

THIS PROSPECTUS HAS BEEN SEEN AND APPROVED BY THE BOARD OF DIRECTORS AND PROMOTERS OF TAFI INDUSTRIES BERHAD ("TAFI" OR THE "COMPANY") AND THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION CONTAINED HEREIN AND CONFIRM, HAVING MADE ALL REASONABLE ENQUIRIES, THAT TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THERE ARE NO FALSE OR MISLEADING STATEMENT OR OTHER FACTS THE OMISSION OF WHICH WOULD MAKE ANY STATEMENT HEREIN FALSE OR MISLEADING. THE BOARD OF DIRECTORS HEREBY ACCEPT FULL RESPONSIBILITY FOR THE PROFIT ESTIMATE AND FORECAST INCLUDED IN THIS PROSPECTUS AND CONFIRM THAT THE PROFIT ESTIMATE AND FORECAST HAVE BEEN PREPARED BASED ON ASSUMPTIONS MADE.

AFFIN MERCHANT BANK BERHAD, BEING THE ADVISER, MANAGING UNDERWRITER AND PLACEMENT AGENT, ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE PUBLIC ISSUE AND IS SATISFIED THAT THE PROFIT ESTIMATE AND FORECAST (FOR WHICH THE BOARD OF DIRECTORS OF THE COMPANY ARE FULLY RESPONSIBLE) PREPARED FOR INCLUSION IN THIS PROSPECTUS HAVE BEEN STATED BY THE BOARD OF DIRECTORS OF THE COMPANY AFTER DUE AND CAREFUL ENQUIRY AND HAS BEEN DULY REVIEWED BY THE REPORTING ACCOUNTANTS.

THE SECURITIES COMMISSION ("SC") HAS APPROVED THE PUBLIC ISSUE ON 13 SEPTEMBER 2004. THE APPROVAL OF THE SC SHALL NOT BE TAKEN TO INDICATE THAT SC RECOMMENDS THE PUBLIC ISSUE. SC SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS. INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, THE INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

THE BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES") SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS CORRECTNESS OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS. ADMISSION TO THE OFFICIAL LIST OF BURSA SECURITIES IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF THE PUBLIC ISSUE, THE COMPANY OR ITS SECURITIES.

A COPY OF THIS PROSPECTUS HAS BEEN REGISTERED WITH SC. A COPY OF THIS PROSPECTUS, TOGETHER WITH THE FORM OF APPLICATION, HAS ALSO BEEN LODGED WITH THE REGISTRAR OF COMPANIES WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

SECURITIES LISTED ON THE BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE ISSUE FOR WHICH ANY PERSONS SET OUT IN SECTION 45 OF THE SC ACT 1993, FOR EXAMPLE DIRECTORS AND ADVISERS ARE RESPONSIBLE.

**IMPORTANT DATES**

The indicative timing of events leading up to the listing of and quotation for the Company's entire enlarged issued and paid-up share capital on the Second Board of Bursa Malaysia Securities Berhad is set out below:-

<b>EVENT</b>	<b>DATE</b>
OPENING DATE OF THE APPLICATION	14 January 2005
CLOSING DATE OF THE APPLICATION	24 January 2005
BALLOTING DATE	26 January 2005
DATE FOR THE DESPATCH OF NOTICES OF ALLOTMENT	3 February 2005
LISTING DATE	4 February 2005

**THIS TIMETABLE IS TENTATIVE AND IS SUBJECT TO CHANGES WHICH MAY BE NECESSARY TO FACILITATE THE IMPLEMENTATION PROCEDURES. THE APPLICATION PERIOD WILL REMAIN OPEN UNTIL 5.00 P.M. ON 24 JANUARY 2005 OR FOR SUCH FURTHER PERIOD OR PERIODS AS THE DIRECTORS AND/OR PROMOTERS OF THE COMPANY TOGETHER WITH THE MANAGING UNDERWRITER IN THEIR ABSOLUTE DISCRETION MAY DECIDE.**

**SHOULD THERE BE AN EXTENSION OF THE APPLICATION PERIOD, THE COMPANY WILL NOTIFY THE INVESTING PUBLIC VIA ANNOUNCEMENTS IN WIDELY CIRCULATED ENGLISH AND BAHASA MALAYSIA NEWSPAPERS WITHIN MALAYSIA NOT LESS THAN ONE (1) MARKET DAY BEFORE THEIR ORIGINAL CLOSING DATE.**

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## DEFINITIONS

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In this prospectus, unless the context otherwise requires, the following abbreviations shall apply:-

Acquisitions	:	Acquisition of TA and Acquisition of TAS, collectively
Acquisition of TA	:	The acquisition by TAFI of 3,000,000 ordinary shares of RM1.00 each in TA representing the entire issued and paid-up share capital of TA for a purchase consideration of RM26,550,166 to be satisfied by the issuance of 52,059,150 new TAFI Shares at an issue price of RM0.51 per share
Acquisition of TAS	:	The acquisition by TAFI of 1,500,000 ordinary shares of RM1.00 each in TAS representing the entire issued and paid-up share capital of TAS for a purchase consideration of RM363,613 to be satisfied by cash
Act	:	Companies Act, 1965
ADA	:	Authorised Depository Agent
AFTA	:	ASEAN Free Trade Area
Affin Merchant	:	Affin Merchant Bank Berhad (9999-V)
Angkasa Raya	:	Angkasa Raya Development Sdn Bhd (12695-P)
Applications	:	Applications for the Public Issue Shares by way of Application Forms or Electronic Share Applications
Application Forms	:	Printed forms for the applications of the Public Issue Shares accompanying this prospectus
ASEAN	:	Association of South East Asian Nations
ATM	:	Automated teller machine
Board or Board of Directors	:	Board of directors of TAFI
Bursa Depository or Central Depository	:	Bursa Malaysia Depository Sdn Bhd (formerly known as Malaysian Central Depository Sdn Bhd (165570-W) ), a subsidiary of the Bursa Securities
Bursa Securities	:	Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) (635998-W)
CCM	:	Companies Commission of Malaysia
CDS	:	Central Depository System
CDS Account	:	An account established by Bursa Depository for a depositor, for the recording of deposits or withdrawals of securities and for dealings in such securities by the depositor
CNC	:	Computer Numerical Controlled
EBITDA	:	Earnings before interest, tax, depreciation and amortisation
Electronic Share Applications	:	Applications for the Public Issue Shares through a Participating Financial Institution's ATM
EPS	:	Earnings per share

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**DEFINITIONS (Cont'd)**


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FIC	:	Foreign Investment Committee
FIC Guideline	:	FIC's Guideline on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interests
FYE	:	Financial year ended /ending
GMSB	:	Gerak Mahir Sdn Bhd (312795-U)
Infocredit D&B	:	Infocredit D&B (Malaysia) Sdn Bhd (527570-M)
Infocredit D&B Independent Market Research Report	:	Independent market research report prepared by Infocredit D&B dated 28 April 2004 and updated as at 15 December 2004 for inclusion in the prospectus
Listing	:	The admission to the Official List and the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company comprising 80,000,000 ordinary shares of RM0.50 each on the Second Board of Bursa Securities
Listing Scheme	:	The Share Split, Acquisitions, Rights Issue and Public Issue, collectively
Listing Requirements	:	Listing Requirements of the Bursa Securities
LTH	:	Lembaga Tabung Haji
Market Day	:	means a day on which the stock market of the Bursa Securities is open for trading
MIH	:	Malaysian Issuing House Sdn Bhd (258345-X)
MI	:	Minority Interest
MITI	:	Ministry of International Trade and Industry
NTA	:	Net tangible assets
PAT	:	Profit after taxation
PBT	:	Profit before taxation
Participating Financial Institution(s)	:	Participating financial institutions for the Electronic Share Applications as listed in Section 15 of this prospectus
PE Multiple	:	Price earnings multiple
Placement Shares	:	6,488,000 Public Issue Shares by way of placement to identified investors
PRSB	:	Penquo Resources Sdn Bhd (531152-H)
Public Issue	:	The public issue of 17,680,000 new TAFI Shares at the Public Issue Price, payable in full on application subject to the terms and conditions of this prospectus
Public Issue Price	:	The issue price of RM0.70 per Public Issue Share
Public Issue Shares	:	17,680,000 new TAFI Shares to be issued pursuant to the Public Issue at the Public Issue Price

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**DEFINITIONS (Cont'd)**


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Rights Issue	:	The rights issue of 10,260,846 new TAFI Shares at an issue price of RM0.50 per share on the basis of approximately 0.197 new TAFI Share for every one (1) existing Share held after the Acquisitions
ROC	:	Registrar of Companies
R&D	:	Research & Development
RM and sen	:	Ringgit Malaysian and sen, respectively
SC	:	Securities Commission
SC Guidelines	:	SC's Policies and Guidelines on Issue/Offer of Securities
SCA	:	Securities Commission Act 1993
Shares(s) or TAFI Share(s)	:	Ordinary share(s) of RM0.50 each
Share Split	:	The subdivision of the par value from RM1.00 to a par value of RM0.50 for the TAFI Shares
sq. feet	:	Square feet
TA	:	T.A. Furniture Industries Sdn Bhd (80101-W)
TA Group	:	TA and its subsidiary companies, collectively
TAFI or Company	:	TAFI Industries Berhad (formerly known as Armani Vista Sdn Bhd) (640935-P)
TAFI Group or Group	:	TAFI and its subsidiary companies, collectively
TAS	:	T.A. Systems Furniture Industries Sdn Bhd (301216-V)
TAS Group	:	TAS and its subsidiary company
UAE	:	United Arab Emirates
UK	:	United Kingdom
USA	:	United States of America
USD	:	US Dollars
YP Plantation	:	YP Plantation Holdings Sdn Bhd (143800-K)
%	:	Percentum or percentage

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## 1. CORPORATE INFORMATION

## BOARD OF DIRECTORS

Name	Address	Occupation	Nationality
Terk Yew Tee (Managing Director)	No. 46, Jalan Oz 26 Ozana Villas Bukit Katil 75450 Melaka	Managing Director	Malaysian
Saw Eng Guan (Executive Director)	No. 38, Jalan SS 1/11 Kampung Tunku 47300 Petaling Jaya Selangor Darul Ehsan	Executive Director	Malaysian
Dato' Haji Zainal Rahim bin Dato' Haji Darus (Non-Independent Non-Executive Director)	No. 12, Lorong IM 15/17 Astana View Bandar Indera Mahkota 25200 Kuantan Pahang Darul Makmur	Company Director	Malaysian
Kamaruddin bin Koskani Abdul Hamid (Alternate Director to Dato' Haji Zainal Rahim bin Dato' Haji Darus) (Non-Independent Non-Executive Director)	No. 36, Lorong Permatang Badak Baru 19 Perumahan Bukit Rangin 25150 Kuantan Pahang Darul Makmur	General Manager	Malaysian
Tuan Haji Azhar bin Nayan (Non-Independent Non-Executive Director)	No. 7, Jalan Mulia 2/1 Bukit Antarabangsa 68000 Ampang Selangor Darul Ehsan	Company Director	Malaysian
Tan Sri Dato' Syed Jalaludin bin Syed Salim (Independent Non-Executive Director)	No. 48, Jalan Cenderai Bangsar 59100 Kuala Lumpur	Chairman	Malaysian
Goh Choon Hock (Independent Non-Executive Director)	No. 4-C, Taman Sentosa Bukit Baru 75150 Melaka	Chief Operating Officer / Head of Branch	Malaysian
Gan Poh Thuan (Independent Non-Executive Director)	No. 14, Jalan SS2/107 47300 Petaling Jaya Selangor Darul Ehsan	Company Director	Malaysian
Tan Chuan Yong (Independent Non-Executive Director)	No. 93, Jalan Setia Murni 6 Bukit Damansara 50490 Kuala Lumpur	Advocate & Solicitor	Malaysian

