

8. RELATED PARTY TRANSACTIONS / CONFLICT OF INTEREST

8.1 RELATED PARTY TRANSACTIONS

Save as disclosed as follows, there are no existing and proposed related party transactions and conflict of interest in relation to the TAFI Group and its promoters, substantial shareholders and directors as at the latest date preceding the date of this prospectus:-

- Macellent (Muar) Sdn Bhd provides secretarial and professional services to the TAFI Group. The substantial shareholder of Macellent (Muar) Sdn Bhd is Saw Han Lim who is also a substantial shareholder of TAFI. The total transaction value for the period ended 28 December 2004 amounted to RM43,325;
- Macellent Services (Muar) Sdn Bhd provides taxation services to TAS and GMSB. The substantial shareholder of Macellent Services (Muar) Sdn Bhd is Mr Saw Eng Guan who is also a director of TAFI. The total transaction value for the period ended 28 December 2004 amounted to RM1,365; and
- Macellent (M) Sdn Bhd provides professional services to the TAFI Group. The substantial shareholder and director of Macellent (M) Sdn Bhd is Saw Han Lim who is also substantial shareholder of TAFI. The total transaction value for the period ended 28 December 2004 amounted to RM47,950.

8.2 TRANSACTIONS THAT ARE UNUSUAL IN THEIR NATURE OR CONDITIONS

There are no transactions that are unusual in its nature and conditions involving goods, service, tangible or intangible assets, to which the TAFI Group was a party in respect of the last financial year and the subsequent financial period immediately preceding the date of the prospectus.

8.3 OUTSTANDING LOANS

There are no outstanding loans (including guarantees of any kind) made by TAFI Group to or for the benefit of a related party in respect of the past one financial year and the subsequent financial period as at the latest date preceding the date of this prospectus.

8.4 INTEREST IN SIMILAR BUSINESS

Save as disclosed as follows, to the best of knowledge and belief of the promoters, substantial shareholders and directors of the TAFI Group, none of the promoters, substantial shareholders, directors and /or key management of TAFI Group have any interests, direct or indirect, in any other businesses and corporations carrying on a similar trade as the Company or its subsidiaries:-

LTH, a substantial shareholder of TAFI is also a shareholder in Poh Huat Industries Berhad ("Poh Huat") and its shareholdings in Poh Huat is 4.00% as at 28 December 2004. LTH is a corporation set up 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, therefore LTH's interest in Poh Huat is primarily as an investment and LTH is not involved in the day-to-day operations of Poh Huat which could give rise to a potential conflict of interest situation. Poh Huat is one of the top three (3) largest office furniture manufacturers in Malaysia.

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8. RELATED PARTY TRANSACTIONS / CONFLICT OF INTEREST (Cont'd)

8.5 PROMOTION OF ANY MATERIAL ASSETS ACQUIRED OR TO BE ACQUIRED

Save as disclosed as follows, none of the promoters, substantial shareholders and directors and persons connected to them have any interest, direct or indirect, in the promotion of, or in any material assets which have been acquired or disposed of or leased to the TAFI Group, or are proposed to be acquired or disposed of or leased to the TAFI Group within the two (2) years preceding the date of this prospectus:-

- (a) the Acquisition of TA as set out in Section 5.2(ii) of this prospectus; and
- (b) the Acquisition of TAS as set out in Section 5.2(iii) of this prospectus.

8.6 DECLARATION BY ADVISERS

- (a) Affin Merchant hereby confirms that as at the date of this prospectus there are no existing and potential interest and/or conflict of interest in its capacity as the Adviser, Managing Underwriter, Underwriter and Placement Agent to the TAFI Group for the Listing.
- (b) Messrs. Abdul Raman Saad & Associates hereby confirms that as at the date of this prospectus there are no existing and potential interest and/or conflict of interest in its capacity as the Solicitors for the Listing to the TAFI Group.
- (c) Messrs. Deloitte KassimChan hereby confirms that as at the date of this prospectus there are no existing and potential interest and/or conflict of interest in its capacity as the auditor and reporting accountant to the TAFI Group for the Listing.
- (d) Infocredit D&B hereby confirms that as at the date of this prospectus there are no existing and potential interest and/or conflict of interest in its capacity as the independent market researcher to the TAFI Group for the Listing.

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9. OTHER INFORMATION CONCERNING TAFI GROUP

9.1 INFORMATION ON LANDS AND BUILDINGS

A summary of the lands and buildings owned by the Group is illustrated as follows:-

Name and registered owner	Postal address/Title No	Age of building (years)	Tenure/(Date of expiry of lease)	Description /Existing usage	Land/(Built up) area (sq. ft.)	Net book value ⁽¹⁾ (RM)	Restrictions in interest /Encumbrances on the land	Date of issuance of certificate of fitness ("CF"), for buildings
GMSB	PLO3, Kawasan Perindustrian Bukit Pasir Mukim Sungai Raya 84300 Bukit Pasir Muar Johor Darul Takzim/ No. H.S.(D) 21956 PTD 1532 Mukim Sungai Terap Daerah Muar Johor Darul Takzim	8	Leasehold for 60 years/ (5 September 2056)	A single-storey factory building with a 3-storey office annexture and other ancilliary buildings/ Factory, warehouse and office	124,450.92 / (94,814)	3,803,983	Nil ⁽²⁾	16 January 1997
TA	K35-K38, Kawasan Perindustrian Tanjung Agas Jalan Kesang 84000 Muar Johor Darul Takzim/ No. H.S.(D) 13776, 13777, 13778, 13779, No. PTD 4798, 4799, 4800, 4801 Mukim Kesang Daerah Muar Johor Darul Takzim	12	Leasehold for 60 years/ (19 September 2048)	4 contiguous units of single-storey semi-detached factory buildings/ Factory,warehouse and office	29,620/ (8,400)	880,674	Charged in favour of Citibank Berhad ⁽²⁾⁽³⁾	5 August 1993 (for the units situated at no. K35, K36 and K37) 18 June 1986 (for the unit situated at no. K38)
TA	K-57, Kawasan Perindustrian Tanjung Agas Jalan Kesang 84000 Muar Johor Darul Takzim/ No. H.S.(D) 11670, No. PTD 4564 Mukim Kesang Daerah Muar Johor Darul Takzim	15	Leasehold for 60 years/ (26 September 2046)	A single-storey factory building with an office annexture/ Factory, warehouse and office	21,780 / (8,004)	592,069	Charged in favour of HSBC Bank Berhad ⁽²⁾⁽³⁾	19 November 1990

9. OTHER INFORMATION CONCERNING TAFI GROUP (Cont'd)

Name and registered owner	Postal address/Title No	Age of building (years)	Tenure/(Date of expiry of lease)	Description /Existing usage	Land/(Built up) area (sq. ft.)	Net book value ⁽¹⁾ (RM)	Restrictions in interest /Encumbrances on the land	Date of issuance of certificate of fitness ("CF"), for buildings
TA	15-0-01, Block B Desa Petaling Business Centre Jalan 1/125E Taman Desa Petaling 57100 Kuala Lumpur/ GM 2269, Lot 38600 Mukim Petaling Daerah Kuala Lumpur	8	Strata title not yet issued.	An office lot located on the first floor of a 5 ½ storey building/ Showroom	(1,229.2)	260,840	Nil /Nil	25 May 2004
TA	Batu 6 ¼, Mukim Sungai Raya Jalan Bukit Pasir 84000 Muar Johor Darul Takzim/ GM 190, Lot 288 Mukim Sungai Raya Daerah Muar Johor Darul Takzim	< 1 ⁽⁴⁾	Freehold	Industrial Land /A single storey warehouse	97,456.788 / (60,530)	2,261,328	Nil /Lease of part of land to Tenaga Nasional Berhad for 30 years until 14 February 2023	Pending receipt of CF
PRSB	No. H.S.(D) 6270, 6271, 6272, 6273 No. PT 385, 386, 387, 388 Mukim Semujok Daerah Jasin Melaka	n.a	Leasehold for 99 years/ (23 February 2100)	Industrial Land /Vacant	276,647	1,363,476	Charged in favour of HSBC Bank Berhad/ ⁽²⁾⁽³⁾	n.a
TA	No. H.S.(D) 10105, 10106, 10107, 10108, 10109, No. PTD 4749, 4750, 4751, 4752, 4753 Mukim Paloh Daerah Kluang Johor Darul Takzim	n.a	Freehold	Residential Land /Vacant	18,144	170,993	Nil /Nil	n.a

Notes:-

(1) as at 31 August 2004

(2) The land cannot be sold, mortgaged, charged or transferred in any way whatsoever including by any agreement with the intention of releasing/selling the land without the consent of the State Authority.

(3) The State's consent is exempted for the first charge of the land.

(4) The construction for the single storey warehouse was completed on 10 September 2004

n.a not applicable

To the best knowledge and belief of the Directors of TAFI, there are no breaches on any land use conditions on the abovesaid landed properties.

10. FINANCIAL INFORMATION

10.1 HISTORICAL FINANCIAL INFORMATION

10.1.1 Historical financial information for the past five (5) years ended 31 December 1999 to 2003 and for the eight (8) months period ended 31 August 2004

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

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

Notes:-

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

10. FINANCIAL INFORMATION (Cont'd)*(8) Revenue*

- *Revenue increased by 38% for the financial year ended 31 December 2000 to RM35.2 million mainly due to increase in export sales as a result of active participation in road shows in France, Germany and UK.*
- *Revenue decreased by 5.7% for the financial year ended 31 December 2001 to RM33.2 million mainly due to lower sales volume in the export market as lesser orders were received from overseas due to global economic uncertainties.*
- *Revenue increased by 9% for the financial year ended 31 December 2002 to RM36.2 million mainly due to increase in sales volume for export as a result of attending furniture exhibitions held during the year.*
- *Revenue increased by 20% for the financial year ended 31 December 2003 to RM43.5 million mainly due to new customers from the Middles East which contributed RM4.5 million sales.*
- *Revenue for the eight (8) months period ended 31 August 2004 was RM37.8 million, i.e. approximately 87% of the revenue for financial year ended 31 December 2003 as export sales have increased significantly due to increase in demand from overseas customers. The increase in sales volume for export was mainly due to participation in two (2) furniture exhibitions held in 2003.*

(9) PBT

- *PBT increased by 141.7% for the financial year ended 31 December 2000 to RM2.4 million mainly due to higher gross profit resulting from higher revenue and higher profit margin derived from sales to export market.*
- *PBT increased by 73.8% for the financial year ended 31 December 2001 to RM4.2 million mainly due to decrease in finance cost as a result of lower utilization of borrowings. In addition, there was a gain on disposal of investment of RM1.6 million during the year.*
- *PBT decreased by 9.6% for the financial year ended 31 December 2002 to RM3.8 million mainly due to higher marketing costs expended to penetrate new export markets.*
- *PBT increased by 29.4% for the financial year ended 31 December 2003 to RM4.9 million mainly due to increase in gross profit arising from higher revenue as more new customers were secured.*
- *PBT for the eight (8) months period ended 31 August 2004 was RM4.4 million, i.e. approximately 90% of the PBT for the financial year ended 31 December 2003 as a result of increase in sales volume for export.*

(10) Taxation

- *In accordance with the Income Tax (Amendment) Act, 1999, tax on income earned in 1999 is waived. Consequently, there is no taxation provided in 1999.*
- *The effective tax rate in 2000 and 2001 is lower than the statutory rate due mainly to reinvestment allowances claimed and utilised during the year and also due to certain expenses which are eligible for double deductions for tax purposes.*
- *The effective tax rate in 2002, 2003 and 2004 is lower than the statutory rate mainly due to TA being granted pioneer status for the manufacture of wooden furniture, which resulted in 70% of the chargeable income of TA from 24 April 2002 to 23 April 2007 being exempted from tax.*

10. FINANCIAL INFORMATION (Cont'd)

(11) Impact from Foreign Exchange

The Group's export sales are generally invoiced in USD. With the imposition of the fixed exchange rate via the pegging of the RM to the USD by Bank Negara Malaysia, the Group has gradually minimised the foreign exchange fluctuations in its sales.

Meanwhile, the Group's imports are mainly denominated in Euro whereby it constantly monitors its foreign currency exposure by way of entering into foreign exchange forward contracts of short-dated tenors to mitigate the foreign exchange fluctuation in its purchases, if necessary.

10.1.2 Segmental Analysis

The following tables set out the segmental analysis by company and activities for the TAFI Group for the past 5 financial years ended 31 December 1999 to 2003 and for the eight (8) months period ended 31 August 2004 based on turnover and profit before tax. It has been prepared based on the assumption that the Group has been in existence throughout the period under review and is meant for illustrative purposes only.

