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

**CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:**

**PART A:**

**PROPOSED DIVERSIFICATION OF THE EXISTING CORE BUSINESS OF TAFI INDUSTRIES BERHAD ("TAFI" OR THE "COMPANY") AND ITS SUBSIDIARIES TO INCLUDE PROPERTY DEVELOPMENT AND CONSTRUCTION ACTIVITIES ("PROPOSED DIVERSIFICATION")**

**PART B:**

**PROPOSED SHAREHOLDERS' MANDATE FOR THE ISSUANCE OF NEW ORDINARY SHARES IN TAFI UNDER A RIGHTS ISSUE EXERCISE ("ENHANCED RIGHTS ISSUE MANDATE")**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

*Principal Adviser for Part A*



**AmInvestment Bank**

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

The resolutions in respect of the Proposed Diversification and Enhanced Rights Issue Mandate will be tabled at the Extraordinary General Meeting ("**EGM**") of TAFI to be held at TAMU Hotel & Suites, Kuala Lumpur, Ballroom 1, Level 13, 120 Jalan Raja Abdullah, Kampong Bharu, 50300 Kuala Lumpur on Tuesday, 5 January 2021, at 11:00 a.m. or at any adjournment thereof, for the purpose of considering the Proposed Diversification and the Enhanced Rights Issue Mandate. The Notice of the EGM, together with the Proxy Form and the Administrative Guide are enclosed within this Circular.

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

Last date and time for lodging the Proxy Form : Sunday, 3 January 2021 at 11:00 a.m.  
Date and time of the EGM : Tuesday, 5 January 2021 at 11:00 a.m.

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## DEFINITIONS

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For the purpose of this Circular, except where the context otherwise requires, the following definitions shall apply:-

<b>Act</b>	: Companies Act 2016, as amended from time to time and any re-enactment thereof
<b>AmBank Group</b>	: AMMB Holdings Berhad (Registration No. 199101012723 (223035-V)) and its group of companies
<b>AmInvestment Bank / Principal Adviser</b>	: AmInvestment Bank Berhad (Registration No. 197501002220 (23742-V))
<b>Armani Synergy</b>	: Armani Synergy Sdn Bhd (Registration No. 202001020520 (1376840-M))
<b>Board or Directors</b>	: The Board of Directors of TAFI
<b>Bursa Securities</b>	: Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
<b>Circular</b>	: This circular dated 17 December 2020 in relation to the Proposed Diversification and Enhanced Rights Issue Mandate
<b>CMCO</b>	: Conditional Movement Control Order which was imposed by the Government of Malaysia
<b>CMSA</b>	: Capital Markets and Services Act 2007, as amended from time to time and any re-enactment thereof
<b>Controlling Shareholders</b>	: Collectively, Dato' Sri Wong and Dato' Sri Azlan
<b>COVID-19</b>	: Coronavirus disease 2019
<b>Complete Land</b>	: A parcel of freehold land held under Geran No. Pendaftaran 2700, Lot 457, Mukim Ringlet, District of Cameron Highlands, State of Pahang measuring approximately 47 acres in area
<b>Dato' Sri Wong</b>	: Dato' Sri Wong Sze Chien
<b>Dato' Sri Andrew</b>	: Dato' Sri Andrew Lim Eng Guan
<b>Dato' Sri Azlan</b>	: Dato' Sri Azlan Bin Azmi
<b>Development Land</b>	: A portion of freehold land measuring in aggregate approximately 33 acres in area which forms part of the Complete Land
<b>Development Project</b>	: The proposed mixed development project intending to comprise of <i>inter-alia</i> town houses, apartments and commercial shops to be jointly developed by TAFI Development, a wholly owned subsidiary of TAFI and E Prompt pursuant to the conditional joint development agreement dated 5 November 2020 entered into by both the parties
<b>EGM</b>	: Extraordinary general meeting of the Company
<b>Enhanced Rights Issue Mandate</b>	: Shareholders mandate to be procured by the Company for the issuance of new Shares under a proposed rights issue pursuant to the enhanced general mandate for pro rata rights issues to expedite secondary fund raising for eligible listed issuers, which was announced by the SC and Bursa Securities on 10 November 2020

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**DEFINITIONS (CONT'D)**

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<b>EPS</b>	: Earnings per share
<b>E Prompt</b>	: E Prompt Sdn Bhd (Registration No. 201001029386 (913307-P))
<b>FYE</b>	: Financial year(s) ended / ending, as the case may be
<b>FPE</b>	: Financial period ended / ending, as the case may be
<b>GDC</b>	: Gross development cost
<b>GDV</b>	: Gross development value
<b>GDP</b>	: Gross development profit
<b>KM</b>	: Kilometres
<b>LAT</b>	: Loss after tax
<b>LBT</b>	: Loss before tax
<b>LPD</b>	: 7 December 2020, being the latest practicable date prior to the printing of this Circular
<b>LPS</b>	: Loss per share
<b>MCO</b>	: A Movement Control Order which was imposed by the Government of Malaysia under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 which took effect from 18 March 2020
<b>MLLR</b>	: Main Market Listing Requirements of Bursa Securities as amended from time to time
<b>NA</b>	: Net assets
<b>NBV</b>	: Net book value
<b>Proposed Diversification</b>	: Proposed Diversification of the existing core business of TAFI Group to include the Property and Construction Related Businesses
<b>Property and Construction Related Businesses</b>	: Collectively, property development and construction business
<b>TAFI or Company</b>	: TAFI Industries Berhad (Registration No. 200401002432 (640935-P))
<b>TAFI Development</b>	: TAFI Development Sdn Bhd (Registration No. 199401015536 (301216-V)), formerly known as T.A. Systems Furniture Industries Sdn. Bhd.
<b>TAFI Group or Group</b>	: Collectively, TAFI and its subsidiaries
<b>TAFI Share(s) or Share(s)</b>	: Ordinary share(s) in TAFI
<b>RM and sen</b>	: Ringgit Malaysia and sen, respectively
<b>Shareholders</b>	: Registered holders of TAFI Shares
<b>SC</b>	: Securities Commission Malaysia

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**DEFINITIONS (CONT'D)**

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

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

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

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

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**TABLE OF CONTENTS**

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	<b>PAGE</b>
<b><u>PART A</u></b>	
<b>LETTER TO THE SHAREHOLDERS IN RELATION TO THE PROPOSED DIVERSIFICATION</b>	
<b>EXECUTIVE SUMMARY</b>	<b>1</b>
<b>1 INTRODUCTION</b>	<b>2</b>
<b>2 DETAILS OF THE PROPOSED DIVERSIFICATION</b>	<b>3</b>
<b>3 RATIONALE FOR THE PROPOSED DIVERSIFICATION</b>	<b>14</b>
<b>4 RISK FACTORS</b>	<b>14</b>
<b>5 INDUSTRY OVERVIEW AND PROSPECTS</b>	<b>16</b>
<b>6 EFFECTS OF THE PROPOSED DIVERSIFICATION</b>	<b>21</b>
<b>7 APPROVALS REQUIRED</b>	<b>21</b>
<b>8 INTER-CONDITIONALITY</b>	<b>21</b>
<b>9 INTEREST OF DIRECTORS AND/OR MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM</b>	<b>21</b>
<b>10 DIRECTORS' STATEMENT AND RECOMMENDATION</b>	<b>22</b>
<b>11 OUTSTANDING PROPOSALS ANNOUNCED BUT PENDING COMPLETION</b>	<b>22</b>
<b>12 ESTIMATED TIMEFRAME FOR COMPLETION</b>	<b>22</b>
<b>13 EGM</b>	<b>22</b>
<b>14 FURTHER INFORMATION</b>	<b>22</b>
<b><u>PART B</u></b>	
<b>LETTER TO THE SHAREHOLDERS IN RELATION TO THE ENHANCED RIGHTS ISSUE MANDATE</b>	
<b>1 INTRODUCTION</b>	<b>23</b>
<b>2 COMPLIANCE WITH BURSA SECURITIES' REQUIREMENTS</b>	<b>24</b>
<b>3 UTILISATION OF PROCEEDS AND RATIONALE</b>	<b>26</b>
<b>4 DIRECTORS' STATEMENT AND RECOMMENDATION</b>	<b>27</b>
<b>5 EGM</b>	<b>27</b>
<b>6 FURTHER INFORMATION</b>	<b>27</b>

---

**TABLE OF CONTENTS (CONT'D)**

---

	<b>PAGE</b>
<b><u>APPENDICES</u></b>	
<b>APPENDIX I      SALIENT TERMS OF THE JDA</b>	<b>28</b>
<b>APPENDIX II      SALIENT TERMS OF THE LAKE GARDENS AGREEMENT</b>	<b>33</b>
<b>APPENDIX III      FURTHER INFORMATION</b>	<b>35</b>
 <b>NOTICE OF EGM</b>	 <b>Enclosed</b>
<b>ADMINISTRATIVE GUIDE</b>	<b>Enclosed</b>
<b>PROXY FORM</b>	<b>Enclosed</b>

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**PART A**

**LETTER TO THE SHAREHOLDERS IN RELATION TO THE PROPOSED  
DIVERSIFICATION**

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## EXECUTIVE SUMMARY

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**THIS EXECUTIVE SUMMARY SETS OUT THE SALIENT INFORMATION OF THE PROPOSED DIVERSIFICATION. PLEASE READ PART A OF THIS CIRCULAR AND THE APPENDICES CAREFULLY FOR FURTHER DETAILS ON THE PROPOSED DIVERSIFICATION BEFORE VOTING AT THE FORTHCOMING EGM.**

TAFI is seeking its shareholders' approval on the Proposed Diversification. The Board, having considered all aspects of the Proposed Diversification, including the rationale, prospects and risk factors of the Proposed Diversification recommends that the shareholders of TAFI to vote **IN FAVOUR** for the resolution in relation to the Proposed Diversification to be tabled at the forthcoming EGM.

<b>Proposed Diversification</b>	<p>: AmInvestment Bank had on 5 November 2020, on behalf of the Board, announced that the Company proposes to undertake a proposed diversification of the existing core business of TAFI Group to include property development and construction activities.</p> <p>The Proposed Diversification will be spearheaded by Dato' Sri Wong and Dato' Sri Azlan, who together with Dato' Sri Andrew had emerged as the controlling shareholders of TAFI via Armani Synergy, after acquiring a controlling stake and completing a mandatory take-over offer in respect of all the remaining shares in TAFI which are not already owned by them, on 15 October 2020.</p> <p>The Group anticipates that the Property and Construction Related Businesses will contribute 25% or more of the net profits of TAFI Group and/or may result in a diversion of 25% or more of TAFI Group's NA. Accordingly, TAFI is seeking its shareholders' approval for the Proposed Diversification.</p>
<b>Rationale</b>	<p>: The Proposed Diversification is in line with the future business strategy of the Company to diversify its core business into the Property and Construction Related Businesses in order to enhance the Group's earnings as well as providing additional revenue and earnings stream to TAFI Group. This will also reduce its dependence on its current furniture business.</p> <p>Additionally, the Company could leverage on the Controlling Shareholders' experience, track record as well as industry know-how in undertaking the Property and Construction Related Businesses.</p>
<b>Risk Factors</b>	<p>: </p> <ul style="list-style-type: none"><li>• The Group will be subject to inherent risks faced by construction players and property developers, of which, TAFI Group has not been exposed to previously.</li><li>• The financing of the Development Project and any future development projects as well as construction contracts may be exposed to amongst others, fluctuation in interest rate and debt servicing risk.</li><li>• The Group is dependent on its key management personnel driving the Property and Construction Related Businesses.</li><li>• The Group will be subjected to any adverse development in political, economic, regulatory and social condition in Malaysia, including measures undertaken by the Government to curb the outbreak of COVID-19, which may adversely affect the Group's businesses.</li></ul>
<b>Approvals Required</b>	<p>: The Proposed Diversification is subject to the approval of shareholders of TAFI at the EGM to be convened</p>





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

**Registered Office:**

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

17 December 2020

**Board of Directors**

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

**To: The Shareholders**

Dear Sir / Madam,

**PROPOSED DIVERSIFICATION**

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**1. INTRODUCTION**

AmInvestment Bank had on 5 November 2020, on behalf of the Board, announced that the Company proposes to undertake a proposed diversification of the existing core business of TAFI Group to include property development and construction activities.

The Proposed Diversification will be spearheaded by Dato' Sri Wong and Dato' Sri Azlan, who together with Dato' Sri Andrew had emerged as the controlling shareholders of TAFI via Armani Synergy, after acquiring a controlling stake and completing a mandatory take-over offer in respect of all the remaining shares in TAFI which are not already owned by them, on 15 October 2020.

The Proposed Diversification is in line with the Controlling Shareholders' plan to diversify into the Property and Construction Related Businesses to enhance the Group's earnings and providing additional revenue and earnings stream to TAFI Group.

