of the Act that came into effect on 31 January 2017, the concept of par value for shares of Malaysian companies has been abolished. Hence there is no such requirement and stipulation that cash consideration must be paid or be transferred in connection with new issuance of shares. As a result, a bonus issue can now be undertaken either:

- (i) by way of capitalisation from retained earnings or reserves of a company; or
- (ii) without capitalisation, in a manner akin to a subdivision of shares.

In view of the above and the rationale as set out in Section 3 of Part A of this Circular, the Board has resolved that the Proposed Bonus Issue of Shares shall be implemented and undertaken without capitalising the retained earnings or reserves of the Company and that the Bonus Shares shall be issued as fully paid TAFI Shares at no consideration. The Proposed Bonus Issue of Shares will then increase the total number of TAFI Shares in issue but will not increase the value of the total issued share capital of TAFI.

2.1.3 TEBP of TAFI Shares

The Proposed Bonus Issue of Shares will result in an adjustment to the reference price of TAFI Shares, as quoted on the Main Market of Bursa Securities, but will not have any impact on the total market value of TAFI Shares held by the Company's shareholders.

For illustration purposes, based on the 5-day VWAP of TAFI Shares up to and including the LPD, the TEBP per TAFI Share upon the completion of the Proposed Bonus Issue of Shares will be as follows:-

	Illustrative number of TAFI Shares	Market price/TEBP per TAFI Share (RM)	Total Value ⁽ⁱⁱ⁾ (RM)
5-day VWAP up to and including LPD	100	2.092	209.20
After the completion of the Proposed Bonus Issue of Shares	300	0.697 ⁽ⁱ⁾	209.20

Notes:-

(i) The actual TEBP will be calculated as follows:-

$$\text{TEBP} = \frac{\text{Closing market price of TAFI Share prior to ex-date}}{\text{Number of TAFI Shares before the Proposed Bonus Issue of Shares}} \times \frac{\text{Number of TAFI Shares after the Proposed Bonus Issue of Shares}}{\text{Number of TAFI Shares before the Proposed Bonus Issue of Shares}}$$

- (ii) *The total value was arrived at by multiplying the number of Shares held with the market price / TEBP per Share, as the case may be.*

For illustration purposes only, based on the lowest daily VWAP of TAFI Shares in the past 3 months up to and including 6 December 2021, being the last trading day prior to the submission of application for the Proposals to Bursa Securities, of RM1.773 per TAFI Share, the TEBP of TAFI Shares after the Proposed Bonus Issue of Shares amounts to approximately RM0.591 per TAFI Share, which is in compliance with Para 6.30(1A).

2.1.4 Ranking of the Bonus Shares

The Bonus Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing TAFI Shares, save and except that the Bonus Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the shareholders of TAFI, on the entitlement date of which precedes the date of allotment of the Bonus Shares.

2.1.5 Listing of and quotation for the Bonus Shares

Bursa Securities had, vide its letter dated 27 December 2021, approved the listing of and quotation for the 252,951,400 Bonus Shares on the Main Market of Bursa Securities.

Subject to all relevant approvals being obtained, the Bonus Shares will be listed and quoted on the Main Market of Bursa Securities on the next market day following the Entitlement Date.

2.2 Details of the Proposed Bonus Issue of Warrants

2.2.1 Basis and number of Warrants to be issued

The Proposed Bonus Issue of Warrants entails the issuance of up to 63,237,850 Warrants on the basis of one (1) Warrant for every two (2) existing TAFI Shares held by the Entitled Shareholders on the same Entitlement Date as the Proposed Bonus Issue of Shares. For the avoidance of doubt, any Treasury Shares held by the Company on the Entitlement Date and the Bonus Shares will not be entitled to the Warrants.

The actual number of the Warrants to be issued pursuant to the Proposed Bonus Issue of Warrants will depend on the total number of issued shares of the Company (excluding Treasury Shares) on the Entitlement Date. For illustration purposes, assuming all the 2,540,500 Treasury Shares as at LPD are resold in the market prior to the Entitlement Date, the issued capital of TAFI shall consist of 126,475,700 TAFI Shares which entails the issuance of 63,237,850 Warrants pursuant to the Proposed Bonus Issue of Warrants. Accordingly, assuming all the Warrants are exercised, a total of up to 63,237,850 new TAFI Shares will be issued.

The aforesaid basis of one (1) Warrant for every two (2) existing TAFI Shares was determined after taking into consideration inter-alia, the collective dilution impact to TAFI's EPS arising from both the issuance of Bonus Shares and the issuance of new Shares pursuant to the exercise of the Warrants vis-à-vis future earning and prospects of TAFI. Consideration was also given to the potential adjustments to the share price of TAFI Shares arising from the Proposals. The basis of entitlement for the Proposed Bonus Issue of Warrants was also determined taking into consideration the compliance with Paragraph 6.50 of the Listing Requirements which states that the number of new TAFI Shares which will arise from the exercise of all outstanding Warrants shall not

exceed 50% of the total number of issued shares of the Company at all times. For information purposes, the total number of Warrants to be issued pursuant to the Proposed Bonus Issue of Warrants represents 50% of the existing issued share capital of TAFI as at the LPD and 16.7% of the enlarged total number of issued shares of the Company after the Proposed Bonus Issue of Shares.

Fractional entitlements of the Warrants arising from the Proposed Bonus Issue of Warrants, if any, shall be dealt with in such manner as the Board shall in its absolute discretion deem fit and expedient, and in the best interest of the Company.

The Warrants will be issued in registered form and constituted by a Deed Poll. The indicative salient terms of the Warrants are set out in Section 2.2.5 of Part A of this Circular.

The Entitlement Date will be determined by the Board and announced by the Company at a later date upon receipt of all relevant approvals for the Proposals. The Proposed Bonus Issue of Warrants will be implemented in a single issuance and is not intended to be implemented in stages over a period of time. For the avoidance of doubt, the Proposed Bonus Issue of Warrants will be implemented concurrently with the Proposed Bonus Issue of Shares.

2.2.2 Basis of determining and justification of the exercise price of the Warrants

The Warrants will be issued at no cost to the Entitled Shareholders.

The exercise price of the Warrants will be determined by the Board and announced by the Company at a later date upon receipt of all relevant approvals for the Proposals but before the announcement of the Entitlement Date after taking into consideration, among others, the following:-

- (i) the TEBP per TAFI Share calculated based on the 5-day VWAP of TAFI Shares immediately preceding the price-fixing date for the Proposed Bonus Issue of Warrants, with a discount of up to 20%. The discount is determined after taking into consideration the prospects and future plans of the Group as well as future funding requirements and thus the need to fix an exercise price which makes the Warrants attractive to encourage shareholders to exercise the Warrants. For clarity, the basis and justification for the quantum of discount to be applied to the exercise price, if any, will be announced later at the price-fixing date;
- (ii) the historical trading prices of TAFI Shares;
- (iii) the prevailing market conditions; and
- (iv) the future working capital requirements of TAFI Group.

For illustrative purpose only, the exercise price of the Warrants is assumed to be at RM0.60, which represents a discount of approximately 13.92% to the TEBP of approximately RM0.697 calculated based on the 5-day VWAP of TAFI Shares up to and including the LPD of approximately RM2.092 per TAFI Share.

The Board wishes to emphasise that the assumed exercise price of Warrants of RM0.60 each should not be taken as an indication of or reference to the actual exercise price of the Warrants, which will be determined and announced on the price-fixing date. Kindly refer to Section 2.1.3 of Part A of this Circular for further details of the illustrative TEBP of TAFI Shares.

2.2.3 Ranking of the Warrants and the new TAFI Shares to be issued arising from the exercise of the Warrants

The holders of the Warrants will not be entitled to any voting rights or participation in any form of distribution other than on winding-up, compromise or arrangement of TAFI as set out in the Deed Poll and/or any offer of further securities in TAFI until and unless such holders of the Warrants exercise their Warrants into new TAFI Shares.

The new TAFI Shares to be issued arising from the exercise of the Warrants will, upon allotment and issuance, rank *pari passu* in all respects with the existing TAFI Shares, save and except that the new TAFI Shares to be issued arising from the exercise of the Warrants will not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the Shareholders prior to the entitlement date of which precedes the date of allotment and issuance of the said new TAFI Shares arising from the exercise of the Warrants.

2.2.4 Listing of and quotation for the Warrants and new TAFI Shares to be issued arising from the exercise of the Warrants

Bursa Securities had, vide its letter dated 27 December 2021, approved the admission of the Warrants to the official list of Bursa Securities, as well as the listing of and quotation for the Warrants and the new TAFI Shares to be issued arising from the exercise of the Warrants on the Main Market of Bursa Securities.

2.2.5 Indicative salient terms of the Warrants

The indicative salient terms of the Warrants are set out below:

Terms	Details
Issuer	: TAFI
Issue size	: Up to 63,237,850 Warrants to be issued pursuant to the Proposed Bonus Issue of Warrants
Form	: The Warrants will be issued in registered form and constituted by the Deed Poll
Tenure of the Warrants	: 5 years commencing on and including the date of issuance of the Warrants
Exercise Period	: The Warrants may be exercised at any time during the tenure of the Warrants, commencing from and including the date of issuance of the Warrants to the close of business at 5.00 p.m. on the market day on which the stock market of Bursa Securities is open for trading immediately preceding the date which is the 5th anniversary from the date of issuance of the Warrants (" Exercise Period "). Any Warrants not exercised during the Exercise Period will thereafter lapse and cease to be valid for any purpose.
Exercise Price	: The exercise price of the Warrants (" Exercise Price ") shall be determined by the Board at a later date after obtaining the relevant approvals but prior to the announcement of the Entitlement Date. The Exercise Price and/or the number of Warrants in issue during the Exercise Period shall however be subject to adjustments under circumstances prescribed in accordance with the terms and provisions of the Deed Poll.

Subscription rights	:	Each Warrant shall entitle its registered holder to subscribe for 1 new TAFI Share at any time during the Exercise Period at the Exercise Price, subject to adjustments in accordance with the provisions of the Deed Poll.
Adjustments to the Exercise Price and/or the number of Warrants	:	Subject to the provisions of the Deed Poll, the Exercise Price and/or the number of unexercised Warrants in issue may be subject to adjustments by the Board in consultation with an approved adviser appointed by the Company or the auditor in the event of any alteration in the share capital of the Company at any time during the tenure of the Warrants, whether by way of capital distribution, rights issue, bonus issue, consolidation of shares, subdivision of shares or reduction of capital, in accordance with the provisions of the Deed Poll.
Rights of the Warrant holders	:	The Warrants do not confer on their holders any voting rights or any right to participate in any form of distribution and/or offer of further securities in the Company until and unless such holders of Warrants exercise their Warrants for new TAFI Shares in accordance with the provisions of the Deed Poll and such new TAFI Shares have been allotted and issued to such holders

THE REST OF THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

Rights in the event of winding up, liquidation, compromise and/or arrangement	<p>: Where a resolution has been passed for a members' voluntary winding-up of the Company, or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one or more companies, then:-</p> <p>(i) for the purposes of such winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the holders of Warrants (or some other persons designated by them for such purpose by special resolution) shall be a party, the terms of such winding-up, compromise or arrangement shall be binding on all the holders of the Warrants; and</p> <p>(ii) in any other cases, every Warrant holder shall be entitled to exercise his/her Warrants at any time within 6 weeks after the passing of such resolution for a members' voluntary winding up of the Company or within 6 weeks after the granting of the court order approving the winding-up, compromise or arrangement, whereupon the Company shall allot the relevant new TAFI Shares to the Warrant holder credited as fully paid subject to the prevailing laws, and such Warrant holder shall be entitled to receive out of the assets of the Company which would be available in liquidation if he/she had on such date been the holder of the new TAFI Shares to which he/she would have become entitled pursuant to such exercise and the liquidator of the Company shall give effect to such election accordingly. Upon the expiry of the above 6 weeks, all subscription rights of the Warrants shall lapse and cease to be valid for any purpose.</p>
Deed Poll	<p>: The Warrants shall be constituted by the Deed Poll to be executed by the Company</p>
Governing laws	<p>: The Warrants and the Deed Poll shall be governed by and construed in accordance with the laws of Malaysia.</p>

2.2.6 Utilisation of proceeds

The Proposed Bonus Issue of Warrants is not expected to raise immediate funds for TAFI as the Warrants will be issued at no cost to the Entitled Shareholders.

The gross proceeds to be raised from the exercise of the Warrants is dependent on the total number of Warrants exercised during the tenure of the Warrants, as well as the exercise price of the Warrants, which will be determined and fixed at a later date. As such, the exact timeframe for utilization of the proceeds is not determinable at this juncture.

For illustrative purpose, based on the illustrative exercise price of RM0.60 per Warrant and in the event the Warrants are fully exercised, the Company is expected to raise gross proceeds of approximately RM37.94 million. Such proceeds, if raised, will be used as working capital for TAFI which may include general administrative expenses and operating expenses for the Group's development projects under its property development business as well as payments to suppliers and for purchase of materials for its furniture business.

Pending the use of the proceeds raised as and when the Warrants are exercised, such proceeds will be placed in deposits with financial institutions or short-term money market instruments as the Board deems fit. Interest derived from such deposits or gains from such money market instruments will be used as additional working capital for the Group as set out above.

2.3 Equity fund raising exercise undertaken by the Company in the past 12 months up to the LPD

For information purposes, TAFI had in the past 12 months prior to the LPD undertaken the Rights Issue, raising a gross proceed of RM26.96 million.

As at the LPD, the proceeds from the Rights Issue have been fully utilised in the following manner:

Purpose	Proposed Utilisation (RM'000)	Actual utilisation (RM'000)	Balance unutilised (RM'000)	Notes
Working capital for our Group's furniture segment	15,256	15,280	(24)	(1)
Property development activities	10,000	10,000	-	(2)
Repayment of borrowings	1,200	1,176	24	(3)
Expenses in relation to the Rights Issue	500	500	-	(4)
Total	26,956	26,956	-	

Notes:

- (1) *The proceeds earmarked for working capital was utilised to finance the day-to-day operations of the furniture segment of our Group and has been utilised mainly to purchase raw materials and repayment of trade creditors as well as other administrative expenses, including staff remuneration/wages, transportation costs, utilities and factory overheads, which includes office expenses, utilities, insurance, maintenance, quit rent and assessment. For information purposes, the raw materials used in our furniture segment comprised mainly of chipboard, medium-density fibreboard and lamination paper.*

- (2) As highlighted within the abridged prospectus dated 11 May 2021 for purposes of the Rights Issue ("**Abridged Prospectus**"), as part of our Company's diversification into property development, our Group had earmarked the proceeds from the Rights Issue to expand our property development activities.

As at the LPD, our Company had utilised the proceeds to defray the preliminary expenses incurred for its mixed development property project located in Habu, Cameron Highlands ("**Habu Project**"), including payment to, inter-alia, relevant authorities as well as professional fees. In addition, part of the proceeds allocated for property development activities has also been utilized towards the payment of performance deposits for TAFI Group's recent joint venture property development projects in the district of Kuantan, Pahang, all of which was announced on 22 September 2021.

- (3) As at the LPD, our Group had utilised RM1.18 million for the repayment of borrowings as follows:

Details	Actual utilisation (RM'000)
Term loan	913
Hire purchase	263
Total	1,176

Following the above repayment, the excess proceeds of RM24,000 will be reallocated towards our Group's working capital for our Group's furniture segment, as highlighted in the Abridged Prospectus.