## AUDIT COMMITTEE

Name	Designation	Directorship
Tan Chuan Yong	Chairman	Independent Non-Executive Director
Saw Eng Guan	Member	Executive Director
Gan Poh Thuan	Member	Independent Non-Executive Director



1. CORPORATE INFORMATION (Cont'd)

<b>COMPANY SECRETARY</b>	:	Saw Bee Tin (LS 00823) 35-1, Jalan Dato' Hj. Hassan 84000 Muar Johor Darul Takzim Tel No: 06 - 9513898 Fax No: 06 - 9516262
		Lam Sook Ching (MAICSA No. 7006942) P2-4, Blok P Pangsapuri Hilir Kota 1 Jalan Melaka Raya 23 75000 Melaka Tel No: 06-2815300 Fax No: 06-2815332
		Wong Wei Fong (MAICSA No. 7006751) 20 Lorong Burung Upih 1 Taman Bukit Maluri Kepong 52100 Kuala Lumpur Tel No: 03-77252888 Fax No:03-77257791/92/93
<b>REGISTERED AND MANAGEMENT OFFICE</b>	:	35-1 (Room A) Jalan Dato' Hj. Hassan 84000 Muar Johor Darul Takzim Tel No: 06 - 9513898 Fax No: 06 - 9516262
<b>MANUFACTURING FACILITIES</b>	:	PLO 3, Kawasan Perindustrian Bukit Pasir Mukim Sungai Raya 84300 Bukit Pasir Muar Johor Darul Takzim Tel No: 06 - 9859781 Fax No: 06 - 9859584
<b>WEB SITE</b>	:	<a href="http://www.tafurniture.net">www.tafurniture.net</a>
<b>AUDITORS AND REPORTING ACCOUNTANTS</b>	:	Deloitte KassimChan (AF0080) Level 19, Uptown 1 1, Jalan SS21/58, Damansara Uptown 47400 Petaling Jaya Selangor Darul Ehsan Tel No: 03 - 77236500 Fax No: 03 - 77263986
<b>SOLICITORS FOR THE LISTING</b>	:	Abdul Raman Saad & Associates Advocates & Solicitors Level 12, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No: 07-334 2266/ 07-333 0222 Fax No: 07-333 0700

1. CORPORATE INFORMATION (Cont'd)

<b>PRINCIPAL BANKERS</b>	:	HSBC Bank Malaysia Berhad (127776-V) 15, Jalan Petrie 84000 Muar Johor Darul Takzim Tel No: 06 - 9523169 Fax No: 06 - 9528651  Citibank Berhad (297089-M) Level P1, City Plaza 21, Jalan Tebrau 80300 Johor Bahru Johor Darul Takzim Tel No: 07 - 2768080 Fax No: 07 - 3381221
<b>ISSUING HOUSE</b>	:	Malaysian Issuing House Sdn Bhd (258345-X) 27 <sup>th</sup> Floor, Menara Multi Purpose Capital Square 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel No: 03 - 26932075 Fax No: 03 - 26930858
<b>REGISTRAR</b>	:	PFA Registration Services Sdn Bhd (19234-W) Level 13, Uptown 1 No. 1, Jalan SS21/58 Damansara Uptown 47400 Petaling Jaya, Selangor Tel No: 03-77254888 Fax No: 03-77222311
<b>INDEPENDENT MARKET RESEARCHER</b>	:	Infocredit D&B (Malaysia) Sdn Bhd (527570-M) Level 9-3A, Menara Milenium Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur Tel No: 03 - 27181000 Fax No: 03 - 27181001
<b>ADVISER, MANAGING UNDERWRITER AND PLACEMENT AGENT</b>	:	Affin Merchant Bank Berhad ( 9999-V) 27 <sup>th</sup> Floor, Menara Boustead 69 Jalan Raja Chulan 50200 Kuala Lumpur Tel No: 03 - 21423700 Fax No: 03 - 21417701

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**1. CORPORATE INFORMATION (Cont'd)**

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**UNDERWRITERS** : Affin Merchant Bank Berhad (9999-V)  
27<sup>th</sup> Floor, Menara Boustead  
69 Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel No: 03 - 21423700  
Fax No: 03 - 21417701

Affin Securities Sdn Bhd (431338-P)  
(formerly known as Affin-UOB Securities Sdn Bhd)  
Level 3, Menara Keck Seng  
203 Jalan Bukit Bintang  
55100 Kuala Lumpur  
Tel No: 03-21438668  
Fax No: 03-21456448

**LISTING SOUGHT** : Second Board of Bursa Securities

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**2. INFORMATION SUMMARY**

**THIS SECTION OF THE PROSPECTUS REPRESENTS ONLY A SUMMARY OF THE SALIENT INFORMATION IN RELATION TO THE TAFI GROUP. INVESTORS SHOULD READ AND UNDERSTAND THE FULL TEXT OF THIS PROSPECTUS PRIOR TO DECIDING WHETHER TO INVEST IN THE TAFI SHARES.**

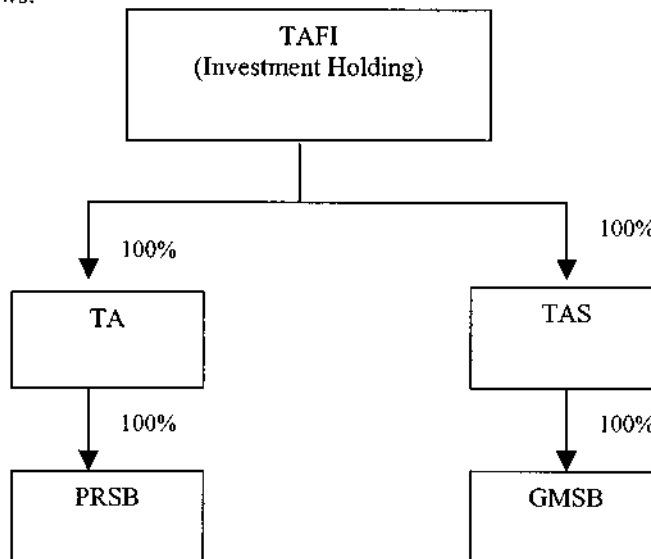
**2.1 HISTORY AND BUSINESS**

TAFI was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 29 January 2004 under the name of Armani Vista Sdn Bhd and changed its name to TAFI Industries Sdn Bhd on 9 March 2004. The Company was subsequently converted into a public limited company on 18 March 2004 and assumed its present name.

The principal activities of TAFI are investment holding whilst the principal activities of its subsidiaries are as follows:

Company	Principal Activity
TA	Manufacturing and marketing of furniture products
TAS	Currently dormant other than holding investment in GMSB
GMSB	Property investment and trading of furniture
PRSB	Has not commenced operations other than holding investment in certain properties

As at the date hereof, TAFI does not have any associated companies. The group structure of the TAFI Group is illustrated as follows:



Further information on the history and business of the TAFI Group is set out in Section 5 of this prospectus.

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## 2. INFORMATION SUMMARY (Cont'd)

## 2.2 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL

## (i) Promoters

The direct and indirect interest of the promoters of the Company after the Public Issue are as follows:-

Promoters	Direct interest		Indirect interest	
	No of Shares	%	No. of Shares	%
Terk Yew Tee	<sup>(1)</sup> 20,316,499	25.40	-	-
Saw Han Lim	20,253,999	25.32	-	-

Note:

(1) Inclusive of his entitlement of 62,500 TAFI Shares pursuant to the allocation of shares under the "pink form" allocation and assuming he subscribes in full for his entitlement.

## (ii) Substantial Shareholders

The direct and indirect shareholdings of the substantial shareholders of the Company after the Public Issue are as follows:-

Substantial shareholders	Direct interest		Indirect interest	
	No of Shares	%	No of Shares	%
Terk Yew Tee	<sup>(1)</sup> 20,316,499	25.40	-	-
Saw Han Lim	20,253,999	25.32	-	-
LTH	12,463,999	15.58	-	-
YP Plantation	6,232,000	7.79	-	-

Note:

(1) Inclusive of his entitlement of 62,500 TAFI Shares pursuant to the allocation of shares under the "pink form" allocation and assuming he subscribes in full for his entitlement.

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## 2. INFORMATION SUMMARY (Cont'd)

## (iii) Directors

The direct and indirect shareholdings of the directors of the Company after the Public Issue are as follows:-

Director	Designation	Direct Interest		Indirect Interest	
		No of Shares	%	No of Shares	%
Terk Yew Tee	Managing Director	<sup>(1)</sup> 20,316,499	25.40	-	-
Saw Eng Guan	Executive Director	<sup>(3)</sup> 62,500	0.08	<sup>(2)</sup>	-
Dato' Haji Zainal Rahim bin Dato' Haji Darus	Non-Independent Non-Executive Director	<sup>(3)</sup> 62,500	0.08	-	-
Kamaruddin bin Koskani Abdul Hamid ( <i>Alternate Director to Dato' Haji Zainal Rahim bin Dato' Haji Darus</i> )	Non-Independent Non-Executive Director	-	-	-	-
Tuan Haji Azhar bin Nayan	Non-Independent Non-Executive Director	<sup>(3)</sup> 62,500	0.08	-	-
Tan Sri Dato' Syed Jalaludin bin Syed Salim	Independent Non-Executive Director	<sup>(3)</sup> 62,500	0.08	-	-
Goh Choon Hock	Independent Non-Executive Director	<sup>(3)</sup> 62,500	0.08	-	-
Gan Poh Thuan	Independent Non-Executive Director	<sup>(3)</sup> 62,500	0.08	-	-
Tan Chuan Yong	Independent Non-Executive Director	<sup>(3)</sup> 62,500	0.08	-	-

## Notes:

- (1) Inclusive of his entitlement of 62,500 TAFI Shares pursuant to the allocation of shares under the "pink form" allocation and assuming he subscribes in full for his entitlement.
- (2) Saw Eng Guan is the son of Saw Han Lim who is the promoter and substantial shareholder of TAFI holding 20,253,999 TAFI Shares representing 25.32% interest in TAFI.
- (3) Based on the assumption that they will subscribe in full to their entitlements pursuant to the allocation of TAFI Shares under the "pink form" allocation under the Public Issue.