Further details of the Proposed Diversification are set out in the ensuing sections.

THE PURPOSE OF THIS CIRCULAR TOGETHER WITH THE APPENDICES IS TO PROVIDE YOU WITH RELEVANT INFORMATION PERTAINING TO THE PROPOSED DIVERSIFICATION TOGETHER WITH THE RECOMMENDATION OF THE BOARD AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED DIVERSIFICATION TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY. THE NOTICE OF EGM TOGETHER WITH THE PROXY FORM ARE SET OUT IN THIS CIRCULAR.

SHAREHOLDERS OF TAFI ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES, BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED DIVERSIFICATION TO BE TABLED AT THE FORTHCOMING EGM.

YOU SHOULD TAKE NOTE THAT IN THE EVENT OF ANY RESTRICTION TO MOVEMENT DUE TO FUTURE IMPLEMENTATION OF THE MCO OR CMCO BY THE GOVERNMENT OF MALAYSIA OR ANY OTHER EMERGENCY, ELECTRONIC DOCUMENTATION AND SERVICE MAY BE THE ONLY MODE THAT CAN BE EMPLOYED. AS SUCH, IT IS IMPORTANT FOR YOU TO REGISTER YOUR E-MAIL ADDRESS WITH BURSA DEPOSITORY VIA:-

- (i) [HTTPS://WWW.BURSAMALAYSIA.COM/TRADE/OUR\\_PRODUCTS\\_SERVICES/CENTRAL\\_DEPOSITORY\\_SYSTEM/REQUEST\\_FOR\\_ESTATEMENT](https://www.bursamalaysia.com/trade/our_products_services/central_depository_system/request_for_estatement); OR
- (ii) BURSA ANYWHERE MOBILE APPLICATION WHICH CAN BE DOWNLOADED FROM GOOGLE PLAY STORE OR APPLE APP STORE.

## 2. DETAILS OF THE PROPOSED DIVERSIFICATION

Currently, the Group is principally engaged in the business of manufacturing and marketing of furniture products. The financial performance of the Group for the past three (3) audited FYE's and the latest nine (9)-months unaudited quarterly result for the FPE 30 September 2020, with revenue and profit contributed by the furniture segment, are set out below:-

	Audited			Unaudited
FYE 31 December	2017	2018	2019	FPE 30 September 2020
Revenue (RM'000)	27,770	22,897	27,196	20,535
Profit / (Loss) after tax (RM'000)	(3,024)	(4,614)	(3,811)	(4,140)

The losses incurred by the Group over the past three (3) FYEs were largely due to *inter-alia* the increase in manufacturing cost, labour cost due to shortage in foreign workers, increasing competition in terms of pricing and declining profit margins.

The financial commentary on the Group's past 3 FYEs and the nine (9)-month FPE 30 September 2020 are as set out below:-

### (i) FPE 30 September 2020

For the FPE 30 September 2020, the revenue and LAT recorded by the Group was RM20.54 million and RM4.14 million respectively. This represents a decrease of RM1.34 million in revenue or 6.12% lower as compared against FPE 30 September 2019.

The lower revenue was due to COVID-19 outbreak which caused the Group being unable to operate at its normal productivity level in order to comply with the COVID-19 standard operating procedures imposed by the Government of Malaysia from April to June 2020. The lower revenue recorded coupled with higher direct costs arising from the increase in the pricing of raw materials, higher operating expenses as well as write-off of inventories damaged by floods had resulted in the Group recording an increase in LAT of RM1.65 million during the FPE 30 September 2020 compared against the FPE 30 September 2019.

**(ii) FYE 31 December 2019 (“FYE 2019”)**

The Group's revenue increased by approximately RM4.30 million or 18.8% to RM27.20 million in FYE 2019 (FYE 31 December 2018: RM22.90 million). The increase in revenue was mainly due to the introduction of new products as well as new customers secured.

Notwithstanding the increase in revenue, the Group had continued to record a LAT of RM3.81 million in FYE 2019 (FYE 31 December 2018: RM4.61 million) mainly attributable to the pricing of the raw materials used such as chipboard and medium-density fibreboard as well as the training cost in relation to the handling and operating of new automated equipment and machinery which had increased during the financial year.

**(iii) FYE 31 December 2018 (“FYE 2018”)**

The Group's revenue decreased by approximately RM4.90 million or 17.5% to RM22.90 million in FYE 2018 (FYE 31 December 2017: RM27.77 million). The decrease in revenue were mainly due to change in consumers' design taste and increase in online sales and thus affecting their customer's retail sales.

The Group recorded a LAT of RM4.61 million in FYE 2018 (FYE 31 December 2017: RM3.02 million). The LAT was mainly due to lower revenue recorded during the financial year and higher manufacturing cost as a result of the increase in the pricing of raw materials used. These together with other expenses such as selling and distribution costs as well as administrative expenses, had resulted the Group to register LAT of RM4.61 million during the financial year.

**(iv) FYE 31 December 2017 (“FYE 2017”)**

The Group's revenue increased by approximately RM1.66 million or 6.38% to RM27.77 million in FYE 2017 (FYE 31 December 2016: RM26.11 million). The increase in revenue was mainly due to increase in export sales of its customised furniture products.

Notwithstanding the increase in revenue, the Group had continued to record a LAT of RM3.02 million in FYE 2017 (FYE 31 December 2016: RM6.45 million) mainly due to the raw material cost (i.e. due to the increase in pricing of chipboard and medium-density fibreboard) and the labour cost (i.e. the additional training cost incurred on handling and operating of new automated equipment and machinery) which had increased during the financial year.

In view of the above and with the aim of enhancing the Group's prospects and financial performance, the Company intends to pursue the expansion and identification of new opportunities in the Property and Construction Related Businesses, of which, the Company had on 5 November 2020 announced to undertake a proposed joint development which represents the Group's maiden venture into the Proposed and Construction Related Business. Brief details of the aforesaid proposed joint development are set out in Section 2.2 of this Circular. Notwithstanding the Proposed Diversification, it is also the intention of the Company to streamline its existing furniture business in order to improve the efficiency in its operations.

As part of the Group's plan to diversify into the Property and Construction Related Businesses, the Company intends to explore, *inter-alia* the following with external parties, companies controlled by the Controlling Shareholders and/or their related parties:-

- (i) acquisition of landbanks and/or existing property development projects;
- (ii) entering into joint venture agreements with landowners / project owners / property developers; and/or
- (iii) bidding / tendering for new construction contracts.

Whilst the Group will continue with our current businesses in manufacturing of furniture products, the management of the Group expects that the Property and Construction Related Businesses will contribute 25% or more of the net profits of TAFI Group and/or may result in a diversion of 25% or more of TAFI Group's NA in the forthcoming FYE 31 December 2021 and future financial years after taking into consideration:-

- (i) that the property development and construction business is capital intensive and given TAFI's small base of operations the estimated GDV and GDP pursuant to the Development Project and future development/construction projects to be undertaken is expected to surpass 25% or more of the net profits of TAFI Group and/or may result in a diversion of 25% or more of TAFI Group's NA;
- (ii) the historical financial performance of TAFI, which has been loss making for the recent financial years up to and including the latest unaudited FPE 30 September 2020 as described above; and
- (iii) the management's plans to continue to seek for and secure property development projects and construction related contracts by leveraging on the business network and track record of the Controlling Shareholders.

In respect of the above, the Board proposes to seek the approval from shareholders of TAFI for the Proposed Diversification pursuant to Paragraph 10.13 of the MMLR at the EGM.

## **2.1 Directors and Key Management Personnel**

Although the Group does not have any historical track record in property development and construction, the Board believes that the Group has the capability and resources to diversify into Property and Construction Related Businesses by leveraging on the experience and expertise of the Controlling Shareholders and our key management personnel to be appointed. In this respect, the Proposed Diversification will be spearhead by Dato' Sri Wong and Dato' Sri Azlan who are also members of the Board.

- (i) Dato' Sri Wong

Dato' Sri Wong, a Malaysian, aged 44, is a Chartered Accountant of the Malaysian Institute of Accountants, Certified Practising Accountant of CPA Australia and ASEAN Chartered Professional Accountant who holds a Degree in Business (Accountancy) with distinction from RMIT University, Australia.

He started his career in 1999 by joining MF Chai & Co., an audit firm where he left as an audit director in 2009 to venture into property development and construction business by initially forming Erayear Venture Sdn Bhd in May 2009 with Dato' Sri Andrew to undertake their maiden commercial development project in Perak with a GDV of approximately RM10 million. Subsequently, Dato Sri Wong, together with the Controlling Shareholders undertook various development projects consisting of both commercial and residential projects across Malaysia with a cumulative GDV of approximately RM1.0 billion and construction contracts of approximately RM300 million through several private limited companies including, amongst others, Golden Armani Sdn Bhd, Erayear Properties Sdn Bhd and Grand Golden Development Sdn Bhd. Dato' Sri Wong had been actively involved in various facets of the development and construction, including contract negotiations, budgeting and project management.

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 provision of photovoltaic (PV) solar energy solutions via Armani Energy Sdn Bhd, food and beverage business under the brand name of "Harold's Bread", the "Fresh Grocer" supermarket business and provision of professional consultancy services via Exclusive Tax Services Sdn Bhd and Value Tax Services Sdn Bhd.

Dato' Sri Wong was appointed to the Board as an Executive Director on 6 October 2020 and subsequently re-designated to Group Chief Executive Officer of TAFI on 27 October 2020.

(ii) Dato' Sri Azlan

Dato' Sri Azlan, a Malaysian, aged 44, has extensive experience in building, construction and civil engineering industry and also in property development. He holds a Diploma in Civil Engineering from Universiti Teknologi Malaysia.

He began his career in 1999 by undertaking 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 in 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 together with the Controlling Shareholders.

Dato' Sri Azlan is also involved in construction and property development, provision of photovoltaic (PV) solar energy solutions via Armani Energy Sdn Bhd, food and beverage business under the brand name of "Food Jam" and also the "Fresh Grocer" supermarket business.

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

For information purposes, a list of notable property development projects and construction contracts undertaken by Dato' Sri Wong and Dato' Sri Azlan are summarised below:-

No.	Project Description	GDV for property development projects (RM' million)	Date of Commencement / Completion / Expected Completion	Roles and responsibility as developer	Contract sum for construction contracts (RM'million) (ii)	Roles and responsibility as contractor
1.	Development and construction of a residential project known as Casa Kayangan, comprising the development of 384 units of apartments located in Perak (Developer: Gelombang Prestasi Sdn Bhd) <sup>(i)</sup>	100.0	December 2015 – November 2018	Dato' Sri Wong was responsible for the overall operations and management of the project including the development of business strategies, marketing and sales, finance and budget, business process and operations, manpower planning and staff management.	87.0	Dato' Sri Wong was responsible for contract negotiations, monitoring contract agreements, progress monitoring, budget and quality control monitoring as well as overseeing the building construction and infrastructure works of the project.
2.	Development of a residential project known as Seri Tianni, comprising the development of 144 units of apartments located in Selangor (Developer: Golden Armani Sdn Bhd)	70.0	April 2016 – February 2019	Dato' Sri Azlan was responsible for the overall operations and management of the project including the development of business strategies, business process and operations, manpower planning and staff management.  Dato' Sri Wong was responsible for the project marketing and communication strategies, as well as the overall branding and image for the project. He also managed the financial and budgeting aspects of the project.	-	-

No.	Project Description	GDV for property development projects (RM' million)	Date of Commencement / Completion / Expected Completion	Roles and responsibility as developer	Contract sum for construction contracts (RM'million) (iii)	Roles and responsibility as contractor
3.	Development and construction of a residential project known as Residensi The Trees P1, comprising the development of 408 units of apartments located in Kuala Lumpur  (Developer: Golden Armani Sdn Bhd)	190.0	May 2018 – June 2022	Dato' Sri Azlan is responsible for the overall operations and management of the project including the development of business strategies, business process and operations, manpower planning and staff management.  Dato' Sri Wong is responsible for the project marketing and communication strategies, as well as the overall branding and image for the project. He also managed the financial and budgeting aspects of the project.	114.0	Both Dato' Sri Azlan and Dato' Sri Wong are responsible for contract negotiations, monitoring contract agreements, progress monitoring, budget and quality control monitoring as well as overseeing the building construction and infrastructure works of the project.
4.	Development and construction of a residential project known as Residensi Armani Petaling, comprising the development of 179 units of apartments and 77 units of Residensi Wilayah located in Selangor  (Developer: Golden Armani Sdn Bhd)	136.0	February 2020 – January 2023		136.0	
5.	Development and construction of a commercial project known as Armani SOHO, comprising the development of 319 units of small office home office located in Selangor  (Developer: Erayear Properties Sdn Bhd)	100.0	July 2020 – May 2023		60.0	

No.	Project Description	GDV for property development projects (RM' million)	Date of Commencement / Completion / Expected Completion	Roles and responsibility as developer	Contract sum for construction contracts (RM'million) <sup>(ii)</sup>	Roles and responsibility as contractor
6.	Development of a residential project known as Residents The Trees P2, comprising the development of 75 units of apartments and 74 units of Residents Wilayah located in Kuala Lumpur  (Developer: Golden Armani Sdn Bhd)	63.0	September 2021 – July 2024	Dato' Sri Azlan is responsible for the overall operations and management of the project including the development of business strategies, business process and operations, manpower planning and staff management.  Dato' Sri Wong is responsible for the project marketing and communication strategies, as well as the overall branding and image for the project. He also managed the financial and budgeting aspects of the project.	-	-
7.	Development of a residential project known as Le Garden, comprising the development of 271 units of apartments located in Selangor  (Developer: Grand Golden Development Sdn Bhd)	100.0	October 2021 – June 2024		-	-

**Notes:-**

- (i) For information purposes, Dato' Sri Wong was previously a director of Gelombang Prestasi Sdn Bhd when undertaking the Casa Kayangan development project. Dato' Sri Wong had subsequently resigned as a director in Gelombang Prestasi Sdn Bhd after the completion of the aforesaid development project. For the avoidance of doubt, Dato' Sri Azlan was not involved in the Casa Kayangan development project.
- (ii) The construction contracts stated in the table above (save for the developments known as Seri Tijanni, Residents The Trees P2 and Le Garden), which comprises infrastructure and building works, were awarded to Mercu Majuniaga Sdn Bhd, a company controlled by Dato' Sri Wong and where Dato' Sri Azlan is a director.



