

5. INFORMATION ON THE TAFI GROUP

5.1 BACKGROUND INFORMATION ON TAFI

5.1.1 Incorporation and History

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.

5.1.2 Share Capital

The authorised share capital of the Company is RM100,000,000 comprising 200,000,000 ordinary shares of RM0.50 each. The issued and paid up capital of TAFI as at 31 December 2004 is RM31,160,000 comprising 62,320,000 TAFI Shares. Details of the changes in the issued and paid-up share capital of TAFI since its incorporation are as follows:-

Date of allotment	Number of Shares allotted	Par Value (RM)	Consideration (RM)	Cumulative Total (RM)
29.01.2004	2	1.00	Subscriber's shares	2.00
25.10.2004	4	0.50	Subdivision of par value from RM1.00 to RM0.50 per ordinary share	2.00
30.10.2004	52,059,150	0.50	Acquisition of TA	26,029,577
31.12.2004	10,260,846	0.50	Rights Issue	31,160,000

5.2 LISTING SCHEME

In conjunction with the listing of and quotation for the entire issued and paid-up share capital of TAFI on the Second Board of Bursa Securities, the Company undertook the following exercises which was approved by the MITI on 21 June 2004 and 12 July 2004 and the SC under Section 32(5) of SCA and FIC Guideline, both on 13 September 2004 respectively. The details of the listing scheme are as follows:-

(i) Share Split

The Share Split involves the subdivision into two (2) ordinary shares in TAFI of RM0.50 each for every one (1) existing ordinary share in TAFI of RM1.00 each held by the shareholders of TAFI. Subsequent to the Share Split, TAFI's issued and paid up share capital was RM2 comprising four (4) TAFI Shares.

The shareholders of TAFI had on 25 October 2004 passed an ordinary resolution to sub-divide the par value of TAFI shares from RM1.00 to RM0.50 per ordinary share. The Share Split was completed on 25 October 2004.

(ii) Acquisition of TA

TAFI had on 28 April 2004 entered into a conditional Sale of Shares Agreement with the shareholders of TA, being Saw Han Lim, Terk Yew Tee, YP Plantation, Angkasa Raya and LTH for the acquisition of the entire issued and paid-up share capital of TA comprising 3,000,000 ordinary shares of RM1.00 each to be satisfied by the issuance of 52,059,150 new TAFI Shares at an issue price of RM0.51 per share.

5. INFORMATION ON THE TAFI GROUP (Cont'd)

The purchase consideration for the Acquisition of TA was arrived on a willing buyer willing seller basis after taking into consideration the audited consolidated NTA of TA as at 31 December 2003 of RM26,550,166. The Acquisition of TA was completed on 30 October 2004.

Particulars of the shareholders of TA and the number of TAFI Shares issued to them pursuant to the Acquisition of TA are illustrated as follows:-

Name	Shareholding in TA		Purchase Consideration (RM)	No. of new TAFI Shares issued
	No of ordinary shares of RM1.00 each held	% held		
Terk Yew Tee	975,000	32.5	8,628,804	16,919,224
Saw Han Lim	975,000	32.5	8,628,804	16,919,224
LTH	600,000	20.0	5,310,033	10,411,830
YP Plantation	300,000	10.0	2,655,017	5,205,915
Angkasa Raya	150,000	5.0	1,327,508	2,602,957
Total	3,000,000	100.00	26,550,166	52,059,150

Prior to the completion of the Acquisition of TA, TA has proposed distribution of an interim tax exempt dividend amounting to RM3,500,000 to the vendors of TA, namely Terk Yew Tee, Saw Han Lim, LTH, YP Plantation and Angkasa Raya on 14 October 2004. An application for the interim dividend distribution was submitted to the SC on 15 October 2004 and was subsequently approved by the SC on 13 December 2004.

The interim tax exempt dividend amounting to RM3,500,000, does not exceed RM3,869,365, being the surplus difference between the audited consolidated NTA for the eight (8) months period ended 31 August 2004 of RM30,419,531 and the audited consolidated NTA of TA for financial year ended 31 December 2003 of RM26,550,166. In this respect, the NTA of TA subsequent to the interim tax exempt dividend distribution of RM3,500,000 still exceeds RM26,550,166, which form the basis for the purchase consideration for the Acquisition of TA.

The interim tax-exempt dividend of RM3,500,000 was paid by TA to TAFI on 14 December 2004. TAFI, in turn, distributed the interim tax-exempt dividend of RM3,500,000, to its shareholders, inclusive of Terk Yew Tee, Saw Han Lim, LTH, YP Plantation and Angkasa Raya, who are the vendors of TA, on 27 December 2004.

The Acquisition of TA had resulted in the issued and paid-up share capital of TAFI to increase from RM2 to RM26,029,577.

(iii) Acquisition of TAS

TAFI had on 28 April 2004 entered into a conditional Sale of Shares Agreement with the shareholders of TAS, being TA, Angkasa Raya, YP Plantation and LTH for the acquisition of the entire and issued and paid-up share capital of TAS comprising 1,500,000 ordinary shares of RM1.00 each for a total purchase consideration of RM363,613 to be satisfied by cash.

The purchase consideration for the Acquisition of TAS was arrived on a willing buyer willing seller basis after taking into consideration the audited NTA of TAS as at 31 December 2003 of RM363,613. The Acquisition of TAS was completed on 30 October 2004.

5. INFORMATION ON THE TAFI GROUP (Cont'd)

Particulars of the shareholders of TAS and the cash consideration due to them pursuant to the Acquisition of TAS is illustrated as follows:-

Name	Shareholding in TAS		Purchase Consideration (RM)
	No of ordinary shares of RM1.00 each held	% held	
TA	975,000	65.0	236,348
LTH	300,000	20.0	72,723
YP Plantation	150,000	10.0	36,361
Angkasa Raya	75,000	5.0	18,181
Total	1,500,000	100.0	363,613

(iv) Rights Issue

On 31 December 2004, TAFI completed a 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 Shares for every (1) existing TAFI Share held after the Acquisitions amounting to RM5,130,423.

The Rights Issue had resulted in the issued and paid-up share capital of TAFI being further increase from RM26,029,577 to RM31,160,000.

(v) Public Issue

In conjunction with the flotation of TAFI on the Second Board of Bursa Securities, TAFI will undertake a Public Issue of 17,680,000 new TAFI Shares representing approximately 22.10% of the enlarged issued and paid-up share capital of TAFI at an issue price of RM0.70 per share.

The Public Issue consists of: -

- (a) 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;
- (b) 2,192,000 new TAFI Shares, representing 2.74% of the enlarged issued and paid-up share capital of TAFI shall be reserved for Bumiputera investors approved by MITI;
- (c) 7,000,000 new TAFI 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; and
- (d) 6,488,000 TAFI 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 (a) will be made available for subscription by the Malaysian public. Save for the Public Issue Shares reserved for Bumiputera investors approved by MITI and all the Placement Shares, which is to be placed to identified placees, of which irrevocable written undertakings to subscribe for the said Public Issue Shares have been given by the placees and hence it is not required to be underwritten, all the other Public Issue Shares in (a) and (c) have been fully underwritten.

(vi) Listing and Quotation on Bursa Securities

Subsequent to the Public Issue, TAFI proposes to list and quote its entire enlarged issued and paid-up capital comprising 80,000,000 TAFI Shares on the Second Board of the Bursa Securities.

5. INFORMATION ON THE TAFI GROUP (Cont'd)

5.3 BUSINESS OVERVIEW

5.3.1 Business overview

Since its early beginnings in 1989, TA has been operating as a wood-based panel system office furniture manufacturer with only twenty employees in the Tanjung Agas factory. TA initially concentrated on the local market and started to venture into the export market in 1992. The success of TA was the result of a dedicated management team, employees' loyalty and its commitment towards building customer relationships. TA's commitment to meet its customers' expectations has gained itself loyalty amongst its customers as a number of its customers are long-term clients.

Its first product, the Mex Series, which was launched in 1991, continues to receive good response in trade exhibitions. With continuous efforts to improvise the office system designs, TA has successfully established itself as one of the pioneers in the manufacturing of wood-based panel system office furniture in Malaysia and eventually evolved into specialising in ergonomic and modern designs of office furniture which creates a functional and stimulating working environment.

Over the years, the TAFI Group has established its brand name, "TA" and "TA Office-Home Solution" catering to both local and export markets, whereby both of the trademarks still belong to the TAFI Group. It penetrated into the export markets in 1992 and its products are now exported to 46 countries worldwide. Export revenue contributed approximately 87.2% and 88.0% of the Group's revenue for financial year ended 31 December 2003 and the eight (8) months period ended 31 August 2004 respectively. The major export markets are Middle East (Kuwait, Saudi Arabia, Qatar, Jordan, UAE, etc), Ethiopia, Singapore, UK, Australia and India.

TA was the Runner-up in the Best Panelling Furniture Product Award during the Johor Furniture Fair in 1992. They were also awarded the Enterprise 50 Award in 1998, an annual event organised by Accenture (formerly known as Andersen Consulting) in collaboration with Small and Medium Industries Development Corporation. In 2000, TA successfully obtained the prestigious ISO 9001:2000 in recognition of its quality management system.

It has also introduced automation in its production process to improve production efficiency and continuously upgrades its production facilities and investing in specialised furniture machineries imported mainly from Germany.

The manufacturing plants of the TAFI Group are located at Kawasan Perindustrian Bukit Pasir, Muar, Johor with a total built-up area of 94,814 sq. feet that comprised office buildings, showroom, warehouses and factories. The main activities in this plant is manufacturing of tables and cabinets as well as storage of raw materials. In addition, the Group also has a factory, a warehouse and an office located at Tanjong Agas Industrial Estate, Muar with a total built-up area of 16,404 sq. feet. The plant manufactures small sized furniture products such as pedestals as well as storage of finished products.

5.3.2 Principal Products

The core business activity of the Group is manufacturing and distribution of wood-based panel system office furniture mainly wooden office furniture consisting of tables, cabinets, and pedestals. The Group's office furniture is made from melamine-laminated particleboard (also known as "Chipboard") in various colours, sizes and design, catering to customers' demands that differ from one market to another. There is also variation in the colours of the products even within each series.

5. INFORMATION ON THE TAFI GROUP (Cont'd)

The following table illustrates the types of tables, cabinets and pedestals manufactured.

Office Furniture Category	Principal Products
Tables	Executive Desk Computer & Printer Table Conference Table Meeting Table Standard Table & Worktop Coffee Table Counter Riser Connection Top
Cabinets	Low Cabinet Medium Cabinet High Cabinet Wardrobe
Pedestals	Fixed Pedestal Mobile Pedestal Photocopier Stand

The earliest series launched was the Mex Series in 1991, followed by the Net Series in 1994. The designs of the Mex series are simple and as such are more reasonably priced. As customers requested for more flexible and unique designs, the Group began to improvise its designs and launched the Net Series. The uniqueness of the Net Series lies in its ergonomic designs, which emphasised in cutting technique to produce ergonomic shapes for health and space savings purposes. The Net Series requires high level of R&D activities in determining designs and shapes that are suitable for users. Subsequent to the Net Series, all of the Group's products are ergonomically designed. In 2003, the Group launched two additional new series in the market which were the Raffle and Taco Series.

The Group introduces a new furniture series or improves an existing series on an annual basis. Each series is designed with its own unique size, shape, and colour. Currently, there are 12 series of office furniture manufactured by the TAFI Group. A list detailing the launching date of each series is detailed as follows:-

Products	Year Launched
Mex Series	1991
Net Series	1994
Net II Series	1998
Alice Series	1999
EXE Series	1999
Elmar Series	2000
2000 Series	2000
Dotcom Series	2001
Lyzo Series	2001
Espace Series	2002
Raffle Series	2003
Taco Series	2003

5.3.3 Technology Used

At present, TAFI has approximately 41 machineries such as CNC machines, air compressors, conveyor systems and sawing machines for the production of its wood-based panel system office furniture. Mainly imported from Germany, these machineries are equipped to enhance production efficiency by automating the production process. The German-made machineries are reputable brands that deliver quality standards and provide efficiency through automated process with the control of software. For the year 2003, on a full production day, the Group's production lines produced an average of 1,400 pieces of panel system office furniture comprising tables, cabinets and pedestals.

5. INFORMATION ON THE TAFI GROUP (Cont'd)

Apart from machineries, the Group has acquired several computer software applications for its daily business operations. The R&D team utilises AutoCAD 2002 and Archicad for Framework to create drawings for furniture designs.

5.3.4 Licences /Tax Incentives /Trademarks

(a) Manufacturing Licences

MITI had vide its letter dated 19 February 2004, approved TA's application for the manufacturing of 'table, pedestal, cabinet, computer table, wardrobe (collectively referred to as "wooden furniture")'. The letter revoked the original conditions set out in the Manufacturing Licence No. A010719 Siri A016315 dated 6 March 1997 and Manufacturing Licence A010720 Siri A016316 dated 6 March 1997, respectively, both issued in favour of TA. MITI had further granted a Manufacturing Licence A014618 Siri A022458, for the manufacturing of wooden furniture from its premises at Tanjung Agas Industrial Estate in Muar, Johor.