(a) By Company

RM '000	----- FYE 31 December -----					Eight (8)
	1999	2000	2001	2002	2003	months period ended 31 August 2004
Turnover						
- TAFI	-	-	-	-	-	-
- TA	25,516	35,230	33,215	36,186	43,503	37,765
- PRSB	-	-	-	-	-	-
- TAS	-	-	-	-	-	-
- GMSB	-	-	370	270	167	85
- Inter-company eliminations	-	-	(303)	(228)	(160)	(81)
	<u>25,516</u>	<u>35,230</u>	<u>33,282</u>	<u>36,228</u>	<u>43,510</u>	<u>37,769</u>
Profit/(Loss) Before Tax						
- TAFI	-	-	-	-	-	(10)
- TA	1,371	2,608	4,174	3,740	4,931	4,451
- PRSB	-	-	(18)	(29)	(29)	(25)
- TAS	(223)	(128)	(3)	(4)	(4)	(3)
- GMSB	(142)	(48)	75	114	45	35
	<u>1,006</u>	<u>2,432</u>	<u>4,228</u>	<u>3,821</u>	<u>4,943</u>	<u>4,448</u>

%	----- FYE 31 December -----					Eight (8)
	1999	2000	2001	2002	2003	months period ended 31 August 2004
Turnover						
- TAFI	-	-	-	-	-	-
- TA	100.0	100.0	99.8	99.9	100.0	100.0
- PRSB	-	-	-	-	-	-
- TAS	-	-	-	-	-	-
- GMSB	-	-	1.1	0.7	0.4	0.2
- Inter-company eliminations	-	-	(0.9)	(0.6)	(0.4)	(0.2)
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

10. FINANCIAL INFORMATION (Cont'd)

(cont'd)

%	←----- FYE 31 December ----->					Eight (8) months period ended 31 August 2004
	1999	2000	2001	2002	2003	
Profit/(Loss) Before Tax						
- TAFI	-	-	-	-	-	(0.2)
- TA	136.3	107.3	98.7	97.9	99.8	100.1
- PRSB	-	-	(0.4)	(0.8)	(0.6)	(0.6)
- TAS	(22.2)	(5.3)	(0.1)	(0.1)	(0.1)	(0.1)
- GMSB	(14.1)	(2.0)	1.8	3.0	0.9	0.8
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

The losses for the eight (8) months period ended 31 August 2004 incurred by TAFI were due to the administration charges.

The losses for the financial years ended 31 December 2001, 2002, 2003 and the eight months period ended 31 August 2004 incurred by PRSB were due to the administration charges and the amortisation of long-term leasehold land.

The losses incurred by TAS for the financial year ended 31 December 1999 were primarily due to preliminary and pre-operating expenses, finance cost incurred on overdraft and term loan and administration charges. The losses for the financial year ended 31 December 2000 were primarily due to finance cost incurred on overdraft and term loan and administration charges. The losses incurred in the subsequent years, for financial years ended 31 December 2001, 2002, 2003 and the eight (8) months period ended 31 August 2004 were primarily due to administration charges.

The losses incurred by GMSB for the financial year ended 31 December 1999 were primarily due to preliminary and pre-operating expenses, finance cost incurred on overdraft and term loan and administration charges. In the subsequent year, that is for the financial year ended 31 December 2000 the losses incurred by GMSB were primarily due to finance cost incurred on overdraft and term loan and administration charges.

(b) By Activities

RM '000	←----- FYE 31 December ----->					Eight (8) months period ended 31 August 2004
	1999	2000	2001	2002	2003	
Turnover						
- Manufacturing	25,516	35,230	33,215	36,186	43,503	37,765
- Trading	-	-	370	270	167	85
- Others	-	-	-	-	-	-
- <i>Inter-company eliminations</i>	-	-	(303)	(228)	(160)	(81)
	<u>25,51</u>	<u>35,230</u>	<u>33,282</u>	<u>36,228</u>	<u>43,510</u>	<u>37,769</u>
Profit/(Loss) Before Tax						
- Manufacturing	1,371	2,608	4,174	3,740	4,931	4,451
- Trading	(142)	(48)	75	114	45	35
- Others	(223)	(128)	(21)	(33)	(33)	(38)
	<u>1,006</u>	<u>2,432</u>	<u>4,228</u>	<u>3,821</u>	<u>4,943</u>	<u>4,448</u>

10. FINANCIAL INFORMATION (Cont'd)

%	←----- FYE 31 December ----->					Eight (8) months period ended 31 August 2004
	1999	2000	2001	2002	2003	
Turnover						
- Manufacturing	100.0	100.0	99.8	99.9	100.0	100.0
- Trading	-	-	1.1	0.7	0.4	0.2
- Others	-	-	-	-	-	-
- <i>Inter-company eliminations</i>	-	-	(0.9)	(0.6)	(0.4)	(0.2)
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Profit/(Loss) Before Tax						
- Manufacturing	136.3	107.3	98.7	97.9	99.8	100.1
- Trading	(14.1)	(2.0)	1.8	3.0	0.9	0.8
- Others	(22.2)	(5.3)	(0.5)	(0.9)	(0.7)	(0.9)
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

10.2 WORKING CAPITAL, MATERIAL LITIGATION, MATERIAL CAPITAL COMMITMENTS, BORROWINGS AND CONTINGENT LIABILITIES

(i) Working Capital

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

(ii) Material Litigation

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

(iii) Material Capital Commitments

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

Capital Commitments	RM
Approved and contracted for	1,989,000
Approved but not contracted for	-
Total	1,989,000

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

10. FINANCIAL INFORMATION (Cont'd)**(iv) Borrowings**

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

Borrowings	RM
Short term	
Hire purchase loan	100,000
Long term	
Hire purchase loan	91,658
Total	191,658

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

(v) Contingent Liabilities

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

10.3 DIRECTORS' DECLARATION ON FINANCIAL PERFORMANCE

As at 28 December 2004, (being the latest practicable date prior to the printing of this prospectus) and save as disclosed in Section 4, 5.8, 10.1.1 and 10.2 of this prospectus, the directors of TAFI hereby confirm that the financial performance, position and operations of the TAFI Group are not affected by any of the following factors:-

- (i) any other known trends, demands, commitments, events or uncertainties that have had or that the Company reasonably expects to have, a material favorable or unfavourable impact on financial performance, position and operations of the TAFI Group;
- (ii) any other material commitments for capital expenditure;
- (iii) any unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of the TAFI Group;
- (iv) substantial increase in revenue which is attributable to prices, volume of goods being sold and the introduction of new products or any factors; and
- (v) any known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of its future financial performance and position.

10. FINANCIAL INFORMATION (Cont'd)

10.4 FUTURE FINANCIAL INFORMATION

10.4.1 Profit Estimate and Forecast

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

Notes:-

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

10.4.2 Directors' Analysis on Profit Estimate and Forecast

The directors of TAFI confirm that they have reviewed and analysed the profit estimate and forecast of TAFI and the underlying bases and assumptions stated therein. The directors further confirm that, after due and careful enquiry, the profit estimate and forecast are fair and reasonable in light of the risks of the Company's businesses and the prospects of the manufacturing industries in which it operates and the future prospects and strategies of the Company as set out in Section 5.8 of this prospectus, respectively, and after taking into consideration the forecast gearing level, liquidity and working capital requirements of TAFI.

10. FINANCIAL INFORMATION (Cont'd)

10.5 REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT ESTIMATE AND FORECAST

Deloitte.

Deloitte KassimChan (AF 0080)
Chartered Accountants
Level 19, Uptown 1
1 Jalan SS 21/58
Damansara Uptown
47400 Petaling Jaya
Malaysia

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myaaa@deloitte.com
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January 5, 2005

The Board of Directors
TAFI Industries Berhad
(formerly known as Armani Vista Sdn. Bhd.)
35-1 (Room A), Jalan Dato Hj. Hassan
84000 Muar
Johor

Dear Sirs,

TAFI INDUSTRIES BERHAD
(formerly known as Armani Vista Sdn. Bhd.)
CONSOLIDATED PROFIT ESTIMATE AND FORECAST
FOR THE FINANCIAL YEARS ENDED/ENDING DECEMBER 31, 2004
AND DECEMBER 31, 2005 RESPECTIVELY

We have reviewed the consolidated profit estimate and forecast of TAFI Industries Berhad ("the Company" or "TAFI") and its subsidiary companies, T.A. Furniture Industries Sdn. Bhd., Penquo Resources Sdn. Bhd., T.A. Systems Furniture Industries Sdn. Bhd. and Gerak Mahir Sdn. Bhd. (collectively known as the TAFI Group) for the financial years ended/ending December 31, 2004 and December 31, 2005 respectively, as set out in the accompanying statement (stamped by us for identification purposes only) in accordance with the Malaysian Approved Standard on Auditing, AI810 applicable to the review of estimate and forecasts. The estimate and forecast have been prepared for inclusion in this Prospectus dated January 14, 2005 in connection with the Company's listing exercise and should not be relied on for any other purpose.

Our review has been undertaken to enable us to report as to whether the consolidated profit estimate and forecast, in all material respects, have been properly prepared on the bases and assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted and disclosed by the TAFI Group in the audited financial statements of the respective companies in the TAFI Group for the period ended August 31, 2004. The Directors of TAFI are solely responsible for the preparation and presentation of the consolidated profit estimate and forecast and the assumptions on which the profit estimate and forecast are based.

Estimates and forecasts, in this context, mean prospective financial information prepared on the bases and assumptions as to future events that Management expects to take place and the actions that Management expects to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which the estimate and forecast are based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the estimate and forecast since anticipated events frequently do not occur as expected and the variation could be material.

Subject to the matters stated in the preceding paragraphs:

- (i) nothing has come to our attention which causes us to believe that the bases and assumptions made by the Directors, as set out in the accompanying statement, do not provide a reasonable basis for the preparation of the profit estimate and forecast; and

10. FINANCIAL INFORMATION (Cont'd)

Deloitte KassimChan

- (ii) in our opinion, the consolidated profit estimate and forecast, insofar as the calculations are concerned, have been properly prepared on the bases and assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted and disclosed by the TAFI Group in the audited financial statements of the respective companies in the TAFI Group for the period ended August 31, 2004.

Yours very truly,



DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants



HIEW KIM TIAM
1717/08/05(J)
Partner

10. FINANCIAL INFORMATION (Cont'd)

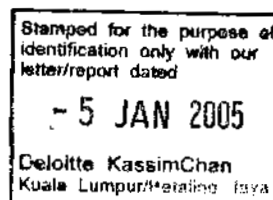
**TAFI INDUSTRIES BERHAD ("TAFI")
CONSOLIDATED PROFIT ESTIMATE AND FORECAST
FOR THE FINANCIAL YEARS ENDED/ENDING DECEMBER 31, 2004
AND DECEMBER 31, 2005 RESPECTIVELY**

On the bases and assumptions set out below, the Board of Directors of TAFI estimates and forecasts that the consolidated profit of TAFI and its subsidiary companies ("TAFI Group") for the financial years ended/ending December 31, 2004 and December 31, 2005 are as follows:

Financial Years Ended/Ending December 31,	Estimate 2004 RM'000	Forecast 2005 RM'000
Revenue	54,118	61,180
Consolidated profit before accretion of reserve on consolidation and taxation	6,260	7,767
Add: Accretion of reserve on consolidation	12	75
Consolidated profit before tax	6,272	7,842
Less: Income tax expense	(654)	(1,073)
Consolidated profit after tax ("PAT")	5,618	6,769
Less : Pre-acquisition profit	(4,681)	-
PAT after pre-acquisition profit	937	6,769

The principal bases and assumptions upon which the consolidated profit estimate and forecast have been prepared are as follows:

1. The listing exercise as detailed below will be completed by February 4, 2005:
 - (a) Share split to subdivide the existing par value of the Company's share from RM1.00 to RM0.50 per ordinary share.
 - (b) Interim tax-exempt dividend distribution of RM3,500,000 by T.A. Furniture Industries Sdn. Bhd. ("TA") for the financial year ended December 31, 2004.
 - (c) Acquisition by TAFI of the following companies:
 - (i) the entire issued and fully paid-up share capital of TA comprising 3,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM26,550,166 satisfied wholly by the issuance of 52,059,150 new ordinary shares of RM0.50 each in TAFI ("TAFI Shares"), at RM0.51 per share.
 - (ii) the entire issued and fully paid-up share capital of TA Systems Furniture Industries Sdn. Bhd. ("TAS") comprising 1,500,000 ordinary shares of RM1.00 each for a total cash consideration of RM363,613.