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## 2. INFORMATION SUMMARY (Cont'd)

## (iv) Key Management and Key Technical Personnel

The direct and indirect shareholdings of the key management and key technical personnel of the Company after the Public Issue are as follows:-

Key management/ Key technical personnel	Designation	Direct Interest		Indirect Interest	
		No of Shares	%	No of Shares	%
Loo Soon Chuan	Sales and Marketing Manager	<sup>(1)</sup> 42,000	0.05	-	-
Ang Say Kim	Production Manager- Jorak Factory	<sup>(1)</sup> 34,000	0.04	-	-
Tok Ah Chiang	Production Manager - Tanjung Agas Factory	<sup>(1)</sup> 42,000	0.05	-	-
So Siew Fung	Assistant Accountant	<sup>(1)</sup> 28,000	0.03	-	-
Quek Chiow Yong	Senior Maintenance Engineer	<sup>(1)</sup> 28,000	0.03	-	-
Koh Lim Gek	R&D Executive	<sup>(1)</sup> 28,000	0.03	-	-
Teh Beng Beng	Administration & Human Resource Executive	<sup>(1)</sup> 21,000	0.03	-	-

Note:-

(1) Based on the assumption that they will subscribe to their entitlements pursuant to the allocation of Shares under the "pink form" allocation under the Public Issue.

Further details in relation to the shareholdings of the promoters, substantial shareholders, directors, key management and key technical personnel of the Company are set out in Section 6 of this prospectus.

## 2.3 LICENCES

TA is principally involved in the manufacturing and trading of office furniture. Its manufacturing activities are governed by the manufacturing licence issued by MITI and the trading activities are governed by the business licence issued by the local authority namely, the Muar Municipal Council.

Further details in relation to the major licences, certifications and permits of the TAFI Group are set out in Section 5.3.4 of this prospectus.

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## 2. INFORMATION SUMMARY (Cont'd)

## 2.4 FINANCIAL HIGHLIGHTS

The following table sets out a summary of the proforma consolidated income statement of the TAFI Group for the past 5 financial years ended 31 December 1999 to 2003 and for the eight (8) months period ended 31 August 2004 prepared based on the assumption that the current structure of the TAFI Group has been in existence throughout the period under review. The proforma consolidated income statement of the TAFI Group is presented for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Accountant's Report as set out in Section 11 of this prospectus.

	<----- FYE December 31 ----->					Eight (8) Months Period Ended 31 August 2004
	1999	2000	2001	2002	2003	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	25,516	35,230	33,282	36,228	43,510	37,769
EBITDA	3,325	5,433	6,318	5,301	6,294	5,324
Depreciation of property, plant and equipment	(1,225)	(1,396)	(1,372)	(1,334)	(1,313)	(867)
Finance costs	(1,094)	(1,605)	(718)	(146)	(38)	(9)
PBT	1,006	2,432	4,228	3,821	4,943	4,448
Income tax expense	-	(695)	(644)	(417)	(549)	(520)
PAT	1,006	1,737	3,584	3,404	4,394	3,928
Number of Shares assumed in issue (units '000)	52,059	52,059	52,059	52,059	52,059	52,059
Gross EPS (sen)	1.93	4.67	8.12	7.34	9.49	#8.54
Net EPS (sen)	1.93	3.34	6.88	6.54	8.44	#7.55

# Calculated based on results of eight-month period ended August 31, 2004

## Notes:-

- (1) The number of Shares assumed in issue throughout the financial years/period under review is the number of Shares in issue after the Acquisition of TA that is 52,059,154 Shares.
- (2) The gross EPS of the proforma group for the respective financial years/period under review is calculated based on the proforma consolidated PBT over the issued and paid-up share capital of 52,059,154 Shares following the Acquisition of TA in connection with the Listing.
- (3) The net EPS of the proforma group for the respective financial years/period under review is calculated based on the proforma consolidated PAT over the issued and paid-up share capital of 52,059,154 Shares following the Acquisition of TA in connection with the Listing.
- (4) The proforma Group income statements has been prepared based on accounting policies consistent with those currently adopted in the preparation of the audited financial statements of TAFI Group.
- (5) The financial statements of all the companies within the TAFI Group for all the financial periods have been reported without any audit qualification save as disclosed in Section 2.6 of this prospectus.
- (6) There were no extraordinary/exceptional items for the financial years/period under review.
- (7) The results of TAS and GMSB for the financial years ended 30 September 1999 to 2001, financial period ended 31 December 2002 and financial year ended 31 December 2003 have been time apportioned for inclusion in the proforma results of the TAFI Group for the five financial years ended 31 December 2003. The proforma results of the TAFI Group are also based on the assumption that the acquisition of TA and TAS had been effected on 1 January 1999.



## 2. INFORMATION SUMMARY (Cont'd)

For further details and commentary on the proforma income statement of the TAFI Group for the past five (5) financial years and for the period ended 31 August 2004, please refer to Section 10.1.1 and 11 of this prospectus.

## 2.5 PROFORMA CONSOLIDATED BALANCE SHEETS

The proforma consolidated balance sheets as set out below has been prepared for illustrative purposes only to show the effects on the financial statements of TAFI Group as at 31 August 2004 on the assumption that the Acquisitions, Rights Issue and Public Issue and the listing and quotation for the entire enlarged issued and paid-up share capital on the Second Board of the Bursa Securities and the utilisation of the proceeds had been completed on that date and should be read with the notes and assumptions on the proforma consolidated balance sheets as set out in Section 10.9 of this prospectus.

	Per audited financial statements as of August 31, 2004 RM	Proforma 1 After share split, interim tax- exempt dividend distribution by TA and acquisitions of TA and TAS RM	Proforma 2 After (1) and Rights Issue RM	Proforma 3 After (2) and Public Issue and utilisation of proceeds from Rights and Public Issue RM
Property, plant and equipment	-	13,428,787	13,428,787	23,598,787
<b>CURRENT ASSETS</b>				
Inventories	-	6,872,813	6,872,813	6,872,813
Trade receivables	-	12,139,026	12,139,026	12,139,026
Other receivables, deposits and prepaid expenses	405,270	2,671,212	2,671,212	1,860,672
Cash and bank balances	2	10,897	5,014,055	6,425,325
	405,272	21,693,948	26,697,106	27,297,836
<b>CURRENT LIABILITIES</b>				
Trade payables	-	4,380,091	4,380,091	4,380,091
Other payables and accrued expenses	414,848	2,995,860	2,868,595	2,463,325
Hire-purchase payables - current portion	-	100,000	100,000	100,000
Long-term loans - non-current portion	-	12,243	12,243	12,243
	414,848	7,488,194	7,360,929	6,955,659
<b>NET CURRENT ASSETS</b>	(9,576)	14,205,754	19,336,177	20,342,177
Hire-purchase payables - non-current portion	-	(124,994)	(124,994)	(124,994)
Deferred tax liability	-	(595,306)	(595,306)	(595,306)
	(9,576)	26,914,241	32,044,664	43,220,664
<b>Represented by:</b>				
Share capital	2	26,029,577	31,160,000	40,000,000
Share premium	-	520,591	520,591	2,856,591
Reserve on consolidation	-	373,651	373,651	373,651
Accumulated loss	(9,578)	(9,578)	(9,578)	(9,578)
<b>Shareholders' equity</b>	(9,576)	26,914,241	32,044,664	43,220,664
Net tangible asset per share (RM)	*	0.52	0.51	0.54

\* Not meaningful comparison

Further details to the proforma consolidated balance sheets as at 31 August 2004 are set out in Section 10.8 of this prospectus.

## 2. INFORMATION SUMMARY (Cont'd)

### 2.6 AUDIT QUALIFICATIONS

Save as disclosed as follows, there was no qualification reported in the audited accounts of TAFI and its subsidiaries for the period under review:-

The accounts for the financial period ended 31 December 2001 of PRSB, a 100% indirect subsidiary of TAFI, was qualified as the company which was dormant during the financial period, had a capital deficiency of RM18,083 and the accounts of PRSB had been prepared on the basis of accounting principle applicable to a going concern entity.

### 2.7 MATERIAL RISK FACTORS

An investment in the Public Issue Shares to be listed on Bursa Securities involves a certain degree of risks. Investors should rely on their own evaluations and are advised to carefully consider the following list of risk factors (which may not be exhaustive) as extracted from Section 4 of this prospectus for which applicants of the Public Issue Shares should carefully consider in addition to other information contained elsewhere in this prospectus before applying to subscribe for the Public Issue Shares.

- (i) business risk;
- (ii) investment activities;
- (iii) borrowings;
- (iv) lengthy business cycle / seasonal sales cycle;
- (v) dependence on suppliers of raw materials;
- (vi) foreign currency;
- (vii) dependence on key customers;
- (viii) dependence on key management personnel;
- (ix) protecting trademarks;
- (x) system disruptions and fire;
- (xi) competition;
- (xii) substitutes;
- (xiii) dependence on particular products, markets and geographical locations;
- (xiv) economic conditions and cycles;
- (xv) ownership and control by the substantial shareholders;
- (xvi) government regulation;
- (xvii) technology;
- (xviii) environment;
- (xix) the profit estimate and forecast;
- (xx) forward looking statements; and
- (xxi) no prior market for TAFI Shares.

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## 2. INFORMATION SUMMARY (Cont'd)

## 2.8 HIGHLIGHTS OF THE PROFIT AND DIVIDEND RECORDS

## (i) Profit estimate and forecast

	Estimate FYE 31 December 2004 RM'000	Forecast FYE 31 December 2005 RM'000
Revenue	54,118	61,180
PBT	6,272	7,842
Less: taxation	(654)	(1,073)
PAT	5,618	6,769
Less: Pre-acquisition profit	(4,681)	-
PAT and after pre-acquisition profit	937	6,769
Weighted average number of Shares ('000)	<sup>(i)</sup> 8,989	<sup>(i)</sup> 78,353
Enlarged issued share capital ('000)	80,000	80,000
<b>Based on PBT / PAT over the weighted average number of TAFI Shares</b>		
Gross EPS (sen)	69.77	10.01
Net EPS (sen)	62.50	8.64
Gross PE Multiple (times)	<sup>(ii)</sup> 1.00	<sup>(ii)</sup> 6.99
Net PE Multiple (times)	<sup>(ii)</sup> 1.12	<sup>(ii)</sup> 8.10
<b>Based on PBT / PAT over the enlarged number of TAFI Shares</b>		
Fully diluted gross EPS (sen)	7.84	9.80
Fully diluted net EPS (sen)	7.02	8.46
Gross PE Multiple (times)	<sup>(ii)</sup> 8.93	<sup>(ii)</sup> 7.14
Net PE Multiple (times)	<sup>(ii)</sup> 9.97	<sup>(ii)</sup> 8.27

*Notes:-*

- (i) The weighted average number of shares in issue is computed after taking into consideration the Acquisitions, which were completed on 30 October 2004, the Rights Issue, which was completed on 31 December 2004, and assuming that the Public Issue is completed by 4 February 2005.
- (ii) Based on the issue price of RM0.70.

