2021 ANNUAL REPORT

TAFI INDUSTRIES BERHAD
200401002432 (640935-P)

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Vision

To be a Global Enterprise with Sustainable Growth

Mission

To Continuously Develop Core Competencies to Achieve Competitive Advantage and Building a Global Enterprise that Lasts

- To delight our customers by providing quality support through value added products and services.
- To provide conducive environment where employees can excel through our commitment to continuous training and development.
- To practice corporate social responsibility and a culture that is environmentally responsive.
- To build strategic partnership in the supply chain for sustainable growth.
- To continuously deliver above average industry returns to shareholders.

CORPORATE INFORMATION

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)
- Teh Soon Hin
  (Independent Non-Executive Director)
- Leong Boon Tik
  (Senior Independent Non-Executive Director)
- Leong Sher-How
  (Independent Non-Executive Director)
- Abdul Malek Bin Jalil
  (Non-Independent Non-Executive Director)
  (Appointed on 1st March 2022)

AUDIT COMMITTEE
- Teh Soon Hin *(Chairman)*
- Leong Boon Tik *(Member)*
- Leong Sher-How *(Member)*
- Dato' Sri Ong Chee Kean *(Member)*
  (Resigned on 8th February 2022)

NOMINATING COMMITTEE
- Leong Boon Tik *(Chairman)*
- Teh Soon Hin *(Member)*
- Leong Sher-How *(Member)*
- Dato' Sri Ong Chee Kean *(Member)*
  (Resigned on 8th February 2022)

REMUNERATION COMMITTEE
- Leong Sher-How *(Chairman)*
- Teh Soon Hin *(Member)*
- Leong Boon Tik *(Member)*
- Dato' Sri Ong Chee Kean *(Member)*
  (Resigned on 8th February 2022)
- Dato' Sri Wong Sze Chien *(Member)*
  (Resigned on 8th February 2022)

COMPANY SECRETARIES
- Ng Bee Lian *(MAICSA 7041392)*
  (SSM PC No: 201908003459)
  (Demised on 27th February 2022)
- Wong Siew Yeen *(MAICSA 7018749)*
  (SSM PC No: 202008001471)
  (Appointed on 1st March 2022)
- Teh Soo Yee *(LS0010368)*
  (SSM PC No: 201908003457)

AUDITORS
Peter Chong & Co. *(AF0165)*
SOHO Suites & KLCC, Block A2. Level 31-3
No. 20 Jalan Perak
50450 Kuala Lumpur, Malaysia

PRINCIPAL BANKERS
AmBank (M) Berhad
HSBC bank Malaysia Berhad
Citibank Berhad

REGISTERED OFFICE
PLO 3 Kawasan Perindustrian Bukit Pasir
Mukim Sungai Raya, 84300 Bukit Pasir
Muar, Johor, Malaysia
Tel: +606-985 9781
Fax: +606-985 8232

BUSINESS ADDRESS
PLO 3 Kawasan Perindustrian Bukit Pasir
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Tel: +606-985 9781
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Persons to contact: -
Mr. Danny Tang
(Email: tdanny@tafur.com.my)
Lee Yee Wei
(Email: lee@tafur.com.my)

REGISTRARS
Tricor Investor & Issuing House Services Sdn Bhd
Registration No.: 197101000970 (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia
Tel: +603-2783 9299

STOCK EXCHANGE LISTING
- Incorporated on 29th January 2004 as private company and converted to a public company limited by shares on 18th March 2004
- Listed on Bursa Malaysia Securities Berhad on 4th February 2005

STOCK NAME AND STOCK CODE:
- **TAFI (7211)**
- **TAFI-WA (7211WA)**

WEBSITES
welcome.tafi.com.my
www.tafurniture.com.my

WHISTLEBLOWER HOTLINES
Email: whistleblowing@tafur.com.my
Tel: +606-985 9781
Fax: +606-985 8232

GROUP STRUCTURE

TAFI Industries Berhad
Registration No.: 200401002432 (640935-P)
Date of Incorporation: 29th January 2004
Principal Activities:
Investment holding and provision of management services.

100%

T.A. FURNITURE INDUSTRIES SDN BHD
Registration No.: 198201000357 (80101-W)
Date of Incorporation: 15th January 1982
Principal Activities:
(a) Manufacturing and marketing of all kinds of furniture products including project-based furniture and related products; and
(b) Trading of all kinds of goods, including but not limited to wood related products; glass; builders' materials; timber; household utensils; household fittings; electrical appliances; wiring and materials; wireless apparatus; solar panels; inverters and solar related products.
(Changed by adding the nature of business on 27th January 2022)

100%

PENQUO RESOURCES SDN BHD
Registration No.: 200001028545 (531152-H)
Date of Incorporation: 6th November 2000
Principal Activities:
Investment in properties.

100%

T.A. E-FURNISHINGS SDN BHD
Registration No.: 200801019942 (821254-V)
Date of Incorporation: 11th June 2008
Principal Activities:
Trading of furniture products and provision of related services.

100%

TAFI HOME & OFFICE SDN BHD
(F.K.A. HOME & OFFICE FURNITURE SDN BHD)
Registration No.: 200701008313 (766315-X)
Date of Incorporation: 15th January 1982
Principal Activities:
(a) General contractors and construction related works;
(b) Manufacturing and marketing of all kinds of furniture products including project-based furniture and related products; and
(c) Trading of all kinds of goods, including but not limited to wood related products; glass; builders' materials; timber; household utensils; household fittings; electrical appliances; wiring and materials; wireless apparatus; solar panels; inverters and solar related products.
(Changed by adding the nature of business on 27th January 2022)

100%

TAFI DEVELOPMENT SDN BHD
Registration No.: 199401015536 (301216-V)
Date of Incorporation: 20th May 1994
Principal Activities:
Investment holdings, property development and trading of furniture.

100%

GERAK MAHIR SDN BHD
Registration No.: 199401027114 (312795-U)
Date of Incorporation: 23rd August 1994
Principal Activities:
Investment holding, property development and construction activities.

PROFILE OF DIRECTORS

DATO' SRI ONG CHEE KEAN
Non-Independent Non-Executive Chairman
(Malaysian, Male) Age 36

Dato' Sri Ong Chee Kean was appointed as the Non-Independent Non-Executive Chairman of the Company on 30th October 2020. He had resigned as a member of the Audit Committee, Nominating Committee and Remuneration Committee of TAFI on 8th February 2022.

Dato' Sri Ong holds a Bachelor of Laws from University of Malaya and was called to the Malaysian Bar in 2010.

Dato' Sri Ong has extensive working experience in the legal sector and since 2010 has been practising as an advocate and solicitor of the High Court of Malaya. He is presently a partner in the legal firm of Messrs. KH Ong & Ng which specializes in conveyancing laws.

Dato' Sri Ong does not hold any directorships in other public companies but sits on the board of several private limited companies.

DATO' SRI AZLAN BIN AZMI
Group Managing Director
(Malaysian, Male) Age 46

Dato' Sri Azlan Bin Azmi was appointed as the Executive Director of the Company on 6th October 2020 and subsequently re-designated to Group Managing Director of TAFI on 27th October 2020.

Dato' Sri Azlan graduated from Universiti Teknologi Malaysia with a Diploma in Civil Engineering. He has extensive experience in building, construction and civil engineering industry and also in property development.

Dato' Sri Azlan began his career in 1999 by undertaking a private project with Rothmans Petaling Jaya. Further, in year 2000, he joined Brunsfield Engineering Sdn Bhd to gain more knowledge in construction. At the end of 2002, he worked with a Taiwanese group of companies where he was actively involved in implementing and managing numerous construction and property development projects before leaving in 2014 to start his own construction and property development business.

Besides being involved in the construction and property development business, Dato' Sri Azlan is also involved in the provision of photovoltaic (PV) solar energy solutions, food and beverage business and supermarket business.

Dato' Sri Azlan does not hold any directorships in other public companies but sits on the board of several private limited companies.

DATO' SRI WONG SZE CHIEN
Group Chief Executive Officer
(Malaysian, Male) Age 45

Dato' Sri Wong Sze Chien was appointed as the Executive Director of the Company on 6th October 2020 and subsequently re-designated to Group Chief Executive Officer of TAFI on 27th October 2020. He had resigned as a member of the Remuneration Committee of TAFI on 8th February 2022.

Dato' Sri Wong is a Chartered Accountant of the Malaysian Institute of Accountants, Certified Practising Accountant and Fellow of CPA Australia and ASEAN Chartered Professional Accountant who holds a Degree in Business (Accountancy) with distinction from RMIT University, Australia.

Dato' Sri Wong started his career in 1999 by joining an audit firm. He was an audit director before leaving in 2009 to venture into property development and construction business. Besides having vast experience in the property development and construction industry, he also has extensive experience in audit, tax and advisory on business restructuring, mergers and acquisitions covering a broad spectrum of industries.

In addition, Dato' Sri Wong is also involved in the provision of photovoltaic (PV) solar energy solutions, food and beverage business, supermarket business and provision of professional consultancy services.

Dato' Sri Wong does not hold any directorships in other public companies but sits on the board of several private limited companies.

DATO' SRI ANDREW LIM ENG GUAN
Executive Director
(Malaysian, Male) Age 47

Dato' Sri Andrew Lim Eng Guan was appointed as the Executive Director of the Company on 6th October 2020.

Dato' Sri Andrew is a Chartered Accountant and Chartered Tax Practitioner. He is a member of Chartered Accountants Australia and New Zealand (CA ANZ) and the Malaysian Institute of Accountants (MIA) and also a Fellow of the Chartered Tax Institute of Malaysia (FCTIM). He is also a Certified Public Accountant of the Malaysian Institute of Certified Public Accountants (MICPA), a Certified Practising Accountant and Fellow of CPA Australia [FCPA (Aust.)] and an ASEAN Chartered Professional Accountant (ASEAN CPA). He holds a Degree in Business (Accountancy) with distinction from RMIT University, Australia.

Dato' Sri Andrew was formerly a tax director at Deloitte and has extensive experience in advising public listed companies and private business entities in the areas of taxation, accounting, business restructuring, mergers and acquisitions covering a wide range of industries. He was attached with Deloitte from 1998 to 2009 before leaving to establish his own professional consultancy business and also to venture into property development and construction business in 2009.

Dato' Sri Andrew does not hold any directorships in other public companies but sits on the board of several private limited companies.

TEH SOON HIN
Independent Non-Executive Director
Chairman of Audit Committee
Member of Nominating Committee and Remuneration Committee
(Malaysian, Male) Age 44

Mr. Teh Soon Hin was appointed as the Independent Non-Executive Director of the Company on 22nd October 2020. He was also appointed as the Chairman of Audit Committee and as a member of the Nominating Committee and Remuneration Committee of TAFI on 22nd October 2020.

Mr. Teh is a Chartered Accountant of the Malaysian Institute of Accountants, Certified Public Accountant of the Malaysian Institute of Certified Public Accountants, Certified Practising Accountant of CPA Australia and ASEAN Chartered Professional Accountant who holds a Degree in Accountancy with distinction from Universiti Utara Malaysia. He is also a Chartered Tax Practitioner of Chartered Tax Institute of Malaysia.

Mr. Teh has more than sixteen (16) years of accounting and tax experience in public practice and also public listed companies. He is currently a partner of Imran Teh and Associates PLT, an accounting firm. He is also a Chartered Tax Practitioner of JS Taxation and Consultancy Sdn Bhd. He also acts as an advisor for Fair Consulting (M) Sdn Bhd, a consulting firm with headquarters in Japan that specializes in business process outsourcing services.

Mr. Teh does not hold any directorships in other public companies and private limited companies.

LEONG BOON TIK
Senior Independent Non-Executive Director
Chairman of Nominating Committee
Member of Audit Committee and Remuneration Committee
(Malaysian, Male) Age 41

Mr. Leong Boon Tik was appointed as the Independent Non-Executive Director of the Company on 22nd October 2020 and subsequently re-designated to Senior Independent Non- Executive Director of TAFI on 23rd November 2020. He was also appointed as the Chairman of Nominating Committee and as a member of the Audit Committee and Remuneration Committee of TAFI on 22nd October 2020.

Mr. Leong holds bachelor's degree from University of Malaya and later graduated from Malaysia University of Science and Technology with a Master of Science Degree (MSc) in Construction Engineering and Management.

Mr. Leong is a HRDF qualified trainer and MBOT Qualified Trainer in Construction Technologies and Construction Management respectively approved by Ministry of Human Resource Malaysia and Malaysia Board of Technologist. He is also a Senior Lecturer at Taylor's University since 2010, teaching Project Management, Strategic Management and Management Science.

Mr. Leong has been consultant to varies companies in company culture, improvement of efficiency and setting up management system.

Mr. Leong does not hold any directorships in other public companies but sits on the board of several private limited companies.

LEONG SHER-HOW
Independent Non-Executive Director
Chairman of Remuneration Committee
Member of Audit Committee and Nominating Committee
(Malaysian, Male) Age 36

Mr. Leong Sher-How was appointed as the Independent Non-Executive Director of the Company on 22nd October 2020. He was also appointed as the Chairman of Remuneration Committee and as a member of the Audit Committee and Nominating Committee of TAFI on 22nd October 2020.

Mr. Leong holds a Bachelor of Laws (Honours) from University of Malaya and was admitted to the Malaysian Bar on 23rd April 2010.

Mr. Leong has extensive working experience in the legal sector, practising primarily in civil litigation for more than 10 years. Mr. Leong is the principal and proprietor of his legal firm Messrs. Leong & Partners which handles a wide array of commercial and corporate related disputes.

Mr. Leong does not hold any directorships in other public companies and private limited companies.

ABDUL MALEK BIN JALIL
Non-Independent Non-Executive Director
(Malaysian, Male) Age 59

Encik Abdul Malek Bin Jalil was appointed as the Non-Independent Non-Executive Director of the Company on 1st March 2022.

Encik Abdul Malek holds a diploma of Business Studies from UiTM, Shah Alam.

Encik Abdul Malek is currently the Chairman of Investment Committee at Koperasi Permodalan Felda Malaysia 2 Berhad ("KPF2"). He is the son of a Felda settler and started his career in Felda Marketing (FELMA) in 1986. He changed his career path and worked in a few banking institutions from 1987 till 2007. He joined Felda again in 2011 as the director of Innovation and New Generation. His last position was as the director of Gedung Makanan Negara Felda in 2015. He also gained various vast experiences in different capacity through the subsequent years as a Board member of KPF2, member of Investment Committee of KPF2 and also member of Finance and Administration Committee of KPF2.

Encik Abdul Malek does not hold any directorships in other public companies but sits on the board of several private limited companies.

Notes:

1. **Shareholdings in the Company and its Subsidiaries of the Company**

   The direct and indirect interests of each Director in shareholdings of the Company can be found in the "Analysis of Shareholdings" as disclosed on page 159 of this Annual Report.

2. **Family relationship with any Director and/or the Major Shareholder**

   Save for Dato' Sri Wong and Dato' Sri Andrew who are cousins, none of the Directors are related to each other, nor has any family relationship with the major shareholders of the Company.

3. **Conflict of Interest**

   Save for the related party transactions involving Dato' Sri Azlan, Dato' Sri Wong, Dato' Sri Andrew and Dato' Sri Ong as disclosed on the Section 5 of the Circular to Shareholders dated 18th April 2022, none of the other Directors of the Company has any personal interest in any business arrangements involving the Company.

4. **Conviction of Offences**

   None of the Directors of the Company have been convicted of any criminal conviction or offences (other than traffic offences) within the past five (5) years or under any public sanction imposed by the regulatory bodies during the financial year.

   Save for Dato' Sri Azlan, Dato' Sri Wong and Dato' Sri Andrew, none of the Directors of the Company has penalty imposed by the regulatory bodies during the financial year. Dato' Sri Azlan, Dato' Sri Wong and Dato' Sri Andrew received a letter dated 9th March 2021 issued by Inland Revenue Board of Malaysia (Investigation Branch of Klang) ("**IRB**") wherein the IRB has called for a review of documents under Sections 78, 79 and 81 of the Income Tax Act 1967 ("**ITA**") in relation to their tax affairs for years 2014 to 2020. Subsequently, they have on 8th July 2021 entered into an agreement with IRB pursuant to Section 96A(1) of the ITA ("Agreement") to pay the amount of tax which has not been charged or undercharged for the years of assessment 2018 to 2020 and the amount of penalty which is required to pay for the said years of assessment pursuant to Section 113(2) of the ITA. The tax and penalty payable had been fully settled.

5. **Board Meeting Attendances**

   The attendance record of the Directors at Board of Directors' meetings for the financial year ended 31st December 2021 is found on page 28 of this Annual Report.

6. **Training Programmes, Seminars and Conference Attendances**

   The attendance record of the Directors at the training programmes, seminars and conferences for the financial year ended 31st December 2021 is found on page 25 of this Annual Report.

KEY SENIOR MANAGEMENT

The Management team is headed by the Group Managing Director, Dato' Sri Azlan Bin Azmi, and assisted by the Executive Directors, Dato' Sri Wong Sze Chien and Dato' Sri Andrew Lim Eng Guan, and their profiles could be found under the Profile of Directors on pages 4 to 5.

The profiles of other Key Senior Management are as follows: -

TANG HANG CHUAN, DANNY
General Manager
(Malaysian, Male) Age 56

Mr. Tang Hang Chuan was employed by the Company as General Manager since September 2020.

Mr. Tang holds BSc in Business Administration from Tam Kam University, Taipei, Taiwan R.O.C.

Mr. Tang has over fifteen (15) years of experience in the consumer electronics manufacturing industry and sixteen (16) years in office furniture manufacturing operation.

TAY EK KUAN
Finance Manager
(Malaysian, Male) Age 53

Mr. Tay Ek Kuan was employed by the Company as Finance & Administrative Manager since October 2017 and was redesignated as Finance Manager in February 2022.

Mr. Tay holds an Accountancy Professional Certificate from ACCA, United Kingdom.

Mr. Tay has twenty-six (26) years' experience in a manufacturing environment, involving in finance and accounting, costing, operation and administration of manufacturing companies.

LEE YEE WEI
Marketing Manager
(Malaysian, Female) Age 42

Ms. Lee Yee Wei was employed by the Company as Marketing Manager since October 2020.

Ms. Lee holds BSc in Business Administration (Marketing) from Nilai College (in collaboration with La Trobe University of Australia).

Ms. Lee has over twenty (20) years of experience in marketing and shipping for furniture export.

TOH YIN LENG
Quality Manager
(Malaysian, Female) Age 48

Madam Toh Yin Leng was employed by the Company as Operation Manager since June 2019 and was redesignated as Quality Manager in February 2022.

Madam Toh has over twenty-one (21) years of experience in manufacturing environment, especially on the quality and production efficiency.

KEY SENIOR MANAGEMENT (Cont'd)

SIA CHIN WAT
Plant Manager
(Malaysian, Male) Age 38

Mr. Sia Chin Wat was employed by the Company as Plant Manager since June 2019.

Mr. Sia has sixteen (16) years of experience in furniture manufacturing environment, especially in the panel furniture manufacturing.

Notes:
Save as disclosed above, none of the key senior management has: -
1. any directorship in other public companies;
2. any family relationship with any directors and/or major shareholders of the Company;
3. any conflict of interest with the Company; or
4. any criminal conviction or offences (other than traffic offences) within the past five (5) years or under any public sanction or penalty imposed by the regulatory bodies during the financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

TAFI INDUSTRIES BERHAD ("TAFI") and its group of subsidiaries ("known as TA's") are principally involved in the manufacturing of home and office furniture, in early 2021 the Group had diversified its existing core business to include property development and construction activities to enhance the Group's earnings and providing additional revenue and earnings stream to the Group.

Our home and office furniture products are sold domestically and internationally either in the form of TA's house brand and/or original equipment manufacturer ("OEM") and/or original design manufacturer ("ODM"). Currently its manufacturing plant and distribution warehouses are located at: -

1. PLO 3 Kawasan Perindustrian Bukit Pasir, Mukim Sungai Raya, 84300 Bukit Pasir, Muar, Johor Darul Takzim, Malaysia (Production and office); and
2. GM163, Lot 267 Mukim Sungai Terap, 84300 Bukit Pasir, Muar, Johor Darul Takzim,Malaysia (Production); and
3. Batu 6 ¼, Mukim Sungai Raya, Jalan Bukit Pasir, 84300 Muar, Johor Darul Takzim, Malaysia (Warehouse). A Sale & Purchase Agreement was entered on 10th March 2022 to dispose the said property.

OPERATING ENVIRONMENT

The operating environment in 2021 has been just as tough in terms of business challenges in comparison to previous years. The manufacturing business continued to face challenges due to the current global issues, Novel Corona Virus (COVID-19), increase manufacturing cost, shortage of foreign workers, stiff competition in terms of pricing and declining profit margin. Although Malaysia registered a commendable Gross National Product of more than 3.1%, the orders received did not reflect such a growth rate.

FINANCIAL PERFORMANCE

Revenue and Sales

For the financial year ended 31st December 2021, the Group had registered total revenue of RM43.539 million and when compared against last year revenue of RM29.387 million, it reflected an increase of RM14.152 million or 48.2%. The revenue generated comprised mainly of 43.6% local sales and 56.4% export sales. Comparing with the previous year sales, local sales had increased from 2.3% to 43.6%. Main reasons which contributed to the aforesaid increase in revenue were due to start up of local project furniture supply, new and potential customers and products in the export market.

For the financial year ended 31st December 2021, the Group continues to penetrate into home knock down furniture and tender for local government and non-government contract of furniture supply, and also via the strategic partnership via Signature Group, and OMG Free Reno Sdn. Bhd. to supply fittings and furniture related products for local market. Office furniture, albeit scale down, continues to be a division of the manufacturing arm. For the financial year ended 31st December 2021, the Group had continued to do numerous new original equipment manufacturer ("OEM") products for our OEM customers in USA, Europe and Middle East. However, the volume for each model manufactured for OEM was small in quantity during the initial period.

Its overseas market mainly covers USA, Africa, Middle East countries, United Kingdom, Australia, Europe and New Zealand.

The decreased in the sales of customized knock down furniture was mainly due to increase in export sales to the United State of America. The Group had registered a profit before tax of RM5.546 million as compared against the loss of RM9.408 million suffered in the last financial year due to local project sales of furniture with higher margin; insurance claim for flood; gain on disposal of property, plant and equipment (PPE) and right of use (ROU) assets; gain from compensation for cancellation order; income from construction projects and lower operating expenses.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

FINANCIAL PERFORMANCE (Cont'd)

Revenue and Sales (Cont'd)
For the financial year ended 31st December 2021, the Group had kick-started its construction related business by securing its maiden construction related work contract in November 2021 for site clearance and earthwork for a housing scheme in Mukim Kg. Gajoh, Perak which was completed at the end of December 2021.

The Group also managed to secure another RM30.00 million contract on 8th December 2021, for construction related works including mechanical and electrical works to complete a mixed commercial development project at Permas City, Johor Bahru by the fourth quarter (Q4) of financial year ending 31st December 2022. In addition to the RM30.00 million contract award sum, TAFI Group is also entitled to 30.0% share of the net gross development value proceeds of certain units of properties under the said project which is estimated to be around RM6.00 million.

TAFI Group is currently working towards tendering and securing more construction contracts from both the private sector and also government sector to further grow our revenue stream from construction contracts by leveraging on its wholly owned unit, TAFI Home & Office Sdn Bhd's G7 licence issued by the Construction Industry Development Board ("CIDB") which allows it to tender for construction projects of unlimited value.

Since diversification into property development business, the Group had been focusing on its maiden property development at Habu, Pahang with estimated gross development value (GDV) of RM390.00 million, wherein the management anticipates that the development for this project will commence in year 2022. Subsequent thereto, TAFI 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 with a total estimated GDV of RM621.50 million.

TAFI Group will continue working towards expanding the Group's property development business by securing more joint ventures for property development projects to add on to our existing six (6) joint venture property development projects with a total estimated GDV of about RM1.01 billion.

Capital Structure and Capital Expenditure
For the financial year ended 31st December 2021, the equity attributable to the owners of the Company had increased from RM31.49 million to RM63.94 million by RM32.45 million.

The Group incurred capital expenditure amounting to RM0.76 million. A significant portion of this expenditure relates to the purchase of tools and equipment, plant and machinery and is mainly funded by internally generated funds. The purchase of tools and equipment, plant and machinery were necessary to improve the efficiency and productivity.

Gearing
Our total borrowings currently stand at RM4.21 million as compared to RM1.20 million recorded in the previous year. Its deposits, cash and bank balances as at 31st December 2021 was RM7.62 million. The Group reported net cash used in operating activities of RM25.72 million during the year. In order to boost sales, the sales division of the Group had aggressively market for its existing products and its newly innovated products through active engagement and penetration of its past and existing customers in both domestic and export markets. With respect to new sales leads and opening new market, the Group will continue to participate in the local and overseas furniture expo and exhibition centers for the purpose of creating awareness of TA's house brand and its capacity and capability to manufacture original equipment manufacturer ("OEM") and original design manufacturer's ("ODM's") furniture.

The Group continues to develop new furniture products under its own new TA brand and increasing its clientele base whilst its Research and Development division continues to develop new designs of office and home furniture to meet the current trends of the customers and to test new raw materials to facilitate the production of quality products at competitive costs. More creative displays and promotions of the Group's products were initiated and in place to attract customers to purchase.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

FINANCIAL PERFORMANCE (Cont'd)

Gearing (Cont'd)
34.0% of its revenue for the financial year ended 31st December 2021 was generated from its supply of home furniture to international wholesale group in North America. The Group has taken steps to innovate more new cost-saving designs for home furniture e.g. knock down home furniture with better profit margins for marketing to its customers both locally and overseas.

Results of Operations
For the financial year ended 31st December 2021, the Group had turned into a profit after tax of RM5.493 million as compared against last financial year loss after tax of RM9.447 million. Total cost of sales for the Group for the financial year ended 31st December 2021 was RM35.579 million against RM34.048 million in the preceding year.

Couple with higher sales turnover in 2021, we managed to report a commendable profit margin for local project furniture supply and construction contracts, despite the increase in material cost, labour costs as well as the utility costs arising from operating equipment and machinery.

Total assets of the Group as at 31st December 2021 stood at RM75.956 million from RM43.608 million recorded in the last financial year.

The Shareholders Fund as at 31st December 2021 stood at RM63.935 million.

Profit per share on equity for the financial year ended 31st December 2021 and loss per share on equity for the financial year ended 31st December 2020 were as follows: -

	2021	2020
Basic Profit / (Loss) per share	1.54 sen	(3.94) sen
Return on Equity	8.59%	(30.00)%
Cash Liquidity/Cash Flow		
Deposits, Cash and Bank Balances	RM7,620,765	RM4,872,512
Investment Management Funds	NIL	NIL
Borrowings: -		
Short Term Borrowings	RM4,205,211	RM705,890
Long Term Borrowings	NIL	RM498,433
Total Borrowings	RM4,205,211	RM1,204,323

Finance Cost
Total finance cost had increased from RM57,518 in year 2020 to RM120,753 for the financial year ended 31st December 2021 due to the utilization of trade facilities. Repayment of term loan had been made to reduce the term loan borrowings during the financial year under review.

Trade Receivables
The trade receivables of the Group increased from RM1.804 million as at 31st December 2020 to RM12.019 million as at 31st December 2021.

The Group will make impairment of receivables based on an assessment of the recoverability of receivables. The impairment will be applied to receivables where events or changes in circumstances indicated that the carrying amounts might not be recoverable.

For the financial year ended 31st December 2021, the Management has made an allowance for impairment loss of RM21,586.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

FINANCIAL PERFORMANCE (Cont'd)

Capital Commitment
Moving forward, the Management does not foresee there will be any major capital expenditure required in the near future. As at 31st December 2021, there is no commitment in respect of the purchase of property, plant and equipment.

Anticipated / Future Risks
Currently the Group relies on several customers for the export sale of its home furniture which amounted to 39.9% of the Group's revenue and there is no assurance that these customers will continue to place orders for the Group's furniture indefinitely. As such, the Group will continue its efforts to take the necessary steps to grow its customer base by initiating strategic partnership to increase its market reach.

Like most business entities, any change in government regulations and policies may have an impact on our Group's operations. Being a manufacturing based Group, a change to the labour law may have an impact on the earnings of the Group.

To mitigate this, we are always looking at automating our processes to reduce manual work and improve efficiency as well as output. We also strive to provide good customer services beginning on the first contact with potential customers, product review, selection and development, order negotiation and production co-ordination, customers' quality control and shipment co-ordination and delivery. As the Group manufacturing business is involved heavily in exports, any movement in foreign currency will have a significant impact to both revenue and profit after taxation. Malaysian Ringgit has strengthened against other major currencies, especially US dollars in early 2021. This could have some impact to our export's revenue and profit after taxation. Malaysia Ringgit is weakened towards end of 2021, with the Russian war and the strengthened of US dollars, Malaysia Ringgit against US dollars is estimated to be fluctuating during 2022.

The Group is also subjected to risk of labour shortage and increase in labour costs. The Group has difficulty in recruiting local workers and has to resort to employing foreign workers. Hence, the Group is required to comply strictly with the policies imposed by the Malaysian Government with regards to the employment of these foreign workers. Therefore, any changes in such policies may adversely cause the Group's ability to employ foreign workers or find suitable replacements thus resulting in disruption in the production in its products.

The COVID-19 outbreak has developed rapidly in 2021 with a significant number of cases in Malaysia. Measures taken by the Government of Malaysia to contain the virus have affected the economic activities of the Group.