The following are details of manufacturing licences issued to TA :-

Type of Licence	Licence No	Issued By	Main Conditions Imposed	Status of Compliance
Manufacturing Licence of Wooden Furniture for the following site:-		MITI	<ul style="list-style-type: none"> All the shares of the company must be purchased and held by Malaysian citizens including a minimum allotment of 30% to Bumiputera. 	To be complied
<ul style="list-style-type: none"> PLO 3, Kawasan Perindustrian Bukit Pasir Mukim Sungai Raya 84300 Bukit Pasir Muar Johor Darul Takzim 	A010719		<ul style="list-style-type: none"> Approval from MITI is required for the sale of the shares. The company must ensure that technology is transferred to Malaysians at all levels 	Complied
<ul style="list-style-type: none"> K57, Tanjung Agas Industrial Estate 84000 Muar Johor Darul Takzim 	A010720		<ul style="list-style-type: none"> This company shall implement its project as approved subject to the prescribed terms and laws and regulations enacted in Malaysia. 	Complied
Manufacturing Licence of Wooden Furniture for the following site:-		MITI	<ul style="list-style-type: none"> All the shares of the company must be purchased and held by Malaysian citizens including a minimum allotment of 30% to Bumiputera. 	To be complied
<ul style="list-style-type: none"> K-35-38, Kawasan Perindustrian Tanjung Agas 84000 Muar Johor Darul Takzim 	A014618		<ul style="list-style-type: none"> Approval from MITI is required for the sale of the shares. The company must ensure that technology is transferred to Malaysians at all levels 	Complied
<ul style="list-style-type: none"> Batu 6 ¼ Mukim Sungai Raya Jalan Bukit Pasir 84000 Muar Johor Darul Takzim 	Pending receipt of licence number		<ul style="list-style-type: none"> The company is not allowed to use logs in its products without obtaining the consent of the respective State Forestry Department This company shall implement its project as approved subject to the prescribed terms and laws and regulations enacted in Malaysia 	Complied

5. INFORMATION ON THE TAFI GROUP (Cont'd)**(b) Other Licences**

The following are details of other major licences issued to TA :-

Type of Licence	Company	Issued By	Validity Period
Business Licence for production of wooden products (Trading / Business Licence –Bukit Pasir)	TA	Muar Municipal Council	1 January 2004 to 31 December 2004 (renewable on a yearly basis)
Business Licence for production of wooden products (Trading / Business Licence – Tanjung Agas)	TA	Muar Municipal Council	1 January 2004 to 31 December 2004 (renewable on a yearly basis)
Sales Tax Exemption Licence	TA	Royal Customs and Excise Malaysia	n.a
Advertising Licence (Bukit Pasir)	TA	Muar Municipal Council	1 November 2004 to 31 October 2005 (renewable on a yearly basis)
Advertising Licence (Tanjung Agas)	TA	Muar Municipal Council	1 July 2004 to 30 June 2005 (renewable on a yearly basis)
Fire Services (Fire Certificate) Regulations 2001	TA	Fire and Rescue Department of Malaysia	13 October 2004 to 12 October 2005 (renewable on a yearly basis)

(c) Tax Incentives

TA has been granted pioneer status from MITI and thus is entitled to a 5-year partial exemption from the payment of income tax on 70% of its statutory business income from 24 April 2002 to 23 April 2007.

The Group has also been granted a letter of exemption from import duty and sales tax issued by the Ministry of Finance for importing machinery, equipment and raw materials which is subject to renewal on either an annual basis or biennial basis.

(d) Trademarks

Save as disclosed as follows, there are no other trademarks licensed to the TAFI Group as at the date of this prospectus.

Trademark No & Class	Company	Issued By	Validity Period
98003305 under Class 20	TA	Registrar of Trade Marks, Malaysia	From 18 March 1998
92005417 (B) under Class 20	TA	Registrar of Trade Marks, Malaysia	4 August 1999 – 4 August 2009

Currently, the Group only markets its products under the trademark “TA” as the Group has focussed on building “TA” trademark. Although “TA Office-Home Solution” is not widely used by the Group nowadays, the trademark still belongs to the Group.

The “TA” trademark is illustrated as follows:-



The “TA Office-Home Solution” trademark is illustrated as follows:



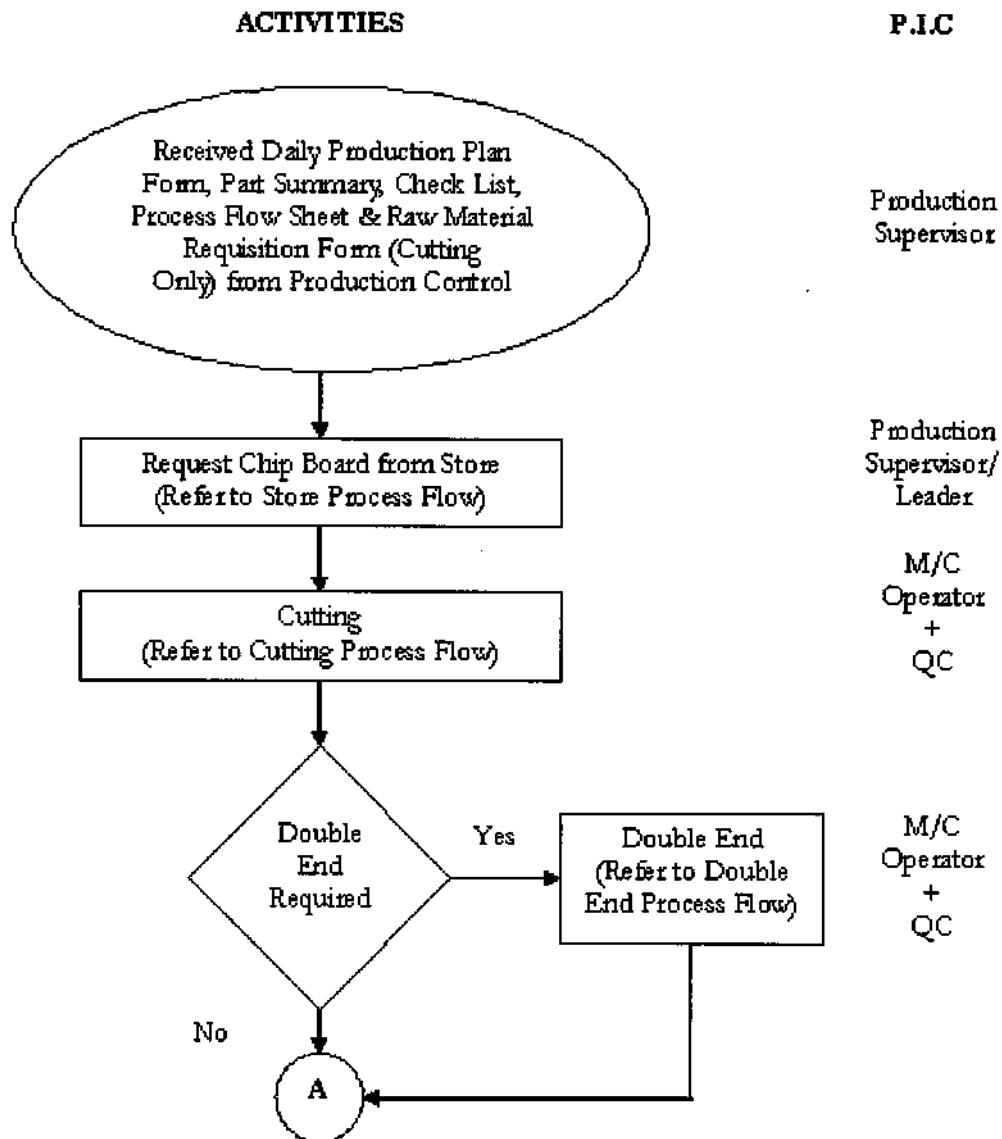
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5.3.5 Extent of the Dependence on Trademarks

The Group currently sells approximately 60% of its products under the trademark "TA" and the remainder of its products are sold independently of the TA trademark as some customers prefer to resell the said products under their own brandnames.

5.3.6 Manufacturing Process

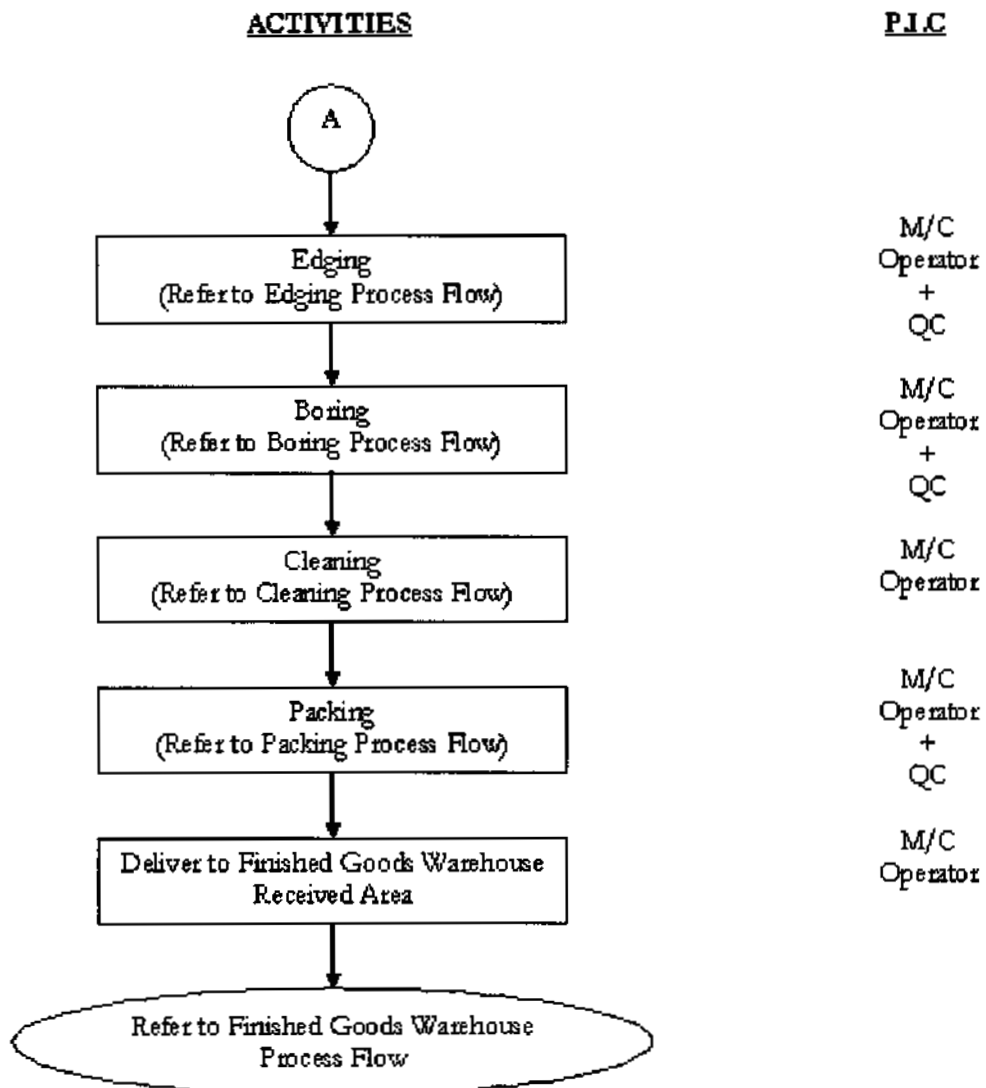
The various stages in the manufacturing process is disclosed as follows:-



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5. INFORMATION ON THE TAFI GROUP (Cont'd)

Production Process Flow (Cont')



The entire Group's office furniture is made from particleboard material made from the finest imported wood from Italy such as pinewood and rubberwood, which is supplied by both the local and foreign suppliers. The particleboard comes in different types of colour, size and thickness. Only a small percentage of the accessories for the office furniture are made from other materials such as plastic, aluminium, glass, metal, etc.

The production process starts when the production control department distributes the daily production plan form, part summary checklist, process flow sheet and raw material requisition form to the production manager.

Store Process Flow

There are two main functions in the store processing flow whereby the staff will receive raw materials and issue raw materials.

5. INFORMATION ON THE TAFI GROUP (Cont'd)

Cutting Process Flow

Upon receiving the Daily Production Plan Form ("DPPF"), checklist, Process Flow Sheet ("PFS"), and cutting formula from the production controller ("PC"), the production supervisor will request raw materials from the store. When the raw materials are received, it is sent to the cutting machine for cutting process. The entire cutting process is monitored by the machine operator. The cut panel will then be delivered to the Work in Progress ("WIP") area for other production processes.

Double End Process Flow

Upon receipt of the DPPF from the PC, the production leader will retrieve the cut panel from WIP area. The machine operator will then set-up the double end machine for operation if the panel needs to have a double-end cutting. The cut panel will then be delivered to the WIP area for other production processes.

Edging Process Flow

Upon retrieving the cut panel from the WIP area, edging tape is requested from the storage area. If there is sufficient stock, the machine operator will then set-up the edging machine and the cut panel will then be edged. Finally, it is delivered to the WIP area for the boring process.

Boring Process Flow

After the cut panel is retrieved from the WIP area, the machine operator will configure the boring machine for operation and the cut panel will be bored where required. The cut panel is then delivered to the WIP area.

Cleaning Process Flow

Cleaning and fitting materials are requested from the storage area. The operator will then proceed to clean and fit the cut panel. Finally, it will be delivered to the WIP area.

Packing Process Flow

Packing materials will be requested from the storage area and the operator will then pack according to the packing details. The finished goods are transported to the finished goods warehouse receiving area.

Finished Goods Warehouse Process Flow

There are four possible activities in the finished goods warehouse process flow. They are the receipt of finished goods, delivery of finished goods, loading of finished goods, and goods return from customer where the store-keeper receives the finalised goods and a quality control acceptance stamp will be stamped on the goods.

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5. INFORMATION ON THE TAFI GROUP (Cont'd)

5.3.7 Estimated Market Position and Share

The research findings suggest that the TAFI Group is one of the major export contributors to the wood-based office furniture industry in Malaysia. TAFI Group accounted for 16.36% of the total market share in the export segment of wood-based office furniture in 2003. The export market share of TAFI Group was derived from the total export revenue of TAFI Group as compared to the total export value of wooden office furniture in Malaysia.