- (4) The expenses arising from the Rights Issue includes professional fees payable to the principal adviser, company secretary, share registrar, solicitors and independent market researcher for the Rights Issue, fees payable to authorities as well as other expenses in connection with the Rights Issue such as printing, advertising costs as well as other ancillary expenses. As at the LPD, the proceeds allocated for the aforementioned purpose has been fully utilised.

THE REST OF THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

3. RATIONALE AND JUSTIFICATION FOR THE PROPOSALS

3.1 Proposed Bonus Issue of Shares

The Proposed Bonus Issue of Shares is proposed to be undertaken to:-

- (i) reward the Company's shareholders by enabling them to have greater participation in the equity of TAFI by increasing the number of Shares held with no cash outlay required, while retaining their percentage of equity interest held;
- (ii) improve the trading liquidity and marketability of TAFI Shares on the Main Market of Bursa Securities whilst increasing the capital base of the Company; and
- (iii) result in the Bonus Shares being more affordable in order to appeal to a wider group of public shareholders and investors, which may widen the Company's shareholder base.

3.2 Proposed Bonus Issue of Warrants

The Proposed Bonus Issue of Warrants is proposed to be undertaken to:-

- (i) reward the Company's shareholders by enabling them to participate in convertible securities of the Company which are tradeable on Bursa Securities without incurring any cost;
- (ii) provide existing shareholders of the Company with an opportunity to increase their equity participation in the Company through the exercise of Warrants at a pre-determined price during the tenure of the Warrants (as per Section 2.2.5 of the indicative salient terms of the Warrants);
- (iii) allow existing shareholders of the Company to benefit from any potential capital appreciation of the Warrants; and
- (iv) help to strengthen the Company's capital base and shareholders' funds as well as potentially providing additional working capital for the Group, as and when the Warrants are exercised.

3.3 Impact of the Proposals and value creation to our Group and shareholders

It is the primary intention of the Company to undertake the Proposals to reward shareholders by increasing their number of shares in the Company as well as the Warrants will provide the shareholders with an additional convertible security that will be tradeable on the Main Market of Bursa Securities, both of which does not require the incurrence of any additional costs. Additionally, the Proposed Bonus Issue of Warrants will provide an opportunity for the Warrant holders to participate in the prospects of TAFI Group by exercising their Warrants into TAFI Shares during the 5-year tenure of the Warrants. In this respect, whilst the Proposals are not expected to have any material effect on the earnings and net assets of TAFI Group for the FYE 31 December 2021. Nonetheless, the Proposals enables the Company to achieve its objectives stipulated under Section 3.1 and 3.2 above which in turn is expected to facilitate the value creation to the Group and its shareholders.

As illustrated in Section 5 of Part A of this Circular, the Proposals are also expected to strengthen the Company's capital base and shareholder's funds in the longer term, once the Warrants are exercised into TAFI Shares. The envisaged improvement in the NA of TAFI will strengthen the financial position of the Group which will allow for greater financial flexibility for its future business expansion and/or venture as evident in the improvement in the gearing ratio of the Group as set out in Section 5.4 of Part A of this Circular.

The Proposed Bonus Issue of Warrants, which is to be issued on a pro-rata basis, is not expected to raise funds immediately as the Warrants will be issued at no cost to the Entitled Shareholders. Whilst it is not the primary aim of the Proposals to raise any immediate funds for the Group, the Proposed Bonus Issue of Warrants represents an appropriate avenue to raise proceeds raised from time to time in the future as and when the Warrants are exercised. In this respect, as set out in Section 2.2.2 above, it is the intention of the Company to fix the exercise price of the Warrants at a discount to entice shareholders to exercise the Warrants and hence enabling the Company to raise the requisite funding requirements. This will provide TAFI the flexibility in respect of future financial allocation for its operational requirements, without having to solely depend on internally generated funds and/or borrowings, which in turn will result in TAFI being more operationally efficient.

However, assuming the net earnings of the TAFI Group remains unchanged, the EPS will be proportionally diluted as a result of the increase in the total number of TAFI Shares in issue upon the completion of the Proposed Bonus Issue of Shares and as and when the Warrants are exercised into new TAFI Shares. Notwithstanding the immediate dilutive impact, the Company is confident on its future prospects as set out in Section 4.4 below and any subsequent improvement in future earnings is expected to mitigate any dilutive impact from the additional aforementioned issuance of Shares.

4. INDUSTRY OUTLOOK AND PROSPECTS OF TAFI

Information in the ensuing Sections 4.1, 4.2 and 4.3 are extracted from the most recent available government publications and other publicly available resources.

4.1 Overview and prospects of the Malaysian economy

The Malaysian economy experienced renewed demand and supply shocks arising from strict containment measures under the National Recovery Plan (“NRP”) during the third quarter of 2021. As a result, the economy contracted by 4.5% (2Q 2021: +16.1%). Economic activity was particularly impacted in July under Phase 1 of the NRP, but subsequently recovered as more states transitioned into Phase 2 with less restrictive containment measures. On the supply side, all economic sectors registered a contraction, particularly the construction sector, which was constrained by operating capacity limits. On the demand side, the restrictions on mobility, especially on inter-district and inter-state travel, has weighed on consumption and investment activity, while continued increase in public sector consumption spending provided some support to overall growth. On a quarter-on-quarter seasonally-adjusted basis, the economy registered a decline of 3.6% (2Q 2021: -1.9%).

All economic sectors recorded negative growth in the third quarter of 2021. The services sector declined by 4.9% (2Q 2021: 13.5%). The services sector was affected by weaker consumer-related activities amid the reimposition of the lockdown, particularly in July. Nonetheless, consumer-related activities have shown emerging signs of recovery on a month-on-month basis since August as operating restrictions were eased, including for restaurants and recreational activities. The finance and insurance subsector continued to grow, driven mainly by higher net insurance premiums. Growth in the information and communication subsector provided some support amid continued demand for data communications services particularly for e-commerce and e-payment activities.

The manufacturing sector contracted marginally by 0.8% (2Q 21: 26.6%) largely due to continued implementation of NRP Phase 1 in July in most states, as activities allowed to operate were restricted to essentials and global value chains (“**GVC**”). Production was further constrained to essential manufacturing activities during the 2-week EMCO (3 - 16 July) in Klang Valley, affecting the electrical and electronics subsector in particular. However, relaxation of restrictions for firms with vaccinated employees were implemented on 16 August. This facilitated a broad-based recovery across all manufacturing clusters. GVC sectors continued to expand in tandem with strong external demand, while non-essential manufacturing activities gradually recovered as operating restrictions eased.

Domestic demand declined by 4.1% (2Q 2021: 12.4%) in the third quarter of 2021, as private consumption and investment activities were affected by the imposition of phased restrictions under NRP. On the external front, net exports contracted by 37.5% (2Q 2021: 34.3%) as growth in imports outpaced the growth in exports. Private consumption declined by 4.2% (2Q 2021: 11.7%), as the stringent containment measures and mobility restrictions weighed on household spending in the first half of the quarter. Similarly, labour market conditions also weakened in the same period with weaker income and employment growth. Nevertheless, various policy measures, including the EPF i-Sinar and i-Citra withdrawals as well as Bantuan Khas COVID-19 (“**BKC**”), continued to provide support to affected households.

Headline inflation, as measured by the annual percentage change in the Consumer Price Index (“**CPI**”), moderated to 2.2% during the quarter (2Q 2021: 4.1%). Lower inflation during the quarter mainly reflected the dissipating base effect from fuel prices as well as the implementation of a three-month electricity bill discount effective July 2021.

Following the re-imposition of movement restrictions from June onwards, a larger share of CPI items recorded unchanged prices throughout most of the quarter (August: 68%; July 68%; 2Q 2021 average: 50%). As economic activity gradually resumed under the NRP especially from early September, the share of CPI items recording price increases rose to 38% in September (2Q 2021 average: 36%).

Notwithstanding the movement restrictions, core inflation was sustained amid the reduction in economic activity, averaging 0.7% during the quarter (2Q 2021: 0.7%). Nonetheless, some consumer items recorded relatively high inflation, partly reflecting spillovers from the elevated global cost pressures. These include some items in the core CPI basket such as furniture and furnishings, as well as items in the non-core CPI basket, particularly fresh meat and eggs in September.

(Source: Quarterly Bulletin 3Q 2021, Bank Negara Malaysia)

4.2 Overview and Prospects of the Furniture Segment

Made in Malaysia furniture ranks among the top 10 largest exporters of furniture in the world with some 80% of its production being delivered abroad. This achievement would not have been possible without the industry keeping abreast of technical advances and global changes in consumer tastes and shifting from being Original Equipment Manufacturers (OEM) to Original Design Manufacturing (ODM) or Original Brand Manufacturing (OBM). This evolution has seen the industry undergoing a dynamic transformation from traditional cottage operations to an export-oriented industry driven by design, innovation and technology, and adding greater value to its exports.

The industry’s tremendous growth has been built on a strong manufacturing foundation that evolved from being a provider of raw materials to one with availability of skilled workers, excellent design capabilities and good manufacturing practices. In 2020, the industry saw exports valued at RM12.86 billion or a double-digit increase of 15.5% compared with the previous year. The export value of furniture from January to July 2021 reached RM7.201 billion, an increase of 13.2% compared with the same period last year.

A variety of local plantation wood including rubber wood are used in the manufacturing process with other options such as plastic, metal, leather, fabric, composites and a combination of mixed materials and other imported temperate and tropical timbers being utilised to create designs that are both functional and appealing. These items are exported to over 160 countries and comprise mainly bedroom, living room and kitchen wooden furniture as well as seats, wooden furniture components and furniture of other materials. Garden or outdoor furniture from tropical hardwoods are in high demand by European consumers.

Malaysian furniture can currently be found in the United States of America, Japan, Singapore, Australia and the United Kingdom, with great potential for export to the Scandinavian countries, Central Europe, South America, South Korea and South Asia. The industry is recognised globally as being among the most innovative and trendy with highly durable products. It has also created a niche in the green furniture segment, thus contributing to sustainability and the conservation of the environment.

(Source: Malaysia External Trade Development Corporation (MATRADE))

4.3 Overview and Prospects of the Property Sector

Malaysian's gross domestic product (GDP) growth improved to 16.1% in Q2 2021 (Q1 2021: -0.5%) after four consecutive quarters of contraction. However, the strong growth for this quarter was also attributed to the low base recorded from the significant decline in Q2 2020 (-17.2%). The economic performance was supported mainly by the improvement in domestic demand and continued robust exports performance.

On a similar track to the country's economic growth, the property market performance recorded a significant increase in the first half of 2021 (H1 2021) as compared to the same period last year (H1 2020).

In the property segment, there were several incentives initiated by the government aim to improve property market activities under Budget 2021:

- (i) To allocate a total of RM1.2 billion fund for providing comfortable and quality housing, especially for the low-income group which include:
 - RM500 million to build 14,000 units low-cost housing under Program Perumahan Rakyat.
 - RM315 million for the construction of 3,000 units of Rumah Mesra Rakyat by Syarikat Perumahan Nasional Berhad.
 - RM125 million for the maintenance of low cost and medium-low stratified housing as well as assistance to repair dilapidated houses and those damaged by natural disasters; and
 - RM310 million for the Malaysia Civil Servants Housing Program (PPAM).
- (ii) Full stamp duty exemption on instruments of transfer and loan agreement for first-time home buyers will be extended until 31 December 2025. This exception is effective for sale and purchase executed from 1 January 2021 to 31 December 2025.
- (iii) Stamp duty exemption on loan agreement and instruments of transfer given to rescuing contractors and the original house purchasers is extended for five years. This exemption is effective for loan agreements and instruments of transfer executed from 1 January 2021 to 31 December 2025 for abandoned housing projects certified by Ministry of Housing and Local Government (KPKT).
- (iv) The Government to collaborate with selected financial institutions to provide a Rent-to-Own Scheme. The program will be implemented until 2022 involving 5,000 units PR1MA houses with a total value of more than RM1 billion.

The Short-term Economic Recovery Plan (PENJANA) which was introduced by the government since mid-2020 would have helped to cushion the impact of Covid-19 pandemic on property market in the second half of 2020 and 2021.

The Overnight Policy Rate (“OPR”) was reduced to 1.75% since July 2020 remained unchanged at 1.75% until July 2021. Low OPR means low costs for borrowing or refinancing an existing home loan that could help to stimulate the property market.

On the demand-side, the amount of loan application and total loan approval for the purchase of residential property in H1 2021 increased 86.0% and 92.6% respectively but the percentage of approval against application was moderate at 35.3%. For the nonresidential property, the amount of loan application and total loan approval saw similar pattern, increased by 52.6% and 58.9% respectively with an approval against application percentage of 34.4%

The property market performance recorded a significant increase in the first half of 2021 (H1 2021) compared to the same period last year (H1 2020). A total of 139,754 transactions worth RM62.01 billion were recorded, showing an increase of 21.0% in volume and 32.1% in value compared to the same period last year. Volume of transactions across the sub-sectors showed upward movements. Residential, commercial, industrial, agriculture and development land sub-sectors recorded year-on-year growths of 22.2%, 28.5%, 29.4%, 13.9% and 21.3% respectively. Value of transactions moved in tandem with residential, commercial, industrial, agriculture and development land sub-sectors recorded growths of 34.7%, 28.4%, 19.8%, 33.1% and 40.6% respectively. The residential sub-sector led the overall property market, with 65.8% contribution.

The acceleration of the National COVID-19 Immunisation Programme and the ability to achieve National Recovery Plan threshold across the states will see the reopening of more economic and social sectors in the fourth quarter of 2021. Supported by the implementation of various government initiatives and assistance, the property market is expected to be on the recovery path in line with the gradual economic recovery.

(Source: Property Market Report H1 2021, Valuation and Property Services Department Malaysia, Ministry of Finance Malaysia)

4.4 Prospects of TAFI Group

TAFI’s furniture business is mainly involved in the design, manufacturing and sale of home furniture, predominantly by undertaking OEM orders which is mainly exported overseas. In view of the uncertainties in the business environment caused by the recent pandemic, TAFI has re-evaluated and reassessed the Group’s furniture business to better adapt to the demand-supply situation within the furniture industry.

Our management is conscious that the pandemic had caused disruptions in the global supply chain, such as the shortage in containers and a steep hike in freight rates which will further compress the profit margins of the Group, that is predominantly export oriented. Arising therefrom, the Group is presently in the midst of exploring various initiatives to diversify its customer base for business continuity, including setting up renovation platform via collaboration with partners with online based subscription as well as penetrating into the project market to market and distribute kitchen cabinet and wardrobe system to increase the sales of furniture and accessories locally. Besides the Group is also actively tendering for government and non-government furniture supply contracts to further strengthen the performance of its furniture division.

Our Board continues to be cautiously optimistic on the mid-longer terms prospects of the furniture industry in line with the anticipated recovery of the global economy post pandemic. The resumption of business activities globally and improvement in consumer spending is expected to continue to fuel demand for furniture products.

Since diversification into property development, our Group had been focusing on the Habu Project, wherein the management anticipates that the development for this project will commence in year 2022. Subsequent thereto, the Group had further expanded its property development segment by entering into several joint venture agreements with different parties for the development of various property projects located mainly within the vicinity of Kuantan, Pahang, which have an estimated aggregate gross development value of RM621.5 million. Our Board continues to believe that whilst the overall property market had slowed down, there is still resilience in demand for residential properties that are within the medium price range located at strategic locations and with good connectivity.