For the abovementioned property development and construction projects, in addition to the responsibilities highlighted above, the responsibilities of the Controlling Shareholders include the identification of suitable lands for property development either through joint venture or acquisition of development rights and/or acquisition of companies from external parties or related parties.

While the Group believes that the Controlling Shareholders are capable of managing the Development Project, the Group envisages to recruit up to 10 additional personnel moving forward to facilitate the growth of the Property and Construction Related Businesses which includes but not limited to, site engineer, quantity surveyor, project manager and project supervisor for its construction segment as well as project manager, administrative team and sales team for its property development segment. Nevertheless, the Company's recruitment will depend on the size and requirements of the development / construction projects to be undertaken by TAFI Group and also the availability of suitable candidates.

As at this juncture, save for the financial commitment required for the implementation of the Development Project, there is no additional financial commitment to be invested in the Property and Construction Related Businesses as the financial commitment will only be required as and when the development/construction projects are undertaken. Such financial commitment will be supported by internally generated funds and/or bank borrowings as well as progressive billings from the development/construction projects.

## **2.2 Information on the Proposed Joint Development**

The information on the Proposed Joint Development set out under Section 2.2, Appendix I and Appendix II of the Circular are strictly for information purposes only and does not form the subject matter of the Circular. For avoidance of doubt, as disclosed under Section 2.2.7, the Proposed Joint Development does not require TAFI's shareholder's approval.

### **2.2.1. Brief Details of the Proposed Joint Development**

On 5 November 2020, the Company had announced that its wholly-owned subsidiary, TAFI Development had on even date entered into a conditional joint development agreement with a third party, E Prompt for the purpose of the Development Project ("**JDA**") which serves as an entry point for TAFI Group to venture into property development business ("**Proposed Joint Development**").

Lake Gardens Sdn. Bhd. ("**Lake Gardens**"), being the registered owner of the Complete Land, had on 25 February 2020, entered into a joint venture agreement with E Prompt for the joint venture of the development of the Complete Land ("**Lake Gardens Agreement**").

Pursuant to the Lake Gardens Agreement, Lake Gardens had via a power of attorney, granted E Prompt *inter-alia* the rights to enter into joint venture development agreements with third parties to develop the Development Land according to the terms that E Prompt deems fit and to grant a power of attorney to any such developer for the construction/development of the Development Land ("**Power of Attorney**").

Pursuant to the JDA, for the purposes of the Development Project, E Prompt had on 5 November 2020, via a substituted power of attorney granted TAFI the sole control and management of the Development Project according to the terms of the JDA. In addition, the development cost including *inter-alia* the construction cost, building cost, professional fees and administrative cost in relation to the Development Project will be borne by TAFI.

Please refer to Appendix I and Appendix II of the Circular for the salient terms of the JDA and Lake Gardens Agreement, respectively, which have been extracted from the Company's announcements dated 5 November 2020 and 10 November 2020 in relation to the Proposed Joint Development.

The Development Project which will be carried out on the Development Land, is envisaged to comprise the development of town houses, apartments and commercial shops, the final composition of which has yet to be determined at this juncture.

The Company estimates that the GDV and GDC of the Development Project is expected to amount to approximately RM390.0 million and RM260.0 million, respectively. As at the LPD, the details of the Development Project including inter-alia the layout, infrastructure and building plan are still in preliminary planning stages and has yet to be submitted to the relevant authorities.

For information purposes, TAFI had recently obtained a Grade G7 license which enables the Group to undertake construction contracts without limitation of contract value including the construction of the Development Project. Nonetheless, subject to the resources available to the Group vis-à-vis the commencement of the Development Project, the Group may engage sub-contractors to carry out some of the construction works.

## **2.2.2. Parties Entitlement**

In consideration of E Prompt allowing TAFI Development to participate in the Development Project, TAFI Development will be required to pay the following to E Prompt:-

- (i) RM300,000 only, upon execution of the JDA ("**Initial Payment**");
- (ii) RM200,000 only, by end of January 2021;
- (iii) RM500,000 only, upon obtaining the Planning Permission's approval for the Development Project; and
- (iv) RM1,000,000 only, upon the Advertising Permit and Developers Licence ("**APDL**") being obtained by TAFI Development for any part of the Development Land.

(collectively referred to as the "**Fees**").

Pursuant to the JDA, E Prompt shall be entitled to a range between 16% to 25% of the total number of completed units of apartments and townhouses built on the Development Land, being the main component of the Development Project and 35% of the total number of completed units of shop lots built on the Development Land ("**E Prompt's Entitlement**").

The Company is not able to quantify the actual quantum of E Prompt's Entitlements at this juncture as the type, price range and the timing to launch the Development Project has not been finalised. The entitlements to be received by E Prompt includes the landowner's entitlement to Lake Gardens representing 12% of the units constructed under the Lake Gardens Agreement. Hence, based on the range of units to be obtained from TAFI Development as part of its entitlements, E Prompt's net entitlement will amount to between 4% to 13% of the GDV, after excluding the entitlement to Lake Gardens. For the avoidance of doubt, Lake Gardens landowners entitlement pursuant to the Lake Garden's Agreement is payable by E Prompt to Lake Garden.

The aforementioned range is commercially negotiated after taking into consideration the power of attorney granted by Lake Garden to E Prompt to deal on the Development Land on its behalf, including for E Prompt to enter into the JDA with TAFI Development, marketing and sourcing for development partners on behalf of Lake Garden as well as the roles and responsibilities of E Prompt as set out in the salient terms of the JDA under Appendix I of this Circular.

### 2.2.3. Basis and justification for the E Prompt's Entitlement

E Prompt's Entitlement was arrived at on a willing-buyer and willing-seller basis after taking into consideration:-

- (i) The prospects of the Development Project as described in Section 5.3 of this Circular;
- (ii) Prevailing joint developments undertaken by public listed companies who acted as the developers for projects with GDV within the range of RM100 million to RM500 million from which it was noted that the landowners were entitled to a range of between 13% and 35% of the GDV; and
- (iii) No significant upfront cost to acquire the Development Land while E Prompt's Entitlement is only payable upon completion of the Development Project.

TAFI Development did not undertake a valuation of the Development Land as the Company is not acquiring the Development Land and/or the Development Project. Only the Initial Payment (which is non-refundable) is required to be paid to E Prompt upon the execution of the JDA for TAFI Development to participate in the Development Project.

However, the Company has undertaken a preliminary internal assessment on the viability of the Development Project and shall monitor the same throughout the duration of the Development Project as part of its property development operations.

### 2.2.4. Background information of E Prompt

E Prompt was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 27 August 2010. E Prompt is principally involved in construction and property development.

As at the LPD, E Prompt's total number of shares is 2,000,000 ordinary shares. The directors of E Prompt are Ng L'yp Hau, Tay Giok Ping and Desmond Chan Ying Choong.

As at the LPD, the shareholders of E Prompt are as follows:-

Name	Direct		Indirect	
	No. of shares	%	No. of shares	%
Ng L'yp Hau	1,380,000	69.00	-	-
Desmond Chan Ying Choong	620,000	31.00	-	-
<b>Total</b>	<b>2,000,000</b>	<b>100.00</b>	-	-

### 2.2.5. Background information of Lake Gardens

Lake Garden was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 6 April 1966. Lake Garden is principally involved in investment property holding.

Lake Garden's total number of shares is 100,004 ordinary shares. The directors of E Prompt are Yeo Poh Noi, Caroline, Oan Li San and Ng L'yp-Hau.

The shareholders of Lake Gardens are as follows:-

Name	Direct		Indirect	
	No. of shares	%	No. of shares	%
Yeo Poh Noi, Caroline	25,002	25.0	-	-
Koh Chye Hoeh @ Koh Chye Hueh	74,999	75.0	-	-
Ng L'yp Hau	1	-*	-	-
Oan Li San	1	-*	-	-
Tom Tan @ Tan Yong Tian	1	-*	-	-
<b>Total</b>	<b>100,004</b>	<b>100.00</b>	-	-

**Note:-**

\* Negligible

## 2.2.6. Estimated Financial Commitment and Estimated Timeframe for Completion

Subject to market conditions and the relevant authority's approval, the Development Project is expected to commence in the first half of 2021 and to be developed over an estimated period of five years. The financial requirement for the undertaking of the Development Project will be funded via a combination of internally generated funds and/or borrowings.

## 2.2.7. Approvals Required

The Company on 10 November 2020, had announced that the Proposed Joint Development does not require TAFI shareholder's approval as it is not a "transaction" pursuant to Paragraph 10.02 (l)(i) of the MMLR as the Proposed Joint Development is not a related party transaction and does not involve an acquisition or disposal of assets by TAFI Development.

Nonetheless, the undertaking of the Proposed Joint Development by TAFI Group is still subject to the compliance of Paragraph 10.13 of the MMLR. Therefore, the Company is seeking its shareholders' approval for the Proposed Diversification, which is the subject matter of this Circular.

In this respect, the Board takes cognisance that the Controlling Shareholders, who currently hold 51% equity interest of TAFI are supportive for the Company to undertake the Proposed Joint Development and subsequently the Proposed Diversification based on the rationale set out in Section 3 of this Circular.

Nonetheless, in the unlikely event that the Proposed Diversification is rejected by the shareholders of TAFI in the upcoming EGM, the Company will take the necessary measures, including *inter-alia* discussions with E Prompt to alter the terms of the Proposed Joint Development to ensure that any responsibilities of TAFI in regards to the Proposed Joint Development does not breach Paragraph 10.13 of the MMLR.

### **3. RATIONALE FOR THE PROPOSED DIVERSIFICATION**

As set out in Section 2 above, the Proposed Diversification is sought as the Board reasonably expects the Property and Construction Related Businesses to contribute 25% or more of the net profits of TAFI Group or cause a diversion of 25% or more of the Group's NA moving forward.

Taking into consideration the challenges faced and the lacklustre financial performance of its existing furniture business as shown under Section 2 of this Circular, the Proposed Diversification is in line with the future business strategy of the Company and the Controlling Shareholders wherein moving forward, it is the intention of the Company's to diversify its core business into the Property and Construction Related Businesses and reduce its overdependence on its current manufacturing business. The Proposed Diversification is expected to expand the revenue stream and earnings base of the Group, which in turn should improve the Group's financial performance moving forward.

The Board had decided to diversify into the Property and Construction Related Businesses after taking into consideration the extensive experience, track record and industry know-how of the Controlling Shareholders in the similar sector. The Company is able to leverage on such expertise in undertaking and expanding the Property and Construction Related Businesses which will augur well for the Group's financial performance.

Notwithstanding the current economic uncertainties, slow domestic growth and outlook of the property development/ construction industry as highlighted in Section 5 of this Circular, the Company is optimistic that the capabilities of the Controlling Shareholders in the Property and Construction Related Businesses will enable TAFI Group to navigate through the economic uncertainties when undertaking the new businesses.

By undertaking the Proposed Diversification, the Group is also able to amongst others, identify and acquire viable landbanks for property development, enter into joint ventures with landowners / project owners and tender or secure new construction projects with external parties and/or companies controlled by the Controlling Shareholders and/or their related parties.