Further notes and assumptions on the consolidated profit estimate and forecast are set out in Section 10.5 of this prospectus.

## 2. INFORMATION SUMMARY (Cont'd)

### (ii) Dividend forecast

	<b>Forecast FYE 31 December 2005</b>
Gross dividend per share (sen)	2.5
Net dividend per share (sen)	1.8
Gross dividend yield based on the Public Issue Price (%)	3.57
Net dividend yield based on the Public Issue Price (%)	2.57
Net dividend cover (times)	4.70

Details of the dividend forecast of the TAFI Group is set out in Section 10.7 of this prospectus.

### 2.9 PROFORMA CONSOLIDATED NTA

Proforma Consolidated NTA and NTA/Share as at 31 August 2004 are illustrated as follows:-

Proforma Consolidated NTA (RM)	43,220,664
Proforma Consolidated NTA per Share (RM)	0.54
<i>(Based on the enlarged issued and paid-up capital of 80,000,000 TAFI Shares)</i>	

### 2.10 PRINCIPAL STATISTICS OF THE PUBLIC ISSUE

#### (i) Share Capital

	<b>Number of Shares</b>	<b>Share Capital (RM)</b>
Authorised share capital	200,000,000	100,000,000
Issued and fully paid up as at the date of this prospectus	62,320,000	31,160,000
To be issued pursuant to the Public Issue	17,680,000	8,840,000
Enlarged issued and paid-up share capital	80,000,000	40,000,000

#### (ii) Classes of Shares and Ranking

There is only one (1) class of share in the Company being the ordinary shares of RM0.50 each, all of which rank pari passu with one another. The Public Issue Shares will rank pari passu in all respect with the other existing issued and fully paid-up ordinary shares of the Company, including the voting rights and rights to all dividend and other distributions that may be declared subsequent to the date of allotment.

#### (iii) Public Issue Price

The Public Issue Price is RM0.70 for each Public Issue Share. Please refer to Section 3.6 of this prospectus for details on arriving at the Public Issue Price.

**2. INFORMATION SUMMARY (Cont'd)****2.11 UTILISATION OF PROCEEDS**

The total gross proceeds arising from the Rights Issue and Public Issue of RM17,506,423 will accrue entirely to the Company and will be utilised in the following manner:-

<b>Utilisation</b>	<b>RM</b>
Purchase of machinery, tools, equipment, fittings and motor vehicles	5,170,000
Investment for a new factory	5,000,000
Acquisition of TAS	363,613
Working capital	5,772,810
Estimated listing expenses	1,200,000
<b>Total</b>	<b>17,506,423</b>

The Company shall bear all fees and expenses relating to the Listing, which is estimated at approximately RM1,200,000. Details of the utilisation of proceeds and estimated listing expenses are set out in Section 3.8 of this prospectus.

**2.12 WORKING CAPITAL, MATERIAL LITIGATION, MATERIAL CAPITAL COMMITMENTS, BORROWINGS AND CONTINGENT LIABILITIES****(i) Working Capital**

The directors of TAFI are of the opinion that after taking into account the cash flow position, banking facilities available and proceeds to be raised from the Rights Issue and Public Issue, TAFI will have adequate working capital for the period of twelve (12) months from the date of the issue of this prospectus.

**(ii) Material Litigation**

As at 28 December 2004, the Company is not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which has a material effect on the financial performance and position of the TAFI Group and the directors of TAFI do not have any knowledge of any proceedings pending or threatened against the TAFI Group or of any facts to give rise to any proceedings which may materially and adversely affect the position and business of the TAFI Group.

**(iii) Material Capital Commitments**

As at 28 December 2004 (being the latest practicable date prior to the printing of this prospectus), the TAFI Group does not have any capital commitments, save as disclosed as follows:-

<b>Capital Commitments</b>	<b>RM</b>
Approved and contracted for	1,989,000
Approved but not contracted for	-
<b>Total</b>	<b>1,989,000</b>

The Group has purchased, via a public auction in November 2004, a freehold industrial land in the Mukim of Sungai Terap, Muar, Johor for a purchase consideration of RM2,210,000. A 10% deposit of RM221,000 has been paid upfront. The acquisition of the industrial land is expected to be completed in the first quarter of 2005 with the payment of balance purchase consideration of RM1,989,000 from the gross proceeds arising from the Rights Issue and Public Issue. The Group has planned to construct a new factory on that industrial land with the construction expected to be completed in the second quarter of 2005.

## 2. INFORMATION SUMMARY (Cont'd)

**(iv) Borrowings**

As at 28 December 2004, (being the latest practicable date of which such amounts could be calculated prior to the printing of this prospectus), the Company had total borrowings of approximately RM191,658, details of which are set out below:-

<b>Borrowings</b>	<b>RM</b>
<b>Short term</b>	
Hire purchase loan	100,000
<b>Long term</b>	
Hire purchase loan	91,658
<b>Total</b>	<b>191,658</b>

All the abovementioned borrowings are interest bearing. The Group does not have any foreign borrowings and there has not been any default of payments of either interest and/or principal sums in respect of its borrowings throughout the past financial years and the subsequent financial period thereof, immediately preceding the date of this prospectus.

**(v) Contingent Liabilities**

As at 28 December 2004, (being the latest practicable date of which such amounts could be calculated prior to the printing of this prospectus), the directors of the Company are not aware of any material contingent liabilities which have become enforceable or likely to become enforceable, which in the opinion of the directors of the Company, that may have a material impact on the results or the financial position of TAFI when they fall due.

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### 3. DETAILS OF THE PUBLIC ISSUE

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This prospectus is dated 14 January 2005.

A copy of this prospectus has been registered with the SC. A copy of this prospectus, together with the Form of Application, has also been lodged with the ROC who takes no responsibility for its contents.

**Approvals have been obtained from the SC for the Public Issue of TAFI vide its letter dated 13 September 2004. The approval of the SC shall not be taken to indicate that the SC recommends the Public Issue. Investors are advised to make their independent assessment of TAFI and should rely on their own evaluation to assess the merits and risks of any investment in the Company.**

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, the Bursa Securities has prescribed the securities of TAFI as Prescribed Security. In consequence thereof, the TAFI Shares issued through this prospectus will be deposited directly with the Bursa Depository and any dealings in these TAFI Shares will be carried out in accordance with the Securities Industry (Central Depositories) Act, 1991 and the Rules of the Bursa Depository.

An application will be made to Bursa Securities within three (3) market days from the date of this prospectus for admission to the Official List of the Second Board of the Bursa Securities and for permission to deal in and for the listing of and quotation for the entire enlarged issued and paid-up share capital of 80,000,000 TAFI Shares, including the Public Issue Shares which are the subject of this prospectus, on the Second Board of Bursa Securities. These Shares will be admitted to the Official List of the Second Board of Bursa Securities and official quotation will commence after receipt of confirmation from the Bursa Depository that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Acceptance of applications will be conditional upon permission being granted by the Bursa Securities for the listing and quotation for the entire enlarged issued and paid-up share capital of 80,000,000 TAFI Shares, including the Public Issue Shares, which are the subject of this prospectus, on the Second Board of Bursa Securities. Accordingly, monies paid in respect of any accepted application will be returned without interest if the said permission for listing is not granted within six (6) weeks from the date of issue of this prospectus (or such longer period as may be specified by SC) provided that the Company is notified by or on behalf of the Bursa Securities within the aforesaid timeframe. Admission for listing is not being sought on any other stock exchange besides the Bursa Securities.

Pursuant to the listing requirements of the Bursa Securities, at least 25% of the enlarged issued and paid-up share capital of the Company must be held by a minimum number of 1,000 public shareholders holding not less than 100 shares each, at the point of listing. In the event that the above requirement is not met pursuant to the Public Issue, the Company may not be allowed to proceed with its listing on the Second Board of Bursa Securities. In the event thereof, monies paid in respect of all applications will be returned without interest if the said permission is not granted.

In the case of an application by way of Application Form, the applicant shall furnish his/her CDS account number in the space provided in the Application Form. Where an applicant does not presently have a CDS account at an ADA prior to making an application for the TAFI Shares, he/she should open a CDS account at an ADA prior to making an application for the TAFI shares.

In the case of an application by way of Electronic Share Application, only an applicant who has a CDS account can make an Electronic Share Application and the applicant shall furnish his/her CDS account number to the Participating Financial Institution by way of keying in his/her CDS account number if the instructions on the ATM screen at which he/she enters his/her Electronic Share Application requires him/her to do so. A corporation or institution cannot apply for the Public Issue Shares by way of Electronic Share Application.

### 3. DETAILS OF THE PUBLIC ISSUE (Cont'd)

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and if given or made, such information or representation must not be relied upon as having been authorised by TAFI. Neither the delivery of this prospectus nor any Public Issue made in connection with this prospectus shall, under any circumstances constitute a representation or create any implication that there has been no change in the affairs of the TAFI Group since the date hereof.

The Prospectus will not be registered under any possible securities legislation of any other jurisdictions except Malaysia and the Public Shares will not be offered/ placed in any other country other than Malaysia. The distribution of this prospectus and the sale of the Public Issue Shares in certain other jurisdictions may be restricted by law. TAFI and Affin Merchant take no responsibility whatsoever for the distribution of this Prospectus or for the sale of the Public Issue Shares outside Malaysia.

The prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation to apply for any Public Issue Shares in any jurisdiction in which such issue is not authorised or lawful or to any person to whom it is unlawful to make such issue or invitation. Persons who may be in possession of this prospectus are required to inform themselves of and to observe such restrictions.

**If you are in any doubt about any of the information contained in this prospectus, you should consult your stockbroker, bank manager, solicitors, accountant or other professional adviser.**

#### 3.1 OPENING AND CLOSING OF APPLICATIONS

Applications for the Public Issue will be accepted from 10.00 a.m on 14 January 2005 and will be closed at 5.00 p.m. on 24 January 2005 or for such further period or periods as the Board and/ or promoters of the Company together with the Managing Underwriter in their absolute discretion may mutually decide.

Where the closing date for application is extended from the original closing date, the notice of such extension(s) will be advertised in a widely circulated English and Bahasa Malaysia newspaper not less than one(1) Market Day before the original closing date.