(Source: Management of TAFI)

5. EFFECTS OF THE PROPOSALS

For illustrative purposes, it is assumed that all 2,540,500 Treasury Shares held as at the LPD are resold in the open market prior to the implementation of the Proposals.

5.1 Share capital

The proforma effects of the Proposals on the issued share capital of the Company are set out below:-

	No. of TAFI Shares	RM
Issued share capital as at the LPD (including 2,540,500 Treasury Shares)	126,475,700	69,765,072 ⁽ⁱ⁾
To be issued pursuant to the Proposed Bonus Issue of Shares	252,951,400	-
After the Proposed Bonus Issue of Shares	379,427,100	69,765,072
To be issued pursuant to the exercise of Warrants (up to)	63,237,850	37,942,710 ⁽ⁱⁱ⁾
Enlarged issued share capital	442,664,950	107,707,782

Notes:-

- (i) Calculated based on the illustrative exercise price of Warrants of RM0.60 per Warrant
- (ii) Calculated based on the assumption that the Treasury Shares are resold in the open market at cost

5.2 Earnings and EPS

The Proposals are not expected to have any material effect on the earnings of TAFI Group for the FYE 31 December 2021. However, assuming the net earnings of the TAFI Group remains unchanged, the EPS will be proportionally diluted as a result of the increase in the total number of TAFI Shares in issue upon the completion of the Proposals and as and when the Warrants are exercised into new TAFI Shares.

Based on the audited consolidated loss after tax for the FYE 31 December 2020 of RM9.4 million, the proforma effects of the Proposals on the loss per Share (“LPS”) are set out below:-

	As at the LPD	(I) After the Proposals	After (I) and the Full Exercise of the Warrants
No of TAFI Shares ('000)	126,476	379,427	442,665
LPS (sen)	7.47	2.49	2.13

THE REST OF THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

5.3 Substantial shareholders' shareholdings

The proforma effects of the Proposals on the shareholdings of the substantial shareholders of TAFI as at the LPD are set out below:-

	As at the LPD				After the Proposals ⁽ⁱⁱⁱ⁾			
	Direct		Indirect		Direct		Indirect	
	No. of TAFI Shares	% ⁽ⁱ⁾	No. of TAFI Shares	% ⁽ⁱ⁾	No. of TAFI Shares	%	No. of TAFI Shares	%
Armani Synergy	64,861,430	52.34	-	-	194,584,290	51.28	-	-
Dato' Sri Wong	1,529,920	1.23	64,861,430	52.34 ⁽ⁱⁱ⁾	4,589,760	1.21	194,584,290	51.28 ⁽ⁱⁱ⁾
Dato' Sri Andrew	1,273,680	1.03	64,861,430	52.34 ⁽ⁱⁱ⁾	3,821,040	1.01	194,584,290	51.28 ⁽ⁱⁱ⁾
Dato' Sri Azlan	55,000	0.04	64,861,430	52.34 ⁽ⁱⁱ⁾	165,000	0.04	194,584,290	51.28 ⁽ⁱⁱ⁾
Koperasi Permodalan Felda Malaysia 2 Berhad ("KPFM2")	12,647,570	10.21	-	-	37,942,710	10.00	-	-

	After (i) and full exercise of Warrants			
	Direct		Indirect	
	No. of TAFI Shares	%	No. of TAFI Shares	%
Armani Synergy	227,015,005	51.28	-	-
Dato' Sri Wong	5,354,720	1.21	227,015,005	51.28 ⁽ⁱⁱ⁾
Dato' Sri Andrew	4,457,880	1.01	227,015,005	51.28 ⁽ⁱⁱ⁾
Dato' Sri Azlan	192,500	0.04	227,015,005	51.28 ⁽ⁱⁱ⁾
KPFM2	44,266,495	10.20	-	-

Notes:-

- (i) Based on TAFI's issued share capital of 123,935,200 (excluding Treasury Shares) as at the LPD.
- (ii) Deemed interest by virtue of Section 8(4) of the Companies Act 2016 held through their shareholdings in Armani Synergy.
- (iii) Assuming the Treasury Shares have been resold at the open market.

5.4

NA and gearing

The proforma effects of the Proposals on the audited consolidated NA and gearing of the TAFI Group as at 31 December 2020 are set out below:-

	Audited as at 31 December 2020 RM	Adjustments for subsequent events up to LPD ⁽ⁱ⁾ RM	(i) After the Proposals RM	After (i) and the Full Exercise of Warrants ^(iv) RM
Share capital	42,809,166	69,765,072	69,765,072	107,707,782
Treasury Shares	(1,040,934)	^{-(v)}	-	-
Reserves	1,081,694	1,081,694	1,081,694	1,081,694
Accumulated losses	(11,364,194)	(11,864,194)	(12,064,194) ⁽ⁱⁱ⁾	(12,064,194)
Shareholders' fund / NA attributable to equity holders	31,485,732	58,982,572	58,782,572	96,725,950
No. of TAFI Shares in issue	77,459,500 ⁽ⁱⁱⁱ⁾	126,475,700 ^(v)	379,427,100	442,664,950
NA per Share (RM)	0.41	0.47	0.15	0.22
Total borrowings	1,204,323	^{-(vi)}	-	-
Gearing (times)	0.038	-	-	-

Notes:-

- (i) Incorporating the effects arising from the completion of TAFI's Rights Issue.
- (ii) After deducting the estimated expenses to be incurred in relation to the Proposals of approximately RM200,000.
- (iii) Excluding 2,540,500 Treasury Shares
- (iv) After the full exercise of Warrants at the illustrative exercise price of RM0.60 per Warrant
- (v) Assuming that the Treasury Shares are resold at a cost of RM1,040,934
- (vi) The proceeds raised from the Rights Issue has been utilized for *inter-alia*, working capital purposes, property development activities and to repay the borrowings, as set out in Section 2.3 of Part A of this Circular.

5.5

Convertible securities

The Company does not have any outstanding convertible securities as at the LPD.

6. INTERESTS OF THE DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

None of the directors, major shareholders and/or chief executive of the Company and/or persons connected with them has any interest, direct and/or indirect, in the Proposals, save for their respective entitlements as shareholders of TAFI under the Proposals, the rights of which are also available to all other Entitled Shareholders.

7. APPROVALS REQUIRED AND CONDITIONALITY

The Proposals are subject to the following approvals being obtained:-

- (i) Bursa Securities, which was obtained vide its letter dated on 27 December 2021, for the following:
 - (a) admission of Warrants to the official list of Bursa Securities;
 - (b) the listing of and quotation for up to 63,237,850 Warrants;
 - (c) the listing of and quotation for 252,951,400 Bonus Shares; and
 the listing of and quotation for up to 63,237,850 new TAFI Shares to be issued arising from the exercise of Warrants, on the Main Market of Bursa Securities;

The approval in principle by Bursa Securities is subject to the following conditions:-

No	Conditions Imposed	Status of Compliance
1	TAFI and AmInvestment Bank must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposals;	Noted
2	TAFI is required to furnish Bursa Securities with a certified true copy of the resolution passed by the shareholders at the EGM approving the Proposals;	To be complied
3	TAFI and AmInvestment Bank are required to inform Bursa Securities upon completion of the Proposals;	To be complied
4	TAFI to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposals are completed;	To be complied
5	TAFI and AmInvestment Bank to make the relevant announcements in accordance with Paragraphs 6.35(2)(a)&(b) and 6.35(4) of the Listing Requirements;	To be complied
6	TAFI and AmInvestment Bank are required to provide a written confirmation that the terms of the Warrants are in compliance with paragraph 6.54(3) of the Listing Requirements; and	To be complied
7	Payment of additional listing fees pertaining to the exercise of Warrants, if relevant. In this respect, TAFI is required to furnish Bursa Securities on a quarterly basis a summary of the total number of new shares listed pursuant to the exercise of Warrants as at the end of each quarter together with a detailed computation of the listing fees payable.	To be complied

- (ii) the shareholders of TAFI at an EGM of the Company to be convened; and
- (iii) any other relevant authorities/parties, if required.

The Proposed Bonus Issue of Warrants is conditional upon the Proposed Bonus Issue of Shares but not vice versa. The Proposals are not conditional upon any other proposals undertaken or to be undertaken by the Company.

8. ADVISER

AmInvestment Bank has been appointed as Principal Adviser to the Company for the Proposals.

9. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, having considered and deliberated on all aspects of the Proposals, including its rationale, effects and utilisation of proceeds is of the opinion that the Proposals are in the best interest of the Company.

Accordingly, the Board recommends that you vote in favour of the resolution(s) pertaining to the Proposals in the forthcoming EGM of the Company.

10. ESTIMATED TIMEFRAME FOR COMPLETION

Barring unforeseen circumstances and subject to the approvals of the relevant authorities being obtained, the Proposals are expected to be completed by the 1st quarter of calendar year 2022.

The tentative timeline in relation to the implementation of the Proposals is as follows:-

Date	Events
Mid January 2022	<ul style="list-style-type: none">• EGM for the Proposals• Announcement of Entitlement Date for the Proposals
Mid February 2022	<ul style="list-style-type: none">• Entitlement Date for the Proposals• Listing of and quotation for the Bonus Shares on the Main Market of Bursa Securities
End February 2022	<ul style="list-style-type: none">• Admission, listing and quotation of the Warrants on the Main Market of Bursa Securities

11. CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals, which is the subject matter of Part A of this Circular, our Board confirms that there are no other outstanding corporate proposals that have been announced but yet to be completed prior to the printing of this Circular.

12. EGM

The EGM, the notice of which is enclosed with this Circular, will be conducted entirely on a fully virtual basis through the online meeting platform of TIH Online website at <https://tiih.online> or <https://tiih.com.my> (Domain registration number with MYNIC: D1A282781) provided by Tricor Investor & Issuing House Services Sdn Bhd, Malaysia on 21 January 2022, Friday at 11:00 a.m. or at any adjournment thereof, to consider and, if thought fit, to pass the resolutions to give effect to the Proposals.

A member entitled to attend, participate, speak and vote at the EGM via the Remote Participation and Voting Facilities provided by Tricor at its TIIH Online website at <https://tiih.online>, is entitled to appoint a proxy or proxies to attend, participate, speak and vote on his/her behalf. As such, you are requested to complete, sign and return the enclosed Proxy Form in accordance with the instructions contained therein.

13. FURTHER INFORMATION

You are requested to refer to the enclosed appendices in Part A of this Circular for further information.

Yours faithfully
For and on behalf of the Board
TAFI INDUSTRIES BERHAD

DATO' SRI ONG CHEE KEAN
NON-INDEPENDENT NON-EXECUTIVE CHAIRMAN

1. DIRECTORS' RESPONSIBILITY STATEMENT

Part A of this Circular has been seen and approved by the Board and they collectively and individually accept full responsibility for the completeness and accuracy of the information contained in Part A of this Circular and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement in Part A of this Circular false or misleading.

2. CONSENTS AND CONFLICT OF INTEREST

AmInvestment Bank has given and has not subsequently withdrawn its consent to the inclusion in Part A of this Circular of its name and all references thereto in the form and context in which it appears in Part A of this Circular.

AmInvestment Bank is a wholly-owned subsidiary of AMMB Holdings Berhad. AMMB Holdings Berhad and its group of companies (collectively, "**AmBank Group**") form a diversified financial group and are engaged in a wide range of transactions relating to amongst others, investment banking, commercial banking, private banking, brokerage, securities trading, asset and funds management and credit transaction services businesses. AmBank Group's securities business is primarily in the areas of securities underwriting, trading and brokerage activities, foreign exchange, commodities and derivatives trade.

In the ordinary course of their businesses, any member of AmBank Group may at any time extend services to any company as well as hold long or short positions, and trade or otherwise effect transactions, for its own account or the account of its other clients, in debt or equity securities or senior loans of any company. Accordingly, there may be situations where parts of the AmBank Group and/or its clients now have or in the future, may have interests or take actions that may conflict with the interests of TAFI Group.

As at the LPD, AmBank Group has extended certain credit facilities amounting to approximately RM12.0 million to TAFI Group. The said facilities represent less than 0.01% as compared to the total audited loans, advances and financing of AmBank Group as at 31 March 2021.

Notwithstanding the above, AmInvestment Bank is of the opinion that its role as the Principal Adviser for the Proposals does not give rise to a conflict of interest or potential conflict of interest situation in view that the said credit facilities have been extended by AmBank Group in the ordinary course of its banking business and the terms and conditions of such facilities are not material in comparison with the total audited loans, advances and financing of AmBank Group as at 31 March 2021.

3. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

As at the LPD, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which may have a material effect on the financial position or business of our Group and our Board is not aware and does not have any knowledge of any proceedings pending or threatened against our Group, or of any facts likely to give rise to any proceedings which may materially affect the financial position or business of our Group.

APPENDIX I - FURTHER INFORMATION ON PART A OF THIS CIRCULAR (CONT'D)

4. HISTORICAL SHARE PRICES

The monthly highest and lowest closing market price of TAFI Shares traded on the Main Market of Bursa Securities for the past 12 months preceding the date of the Circular are set out as below:-

	Highest RM	Lowest RM
2020		
December	0.720	0.560
2021		
January	0.720	0.590
February	0.660	0.605
March	0.720	0.615
April	0.695	0.640
May	0.700	0.600
June	1.200	0.660
July	1.730	1.070
August	2.500	1.560
September	3.050	2.070
October	2.850	1.750
November	4.480	1.700
December (up to the LPD)	2.410	1.850
Last transacted market price on 6 December 2021 (being the last market day prior to the announcement of the Proposals)		2.130
Last transacted market price as at the LPD		2.220

(Source: Bloomberg)

5. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**5.1 Material commitments**

Save as disclosed below, as at the LPD, there are no material commitments incurred or know to be incurred, which may have a material impact on the financial results/position or business of TAFI Group:

	RM'000
Performance deposit ⁽¹⁾	2,850

Note:

(1) *The performance deposit to be paid in relation to the joint venture agreements entered into with third parties for its property development activities.*

5.2 Contingent liabilities

As at the LPD, the Board confirms that there are no contingent liabilities, incurred or known to be incurred, which may upon becoming enforceable, have any material impact on the financial results/position or business of the TAFI Group.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of TAFI at PLO 3, Kawasan Perindustrian Bukit Pasar, Mukim Sungai Raya, 84300 Bukit Pasir, Muar, Johor, during normal business hours from Monday to Friday (except public holidays) following the date of this Circular up to and including the date of the EGM:-

- (i) the constitution of TAFI;
- (ii) the audited consolidated financial statements of TAFI Group for the past two (2) FYEs 31 December 2019 and 31 December 2020 and the latest unaudited quarterly results of TAFI for the FPE 30 September 2021;
- (iii) the draft Deed Poll constituting the Warrants; and
- (iv) the letter of consent referred to in Section 2 of Appendix I of Part A of this Circular

APPENDIX II - FINANCIAL INFORMATION OF OUR GROUP

	Audited FYE 31 December			Unaudited Financial period ended ("FPE") 30 September 2021 (RM'000)
	2018 (RM'000)	2019 (RM'000)	2020 (RM'000)	
Revenue	22,897	27,196	29,387	24,893
Gross profit/(loss)	(548)	(72)	(4,661)	1,260
Profit/(Loss) before tax	(4,614)	(3,762)	(9,407)	2,288
Profit/(Loss) for the year/period	(4,614)	(3,811)	(9,447)	2,235
NA	44,543	40,933	31,486	60,677
Share capital (excluding treasury shares)	77,460	77,460	77,460	123,935
NA per share	0.58	0.53	0.41	0.49

Commentary on financial performance

FYE 31 December 2020 vs FYE 31 December 2019

For the FYE 31 December 2020, our Group's revenue recorded an increase of RM2.19 million or 8.06% compared to the corresponding FYE 31 December 2019 mainly due to receipt of sales order from a new major customer and increase in sales order from our existing customers in the United States of America ("USA") which may be attributed to the increase in global demand for home furniture products arising from the "work-from-home" trend as a result of the Covid-19 pandemic.

