

THIS CIRCULAR TO SHAREHOLDERS OF TAFI INDUSTRIES BERHAD (“TAFI” OR THE “COMPANY”) IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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

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

**CIRCULAR TO SHAREHOLDERS IN RELATION TO
THE PROPOSED NEW SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY
TRANSACTIONS OF A REVENUE OR TRADING NATURE
IN CONJUNCTION WITH THE SPECIAL BUSINESS
AT THE 17TH ANNUAL GENERAL MEETING**

The Notice convening the Seventeenth Annual General Meeting (“17th AGM”) of the Company to be held at Ballroom 2, TAMU Hotel & Suites, Kuala Lumpur, 120 Jalan Raja Abdullah, Kampong Bharu, 50300 Kuala Lumpur on Tuesday, 25 May 2021, at 11:00 a.m. together with the Proxy Form are set out in the Company’s 2020 Annual Report while extract of resolution on the Proposal is set out in Appendix II of this Circular.

The Proxy Form should be completed and deposited at the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or in the case of electronic appointment, the Proxy Form must be deposited via TIIH Online at <http://tiih.online> not less than forty-eight (48) hours before the time for holding the 17th AGM or adjourned meeting at which the person named in the instrument proposes to vote. The lodging of the Proxy Form will not preclude a shareholder from attending and voting in person at the 17th AGM should the shareholder subsequently wish to do so.

Last date and time for lodging the Proxy Form : **Sunday, 23 May 2021, at 11:00 a.m.**
Date and time of the Annual General Meeting : **Tuesday, 25 May 2021, at 11:00 a.m.**

This Circular is dated **26 April 2021**

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

- Act** - Companies Act, 2016, as amended from time to time including any re-enactment thereof
- AGM** - Annual General Meeting
- ASSB** - Armani Synergy Sdn Bhd [202001020520 (1376840-M)]
- Board** - The Board of Directors of TAFI
- Bursa Securities** - Bursa Malaysia Securities Berhad [200301033577 (635998-W)]
- Dato' Sri Azlan** - Dato' Sri Azlan Bin Azmi is the Group Managing Director of TAFI and a major shareholder of TAFI with a deemed interest of 51.81% by virtue of his interest in Armani Synergy Sdn Bhd pursuant to Section 8 of the Act.
- Dato' Sri Andrew** - Dato' Sri Andrew Lim Eng Guan is the Executive Director of TAFI and a major shareholder of TAFI with a deemed interest of 51.81% by virtue of his interest in Armani Synergy Sdn Bhd pursuant to Section 8 of the Act
- Dato' Sri Andrew is a cousin of Dato' Sri Wong
- Dato' Sri Ong** - Dato' Sri Ong Chee Kean is a Non-Independent Non-Executive Chairman of TAFI
- Ong Qi Juan is a sister of Dato' Sri Ong
- Dato' Sri Wong** - Dato' Sri Wong Sze Chien is the Group Chief Executive Officer of TAFI and a major shareholder of TAFI with a deemed interest of 51.81% by virtue of his interest in Armani Synergy Sdn Bhd pursuant to Section 8 of the Act.
- Dato' Sri Wong is a cousin of Dato' Sri Andrew
- Directors** - Has the meaning given in Section 2(1) of the Capital Markets and Services Act, 2007 and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a director or chief executive officer of TAFI Group or holding company
- Interested Directors** - Directors who are deemed to be Related Parties and are interested in the Proposed Shareholders' Mandate
- Interested Major Shareholders** - Major Shareholders who are deemed to be Related Parties and are interested in the Proposed Shareholders' Mandate

DEFINITIONS (CONT'D)

Interested Persons Connected

- In relation to a director and/or major shareholder, who falls under any one of the following categories:-
 - i. a family member of the director or major shareholder;
 - ii. a trustee of a trust (other than a trustee for an employee share scheme or pension scheme) under which the director, major shareholder or a family member of the director or major shareholder, is the sole beneficiary;
 - iii. a partner of the director, major shareholder or a partner of a person connected with that director or major shareholder;
 - iv. a person who is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the director or major shareholder;
 - v. a person in accordance with whose directions, instructions or wishes the director or major shareholder is accustomed or is under an obligation, whether formal or informal, to act;
 - vi. a body corporate or its directors which/who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the director or major shareholder;
 - vii. a body corporate or its directors whose directions, instructions or wishes the director or major shareholder is accustomed or under an obligation, whether formal or informal, to act;
 - viii. a body corporate in which the director or major shareholder, or persons connected with him are entitled to exercise, or control the exercise of, not less than fifteen percent (15%) of the votes attached to voting shares in the body corporate; or
 - ix. a body corporate which is a related corporation