### **4. RISK FACTORS**

Save as disclosed below, which are by no means exhaustive, the Board does not foresee any other additional risks inherent in the property development and construction industries pursuant to the Proposed Diversification:-

#### **4.1 Operational / Business risks**

Following the completion of the Proposed Diversification, TAFI Group will be subject to inherent risks faced by construction players and property developers of which TAFI Group has not been exposed to previously.

Such risks may include, amongst others, adverse changes in real estate market prices, changes in demand for types of residential, commercial and industrial properties, competition from other property developers, changes in economic, social and political conditions, delay in completion of property development projects against the scheduled completion, risk of purchaser's default, performance of third-party contractors and sub-contractors, labour and material supply shortages, fluctuations in the prices of building material and costs of labour charges, increase in real property gains tax and any applicable taxes and adverse changes in property tax assessments and other statutory charges.

Being a new player in the market, TAFI Group will face stiff competition from both new entrants and existing players in the Property and Construction Related Businesses. The Group may also be disadvantaged being a new entrant in the Property and Construction Related Businesses due to lack of relevant track record and brand name as an entity as compared to existing and more established players.

Nevertheless, the Group will seek to mitigate this risk by leveraging on the experience, network and expertise of the key management personnel, as set out in Section 2.1 of this Circular. The Group will also seek to limit the risks through, amongst others, proactive and close monitoring of the progress and costs of the projects to minimise cost overruns and to ensure timely delivery of the projects while making all reasonable efforts to maintain the quality of the final products. Further, our Company will from time to time review pricing and marketing strategies and if necessary undertake further promotional incentives to increase sales.

#### **4.2 Financing risk**

Should the implementation of the Development Project or any other future property development or construction activities be funded via bank borrowings, the gearing level of the Group will increase correspondingly and our Company may be exposed to amongst others, fluctuation in interest rate and debt servicing risks, which could potentially lead to higher borrowing costs which may adversely affect our Company's financial performance as well as its ability to service future loan repayment obligations.

On a separate note, any utilisation of internal funds is expected to result in a reduction of funds available for working capital purposes, which could potentially lead to an adverse effect on our Group's cash flow position.

Nevertheless, our Company shall continuously monitor and review its gearing level, interest costs as well as cash flows position in achieving an overall optimal capital structure.

#### **4.3 Dependency on key management personnel**

The growth and success of the property development and construction segments of TAFI Group, to an extent, is dependent largely on the abilities, skills, experience, competency and continued efforts of our Controlling Shareholders and key management personnel. The loss of any key management personnel without suitable and timely replacement, or the inability to attract and retain qualified personnel could adversely affect the Group's Property and Construction Related Businesses and consequently, its revenue and profitability.

Recognising the importance of its key personnel, the Group will continuously adopt appropriate approaches to retain the key management personnel. Further, to avoid overdependence on any key management personnel, the Group will strive to attract qualified and experienced employees. Whilst the Group believes that the Controlling Shareholders are capable of managing its existing projects, the Company may form a project management team with specialist experience as part of its succession planning to carry out its Property and Construction Related Businesses.

#### **4.4 Political, economic and regulatory factors**

Adverse changes in political, economic, regulatory and social conditions in Malaysia include amongst others, changes in economic conditions, changes in governmental policies, such as the method of taxation and the introduction of new regulations, could materially and unfavourably affect the financial prospects of the Property and Construction Related Businesses directly or indirectly.

These factors are generally beyond the management's control and affect all players in the industry. Nevertheless, TAFI Group takes cognisance of the above and will take effective measures to mitigate such risks by taking prudent financial management and measures to ensure that changing demands and conditions are met.

#### **4.5 Pandemic Risk**

The global economic growth has been affected due to the outbreak of COVID-19 and its rapid spread across the globe. The ripple effects of COVID-19 are still unfolding on a global scale and the true impact of this pandemic can only be measured once the situation stabilizes. Inevitably, social and economic conditions in Malaysia will be affected by the COVID-19 pandemic, particularly, in the event where the movement restriction orders imposed by the Government is extended, the Company may be subject to disruptions in business operations and/or undertaking the Proposed Diversification, which may negatively affect the earnings of the Group.

Nevertheless, our Company will monitor closely on the progress of the COVID-19 outbreak in its efforts to mitigate the impact on the Development Project. Our Company will strive to implement more efficient operating procedures and prudent financial management to ensure that the adequacy of working capital and timeliness of delivering the project are not affected, while at the same time reviewing and enhancing its marketing / promotional initiatives to encourage sales for both its manufacturing and Property and Construction Related Businesses segment.

### **5. INDUSTRY OVERVIEW AND PROSPECTS**

Information in Sections 5.1 to 5.2 have been extracted from the most recent available government publications as well as other publicly available resources.

#### **5.1 Overview and outlook of the Malaysian economy**

In line with the reopening of the economy from earlier COVID-19 containment measures and improving external demand conditions, the Malaysian economy recorded a smaller contraction of 2.7% in the third quarter. This recovery is seen across most economic sectors, particularly the manufacturing sector, which turned positive on account of strong electrical and electronics (E&E) production activity. On the expenditure side, domestic demand contracted at a slower pace, while net exports rebounded. On a quarter-on-quarter seasonally adjusted basis, the economy turned around to register an expansion of 18.2% (2<sup>nd</sup> quarter 2020 ("2Q 2020"): -16.5%).

Improvements in growth were recorded across most economic sectors, as the country transitioned from the CMCO into the Recovery Movement Control Order ("RMCO").

Growth in the manufacturing sector rebounded to 3.3% (2Q 2020: -18.3%), supported by a broad-based improvement across all the major manufacturing clusters. In the E&E cluster, growth rebounded strongly as production increased to fulfil order backlogs from the previous quarter as well as to cater for front-loading activities amid concerns of rising trade tensions.

Going into 2021, growth is expected to improve further, benefitting from the recovery in global demand and spill overs onto the domestic sectors, continued policy support including the recent KITA PRIHATIN and 2021 Budget measures, as well as higher production from existing and new facilities. However, the pace of recovery will be uneven across sectors with some industries expected to remain below pre-pandemic levels, and a slower improvement in the labour market.



The balance of risks is tilted to the downside, emanating mainly from ongoing uncertainties surrounding COVID-19 globally and domestically. However, the economy could benefit from a larger-than-expected positive impact from various policy measures, and better-than-expected recovery in global economy

*(Source: BNM Quarterly Bulletin: Economic and Financial Developments in the Malaysian Economy in the Third Quarter of 2020, Bank Negara Malaysia)*

The global economy is projected to register negative growth in 2020, due mainly to the significant economic repercussions arising from the unprecedented COVID-19 pandemic. Risks to global growth are tilted to the downside, mainly reflecting the significant uncertainties surrounding the COVID-19 pandemic. The extent of the economic impact arising from this pandemic would be contingent on the severity and duration of the outbreak in various economies and the corresponding measures undertaken to contain this global health crisis. The weakness in the real economy could be further weighed down by a prolonged tightening of global financial conditions.

Against this highly challenging global economic outlook, Malaysia's GDP growth is projected to be between -2.0 to 0.5% in 2020 (2019: 4.3%). The domestic economy will be impacted by the necessary global and domestic actions taken to contain the outbreak. Of significance, tourism-related sectors are expected to be affected by broad-based travel restrictions and travel risk aversion, while production disruptions in the global supply chain will weigh on the manufacturing sector and exports. Apart from the pandemic, the domestic economy will also be affected by the sharp decline and volatile shifts in crude oil prices and continued supply disruption in the commodities sector. Unfavourable weather conditions and maintenance works will weigh on the production of oil palm, crude oil and natural gas.

*(Source: Economic and Monetary Review, Bank Negara Malaysia)*

## **5.2 Overview of the property and construction sector in Malaysia**

### **Property Development**

The property market performance recorded a sharp decline in the first half of 2020 ("H1 2020") compared to the same period last year ("H1 2019"). A total of 115,476 transactions worth RM46.94 billion were recorded, showing a decrease of 27.9% in volume and 31.5% in value compared to the same period last year, which recorded 160,165 transactions worth RM68.53 billion.

The residential sub-sector led the overall property market, with 65.2% contribution. This was followed by agriculture sub-sector (20.1%), commercial (7.0%), development land and others (5.9%) and Industrial (1.7%). In terms of transaction value, residential took the lead with 54.6% share, followed by commercial (18.1%), industrial (11.5%), agriculture (8.8%) and development land and others (7.0%).

In the primary market, the number of new launches in the first half-year were far behind those recorded in similar half of 2019. There were 13,294 units launched, down by 43.6% against 23,591 units in similar half year of 2019. Against the preceding half, the launches were lower by 31.6% (second half of 2019 ("H2 2019"): 19,444 units). Sales performance was poor at 3.3%, way lower compared to the first half of 2019 (30.9%) and H2 2019 (28.4%). The lower new launches and poor sales performance was probably due to the total closure of almost all business and economic activities during the MCO period, which was imposed since March 18 2020.

The slow market absorption of the primary market led to the increase in residential overhang. There were 31,661 overhang units worth RM20.03 billion, increased by 3.3% in volume (H2 2019: 30,664 units) and 6.4% in value against the preceding half (H2 2019: RM18.82 billion). Meanwhile the unsold under construction recorded a marginal increase to 74,230 units, up by 2.1% whilst the unsold not constructed improved as the numbers dropped to 14,542 units, reduced by 13.3%.



According to Bank Negara Malaysia report, Malaysian economy is expected to recover gradually in H2 2020 as the economy progressively re-opens and external demand improves. The Malaysia's GDP is projected to grow within the range of -3.5% to -5.5% in 2020 and 5.5% to 8.0% in 2021. With the resuming of economic activities since early May 2020, property market activities recorded in the month of May and June 2020 saw a turnaround.

Further assistance from the government, initiated under a new short-term Economic Recovery Plan or *Penjana*, proposed a recovery plan which is related to property which include:-

- (i) Reintroduction of Home Ownership Campaign ("**HOC**") - Stamp duty exemption on the instruments of transfer and loan agreement for the purchase of residential homes priced between RM300,000 to RM2.5 million subject to at least 10% discounts provided by the developer for sales and purchase agreements signed between 1<sup>st</sup> June 2020 to 31st May 2021.
- (ii) Real Property Gains Tax (RPGT) exemption for disposal of residential homes from 1st June 2020 to 31st December 2021.
- (iii) The uplifting of the current 70 percent margin of financing limit applicable for the third housing loan onwards for property valued at RM600,000 and above, during the period of the HOC.

Notwithstanding the upturn of market activity and the proposed measures under *Penjana*, the property market is more than likely to remain soft for the rest of the second half 2020. The pace of improvement, will be depend on both domestic and external factors such as political stability, global oil and commodity prices as well as the COVID-19 pandemic development.

*(Source: Overview Property Market Report, First Half 2020, JPPH Malaysia)*

### **Construction**

The construction sector recorded a marginal increase of 0.4% during the first half of 2019. For the year, the growth is expected to expand 1.7% mainly supported by the civil engineering segment, particularly the infrastructure-related projects. However, the performance of the sector will be weighed down by subdued growth of the residential and commercial properties. For 2020, the construction sector is expected to grow further to 3.7% on account of acceleration and revival of mega projects as well as building of affordable homes.

The residential subsector is expected to grow at a slower pace, mainly due to elevating property overhang caused by the mismatch between supply and demand. However, various measures undertaken by the Government including the building of 60,000 units per year of affordable homes within 10 years and the reinvigorating of the National Housing Policy are expected to boost the growth of the subsector in 2020. In addition, the enhancement of the Fund for Affordable Homes by Bank Negara Malaysia will enable the first-time home buyers to enjoy lower monthly commitment up to 20%, which in turn will support the subsector.

*(Source: Macroeconomic Outlook 2020, Ministry of Finance)*

Activity in the construction sector improved, contracting by a smaller rate of 12.4% (2Q 2020: -44.5%). Activity resumed across all sub-sectors supported by on-going large transportation projects in the civil engineering sub-sector and affordable housing projects in the residential sub-sector

*(Source: Economic and Financial Developments in the Malaysian Economy in the Third Quarter of 2020, Bank Negara Malaysia)*

## **Impact of COVID-19 on the Property Development and Construction Sector**

There may be high near-term downside risks resulting from the unforeseeable outbreak of COVID-19 worldwide. This may dampen the anticipated economic growth, particularly for the first half year of 2020. The Covid-19 outbreak is expected to take its toll on the world economies and the Malaysian economy, in particular tourism-related sectors such as airlines, retail, food and beverage and hospitality; as well as the manufacturing and selected services sector. The magnitude of the impact on the Malaysian economy would depend on the duration and spread of the outbreak not only in Malaysia but also in other countries, especially those that are Malaysia's major trading partners.

Many incentives are given by the government in the effort to cushion-off the impact on the property market. However, given the challenging market coupled with the downside in consumers and business community confidence, market activity and market absorption are likely to be slow.