Description	2001 RM Million	2002 RM Million	2003 RM Million
TAFI Group's export revenue	28.90	29.71	37.94
Total selected export revenue ⁽¹⁾	193.89	211.95	231.88
% of the TAFI Group's export revenue	14.91	14.02	16.36

Notes:

⁽¹⁾ "Selected export" refers to wooden furniture of a kind used in offices

(Source: Department of Statistics, extracted from Infocredit D&B Independent Market Research Report dated 28 April 2004 and updated as at 15 December 2004 for inclusion in the prospectus)

Based on the market research conducted by Infocredit D&B, there are ten (10) other major wood-based panel system office furniture-manufacturers that provide similar office furniture products of wood-based material as TAFI Group, namely wood-based panel system office furniture. These players are:

- Apex Office Furniture Sdn Bhd
- Artak Design Sdn Bhd
- Bristol Corporations Sdn Bhd
- Freiberg Marketing Sdn Bhd
- Hing Tai (2020) Sdn Bhd
- Poh Huat Furniture Industries (M) Sdn Bhd
- Soon Her Sing Industries (M) Sdn Bhd
- Spring Art Industries Sdn Bhd
- Systematic Office Equipment Sdn Bhd
- Tomta Furniture Manufacturer Sdn Bhd

These players consist of nine (9) unlisted companies and one (1) subsidiary of a public listed company namely Poh Huat Furniture Industries (M) Sdn Bhd). The range of products manufactured by the wood-based panel system office furniture manufacturers consist mainly of tables, cabinets and pedestals and the majority of them are exporters. However, there are a few office furniture manufacturers such as Apex Office Furniture Sdn Bhd, Bristol Corporations Sdn Bhd, Freiberg Marketing Sdn Bhd, Soon Her Sing Industries (M) Sdn Bhd, Systematic Office Equipment Sdn Bhd and Tomta Furniture Manufacturer Sdn Bhd that were found to also manufacture office furniture chairs. Generally, the major export markets for all these players are countries in the Middle East, South East Asia and Europe.

TAFI Group aims to position itself by offering a good mix of wood-based panel system office furniture and home furniture series. Backed by an experienced management team in the manufacturing of modular concepts furniture system, it is well-positioned to take advantage of new opportunities, especially in the overseas markets particularly in the Middle East, European and African countries.

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In terms of total market size and market share estimation, Hing Tai (2020) Sdn Bhd has been excluded from the analysis as there is no available financial figure for the company. The major local wood-based panel system office furniture manufacturers in Malaysia generated an estimated total revenue of RM286.23 million in 2003 or an increase of 27.8% compared to RM224.01 million in 2002.

Among these companies, TAFI Group has captured about 15.2% market share in 2003 and its position has been consistent. The Group was only ranked second to Poh Huat Furniture Industries (M) Sdn Bhd for the past two (2) years based on annual revenues for FYE 2002 and FYE2003.

(Source: Extracted from Infocredit D&B Independent Market Research Report dated 28 April 2004 and updated as at 15 December 2004 for inclusion in the prospectus)

5.3.8 Significant New Products

In the first quarter of 2004, the Group had showcased its proposed home furnishing products in MAFEX 2004 based on its existing modular concept of office furniture which focusses on furniture for the living room, bedroom and study rooms. The Group had commenced marketing initiatives of the new home furnishing products in November 2004 and has managed to secure its first order of the new home furnishing products in the same month.

The Group also strives to ensure that at least one (1) new series of its office furniture series is available on an annual basis. In year 2003, two (2) new office furniture series were introduced in the market, namely the Raffle and Taco series. In addition the Group also upgrades and improves the design of its existing furniture series.

5.3.9 Principal Markets for Products

The Group has established a wide distribution network, both in the local and export market. Local sales contributed approximately 13% and 12% of the total revenue for the financial year ended 31 December 2003 and the 8-month period ended 31 August 2004 respectively whilst the remaining 87% and 88% of the total revenue for the respective financial year / period were catered to export markets. At present, the Group is exporting to 46 countries around the world and the principal market for the Group's products for the financial year ended 31 December 2003 and the 8-month period ended 31 August 2004 is the Middle East region, comprising Kuwait, Saudi Arabia, Qatar, Jordan and UAE, which contributed approximately 54.40% and 57.00% respectively of its total market share.

The list of exporting countries are illustrated as follows:-

No	Country	No	Country	No	Country
1	Algeria	16	Ghana	31	Pakistan
2	Ivory Coast	17	Guinea	32	Papua New Guinea
3	Armenia	18	India	33	Philippines
4	Australia	19	Jordan	34	Qatar
5	Tahiti	20	Kenya	35	Republic Dominican
6	Bahrain	21	Kuwait	36	Saudi Arabia
7	Bangladesh	22	Lebanon	37	Singapore
8	Benin	23	Libya	38	Sri Lanka
9	Botswana	24	Madagascar	39	Sudan
10	Brunei	25	Maldives	40	Taiwan
11	Cuba	26	Mauritius	41	Tanzania
12	Cyprus	27	Mongolia	42	Tajikistan
13	Djibouti	28	Morocco	43	UK
14	Ethiopia	29	Nigeria	44	UAE
15	Egypt	30	Oman	45	Uzbekistan
				46	Yemen

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5.3.10 Types, Source and Availability of Raw Materials

Laminated particleboards are the major raw materials used in the production of wood-based panel system office furniture where a sizeable portion is sourced from Italy and the remainder is sourced locally. One of the reasons that the Group sources from overseas suppliers is the cost savings advantage that it obtains from its major foreign suppliers as they are able to offer better prices than some local suppliers and are of similar quality as the ones sold by local suppliers. In addition, the Group's long-term relationship and goodwill maintained with its Italian suppliers ensures a smooth flow of supply for raw materials. 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.

The local suppliers are major trading companies for wood-based panel products and are easily accessible as most of them are located in the same district as the Group. Dealing with both local and foreign suppliers enables the Group to diversify its purchasing channel in the event there are disputes with the local suppliers or if the local suppliers are unable to deliver the amount that is ordered. Other raw materials sourced by the Group include edgings, glass, carton boxes and hardware components.

For the financial year ended 31 December 2003, the percentage breakdown of raw materials sourced abroad and locally are 58% and 42% respectively. For the 8-month period ended 31 August 2004, the raw materials sourced abroad has been reduced to 41% while the raw materials sourced locally has been increased to 59%.

5.3.11 Quality Control Procedures

The Group randomly carries out quality control checks which enable constant improvement and quality assurance in its manufacturing processes so as to be able develop reliable products and ensure that the products which are manufactured meet the customers' specifications. Hence, quality management is conducted in the following areas of the Production Process Flow:

i. Cutting Process Flow

In order to prevent sub-standard materials from entering the production process and ensuring that the size and shape of the panel is cut according to the specification, a quality control inspection will be randomly carried out by the Group's quality assurance personnel, to avoid any delay in the production time and wastage of resource.

ii. Edging Process, Double End Process and Boring Process Flow

A quality control inspection will be undertaken by the Company's quality assurance personnel at the Group's production facilities to enable prompt implementation of any corrective measures and high quality finishing.

iii. Packing Process Flows

The Group's quality assurance personnel will, by way of sampling, assemble furniture parts into end-products before they are packed in order to confirm that these end-products meet the customer requirements. After sampling and the end-products are confirmed acceptable, the quality assurance personnel will check the final packing method to ensure that the end-products will not be damaged during transit.

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5.3.12 Production Capacity

The production capacity of the Group has been increasing over the last five years from 1999 to 2003 as illustrated in the following table.

FYE	1999	2000	2001	2002	2003
Activity	Volume (Unit)	Volume (Unit)	Volume (Unit)	Volume (Unit)	Volume (Unit)
Capacity	350,000	500,000	550,000	600,000	600,000
% change	-	43	10	9	0
Output	260,415	339,401	321,429	381,092	435,116
% change	-	30	-5	19	14

Production output of the Group has increased 67% from 260,415 units in 1999 to 435,116 units in 2003. The Group is currently running two to three shifts in the Bukit Pasir factory and two shifts at the Tanjung Agas factories.

Hence, with the proposed expansion in its production capacity, the Group has recently completed the construction of a warehouse at Mukim Sungai Raya on 10 September 2004. In addition, the Group has purchased a freehold industrial land in the Mukim of Sungai Terap, Muar, Johor, which is nearby its current manufacturing plants at Bukit Pasir, Muar, via a public auction in November 2004. 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.

5.3.13 Location of Facilities

The location of its principle assets and production facilities are illustrated in Section 9 of this prospectus. The Group's factory at Kawasan Perindustrian Bukit Pasir serves as the administrative, sales office, production plant and storage facility whereas the two other factories situated at the Tanjung Agas Industrial Estate are principally production plants and storage facilities.

5.3.14 R&D Activities

The Group aims to ensure consistency is achieved in its product quality by minimising product defects and ensuring that the raw materials which are used have long-lasting, durable characteristics and are of high grade quality which is achieved through its production automation process by utilising high-end imported machineries which could be programmed to control production process and increase efficiency. Apart from ensuring quality consistency, the R&D department constantly performs improvement test on all the wood-based panel system furniture designs through the team's know-how as well as obtaining feedback from trade exhibitions through potential and existing customers and suppliers. The Group is also committed to continuous R&D efforts by keeping abreast of market developments and trends in order to ensure customer satisfactions. The Group has spent approximately RM256,000 during the last three (3) financial years for its R&D expenditure.

The R&D objectives of the the team are detailed as follows:--

- (i) continuous new product designs and development;
- (ii) assessing new technology and production processes for the new line of home furniture products;
- (iii) product and process improvement towards optimising operational efficiency;
- (iv) developing new areas for expansion and diversification of business activities and products; and
- (v) continuous product improvement to ensure standards of quality.

5. INFORMATION ON THE TAFI GROUP (Cont'd)

One of the Group's competitive edges is its ability to develop different series of office furniture designs by using the Autocad software which meet the high quality standards of its major export customers. The Group has undertaken many studies and research approaches to develop designs that are suitable to the preference of each country markets. For instance, approximately 80% of the exports to the Middle East and European markets are based on European-style as these markets are inclined towards such taste and preference.

The R&D team which consist of four (4) members have also participated in numerous foreign furniture exhibitions, such as Euro Exhibition, Dubai Index, ORGATEC and MEBEL, to increase their awareness of the current furniture trends. The R&D team is headed by Terk Yew Tee and is assisted by Koh Lim Gek and Wee Chai Liang.

The latest achievement of the R&D team is the newly developed "Elmar II" Series panel system office furniture, which was showcased in the Malaysian International Furniture Fair 2004 ("MIFF 2004"). This new design is an improvised version of the earlier "Elmar" series. The new Elmar II series incorporate more user friendly and ergonomic features.

With conscientious R&D process, the Group has developed its first series of home furniture. The home furniture series has received positive endorsement from European buyers in the MAFEX 2004 exhibition. Nonetheless, further R&D efforts and marketing survey must be conducted prior to the mass production of the same. The Group has commenced its marketing and distribution of the home furnishing products in November 2004 and has managed to secure its first order of the new home furnishing products in the same month.

5.3.15 Significant Interruptions in Business

The Board and management of TAFI confirm that there has been no significant interruption in the business of the TAFI Group for the past 12 months.

5.3.16 Information on Employees

TAFI Group has a total of 367 employees as at 28 December 2004. The following table sets out the breakdown of the number of employees who have been employed on a permanent and contractual basis and their respective years of employment with the Group as at 28 December 2004:-

Category	Number of Employees			Total
	<2 year	2-5 years	> 5 years	
Managerial *	0	2	4	6
Department Head (Executive)*	3	3	7	13
Executive*	0	2	4	6
Technical & Supervisory*	20	9	15	44
Clerical & related occupation*	19	8	4	31
General workers*	23	5	19	47
Factory workers (skilled)*	4	7	8	19
Factory workers (unskilled)	93	108	-	201
Total	162	144	61	367

* Employed on a permanent basis only.

As at 28 December 2004, TAFI has a total of 201 contractual employees who comprise of foreign unskilled workers, which forms 55% of its total employees. Despite the large number of contractual foreign unskilled workers, the Group has not faced any major problems in terms of work permits as the Group has efficiently managed its liaison with the relevant authorities e.g. immigration department. In addition, strict discipline is observed during and after production hours by ensuring adequate amenities are available to the foreign workers staying in the workers' quarters to avoid any social problems arising.

The employees are not members of any union and there has not been any industrial disputes in the past.

5. INFORMATION ON THE TAFI GROUP (Cont'd)

5.3.17 Training and Development

The main objectives of the Group's training and development programmes are to ensure that employees are familiar with the latest developments in production machinery and to encourage high productivity amongst its employees that will increase work efficiency.

TAFI provides on the job training to its employees from time to time, particularly for its sales employees. Most of the training programmes are conducted in-house. The technical employees are also expected to attend technical training courses and production training from the in-house experts. These training programs will enable the technical employees to learn the operations of new machines and acquire additional knowledge.

5.3.18 Key Achievements / Milestones / Awards

The key achievements and milestones of the TAFI Group as at 28 December 2004 is illustrated as follows:-

Year	Name of Standard/Recognition	Name of Awarding Body/Sponsor
2000	ISO 9001 – 2000	Anglo Japanese American (AJA)
1998	Enterprise 50 – 1998	Accenture (formerly known as Anderson Consulting)
1997	Export Excellent Award 1996 & 1997	MATRADE
1992	Best Panelling Furniture Product	Johor Furniture Fair 1992
1990	Pameran dan Peraduan Daya Cipta Perabot Daerah	Persatuan Peniaga-peniaga Perabot Muar 1990

Note:-

MATRADE =Malaysian Overseas Trade Development Corporation

5.3.19 Modes of Marketing/ Distribution / Sales

The Group has established a wide distribution network, both in the local and export market. Local sales contributed approximately 13% and 12% of the total revenue for the financial year ended 31 December 2003 and the 8-month period ended 31 August 2004 respectively whilst 87% and 88% of its revenue for the respective financial year / period came from its export sales.

