

Recommendation: **NOT RANKED**

Stock Code: 7211

Bloomberg: TAFI MK

Price: MYR0.45

12-Month Target Price: N/A

Date: September 28, 2007

Board: Second

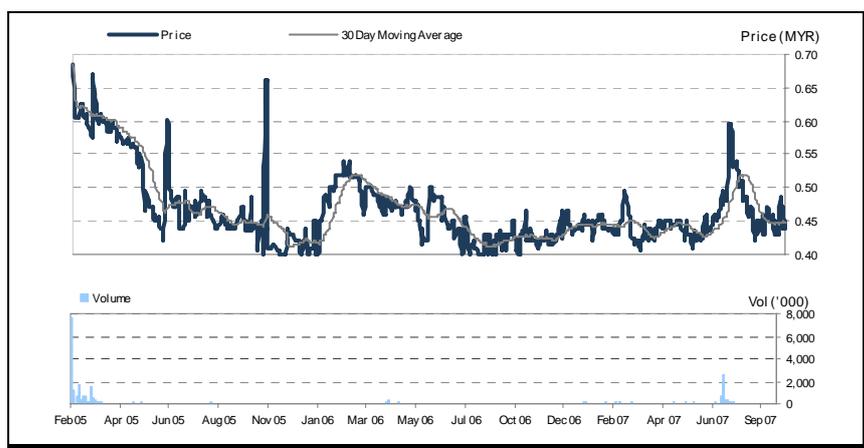
Sector: Consumer Products

GICS: Industrials/Office Services & Supplies

Market Value - Total: MYR35.4 mln

Summary: TAFI Industries' (TAFI) core business is the manufacturing and distribution of wood-based panel system office furniture, with particular focus on tables and cabinets. TAFI was listed on the Second Board of Bursa Malaysia in Feb. 2005.

Analyst: David Chong, CA



Recent Developments

Recommendation & Investment Risks

- Pending the renewal of the CBRS research scheme, and confirmation that TAFI will be participating in the new scheme, we suspend coverage of the stock until further notice. Our last recommendation was Hold. Our last 12-month target price was MYR0.50.
- As developments in TAFI may impact the company's fundamental outlook and valuation during the suspension of coverage, please note that current earnings forecasts may become stale and should not be seen to be representative of our view.

Key Stock Statistics

| | 2006 | 2007E |
|---------------------------------|-------------|-------|
| FY Dec. | | |
| Reported EPS (sen) | 7.4 | 7.4 |
| PER (x) | 6.1 | 6.1 |
| Dividend/Share (sen) | 3.0 | 3.0 |
| NTA/Share (MYR) | 0.64 | 0.69 |
| Book Value/Share (MYR) | 0.64 | 0.69 |
| No. of Outstanding Shares (mln) | 78.7 | |
| 52-week Share Price Range (MYR) | 0.40 - 0.60 | |
| Major Shareholders: | % | |
| Terk Yew Tee | 25.9 | |
| Saw Han Lim | 22.1 | |
| Lembaga Tabung Haji | 15.4 | |

Per Share Data

| | 2004 | 2005 | 2006 | 2007E |
|-------------------------|------|------|------|-------|
| FY Dec. | | | | |
| Book Value (MYR) | 0.55 | 0.59 | 0.64 | 0.69 |
| Cash Flow (sen) | 11.1 | 7.7 | 8.7 | 9.2 |
| Reported Earnings (sen) | 9.1 | 6.3 | 7.4 | 7.4 |
| Dividend (sen) | 0.0 | 3.0 | 3.0 | 3.0 |
| Payout Ratio (%) | 0.0 | 48.6 | 40.5 | 35.4 |
| PER (x) | 5.0 | 7.2 | 6.1 | 6.1 |
| P/Cash Flow (x) | 4.0 | 5.9 | 5.2 | 4.9 |
| P/Book Value (x) | 0.8 | 0.8 | 0.7 | 0.7 |
| Dividend Yield (%) | 0.0 | 6.7 | 6.7 | 6.7 |
| ROE (%) | NA | 12.1 | 12.0 | 11.2 |
| Net Gearing (%) | 0.0 | 0.0 | 0.0 | 0.0 |

* 2004 is for the period from Jan. 29 to Dec. 31, 2004

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Profit & Loss

| FY Dec. / MYR mln | 2005 | 2006 | 2007E | 2008E |
|---------------------------------|------|------|-------|-------|
| Reported Revenue | 54.3 | 61.4 | 61.9 | 65.2 |
| Reported Operating Profit | 5.4 | 6.1 | 6.8 | 7.2 |
| Depreciation & Amortization | -1.1 | -1.0 | -1.4 | -1.5 |
| Net Interest Income / (Expense) | 0.4 | 0.5 | 0.5 | 0.6 |
| Reported Pre-tax Profit | 5.8 | 6.7 | 7.3 | 7.7 |
| Effective Tax Rate (%) | 14.7 | 12.0 | 20.0 | 17.5 |
| Reported Net Profit | 4.9 | 5.9 | 5.9 | 6.4 |
| Reported Operating Margin (%) | 9.9 | 10.0 | 11.0 | 11.0 |
| Reported Pre-tax Margin (%) | 10.7 | 10.9 | 11.8 | 11.9 |
| Reported Net Margin (%) | 9.1 | 9.6 | 9.5 | 9.8 |

Source: Company data, S&P Equity Research

Standard & Poor's Equity Research Services

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Glossary

Strong Buy: Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

Buy: Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months, with shares rising in price on an absolute basis.

Hold: Total return is expected to closely approximate the total return of the KLCI or KL Emas Index respectively, over the coming 12 months with shares generally rising in price on an absolute basis.

Sell: Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months and share price is not anticipated to show a gain.

Strong Sell: Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months by a wide margin, with shares falling in price on an absolute basis.

S&P 12 Month Target Price – The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

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Recommendation and Target Price History

| Date | Recommendation | Target Price |
|-----------|----------------|--------------|
| New | Not Ranked | |
| 5-Jul-07 | Hold | 0.50 |
| 22-May-06 | Buy | 0.53 |
| 6-Mar-06 | Hold | 0.53 |
| 20-Dec-05 | Buy | 0.51 |