#### 3.2 IMPORTANT DATES FOR THE PUBLIC ISSUE

The indicative timing of events leading up to the listing of and quotation for the Company's entire enlarged issued and paid-up share capital on the Second Board of Bursa Securities is set out below:-

EVENT	DATE
Opening date of the application	14 January 2005
Closing date of the application	24 January 2005
Balloting Date	26 January 2005
Date for the despatch of notices of allotment	3 February 2005
Listing date	4 February 2005

#### 3.3 PURPOSE OF THE PUBLIC ISSUE

The purposes of the Public Issue are as follows:-

- (i) To obtain a listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the Second Board of Bursa Securities;
- (ii) To provide the Company with better access to capital markets in order to raise funds to finance future expansion, diversification and continued growth of the Company;



### 3. DETAILS OF THE PUBLIC ISSUE (Cont'd)

- (iii) The listing of the shares of the Company on the Second Board of Bursa Securities is expected to further enhance the Company's reputation and facilitate the Company's expansion of its customer base, especially in the global markets; and
- (iv) To provide an opportunity for employees and business associate of the Company, Malaysian investors and institutions to participate in the continuing growth of the Company by way of equity participation.

### 3.4 NUMBER AND TYPE OF SECURITIES FOR THE PUBLIC ISSUE

	Number of Shares	Share Capital (RM)
Authorised share capital	200,000,000	100,000,000
Issued and fully paid up as at the date of this prospectus	62,320,000	31,160,000
To be issued pursuant to the Public Issue	17,680,000	8,840,000
Enlarged issued and paid-up share capital	80,000,000	40,000,000

The Public Issue Price of RM0.70 for each Public Issue Share is payable in full on application.

There is only one (1) class of shares in the Company being the ordinary shares of RM 0.50 each, all of which rank pari passu with one another. The Public Issue Shares will rank pari passu in all respects with the other existing issued and fully paid-up ordinary shares of the Company, including the voting rights and rights to all dividend and other distributions that may be declared after the date of allotment

At any general meeting of the Company, each ordinary member shall be entitled to vote in person or by proxy or by attorney or by other duly authorised representative. On a show of hands, every person present who is a member or proxy or attorney or other duly authorised representative of a member shall have one vote. On a poll, every member present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held. A proxy may, but need not be, a member of the Company. If the proxy is not a member, the proxy need not be an advocate, an approved company auditor or a person approved by the ROC.

### 3.5 DETAILS OF THE PUBLIC ISSUE

The Public Issue is subject to the terms and conditions of this prospectus and, upon acceptance of the application the 17,680,000 Public Issue Shares will be allocated in the following manner:-

#### (i) Pink form allocation

2,000,000 new TAFI Shares, representing 2.50% of the enlarged issued and paid-up share capital of TAFI shall be made available for application by eligible directors, employees and business associates of TAFI and its subsidiaries.

The allocation of the Shares to the directors of TAFI and its subsidiaries shall be based on the following criteria:-

- (a) each director of TAFI will be allocated 62,500 Public Issue Shares totalling 500,000 Public Issue Shares; and
- (b) other directors of the subsidiaries of TAFI who are not directors of TAFI will be allocated 30,000 Shares each totalling 90,000 Public Issue Shares.

### 3. DETAILS OF THE PUBLIC ISSUE (Cont'd)

The allocation of Shares to the eligible employees of TAFI and its subsidiaries are based on the following criteria as approved by the Board:-

- (i) confirmed employees;
- (ii) at least eighteen (18) years old;
- (iii) job designation; and
- (iv) length of service.

A brief description of the proposed allocation by category of eligible employees based on a total number of 147 eligible employees as at 28 December 2004 is illustrated in the following table:-

Category	Number of eligible employees	Pink Form Allocation (No of Shares)
Manager	4	152,000
Department Head (Executive)	13	301,000
Executive	6	100,000
Technical and supervisory	37	365,000
Clerical and related occupations	29	152,000
General workers	40	206,000
Factory workers	18	74,000
<b>Total</b>	<b>147</b>	<b>1,350,000</b>

Further, a total of 60,000 Public Issue Shares has been reserved for the business associates of TAFI Group based on the following criteria as approved by the Company's Board: -

- (i) their contribution to the TAFI Group; and
- (ii) length of their relationship with the TAFI Group.

**(ii) Approved Bumiputera Investors**

2,192,000 Public Issue Shares, representing 2.74% of the enlarged issued and paid-up share capital of TAFI shall be reserved for Bumiputera investors approved by MITI.

**(iii) Malaysian Public**

7,000,000 Public Issue Shares, representing 8.75% of the enlarged issued and paid-up share capital of TAFI shall be made available for application by the Malaysian public, companies, societies, co-operatives and institutions of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

**(iv) Identified Investors**

6,488,000 Public Issue Shares, representing 8.11% of the enlarged issued and paid-up share capital of TAFI shall be made by way of placement to identified investors.

Any Public Issue Shares not subscribed by eligible directors, employees and business associates of TAFI and its subsidiaries in (i) will be made available for subscription by the Malaysian public. Public Issue Shares reserved for Bumiputera investors approved by MITI and all the 6,488,000 Placement Shares, of which irrevocable written undertakings to subscribe for the said Public Issue Shares have been given by the placees, are not required to be underwritten. All the other Public Issue Shares in (i) and (iii) have been fully underwritten.

### 3. DETAILS OF THE PUBLIC ISSUE (Cont'd)

#### 3.6 BASIS FOR DETERMINATION OF THE PUBLIC ISSUE PRICE

The Public Issue Price of RM0.70 per share was determined and agreed upon by the Company and Affin Merchant, as the Adviser and Managing Underwriter, based on various factors including, among others, the following:-

- (i) TAFI's financial and operating history and conditions as outlined in Section 10.0 of this prospectus;
- (ii) the prospects of the industry as outlined in Sections 5.5.2 and 5.5.3 of this prospectus;
- (iii) the net PE Multiple of 8.27 times based on the forecasted PAT for the financial year ending 31 December 2005 of RM6.769 million, which in turn was based on the enlarged share capital of 80,000,000 TAFI Shares; and
- (iv) the proforma consolidated NTA per share of TAFI as at 31 August 2004 of RM0.54.

The Public Issue Price is considered by the Company and Affin Merchant to be fair and reasonable in light of the factors mentioned above. However, investors should also note that the market price of TAFI Shares upon listing on Bursa Securities is subject to the vagaries of market forces and other uncertainties that may affect the price of TAFI Shares traded. Investors should form their own views on the valuation of the securities and the reasonableness of the bases used.

#### 3.7 MINIMUM SUBSCRIPTION

There is no minimum subscription amount to be raised from the Public Issue. Save for the 2,192,000 Public Issue Shares reserved for the Bumiputera investors approved by MITI and all the Placement Shares where irrevocable written undertakings to subscribe for the said Public Shares has been given by the placees, all the other Public Issue Shares have been fully underwritten by the Underwriters.

#### 3.8 UTILISATION OF PROCEEDS

The total gross proceeds arising from the Rights Issue and Public Issue of RM17,506,423 will accrue entirely to the Company and will be utilised within a period of 26 months in the following manner:-

Utilisation	Note	Estimated time frame of utilisation from receipt of the proceeds	RM'000
Purchase of machinery, tools, equipment, fittings and motor vehicles	(i)	Within 26 months	5,170,000
Investment for a new factory	(ii)	Within 9 months	5,000,000
Acquisition of TAS	(iii)	Within 1 month	363,613
Working capital	(iv)	Within 24 months	5,772,810
Estimated listing expenses	(v)	Within 3 months	1,200,000
<b>Total</b>			<b>17,506,423</b>

The Company shall bear all fees and expenses relating to the Listing, which is estimated at approximately RM1,200,000.

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## 3. DETAILS OF THE PUBLIC ISSUE (Cont'd)

## Notes:-

## (i) Purchase of machinery, tools, equipment, fittings and motor vehicles

It is also the intention of the Group to purchase new machinery to further increase the production levels in the year 2005 and year 2006. A list of machines that the Group intends to acquire are illustrated as follows:

Machine	No of Units	Estimated Cost (RM)
<b>Year 2005</b>		
Panel Saw Machine	2	800,000
Double Sided Panel Sizing Machine	1	320,000
Edge Banding Machine	3	1,050,000
CNC Machine	1	550,000
Boring Machine	2	400,000
Generator	1	250,000
<b>Year 2006</b>		
Edge Banding Machine	1	350,000
Panel Saw Machine	1	400,000
<b>Total</b>	<b>12</b>	<b>4,120,000</b>

The Company intends to use the remainder of the amount for purposes of purchasing tools, equipment and fittings for the production lines for the Group in the years 2005 and 2006 as well as purchase motor vehicles for the Group.

## (ii) Investment for a new factory

It is also the intention of the Group to expand its current production capacity for purposes of meeting the anticipated future increase in demand for the Group's products. The Group has purchased, via a public auction in November 2004, a freehold industrial land in the Mukim of Sungai Terap, Muar, Johor, which is nearby its current manufacturing plants at Bukit Pasir, Muar, for a purchase consideration of RM2,210,000. A 10% deposit of RM221,000 has been paid upfront. The acquisition of the industrial land is expected to be completed in the first quarter of 2005 with the payment of the 90% balance purchase consideration of RM1,989,000. The Group has planned to construct a new factory on that industrial land with the construction expected to be completed in the second quarter of 2005. TAFI has allocated RM5,000,000 of the proceeds from the Rights Issue and Public Issue for the payment of the balance purchase consideration and the construction cost of the new factory. In the event the cost of investment in the new factory is more than RM5,000,000, the remainder of the funding would be sourced from the funds presently allocated for working capital purposes and/or from bank borrowings and/or from internally generated funds.

## (iii) Acquisition of TAS

Details of the Acquisition of TAS and the respective amounts of cash consideration due to the vendors of TAS are illustrated in Section 5.2(iii) of this prospectus.

### 3. DETAILS OF THE PUBLIC ISSUE (Cont'd)

#### (iv) Working Capital

The Group has allocated RM5,772,810 for its working capital purposes. The amount would be utilised primarily for its existing business as well as to act as a contingency in the event that the Group has to meet additional demand from its customers. In addition, the Group intends to commence an in-house production of lamination service to cater exclusively for the Group's manufacturing activities, which is expected to lower its overall production cost. Therefore, some of the funds may be allocated for the lamination lines and used as payment for the cost of investment in the new factory as stated in Section 3.8 (ii) above in the event that the cost of investment is more than RM5,000,000.

#### (v) Estimated Listing Expenses

The listing expenses to be borne by the Company are estimated at RM1,200,000 consisting of the following:-

Expenses	RM
Estimated professional fees	510,000
Authorities' fees	56,000
MIH fees	80,000
Brokerage / Underwriting commission / Placement fee	240,000
Printing and advertising expenses	200,000
Miscellaneous	114,000
<b>Total</b>	<b>1,200,000</b>

Where the proceeds from the Rights Issue and Public Issue that have been set aside for the aforementioned purposes are not fully utilised, the remaining proceeds would be used as working capital for the Company. Conversely, if the actual listing expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital.

