

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 Malaysian Financial Reporting Standard (MFRS) 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 2015. 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 2015.

A2. Significant Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2015 except for the adoption of the following amendments to the Malaysian Financial Reporting Standards ("MFRS"):

The adoption of the following amendments to the existing standards do not have any significant impact to the interim financial information of the Group.

MFRS 14	Regulatory Deferral Accounts ¹
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception ¹
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
Amendments to MFRS 101	Disclosure Initiative ¹
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plant ¹
Amendments to MFRS 127	Equity Method in Separate Financial Statements ¹

Malaysian Financial Reporting Standards ("MFRSs") and IC Interpretations ("IC Int.") Issued but Not Effective

At the date of authorisation for issue of these financial statements, the new and revised Standards and Amendments which were in issue but not yet effective and not early adopted by the Group and the Company are as listed below:

MFRS 9	Financial Instruments ²
MFRS 15	Revenue from Contracts with Customers ²
MFRS 16	Leases ⁵
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to MFRS 107	Disclosure Initiative ⁴
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses ⁴
Amendments to MFRSs	Annual Improvements to MFRSs 2012 - 2014 Cycle ³

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2018

³ Effective date of the Amendments which was originally for annual periods beginning on or after 1 January 2016, have been deferred to a date to be announced by the MASB.

⁴ Effective for annual periods beginning on or after 1 January 2017

TAFI INDUSTRIES BERHAD
(Company No. 640935-P)

⁵ Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted provided MFRS 15 is also applied.

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 2015.

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 and financial year to date.

A6. Material Changes in Estimates

There were no changes in accounting estimates that have a material effect on the results for the current quarter and financial year to date.

A7. Issuances and repayment of debt and equity securities

There were no issuances, repurchases of shares for the current quarter under review. As at 31 March 2016, the number of treasury shares held was 2,540,500 ordinary shares.

A8. Dividend Paid

No dividend has been paid for the financial year to date.

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 operation 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 and financial year to date.

A13. Changes in Contingent Liabilities

As at 31 March 2016, a subsidiary company had credit facilities amounting to RM8,800,000 from local financial institutions which were guaranteed by the Company. Accordingly, the Company is contingently liable to the extent of the amount of the credit facilities utilised by the subsidiary company.

TAFI INDUSTRIES BERHAD
(Company No. 640935-P)

A14. Capital Commitments

Purchase of property, plant and equipment	As at 31.03.2016 RM'000
Approved and contracted for	<u>150</u>

A15. Derivative Financial Asset/Liability

There were no outstanding forward foreign exchange contracts outstanding as at 31 March 2016.

Forward foreign exchange contract are entered into with licensed bank to hedge part of the Group's sales from exchange rate movements. As the exchange rate are pre-determined under such contracts, the Group is not exposed to any market risk. Given that the contracts are entered into with the licensed bank, we are of the view that the credit risk is minimal.

A16. Related party transactions

Related parties are those defined under MFRS124 : Related Party Disclosures. The directors are of the opinion that the related party transactions described below were carried out in the ordinary course of business and on commercial terms that are no more favorable than those available to other third parties.

	Current year to date 31.03.16 RM'000	Preceding year Corresponding Period 31.03.15 RM'000
Transactions with companies in which certain Directors have substantial financial interests:		
<u>Rental expense</u>		
Guan & Associates	<u>2</u>	<u>-</u>
<u>Professional fee</u>		
Macellent (Muar) Sdn Bhd	<u>3</u>	<u>5</u>

TAFI INDUSTRIES BERHAD
(Company No. 640935-P)

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

B1. Review of Performance

The revenue and loss before tax recorded by the Group for the quarter was RM6,813,000 and RM1,164,000 respectively. This represents a decrease of RM650,000 in revenue or 9% lower than that of its corresponding quarter. The decrease was mainly due to the following :-

- The Group export sales had decreased by 4% and
- Local sales had decreased by 5%

The Group incurred a loss before tax of RM1,164,000 in the quarter as compared to a loss before tax of RM630,000 in the previous corresponding quarter. The increase in loss was primarily due to the following :-

- Lower turnover ;
- Higher overheads
- Higher other charges

B2. Variation of Results Against Preceding Quarter

The Group registered a loss before tax for the current quarter ended 31 March 2016 of RM1,164,000 as compared to a profit before tax of RM331,000 in the previous quarter ended 31 December 2015. The loss was mainly attributed by the following:-

- Lower turnover ;
- Higher overheads;
- Higher other charges

B3. Commentary on Prospects

The Group shall see through its investments and envisaged that these investments would contribute positively to the performance of the Group in the longer term although the incubation period for these investments has taken longer than expected. We anticipate the Group to break even with these investments in the financial year 2016 barring unforeseen circumstances.

B4. Variance of Actual and Forecast Profit

Not applicable

B5. Taxation

	Current Year Quarter 31.03.16 RM'000	Current Year To Date 31.03.16 RM'000
Income tax	<u>5</u>	<u>5</u>

The effective tax rate differs from the statutory tax rate for the current year to date due to certain income of the holding company which cannot be offset for tax purposes.

B6. Status of Corporate Proposal

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

TAFI INDUSTRIES BERHAD
(Company No. 640935-P)

B7. Group Borrowing and Debt Securities

Details of the Group's borrowings as of 31 March 2016 was as follows :-

RM'000

Term Loan 4,290

B8. Gains/Losses arising from fair value changes of financial assets/liabilities

The Group does not have any financial instruments at the end of reporting period.

B9. Material Litigation

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

B10. Dividend Payable

No dividend has been declared for the current quarter under review.

B11. Basis of Calculation of Earnings/(Loss) Per Share

The basic loss per share for the quarter and financial period ended 31 March 2016 is computed as follow:

	Individual Current Year Quarter 31.03.16	Cumulative Current Year To Date 31.03.16
Loss attributable to owners of Company (RM'000)	<u>(1,169)</u>	<u>(1,169)</u>
Weighted average number of ordinary shares of RM0.50 each in issue ('000)	<u>77,460</u>	<u>77,460</u>
Basic Loss Per Share based on weighted average number of ordinary shares of RM0.50 each in issue (sen)	<u>(1.51)</u>	<u>(1.51)</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.

B12. Disclosure of realised and unrealised profits

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits, pursuant to the directive issued by Bursa Malaysia Securities Bhd ("Bursa Malaysia") on 25 March 2010, is as follows:

	As at 31.03.16 (RM'000)	As at 31.03.15 (RM'000)
Total retained earnings of the Group		
- Realised	15,944	17,076
- Unrealised	<u>(428)</u>	<u>(463)</u>
As per consolidated accounts	<u>15,516</u>	<u>16,613</u>

TAFI INDUSTRIES BERHAD
(Company No. 640935-P)

B13. Additional Disclosure on loss for the period

	Current Quarter Ended 31.03.16 (RM'000)	Financial Period Ended 31.03.16 (RM'000)
Loss for the period is arrived at after charging/(crediting) :		
Interest income	(21)	(21)
Depreciation of property, plant and equipment	617	617
Amortisation of prepaid lease payments	10	10
Amortisation of intangible asset	48	48
Realised loss on foreign exchange	45	45
Unrealised loss on foreign exchange	231	231

Other than the above items which have been included in the statement of profit or loss and other comprehensive income, there were no provision for and write off of receivables, provision for and write off of inventories, gain or loss on disposal of quoted or unquoted investments or properties, interest expenses, impairment of assets and exceptional items for the current quarter and period ended 31 March 2016.

By order of the Board
TAFI Industries Berhad

Dato' Saw Eng Guan
Executive Chairman

27 May 2016