Despite the economic headwinds, the Malaysian property market is expected to remain resilient in the coming year. Affordable housing and finding the right solutions to the property overhang will continue to be the main agenda of the government. The close monitoring on the implementation of programmes under the National Housing Policy 2.0 (2018 – 2025) and various incentives introduced to promote home ownership among Malaysians are expected to contain the overhang situation in the coming year.

*(Source: Press Release, JPPH Malaysia, 29 April 2020)*

Activity in the construction sector declined by 44.5% (1Q 2020: -7.9%), as almost all activities came to a standstill particularly in the month of April. Despite the partial reopening of the economy on 4 May 2020, most construction sites faced challenges restarting due to adjustments required to comply with the strict COVID-19 Standard Operating Procedures (SOPs). Most of the construction sites were reported to remain idle as developers faced challenges to restart, including financial constraints, initial lack of clarity over the SOPs and COVID-19 testing, and disruptions in the supply of construction materials. However, the situation improved significantly towards the end of the quarter after the Government implemented additional measures to facilitate the revival of the economy.

*(Source: BNM Quarterly Bulletin, Second Quarter of 2020, Bank Negara Malaysia)*

### **5.3 Prospects of TAFI Group**

The Group has recorded losses for its last three (3) financial years up to FYE 31 December 2019 and its unaudited FPE 30 September 2020, which was attributable to, amongst others, the increase in manufacturing cost, labour cost due to shortage in foreign workers, increasing competition in terms of pricing and declining profit margins, as disclosed under Section 2 of this Circular.

The Group's furniture segment has been adversely affected by the COVID-19 and the subsequent MCO and CMCO. As a result of the COVID-19 outbreak in Malaysia, the Government of Malaysia has imposed the MCO on 18 March 2020 and two subsequent 14 days extensions of the MCO were announced on 25 March 2020 and 10 April 2020 respectively to extend the effective date of the MCO from 1 April 2020 until 14 April 2020 and thereafter from 15 April 2020 until 28 April 2020 ("**MCO Period**").

Malaysia is currently facing the third wave of the COVID-19 and the Government of Malaysia has also declared a CMCO for all states in peninsular Malaysia except Kelantan, Perlis and Pahang from 9 November 2020 to 6 December 2020.

During the MCO Period, the Group was not able to operate its manufacturing operations and was only able to resume operations albeit at lower production level to comply with the COVID-19 standard operating procedures imposed by the government of Malaysia once the Government of Malaysia announced the CMCO in early May 2020. The effects of the COVID-19 on the Malaysian and global economy has negatively affected the overseas demand for the Group's furniture products, taking into consideration the export restrictions and the closure of borders implemented by various countries.

The Board expects the challenges faced by its furniture segment to continue. Nonetheless, it is the intention of the Company to improve the performance of its furniture segment in the near future by streamlining its existing furniture business, including *inter-alia* implementing cost cutting measures, expanding the product mix offered and improving its marketing strategy, in order to improve the efficiency in its operations and financial performance.

In view of the above and with the aim of enhancing the Group's prospects and financial performance, the Company intends to pursue the expansion and identification of new opportunities in the Property and Construction Related Businesses.

The Board acknowledges that the Group has had no prior involvement in the Property and Construction Related Businesses. Nevertheless, the Board believes that the Group has the capability and resources to diversify into the Property and Construction Related Businesses by, amongst others, leveraging on the experience of the Controlling Shareholders. The Board believes that with the Controlling Shareholders and its key management personnel, the Group can build and grow the Property and Construction Related Businesses, thereby providing the Group with a new source of revenue and income.

The Company also intends to expand its property development and construction team upon commencement of the Development Project, wherein the Company envisages to recruit up to 10 additional personnel moving forward to facilitate the growth of the Property and Construction Related Businesses which includes but not limited to, site engineer, quantity surveyor, project manager and project supervisor for its construction segment as well as project manager, administrative team and sales team for its property development segment. Nevertheless, the Company's recruitment will depend on the size and requirements of the development / construction projects to be undertaken by TAFI Group and also the availability of suitable candidates.

The Development Project provides TAFI Group with the opportunity to establish its maiden venture into property development businesses. The Development Project's location and connectivity within the Cameron Highlands commercial and tourist areas is expected to augur well for the prospects of the Development Project. In this respect, the Development Project is located within approximately 5KM distance from established commercial areas of Ringlet and Bertam Valley and up to 13KM distance from other townships such as Tanah Rata and Brinchang. Several educational institutions are also located within 10KM radius of the Development Project including, SMK Ringlet, SJKC Bertam Valley, SJKC Tanah Rata and SMK Sultan. The Development Project is also located within close vicinity to various tourist spots and resorts, namely The Lakehouse, Cameron Highlands Resort & Golf and The Smokehouse Hotel & Restaurant.

Barring any unforeseen circumstances, the TAFI Group envisages that the prospects of the Property and Construction Related Businesses to be favourable to the Group's overall financial performance moving forward.

As at the LPD, the Group does not have any land bank for future property development activities for the foreseeable future. Nevertheless, the Group will be constantly on the lookout for good investment opportunities to further enhance its Property and Construction Related Business. In this respect, should such opportunities arise, the Group may choose to enter into *inter-alia* acquisition of landbanks and/or joint venture agreements as well as bid for construction projects, depending on, amongst others, the Group's financial resources and market sentiments at the material time.

Moving forward, the Board may also undertake construction projects, by leveraging on its recently obtained Grade G7 license issued by the Construction Industry Development Board (CIDB) as well as the experience and capability of the Controlling Shareholders to initiate and grow the construction segment of TAFI. The Grade G7 license enables TAFI Group to bid and secure construction contracts without limitation of contract value.

The Board takes cognisance of the uncertain economic outlook and operational and financial impact arising from COVID-19 pandemic and remain vigilant on the cost and operational efficiency of the Group. Nevertheless, the Board expects the Property and Construction Related Businesses to grow at a stronger pace compared to its manufacturing segment, premised on the rationale set out above as well as the prospect and outlook of Property and Construction Related Businesses and the Development Project, as set out above.

*(Source: Management of TAFI)*

## **6. EFFECTS OF THE PROPOSED DIVERSIFICATION**

The Proposed Diversification will not have any effect on the share capital and substantial shareholders' shareholding in the Company.

However, the profit contributions arising from the Property and Construction Related Businesses is expected to have a positive impact on the future earnings, earnings per share and NA of the Group whilst the gearing of the TAFI Group will depend on, amongst others, the level of borrowings obtained to finance the Property and Construction Related Businesses.

## **7. APPROVALS REQUIRED**

The Proposed Diversification is subject to the approval of the shareholders of TAFI at an EGM to be convened. For avoidance of doubt, the Proposed Joint Development is not subject to the approval of the Shareholders.

## **8. INTER-CONDITIONALITY**

The Proposed Diversification and the Proposed Joint Development are not inter-conditional upon each other and are not conditional upon any other proposals undertaken or to be undertaken by the Company.

## **9. INTEREST OF DIRECTORS AND/OR MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM**

None of the Directors and/or major Shareholders and/or persons connected with them have any interest, directly or indirectly, in the Proposed Diversification.

#### **10. DIRECTORS' STATEMENT AND RECOMMENDATION**

The Board, having considered all aspects of the Proposed Diversification, including the rationale, prospects and risk factors, is of the opinion that the Proposed Diversification is in the best interest of the Company.

Accordingly, the Board recommends that you vote in favour of the resolution pertaining to the Proposed Diversification to be tabled at the forthcoming EGM.

#### **11. OUTSTANDING PROPOSALS ANNOUNCED BUT PENDING COMPLETION**

As at LPD, save for the Proposed Diversification and the Enhanced Rights Issue Mandate, TAFI has no other ongoing corporate exercise which has been announced but has not yet been completed.

#### **12. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances, the Proposed Diversification will take effect immediately upon obtaining the Shareholders' approval at the forthcoming EGM to be convened.

#### **13. EGM**

The EGM of TAFI, the Notice of which is enclosed with this Circular, will be held at TAMU Hotel & Suites, Kuala Lumpur, Ballroom 1, Level 13, 120 Jalan Raja Abdullah, Kampong Bharu, 50300 Kuala Lumpur on 5 January 2021, at 11:00 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the resolution pertaining to the Proposed Diversification as described therein.

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

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

#### **14. FURTHER INFORMATION**

You are requested to refer to the enclosed appendices further information.

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

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

**PART B**

**LETTER TO THE SHAREHOLDERS IN RELATION TO THE ENHANCED  
RIGHTS ISSUE MANDATE**



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

**Registered Office:**

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

17 December 2020

**Board of Directors**

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

**To: The Shareholders**

Dear Sir / Madam,

**ENHANCED RIGHTS ISSUE MANDATE**

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**1. INTRODUCTION**

SC and Bursa Securities had on, 10 November 2020, announced a temporary relief measure allowing eligible listed issuers to obtain mandated shareholder approval at a general meeting to undertake rights issue exercises subject to the condition, *inter alia*, that any issue of new shares must not exceed 50% of the total number of issued shares (excluding treasury shares) ("**Enhanced Rights Issue Mandate**").

Such Enhanced Rights Issue Mandate will allow eligible listed issuer to undertake an expedited process for the issuance of new rights shares as well as having greater flexibility to manage market uncertainties while making capital calls, subject to certain safeguards, further details of which are set out in Section 2 below.

The Enhanced Rights Issue Mandate is a further flexibility accorded in addition to the earlier 20% General Mandate (as hereinafter defined) announced by Bursa Securities on 16 April 2020, whereby a listed issuer can increase the general mandate threshold for issuance of new shares from the existing 10% to not more than 20% of the total number of its issued shares ("**20% General Mandate**"). This means that an eligible listed issuer may issue new rights shares of up to 50% of its total number of issued shares (excluding treasury shares) under the Enhanced Rights Issue Mandate in addition to the new shares to be issued under 20% General Mandate.



In respect to the above, the Board had on 19 November 2020 announced that the Company intends to undertake the Enhanced Rights Issue Mandate. For information purposes, the Company had on 17 July 2020 obtained the Shareholders' approval for the Company to allot and issue shares pursuant to Sections 75 and 76 of the Act up to an amount not exceeding 10% of the total number of issued shares of the Company ("**TAFI's General Mandate**"). As at the LPD, the Company has yet to utilise the TAFI's General Mandate.

At this juncture, the Company is in the midst of evaluating its funding requirements vis-a-vis the Group's current furniture business and its diversification into the Property and Construction Related Businesses. Simultaneously, the Company is also considering various fund-raising exercises, including a rights issue, but have not reached a final decision on the mode of fund raising.

Should TAFI decide to undertake a rights issue under the Enhanced Rights Issue Mandate, further details of the said rights issue, including *inter-alia*, further details of the purpose, pricing and utilisation of proceeds raised will be set out in a separate announcement to be made in due course.

Under the Enhanced Rights Issue Mandate to be procured, TAFI may issue the new shares under a rights issue exercise until 31 December 2021.

Further details of the Enhanced Rights Issue Mandate are set out in the ensuing sections.

**THE PURPOSE OF PART B OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE ENHANCED RIGHTS ISSUE MANDATE, TOGETHER WITH THE BOARD'S RECOMMENDATION, AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE ENHANCED RIGHTS ISSUE MANDATE TO BE TABLED AT THE FORTHCOMING EGM.**

**SHAREHOLDERS OF TAFI ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF PART B OF THIS CIRCULAR TOGETHER WITH THE APPENDICES, BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE ENHANCED RIGHTS ISSUE MANDATE TO BE TABLED AT THE FORTHCOMING EGM**

## 2. COMPLIANCE WITH BURSA SECURITIES' REQUIREMENTS

Pursuant to the announcement of the Enhanced Rights Issue Mandate, a listed issuer who wishes to undertake the Enhanced Rights Issue Mandate shall comply with the following requirements:-

No.	Details of Requirements	Compliance
(a)	<u>Eligible listed issuers</u>  Applicable to listed corporations and listed real estate investment trusts (" <b>REITs</b> ") with existing controlling shareholders and controlling unit holders respectively.	Complied.  TAFI is a listed corporation on the Main Market of Bursa Securities with a controlling shareholder, namely Armani Synergy who holds approximately 51% of equity interest in TAFI as at the LPD.
(b)	<u>Approvals and relevant legal requirements</u>  The eligible listed issuer must:- (i) procure approval of its shareholders or unit holders, as the case may be, for the Enhanced Rights Issue Mandate at a general meeting;	To be complied with.  The approval of the Shareholders is the subject matter of this Circular.