### 3.9 BROKERAGE FEE, UNDERWRITING COMMISSION AND PLACEMENT FEE

#### (i) Brokerage Fee

Brokerage fee is payable by the Company at the rate of 1% of the Public Issue Price of RM0.70 per Share in respect of successful applications which bear the stamps of Affin Merchant, member companies of Bursa Securities, member of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

#### (ii) Underwriting Commission

Affin Merchant and Affin Securities Sdn Bhd, as the Underwriters have, under the Underwriting Agreement dated 6 January 2005, conditionally agreed to underwrite 9,000,000 Public Issue Shares, comprising 2,000,000 Public Issue Shares, which are available for application by the eligible directors, employees, business associates of TAFI and its subsidiaries, and 7,000,000 Public Issue Shares, which are available for application by the Malaysian public. The underwriting commission is payable by the Company at the rate of 1.25% of the Public Issue Price of RM0.70 per Share for 2,000,000 Public Issue Shares, which are available for application by the eligible directors, employees, business associates of TAFI and its subsidiaries, and at the rate of 2.00% of the Public Issue Price of RM0.70 per Share for the 7,000,000 Public Issue Shares, which are available for application by the Malaysian public.

### 3. DETAILS OF THE PUBLIC ISSUE (Cont'd)

#### (iii) Placement Fee

The Placement Agent's fee for the Placement of 6,488,000 TAFI Shares to the identified investors is payable by the Company at the rate of 1.25% of the Public Issue Price of RM0.70 per Share.

#### 3.10 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

The Underwriting Agreement had been entered into between the Company and the Underwriters on 6 January 2005 to underwrite 9,000,000 Public Issue Shares, comprising 2,000,000 Public Issue Shares reserved for eligible directors, employees and the business associates of TAFI and its subsidiaries and 7,000,000 Public Issue Shares, which are available for application by the Malaysian public. The salient terms and conditions under the following respective clauses of the Underwriting Agreement are summarised below:-

##### *Clause 2: Agreement to Underwrite*

- 2.4 The obligations of each of the Underwriters and the Managing Underwriter under this Agreement are conditional upon:-
- 2.4.1 the confirmation by the Directors that the Rights Issue exercise have been duly completed, resulting in the allotment of the rights issue portion of the shares to the existing shareholders of the Company;
  - 2.4.2 the issuance of the Prospectus within one (1) month from the date that the last of the conditions herein contained is fulfilled;
  - 2.4.3 there having been on or prior to the closing date of the application for the Public Issue Shares ("Closing Date"), neither any adverse change nor any development reasonably likely to result in any adverse change in the condition (financial or otherwise) of the Company, which is material in the context of the Public Issue Shares from that set forth in the Prospectus, nor the occurrence of any event which makes any of the representations and warranties contained in Clause 3 in the opinion of the Managing Underwriter (which opinion is final and binding) untrue and incorrect in any material respect as though they had been given and made on such date with reference to the facts and circumstances then subsisting, nor the occurrence of any breach of the undertakings contained in Clause 3 of the Underwriting Agreement;
  - 2.4.4 the delivery to the Managing Underwriter prior to the date of the registration of the Prospectus with the SC of:-
    - 2.4.4.1 a certified true copy by an authorized officer of the Company of all the resolutions of the directors of the Company and the shareholders in general meeting approving this Agreement, the Prospectus, the Public Issue Shares and authorizing the execution of this Agreement and the issuance of the Prospectus;
    - 2.4.4.2 a certificate in the form or substantially in the form contained in Schedule 3 of the Underwriting Agreement dated the day of the Prospectus signed by the duly authorized officer of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as referred to in Clause 3 in the Underwriting Agreement;

### 3. DETAILS OF THE PUBLIC ISSUE (Cont'd)

- 2.4.5 the delivery to the Managing Underwriter on the Closing Date of such reports and confirmations dated the Closing Date from the board of directors of the Company as the Managing Underwriter may reasonably require to ascertain that there is no material change of condition or circumstances subsequent to the date of the Underwriting Agreement that would or may have an adverse effect on the performance or financial position of the Company;
- 2.4.6 the Managing Underwriter having been satisfied that adequate arrangements have been made by the Company to ensure payment of the expenses referred to in Clause 16.3 of the Underwriting Agreement;
- 2.4.7 the Public Issue Shares are not being prohibited by any statute, order, rule, regulation or directive promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia;
- 2.4.8 the Managing Underwriter having been satisfied that the Company has complied and that the Public Issue Shares is in compliance with the policies, guidelines and requirements of the SC and all revisions, amendments and/or supplements thereto;
- 2.4.9 the acceptance for registration by the SC of the Prospectus and such other documents as may be required in accordance with the Securities Commission Act 1993 of Malaysia in relation to the Public Issue Shares and the lodgement of the Prospectus with the Registrar of Companies of Malaysia on or before their release under the Public Issue;
- 2.4.10 Bursa Malaysia and the SC (as the case may be) having approved the Prospectus and agreed in principle on or prior to the Closing Date of the listing of and quotation of all the issued/paid up share capital of the Company on the Second Board of Bursa Malaysia (and if such approvals shall be conditional, all conditions thereto being in terms acceptable to the Underwriters) and the Underwriters being reasonably satisfied that such listing and quotation will be granted two (2) clear Market Days after the Underwritten Shares have been issued and despatched to entitled holders and the Prospectus being in form and substance satisfactory to the Underwriters;
- 2.4.11 the offering of the Public Issue Shares having been approved by the SC and the Ministry of International Trade and Industry Malaysia, and or any other relevant authority or authorities; and
- 2.4.12 there not having been on or prior to the Closing Date, any adverse change or any development reasonably likely to involve a prospective adverse change in the condition (financial or otherwise) of the Company as defined by Section 5 of the Companies Act 1965, from that set forth in the Prospectus which is material in the context of the issue of the Underwritten Shares nor the occurrence of any event rendering untrue or incorrect to an extent which is material as aforesaid any representations or warranties contained in Clause 3 of the Underwriting Agreement as though they had been given or made on such date.

#### ***14. Withdrawal Or Non-Procurement Of Approval For Listing By Authorities***

- 14.1 The Underwriters shall have the right to terminate this Agreement by notice in writing served by the Managing Underwriter on behalf of the Underwriters on the Company in the event that the approval in principle of Bursa Malaysia for the admission of the Company to the Official List of Bursa Malaysia or the SC or MITI for the listing of and quotation for the entire issued and paid-up share capital of the Company on the Second Board of Bursa Malaysia is withdrawn or not procured or procured but subject to conditions not acceptable to the Underwriters and upon such termination the liabilities hereto of the Company and the Underwriters shall become null and void and none of the Parties shall have a claim against each other save that each Party shall return any moneys paid to the other or others under this Agreement within forty-eight (48) hours of the receipt of such notice to terminate.

3. DETAILS OF THE PUBLIC ISSUE (Cont'd)

15. *Termination*

- 15.1 Notwithstanding anything herein contained, the Managing Underwriter may by notice in writing to the Company given at any time before the Closing Date, terminate and cancel and withdraw its commitment to underwrite the Underwritten Shares if:-
- 15.1.1 any of the conditions set out in Clause 2.4 of the Underwriting Agreement is not fulfilled or complied to the satisfaction of the Managing Underwriter by the Closing Date PROVIDED THAT the Managing Underwriter may at its discretion waive compliance with any of the provisions of the said Clause 2.4; or
- 15.1.2 in the opinion of the Managing Underwriter, there is any breach by the Company of any of the representations, warranties or undertakings contained in Clause 3 of the Underwriting Agreement or breach of any of the terms and conditions of this Agreement, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice given to the Company; or
- 15.1.3 there is failure on the part of the Company to perform any of its obligations herein contained; or
- 15.1.4 there is withholding of information of a material nature from the Managing Underwriter, which is required to be disclosed pursuant to this Agreement which, in the opinion of the Managing Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Company, the success of the Public Issue, or the distribution or sale of the Public Issue Shares; or
- 15.1.5 there shall have occurred, or happened or come into effect any material and adverse change to the business or financial condition of the Company; or
- 15.1.6 for reasons best known to itself, the Managing Underwriter wish to do so; or
- 15.1.7 in the opinion of the Managing Underwriter, there shall have occurred, happened or come into effect any of the following circumstances:-
- (a) any material change, or any development involving a prospective change, in national or international monetary, financial, economic, political conditions or in market condition (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-Bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or exchange control regulation or legislation or currency exchange rates, occurrence as a result of an act or acts of God, or in the event of national disorder, outbreak of war or the declaration of a state of national emergency as would in its reasonable opinion prejudice materially the success of the issuance of the Public Issue Shares and the offering of the Underwritten Shares and their distribution or sale (whether in the primary market or in respect of dealings in the secondary market) or the occurrence of any combination of any of the foregoing; or
- (b) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Managing Underwriter (including without limitation, acts of God, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents) which or is likely to have the effect of making any material part of this Agreement capable of performance with its terms pursuant to the underwriting hereof;



**3. DETAILS OF THE PUBLIC ISSUE (Cont'd)**

15.1.8 a supplemental prospectus is issued with the SC's approval subsequent to the issue of the Prospectus in which there shall have been events which have occurred detailed in Clause 15.1.1 to 15.1.7 above;

which, in the opinion of the Managing Underwriter, would have or can reasonably be expected to have, a material adverse effect on, and/or materially prejudice the business or the operations of the Company, the success of the Public Issue, or the distribution or sale of the Public Issue Shares, or which has or is likely to have the effect of making any material part of this Agreement incapable of performance with its terms pursuant to the underwriting thereof.

15.2 Upon such notice(s) being given under Clause 15.1 of the Underwriting Agreement, the Underwriters shall be released and discharged of their obligations without prejudice to their rights whereby this Agreement shall be of no further force or effect and no Party shall be under any liability to any other in respect of this Agreement, save and except that the Company shall remain liable in respect of any of its obligations and liabilities under Clause 3 and under Clause 16.3 of the Underwriting Agreement for the payment of the costs and expenses already incurred prior to or in connection with such termination and for loss and damages arising from termination due to any antecedent breach.

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#### **4. RISK FACTORS**

**NOTWITHSTANDING THE PROSPECTS OF THE COMPANY AS OUTLINED IN THIS PROSPECTUS, PLACEES AND APPLICANTS FOR THE PUBLIC ISSUE SHARES SHOULD CAREFULLY CONSIDER THE FOLLOWING FACTORS (WHICH MAY NOT BE EXHAUSTIVE) WHICH MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCE OF THE COMPANY, IN ADDITION TO OTHER INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE MAKING AN APPLICATION FOR THE PUBLIC ISSUE SHARES.**

##### **4.1 BUSINESS RISK**

The TAFI Group is subject to the inherent risks in the furniture industry which include, amongst others, shortages and increase in the cost of raw materials, changes in the customers' design preferences, shortages in labour supply, the fluctuations in foreign exchange which impact its exports and the cost of raw materials such as particleboards, changes in the general economy, entry of new players, government legislation, business and credit conditions and changes in the tax incentives that the Group currently benefits.