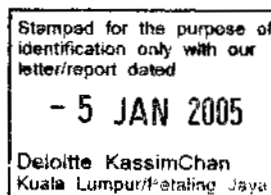


10. FINANCIAL INFORMATION (Cont'd)

- (d) Rights Issue of 10,260,846 new TAFI Shares at the issue price of RM0.50 per share, on the basis of approximately 0.197 new TAFI Share for every one (1) existing share held.
- (e) Public Issue of 17,680,000 new TAFI Shares at the issue price of RM0.70 per share as follow:
- 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
 - 6,488,000 new 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.
 - 2,192,000 new TAFI Shares, representing 2.74% of the enlarged issued and paid-up share capital of TAFI shall be reserved for Bumiputra investors, approved by the Ministry of International Trade & Industry;
 - 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;
- (f) Listing of and quotation for the entire enlarged issued and paid-up share capital of TAFI comprising 80,000,000 ordinary shares of RM0.50 each on the Second Board of the Bursa Malaysia Securities Berhad.

The acquisitions of TA and TAS have been completed on October 30, 2004 while the Rights Issue was completed on December 31, 2004. The Public Issue is expected to be completed by February 4, 2005.

2. There will be no significant changes in the prevailing economic and political conditions in Malaysia and elsewhere that will, either directly or indirectly affect the activities or performance of the TAFI Group and the business of the TAFI Group's major customers and suppliers.
3. The prevailing market conditions for the TAFI Group's products will not change materially and the average selling prices and sales mix of the TAFI Group's products will not fluctuate significantly from the forecasted level.
4. Inflation rates, interest rates and exchange rates will not change or fluctuate significantly from their present levels.
5. Apart from inflationary increases, there will be no material increase in wages, costs of raw materials and other incidental costs other than as forecasted.
6. Existing credit facilities will remain available to the TAFI Group at prevailing interest rates. The credit facilities with banks are subject to renewal and it is assumed that there will be no change to existing terms and conditions.
7. There will be no material changes to the present legislation and government regulations, including taxation and guidelines of regulatory authorities, which will adversely affect the TAFI Group's activities or the markets in which the TAFI Group operates.
8. There will be no significant changes in the principal activities and management structure adopted by the TAFI Group.
9. There will be no major changes in the existing key personnel and management of the TAFI Group which will affect the marketing capability and level of activities of the TAFI Group.



10. FINANCIAL INFORMATION (Cont'd)

10. There will be no material changes in the management, accounting and operating policies currently adopted by the TAFI Group.
11. There will be no major breakdown or disruption in the manufacturing facilities, supply of materials, major industrial disputes or any other abnormal factor or cause (including but not limited to power supply interruptions), that will adversely affect the operations of the TAFI Group.
12. There will be no material acquisitions or disposals of property, plant and equipment other than those estimated and forecasted. Capital expenditure for the financial year ended December 31, 2004 is estimated at RM2,748,000 financed through internally generated funds. Funds raised from the Rights and Public Issues will be partially utilised for capital expenditure of RM10,170,000 in the financial years ending December 31, 2005 and 2006. The estimated and forecasted capital expenditure will be implemented, incurred and paid as anticipated with no material changes in cost or price.
13. There will be no material write-offs or impairment of property, plant and equipment in the financial years ended/ending December 31, 2004 and December 31, 2005.
14. The current trend of increasing demand of the TAFI Group's products will be maintained to achieve the estimated and forecasted sales.
15. The TAFI Group will maintain the profit margins on its products at the estimated and forecasted level.
16. There will be no exceptional occurrences of bad debts or provisions for doubtful debts in excess of the allowance provided for in the profit estimate and forecast.
17. The existing terms and conditions for contracts and agreements entered into by the TAFI Group will remain in force.
18. The estimated listing expenses of RM1,200,000 will be written off against the share premium account.
19. The reserve on consolidation arising from the acquisition of TA and TAS estimated at RM373,651 will be accreted over 60 months.

Stamped for the purpose of
identification only with our
letter/report dated
- 5 JAN 2005
Deloitte KassimChan
Kuala Lumpur/Petaling Jaya

10. FINANCIAL INFORMATION (Cont'd)

10.6 SENSITIVITY ANALYSIS

The following sensitivity analysis is prepared by the management of the TAFI Group and has not been independently verified by the Reporting Accountants. It is based on the forecast assumptions set out in Section 10.5 of this prospectus and assumes that all factors remain unchanged with the exception for the 5% and 10% upward or downward variations in the selling prices of the products and cost of sales. Notwithstanding the impact of the variations in the turnover and cost of sales as outlined here, there may exist other factors, which have not been taken into account, while variations may have a significant effect either positively or negatively, on the financials of the Group. The sensitivity analysis is as follows:-

Variations in Selling Price

RM'000	FYE 31 December 2004									
	(10%)	(%)	(5%)	(%)	Forecast	+5%	(%)	+10%	(%)	
Revenue	48,706	(10)	51,412	(5)	54,118	56,824	5	59,530	10	
Cost of Sales	41,898	-	41,898	-	41,898	41,898	-	41,898	-	
Gross Profit	6,808	(44)	9,514	(22)	12,220	14,926	22	17,632	44	
PBT*	848	(86)	3,554	(43)	6,260	8,966	43	11,672	86	
PAT	759	(86)	3,183	(43)	5,606	8,025	43	10,446	86	

RM'000	FYE 31 December 2005									
	(10%)	(%)	(5%)	(%)	Forecast	+5%	(%)	+10%	(%)	
Revenue	55,062	(10)	58,121	(5)	61,180	64,239	5	67,298	10	
Cost of Sales	47,425	-	47,425	-	47,425	47,425	-	47,425	-	
Gross Profit	7,637	(44)	10,696	(22)	13,755	16,814	22	19,873	44	
PBT*	1,649	(79)	4,708	(39)	7,767	10,826	39	13,885	79	
PAT	1,421	(79)	4,058	(39)	6,694	9,310	39	11,941	79	

Variations in Cost of Sales

RM'000	FYE 31 December 2004									
	(10%)	(%)	(5%)	(%)	Forecast	+5%	(%)	+10%	(%)	
Revenue	54,118	-	54,118	-	54,118	54,118	-	54,118	-	
Cost of Sales	37,708	(10)	39,803	(5)	41,898	43,993	5	46,088	10	
Gross Profit	16,410	34	14,315	17	12,220	10,125	(17)	8,030	(34)	
PBT*	10,450	67	8,355	33	6,260	4,165	(33)	2,070	(67)	
PAT	9,358	67	7,482	33	5,606	3,728	(33)	1,853	(67)	

RM'000	FYE 31 December 2005									
	(10%)	(%)	(5%)	(%)	Forecast	+5%	(%)	+10%	(%)	
Revenue	61,180	-	61,180	-	61,180	61,180	-	61,180	-	
Cost of Sales	42,683	(10)	45,054	(5)	47,425	49,796	5	52,168	10	
Gross Profit	18,497	34	16,126	17	13,755	11,384	(17)	9,012	(34)	
PBT*	12,509	61	10,138	31	7,767	5,396	(31)	3,024	(61)	
PAT	10,781	61	8,737	31	6,694	4,641	(31)	2,601	(61)	

Note:

* Without accounting for accretion of reserve on consolidation

10. FINANCIAL INFORMATION (Cont'd)**10.7 DIVIDEND FORECAST**

It is the policy of the directors of TAFI to recommend dividends to allow shareholders to participate in the profits of the TAFI Group as well as to provide for adequate reserves for the future growth of the Group.

Based on the consolidated profit forecast for the financial year ending 31 December 2005, the directors of TAFI anticipate that TAFI would be able to declare a gross dividend of 2.5 sen per Share for the financial year ending 31 December 2005 based on the enlarged issued and paid-up share capital of 80,000,000 TAFI Shares.

The intended appropriation of the forecast consolidated PAT after MI for the financial year ending 31 December 2005 are as follows:-

	Forecast FYE 31 December 2005 RM'000
PAT	6,769
Weighted average number of Shares ('000)	⁽ⁱ⁾ 78,353
Enlarged issued share capital ('000)	80,000
Gross dividend yield based on the Public Issue Price (%)	3.57
Net dividend yield based on the Public Issue Price (%)	2.57
Net dividend cover (times)	4.70

Note:-

(i) *The weighted average number of shares in issue is computed after taking into consideration the assumption that the Public Issue is completed by 4 February 2005.*

Investors should note that future dividends may not be declared or paid if:-

- (i) The Company is in a loss position for the relevant financial period; or
- (ii) The dividend payments would adversely affect TAFI's cashflows and operations.

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10. FINANCIAL INFORMATION (Cont'd)

10.8 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEETS

Deloitte.

Deloitte KassimChan (AF 0080)
Chartered Accountants
Level 19, Uptown 1
1 Jalan SS 21/58
Damansara Uptown
47400 Petaling Jaya
Malaysia

January 5, 2005

P. O. Box 10093
50704 Kuala Lumpur
Malaysia

The Board of Directors
TAFI Industries Berhad
(formerly known as Armani Vista Sdn. Bhd.)
35-1 (Room A), Jalan Dato Hj. Hassan
84000 Muar
Johor

Tel : +60(3) 77236500, 77261833
Fax : +60(3) 77263986, 77268986
myaaa@deloitte.com
www.deloitte.com.my

Dear Sirs,

TAFI INDUSTRIES BERHAD
(formerly known as Armani Vista Sdn. Bhd.)
PROFORMA CONSOLIDATED BALANCE SHEETS AS OF AUGUST 31, 2004

We have reviewed the presentation of the Proforma Consolidated Balance Sheets of TAFI Industries Berhad ("the Company" or "TAFI") and its subsidiary companies ("the TAFI Group") as of August 31, 2004, together with the notes thereto (stamped for identification purposes only), for which the Directors of the Company are solely responsible, which have been prepared for inclusion in the Propectus dated January 14, 2005 in connection with the following exercises:

- (a) Share split to subdivide the existing par value of the Company's share from RM1.00 to RM0.50 per share.
- (b) Interim tax-exempt dividend distribution of RM3.5 million by T.A. Furniture Industries Sdn. Bhd. ("TA") for the financial year ended December 31, 2004.
- (c) Acquisition by TAFI of the following companies:
 - (i) the entire issued and fully paid-up share capital of TA comprising 3,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM26,550,166 satisfied wholly by the issuance of 52,059,150 new ordinary shares of RM0.50 each in TAFI ("TAFI Shares"), at RM0.51 per share.
 - (ii) the entire issued and fully paid-up share capital of TA Systems Furniture Industries Sdn. Bhd. ("TAS") comprising 1,500,000 ordinary shares of RM1.00 each for a total cash consideration of RM363,613.
- (d) Rights Issue of 10,260,846 new TAFI Shares at the issue price of RM0.50 per share, on the basis of approximately 0.197 new TAFI Share for every one (1) existing share held.
- (e) Public Issue of 17,680,000 new TAFI Shares at the issue price of RM0.70 per share as follows:
 - 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;
 - 6,488,000 new 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;
 - 2,192,000 new TAFI Shares, representing 2.74% of the enlarged issued and paid-up share capital of TAFI reserved for Bumiputra investors, approved by the Ministry of International Trade and Industry; and

10. FINANCIAL INFORMATION (Cont'd)

Deloitte KassimChan

- 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.
- (f) Listing of and quotation for the entire enlarged issued and paid-up share capital of TAFI comprising 80,000,000 ordinary shares of RM0.50 each on the Second Board of Bursa Malaysia Securities Berhad.

In our opinion:

- (i) the Proforma Consolidated Balance Sheets, which have been prepared for illustrative purposes only, have been properly compiled on the bases of preparation stated;
- (ii) such bases are consistent with the accounting policies of the TAFI Group; and
- (iii) the adjustments as explained in Notes 2 and 3 to the Proforma Consolidated Balance Sheets are appropriate for the purpose of the Proforma Consolidated Balance Sheets.

