

MANAGEMENT

DISCUSSION & ANALYSIS

2014



Bar Chart - Return Rates by Sales Region



Lebanon

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

Brahim's Holdings Berhad is the country's leading halal in-flight catering company through its 100% equity interests in BACH which in turn owns 70% of BAC. This was made possible after the Group had completed the acquisition of the remaining 49% equity interest in BACH (as renamed from BLSG previously). In February 2013, BLSG was renamed as "Brahim's Airline Catering Holdings Sdn Bhd". And LSGB was renamed as "Brahim's Airline Catering Sdn Bhd" (BAC). With this 100% acquisition completed in January 2013, your Group was able to fully benefit from the consolidation in FY 2013.

The Group's 51% subsidiary, Dewina Host Sdn Bhd's new project in KLIA2 was slow to take off due to some delays. It was awarded 2,572.60 sq. metres known as Premium Food Court at the international departure mezzanine area and another 133.76 sq. metres of F&B outlet space at the airside area.

For FY 2014, the Group's results were badly affected by its major subsidiary BAC financial performance. BAC encountered major difficulties in collection

from its biggest customer, MAS. After the incidents of MH370 and MH17, MAS went into extreme financial distress and had to be protected by way of a MAS Act to enable it to undertake a MAS Recovery Plan.

Under these circumstances, BAC was forced into a Settlement Agreement which effectively wiped out RM 74.0 million from its revenue.

With this setback, your Group is assessing its position as a caterer to MAS and also to its other 36 international airlines customers. Several major Mergers and Acquisitions have to be put on hold for the time being until greater clarity comes out of the situation with MAS.

In this discussion and analysis of our financial condition and results of operations, we have included information that may constitute 'forward-looking statements'. These statements are not historical facts, but instead represent only our beliefs regarding future events, many of which, by their nature, are inherently uncertain and outside our control. This information includes statements of current condition and may relate to our future plans and objectives.



EXECUTIVE OVERVIEW

	2014	2013	%
	RM'000	RM'000	Change
Selected From Statement Of Comprehensive Income			
Revenue	353,925	394,829	(10.4)
Cost of Sales	(153,577)	(164,383)	6.6
Gross Profit	200,348	230,446	(13.1)
Other Income	1,715	6,846	(74.9)
Less: Distribution Expenses	(128)	(279)	54.1
Administrative Expenses	(149,724)	(142,278)	(5.2)
Other Expenses	(77,350)	(26,634)	(190.4)
Finance Costs	(10,796)	(12,575)	14.1
Share of Results in Joint Ventures	880	3,275	(73.1)
Profit before Tax	(35,055)	58,801	(159.6)
Income tax expense	1,223	(19,752)	106.2
Net Profit after Tax	(33,832)	39,049	(186.6)
Comprehensive Income			
- attributable to Owners of the company	(31,962)	22,028	(245.1)
- to Non-Controlling Interests	(1,870)	17,021	(111.0)
Selected Items From Statement of Financial Position			
Property, Plant & Equipment	60,907	65,012	(6.3)
Goodwill on Consolidation	294,311	302,311	(2.6)
Trade Receivables	82,472	78,969	4.4
Fixed Deposits & Cash/Bank Balances	20,198	53,651	(62.4)
Total Assets	517,828	536,264	(3.4)
Total Liabilities	244,467	247,381	(1.2)
Shareholders' Equity	246,578	254,228	(3.0)

COMMENTARY:

Our net loss per share was 13.64 sen for the financial year ended December 2014, compared with EPS of 10.12 sen for the year ended December 2013, lower by 234.8% year on year. Return on Shareholders' Equity (ROE) was a negative 13.7 % for 2014 compared with 15.4% for 2013, representing a decrease of 189.0% over the previous year.

Book value per share decreased by approximately 8.0% to RM1.04 compared with the end of 2013, whilst total assets shrunk marginally by 3.4% to RM517.8 million. Share price decreased by 28.3% to RM1.32 at year end as compared to the previous year end of RM1.84 reflecting weak market sentiments towards your stock.

The Group generated a net revenue of RM353.9 million, a decrease of 10.4% over 2013 revenues of RM394.8 million largely caused by MAS putting pressure on a 25% discount for Quarter 4 under its Settlement Agreement. On a challenging operating environment, the Pre-tax earnings recorded a decrease of 159.6% to a loss of RM35.1 million over 2013 Pre-tax earnings of RM58.8 million. After tax profit decreased by 186.6% from a previous year net profit after tax of RM39.0 million to a net loss after tax of RM33.8 million. These figures reflected a negative growth of 10.4% at Group level for FY 2014.