Notwithstanding the increase in revenue, our Group's gross loss ("GL") increased by RM4.59 million for the FYE 31 December 2020 mainly due to the following:-

- (i) impairment for slow moving inventories of RM2.01 million due to the discontinuation of certain models in our office furniture product offering;
- (ii) damaged inventories of RM1.27 million written off due to flood at our place of operation for our furniture segment located at Muar during the 3rd quarter of the financial year. For information purposes, our Group has successfully claimed against our insurance policy for the damages amounting to RM0.97 million; and
- (iii) increase in repair and maintenance cost of certain machineries amounting to an aggregate of RM0.12 million and additional labour cost of RM0.42 million for the hiring of extra manpower as well as additional overtime claims for our Group to clear its backlog sales orders arising from the production halt during MCO period.

Our Group recorded a higher LBT of RM9.41 million in the FYE 31 December 2020 as compared to loss before tax ("LBT") of RM3.76 million for the FYE 31 December 2019 mainly due to the aforementioned impairment/expenses as well as our Group recording an impairment loss for our older furniture manufacturing machineries of RM1.58 million.

In view of our Group loss after tax ("LAT") of RM9.45 million for the FYE 31 December 2020, our Group's NA had correspondingly decreased from RM40.93 million as at 31 December 2019 to RM31.49 million in 31 December 2020.

The abovementioned impairment and inventories write-off had also resulted in our Group's total assets to decrease from RM50.63 million as at 31 December 2019 to RM43.61 million as at 31 December 2020.

APPENDIX II - FINANCIAL INFORMATION OF OUR GROUP (CONT'D)

FYE 31 December 2019 vs FYE 31 December 2018

Our Group's revenue for the FYE 31 December 2019 recorded an increase of RM4.30 million or 18.78% as compared to the previous financial year mainly due to the introduction of knocked-down home furniture bedroom products, which enabled us to secure higher sales order from our customers in the Europe and USA during the year as well as the receipt of additional original equipment manufacturing ("OEM") orders from our existing customers in the USA.

The knocked-down home furniture products which incorporates production cost-saving features, allowed our Group to achieve higher margin which had resulted in our Group recording a lower GL from RM0.55 million (GL margin: 2.39%) in FYE 31 December 2018 to RM0.07 million (GL margin: 0.26%) in FYE 31 December 2019. In addition, the higher volume of OEM orders with shorter gestation period had also improved our production efficiency and has contributed to our Group's lower GL in FYE 31 December 2019.

The lower GL recorded in FYE 31 December 2019 coupled with lower administrative expenses incurred during the financial year primarily due to reduction in staff cost as a result resignation of management personnel, has resulted in our Group recording a lower loss after tax of RM3.81 million as compared to a loss after tax of RM4.61 million in the preceding year.

Our Group's NA decreased from RM44.54 million as at 31 December 2018 to RM40.93 million as at 31 December 2019 mainly due to the losses incurred during the year of RM3.61 million.

FPE 30 September 2021 vs FPE 30 September 2020

Our Group's revenue for FPE 30 September 2021 recorded an increase of RM4.36 million or 21.22% as compared to FPE 30 September 2020 mainly due to increase in sales orders from our existing customers and sales to new customers from Europe, Middle East and provision of furniture to local property development projects.

Our Company recorded PAT of RM2.24 million due to the following:

- (i) the recognition of gain on disposal of property, plant and equipment and its rights of use assets amounting to RM1.15 million;
- (ii) the recognition of gain from compensation of RM1.48 million from our customer due to cancellation of orders; and
- (iii) better profit margins realised resulting from the furniture sales to local property development projects.

Our Group's NA increased from RM31.49 million in FYE 31 December 2020 to RM60.68 million in FPE 30 September 2021 due to the completion of the Rights Issue of 46,475,700 Rights Shares at an issue price of RM0.58 per Rights Share.

PART B

**LETTER FROM THE BOARD TO THE SHAREHOLDERS IN RELATION TO THE
PROPOSED NEW SHAREHOLDERS' MANDATE**



TAFI INDUSTRIES BERHAD
(Registration No. 200401002432 (640935-P))
(Incorporated in Malaysia)

Registered Office:

PLO 3 Kawasan
Perindustrian Bukit Pasir
Mukim Sungai Raya
84300 Bukit Pasir, Muar
Johor

6 January 2022

Board of Directors

Dato' Sri Ong Chee Kean (*Non-Independent Non-Executive Chairman*)
Dato' Sri Azlan Bin Azmi (*Group Managing Director*)
Dato' Sri Wong Sze Chien (*Group Chief Executive Officer*)
Dato' Sri Andrew Lim Eng Guan (*Executive Director*)
Leong Boon Tik (*Senior Independent Non-Executive Director*)
Leong Sher-How (*Independent Non-Executive Director*)
Teh Soon Hin (*Independent Non-Executive Director*)

To: Our Shareholders

Dear Sir/Madam,

PROPOSED NEW SHAREHOLDERS' MANDATE

1. INTRODUCTION

As at 17th AGM of the Company held on 17 August 2021, the Company sought and obtained from its shareholders the general mandate for TAFI Group to enter into RRPTs of a revenue or trading nature in the ordinary course of business based on commercial terms which are not more favourable to the Related Parties than those generally available to the public and which are necessary for TAFI Group's day to day operations. The aforesaid mandate shall, in accordance with Listing Requirements, lapse at the conclusion of the forthcoming 18th AGM of the Company unless authority for its renewal is obtained from the shareholders.

The Company had on 10 December 2021 announced its intention to seek the shareholders' approval for the Proposed New Shareholders' Mandate at the EGM scheduled on Friday, 21 January 2022 at 11:00 a.m. The new RRPT Mandate was not tabled at the last AGM held on 17 August 2021 as the Company have just foreseen the opportunities to tap into more trading and project tenders, which will enhance the Group's revenue and profitability.

The purpose of Part B of this Circular is to provide you with information on the Proposed New Shareholders' Mandate and to seek your approval to the resolution pertaining to the Proposed New Shareholders' Mandate which will be tabled at the forthcoming EGM. The Notice of the EGM and the Proxy Form are enclosed in this Circular.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF PART B OF THIS CIRCULAR TOGETHER WITH THE ANNEXURES CONTAINED THEREIN BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED NEW SHAREHOLDERS' MANDATE AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED NEW SHAREHOLDERS' MANDATE

Pursuant to Paragraph 10.09(2) of the Listing Requirements and Practice Note 12 of the Listing Requirements, a listed company may seek a shareholders' mandate in respect of its RRPTs subject to the following:-

- i. the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- ii. the shareholder mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholder mandate during the financial year where, the aggregate value is equal to or more than the threshold prescribed under Paragraph 10.09(1) of the Listing Requirements.
- iii. the issuance of a circular to shareholders for the mandate from the shareholders of the Company;
- iv. in a meeting to obtain the shareholders' mandate, the Interested Directors, Interested Major Shareholders or Interested Persons Connected; and where it involves the interest of an Interested Person Connected with a Director or Major Shareholder, such Director or Major Shareholder, must not vote on the resolution to approve the transactions. An Interested Director or Interested Major Shareholder must also ensure that persons connected with him abstain from voting on the resolution approving the transactions; and
- v. immediate announcement to the Bursa Securities when the actual value of a RRPT entered into by TAFI, exceeds the estimated value of the RRPT disclosed in the Circular by 10% or more and must include information as may be prescribed by the Bursa Securities in its announcement.

Where a shareholder mandate pursuant to Paragraph 10.09(2) of the Listing Requirements has been procured, the provisions of Paragraph 10.08 of the Listing Requirements shall not apply.

The Proposed New Shareholders' Mandate, if approved at TAFI's EGM shall take effect from the passing of the ordinary resolution on the Proposed New Shareholders' Mandate at TAFI's EGM scheduled on 21 January 2022 and shall continue to be in force until:-

- i. the conclusion of the next AGM of the Company, following the general meeting at which such ordinary resolution is passed, at which time it shall lapse, unless by a resolution passed at such AGM, the authority conferred by this resolution is renewed; or
- ii. the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Act subject to such extension as may be allowed pursuant to Section 340(4) of the Act; or
- iii. revoked or varied by a resolution passed by the shareholders of the Company in a general meeting before the next AGM,

whichever is earlier.

3. PRINCIPAL ACTIVITIES OF TAFI GROUP

TAFI is principally an investment holding and provision of management services. The principal activities of subsidiaries of TAFI are as follows:-

Name of Company	Place of incorporation	Effective Equity Interest (%)	Principal activities
T.A. Furniture Industries Sdn Bhd	Malaysia	100	Manufacturing and marketing of furniture products
TAFI Development Sdn Bhd	Malaysia	100	Investment holdings, property development and construction activities
TAFI Home & Office Sdn Bhd (f.k.a Home & Office Furniture Sdn Bhd)	Malaysia	100	i. General contractors and construction works; and ii. General trading, manufacturing and exporting furniture
Subsidiaries of T.A. Furniture Industries Sdn Bhd			
Penquo Resources Sdn Bhd	Malaysia	100	Investment in properties
T.A. E-Furnishings Sdn Bhd	Malaysia	100	Trading of furniture products and provision of related services
Subsidiary of TAFI Development Sdn Bhd			
Gerak Mahir Sdn Bhd	Malaysia	100	Investment holdings, property development and construction activities

Due to the diversity of TAFI Group, it is anticipated that TAFI Group would, in the normal course of business, to enter into transactions with the Related Parties, details of which are set out in Section 5 below. It is likely that such transactions will occur with some degree of frequency and could arise at any time.

In view of the time-sensitive and frequent nature of such RRPT, the Board proposes to seek the shareholders' approval for the Proposed New Shareholders' Mandate for the TAFI Group to enter into transactions in the normal course of business within the classes of Related Parties set out in Section 5 below, provided such transactions are entered into at arm's length and on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not detrimental to the minority shareholders. Such mandate will enable the Group to enter into the RRPTs without the necessity, in most instances, to make the otherwise announcement or to convene meetings in order to procure specific prior approval of its shareholders. The RRPTs will also be subject to the review procedures set out in Section 6 below.

4. NATURE OF TRANSACTIONS

Principal activities of the Related Parties are as follows:-

Related Parties	Principal Activities
Golden Armani Sdn Bhd	Property development, construction, money lending services
Mercu Majuniaga Sdn Bhd	Building contractor
Sg. Besi Construction Sdn Bhd	Building construction and property developer
Erayear Properties Sdn Bhd	Property development
Metro Garden Cameron Sdn Bhd	Property development
Grand Golden Development Sdn Bhd	Real property and housing development

THE REST OF THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

5. DETAILS OF THE PROPOSED NEW SHAREHOLDERS' MANDATE

New Recurrent Transactions to be entered into between TAFI Group with the following related parties for which the Proposed New Shareholders' Mandate is sought are as follows: -

New Related Party	Nature of Transaction	Interested Directors, Major Shareholders and Persons Connected	*Estimated Value for Proposed New Mandate from the date of TAFI's EGM on 21 January 2022 to the date to next AGM RM'000
Golden Armani Sdn Bhd	TAFI Group selling of furniture, fittings, household decoration and related products either on a trading or project basis to Golden Armani Sdn Bhd	<p><u>Interested Major Shareholder</u> ASSB⁽ⁱ⁾</p> <p><u>Interested Directors</u> Dato' Sri Azlan^{(ii) & (v)} Dato' Sri Wong⁽ⁱⁱⁱ⁾ Dato' Sri Andrew^(iv)</p>	20,000
Mercu Majuniaga Sdn Bhd	TAFI Group selling of:- i. wood products, building and construction related materials; and ii. furniture, fittings, household decoration and related products either on a trading or project basis to Mercu Majuniaga Sdn Bhd	<p><u>Interested Major Shareholder</u> ASSB⁽ⁱ⁾</p> <p><u>Interested Directors</u> Dato' Sri Azlan^{(ii) & (vi)} Dato' Sri Wong^{(iii) & (vii)} Dato' Sri Andrew^(iv)</p>	50,000

5. DETAILS OF THE PROPOSED NEW SHAREHOLDERS' MANDATE (Cont'd)

New Related Party	Nature of Transaction	Interested Directors, Major Shareholders and Persons Connected	*Estimated Value for Proposed New Mandate from the date of TAFI's EGM on 21 January 2022 to the date to next AGM RM'000
Sg. Besi Construction Sdn Bhd	TAFI Group selling of furniture, fittings, household decoration and related products either on a trading or project basis to Sg. Besi Construction Sdn Bhd	<u>Interested Major Shareholder</u> ASSB ⁽ⁱ⁾ <u>Interested Directors</u> Dato' Sri Azlan ⁽ⁱⁱ⁾ & ^(viii) Dato' Sri Wong ⁽ⁱⁱⁱ⁾ & ^(ix) Dato' Sri Andrew ^(iv)	20,000
Erayear Properties Sdn Bhd	TAFI Group selling of furniture, fittings, household decoration and related products either on a trading or project basis to Erayear Properties Sdn Bhd	<u>Interested Major Shareholder</u> ASSB ⁽ⁱ⁾ <u>Interested Directors</u> Dato' Sri Azlan ⁽ⁱⁱ⁾ & ^(x) Dato' Sri Wong ⁽ⁱⁱⁱ⁾ & ^(xi) Dato' Sri Andrew ^(iv)	20,000
Metro Garden Cameron Sdn Bhd	TAFI Group selling of furniture, fittings, household decoration and related products either on a trading or project basis to Metro Garden Cameron Sdn Bhd	<u>Interested Major Shareholder</u> ASSB ⁽ⁱ⁾ <u>Interested Directors</u> Dato' Sri Azlan ⁽ⁱⁱ⁾ & ^(xii) Dato' Sri Wong ⁽ⁱⁱⁱ⁾ & ^(xiii) Dato' Sri Andrew ^(iv)	20,000

5. DETAILS OF THE PROPOSED NEW SHAREHOLDERS' MANDATE (Cont'd)

New Related Party	Nature of Transaction	Interested Directors, Major Shareholders and Persons Connected	*Estimated Value for Proposed New Mandate from the date of TAFI's EGM on 21 January 2022 to the date to next AGM RM'000
Grand Golden Development Sdn Bhd	TAFI Group selling of furniture, fittings, household decoration and related products either on a trading or project basis to Grand Golden Development Sdn Bhd	<p><u>Interested Major Shareholder</u></p> <p>ASSB⁽ⁱ⁾</p> <p><u>Interested Directors</u></p> <p>Dato' Sri Azlan ⁽ⁱⁱ⁾ & ^(xiv)</p> <p>Dato' Sri Wong ⁽ⁱⁱⁱ⁾ & ^(xv)</p> <p>Dato' Sri Andrew^(iv)</p>	20,000

Notes:

* The estimated value of transactions is based on management's estimation of the value of transactions to be undertaken for the period from the EGM to the next AGM. However, the actual value of the transactions may be subject to changes.

