

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.

Accounting Standards and IC Interpretations Issued but Not Effective

As of date of issuance of this quarterly report, the following FRS, was issued but not yet effective and has not been applied by the Group:

FRS		Effective for financial periods beginning on or after
FRS 139	Financial Instruments : Recognition and Measurement	To be announced

The above FRS shall be complied with when it becomes effective. Pursuant to paragraph 103AB of FRS 139, the impact of applying FRS 139 Financial Instruments : Recognition and Measurement on the financial statements upon first adoption of this Standard is not required.

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.

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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 72,000 ordinary shares and 191,100 ordinary shares were repurchased from the open market for a total consideration of RM29,293 and RM78,499 respectively for the current financial quarter and financial year to date. The share buy-back transactions were financed by internally generated funds. The shares purchased are being held as treasury shares. As at 30 June 2008, the number of treasury shares held was 1,514,600 ordinary shares.

A8. Dividend

On 23 May 2008, The Board of Directors has declared an interim dividend of 1.5 cents per share less 26% tax for the financial year ending 31 December 2008. The dividend has been paid on 28 July 2008 to the members whose name appear in the Record of Depositors as at the close of business on 30 June 2008.

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 30 June 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

As at 30.06.08
RM'000

Property, plant and equipment
Approved and contracted for

3,389

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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 RM17.6million and RM2.3 million respectively. This represents an increase of RM6,018,000 in revenue or 52% higher than that of its corresponding quarter. The increase in revenue is primarily due to higher demand from the Group's existing customers. The Group profit before tax in the current quarter increased by RM779,000 or 51% higher than its corresponding quarter due to higher turnover.

B2. Variation of Results Against Preceding Quarter

The Group profit before taxation for the current quarter ended 30 June 2008 of RM2.3million represents an increase of RM917,000 more than the previous quarter ended 31 March 2008. This is mainly due to higher turnover and cost cutting exercise in the current quarter.

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 30.06.08 RM'000	Current Year To Date 30.06.08 RM'000
Income tax Current year	361	608
Deferred tax Current year	70	112
	<u>431</u>	<u>720</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 and reinvestment allowance 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 30 June 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	20,168	3.2013

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.

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B12. Dividend

On 23 May 2008, The Board of Directors has declared an interim dividend of 1.5 cents per share less 26% tax for the financial year ending 31 December 2008. The dividend has been paid on 28 July 2008 to the members whose name appear in the Record of Depositors as at the close of business on 30 June 2008.

In the previous corresponding period, the Board of Directors had on 3 July 2007 declared an interim dividend of 1.5 cents per share less 27% tax for the financial year ending 31 December 2007 which was paid on 31 July 2007 to the members whose names appear in the Record of Depositors at the close of business on 18 July 2007.

B13. Basis of Calculation of Earnings Per Share

The basic earnings per share for the quarter and financial period ended 30 June 2008 is computed as follow:

	Individual Current Year Quarter 30.06.08	Cumulative Current Year To Date 30.06.08
Profit attributable to equity holder of parent (RM'000)	<u>1,862</u>	<u>2,949</u>
Weighted average number of ordinary shares of RM0.50 each in issue('000)	<u>78,540</u>	<u>78,571</u>
Basic Earnings Per Share based on number of ordinary shares of RM0.50 each in issue (sen)	<u>2.37</u>	<u>3.75</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
26 August 2008