Listing Requirements

- Main Market Listing Requirements of Bursa Securities, including any amendments that may be made from time to time

LPD

- 6 April 2021, being the latest practicable date prior to the printing of this Circular

Major Shareholder

- Includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a major shareholder of TAFI as defined under paragraph 1.01 of the Listing Requirement or any other corporation which is its subsidiary or holding company.

“major shareholder” is defined in paragraph 1.01 of the Listing Requirement as a person who has an interest or interests in one or more voting shares in a corporation and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is:-

- (i) ten percent (10%) or more of the aggregate of the nominal amounts of all the voting shares in the corporation; or
- (ii) five percent (5%) or more of the aggregate of the nominal amounts of all the voting shares in the corporation where such person is the largest shareholder of the corporation.”

For the purpose of this definition, “interest in shares” has the meaning given in Section 8 of the Act.”

TAFI or Company

- TAFI Industries Berhad [200401002432 (640935-P)]

DEFINITIONS (CONT'D)

- TAFI Group or Group** - Collectively, TAFI and its subsidiaries as defined in Section 4 of the Act
- TAFI Shares or Shares** - Ordinary shares in the Company
- Proposed New Shareholders' Mandate** - Proposed NEW shareholders' mandate for the TAFI Group to enter into recurrent related party transactions of a revenue or trading nature with related parties in the ordinary course of business which are necessary for TAFI Group's day-to-day operations
- Recurrent Related Party Transactions or Recurrent Transaction or Recurrent Transactions or RRPT or RRPT(s) or RRPTs** - Recurring transactions of a revenue or trading nature which are necessary for the day-to-day operations and are entered into by the TAFI Group with the Related Parties in the ordinary course of business which involves the interest, direct or indirect, of a Related Party
- Related Party or Related Parties** - Directors, major shareholders or persons connected with such director or major shareholder as defined under Chapters 1 and 10 of the Listing Requirements
- RM and sen** - Ringgit Malaysia and sen respectively

All references to "our Company" in this Circular are to TAFI, references to "our Group" are to our Company and our subsidiaries. All references to "we", "us", "our" and "ourselves" are to our Company, or where the context requires, our Group. All references to "you" in this Circular are references to the shareholders of our Company.

In this Circular, words referring to the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated. Any discrepancies in the tables between the amounts stated, actual figures and the totals thereof in this Circular are due to rounding.

TABLE OF CONTENTS

LETTER FROM THE BOARD TO SHAREHOLDERS CONTAINING:-

SECTION	PAGE
1. INTRODUCTION	1
2. DETAILS OF THE PROPOSED NEW SHAREHOLDERS' MANDATE	2
3. PRINCIPAL ACTIVITIES OF TAFI GROUP	3
4. NATURE OF TRANSACTIONS	4
5. DETAILS OF THE PROPOSED NEW SHAREHOLDERS' MANDATE	5
6. REVIEW METHODS OR PROCEDURES FOR RRPT(S)	8
7. OUTSTANDING RRPT RECEIVABLES	9
8. STATEMENT BY THE AUDIT COMMITTEE	9
9. RATIONALE OF THE PROPOSED NEW SHAREHOLDERS' MANDATE AND BENEFIT TO THE COMPANY	10
10. EFFECTS OF THE PROPOSED NEW SHAREHOLDERS' MANDATE	10
11. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED	10
12. APPROVED REQUIRED	11
13. BOARD'S RECOMMENDATION	11
14. AGM	11
15. FURTHER INFORMATION	12
APPENDIX I FURTHER INFORMATION	13
APPENDIX II EXTRACT OF RESOLUTION ON THE PROPOSED NEW SHAREHOLDERS' MANDATE	15

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

Registered Office:

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

26 April 2021

Board of Directors

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

To: Our Shareholders

Dear Sir/Madam,

PROPOSED NEW SHAREHOLDERS' MANDATE

1. INTRODUCTION

The Company had on 10 March 2021 announced its intention to seek the shareholders' approval for the Proposed New Shareholders' Mandate at the 17th AGM scheduled on Tuesday, 25 May 2021 at 11:00 a.m.