5. DETAILS OF THE PROPOSED NEW SHAREHOLDERS' MANDATE (Cont'd)

Related Parties and Nature of Relationship

- i. ASSB is the major shareholder of TAFI with a direct interest of 52.34% as at the LPD.
- ii. Dato' Sri Azlan is the Group Managing Director of TAFI and a major shareholder of TAFI with a direct interest of 0.04% and a deemed interest of 52.34% by virtue of his interest in ASSB, pursuant to Section 8 of the Act as at the LPD.
- iii. Dato' Sri Wong is the Group Chief Executive Officer of TAFI and a major shareholder of TAFI with a direct interest of 1.23% and a deemed interest of 52.34% by virtue of his interest in ASSB, pursuant to Section 8 of the Act as at the LPD. Dato' Sri Wong is a cousin of Dato' Sri Andrew.
- iv. Dato' Sri Andrew is the Executive Director of TAFI and a major shareholder of TAFI with a direct interest of 1.03% and a deemed interest of 52.34% by virtue of his interest in ASSB, pursuant to Section 8 of the Act as at the LPD. Dato' Sri Andrew is a cousin of Dato' Sri Wong.
- v. Dato' Sri Azlan is a Director and shareholder of Golden Armani Sdn Bhd with having a direct equity interest of 99.99% as at the LPD.
- vi. Dato' Sri Azlan is a Director of Mercu Majuniaga Sdn Bhd as at the LPD.
- vii. Dato' Sri Wong is a Director and shareholder of Mercu Majuniaga Sdn Bhd with having a direct equity interest of 62.5% as at the LPD.
- viii. Dato' Sri Azlan is a Director and shareholder of Sg. Besi Construction Sdn Bhd with having a direct equity interest of 25.5% as at the LPD.
- ix. Dato' Sri Wong is a Director and shareholder of Sg. Besi Construction Sdn Bhd with having a direct equity interest of 25.5% as at the LPD.
- x. Dato' Sri Azlan is a Director and shareholder of Erayear Properties Sdn Bhd with having a direct equity interest of 30.0% as at the LPD.
- xi. Dato' Sri Wong is a Director and shareholder of Erayear Properties Sdn Bhd with having a direct equity interest of 50.0% as at the LPD.
- xii. Dato' Sri Azlan is a Director of Metro Garden Cameron Sdn Bhd as at the LPD.
- xiii. Dato' Sri Wong is a Director of Metro Garden Cameron Sdn Bhd as at the LPD.
- xiv. Dato' Sri Azlan is a Director and shareholder of Grand Golden Development Sdn Bhd with having a direct equity interest of 40.0% as at the LPD.
- xv. Dato' Sri Wong is a Director and shareholder of Grand Golden Development Sdn Bhd with having a direct equity interest of 60.0% as at the LPD.

6. REVIEW METHODS OR PROCEDURES FOR RRPT(S)

The following review procedures have been formalised to ensure that the RRPTs contemplated under the Proposed New Shareholders' Mandate are undertaken on transaction prices and terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of TAFI:-

(a) Identification

- (i) A list of the Related Parties will be circulated to all heads of department within the TAFI Group to notify that all transactions with the Related Parties are required to be undertaken on an arm's length basis, under normal commercial terms consistent with the Group's business practices and policies and on terms not more favourable to the Related Party(ies) than those generally available to the public and, are not to the detriment of the minority shareholders of TAFI.
- (ii) All companies within the TAFI Group are required to inform the management before entering into any RRPTs other than those entered into pursuant to the Proposed New Shareholders' Mandate. In addition, all heads of department are advised to report to the Management all transactions involving Related Parties who will monitor and report to the Audit Committee for review on a quarterly basis.

(b) Authorisation

- (i) The pricing methods and procedures of the transactions are to be determined by market forces, under similar commercial terms for transactions with third parties that depend on the demand and supply, quality and the availability of the products.
- (ii) All types of RRPTs are carried out at arm's length and under the Group's normal commercial terms, and are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of TAFI Group.
- (iii) The Related Parties and Directors who are deemed interested have been advised of their responsibilities and obligations under the relevant Listing Requirements, the Group's policy and procedures for RRPTs.
- (iv) If a member of the Board or Audit Committee has an interest, direct or indirect, in any RRPT(s), he shall abstain from any decision-making by the Board or Audit Committee in respect of the said transaction(s).
- (v) Where a transaction is valued at more than RM500,000, it will be notified to Audit Committee and subject to approval by the Board. Where a transaction is valued at RM500,000 or less, it will be approved by a senior management staff who has been identified for this purpose and who shall have no interest in the transaction and notify to Audit Committee.
- (vi) Wherever practicable and/or feasible, at least two (2) other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities will be used as comparison wherever possible, to determine whether the price and terms offered to/by the Related Parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantial similar type of products/services and/or quantities.
- (vii) In the event that quotations or comparative pricing from unrelated third parties cannot be obtained for the proposed transactions, the management will rely on the usual business norms and practices taking into account the efficiency, quality and type of support services to be provided to ensure that the RRPTs are not detrimental to the TAFI Group.

6. REVIEW METHODS OR PROCEDURES FOR RRPT(S) *(Cont'd)*

(c) Monitoring and Reporting

- (i) A register shall be maintained by the respective companies within the TAFI Group to record all RRPTs, which are entered into pursuant to the Proposed New Shareholders' Mandate.
- (ii) All RRPTs shall be reported to the Audit Committee on a quarterly basis together with the quarterly financial reports.
- (iii) Audit Committee will review the existing procedures, on an annual basis and as and when required, to ensure that the RRPTs are at all times carried out on commercial terms consistent with the TAFI Group's usual business practices and policies.

7. OUTSTANDING RRPT RECEIVABLES

As at the LPD, there was no amount due and owing to the Group by any Related Party pursuant to any RRPT(s) that has exceeded the credit term.

8. STATEMENT BY THE AUDIT COMMITTEE

The Audit Committee of the Company has seen and reviewed the procedures laid down in respect of RRPTs as set out in Section 6 above and are satisfied that the said procedures are sufficient to ensure that the RRPTs will be undertaken:

- on arm's length basis;
- under normal commercial terms consistent with the Group's business practices and policies;
- on terms not more favourable to the Related Parties than those generally available to the public; and
- not to the detriment of the minority shareholders of the Company.

In addition, the Audit Committee is of the view that the Group has put in place adequate procedures and processes to monitor, track and identify RRPTs in a timely and orderly manner, and will at its discretion, amend the guidelines and procedures which are no longer appropriate or adequate, to ensure that the RRPTs are at all times carried out on terms consistent with the Company's practices and are not to the detriment of the minority shareholders. These procedures and processes are reviewed at least once a year.

The Audit Committee of the Company, comprising the following members as at the LPD, after having considered all relevant aspects of the Proposed New Shareholders' Mandate including the rationale and effects of the Proposed New Shareholders' Mandate, is of the opinion that the Proposed New Shareholders' Mandate are in the best interest of the TAFI Group and are fair and reasonable:-

Members of the Audit Committee

- (i) Teh Soon Hin (*Chairman/Independent Non-Executive Director*)
- (ii) Leong Boon Tik (*Member/Senior Independent Non-Executive Director*)
- (iii) Leong Sher-How (*Member/Independent Non-Executive Director*)
- (iv) Dato' Sri Ong Chee Kean (*Member/Non-Independent Non-Executive Chairman*)

9. DISCLOSURE IN ANNUAL REPORT

The Company will make the required disclosure in the Annual Report for the subsequent financial year during the Proposed New Shareholders' Mandate is in force, providing amongst others, the following information:-

- (i) type of RRPT made;
- (ii) the names of the Related Parties involved in each type of RRPT, and their relationships with the Company; and
- (iii) the value of the transactions.

10. RATIONALE OF THE PROPOSED NEW SHAREHOLDERS' MANDATE AND BENEFIT TO THE COMPANY

The RRPTs set out in Section 5 of Part B of this Circular are likely to continue to occur with some degree of frequency from time to time. By obtaining the Proposed New Shareholders' Mandate, the Company will not need to convene separate meetings from time to time to seek the approval of its shareholders as and when potential RRPTs with the specific classes of Related Parties arise, thereby reducing substantial administrative time and expenses in convening such shareholder meetings. It would also benefit the Group by enabling it to realise business opportunities as and when they become available, in a timely and effective manner.

The RRPTs are intended to meet the business needs of the Group at the best possible terms. By transacting with the Related Parties, the Group would have an advantage of familiarity with the background, financial wellbeing and management of the Related Parties thus enabling more informed commercial decisions to be made. In most dealings with the Related Parties, the Group and the Related Parties have a good understanding of each other's business needs and expectations thereby providing a platform where all parties can benefit from conducting the RRPTs.

11. EFFECTS OF THE PROPOSED NEW SHAREHOLDERS' MANDATE

The Proposed New Shareholders' Mandate are administrative in nature and are therefore not expected to have any effect on the issued and paid-up capital, major shareholders' shareholdings and any material effect on the consolidated net assets, consolidated earnings per share and consolidated gearing of TAFI.

12. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

Save as disclosed in Section 5 of Part B of this Circular, none of the other Directors and/or Major Shareholders and/or persons connected to them has any interest, direct or indirect, in the Proposed New Shareholders' Mandate.

Based on the Register of Substantial Shareholders of the Company as at the LPD, the direct and indirect shareholdings of the substantial shareholders, Directors of TAFI and person connected to them are as follows:

Names	As at LPD			
	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
<u>Substantial Shareholders</u>				
ASSB	64,861,430	52.34	-	-
Koperasi Permodalan Felda Malaysia 2 Berhad	12,647,570	10.21		

12. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM (CONT'D)

Names	As at LPD			
	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
<u>Interested Major Shareholder</u>				
ASSB	64,861,430	52.34	-	-
<u>Interested Directors</u>				
Dato' Sri Azlan	55,000	0.04	64,861,430 ⁽¹⁾	52.34
Dato' Sri Wong	1,529,920	1.23	64,861,430 ⁽¹⁾	52.34
Dato' Sri Andrew	1,273,680	1.03	64,861,430 ⁽¹⁾	52.34

Notes:

(1) Deemed interested by virtue of his interest in ASSB pursuant to Section 8 of the Act.

The Interested Directors, Dato' Sri Azlan, Dato' Sri Wong and Dato' Sri Andrew, have and shall continue to abstain from all deliberations and voting at the Board meetings pertaining to the Proposed New Shareholders' Mandate.

The Interested Directors and Interested Major Shareholder, i.e. Dato' Sri Azlan, Dato' Sri Wong, Dato' Sri Andrew and ASSB as disclosed in Section 5 of Part B of this Circular have undertaken that they will abstain from voting in respect of their direct and/or indirect shareholdings in TAFI on the ordinary resolution pertaining to the Proposed New Shareholders' Mandate at the forthcoming EGM. They further undertake to ensure that Persons Connected to them will abstain from voting in respect of their direct and indirect shareholdings in the Company, deliberating or approving the Proposed New Shareholders' Mandate.

13. APPROVALS REQUIRED

The Proposed New Shareholders' Mandate is conditional upon the approval of the shareholders of the Company being obtained at the forthcoming EGM to be convened.

14. BOARD'S RECOMMENDATION

The Board, (except for Dato' Sri Azlan, Dato' Sri Wong and Dato' Sri Andrew who are the Interested Directors in respect of the Proposed New Shareholders' Mandate as set out in Section 5 of Part B of this Circular) having taken in consideration all aspects of the Proposed New Shareholders' Mandate, are of the opinion that the Proposed New Shareholders' Mandate are in the best interest of the Group. Accordingly, the Board (save for Dato' Sri Azlan, Dato' Sri Wong and Dato' Sri Andrew) do recommends that the shareholders vote in favour of the resolution pertaining to the aforementioned Proposed New Shareholders' Mandate to be tabled at the TAFI's EGM.

15. EGM

The EGM, the Notice of which is enclosed with this Circular, will be conducted entirely on a fully virtual basis through the online meeting platform of TIIH Online website at <https://tiih.online> or <https://tiih.com.my> (Domain registration number with MYNIC: D1A282781) provided by Tricor Investor & Issuing House Services Sdn Bhd, Malaysia on 21 January 2022 at 11:00 a.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing, with or without any modifications, the resolution by way of poll to give effect to the Proposed New Shareholders' Mandate.

15. EGM (Cont'd)

If you are unable to participate at the EGM, you may complete and return the Proxy Form contained in this Circular in accordance with the instructions printed thereon, to reach at the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or submitted electronically through TIIH Online at <https://tiih.online> (applicable to individual shareholders only) not less than forty-eight (48) hours before the time for holding the EGM or at any adjournment thereof.

The lodging of the Proxy Form will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

16. FURTHER INFORMATION

Please refer to the enclosed annexures in Part B of this Circular for further information.

Yours faithfully,
For and on behalf of the Board of
TAFI INDUSTRIES BERHAD

DATO' SRI ONG CHEE KEAN
Non-Independent Non-Executive Chairman

ANNEXURE I – FURTHER INFORMATION ON PART B OF THIS CIRCULAR

1. DIRECTORS' RESPONSIBILITY STATEMENT

Part B of this Circular has been seen and approved by the Board of TAFI who collectively and individually accept full responsibility for the accuracy and correctness of the information contained herein and they further confirm that, after having made all reasonable enquiries, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

2. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

As at the LPD, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which may have a material effect on the financial position or business of our Group and our Board is not aware and does not have any knowledge of any proceedings pending or threatened against our Group, or of any facts likely to give rise to any proceedings which may materially affect the financial position or business of our Group.

3. MATERIAL CONTRACTS

Save the material contracts as disclosed as below, neither TAFI nor its subsidiaries have entered into any material contracts (not being contract entered into in the ordinary course of business) within the past two (2) years immediately preceding the date of this Circular: -

- (i) A sale and purchase agreement dated 25 June 2020 between T.A. Furniture Industries Sdn Bhd (a wholly owned subsidiary of TAFI) (as vendor) and Tee Chin Hock, Pong Jun Chao and Tee Ai Leen (as purchasers) for the disposal of all that piece of land held under Title No. HS(D) 2131, Lot No. PTD 4564, Mukim Kesang, District of Tangkak, Negeri Johor, Malaysia measuring approximately 0.2023 hectares together with a unit of single storey leasehold factory building with a guard house and a TNB-substation erected thereon bearing postal address of K57, Jalan Perindustrian 8, Tanjung Agas Industrial Estate, 84000 Muar, Johor, Malaysia for a consideration of RM1,480,000.00.

The sale and purchase transaction has been completed as at the LPD.

- (ii) Joint development agreement dated 5 November 2020 (as supplemented by a letter dated 19 November 2021) between TAFI Development Sdn Bhd (a wholly owned subsidiary of TAFI) and E Prompt Sdn Bhd in respect of the Habu Project to jointly develop a portion of a freehold land measuring in aggregate approximately 33 acres forming part of a parcel of land held under Geran No. Pendaftaran 2700, Lot 457, Mukim Ringlet, District of Cameron Highlands, State of Pahang measuring approximately 47 acres into a mixed development project which is proposed to comprise of, amongst others, town houses, apartments and commercial shops.

The joint development agreement has yet to be completed as at the LPD.

- (iii) A sale and purchase agreement dated 6 November 2020 between T.A. Furniture Industries Sdn Bhd (a wholly owned subsidiary of TAFI) (as vendor) and Huan Kok Siang and Ng Chiew Hoon (as purchasers) for the disposal of all that piece of the following leasehold industrial lands for a total consideration of RM1,312,500.00:-
 - (a) H.S.(D) 2266, P.T.D. 4798, Mukim Kesang, District of Muar, State of Johor, Malaysia, measuring approximately 687,947 square metres together with a factory building known as No. K 35, Jalan Tanjong Agas, Kawasan Industri Tanjong Agas, 84000 Muar, Johor, Malaysia.