At this point, the extent to which COVID-19 may impact the Group's financial condition or results of operations is uncertain. However, it is not expected to have a material impact to the carrying value of the assets and liabilities as at 31st December 2021 and the Board of Directors is closely monitoring the situation and will mitigate its impact while preserving the Group's value.

Dividends
For the financial year ended 31st December 2021, the Board of Directors of TAFI has not recommended any final dividend for consideration at the forthcoming 18th Annual General Meeting. The Group strives to maintain an adequate and regular payment of dividend by reviewing its financial results and the availability of distributable retained earnings. The Board would take into account the market conditions, capital commitments and the Group's cash flow requirements to carry out business plans to generate better profits for all shareholders.

Growth
Our strategy to deliver our vision begins with growth by building strategic partnership in the supply chain for sustainable growth and we aim to increase our market share, both locally and in oversea. The Management target to continuously improve on our cost base to release funds to help us to grow our business and to deliver higher returns for shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

FINANCIAL PERFORMANCE (Cont'd)

Growth (Cont'd)

Our Group will continue to focus on the manufacturing of original equipment manufacturer ("OEM") and original design manufacturer's ("ODM's") furniture, develop new products and new designs for existing products as well as derive better cost efficiencies. The Group will also continue to explore for viable business ventures and opportunities to increase its profitability.

Discussion with Auditors on Audited Financial Statements for the Financial Year Ended 31st December 2021

The Auditors, Messrs. Peter Chong & Co. had indicated that they had issued an unqualified auditors' report for the financial year ended 31st December 2021. During the course of their audit, they had discussions with the Management on several audit issues on the said accounts and the Management had furnished explanations and documentations to substantiate its explanations which the Auditors had accepted.

For details of the key audit matters, please refer to pages 57 to 58 of the Annual Report for details on the said key audit matter.

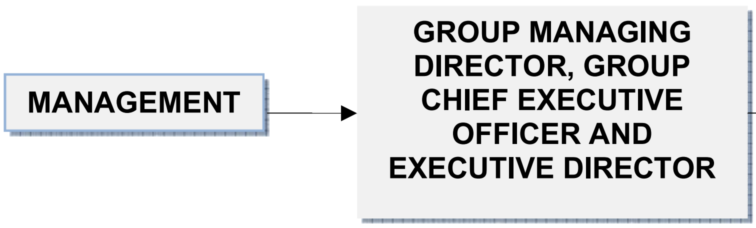
SUSTAINABILITY STATEMENT

The Board of TAFI Group (the “Board”) is mandated to develop sustainability strategies and policies and to guide decision making efforts for the Group. The Board will also have a role to ensure that TAFI meets both its compliance and sustainable development responsibilities. This Report has been prepared in accordance with the Sustainability Reporting Guide issued by Bursa Malaysia Securities Berhad (“Bursa Securities”).

In this regard, the Management focuses on three areas – economic, environment and social (“EES”) which aims to deliver sustainable value to society at large.

SUSTAINABILITY GOVERNANCE STRUCTURE

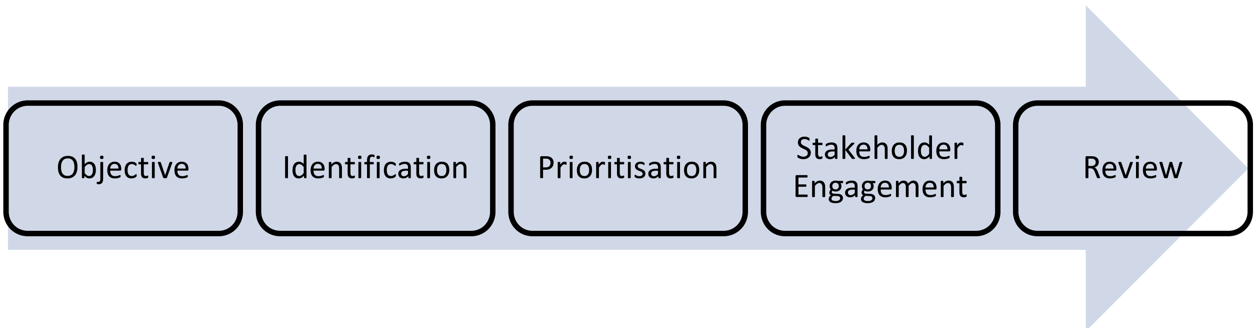
The Management’s responsibility is to ensure that the Group’s sustainability matters has taken various holistic approaches by incorporating EES to support business continuity and competitiveness over the long term in line with the benefit to the stakeholders. The other roles of Management are 1) To ensure consistent implementation of sustainability practices and standards 2) To raise sustainability practice awareness amongst employees 3) To continue stakeholders’ engagement efforts. Hence, Sustainability Statement is very crucial to the Group and it acts as a catalyst to prompt the Group to identify the significant EES risks that are likely to be material and impact to the Group. For TAFI, the Management will report to the Group Managing Director (“Group MD”), Group Chief Executive Officer (“Group CEO”) and Executive Director (“ED”) on the sustainability performance of the Group. The Group CEO and ED will lead the Group in reviewing and put in place all the necessary risks to sustain the business of the Group. The Group CEO and ED then will report the sustainability risks and measure taken by the Group to the Board in order to avoid any reputational risk to the Group which may affect the stakeholders.



Sustainability Governance Structure

MATERIALITY ASSESSMENT PROCESS

The Management will identify and assess a wide range of sustainability matters to act on and to report to. Hence, the materiality assessment can provide information that may positively or negatively influence the Group’s ability to deliver TAFI’s vision and strategy. The Group CEO and ED will advise and assist the Management to mitigate the sustainability risk to protect the stakeholders’ interest. The Management together with the supervision of the Group CEO and ED will conduct a materiality review every year to identify the crucial and relevant sustainability matters occur in the Group. The result would assist the Group to manage the sustainability matters. The following are five (5) key steps to conduct the materiality assessment: -



MATERIALITY ASSESSMENT PROCESS (Cont'd)

Objective
This report covers information on the Group from 1st January 2021 to 31st December 2021 principally involved in the manufacturing of home and office furniture either in the form of TA's house brand and/or original equipment manufacturer ("OEM") and/or original design manufacturer ("ODM").

Identification
The Management will identify the list of sustainability issues relevant to the Group and its stakeholders. The Group CEO and ED will discuss and have a meeting with the Management to assess the identified issues in order to manage the risks.

Prioritisation
The Group CEO and ED will prioritise the sustainability matters and manage the materiality sustainability matters. Prioritising the sustainability matters can help the Group to focus effort and maximize the resource allocation needed by the Group. The Board assists the Group CEO and ED to decide the measure taken to reduce or mitigate the sustainability matters.

Stakeholder Engagement
The stakeholder engagement process enables the Group to identify and assess who the relevant stakeholders are, and then understanding stakeholders' needs and expectations in relation to the sustainability performance. Thus, it is very crucial part to engage with the stakeholders to identify the sustainability risks and opportunities by the Group in which the activities may impact on the economy, environment and society. All issues raised by stakeholders are brought to the attention of the Management by the respective departments.

At the Annual General Meeting, the Board had kept the stakeholders updated on the latest development within our company and communicate information on our Company's activities and discussed issues that might impact our stakeholders' interest. Our website at https://welcome.tafi.com.my is one of the channels to further enhance stakeholders' communication. All such communications are guided by our Corporate Disclosure Policy. We also have a dedicated email account, admin@tafi.com.my for direct communication with us.

Our key stakeholders are outlined in the below table, along with the forms of engagement and key topics of interest that we seek to address: -

Stakeholders	Sustainable Topics	Types of Engagement	Frequency
Shareholders	Business performance, timely disclosure of information and corporate governance	Corporate Website	On going
		Annual General Meeting	Annually
		Annual Report	Annually
		Quarterly Result	Quarterly
		Press Release	As required
		Bursa announcement	As required
Customers	Product design	New product development team on designing and product development	On going
	Product quality	Product and quality department inspection and weekly meeting update	On going
	Timely delivery of finished goods	Monitoring the production progress via weekly meeting update	On going
Supplier	Supplier performance	Supplier selection	On going
		Supplier evaluation	As required
	Quality of supply	Authorisation by General Manager prior to the requisition of raw materials	As required
Government and regulator	Compliance with law and regulations	Compliance with local authorities	On going
		Policies	On going
		Regulatory compliance training	As required

MATERIALITY ASSESSMENT PROCESS (Cont'd)

Review
The process and outcome of the Group's materiality assessment are reviewed when required and approved by the Group CEO and ED.

MATERIALITY SUSTAINABILITY MATTERS

The Group has identified the following material sustainability matters and taken the relevant measures in managing the material sustainability matters: -

ECONOMIC

Exchange Rate Fluctuations

Mostly the revenue of the Group comes from the export of furniture to some countries like USA, Africa, Middle East countries, United Kingdom, Australia, and Europe. Hence, the exchange rate fluctuations are the factors that may directly affect the Group's sales demand and revenue. It may also affect the Group's financial impact and business continuity.

Whenever possible, the Group will request a certain amount of deposit prior to the delivery of goods. It will secure the Group from loss if the customers do not want to buy the goods. The Group also maintains a foreign currency account to facilitate the receipt of revenue collection which is denominated in USD. Hence, it provides some form of natural hedging against any adverse foreign exchange fluctuations.

ENVIRONMENT

Environment is of utmost importance due to the increasing depletion of the earth's natural resources and global climate change issues. As a business entity, we rely on natural resources every day and climate change issues will affect the supply chain and the source of many products. Therefore, it is essential to embed environmental sustainability principles into our business operations and practices.

Wood which is the major raw material input in our products is environmentally friendly. We have invested in dust control facilities to ensure that our manufacturing plants are kept as low as possible with wood / chipboard particles. The Management will continue its on-going due diligence, compliance with environmental regulations for protection against pollution, enhance its processes in recycling its wood wastages to other small furniture items so that its waste reduction will continue to be our on-going efforts to conserve natural resources and protect the environment. The Group meets all regulations and compliance standards as imposed by the Malaysian Department of Environment ("DOE").

For the financial year ended 31st December 2021, in view that its existing dust control facilities were sufficient to cope, the Group had not incurred any capital expenditure in upgrading the said dust control facilities.

The efficient use of energy and raw materials such as chipboards, lamination materials in all our operations is, among the approaches to heighten the positive impact and minimize negative impacts of the Group's operations on the environment. We have adopted a variety of energy management practices and in 2021, we used an average of 19.6kW/units of electricity for our furniture production. The Management had met regularly to come up with and implement ideas with an aim to preserve, conserve and improve the efficiency of energy utilization. The Group had started installing solar energy system by phases which will eventually increase the use of renewable energy by the Group.

Collecting recyclable items such as paper, carton, boxes, etc for sale to recycling companies and the income generated were channeled towards employees' welfare.

The Group was accredited with the FSC (Forest Stewardship Council) Certification in 2008 which accorded the Group a competitive edge when marketing to its overseas customers especially those in the Europe. The FSC promotes responsible management of the world's forests and its certification is an endorsement that the

ENVIRONMENT (Cont'd)

Group's production processes play a role in such sustainable forestry. FSC certified products are products where the entire supply chain is FSC compliance.

In order to promote a greenery environment in its workplace, the Group has enhanced plant landscaping and greening the factory premises. The Group has continued to nurture and upkeep its greenery environment in its factory premises for the financial year ended 31st December 2021.

SOCIAL

TAFI had adopted the following Sustainability Policy on the employees: -

- Respect and support Human Labour Rights
- No Forced Child Labour
- Occupational Safety and Health
- Access to Education
- Employment Contracts & Equal Employment Opportunities
- Intolerance towards Harassment and Violence

WORKPLACE

The Board believes that our employees as stakeholders are an essential asset of the Group. Accordingly, we strive to provide them with a conducive and safe environment by providing safety and job-related training. The Company had organised in-house safety programme to ensure the workers know how to effectively handle the Company's machinery and equipment, tool and vehicles. The Company promotes awareness on safety precautions and health issues. Safety gears are provided to relevant workers and employees to reduce the consequences of serious accidents.

For the financial year ended 31st December 2021, the following activities have been carried out for employees' awareness: -

- Safety training: - fire drill, first aid training, safety and health talks, promote "injury- free campaigns" provided by Fire and Rescue Department;
- Regular medical and physical check-ups: - Healthcare monitoring; and
- Controls: - fencing of moving machinery plants, construction of noise reduction areas and the placement of guardrails and handrails, where needed and noise monitoring to ensure within permissible levels within the factories.

For 2021, TAFI has achieved a zero fatal accident record and zero accident severity rate, which refers to absenteeism of more than 5 days due to an accident, remains low with most accident cases involved minor injuries. The Group has conducted the fire drill to the staffs by Fire and Rescue officers in every six month period.

The Group, in fulfilling its corporate responsibility as a caring employer, places emphasis on building long lasting relationships with the employees. We ensure that two-way open communication channels are available to all employees so as to facilitate better understanding of the Group's objectives and direction.

The Management conducted talk sessions to provide an avenue for employees to engage with the Management and network among each other. These sessions provide opportunities for employees to provide their feedback and provide inputs for business and operational improvement.

To encourage employee engagement, the Management encourages employees to participate in various activities to maintain a good work-life balance and lifestyle. These activities carried out include potluck party, sports tournament, annual sports, health campaigns, religious and festive get-together with an aim to promote team spirit and foster a close working relationship amongst our employees.

WORKPLACE (Cont'd)

The Group also provides industrial trainings for university and vocational students. This will open a new avenue for the Group to recruit candidates to fill job vacancies.

The Management is mindful of diversity in gender, ethnicity and age of its staff force when selecting its candidates.

Retention of key employees is crucial to ensure business success. The Group continues to ensure that medical benefits, hospitalization, reward packages remain competitive to attract, retain and motivate the right talents. Succession plans are put in place for key positions to ensure sustainability in terms of continuing effective and efficient operations within Group and a healthy leadership pipeline.

COMMUNITY

The Group recognises the co-relation between business growth and social well-being and welfare. Therefore, in fulfilling its corporate responsibility to the community in which it conducts its business, the Group is obligated to improve the quality of the society at large.

The Group also encourages its employees to participate in voluntary work for charitable causes.

MARKETPLACE

To achieve sustainable development of the marketplace, the Group endeavors to carry out activities to promote responsible practices among our investors, suppliers and customers where high ethical standards in the respective areas are consistently applied: -

Investors
The Group strives to enhance corporate value by maintaining a stable and long term growth strategy for the benefit of its shareholders. The Group continues its efforts to engage with its shareholders through the following initiatives:

- To maximize shareholders' wealth through continuous efforts to achieve operational excellence and sustainable growth;
- Disclose and disseminate all material information in a timely, open, fair and transparent manner;
- Ensuring a robust system of corporate governance, implementing policies that promote ethical behavior and conducting business responsibly through high standards and business ethics;
- Engages with its shareholders and investors through various channels of communication such as general meetings of shareholders and regular press releases; and
- Accessible in the public domain and regular investor updates on our website.

Suppliers
The Group respects its suppliers and works closely with them through long-term relationships to realize mutual growth based on mutual trust. In this respect, the Group engages its suppliers through the following manner: -

- Engages in ethical procurement practices by adopting standard and equitable procedures;
- Ensures the products supplied are in accordance to the Group's required specification; and
- Conducts in-depth supplier audits, evaluate and on-going selection to ensure the required standards are met in the supply chain.

Customers
The Group is committed in: -
- Producing good quality products at competitive prices to its customers;
- Provision of technical services to its customers as and when required;
- Organizing product seminar and participating in product exhibition so as to share the information of its furniture products with its customers and other relevant parties such as developers etc.

MARKETPLACE (Cont'd)

Customers (Cont'd)

- Always sourcing of competitively priced and better-quality products and services from reliable sources and passing on the savings to its customers where possible;
- Adhering to its vision of being a trustworthy and excellent company known in Malaysia as well as in overseas;
- Obtaining product certification such as the Forest Stewardship Council (FSC) for eco-friendly products; and
- Upholding its Operating Policy to continuously improve its productivity constantly developing higher value-added products and environmental friendly products, to continually pursue excellence in quality and service exceeding customers' expectation.

The Group provides quality products, on time deliveries and services that meet the customers' demands to earn the trust of its customers. The Group strives to create value for its customers through competitive pricing without compromising the interest of other stakeholders. In achieving this, the Group initiates the following: -

- Enhance customers' satisfaction and confidence by providing quality products in full on a timely basis;
- Adopt the "do it right the first time" motto to achieve operational excellence in order to reduce overall costs for the benefits of both customers and shareholders of the Company; and
- Implement a customers' complaint system to address and ensure all customer feedbacks and complaints are acknowledged and resolved promptly.

CORPORATE GOVERNANCE STATEMENT

The Board and Management of TAFI adopt high standards of professionalism and integrity and practices good corporate governance principles in fulfilling their fiduciary duties and in the activities undertaken by the Group and the Board endeavours to comply with the best practices of the principles of good corporate governance as set out in the Malaysian Code on Corporate Governance ("MCCG") issued by the Securities Commission Malaysia and the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

Mindful of the trust and expectations placed upon their shoulders by the shareholders and stakeholders, it is the intention that through this common value system, shareholder value will not just be safeguarded but the performance of the Group is always being enhanced and improved upon.

The Board is pleased to present this statement to provide its shareholders with an insight into the corporate governance practices of the Company under the leadership of the Board during the financial year just ended.

1. BOARD LEADERSHIP AND EFFECTIVENESS

1.1 BOARD LEADERSHIP

Board's Responsibilities
The Board is entrusted with and is responsible for the Group's overall strategy, growth and direction including its business and financial performance. The Board provides direction and guidance to management and has effective control of the Group. It maintains control of the Group's activities through the matrix of authority filtered down to the various components of the Group and the Group Managing Director ("Group MD") assisted by the Group Chief Executive Officer ("Group CEO"), the Executive Director ("ED") and the management team are responsible for ensuring the Board's effectiveness in conducting its business and in fulfilling its responsibilities to stakeholders.

Matters reserved for the Board are broadly defined into financial, statutory and administrative, regulatory and conduct of the Board, as disclosed in the Appendix D of TAFI's Board Charter, the text of which is found on the Company's website at https://welcome.tafi.com.my. Major responsibilities of the Board include reviewing and adopting the strategic plan for the Group, overseeing the conduct of the Group's business, identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures, succession planning, overseeing the development and implementation of a shareholder communications policy for the Group, reviewing the adequacy and the integrity of the management information and internal control system of the Group.

Key matters reserved for the Board's approval while not exhaustive, include the annual business plan and budget, dividend policy, business continuity plan, new issues of securities, business restructuring, capital and operating expenditure above certain limits, disposals of significant fixed assets and the acquisition or disposal of companies within the Group.

The Board conducted a quarterly review and evaluation of the Group's performance and the progress of the new projects as well as approving the quarterly results within the stipulated timeframe. Management staff was invited to attend Board meetings to brief the Board on the financial and non-financial information and the achievement of the business performance as well as the progress of the key initiatives. The Board ensures that the performance reporting process linked objectives, principles and practices to its needs.

The Board ensures that the statutory accounts of the Group and Company are fairly stated and otherwise conformed to the relevant regulations, including acceptable accounting policies that result in balanced and understandable financial statements.

1. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

1.1 BOARD LEADERSHIP (Cont'd)

Board's Responsibilities (Cont'd)
All Board decisions are collectively arrived at, after due discussion and consultation, and no individual director or group of directors has undue influence or dominance on the Board's decision-making process.

The Board also plays a critical role in ensuring the management identified, managed and monitored its principal risks and to focus more time and resources on how these principal risks are effectively managed. The Board shall ensure a sound system of risk management and internal control are in place and appropriate actions were taken to mitigate any risks.

Certain responsibilities of the Board are delegated to the Audit Committee, Nominating Committee and Remuneration Committee, which operate within clearly defined parameters as spelt out in the respective Committees' Terms of Reference, each of the Terms of Reference could also be found in the Appendices of TAFI's Board Charter from Company's website at https://welcome.tafi.com.my. Although specific powers are delegated to these Board committees, the Board keeps itself abreast of the key issues deliberated and recommendations of the Board committees through the briefings conveyed by the respective committee chairman at Board meetings which are usually held on the same day as the committee meetings. Notwithstanding the decisions forwarded by the respective Board committees, the final decision concerning a matter tabled for discussion ultimately lies with the Board after considering the recommendations of its respective committees.

The setting up of the three (3) Board committees is to enable a more effective management of the delegated tasks and for an added degree of independence and objectivity when discussing or debating matters falling within the ambit of the respective committees.

Ethical Leadership by the Board

(a) Standard Ethical Codes of Conduct for Directors

The Board acknowledges the importance of establishing a healthy corporate culture and has formalised in writing a Code of Ethics and Conduct in its Board Charter, which have been uploaded on the Company's website at https://welcome.tafi.com.my sets out the standards of good behavior by underscoring the core ethical values that are vital for their business decisions.

(b) Whistleblowing Policy

The Group's Whistleblowing Procedure provides an avenue for a whistle-blower to raise concerns about fraud, malpractices, illegal acts, improper conduct and other acts or omission which is against the interest of the Group. Concerns will be addressed according to procedures and feedback channels as determined in the procedure.

The public and the employees who reasonably believe that inappropriate practices or conduct are occurring should raise the issue with the Group MD or the Group CEO by email to whistleblowing@tafur.com.my.

The Role of Chairman of the Board and Group MD
Under the practices of good corporate governance, the role of Chairman of the Board and Group MD of the Company is distinct and separate with individual responsibilities. Each of them has clearly defined duties and authority thus ensuring balance of power and greater capacity for independent decision-making.

The Chairman of the Board leads and manages the Board by focusing on strategy, governance and compliance.

1. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

1.1 BOARD LEADERSHIP (Cont'd)

The Role of Chairman of the Board and Group MD (Cont'd)
The Group MD together with the top management is responsible for implementing policies and decisions of the Board and together, manages the day-to-day operations as well as oversee the overall development and implementation of the Group's business and corporate strategies. They ensure the strategic objectives and plans of the Group are met. They are assisted and supported by a capable management team comprising heads of various divisions and departments. The Board is kept abreast of the Group's latest operational and business developments through updates reported at its quarterly meetings and also additional meeting will be called when necessary.

The roles and responsibilities of the Chairman of the Board and Group MD are disclosed in TAFI's Board Charter, which is published at Company's website (https://welcome.tafi.com.my).

Strategies Promoting Sustainability
The Group acknowledges that sustainability is an important aspect of its business and continuously undertakes responsible practices that impact the society and the environment in a positive manner and to inculcate a culture of responsibility in all aspects of our business. It therefore adopts a business approach to create shareholder value by embracing opportunities and managing risks arising from economic, environmental and social developments.

The Board ensures that its long-term financial viability, loyalty of key stakeholders and preservation of the environment is achieved. The details of the sustainability activities are set out in the Sustainability Statement on pages 16 to 21 of the Annual Report.

Role of Company Secretaries in supporting the Board and Board Committees
The Company Secretaries of TAFI respectively is a member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") and a Licensed Secretary by Companies Commission of Malaysia and both are qualified to act as company secretaries pursuant to Section 235(2) of the Companies Act 2016 (the "Act").

The Company Secretaries are responsible to provide support and guidance in advising the Board on all secretarial matters of the Company, in particular the compliance of the Bursa Securities' MMLR as well as to inform and keep the Board updated on the latest enhancements in corporate governance, changes in the legal regulatory framework, new statutory requirements and best practices.

The Board has recorded their satisfaction with the performance and support rendered by the Company Secretaries to the Board in discharging their functions for the financial year ended 31st December 2021.

The Board also noted with deep sadness and regret, the demise of Ms. Ng Bee Lian, a Secretary of the Company, on 27th February 2022 and in recognition of her past services and invaluable contributions to the Company, a note of thanks and appreciation was recorded.

On 1st March 2022, the Board had appointed Ms. Wong Siew Yeen (MAICSA 7018749) as a Company Secretary of the Company, in place of the late Ms Ng Bee Lian.

1. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

1.1 BOARD LEADERSHIP (Cont'd)

Directors' Training
Each member of the Board of TAFI is encouraged to regularly undergo suitable training programmes to keep themselves abreast of the latest changes and to update their knowledge and each of them is aware of the need to continually undergo training appropriate to their needs in line with Paragraph 15.08(3) of Bursa Securities' MMLR.

The Board members are given the liberty to determine on their own the appropriate type of trainings needed for their personal development, they are highly encouraged to attend the talks and seminars organised by Bursa Securities which are highly relevant to directors and management of the Group.

The Company Secretaries regularly updates the relevant guidelines on statutory and regulatory requirements from time to time for the Board's reference and briefed the Board quarterly on these updates, where applicable, at Board meetings. The External Auditors also briefed the Board members on any changes to the Malaysian Financial Reporting Standards that would affect the Group's financial statements during the financial year under review.

The Nominating Committee of the Board assesses the training needs of each Director on an annual basis by determining areas that would strengthen their contribution to the Board.

Besides that, Induction programme will be arranged for any new appointment such as factory visits and meetings with senior management personnel, as appropriate, to enable them to have a full understanding of the nature of the business, current issues within the Group and corporate strategies as well as the structure and management of the Group.

The trainings or seminars attended by the Board of Directors during the financial year include: -

Directors	Seminars/ Forums/ Conference/Training Attended	Date
Dato' Sri Ong Chee Kean	Mandatory Accreditation Programme for Directors of Public Listed Companies organised by the ICLIF	18/01/2021 to 20/01/2021
Dato' Sri Azlan Bin Azmi	Key Disclosure Obligations of a Listed Company – Financial Reporting organised by CKM Advisory Sdn Bhd	21/01/2021
Dato' Sri Wong Sze Chien	Key Disclosure Obligations of a Listed Company – Financial Reporting organised by CKM Advisory Sdn Bhd	21/01/2021
Dato' Sri Andrew Lim Eng Guan	Key Disclosure Obligations of a Listed Company – Financial Reporting organised by CKM Advisory Sdn Bhd	21/01/2021
Teh Soon Hin	Key Disclosure Obligations of a Listed Company – Financial Reporting organised by CKM Advisory Sdn Bhd	21/01/2021
Leong Boon Tik	Key Disclosure Obligations of a Listed Company – Financial Reporting organised by CKM Advisory Sdn Bhd	21/01/2021
Leong Sher-How	Key Disclosure Obligations of a Listed Company – Financial Reporting organised by CKM Advisory Sdn Bhd	21/01/2021

1. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

1.1 BOARD LEADERSHIP (Cont'd)

Directors' Training (Cont'd)
The newly appointed Non-Independent Non-Executive Director on 1st March 2022, Encik Abdul Malek Bin Jalil will attend the Mandatory Accreditation Programme conducted by The Iclif Leadership and Governance Centre to be held on 21st to 23rd June 2022.

Board Charter
The Board Charter of the Company was adopted by the Board in 2014. The latest Board Charter, which available on the Company's website at https://welcome.tafi.com.my, was revised and adopted by the Board on 8th February 2022.

The Charter serves to provide guidance to the Board in the fulfilment of its roles, duties and responsibilities which are in line with the principles of good corporate governance. The Board Charter will be reviewed on a periodic basis, but at least once every two (2) years, and may be amended by the Board from time to time to be relevant and up-to-date.

1.2 BOARD DYNAMICS

Board Composition
The Board of TAFI comprises members with diverse expertise ranging from finance, accountancy, legal, management and engineering. All members of the Board hold senior management positions in their respective corporations.

Currently, there are eight (8) directors on the Board of TAFI where three (3) members are Independent Non-Executive Directors, two (2) Non-Independent Non-Executive Directors and three (3) members with executive roles are the Group MD, Group CEO and ED of the Company. A list of the entire TAFI Board and their profiles are respectively set out on pages 4 to 8 of this Annual Report.

The Board composition of the Company complies with the MMLR of Bursa Securities which stipulates that at least two (2) directors or one-third (1/3) of the board of directors of a listed issuer, whichever is the higher, are independent directors

The Independent Non-Executive Directors bring with them an element of check and balance to the Board and are crucial in providing objective, independent views, advice and judgement to the Board in the interest of shareholders and stakeholders.

Together, the Board contributes a rich *pot-pourri* of experience and management skills by the coming together of their invaluable ideas, wisdom, knowledge and experience that contributes to and is essential for the effective running of the Group.

Board Meetings
Board meetings are held at least once every quarter upon finalisation of the results of each financial quarter to facilitate the review and approval of that quarter's financial results. The role of Chairman of the Board is to ensure that each agenda item is adequately reviewed and deliberated upon within a reasonable timeframe.

1. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

1.2 BOARD DYNAMICS (Cont'd)

Board Meetings (Cont'd)

Board and Board Committee meetings will be conducted in accordance with a structured, formal agenda prepared by the Company Secretaries in consultation with the Management. Meeting agenda while not exhaustive, includes review and updates of various aspects of the Group's operations, quarterly financial performance, findings from both the external and Internal Auditors, business plans, strategic decisions, major investments, and any other proposals or other significant matters from time to time that require the expeditious direction of the Board. In addition, the Board and Board Committee meetings also cover deliberations on any principal risks that may have a significant impact on the Group's business or its financial position and the mitigating factors when assessing the viability of business propositions and corporate proposals.

The Chairman of the Board is responsible to ensure that each agenda item is adequately reviewed and deliberated upon within a reasonable timeframe. A full set of the Board papers for each Board and Board Committee meeting, including financial reports and notices is submitted to the Directors about a week prior to such meetings to provide them with sufficient time to evaluate the matters to be discussed and to enable a more informed decision-making process.