No.	Details of Requirements	Compliance
	(ii) comply with all the relevant applicable legal requirements including its constitution, deed or relevant constituent document; and	Complied.
	(iii) in addition to the existing disclosures required in the statement accompanying the proposed resolution under Paragraph 6.03(3) of the MMLR, include the views of the Board that the Enhanced Rights Issue Mandate is in the best interest of the eligible listed issuer and its shareholders or unit holders, as well as the basis for such views.	Complied.  Please refer to Sections 3 and 4 below.
(c)	<u>Issuance type and limit</u>	
	(i) The Enhanced Rights Issue Mandate can only be utilised for rights issue of ordinary shares or units, as the case may be, and not other types of securities.	To be complied with.
	(ii) Any issue of new shares or units must not exceed 50% of the total number of issued shares (excluding treasury shares) or issued units, as the case may be.	To be complied with.  Pursuant to the Enhanced Rights Issue Mandate, if approved by the Shareholder, the Company is permitted to issue rights shares not exceeding 50% of the total number of prevailing issued shares of the Company.  Depending on the funding requirements of the Company at the relevant time, TAFI may utilise the combination of the TAFI's General Mandate and Enhanced Rights Issue Mandate for purposes of undertaking any right issue exercise, which may result in a collective rights issue of up to 60% of the total number of prevailing issued shares of the Company.
(d)	<u>Pricing</u>	
	The shares or units are not priced at more than 30% discount to the theoretical ex-rights price	To be complied with.

No.	Details of Requirements	Compliance
		For information purposes, in the event the Company decides to utilise the combination of TAFI's General Mandate and Enhanced Rights Issue Mandate, the rights issue shares must be priced at not more than 10% discount to the weighted average market price of TAFI Shares for the 5 market days immediately preceding the price-fixing date, in compliance with Paragraph 6.04(a) of the MMLR.
(e)	<u>Commitment from existing controlling holder(s)</u>  The eligible listed issuer must procure irrevocable letter(s) of undertaking from its existing controlling shareholders or controlling unit holders, as the case may be, to subscribe for their full entitlements.	Noted.  The Company shall procure the undertaking of its controlling shareholder, Armani Synergy prior to implementation of any rights issue exercise under the Enhanced Rights Issue Mandate.
(f)	<u>Other Requirements</u>  The eligible listed issuer must continue to comply with all the other requirements for new issue of securities under the MMLR, including the obligation to announce the rights issue with information as prescribed in Appendix 6A of the MMLR upon implementation of the same under the Enhanced Rights Issue Mandate.	To be complied with in the event the Company decides to undertake a rights issue exercise

### 3. UTILISATION OF PROCEEDS AND RATIONALE

The Enhanced Rights Issue Mandate, if approved, would provide flexibility to the Company to undertake fund raising activities via a rights issue for the purpose of funding the Company's future investment project(s), working capital, acquisition(s) of viable landbanks and/or development projects and/or for strategic reasons or such other purposes as the Directors consider would be in the best interest of the Company.

The actual gross proceeds to be raised from the Enhanced Rights Issue Mandate, if implemented, will depend on the actual number of rights shares that will be issued as well as the issue price of the rights shares, which shall be determined in due course.

Such mandate, if obtained, will eliminate any delay and costs in convening a general meeting to approve such issuance of shares and will enable the Company to raise funds expeditiously to meet its immediate funding requirements.

#### **4. DIRECTORS' STATEMENT AND RECOMMENDATION**

The Board, having considered all aspects of the Enhanced Rights Issue Mandate is of the opinion that the Enhanced Rights Issue Mandate is in the best interest of the Company.

Accordingly, the Board recommends that you vote in favour of the resolution pertaining to the Enhanced Rights Issue Mandate to be tabled at the forthcoming EGM.

#### **5. EGM**

The EGM of TAFI, the Notice of which is enclosed with this Circular, will be held at TAMU Hotel & Suites, Kuala Lumpur, Ballroom 1, Level 13, 120 Jalan Raja Abdullah, Kampong Bharu, 50300 Kuala Lumpur on 5 January 2021, at 11:00 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the resolution pertaining to the Enhanced Rights Issue Mandate as described therein.

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

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

#### **6. FURTHER INFORMATION**

You are requested to refer to the enclosed appendices further information.

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

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

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## APPENDIX I – SALIENT TERMS OF THE JDA

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The salient terms of the JDA are as follows:-

### 1. Joint venture

- (i) In consideration of the premises contained in the JDA and TAFI Development paying the Fees to E Prompt, E Prompt agrees to allow TAFI Development to undertake the Development Project on the Development Land.
- (i) The parties agree that the duration for the JDA shall be 5 years with an automatic extension of 1 year.
- (ii) Phase 1 of the Development Project which comprises shops, town houses and apartments (subject to final approval from the relevant authorities) shall commence upon the approval of the low cost / low medium cost exemption being obtained by TAFI Development.
- (iii) Phase 2 of the Development Project which comprises of town houses and/or apartments (subject to final approval from the relevant authorities) shall commence within 1 year from the date of the APDL of phase 1 being obtained by TAFI Development. The phase 2 term shall be 5 years from the date of the APDL of phase 1 with an automatic extension of 1 year.

### 2. Conditions precedent

The JDA is subject to and conditional upon completion of the following events within 1 year from the date of the JDA or such other extended date as may be mutually agreed (if any) between the parties:-

- (i) that E Prompt agreed to allow up to 1 year from the date of the JDA for TAFI Development to apply and obtain the low cost and/or low medium cost exemption and the environmental impact assessment (“**EIA**”) approval;
- (ii) that E Prompt shall grant an absolute power of attorney to TAFI Development and procure Lake Gardens’ consent on the substitute power of attorney to TAFI Development to enable TAFI Development to proceed for submission of the conversion of the Development Land and all other relevant approvals for the development of the Development Project within 3 months from the JDA; and
- (iii) that TAFI Development shall, evict any squatters and or farmers on the Development Land, if any and obtain vacant possession of the Development Land within 6 months from the date of Planning Permission’s approval or any other date to be mutually agreed upon by the parties hereto

(collectively referred to as the “**Conditions Precedent**”).

The date on which TAFI Development’s solicitors received a copy of the said exemption letter and /or approvals and/or agreements stated under Section 2 of Appendix I, whichever is the latest and subject always to fulfilment of the terms and conditions contained in the JDA shall be referred to as the “**Unconditional Date**”.

### 3. Power of attorney and substituted power of attorney

E Prompt appoints TAFI Development and its representatives as its attorney and execute a power of attorney in favour of TAFI Development to do all such things and to execute all such documents required of E Prompt pursuant to the JDA as fully as E Prompt could do itself and E Prompt agrees to ratify and confirm anything done by TAFI Development and/or its representatives in accordance to the terms and conditions of the JDA and in addition to procure Lake Gardens to consent to the substituted power of attorney.

**4. Delivery of vacant possession**

- (i) Immediately upon eviction of the squatter and or farmers on the Development Land, E Prompt shall grant an irrevocable sole and exclusive licence (as long as the JDA remain in force) to TAFI Development to enter, occupy and enjoy vacant possession of the Development Land, for the purpose of carrying out its duties and obligations under the JDA.
- (ii) The licence granted under Section 4(i) of Appendix I above shall permit TAFI Development to enter and occupy the Development Land to undertake works and activities in relation to the Development Project including construction works and advertising and promotion activities and sale of the units to be built under the Development Project on the Development Land ("**Units**"). The licence granted shall extend to any contractors and subcontractors of TAFI Development and their respective agents and employees, professional advisers appointed by TAFI Development, any other consultants who are engaged for the implementation of the Development Project, prospective purchasers and such other persons as TAFI Development may authorise for the Development Project.
- (iii) Upon the lawful termination of the JDA by either party in accordance with the terms of the JDA, the licence shall be deemed to be withdrawn and the relevant provisions of the JDA shall apply as to the consequences of the termination.

**5. Parties' entitlement****(i) E Prompt's Entitlement**

TAFI Development shall deliver such number of Units as per the entitlement percentage calculation as set out in the JDA, with all the Units to be completed with the certificate of completion and compliance.

**(ii) TAFI Development's Entitlement**

Upon the JDA becoming unconditional in accordance with the provisions of Section 2 of Appendix I, save for the E Prompt's Entitlement, TAFI Development shall be entitled to:-

- (a) the entire revenue and profits arising from the Development Project; and
- (b) all Units and proceeds of sale of such Units, excluding those Units to which E Prompt is entitled under E Prompt's Entitlement ("**Remaining Units**").

**6. Roles and responsibilities of E Prompt and TAFI Development****(i) E Prompt's obligations**

E Prompt covenants and undertakes that it shall amongst others:-

- (a) not create or cause to be created any encumbrances, charges otherwise deal with the Development Land or any part of the Development Land save and except in accordance with the provisions of the JDA;
- (b) assist TAFI Development in its application to the relevant government authorities for the necessary approvals in respect of the Development Project;
- (c) make such claims, bring or be party to such actions or proceedings, and do such acts, matters and things as necessary to enable TAFI Development to carry out its obligations properly;

- (d) in the event that E Prompt requests TAFI Development to sell the Units (or any part thereof) in the Development Project to such purchasers and at such prices as TAFI Development shall determine, E Prompt shall execute the substitute power of attorney upon the execution of the JDA to enable TAFI Development the authority to execute the sale and purchase agreements with any purchaser(s) of the Units on behalf of E Prompt and/ or Lake Gardens as the case may be; and
- (e) provide all necessary assistance to TAFI Development, if needed to appeal with the appropriate authority for the exemption of low cost, premium conversion and EIA cost.

**(ii) TAFI Development's obligations**

TAFI Development covenants and undertakes that it shall amongst others:-

- (a) apply for and obtain at its own cost and expense the layout plans approval, development order, building plans approval and all other approvals, permits, consents and licences required for the implementation of the Development Project from the appropriate authority;
- (b) provide and be responsible for all financing, management, technical skill, expertise, consultancy service and such other things which are necessary for the successful implementation of the Development Project;
- (c) apply for and pay all costs and fees pertaining to the subdivision and issuance of separate individual or strata titles for the Development Project, including all quit rent, assessments and all other outgoings in respect of the Development Land up to the date of delivery of vacant possession to the purchasers;
- (d) apply for and obtain at its own cost and expense the sales and APDL from the appropriate authority;
- (e) construct the Units and complete the Development Project in accordance with the approved specifications and building plans and in a good and workmanlike manner;
- (f) complete the Development Project on or before the according to the period stipulated under the terms of the JDA; and
- (g) complete the Units and deliver vacant possession of the same to the purchaser(s) within the time frames stipulated in the respective sale and purchase agreements.

**7. Termination by TAFI Development**

- (i) If E Prompt shall commit a material breach of its obligations under the JDA, and which is not remedied within a period of 30 days, then TAFI Development may give notice in writing to E Prompt specifying the default. If E Prompt shall within 30 days after receipt of the said notice fail to remedy the default specified in the said notice, TAFI Development may terminate the JDA by giving E Prompt a notice in writing and all monies paid under the JDA (save and except for the Initial Payment) shall be refundable to TAFI Development within 21 days from the date of the written notice failing which E Prompt shall pay to TAFI Development interest thereon on a daily basis at the rate of 8% per annum calculated from the expiry of the said 14 days until full payment of such refund thereof. Thereafter the JDA shall become null and void and be of no further effect and neither party hereto shall have any further claims or actions against the other under or arising from the JDA save and except for any antecedent breach of the JDA.

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**APPENDIX I – SALIENT TERMS OF THE JDA (CONT'D)**

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- (ii) E Prompt covenants and undertakes that the JDA shall not be terminated in any one of the following events:-
  - (a) E Prompt is wound up or have a winding up order made against it and such order is not set aside within 60 days of granting of the order; or
  - (b) E Prompt goes into liquidation whether voluntarily (save for the purpose of permitted amalgamation or reconstruction) or compulsorily; or
  - (c) E Prompt has a liquidator, receiver or manager appointed in respect of its business or undertaking or possession of its property is taken by creditors or debenture holders secured by a floating charge and such appointment or possession is not set aside within 60 days of initiation; or
  - (d) E Prompt's liquidator and or receivers and managers shall continue with the obligation of the JDA until the expiration of the JDA.

**8. Termination by E Prompt**

If TAFI Development shall breach any of the provisions of the JDA or make default in any one of the following:-

- (i) TAFI Development fails to submit application for exemption for low cost and low medium cost units within 3 months from date of the JDA; or
- (ii) TAFI Development fails to commence the EIA within 1 month from obtainment of exemption contained in Section 2(i) of Appendix I; or
- (iii) within 3 months from the Unconditional Date, TAFI Development fails to submit application for the development order; or
- (iv) within 3 months from the obtainment of the Planning Permission's approval, TAFI Development fails to submit application for sub-division and building plans; or
- (v) TAFI Development fails to make any payment on a timely basis under the JDA; or
- (vi) TAFI Development fails to pay E Prompt's Entitlement or any part thereof when lawfully due for payment in accordance with the terms of the JDA; or
- (vii) TAFI Development fails without reasonable excuse to commence the Development Project or any part thereof in accordance with the provisions of the JDA for a period of 3 months or more; or
- (viii) TAFI Development suspends without reasonable excuse the Development Project for a continuous period of 3 months or more; or
- (ix) TAFI Development has a winding up order made against it and such order is not set aside within 60 days of granting of the order; or
- (x) TAFI Development goes into liquidation whether voluntarily (save for the purpose of permitted amalgamation or reconstruction) or compulsorily; or
- (xi) TAFI Development has a liquidator, receiver or manager appointed in respect of its business or undertaking or possession of its property is taken by creditors or debenture holders secured by a floating charge and such appointment or possession is not set aside within 60 days of initiation; or
- (xii) TAFI Development has committed a material breach of any of its obligations under the JDA which does not fall within any of the foregoing events of default and which is not remedied within a period of 30 days,

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**APPENDIX I – SALIENT TERMS OF THE JDA (CONT'D)**

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then E Prompt may give notice to TAFI Development specifying the default and if TAFI Development shall within 30 days after receipt of the said notice fail to remedy the default specified in the said notice, E Prompt may terminate the JDA by giving TAFI Development a notice in writing ("**E Prompt's Termination Notice**").