The purpose of this Circular is to provide you with information on the Proposed New Shareholders' Mandate and to seek your approval to the resolution pertaining to the Proposed New Shareholders' Mandate under the agenda of Special Business, extract of which is set out in Appendix II of this Circular.

Notice of the Company's 17th AGM is enclosed together with Annual Report of the Company for the financial year ended 31 December 2020.

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

2. DETAILS OF THE PROPOSED NEW SHAREHOLDERS' MANDATE

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

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

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

The Proposed New Shareholders' Mandate, if approved at TAFI's 17th AGM shall take effect from the passing of the ordinary resolution on the Proposed New Shareholders' Mandate at TAFI's 17th AGM scheduled on 25 May 2021 and shall continue to be in force until:-

- (i) the conclusion of the next AGM of the Company, following the general meeting at which such ordinary resolution is passed, at which time it shall lapse, unless by a resolution passed at such AGM, the authority conferred by this resolution is renewed; or
- (ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Act [but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act]; or
- (iii) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting before the next AGM,

whichever is earlier.

3. PRINCIPAL ACTIVITIES OF TAFI GROUP

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

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

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

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

4 NATURE OF TRANSACTIONS

Principal activities of the Related Parties are as follows:-

Related Parties	Principal Activities
Armani Energy Sdn Bhd	Engineering, procurement, construction for renewable energy, installation and serving of panel system, general contractors and builders for the construction, supply of electrical and electronic appliances, wiring and any other works in such contracts
KH Ong & Ng	A legal firm which specializes in conveyancing laws.
Mercu Majuniaga Sdn Bhd	All kinds of building construction works and trading of building materials.

5. **DETAILS OF THE PROPOSED NEW SHAREHOLDERS' MANDATE**

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

Related party within TAFI Group	New Related Party	Nature of Transaction	Interested Directors, Major Shareholders and Persons Connected	*Estimated Value for Proposed New Mandate from the date of TAFI's 17th AGM on 25 May 2021 to the date to next AGM RM'000
TAFI Group	Armani Energy Sdn Bhd	<p>TAFI Group purchase the solar photovoltaic energy generated by the Solar PV System owned by Armani Energy Sdn Bhd, and this generator will be installed and operated by Armani Energy Sdn Bhd at the TAFI Group's factories in Muar, Johor.</p> <p><u>Particulars of the factories</u></p> <p><u>TA1</u> PLO 3 Kawasan Perindustrian Bukit Pasir, Mukim Sungai Raya, 84300 Bukit Pasir, Muar, Johor.</p> <p><u>TA2A & TA2B</u> LOT 267, Kawasan Perindustrian Bukit Pasir, Mukim Sungai Raya, 84300 Bukit Pasir, Muar, Johor.</p> <p><u>TA3</u> Batu 6 ¼, Mukim Sungai Raya, Lot 288, Jalan Bukit Pasir, 84300 Bukit Pasir, Muar, Johor.</p> <p>Contract period : 20 years</p> <p><i>*Rental and maintenance cost of Solar PV System to be installed at the factory are free of charge during the contract period until TAFI Group purchase the said Solar PV System from Armani Energy Sdn Bhd.</i></p>	<p>Interested Major Shareholder <u>ASSB^(a)</u></p> <p><u>Interested Directors</u> Dato' Sri Azlan^{(b)(e)} Dato' Sri Wong^{(c)(f)} Dato' Sri Andrew^(d)</p>	1,000

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

Related party within TAFI Group	New Related Party	Nature of Transaction	Interested Directors, Major Shareholders and Persons Connected	*Estimated Value for Proposed New Mandate from the date of TAFI's 17th AGM on 25 May 2021 to the date to next AGM RM'000
TAFI Group	Armani Energy Sdn Bhd	Purchase of the Solar PV System from Armani Energy Sdn Bhd	Interested Major Shareholder <u>ASSB^(a)</u> Interested Directors Dato' Sri Azlan ^{(b)(e)} Dato' Sri Wong ^{(c)(f)} Dato' Sri Andrew ^(d)	5,650
TAFI Group	KH Ong & Ng	Provision of legal services	Interested Director Dato' Sri Ong Chee Kean ^{(g)(h)}	1,200
TAFI Development Sdn. Bhd.	Mercu Majuniaga Sdn Bhd	Purchase of building materials	Interested Major Shareholder <u>ASSB^(a)</u> Interested Directors Dato' Sri Azlan ^{(b)(i)} Dato' Sri Wong ^{(c)(i)} Dato' Sri Andrew ^(d)	30,000

Notes:

* The estimated value of transactions is based on Management's estimates of the value of transactions to be undertaken for the period from the 17th AGM to the next AGM. However, the actual value of the transactions may be subject to changes.