As a measure to ensure the Directors attending all Board and Board Committee meetings and the Annual General Meeting ("AGM") of the Company for the ensuing year, an annual meeting calendar will be prepared by the Company Secretaries and tabled at the last Board meeting prior to the start of a new financial year. This meeting calendar will serve as reminder to ensure that Directors achieve full attendance at all meetings convened by the Company.

Regardless, Paragraph 15.05(3)(c) of the MMLR of Bursa Securities required that directors of listed issuers clock an attendance of at least 50% of the total board of directors' meetings held during a financial year, failing which his office shall become vacant.

Besides the schedule of meeting dates, information on the closed periods for dealing in the quoted securities of TAFI by Directors based on the targeted dates of announcements of the Group's quarterly results are set out in the calendar. Notwithstanding the yearly pre-set meeting dates, additional ad-hoc meetings may be called should the need arise. Any changes in the pre-set meeting date will be notified to the Directors in advance and a new meeting date will be fixed based on their concerns.

1. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

1.2 BOARD DYNAMICS (Cont'd)

Board Meetings (Cont'd)
During the financial year ended 31st December 2021, total of eight (8) Board meetings were held and the attendance record of each Director is as follows: -

Directors	Designation	Attendance
Dato' Sri Ong Chee Kean	Non-Independent Non-Executive Chairman	8/8
Dato' Sri Azlan Bin Azmi	Group Managing Director	8/8
Dato' Sri Wong Sze Chien	Group Chief Executive Officer	8/8
Dato' Sri Andrew Lim Eng Guan	Executive Director	8/8
Teh Soon Hin	Independent Non-Executive Director	8/8
Leong Boon Tik	Senior Independent Non-Executive Director	8/8
Leong Sher-How	Independent Non-Executive Director	8/8
Abdul Malek Bin Jalil ***(Appointed on 1st March 2022)***	Non-Independent Non-Executive Director	-

Based on the above Board meeting attendance record, each Board member has met the minimum attendance requirement of 50% as stipulated in Paragraph 15.05(3)(c) of the MMLR of Bursa Securities. The Finance Manager attended every Board meeting, as well as the Audit Committee meetings, at the invitation of the Audit Committee Chairman, whilst the Company Secretaries attended all Board and Board Committee meetings of the Company and minuted the proceedings thereof.

The Board is also made aware of the decisions and salient issues deliberated by Board Committees through the minutes of these Board Committees furnished to them.

The Directors have a duty to declare immediately to the Board should they have any direct or indirect interest in transactions to be entered into by the Company or the Group. The interested Directors would serve notice to the Board and thereupon, abstain from deliberations and decisions of the Board on the transaction concerned. In the event a corporate proposal is required to be approved by shareholders, the interested Directors and persons connected to them are also required to abstain from voting in respect of their shareholdings relating to that corporate proposal.

1. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

1.2 BOARD DYNAMICS (Cont'd)

Independent Directors
The composition of Independent Directors on the Board of TAFI complies with the requirement of Bursa Securities' MMLR which stipulates that at least two (2) members or one-third (1/3) of the board of directors of a listed issuer, whichever is the higher, must be independent directors.

The annual appraisal of the contribution of the Board, Board Committees and individual directors was conducted via the Company's pre-set appraisal form and consideration was also given to that directors' ability to commit sufficient time and energy to perform his roles and responsibilities and his ability to satisfy the test of independence, considering his character, integrity and professionalism.

Based on the annual assessment carried out and reviewed by the Nominating Committee in November 2021, the Board is satisfied with the level of independence demonstrated by all the Independent Directors, and it will continue to conduct independence assessment annually with the assistance of the Nominating Committee to ensure that the independent Directors are able to exercise independent judgement and act in the best interests of the Group.

Tenure of Independent Directors
The tenure of an Independent Director does not exceed a cumulative term limit of nine (9) years since his appointment as an Independent Director as recommended by Practice 5.3 of MCCG. Upon completion of the nine (9) years, an Independent Director may continue to serve as the board provided that the Independent Director is re-designated as Non-Independent Director.

If the Board intends to retain an Independent Director beyond nine (9) years, it should justify and seek annual shareholders' approval annually. If the Board continues to retain the Independent Director after the 12th year, the Board should seek annual shareholders' approval through a two-tier voting process.

Taking into account the need for progressive refreshing of the Board of the Company has adopted nine (9) years and after 12th year policies for the tenure of an Independent Director of the Company as recommended by Practice 5.3 of MCCG. Currently, the Company does not have any independent director who serve more than nine (9) years.

1.3 NOMINATING COMMITTEE

Pursuant to Nominating Committee's Terms of Reference, the Nominating Committee of the Company shall be appointed amongst the Board members and shall comprise no fewer than two (2) members who shall be exclusively non-executive directors of the Company where a majority of whom must be independent and the term of a Nominating Committee member shall automatically terminated when he ceases to be a director of the Company.

The Chairman of the Nominating Committee should be selected amongst the Nominating Committee members and should be the Senior Independent Non-Executive Director identified by the Board.

1. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

1.3 NOMINATING COMMITTEE (Cont'd)

Currently, there are three (3) members of the Nominating Committee comprising of three (3) Independent Non-Executive Directors. The Committee is chaired by Mr. Leong Boon Tik, the Senior Independent Non-Executive Director of the Company, in line with Guidance 5.8 of MCCG.

Full attendance of the Nominating Committee members was recorded for the meeting held during the financial year ended 31st December 2021 as follows: -

Directors	Designation	Attendance
Leong Boon Tik	Chairman / Senior Independent Non-Executive Director	1/1
Teh Soon Hin	Member / Independent Non-Executive Director	1/1
Leong Sher-How	Member / Independent Non-Executive Director	1/1
Dato' Sri Ong Chee Kean** ***(Resigned on 8th February 2022)	Member / Non-Independent Non-Executive Chairman	1/1

* *Dato' Sri Ong Chee Kean resigned as member of Nominating Committee because the Company had adopted the Practice 1.4 of MCCG issued on 28th April 2021 which recommends that the Chairman of the Board should not be the chairman or member of the Audit Committee, Nominating Committee and Remuneration Committee.*

The roles and responsibilities of the Nominating Committee are governed by its Terms of Reference as disclosed in Appendix B of TAFI's Board Charter, a copy could be found at the Company's website at https://welcome.tafi.com.my.

The key role of the Nominating Committee is to ensure: -

(a) a formal and transparent procedure for the appointment of new directors to the Board and to key management posts such as the appointment of a chief executive officer and chief financial officer;
(b) to recommend to the Board, candidates for all directorships and on Board Committees;
(c) to select, compensate, monitor and oversee to the succession planning; and
(d) to review the term of office and performance of the Audit Committee and each of its members.

In fulfilling its roles, the Nominating Committee reviews and assesses candidates proposed for appointment to the Board and Board Committees of the Company as well as the directors standing for re-election at the AGM of the Company after which their recommendations are forwarded for decision by the Board.

The Nominating Committee also assesses the effectiveness of the Board as a whole and the contribution of each Board Committee as well as each individual director on an annual basis and to ensure that the Board and its respective Board Committees has the appropriate balance of expertise and ability.

The Nominating Committee adopts the peer evaluation method to evaluate the performance of the directors of the Company. An annual review is conducted to assess the required mix of skills, experience and other qualities, including core competencies which the executive and non-executive directors of the Company should bring to the Board, identify areas for improvement and review the succession plan for senior management in the Group.

1. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

1.3 NOMINATING COMMITTEE (Cont'd)

During the financial year ended 31st December 2021, the activities of the Nominating Committee include the following: -

(a) Reviewed and assessed the candidates for appointment to the Board and Board Committees of the Company;
(b) Reviewed the size and composition of the Board of Directors of TAFI and its board balance;
(c) Reviewed the effectiveness of the Board as a whole, contribution of each individual director and Committees of the Board;
(d) Reviewed the performance of the Finance Manager in discharging the role of the Chief Financial Officer;
(e) Assessed the independence of the Independent Directors of the Company;
(f) Assessed the training programmers attended by the Directors as well as the training needs required to aid the Directors in the discharge of their duties as Directors and to keep abreast with industry developments and trends;
(g) Reviewed the Directors retiring and standing for re-election by the shareholders at the forthcoming AGM; and
(h) Reviewed the term of office and performance of the Audit Committee and each of its members annually to determine whether such Audit Committee and members have carried out their duties in accordance with the term of reference.

The Board at its meeting in November 2021 was unanimous with and accepted each of the recommendations of its Nominating Committee and summarised as follows: -

(a) The Committee was overall satisfied with the size and composition of the Board of Directors, the Company is in compliance with the MMLR of Bursa Securities;
(b) The assessment and evaluation of the skills and experience, effectiveness of the Board as a whole and contribution of each individual director and Committees of the Board as well as to the review of the term of office and performance of the Audit Committee members had been deferred to next year as the whole Board members were appointed during the year;
(c) The Finance Manager, Mr. Tay Ek Kuan, have performed commendably and to the satisfaction of Nominating Committee in discharging his role of the Chief Financial Officer;
(d) The Committee was satisfied with the independence of the independent non-executive directors of the Company;
(e) The Committee was satisfied that the Directors had attended adequate trainings as required by the Company during the financial year under review and that each Board member shall continue to identify suitable trainings appropriate to their respective needs; and
(f) The Committee discussed and had recommended the Directors who have given their intention to seek for re-election, be put forward for re-election by the shareholders at the forthcoming AGM.

Diversity of Board and Senior Management
The Board acknowledges the importance of boardroom diversity in terms of age, gender, nationality, ethnicity and socio-economic background and recognises the benefit of this diversity. The Board views that while promoting boardroom diversity is essential; the normal selection criteria based on competencies, skills, extensive experience and knowledge to strengthen the board should remain a priority. Currently there is no female director on the Board of the Company.

The Board has not set any specific target date for boardroom diversity but will work towards achieving the appropriate boardroom diversity.

1. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

1.3 NOMINATING COMMITTEE (Cont'd)

Appointment of Directors
The Board delegates to the Nominating Committee the responsibility of making recommendations on any potential candidate for the appointment as a new Director. The Nominating Committee is responsible to ensure that the procedures for appointing new Directors are transparent and the appointments are made on the merits. Such appointments would take place only if approved by the Board as a whole.

The process for the appointment of the new director namely Encik Abdul Malek Bin Jalil is summarised as follows:

(a) The candidate was nominated by the substantial shareholder, Koperasi Permodalan Felda Malaysia 2 Berhad;
(b) In evaluating the suitability of the candidate for appointment to the Board, the Nominating Committee had considered the competency, experience, commitment, contribution and integrity of the candidate;
(c) Conducted interview with the potential candidate;
(d) Deliberated the suitability of the candidate by the Nominating Committee and recommended to the Board, which also includes recommendation for appointment as a member of the various Board Committees, where necessary; and
(e) The Board deliberated and approved the appointment of new Director on the recommendation of the Nominating Committee.

The Director appointed by the Board during the financial period before an AGM is subjected to retirement and shall be eligible for re-election by the shareholders at the Company's next AGM to be held following their appointments in accordance to the Company's Constitution.

Re-election of Directors
In accordance with the Constitution of the Company, all directors of the Company including the Group MD, if any, shall retire from office at least once every three (3) years at the AGM but shall be eligible for re-election and all retiring directors can offer themselves for re-election.

Directors numbering one-third (1/3) of the Board to be selected for retirement by rotation are those who have been the longest in office since their last election.

The Nominating Committee is responsible for recommending to the Board those directors who are scheduled for retirement by rotation and are eligible to stand for re- election. This recommendation is based on formal reviews of the performance of the Directors concerned, taking into account the results of their latest Board assessment, their participation in meeting discussions and contribute to the Board through their skills, experience, strengths and qualities, level of independence and ability to act in the best interests of the Company in decision-making.

In November 2021, the Nominating Committee had reviewed and recommended that the following Directors who will be subject to retirement by rotation pursuant to Clause 77(2) of the Company's Constitution, for re-election by the shareholders at the forthcoming AGM of the Company: -

(a) Dato' Sri Azlan Bin Azmi
(b) Dato' Sri Wong Sze Chien
(c) Dato' Sri Andrew Lim Eng Guan

The Nominating Committee had also reviewed and recommended Encik Abdul Malek Bin Jalil who was appointed as Non-Independent Non-Executive Director of the Company on 1st March 2022 and is subject to retirement pursuant to Clause 79 of the Company's Constitution, for re-election by the shareholders at the forthcoming AGM of the Company.

1. <u>BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)</u>

1.3 NOMINATING COMMITTEE (Cont'd)

Succession Planning
Succession planning for executive directors and key senior management posts s of the Group is closely planned and aligned to the Company's policy.

Candidates for Board positions will be subjected to assessment by the Nominating Committee of the Company before a recommendation is tabled to the Board for decision.

Candidates for key senior management posts will be screened and assessed in accordance with its experience, professionally and familiarity with furniture, property development and construction industry.

The second liners for all key senior management posts in the Group's organisation chart have been identified, but these eligible candidates would not be revealed until such time there is a need to do so.

1.4 REMUNERATION COMMITTEE

Pursuant to the Remuneration Committee's Terms of Reference, the Remuneration Committee of the Company shall be appointed amongst the Board members and shall comprise no fewer than three (3) members and comprise of non-executive directors and majority of them must be independent. The term of a Remuneration Committee member shall automatically terminate when he ceases to be a director of the Company.

The Remuneration Committee meets at least once a year to review and recommend to the Board on the directors' fees and remuneration package of the directors of the Company.

The composition of the Remuneration Committee and full attendance of the Remuneration Committee members were recorded for a meeting held during the financial year ended 31st December 2021 as follows: -

Directors	Designation	Attendance
Leong Sher-How	Chairman / Independent Non-Executive Director	1/1
Teh Soon Hin	Member / Independent Non-Executive Director	1/1
Leong Boon Tik	Member / Senior Independent Non-Executive Director	1/1
Dato' Sri Ong Chee Kean** ***(Resigned on 8th February 2022)	Member / Non-Independent Non-Executive Chairman	1/1
Dato' Sri Wong Sze Chien** ***(Resigned on 8th February 2022)	Member / Group Chief Executive Officer	1/1

* *Dato' Sri Ong Chee Kean resigned as member of Remuneration Committee because the Company had adopted the Practice 1.4 of MCCG issued on 28th April 2021 which recommends that the Chairman of the Board should not be the chairman or member of the Audit Committee, Nominating Committee and Remuneration Committee.*

\# *Dato' Sri Wong Sze Chien resigned as member of Remuneration Committee because the Company had adopted the Guidance 7.2 of Revised Malaysian Code on Corporate Governance issued on 28th April 2021 which recommends that the Remuneration Committee shall only consist of non-executive directors and a majority of them must be independent directors.*

1. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

1.4 REMUNERATION COMMITTEE (Cont'd)

The roles and responsibilities of the Remuneration Committee are governed by its Terms of Reference, the text of which is set out in Appendix C of TAFI's Board Charter and can be accessed via the Company's website at https://welcome.tafi.com.my. The key role of the Remuneration Committee is to establish a formal and transparent procedure for developing policy on remuneration packages of individual directors taking into consideration that for executive directors and senior management, the component parts of remuneration should be structured to link rewards to corporate and individual performance. For non-executive directors, the level of remuneration should reflect the experience and level of responsibility undertaken by the non-executive director concerned.

The following were the activities undertaken by the Remuneration Committee during the financial year ended 31st December 2021: -

(a) Reviewed the remuneration packages of the Executive Directors;
(b) Recommended to the Board's approval for the payment of Directors' Fees amounting to a sum of RM120,000 for the financial year ended 31st December 2021 which had approved by the shareholders of the Company at its 17th AGM of the Company; and
(c) Recommended to the Board, the payment of Directors' Fees and Directors' Benefits for a total sum of not exceeding RM3.00 million for the financial year ending 31st December 2022 for approval by shareholders at the forthcoming AGM.

The Committee also noted that the Executive Directors would not be taking any remuneration from the Company for the financial year ended 31st December 2021. Their remuneration packages would be proposed to the Remuneration Committee once the financial performance of the Company improves.

The Board collectively agreed with each recommendation by the Remuneration Committee and had recommended for the shareholders' approval, an aggregate sum of not exceeding RM3.0 million as Directors' Fees and Directors' Benefits for the financial year ending 31st December 2022. The directors concern abstained from deliberating on their individual remuneration.

In addition, the Directors have the benefit of Directors & Officers ("D&O") Insurance in respect of liabilities arising from acts committed in their capacity as D&O of TAFI.

1. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

1.4 REMUNERATION COMMITTEE (Cont'd)

For the financial year ended 31st December 2021, the fees and remuneration packages of the Executive Directors and Non - Executive Directors and the top senior management are as follows: -

Directors	Fees (RM)	Salaries (RM)	Bonus (RM)	Benefits Payable/ in Kind (RM)	Other Emoluments (RM)
Executive Directors					
Dato' Sri Azlan Bin Azmi	-	-	-	-	-
Dato' Sri Wong Sze Chien	-	-	-	-	-
Dato' Sri Andrew Lim Eng Guan	-	-	-	-	-
Non-Executive Directors					
Dato' Sri Ong Chee Kean	30,000	-	-	-	-
Teh Soon Hin	30,000	-	-	-	-
Leong Boon Tik	30,000	-	-	-	-
Leong Sher-How	30,000	-	-	-	-
Abdul Malek Bin Jalil *(appointed on 1st March 2022)*	-	-	-	-	-

The MCCG also recommended the Board to disclose on a named basis the top five (5) Senior Management's remuneration component, including salary, bonus, benefits-in-kind and other emoluments in bands of RM50,000. However, the Board is of the view that such disclosure is disadvantageous to the Company as it could potentially give rise to security concerns, staff poaching by competitors and conflict between staffs. As an alternative for this disclosure, the Board views that the disclosure of the remunerations of top five (5) Senior Management's remuneration for the financial year ended 31st December 2021 as set out below is suffice: -

	Salary, EPF and Bonuses (RM)	Other Emoluments (RM)	Benefits in Kind (RM)	Total (RM)
Total Top Five (5) Senior Management	810,025	-	17,400	827,425

2. EFFECTIVE AUDIT AND RISK MANAGEMENT

2.1 Establishment and Effectiveness of the Audit Committee

The Audit Committee of TAFI comprises of three (3) Independent Non-Executive Directors. The Committee is chaired by Mr. Teh Soon Hin, an Independent Non-Executive Director, in line with Practice 9.1 of MCCG.

The main purpose of the Audit Committee is to assist the Board in fulfilling its responsibilities relating to the internal controls, accounting and reporting practices of the Group.

The report of the Audit Committee, its salient terms of reference, the list of committee members and its activities carried out during the financial year are set out on pages 44 to 46 of this Annual Report.

The copy of Term of Reference of the Audit Committee is available on the Company's website at https://welcome.tafi.com.my.

2.2 Roles and Responsibilities of the Audit Committee

Oversight of Financial Reporting

The Board ensures that shareholders are provided with a balanced and meaningful evaluation of the Group's financial performance, including its position and prospects through the issuance of the Annual Audited Financial Statements and Quarterly Financial Reports, and through corporate announcements on significant developments affecting the Company in accordance with the MMLR.

The Chairman of the Audit Committee, Mr. Teh Soon Hin, an Independent Non- Executive Director of the Company has more than sixteen (16) years of accounting and tax experience in public practice and public listed companies. He is currently a partner of Imran Teh and Associates PLT, an accounting firm. He is also a Chartered Tax Practitioner of JS Taxation and Consultancy Sdn Bhd.

Mr. Teh together with his other two (2) fellow Audit Committee members, reviews the Company's financial statements in the presence of the External Auditors and with the Finance Manager at hand to clarify and address any queries the Audit Committee may have, prior to recommending the financial statements for approval and issuance to the stakeholders.

As part of the governance process in reviewing the quarterly and yearly financial statements by the Audit Committee, the Group MD, Group CEO and Finance Manager provides assurance to the Audit Committee on a quarterly basis that: -

i) appropriate accounting policies had been adopted and applied consistently;
ii) the going concern basis applied in the Condensed Consolidated Financial Statements ("CCFS") and Annual Financial Statements ("AFS") was appropriate;
iii) prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the Malaysian Financial Reporting Standards ("MFRS");
iv) adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the MFRS, International Financial Reporting Standards and MMLR; and
v) the CCFS and AFS did not contain a material misstatement and gave a true and fair view of the financial position of the Group and the respective companies within the Group in 2021.

In addition, Internal Auditors of the Company performed independent review and assessment of the risks and internal control systems of the Group and attends and reports its findings to the Audit Committee two (2) times a year. For the financial year ended 31st December 2021, there were no material issues or major deficiencies noted or found by the Internal Auditors which would pose a high risk to the overall system of internal controls of the Group under review.

2. EFFECTIVE AUDIT AND RISK MANAGEMENT (Cont'd)

2.2 Roles and Responsibilities of the Audit Committee (Cont'd)

Oversight of Financial Reporting (Cont'd)
The Internal Audit Plan for 2021 was covered under the two-year audit plan reviewed and approved by the Audit Committee in April 2021. The costs incurred by the Group in relation to Internal Audit for the financial year ended 31st December 2021 amounted to approximately RM13,500.

Premised on the above, the Board considers that it has provided a fair, balanced and a representative assessment of the Company's and the Group's business in its quarterly results and annual financial statements. The Board is ultimately responsible for presenting a clear, balanced and comprehensive assessment of the Group's financial position, performance and prospects each time it releases its quarterly and annual financial statements to its shareholders, as well as ensuring that the financial statements give a true and fair view of the results of operations and the financial state of affairs of the Group.

The financial statements of the Company and the Group for the financial year ended 31st December 2021 are set out on pages 62 to 156 of this Annual Report and a statement by the Board of its responsibilities in preparing the financial statements is on page 157.

Related Party Transactions
An internal compliance framework exists to ensure the Group meets its obligations relating to the related party transactions under the MMLR. The Board, through the Audit Committee, reviewed all material related party transaction involved.

In the event any corporate proposal is required to be approved by shareholders, the interested Directors and person connected to them are required to abstain from voting in respect of their shareholdings relating to that corporate proposal.

The Circular to Shareholders on the Proposed New and Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of Revenue or Trading Nature dated 18th April 2022 as well as the notes to the financial statements herein provides further details on these related party transactions.

2.3 Risk Management and Internal Control

The Board has overall responsibility for maintaining a sound system of risk management and internal controls, internal procedures and guidelines that together, serve to provide a reasonable assurance of an effective and efficient operation to safeguard shareholders' investments and protect the Company's assets and to comply with the relevant laws and regulations. A key component in carrying out this responsibility is to ensure that risks are appropriately and adequately managed within the Group.

It must be noted that while the internal control system is devised to cater for the particular needs of the Group as well as risk management, such controls by their nature can only provide reasonable assurance but are not an absolute assurance against any material misstatements, loss or fraud.

Besides the quarterly internal audit reports presented by the Internal Audit Auditors to the Audit Committee, the Board also relies on a report identifying the risks/threats faced by the Group, which carries a rating on the risk exposure level that is tabled at each quarterly meeting of the Board.

An overview of the risk management and internal controls within the Group is set out in the Statement on Risk Management and Internal Control on pages 47 to 49 of this Annual Report.

2. EFFECTIVE AUDIT AND RISK MANAGEMENT (Cont'd)

2.4 Internal Audit Control

An Independent internal audit function was set up to assist and report directly to the Audit Committee in respect of the adequacy of the Group's internal control and risk management systems. A summary of activities conducted by the internal audit function as well as the costs incurred in carrying out the function with respect of the financial year under review was set out in the Audit Committee Report on pages 44 to 46 of this Annual Report.

2.5 Assessment on Suitability and Independence of External Auditors

The Audit Committee performs a yearly assessment of the suitability and the independence of the External Auditors before making recommendations to the Board for the appointment or re-appointment of the External Auditors.

The Audit Committee takes the following into consideration: -
(a) The adequacy of the experience and resources of the External Auditors;
(b) The nature of the non-audit services and the fees payable for such services; and
(c) The level of independence of the External Auditors.

The External Auditors have conformed to the Audit Committee that they have continuously complied with the relevant ethical requirements regarding independence throughout the conduct of the audit engagement, in accordance with the International Federation of Accountant's Code of Ethics for Professional Accountants and Malaysian Institute of Accountant's By-Laws (On Professional Ethics, Conduct and Practice).

3. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP

3.1 Encourage Engagement with Shareholders and other Stakeholders

The Company is committed to maintaining good communication with its shareholders and stakeholders alike. In this respect, information on the Group's financial performance and major developments are disseminated to the public as soon as practicable via appropriate channels of communication, chief of which is the Bursa LINK provided by Bursa Securities as well as the Company's website at https://welcome.tafi.com.my.

Another key source of information on the TAFI Group is its Annual Reports and relevant circulars, press releases and press conferences, if so applicable, the quarterly financial results and the various disclosures and announcements to Bursa Securities issued in compliance with the MMLR.

The General Meetings of the Company are the principal forum for interaction between the management and its private and institutional investors. The Group MD together with other Board members and relevant management staff are personally present at General Meetings of the Company to engage directly with the shareholders and to account for their stewardship of the Company. The members of senior management of the Company and External Auditors of the Company were also present to respond to any enquiries from the shareholders.

In line with good corporate governance practice, the notice of the 17th AGM was issued 28 days before the AGM held on 17th August 2021 while the notice of the Extraordinary General Meeting ("EGM") held on 21st January 2022 was issued at least fourteen (14) days before the EGM.

The 17th AGM held on 17th August 2021 and the EGM held on 21st January 2022 were well attended by the shareholders and proxies.

Pursuant to the Paragraph 8.29A(1) of the MMLR of the Bursa Securities, the Company is required to ensure that any resolutions set out in the notice of general meetings are voted by a poll. At the 17th AGM and EGM of the Company, all resolutions were decided by a poll and the votes received in respect of each resolution were notified to the Bursa Securities on the same date as the meeting was held. The Company has appointed an independent external scrutineer to validate all the votes at the said general meetings.

3. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP

3.2 Corporate Reporting

The details of governance structure in place to manage the economic, environmental and social risks and opportunities were set out in the Sustainability Statement on pages 16 to 21 of this Annual Report.

3.3 Annual General Meeting

Each item of special business set out in the notice of AGM is accompanied by an explanatory statement in respect of the resolutions proposed and the Circular to Shareholders setting out the relevant information, would be submitted to the shareholders at least twenty-one (21) days prior to the meeting in compliance with Paragraph 7.15 of Bursa Securities' MMLR and Clause 53(1) of the Company's Constitution.

In compliance with this requirement, TAFI's 2021 Annual Report will be issued on 18th April 2022, which is also the date of despatch of the notice of its 18th AGM. The 18th AGM, scheduled on Wednesday, 18th May 2022 at 11:00 a.m., would provide the Company's shareholders with an avenue to raise any queries that they may have on the Company and the Group.

The Notice provides information to the shareholders regarding details of the AGM such as their entitlement to attend the AGM, their right to appoint proxy(ies) and information as to who may be appointed as a proxy. The Company allows a member to appoint a proxy who may but need not be a member of the Company.

If the proxy is not a member of the Company, he need not be an advocate, an approved company auditor or a person approved by the Companies Commission of Malaysia. In addition, the Constitution of the Company entitles a member to vote in person or by corporate representative, proxy or attorney. Essentially, a corporate representative, proxy or attorney shall be entitled to vote both on a show of hands and on a poll if they were a member of the Company.

In accordance with the MMLR, all resolutions set out in the Notice of AGM must be voted by way of poll at general meetings.

The Board appreciates feedback from their valued stakeholders and in this regard, stakeholders may raise their concerns via telephone, facsimile, or electronic mail as stated in the Company's website at https://welcome.tafi.com.my.

ADDITIONAL COMPLIANCE INFORMATION DISCLOSURES

COMPLIANCE STATEMENT

Based on the above, the Board considers that as far as possible, it has taken steps to comply with the Practices of the Malaysian Code on Corporate Governance ("MCCG") for the financial year ended 31st December 2021.

UTILISATION OF PROCEEDS

On 15th June 2021, the Company announced that the Rights Issue of Shares has been completed with the listing of 46,475,700 new Ordinary Shares in the Company on the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The status of the utilisation of proceeds arising from the Rights Issue of Shares as at 31st December 2021 is as follows:-

Description	Proposed Utilisation (RM'000)	Actual Utilisation (RM'000)
Working capital for our Group's furniture segment	15,256	15,280
Property development activities	10,000	10,000
Repayment of borrowings	1,200	1,176
Estimated expenses in relation to the Rights Issue of Shares	500	500
Total	**26,956**	**26,956**

BONUS ISSUE OF SHARES

The Company had on 11th February 2022 issued 252,951,400 new Ordinary Shares in TAFI ("Bonus Shares") on the basis of two (2) Bonus Shares for every one (1) existing Ordinary Share in the Company. Following the Bonus Issue of Shares, the enlarged number of TAFI Shares in issue will be 379,427,100 Shares (including 7,621,500 Treasury Shares).

SALE OF TREAURY SHARES

The Company had on 1st & 2nd March 2022 sold its entire Treasury Shares in the open market. The issued share capital of the Company as at 6th April 2022, being the latest practicable date prior to the printing of this Annual Report ("LPD") is 379,427,100 shares.

SHARE BUY-BACKS

The Company did not seek the approval from its shareholder for authority to buy-back its own share last year.

Since the Company's first share buy-back on 5th January 2006 till its last share buy-back conducted on 26th November 2013, the Company had bought-back a total of 2,540,500 of its own shares from the Bursa Securities for a total consideration of RM1,040,933.94 (including brokerage), all of which are kept as Treasury Shares.