The Group has a marketing team consisting of 5 persons who are responsible for maintaining good relationship with its customers, monitoring the performance of its distributors and agents, promoting awareness of its products and constantly assessing new avenues to promote its products. In addition the Group's products are showcased in two (2) showrooms in Malaysia. One of the showrooms is located in Bukit Pasir, Muar and the other one is situated at Taman Desa Petaling, Kuala Lumpur.

The Group has participated in various local and foreign furniture trade exhibitions. The trade exhibitions attended by the TAFI Group are illustrated as follows:-

Year	Name of Exhibition	Country
2004	ORGATEC 2004	Cologne, Germany
	MAFEX 2004	Kuala Lumpur, Malaysia
	MIFF 2004	Kuala Lumpur, Malaysia
2003	MAFEX 2003	Kuala Lumpur, Malaysia
	MIFF 2003	Kuala Lumpur, Malaysia
	MEBEL 2003	Moscow, Russia
2002	MIFF 2002	Kuala Lumpur, Malaysia
	ORGATEC 2002	Cologne, Germany
2001	MIFF 2001	Kuala Lumpur, Malaysia
	Cairo Index 2001	Cairo, Egypt
	IMAF 2001	Kuala Lumpur, Malaysia

5. INFORMATION ON THE TAFI GROUP (Cont'd)

(Cont'd)

Year	Name of Exhibition	Country
2000	Euro Exhibition 2000	Paris, France, Cologne, Germany and Birmingham, UK
	Cairo Exhibition 2000	Cairo, Egypt
	MIFF 2000	Kuala Lumpur, Malaysia
	MAFEX 2000	Kuala Lumpur, Malaysia
	Dubai Index 2000	Dubai, United Arab Emirates
	ORGATEC 2000	Cologne, Germany

Note:-

MIFF- Malaysia International Furniture Fair

The Group's products are mainly distributed through furniture distributors and wholesalers. In the overseas markets, TA has signed contracts with several agents, which can be referred in Section 14.5 (ii) for exclusive distributorship rights mainly in the Middle East countries. Some of the terms of the exclusivity letters between the parties are namely the minimum amount of office furniture that the agents are required to order within 12 calendar months and prohibition on carrying other range of office furniture series which are similar to TA's products without the knowledge or consent of TA. These exclusive distributorship rights are on a one (1) year renewable basis.

5.4 SUBSIDIARY COMPANIES

TAFI has four subsidiary companies, namely TA, PRSB, TAS and GMSB. TAFI does not have any associated companies. Details of TAFI's subsidiaries are given as follows:-

Subsidiary Companies	Date and place of incorporation	Authorised share capital (RM)	Issued and paid up share capital (RM)	Effective interest (%)	Principal activities
TA	15.01.1982/ Malaysia	5,000,000	3,000,000	100	Manufacturing and marketing of furniture products
PRSB	6.11.2000/ Malaysia	500,000	300,000	100	Has not commenced operations, other than holding investment in certain properties
TAS	20.05.1994/ Malaysia	5,000,000	1,500,000	100	Currently dormant, other than holding investment in GMSB
GMSB	23.08.1994/ Malaysia	500,000	500,000	100	Property investment and trading in furniture

5.4.1 TA

(a) Incorporation and History

TA was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 15 January 1982.

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5. INFORMATION ON THE TAFI GROUP (Cont'd)

(b) Share Capital

The authorised share capital of TA is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The issued and paid up share capital of TA is RM3,000,000 comprising 3,000,000 ordinary shares of RM1.00 each. The changes in the issued and paid up share capital of TA is illustrated as follows:-

Date of Allotment	Number of Ordinary Shares Allotted	Par Value (RM)	Consideration (RM)	Cumulative Total (RM)
15.01.1982	2 (Subscribers shares)	1.00	Cash	2
17.11.1989	54,326	1.00	Cash	54,328
17.11.1989	45,674	1.00	*	100,002
29.05.1993	300,000	1.00	Bonus shares	400,002
09.06.1993	99,998	1.00	Cash	500,000
22.12.1995	2,500,000	1.00	Cash	3,000,000

Note :-

* conversion of advances owing to Terk Yew Tee into equity in TA

(c) Principal Activity

TA's principle activity is manufacturing and marketing of furniture products.

(d) Substantial Shareholders

TA is a wholly owned subsidiary of TAFI.

(e) Subsidiary and Associated Companies

As at the date of this prospectus, PRSB is a wholly owned subsidiary of TA. TA does not have any associated companies. Details in relation to PRSB are disclosed in Section 5.4.2 of this prospectus.

(f) Employees

As at 28 December 2004, TA has 367 employees.

5.4.2 PRSB

(a) Incorporation and History

PRSB was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 6 November 2000.

(b) Share Capital

The authorised share capital of PRSB is RM500,000 comprising of 500,000 ordinary shares of RM1.00 each. The issued and paid up share capital of PRSB is RM300,000 comprising 300,000 ordinary shares of RM1.00 each. The changes in the issued and paid up share capital of PRSB is illustrated as follows:-

Date of Allotment	Number of Ordinary Shares Allotted	Par Value (RM)	Consideration (RM)	Cumulative Total (RM)
6.11.2000	2 (Subscriber shares)	1.00	Cash	2
30.12.2002	99,998	1.00	Cash	100,000
30.08.2004	200,000	1.00	Cash	300,000

5. INFORMATION ON THE TAFI GROUP (Cont'd)

(c) **Principal Activity**

Has not commenced operations, other than holding investment in certain properties.

(d) **Substantial Shareholders**

PRSB is a wholly owned subsidiary of TA.

(e) **Subsidiary and Associated Companies**

As at the date of this prospectus, PRSB does not have any subsidiary and associated companies.

(f) **Employees**

Nil.

5.4.3 TAS

(a) **Incorporation and History**

TAS was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 20 May 1994.

(b) **Share Capital**

The authorised share capital of TAS is RM5,000,000 comprising of 5,000,000 ordinary shares of RM1.00 each. The issued and paid up share capital of TAS is RM1,500,000 comprising 1,500,000 ordinary shares of RM1.00 each. The changes in the issued and paid up share capital of TAS is illustrated as follows:-

Date of Allotment	Number of Ordinary Shares Allotted	Par Value (RM)	Consideration (RM)	Cumulative Total (RM)
20.5.1994	2 (Subscriber Shares)	1.00	Cash	2
06.02.1995	8	1.00	Cash	10
19.06.1995	499,990	1.00	Cash	500,000
10.01.1996	900,000	1.00	Cash	1,400,000
01.03.1996	100,000	1.00	Cash	1,500,000

(c) **Principal Activity**

Currently dormant, other than holding investment in GMSB.

(d) **Substantial Shareholders**

TAS is a wholly owned subsidiary of TAFI.

(e) **Subsidiary and Associated Companies**

GMSB is a wholly owned subsidiary of TAS. TAS does not have any associated companies. Details in relation to GMSB are disclosed in Section 5.4.4 of this prospectus.

(f) **Employees**

Nil.

5. INFORMATION ON THE TAFI GROUP (Cont'd)

5.4.4 GMSB

(a) Incorporation and History

GMSB was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 23 August 1994.

(b) Share Capital

The authorised share capital of GMSB is RM500,000 comprising of 500,000 ordinary shares of RM1.00 each. The issued and paid up share capital of GMSB is RM500,000 comprising 500,000 ordinary shares of RM1.00 each. The changes in the issued and paid up share capital of GMSB is illustrated as follows:-

Date of Allotment	Number of Ordinary Shares Allotted	Par value (RM)	Consideration (RM)	Cumulative Total (RM)
23.08.1994	2 (Subscriber Shares)	1.00	Cash	2
12.06.1995	499,998	1.00	Cash	500,000

(c) Principal Activity

The principle activity of GMSB is property investment and trading in furniture.

(d) Substantial Shareholders

GMSB is a wholly owned subsidiary of TAS.

(e) Subsidiary and Associated Companies

As at the date of this prospectus, GMSB does not have any subsidiary and associated companies.

(f) Employees

Nil.

5.5 INDUSTRY OVERVIEW

5.5.1 Overview of the Malaysian Economy

The Malaysian economy's growth momentum continues into 2004 after recording a strong growth in 2003. Unlike in 2003, when the global economy was affected by the war in Iraq and Severe Acute Respiratory Syndrome ("SARS"), the external environment in 2004 has improved substantially. The economy is supported by the upswing in the global electronics demand as well as the commodity prices. The manufacturing sector registered a more solid growth of 12.3% during the first half 2004 while the service sector expanded strongly by 6.8%. The Malaysian economy is set to surpass its earlier estimate of 6.0-6.5% and post a stronger growth of 7.0% in 2004 compared to 5.3% in 2003.

5. INFORMATION ON THE TAFI GROUP (Cont'd)

Main Indicators of the Malaysian Economy, 1997-2005 (f)

Main Indicators (%)	1997	1998	1999	2000	2001	2002	2003	2004 _p	2005 _f
GDP at Constant Price	7.3	-7.4	6.1	8.3	0.4	4.1	5.3	7.0	6.0
Agriculture	0.7	-2.8	0.5	2.0	1.8	3.0	5.5	2.8	2.4
Manufacturing	10.1	-13.4	11.7	19.1	-6.2	4.0	8.3	10.5	7.6
Mining and quarrying	1.9	0.4	6.9	1.9	1.6	3.7	5.9	5.0	5.5
Construction	10.6	-24.0	-4.4	1.0	2.3	2.3	1.9	0.5	1.8
Services	9.9	-0.4	4.5	5.7	5.7	4.1	4.4	6.0	5.8

Note:

p=estimate

f = forecast

Sources: Department of Statistics, BNM, Economic Report 2004/2005

The sturdy domestic demand, led by the private sector contributes significantly to the overall economic growth in 2004. The encouraging performance of the private sector is due, in part, to the Government's deliberate efforts over the years to stimulate a more vibrant and dynamic private sector by providing a better conducive business and investment environment for private initiatives to flourish.

Private sector expenditure is expected to expand at a greater pace of 10.3%, the highest since 2001, propelled by both consumption and investment spending. Private sector expenditure will contribute 5.8% to GDP growth (2003:3.1%). Higher disposable income arising from firm commodity prices, stronger export earnings as well as better employment prospects and positive wealth effects from favourable stock market conditions, are the major contributing factors to the strong growth of 9.3% in private consumption (2003:6.6%).

The Small Medium Enterprises ("SMEs") represent an important component in the economy as they not only provide a vital link in the business supply chain and complement Multinational Corporations ("MNCs") but also have the potential to grow and evolve into global players. The magnitude of SMEs, totalling 613,000 involving the full spectrum of sectors and services, underscores their role and potential in the economy. During the first six months of 2004, investments by SMEs have shown an upward trend. Loan disbursements to SMEs from the banking sector grew strongly by 20.5%. As for the five SMEs funds under the Bank Negara Malaysia ("BNM"), out of the total allocation of RM6.9 billion, a sum of RM6.3 billion had been approved to 17,000 borrowers.

The outlook for 2005 will generally remain favourable although global growth is expected to be moderate on account of high oil prices, inflationary pressures, interest rate hikes and a probable slowdown in China's economy. The emergence of these risks, that become apparent in the second half of 2004 and are expected to continue into 2005, will have a large impact on growth next year.

(Source: Extracted from Infocredit D&B Independent Market Research Report dated 28 April 2004 and updated as at 15 December 2004 for inclusion in the prospectus)

5.5.2 Overview of the Furniture Industry

The furniture industry in Malaysia has been identified as a target industry under the Second Industrial Masterplan (IMP:1996-2000). The furniture industry is one of the major export income earners for the country's manufacturing industry. There are close to 2,000 furniture manufacturers in Malaysia. The Malaysia furniture industry is a mature industry and it has a proven track record in the global front. The industry is export-oriented where most players are in competition with major furniture producing countries in Asia such as Taiwan and South Korea. On average, Malaysia exports approximately 85% of its furniture production, raking in almost RM5 billion worth of earnings a year. The industry will experience continuous growth due to active participation in trade exhibitions and growing external demand. In 2003, exports of furniture rebounded to RM5.9 billion and MIFF anticipates exports to grow by 10% in 2004 and 2005. Being ranked as the world's 10th largest furniture producer in 2002, Malaysia had gained 2.6% of the USD 100 billion global market with the USA accounting RM1.6 billion or 13.6% of total furniture export sales.

5. INFORMATION ON THE TAFI GROUP (Cont'd)

The Malaysian furniture industry rebounded in 2002 registering RM4.8 billion export sales after a dip in 2001. In 2003, export growth improved further to RM5.9 billion. The growth was attributable to a sharp increase in overseas demand for Malaysian-made furniture. The wooden furniture sector accounted for 79.4% of 2003 export sales with an export value of RM4.7 billion. Malaysia is a major supplier of wooden furniture products to the traditional markets namely the USA, Japan, UK, Europe and the Middle East countries. Rubber-wood is already a major raw material in the Malaysian furniture making business and is widely accepted by international markets.

Key export markets for furniture are the U.S., Japan, UK, Singapore, Australia, UAE and Canada. Other countries such as Australia, Korea and Taiwan are steadily gaining prominence. Malaysia is now ranked among the top exporting furniture nations in both the USA and Japan. Demand for Malaysian furniture is on the rise worldwide as buyers are becoming increasingly attracted and satisfied with the quality and value of the products.