3. MATERIAL CONTRACTS (Cont'd)

- (b) H.S.(D) 2270, P.T.D. 4799, Mukim Kesang, District of Muar, State of Johor, Malaysia, measuring approximately 687,947 square metres together with a factory building known as No. K 36, Jalan Tanjong Agas, Kawasan Industri Tanjong Agas, 84000 Kesang, Tangkak, Johor, Malaysia; and
- (c) H.S.(D) 2274, P.T.D. 4800, Mukim Kesang, District of Muar, State of Johor, Malaysia, measuring approximately 687,947 square metres together with a factory building known as No. K 37, Jalan Tanjong Agas, Kawasan Industri Tanjong Agas, 84000 Muar, Johor, Malaysia.

The sale and purchase transactions have been completed as at the LPD.

- (iv) A joint venture agreement dated 22 September 2021 between Jaringan Fajar Sdn Bhd and Gerak Mahir Sdn Bhd (an indirectly wholly owned subsidiary of TAFI) in respect of the development of a land measuring approximately 61.76 acres at Bukit Pelindung, Mukim Kuala Kuantan, Daerah Kuantan, Negeri Pahang, Malaysia into a mix development project at Gerak Mahir Sdn Bhd's own costs and expenses.

The joint venture agreement has yet to be completed as at the LPD.

- (v) A joint venture agreement dated 22 September 2021 between Kotamas Development (M) Sdn Bhd and Gerak Mahir Sdn Bhd (an indirectly wholly owned subsidiary of TAFI) in respect of the development of a land measuring approximately 32.5 acres at Batu 14, Jalan Kuantan-Gambang, Mukim Kuala Kuantan, Daerah Kuatan, Negeri Pahang, Malaysia into a mix development project at Gerak Mahir Sdn Bhd's own costs and expenses.

The joint venture agreement has yet to be completed as at the LPD.

- (vi) A joint venture agreement dated 22 September 2021 between Pembinaan Alamku Sdn Bhd and Gerak Mahir Sdn Bhd (an indirectly wholly owned subsidiary of TAFI) in respect of the development of a land measuring approximately 118 acres at Kg. Baging, Mukim Sungai Karang, Daerah Kuantan, Negeri Pahang, Malaysia into a mix development project at Gerak Mahir Sdn Bhd's own costs and expenses.

The joint venture agreement has yet to be completed as at the LPD.

- (vii) A joint venture agreement dated 22 September 2021 between Pembinaan Alamku SdnBhd and Gerak Mahir Sdn Bhd (an indirectly wholly owned subsidiary of TAFI) in respect of the development of a land measuring approximately 125 acres at Chendor, Mukim Sungai Karang, Daerah Kuantan, Negeri Pahang, Malaysia into a mix development project at Gerak Mahir Sdn Bhd's own costs and expenses.

The joint venture agreement has yet to be completed as at the LPD.

- (viii) A joint venture agreement dated 22 September 2021 between Pembinaan I-ONE Sdn Bhd and Gerak Mahir Sdn Bhd (an indirectly wholly owned subsidiary of TAFI) in respect of the development of a land measuring approximately 80.7041 acres at Mukim Penor, Daerah Kuantan, Negeri Pahang, Malaysia into a mix development project at Gerak Mahir's own costs and expenses.

The joint venture agreement has yet to be completed as at the LPD.

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at TAFI at PLO 3, Kawasan Perindustrian Bukit Pasar, Mukim Sungai Raya, 84300 Bukit Pasir, Muar, Johor, Malaysia during business hours from 9:00 a.m. to 5:00 p.m. from Mondays to Fridays (excluding public holidays) for the period commencing from the date of this Circular up to and including the date of our forthcoming EGM:-

- (i) the Constitution of the Company;
- (ii) the audited consolidated financial statements of our Group for the past two (2) financial year ended 31 December 2019 and year ended 31 December 2020;
- (iii) the quarterly report for the financial period ended 30 September 2021 disclosed in Annexure II; and
- (vi) the material contracts referred to in Section 3 of this Annexure I.

ANNEXURE II – QUARTERLY REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021

TAFI INDUSTRIES BERHAD
Company No. 200401002432 (640935-P)

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 SEPTEMBER 2021
(The figures have not been audited)**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.09.2021	Preceding Year Corresponding Quarter 30.09.2020	Current Year To Date 30.09.2021	Preceding Year Corresponding Period 30.09.2020
	RM'000	RM'000	RM'000	RM'000
Revenue	9,641	9,007	24,893	20,535
Cost of sales	(8,816)	(9,604)	(23,633)	(21,714)
Gross profit	<u>825</u>	<u>(597)</u>	<u>1,260</u>	<u>(1,179)</u>
Operating expenses	(661)	(1,486)	(2,900)	(3,250)
Other Income	1,706	53	3,895	248
Profit/(Loss) from operations	<u>1,870</u>	<u>(2,030)</u>	<u>2,255</u>	<u>(4,181)</u>
Interest expense	(21)	-	(65)	(25)
Interest income	73	10	98	61
Profit/(Loss) before taxation	<u>1,922</u>	<u>(2,020)</u>	<u>2,288</u>	<u>(4,145)</u>
Taxation	-	5	(53)	5
Profit/(Loss) for the period	<u>1,922</u>	<u>(2,015)</u>	<u>2,235</u>	<u>(4,140)</u>
Other comprehensive income/(expenses)	-	-	-	-
Other comprehensive income for the period, net of tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE PROFIT/(LOSS)	<u><u>1,922</u></u>	<u><u>(2,015)</u></u>	<u><u>2,235</u></u>	<u><u>(4,140)</u></u>
Profit/(Loss) for the period attributable to :				
Owners of the Company	1,922	(2,015)	2,235	(4,140)
Non-controlling interests	-	-	-	-
	<u>1,922</u>	<u>(2,015)</u>	<u>2,235</u>	<u>(4,140)</u>
Profit/(Loss) per share (sen)				
- Basic	<u>1.55</u>	<u>(2.60)</u>	<u>2.31</u>	<u>(5.35)</u>
- Diluted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Condensed Consolidated Statements of Profit Or Loss And Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.

**ANNEXURE II – QUARTERLY REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021
(CONT'D)**

TAFI INDUSTRIES BERHAD
Company No. 200401002432 (640935-P)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2021
(The figures have not been audited)

	As At End Of Current Quarter 30.09.2021	As At Preceding Financial Year Ended 31.12.2020
	RM'000	RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	18,022	19,438
Right-of-use assets	370	388
Investment properties	5,830	5,830
Total non-current assets	<u>24,222</u>	<u>25,656</u>
Current assets		
Inventories	13,105	9,095
Trade and other receivables	13,211	3,387
Current tax assets	2	2
Short term and fixed deposits, cash and bank balances	15,453	4,872
	<u>41,771</u>	<u>17,356</u>
Assets held for sale	-	596
TOTAL ASSETS	<u>65,993</u>	<u>43,608</u>
EQUITY AND LIABILITIES		
Equity - attributable to owners of the Company		
Issue capital	69,765	42,809
Treasury shares, at cost	(1,041)	(1,041)
Reserves	(8,047)	(10,282)
Total equity	<u>60,677</u>	<u>31,486</u>
Non-current liability		
Deferred tax liability	152	152
Borrowings	-	498
	<u>152</u>	<u>650</u>
Current liabilities		
Trade and other payables	5,067	10,722
Borrowings	-	706
Tax Liability	97	44
	<u>5,164</u>	<u>11,472</u>
Total liabilities	<u>5,316</u>	<u>12,122</u>
TOTAL EQUITY AND LIABILITIES	<u>65,993</u>	<u>43,608</u>
Net assets per share attributable to owners of the Company (RM)	0.63	0.41

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.

**ANNEXURE II – QUARTERLY REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021
(CONT'D)**

TAFI INDUSTRIES BERHAD
Company No. 200401002432 (640935-P)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE QUARTER ENDED 30 SEPTEMBER 2021**
(The figures have not been audited)

	Current Financial period ended 30.09.2021	Preceding Year Corresponding Period 30.09.2020
	RM'000	RM'000
Cash flows (used in)/from operating activities		
Profit / (Loss) before tax	2,288	(4,145)
Adjustments for:		
Non-cash & non-operating items	(288)	1,586
Operating profit /(loss) before working capital changes	<u>2,000</u>	<u>(2,559)</u>
(Increase) / Decrease in working capital		
Inventories	(3,284)	(83)
Trade and other receivables	(9,385)	(561)
Trade and other payables	(5,904)	1,668
	<u>(16,573)</u>	<u>(1,535)</u>
Cash generated from / (used in) operations	(16,573)	(1,535)
Income tax paid/refund	-	-
Interest paid	(64)	(25)
Net cash generated from / (used in) operating activities	<u>(16,637)</u>	<u>(1,560)</u>
Cash flows generated from / (used in) investing activities		
Proceeds from disposal of property, plant and equipment	1,749	47
Purchase of property, plant and equipment	(192)	(105)
Interest received	98	61
Advance from immediate and ultimate holding company	1,200	-
Repayment to former Director	(1,390)	-
Net cash generated from / (used in) investing activities	<u>1,465</u>	<u>3</u>
Cash flows used in financing activities		
Term Loan	(927)	-
Share Capital	26,956	-
Hire Purchase	(277)	-
Repayment of term loan	-	(241)
Net cash used in financing activities	<u>25,752</u>	<u>(241)</u>
Net increase/(decrease) in cash and cash equivalents	10,580	(1,798)
Cash and cash equivalents at beginning of period	4,873	6,507
Cash and cash equivalents at end of the period	<u>15,453</u>	<u>4,709</u>
Cash and cash equivalents at end of the period comprise:		
Cash and bank balances	15,453	1,116
Deposits in the licensed bank	-	3,593
	<u>15,453</u>	<u>4,709</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.

**ANNEXURE II – QUARTERLY REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021
(CONT'D)**

TAFI INDUSTRIES BERHAD
Company No. 200401002432 (640935-P)

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 SEPTEMBER 2021
(The figures have not been audited)**

	Attributable to owners of the Company					Total Equity RM'000
	Share Capital RM'000	Treasury Shares RM'000	Revaluation Reserve RM'000	Retained Profit RM'000	Distributable reserves Accumulated Loss RM'000	
At 1 January 2020	42,809	(1,041)	201	925	(1,961)	40,933
Total comprehensive loss	-	-	-	(45)	(9,402)	(9,447)
At 31 December 2020	<u>42,809</u>	<u>(1,041)</u>	<u>201</u>	<u>880</u>	<u>(11,363)</u>	<u>31,486</u>
At 1 January 2021	42,809	(1,041)	201	880	(11,363)	31,486
Total Right Issue	26,956	-	-	-	-	26,956
Total comprehensive income / (loss)	-	-	-	-	2,235	2,235
At 30 September 2021	<u>69,765</u>	<u>(1,041)</u>	<u>201</u>	<u>880</u>	<u>(9,128)</u>	<u>60,677</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.

TAFI INDUSTRIES BERHAD
Company No. 200401002432 (640935-P)

NOTES TO THE INTERIM FINANCIAL REPORT

PART A: EXPLANATORY NOTES AS PER MFRS 134

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard (MFRS) 134 'Interim Financial Reporting' issued by the Malaysian Accounting Standards Board (MASB) and paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirement.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2020. The 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 since the financial year ended 31 December 2020.

A2. Significant Accounting Policies

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2020 except for those standards, amendments and IC interpretations which are effective from the annual period beginning 1 January 2021 and onwards. The adoption of these standards, amendments and IC interpretation does not have significant impact on the financial statements of the Group and the Company.

A3. Qualification of Annual Financial Statements

There has not been any qualification made by the auditors on the annual financial statements of the Group for the year ended 31 December 2020.

A4. Seasonal and Cyclical Factors

The Group's business operation results were not materially affected by any major seasonal or cyclical factors.

A5. Unusual Items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and financial year to date, except the Group made a gain of RM1.15 million on disposal of Property, Plant and Equipment (PPE) and Right of Use (ROU) during the 1st quarter, received insurance claim of RM0.97 million during the 2nd quarter and derived RM1.48 million gain from compensation for cancellation of order during the current quarter.

A6. Material Changes in Estimates

There were no changes in accounting estimates that have a material effect on the results for the current quarter and financial year to date.

A7. Issuances and repayment of debt and equity securities

There were no issuances, repurchases, and repayment of debts and equity securities of the Group during the current quarter under except for:

- a. The Company issued 46,475,700 new ordinary shares pursuant to the right issue exercise,

TAFI INDUSTRIES BERHAD
Company No. 200401002432 (640935-P)

- b. The Group had made full settlement of MIDF term loan and hire purchase loan during the quarter.

As at 30 September 2021, the number of treasury shares held was 2,540,500 ordinary shares.

A8. Dividend Paid

No dividend has been paid for the financial year to date.

A9. Segmental Reporting

No segment analysis is prepared as the Group is mainly involved in a single industry segment relating to the manufacturing and marketing of furniture products. The operation of the Group is carried out entirely in Malaysia.

A10. Valuation of Property, Plant and Equipment

There was no revaluation of property, plant and equipment by the subsidiary companies for the current quarter and financial year to date.

A11. Subsequent Events

There were no material events subsequent to the end of the current quarter under review.

A12. Change in the Composition of the Group

There were no changes in the composition of the Group during the current quarter and financial year to date.

A13. Changes in Contingent Liabilities

As at 30 September 2021, the Group did not have any contingent liability.

A14. Capital Commitments

	As at 30.09.2021 RM'000
Joint Venture of Property Development Projects:	
Approved and contracted for	13,850
Purchase of Machinery	<u>404</u>

On 22 September 2021, the Group had entered into 5 Joint Development Agreements with Pembinaan Alamku Sdn. Bhd., Pembinaan I-One Sdn. Bhd., Jaringan Fajar Sdn. Bhd. and Kotamas Development (M) Sdn. Bhd. respectively to jointly develop 5 lands located in Kuantan, Pahang.

A15. Derivative Financial Asset/Liability

There were no outstanding forward foreign exchange contracts outstanding as at 30 September 2021.

TAFI INDUSTRIES BERHAD
Company No. 200401002432 (640935-P)

A16. Related party transactions

Related parties are those defined under MFRS124: Related Party Disclosures. The directors are of the opinion that the related party transactions described below were carried out in the ordinary course of business and on commercial terms that are no more favorable than those available to other third parties.

	Current Year Quarter Ended 30.09.2021 RM'000	Current Year To Date Ended 30.09.2021 RM'000
Transactions with companies in which certain Directors have substantial financial interests:		
<u>Advance From</u>		
Armani Synergy Sdn Bhd	-	1,200

The amount due to immediate and ultimate holding company is unsecured, interest free and repayable upon demand.

TAFI INDUSTRIES BERHAD
Company No. 200401002432 (640935-P)

**PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA
SECURITIES BERHAD LISTING REQUIREMENTS**

B1. Review of Performance

Comparison between Quarter 30.09.2021 and Quarter 30.09.2020

The revenue and profit before tax recorded by the Group for the quarter was RM9,641,000 and RM1,922,000 respectively. This represents an increase of RM634,000 in revenue or 7.04% higher than that of its corresponding quarter. The higher revenue for Quarter 30 September 2021 was due to the local projects sales.