The number of Treasury Shares of the Company had increased to 7,621,500 ordinary shares pursuant to the Bonus Issue of Shares on 11th February 2022 and the Company had on 1st March 2022 and 2nd March 2022 sold its entire Treasury Shares in the open market.

OPTIONS OR CONVERTIBLE SECURITIES

Warrants A

Pursuant to a Deed Poll dated 24th January 2022, the Company had on 21st February 2022 issued 61,967,597 Warrants A to the entitled shareholders of the Company pursuant to the bonus issue of warrants on the basis of one (1) warrant for two (2) existing ordinary shares (these additional warrants are referred as "TAFI-WA" on the Main Market of Bursa Securities).

As at 31st March 2022, 61,967,597 Warrants A have yet to be exercised as disclosed in the Analysis of Warrant A (TAFI-WA) Holdings on pages 161 to 162 of this Annual Report.

AUDIT FEES AND NON-AUDIT FEES

The amount of audit and non-audit fees paid and payable to the External Auditors for the financial year ended 31st December 2021 are tabled as follows: -

	Company		Group	
	FYE 2021 RM	FYE 2020 RM	FYE 2021 RM	FYE 2020 RM
Statutory audit fees paid / payable to:				
Peter Chong & Co. **(a)**	30,000	24,000	74,500	68,500
Non-Audit fees paid / payable to:				
Peter Chong & Co.	4,500	2,500	4,500	2,500
Affiliates of Peter Chong & Co.	5,000	9,200	22,400	42,000
Total (b)	9,500	11,700	26,900	44,500
Total fees (c)	39,500	35,700	101,400	113,000
% of non-audit fees (b/c)	24.1%	32.8%	26.5%	39.4%

MATERIAL CONTRACTS

Save for the material contracts as disclosed as below as at LPD, the Group has not entered into any material litigation, claims or arbitration, either as plaintiff or defendant, which has or would have a material and adverse effect on the financial position or business of the Group and, to the best of the Board's knowledge and belief, the Board is not aware of any proceedings pending or threatened against the Group or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Group: -

(i) A sale and purchase agreement dated 25th June 2020 between T.A. Furniture Industries Sdn Bhd (a wholly owned subsidiary of TAFI) (as vendor) and Tee Chin Hock, Perng 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.

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

(ii) Joint development agreement dated 5th November 2020 (as supplemented by a letter dated 19th 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.

MATERIAL CONTRACTS (Cont'd)

(iii) A sale and purchase agreement dated 6th 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:-

(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.

(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 22nd 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 22nd 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 22nd 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 22nd 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 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 22nd 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.

MATERIAL CONTRACTS (Cont'd)

(ix) A sale and purchase agreement dated 10th March 2022 between T.A. Furniture Industries Sdn Bhd (a wholly owned subsidiary of TAFI) (as vendor) and Duthai Trading Sdn Bhd (as purchaser) for the disposal of all that piece of land held under GM 190, Lot 288, Mukim Sungai Raya, District of Muar, State of Johor, Malaysia measuring approximately 0.9054 hectares together with an industrial premises comprising a single storey detached factory and a guard house erected thereon bearing postal address of Lot 288, Batu 6 ¼, Mukim Sungai Raya, Jalan Bukit Pasir, Bukit Pasir 84300 Muar, Johor, Malaysia for a consideration of RM9,000,000.

The sale and purchase transaction have yet to be completed as at the LPD.

STATEMENT PERTAINING TO THE ALLOCATION OF SHARES UNDER EMPLOYEES SHARE SCHEME

To date, the Company has not established any employee share scheme ("ESS"). In the event the Company established such ESS, the Audit Committee would shoulder the responsibilities of reviewing all allocations granted to eligible employees to ensure compliance with the criteria as would have been spelt out in the by-laws of the Company's proposed ESS.

RECURRENT RELATED PARTY TRANSACTIONS ("RRPT")

The details of the related party transactions are set out in the notes to the financial statements in which the transactions were carried out on terms and conditions not materially different from those obtainable from transactions with unrelated parties.

Further information on the proposed new and renewal of shareholders' mandate for the RRPT of a revenue or trading nature to be tabled at the forthcoming AGM are set out in the Circular to Shareholders dated 18th April 2022.

AUDIT COMMITTEE REPORT

The Board of Directors of TAFI presents the Audit Committee Report, which provides insights into the manner in which the Audit Committee ("AC") discharges its functions for the Group during the financial year ended 31st December 2021.

MEMBERS AND MEETING ATTENDANCE

The AC comprised of three (3) members comprises of three (3) Independent Non-Executive Directors.

Membership of the AC and details of members' attendance at the five (5) meetings held during the financial year ended 31st December 2021 are as follows: -

Directors	Designation	Attendance
Teh Soon Hin	Chairman/ Independent Non-Executive Director	5/5
Leong Boon Tik	Member/ Senior Independent Non-Executive Director	5/5
Leong Sher-How	Member/ Independent Non-Executive Director	5/5
Dato' Sri Ong Chee Kean** ***(Resigned on 8th February 2022)	Member/ Non-Independent Non-Executive Chairman	5/5

** Dato' Sri Ong Chee Kean resigned as member of Audit Committee because the Company had adopted the Practice 1.4 of Revised Malaysian Code on Corporate Governance issued on 28th April 2021 which recommends that the Chairman of the Board should not be the chairman or member of the Audit Committee, Nominating Committee and Remuneration Committee.*

AC Chairman is a member of the Malaysian Institute of Accountants. The current composition complies with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Company Secretaries acts as the Secretary of the AC. The AC members are provided with the notices and agenda about seven (7) days before meeting. The minutes of each AC meeting were recorded and tabled for confirmation at the next AC meeting. Minutes of the AC Meetings will be tabled to the Board for notation and the Chairman of the AC shall report key issues discussed in the AC Meetings to the Board.

By invitation, the Finance Manager and team members have attended all the meetings held during the financial year, to present their reports on financial results and other matters for the AC's deliberation and approval. If required, other senior management personnel and representatives of the External and Internal Auditors were also invited to attend these meetings, when necessary, to brief the AC on specific issues.

The External Auditors were invited to brief the AC on key audit issues and audit concerns affection the Company. Time was also allocated for the External Auditors to have private discussions with the AC in the absence of the Management.

During the financial year ended 31st December 2021, the newly appointed Internal Auditors has attended one (1) meeting to table the internal audit reports and presented its recommendations as to the actions and steps taken or to be taken by Management in response to the audit findings.

Conversely, the External Auditors and Internal Auditors may also respectively request for a meeting with the AC if they consider it necessary.

RIGHTS, AUTHORITIES AND TERMS OF REFERENCE

The rights, authorities and terms of reference of the AC can be viewed on the Company's website at https://welcome.tafi.com.my.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

A brief summary to provide an overall view of the activities of the AC in discharging its duties and responsibilities during the financial year ended 31st December 2021 is as follows: -

Financial Reporting

- Reviewed and recommended unaudited quarterly financial results and audited financial statements before recommending to the Board for consideration and approval for release to Bursa Securities.

With Internal Audit Auditors

- Reviewed and adopted the risk-based Internal Audit Plan and the scope of work to ensure sufficient scope and coverage of activities of the Company and its subsidiaries ("the Group");
- Reviewed the Internal Audit Reports, their findings, recommendations and the Management's response in addressing the issues found to ensure that risk issues were adequately addressed;
- Reviewed the Statement on Risk Management and Internal Control to ensure that it is consistent with their understanding of the state of internal control of the Group and recommended the same to the Board for inclusion in the Annual Report; and
- Conducted the annual performance assessment.

With External Auditors

- Meets with the External Auditors, Peter Chong & Co., twice in a private session, without the presence of the executive Board members and employees of the Company. The first private session with Peter Chong & Co. was in February 2021 to present the Point of Discussion in respect of the financial year ended 31st December 2020 and the second private session in November 2021, in respect of the scope of the statutory audit and to review the "Audit Planning Memorandum" prior to the commencement of Peter Chong & Co.'s audit of the Group's financial statements for the financial year ending 31st December 2021;
- Reviewed Key Audit Matters and Management Letter for the financial year ended 31st December 2020 presented by Peter Chong & Co. in April 2021;
- Reviewed with Peter Chong & Co., the audit report, issues, reservations and management responses arising from their audit;
- Appraised the performance and evaluated the independence and objectivity of Peter Chong & Co. in providing their services, including areas of audit emphasis for the financial period under review and additional disclosures in the auditors' report in line with the new and amended international standards on auditing, including disclosure on Key Audit Matters; and
- Reviewed the annual performance assessment, including the stability and independence of Peter Chong & Co. and make recommendations to the Board on their re-appointment and remuneration to the Board for the ensuing year.

Recurrent Related Party Transactions ("RRPTs")

- Reviewed RRPTs involving the Group to ensure that the transactions entered into were at arm's length basis and on normal commercial terms and not detrimental to the interest of minority shareholders of the Company; and
- Reviewed the Circular to Shareholders for the proposed new and renewal of shareholders' mandate for RRPTs.

Others

- Reviewed the Statement on Risk Management and Internal Control, Audit Committee Report and Internal Audit Function prior to their inclusion in the Annual Report 2021, prior to its recommendation to the Board for approval.

INTERNAL AUDIT FUNCTION

The internal audit function plays a key role in undertaking independent, regular and systematic reviews of risk management, internal control and governance systems to provide the Group with reasonable assurance that the said systems are operating and will continue to operate satisfactorily and effectively.

The Internal Auditors of the TAFI Group reports functionally to the AC and administratively to the Group Managing Director during the financial year ended 31st December 2021.

It is the responsibility of the Internal Auditors to provide the AC with independent and objective reports on the state of the risk management, control and governance processes pertaining to the various operating units within the Group and the extent of their compliance with the Group's established policies, procedures and relevant statutory requirements.

The Internal Auditors would report to the AC the results of its audit findings, management's response and the status of completion of the required follow-up actions by management and any outstanding audit issues which still required corrective actions to ensure an adequate and effective internal control system within the Group.

To ensure the responsibilities of the internal audit function of the Group are fully discharged, the AC reviews the adequacy of the scope, functions and resources of the Internal Auditors annually.

More information on the internal audit function of TAFI can be found in the "Statement on the Risk Management and Internal Control" within the Group as set out on pages 47 to 49 of this Annual Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board acknowledges the importance of maintaining a good internal control system covering risk management and the financial, operational and compliance controls as set out under Practice 9.1 of the Malaysian Code on Corporate Governance ("MCCG") to safeguard shareholders' investments and the Group's assets. For the purpose of disclosure, this Statement takes into account the Guidelines for Directors of Listed Issuers ("Guidelines") on the issuance of the Internal Control Statement pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

BOARD'S RESPONSIBILITY

The Board affirms its overall responsibility of maintaining a sound risk management and internal control system and of reviewing their adequacy and effectiveness so as to achieve the Group's corporate objectives and strategies. The Board is committed to the establishment and maintenance of an appropriate control environment and framework that is embedded into the corporate culture, processes and strategies of the Group. The Board, through its various committees, has continuously reviewed the adequacy and effectiveness of the system, in particular, the financial, operational as well as compliance aspects of the Group, throughout the financial period.

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group in its achievement of objectives and strategies and the process has been in place during the financial period and up to the date of approval of the Statement. It should be noted, however, that such systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives. In addition, it should be noted that these systems can only provide reasonable, but not absolute assurance against material misstatement or loss.

The Board is assisted by its Group Managing Director ("Group MD"), Group Chief Executive Officer ("Group CEO") and Executive Director ("ED") in implementing the Board's approved policies and procedures on governance, risk and control by identifying and analysing risk information; designing and operating suitable internal controls to manage and control these risks; and monitoring effectiveness of governance, risk management and control activities.

RISK MANAGEMENT

The Board recognises that an important element of a sound system of internal control is having a sound risk management system for identifying, evaluating and managing significant risks faced by the Group periodically. The duties for the identification, evaluation and management of the key business risks are delegated by the Board to the Group MD and the Senior Management. Our strategic level, strategic business strategies are formulated by the Management and presented to the Board for review to ensure proposed strategies are in line with the Group's risk appetite. Subsequently, an update on the implementation progress of the approved strategies will be presented by the Management to the Board.

The respective head of departments is responsible for managing the risk of their department. Changes in the key business risks faced by the Group or emergence of new key business risks and the corresponding internal controls are discussed during management meetings that being held every week, any material and significant changes on the risk profile will be reported to the Board. Apart from that, the Group is in the midst of establishing a risk management framework in which shall serve to manage the anticipated risks with action plans in a systematic manner with universal risk parameters representing risk appetite approved by the Board.

The Board continually reviews the key risk profile of the Group and internal risk management practice in order to ensure that adequate and effective, systematic mechanism is put in place for managing the significant business risks.

INTERNAL AUDIT FUNCTION

The internal audit department functions as an independent party to test the existing controls put in place in accordance to risk-based approach and the internal audit plan. The internal audit plan is reviewed quarterly and if necessary, adjusted to reflect the changes in the Group's operating environment. The internal audit plan is approved by the Audit Committee on an annual basis, and any significant change to the plan will be referred to the Audit Committee for notification prior to the commencement of the internal audit.

Audit findings and recommendations for possible improvement to the internal controls of the Group are submitted to the Audit Committee for review and recommendations followed by implementation of corrective actions as and when needed.

During the financial year ended 31st December 2021, the internal audit function was carried out by the outsourced professional service firm namely, alphaOne Governance Sdn Bhd, which reports functionally to Audit Committee directly.

The cost incurred to maintain the internal audit function of the Group for the financial year ended 31st December 2021 amounted to RM13,500.00.

SYSTEM OF INTERNAL CONTROL

The Board confirms that there is a continuous process for identifying, evaluating and managing the significant risks faced by the Group. Key activities that have been established in reviewing the adequacy and integrity of the system of internal control are as follows:

Establishment of Audit Committee

- The Audit Committee examines and monitors the Group's system of internal control on behalf of the Board.
- The Audit Committee reviews the report from the internal audit department, usually on a quarterly basis.

Limits of authority and responsibility

- Establishing a clear organisational structure with key job functions and well-defined responsibilities communicated to all levels of the organisation.
- Key responsibilities are properly segregated so that each level of employee has the respective limit of authority for a transaction.

Written policies and procedures

- The Management sets well defined authorisation procedures and exercises strict control to ensure compliance with all levels of employees.

Planning, monitoring and reporting

- The Audit Committee reviews the quarterly unaudited financial results to monitor the Group's progress in achieving the Group's objectives.

ASSURANCE PROVIDED BY GROUP MANAGING DIRECTOR AND FINANCE MANAGER PRIMARILY RESPONSIBLE FOR THE MANAGEMENT OF THE FINANCIAL AFFAIRS

In line with the Guidelines, the Board has received assurance from Group MD and Finance Manager primarily responsible for the management of the financial affairs on the adequacy and effectiveness of risk management and internal control systems of the Group, in all material aspects, during the financial year under review based on the risk management and internal control systems of the Group.

BOARD'S OPINION AND CONCLUSION

In the meetings of Board of Directors during the financial year under review, the performance of the Group was reviewed and deliberated by the Board, including, but not limited to, the adequacy and effectiveness of specific risk management and internal control systems of the Group to address potential business risks identified by the Board during such reviews and deliberation. Through such reviews by the Board with Group MD and Senior Management of the Group coupled with the assurance provided by the Group MD and Finance Manager primarily responsible for the management of the financial affairs, continuous reviews of the key risk profile of the Group and internal risk management practice by the Board and independent internal control reviews conducted and reported to the Board, the Board is of the opinion that the risk management and internal control systems are satisfactory and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

The Board is committed towards maintaining an effective risk management and internal control systems throughout the Group and where necessary put in place appropriate plans to further enhance the Group's systems of internal control. Notwithstanding this, the Board will continue to evaluate and to manage the significant business risks faced by the Group in order to meet its business objectives in the current and challenging business environment.

ASSURANCE PROVIDED BY EXTERNAL AUDITORS

Pursuant to paragraph 15.23 of the MMLR of Bursa Securities, the External Auditors had reviewed this Risk Management and Internal Control Statement. Their review was performed in accordance with AAPG 3 Guidance for Auditors on Engagement to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysian Institute of Accountants. Based on their review, nothing has come to their attention that causes them to believe this Statement is not prepared, in all material aspects, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Public Listed Companies to be set out, nor is factually incorrect.

This Statement was approved by the Board on 6th April 2022.

STATEMENT OF THE DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The Directors are required to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group at the end of the financial year and of the results and cash flows of the Company and of the Group for the financial year then ended.

The Directors consider that, in preparing the financial statements for the financial year ended 31st December 2021, the Group has used appropriate accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent.

The Directors also consider that all applicable approved accounting standards have been followed and confirm that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Company and the Group keep accounting records which disclose with reasonable accuracy at any time, the financial position of the Company and of the Group and which enable them to ensure adherence of the financial statements with the requirements of the Companies Act 2016 and approved accounting standards applicable in Malaysia.

DIRECTORS' REPORT

The Directors of TAFI Industries Berhad have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31st December 2021.

PRINCIPAL ACTIVITIES
The Company is principally involved in investment holding and provision of management services.

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

SUBSIDIARY COMPANIES
The details of the subsidiary companies and their business activities are disclosed in Note 6 to the financial statements.

The auditors' report on the financial statements of the subsidiary companies did not contain any qualification except for those disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of the subsidiary companies' principal activities during the financial year, other than those disclosed in Note 6 to the financial statements.

FINANCIAL RESULTS

	Group RM	Company RM
Profit/ (Loss) for the financial year	5,493,004	(1,093,812)

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend the payment of any dividend in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid-up share capital from RM42,809,166 to RM69,765,072 by the issuance of 46,475,700 new ordinary shares at issue price of RM0.58 per rights share on the basis of three (3) rights shares for every five (5) existing shares (excluding treasury shares) pursuant to the renounceable rights issue exercise completed on 15th June 2021.

These new shares rank pari-passu with the existing shares.

The Company has not issued any debentures during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

DIRECTORS

The Directors who have held office since the date of the last report are:

Dato' Sri Azlan Bin Azmi
Dato' Sri Wong Sze Chien
Dato' Sri Andrew Lim Eng Guan
Dato' Sri Ong Chee Kean
Teh Soon Hin
Leong Boon Tik
Leong Sher-How
Abdul Malek Bin Jalil (Appointed on 1st March 2022)

In accordance with the Company's Constitution, Encik Abdul Malek Bin Jalil who was appointed to the Board since the last Annual General Meeting, retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

In accordance with the Company's Constitution, Dato' Sri Azlan Bin Azmi, Dato' Sri Wong Sze Chien and Dato' Sri Andrew Lim Eng Guan retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

The Directors who served on the subsidiary companies of the Company since the date of the last report are:

Dato' Sri Azlan Bin Azmi
Dato' Sri Wong Sze Chien
Dato' Sri Andrew Lim Eng Guan

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than Directors' fee as disclosed in Note 24 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year, no arrangements subsisted to which the Company or a related corporation was a party, whereby Directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST

According to the register of Directors' shareholdings, the interest of Directors in office at the end of the financial year in shares of the Company and its related corporations were as follows:

	Number of ordinary shares			
Shareholdings in the Company	**Balance as at 01.01.2021**	**Rights issue**	**Sold**	**Balance as at 31.12.2021**
Direct interest				
Dato' Sri Azlan Bin Azmi	55,000	-	-	55,000
Dato' Sri Wong Sze Chien	873,700	1,386,220	(730,000)	1,529,920
Dato' Sri Andrew Lim Eng Guan	1,072,800	1,500,880	(1,300,000)	1,273,680
Indirect interest				
Dato' Sri Azlan Bin Azmi	40,132,008	37,376,992	(12,647,570)	64,861,430
Dato' Sri Wong Sze Chien	40,132,008	37,376,992	(12,647,570)	64,861,430
Dato' Sri Andrew Lim Eng Guan	40,132,008	37,376,992	(12,647,570)	64,861,430

Immediate and ultimate holding company - Armani Synergy Sdn, Bhd.

	Balance as at 01.01.2021	**Additional**	**Sold**	**Balance as at 31.12.2021**
Direct interest				
Dato' Sri Azlan Bin Azmi	300	299,700	-	300,000
Dato' Sri Wong Sze Chien	500	499,500	-	500,000
Dato' Sri Andrew Lim Eng Guan	200	199,800	-	200,000

By virtue of their interest in shares of the Company, Messrs. Dato' Sri Azlan Bin Azmi, Dato' Sri Wong Sze Chien and Dato' Sri Andrew Lim Eng Guan are deemed to be interested in shares of all subsidiary companies to the extent the Company has an interest.

None of the other Directors in office at the end of the financial year held or dealt in shares in the Company or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:

a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable value.

OTHER STATUTORY INFORMATION (cont'd)

At the date of this report, the Directors are not aware of any circumstances:

a) which would render the amount written off for bad debts or the amount of the allowance for impairment in the financial statements of the Group and of the Company inadequate to any substantial extent; or

b) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or

c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year to secure the liability of any other person; or

b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors,

a) the results of the Group's and the Company's operations during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature; and

b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made.

INDEMNITIES TO DIRECTORS OR OFFICERS

The Company maintains Management Liability Insurance for purposes of Section 289 of the Companies Act 2016, throughout the year, which provides appropriate insurance cover for the Directors of the Company. The amount of insurance premium paid during the year amounted to RM9,950.

IMMEDIATE AND ULTIMATE HOLDING COMPANY

The Directors regard Armani Synergy Sdn. Bhd. as immediate and ultimate holding company. The holding company was incorporated in Malaysia.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events during the financial year are disclosed in Note 32 to the financial statements.

SIGNIFICANT EVENTS AFTER THE FINANCIAL YEAR

Details of significant events after the financial year are disclosed in Note 33 to the financial statements.

AUDITORS

Auditors' remuneration is set out in Note 21 to the financial statements. No payment has been made to indemnify auditors during or since the financial year.

The auditors, Messrs. Peter Chong & Co., Chartered Accountants, do not wish to seek re-appointment.

Signed on behalf of the Board
in accordance with a resolution of the Directors

……………………………………..
DATO' SRI AZLAN BIN AZMI
Director

……………………………………..
DATO' SRI WONG SZE CHIEN
Director

Kuala Lumpur

Date: 6th April 2022

INDEPENDENT AUDITORS' REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **TAFI INDUSTRIES BERHAD**, which comprise the statements of financial position as at 31st December 2021 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 62 to 156.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31st December 2021, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1) Inventories valuation

Refer to Note 2.7 – Significant accounting policies: Inventories; Note 4(iii) – Significant accounting estimates and judgements on allowance for slow-moving inventories and Note 9 – Inventories.

Background:

The inventories of furniture products are significant and represent a material component of assets of the Group amounting to RM15,225,524, representing 20.04% of the total assets as at 31st December 2021.

Inventories are stated at the lower of cost and net realisable value. The cost of work-in-progress and finished goods comprises raw materials, direct labour, other direct costs and an appropriate proportion of production overheads.

The valuation of inventories is our main focus as it involves significant judgements and estimates in deriving the costing of the products of the Group.

Our response:

Our audit procedures included, but not limited to, the following:

- Obtained an understanding on the costing of the Group's products, including the raw material consumption, direct labour hours and an appropriate allocation of production overheads.
- Discussed and ascertained with the management on the appropriateness of bases used for the costing and management's pricing policy.
- Test checked the cost of raw materials have been properly accounted for.
- Test checked the calculation in the raw material consumption, direct labour and the allocation of overhead cost on samples selected. This includes the review on the consistency and reasonableness of the bases and assumptions applied in the costing.
- Assessed the consistency in the methodology applied by the management in determining the allowance for slow-moving inventories recognised.
- Examined the inventories movements to identify slow-moving inventories.
- Evaluated the reasonableness of the allowance for slow-moving inventories recognised.
- Assessed the adequacy and appropriateness of the disclosures made in the financial statements.

2) Impairment assessment of the carrying amount of cost of investment in subsidiary companies and amount due from subsidiary companies

Refer to Note 2.6 – Significant accounting policy on impairment of non-financial assets; Note 2.8(v) – Significant accounting policy on impairment of financial assets; Note 4(v) – Significant accounting estimates and judgements on impairment of investment in subsidiary companies and amount due from subsidiary companies; Note 6 – Investment in subsidiary companies and Note 10 – Receivables.

Key Audit Matters (cont'd)

2) Impairment assessment of the carrying amount of cost of investment in subsidiary companies and amount due from subsidiary companies (cont'd)

Background:

We identified the potential impairment of investment and impairment on debts as a key audit matter due to the following factors:
- Significance of the assets to the Company's statement of financial position; and
- The recoverable amount of the investment held was determined based on significant judgements and assumptions supporting the underlying cash flows projections, profit forecast, future sales growth and profitability of the business operations.

Our response:

Our audit procedures focused on evaluating the cash flows and profit forecast and projections, among others included:
- Discussed with the management on the basis and key assumptions applied in the cash flows projections and profit forecast.
- Assessed the reasonableness of the key assumptions used by the management in the cash flows projections and profit forecast.
- Performed sensitivity analysis on the key assumptions.
- Understanding the Group's internal control on the trade receivables collection process.
- Assessed the adequacy and appropriateness of the disclosures made in the financial statements.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT (Cont'd)

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

INDEPENDENT AUDITORS' REPORT (Cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Peter Chong & Co.
No. AF 0165
Chartered Accountants

Tee Yik Bee
No. 02938/10/2022 J
Chartered Accountant

Kuala Lumpur

Date: 6th April 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2021

	Note	2021 RM	2020 RM
ASSETS			
Non-current assets			
Property, plant and equipment	5	18,537,578	19,437,806
Investment properties	7	5,830,000	5,830,000
Right-of-use assets	8	650,288	388,309
Total non-current assets		25,017,866	25,656,115
Current assets			
Inventories	9	18,922,240	9,094,756
Receivables	10	24,393,359	3,387,010
Tax assets	11	1,771	1,873
Deposits, cash and bank balances	12	7,620,765	4,872,512
		50,938,135	17,356,151
Assets held for sale	13	-	595,879
Total current assets		50,938,135	17,952,030
TOTAL ASSETS		75,956,001	43,608,145

The attached notes form an integral part of these financial statements.

	Note	2021 RM	2020 RM
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	14	69,765,072	42,809,166
Treasury shares	14	(1,040,934)	(1,040,934)
Reserves	15	(4,789,496)	(10,282,500)
Total equity		63,934,642	31,485,732
Non-current liabilities			
Borrowings	16	-	498,433
Lease liabilities	17	128,762	-
Deferred tax liabilities	18	151,630	151,630
Total non-current liabilities		280,392	650,063
Current liabilities			
Payables	19	7,388,749	10,722,060
Borrowings	16	4,205,211	705,890
Lease liabilities	17	147,007	-
Tax liabilities	11	-	44,400
Total current liabilities		11,740,967	11,472,350
Total liabilities		12,021,359	12,122,413
TOTAL EQUITY AND LIABILITIES		75,956,001	43,608,145

The attached notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2021

	Note	2021 RM	2020 RM
REVENUE	20	43,539,036	29,386,971
COST OF SALES	20	(35,578,699)	(34,048,343)
GROSS PROFIT/ (LOSS)		7,960,337	(4,661,372)
OTHER OPERATING INCOME		2,685,593	1,688,376
SELLING AND DISTRIBUTION COSTS		(910,634)	(1,329,350)
ADMINISTRATIVE EXPENSES		(4,069,039)	(5,047,695)
PROFIT/ (LOSS) FROM OPERATIONS	21	5,666,257	(9,350,041)
FINANCE COSTS	22	(120,753)	(57,518)
PROFIT/ (LOSS) BEFORE TAXATION		5,545,504	(9,407,559)
TAXATION	11	(52,500)	(39,900)
PROFIT/ (LOSS) FOR THE FINANCIAL YEAR		5,493,004	(9,447,459)
OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		-	-
TOTAL COMPREHENSIVE INCOME/ (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY		5,493,004	(9,447,459)
EARNINGS/ (LOSS) PER SHARE (SEN)			
- Basic and Diluted	23	1.54	(3.94)*

* For comparative purpose, the loss per share for the year ended 31st December 2020 has been retrospectively adjusted to reflect the adjustments arising from the Rights Issue and Bonus Issue, which were completed on 15th June 2021 and 11th February 2022, respectively.

The attached notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2021

		Attributable to owners of the Company					
			Non-distributable reserves			Distributable reserves	
	Note	**Share capital RM**	**Treasury shares RM**	**Revaluation reserve RM**	**Retained profits RM**	**Accumulated losses RM**	**Total equity RM**
As at 1st January 2020		42,809,166	(1,040,934)	201,401	925,293	(1,961,735)	40,933,191
Total comprehensive loss		-	-	-	(45,000)	(9,402,459)	(9,447,459)
As at 31st December 2020/ 1st January 2021		42,809,166	(1,040,934)	201,401	880,293	(11,364,194)	31,485,732
Issuance of shares - rights issue	14	26,955,906	-	-	-	-	26,955,906
Total comprehensive income		-	-	-	-	5,493,004	5,493,004
As at 31st December 2021		69,765,072	(1,040,934)	201,401	880,293	(5,871,190)	63,934,642

The attached notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2021

	2021 RM	2020 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/ (Loss) before taxation	5,545,504	(9,407,559)
Adjustments for:		
Allowance for slow-moving inventories:		
- Addition	229,176	2,175,375
- Reversal	(1,425,066)	(161,179)
Allowance for impairment loss on:		
- property, plant and equipment	-	1,583,789
- trade receivables	21,586	19,643
Bad debts written off	-	33,610
Changes in fair value of investment properties	-	45,000
Depreciation of property, plant and equipment	1,653,125	2,486,474
Depreciation of right-of-use assets	37,523	19,147
Distribution from investment management fund	-	(50,753)
Expenses relating to short-term lease	151,195	183,860
Gain on disposal of:		
- Leasehold land and building	(1,136,622)	(1,203,081)
- Property, plant and equipment	(15,754)	(31,566)
Interest expense	120,753	57,518
Interest income	(108,347)	(30,176)
Inventories written off	-	1,266,511
Unrealised (gain)/ loss on foreign exchange	(117,160)	90,938
Operating profit/ (loss) before working capital changes	4,955,913	(2,922,449)
Inventories	(8,631,594)	(2,429,240)
Receivables	(21,027,935)	504,237
Payables	(643,311)	2,580,190
Cash used in operations	(25,346,927)	(2,267,262)

The above consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements.