Although the Group seeks to limit its business risks, inter alia, maintaining close working relationships with its suppliers and customers and diversifying its customer base by expansion into new and existing markets, automating certain aspects of its production process, there can be no assurance that any change to these factors will not have a material effect on the Group's business.

##### **4.2 RISKS ASSOCIATED WITH INVESTMENT ACTIVITIES**

It is the intention of the Group to expand its manufacturing facilities, which will be undertaken via the acquisition of an industrial land for construction of a new factory. The Group has purchased, via a public auction in November 2004, a freehold industrial land in the Mukim of Sungai Terap, Muar, Johor, which is nearby its current manufacturing plants at Bukit Pasir, Muar, for a purchase consideration of RM2,210,000. The acquisition of the industrial land is expected to be completed with the payment of the balance purchase consideration in the first quarter of 2005. The Group has planned to construct a new factory on that industrial land with the construction expected to be completed in the second quarter of 2005. In addition, the Group has recently completed the construction of a warehouse on 10 September 2004 to replace the warehouse that it was renting for storage.

The Group will purchase additional production machinery to increase the efficiency of its production processes and replace its old machines. Some of the proceeds from the rights and public issue will be used for the construction of the new factory as well as the purchase of additional production machinery whereas internally generated funds had been used for the construction of the warehouse.

However, there can be no assurance that the Group's planned investment will have successful results or any delay in the commercial operations of the investment will not have a negative impact on the Group's financial resources.

##### **4.3 RISKS ASSOCIATED WITH ANY BORROWINGS**

The total borrowings of the TAFI Group comprises domestic borrowings amounting to RM191,658 as at 28 December 2004. The Group has adopted a very conservative approach to bank borrowings by ensuring that the Group's gearing level is very low and therefore the Group's borrowings are very minimal. At this stage, any increase in interest rates would not have a material effect on the Group's earnings. There are no material risks associated with the covenants under the Group's borrowings.

The Group will continue to ensure that its bank borrowings are at an acceptable level in relation to the size of its business. However, there can be no assurance that the Company's performance will not be affected in the event of an adverse change in interest rates if the Group increases its borrowings in future to cater for increased demand for its products. As such, any increase in interest rate at that point in time may have an impact on the Group's earnings.

**4. RISK FACTORS (Cont'd)****4.4 RISKS ASSOCIATED FROM LENGTHY BUSINESS CYCLE / SEASONAL SALES CYCLE**

The demand for the Group's products were fairly consistent throughout the financial year ended 31 December 2003 and the 8-month period ended 31 August 2004 as the Group's products are mainly office related products and the Group exports to diverse countries and has a diversified customer base thus enabling the Group to better manage the seasonal impact in sales and ensuring that the impact is minimal. At present, the TAFI Group has a diverse portfolio of customers from 46 different countries.

However, no assurance can be given that any change in the demography of its export markets will not adversely affect the Group's business.

**4.5 RISKS ASSOCIATED WITH DEPENDENCE ON SUPPLIERS OF RAW MATERIALS**

The main raw material used by TAFI Group in the production of panel office system furniture is particleboards, which are sourced from local and foreign suppliers. The TAFI Group sources a higher percentage of the particleboard from its foreign suppliers as TAFI enjoys competitive rates from its foreign suppliers in comparison to local suppliers. To mitigate the risk of fluctuation in foreign exchange rate, TAFI has steadily increased the purchase of more raw material locally as compared to import.

For the financial year ended 31 December 2003, approximately 42% of its supply of particleboard, fittings and edging tape was sourced from local suppliers such as Syarikat U.D. Trading Sdn Bhd, Enlian Sdn Bhd and Jubi Sdn Bhd and the remainder was sourced from foreign suppliers such as SAMA S.R.L (formerly known as "Sadepan Legno S.R.L"), Hettich Marketing UND and Bausch+Linnemann International GMBH. For the period ended 31 August 2004, approximately 59% of its supply of particleboard, fittings and edging tape was sourced from local suppliers such as Enlian Sdn Bhd, Syarikat U.D. Trading Sdn Bhd, Naga Kirana Packaging Sdn Bhd and Jubi Sdn Bhd and the remainder was sourced from foreign suppliers such as SAMA S.R.L, Bausch+Linnemann International GMBH and Sino Bright (Hong Kong) Limited. The Group does not have any long-term contracts/agreements with its suppliers as the Group has established long term relationships of approximately 5, 8 and 3 years respectively with the foreign suppliers and the Group has never faced shortage of materials from its foreign suppliers. As such, no assurance can be given that any adverse external development will not induce shortage of raw materials from its foreign suppliers.

The directors and key management of TAFI are of the opinion that the Group will not have any problems in being able to source raw materials in the future at competitive prices despite not having any long-term contracts / agreements with its suppliers as it has been a policy of the Group to diversify the base of suppliers and the Group has also established long term business relationship with its suppliers.

**4.6 RISKS ASSOCIATED FROM FOREIGN CURRENCY**

The TAFI Group is exposed to fluctuations in foreign currency mainly through its exports, which are denominated in USD and imports which are denominated in Euro. The risk of foreign exchange fluctuations has been reduced since the imposition of a fixed exchange rate for RM against the USD in September 1998. However, in the event that the fixed exchange rate is lifted or re-pegged to a new rate, the Company may have a greater exposure to foreign currency fluctuations.

There is material impact on the operating profits of the Group arising from fluctuations in foreign exchange rates as the Group's purchases are largely denominated in Euro whereas its sales are denominated in USD. As such, the Group mitigates the impact of the fluctuations in foreign exchange on its operating profits by ensuring that it hedges its particleboard purchase which is undertaken on a monthly basis through foreign exchange forward contracts of short dated tenors. The Group has also cultivated good relationship with local suppliers to enable the Group to have the flexibility of switching to local suppliers in the event that the foreign exchange rates are not in the Group's favour.

However, no assurance can be given on the extent of the mitigation of the fluctuation in foreign currencies and the repegging of the ringgit and the consequential impact to the Group's financial performance.

#### **4. RISK FACTORS (Cont'd)**

##### **4.7 RISKS ASSOCIATED FROM DEPENDENCE ON KEY CUSTOMERS**

The TAFI Group exported approximately 16% of its end products to the UAE and is not dependant on any one customer. Amongst its customers are Al-Hawai Office Furniture and Equipment ("Al-Hawai"), which contributed 11.35% and 11.73% to its total sales for the financial year ended 31 December 2003 and for the period ended 31 August 2004 respectively, and Emirates General Trading and Investment ("Emirates"), which contributed 10.52% to its total sales for the period ended 31 August 2004. None of the customers of TAFI Group, with the exception of Al-Hawai and Emirates contribute more than 10% of the Group's turnover.

The Group exports the bulk of its products to the Middle East. Any slowdown or breakout of war in the Middle East could affect the Group in a negative manner. However, the Group has continuously been proactive and actively promotes its products through participation in international trade fairs and undertaking other marketing activities to promote its products as illustrated in Section 5.3 to further diversify its export markets and will continue to undertake the necessary activities to further diversify its customer base.

##### **4.8 RISKS ASSOCIATED FROM DEPENDENCE ON KEY MANAGEMENT PERSONNEL**

The Group believes that its continued success will depend, to a significant extent, upon the abilities and continued efforts of its existing directors, key management and key technical personnel. The loss of the directors, key management and technical personnel may adversely affect the Group's performance.

However, every effort is being made to groom the younger members of the key management to gradually assume more responsibility. This is to ensure that there would be a continuation of management personnel in the future. The Group's future success is also dependent upon its ability to attract and retain skilled personnel. In addition, the Group has in place a human resource strategy, which includes an attractive compensation plan to attract and retain personnel.

However, there can be no assurance that the above measures will definitely succeed in attracting and maintaining key management and key technical personnel of the Group or ensuring that a smooth transition can be implemented in the event changes occur.

##### **4.9 RISKS ASSOCIATED FROM PROTECTING TRADEMARKS**

The Group's trademarks are "TA" and "TA Office-Home Solution". The Group has registered its trademarks with the Registrar of Trademarks to ensure that its products are recognised and differentiated from the products manufactured by other office furniture manufacturers. The TAFI Group manufactures its own designs and relies only 40% on manufacturing consignment orders as an original equipment manufacturer.

Currently, the abovesaid trademarks are still owned by the TAFI Group. However, there is no assurance that the registration of trademarks will ensure complete protection accorded to the designs marketed under TAFI's trademarks as similar designs are continuously modified and enhanced by other furniture manufacturers. Therefore, there can be no assurance those similar designs as those marketed under the Group's trademarks would not be available from other furniture manufacturers.

##### **4.10 RISKS ASSOCIATED WITH SYSTEM DISRUPTIONS AND FIRE**

The Group is susceptible to the operational risks prevalent in the furniture industry, which includes fire hazards, disruption in electricity supply and breakdown of its machines, amongst others. A significant amount of its raw materials are wood-based products, therefore, there exists potentially high risk from fire hazards.

All the Group's factories are fitted with fire sprinklers and fire fighting equipment such as fire extinguishers and hose reels that are maintained and inspected by a fire system maintenance contractor on a regular basis. In addition, training is provided to the Group's employees on the use of the equipment as well as basic fire fighting techniques and fire drills. The Fire and Rescue Department of Malaysia also undertakes annual inspections. In addition, the Group has purchased insurance coverage on fire and consequential loss for all its assets and stocks.

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**4. RISK FACTORS (Cont'd)**

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A generator is used to ensure uninterrupted supply of electricity in the main factory, located in Kawasan Perindustrian Bukit Pasir in Muar, Johor. This is a safety measure in the event of power failures or shortages in power supply that the management employs to avoid any delay in delivery of finished products to the customers. There are no generators installed at the other factories located in Tanjong Agas in Muar, Johor. In the event of a long period of power failure or power shortage, renting of generators is easily available and it is the fastest solution to reduce delay in production. Nonetheless, over the last 12 months the Group's production operations has not experienced any interruptions.

The Board is of the opinion that the Group has adequately covered itself against fire and disruptions to its systems to mitigate potential losses from the occurrence of the two events. However, there can be no assurance that the Group's business will not be adversely affected in the event of a fire or disruption to its system.

**4.11 RISKS ASSOCIATED WITH COMPETITION**

The Group has spent more than 12 years building up its export market segment and its export market sales have contributed more than 80% of its annual turnover for the past 3 years. Nonetheless, the Group faces intensive competition both internationally and locally as there are numerous countries such as China, Indonesia, Vietnam, Italy, Germany and local players in the furniture industry such as Poh Huat Resources Berhad, Bristol Technologies Sdn Bhd and Apex Office Furniture Sdn Bhd which are involved in manufacturing office furniture.

The Group has maintained its competitive advantage by its ability to produce and market a broad range of high quality modular office furniture systems to suit the current market demand for office furniture by designing its office furniture to suit the European and Middle East markets which have a large emphasis on European styles. The modular concept offered by the Group allows for easier reconfiguration of the office systems as the customers' preferences changes.