Yours very truly,



DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants



HIEW KIM TIAM
1717/08/05(J)
Partner

10. FINANCIAL INFORMATION (Cont'd)

10.9 PROFORMA CONSOLIDATED BALANCE SHEETS

PROFORMA CONSOLIDATED BALANCE SHEETS OF TAFI INDUSTRIES BERHAD AND ITS SUBSIDIARY COMPANIES
AS OF AUGUST 31, 2004

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

* Not meaningful comparison

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identification only with our
letter/report dated
- 5 JAN 2005
Deloitte KassimChan
Kuala Lumpur/Petaling Jaya

10. FINANCIAL INFORMATION (Cont'd)

TAFI INDUSTRIES BERHAD

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS AS OF AUGUST 31, 2004

1. BASIS OF PREPARATION

The Proforma Consolidated Balance Sheets have been prepared based on the audited financial statements of TAFI, TA, Penquo Resources Sdn. Bhd. ("PRSB"), TAS and Gerak Mahir Sdn. Bhd. ("GMSB") as of August 31, 2004 to show the effects as set out in Note 2 on the assumption that these transactions have been completed on August 31, 2004. The Proforma Consolidated Balance Sheets have been prepared for illustrative purposes based on accounting principles and bases consistent with those that would have been adopted by TAFI and its subsidiary companies in the preparation of their respective audited financial statements.

2. PROFORMA CONSOLIDATED BALANCE SHEETS

The Proforma Consolidated Balance Sheets have been prepared by aggregating all the financial information in the abovementioned financial statements after providing for such adjustments necessary to incorporate the following:

Proforma 1

Proforma 1 incorporates the effects of the share split, interim tax-exempt dividend distribution of RM3,500,000 by TA, acquisition by TAFI of the entire equity interest in TA (including its wholly-owned subsidiary, PRSB) comprising 3,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM26,550,166 satisfied wholly by the issuance of 52,059,150 new TAFI Shares, at RM0.51 per share and the acquisition by TAFI of the entire equity interest in TAS (including its wholly-owned subsidiary, GMSB) comprising 1,500,000 ordinary shares of RM1.00 each for cash consideration of RM363,613. The aforesaid acquisitions have been consolidated using the acquisition method based on the audited financial statements of TAFI, TA, PRSB, TAS and GMSB as of August 31, 2004.

The audited financial statements of TA as of August 31, 2004 have been adjusted to incorporate the interim tax-exempt dividend distribution of RM3,500,000 by TA and the acquisition by TAFI of 65% equity interest in TAS from TA for a consideration of RM236,348.

Proforma 2

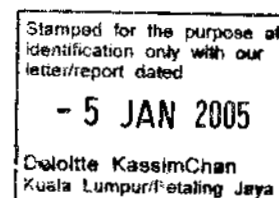
Proforma 2 incorporates the effects of Proforma 1 and the Rights Issue of 10,260,846 new TAFI Shares at the issue price of RM0.50 per share, on the basis of approximately 0.197 new TAFI Share for every existing share held.

Proforma 3

Proforma 3 incorporates the effects of Proforma 2 and the effects of the Public Issue of 17,680,000 new TAFI Shares at the issue price of RM0.70 per share and the utilisation of the proceeds from the Rights and Public Issues as follows:

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

The estimated listing expenses of RM1,200,000 will be set off against share premium account.



10. FINANCIAL INFORMATION (Cont'd)

3. ISSUED CAPITAL AND RESERVES

The movements in the issued and paid-up share capital and reserves of TAFI are as follows:

	Share Capital RM	Share Premium RM	Reserve on Consolidation RM	Accumulated Loss RM	Total RM
Per audited financial statements as of August 31, 2004	2	-	-	(9,578)	(9,576)
Acquisition of TA and TAS	26,029,575	520,591	373,651	-	26,923,817
Proforma 1	26,029,577	520,591	373,651	(9,578)	26,914,241
Rights Issue	5,130,423	-	-	-	5,130,423
Proforma 2	31,160,000	520,591	373,651	(9,578)	32,044,664
Public Issue	8,840,000	3,536,000	-	-	12,376,000
Estimated listing expenses	-	(1,200,000)	-	-	(1,200,000)
Proforma 3	40,000,000	2,856,591	373,651	(9,578)	43,220,664

Stamped for the purpose of
identification only with our
letter/report dated
- 5 JAN 2005
Deloitte KassimChan
Kuala Lumpur, Malaysia

Deloitte.

Deloitte KassimChan (AF 0080)
Chartered Accountants
Level 19, Uptown 1
1 Jalan SS 21/58
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myaaa@deloitte.com
www.deloitte.com.my

January 5, 2005

The Board of Directors
TAFI Industries Berhad
(formerly known as Armani Vista Sdn. Bhd.)
35-1 (Room A), Jalan Dato Hj. Hassan
84000 Muar
Johor

Dear Sirs:

TAFI INDUSTRIES BERHAD
(formerly known as Armani Vista Sdn. Bhd.)
ACCOUNTANTS' REPORT

A. INTRODUCTION

This report has been prepared by DeloitteKassimChan, an approved company auditor, for inclusion in the Prospectus of TAFI Industries Berhad ("the Company" or "TAFI") dated January 14, 2005 in connection with the listing of and quotation for the entire enlarged issued and fully paid-up share capital of TAFI comprising 80,000,000 ordinary shares of RM0.50 each on the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities").

B. GENERAL INFORMATION

1. Incorporation and Principal Activity

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

TAFI is principally an investment holding company and has not undertaken any income producing activities as of the date of this report.

11. ACCOUNTANTS' REPORT (Cont'd)

Deloitte KassimChan

2. Listing Exercise

In conjunction with and as an integral part of the listing of and quotation for its entire enlarged issued and paid-up share capital on the Second Board of the Bursa Securities, the Company undertook/will undertake the following:

- (a) Share split to subdivide the existing par value of the Company' ordinary shares from RM1.00 to RM0.50 per share, completed on October 25, 2004.
- (b) Interim tax-exempt dividend distribution of RM3,500,000 by T.A. Furniture Industries Sdn. Bhd. ("TA") for the financial year ended December 31, 2004.
- (c) Acquisition of the following companies:
 - (i) the entire issued and fully paid-up share capital of TA comprising 3,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM26,550,166 satisfied wholly by the issuance of 52,059,150 new ordinary shares of RM0.50 each in TAFI ("TAFI Shares"), at RM0.51 per share; and
 - (ii) the entire issued and fully paid-up share capital of TA Systems Furniture Industries Sdn. Bhd. ("TAS") comprising 1,500,000 ordinary shares of RM1.00 each for a total cash consideration of RM363,613.

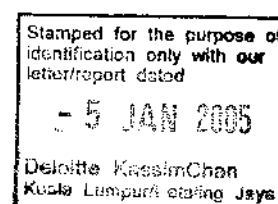
The acquisitions were completed on October 30, 2004.

- (d) Rights Issue of 10,260,846 new TAFI Shares at the issue price of RM0.50 per share, on the basis of approximately 0.197 new TAFI Share for every existing one (1) share held.

The Rights Issue was completed on December 31, 2004.

- (e) Public Issue of 17,680,000 new TAFI Shares at the issue price of RM0.70 per share as follows:
 - 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;
 - 6,488,000 new 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;
 - 2,192,000 new TAFI Shares, representing 2.74% of the enlarged issued and paid-up share capital of TAFI shall be reserved for Bumiputra investors approved by Ministry of International Trade and Industry ("MITI"); and
 - 2,000,000 new TAFI Shares, representing 2.50% of the enlarged issued and paid-up share capital of TAFI shall be made available for application by eligible directors, employees and business associates of TAFI and its subsidiaries.

The listing exercise was approved on September 13, 2004 by the Securities Commission ("SC") under Section 32(5) of Securities Commission Act 1993, and under Foreign Investment Committee's Guideline on the Acquisition of Interests, Mergers and Take-Over by Local and Foreign Interests and MITI on July 12, 2004 and June 21, 2004.



11. ACCOUNTANTS' REPORT (Cont'd)

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3. Share Capital

The authorised share capital of TAFI at the date of incorporation was RM2 comprising 2 ordinary shares of RM1.00 each.

As approved by the shareholders on October 25, 2004, the par value of the ordinary shares of TAFI was subdivided from RM1.00 per share to RM0.50 per share. This resulted in a change in the authorised share capital of TAFI from RM100,000 comprising 100,000 ordinary shares of RM1.00 each to RM100,000 comprising 200,000 ordinary shares of RM0.50 each.

Also as approved by the shareholders on October 26, 2004, the authorised share capital was increased from RM100,000 to RM100,000,000 by the creation of an additional 199,800,000 ordinary shares of RM0.50 each.

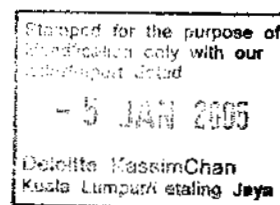
Consequent to the aforementioned share subdivision, the issued and paid-up share capital of TAFI of RM2.00 comprising 2 ordinary shares of RM1.00 each was subdivided into 4 ordinary shares of RM0.50 each.

As approved by the SC and the relevant authorities, the issued and paid-up share capital of TAFI was increased from RM2 to RM40,000,000 by an allotment of 79,999,996 new TAFI Shares of RM0.50 in connection with the listing exercise of TAFI on the Second Board of Bursa Securities. These new TAFI Shares issued rank pari passu with the then existing ordinary shares of TAFI.

The details of the changes in the issued and fully paid-up share capital of TAFI since its incorporation are as follows:

Date of Allotment	Type of Issue	Par Value RM	Number of Ordinary Shares Issued	Cumulative Issued and Paid-up Share Capital RM
29.01.2004	Subscribers' shares	1.00	2	2
25.10.2004	Share split	0.50	4	2
30.10.2004	Acquisition of TA	0.50	52,059,150	26,029,577
31.12.2004	Rights Issue	0.50	10,260,846	31,160,000

Upon completion of the Public Issue, the issued and paid-up share capital of the Company will be enlarged to RM40,000,000 comprising 80,000,000 ordinary shares of RM0.50 each.



11. ACCOUNTANTS' REPORT (Cont'd)

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4. Subsidiary Companies

The details of TAFI's subsidiary companies, which are incorporated in Malaysia under the Companies Act, 1965, at the date of this report are as follows:

Name of Company	Date of Incorporation	Effective Equity Interest	Principal Activity
T.A. Furniture Industries Sdn. Bhd.	15.01.1982	100%	Manufacturing and marketing of furniture products
T.A. Systems Furniture Industries Sdn. Bhd.	20.05.1994	100%	Currently dormant, other than holding investment in GMSB
Penquo Resources Sdn. Bhd. ("PRSB")	06.11.2000	100%	Has not commenced operations, other than holding investment in certain properties
Gerak Mahir Sdn. Bhd. ("GMSB")	23.08.1994	100%	Property investment and furniture trading

At the date of this report, the authorised share capital of TA is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each and the issued and paid-up share capital is RM3,000,000 comprising 3,000,000 ordinary shares of RM1.00 each. The authorised share capital of TAS is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each and the issued and paid-up share capital is RM1,500,000 comprising 1,500,000 ordinary shares of RM1.00 each. The authorised share capital of PRSB is RM500,000 comprising 500,000 ordinary shares of RM1.00 each and the issued and paid-up share capital is RM300,000 comprising 300,000 ordinary shares of RM1.00 each. The authorised share capital of GMSB is RM500,000 comprising 500,000 ordinary shares of RM1.00 each and the issued and paid-up share capital is RM500,000 comprising 500,000 ordinary shares of RM1.00 each.

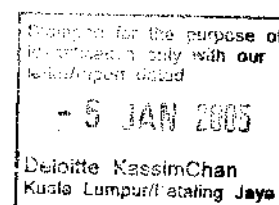
PRSB is a wholly-owned subsidiary company of TA and GMSB is a wholly-owned subsidiary company of TAS.

At the date of this report, TAFI does not have any associated company.

C. AUDITORS' REPORTS

We were appointed to act as auditors of TAFI since its date of incorporation. Its first set of audited financial statements were prepared from January 29, 2004 (date of incorporation) to August 31, 2004.

We have acted as auditors of TA for the financial years ended December 31, 2000 to 2003 and the eight-month period ended August 31, 2004. The financial statements of TA for the financial year ended December 31, 1999 were audited by another firm of auditors. We have acted as auditors of PRSB for the financial years ended December 31, 2002 and 2003 and the eight-month period ended August 31, 2004. The financial statements of PRSB for the financial period ended December 31, 2001 were audited by another firm of auditors. The financial statements of TAS and GMSB for the financial years ended September 30, 1999 to September 30, 2001, financial period ended December 31, 2002 and financial year ended December 31, 2003 were audited by another firm of auditors. We were auditors of TAS and GMSB for the eight-month period ended August 31, 2004.