Upon issuance of E Prompt's Termination Notice, E Prompt shall refund or cause to be refunded to TAFI Development of all monies paid by TAFI Development to E Prompt under the JDA (if any) save and except for the Initial Payment and Second Payment within 14 days from the date of termination, failing which E Prompt shall pay to TAFI Development interest thereon on a daily basis at the rate of 8% per annum calculated from the expiry of the said 14 days until full payment of such refund thereof. Thereafter the JDA shall become null and void and be of no further effect and neither party shall have any further claims or actions whatsoever against the other under or arising from the JDA save and except for any existing breach of the JDA.

In the event the low cost or low medium cost exemption cannot be obtained within the time stipulated and the parties cannot agree on the new joint venture entitlement and as a result the joint venture is terminated, the deposits paid (save and except for Initial Payment) pursuant to Section 2.2.2 of this Circular shall be refunded to TAFI Development within 14 days from the date TAFI Development notified E Prompt in writing, failing which E Prompt shall pay to TAFI Development interest at 8% per annum on the Fees paid by TAFI Development pursuant to Section 2.2.2 of this Circular until full settlement. TAFI Development shall not be entitled for reimbursement of all other costs and expenses incurred for the Development Project.

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## **APPENDIX II – SALIENT TERMS OF THE LAKE GARDENS AGREEMENT**

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The salient terms of the Lake Gardens Agreement are as follows:-

### **1. Agreement to joint venture**

Lake Gardens shall provide the Complete Land and E Prompt shall, amongst others, provide the technical commercial financial and management expertise to develop the Complete Land until completion of the construction works within the Complete Land comprising of a mixed development project comprising houses, apartments, condos and commercial shops ("**Buildings**") and other developments to be agreed by the parties ("**Lake Gardens Development**"), subject to the terms and conditions contained in the Lake Gardens Agreement.

### **2. Conditions precedent**

The development of the Complete Land by E Prompt is conditional upon the fulfilment of the following:-

- (i) approval of the board of directors for Lake Gardens' participation in the Lake Gardens Development in accordance with the terms and conditions of the Lake Gardens Agreement; and
- (ii) approval of the board of directors for E Prompt's participation in the Lake Gardens Development in accordance with the terms and conditions of Lake Gardens Agreement.

The conditions referred to in Sections 2(i) and (ii) above shall be obtained within 1 month from the date of the Lake Gardens Agreement or such other period to be mutually agreed upon by the parties. In the event that any or all of the conditions referred to in Sections 2(i) and (ii) above cannot be obtained, or shall not have been obtained, within the period as stated above or shall be refused, the Lake Gardens Agreement shall be terminated.

### **3. Power of attorney in respect of the Complete Land**

Lake Gardens has, upon execution of the Lake Gardens Agreement granted to E Prompt an irrevocable power of attorney over the Complete Land appointing E Prompt to be the attorney for Lake Gardens to act on behalf of Lake Gardens for the purpose pertaining to Lake Gardens Development.

### **4. Apportionment of return from the Lake Gardens Development**

- (i) Lake Gardens and E Prompt agree that E Prompt is to contribute the entire costs of both the Lake Gardens Development including erecting and constructing all units on the Complete Land in accordance with the plans detail drawings and specification (subject as otherwise provided in the Lake Gardens Agreement) to be approved by the authorities including all costs for performing the matters/obligations listed in other clauses of Lake Gardens Agreement.
- (ii) Upon completion of construction of the Buildings, Lake Gardens shall be entitled to 12% of units of the Buildings on the Complete Land and E Prompt shall be entitled to the balance percentage of units of the Buildings on the Complete Land.
- (iii) The number of the Buildings to be erected on the Complete Land respectively shall be in accordance with the approvals of the proper authorities and such approvals of the authorities shall be final and be accepted by Lake Gardens and E Prompt.

**5. Right and power of E Prompt on default by Lake Gardens**

(i) In the event Lake Gardens:-

- (a) fails or defaults in the compliance with any of its material or fundamental covenants stipulations and undertakings under the Lake Gardens Agreement; or
- (b) has a winding-up order made against it; or
- (c) becomes insolvent or compounds with or makes arrangements with its creditors or goes into liquidation whether voluntarily (save for the purpose of permitted amalgamation or reconstruction) or compulsorily; or
- (d) has a liquidator, receiver and/or manager appointed in respect of its business or undertaking or possession of its property is taken by creditors or debenture holders secured by a floating charge,

E Prompt shall be entitled to give notice in writing to Lake Gardens specifying the default or breach and if Lake Gardens shall fail to remedy such default or breach 3 weeks after receipt of such notice, E Prompt may thereupon by notice in writing forthwith terminate the Lake Gardens Agreement entirely.

(ii) In the event the Lake Gardens Agreement is terminated pursuant to Section 5(i) of Appendix II above then:-

- (a) Lake Gardens shall pay to E Prompt all costs (if any) incurred by Lake Gardens in relation to the Lake Gardens Development including but not limited to construction costs, earthworks costs, leveling costs, and fees incurred relating to the engagement of advisors and other incidental or ancillary costs incurred on or in relation to the Lake Gardens Development or the Complete Land; and/or
- (b) E Prompt shall be entitled to the remedy of specific performance (i.e. to enforce compliance and completion by Lake Gardens of its obligations).

**[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

**1. DIRECTORS' RESPONSIBILITY STATEMENT**

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

**2. CONSENTS AND DECLARATION OF CONFLICT OF INTEREST**

AmInvestment Bank has, prior to the issuance of this Circular, given and has not subsequently withdrawn its respective written consents for the inclusion in Part A this Circular of its name and all references thereto in the form and context in which it appears in this Circular.

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

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

As at the LPD, TAFI does not maintain any facilities with the AmBank Group. AmInvestment Bank is of the opinion that there is no conflict of interests that exists or is likely to exist in relation to its role as the Principal Adviser for the Proposed Diversification.

**3. MATERIAL COMMITMENTS**

As at the LPD, save for the Fees (excluding the Initial Payment) in relation to the Development Project, the Board confirms that there are no other material commitments incurred or known to be incurred which upon becoming enforceable may have a material impact on the financial position or the business of TAFI Group.

**4. CONTINGENT LIABILITIES**

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

**5. MATERIAL LITIGATION**

As at the LPD, the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board confirms that there are no proceedings pending or threatened against the Group, or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of the Group.

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**APPENDIX III - FURTHER INFORMATION (CONT'D)**

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**6. MATERIAL CONTRACTS**

Save the material contracts as disclosed as below, the Group has not 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 announcement of the Proposed Diversification and up to 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 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 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 between TAFI Development and E Prompt in respect of the Development Project. The JDA has yet to be completed as at the LPD.
- (iii) A sale and purchase agreement dated 6 November 2020 between T.A. Furniture Industries Sdn. Bhd. (a wholly owned subsidiary of TAFI) (as vendor) and Huan Kok Siang and Ng Chiew Hoon (as purchasers) for the disposal of all that piece of the following leasehold industrial lands for a total consideration of RM1,312,500.00:-
  - a) H.S.(D) 2266, P.T.D. 4798, Mukim Kesang, District of Muar, State of Johor, 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.
  - b) H.S.(D) 2270, P.T.D. 4799, Mukim Kesang, District of Muar, State of Johor 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.
  - c) H.S.(D) 2274, P.T.D. 4800, Mukim Kesang, District of Muar, State of Johor 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.

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

**7. DOCUMENTS AVAILABLE FOR INSPECTION**

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

- (i) the Constitution of TAFI;
- (ii) the audited consolidated financial statements of TAFI Group for the past two (2) FYEs 31 December 2018 and 31 December 2019 and the latest nine (9) months unaudited consolidated financial statements of TAFI Group for the FPE 30 September 2020;
- (iii) the letter of consent referred to in Section 2 of the Appendix III of this Circular; and
- (iv) the material contracts referred to in Section 6 of the Appendix III of this Circular.



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

## **NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** an Extraordinary General Meeting (“**EGM**”) of TAFI Industries Berhad (“**TAFI**” or the “**Company**”) will be held at TAMU Hotel & Suites, Kuala Lumpur, Ballroom 1, Level 13, 120 Jalan Raja Abdullah, Kampong Bharu, 50300 Kuala Lumpur on Tuesday, 5 January 2021 at 11:00 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the following resolutions:-

### **ORDINARY RESOLUTION 1**

#### **PROPOSED DIVERSIFICATION OF THE EXISTING CORE BUSINESS OF TAFI AND ITS SUBSIDIARIES TO INCLUDE PROPERTY DEVELOPMENT AND CONSTRUCTION ACTIVITIES (“PROPOSED DIVERSIFICATION”)**

“**THAT**, subject to the approvals of all relevant authorities/parties being obtained, approval be and is hereby given to the Company to undertake the Proposed Diversification;

**AND THAT** the Directors of the Company be and are hereby authorised to do all acts, deeds and things as are necessary to give full effect to the Proposed Diversification with full powers to assent to any conditions, modifications, variations and/or amendments in any manner as may be required or imposed by the relevant authorities, and to take all steps and actions as the Directors of the Company may deem fit or expedient in order to carry out, finalise and give full effect to the Proposed Diversification.”

### **ORDINARY RESOLUTION 2**

#### **PROPOSED SHAREHOLDERS’ MANDATE FOR THE ISSUANCE OF NEW ORDINARY SHARES IN TAFI UNDER A RIGHTS ISSUE EXERCISE (“ENHANCED RIGHTS ISSUE MANDATE”)**

“**THAT**, subject to the approvals of all relevant authorities/parties being obtained, approval be and is hereby given to the Company to undertake a rights issue of new ordinary shares of the Company (“**TAFI Shares**”) of not more than 50% of the total number of issued shares (excluding treasury shares) of the Company (“**Right Shares**”) to the shareholders of the Company at such issue price which is not more than a 30% discount to the theoretical ex-rights price of TAFI Shares as at the relevant price fixing date;

**THAT** the Directors of the Company be and are hereby empowered and authorised to utilise the proceeds to be raised from rights issue exercise(s) to be undertaken pursuant to the Enhanced Rights Issue Mandate as such purposes deemed fit or expedient;

**THAT** the Directors of the Company be and are hereby empowered and authorised to do all acts, deeds and things, and to execute, enter into, sign, deliver and cause to be delivered for and on behalf of the Company all such transactions, arrangements, agreements and/or documents as it may consider necessary or expedient in order to implement, give full effect to and complete the Enhanced Rights Issue Mandate and the issue of the Rights Shares pursuant to the Enhanced Rights Issue Mandate, with full powers to assent to and accept any condition, modification, variation, arrangement and/or amendment to the terms of the Enhanced Rights Issue Mandate as the Directors of the Company may deem fit, necessary and/or expedient in the best interests of the Company or as may be imposed by any relevant authority or consequent upon the implementation of the aforesaid conditions, modifications, variations, arrangements and/or amendments and to take all steps as it considers necessary in connection with the Enhanced Rights Issue Mandate and the issue of the Rights Shares;

**THAT** any fractional entitlements under a right issue will be disregarded and will be dealt with in such manner as the Board shall in its absolute discretion deem fit and/or expedient and in the best interest of the Company;

**AND THAT** this Ordinary Resolution constitutes specific approval for the precise terms and conditions of the issue of securities in the Company contemplated herein and approval is hereby given for the Company to make or grant an agreement, option or offer for the Rights Shares and for such Rights Shares to be allotted and issued subject to the terms and conditions set out in Part B of the Circular to shareholders of the Company dated 17 December 2020.”