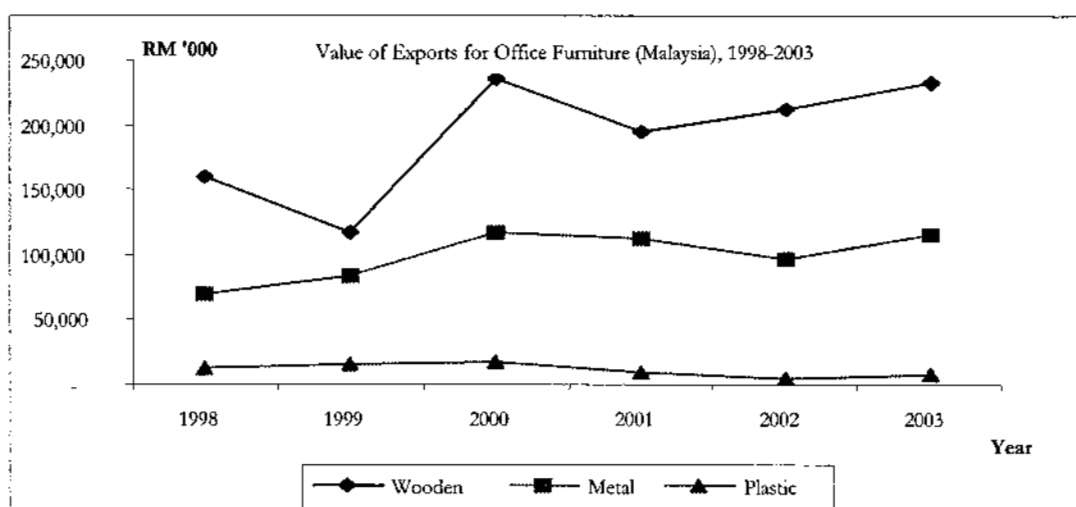
Malaysia is the 14th largest furniture exporter in the world. Abundant supplies of timber, automated processes and trained workers have made Malaysia a world supplier in the global furniture market. For example, leather sofas made in Malaysia are exported to advanced market such as Australia, Europe, Japan, USA and Korea. The best-selling items made in Malaysia are furniture for the living room, kitchen, bedroom and office items. Malaysian consumers are taking more interest in their lifestyle with spurring interest on improving the home/garden and office environment. Modern furniture and interiors are becoming more popular. By 2005, the annual export of the furniture industry is expected to hit RM7 billion.

(Source: Extracted from Infocredit D&B Independent Market Research Report dated 28 April 2004 and updated as at 15 December 2004 for inclusion in the prospectus)

5.5.3 Overview of the Wood-Based Panel System Office Furniture Industry

Office furniture is a sub-sector of the furniture industry and can be segmented into wood-based and non wood-based office furniture. Wood, metal and plastic are common raw materials used in making a diverse range of office furniture sets. A common type of wood-based panel, the particleboard is a versatile product due to many usages and applications from doors, flooring systems to furniture units. A particleboard usually comes in various thicknesses, colours and offers uniform smooth surface. Probably a more popular substitute for solid wood, wood-based panel systems can be applied with melamine decorative papers or even thin folds.

In Malaysia, most of the panel system office furniture manufacturers are found to be located in the Klang Valley, Johor and Perak. The following chart illustrates the export growth trend of office furniture.



5. INFORMATION ON THE TAFI GROUP (Cont'd)

In line with the global furniture growth and the Government's projection of a RM7 billion export sales of office furniture by 2007, the wooden office furniture segment is expected to continuously gain popularity amongst the many types of office furniture from end-users in Malaysia as well as other developed nations where timber resources are scarce. The Malaysian wooden office furniture export registered an increase of 9.4% or RM19.9 million to RM231.9 million in 2003. The office furniture industry rebounded by 13.8% to RM355.3 million in 2003 from RM312.1 million after registering a drop of 1.3% in 2002. Demand from export market was inclined towards wooden office furniture of which the wooden office furniture segment contributed an average of 65% of the total office furniture exports over the last five years. Major export countries include the USA, UK and Japan.

The demand for office furniture in the local market is dependent on the growth of the property market. The positive outlook of condominiums, apartments, hotels, office, and retail space in 2004 is expected to boost domestic demand for furniture. This also augurs well for office furniture manufacturers, as these products especially those made from wood-based materials are lighter, comfortable and suitable for the modern corporate lifestyle.

(a) Demand Conditions

The export market represents a huge opportunity for office furniture manufacturers. Furniture exports are expected to rise by 10% in 2004 and 2005 from RM5.9 billion in 2003 after experiencing a dip in 2001 to RM4.8 billion. The industry is expected to experience continued growth due to active participation in trade exhibitions and export demand from overseas markets such as the USA, Europe, Middle East and Japan. Malaysia exported about RM5.9 billion worth of furniture in 2003 where approximately 79% or RM4.7 billion of the total exports was derived from wooden office furniture.

(b) Supply Conditions

There are about 2,000 furniture manufacturers in Malaysia of which 20% are in the export furniture business according to the Ministry of Primary Industries. Although on the front-end, Malaysia is the world's tenth largest furniture producer by sales volume, local furniture manufacturers are encouraged to be creative like the Europeans and form collaborations amongst suppliers, buyers and designers to sustain Malaysia's competitive position in the global furniture scene. Office furniture manufacturers too need to take more initiatives and not remain complacent in adopting these approaches as the industry becomes more competitive.

To help expand and diversify the Malaysian furniture market, the Government urged local manufacturers to manufacture high value-added furniture products, develop newer designs, use high quality raw materials and promote own brand names to differentiate their products from other competitors.

(c) Imports

Imports of furniture increased by 13.4% to RM718.6 million in 2003 compared to RM633.6 million in 2002. The largest increase recorded is the wooden furniture category, registering RM221.7 million in 2002 to RM260.8 million in 2003. The major import countries of wooden furniture in 2003 were mainly from Italy and Japan. This has indicated a strong presence of foreign players and an increase in the activities of local importers.

Imports of office furniture increased by 7.4% to RM24.2 million in 2003 compared to RM22.5 million in 2002. The surge was mainly driven by higher demand for wood-based office furniture. Although imported office furniture constitute a small fraction of the whole office furniture sector, there are still many foreign players in the market serving niche target markets or offering unique designs and a broad range of imported products at very competitive prices.

5. INFORMATION ON THE TAFI GROUP (Cont'd)

The local market is filled with designer labels furniture products. Production of higher value-added furniture incorporating contemporary design and better finishing are penetrating upmarket segments such as the US, Europe and Japan. A showcase of home-grown brands has been developed over the years by Original Brand Manufacturers (“OBMs”) such as Fella Design, Kian Furniture, Litako and Isotop. Large furniture speciality stores such as Courts Mammoth, Ikea and many others are also active in the market. Design and technical institutions of higher learning have sprung up to train new generation of furniture designers and producers.

Despite high competition within the local industry and the high tariff protection rates of between 25% and 30%, the imported furniture category has seen positive developments due to the changing needs of local consumers, which although low in volume is compensated by high price. As such, only the imported high-end designer furniture is able to compete in the local market which serves a niche group of high-income earners. The low and medium-end imported furniture would have difficulty in penetrating the local market due to their high cost of production and duties.

(Source: Extracted from Infocredit D&B Independent Market Research Report dated 28 April 2004 and updated as at 15 December 2004 for inclusion in the prospectus)

5.5.4 Government Legislations, Policies and Incentives

Apart from the manufacturing licence, at present there are no material government laws and regulations that may impede the performance and growth of wooden manufacturers in Malaysia. The Malaysian Government promotes the furniture industry by offering various investment incentives and facilities such as awarding pioneer status with fixed tax-exemption periods, subsidies in the form of tax reliefs for capital investment, re-investment allowances and manpower training. Some of the major incentive for investments for the wood-based industry include:-

- Pioneer status;
- Investment Tax Allowance (“ITA”);
- Reinvestment Tax Allowance (“RA”);
- Tax Exemption on the Value of Increased Exports; and
- Double Deduction of Promotional Exports.

A company granted the Pioneer Status is entitled to enjoy a five year partial exemption from payment of income tax depending on the criteria it had met. A company granted ITA gets partial or full allowance from its qualifying capital expenditure (such as factory, plant, machinery or other equipment used for the approved project) incurred within five years from the date on which the first qualifying capital expenditure is incurred. Companies can offset this allowance against 70% of their statutory income in the year of assessment. Any unutilised allowance can be carried forward to subsequent years. To obtain RA, a company has to be in operation for at least 12 months and incur qualifying capital expenditure to expand production capacity, modernise and upgrade production facilities, diversify into related products, and automate its production facilities.

Besides the above, there are also indirect tax incentives in the form of exemptions from import duty, sales tax, excise duty, as well as export incentives and to increase the supply of skilled and semi-skilled labour, the government is considering the provision of financial assistance to the private sector for the establishment of technical and vocational centres.

Other Government incentives are outlined as follows:-

- Double deduction for export credit insurance premiums;
- Incentives for R&D;
- Incentives for training;
- Incentives for restructuring;
- Strategic incentives for forest plantation projects;
- Infrastructure allowances;
- Double deduction of freight charges;

5. INFORMATION ON THE TAFI GROUP (Cont'd)

- Drawback of custom duties; and
- Exemption from customs duty on machinery, equipment and raw material.

(Source: Extracted from Infocredit D&B Independent Market Research Report dated 28 April 2004 and updated as at 15 December 2004 for inclusion in the prospectus)

5.6 MAJOR CUSTOMERS

The major export customers of the Group for the financial year ended 31 December 2003 and the 8-month period ended 31 August 2004 are illustrated as follows:

Name	Country	% Revenue Contribution		Length of Relationship (years)
		FYE 31 December 2003	8-month period ended 31 August 2004	
Al-Hawai Office Furniture & Equipment ("Al-Hawai")	UAE	11.35	11.73	7
Emirates General Trading and Investment ("Emirates")	Jordan	-	10.52	2
Advanced Furniture Industry Co Ltd	Jordan	3.28	7.88	3
Al-Balad Al-Amin Gen. Trading & Cont. Est.	Kuwait	5.40	5.01	7
Cimu Pty Ltd	Australia	-	4.24	3
Mountrose Ltd	UK	8.82	3.70	4
Naser Al-Sayer & Co. L.L.C.	UAE	3.75	2.77	6
TC Group	UK	2.55	2.39	3
Socofep	Cuba	-	1.90	4
Middle East Access Trading Sdn Bhd	Saudi Arabia	4.25	1.84	9
Technostyle Plc	Ethiopia	3.34	-	3
Tivoli Furniture	Qatar	2.28	-	7
Franco Asian Enterprise	Singapore	1.72	-	7

For the financial year ended 31 December 2003, only Al-Hawai contributes more than 10% of the Group's revenue, whilst for the 8-month period ended 31 August 2004 Al-Hawai and Emirates contributes more than 10% of the Group's revenue. The Group has established long-term business relationship with them of approximately 7 years and 2 years respectively. Nonetheless, the Group is not overly dependant on Al-Hawai and Emirates as it has a diverse customer base. Furthermore, it has had business relationship with the above major customers for more than 2 years and has a varied range of products to offer its diverse customers.

The Group's major domestic customers for the financial year ended 31 December 2003 and the 8-month period ended 31 August 2004 are illustrated as follows:-

Name	% Revenue Contribution		Length of Relationship (years)
	FYE 31 December 2003	8-month period ended 31 August 2004	
Santa Marketing Sdn Bhd	3.08	4.12	2
Juarapac Sdn Bhd	0.60	2.15	1
Southern Furniture Sdn Bhd	2.68	1.73	10
Delta Business Solution Sdn Bhd.	1.35	1.57	7
Taz Corporation Sdn Bhd	1.59	0.85	5
Kian Contracts Sdn Bhd	-	0.76	7
Hin Lim Furniture Manufacturer Sdn Bhd	-	0.71	6
Isotop Corporation Sdn Bhd	-	0.70	7
Merryfair Office Systems Sdn Bhd	1.00	0.50	10
Zanotta Sdn Bhd	0.45	0.43	7
Intech-Design & Office Furnishing	0.61	-	7
Sunburst Services and Resources	0.56	-	2
U-Trend Furniture Systems Sdn Bhd	0.45	-	3

5. INFORMATION ON THE TAFI GROUP (Cont'd)

Small distributors and large furniture wholesalers constitute the majority of the Group's local customers. Although the local market contributes a small percentage to the Group's total revenue as compared to the percentage of sales contribution from the export market, a dedicated marketing team and an efficient delivery system had resulted in established long-term working relationships between the Group and its key local customers. The Group has established more than five years of working relationship with its local major customers.

5.7 MAJOR SUPPLIERS

Laminated particleboards are the major raw materials utilised in the production of wood-based panel system office furniture. Particleboards are wood-based panels made from flakes of chips of wood bonded together. The major suppliers of the Group for the financial year ended 31 December 2003 and the 8-month period ended 31 August 2004 are as follows:-

Name	Product Purchased	Country	Purchase Contribution (%)		Length of Relationship (years)
			FYE 31 December 2003	8-month period ended 31 August 2004	
SAMA S.R.L.	Board	Italy	51.09	33.37	5
Enlian Sdn Bhd	Board	Malaysia	5.83	19.03	10
Syarikat U.D. Trading Sdn Bhd	Board, Furniture Fittings	Malaysia	6.38	10.73	13
Naga Kirana Packaging Sdn Bhd	Carton Box	Malaysia	4.12	4.29	10
Jubi Sdn Bhd	Board	Malaysia	5.34	3.81	3
Edging Master Manufacturing Sdn Bhd	Edging Tape	Malaysia	3.21	3.17	7
Bripanel Industries Sdn Bhd	Board	Malaysia	-	1.83	1
Bausch + Linnemann International GMBH	Edging Tape	Singapore	1.57	1.83	8
Sino Bright (Hong Kong) Limited	Furniture Fittings	China	-	1.80	3
Great Foam Industries Sdn Bhd	Polyfoam	Malaysia	1.38	1.69	9
Hettich Marketing UND	Furniture Fittings	Germany	2.28	-	3
N-Gee Trading Sdn Bhd	Furniture Fittings	Malaysia	1.84	-	9

The Group's purchases of raw materials are sourced mostly from local suppliers, save for laminated particleboard, which are primarily sourced from SAMA S.R.L. SAMA S.R.L, the Group's major Italian supplier of laminated particleboards contributed 51.09% of the total purchase of the Group of approximately RM26.9 million for the financial year ended 31 December 2003. For the period ended 31 August 2004, the Group's purchase from SAMA S.R.L has been reduced to 33.37% with the balance being mainly sourced from local suppliers.