	Note	2021 RM	2020 RM
Cash used in operations (cont'd)		(25,346,927)	(2,267,262)
Interest paid		(118,086)	(57,518)
Repayment of interest on lease liabilities		(2,667)	-
Short-term lease payment		(151,195)	(183,860)
Tax paid	11	(97,475)	(437)
Tax refunded	11	677	-
Net cash used in operating activities		(25,715,673)	(2,509,077)
CASH FLOWS FROM INVESTING ACTIVITIES			
Changes to deposit placement as security for credit facility		-	1,469,293
(Repayment to)/ Advance from immediate and ultimate holding company		(1,300,000)	1,326,668
Interest received		108,347	30,176
Proceeds from redemption of investment management fund		-	3,516,301
Net repayment to former directors		(1,390,000)	(1,477,260)
Net proceeds from disposal of:			
- Leasehold land and building		1,732,501	1,465,200
- Property, plant and equipment		22,000	132,250
Net cash outflow on acquisition of property, plant and equipment	5(ii)	(759,143)	(241,287)
Net cash (used in)/ generated from investing activities		(1,586,295)	6,221,341

The above consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements.

	Note	2021 RM	2020 RM
CASH FLOWS FROM FINANCING ACTIVITIES			
Movement in short term borrowings		4,205,211	-
Proceeds from rights issue		26,955,906	-
Payment for the principal portion of lease liabilities		(23,733)	-
Repayment of hire purchase obligation		(277,000)	-
Repayment of Bai' Bithaman Ajil facility		(927,323)	(321,235)
Net cash generated from/ (used in) financing activities		29,933,061	(321,235)
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,631,093	3,391,029
Effect of exchange rate changes		117,160	(90,938)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		4,872,512	1,572,421
CASH AND CASH EQUIVALENTS CARRIED FORWARD	25	7,620,765	4,872,512

The above consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements.

(a) The reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities is as follows:

	Note	As at 01.01.2021 RM	Cash flows RM	Non-cash changes RM	As at 31.12.2021 RM
Bai' Bithaman Ajil facility	16	927,323	(927,323)	-	-
Bankers' acceptance	16	-	2,351,000	-	2,351,000
Hire purchase obligation	16	277,000	(277,000)	-	-
Invoice financing	16	-	1,854,211	-	1,854,211
Lease liabilities	17	-	(23,733)	299,502	275,769
		1,204,323	2,977,155	299,502	4,480,980

	Note	As at 01.01.2020 RM	Cash flows RM	Non-cash changes RM	As at 31.12.2020 RM
Bai' Bithaman Ajil facility	16	1,248,558	(321,235)	-	927,323
Hire purchase obligation	16	-	-	277,000	277,000
		1,248,558	(321,235)	277,000	1,204,323

(b) Total cash outflows for leases as a lessee:

	2021 RM	2020 RM
Included in net cash from operating activities:		
- Repayment of interest on lease liabilities	2,667	-
- Short-term lease payment	151,195	183,860
Included in net cash from financing activities:		
- Payments for the principal portion of lease liabilities	23,733	-
Total cash outflows for leases	177,595	183,860

STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2021

	Note	2021 RM	2020 RM
ASSETS			
Non-current assets			
Investment in subsidiary companies	6	27,663,779	27,663,779
Investment properties	7	3,080,000	3,080,000
Receivables	10	38,666,960	13,273,904
Total non-current assets		69,410,739	44,017,683
Current assets			
Receivables	10	45,118	4,884
Cash and bank balances	12	548,600	51,078
Total current assets		593,718	55,962
TOTAL ASSETS		70,004,457	44,073,645
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	14	69,765,072	42,809,166
Treasury shares	14	(1,040,934)	(1,040,934)
Reserves	15	1,154,969	2,248,781
Total equity		69,879,107	44,017,013
Non-current liability			
Deferred tax liability	18	10,530	10,530
Total non-current liability		10,530	10,530
Current liability			
Payables	19	114,820	46,102
Total current liability		114,820	46,102
Total liabilities		125,350	56,632
TOTAL EQUITY AND LIABILITIES		70,004,457	44,073,645

The attached notes form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2021

	Note	2021 RM	2020 RM
REVENUE	20	120,000	120,000
OTHER OPERATING INCOME		96,809	50,753
ADMINISTRATIVE EXPENSES		(1,310,621)	(654,197)
LOSS BEFORE TAXATION	21	(1,093,812)	(483,444)
TAXATION	11	-	13,000
LOSS FOR THE FINANCIAL YEAR		(1,093,812)	(470,444)
OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		-	-
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY		(1,093,812)	(470,444)

The attached notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2021

		← Attributable to owners of the Company →				
			Non-distributable reserves		Distributable reserves	
	Note	Share capital RM	Treasury shares RM	Retained profits RM	Retained profits RM	Total equity RM
As at 1st January 2020		42,809,166	(1,040,934)	235,293	2,483,932	44,487,457
Total comprehensive loss		-	-	(130,000)	(340,444)	(470,444)
As at 31st December 2020/ 1st January 2021		42,809,166	(1,040,934)	105,293	2,143,488	44,017,013
Issuance of shares - rights issue	14	26,955,906	-	-	-	26,955,906
Total comprehensive loss		-	-	-	(1,093,812)	(1,093,812)
As at 31st December 2021		69,765,072	(1,040,934)	105,293	1,049,676	69,879,107

The attached notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2021

	2021 RM	2020 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(1,093,812)	(483,444)
Adjustments for:		
Changes in fair value of investment properties	-	130,000
Distribution from investment management fund	-	(50,753)
Interest income	(96,809)	-
Operating loss before working capital changes	(1,190,621)	(404,197)
Receivables	(40,234)	4,983
Payables	68,718	(92,818)
Net cash used in operating activities	(1,162,137)	(492,032)
CASH FLOWS FROM INVESTING ACTIVITIES		
Advances to subsidiary companies	(25,393,056)	(2,339,414)
Interest received	96,809	-
Subscription of additional shares in a subsidiary company	-	(650,000)
Proceeds from redemption of investment management fund	-	3,516,301
Net cash (used in)/ generated from investing activities	(25,296,247)	526,887
CASH FLOWS FROM FINANCING ACTIVITY		
Proceeds from rights issue	26,955,906	-
Net cash generated from financing activity	26,955,906	-

The above statement of cash flows is to be read in conjunction with the notes to the financial statements.

	Note	2021 RM	2020 RM
NET INCREASE IN CASH AND CASH EQUIVALENTS		497,522	34,855
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		51,078	16,223
CASH AND CASH EQUIVALENTS CARRIED FORWARD	25	548,600	51,078

The above statement of cash flows is to be read in conjunction with the notes to the financial statements

1. GENERAL INFORMATION

The Company is principally involved in investment holding and provision of management services.

The details of the subsidiary companies and their business activities are disclosed in Note 6.

There have been no significant changes in the nature of these principal activities during the financial year, other than those disclosed in Note 6.

The Directors regard Armani Synergy Sdn. Bhd. as immediate and ultimate holding company. The holding company was incorporated in Malaysia.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The address of the registered office and principal place of business of the Company are both located at PLO 3, Kawasan Perindustrian Bukit Pasir, Mukim Sungai Raya, 84300 Bukit Pasir, Muar, Johor Darul Takzim.

The Board has authorised the issuance of the financial statements on 6th April 2022.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRSs”) and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared under historical cost basis except as disclosed in the accounting policies.

The financial statements are presented in Ringgit Malaysia (“RM”), which is the Company’s functional currency, unless otherwise indicated.

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Company’s accounting policies. Although these estimates and judgement are based on Directors’ best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

The new accounting standards, amendments and improvements to published standards and interpretations that are effective and applicable for the Group’s and Company’s financial year beginning on or after 1st January 2021 are as follows:

(i) Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 “Interest Rate Benchmark Reform - Phase 2”
(ii) Amendments to MFRS 16 “Covid-19 - Related Rent Concessions”

The adoption of these amendments listed above did not have any impact on the current financial year or any prior financial year and is not likely to affect future financial years.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Subsidiary companies and basis of consolidation

(i) Subsidiary companies

Subsidiary companies are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at the reporting date. The financial statements of the subsidiary companies are prepared as of the same reporting date as the Company.

Subsidiary companies are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing consolidated financial statements, intra-group balances and transactions and the resulting unrealised profits are eliminated on consolidation. Unrealised losses are eliminated on consolidation and the relevant assets are assessed for impairment. Uniform accounting policies are adopted in the consolidated financial statements for transactions and events in similar circumstances.

Acquisitions of subsidiary companies are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

The gain or loss on disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of its net assets as at the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary. This amount is recognised in the consolidated profit or loss in the year of disposal.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated.

Depreciation is computed on a straight line basis to write off the cost of assets to their residual values over the following estimated useful lives:

	Number of years
Buildings	10 – 50
Plant and machinery	3 – 10
Motor vehicles	5 – 10
Tools and equipment	5 – 10
Furniture, fixtures and fittings	10

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

2.4 Investment in subsidiary companies

Investment in subsidiary companies is shown at cost less accumulated impairment, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Refer Note 2.6 on impairment of non-financial assets.

On disposal of such investment, the difference between the net disposal proceeds and their carrying amount is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Investment properties

Investment properties carried at fair value

Investment properties which consist of long-term leasehold land, freehold land and building are held to earn rentals and/or for capital appreciation and are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment properties are recognised in profit or loss in the year in which they arise.

2.6 Impairment of non-financial assets

The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An impairment loss is recognised in profit or loss in the period in which it arises. Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is represented by the following:

(i) Furniture products

Cost is determined using the first-in, first-out method. The cost of raw material comprises the original cost of purchase plus the cost of bringing the inventories to their intended location and condition. The cost of work-in-progress and finished goods comprises raw materials, direct labour, other direct costs and an appropriate proportion of production overheads.

Net realisable value is the estimated selling price in the ordinary course of business less cost of completion and selling expenses.

(ii) Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities including borrowings costs.

The property development costs on development units sold are recognised as an expense in the period in which they are incurred to match the attributable revenue recognised. If estimates of costs to complete property development (including costs to be incurred over the defects liability period) indicate loss, the expected loss is recognised as an expense immediately in the period in which it is identified.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion inclusive of expected loss and selling price.

Property development costs expected to be incurred on property development are based on estimates of total property development costs at completion. These estimates are reviewed and revised periodically throughout the lives of the property development and adjustments to costs resulting from such revisions are recorded in the accounting period in which the revisions are made.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Financial instruments

(i) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the instrument.

(a) Recognition and initial measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Trade receivables that do not contain a significant financing component or if the period between performance and payment is 1 year or less under practical expedient of MFRS 15, are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business models for managing financial assets refer to how it manages their financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place ("regular way trades") are recognised on the trade date, that is the date that the Group and the Company commit to purchase or sell the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Financial instruments (cont'd)

(i) Financial assets (cont'd)

(b) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in the following categories:

i. Financial assets at amortised cost (debt instruments)
ii. Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
iii. Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
iv. Financial assets at fair value through profit or loss

The financial assets of the Group and the Company are subsequently measured under (i) financial assets at amortised cost.

Financial assets at amortised cost

This category is the most relevant to the Group and the Company. The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

i. The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Financial instruments (cont'd)

(i) Financial assets (cont'd)

(c) Derecognition

A financial asset is derecognised when:

i. The rights to receive cash flows from the asset have expired, or

ii. The Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

   a. The Group and the Company have transferred substantially all the risks and rewards of the asset; or

   b. The Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company would require to repay.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Financial instruments (cont'd)

(ii) Financial liabilities

(a) Recognition and initial measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and payables as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade and other payables, amount due to immediate and ultimate holding company and loans and borrowings.

(b) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Payables, loans and borrowings

This is the category most relevant to the Group and the Company. After initial recognition, payables, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

(c) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Financial instruments (cont'd)

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss incurred because a specified debtor failed to make payment when payment was due.

Financial guarantee contracts are recognised initially as a liability at fair value. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due to the Group and the Company, as the issuer is required to reimburse the holder for the associated loss, the liability is measured at the higher of the Expected Credit Loss ("ECL") allowance and the amount initially recognised less any cumulative amount of income/ amortisation recognised.

(iv) Equity instruments

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

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

(v) Impairment of financial assets

The Group and the Company assess on a forward-looking basis the ECL associated with their debt instruments carried at amortised cost and fair value through OCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group's and the Company's financial instruments that are subject to the ECL model:

- Trade receivables
- Other receivables
- Deposits
- Due from related party
- Due from subsidiary companies (applicable in the Company's separate financial statements only)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Financial instruments (cont'd)

(v) Impairment of financial assets (cont'd)

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the estimated impairment loss was immaterial.

ECL represents a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group and the Company expect to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(a) Simplified approach for trade receivables

The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Note 10 sets out the measurement details of ECL.

(b) General 3-stage approach for financial assets other than trade receivables

At each reporting period, the Group measures ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equals to lifetime ECL is required. The Group evaluates whether the financial instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the financial instrument. Note 10 sets out the measurement details of ECL.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Financial instruments (cont'd)

(v) Impairment of financial assets (cont'd)

Significant increase in credit risk

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information, where available.

A significant increase in credit risk is presumed if a debtor is more than 120 days past due in making a contractual payment. The assessment of ECL is disclosed in Note 10.

Amount due from subsidiary companies in the financial statements are assessed on group basis for ECL measurement, as credit risk information is obtained and monitored closely.

(vi) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

2.9 Taxation and deferred taxation

Income tax on the results for the financial year comprises current and deferred tax. Current tax is the expected amount of income tax payable in respect of the taxable profits for the financial year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax liabilities and assets are provided using the liability method in respect of all temporary differences between the carrying amount of an asset or liability in the statements of financial position and its tax base including unused tax losses and capital allowances.

Deferred tax liabilities and assets are measured at the tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

A deferred tax asset is recognised only to the extent that it is probable that the future taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at each reporting date. If it is no longer probable that sufficient future taxable profit will be available to allow the benefit of part or that entire deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient future taxable profit will be available, such reductions will be reversed.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 Foreign currencies transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions or at the date of payment or receipt of advance consideration, whichever is earlier. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the profit or loss for the period except for the differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised directly in other comprehensive income.

2.11 Leases

(i) Definition of lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- The customer has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of the use; and

- The customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the assets is used. In rare cases where the decision about how and for what purpose the asset is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 Leases (cont'd)

(ii) The Group as lessee

Lease are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group is a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

(a) Lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reassesses the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities, as disclosed in Note 2.11(ii)(d).

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 Leases (cont'd)

(ii) The Group as lessee (cont'd)

(b) ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs incurred by the Group; and
- Decommissioning or restoration costs.

ROU assets that are not property, plant and equipment are subsequently measured at cost, less accumulated depreciation and impairment loss. The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

The Group presents ROU assets that meet the definition of investment property in the statement of financial position as investment property (if any). ROU assets that are not investment properties are presented as a separate line item in the statement of financial position. None of the lease liability has been recognised as the Group has settled its lease obligation prior to the date of initial application.

The ROU assets are depreciated over the useful lives as follows:

Leasehold land	37 years
Hostel	2 years

(c) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase and extension options if the Group is reasonably certain to exercise that option; and
- Penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 Leases (cont'd)

(ii) The Group as lessee (cont'd)

(c) Lease liabilities (cont'd)

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

The Group presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in the statement of profit or loss.

(d) Remeasurement of lease liabilities

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When adjustments to lease payments take effect, the lease liability is remeasured and adjusted against the ROU assets.

(e) Short-term leases and leases of low-value assets

The Group has elected not to recognise ROU assets and lease liabilities for short-term leases with a lease term of 12 months or less and leases of low-value assets. Payments associated with these leases are recognised on a straight-line basis as an expense in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 Leases (cont'd)

(iii) The Group as lessor

The Group classified their leases as either operating leases or finance leases. Leases where the Group retain substantially all the risks and rewards of ownership of the leased assets are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

If the Group transfers substantially all the risks and rewards incidental to ownership of the leased assets, leases are classified as finance leases and are capitalised at an amount equal to the net investment in the lease.

2.12 Provisions

A provision is recognised when the Group or the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.13 Revenue and other revenues recognition

(i) Revenue from contracts with customers

The Group recognises revenue from contracts with customers for the sale of goods based on the five-step model as set out in MFRS 15 Revenue from Contracts with Customers:

(a) Identify contract(s) with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

(b) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

(c) Determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

(d) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

(e) Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time if the Group's performance:

(a) Does not create an asset with an alternative use to the Group and has an enforceable right to payment for performance completed to-date; or

(b) Creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) Provides benefits that the customer simultaneously receives and consumes as the Group performs.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.13 Revenue and other revenues recognition (cont'd)

(i) Revenue from contracts with customers (cont'd)

For performance obligations where any one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract-based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Performance obligations are as follows:

(a) Sales of goods

Revenue from sales of goods is recognised at the point in time when control of the goods is transferred to the customers, generally upon delivery of goods.

In determining the revenue for the sales of goods, the effects of variable consideration, the existence of significant financing component, non-cash consideration and consideration payable to the customer, etc. are taken into consideration.

(b) Construction contracts

Revenue from construction contracts is recognised over the period in which the services are rendered.

Where the financial outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increase or decrease in the estimated revenue or cost is reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

No revenue is recognised if there are significant uncertainties regarding recovery if the consideration due, the revenue cannot be measured reliably, the costs incurred or to be incurred cannot be measured reliably, or the stage of completion cannot be measured reliably.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.13 Revenue and other revenues recognition (cont'd)

(i) Revenue from contracts with customers (cont'd)

(b) Construction contracts (cont'd)

Where the financial outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

When the total of costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as contract assets within trade receivables. When progress billings exceed costs incurred on construction contracts plus recognised profits (less recognised losses), the balance is classified as contract liabilities within trade payables.

(ii) Other revenues recognised on the following bases

(a) Interest income is recognised on an accrual basis using effective interest method.

(b) Distribution of investment management fund is recognised when the right to receive payment has been established.

(c) Rental income from operating leases (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease terms.

(d) Management fee is recognised when the customer receives and consumes the services and the Company has a present right to payment for the services rendered.

2.14 Government grant

Prihatin Wage Subsidy Programme and Penjana Kerjaya Subsidy Programme

Subsidies from the Government are recognised at their fair value where there is a reasonable assurance that the subsidies will be received and the Group will comply with all attached conditions. Government subsidies relating to income is presented as other operating income.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.15 Employee benefits

Short term employee benefits

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

Defined contribution plans

As required by law, companies in Malaysia make contributions for the local employees to the state pension scheme, the Employees' Provident Fund ("EPF"). Such contributions are recognised as an expense in profit or loss as incurred.

2.16 Borrowing costs

Borrowing costs incurred to finance the acquisition or construction of property, plant and equipment are capitalised as part of the cost of the asset during the period of time that is required to complete and prepare the asset for its intended use. Borrowing costs incurred to finance property development activities and construction contracts are accounted for in a similar manner. All other borrowing costs are expensed.

2.17 Contingent liabilities and contingent assets

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstances where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.18 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.19 Earnings per share

The Group presents basic and diluted (where applicable) earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period (net of treasury shares, if any). Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding (net of treasury shares, if any) for the effects of all dilutive potential ordinary shares. No adjustment is made for anti-dilutive potential ordinary shares.

2.20 Segment reporting

Operating segments are defined as components of the Group that:

(a) Engage in business activities from which it could earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);

(b) Whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and

(c) For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.20 Segment reporting (cont'd)

(a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten percent (10%) or more of the combined revenue, internal and external, of all operating segments.

(b) The absolute amount of its reported profit or loss is ten percent (10%) or more of the greater, in absolute amount of:

   (i) The combined reported profit of all operating segments that did not report a loss; and

   (ii) The combined reported loss of all operating segments that reported a loss.

(c) Its assets are ten percent (10%) or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy-five percent (75%) of the revenue of the Group. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

The Group evaluates performance on the basis of profit or loss from operations before tax not including non-recurring losses, such as goodwill impairment.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in consolidated financial statements. These policies have been applied consistently throughout the current and previous financial years.

Segment assets exclude tax assets and assets used primarily for corporate purposes.

Segment liabilities exclude tax liabilities and unallocated liabilities. Even though loans and borrowings arise from financing activities rather than operating activities, they are allocated to the segments based on relevant factors (e.g. funding requirements).

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.21 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

2.22 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurements of the non-current assets (or all the assets and liabilities in a disposal group) are brought up-to-date in accordance with applicable MFRSs. Then, on initial classification as held for sale, non-current assets or disposal groups (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured in accordance with MFRS 5, that is, at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

3. MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRSs") AND AMENDMENTS TO MFRSs

Amendments to MFRSs which have been issued but not yet effective and relevant to the Group and the Company:

Amendments to MFRSs		**Effective dates**
Amendments to:		
- MFRS 3	Reference to the Conceptual Framework	1st January 2022
- MFRS 9	Financial Instruments (Annual Improvement to MFRS Standards 2018 - 2020)	1st January 2022
- MFRS 16	Covid-19 - Related Rent Concessions beyond 30th June 2021	1st April 2021
- MFRS 101	Classification of Liabilities as Current or Non-current	1st January 2023
- MFRS 101	Disclosure of Accounting Policies	1st January 2023
- MFRS 108	Disclosure of Accounting Estimates	1st January 2023
- MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1st January 2023
- MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use	1st January 2022
- MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract	1st January 2022

It is anticipated that the adoption of the abovementioned amendments will not have significant impact on the financial statements of the Group and the Company.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements involved making certain estimates, judgements and assumptions concerning the future. They affect the accounting policies applied, amount of assets, liabilities, income and expenses reported and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Changes in these estimates and assumptions by management may have an effect on the balances as reported in the financial statements. Significant accounting estimates and judgements, where used, have been disclosed in the relevant notes to the financial statements.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 50 years. The carrying amount of the Group's property, plant and equipment at 31st December 2021 is disclosed in Note 5. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment of property, plant and equipment as at the end of each reporting period. Property, plant and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable. If there are indicators of impairment in property, plant and equipment, the Group carries out the impairment test based on a variety of estimation including the value-in-use of the cash-generating units to which the property, plant and equipment are allocated. The estimate of value-in-use is based on a financial projection, approved by the management covering a period of four years.

The key assumptions for value-in-use include the management's expectation of revenue growth rate and profit margin. Further details are disclosed in Note 6(i).

(iii) Allowance for slow-moving inventories

The Group reviews the inventory age listing on a periodic basis. This review involves the comparison of the carrying value of the aged inventory items with their respective net realisable values. The purpose is to ascertain whether an allowance is required to be made in the financial statements for any slow-moving items. In addition, the Group conducts physical counts on their inventories on a periodic basis in order to determine whether an allowance for slow-moving inventories is required. The carrying amount of the Group's inventories is disclosed in Note 9.

(iv) Income taxes

Significant judgement is required in determining the capital allowances, reinvestment allowance and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of the business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Details of income taxes are disclosed in Note 11.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

(v) Impairment of investment in subsidiary companies and amount due from subsidiary companies

The Company reviews the investment in subsidiary companies for impairment when there is an indication of impairment. The recoverable amount of investment in subsidiary companies is assessed by reference to the higher of its carrying amount and its value-in-use of the respective investment in subsidiary companies. The value-in-use is the net present value of the projected future cash flows derived from the business operations of the respective subsidiary companies discounted at an appropriate discount rate. Such a discounted cash flow method involves the use of estimated future results and a set of assumptions to reflect their income and cash flows. Judgement was also used to determine the discount rate for their cash flows and the future growth of the business of the subsidiary companies. The principal assumptions used are as disclosed in Note 6(i).

(vi) Impairment of land pledged to subsidiary company

The Directors assess whether there is any indication that the land pledged may be impaired annually. The Directors have assessed and considered the probability of the subsidiary company defaulting on the credit lines is remote.

5. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Buildings RM	Plant and machinery RM	Motor vehicles RM	Tools and equipment RM	Furniture, fixtures and fittings RM	Total RM
Cost							
As at 1st January 2020	3,681,482	15,233,708	30,801,923	2,391,277	5,879,795	943,248	58,931,433
Addition	-	85,160	33,328	313,391	81,408	5,000	518,287
Disposal	-	(1,585,673)	(2,320,543)	(236,910)	(6,125)	(10,545)	(4,159,796)
Transfer to assets held for sale (Note 13)	-	(911,587)	-	-	-	-	(911,587)
As at 31st December 2020/ 1st January 2021	3,681,482	12,821,608	28,514,708	2,467,758	5,955,078	937,703	54,378,337
Addition	-	8,460	595,097	6,700	134,935	13,951	759,143
Disposal	-	-	-	(145,857)	(203,864)	(35,424)	(385,145)
As at 31st December 2021	3,681,482	12,830,068	29,109,805	2,328,601	5,886,149	916,230	54,752,335

5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	Freehold land RM	Buildings RM	Plant and machinery RM	Motor vehicles RM	Tools and equipment RM	Furniture, fixtures and fittings RM	Total RM
Accumulated depreciation							
As at 1st January 2020	-	4,993,450	21,836,400	2,186,383	5,251,550	920,771	35,188,554
Depreciation	-	314,292	1,922,256	99,298	143,698	6,930	2,486,474
Disposal	-	(1,343,304)	(2,219,859)	(236,910)	(6,125)	(10,545)	(3,816,743)
Transfer to assets held for sale (Note 13)	-	(501,543)	-	-	-	-	(501,543)
As at 31st December 2020/ 1st January 2021	-	3,462,895	21,538,797	2,048,771	5,389,123	917,156	33,356,742
Depreciation	-	287,406	1,120,491	101,814	134,097	9,317	1,653,125
Disposal	-	-	-	(145,857)	(198,500)	(34,542)	(378,899)
As at 31st December 2021	-	3,750,301	22,659,288	2,004,728	5,324,720	891,931	34,630,968

5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	Freehold land RM	Buildings RM	Plant and machinery RM	Motor vehicles RM	Tools and equipment RM	Furniture, fixtures and fittings RM	Total RM
Accumulated impairment losses							
As at 1st January 2020	-	-	-	-	-	-	-
Impairment loss*	-	-	1,583,789	-	-	-	1,583,789
As at 31st December 2020, 1st January 2021 and 31st December 2021	-	-	1,583,789	-	-	-	1,583,789
Net carrying amounts							
As at 31st December 2021	3,681,482	9,079,767	4,866,728	323,873	561,429	24,299	18,537,578
As at 31st December 2020	3,681,482	9,358,713	5,392,122	418,987	565,955	20,547	19,437,806

* Impairment loss made for idle assets.

5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(i) Net carrying amounts of certain assets are pledged as securities for bank borrowing and credit facilities as disclosed in Notes 16 and 26 respectively:

	Group	
	2021	**2020**
	RM	**RM**
Freehold land (Notes 16 and 26)	3,681,482	2,309,032
Building (Notes 16 and 26)	1,914,063	148,933
Plant and machinery (Note 16)	1,519,228	2,610,637
	7,114,773	5,068,602

(ii) Net cash outflow on acquistion of property, plant and equipment:

	Group	
	2021	**2020**
	RM	**RM**
Purchase of property, plant and equipment:		
Aggregate cost of property, plant and equipment purchased	759,143	518,287
Financed by hire purchase obligation	-	(277,000)
Net cash outflow	759,143	241,287

(iii) Net carrying amount of assets held under hire purchase instalment plans:

	Group	
	2021	**2020**
	RM	**RM**
Motor vehicle	-	313,391

(iv) The cash generating unit ("CGU") identified refers to the business of the subsidiary companies. The key assumptions supporting the recoverable amount of the property, plant and equipment is as disclosed in Note 6(i).

6. INVESTMENT IN SUBSIDIARY COMPANIES

	Company 2021 RM	Company 2020 RM
Unquoted shares, at cost		
As at 1st January	27,663,779	27,013,779
Addition	-	650,000
As at 31st December	27,663,779	27,663,779

Details of the subsidiary companies, all incorporated in Malaysia, are as follows:

Subsidiary companies of the Company	Gross equity interest 2021 %	Gross equity interest 2020 %	Principal activities
T.A. Furniture Industries Sdn. Bhd.	100	100	Manufacturing and marketing of furniture products.
TAFI Development Sdn. Bhd.	100	100	Investment holding, property development and construction activities.
TAFI Home & Office Sdn. Bhd. (formerly known as Home & Office Furniture Sdn. Bhd.)	100	100	General trading, manufacturing and exporting of furniture, ventured into construction activities.
Subsidiary companies of T.A. Furniture Industries Sdn. Bhd.			
Penquo Resources Sdn. Bhd.	100	100	Investment in properties.
T.A. E-Furnishings Sdn. Bhd.	100	100	Trading of furniture products and provision of related services.

6. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

Details of the subsidiary companies, all incorporated in Malaysia, are as follows (cont'd):

Subsidiary companies of TAFI Development Sdn. Bhd.	Gross equity interest 2021 %	2020 %	Principal activities
Gerak Mahir Sdn. Bhd.	100	100	Investment holding, property development and construction activities.

(i) **Key assumptions used in value-in-use calculations**

The Company has carried out a review of the recoverable amount of the investment in the subsidiary companies and amount due from subsidiary companies as disclosed in Note 10. The recoverable amount of a CGU is determined based on a value-in-use calculation. The value-in-use is derived based on management's cash flows and profit forecast and projections for four (4) financial years from 2022 to 2025 (2020: four (4) financial years from 2021 to 2024) and the key assumptions used in the calculation of value-in-use are as follows:

(a) The forecast annual revenue growth for 2022 (2020: for 2021) is at 35% (2020: 74%) and over the next 3 years will be approximately 12% (2020: 18%) per annum; and

(b) The projected gross profit margin for 2022 is at 18.3% (2020: 2021 is at 10.7%) and over the next 3 years will be approximately 26.4% (2020: 28.2%) per annum.

Sensitivity to changes in assumptions

With regards to the assessment of the value-in-use of the CGUs, the management believes that no reasonably possible movements in any of the above key assumptions would cause the carrying values of the remaining property, plant and equipment, investment in subsidiary companies and amount due from subsidiary companies to materially exceed its recoverable amounts.

7. INVESTMENT PROPERTIES

Group	Right-of-use assets Leasehold land RM	Owned property Freehold land RM	Owned property Freehold buildings RM	Total RM
At fair value				
As at 1st January 2020	2,215,000	3,210,000	450,000	5,875,000
Changes in fair value	85,000	(130,000)	-	(45,000)
As at 31st December 2020, 1st January 2021 and 31st December 2021	2,300,000	3,080,000	450,000	5,830,000

Company	Right-of-use assets Leasehold land RM	Owned property Freehold land RM	Owned property Freehold buildings RM	Total RM
At fair value				
As at 1st January 2020	-	3,210,000	-	3,210,000
Changes in fair value	-	(130,000)	-	(130,000)
As at 31st December 2020, 1st January 2021 and 31st December 2021	-	3,080,000	-	3,080,000

(i) The basis of fair value measurement of investment properties is disclosed in Note 29.

(ii) Included in investment properties of the Group is freehold and leasehold lands of RM5,380,000 (2020: RM2,300,000) charged to licensed banks for credit facilities granted to a subsidiary company as disclosed in Notes 16 and 26.

7. INVESTMENT PROPERTIES (cont'd)

(iii) The operating (income)/ expenses related to the investment properties are as follows:

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Rental income	(21,600)	(5,400)	-	-
Direct operating expenses of revenue generating investment properties	45,173	45,697	20,788	19,724

(iv) The remaining lease term of the leasehold land is 79 years (2020: 80 years). None of the lease liability has been recognised as the Group has settled its lease obligation prior to the date of initial application.

8. RIGHT-OF-USE ASSETS

Set out below is the carrying amounts of right-of-use assets and the movements during the year:

Group	Leasehold land RM	Hostel RM	Total RM
Net carrying amounts			
As at 1st January 2020	613,041	-	613,041
Disposal	(19,750)	-	(19,750)
Depreciation	(19,147)	-	(19,147)
Transfer to assets held for sale (Note 13)	(185,835)	-	(185,835)
As at 31st December 2020/ 1st January 2021	388,309	-	388,309
Addition	-	299,502	299,502
Depreciation	(12,565)	(24,958)	(37,523)
As at 31st December 2021	375,744	274,544	650,288

8. RIGHT-OF-USE ASSETS (cont'd)

(i) The additional information about its leasing activity are as follows:

	Leasehold land*		Hostel	
Group	**2021**	**2020**	**2021**	**2020**
i. Lease terms	37 years	37 years	2 years	-
ii. Renewal option and termination option	No	No	Yes	-
iii. Termination option	No	No	No	-
iv. Restrictions imposed	No	No	No	-
v. Lease terms determined by the management	37 years	37 years	2 years	-

The maturity analysis of lease liabilities for hostel is presented in Note 17.

* No lease liability for leasehold land has been recognised as the Group has settled its lease obligation prior to the date of initial application of MFRS16.

(ii) Right-of-use assets relate to the lease of one (1) (2020: one (1)) parcel of land located in Muar, Johor. The lease will expire in 2056 (2020: 2056) and the Group does not have an option to purchase the leased land upon the expiry date.

9. INVENTORIES

	Group	
	2021	2020
	RM	RM
Furniture products		
At cost		
Raw materials	11,992,362	5,604,336
Work-in-progress	1,043,915	2,020,393
Finished goods	3,168,732	3,645,402
	16,205,009	11,270,131
Less: Allowance for slow-moving inventories		
As at 1st January	2,175,375	161,179
Addition	229,176	2,175,375
Reversal	(1,425,066)	(161,179)
As at 31st December	(979,485)	(2,175,375)
	15,225,524	9,094,756
Property development		
At cost		
Development cost	3,696,716	-
	18,922,240	9,094,756

(i) Development cost incurred during the financial year is in relation to the Joint Development Agreement entered in year 2020 with a third party to jointly develop a portion of a freehold land measuring in aggregate approximately 33 acres into a mixed development project. The development project is proposed to comprise of town houses, apartments and commercial shops.

(ii) Inventories recognised in profit or loss and included in cost of sales:

	Group	
	2021	2020
	RM	RM
Inventories recognised as cost of sales	35,623,405	30,767,636
Inventories written off	-	1,266,511
Allowance for slow-moving inventories:		
- Addition	229,176	2,175,375
- Reversal	(1,425,066)	(161,179)

10. RECEIVABLES

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Trade receivables	12,060,133	1,823,421	-	-
Less: Allowance for impairment loss	(41,229)	(19,643)	-	-
	12,018,904	1,803,778	-	-
Other receivables	239,580	229,189	-	-
Deposits	11,624,430	885,928	1,500	1,500
Advance payment to suppliers	296,423	298,956	-	-
Prepayments	208,022	169,159	43,618	3,384
Due from subsidiary companies - non-trade	-	-	41,166,960	15,773,904
Less: Allowance for impairment loss	-	-	(2,500,000)	(2,500,000)
Due from related party - non-trade	6,000	-	-	-
	24,393,359	3,387,010	38,712,078	13,278,788
Disclosed as:				
- Current	24,393,359	3,387,010	45,118	4,884
- Non-current	-	-	38,666,960	13,273,904
	24,393,359	3,387,010	38,712,078	13,278,788

10. RECEIVABLES (cont'd)

(i) The Group's normal trade receivable credit periods range from letter of credit ("LC") at sight to 240 days (2020: LC at sight to 120 days). The details are as follows:

	Group	
	2021	2020
Credit period granted to customers	**RM**	**RM**
LC at sight to 30 days	2,903,788	1,720,439
91 days to 120 days	6,671,604	102,982
180 days to 240 days	2,484,741	-
	12,060,133	1,823,421

Other credit terms are assessed and approved on a case-by-case basis.

(ii) As at the reporting date, the Group is exposed to a significant concentration of credit risk whereby a substantial balance of the total trade receivables is due from two (2) (2020: two (2)) major receivables, representing approximately 71.86% (2020: 79.31%) of the total trade receivables of the Group.

(iii) The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2021	2020
	RM	**RM**
Neither past due nor impaired	11,980,061	1,752,124
Past due but not impaired		
- 1 day to 30 days	1,219	29,659
- 31 days to 60 days	6,061	13,566
- 61 days but not later than 1 year	31,563	6,979
- More than 1 year	-	1,450
	38,843	51,654
Impaired	41,229	19,643
	12,060,133	1,823,421

10. RECEIVABLES (cont'd)

(iii) The Group does not hold any collateral or other credit enhancement over the balances.

The Group's trade receivables that are neither past due nor impaired have not been renegotiated during the financial year.

(iv) Measurement of Expected Credit Loss ("ECL") – simplified approach for trade receivables

The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance for all trade receivables.

A significant portion of these trade receivables are regular receivables that have been transacting with the Group. The Group uses ageing analysis to monitor the credit risk quality of the trade receivables. Any trade receivables having significant balances past due more than 120 days which are deemed to have higher credit risk are monitored closely.

In managing credit risk of receivables, the Group manages its debtors and takes appropriate actions to recover long overdue balances. Generally, trade receivables will pay within 30 to 240 days.

The Group's approach to the expected loss rates is based on the payment profiles of sales over a period of 12 months before reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. As at reporting date, the expected credit loss were immaterial.

As at the current financial year end, there is no significant increase in credit risk for trade receivables since initial recognition. The allowance account in respect of the trade receivables is used to record individual impairment loss. The movement of the allowance for impairment loss is as follows:

	Group	
	2021	**2020**
	RM	**RM**
Allowance for impairment loss - trade receivables		
As at 1st January	19,643	-
Addition	21,586	19,643
As at 31st December	41,229	19,643

10. RECEIVABLES (cont'd)

(v) Measurement of ECL – general 3-stage approach for financial assets other than trade receivables

Other financial assets include other receivables, deposits, amounts due from subsidiary companies and related party.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been any significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information, where available.

Based on the above, loss allowance is measured on either 12-month ECL or lifetime ECL.

Other receivables

Other receivables represent sundry receivables, which are unsecured, interest-free and repayable upon demand. Allowance for impairment loss is assessed for other receivables individually. The estimated impairment loss was immaterial.

Deposits

Deposits mainly represent the following:

(a) Deposit paid for premises occupied and utility. They will be received at the end of the leasing terms or upon termination of utility;

(b) Performance deposit of RM1,000,000 represents deposit paid for Joint Development Agreement entered in year 2020 as disclosed in Note 9(i); and

(c) Performance deposit amounted to RM10,000,002 paid for five (5) Joint Venture Agreements entered during the financial year as disclosed in Note 32(d).

No allowance for impairment loss is recognised.

10. RECEIVABLES (cont'd)

(v) Measurement of ECL – general 3-stage approach for financial assets other than trade receivables (cont'd)

Amount due from subsidiary companies

The amount due from subsidiary companies is unsecured, interest-free and repayable upon demand. The Company has assessed the allowance for impairment loss for amount due from subsidiary companies on a group basis. The movement of the allowance for impairment loss is as follows:

	Company	
	2021	**2020**
	RM	**RM**
Allowance for impairment loss		
As at 1st January/ 31st December	2,500,000	2,500,000

The related party transactions are disclosed in Note 27.

Amount due from related party

The amount due from related party is unsecured, interest-free and repayable upon demand. Allowance for impairment loss is assessed for related party individually. No allowance for impairment loss is recognised.

(vi) Advance payment to suppliers represents purchases to be delivered subsequent to the financial year end.

(vii) The currency exposure profile of receivables (excluded advance payment to suppliers and prepayments) are as follows:

	Group		Company	
	2021	**2020**	**2021**	**2020**
	RM	**RM**	**RM**	**RM**
Ringgit Malaysia	22,207,615	1,459,843	38,668,460	13,275,404
US Dollar	1,681,299	1,456,577	-	-
Others	-	2,475	-	-
	23,888,914	2,918,895	38,668,460	13,275,404

11. TAXATION

	Group		Company	
	2021	**2020**	**2021**	**2020**
	RM	**RM**	**RM**	**RM**
Net tax (liabilities)/ assets as at 1st January	(42,527)	1,436	-	-
Taxation charge for the financial year	(52,500)	(44,400)	-	-
Tax paid	97,475	437	-	-
Tax refunded	(677)	-	-	-
Net tax assets/ (liabilities) as at 31st December	1,771	(42,527)	-	-
Disclosed as:				
Tax assets	1,771	1,873	-	-
Tax liabilities	-	(44,400)	-	-
	1,771	(42,527)	-	-
The taxation expenses/ (income) comprise:				
Taxation charge for the financial year:				
Provision for real property gains tax ("RPGT")	52,500	44,400	-	-
Deferred taxation (Note 18)				
- Based on results for the financial year	-	(4,500)	-	(13,000)
	52,500	39,900	-	(13,000)

11. TAXATION (cont'd)

Reconciliation of tax expenses/ (income) with accounting profit/ (loss):

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Profit/ (Loss) before taxation	5,545,504	(9,407,559)	(1,093,812)	(483,444)
Tax at current income tax rate at 24%	1,330,921	(2,257,814)	(262,515)	(116,027)
Tax effects in respect of:				
- Non-allowable expenses	548,308	291,099	272,426	81,251
- Non-taxable income	(359,372)	(12,181)	(23,234)	(12,181)
- Allowance for impairment loss	-	4,714	-	-
- Changes in fair value on investment properties	-	6,300	-	18,200
- Deferred tax (liabilities)/assets not recognised	(258,417)	1,963,382	13,323	15,757
- Utilisation of unused capital allowance and unused business losses brought forward	(1,261,440)	-	-	-
Provision for RPGT	52,500	44,400	-	-
	52,500	39,900	-	(13,000)

The unused capital allowance and unused business losses of the Group and the Company are available for offsetting against future taxable profits as follows:

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Unused capital allowance	12,757,400	17,088,400	-	-
Unused business losses	18,594,000	19,036,000	360,000	289,000
	31,351,400	36,124,400	360,000	289,000

11. TAXATION (cont'd)

Pursuant to new law gazetted under the Budget 2022, the ability to carry forward unused tax losses can be carried forward for a maximum period of ten (10) consecutive Year of Assessment ("YA"), effective YA 2019 (2020: Budget 2019 - a maximum period of seven (7) consecutive YA, effective YA 2019). The details are as follows:

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Utilisation period				
Indefinite	12,757,400	17,088,400	-	-
Within 5 years	-	12,411,700	-	174,000
Within 6 years	-	2,363,300	-	42,000
Within 7 years	11,428,000	4,261,000	174,000	73,000
Within 8 years	2,383,000	-	48,000	-
Within 9 years	4,720,000	-	82,000	-
Within 10 years	63,000	-	56,000	-
	31,351,400	36,124,400	360,000	289,000

12. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Fixed deposits with licensed banks	-	1,113,199	-	-
Bank balances	7,610,009	3,748,286	548,600	51,078
Cash in hand	10,756	11,027	-	-
	7,620,765	4,872,512	548,600	51,078

(i) Interest rates for fixed deposits ranging from 0.92% to 1.30% (2020: 1.30% to 2.90%) per annum and the fixed deposits have maturity periods of less than 100 days (2020: 92 to 365 days).

12. DEPOSITS, CASH AND BANK BALANCES (cont'd)

(ii) The currency exposure profile of the deposits, cash and bank balances are as follows:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Ringgit Malaysia	5,504,474	3,502,908	548,600	51,078
US Dollar	2,109,572	1,363,215	-	-
Pound Sterling	6,569	4,662	-	-
Others	150	1,727	-	-
	7,620,765	4,872,512	548,600	51,078

(iii) The Group and the Company are exposed to significant concentration risk whereby 94% (2020: 92%) and 97% (2020: 100%) of the total deposits, cash and bank balances of the Group and of the Company are placed in two (2) (2020: two (2)) and one (1) (2020: two (2)) financial institutions respectively.

13. ASSETS HELD FOR SALE

The assets held for sale at the end of the reporting period of the Group are as follows:

	Group	
	2021 RM	2020 RM
As at 1st January	595,879	-
Transfer from property, plant and equipment (Note 5)	-	410,044
Transfer from right-of-use assets (Note 8)	-	185,835
Disposed during the year	(595,879)	-
As at 31st December	-	595,879

The assets held for sale as at 31st December 2020 consist of four (4) units of adjoined leasehold land and buildings.

The disposal has been completed during the financial year as disclosed in Note 32(b).

14. SHARE CAPITAL

Group/ Company	2021 Number of shares	2020 Number of shares	2021 RM	2020 RM
Issued and fully paid				
Ordinary shares with no par value				
As at 1st January	80,000,000	80,000,000	42,809,166	42,809,166
Rights issue	46,475,700	-	26,955,906	-
As at 31st December	126,475,700	80,000,000	69,765,072	42,809,166
Treasury shares				
As at 31st December	2,540,500	2,540,500	(1,040,934)	(1,040,934)

During the financial year, the Company increased its issued and paid-up share capital from RM42,809,166 to RM69,765,072 by the issuance of 46,475,700 new ordinary shares at issue price of RM0.58 per rights share on the basis of three (3) rights shares for every five (5) existing shares (excluding treasury shares), pursuant to the renounceable rights issue exercise completed on 15th June 2021.

The new ordinary shares that were issued rank pari passu in all respects with existing shares of the Company.

Subsequent to financial year end, the Company had on 11th February 2022 completed the bonus issue of 252,951,400 bonus shares on the basis of two (2) bonus shares for every one (1) existing TAFI Industries Berhad share held (Note 32(e)(i)).

Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares.

No treasury share was purchased during the current and previous financial year. The purchased shares are held as treasury shares in accordance with the requirements of Section 127(4) of the Companies Act 2016. There is no cancellation, resale or reissuance of treasury shares during the financial year. As treasury shares, the rights attached as to voting, dividends and participation in other distribution are suspended.

On 1st March 2022, the treasury shares were sold in the open market.

14. SHARE CAPITAL (cont'd)

Capital management

The Group manages its capital to ensure it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the liabilities and equity balance.

The Group monitors capital using a liabilities-to-equity ratio, which is total liabilities divided by total equity. Total liabilities represent non-current liabilities and current liabilities (exclude deferred tax liabilities) of the Group. Equity represents equity attributable to the owners of the Company.

	Group	
	2021	2020
	RM	RM
Total liabilities (exclude deferred tax liabilities)	11,869,729	11,970,783
Equity attributable to the owners of the Company	63,934,642	31,485,732
Total liabilities-to-equity ratio	19:81	38:62

There are no changes made on the capital management, policies and procedures of the Group and the Company during the financial year.

15. RESERVES

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Non-distributable				
Retained profits	880,293	880,293	105,293	105,293
Revaluation reserve	201,401	201,401	-	-
	1,081,694	1,081,694	105,293	105,293
Distributable				
(Accumulated losses)/ Retained profits	(5,871,190)	(11,364,194)	1,049,676	2,143,488
	(4,789,496)	(10,282,500)	1,154,969	2,248,781

15. RESERVES (cont'd)

Non-distributable

Retained profits
The non-distributable retained profits mainly arise from the surplus on the fair valuation over cost arising on the investment properties.

Revaluation reserve
The revaluation reserve related to the revaluation of property immediately prior to its reclassification as investment property.

Distributable

Retained profits
The Company will be able to distribute dividends up to RM1,049,676 out of its distributable retained profits as at 31st December 2021 under the single tier tax system.

16. BORROWINGS

	Group	
	2021	2020
Secured	RM	RM
Current		
Bai' Bithaman Ajil facility	-	671,501
Hire purchase obligation	-	34,389
Bankers' acceptance	2,351,000	-
Invoice financing	1,854,211	-
	4,205,211	705,890
Non-current		
Bai' Bithaman Ajil facility	-	255,822
Hire purchase obligation	-	242,611
	-	498,433
Total	4,205,211	1,204,323

(i) Interests charged are as follows:

- Bai' Bithaman Ajil facility – 5.00% (2020: 5.00%) per annum.
- Bankers' acceptance – 2.24% - 2.35% (2020: Nil) per annum.
- Hire purchase obligation – 4.17% (2020: 4.17%) per annum.
- Invoice financing – 5.45% (2020: Nil) per annum.

(ii) The Bai' Bithaman Ajil facility was secured by way of:

- a first fixed charge on new machinery/ equipment to be financed with a net carrying amount of RM1,519,228 (2020: RM2,610,637) (Note 5(i));
- all open monies legal charge over a freehold land amounted to RM2,309,032 (2020: RM2,309,032) (Note 5(i)); and
- an irrevocable and unconditional corporate guarantee of TAFI Industries Berhad.

16. BORROWINGS (cont'd)

(iii) The Multi-Trade finance facilities obtained during the year is secured by way of:

- all open monies legal charge over a freehold land and building amounted to RM3,286,513 (2020: Nil) (Note 5(i)); and
- all open monies legal charge over freehold and leasehold lands amounted to RM5,380,000 (2020: Nil) (Note 7(ii)).

(iv) The outstanding of Bai' Bithaman Ajil facility at the end of the financial year was repayable as follows:

	Group	
	2021	**2020**
	RM	**RM**
Not later than 1 year	-	671,501
Between 1 to 2 years	-	255,822
	-	927,323

(v) The outstanding hire purchase obligation at the end of the financial year is repayable as follows:

	Group	
	2021	**2020**
	RM	**RM**
Minimum lease payments:		
- not later than 1 year	-	45,696
- later than 1 year and not later than 5 years	-	182,784
- more than 5 years	-	91,372
	-	319,852
Less: Unexpired term charges	-	(42,852)
	-	277,000
Present value of hire purchase obligation:		
- current portion	-	34,389
- non-current portion	-	242,611
	-	277,000

17. LEASE LIABILITIES

	Group 2021 RM	Group 2020 RM
Current	147,007	-
Non-current	128,762	-
	275,769	-

(i) The incremental borrowing rates applied to the lease liabilities is 5.45% (2020: Nil) per annum.

(ii) The movements of lease liabilities during the financial year are as follows:

	Group 2021 RM	Group 2020 RM
As at 1st January	-	-
Addition	299,502	-
Principal payment	(23,733)	-
As at 31st December	275,769	-

(iii) Lease liabilities obligations:

	Group 2021 RM	Group 2020 RM
Minimum lease payments:		
- not later than 1 year	158,400	-
- later than 1 year and not later than 5 years	132,000	-
	290,400	-
Less: Unexpired term charges	(14,631)	-
	275,769	-

17. LEASE LIABILITIES (cont'd)

(iii) Lease liabilities obligations (cont'd):

	Group	
	2021	**2020**
	RM	**RM**
Present value of lease liabilities:		
- current portion	147,007	-
- non-current portion	128,762	-
	275,769	-

(iv) There is no expense relating to variable lease payments not included in the measurement of lease liabilities.

(v) The corresponding right-of-use assets of the lease liabilities are as disclosed in Note 8.

18. DEFERRED TAXATION

The deferred tax liabilities represent temporary differences between fair valuation adjustment on investment properties and net carrying amount of investment properties.

	Group		Company	
	2021	**2020**	**2021**	**2020**
	RM	**RM**	**RM**	**RM**
As at 1st January	151,630	156,130	10,530	23,530
Recognised in profit or loss:				
(Note 11)				
- Current	-	(4,500)	-	(13,000)
As at 31st December	151,630	151,630	10,530	10,530

18. DEFERRED TAXATION (cont'd)

The potential deferred tax assets that have not been recognised are as follows:

	Group		Company	
	2021	**2020**	**2021**	**2020**
	RM	**RM**	**RM**	**RM**
Temporary differences arising from				
- property, plant and equipment	(7,064,000)	(5,937,000)	-	-
- unused capital allowance	12,757,400	17,088,400	-	-
- unused business losses	18,594,000	19,036,000	360,000	289,000
- allowance for slow-moving inventories	979,000	2,175,000	-	-
	25,266,400	32,362,400	360,000	289,000
Potential deferred tax asset not recognised calculated at 24%	6,064,000	7,767,000	86,400	69,000

Deferred tax assets of the Group and of the Company are only recognised to the extent where it is probable that future taxable profit will be available against which deductible temporary differences can be utilised. The balances of the deferred tax assets have not been recognised as it is not probable that sufficient future taxable profits will be available to offset against the unrecognised deferred tax assets.

19. PAYABLES

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Trade payables	4,869,016	5,482,702	-	-
Contract liabilities (Note 20)	539,008	467,539	-	-
Other payables	1,232,829	1,230,506	60,820	15,384
Accruals	667,363	712,350	54,000	30,718
Deposit received	540	105,000	-	-
Sales and services tax payable	53,325	7,295	-	-
Due to former directors	-	1,390,000	-	-
Due to immediate and ultimate holding company - non-trade	26,668	1,326,668	-	-
	7,388,749	10,722,060	114,820	46,102

(i) The currency exposure profile of payables (excluded contract liabilities and sales and services tax payable) are as follows:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Ringgit Malaysia	6,468,787	9,762,859	114,820	46,102
US Dollar	207,533	484,367	-	-
Chinese Renminbi	107,462	-	-	-
Euro	12,634	-	-	-
	6,796,416	10,247,226	114,820	46,102

(ii) The normal trade credit periods granted to the Group ranging from 30 to 120 days (2020: 30 to 120 days) or such other period as negotiated with the suppliers.

(iii) Contract liabilities represent advances received from customers for orders to be delivered subsequent to the financial year end.

(iv) The amount due to former directors were unsecured, interest-free and repayable upon demand. The related party transactions are disclosed in Note 27.

(v) The amount due to immediate and ultimate holding company is unsecured, interest-free and repayable upon demand. The related party transactions are disclosed in Note 27.

20. REVENUE AND COST OF SALES

(i) Revenue

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Revenue from contracts with customers:				
- Sales of furniture products, recognised at point in time				
- Manufacturing	28,165,552	29,386,971	-	-
- Trading and installation	13,772,484	-	-	-
	41,938,036	29,386,971	-	-
- Construction contract revenue, recognised over time	1,601,000	-	-	-
Other revenue:				
- Management fee, recognised over time	-	-	120,000	120,000
	43,539,036	29,386,971	120,000	120,000

The following are major customers with revenue equal or more than 10% of the Group's total revenue:

	2021 RM	2020 RM
Customer A	7,660,119	-
Customer B	6,397,372	-
Customer C	5,663,504	5,062,861
Customer D	4,951,580	8,675,097
Customer E	-	7,978,669
	24,672,575	21,716,627

20. REVENUE AND COST OF SALES (cont'd)

(i) Revenue (cont'd)

Disaggregation of the Group's and the Company's revenue from contracts with customers:

	Group		Company	
	2021	**2020**	**2021**	**2020**
	RM	**RM**	**RM**	**RM**
Geographical market				
Local	19,002,350	667,985	120,000	120,000
Overseas	24,536,686	28,718,986	-	-
	43,539,036	29,386,971	120,000	120,000

38% (2020: 86%) of revenue represent sales to United States of America.

The following information reflects the typical transactions of the Group and the Company:

Nature of goods and services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable elements in consideration
Sales of furniture products	Revenue is recognised when the goods:		
	- delivered to the shipping carrier for export sales.	Credit period ranging from letter of credit at sight to 120 days.	N/A
	- upon acceptance by the customers for local sales.	Credit period is 30 to 240 days from invoice date.	Right of return and discount given to customers for faulty goods.
Construction contract	Revenue is recognised upon service rendered.	Credit period is 30 to 60 days from invoice date.	N/A
Management fee	Revenue is recognised upon service rendered.	Credit period is 30 days from invoice date.	N/A

20. REVENUE AND COST OF SALES (cont'd)

(i) Revenue (cont'd)

The following table provides information about receivables and contract liabilities from contracts with customers.

	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Trade receivables (Note 10)	12,018,904	1,803,778	-	-
Contract liabilities (Note 19)	539,008	467,539	-	-

The movement in the contract liabilities balances during the year are as follows:

	Group 2021 RM	Group 2020 RM
Contract liabilities		
As at 1st January	467,539	721,352
Revenue recognised	(467,539)	(721,352)
Cash received, excluding amount recognised as revenue during the year	539,008	467,539
As at 31st December	539,008	467,539

No information provided about the remaining performance obligations as at 31st December 2021 and 31st December 2020 that have an original expected duration of one year or less, as allowed by MFRS 15.

(ii) Cost of sales

	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Cost of goods manufactured	24,865,375	33,196,876	-	-
Purchase of trading goods	9,702,797	-	-	-
Changes in inventories	(140,657)	851,467	-	-
	34,427,515	34,048,343	-	-
Construction contract costs	1,151,184	-	-	-
	35,578,699	34,048,343	-	-

21. PROFIT/ (LOSS) FROM OPERATIONS/ LOSS BEFORE TAXATION

The following items have been charged/ (credited) in arriving at profit/ (loss) from operations/ loss before taxation:

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Auditors' remuneration				
- Current year	66,500	63,500	25,000	22,000
- Under provision in prior year	8,000	5,000	5,000	2,000
- Other services	26,900	44,500	9,500	11,700
Allowance for slow-moving inventories:				
- Addition	229,176	2,175,375	-	-
- Reversal	(1,425,066)	(161,179)	-	-
Allowance for impairment loss on:				
- Property, plant and equipment	-	1,583,789	-	-
- Trade receivables	21,586	19,643	-	-
Bad debts written off	-	33,610	-	-
Changes in fair value of investment properties	-	45,000	-	130,000
Depreciation of property, plant and equipment (Note 5)	1,653,125	2,486,474	-	-
Depreciation of right-of-use assets (Note 8)	37,523	19,147	-	-
Directors' remuneration (Note 24)	120,000	383,300	120,000	117,581
Distribution from investment management funds	-	(50,753)	-	(50,753)
Expenses relating to short-term lease	151,195	183,860	-	-
(Gain)/ loss on foreign exchange:				
- Unrealised	(117,160)	90,938	-	-
- Realised	64,377	47,251	-	-
Gain on disposal of:				
- Leasehold land and building	(1,136,622)	(1,203,081)	-	-
- Property, plant and equipment	(15,754)	(31,566)	-	-
Inventories written off	-	1,266,511	-	-

21. PROFIT/ (LOSS) FROM OPERATIONS/ LOSS BEFORE TAXATION (cont'd)

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Interest income from:				
- Fixed deposits with licensed banks	(11,538)	(28,704)	-	-
- Short-term deposits with licensed banks	(96,809)	(1,472)	(96,809)	-
Rental income	(21,600)	(5,400)	-	-
Staff costs				
- Salaries, wages and allowances	7,529,185	7,373,253	-	-
- Employees' Provident Fund	436,901	368,113	-	-
- Other employee benefits	246,661	221,597	-	-
Professional fee	1,221,227	360,865	1,016,880	252,484
Penjana Kerjaya Subsidy Programme	(48,800)	-	-	-
Prihatin Wages Subsidy Programme	(215,400)	(302,400)	-	-

The number of employees (excluding Directors) of the Group at the end of the financial year was 216 (2020: 225).