The Group incurred a profit before tax of RM1,922,000 in the quarter as compared to a loss before tax of RM2,020,000 in the previous corresponding quarter. The increase in profit was primarily due to the following:

- Local projects sales with higher margin;
- Gain from compensation for cancellation of order.

Comparison between Year to Date 30.09.2021 with Year to Date 30.09.2020

The Group recorded an increase in revenue to RM24,893,000 against RM20,535,000 in the previous year due to increase in sales to US market and local project sales. The registered profit before tax of RM2,288,000 against the loss of RM4,145,000 in the preceding year corresponding period was due to the following:

- Higher export sales;
- Local projects sales with higher margin;
- Insurance claim of flood;
- Gain on disposal of Property, Plant and Equipment (PPE) and Right of Use (ROU) assets;
- Gain from compensation for cancellation of order.

B2. Variation of Results Against Preceding Quarter

Comparison between Quarter 30.09.2021 and Quarter 30.06.2021

The Group registered a profit before tax of RM1,922,000 for the current quarter ended 30 September 2021 as compared to a loss before tax of RM744,000 in the previous quarter ended 30 June 2021. The increase in profit was primarily due to the following:

- Local project sales with higher margin;
- Gain from compensation for cancellation of order.

B3. Commentary on Prospects

Our entry into North American furniture market has shown positive result and we shall continue to expand on market share. We are also expanding our market share in the European and Middle East markets to widen our customer base. Our recent venture into local project market for supplying furniture and related services during the quarter ended 30 September 2021 has shown positive results and we are working towards securing more orders for local project market.

The Group is working towards expanding the Group's property development and construction related business by securing more joint ventures for property development projects and also construction contracts. Revenue from property development business is expected to start coming in second half of financial year ending 31 December 2022.

TAFI INDUSTRIES BERHAD
Company No. 200401002432 (640935-P)

The Group has recently secured its maiden construction contract in November 2021 for the site clearance and earthwork for a housing scheme. Revenue from existing construction contracts is expected to commence recognition in the quarter ending 31 December 2021.

B4. Variance of Actual and Forecast Profit

Not applicable

B5. Taxation

	Current Year Quarter Ended 30.09.2021 RM'000	Current Year To Date Ended 30.09.2021 RM'000
Provision for real property gains tax ("RPGT")	-	53

B6. Status of Corporate Proposal

Renounceable Right Issue

On 8 March 2021, 11 March 2021, 18 March 2021, 9 April 2021, 15 April 2021, 26 April 2021, 27 April 2021, 11 May 2021, the Group has announced to propose renounceable right issue of 46,475,700 new ordinary share in TAFI ("Right Shares") at an issue price of RM0.58 per rights share, on the basis three (3) rights shares for every five (5) existing ordinary shares in TAFI (excluding treasury shares) held by the entitled shareholders as at 5.00 p.m. on 11 May 2021

On 4 June 2021, the Company has announced that as at the closing of acceptance, excess application and payment for the Rights Issue of Shares at 5.00 p.m. on 31 May 2021 ("**Closing Date**"), TAFI had received valid acceptances and excess applications for a total of 59,248,220 Rights Shares, representing a subscription rate of 127.48% of the total number of 46,475,700 Rights Shares available for subscription, resulting in an over-subscription rate of 27.48%.

On 14 June 2021, Latest issued Share Capital after the above proposal in the following

Units	123,935,200
Issued Share Capital (\$\$)	Malaysian Ringgit (MYR) 68,724,138.000
Listing Date	15 Jun 2021

Notes:

(i) The number of units excludes 2,540,500 treasury shares amounting to RM1.04 million.

On 15 June 2021, the Rights Issue is completed with the listing and quotation of 46,475,700 Rights Shares on the Main Market of Bursa Malaysia Securities Berhad.

Other than disclosure above, there are no corporate proposals announced but not completed as at 30 September 2021.

TAFI INDUSTRIES BERHAD
Company No. 200401002432 (640935-P)

B7. Utilisation of Proceeds Raised from Corporate Proposal

Based on the issue price of RM0.58 for each Rights Share, the Rights Issue of Shares which raised gross proceeds of RM26.96 million, which is expected to be utilised in the following manner:

Purpose	Proposed Utilisation	Actual Utilisation	Unutilised Proceeds	Intended Timeframe for Utilisation	Deviation amount	Explanation (if the deviations > 5%)	
	RM'000	RM'000	RM'000		RM'000	%	
Working Capital for our Group's furniture segment	15,256	11,555	3,701	within 9 months	-	-	N/A
Property development activities	10,000	6,297	3,703	within 15 months	-	-	N/A
Repayment of borrowings	1,200	1,176	24	within 6 months	24	2.0	N/A
Estimated expenses in relation to the Rights Issue of Shares	500	500	-	immediate	-	-	N/A
Total	26,956	19,528	7,428		-	-	

Note: The excess of proceeds not utilized for the repayment of bank borrowings will be used for the working capital of our Group's furniture segment as per Abridged Prospectus.

B8. Group Borrowing and Debt Securities

There were no borrowing or debt securities of the Group as of 30 September 2021.

B9. Gains/Losses arising from fair value changes of financial assets/liabilities

The Group does not have any financial instruments at the end of reporting period.

B10. Material Litigation

The Group does not have any material litigation as at the date of this report.

B11. Dividend Payable

No dividend has been declared for the current quarter under review.

**ANNEXURE II – QUARTERLY REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021
(CONT'D)**

TAFI INDUSTRIES BERHAD
Company No. 200401002432 (640935-P)

B12. Basis of Calculation of Earnings/(Loss) Per Share

The basic earnings per share for the quarter and financial period ended 30 September 2021 is computed as follow:

	Current Year Quarter Ended 30.09.2021	Current Year To Date Ended 30.09.2021
Loss/Profit attributable to owners of the Company (RM'000)	<u>1,922</u>	<u>2,235</u>
Weighted average number of ordinary shares (‘000) in issue	<u>123,935</u>	<u>96,675</u>
Basic Earning Per Share based on weighted average number of ordinary shares in issue (sen)	<u>1.55</u>	<u>2.31</u>

There is no diluted earnings per share as the Company does not have any convertible financial instruments as at the end of the reporting period.

B13. Additional Disclosure on profit for the period

	Current Year Quarter Ended 30.09.2021 (RM'000)	Current Year To Date Ended 30.09.2021 (RM'000)
Profit for the period is arrived at after charging/(crediting):		
Interest income:		
- FD interest and bank interest	(73)	(98)
Depreciation of property, plant and equipment	534	1,604
Amortisation of right-of- use assets	6	19
Realised loss on foreign exchange	52	62
Unrealised (gain) on foreign exchange	(49)	(97)
Interest expense (term loan, hire purchase)	21	65
Allowance for slow-moving inventories:		
- Reversal	(89)	(726)
Gain on disposal of property, Plant and Equipment (PPE) and Right of Use (ROU) assets.	-	(1,150)

Other than the above items which have been included in the statement of profit or loss and other comprehensive income, there was no provision for and write off of receivables, provision for and write off of inventories, gain or loss on disposal of quoted or unquoted investments or properties, impairment of assets and exceptional items for the current quarter and period ended 30 September 2021.

By order of the Board
TAFI Industries Berhad

Dato' Sri Azlan Bin Azmi
Group Managing Director
12 November 2021



TAFI INDUSTRIES BERHAD
(Registration No. 200401002432 (640935-P))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting (“**EGM**”) of TAFI Industries Berhad (“**TAFI**” or the “**Company**”) will be conducted entirely on a fully virtual basis through the online meeting platform of TIH Online website at <https://tiih.online> or <https://tiih.com.my> (Domain registration number with MYNIC: D1A282781) provided by Tricor Investor & Issuing House Services Sdn Bhd, Malaysia on 21 January 2022, Friday at 11:00 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the following resolutions: -

ORDINARY RESOLUTION 1

PROPOSED BONUS ISSUE OF 252,951,400 NEW ORDINARY SHARES IN TAFI INDUSTRIES BERHAD (“TAFI SHARE(S)” OR “SHARE(S)”) (“BONUS SHARE(S)”) ON THE BASIS OF TWO (2) BONUS SHARES FOR EVERY ONE (1) EXISTING TAFI SHARE HELD ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER (“ENTITLEMENT DATE”) (“PROPOSED BONUS ISSUE OF SHARES”)

“THAT subject to the approvals of all relevant authorities and/or parties being obtained, approval be and is hereby given to the Board of Directors of the Company (“**Board**”) to issue and allot 252,951,400 Bonus Shares to the shareholders of the Company who are registered as a member and whose names appear in the Record of Depositors of the Company as at 5:00 p.m. on the Entitlement Date to be determined by the Board and announced by the Company at a later date, on the basis of two (2) Bonus Shares for every one (1) existing TAFI Share held;

THAT fractional entitlements arising from the Proposed Bonus Issue of Shares, if any, will be disregarded and dealt with in such manner as the Board in its absolute discretion deems fit, expedient and in the best interest of the Company;

THAT the Bonus Shares shall, upon issuance and allotment, rank equally in all respects with the then existing TAFI Shares, save and except that they will not be entitled to any dividend, right, allotment and/or any other distribution that may be declared, made or paid prior to the date of allotment of the Bonus Shares;

AND THAT the Board be and is hereby empowered and authorised to do all acts, deeds and things and to execute, sign, deliver and cause to be delivered on behalf of the Company all such documents and/or arrangements (including without limitations, the affixation of the Company's Common Seal in accordance with the Company's Constitution) as may be necessary or expedient in order to implement, finalise, give effect and complete the Proposed Bonus Issue of Shares with full powers to assent to any condition, modification, variation and/or amendment in any manner as may be required or imposed by the relevant authorities or as the Board may deem necessary or expedient in the best interest of the Company."

ORDINARY RESOLUTION 2

PROPOSED BONUS ISSUE OF UP TO 63,237,850 WARRANTS (“WARRANT(S)”) ON THE BASIS OF ONE (1) WARRANT FOR EVERY TWO (2) EXISTING TAFI SHARES HELD ON THE ENTITLEMENT DATE (“PROPOSED BONUS ISSUE OF WARRANTS”)

"THAT subject to the passing of Ordinary Resolution 1, the approvals of all relevant authorities and/or parties being obtained, approval be and is hereby given to the Board to issue and allot up to 63,237,850 Warrants (with an exercise price to be determined at a later date) to the shareholders of the Company who are registered as a member and whose names appear in the Record of Depositors of the Company as at 5:00 p.m. on the Entitlement Date to be determined by the Board and announced by the Company at a later date, on the basis of one (1) Warrant for every two (2) existing TAFI Shares held, in accordance with the provisions of the Deed Poll constituting the Warrants to be executed by the Company ("**Deed Poll**");

THAT the Board be and is hereby authorised to enter into and execute the Deed Poll with full powers to assent to any condition, modification, variation and/or amendment in any manner as may be required or imposed by the relevant authorities or as the Board may deem necessary or expedient in the best interest of the Company subject to the provisions contained in the Deed Poll, and with full powers for the Board to implement, finalise and give full effect to the Deed Poll;

THAT the Board be and is hereby authorised to issue and allot such appropriate number of Warrants in accordance with the provisions of the Deed Poll and where required, to adjust the exercise price and/or the number of the Warrants to be issued (including, without limitation, any additional Warrants as may be required or permitted to be issued) in consequence of the adjustments pursuant to the provisions of the Deed Poll;

THAT the Board be and is hereby authorised to issue and allot such appropriate number of new TAFI Shares pursuant to the exercise of the Warrants or additional Warrants issued pursuant to adjustments as provided for under the Deed Poll by the Warrants holders in accordance with the provisions of the Deed Poll;

THAT fractional entitlements arising from the Proposed Bonus Issue of Warrants, if any, will be disregarded and dealt with in such manner as the Board in its absolute discretion deems fit, expedient and in the best interest of the Company;

THAT the new TAFI Shares to be issued and allotted arising from the exercise of the Warrants shall, upon issuance and allotment, rank equally in all respects with the then existing TAFI Shares, save and except that they will not be entitled to any dividend, right, allotment and/or any other distribution that may be declared, made or paid prior to the date of allotment of such new TAFI Shares to be issued arising from the exercise of the Warrants;

THAT the Board be and is hereby authorised to utilise the proceeds to be raised from the exercise of the Warrants for such purposes and in such manner as set out in the Circular to shareholders of the Company dated 6 January 2022, and the Board be authorised with full powers to vary the manner and/or purpose of the utilisation of such proceeds in such manner as the Board may deem fit, necessary and/or expedient, subject to the approval of the relevant authorities (where required) and in the best interest of the Company;

AND THAT the Board be and is hereby empowered and authorised to do all acts, deeds and things and to execute, sign, deliver and cause to be delivered on behalf of the Company all such documents and/or arrangements (including without limitations, the affixation of the Company's Common Seal) as may be necessary or expedient in order to implement, finalise, give effect and complete the Proposed Bonus Issue of Warrants with full powers to assent to any condition, modification, variation and/or amendment in any manner as may be required or imposed by the relevant authorities or as the Board may deem necessary or expedient in the best interest of the Company."

ORDINARY RESOLUTION 3

PROPOSED NEW SHAREHOLDERS' MANDATE FOR NEW RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"THAT, subject always to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**"), approval be and is hereby given to the Company and its subsidiaries (collectively the "**Group**") to enter into and give effect to the recurrent related party transactions of a revenue or trading nature with the related parties as specified in Section 5 of Part B of the Circular to Shareholders dated 6 January 2022, provided that such transactions and/or arrangements which are necessary for the Group's day-to-day operations are undertaken in the ordinary course of business, at arm's length basis, on normal commercial terms and transaction prices which are not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders of the Company ("**Proposed New Shareholders' Mandate**").

THAT the Proposed New Shareholders' Mandate shall only continue to be in full force until:-

- (a) the conclusion of the next Annual General Meeting ("**AGM**") of the Company at which time it will lapse, unless by a resolution passed at said AGM, such authority is renewed; or
- (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("**Act**") subject to such extension as may be allowed pursuant to Section 340(4) of the Act; or
- (c) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary or in the best interest of the Company to give effect to the Proposed New Shareholders' Mandate."

**BY ORDER OF THE BOARD
TAFI INDUSTRIES BERHAD**

NG BEE LIAN
(MAICSA 7041392)
SSM PC No.: 201908003459

TEH SOO YEE
(LS0010368)
SSM PC No.: 201908003457

Dated this 6 January 2022

NOTES:

IMPORTANT NOTICE

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting.

Shareholders will not be allowed to attend this EGM in person at the Broadcast Venue on the day of the meeting.

*Members are to attend, speak (including posting questions to the Board in the form of real time submission of typed texts) and vote (collectively, "**participate**") remotely at the EGM of the Company by using the Remote Participation and Voting Facilities ("**RPV**") provided by Tricor Investor & Issuing House Services Sdn Bhd ("**Tricor**") at its TIIH Online website at <https://tiih.online>.*

Please refer to the Procedures to Remote Participation and Voting via RPV in the Administrative Guide for the EGM in order to participate remotely via RPV.

