

NOTES TO THE INTERIM FINANCIAL REPORT

PART A : EXPLANATORY NOTES AS PER FRS 134

A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standard (FRS) 134 'Interim Financial Reporting' issued by the Malaysian Accounting Standards Board (MASB) and paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirement.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2007. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2007.

A2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2007.

A3. Qualification of Annual Financial Statements

There has not been any qualification made by the auditors on the annual financial statements of the Group for the year ended 31 December 2007.

A4. Seasonal and Cyclical Factors

The Group's business operation results were not materially affected by any major seasonal or cyclical factors.

A5. Unusual Items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter under review.

A6. Material Changes in Estimates

There were no changes in accounting estimates that have a material effect on the results for the current quarter under review.

A7. Issuances and repayment of debt and equity securities

A total of 119,100 ordinary shares were repurchased from the open market for a total consideration of RM49,206 in the current financial quarter. The share buy-back transactions were financed by internally generated funds. The shares purchased are being held as treasury shares. As at 31 March 2008, the number of treasury shares held was 1,442,600 ordinary shares.

A8. Dividend

A second interim dividend of 1.5 cents per share less 26% tax has been paid on 22 January 2008 to shareholders whose name appear in the Register of Members and Record of Depository on 11 January 2008.

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A9. Segmental Reporting

No segment analysis is prepared as the Group is involved in a single industry segment relating to the manufacturing and marketing of furniture products. The operations of the Group is carried out entirely in Malaysia.

A10. Valuation of Property, Plant and Equipment

There was no revaluation of property, plant and equipment by the subsidiary companies for the current quarter and financial year to date.

A11. Subsequent Events

There were no material events subsequent to the end of the current quarter under review.

A12. Change In The Composition of The Group

There were no changes in the composition of the Group during the current quarter under review.

A13. Changes In Contingent Liabilities

As of 31 March 2008, one of the subsidiary company has a credit facilities amounting to RM3,100,000 obtained from a licensed local bank which are guaranteed by the Company. Accordingly, the Company is contingently liable to the extent of the amount of the credit facilities utilized by the subsidiary company.

A14. Capital Commitments

There was no commitment of significant amount for the purchase of property, plant and equipment or other assets.

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**PART B : ADDITIONAL INFORMATION REQUIRED BY THE BURSA
MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS**

B1. Review of Performance

The revenue and profit before tax recorded by the Group for the current quarter was RM13.4million and RM1.4 million respectively. This represents a decrease of RM1,735,000 in revenue or 11% lower than that of its corresponding quarter. The decrease in revenue is primarily due to lower demand from the Group's existing customers and lower average selling prices affected by the weakening of the US Dollar against the Malaysia Ringgit. The Group profit before tax in the current quarter decreased by RM404,000 or 23% lower than its corresponding quarter due to lower turnover.

B2. Variation of Results Against Preceding Quarter

The Group profit before taxation for the current quarter ended 31 March 2008 of RM1.4million represents a decrease of RM283,000 than the previous quarter ended 31 December 2007. This is mainly due to the depreciation of US Dollar against the Malaysia Ringgit and increase of raw materials cost.

B3. Commentary on Prospects

Barring any unforeseen circumstances, the Board expects the operational results of the Group for the year ending 31 December 2008 to be satisfactory.

B4. Variance of Actual and Forecast Profit

Not applicable

B5. Taxation

	Current Year Quarter 31.03.08 RM'000	Current Year To Date 31.03.08 RM'000
Income tax		
Current year	247	247
Deferred tax		
Current year	42	42
	<u>289</u>	<u>289</u>

The effective tax rate for the current quarter under review was lower than the statutory income tax rate mainly due to the double deduction enjoyed by its subsidiary company, T.A. Furniture Industries Sdn. Bhd.

B6. Sale of Unquoted Investments and/or Properties

There were no sales of unquoted investments and/or properties for the current quarter and financial year to date.

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B7. Purchase or Disposal of Quoted Securities

There were no purchases or disposal of quoted securities for the current quarter and financial year to date.

B8. Status of Corporate Proposal

There is no corporate proposal announced for the current quarter under review.

B9. Group Borrowing and Debt Securities

As at 31 March 2008, the Group does not have any outstanding bank borrowing and debts securities.

B10. Off Balance Sheet Financial Instruments

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 recognized until the transaction occurs.

There were no financial instruments with off balance sheet risks at the date of this report other than the following forward contracts:-

	RM'000	Average exchange rate per unit of Ringgit Malaysia
United State Dollar	18,560	3.2144

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

Credit risk, or the risk of counterparties defaulting, is controlled by limiting the Group's association to creditworthy financial institutions in Malaysia.

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specified to the individual security or its issuer or factors affecting all securities traded in the market.

There are no significant credit and market risks posed by the above off balance sheet financial instruments.

B11. Material Litigation

The Group does not have any material litigation as at the date of this report.

B12. Dividend

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B13. Basis of Calculation of Earnings Per Share

The basic earnings per share for the quarter and financial period ended 31 March 2008 is computed as follow:

	Individual Current Year Quarter 31.03.08	Cumulative Current Year To Date 31.03.08
Profit attributable to equity holder of parent (RM'000)	<u>1,087</u>	<u>1,087</u>
Weighted average number of ordinary shares of RM0.50 each in issue('000)	<u>78,601</u>	<u>78,601</u>
Basic Earnings Per Share based on number of ordinary shares of RM0.50 each in issue (sen)	<u>1.38</u>	<u>1.38</u>

There is no diluted earnings per share as the Company does not have any convertible financial instruments as at the end of the reporting period.

By order of the Board
TAFI Industries Berhad

Saw Eng Guan
Executive Chairman
28 May 2008