11. ACCOUNTANTS' REPORT (Cont'd)

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The auditors' reports on the financial statements of TAFI, TA, TAS, and GMSB for the respective years/period under review were not subject to any qualification. However, the auditors' report on the financial statements of PRSB for the financial period ended December 31, 2001, was subject to a qualification in respect of PRSB's ability to continue business as a going concern due to a capital deficiency of RM18,083 as of December 31, 2001. The auditors' report on the financial statements of PRSB for the financial years ended December 31, 2002 and 2003 and the eight-month period ended August 31, 2004 were not subject to any qualification.

D. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of TAFI and its subsidiary companies included in this report have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards issued and adopted by the Malaysian Accounting Standards Board and using the same accounting principles and policies as were used in the preparation of the statutory financial statements of TAFI and its subsidiary companies.

There were no changes in accounting policies or accounting estimates by TAFI and its subsidiary companies for the financial years/period under review except for the adoption of MASB Standard No.25, Income Taxes in the financial year ended December 31, 2003. However, this accounting change has no significant effect on the financial statements of the TAFI Group and of the Company.

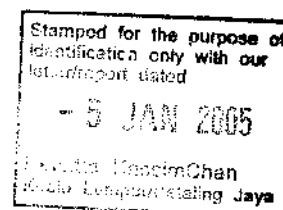
E. DIVIDENDS

No dividend has been paid or declared by TAS, PRSB and GMSB since their incorporation.

The total dividends paid by TA for the five financial years ended December 31, 2003 and the eight-month period ended August 31, 2004 are as follows:

Year/Period Ended	Issued and Paid-up Share Capital RM'000	Dividend Rate (Gross) %	Dividend, less tax RM'000	Dividend, tax exempt RM'000
December 31, 1999	3,000	-	-	-
December 31, 2000	3,000	20	432	-
December 31, 2001	3,000	10	-	300
December 31, 2002	3,000	15	-	450
December 31, 2003	3,000	20	-	600
August 31, 2004	3,000	-	-	-

Subsequent to August 31, 2004, TA declared an interim tax-exempt dividend of RM3,500,000, which was paid to TAFI on December 14, 2004. TAFI, in turn, has 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.



11. ACCOUNTANTS' REPORT (Cont'd)

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F. SUMMARISED INCOME STATEMENTS

1. Summarised Proforma Consolidated Income Statements

The summarised proforma consolidated income statements of TAFI and its subsidiary companies ("TAFI Group") for the five financial years ended December 31, 2003 and the eight-month period ended August 31, 2004 are as follows:

RM'000	Financial Year Ended December 31,					Period Ended August, 31
	1999	2000	2001	2002	2003	2004
Revenue	25,516	35,230	33,282	36,228	43,510	37,769
Profit before depreciation, finance costs and income tax	3,325	5,433	6,318	5,301	6,294	5,324
Depreciation of property, plant and equipment	(1,225)	(1,396)	(1,372)	(1,334)	(1,313)	(867)
Finance costs	(1,094)	(1,605)	(718)	(146)	(38)	(9)
Profit before taxation	1,006	2,432	4,228	3,821	4,943	4,448
Income tax expense	-	(695)	(644)	(417)	(549)	(520)
Net profit for the year	1,006	1,737	3,584	3,404	4,394	3,928
Number of ordinary shares of RM0.50 each assumed in issue (units '000) *	52,059	52,059	52,059	52,059	52,059	52,059
Gross earnings per ordinary share (sen)	1.93	4.67	8.12	7.34	9.49	#8.54
Net earnings per ordinary share (sen)	1.93	3.34	6.88	6.54	8.44	#7.55

* The number of ordinary shares assumed in issue throughout the financial years/period under review is the number of ordinary shares in issue after acquisition of TA i.e. 52,059,154 ordinary shares of RM0.50 each.

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

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11. ACCOUNTANTS' REPORT (Cont'd)

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The summarised proforma consolidated income statements of the TAFI Group for the five financial years ended December 31, 2003 and the eight-month period ended August 31, 2004 are prepared after making such adjustments considered necessary by consolidating the audited financial statements of TAFI, TA, PRSB, TAS and GMSB for the respective years/period and are provided for illustrative purposes only, on the assumption that the TAFI Group has existed throughout the years/period under review.

Notes:

- a) The summarised proforma consolidated income statements of the TAFI Group for the five financial years ended December 31, 2003 and the eight-month period ended August 31, 2004 are prepared based on the audited financial statements of TAFI, TA, PRSB, TAS and GMSB for the respective financial years/period under review.
- b) The income tax expense for the five financial years ended December 31, 2003 and the eight-month period ended August 31, 2004 was arrived at after making adjustments for under/over provision of taxation to reflect the actual tax charge.

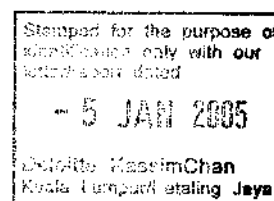
The TAFI Group has no taxable business income in 1999 due to the income tax waiver under the Income Tax (Amendment) Act, 1999.

The effective tax rate in 2000 approximates the statutory rate.

The effective tax rate in 2001 is lower than the statutory rate due mainly to reinvestment allowances claimed and utilised during the year and also due to certain expenses which are eligible for double deductions for tax purposes.

The effective tax rate in 2002, 2003 and 2004 is lower than the statutory rate due mainly to TA being granted pioneer status for the manufacture of wooden furniture, which resulted in 70% of the chargeable income of TA from April 24, 2002 to April 23, 2007 being exempted from tax.

- c) The gross earnings per ordinary share of the TAFI Group for the respective financial years/period under review is calculated based on the proforma consolidated profit before tax over the enlarged issued and paid-up share capital of 52,059,154 ordinary shares of RM0.50 each following the acquisition of TA in connection with the listing exercise.
- d) The net earnings per ordinary share of the TAFI Group for the respective financial years/period under review is calculated based on the proforma consolidated profit after tax over the enlarged issued and paid-up share capital of 52,059,154 ordinary shares of RM0.50 each following the acquisition of TA in connection with the listing exercise.
- e) There were no extraordinary and exceptional items during the financial years/period under review.
- f) There were no changes in accounting policies or accounting estimates for the financial years/period under review except for the adoption of MASB Standard No.25, Income Taxes in financial year ended December 31, 2003. This accounting change has no significant effect on the financial statements of the TAFI Group for the financial years/period under review.



11. ACCOUNTANTS' REPORT (Cont'd)

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2. TAFI

The summarized income statement of TAFI based on the audited financial statements for the period January 29, 2004 (date of incorporation) to August 31, 2004 is as follows:

RM'000	January 29, 2004 (date of incorporation) to August 31, 2004
Revenue	-
Loss before depreciation, finance costs and income tax	(10)
Depreciation of property, plant and equipment	-
Finance costs	-
Loss before tax	(10)
Income tax expense	-
Net loss for the period	(10)
Number of ordinary shares of RM1.00 each	2
Gross loss per ordinary share (RM)	(5,000)
Net loss per ordinary share (RM)	(5,000)

Notes:

- a) No provision for income tax has been made for the period January 29, 2004 (date of incorporation) to August 31, 2004 as TAFI does not have any chargeable income.
- b) The gross loss per ordinary share of TAFI for the period under review is calculated based on the loss before tax over the number of shares in issue of 2 ordinary shares of RM1.00 each.
- c) The net loss per ordinary share of TAFI for the period under review is calculated based on the net loss for the period over the number of shares in issue of 2 ordinary shares of RM1.00 each.
- d) There were no extraordinary or exceptional items during the period under review.
- e) There were no changes in accounting policies or accounting estimates for the period under review.

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Kuala Lumpur/Kepong Jaya

11. ACCOUNTANTS' REPORT (Cont'd)

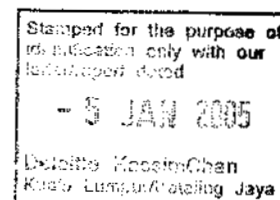
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3. TA

The summarised income statements of TA based on the audited financial statements for the five financial years ended December 31, 1999 to 2003 and the eight-month period ended August 31, 2004 are as follows:

RM '000	Financial Year Ended December 31,					Period Ended August, 31
	1999 (Restated)	2000 (Restated)	2001 (Restated)	2002 (Restated)	2003 (Restated)	2004 (Restated)
Revenue	25,516	35,230	33,215	36,186	43,503	37,765
Profit before depreciation, finance cost and income tax	3,401	5,140	5,938	5,136	6,185	5,263
Depreciation of property, plant and equipment	(1,194)	(1,313)	(1,278)	(1,254)	(1,216)	(803)
Finance costs	(836)	(1,219)	(486)	(142)	(38)	(9)
Profit before taxation	1,371	2,608	4,174	3,740	4,931	4,451
Income tax expense	-	(686)	(630)	(379)	(537)	(511)
Net profit for the year	1,371	1,922	3,544	3,361	4,394	3,940
Number of ordinary shares of RM1.00 each (units'000)	3,000	3,000	3,000	3,000	3,000	3,000
Gross earnings per ordinary share (sen)	45.70	86.93	139.13	124.67	164.37	*148.37
Net earnings per ordinary share (sen)	45.70	64.07	118.13	112.03	146.47	*131.33

* Calculated based on the results of the eight-month period ended August 31, 2004.



11. ACCOUNTANTS' REPORT (Cont'd)

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Notes:

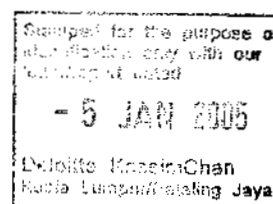
- a) The income tax expense for the five financial years ended December 31, 2003 and the eight-month period ended August 31, 2004 have been adjusted for over/underprovision for taxation to reflect the actual tax charge for the respective years/period.

No provision for income tax has been made in 1999 due to the income tax waiver under the Income Tax (Amendment) Act, 1999.

The effective tax rate in 2000 and 2001 is lower than the statutory rate due mainly to reinvestment allowances claimed and utilised during the year and also due to certain expenses which are eligible for double deductions for tax purposes.

The effective tax rate in 2002, 2003 and 2004 is lower than the statutory rate due to pioneer status enjoyed by TA.

- b) The gross earnings per ordinary share of TA for the respective financial years/period under review is calculated based on the profit before tax over the number of shares in issue of 3,000,000 ordinary shares of RM1.00 each.
- c) The net earnings per ordinary share of TA for the respective financial years/period under review is calculated based on the profit after tax over the number of shares in issue of 3,000,000 ordinary shares of RM1.00 each.
- d) There were no extraordinary or exceptional items during the financial years/period under review.
- e) There were no changes in accounting policies or accounting estimates for the financial years/period under review except for the adoption of MASB Standard No.25, Income Taxes in financial year ended December 31, 2003. This accounting change has no significant effect on the financial statements of TA for the financial years/period under review.



11. ACCOUNTANTS' REPORT (Cont'd)

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4. PRSB

The summarised income statements of PRSB based on the audited financial statements for the financial period ended December 31, 2001, financial years ended December 31, 2002 and 2003 and the eight-month period ended August 31, 2004 are as follows:

RM '000	Financial Period Ended December 31, 2001	Financial Year Ended December 31, 2002	2003	Period Ended August, 31 2004
Revenue	-	-	-	-
Profit/(loss) before depreciation, finance costs and income tax	(4)	(15)	(15)	(15)
Depreciation of property, plant and equipment	(14)	(14)	(14)	(10)
Finance costs	-	-	-	-
Loss before tax	(18)	(29)	(29)	(25)
Income tax expense	-	-	-	-
Net loss for the year	(18)	(29)	(29)	(25)
Number of ordinary shares of RM1.00 each (units'000)	*	100	100	^101
Gross loss per ordinary share (sen)	N/A	(29)	(29)	*(25)
Net loss per ordinary share (sen)	N/A	(29)	(29)	*(25)

* Denotes 2 ordinary shares of RM1.00 each

^ Based on weighted average number of 100,548 shares

* Calculated based on the results of the eight-month period ended August 31, 2004.

<p>Checked for the purpose of compliance with our internal control</p> <p style="text-align: center;">- 5 JAN 2005</p> <p>Deloitte KassimChan Kuala Lumpur/Petaling Jaya</p>
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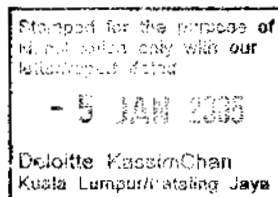
11. ACCOUNTANTS' REPORT (Cont'd)

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PRSB has no financial statements prepared prior to the financial period ended December 31, 2001, as PRSB was incorporated on November 6, 2000.