Although the Group is highly dependent on imports of laminated particleboards, it has not encountered any shortages of supplies as the Group has established long-term relationship with its foreign suppliers. The Group has also established long-term relationship with its local suppliers and therefore does not rely on a single supplier for its particleboard supplies.

To take advantage of the bulk discount being offered by SAMA S.R.L, the majority of laminated particleboards is sourced from SAMA S.R.L, who contributed 51.09% and 33.37% of the total supply to the Group for the financial year ended 31 December 2003 and period ended 31 August 2004 respectively. However, as reflected in the period ended 31 August 2004, the Group has reduced its purchases from SAMA S.R.L to 33.37%. Hence, the directors and key management of TAFI are of the opinion that the Group will not have any problems in further reducing its reliance on SAMA S.R.L for the supply of laminated particleboards, if such need arises, as the Group is confident of being able to source for laminated particleboards in the future at competitive prices from other suppliers.

5.8 FUTURE PLANS, STRATEGIES AND PROSPECTS

The Group's future plans include the following strategies to enable the Group to diversify its products, increase its production capacity and the market share for its products.

5. INFORMATION ON THE TAFI GROUP (Cont'd)

(a) Export Market Expansion

The Group currently exports to 46 countries worldwide and penetrated the export markets through selling to foreign distributors or wholesalers in these countries. Its modular office furniture systems have received good response from countries in the Middle East and Europe particularly UAE and UK. It is the intention of the Group to continue participating in international furniture exhibitions and to utilise its current network of suppliers and customers to identify new customers.

Therefore, the Group intends to actively explore new opportunities in the European market, particularly the Western European regions such as UK, France, Switzerland and Germany and further expand into the Eastern European markets, Russia, countries in the Commonwealth of Independent States as well as the African market.

In line with the Group's export market expansion plans, TAFI aims to set-up a service centre in Dubai by the end of 2005 which will serve as a customer support centre providing after-sales service such as handling customers' inquiries or complaints. The Group intends to set up another customer service centre in UK to represent the Western European market in 2006 which shall assist in nurturing its European market expansion plan.

(b) New Product Development

The Group showcased its modular home furniture systems based on the European-style do-it-yourself home furnishing systems for the living room, bedroom and study room in the first quarter of 2004 in MAFEX 2004. These products will come in various sizes, shapes and designs catering to the Middle East and European markets as the major target markets. This proposed line of home furniture products is modular and provides customers the flexibility to stack up, add on, interchange or configure the solutions according to their needs from time to time.

The do-it-yourself home concept systems provides space-saving feature catering to the modern living demand trend in Europe and it is also gaining popularity in the Middle East. The ability to stack up cabinets and modifiable features are targeted at young working adults. This proposed furniture system gives customers flexibility in space-efficient layout that is easily adapted to new space designs. This is especially useful for the compact living spaces of condominiums, townhouses and apartments.

(c) Continuous R&D

The Group is highly customer-focused and realises the need for continuous innovation in its designs, which is an important attribute to differentiate itself from other common furniture manufacturers. Over the years, the R&D team has been innovative in continuously introducing new series of modular panel system furniture for the mass market, which places the Group at the forefront of the latest trend in office furniture products in the international market place.

The R&D team is also actively seeking to diversify its line of products. The team is currently researching into the latest designs of home furniture products to cater exclusively for the masses in the European and Middle East markets. The R&D team also works closely with the production department to seek alternative raw materials for achieving cost-competitiveness which is of similar quality.

(d) Expansion of Production Capacity

The Group's current factories at the Tanjung Agas and Bukit Pasir industrial estates are running at approximately 80% of the plants' capacity. Therefore, with the projected growth in demand for office furniture and home furniture, the Group has purchased a freehold industrial land in the Mukim of Sungai Terap, Muar, Johor, which is nearby its current manufacturing plants at Bukit Pasir, Muar, via a public auction in November 2004. 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.

5. INFORMATION ON THE TAFI GROUP (Cont'd)

The acquisition of the freehold industrial land and the construction of the factory will be financed through the proceeds from the rights and public issues and/or a mix of internally generated funds and/or bank borrowings. The Group had constructed a warehouse, which had been completed on 10 September 2004 in Mukim Sungai Raya, which had been financed through internally generated funds.

(e) Acquisition of New Machinery

The Group is expected to invest approximately RM4.12 million of the listing proceeds in new machineries to accommodate its production operations for the financial years 2005 and 2006 which is expected to increase its production capacity and efficiency. Among the machines that the Group intends to purchase includes the CNC machine, the panel saw, the edge banding machine, the boring machine and a generator.

The Group will continue to import its machinery from one of Germany's largest panel manufacturing machine manufacturer, Homag AG, which is expected to produce high quality products and improve product efficiency by reducing manufacturing cost in the Group's furniture production. Homag AG is a reputed specialist provider of a range of products such as sizing, edge banding machines, softforming and postforming, CNC machines and other production solutions mainly for the furniture industry. The purchase of the machinery from Homag AG does not require a technical agreement to be entered between both parties as the Group's engineers are well-trained to handle the machinery. Nonetheless, technical assistance and support services are readily available to the Group locally, if required.

(f) In-House Lamination Services

The Group intends to start an in-house lamination service on a small production scale in the new factory in 2005. The machinery to produce quality-laminated panels will be acquired from Germany. This service is expected to have a synergistic effect with the Group's wood-based panel system furniture business and is expected to lower the overall production cost and at the same time provide opportunities for growth by diversifying into value-added services.

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6. INFORMATION ON SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

6.1 SUBSTANTIAL SHAREHOLDERS AND PROMOTERS

6.1.1 Substantial Shareholders

(a) Individual shareholders

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

Name	Nationality	Designation	Direct		Indirect	
			Number of Shares	%	Number of Shares	%
Saw Han Lim	Malaysian	-	20,253,999	25.32	-	-
Terk Yew Tee	Malaysian	Managing Director	⁽¹⁾ 20,316,499	25.40	-	-

Notes:

(1) Inclusive of his entitlement of 62,500 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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6. INFORMATION ON SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Con't)

(b) Corporate Shareholders: -

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

Name	Principal Activities	Name of directors	Direct		Indirect	
			No of Shares	%	No of Shares	%
LTH ⁽¹⁾	Managing pilgrimages, managing investments and taking deposits	Yang Berbahagia Tan Sri Dato' Zainol Mahmood Yang Berbahagia Dato' Haji Ab. Rahim bin Haji Ma'in Yang Berbahagia Dato' Othman bin Jusoh Yang Berbahagia Dato' Mohd Bakke bin Salleh Yang Berbahagia Dato' Haji Kamarudin bin Haji Ambok Yang Berbahagia Datuk Dr Abdul Samad bin Haji Alias Yang Berbahagia Dato' Haji Muda bin Mamat Yang Berbahagia Dr. Nik Norzrul Thani bin Nik Hassan Thani Yang Berbahagia Datuk Zamani bin Abdul Ghani Yang Berbahagia Prof. Dato' Dr. Abdul Shukor bin Hj. Husin	12,463,999	15.58	-	-
YP Plantation ⁽²⁾	Investment holding, plantation development and rental of properties	YAB Dato' Sri Haji Adnan bin Hj. Yaakob YH Dato' Sa'ariah binti Saad YH Dato' Kamarudin bin Mohammed YH Dato' Zainal bin Hj. Ismail YH Dato' Haji Zainal Rahim bin Dato' Haji Darus YH Dato' Radzi bin Yusof	6,232,000	7.79	-	-

Note:

- (1) LTH does not have any shareholders as it was established under the Act of Parliament, namely Akta Lembaga Urusan dan Tabung Haji, 1969 (Act 8) as Lembaga Urusan dan Tabung Haji ("LUTH") and subsequently LUTH changed its name to LTH under the Akta Lembaga Tabung Haji 1995 (Act 535)
- (2) YP Plantation is wholly-owned by Yayasan Pahang, which is established under the Pahang State Enactment 1982.

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6. INFORMATION ON SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**(c) Profile of Substantial Shareholders and Promoters**

A brief background of the substantial shareholders and promoters of TAFI, apart from those who are Directors of the Company, are set out below:-

Saw Han Lim, Malaysian, aged 67, is both a substantial shareholder and promoter of the TAFI Group. He has played an active role in the Group's growth and expansion and building the Group to its present being. Before becoming a shareholder of TAFI, he was a self-employed businessman with involvement in various kinds of business ventures including plantations and construction where he had established his network. His contribution to the Group is in the form of his vast business experience brought about by the numerous years of involvement in the construction and plantation industry.

LTH, a substantial shareholder of TAFI is a corporation set up in Malaysia to manage the savings of pilgrims intending to perform the Haj pilgrimage or other beneficial expenses, take part in capital investment as considered *halal* in Islam and to provide protection, supervision and manage the welfare of Haj pilgrims by maximising the returns to depositors on their savings.

Realising the need to help Muslims to save money without involving in activities deemed haram in Islam, Perbadanan Wang Simpanan Bakal-bakal Haji was set up in November 1962 and began its operations on 30 September 1963. The corporation was merged with the Penang based *Pejabat Urusan Hal Ehwat Haji*. Subsequently an act known as the *Akta Lembaga Urusan dan Tabung Haji 1969 (or Act 8)* was passed by Parliament, leading to the formation of Lembaga Urusan dan Tabung Haji. On 1 June 1995, a new act known as the *Akta Lembaga Tabung Haji 1995 (Act 535)* to incorporate LTH came into effect. LTH has many subsidiaries and associate companies involved in diversified sectors such as plantation, technology and manufacturing, amongst others.

YP Plantation, a substantial shareholder of TAFI, was incorporated in Malaysia on 19 August 1985 under the Companies Act, 1965 as a private limited company and is principally involved in investment holding, plantation development and rental of properties. Its authorised share capital is RM50,000,000 and its paid up share capital as at 28 December 2004 is RM34,678,175. Its wholly owned subsidiary companies are Fitness Twenty-Twenty Sdn Bhd, Modular Matrix Sdn Bhd, Peak Corps Sdn Bhd and Taktik Prestasi Sdn Bhd which are dormant.

YP Plantation is a wholly owned subsidiary of Yayasan Pahang, which was established in Malaysia on 1983 under the Pahang State Enactment No 6/82. Under the said enactment, the objective of Yayasan Pahang is to improve the development of education, sports, cultural and educational facilities in the state of Pahang.

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6. INFORMATION ON SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

(d) Directorship and Substantial Shareholdings in Other Public Corporations

Save as disclosed as below, none of the substantial shareholders of the Company have any directorships and/or substantial shareholdings in any other public corporations for the past two (2) years ended 28 December 2004:-

Substantial Shareholder	Name of Company	Direct Shareholding		Indirect Shareholding	
		No of shares	%	No of shares	%
LTH	BIMB Holdings Berhad	166,900,273	29.65	-	-
	Computer Form (M) Berhad	10,435,000	23.45	-	-
	Eastern Pacific Industrial Corporation Berhad	34,400,000	21.35	-	-
	LKT Industrial Berhad	15,924,143	24.02	-	-
	SDKM Fibre, Wire & Cable Berhad	12,070,000	30.18	-	-
	Ornapaper Berhad	14,268,545	23.01	-	-
	Englotech Berhad	13,641,000	25.73	-	-
	Perumahan Kinrara Berhad	28,823,530	24.50	-	-
	Techsteel Corporation Berhad	5,444,000	29.97	-	-
	Ajinomoto (M) Berhad	3,214,700	5.29	-	-
	Astral Supreme Berhad	6,786,000	15.08	-	-
	Century Logistics Holdings Berhad	4,444,000	9.04	-	-
	Golsta Synergy Berhad	2,600,000	6.19	-	-
	Johan Ceramic Berhad	7,750,000	11.92	-	-
	Kai Peng Berhad	5,500,550	6.17	-	-
	KESM Industries Berhad	8,462,000	19.70	-	-
	Lityan Holdings Berhad	19,171,836	18.65	-	-
	Malaysian AE Models Holding Berhad	3,663,232	5.78	-	-
	Matsushita Electric Co (M) Berhad	3,333,494	5.78	-	-
	Minho (M) Berhad	5,689,000	5.18	-	-
	Malaysian Merchant Marine Berhad	7,523,899	6.64	-	-
	Nestle (M) Berhad	11,740,154	5.00	-	-
	Palette Multimedia Berhad	11,603,800	10.99	-	-
	P.I.E. Industrial Berhad	4,800,000	7.86	-	-
	Prolexus Berhad	3,974,000	5.00	-	-
	PWE Industries Berhad	2,268,000	5.40	-	-
	Southern Acids (M) Berhad	17,864,605	13.05	-	-
	Southern Plastic Holdings Berhad	1,124,000	5.62	-	-
	Spritzer Berhad	4,140,250	8.45	-	-
	Supermax Corporation Berhad	5,309,300	6.57	-	-
	Tasek Corporation Berhad	11,944,000	6.50	-	-
TSH Resources Berhad	9,303,300	9.42	-	-	
White Horse Berhad	19,575,000	8.16	-	-	
Yee Lee Corporation Berhad	8,455,000	13.48	-	-	
YSP Southeast Asia Holdings Berhad	5,740,400	10.44	-	-	

6. INFORMATION ON SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Con't)

(e) Significant Changes in the Shareholdings of the Substantial Shareholders

Significant changes in the direct and indirect shareholdings of the substantial shareholders of TAFI since incorporation up to the date of the prospectus (before Public Issue) is illustrated as follows:-

Substantial Shareholders	As at 13 February 2004 ⁽¹⁾				As at 25 October 2004 ⁽²⁾				As at 30 October 2004 ⁽³⁾				As at 31 December 2004 ⁽⁴⁾			
	Direct		Indirect		Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No of Shares	%	No of Shares	%	No of Shares	%	No of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Terk Yew Tee	-	-	-	-	-	-	-	-	16,919,224	32.5	-	-	20,253,999	32.5	-	-
Saw Han Lim	-	-	-	-	-	-	-	-	16,919,224	32.5	-	-	20,253,999	32.5	-	-
LTH	-	-	-	-	-	-	-	-	10,411,830	20.0	-	-	12,463,999	20.0	-	-
YP Plantation	-	-	-	-	-	-	-	-	5,205,915	10.0	-	-	6,232,000	10.0	-	-
Tan Chui San	1	50.0	-	-	2	50.0	-	-	2	@	-	-	2	@	-	-
Tan Poh Hiang	1	50.0	-	-	2	50.0	-	-	2	@	-	-	2	@	-	-

Note:

(1) As at the date of incorporation on 29 January 2004, the subscriber shareholders of TAFI were Nozie binti Baharom and Rohani binti Mat Yatim. Their shares were subsequently transferred to Tan Poh Hiang and Tan Chui San on 13 February 2004

(2) After Share Split

(3) After Acquisitions

(4) After Rights Issue

@ Negligible

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6. INFORMATION ON SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

6.1.2 Promoters

After the Public Issue, the direct and indirect shareholdings of the promoters who consist of Terk Yew Tee and Saw Han Lim are illustrated in Section 6.1.1 (a) of this prospectus.