22. FINANCE COSTS

	Group	
	2021	2020
	RM	RM
Interests on:		
- bankers' acceptance	17,309	-
- hire purchase obligation	8,848	-
- invoice financing	41,558	-
- lease liabilities	2,667	-
- Bai' Bithaman Ajil facility	50,371	57,518
	120,753	57,518

23. EARNINGS/ (LOSS) PER SHARE ("EPS")

(i) Basic Earnings/ (Loss) Per Share

The earnings/ (loss) per share of the Group is calculated based on profit/ (loss) attributable to shareholders divided by the weighted average number of ordinary shares in issue (excluding treasury shares) as follows:

	Group	
	2021	2020
	RM	RM
Profit/ (loss) attributable to owners of the Company	5,493,004	(9,447,459)

	Number of shares	
	2021	2020 (Restated)
Weighted average number of ordinary shares		
Ordinary shares as at 1st January	80,000,000	80,000,000
Effects of treasury shares held	(2,540,500)	(2,540,500)
Effects of rights issue (Note 32(c))	26,430,879	2,401,245
Bonus issue subsequent to year end (Note 32(e)(i))	252,951,400	160,000,000
Weighted average number of ordinary shares as at 31st December	356,841,779	239,860,745

	Group	
	2021	2020
	Sen	Sen (Restated)
Basic earnings/ (loss) per share		
- Before issuance of bonus shares	5.29	(11.83)
- After issuance of bonus shares	1.54	(3.94)

Comparative figures for the weighted average number of ordinary shares in issue for basic earnings/ (loss) per ordinary share computation has been retrospectively adjusted to reflect the adjustments arising from the Rights Issue and Bonus Issue, which were completed on 15th June 2021 and 11th February 2022, respectively.

The exercise price of the Rights issued by the Company during the financial year is lower than the fair value of its ordinary shares. The bonus element inherent in such a Rights Issue necessitate the retrospective adjustment of prior year EPS.

23. EARNINGS/ (LOSS) PER SHARE ("EPS") (cont'd)

(ii) Diluted Earnings/ (Loss) Per Share

The diluted earnings/ (loss) per ordinary share of the Group for the financial year ended 31st December 2021 and 31st December 2020 are same as the basic earnings/ (loss) per ordinary share of the Group as the Group has no dilutive potential ordinary shares.

24. DIRECTORS' REMUNERATION

	Group		Company	
	2021	**2020**	**2021**	**2020**
	RM	**RM**	**RM**	**RM**
Present Directors:				
Directors of the Company				
Non-executive Directors:				
- Fees	120,000	22,418	120,000	22,418
Former Directors:				
Directors of the Company				
Executive Directors:				
- Salaries	-	219,938	-	-
- Employees' Provident Fund	-	39,031	-	-
- Fees	-	33,048	-	28,548
Non-executive Directors:				
- Fees	-	66,615	-	66,615
Director of a subsidiary company:				
- Fees	-	2,250	-	-
	120,000	383,300	120,000	117,581

The estimated monetary value of benefits-in-kind received and receivable by the former Directors from the Group amounted to RMNil (2020: RM7,754) during the financial year.

This represents remuneration received by the following Directors:

Non-executive Directors:
- Dato' Sri Ong Chee Kean
- Teh Soon Hin
- Leong Boon Tik
- Leong Sher-How

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Represented by:				
Fixed deposits with licensed banks	-	1,113,199	-	-
Cash and bank balances	7,620,765	3,759,313	548,600	51,078
	7,620,765	4,872,512	548,600	51,078

26. CREDIT FACILITIES

The Group has bank overdrafts and other credit facilities amounting to RM10,000,000 (2020: RM100,000). These credit facilities bear interest rates of 5.45% (2020: ranging from 7.05% to 8.05%) per annum and are secured by:

(i) a fixed charge over certain properties of the Group (comprising property, plant and equipment and investment properties as disclosed in Notes 5(i), and 7(ii)); and

(ii) a corporate guarantee by the Company.

As at 31st December 2021, the amount utilised under the credit facilities is RM4,205,211 (2020: RMNil).

The Directors are of the view that the chances of the licensed banks call on the corporate guarantee are remote. Please refer to accounting policy Note 2.8(iii).

27. RELATED PARTY DISCLOSURES

In addition to related party disclosures mentioned elsewhere in the financial statements, the other related party relationships and significant transactions are set out as follows:-

(i) Related party relationships

Parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence.

The Company has related party relationship with the following:-

(a) Immediate and ultimate holding company as disclosed in Note 1.

(b) Subsidiary companies as disclosed in Note 6.

(c) Companies in which certain Directors of the Company have control or significant influence:
- Armani Venture Sdn. Bhd.
- Armani Energy Sdn. Bhd.

(d) The Group and the Company define its Directors as key management personnel.

27. RELATED PARTY DISCLOSURES (cont'd)

In addition to related party disclosures mentioned elsewhere in the financial statements, the other related party relationships and significant transactions are set out as follows (cont'd):-

(ii) Significant related party transactions

In the normal course of business, the Group and the Company undertake on agreed terms and prices, the following significant transactions with its related parties:

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Transactions entered into with immediate and ultimate holding company				
Advances from	-	1,326,668	-	-
Repayment to	1,300,000	-	-	-
Transactions entered into with subsidiary companies				
Management fee	-	-	120,000	120,000
Advance to	-	-	25,393,056	2,339,414
Transactions entered into with former Directors of the Company				
Repayment to	1,390,000	1,477,260	-	-
Transactions entered into with other related party				
Purchase of supplies				
- Armani Venture Sdn. Bhd.	-	7,500	-	-
Sale of property, plant and equipment				
- Armani Energy Sdn. Bhd.	6,000	-	-	-
Pledge of land for bank facilities for a subsidiary company	-	-	3,080,000	-

Information regarding outstanding balances arising from related party transactions as at 31st December 2021 and 31st December 2020 are disclosed in Note 10 and Note 19.

27. RELATED PARTY DISCLOSURES (cont'd)

In addition to related party disclosures mentioned elsewhere in the financial statements, the other related party relationships and significant transactions are set out as follows (cont'd):-

(iii) Compensation of key management personnel

The key management's remuneration includes fees, salary, bonus, allowances and other benefits computed based on the costs incurred by the Group and the Company. Their compensations are as stated in Note 24.

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(i) Financial assets at amortised cost ("AC")
(ii) Financial liabilities at amortised cost ("FL")

Group	**Carrying amount RM**	**AC/ (FL) RM**
2021		
Financial assets		
Receivables*	23,888,914	23,888,914
Deposit, cash and bank balances	7,620,765	7,620,765
	31,509,679	31,509,679
Financial liabilities		
Borrowings	(4,205,211)	(4,205,211)
Lease liabilities	(275,769)	(275,769)
Payables#	(6,796,416)	(6,796,416)
	(11,277,396)	(11,277,396)
2020		
Financial assets		
Receivables*	2,918,895	2,918,895
Deposit, cash and bank balances	4,872,512	4,872,512
	7,791,407	7,791,407
Financial liabilities		
Borrowings	(1,204,323)	(1,204,323)
Payables#	(10,247,226)	(10,247,226)
	(11,451,549)	(11,451,549)

28. FINANCIAL INSTRUMENTS (cont'd)

(a) Categories of financial instruments (cont'd)

	Carrying amount RM	AC/ (FL) RM
Company		
2021		
Financial assets		
Receivables*	38,668,460	38,668,460
Cash and bank balances	548,600	548,600
	39,217,060	39,217,060
Financial liability		
Payables	(114,820)	(114,820)
2020		
Financial assets		
Receivables	13,275,404	13,275,404
Cash and bank balances	51,078	51,078
	13,326,482	13,326,482
Financial liability		
Payables	(46,102)	(46,102)

* Receivables exclude advance payment to suppliers and prepayments as they do not meet the definition of a financial instrument.

Payables exclude contract liabilities and sales and services tax payable as they do not meet the definition of a financial instrument.

28. FINANCIAL INSTRUMENTS (cont'd)

(b) Net (gain)/ loss arising from financial instruments

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Net (gain)/ loss on:				
Fair value through profit or loss				
- Mandatorily required by MFRS 9	-	(50,753)	-	(50,753)
Financial assets at amortised cost	(86,761)	23,077	(96,809)	-
Financial liabilities at amortised cost	120,753	57,518	-	-
	33,992	29,842	(96,809)	(50,753)

(c) Financial risk management

The Group is exposed to a variety of financial risks, including market risk, credit risk, liquidity risk and cash flow risk. The Group has taken measures to minimise the Group's exposure to risk and/or costs associated with the financing, investing and operating activities of the Group. The Group does not trade in financial instruments or engage in speculative transactions.

(i) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates, and other prices that will affect the Group's financial position or cash flows.

Interest rate risk

The Group is exposed to interest rate risk mainly from borrowings and deposits with licensed banks. The investments in financial assets are short term in nature and mostly represented by deposits with financial institutions to yield better returns as compared to cash at banks. The Group mitigates its exposure to interest rate fluctuations by borrowing at both fixed and floating rates of interest.

The interest rate risk is monitored on an on-going basis and the Group endeavours to keep the exposure at an acceptable level. The Group considers interest rate risk exposure for its deposits as minimal as they are short term in nature and not held for speculative purposes.

28. FINANCIAL INSTRUMENTS (cont'd)

(c) Financial risk management (cont'd)

(i) Market risk (cont'd)

Foreign currency risk

The Group is exposed to foreign currency risk on its sales and purchases that are denominated in currencies other than Ringgit Malaysia. Foreign currency risk is monitored closely and managed to an acceptable level.

The net carrying amounts of financial assets and financial liabilities stated at currencies other than the functional currencies are as follows:

	Group	
	2021	**2020**
	RM	**RM**
Financial assets		
Receivables	1,681,299	1,459,052
Deposit, cash and bank balances	2,116,291	1,369,604
	3,797,590	2,828,656
Financial liability		
Payables	(327,629)	(484,367)

A 10% (2020: 10%) weakening of the Malaysian Ringgit ("RM") against other currencies at the end of the reporting period would have increased/ (decreased) equity and profit net of tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group	
	2021	**2020**
RM against other currencies,	**RM**	**RM**
weakened by 10% (2020: 10%)		
- Increase in profit, net of tax	314,508	211,036
- Increase on equity	314,508	211,036

Conversely, a 10% (2020: 10%) strengthening of RM against the other currencies at the end of the reporting period would have the equal but opposite effect on the above currency to the amounts shown above assuming that all other variables remained constant.

28. FINANCIAL INSTRUMENTS (cont'd)

(c) Financial risk management (cont'd)

(ii) Credit risk

Credit risk is the risk of financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group and the Company are exposed to credit risk mainly from trade receivables, deposits, cash and bank balances, financial guarantee and amounts due from subsidiary companies and related party.

The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including deposits, cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

Analysis of the Group's and the Company's trade receivables and other receivables are reflected in Note 10.

Deposits, cash and bank balances
In respect of deposits, cash and bank balances, the Group's policy is to place surplus cash with licensed banks in Malaysia. The likelihood of default by licensed banks is remote based on their high credit ratings.

Information regarding the concentration risk of deposits, cash and bank balances is disclosed in Note 12(iii).

Amount due from subsidiary companies
The credit risk arising from amount due from subsidiary companies is managed on a group basis by the management of the Company to ensure that risk of losses incurred by the Company due to non-repayment by subsidiary companies are minimal.

At the end of the reporting period, there was no indication that the balance due from subsidiary companies is not recoverable.

Amount due from related party
The credit risk arising from amount due from related party is assessed individually. No allowance for impairment loss is recognised.

Financial guarantee
The Company provides unsecured financial guarantee to banks in respect of banking facilities granted to subsidiary company. The Company monitors on an ongoing basis the results of the subsidiary company and the repayment made by the subsidiary company. As at the reporting date, there is no indication that the subsidiary company would default on repayment. The financial guarantees have not been recognised since the fair value on initial recognition is not material.

28. FINANCIAL INSTRUMENTS (cont'd)

(c) Financial risk management (cont'd)

(iii) Liquidity risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of sufficient funding and credit facilities so as to ensure that all operating, investing and financing needs are met. In liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the Group's activities.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the reporting date based on undiscounted contractual payments:

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28. FINANCIAL INSTRUMENTS (cont'd)

(c) Financial risk management (cont'd)

(iii) **Liquidity risk (cont'd)**

Group	Carrying amount RM	Contractual interest rate/ discount rate %	Contractual cash flows RM	Under 1 year RM	1-2 years RM	Between 2 to 5 years RM	More than 5 years RM
2021							
Borrowings	4,205,211	2.24 - 5.45	4,205,211	4,205,211	-	-	-
Lease liabilities	275,769	5.45	290,400	158,400	132,000	-	-
Payables classified as financial liabilities (Note 28(a))	6,796,416	-	6,796,416	6,796,416	-	-	-
	11,277,396		11,292,027	11,160,027	132,000	-	-
2020							
Borrowings	1,204,323	4.17 - 5.00	1,502,709	786,260	487,989	137,088	91,372
Payables classified as financial liabilities (Note 28(a))	10,247,226	-	10,247,226	10,247,226	-	-	-
	11,451,549		11,749,935	11,033,486	487,989	137,088	91,372

28. FINANCIAL INSTRUMENTS (cont'd)

(c) Financial risk management (cont'd)

(iii) Liquidity risk (cont'd)

Company	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM
2021				
Payables classified as financial liabilities (Note 28(a))	114,820	-	114,820	114,820
Financial guarantee contracts				
- Credit facilities	-	-	4,205,211	4,205,211
	114,820		4,320,031	4,320,031
2020				
Payables classified as financial liabilities (Note 28(a))	46,102	-	46,102	46,102
Financial guarantee contracts				
- Bai' Bithaman Ajil facility	-	-	1,182,857	1,182,857
	46,102		1,228,959	1,228,959

28. FINANCIAL INSTRUMENTS (cont'd)

(c) Financial risk management (cont'd)

(iv) Cash flow risk

The Group is actively managing its operating cash flow to ensure all commitments and funding needs are met. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

29. FAIR VALUE OF ASSETS AND LIABILITIES

Fair value information

The carrying amounts of the financial assets and liabilities of the Group and the Company classified as current assets and current liabilities as at 31st December 2021 and 31st December 2020 approximate at their fair values due to the relatively short-term maturity of these financial instruments. The method and assumptions used to determine the fair value of investment properties, other financial assets and liabilities are as follows:

(i) The fair value of long-term borrowings which are long term financial liabilities are estimated based on future contractual cash flows discounted at current market assessments of the time value of money and the risks specific to the liabilities.

(ii) The fair value of investment properties has been generally derived using the comparison approach. For comparison method, the principal assumptions underlying these valuations are those relating to recent transactions and quoted offers for sale of similar properties in the vicinity. Independent professional valuations are obtained for these estimates.

(iii) The Company provides corporate guarantees to banks and financial companies for credit facilities extended to certain subsidiary companies. The fair value of such corporate guarantees is not expected to be material as the probability of the subsidiary companies defaulting on the credit lines is minimal.

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29. FAIR VALUE OF ASSETS AND LIABILITIES (cont'd)

Fair value information (cont'd)

The following table provides the fair value measurement hierarchy of the Group's asset and liability carried at fair value.

Group	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2021				
Financial asset				
Investment properties (Note 7)	-	5,380,000	450,000	5,830,000
2020				
Financial asset				
Investment properties (Note 7)	-	5,380,000	450,000	5,830,000
Financial liability				
Borrowing (Note 16)				
- non-current	-	498,433	-	498,433

There were no transfers between fair value measurements hierarchy during the financial year ended 31st December 2021.

29. FAIR VALUE OF ASSETS AND LIABILITIES (cont'd)

Fair value information (cont'd)

The following table provides the fair value measurement hierarchy of the Company's assets carried at fair value.

Company	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2021				
Financial asset				
Investment properties (Note 7)	-	3,080,000	-	3,080,000
2020				
Financial asset				
Investment properties (Note 7)	-	3,080,000	-	3,080,000

There were no transfers between fair value measurement hierarchy during the financial year ended 31st December 2021.

29. FAIR VALUE OF ASSETS AND LIABILITIES (cont'd)

Fair value information (cont'd)

The following table provides the fair value measurement hierarchy of the Company's assets not carried at fair value.

Company	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Total RM**	**Carrying amount RM**
2021					
Financial asset					
Amount due from subsidiary companies					
- non-current (Note 10)	-	-	38,666,960	38,666,960	38,666,960
2020					
Financial asset					
Amount due from subsidiary companies					
- non-current (Note 10)	-	-	13,273,904	13,273,904	13,273,904

29. FAIR VALUE OF ASSETS AND LIABILITIES (cont'd)

Fair value information (cont'd)

(i) Valuation processes applied by the Group and the Company for Level 2 fair value
The fair value was derived from the consideration of the following factors:

(a) Indicative valuation on certain properties provided by a chartered valuation surveyor, registered valuer, estate agent and property consultant, Cheston International (KL) Sdn. Bhd. on 19th September 2021 (2020: 14th September 2020); and
(b) The application of market comparison approach, of which valuation and assessment are based on recent available transacted price in the market at similar locations.

(ii) Valuation processes applied by the Group and the Company for Level 3 fair value
The fair value was derived from the consideration of the following factors:

(a) Directors' valuation and assessment based on the valuation reports provided by registered valuers, dated 30th January 2018, 2nd February 2018 and 31st December 2019;
(b) The application of market comparison approach, which involved Directors' valuation and assessment based on recent available transacted price in the market at similar locations; and
(c) The Group's Executive Directors and Group's Finance Manager have overall responsibility for overseeing all significant fair value measurements and regularly reviews significant unobservable inputs and valuation adjustments.

(iii) Sensitivity to changes in the assumptions applied
With regards to the assessment of the fair value of investment properties, the management believes that no reasonably possible movements in any of the above key assumptions would cause the fair value of the investment properties to vary significantly from the fair value disclosed in Note 7.

30. COMMITMENTS

Capital commitment at the end of the financial year is as follows:

	Group	
	2021	**2020**
	RM	**RM**
Approved and contracted for:		
- Project development expenditure	-	1,700,000

31. SEGMENTAL INFORMATION

The Group is principally engaged in manufacturing, exporting and trading of furniture products for the local and overseas markets and property development.

The Group is organised into two (2) (2020: one (1)) reportable segments as follows:

	Reportable segments	Operations
(i)	Furniture products	Manufacturing, exporting and trading of furniture products
(ii)	Property development	Construction and property development

The management monitors the operating results of its reportable segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which is the most relevant to the evaluation of results of the segments.

The accounting policies of operating segments are the same as those described in the significant accounting policies.

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31. SEGMENTAL INFORMATION (cont'd)

Group analysis by business segments:

	Furniture products RM	Property development RM	Elimination RM	Consolidated RM
2021				
Revenue				
Revenue from external customers	43,539,036	-	-	43,539,036
	43,539,036	-	-	43,539,036
Result				
Segmental result	5,574,559	(16,649)	-	5,557,910
Interest expense				(120,753)
Interest income				108,347
Profit before taxation				5,545,504
Taxation				(52,500)
Profit for the financial year				5,493,004
Other information				
Assets				
Segment assets	61,246,742	14,707,488	-	75,954,230
Unallocated assets				1,771
Total assets				75,956,001

31. SEGMENTAL INFORMATION (cont'd)

Group analysis by business segments (cont'd):

2021	Furniture products RM	Property development RM	Elimination RM	Consolidated RM
Other information				
Liabilities				
Segment liabilities	7,357,117	31,632	-	7,388,749
Borrowings	4,205,211	-	-	4,205,211
Lease liabilities	275,769	-	-	275,769
Unallocated liabilities				151,630
Total liabilities				12,021,359
Capital expenditure	759,143	-	-	759,143
Non-cash items				
Allowance for impairment loss on trade receivables	21,586	-	-	21,586
Allowance for slow-moving inventories:				
- Addition	229,176	-	-	229,176
- Reversal	(1,425,066)	-	-	(1,425,066)
Depreciation of property, plant and equipment	1,653,125	-	-	1,653,125
Depreciation of right-of-use assets	37,523	-	-	37,523
Gain on disposal of:				
- Leasehold land and building	(1,136,622)	-	-	(1,136,622)
- Property, plant and equipment	(15,754)	-	-	(15,754)
Unrealised gain on foreign exchange	(117,160)	-	-	(117,160)

There are no comparative figures presented as this is the first segmental information prepared.

31. SEGMENTAL INFORMATION (cont'd)

The information of the Group's revenue by geographical segment and major customers are disclosed in Note 20(i).

32. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Covid-19 pandemic
On 15th June 2021, the Malaysian government announced the National Recovery Plan ("NRP") as an exit strategy to assist Malaysia in recovering from the pandemic and is currently implementing the National Covid-19 Immunisation Programme ("PICK"). Although the Malaysian economy is on the road to recovery from Covid-19, the recovery from the impact of Covid-19 pandemic may take longer time, thus at this juncture, the risks remain from the on-going Covid-19 pandemic.

The effects of Covid-19 would impact the judgements and assumptions used in the preparation of the financial statements for the financial year ended 31st December 2021, such as expected credit loss of financial assets, fair value measurements of financial instruments, write down of inventories to net realisable values and impairment assessments of assets (property, plant and equipment). The Company has assessed the impact of Covid-19 and there was no material impact noted arising from the effects of Covid-19 as of 31st December 2021.

The degree of the impact depends on the situation of the pandemic preventive measures and the duration of the pandemic. The Company will continue to monitor the development of Covid-19 situation closely and implement proactive measures to control costs, capital expenditure and streamline its operations to mitigate the consequences of Covid-19.

(b) In 2020, a subsidiary company, T.A. Furniture Industries Sdn. Bhd. entered into two (2) Sale and Purchase Agreements to dispose four (4) units of adjoined leasehold land and buildings for a total sale consideration of RM1,750,000. The above transaction was completed during the financial year.

(c) During the financial year, the Company increased its issued and paid-up share capital from RM42,809,166 to RM69,765,072 by the issuance of 46,475,700 new ordinary shares at issue price of RM0.58 per rights share on the basis of three (3) rights shares for every five (5) existing shares (excluding treasury shares), pursuant to the renounceable rights issue exercise completed on 15th June 2021.

32. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (cont'd)

(d) On 22nd September 2021, one of the subsidiary companies of the Company, Gerak Mahir Sdn. Bhd. entered into five (5) Joint Venture Agreements, with third parties for Joint Property Development Projects with estimated total Gross Development Value ("GDV") of RM621.5 million as follows:

(i) To jointly develop a mixed development project at Chendor, Mukim Sungai Karang, Daerah Kuantan, Pahang, Malaysia with estimated total GDV of RM142.9 million.

(ii) To jointly develop a mixed development project at Mukim Penor, Daerah Kuantan, Pahang, Malaysia with estimated total GDV of RM121.1 million.

(iii) To jointly develop a mixed development project at Batu 14, Jalan Kuantan-Gambang, Mukim Kuala Kuantan, Daerah Kuantan, Pahang, Malaysia with estimated total GDV of RM31.3 million.

(iv) To jointly develop a mixed development project at Kg. Baging, Mukim Sungai Karang, Daerah Kuantan, Pahang, Malaysia with estimated total GDV of RM148.4 million.

(v) To jointly develop a mixed development project at Bukit Pelindung, Mukim Kuala Kuantan, Daerah Kuantan, Pahang, Malaysia with estimated total GDV of RM177.8 million.

The above projects are estimated to be completed between 4 to 15 years.

(e) On 7th December 2021, the Company announced the following:

(i) Proposed bonus issue of 252,951,400 new ordinary shares on the basis of two (2) bonus shares for every one (1) existing share held on 10th February 2022 (entitlement date); and

(ii) Proposed bonus issue of up to 63,237,850 warrants on the basis of one (1) warrant for every two (2) existing shares held on the entitlement date.

Approval from Bursa Malaysia Securities Berhad ("Bursa Malaysia") was obtained on 27th December 2021 and shareholders' approval via an Extraordinary General Meeting held on 21st January 2022. On 11th February 2022, the Board announced the listing and quotation for 252,951,400 bonus shares, marking the completion of bonus issue.

On 21st February 2022, the Board announced the listing and quotation for 61,967,597 warrants on the Main Market of Bursa Malaysia.

(f) On 8th December 2021, a subsidiary company of the Company, TAFI Home & Office Sdn. Bhd. (formerly known as Home & Office Furniture Sdn. Bhd.) has entered into a Construction Agreement valued at RM30 million with third parties for construction related works including mechanical and electrical works to complete a mixed commercial development project at Lot PTD 209347, Jalan Permas Utara, Mukim Plentong, District of Johor Bahru, Johor Darul Takzim for a period of twelve (12) months.

The above transaction has not been completed at reporting date.

33. SIGNIFICANT EVENTS AFTER THE FINANCIAL YEAR

(a) On 1st March 2022 and 2nd March 2022, the Company had sold its entire treasury shares in the open market.

(b) On 10th March 2022, a subsidiary company of the Company, T.A. Furniture Industries Sdn. Bhd. entered into a Sale and Purchase Agreement to dispose a freehold land and building for a total sale consideration of RM9,000,000.

As at the date of report, the above transaction has yet to be completed.

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STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

The Directors of **TAFI INDUSTRIES BERHAD** state that, in the opinion of the Directors, the financial statements set out on pages 62 to 156 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Company as at 31st December 2021 and of their financial performance and cash flows of the Group and of the Company for the financial year ended on that date.

Signed on behalf of the Board
in accordance with a resolution of the Directors

……………………………………..
DATO' SRI AZLAN BIN AZMI
Director

……………………………………..
DATO' SRI WONG SZE CHIEN
Director

Kuala Lumpur

Date: 6th April 2022

The above statement of cash flows is to be read in conjunction with the notes to the financial statements

STATUTORY DECLARATION
Pursuant to Section 251(1)(b) of the Companies Act 2016

I, **TAY EK KUAN**, being the Officer primarily responsible for the financial management of **TAFI INDUSTRIES BERHAD**, do solemnly and sincerely declare that, to the best of my knowledge and belief, the financial statements set out on pages 62 to 156 are correct.

And I make this solemn declaration, conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by	)
the abovenamed **TAY EK KUAN**	)
at **MUAR** in the state of **JOHOR**	)
DARUL TAKZIM this date of	) ………………………………
6th April 2022	) **TAY EK KUAN**

Before me

……………………………….
Commissioner for Oaths
NORFAESHA BINTI ESAK
NO. J 275

ANALYSIS OF SHAREHOLDINGS AS AT 31st MARCH 2022

Class of Shares	:	Ordinary shares
No. of Shareholders	:	**3,297**
Voting Rights	:	Every member of the Company presents in person or by proxy shall have one (1) vote on a show of hand and in the case of a poll, shall have one (1) vote for every ordinary share held. A proxy need not be a member.