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

Related Parties and Nature of Relationship

- a) ASSB is the major shareholder of TAFI with a direct interest of 51.81% as at LPD date.
- b) Dato' Sri Azlan is the Group Managing Director of TAFI and a major shareholder of TAFI with a deemed interest of 51.81% by virtue of his interest in Armani Synergy Sdn. Bhd., a company in which Dato' Sri Azlan is deemed interested pursuant to Section 8 of the Act as at LPD date.
- c) Dato' Sri Wong is the Group Chief Executive Officer of TAFI and a major shareholder of TAFI with a direct interest of 0.41% and a deemed interest of 51.81% by virtue of his interest in Armani Synergy Sdn. Bhd., a company in which Dato' Sri Wong is deemed interested pursuant to Section 8 of the Act as at LPD date. Dato' Sri Wong is a cousin of Dato' Sri Andrew.
- d) Dato' Sri Andrew is the Executive Director of TAFI and a major shareholder of TAFI with a direct interest of 0.581% and a deemed interest of 51.81% by virtue of his interest in Armani Synergy Sdn. Bhd., a company in which Dato' Sri Andrew is deemed interested pursuant to Section 8 of the Act as at LPD date. Dato' Sri Andrew is a cousin of Dato' Sri Wong.
- e) Dato' Sri Azlan is a Director and Shareholder of Armani Energy Sdn Bhd with having a direct equity interest of 20% as at LPD date.
- f) Dato' Sri Wong is a Director and Shareholder of Armani Energy Sdn Bhd with having a direct equity interest of 20% as at LPD date.
- g) Dato' Sri Ong is the Non-Independent Non-Executive Chairman of TAFI. Dato' Sri Ong is a legal partner of KH Ong & Ng, Petaling Jaya Branch with a direct equity interest of 45% and an indirect equity interest of 10% by virtue of his sister, Ms. Ong Qi Juan's also have direct equity interest of 10% as at LPD.
- h) Ms. Ong Qi Juan is a sister of Dato' Sri Ong and she is also a legal partner of KH Ong & Ng, Petaling Jaya Branch, holding a direct equity interest of 10% and indirect equity interest of 45% by virtue of her brother, Dato' Sri Ong's direct equity interest of 45% as at LPD.
- i) Dato' Sri Azlan is a Director of Mercu Majuniaga Sdn Bhd.
- j) Dato' Sri Wong is a Director and Shareholder of Mercu Majuniaga Sdn Bhd having a direct equity interest of 62.5% as at LPD date.

6. REVIEW METHODS OR PROCEDURES FOR RRPT(S)

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

(a) Identification

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

(b) Authorisation

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

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

(c) Monitoring and Reporting

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

7. OUTSTANDING RRPT RECEIVABLES

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

8. STATEMENT BY THE AUDIT COMMITTEE

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

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

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

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

Members of the Audit Committee

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

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

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

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

10. EFFECTS OF THE PROPOSED NEW SHAREHOLDERS' MANDATE

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

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

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

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

Names	As at LPD			
	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
<u>Substantial Shareholders</u>				
Armani Synergy Sdn Bhd	40,132,008	51.810	-	-
Arcadia Venture Sdn Bhd	6,000,000	7.745	-	-
Chua Lee Seng	4,293,400	5.543	-	-
Simfoni Semangat Sdn Bhd	4,250,000	5.486	-	-
<u>Interested Major Shareholder</u>				
Armani Synergy Sdn Bhd	40,132,008	51.810	-	-
<u>Interested Directors</u>				
Dato' Sri Azlan	-	-	40,132,008	51.810
Dato' Sri Wong	314,000	0.405	40,132,008	51.810
Dato' Sri Andrew	450,000	0.581	40,132,008	51.810
Dato' Sri Ong ⁽²⁾	-	-	-	-
<u>Person Connected</u>				
Ong Qi Juan ⁽²⁾	-	-	-	-