None of the promoters has any directorship and substantial shareholdings in other public corporations for the past two (2) years.

The profile of the promoters that is Terk Yew Tee and Saw Han Lim is illustrated in Section 6.2.3 and Section 6.1.1 (c) of this prospectus respectively.

The significant changes in the direct and indirect shareholdings of the promoters of TAFI, that is Terk Yew Tee and Saw Han Lim for the past 3 years is illustrated in Section 6.1.1 (e) of this prospectus.

6.2 DIRECTORS

6.2.1 Direct and Indirect Interests

After the Public Issue, the direct and indirect shareholdings of the directors of the Company are as follows:-

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

Notes:-

- (1) Inclusive of his entitlement of 62,500 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 Shares under the "pink form" allocation under the Public Issue

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6. INFORMATION ON SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

6.2.2 Directorship and Substantial Shareholdings in Other Public Corporations

Save as disclosed as below, none of the directors of the Company have any directorships and/or substantial shareholdings in any other public corporations for the past two (2) years ended 28 December 2004:-

Director	Company	Appointment Date as Director	Direct interest		Indirect interest	
			No of shares	%	No of shares	%
Kamaruddin bin Koskani Abdul Hamid (<i>Alternate Director to Dato' Haji Zainal Rahim bin Dato' Haji Darus</i>)	Kinsteel Berhad	29 November 1996	2,000	0.003	-	-
Tuan Haji Azhar bin Nayan	Ornapaper Berhad	2 December 2002	25,000	0.04	-	-
Tan Sri Dato' Syed Jalaludin bin Syed Salim	Esso Malaysia Berhad	15 February 2000	-	-	-	-
	Bank Kerjasama Rakyat Malaysia Berhad	3 January 2003	-	-	-	-

6.2.3 Directors' Remuneration

The aggregate remuneration paid to the directors of the TA Group for services rendered in all capacities to the Company and its subsidiaries for the financial year ended 31 December 2003 amounted to RM659,480. The proposed remuneration payable to the directors of TAFI Group for the financial year ended 31 December 2004 is estimated at RM685,000.

Aggregate Remuneration (Band)	Number of Directors for the TA Group for the FYE 31 December 2003	Number of Directors for the TAFI Group for the FYE 31 December 2004
Below RM50,000	4	6*
RM50,001 to RM150,000	1	1
Above RM150,000	1	1
Total Payable (RM)	659,480	685,000
Total No. of Directors	6	8

* Inclusive of the alternate director.

6.2.4 Profile of the Board

Terk Yew Tee, Malaysian, aged 50, was appointed as the Managing Director of TAFI on 26 November 2004. He is the founder and promoter of the TAFI Group. He started his furniture company as a sole proprietor in 1979 under the name of Hong Yew Furniture. In 1982, he founded Bemark Furniture Sdn. Bhd. and Classic Furniture in 1984 before he took over TA in 1988. All three companies have since ceased operations. He was one of the pioneers in the manufacturing of knocked-down office furniture made from melamine-laminated particleboards. He is the key person behind the design of innovative production processes and various aspects of quality control for the TAFI Group. He has been actively involved in the Group's creative product designs as well as overseeing the overall business operations of the Group.

6. INFORMATION ON SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Saw Eng Guan, Malaysian, aged 48, was appointed as the Executive Director of TAFI on 26 November 2004. He graduated with a Bachelor of Commerce majoring in Accounting and Finance from the University of Canterbury, New Zealand in 1982. As a qualified accountant, he is a member of Malaysian Institute of Accountants and Malaysian Institute of Taxation and is also an Approved Auditor, Tax Agent and Liquidator. He had previously worked with various public accountants firms, namely Deloitte Haskin & Sells, Singapore, Kassim Chan & Co and Anuarul Azizan & Co, before setting up his own accounting firm, Guan & Associates. Since 1990, he ventured into timber related business in particular, logging and manufacturing of office cum household furniture. He was appointed as the Business Adviser to TA in 1994 and since his involvement in the Group, the Group's turnover has increased a few folds, from RM6.0 million in 1994 to RM43.5 million in 2003.

Dato' Haji Zainal Rahim bin Dato' Haji Darus, Malaysian, aged 58, was appointed as a Non-Independent Non-Executive Director of TAFI on 26 November 2004. He graduated in 1972 with a Bachelor Degree in Anthropology and Sociology from University of Malaya. After graduation, he started his career in the public sector and has over 30 years of experience. He served as an Assistant District Officer of Pekan, Pahang from 1973 to 1976. From 1976 to 1984, he was the Chief Assistant to the State Secretary of Pahang. In 1984 he was appointed as the District Officer of Rompin, Pahang and held this position until 1991. In 1992, he was appointed as the Pengelola Bijaya DiRaja KDYMM Sultan Pahang until 2001. He was also appointed as the State Development Officer in 2001 to 2002. His last post in the public sector before retirement was the District Officer of Pekan, Pahang. Currently he is the corporate representative of YP Plantation on the Board of TAFI.

Kamaruddin bin Koskani Abdul Hamid, Malaysian, aged 44, was appointed as the alternate director to Dato' Haji Zainal Rahim bin Dato' Haji Darus to the Board of TAFI on 26 November 2004. He graduated in 1984 with a Diploma in Planting Industry and Management from MARA Institute of Technology and a Bachelor Degree in Business Administration from International Islamic University, Malaysia in 1989. In 2001, he obtained Master of Business Administration from University Utara Malaysia. He joined Ketengah Jaya Sdn Bhd as a cadet planter in 1990. During 1991 to 1993, he was working for Island & Peninsular Berhad as an Assistant Estate Manager. He joined YP Plantation in 1994 and currently holds the post as a general manager. He is a director in Kinsteel Berhad and a few private limited companies. Currently, he is the Corporate Representative of YP Plantation on the Board of TAFI.

Tuan Haji Azhar bin Nayan, Malaysian, aged 42, was appointed as the Non-Independent Non-Executive Director to the Board of TAFI on 26 November 2004. He graduated with a Bachelor of Science, majoring in Accounting & Economics from Northern Illinois University, USA in 1985 and a Master in Business Administration, majoring in Finance from University of Missouri, USA in 1987. Upon his graduation, he joined Ernst & Young (formerly known as Ernst & Whinny) as a Management Consultant. In the same year he joined Arthur Andersen as an auditor. In 1989 he joined LTH as a general manager. He is also a member of the American Institute of Certified Public Accountants. He is representing LTH, which is a corporate shareholder of TAFI on the Board of TAFI.

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6. INFORMATION ON SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Tan Sri Dato' Syed Jalaludin bin Syed Salim, Malaysian, aged 61, was appointed as the Independent Non-Executive Director of TAFI on 26 November 2004. He graduated with a Bachelor of Veterinary Science from University of Panjab (formerly known as University of Punjab) in 1967 and a Master of Philosophy from University of London, UK in 1969. He holds three other qualifications such as the Doctor of Philosophy (PhD) from University of London, UK, Doctor of Science (Honoris Causa) from University of Hull, UK, and Honoris Causa from Soko University, Japan in 1977, 1999, and 2001 respectively. He started his career as an Assistant Lecturer in the Faculty of Agriculture, University of Malaya in 1969 and became a lecturer in 1972. He was also the Deputy Dean and the Chairman of Animal Science Division (concurrent position) of Faculty of Agriculture in University of Malaya in 1972. In 1975 he joined University Putra Malaysia (formerly known as University Pertanian Malaysia) as a lecturer in the Faculty of Veterinary Medicine and Animal Science, as well as the Head of Department of Animal Science in 1976. He was later promoted to Associate Professor and Professor of Animal Nutrition in 1977 and 1981 respectively. He then slowly moved up the ladder and became the Vice-Chancellor in June 1994 to April 2001. He joined Bank Kerjasama Rakyat Malaysia Berhad on 8 January 2003 as the Chairman and is still holding his position with Bank Kerjasama Rakyat Malaysia Berhad. He is also a Director of the Capital Market Development Fund since 2004.

Goh Choon Hock, Malaysian, aged 44, was appointed as the Independent Non-Executive Director of TAFI on 26 November 2004. He graduated with a Bachelor of Commerce majoring in Accountancy from the University of Canterbury, New Zealand in 1982. He started his career in 1983 as an Audit/Tax Assistant for Messrs Lee & Associate. In 1984, he joined Malayan United Manufacturing Bhd (now known as MUI Properties Bhd) where he served in various management positions. He left in 1990 to joined Rashid Hussain Bhd ("RHB") as the Manager, Corporate Planning. In 1991, he was promoted and transferred to Straits Securities Sdn Bhd (now known as SSSB Services (Melaka) Sdn Bhd), a subsidiary company of RHB in Melaka, to assume the position of General Manager. In 1998, he was appointed as Executive Director, Dealing and Chief Executive Officer of Straits Securities Sdn Bhd. Since 2003, after the stock broking business of Straits Securities Sdn Bhd merged with RHB Securities Sdn Bhd, he holds the position of Chief Operating Officer/Head of Branch in the Company. Apart from his employment experience, he also holds several professional memberships such as a Chartered Accountant from the Malaysian Institute of Accountants, Chartered Accountant of the Institute of Chartered Accountants of New Zealand and a member of the Financial Planning Association of Malaysia.

Gan Poh Thuan, Malaysian, aged 48, was appointed as the Independent Non-Executive Director of TAFI on 26 November 2004. He graduated from the University of Salford, England with a Bachelor of Science (Honours) in Electrical Engineering Science in 1982 and obtained a Masters in Business Administration, where he graduated with merit, from the University of Bath, England in 1992. After his graduation, he started his career as a project engineer with Mechanical Handling Engineering (M) Sdn Bhd, an engineering services company. He was promoted to Branch Manager in 1984, Business Development Manager in 1985, and Division Manager in 1986. In April 1988, he joined Amalgamated Industrial Steel Bhd as the Manager before taking up the post of Business Development Manager with Associated Pan Malaysia Cement Group in August 1992. Since October 1993, he is the General Manager for Asia of MiTek Australia Limited and a director of MiTek Asia Sdn Bhd, a manufacturing and engineering group of companies.

Tan Chuan Yong, Malaysian, aged 49, was appointed as the Independent Non-Executive Director of TAFI on 26 November 2004. He holds a Barrister-at-Law from The Honourable Society of Lincoln's Inn. He is currently an Advocate & Solicitor and Notary Public as well as a Partner in Messrs Tan Chuan Yong & S.M. Chan Advocates & Solicitors. He was admitted to the bar on 28 September 1983 and has been a member since. He is also a Director for several companies like Binary Avenue Sdn Bhd, Canary Choice Sdn Bhd, Stacks Holdings Sdn Bhd and Grundfos Pumps Sdn Bhd.

6. INFORMATION ON SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

6.3 AUDIT COMMITTEE

The Audit Committee comprises of the following members:-

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

The Audit Committee is responsible for the recommendation to the board of directors regarding the selection of the external auditors, reviewing the results and scope of the audit and other services provided by the Company's external auditors as well as reviews and evaluates the Company's internal audit and control functions. The Audit Committee is also responsible for the assessment of financial risk and matters relating to related party transactions and conflict of interests. The Audit Committee may obtain advice from independent parties and other professionals in the performance of its duties.

6.4 KEY MANAGEMENT/KEY TECHNICAL PERSONNEL

6.4.1 Key Management Profile

The management of the TAFI Group is headed by Terk Yew Tee, who is assisted by a team of management personnel as follows:-

Loo Soon Chuan, Malaysian, aged 40, is the sales and marketing manager of TA. He graduated with a Bachelor of Management (Honours) from University Sains Malaysia in 1992 and commenced his career with DCB Bank Bhd (now known as RHB Bank Bhd) in 1992 as the credit officer. In 1993, he joined A Formosa Golf Resort as an administration executive before working for Anchor Electronic Sdn Bhd, a printed circuit board manufacturing company, as the administration and personnel executive for two years. Between September 1995 and June 1996, he served as a senior operations officer with Public Bank Bhd and joined TA in July 1996 as the administration manager. Mr. Loo was subsequently transferred to the export marketing department in 1998. He is responsible for establishing a wide distribution network for TA in the foreign market which contributed 87.2% of TA's sales output in 2003.

Ang Say Kim, Malaysian, aged 42, is the production manager of TA in the Jorak factory. His scope of work involves in scheduling cost effective time and the quality of product output. He joined TA in his current position in the year of 2001. Prior to that, he was manager in LHKD Sdn. Bhd. His duties as the production manager of TA include managing the production team and the overall production operation, provide leadership and strategic direction to improve the production system, yield and quality of the processes as well as in production scheduling.