Besides maintaining good relationship with its customers, the Group also ensures that products delivered meet the requisite quality standards. TA has achieved the ISO 9001 certification for its quality management processes. The Group continuously strives to improve its products and production processes through R&D so as to enhance the quality of its output as well as enhancing the designs of its products to make the products more attractive to the customers as well as attending various exhibitions and keeping abreast with recent developments in the industry.

The Group believes that its ability to consistently deliver high quality products and excellent services to its customers including its commitment in reducing its production costs and the expertise of its key management, have provided the Group with an edge to counter the competition from other local and international competitors. However, there can be no assurance that the change in any of these factors will not have an adverse effect on the operations of the TAFI Group.

**4.12 RISKS ASSOCIATED WITH SUBSTITUTES**

In general, wood-based furniture products could be substituted with other types of furniture made of substitute materials. However, wood-based panel furniture products which are substituting solid wood products are well received in most countries as it is recognised as an environmentally friendly product as it is biodegradable when compared with metal or plastic based products, which are otherwise and are priced at a more affordable level when compared to pure wood products. It is also noted that non-wood furniture such as high-end metal furniture only caters to very niche markets and are available in smaller volumes.

Therefore, it is very unlikely that wood-based panel system office furniture products could be replaced substantially by furniture made from other materials due to its affordability and it also has less environmental concerns. Nonetheless, there can be no assurance that wood-based panel system office furniture products will not be replaced by furniture made from other materials due to factors other than the mitigating factors mentioned above.

#### 4. RISK FACTORS (Cont'd)

##### 4.13 RISKS ASSOCIATED WITH DEPENDENCE ON PARTICULAR PRODUCTS, MARKETS AND GEOGRAPHICAL LOCATIONS

At present, TAFI exports to 46 different countries, which largely consist of countries in the Middle East region such as UAE, Kuwait, Saudi Arabia, Jordan and Qatar as well as to the UK, Singapore, Australia and India. TAFI does not have a marketing office abroad but depends on participating in international trade fairs such as the Malaysian International Furniture Fair ("MIFF"), Cairo Exhibition, Euro Exhibition, Dubai Index 2000, International Trade Fair for Furnishing and Management of Offices and Offices Facilities ("ORGATEC") 2000 and 2004, International Exhibition of Furniture, Fittings & Upholstery ("MEBEL"), International Malaysia Arab Fair ("IMAF") and International Design & Shop-fitting exhibitions ("INDEX") 2001 to secure contracts from various countries in different geographical locations, therefore its customer base tends to be diversified.

The Group currently manufactures 12 series of modular office furniture which consist of cabinets, tables and pedestals and it also strives to ensure that at least one (1) new furniture series is available on an annual basis. Further it also improves the design of existing furniture series. In year 2003, two new furniture series namely the Raffle and Taco Series were introduced to the market.

The Mex series and Net series, which were introduced in 1991 and 1994 respectively, are immensely popular amongst its customers as the pricing of the products are very competitive. Nonetheless, TAFI has 12 different office furniture series which are further differentiated by way of designs and colours and TAFI continues to improve its designs and production costs to ensure that all of its products are well received by its customers and to avoid over dependence on one or two products only.

To further diversify its products, TAFI intends to manufacture modular products for the household consisting of home series furniture for the bedroom, study room and living room in the near future. These products were showcased in Malaysia Furniture Export Exhibition ("MAFEX") 2004 and further R & D efforts as well as marketing survey have to be undertaken on the products prior to the production of the same.

The Group will aggressively expand into market segments that can provide it with an acceptable level of profit margin and increase its products. However, there can be no assurance that changes in any of these factors will definitely increase the demand for the TAFI Group's products.

##### 4.14 RISKS ASSOCIATED WITH POLITICAL AND ECONOMIC CONDITIONS

The Group is pre-dominantly export oriented and is susceptible to the overall economic, socio-economic, political, legislative, business and credit condition and/or any other factors that affect its development in Malaysia and the factors that affect the export markets. TAFI's furniture is exported to countries in the Middle East and other countries such as the UK and Singapore. The Group was affected when war broke out in Iraq and like all other exporters the Group's consignment was stranded for a few days before it was routed onwards to the respective shipping routes.

Therefore the level of profitability and future growth of TAFI will be dependant on the political and economic conditions and cycles in the countries where it sells its furniture and which may be affected by the breakout of war, change in the exchange rate, taxation, political conditions, economic cycles and other social developments. An adverse change in these countries could result in lower demand for the Group's products. The Group will explore the possibility of expanding into other export markets to reduce its dependency on the above mentioned export markets as well as further penetrate the domestic market. There can be no assurance that any change to these factors will not have a material impact on the Group's turnover.

##### 4.15 RISKS ASSOCIATED WITH OWNERSHIP AND CONTROL BY THE SUBSTANTIAL SHAREHOLDERS

Upon completion of the Public Issue exercise, Terk Yew Tee and Saw Han Lim will have a combined equity interest of approximately 50.72%. By virtue of their respective substantial shareholdings in the Group, Terk Yew Tee and Saw Han Lim will have the ability to indirectly exercise control over the Group and its affairs and business, including the election of directors and the approval of most actions requiring the approval of its shareholders, unless they are required to abstain from voting by law and/or the relevant authorities.

**4. RISK FACTORS (Cont'd)**

Nevertheless, the Company has appointed four (4) independent directors as a step towards instilling good corporate governance and protecting the interests of the minority shareholders.

**4.16 RISKS ASSOCIATED WITH GOVERNMENT REGULATION**

The Malaysian government promotes the furniture industry with incentives being granted to furniture manufacturers in terms of various investment incentives and facilities such as awarding pioneer status with fixed tax exemption periods, subsidies in the form of tax relief for capital investment, re-investment allowances and manpower training. Such incentives, which have been granted by the MITI, have a significant impact on the operations, business and competitive environment, which effect the development of the furniture industry.

The Group currently enjoys pioneer status tax benefits, which include tax-exemption up to 70% of its statutory business income. Therefore, the Group is required to pay the statutory tax rate on only 30% of its statutory business income during the tax-exempt period. Besides enjoying the pioneer status, the Group has been granted import duties exemption for importing raw materials and components for export products from the Ministry of Finance for a period of two (2) years. The lifespan of the exemption is not subject to any material conditions with the exception that the exemption can be cancelled at anytime by the Ministry of Finance without giving any valid reasons. Furthermore, if the Group is required to pay the import duties, all the outstanding import duties which have been exempted earlier must be paid within (1) one month from the date of cancellation of the exemption.

Approximately 54% of the Group's labour comprises non-local labour from Indonesia, Nepal, Myanmar and Vietnam. As at to-date, the Group has not faced any labour shortages/difficulties in relation to its foreign workers. However, Government regulations on limiting the number of recruitment of foreign workers can affect labour intensive industries such as the furniture industry by limiting the expansion of the industries and also increasing the wage level of workers.

Although the Group seeks to limit its reliance on foreign workers by automating its production process there can be no assurance that Government regulations regarding recruitment of foreign labour would not affect the Group's performance. In addition, there can be no assurance that going forward the Group will be able to enjoy other benefits of the Government regulations that it currently enjoys.

**4.17 RISKS ASSOCIATED WITH TECHNOLOGY**

The automation of the Group's production process has contributed to the increase in the Group's revenue as the Group is able to respond to customers specific requirements and order size as well as utilise the available designing software to produce new furniture design drawings and enhance existing designs.

The Board believes that the Group is currently using the necessary technology to ensure that the Group is able to manufacture its products with attractive designs and at competitive prices. The Group also ensures that its products remain relevant and also address the needs of its users for better quality ergonomic products, which takes into consideration the posture of its users at work. Although the Group believes that its current technology is able to produce office furniture in contemporary style / design, there can be no assurance that the Group will undertake further investment in technology in a timely and cost-effective way and whether this new technology will produce products that are equally successful as its current products.

**4.18 RISKS ASSOCIATED WITH THE ENVIRONMENT**

The Group currently ensures that all particleboard scraps and saw dust remnants are compressed into packets of dust which are then disposed to waste collectors. According to TAFI's management, its office furniture products are designed and manufactured using fully recyclable materials that do not emit harmful volatile organic compounds. In addition, all employees stationed at the production area are given a set of protective equipment such as gloves, masks and earplugs to reduce industrial accidents due to negligence.

#### 4. RISK FACTORS (Cont'd)

Adverse developments in relation to environment linked issues in Malaysia or other export countries of TAFI could materially and adversely affect the financial prospects of TAFI. Whilst the Group will ensure it prudently manages its financial management and ensure that its operating procedures are efficient, there is no assurance that any developments in relation to the environment will not materially affect the Group.

#### 4.19 RISK ASSOCIATED WITH THE PROFIT ESTIMATE AND FORECAST

This prospectus contains the profit estimate and forecast for the TAFI Group for the financial year ended 31 December 2004 and financial year ending 31 December 2005 that have been prepared based on the assumptions that the directors of TAFI believe to be reasonable. However, these assumptions are subject to uncertainties and contingencies. Given the inherent uncertainties underlying the profit estimate and forecast and that events do not always occur as expected, there can be no assurance that the profit estimate and forecast contained herein will be achieved and actual results may be materially different from the profit estimate and forecast. Investors are deemed to have read and understood the assumptions and uncertainties underlying the profit estimate and forecast contained herein.

#### 4.20 RISK ASSOCIATED WITH FORWARD LOOKING STATEMENTS

Certain statements in this prospectus are based on historical data, which may not be reflective of the future results and others are forward looking in nature which are subject to uncertainties and contingencies. All forward looking statements are based on estimates and assumptions that are made by the directors and believe to be reasonable and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward looking statements.

Such factors include, inter alia, general economic and business conditions, competition, the impact of new laws and regulations affecting the TAFI Group and the industry, changes in interest rates and foreign exchange rates. In light of these uncertainties, there can be no assurance that such expectations as reflected in the forward-looking statements in this prospectus will materialise and the plans and objectives of TAFI Group will be achieved.

#### 4.21 NO PRIOR MARKET FOR TAFI SHARES

Prior to this Public Issue, there has been no public market for the shares. No assurance can be given that an active trading market for the shares will develop upon their listing on the Second Board of Bursa Securities and, if developed, that such a market will be sustained. The Public Issue Price of RM0.70 per share was determined after taking into consideration a number of factors, including but not limited to, the Group's financial and operating history and conditions, the prospects for the industry in which the Group operates, the net PE Multiple of 8.27 times based on the forecasted PAT for the financial year ending 31 December 2005 of RM6.769 million, which in turn was based on the enlarged share capital of 80,000,000 TAFI Shares and the proforma consolidated NTA per share of TAFI as at 31 August 2004 of RM0.54 prior to the issue of this prospectus. There can be no assurance that the issue price of the TAFI Shares will correspond to the price at which the TAFI Shares will trade on the Second Board of Bursa Securities upon or subsequent to their listing.

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