11 INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM (*Cont'd*)

Notes:

- (1) *Deemed interested by virtue of his interest in Armani Synergy Sdn. Bhd. pursuant to Section 8 of the Act.*
- (2) *Ong Qi Juan is a sister of Dato' Sri Ong.*

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

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

12. APPROVALS REQUIRED

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

13. BOARD'S RECOMMENDATION

The Board, (except for Dato' Sri Azlan, Dato' Sri Wong, Dato' Sri Andrew and Dato' Sri Ong who are interested Directors in respect of the Proposed New Shareholders' Mandate as set out in Section 5 of this Circular) having taken in consideration all aspects of the Proposed New Shareholders' Mandate, are of the opinion that the Proposed New Shareholders' Mandate are in the best interest of the Group. Accordingly, the Board (save for Dato' Sri Azlan, Dato' Sri Wong, Dato' Sri Andrew and Dato' Sri Ong) do recommends that the shareholders vote in favour of the resolution pertaining to the aforementioned Proposed New Shareholders' Mandate to be tabled at the TAFI's 17th AGM.

14. AGM

The 17th AGM, the Notice of which is enclosed with this Circular, held at Ballroom 2, TAMU Hotel & Suites, Kuala Lumpur, 120 Jalan Raja Abdullah, Kampong Bharu, 50300 Kuala Lumpur on the date and time indicated below or at any adjournment thereof for the purpose of considering and, if thought fit, passing, with or without any modifications, the resolution by way of poll to give effect to the Proposed New Shareholders' Mandate.

Date and time of the AGM	:	Tuesday, 25 May 2021 at 11:00 a.m.
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If you are unable to participate at the 17th AGM, you may complete and return the Proxy Form contained in 2020 Annual Report in accordance with the instructions printed thereon, to reach at the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or submitted electronically through TIIH Online at <https://tiih.online> (applicable to individual shareholders only) not less than forty-eight (48) hours before the time for holding the AGM or at any adjournment thereof.

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

15. FURTHER INFORMATION

Please refer to the enclosed appendices for further information.

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

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

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

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

2. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

As at the LPD, neither TAFI nor any of its subsidiaries are engaged in 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.

3. MATERIAL CONTRACTS

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

- (i) A sale and purchase agreement dated 25 June 2020 between T.A. Furniture Industries Sdn. Bhd. (a wholly owned subsidiary of TAFI) (as vendor) and Tee Chin Hock, 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 RM1,480,000.00. The sale and purchase transaction has been completed as at the LPD.
- (ii) Joint development agreement dated 5 November 2020 ("JDA") between TAFI Development Sdn Bhd (a wholly owned subsidiary of TAFI) and E Prompt Sdn Bhd 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 town houses, apartments and commercial shops ("Habu Project"). The JDA in respect of the Habu Project has yet to be completed as at LPD.
- (iii) A sale and purchase agreement dated 6 November 2020 between T.A. Furniture Industries Sdn. Bhd. (a wholly owned subsidiary of TAFI) (as vendor) and Huan Kok Siang and Ng Chiew Hoon (as purchasers) for the disposal of all that piece of the following leasehold industrial lands for a total consideration of RM1,312,500.00:-
 - a) H.S.(D) 2266, P.T.D. 4798, Mukim Kesang, District of Muar, State of Johor, Malaysia, measuring approximately 687,947 square metres together with a factory building known as No. K 35, Jalan Tanjong Agas, Kawasan Industri Tanjong Agas, 84000 Muar, Johor, Malaysia.

- 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.
- 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 transaction has been completed as at the LPD.

4. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the Constitution of the Company;
- (b) the audited consolidated financial statements of our Group for the past two (2) financial year ended 31 December 2019 and year ended 31 December 2020; and
- (c) the material contracts referred to in Section 3 of this Appendix I.

EXTRACT OF RESOLUTION ON THE PROPOSED NEW SHAREHOLDERS' MANDATE

ORDINARY RESOLUTION NO. 11

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

"THAT, subject always to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), approval be and is hereby given to the Company and its subsidiaries (collectively the "Group") to enter into and give effect to the recurrent related party transactions of a revenue or trading nature with the related parties as specified in Section 5 of the Circular to Shareholders dated 26th April 2021, 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 (hereinafter referred to as the "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."