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

**NG BEE LIAN** (MAICSA 7041392)  
(Practicing Certificate No.:201908003459)  
Company Secretary

Dated this 17 December 2020

**Notes:-**

1. *For the purpose of determining who shall be entitled to attend this EGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, a **Record of Depositors as at 29 December 2020**. Only a member whose name appears on this Record of Depositors shall be entitled to attend this EGM or appoint a proxy to attend, speak and vote on his/her/its behalf.*
2. *A member entitled to attend and vote at this EGM is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.*
3. *A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the EGM.*
4. *If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the listing requirements of the stock exchange.*
5. *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.*
6. *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.*
7. *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.*
8. *The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the EGM or adjourned EGM at which the person named in the appointment proposes to vote:*

(i) *In hard copy form*

*In the case of an appointment made in hard copy form, the proxy form must be deposited with 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.*

(ii) *By electronic form*

*The proxy form can be electronically lodged with the Share Registrar of the Company via TIIH Online at <https://tiih.online> (applicable to individual shareholders only). Kindly refer to the Procedure for Electronic Submission of Proxy Form.*

9. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, not less than forty-eight (48) hours before the time appointed for holding the EGM or adjourned EGM at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
10. Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.
11. Last date and time for lodging this proxy form is **Sunday, 3 January 2021 at 11:00 a.m.**
12. Please bring an **ORIGINAL** of the following identification papers (where applicable) and present it to the registration staff for verification:
- (a) Identity card (NRIC) (Malaysian), or
  - (b) Police report (for loss of NRIC )/Temporary NRIC (Malaysian), or
  - (c) Passport (Foreigner).
13. For a corporate member who has appointed a representative instead of a proxy to attend the EGM, please bring **ORIGINAL** certificate of appointment executed in the manner as stated in the proxy form if this has not been lodged at the Company's registered officer earlier.
14. Pursuant to Paragraph 8.29(A) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions at the EGM shall be put by way of poll.
15. The members are advised to refer to the Administrative Guide on the registration process for the EGM.
16. In view that constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of the EGM at short notice. Kindly check Bursa Malaysia Securities Berhad's website and the Company's website at <https://welcome.tafi.com.my/> for the latest updates on the status of the EGM.

#### **PERSONAL DATA PRIVACY**

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



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

## **ADMINISTRATIVE GUIDE FOR THE EXTRAORDINARY GENERAL MEETING**

Date : 5 January 2021 (Tuesday)  
Time : 11:00 a.m.  
Venue : TAMU Hotel & Suites, Kuala Lumpur,  
Ballroom 1, Level 13,  
120 Jalan Raja Abdullah,  
Kampong Bharu, 50300 Kuala Lumpur.

### **1. COVID-19 – PUBLIC HEALTH PRECAUTIONARY MEASURES**

1. In light of the COVID-19 outbreak, the EGM will be conducted in accordance with the directives of the Ministry of Health Malaysia, the “SOP Am Pelaksanaan Majlis Kerajaan dan Swasta” issued by the Malaysian National Security Council and the Guidance and FAQs on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia and other directives and guidelines which may be issued from time to time by the Government of Malaysia.
2. To safeguard the health and safety of attendees and to minimize the risks of spreading the COVID-19 virus, the Company will implement the following precautionary measures for the EGM:
  - a. A health screening counter will be set up at the entrance of meeting venue to conduct body temperature screening on all attendees as well as to administer.
  - b. All attendees are required to register their attendance vide the “MySejahtera App” using attendee’s own smart mobile phone by scanning the QR code provided (Attendees are advised to download and installed the said App in advance onto their smart mobile phone).
  - c. Attendees who do not possess smart mobile phones must be manually registered.
  - d. Attendees having a body temperature exceeding 37.5°C and/or exhibiting one or more of the symptoms such as fever, dry cough, tiredness, sore throat, aches and pains, nasal congestion, runny nose, diarrhea or shortness of breath will not be allowed to attend and participate in the EGM. Such attendees must seek medical attention immediately.
  - e. If you have travelled overseas in the past 14 days prior to the EGM or have been in contact with a COVID-19 affected person, and/or person suspected of COVID-19 case or if you are unwell with fever, dry cough, tiredness, sore throat, aches and pains, nasal congestion, runny nose, diarrhoea or shortness of breath, you should refrain from attending the EGM in person. Under such circumstances, you are advised to appoint the Chairman of the Meeting as your proxy to attend and vote at the EGM on your behalf.
  - f. Attendees must sanitise their hands and wear a face mask as well as observe/maintain social distancing of at least 1 metre between each other at all times.



## **2. ELIGIBILITY TO ATTEND BASED ON THE RECORD OF DEPOSITORS**

Only a shareholder whose name appears on the Record of Depositor as at **29 December 2020** shall be entitled to attend or appoint proxy(ies) to attend and/or vote on his/her behalf.

## **3. NO REFRESHMENT, DOOR GIFTS OR FOOD VOUCHERS**

There will be no refreshment, door gifts or food vouchers provided to shareholders, proxies and invited guests who attend the EGM.

## **4. PRE-REGISTRATION TO ATTEND THE EXTRAORDINARY GENERAL MEETING**

Shareholders are required to register ahead of the EGM to allow the Company to make the necessary arrangements in relation to the meeting i.e. infrastructure, logistics and meeting venue(s) to accommodate the meeting participants.

Please do read and follow the following procedures to pre-register your physical attendance at the EGM via the TIIH Online website at <https://tiih.online>:-

- Login in to TIIH Online website with your user name (i.e. e-mail address) and password under the “**e-Services**”. If you have not registered as a user of TIIH Online, please refer to the tutorial guide posted on the homepage for assistance to sign up.
- Select the corporate event: “**(REGISTRATION) TAFI EGM**”.
- Read and agree to the Terms & Conditions and confirm the Declaration.
- Select “**Register for Physical Attendance at Meeting Venue**”.
- Review your registration and proceed to register.
- System will send an e-mail to notify that your registration for Physical Attendance at Meeting Venue is received and will be verified.
- After verification of your registration against the General Meeting Record of Depositors, the system will send you an e-mail **after 3 January 2021** to approve or reject your registration to attend physically at the Meeting Venue.

Please note that only a depositor whose name appears on the Record of Depositor as at **29 December 2020** shall be entitled to attend or appoint proxies to attend and/or vote on his/her/its behalf at the EGM.

## **5. REGISTRATION ON THE DAY OF THE EGM**

Registration will start at 10:00 a.m. at TAMU Hotel & Suites, Kuala Lumpur, Ballroom 1, Level 13, 120 Jalan Raja Abdullah, Kampong Bharu, 50300 Kuala Lumpur.

Original MyKad or passport is required to be presented during registration for verification.

You will not be allowed to register on behalf of another person even with the original MyKad or passport of that person.

Please vacate the registration area immediately after registration to prevent congestion.

## **6. APPOINTMENT OF PROXY OR ATTORNEY OR CORPORATE REPRESENTATIVE**

Shareholders who appoint proxy(ies) to participate EGM must ensure that the duly executed proxy forms are deposited in a hard copy form or by electronic means to Tricor no later than **Sunday, 3 January 2021 at 11:00 a.m.**

The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner:

(i) In hard copy form

In the case of an appointment made in hard copy form, the proxy form must be deposited with 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.

(ii) By electronic form

The proxy form can be electronically lodged with the Share Registrar of the Company via TIH Online at <https://tiih.online> (applicable to individual shareholders only). Kindly refer to the Procedure for Electronic Submission of Proxy Form.

Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.

Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with 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 later than **Sunday, 3 January 2021 at 11:00 a.m.** to participate EGM. 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.

For a corporate member who has appointed a representative, please deposit the **ORIGINAL** certificate of appointment with 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 later than **Sunday, 3 January 2021 at 11:00 a.m.** to participate EGM. The certificate of appointment should be executed in the following manner:

- (i) If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member.
- (ii) If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:
  - (a) at least two (2) authorised officers, of whom one shall be a director; or
  - (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

## PROCEDURE FOR ELECTRONIC SUBMISSION OF PROXY FORM

The procedures to submit your proxy form electronically via Tricor's **TIIH Online** website are summarised below:

	Procedure	Action
a	Register as a User with TIIH Online	<ul style="list-style-type: none"><li>• Using your computer, please access the website at <a href="https://tiih.online">https://tiih.online</a>. Register as a user under the "e-Services". Please do refer to the tutorial guide posted on the homepage for assistance.</li><li>• If you are already a user with TIIH Online, you are not required to register again.</li></ul>
b	Proceed with submission of Proxy Form	<ul style="list-style-type: none"><li>• After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password.</li><li>• Select the corporate event: "Submission of Proxy Form".</li><li>• Read and agree to the Terms &amp; Conditions and confirm the Declaration</li><li>• Insert your CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf.</li><li>• Appoint your proxy(s) and insert the required details of your proxy(s) or appoint Chairman as your proxy.</li><li>• Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide your vote.</li><li>• Review and confirm your proxy(s) appointment.</li><li>• Print proxy form for your record.</li></ul>

7. 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 the EGM that may be necessitated by changes to the directives, safety and precautionary requirements and guidelines prescribed by the Government of Malaysia, the Ministry of Health, the Malaysian National Security Council, Securities Commission Malaysia and/or other relevant authorities
8. If you have any enquiries on the above, please contact the following person-in charge during office hours on Mondays to Fridays from 9.00 a.m. to 5.30 p.m. (except on public holidays):

**Tricor Investor & Issuing House Services Sdn. Bhd.**

General/Fax No : +603 - 2783 9299 / +603 - 2783 9222

Email : [is.enquiry@my.tricorglobal.com](mailto:is.enquiry@my.tricorglobal.com)

Ms Esther Loo : +603 - 2783 9293 / [Esther.Loo@my.tricorglobal.com](mailto:Esther.Loo@my.tricorglobal.com)

Encik Muhammad Ashraff : +603 - 2783 9276 / [Muhammad.Ashraff@my.tricorglobal.com](mailto:Muhammad.Ashraff@my.tricorglobal.com)



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

**PROXY FORM**

CDS Account No.

No. of shares held

I/We \_\_\_\_\_ Tel: \_\_\_\_\_  
[Full name in block, NRIC/Passport/Company No.]

of \_\_\_\_\_

being member(s) of **TAFI INDUSTRIES BERHAD** ("TAFI"), hereby appoint:

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

and / or\* (\*delete as appropriate)

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

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting ("**EGM**") of the Company to be held at TAMU Hotel & Suites, Kuala Lumpur, Ballroom 1, Level 13, 120 Jalan Raja Abdullah, Kampong Bharu, 50300 Kuala Lumpur on 5 January 2021, Tuesday at 11:00 a.m. or at any adjournment thereof, and to vote as indicated below:

Description of Resolutions	Resolutions	For	Against
Proposed diversification of the existing core business of TAFI and its subsidiaries to include property development and construction activities	Ordinary Resolution 1		
Proposed shareholders' mandate for the issuance of new ordinary shares in TAFI under a rights issue exercise	Ordinary Resolution 2		

*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 thinks fit.*

Signed this       day of

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



*\* Manner of execution:*

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

**Notes:-**

1. *For the purpose of determining who shall be entitled to attend this EGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, a **Record of Depositors as at 29 December 2020**. Only a member whose name appears on this Record of Depositors shall be entitled to attend this EGM or appoint a proxy to attend, speak and vote on his/her/its behalf.*
2. *A member entitled to attend and vote at this EGM is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.*
3. *A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the EGM.*
4. *If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the listing requirements of the stock exchange.*
5. *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.*
6. *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.*
7. *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.*
8. *The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the EGM or adjourned EGM at which the person named in the appointment proposes to vote:*
  - (i) *In hard copy form*

*In the case of an appointment made in hard copy form, the proxy form must be deposited with 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.*
  - (ii) *By electronic form*

*The proxy form can be electronically lodged with the Share Registrar of the Company via TIIH Online at <https://tiih.online> (applicable to individual shareholders only). Kindly refer to the Procedure for Electronic Submission of Proxy Form.*
9. *Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, not less than forty-eight (48) hours before the time appointed for holding the EGM or adjourned EGM at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.*
10. *Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.*
11. *Last date and time for lodging this proxy form is **Sunday, 3 January 2021 at 11:00 a.m.***

12. Please bring an **ORIGINAL** of the following identification papers (where applicable) and present it to the registration staff for verification:
- (a) Identity card (NRIC) (Malaysian), or
  - (b) Police report (for loss of NRIC )/Temporary NRIC (Malaysian). Or
  - (c) Passport (Foreigner).
13. For a corporate member who has appointed a representative instead of a proxy to attend the EGM, please bring **ORIGINAL** certificate of appointment executed in the manner as stated in the proxy form if this has not been lodged at the Company's registered officer earlier.
14. Pursuant to Paragraph 8.29(A) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions at the EGM shall be put by way of poll.
15. The members are advised to refer to the Administrative Guide on the registration process for the EGM.
16. In view that constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of the EGM at short notice. Kindly check Bursa Malaysia Securities Berhad's website and the Company's website at <https://welcome.tafi.com.my/> for the latest updates on the status of the EGM.

#### **PERSONAL DATA PRIVACY**

By submitting a Form of Proxy or an instrument appointing a representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 17 December 2020.



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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

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