Tok Ah Chiang, Malaysian, aged 29, is the production manager of TA in the Tanjong Agas factory. He joined CMF Sdn Bhd in Kulai, Johor in 1996 as a production assistant before joining TA in 1997 as a production supervisor. In 1999, he became a production executive and assistant production manager in 2002 and was promoted to his current position in 2004. He holds many roles in the production process of TA and his responsibilities include supervising the production team to ensure timely delivery, conduct improvement on the overall production process and responsible for the production scheduling.

So Siew Fung, Malaysian, aged 34, joined TA in 1998 as the assistant accountant. She graduated from Systematic College in 1993 with a Certificate of Chartered Secretaries and Administrator. After graduation, she worked as secretarial assistant in John Lim & Associates. She later joined Saw and Company in 1995 as an audit assistant. She joined TA in 1998 in her current position, which involves all aspects of accounts and overall financial planning.

6. INFORMATION ON SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Quek Chiow Yong, Malaysian, aged 47, is the Senior Maintenance Engineer of TA. He holds a Diploma in Mechanical Engineering from Institute Technology Negeri and a Certificate in Digital Electronics from Nanyang Institute of Electronics. From June 1979 to August 1984, he was an electro mechanical technician in a multinational semiconductor industry and later transferred to the preventive maintenance. From September 1984 until October 1993 he worked as an electro mechanical maintenance and facility engineer in a multinational audio manufacturing industry. From November 1993 to May 1995, he was a sales and technical engineer in a multinational pneumatic company majoring in pneumatics, programmable logic controller and automation. From June 1995 to May 1997, he took the position as an assistant sales and technical manager in a soldering company (agent for a multinational soldering company) majoring in electronic soldering products and machinery. From June 1997 to June 1999, he joined a leading tiling manufacturing industry as a senior maintenance, facility and production engineer and also as a safety and health officer. He joined TA in July 1999 in his current position. He is responsible for all the engineering activities in the factory including training and development.

Koh Lim Gek, Malaysian, aged 33, joined TA in 1994 as R&D executive. Her career started from 1992 as an accounts clerk in Hock Cheong Sdn Bhd and she moved to SJI Industries Sdn Bhd, a furniture-based company as a technical assistant. She holds a Diploma in Computer Science from Systematic Computer Centre. She is responsible for the development of new products for the company and ensuring that the technical specification of the products meet the customer's requirement.

Teh Beng Beng, Malaysian, aged 35, joined TA on June 2002 as the administration and human resource executive. She obtained her Bachelor of Economics with Honours majoring in Economics of Development from University Kebangsaan Malaysia in 1995. Later, she joined Sin Hua Sen Industries Sdn. Bhd. as marketing executive and advanced her career path to Hong Leong Finance Bhd as a marketing executive. Her current responsibilities include all aspects of the human resource management such as training and development and recruitment.

6.4.2 Direct and Indirect Interest

Save as disclosed below, none of the key management or key technical personnel of the TAFI Group has any interest direct or indirect in the Company, details of which are illustrated as follows:-

Key management/ Key technical personnel	Direct Interest		Indirect Interest	
	No of Shares	%	No of Shares	%
Loo Soon Chuan	⁽¹⁾ 42,000	0.05	-	-
Ang Say Kim	⁽¹⁾ 34,000	0.04	-	-
Tok Ah Chiang	⁽¹⁾ 42,000	0.05	-	-
So Siew Fung	⁽¹⁾ 28,000	0.03	-	-
Quek Chiow Yong	⁽¹⁾ 28,000	0.03	-	-
Koh Lim Gek	⁽¹⁾ 28,000	0.03	-	-
Teh Beng Beng	⁽¹⁾ 21,000	0.03	-	-

Note:-

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.

6. INFORMATION ON SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**6.4.3 Involvement of Executive Directors / Key Management in Other Business**

The executive directors /key management personnel are not involved in any other business, save as disclosed as follows:-

Name	Designation	Name of Company	Principal Activity	Allocation of time and efforts
Saw Eng Guan	Sole Proprietor	Guan & Associates	Auditing Firm	10%
	Director	Macellent Services (Muar) Sdn Bhd	Tax Services	10%
	Director	Macellent Tax Services (M) Sdn Bhd	Tax Services	10%

6.5 DECLARATION FROM DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL

Save as disclosed below, none of the directors, key management or key technical personnel of the TAFI Group has been involved in any of the following events (whether in or outside Malaysia):-

- (i) A petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel and which are disclosed as follows:-
- Mr. Saw Eng Guan is a shareholder of Victory Industries (M) Sdn Bhd (188483-A) and Muar Furniture Industries Sdn Bhd (46566-V), which were wound up on 18 January 2002 and 14 April 2004 respectively.
 - Dato' Md. Sharif bin Shamsuddin is a shareholder of Idealteck (M) Sdn Bhd (213469-W) which was wound up on 21 February 2003. He is currently a director of TA, which is a subsidiary of TAFI.
 - Tuan Haji Azhar bin Nayan is a Director of Heureka Intra Sdn Bhd (173185-U) which was wound up on 2 January 1998.
- (ii) Such person was charged and/or convicted in a criminal proceeding or is named subject of a pending criminal proceeding; and
- (iii) Such person was the subject of any order, judgement or ruling of any court of competent jurisdiction temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

6.6 FAMILY RELATIONSHIPS

There are no other relationships or associations between the substantial shareholders, promoters, directors, key management and key technical personnel of TAFI Group, other than the following:-

- (a) Saw Han Lim, the substantial shareholder and promoter of TAFI, who is the father of Saw Eng Guan, who is a director of TAFI; and
- (b) Terk Yew Tee, the promoter, substantial shareholder and director of TAFI and its subsidiaries, who is the spouse of Low Ah Huay, a director of TA.

6.7 SERVICE AGREEMENTS

There are no service agreements existing or proposed that have been entered into between the TAFI Group and the directors, key management and / or key technical personnel of TAFI.

7. APPROVALS AND CONDITIONS

7.1 APPROVALS FOR THE PUBLIC ISSUE

The Public Issue was approved by MITI on 21 June 2004 and 12 July 2004. The Public Issue was also approved by the SC under the Section 32(5) of SCA and under the FIC Guideline, both on 13 September 2004 respectively. The approvals from the aforesaid authorities were subjected to the following conditions:-

Authority	Details of Conditions	Status of Compliance
SC, under Section 32(5) of SCA	(i) TAFI is to disclose the time frame for the utilisation in the listing prospectus. Any extension of time for the completion of the utilisation of the proceeds from that determined earlier is to be approved by a clear resolution by the Board and fully disclosed to Bursa Securities;	Complied. Duly disclosed in Section 3.8 of this prospectus. Noted for any extension of time.
	(ii) TAFI is to disclose the status of the utilisation of the listing proceeds in its quarterly and annual reports until the proceeds are fully utilized;	Noted and to be complied.
	(iii) The following conditions to be imposed in relation to the trade debtors of the TAFI Group:- a. Full provision should be made for all overdue trade debtors which are in dispute or under legal action, or for amounts which have been outstanding for more than 6 months; and b. The directors of TAFI Group should confirm and submit a declaration that debts exceeding credit period are recoverable and that full provision has been made to the accounts/forecast/projections in accordance with paragraph (iii)(a) above;	Complied. Complied. The written undertaking was provided to the SC on 31 December 2004.
	(iv) 45% of the enlarged issued and paid-up capital of TAFI (amounting to approximately 36,000,000 shares) will be subject to moratorium condition wherein the said moratorium shares would not be allowed to be sold, transferred or assigned for 1 year from the listing date of TAFI;	Noted and the relevant substantial shareholders and promoters have submitted the relevant undertakings to the SC.
	(v) The proposed/existing directors and substantial shareholders who are involved in full-time capacity in the Group should not be involved in full-time capacity in their personal businesses, where relevant;	Complied. The following directors have submitted the relevant undertakings to the SC on 31 December 2004:- (i) Terk Yew Tee; and (ii) Saw Eng Guan

7. APPROVALS AND CONDITIONS (Cont'd)

Authority	Details of Conditions	Status of Compliance
SC, under Section 32(5) of SCA <i>(cont'd)</i>	<p>(vi) The promoters, proposed/existing directors and substantial shareholders of TAFI should not, in the future, carry out any business which will compete directly or indirectly and be in conflict with the business of TAFI;</p> <p>(vii) Affin Merchant/TAFI is to fully comply with all the relevant requirements, particularly with the requirements of Chapter 6, of the SC Guidelines;</p> <p>(viii) 2,192,000 new TAFI shares be allocated to Bumiputera investors to be approved by MITI to comply with National Development Policy (NDP) requirements; and</p> <p>(ix) The adviser/TAFI should inform SC on the status of compliance with the NDP requirement upon completion of the listing exercise.</p>	<p>Complied. The following promoters, directors and substantial shareholders have submitted the relevant undertakings to the SC on 31 December 2004:-</p> <p>(i) Terk Yew Tee (ii) Saw Han Lim (iii) Saw Eng Guan (iv) Tan Sri Dato' Syed Jalaludin bin Syed Salim (v) Dato' Haji Zainal Rahim bin Dato' Haji Darus (vi) Kamaruddin bin Koskani Abdul Hamid (vii) Tuan Haji Azhar bin Nayan (viii) Goh Choon Hock (ix) Gan Poh Thuan (x) Tan Chuan Yong (xi) YP Plantation</p> <p>A waiver has been sought from the SC for LTH from complying with this condition. SC has granted the waiver to LTH, vide its letter dated 7 January 2005.</p> <p>Noted and to be complied.</p> <p>Complied. The MITI's approval letter was obtained on 7 January 2005.</p> <p>Noted and to be complied.</p>
MITI	<p>The allocation of 2,192,000 TAFI Shares or 2.74% of the enlarged share capital are subject to MITI's special share allocation and will be decided separately after the approval of the SC has been obtained for the Listing; and</p> <p>To obtain SC's approval for the Listing Scheme and compliance with the guidelines on acquisitions of interest, mergers and take-overs.</p>	<p>Complied. The MITI's approval letter was obtained on 7 January 2005.</p> <p>Complied. The SC's approval was obtained on 13 September 2004.</p>

7. APPROVALS AND CONDITIONS (Cont'd)

Authority	Details of Conditions			Status of Compliance
MITI (cont'd)	MITI has approved the following 27.26% Bumiputera equity shareholdings in the Company:-			Noted and to be complied.
	Shareholder	No. of new Shares owned	Percentage of enlarged share capital	
	LTH	12,463,999	15.58	
	YP Plantations	6,232,000	7.79	
	Angkasa Raya	3,115,999	3.89	
Total	21,811,998	27.26		
	as the existing Bumiputera equity ownership subject to the condition that 30% of the approved amount can be sold within a period of three (3) months after the Company is listed and the remaining amount of 70% of the approved amount can be disposed in stages by the shareholders after obtaining approval from MITI, with the exception of LTH who is not required to obtain MITI's approval for the disposal of shares.			
	The Company is required to inform MITI of the status of the approved Bumiputera equity ownership in the Company after six (6) months from the listing date of the Company for monitoring purposes.			Noted and to be complied.

SC, on behalf of the FIC, has vide its letter dated 13 September 2004, noted that equity structure relating to Bumiputera, Non-Bumiputera and foreign shareholdings in TAFI would change upon Listing to 30%, 70% and nil respectively. Subsequently, SC has been informed of a placement of 1,700,000 TAFI Shares to a company incorporated in Malaysia, of which its equity is 100% owned by foreigners, and that the said placement would result in the equity structure upon Listing of the Non-Bumiputera and foreign shareholdings to be 67.87% and 2.13% respectively, while the Bumiputera shareholding after the Listing is not affected at 30%.

Further, the SC, has vide its letter dated 13 December 2004, approved under the Section 32(5) of SCA the interim tax exempt dividend distribution amounting to RM3,500,000 by TA. The details of the interim tax exempt dividend distribution are set out in Section 5.2 (ii) of this Prospectus.

7.2 MORATORIUM ON SHARES

Under the SC Guidelines, the substantial shareholders and promoters of TAFI will not be allowed to sell, transfer, or assign their shareholdings amounting to 45% of the shares of the enlarged issued and paid-up share capital of TAFI for one (1) year from the date of admission of TAFI to the Official List on the Second Board of Bursa Securities.

7. APPROVALS AND CONDITIONS (Cont'd)

Details of the shareholdings of the substantial shareholders and promoters whose TAFI Shares are placed under moratorium are illustrated as follows:-

Promoter/ Substantial Shareholders	Shareholdings after the Public Issue		Shareholdings under Moratorium	
	No of Shares	% of enlarged issued and paid-up share capital	No of Shares	% of enlarged issued and paid-up share capital
Terk Yew Tee	⁽¹⁾ 20,316,499	25.40	12,340,765	15.43
Saw Han Lim	20,253,999	25.32	12,302,802	15.38
LTH	12,463,999	15.58	7,570,955	9.46
YP Plantation	6,232,000	7.79	3,785,478	4.73
Total	59,266,497	74.08	36,000,000	45.0

Note:-

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

The restriction which is fully accepted by the substantial shareholders and promoters is specifically endorsed on the share certificates representing the respective shareholdings of the substantial shareholders and promoters which are under moratorium to ensure that TAFI's registrar do not register any transfer not in compliance with the restriction imposed by SC. The abovementioned substantial shareholders and promoters have also provided undertakings that they shall not sell, transfer or assign their respective shareholdings amounting to 45% of the enlarged and issued share capital of TAFI during the moratorium period.

The endorsement affixed on the share certificates of the securities under moratorium is as follows:-

"The Shares comprised herein are not capable of being sold, transferred or assigned for the period as determined by the Securities Commission ("Moratorium Period"). The Shares comprised herein will not constitute good delivery pursuant to the Rules of the Exchange during the Moratorium Period. No share certificate or certificates will be issued to replace this certificate during the Moratorium Period unless the same shall be endorsed with this restriction."

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