Notes:

- a) There is no taxation during the financial years/period under review as PRSB has no chargeable income.
- b) The gross loss per ordinary share of PRSB for the financial period ended December 31, 2001 is calculated based on the loss before tax over the number of shares in issue of 2 ordinary shares of RM1.00 each. The gross loss per ordinary share of PRSB for the respective financial years ended December 31, 2002 and 2003 is calculated based on the loss before tax over the number of shares in issue of 100,000 ordinary shares of RM1.00 each. The gross loss per ordinary share of PRSB for the eight-month period ended August 31, 2004 is calculated based on the loss before tax over the weighted average number of shares of 100,548 ordinary shares of RM1.00 each.
- c) The net loss per ordinary share of PRSB for the financial period ended December 31, 2001 is calculated based on the loss after tax over the number of shares in issue of 2 ordinary shares of RM1.00 each. The net loss per ordinary share of PRSB for the respective financial years ended December 31, 2002 and 2003 is calculated based on the loss after tax over the number of shares in issue of 100,000 ordinary shares of RM1.00 each. The net loss per ordinary share of PRSB for the eight-month period ended August 31, 2004 is calculated based on the loss after tax over the weighted average number of shares in issue of 100,548 ordinary shares of RM1.00 each.
- d) There were no extraordinary or exceptional items during the financial years/period under review.
- e) There were no changes in accounting policies or accounting estimates for the financial years/period under review except for the adoption of MASB Standard No.25, Income Taxes in financial year ended December 31, 2003. This accounting change has no effect on the financial statements of PRSB.



11. ACCOUNTANTS' REPORT (Cont'd)

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5. TAS

The summarised income statements of TAS based on the audited financial statements for the financial years ended September 30, 1999 to 2001, financial period ended December 31, 2002, financial year ended December 31, 2003 and the eight-month period ended August 31, 2004 are as follows:

RM '000	Financial Year Ended September 30,			Financial Period Ended Dec 31,	Financial Year Ended Dec 31,	Period Ended Aug 31,
	1999 (Restated)	2000 (Restated)	2001	2002	2003	2004
Revenue	-	-	-	-	-	-
Profit/(loss) before depreciation, finance costs and income tax	(53)	(13)	(4)	(4)	(4)	(3)
Depreciation of property, plant and equipment	-	-	-	-	-	-
Finance costs	(188)	(157)	-	-	-	-
Loss before tax	(241)	(170)	(4)	(4)	(4)	(3)
Income tax expense	-	-	-	-	-	-
Net loss for the year	(241)	(170)	(4)	(4)	(4)	(3)
Number of ordinary shares of RM1.00 each (units'000)	1,500	1,500	1,500	1,500	1,500	1,500
Gross loss per ordinary share (sen)	(16.07)	(11.33)	(0.27)	(0.27)	(0.27)	[#] (0.20)
Net loss per ordinary share (sen)	(16.07)	(11.33)	(0.27)	(0.27)	(0.27)	[#] (0.20)

[#] Calculated based on the results of the eight-month period ended August 31, 2004.

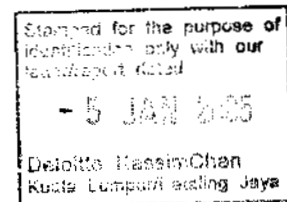
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signature
- 9 JAN 2005
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Kuala Lumpur/Ketaling Jaya

11. ACCOUNTANTS' REPORT (Cont'd)

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Notes:

- a) There is no taxation during the financial years/period under review as TAS has no chargeable income.
- b) The gross loss per ordinary share of TAS for the respective financial years/period under review is calculated based on the loss before tax over the number of shares in issue of 1,500,000 ordinary shares of RM1.00 each.
- c) The net loss per ordinary share of TAS for the respective financial years/period under review is calculated based on the loss after tax over the number of shares in issue of 1,500,000 ordinary shares of RM1.00 each.
- d) There were no extraordinary or exceptional items during the financial years/period under review.
- e) There were no changes in accounting policies or accounting estimates for the financial years/period under review except for the adoption of MASB Standard No.25, Income Taxes in financial year ended December 31, 2003. This accounting change has no effect on the financial statements of TAS.



11. ACCOUNTANTS' REPORT (Cont'd)

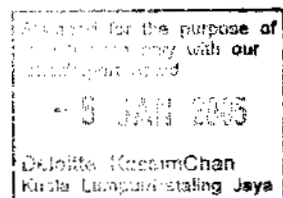
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6. GMSB

The summarised income statements of GMSB based on the audited financial statements for the financial years ended September 30, 1999 to 2001, financial period ended December 31, 2002, financial year ended December 31, 2003 and the eight-month period ended August 31, 2004 are as follows:

RM '000	Financial Year Ended			Financial	Financial	Financial
	September 30,	September 30,	September 30,	Period	Year	Period
	1999	2000	2001	Ended	Ended	Ended
	(Restated)	(Restated)	(Restated)	Dec 31,	Dec 31,	Aug 31,
				2002	2003	2004
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Revenue	-	297	712	675	491	301
Profit/(loss) before depreciation, finance costs and income tax	(154)	296	390	402	301	202
Depreciation of property, plant and equipment	(13)	(83)	(83)	(83)	(83)	(55)
Finance costs	-	(280)	(230)	(205)	(173)	(112)
Profit/(Loss) before tax	(167)	(67)	77	114	45	35
Income tax expense	-	(5)	(18)	(38)	(12)	(9)
Net profit/(loss) for the year	(167)	(72)	59	76	33	26
Number of ordinary shares of RM1.00 each (units'000)	500	500	500	500	500	500
Gross earnings/(loss) per ordinary share (sen)	(33.40)	(13.40)	15.40	22.80	9.00	*7.00
Net earnings/(loss) per ordinary share (sen)	(33.40)	(14.40)	11.80	15.20	6.60	*5.20

* Calculated based on the results of the eight-month period ended August 31, 2004.



11. ACCOUNTANTS' REPORT (Cont'd)

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Notes:

- a) The income tax expense for the financial years ended September 30, 1999 to 2001, financial period ended December 31, 2002, financial year ended December 31, 2003 and the eight-month period ended August 31, 2004 have been arrived at after making adjustments for over/underprovision for taxation to reflect the actual tax charge.

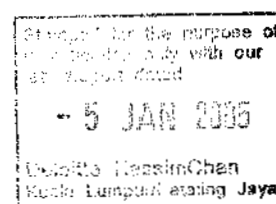
No provision for income tax has been made in 1999 due to loss incurred for the year.

The tax expense in 2000 is in respect of interest income.

The effective tax rate in 2001 is lower than the statutory rate due mainly to utilization of industrial building allowance for the rental income.

The effective tax rate in 2002, 2003 and 2004 is higher than the statutory rate due mainly to certain expenses which are not deductible for tax purposes.

- b) The gross earnings/(loss) per ordinary share of GMSB for the respective financial years/period under review is calculated based on the profit/(loss) before tax over the number of shares in issue of 500,000 ordinary shares of RM1.00 each in the respective years/period under review.
- c) The net earnings/(loss) per ordinary share of GMSB for the respective financial years/period under review is calculated based on the profit/(loss) after tax over the number of shares in issue of 500,000 ordinary shares of RM1.00 each in the respective years/period under review.
- d) There were no extraordinary or exceptional items during the financial years/period under review.
- e) There were no changes in accounting policies or accounting estimates for the financial years/period under review except for the adoption of MASB Standard No.25, Income Taxes in financial year ended December 31, 2003. This accounting change has no effect on the financial statements of GMSB.



11. ACCOUNTANTS' REPORT (Cont'd)

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G. BALANCE SHEETS

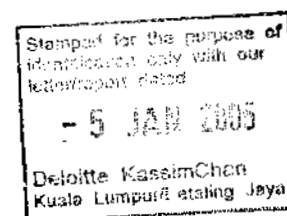
It is impracticable to present the proforma consolidated balance sheets of the TAFI Group for the financial years/period under review as the purchase consideration for the acquisition of TA and TAS is calculated based on the net tangible assets of these companies as of December 31, 2003. Accordingly, the proforma consolidated balance sheet of the TAFI Group has only been presented by way of a proforma statement of assets and liabilities as of August 31, 2004 based on the latest audited financial statements of TAFI, TA, PRSB, TAS and GMSB as of August 31, 2004.

1. TAFI

The summarised balance sheet of TAFI based on the audited financial statements as of August 31, 2004 is as follows:

RM '000	As of August 31, 2004
Total Current Assets	405
Total Current Liability	(415)
Net Current Liability	<u>(10)</u>
	<u>(10)</u>
Represented by:	
Issued capital	*
Accumulated loss	<u>(10)</u>
Shareholders' Equity	<u>(10)</u>
Net liability per ordinary share of RM1.00 each based on issued share capital at balance sheet date (RM)	<u>(5,000)</u>

* Denotes 2 ordinary shares of RM1.00 each



11. ACCOUNTANTS' REPORT (Cont'd)

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2. TA

The summarised consolidated balance sheets of TA based on the audited financial statements for the five financial years ended December 31, 1999 to 2003 and the eight-month period ended August 31, 2004 are as follows:

RM '000	As of					As of
	1999	2000	December 31, 2001	2002	2003	Aug 31, 2004
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	
Property, plant and equipment	7,023	7,313	6,565	6,029	7,007	8,261
Investments	2,240	1,920	-	750	750	950
Total current assets	22,637	22,612	22,249	23,016	26,237	29,361
Total current liabilities	(16,172)	(14,421)	(7,979)	(6,159)	(6,380)	(6,946)
Net Current Assets	6,465	8,191	14,270	16,857	19,857	22,415
Long-Term and Deferred Liabilities	(179)	(385)	(552)	(442)	(626)	(698)
	15,549	17,039	20,283	23,194	26,988	30,928
Represented by:						
Issued capital	3,000	3,000	3,000	3,000	3,000	3,000
Unappropriated profit	12,549	14,039	17,283	20,194	23,988	27,928
Shareholders' Equity	15,549	17,039	20,283	23,194	26,988	30,928
Net tangible assets per ordinary share of RM1.00 each based on issued share capital at balance sheet date (RM)	5.18	5.68	6.76	7.73	9.00	10.31

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4. TAS

The summarised balance sheets of TAS based on the audited financial statements for the three financial years ended September 30, 1999 to 2001, financial period ended December 31, 2002 and financial year ended December 31, 2003 and the eight-month period ended August 31, 2004 are as follows:

RM '000	As of September 30,			As of Dec 31,		As of
	1999 (Restated)	2000	2001	2002	2003	Aug 31, 2004
Investment in subsidiary company	500	500	500	500	500	500
Investment in associated company	120	120	-	-	-	-
Total current assets	1,806	1,333	26	22	19	17
Total current liabilities	(777)	(778)	(95)	(95)	(96)	(96)
Net Current Assets/ (Liabilities)	1,029	555	(69)	(73)	(77)	(79)
Long-Term and Deferred Liabilities	(1,044)	(740)	-	-	-	-
	605	435	431	427	423	421
Represented by:						
Issued capital	1,500	1,500	1,500	1,500	1,500	1,500
Accumulated loss	(895)	(1,065)	(1,069)	(1,073)	(1,077)	(1,079)
Shareholders' Equity	605	435	431	427	423	421
Net tangible assets per ordinary share of RM1.00 each based on issued share capital at balance sheet date (RM)	0.40	0.29	0.29	0.28	0.28	0.28

* In line with Interpretation Bulletin 1B-1 issued by Malaysian Accounting Standards Board, effective from December 2000, deferred expenditure that does not meet the criteria of an asset is recognised as an expense when they are incurred or written off in full. Accordingly, the preliminary and pre-operating expenses of approximately RM46,000 incurred in 1999 have been written off to reflect the effect of the aforesaid Interpretation Bulletin.