APPOINTMENT OF PROXY

- (a) For the purpose of determining who shall be entitled to attend in this EGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 17 January 2022. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this EGM via RPV.
- (b) A member entitled to participate in this EGM is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.
- (c) A member of the Company who is entitled to participate in this EGM of the Company may appoint not more than two (2) proxies to participate instead of the member at this EGM.
- (d) If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
- (e) Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("**Central Depositories Act**"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
- (f) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
- (g) Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- (h) A member who has appointed a proxy or attorney or authorised representative to participate at this EGM via RPV must request his/her proxy or attorney or authorised representative to register himself/herself for RPV via TIIH Online website at <https://tiih.online> Procedures for RPV can be found in the Administrative Guide for the EGM.
- (i) Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, not less than forty-eight (48) hours before the time appointed for holding the EGM or adjourned EGM at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
- (j) The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the EGM or adjourned EGM at which the person named in the appointment proposes to vote:

In hard copy form

In the case of an appointment made in hard copy form, the proxy form must be deposited with the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

By electronic form

In the case of an appointment made via electronic mean, the proxy form can be electronically submitted to the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd via TIIH Online. The website to access TIIH Online is <https://tiih.online> (Kindly refer to the Administrative Guide for the EGM).

- (k) Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.
- (l) Last date and time for lodging the proxy form is Wednesday, 19 January 2022 at 11:00 a.m.
- (m) For a corporate member who has appointed a representative instead of a proxy to participate in this EGM, please deposit the ORIGINAL certificate of appointment executed in the manner as stated in the proxy form if this has not been lodged at the Company's Share Registrar earlier.
- (n) It is important that you read the Administrative Guide for the conduct of this EGM.
- (o) Shareholders are advised to check the Company's website at <https://welcome.tafi.com.my> and announcements from time to time for any changes to the administration of this EGM that may be necessitated by changes to the directive safety and precautionary requirements and guidelines prescribed by the Government of Malaysia, the Ministry of Health, the Malaysia National Security Council, Securities Commission Malaysia and/other relevant authorities.

CIRCULAR TO SHAREHOLDERS

Should you require a printed copy of the Circular to Shareholders, kindly request through the online system at our Share Registrar ("**TIIH Online**"), Tricor Investor & Issuing House Services Sdn Bhd, at website <https://tiih.online> by selecting "Request for Circular to Shareholders" under the Investor Services. Alternatively, you may also make your request through email to our Share Registrar (is.equiry@my.tricorglobal.com).

The printed copy of the Circular to Shareholders shall be provided to the shareholders within four (4) market days from the date of receipt of their written request.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to participate at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.



TAFI INDUSTRIES BERHAD
(Registration No. 200401002432 (640935-P))
(Incorporated in Malaysia)

ADMINISTRATIVE GUIDE FOR THE EXTRAORDINARY GENERAL MEETING

Date and Time : **Friday, 21 January 2022, 11:00 a.m.**
Online Meeting Platform : TIIH Online website at <https://tiih.online>
provided by Tricor Investor & Issuing House Services Sdn Bhd, Malaysia

REMOTE PARTICIPATION AND VOTING

- The RPV are available on Tricor's **TIIH Online** website at <https://tiih.online>.
- Shareholders are to attend, speak (in the form of real time submission of typed texts) and vote (collectively, "participate") remotely at the EGM using RPV from Tricor.
- Kindly refer to Procedures to remote participation and voting via RPV as set out below for the requirements and procedures.

PROCEDURES TO REMOTE PARTICIPATION AND VOTING VIA RPV

Please read and follow the procedures below to engage in remote participation through live streaming and online remote voting at the EGM using the RPV facilities:

Before the EGM Day

Procedure	Action
i. Register as a user with TIIH Online	<ul style="list-style-type: none">• Using your computer, access to website at https://tiih.online. Register as a user under the "e-Services" select "Create Account by Individual Holder". Refer to the tutorial guide posted on the homepage for assistance.• Registration as a user will be approved within one (1) working day and you will be notified via e-mail.• If you are already a user with TIIH Online, you are not required to register again. You will receive an e-mail to notify you that the remote participation is available for registration at TIIH Online.
ii. Submit your request to attend the EGM remotely	<ul style="list-style-type: none">• Registration is open on Thursday, 6 January 2022 until the day of EGM on Friday, 21 January 2022. Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the EGM to ascertain their eligibility to participate the EGM using the RPV.• Login with your user ID (i.e. e-mail address) and password and select the corporate event: (Registration) TAFI EGM• Read and agree to the Terms & Conditions and confirm the Declaration.• Select "Register for Remote Participation and Voting".• Review your registration and proceed to register.• System will send an e-mail to notify that your registration for remote participation is received and will be verified.
iii. Submit your request to attend the EGM remotely	<ul style="list-style-type: none">• After verification of your registration against the Record of Depositors as at 17 January 2022, the system will send you an e-mail after 17 January 2022 to approve or reject your registration for remote participation. <i>(Note: Please allow sufficient time for approval of new user of TIIH Online and registration for the RPV)</i>

On the EGM Day

Procedure	Action
i. Login to TIIH Online	<ul style="list-style-type: none">• Login with your user ID and password for remote participation at the EGM at any time from 10:00 a.m. i.e. 1 hour before the commencement of meeting at 11:00 a.m. on Friday, 21 January 2022.
ii. Participate through Live Streaming	<ul style="list-style-type: none">• Select the corporate event: (Live Stream Meeting) TAFI EGM to engage in the proceedings of the EGM remotely. <p>If you have any question for the Chairman/Board, you may use the query box to transmit your question. The Chairman/Board will try to respond to questions submitted by remote participants during the EGM. If there is time constraint, the responses will be e-mailed to you at the earliest possible, after the meeting.</p>
iii. Online remote voting	<ul style="list-style-type: none">• Voting session commences from 11:00 a.m. on Friday, 21 January 2022 until a time when the Chairman announces the end of the session.• Select the corporate event:• (Remote Voting) TAFI EGM or if you are on the live stream meeting page, you can select “GO TO REMOTE VOTING PAGE” button below the Query Box.• Read and agree to the Terms & Conditions and confirm the Declaration.• Select the CDS account that represents your shareholdings.• Indicate your votes for the resolutions that are tabled for voting.• Confirm and submit your votes.
iv. End of remote participation	Upon the announcement by the Chairman on the conclusion of the EGM, the Live Streaming will end.

Note to users of the RPV facilities:

- (i) Should your registration for RPV be approved, we will make available to you the rights to join the live stream meeting and to vote remotely. Your login to TIIH Online on the day of meeting will indicate your presence at the virtual meeting.
- (ii) The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.
- (iii) In the event you encounter any issues with logging-in, connection to the live stream meeting or online voting on the meeting day, kindly call Tricor Help Line at 011-40805616 / 011-40803168 / 011-40803169 / 011-40803170 or e-mail to tiih.online@my.tricorglobal.com for assistance.

ENTITLEMENT TO PARTICIPATE AND APPOINTMENT OF PROXY

- Only members whose names appear on the Record of Depositors as at **17 January 2022** shall be eligible to participate at the EGM or appoint a proxy(ies) and/or the Chairman of the Meeting to attend and vote on his/her/its behalf.
- In view that the EGM will be conducted on a virtual basis, a member can appoint the Chairman of the Meeting as his/her/its proxy and indicate the voting instruction in the Proxy Form.
- If you wish to participate in the EGM yourself, please do not submit any Proxy Form for the EGM. You will not be allowed to participate in the EGM together with a proxy appointed by you.
- Accordingly, proxy forms and/or documents relating to the appointment of proxy/corporate representative/attorney for the EGM whether in hard copy or by electronic means shall be deposited or submitted in the following manner not later than **Wednesday, 19 January 2022 at 11:00 a.m.**

(a) In hard copy form

In the case of an appointment made in hard copy form, the proxy form must be deposited with the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

(b) By electronic form

In the case of an appointment made via electronic mean, the proxy form can be electronically submitted to the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd via TIIH Online. The website to access TIIH Online is <https://tiih.online>.

Procedure	Action
i. Steps for Individual Shareholders	
Register as a User with TIIH Online	<ul style="list-style-type: none">Using your computer, please access the website at https://tiih.online. Register as a user under the "e-Services". Please refer to the tutorial guide posted on the homepage for assistance.If you are already a user with TIIH Online, you are not required to register again.
Proceed with submission of Proxy Form	<ul style="list-style-type: none">After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password.Select the corporate event: "TAFI EGM - Submission of Proxy Form".Read and agree to the Terms and Conditions and confirm the Declaration.Insert your CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf.Appoint your proxy(ies) and insert the required details of your proxy(ies) or appoint the Chairman as your proxy.Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide on your votes.Review and confirm your proxy(s) appointment.Print the form of proxy for your record.
ii. Steps for corporation or institutional shareholders	
Register as a User with TIIH Online	<ul style="list-style-type: none">Access TIIH Online at https://tiih.onlineUnder e-Services, the authorised or nominated representative of the corporation or institutional shareholder selects "Create Account by Representative of Corporate Holder".Complete the registration form and upload the required documents.Registration will be verified, and you will be notified by email within one (1) to two (2) working days.Proceed to activate your account with the temporary password given in the email and re-set your own password.Note: The representative of a corporation or institutional shareholder must register as a user in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please contact our Share Registrar if you need clarifications on the user registration.
Proceed with submission of Proxy Form	<ul style="list-style-type: none">Login to TIIH Online at https://tiih.onlineSelect the corporate exercise name: "TAFI EGM - Submission of Proxy Form"Agree to the Terms & Conditions and Declaration.Proceed to download the file format for "Submission of Proxy Form" in accordance with the Guidance Note set therein.Prepare the file for the appointment of proxies by inserting the required data.Login to TIIH Online, select corporate exercise name: "TAFI EGM-Submission of Proxy Form".Proceed to upload the duly completed proxy appointment file.Select "Submit" to complete your submission.Print the confirmation report of your submission for your record.

VOTING AT MEETING

- The voting at the EGM will be conducted on a poll pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”). The Company has appointed Tricor to conduct the poll voting electronically (“e-voting”) and Quantegic Services Sdn Bhd as Independent Scrutineers to verify the poll results.
- Shareholders can proceed to vote on the resolutions before the end of the voting session which will be announced by the Chairman of the Meeting and submit your votes at any time from the commencement of the EGM at 11:00 a.m. Kindly refer to “Procedures to Remote Participation and Voting via RPV” provided above for guidance on how to vote remotely via TIIH Online.

RESULTS OF THE VOTING

- The resolutions proposed at the EGM and the results of the voting will be announced at the EGM and subsequently via an announcement made by the Company through Bursa Malaysia at www.bursamalaysia.com.

PRE-MEETING SUBMISSION OF QUESTIONS TO THE BOARD OF DIRECTORS

- The Board recognises that the EGM is a valuable opportunity for the Board to engage with shareholders. In order to enhance the efficiency of the proceedings of the EGM, shareholders may in advance, before the EGM, submit questions to the Board of Directors via Tricor’s TIIH Online website at <https://tiih.online>, by selecting “e-Services” to login, post your questions and submit it electronically no later than Wednesday, 19 January 2022. The Board of Directors will endeavor to address the questions received at the EGM.

ENQUIRY

If you have any enquiries on the above, please contact the following person-in charge during office hours on Mondays to Fridays from 9:00 a.m. to 5:30 p.m. (except on public holidays):

Tricor Investor & Issuing House Services Sdn Bhd
General/Fax No : +603 - 2783 9299 / +603 - 2783 9222
Email : is.enquiry@my.tricorglobal.com



TAFI INDUSTRIES BERHAD
 Registration No. 200401002432 (640935-P)
 (Incorporated in Malaysia)

CDS Account No.
No. of Shares held

PROXY FORM

I/We _____ Tel: _____
 [Full name in block, NRIC/Passport/Company No.]
 of _____
 being member(s) of **TAFI INDUSTRIES BERHAD** ("TAFI"), hereby appoint:

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			
Email Address:			

and / or* (*delete as appropriate)

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			
Email Address:			

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting ("EGM") of the Company will be conducted entirely on a fully virtual basis through the online meeting platform of TIIH Online website at <https://tiih.online> provided by Tricor Investor & Issuing House Services Sdn Bhd, Malaysia on **Friday, 21 January 2022 at 11:00 a.m.** or at any adjournment thereof, and to vote as indicated below:

Description of Resolutions	Resolutions	For	Against
Proposed bonus issue of 252,951,400 new ordinary shares in the company on the basis of 2 bonus shares for every one existing shares in the company held on an entitlement date to be determined and announced later	Ordinary Resolution 1		
Proposed bonus issue of up to 63,237,850 warrants in the company on the basis of 1 warrant for every 2 existing shares held on the entitlement date	Ordinary Resolution 2		
Proposed new shareholders' mandate for recurrent related party transactions of a revenue or trading nature	Ordinary Resolution 3		

Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific direction, your proxy will vote or abstain as he/she thinks fit.

Signed this _____ day of _____

 Signature(s) of Member(s) /
 Common Seal

* Manner of execution:

- (a) If you are an individual member, please sign where indicated.
- (b) If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.
- (c) If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:
 - (i) at least two (2) authorised officers, of whom one shall be a director; or
 - (ii) any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.



Notes:-

IMPORTANT NOTICE

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting.

Shareholders will not be allowed to attend this EGM in person at the Broadcast Venue on the day of the meeting.

Members are to attend, speak (including posting questions to the Board in the form of real time submission of typed texts) and vote (collectively, "participate") remotely at the EGM of the Company by using the Remote Participation and Voting Facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") at its TIH Online website at <https://tjih.online>.

Please refer to the Procedures to Remote Participation and Voting via RPV in the Administrative Guide for the EGM in order to participate remotely via RPV.

APPOINTMENT OF PROXY

- (a) For the purpose of determining who shall be entitled to attend in this EGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 17 January 2022. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this EGM via RPV.
- (b) A member entitled to participate in this EGM is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.
- (c) A member of the Company who is entitled to participate in this EGM of the Company may appoint not more than two (2) proxies to participate instead of the member at this EGM.
- (d) If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
- (e) Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("Central Depositories Act"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
- (f) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
- (g) Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

- (h) A member who has appointed a proxy or attorney or authorised representative to participate at this EGM via RPV must request his/her proxy or attorney or authorised representative to register himself/herself for RPV via TIH Online website at <https://tjih.online>. Procedures for RPV can be found in the Administrative Guide for the EGM.
- (i) Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, not less than forty-eight (48) hours before the time appointed for holding the EGM or adjourned EGM at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
- (j) The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the EGM or adjourned EGM at which the person named in the appointment proposes to vote:

In hard copy form

In the case of an appointment made in hard copy form, the proxy form must be deposited with the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

By electronic form

In the case of an appointment made via electronic mean, the proxy form can be electronically submitted to the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd via TIH Online. The website to access TIH Online is <https://tjih.online>. (Kindly refer to the Administrative Guide for the EGM).

- (k) Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.
- (l) Last date and time for lodging the proxy form is Wednesday, 19 January 2022 at 11:00 a.m.
- (m) For a corporate member who has appointed a representative instead of a proxy to participate in this EGM, please deposit the ORIGINAL certificate of appointment executed in the manner as stated in the proxy form if this has not been lodged at the Company's Share Registrar earlier.
- (n) It is important that you read the Administrative Guide for the conduct of this EGM.
- (o) Shareholders are advised to check the Company's website at <https://welcome.tafi.com.my> and announcements from time to time for any changes to the administration of this EGM that may be necessitated by changes to the directive safety and precautionary requirements and guidelines prescribed by the Government of Malaysia, the Ministry of Health, the Malaysia National Security Council, Securities Commission Malaysia and/or other relevant authorities.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

TAFI INDUSTRIES BERHAD

Share Registrar

c/o Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A, Vertical Business Suite,
Avenue 3, Bangsar South, No. 8, Jalan Kerinchi,
59200 Kuala Lumpur, Malaysia

1st fold here