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Holders	%	No. of Shares	%
1 – 99	9	0.272	99	0.000
100 – 1,000	255	7.734	152,727	0.040
1,001 – 10,000	1,747	52.987	8,663,850	2.283
10,001 – 100,000	1,027	31.149	33,376,600	8.796
100,001 – 18,971,354*	257	7.749	107,612,414	28.361
18,971,355 and above**	2	0.060	229,621,410	60.517
Total	**3,297**	**100.000**	**379,427,100**	**100.000**

Remarks
* - *Less than 5% of issued shares*
** - *5% and above of issued shares*

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Indirect Interest	
Substantial Shareholders	**No. of Shares held**	**% held**	**No. of Shares held**	**% held**
Armani Synergy Sdn Bhd	191,678,700	50.517	-	-
Koperasi Permodalan Felda Malaysia 2 Berhad	37,942,710	10.000	-	-

DIRECTORS' SHAREHOLDINGS

	Direct Interest		Indirect Interest	
Directors	**No. of Shares held**	**% held**	**No. of Shares held**	**% held**
Dato' Sri Ong Chee Kean	-	-	-	-
Dato' Sri Azlan Bin Azmi	165,000	0.043	191,678,700(i)	50.517
Dato' Sri Wong Sze Chien	4,589,760	1.209	191,678,700(i)	50.517
Dato' Sri Andrew Lim Eng Guan	3,821,040	1.007	191,678,700(i)	50.517
Teh Soon Hin	-	-	-	-
Leong Boon Tik	-	-	-	-
Leong Sher-How	-	-	-	-
Abdul Malek Bin Jalil	-	-	-	-

Notes:
(i) Deemed interested by virtue of his interest in Armani Synergy Sdn Bhd pursuant to Section 8 of the Companies Act 2016

ANALYSIS OF SHAREHOLDINGS AS AT 31st MARCH 2022 (Cont'd)

THIRTY LARGEST SHAREHOLDERS

No.	Shareholders	No. of Shares held	% held
1	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK ISLAMIC BERHAD FOR ARMANI SYNERGY SDN BHD	191,678,700	50.517
2	KOPERASI PERMODALAN FELDA MALAYSIA 2 BERHAD	37,942,710	10.000
3	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG SZE CHIEN	4,589,760	1.209
4	LEE CHIN THAI	4,396,700	1.158
5	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ANDREW LIM ENG GUAN	3,821,040	1.007
6	ARMANI SYNERGY SDN BHD	2,905,590	0.765
7	YUU SPEED SDN BHD	2,674,600	0.704
8	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM YEE HUEY	2,000,000	0.527
9	KENANGA NOMINEES (TEMPATAN) SDN BHD RAKUTEN TRADE SDN BHD FOR CLEMENT YAP KHAI BOON	1,913,500	0.504
10	PEG HOLDING SDN BHD	1,737,300	0.457
11	PEG CAPITAL SDN. BHD.	1,684,300	0.443
12	TEH KONG YAW	1,561,300	0.411
13	WONG SZE MING	1,522,920	0.401
14	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEO ANN SECK (MY0696)	1,500,000	0.395
15	TEY GIAP CHIAN	1,500,000	0.395
16	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHEE KEONG	1,380,000	0.363
17	SAW LEE LENG	1,205,000	0.317
18	CHUA TICK YAW	1,172,000	0.308
19	NG YEOW HOOI	1,168,000	0.307
20	KOH CHEE MENG	1,150,000	0.303
21	YEOH SWEE KIANG	1,058,700	0.279
22	TEY GIAP CHIAN	1,050,000	0.276
23	WOO WAI ONN @ FOO WAI ONN	1,035,000	0.272
24	LIM KIM LIN	996,000	0.262
25	LEE KAR HING	942,000	0.248
26	KENANGA NOMINEES (TEMPATAN) SDN BHD RAKUTEN TRADE SDN BHD FOR TEW YAN TENG	885,300	0.233
27	LEE CHOON HOOI	850,000	0.224
28	KENANGA NOMINEES (TEMPATAN) SDN BHD RAKUTEN TRADE SDN BHD FOR WUI WEE HIEN	810,000	0.213
29	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MURUGA VADIVALE	803,000	0.211
30	KENANGA NOMINEES (TEMPATAN) SDN BHD RAKUTEN TRADE SDN BHD FOR SAW KUN CHUAN	785,000	0.206
	TOTAL	**276,718,420**	**72.930**

ANALYSIS OF WARRANT HOLDINGS AS AT 31st MARCH 2022

Number of outstanding Warrants	:	61,967,597
Exercise Period	:	The exercise period is five (5) years from the date issue on 16th February 2022 and maturing on 15th February 2027.
Exercise Price	:	RM0.70 and subject to adjustment in accordance with the conditions provided in the Deed Poll dated 24th January 2022
Warrant A Entitlement	:	Each Warrant A entitles the registered holder during the Exercise Period to subscribe for one (1) new ordinary share at the Exercise Price
No. of Warrant holders	:	**2,164**

DISTRIBUTIONS OF WARRANT HOLDINGS

Size of Holdings	No. of Holders	%	No. of Warrants	%
1 – 99	163	7.532	7,820	0.012
100 – 1,000	760	35.120	433,824	0.700
1,001 – 10,000	668	30.868	3,275,650	5.286
10,001 – 100,000	514	23.752	17,249,499	27.836
100, 001 – 3,098,378*	57	2.634	17,964,254	28.989
3,098,379 and above**	2	0,092	23,036,550	37.175
Total	2,164	100.000	61,967,597	100.000

Remarks

*	-	*Less than 5% of issued warrants*
**	-	*5% and above of issued warrants*

DIRECTORS' WARRANT HOLDINGS

	Direct Interest		Indirect Interest	
Directors	**No. of Warrants held**	**% held**	**No. of Warrants held**	**% held**
Dato' Sri Ong Chee Kean	-	-	-	-
Dato' Sri Azlan Bin Azmi	27,500	0.044	19,191,150(1)	30.969
Dato' Sri Wong Sze Chien	-	-	19,191,150(1)	30.969
Dato' Sri Andrew Lim Eng Guan	-	-	19,191,150(1)	30.969
Teh Soon Hin	-	-	-	-
Leong Boon Tik	-	-	-	-
Leong Sher-How	-	-	-	-
Abdul Malek Bin Jalil	-	-	-	-

Notes:

(i) *Deemed interested by virtue of his interest in Armani Synergy Sdn Bhd pursuant to Section 8 of the Companies Act 2016.*

ANALYSIS OF WARRANT HOLDINGS AS AT 31st MARCH 2022

THIRTY LARGEST WARRANT HOLDERS

No.	Warrant holders	No. of Warrant held	% held
1	ARMANI SYNERGY SDN BHD	19,191,150	30.969
2	TEH KONG YAW	3,845,400	6.205
3	KENANGA NOMINEES (TEMPATAN) SDN BHD RAKUTEN TRADE SDN BHD FOR CLEMENT YAP KHAI BOON	1,500,000	2.420
4	PHUAH SU TYING	1,128,100	1.820
5	LEE CHIN THAI	1,050,000	1.694
6	DAVID LAW CHIIN YIN	850,000	1.371
7	KENANGA NOMINEES (TEMPATAN) SDN BHD RAKUTEN TRADE SDN BHD FOR TAN SIEW HUI	800,000	1.290
8	KENANGA NOMINEES (TEMPATAN) SDN BHD RAKUTEN TRADE SDN BHD FOR YAP TIONG SEONG	800,000	1.290
9	KENANGA NOMINEES (TEMPATAN) SDN BHD RAKUTEN TRADE SDN BHD FOR LEE CHU WAH	700,000	1.129
10	PANG KO YOEK	645,350	1.041
11	HSBC NOMINEES (ASING) SDN BHD CREDIT SUISSE (HONG KONG) LIMITED	537,850	0.867
12	KENANGA NOMINEES (TEMPATAN) SDN BHD RAKUTEN TRADE SDN BHD FOR YAP JING PENG	500,000	0.806
13	CHEN NGAT MOY	400,000	0.645
14	LIEW KHEK KONG	400,000	0.645
15	NGOOI KHENG LIONG	400,000	0.645
16	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAI PENG WAH (E-KLG/BTG)	350,000	0.564
17	GOH KIN CHAI	340,000	0.548
18	LAU MEE LENG	311,100	0.502
19	PANG KIM LUAN	300,000	0.484
20	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LING HWA CHAI (E-TCS)	300,000	0.484
21	SAHARUDIN BIN ABDUL JALAL	300,000	0.484
22	MUHAMMAD YUSLI BIN MUHAMMAD YUSOFF	292,000	0.471
23	WONG SZE MING	253,820	0.409
24	MAYBANK NOMINEES (TEMPATAN) SDN BHD MUKHTAR BIN EMBONG	250,000	0.403
25	PANG MEI LIN	250,000	0.403
26	KENANGA NOMINEES (TEMPATAN) SDN BHD RAKUTEN TRADE SDN BHD FOR NGO CHOOI LING	240,000	0.387
27	LAU ENG KEE	230,000	0.371
28	LAU YOKE CHOOI	219,000	0.353
29	LIM KIAN HUAT	216,500	0.349
30	MUHAMAT SHUKRI BIN MAHAT	204,700	0.330
	TOTAL	36,804,970	59.393

LIST OF PROPERTIES

Location & Description	Age of building (years)	Tenure/Date of Expiry of Lease	Description/ Existing Usage	Land/ (Built up) area (sq. ft.)	Audited Net Book Value/ Right-of-use assets as at 31-12-2021 (RM)	Year of Acquisition/ Date of revaluation
GM163, Lot 267, Mukim Sg. Terap, 84300 Bukit Pasir, Muar, Johor	16	Freehold	A single-storey factory building with a 2-storey office annexure/ factory, warehouse and office	223,244 / (138,746)	7,246,439	2005 / 8th September 2020
PLO 3, Kawasan Perindustrian Bukit Pasir, Mukim Sungai Raya, 84300 Bukit Pasir, Muar, Johor	25	Leasehold for 60 years / 5th September 2056	A single-storey factory building with a 3-storey office annexure and other ancillary buildings/ factory, warehouse and office	124,452 / (94,818)	2,604,041	1995/ 8th September 2020
Batu 6 ¼, Mukim Sg Raya, Jalan Bukit Pasir, 84000 Muar, Johor *A Sale & Purchase Agreement was entered on 10th March 2022 to dispose the said property	18	Freehold	Industrial land/a single-storey warehouse	97,456 / (45,004)	3,286,513	2003 / 19th April 2021
No. H.S. (D) 6270, 6271, 6272 & 6273, No. PT 385, 386, 387 & 388 Mukim Semunjok Daerah Jasin, Melaka	n.a	Leashold for 99 years / 23rd February 2100	Industrial land / vacant	276,546 / (n.a)	2,300,000	2000 / 19th April 2021
15-0-01, Block B, Desa Petaling Business Centre Jalan 1/125E, Taman Desa Petaling, 57100 Kuala Lumpur	17	Strata title not issued yet	An office lot located on the first floor of a 5 ½ storey building/office	n.a / (1,229.2)	450,000	2000 / No valuation
Lot 3862, Mukim Paloh Daerah Kluang, Johor	n.a	Freehold	Commercial land / vacant	50,181 / (n.a)	2,190,000	2013 / 19th April 2021
Lot 3863, Mukim Paloh Daerah Kluang, Johor	n.a	Freehold	Commercial land / vacant	21,162 / (n.a)	890,000	2013 / 19th April 2021

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

NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 18th Annual General Meeting of TAFI Industries Berhad ("**TAFI**" or the "**Company**") will be conducted entirely on a fully virtual basis through the online meeting platform of TIIH Online website at https://tiih.online (Domain registration number with MYNIC: D1A282781) provided by Tricor Investor & Issuing House Services Sdn Bhd, Malaysia on Wednesday, 18th May 2022 at 11:00 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the following resolutions: -

AGENDA

AS ORDINARY BUSINESS

1. To receive the Directors' Report, Audited Financial Statements and Auditors' Report for the financial year ended 31st December 2021. (Please refer to Note 1)

2. To approve the payment of Directors' fees and Directors' benefits for an amount not exceeding RM3.0 million for the financial year ending 31st December 2022 as recommended by the Directors. (Resolution 1)

3. To re-elect the following Directors who retire in accordance with Clause 77(2) and Clause 79 of the Constitution of the Company, and being eligible, have offered themselves for re-election: -

   (i) Dato' Sri Azlan Bin Azmi – Clause 77(2) (Resolution 2)
   (ii) Dato' Sri Wong Sze Chien – Clause 77(2) (Resolution 3)
   (iii) Dato' Sri Andrew Lim Eng Guan – Clause 77(2) (Resolution 4)
   (iv) Abdul Malek Bin Jalil – Clause 79 (Resolution 5)

4. Ordinary Resolution (Ordinary Resolution 6)
   Appointment of Messrs. Ecovis Malaysia PLT as Auditors for the financial year ending 31st December 2022

   THAT Messrs. Ecovis Malaysia PLT, having consented to act, be and are hereby appointed as the Auditors of the Company in place of the retiring Auditors, Messrs. Peter Chong & Co., to hold office until the conclusion of the next Annual General Meeting and to authorised the Directors to determined their remuneration."

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following Ordinary Resolutions, with or without modifications: -

5. Ordinary Resolution (Ordinary Resolution 7)
Authority to Issue and Allot Shares of the Company pursuant to Sections 75 & 76 of the Companies Act 2016

"THAT pursuant to Sections 75 and 76 of the Companies Act 2016, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") and the approval of the relevant regulatory authorities, where such approval is required, the Directors of the Company be and are hereby authorised to issue and allot shares in the capital of the Company, grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer ("New Shares") from time to time, at such price, to such persons and for such purposes and upon such terms and conditions as the Directors may in their absolute discretion deem fit, provided that the aggregate number of such New Shares to be issued and alloted, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution, when aggregated with the total number of any such shares issued during the preceding 12 months does not exceed 20% of the total number of issued shares (excluding any treasury shares) of the Company for the time being ("Proposed 20% General Mandate").

THAT such approval on the Proposed 20% General Mandate shall continue to be in force until 31st December 2022.

THAT with effect from 1st January 2023, the general mandate shall be reinstated from a 20% limit to a 10% limit pursuant to Paragraph 6.03 of the Listing Requirements provided that the aggregate number of such New Shares to be issued and allotted, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer by the Company from time to time, at such price, to such persons and for such purposes and upon such terms and conditions as the Directors may in their absolute discretion deem fit, pursuant to this resolution, when aggregated with the total number of any such shares issued during the preceding 12 months does not exceed 10% of the total number of issued shares (excluding any treasury shares) of the Company for the time being ("Proposed 10% General Mandate").

THAT such approval on the Proposed 10% General Mandate shall continue to be in force until:

a. the conclusion of the next Annual General Meeting of the Company held after the approval was given;
b. the expiration of the period within which the next Annual General Meeting of the Company is required to be held after the approval was given; or
c. revoked or varied by resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier.

(The Proposed 20% General Mandate and Proposed 10% General Mandate shall hereinafter refer to as "Proposed General Mandate".)

THAT the Directors of the Company be and are hereby also empowered to obtain the approval from Bursa Securities for the listing of and quotation for such New Shares on the Main Market of Bursa Securities.

THAT authority be and is hereby given to the Directors of the Company, to give effect to the Proposed General Mandate with full powers to assent to any conditions, modifications, variations and/or amendments as they may deem fit in the best interest of the Company and/or as may be imposed by the relevant authorities.

AND FURTHER THAT the Directors of the Company, be and are hereby authorised to implement, finalise, complete and take all necessary steps and to do all acts (including execute such documents as may be required), deeds and things in relation to the Proposed General Mandate.

6. Ordinary Resolution (Ordinary Resolution 8)
Proposed Renewal of Shareholders' Mandate for 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(a) of the Circular to Shareholders dated 18th April 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 Renewal of Shareholders' Mandate"):-

THAT the Proposed Renewal of 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") (but shall not extend 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 Renewal of Shareholders' Mandate."

7. Ordinary Resolution (Ordinary Resolution 9)
Proposed New Shareholders' Mandate for Additional 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 additional recurrent related party transactions of a revenue or trading nature with the related parties as specified in Section 5(b) of the Circular to Shareholders dated 18th April 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") (but shall not extend 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."

8. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 2016.

BY ORDER OF THE BOARD
TAFI INDUSTRIES BERHAD

WONG SIEW YEEN (MAICSA 7018749)
SSM PC No.: 202008001471

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

Company Secretaries

18th April 2022

NOTES:

1. IMPORTANT NOTICE

(a) *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.*

(b) *Shareholders will not be allowed to attend this AGM in person at the Broadcast Venue on the day of the meeting.*

(c) *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 AGM 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.*

(d) *Please refer to the Procedures to Remote Participation and Voting via RPV in the Administrative Guide for the AGM in order to participate remotely via RPV.*

2. APPOINTMENT OF PROXY

(a) For the purpose of determining who shall be entitled to attend in this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 11th May 2022. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this AGM via RPV.

(b) A member entitled to participate in this AGM 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 AGM of the Company may appoint not more than two (2) proxies to participate instead of the member at this AGM.

(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 AGM 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 AGM.

(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 AGM or adjourned AGM 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 AGM or adjourned AGM 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 AGM).

(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 Monday, 16th May 2022 at 11:00 a.m.*

(m) *For a corporate member who has appointed a representative instead of a proxy to participate in this AGM, 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 AGM.*

(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 AGM 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.*

EXPLANATORY NOTES ON ORDINARY BUSINESS

Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR of Bursa Securities"), all resolutions set out in the Notice of 18th AGM will be put to vote on a poll.

1. **AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31st DECEMBER 2021**
The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 ("CA2016") for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.

2. **ORDINARY RESOLUTION 1: PAYMENT OF DIRECTORS' FEES AND BENEFITS**
Section 230(1) of the CA2016 provides that the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting. Pursuant thereto, shareholders' approval will be sought at this AGM on the Directors' fees and Directors' benefits for the financial year ending 31st December 2022.

3. **ORDINARY RESOLUTIONS 2 TO 5: RE-ELECTION OF DIRECTORS**
Clause 77(2) of the Constitution of the Company provides that one-third of the Directors of the Company for the time being shall retire by rotation at an AGM of the Company and Clause 79 of the Constitution stated that a Director so appointed by the Board from time to time shall hold office only until the next following AGM, and shall then be eligible for re-election.

The Directors standing for re-election at the AGM pursuant to the Constitution of the Company are: -

(i) Dato' Sri Azlan Bin Azmi – Clause 77(2)
(ii) Dato' Sri Wong Sze Chien – Clause 77(2)
(iii) Dato' Sri Andrew Lim Eng Guan – Clause 77(2)
(iv) Abdul Malek Bin Jalil – Clause 79

The Board has through the Nominating Committee, considered the assessment of the Directors and agreed that they meet the criteria as prescribed by Paragraph 2.20A of the MMLR of Bursa Securities on character, experience, integrity, competence and time to effectively discharge their roles as Directors.

4. **ORDINARY RESOLUTION 6: APPOINTMENT OF AUDITORS IN PLACE OF RETIRING AUDITORS**
The Audit Committee had at its meeting held on 6th April 2022 assessed the suitability and independence of Messrs. Ecovis Malaysia PLT and recommended the appointment of Messrs. Ecovis Malaysia PLT as External Auditors of the Company in place of the retiring Auditors, Messrs. Peter Chong & Co. for the financial year ending 31st December 2022.

The Board of Directors has in turn reviewed the recommendation of the Audit Committee and proposed the same be tabled to the shareholders for approval at the forthcoming AGM of the Company. The Board of Directors would like to thank Messrs. Peter Chong & Co. for their diligence and dedications to the Company over the past years.

5. **ORDINARY RESOLUTION 7: PROPOSED AUTHORITY TO DIRECTORS TO ALLOT AND ISSUE NEW ORDINARY SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016**
The proposed Ordinary Resolution 7, seeking a renewal of the general mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration.

Bursa Malaysia Securities Berhad had via a letter dated 23rd December 2021 allowed listed issuers to seek a higher general mandate under Paragraph 6.03 of the Main Market Listing Requirements of not more than 20% of the total number of issued shares (excluding treasury shares) for issue of securities ("20% General Mandate"), which may be utilised to issue new securities until 31st December 2022. With effect from 1st January 2023, the 20% General Mandate will be reinstated to a 10% limit ("10% General Mandate") according to Paragraph 6.03 of the Main Market Listing Requirements.

In light of the economic challenges brought about by the global Coronavirus Disease (Covid-19) pandemic, the Board of Directors is of the opinion that the 20% General Mandate is useful for the Company to meet its financial needs during the period covered and therefore, it is in the best interest of the Company and its shareholders. Should the 20% General Mandate be exercised, the Directors will utilise the proceeds raised for working capital or such other applications they may in their absolute discretion deem fit.

As at the date of the Notice, the Company did not issue any shares pursuant to the mandate obtained at the 17th AGM.

The Company had allotted and issued 252,951,400 new ordinary shares in the Company ("Bonus Shares") on the basis of 2 bonus shares for every 1 existing TAFI share in relation to Bonus Issue of Shares approved by the shareholders at the Extraordinary General Meeting of the Company held on 21st January 2022.

6. **ORDINARY RESOLUTION 8: PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**
The proposed Ordinary Resolution 8, if passed, will renew the authority given to the Company and its subsidiaries ("TAFI Group") to enter into recurrent related party transactions of a revenue or trading nature which are necessary for TAFI Group's day-to-day operations with the respective related parties, subject that the transactions are transacted in the ordinary course of business and on normal commercial terms which 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 the Company.

7. **ORDINARY RESOLUTION 9: PROPOSED NEW SHAREHOLDERS' MANDATE FOR ADDITIONAL RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**
The proposed Ordinary Resolution 9, if passed, will authorise the TAFI Group to enter into new recurrent related party transactions of a revenue or trading nature which are necessary for the TAFI Group's day-today operations with the respective related parties, subject that the transactions are transacted in the ordinary course of business and on normal commercial terms which 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 the Company.

ANNUAL REPORT AND CIRCULAR TO SHAREHOLDERS

Should you require a printed copy of the 2021 Annual Report and 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 Annual Report/Circular to Shareholders" under the Investor Services. Alternatively, you may also make your request through email to our Share Registrar (is.enquiry@my.tricorglobal.com).

The printed copy of the 2021 Annual Report and 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.

STATEMENT ACCOMPANYING NOTICE OF 18TH ANNUAL GENERAL MEETING

1. Directors Standing for Re-election Pursuant to Clause 77(2) and Clause 79 of the Company's Constitution: -

    a. Dato' Sri Azlan Bin Azmi – Clause 77(2)
    b. Dato' Sri Wong Sze Chien – Clause 77(2)
    c. Dato' Sri Andrew Lim Eng Guan – Clause 77(2)
    d. Abdul Malek Bin Jalil – Clause 79

    Details of the above Directors who are standing for re-election at the 18th Annual General Meeting of the Company are set out in the Directors' profile appearing on pages 4 to 8 of this Annual Report while their securities holdings are listed in the Analysis of Shareholdings as at 31st March 2022 – Directors' Shareholdings on page 159 of this Annual Report.

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

ADMINISTRATIVE GUIDE FOR THE 18TH ANNUAL GENERAL MEETING ("AGM")

Date and Time	:	**Wednesday, 18th May 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

1. The RPV are available on Tricor's TIIH Online website at https://tiih.online.
2. Shareholders are to attend, speak (in the form of real time submission of typed texts) and vote (collectively, "participate") remotely at the AGM using RPV from Tricor.
3. 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 AGM using the RPV facilities:

Before the AGM Day

	Procedure	Action
i.	Register as a user with TIIH Online	(a) 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. (b) Registration as a user will be approved within one (1) working day and you will be notified via e-mail. (c) 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 AGM remotely	(a) Registration is open on **Monday, 18th April 2022** until the day of AGM on **Wednesday, 18th May 2022**. Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the AGM to ascertain their eligibility to participate the AGM using the RPV. (b) Login with your user ID (i.e. e-mail address) and password and select the corporate event: "**(Registration) TAFI AGM"** (c) Read and agree to the Terms & Conditions and confirm the Declaration. (d) Select "Register for Remote Participation and Voting". (e) Review your registration and proceed to register. (f) 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 AGM remotely	(a) After verification of your registration against the Record of Depositors as at **11th May 2022**, the system will send you an e-mail **after 12th May 2022** to approve or reject your registration for remote participation. (Note: Please allow sufficient time for approval of new user of TIIH Online and registration for the RPV)

On the AGM Day

Procedure	Action
Login to TIIH Online	Login with your user ID and password for remote participation at the AGM at any time from **10:00 a.m**. i.e. 1 hour before the commencement of meeting at 11:00 a.m. on **Wednesday, 18th May 2022**.
Participate through Live Streaming	(a) Select the corporate event: "**(Live Stream Meeting) TAFI AGM"** to engage in the proceedings of the AGM remotely. (b) 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 AGM. If there is time constraint, the responses will be e-mailed to you at the earliest possible, after the meeting.
Online remote voting	(a) Voting session commences from **11:00 a.m**. on **Wednesday, 18th May 2022** until a time when the Chairman announces the end of the session. (b) Select the corporate event: **"(Remote Voting) TAFI AGM**" or if you are on the live stream meeting page, you can select "GO TO REMOTE VOTING PAGE" button below the Query Box. (c) Read and agree to the Terms & Conditions and confirm the Declaration. (d) Select the CDS account that represents your shareholdings. (e) Indicate your votes for the resolutions that are tabled for voting. (f) Confirm and submit your votes.
End of remote participation	Upon the announcement by the Chairman on the conclusion of the AGM, the Live Streaming will end.

Note to users of the RPV facilities:

(a) 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.

(b) 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.

(c) 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

(a) Only members whose names appear on the Record of Depositors as at **11th May 2022** shall be eligible to participate at the AGM or appoint a proxy(ies) and/or the Chairman of the Meeting to attend and vote on his/her/its behalf.

(b) In view that the AGM 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.

(c) If you wish to participate in the AGM yourself, please do not submit any Proxy Form for the AGM. You will not be allowed to participate in the AGM together with a proxy appointed by you.

(d) Accordingly, proxy forms and/or documents relating to the appointment of proxy/corporate representative/attorney for the AGM whether in hard copy or by electronic means shall be deposited or submitted in the following manner not later than **Monday, 16th May 2022 at 11:00 a.m.**

i. 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.

ii. 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**
Steps for Individual Shareholders	
Register as a User with TIIH Online	(a) 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. (b) If you are already a user with TIIH Online, you are not required to register again.
Proceed with submission of Proxy Form	(a) After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password. (b) Select the corporate event: **"TAFI AGM - Submission of Proxy Form".** (c) Read and agree to the Terms and Conditions and confirm the Declaration. (d) Insert your CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf. (e) Appoint your proxy(ies) and insert the required details of your proxy(ies) or appoint the Chairman as your proxy. (f) Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide on your votes. (g) Review and confirm your proxy(s) appointment. (h) Print the form of proxy for your record.
Steps for corporation or institutional shareholders	
Register as a User with TIIH Online	(a) Access TIIH Online at https://tiih.online (b) Under e-Services, the authorised or nominated representative of the corporation or institutional shareholder selects "Create Account by Representative of Corporate Holder". (c) Complete the registration form and upload the required documents. (d) Registration will be verified, and you will be notified by email within one (1) to two (2) working days. (e) 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	(a) Login to TIIH Online at https://tiih.online (b) Select the corporate exercise name: **"TAFI AGM - Submission of Proxy Form"** (c) Agree to the Terms & Conditions and Declaration. (d) Proceed to download the file format for "Submission of Proxy Form" in accordance with the Guidance Note set therein. (e) Prepare the file for the appointment of proxies by inserting the required data. (f) Login to TIIH Online, select corporate exercise name: **"TAFI AGM- Submission of Proxy Form**". (g) Proceed to upload the duly completed proxy appointment file. (h) Select "Submit" to complete your submission. (i) Print the confirmation report of your submission for your record.

VOTING AT MEETING

The voting at the AGM 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 AGM 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 AGM and the results of the voting will be announced at the AGM 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 AGM is a valuable opportunity for the Board to engage with shareholders. In order to enhance the efficiency of the proceedings of the AGM, shareholders may in advance, before the AGM, 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, 18th May 2022. The Board of Directors will endeavor to address the questions received at the AGM.

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 Line : +603-2783 9299
Fax Number : +603-2783 9222
Email : is.enquiry@my.tricorglobal.com
Contact persons :

1.	Mr. Mohd Kamal Bin Mohd Din	+6 03-2783 9237 kamal.mohd@my.tricorglobal.com
2.	Mr. Muhammad Ashraff Bin Mohd Khaizan	+6 03-2783 9276 Muhammad.Ashraff@my.tricorglobal.com

CDS Account No.

No. of Shares held

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

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 OFTHE MEETING as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting(“**AGM**”) 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 **Wednesday**, **18th May 2022** at **11:00 a.m**. or at any adjournment thereof, and to vote as indicated below:

Item	**Agenda**			
1	To receive the Directors’ Report, Audited Financial Statements and the Auditors’ Report for the financial year ended 31st December 2021			
Item	**Description of Resolutions**	**Resolutions**	**For**	**Against**
2	To approve the payment of Directors’ fees and Directors’ benefits for an amount not exceeding RM3.0 million for the financial year ending 31st December 2022.	**Resolution 1**		
3	To re-elect the following Directors who retire in accordance with Clause 77(2) and Clause 79 of the Company’s Constitution and being eligible, have offered themselves for re-election: -			
	(i) Dato’ Sri Azlan Bin Azmi – Clause 77(2)	**Resolution 2**		
	(ii) Dato’ Sri Wong Sze Chien – Clause 77(2)	**Resolution 3**		
	(iii) Dato’ Sri Andrew Lim Eng Guan – Clause 77(2)	**Resolution 4**		
	(iv) Abdul Malek Bin Jalil - Clause 79	**Resolution 5**		
4	THAT Messrs. Ecovis Malaysia PLT, having consented to act, be and are hereby appointed as the Auditors of the Company in place of the retiring Auditors, Messrs. Peter Chong & Co., to hold office until the conclusion of the next Annual General Meeting and to authorised the Directors to determined their remuneration	**Ordinary Resolution 6**		
5	To approve the Proposed Authority to Directors to Allot and Issue New Ordinary Shares pursuant to Sections 75 and 76 of the Companies Act 2016	**Ordinary Resolution 7**		
6	To approve the Proposed Renewal of Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature	**Ordinary Resolution 8**		
7	To approve the Proposed New Shareholders’ Mandate for Additional Recurrent Related Party Transactions of a Revenue or Trading Nature	**Ordinary Resolution 9**		

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 officer sign accordance with the laws of the country under which your corporation is incorporated.

Notes: -

IMPORTANT NOTICE

(i) 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.
(ii) Shareholders will not be allowed to attend this AGM in person at the Broadcast Venue on the day of the meeting.
*(iii) 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 AGM 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.*
(iv) Please refer to the Procedures to Remote Participation and Voting via RPV in the Administrative Guide for the AGM in order to participate remotely via RPV.

APPOINTMENT OF PROXY

(a) *For the purpose of determining who shall be entitled to attend in this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 11th May 2022. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this AGM via RPV.*

(b) *A member entitled to participate in this AGM 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 AGM of the Company may appoint not more than two (2) proxies to participate instead of the member at this AGM.*

(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 AGM 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 AGM.*

(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 AGM or adjourned AGM 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 AGM or adjourned AGM 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 AGM).

(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 Monday, 16th May 2022 at 11:00 a.m.*

(m) *For a corporate member who has appointed a representative instead of a proxy to participate in this AGM, 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 AGM.*

(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 AGM 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.*

PLEASE 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

PLEASE FOLD HERE