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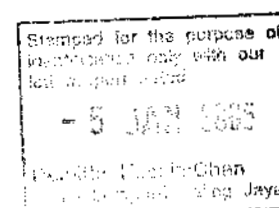
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5. GMSB

The summarised balance sheets of GMSB based on the audited financial statements for the three financial years ended September 30, 1999 to 2001, financial period ended December 31, 2002, financial year ended December 31, 2003 and the eight-month period ended August 31, 2004 are as follows:

RM '000	As of September 30,			As of	As of	As of
	1999 (Restated)	2000	2001	Dec 31, 2002 (Restated)	Dec 31, 2003	Aug 31, 2004
Property, plant and equipment	4,189	4,107	4,024	3,942	3,859	3,804
Total current assets	60	-	9	89	106	142
Total current liabilities	(2,446)	(2,561)	(2,885)	(3,621)	(3,522)	(3,468)
Net Current Liabilities	(2,386)	(2,561)	(2,876)	(3,532)	(3,416)	(3,326)
Long-Term and Deferred Liabilities	(1,470)	(1,285)	(828)	(14)	(14)	(23)
	333	261	320	396	429	455
Represented by:						
Issued capital	500	500	500	500	500	500
Accumulated loss	(167)*	(239)	(180)	(104)	(71)	(45)
Shareholders' Equity	333	261	320	396	429	455
Net tangible assets per ordinary share of RM1.00 each based on issued share capital at balance sheet date (RM)	0.67	0.52	0.64	0.79	0.86	0.91

* In line with Interpretation Bulletin 1B-1 issued by Malaysian Accounting Standards Board, effective from December 2000, deferred expenditure that does not meet the criteria of an asset is recognised as an expense when they are incurred or written off in full. Accordingly, the preliminary and pre-operating expenses of approximately RM167,000 incurred in 1999 has been written off to reflect the effect of the aforesaid Interpretation Bulletin.



11. ACCOUNTANTS' REPORT (Cont'd)

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H. PROFORMA STATEMENTS OF ASSETS AND LIABILITIES AS OF AUGUST 31, 2004

The proforma statements of assets and liabilities of the TAFI Group and of the Company as of August 31, 2004 are as follows:

	Note	TAFI Group RM	The Company RM
Property, plant and equipment	2	23,598,787	-
Investment in subsidiary companies	3	-	26,913,779
Current Assets			
Inventories	4	6,872,813	-
Trade receivables	5	12,139,026	-
Other receivables, deposits and prepaid expenses	5	1,860,672	-
Amount owing by subsidiary company	6	-	10,170,000
Cash and bank balances	7	6,425,325	5,766,234
		<u>27,297,836</u>	<u>15,936,234</u>
Current Liabilities			
Trade payables	8	4,380,091	-
Other payables and accrued expenses	8	2,463,325	3,000
Hire-purchase payables – current portion	9	100,000	-
Long-term loans – current portion	11	12,243	-
		<u>6,955,659</u>	<u>3,000</u>
Net Current Assets		20,342,177	15,933,234
Long-Term and Deferred Liabilities			
Hire-purchase payables – non-current portion	9	(124,994)	-
Deferred tax liabilities	12	(595,306)	-
Net Assets		<u>43,220,664</u>	<u>42,847,013</u>
Represented by:			
Issued capital	13	40,000,000	40,000,000
Share premium	14	2,856,591	2,856,591
Reserve on consolidation	15	373,651	-
Accumulated loss		(9,578)	(9,578)
Shareholders' Equity		<u>43,220,664</u>	<u>42,847,013</u>
Net tangible assets		<u>43,220,664</u>	<u>42,847,013</u>
Net tangible assets per ordinary share of RM0.50 each based on issued share capital as of August 31, 2004 (RM)		<u>0.54</u>	<u>0.54</u>

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11. ACCOUNTANTS' REPORT (Cont'd)

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Notes to the preparation of the proforma statements of assets and liabilities of the TAFI Group and of the Company as of August 31, 2004

- a) The proforma statements of assets and liabilities of the TAFI Group and of the Company as of August 31, 2004 have been prepared based on the audited financial statements of TAFI, TA, PRSB, TAS and GMSB for the eight months ended August 31, 2004 for illustrative purposes only after making such adjustments necessary on the assumption that the acquisitions of TA and TAS, Public Issue, Rights Issue and the utilization of proceeds are completed on August 31, 2004.
- b) The proforma statements of assets and liabilities should be read in conjunction with the Notes set out in section J of this report.

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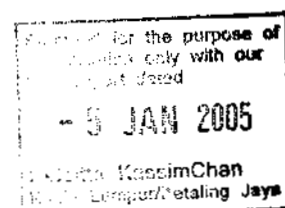
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I. PROFORMA CASH FLOW STATEMENTS

The following proforma cash flow statements of the TAFI Group and of the Company for the eight-month period ended August 31, 2004, have been prepared for illustrative purposes only based on the audited financial statements of TAFI, TA, PRSB, TAS and GMSB for the eight-month period ended August 31, 2004 and on the assumption that the TAFI Group has been in existence throughout the said financial period:

	Note	TAFI Group RM	The Company RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit/(Loss) before tax		4,458,345	(9,578)
Adjustments for non-cash items:			
Depreciation of property, plant and equipment		867,465	-
Finance costs		9,076	-
Bad debts written off		(98,920)	-
Allowance for doubtful debts		575,055	-
Gain on disposal of property, plant and equipment		(11,208)	-
Interest income		(99,030)	-
Operating Profit/(Loss) Before Working Capital Changes		5,700,783	(9,578)
(Increase)/Decrease in:			
Inventories		414,478	-
Trade receivables		(2,735,730)	-
Other receivables, deposits and prepaid expenses		311,632	-
Amount owing by subsidiary company		-	(10,170,000)
Fixed deposits pledged with licensed bank		349,156	-
Increase/(Decrease) in:			
Trade payables		(17,154)	-
Other payables and accrued expenses		243,691	3,000
Cash Generated From/(Used In) Operations		4,266,856	(10,176,578)
Interest paid		(9,076)	-
Income tax paid		(349,485)	-
Net Cash From/(Used In) Operating Activities		3,908,295	(10,176,578)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		41,000	-
Interest received		99,030	-
Payment for listing expenses		(1,200,000)	(1,200,000)
Payment of dividend		(3,500,000)	-
Purchase of property, plant and equipment		(12,257,292)	-
Net Cash Used In Investing Activities		(16,817,262)	(1,200,000)

(Forward)



11. ACCOUNTANTS' REPORT (Cont'd)

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	Note	TAFI Group RM	The Company RM
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from the Public Issue		12,376,000	12,376,000
Proceeds from the Rights Issue, net of amount paid of RM127,265 for acquisition by TAFI of the entire equity interest in TAS		5,003,158	4,766,810
Subscribers' shares		2	2
Repayment of long-term loans		(84,200)	-
Repayment of hire-purchase payables		(66,672)	-
Net Cash From Financing Activities		<u>17,228,288</u>	<u>17,142,812</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,319,321	5,766,234
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		<u>1,181,717</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	17	<u><u>5,501,038</u></u>	<u><u>5,766,234</u></u>

The above proforma cash flow statements should be read in conjunction with the Notes set out in section J of this Report.

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11. ACCOUNTANTS' REPORT (Cont'd)

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J. NOTES TO THE PROFORMA STATEMENTS OF ASSETS AND LIABILITIES**1. SIGNIFICANT ACCOUNTING POLICIES****Income Tax**

Deferred tax is accounted for using the "balance sheet liability" method in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the deferred assets can be utilised.

Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation.

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. Any impairment loss is charged to the income statements whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. An impairment loss is only reversed to the extent the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if the impairment loss had not occurred.

Depreciation of property, plant and equipment, except for freehold land which is not depreciated, is computed on the straight line method at the following annual rates based on the estimated useful lives of the various assets:

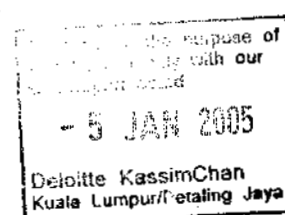
Land under long leases	Over period of lease of 60 - 99 years
Buildings	2% - 10%
Plant and machinery	10%
Motor vehicles	10% - 20%
Tools, equipment and electrical installation	5% - 10%
Furniture, fixtures and fittings	10%

Property, Plant and Equipment Under Hire-Purchase Arrangements

Property, plant and equipment acquired under hire-purchase arrangements are capitalised as property, plant and equipment and the corresponding obligations treated as liabilities in the financial statements. Finance costs are allocated to the income statements to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

Investment In Subsidiary Companies

Investments in unquoted shares of subsidiary companies, which are eliminated on consolidation, are stated in the Company's financial statements at cost. Where there is an indication of impairment in the value of the assets, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.



11. ACCOUNTANTS' REPORT (Cont'd)

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Inventories

Inventories are valued at the lower of cost (determined principally on the first-in first-out basis) and net realisable value. The cost of raw materials comprises the original purchase price plus the cost of bringing the inventories to their present location. The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour and an appropriate proportion of the manufacturing overheads. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

Receivables

Trade and other receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

Cash Flow Statements

The Group and the Company adopt the indirect method in the preparation of the cash flow statements.

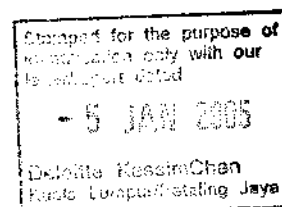
Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risks of changes in value.

2. PROPERTY, PLANT AND EQUIPMENT

TAFI Group	Cost RM	Accumulated Depreciation RM	Net Book Value RM
Freehold land	1,543,443	-	1,543,443
Land under long leases	2,569,458	255,386	2,314,072
Buildings	12,214,953	1,733,331	10,481,622
Plant and machinery	13,636,436	7,009,118	6,627,318
Motor vehicles	2,158,948	988,724	1,170,224
Motor vehicles under hire-purchase	410,203	61,531	348,672
Tools, equipment and electrical installation	2,019,638	1,103,935	915,703
Furniture, fixtures and fittings	598,300	400,567	197,733
Total	35,151,379	11,552,592	23,598,787

Land and buildings and certain equipment of the TAFI Group with carrying value of RM2,967,638 as of August 31, 2004 are pledged to certain licensed banks for term loan and credit facilities granted as disclosed in Notes 10 and 11.

Included in property, plant and equipment of the TAFI Group are fully depreciated property, plant and equipment which are still in use, with a cost of approximately RM3,504,000 as of August 31, 2004.



11. ACCOUNTANTS' REPORT (Cont'd)

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3. INVESTMENTS IN SUBSIDIARY COMPANIES

	The Company RM
Unquoted shares - at cost	<u>26,913,779</u>

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

Subsidiary companies	Effective Equity Interest	Principal Activities
T.A. Furniture Industries Sdn. Bhd. ("TA")	100%	Manufacturing and marketing of furniture products
T.A. Systems Furniture Industries Sdn. Bhd. ("TAS")	100%	Currently dormant, other than holding investment in GMSB
Penquo Resources Sdn. Bhd. ("PRSB")	100%	Has not commenced operations, other than holding investment in certain properties
Gerak Mahir Sdn. Bhd. ("GMSB")	100%	Property investment and furniture trading

4. INVENTORIES

	TAFI Group RM
At cost:	
Raw materials	4,577,702
Finished goods	1,768,083
Work-in-progress	358,281
Consumables	<u>168,747</u>
Total	<u>6,872,813</u>

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11. ACCOUNTANTS' REPORT (Cont'd)

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5. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	TAFI Group RM
Trade receivables	12,764,081
Allowance for doubtful debts	<u>(625,055)</u>
	<u>12,139,026</u>

Analysis of trade receivables of the Group by currency:

	Ringgit Malaysia RM	US Dollars RM	Singapore Dollars RM	Total RM
Trade receivables	2,850,965	9,640,359	272,757	12,764,081
Allowance for doubtful debts	<u>(492,618)</u>	<u>(92,048)</u>	<u>(40,389)</u>	<u>(625,055)</u>
	<u>2,358,347</u>	<u>9,548,311</u>	<u>232,368</u>	<u>12,139,026</u>

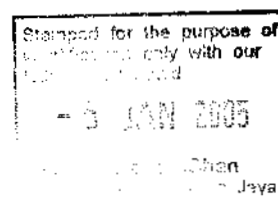
Trade receivables comprise amounts receivable for the sales of goods.

The credit period granted on sales of goods ranges from cash terms to 120 days. An allowance has been made for estimated irrecoverable amounts from the sales of goods of RM625,055 based on default experience of the Company.

Other receivables, deposits and prepaid expenses consist of:

	TAFI Group RM
Other receivables	598,456
Refundable deposits	159,494
Prepaid expenses	77,349
Tax prepaid	<u>1,025,373</u>
	<u>1,860,672</u>

Included in other receivables of the TAFI Group is an amount of RM354,424 owing by T.A. Furniture Holding Bhd., a company involved in an abortive proposed listing exercise in prior years. The amount represents the listing expenses paid on behalf of the said company and is supported by a letter of undertaking from the said company to repay the said amount.



11. ACCOUNTANTS' REPORT (Cont'd)

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6. AMOUNT OWING BY SUBSIDIARY COMPANY

Amount owing by subsidiary company comprises mainly advances for the purchase of property, plant and equipment. The amount is unsecured, interest-free and with no fixed terms of repayment.

7. CASH AND BANK BALANCES

	TAFI Group RM	The Company RM
Fixed deposits with licensed banks	2,992,211	-
Cash and bank balances	<u>3,433,114</u>	<u>5,766,234</u>
	<u>6,425,325</u>	<u>5,766,234</u>

Fixed deposits with a licensed bank of the TAFI Group amounting to RM924,287 have been pledged to a licensed bank for credit facilities granted.

As of August 31, 2004, certain fixed deposits with a licensed bank of the TAFI Group amounting to RM385,120 are placed in the name of Mr. Terk Yew Tee who is a director and shareholder of TA and Mr. Saw Han Lim who is the shareholder of TA, in trust for the TAFI Group.

The average interest rates for fixed deposits range from 2.30% to 3.70% per annum.

8. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

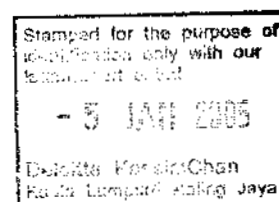
Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs. The average credit period granted to the Company for trade purchases is 90 days.

Analysis of trade payables of the TAFI Group by currency:

	Ringgit Malaysia RM	US Dollars RM	Singapore Dollars RM	Euro RM	Total RM
Trade payables	<u>2,315,991</u>	<u>326,433</u>	<u>17,245</u>	<u>1,720,422</u>	<u>4,380,091</u>

Other payables and accrued expenses consist of:

	TAFI Group RM
Other payables	1,583,518
Accrued expenses	<u>879,807</u>
	<u>2,463,325</u>



11. ACCOUNTANTS' REPORT (Cont'd)

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9. HIRE-PURCHASE PAYABLES

	TAFI Group RM
Total outstanding	247,269
Less: Interest-in-suspense	<u>(22,275)</u>
Principal outstanding	224,994
Portion due within one year - included under current liabilities	<u>(100,000)</u>
Non-current portion	<u><u>124,994</u></u>

The interest rates implicit in the hire purchase payables of the TAFI Group range from 3.30% to 7.25% per annum.

The non-current portion of the hire-purchase payables is repayable as follows:

	TAFI Group RM
Period ending August 31, 2006	100,000
2007	<u>24,994</u>
	<u><u>124,994</u></u>

10. SHORT-TERM BORROWINGS

As of August 31, 2004, the TAFI Group has bank overdrafts and other credit facilities amounting to RM12,750,000. These credit facilities bear interest at rates ranging from 4.00% to 8.40% per annum and are secured by:

- (i) a fixed charge over the landed properties of the TAFI Group with carrying values amounting to RM2,836,219 as of August 31, 2004;
- (ii) a floating charge over other assets of the TAFI Group;
- (iii) a lien on the TAFI Group's fixed deposits (Note 7); and
- (iv) a joint and several guarantee from all the directors.

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11. LONG-TERM LOANS

	TAFI Group RM
Outstanding loan principal	12,243
Less: Portion due within one year - included under current liabilities	<u>(12,243)</u>
Non-current portion	<u>-</u>

The term loans bear an average interest rate of 7.0% per annum and secured by way of:

- (i) A fixed charge on certain equipment of the TAFI Group with a carrying value of RM131,417 as of August 31, 2004; and
- (ii) a joint and several guarantee from certain directors of the Company and subsidiary companies.

12. DEFERRED TAX LIABILITIES

The net deferred tax liabilities of the TAFI Group are in respect of the following:

	RM
Temporary differences arising from property, plant and equipment	599,022
Others	<u>(3,716)</u>
Net deferred tax liabilities	<u>595,306</u>

13. SHARE CAPITAL

	The Company RM
Authorised:	
At date of incorporation	
100,000 ordinary shares of RM1 each	100,000
Subdivision to 200,000 ordinary shares of RM0.50 each on October 25, 2004	-
Created 199,800,000 ordinary shares of RM0.50 each on October 26, 2004	<u>99,900,000</u>
	<u>100,000,000</u>

Stamped for the purpose of
 verification only with our
 stamp on dated
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 100, Jalan Pagar Jaya

11. ACCOUNTANTS' REPORT (Cont'd)

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	The Company RM
Issued and fully paid:	
At date of incorporation	
2 ordinary shares of RM1 each	2
Subdivision to 4 ordinary shares of RM0.50 each on October 25, 2004	-
Issued pursuant to the acquisition of TA on October 30, 2004	26,029,575
Issued pursuant to the Rights Issue on December 31, 2004	5,130,423
To be issued pursuant to Public Issue	8,840,000
	<u>40,000,000</u>

As approved by the shareholders on October 25, 2004, the par value of the ordinary shares of TAFI was subdivided from RM1.00 per share to RM0.50 per share. This resulted in a change in the authorised share capital of TAFI from RM100,000 comprising 100,000 ordinary shares of RM1.00 each to RM100,000 comprising 200,000 ordinary shares of RM0.50 each.

Also as approved by the shareholders on October 26, 2004, the authorised share capital was increased from RM100,000 to RM100,000,000 by the creation of an additional 199,800,000 ordinary shares of RM0.50 each.

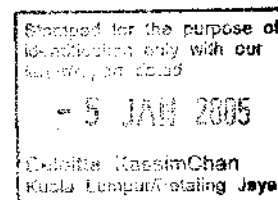
Consequent to the aforementioned share subdivision, the issued and paid-up share capital of TAFI of RM2 comprising 2 ordinary shares of RM1.00 each was subdivided into 4 ordinary shares of RM0.50 each.

As approved by the SC and the relevant authorities in connection with the listing exercise of TAFI, the issued and paid-up share capital of TAFI was increased from RM2 to RM26,029,577 by the issuance of 52,059,150 new ordinary shares of RM0.50 each at RM0.51 per share for the acquisition of the entire equity interest in TA. These new ordinary shares issued rank pari passu with the then existing ordinary shares of TAFI.

Pursuant to the Rights Issue of 10,260,846 shares at RM0.50 per share on December 31, 2004, the issued and paid-up share capital of TAFI was further increased from RM26,029,577 to RM31,160,000. These new ordinary shares issued rank pari passu with the then existing ordinary shares of TAFI.

Also, pursuant to the Public Issue, the Company will issue 17,680,000 new ordinary shares of RM0.50 each at an issue price of RM0.70 per share. These new ordinary shares rank pari passu with the then existing ordinary shares of TAFI.

The resultant premium from the above share issues amounting to RM4,056,591 has been credited to the share premium account as shown in Note 14.



11. ACCOUNTANTS' REPORT (Cont'd)

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14. SHARE PREMIUM

Share premium of the TAFI Group and the Company arose from the following:

	TAFI Group and the Company RM
52,059,150 shares of RM0.50 each issued pursuant to the acquisition of TA at an issue price of RM0.51 per share.	520,591
17,680,000 shares of RM0.50 each issued pursuant to the Public Issue at an issue price of RM0.70 per share	<u>3,536,000</u>
	4,056,591
Less: Estimated listing expenses	<u>(1,200,000)</u>
	<u><u>2,856,591</u></u>

15. RESERVE ON CONSOLIDATION

Reserve on consolidation represents the excess of the net assets of subsidiary companies acquired over their purchase consideration and is accreted over 60 months.

16. FINANCIAL INSTRUMENTS

Financial Risk Management Objective and Policies

The operations of the Group are subject to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk and liquidity risk and cash flow risk. The Group has taken measures to minimise the Group's exposure to risk and/or costs associated with the financing, investing and operating activities of the Group.

Foreign Currency Risk

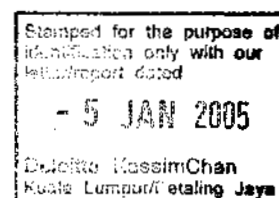
The Group enters into foreign currency forward contracts in the normal course of business to manage its exposure to foreign currency fluctuations on trade transactions denominated in foreign currencies.

Interest Rate Risk

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing fixed deposits and short-term borrowings as disclosed in Notes 7 and 10.

Credit Risk

The Group has no major concentration of credit risk and manage these risks by monitoring credit ratings and limiting the aggregate financial exposure to any individual counterparty. The Group extends credit to its customers based upon careful evaluation of the customer's financial condition and credit history. The Group places its fixed deposits with credit-worthy financial institutions.



11. ACCOUNTANTS' REPORT (Cont'd)

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Liquidity Risk

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

Cash Flow Risk

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

Financial Assets

The Group's principal financial assets are fixed deposits, cash and bank balances and trade and other receivables. The accounting policies applicable to major financial assets are as disclosed in Note 1.

Financial Liabilities

Significant financial liabilities include trade and other payables, hire-purchase payables, short-term borrowings and long-term loans.

Foreign Currency Forward Contracts

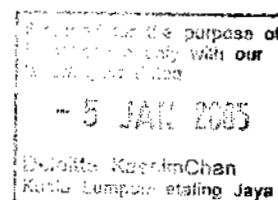
In order to hedge its exposure to foreign exchange risks, the Group enters into foreign currency forward contracts. Gains and losses on foreign exchange contracts designated as hedges of identified exposure are offset against the foreign exchange gains and losses on the hedged financial assets and liabilities. Where the instrument is used to hedge against anticipated future transactions, gains and losses are not recognised until the transaction occurs.

At the balance sheet date, the Group had contracted to purchase the following amounts under forward exchange contracts:

	August 31, 2004 RM	December 31, 2003 RM	Average exchange rate per unit of Ringgit Malaysia	
			August 31, 2004 RM	December 31, 2003 RM
United States Dollar	3,532,642	481,284	3.803	3.803
Euro	<u>1,602,743</u>	<u>-</u>	<u>4.631</u>	<u>-</u>

All of these forward exchange contracts mature within six months of the balance sheet date.

The net deferred gain arising on such contracts as of August 31, 2004 is not material.



11. ACCOUNTANTS' REPORT (Cont'd)

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Fair Values

The carrying amounts and the estimated fair values of the Group's financial instruments as of August 31, 2004 are as follows:

	Note	The Group	
		Carrying Amount RM	Fair Value RM
<i>Financial Liabilities</i>			
Hire-purchase payables	9	224,994	230,126
Long-term loans	11	<u>12,243</u>	<u>15,514</u>

Hire Purchase Payables and Long-Term Loans

The fair values are estimated using the discounted cash flow analysis based on current borrowing rates for similar types of borrowing arrangements.

Cash and Cash Equivalents, Trade and Other Receivables and Trade and Other Payables

The carrying amounts approximate their fair values because of the short-term maturity of these instruments.

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the proforma cash flow statements comprise the following:

	TAFI Group RM	The Company RM
Fixed deposits with licensed banks	2,992,211	-
Cash and bank balances	<u>3,433,114</u>	<u>5,766,234</u>
	6,425,325	5,766,234
Less: Fixed deposits pledged to licensed banks	<u>(924,287)</u>	<u>-</u>
	<u>5,501,038</u>	<u>5,766,234</u>

18. LEASE COMMITMENTS

As of August 31, 2004, lease commitments pertaining to the TAFI Group and the Company in respect of rental of premises are as follows:

	Future minimum lease payment RM
Period ending August 31, 2005	75,930
2006	<u>34,000</u>
	<u>109,930</u>

Stampad for the purpose of
reporting only with our
qualified opinion
- 5 JAN 2005
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Kuala Lumpur setting Jaya

11. ACCOUNTANTS' REPORT (Cont'd)

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19. CAPITAL COMMITMENT

As of August 31, 2004, the Group has the following capital commitment in respect of the acquisition of property, plant and equipment:

	RM
Approved and contracted for	<u>517,500</u>

20. PROFORMA NET TANGIBLE ASSETS PER ORDINARY SHARE

Based on the proforma statement of assets and liabilities of the TAFI Group as of August 31, 2004, the proforma net tangible assets per ordinary share is calculated as follows:

	RM
Proforma net tangible assets of the TAFI Group	<u>43,220,664</u>
Number of ordinary shares of RM0.50 each assumed in issue as of August 31, 2004	<u>80,000,000</u>
Proforma net tangible assets per ordinary share of RM0.50 each	<u>0.54</u>

21. SUBSEQUENT EVENTS

Save as disclosed in Section B2, there were no subsequent events between August 31, 2004 and the date of this report.

22. AUDITED FINANCIAL STATEMENTS

No audited financial statements of TAFI and its subsidiary companies have been prepared in respect of any period subsequent to August 31, 2004.

Yours very truly,



DELOITTE KASSIMCHAN
AF0080
Chartered Accountants



HIEW KIM TIAM
1717/08/05 (J)
Partner