	2014	2013	%
	RM'000	RM'000	Change
Key Financial Ratios			
Liquidity			
Working capital	14,269	(10,248)	239.2
Quick ratio	1.06:1	0.89:1	19.1
Current ratio	1.13:1	0.94:1	20.2
Net sales per working capital	24.8	38.5	(35.6)
Leverage/Gearing			
Total Borrowed Funds to Shareholders' Equity	0.62:1	0.61:1	1.6
Coverage			
EBITDA	(12,329)	83,266	(114.8)
EBITDA/Int. Exp + CPLTD	(0.47)	1.13	(141.6)
Profitability			
Return on sales (%)	(7.1)	17.2	(141.3)
Return on assets (%)	(6.5)	7.3	(189.0)
Return on equity (%)	(13.7)	15.4	(189.0)
Gross profit margin (%)	56.6	58.4	(3.1)
Operating expenses (%)	107.6	84.5	(27.3)
Operating profit margin (%)	(7.1)	17.2	(141.3)
Profit after tax margin (%)	(9.6)	9.9	(197.0)
Dividend payout rate (%)	–	2.5	–
Activity ratio			
Interest coverage ratio	(2.33):1	5.42:1	(143.0)
Receivables turnover ratio (days)	85	73	(16.4)
Payables turnover ratio (days)	43	30	43.3
Asset turnover (net sales/total assets)	0.68:1	0.74:1	(8.1)
Profit before tax/total assets (%)	(6.8)	11.0	(161.8)
Growth (%)			
Total assets growth	(3.4)	57.6	(105.9)
Total liabilities growth	(1.2)	125.4	101.0
Net worth growth	(5.4)	25.4	(121.3)
Operating profit growth	(136.9)	131.8	(203.9)
Net profit after tax growth	(186.6)	157.3	(218.6)
Sustainable growth	(13.7)	15.0	(191.3)
Other Financial Indicators			
NA Per Share (RM)	1.04	1.13	(8.0)
Gross EPS (SEN)	(14.84)	26.07	(156.9)
Net EPS (SEN)	(13.64)	10.12	(234.8)
Share price at year end (RM)	1.32	1.84	(28.3)

BUSINESS OPERATIONS REVIEW

The Group's core business in food services is the main contributor to Group earnings with in-flight catering services and F & B operations contributing to 97% of turnover. The logistic sector continues to remain positive with a profit uptrend after its turnaround since year 2012.

In-Flight Catering Services

BAC currently serves over 36 international airlines. BAC is the main caterer to MAS, the national carrier, while other clients include Air Asia X, Vietnam Airlines, Cathay Pacific, China Southern Airlines, Japan Airlines, Korean Air, Thai Airways, Emirates Airlines, Garuda, Lufthansa, Indian Airlines, Eva Air, Pakistan International Airlines, Air France, Turkish Air and several other new airlines returning to KLIA.

BAC caters to an average of 200 aircrafts per day and prepares an average of 45,000 to 50,000 meals per day from its huge and highly sophisticated halal flight kitchen located at KLIA. Menus are planned in collaboration with in-flight services teams from the customer airlines who usually stipulate their requirements. The chefs at BAC will then suggest recipe modifications taking into account the locally available raw ingredients. A food tasting session is then arranged before a new menu is adopted and finally implemented. BAC's flight kitchen is categorised into 3 departments known as the hot kitchen, the cold kitchen and the pastry and bakery kitchen. They produce a combination of hot meals, cold salads, desserts, bread and pastries. The operations in the kitchen are enhanced by modern cooking and halal dishwashing equipment.

Operating 24 hours daily with a maximum capacity of about 60,000 meals per day, BAC prides itself as a globally recognised 100% halal certified flight kitchen with a fully halal compliant integrated food logistic supply chain. Besides food, BAC also provides cabin

handling services covering laundry services for pillows and blankets, filling the cabin trolley with items for in-flight sales as well as providing passenger headsets, newspapers and periodicals. With 1,133 staff operating from a 59,000-sq metre complex in KLIA, BAC is the world's biggest halal flight kitchen and has won many international awards for quality and excellence.

BAC is majority owned by BACH (70%) with the balance (30%) owned by Malaysian Airline System Berhad ("MAS"). BAC is located at the Catering Building, MAS Complex, South Support Zone, Kuala Lumpur International Airport, 64000 Sepang, Selangor Darul Ehsan.



BAC - OTHER OPERATIONAL STATISTICS

	2011	2012	2013	2014
(a) Meals Uplifted (in Millions)				
Total Meals	15.1	15.0	17.0	18.0
From MAS	9.1	8.8	11.5	12.0
From FOCA	6.0	6.2	5.5	6.0
(b) Total Flights Handled				
Total Flights	67,148	66,033	78,123	83,659
From MAS	47,710	45,875	55,967	60,028
From FOCA	19,438	20,158	22,156	23,631
(c) Staff Strength				
Headcount (FTE)	1,205	1,142	1,142	1,133

RESTAURANT OPERATIONS

Dewina Host Sdn Bhd operates an exciting portfolio of F & B brands in KLIA and KLIA2. They provide a mix of international brands and local favourites that cater to different travelers' preferences. The restaurants and cafés currently in operation by Dewina Host Sdn Bhd at KLIA and KLIA2 are as follows:

OUTLETS AT KLIA

Outlet Name	Type of Food Served	Outlet Location	Outlet Size (Approximate Sq. Metres)
Burger King	Fast Food	Arrival Level, Main Terminal Building	150
Burger King	Fast Food	Mezzanine Level, Satellite Building	309
Café Barbera	Café	Departure Level, Main Terminal Building	88
Kopitime	Café	Departure Level, Main Terminal Building	78
Food Paradise	Casual Dining	Mezzanine Level, Satellite Building	781
5 Outlets		Total	1,406



OUTLETS AT KLIA2

Outlet Name	Type of Food Served	Outlet Location	Status	Outlet Size (Approximate Sq. Metres)
Burger King	Fast Food	International Departure (Airside)	Open	2,500 (for the total of 9 outlets)
The Chicken Rice Shop	Local Food	International Departure (Airside)	Open	
Taste Of India	Local Food	International Departure (Airside)	Open	
Big Bowl / Noodles & Yong Tau Foo	Local Food	International Departure (Airside)	Open	
Hot Wok	Local Food	International Departure (Airside)	Pending	
Satay	Local Food	International Departure (Airside)	Pending	
Japanese	Japanese Food	International Departure (Airside)	Pending	
Toast Box	Café	International Departure (Airside)	Pending	
Beverage Station	Beverage	International Departure (Airside)	Open	
Popeyes	Fast Food	International Departure (Airside)	Open	133
10 Outlets		Total		2,633

Reference to the above outlet units at KLIA2, Dewina Host is going to open the outlet "Toast Box" in the month of June 2015.

Café Barbera (SEA) Sdn Bhd was incorporated in 2010 dealing in franchise Italian gourmet coffee with an outlet at No. 18, Lorong Maarof, Bangsar, on rented premises and a sub-franchise outlet at KLIA departure hall. It is a 100% subsidiary of Brahim's Holdings Berhad. The unique concept of Café Barbera is based on an exceptional blend of coffee products and current food trends. Currently, there are three (3) Café Barbera outlets in Malaysia; Café Barbera Bangsar, Café Barbera KLIA and Café Barbera Subang Skypark. The team is looking into finalizing the absorption of its Indonesia outlet in Kemang Village (LippoMall), Jakarta with the view of expanding 2 to 3 more new outlets in Indonesia which is a promising market. Café

Barbera also sells coffee beans to hotels, selected up-market cafes and supermarkets. Coffee machines and sale of syrups also form part of the trading activities of Café Barbera.

Barbera Caffe S.p.A., the Principal based in Naples, Italy was founded in 1870. Café Barbera Malaysia offers world class high quality coffee and Italian dishes in a typical Italian café setting.

This business segment is still operating in the red. A business turnaround plan was implemented in November 2014 and has seen vast improvement to the business. The Plan calls for a turnaround by FYE 2015.



WAREHOUSING AND LOGISTICS DIVISION

This business unit was turned around in 2012 and continues to maintain its profit trend. In 2014 it reported a PBT of RM1,420,608 against a profit of RM651,379 for financial year 2013. This unit operates a bonded warehouse on 15.134 acres on a sub-lease KTM land in North Port. Its customers include Lucky Frozen (importer of Heinz Baked Beans and Mayonnaise), Kit Loong (importer of Michelin tyres), Hoe Pharmaceuticals of Japan, Haco (importer of coffee beans for Starbucks) and other regional companies requiring bonded and non-bonded warehousing services. Bonded warehousing services are also required by vehicle importers.

BUSINESS ENVIRONMENT

The International Economic Outlook

The global economy is expected to continue expanding at a moderate pace in 2015, with increasing divergence in the growth momentum among the major economies. Global growth will be supported by gradual but uneven improvements in the advanced economies and sustained growth in most emerging economies. While growth in the US is projected to gather momentum amid higher private sector spending, economic activity in the euro area and Japan will remain weighed down by structural weaknesses. In PR China, growth is projected to continue to moderate towards a more sustainable path, as policymakers continue to undertake structural reforms to rebalance the key drivers of the economy. Nevertheless, growth prospects in most emerging economies are expected to be sustained by the continued expansion in domestic demand and the gradual improvement in external demand, following the recovery in several advanced economies. In addition, the low global crude oil prices are expected to provide additional lift to global growth. Lower inflation and higher disposable incomes will support higher consumer spending, while lower production costs could encourage further business investment in non-energy-related sectors, particularly in industries with already high capacity utilisation rates.

GLOBAL ECONOMY TO REMAIN ON A MODERATE GROWTH PATH IN 2015, WITH INCREASING DIVERGENCE IN GROWTH MOMENTUM AMONG MAJOR ECONOMIES.

Nevertheless, there remain downside risks to the global growth outlook. The prolonged weakness in domestic demand and persistence of disinflation or even deflation in several major advanced economies, together with adverse geopolitical developments, could have spillovers on global trade activity. Uncertainty over commodity price movements could also affect the growth prospects of the commodity-producing emerging economies. These, together with uncertainty arising from the potential divergence of monetary policy stance in the major advanced economies, could result in heightened volatility and potential disruptions in the international financial markets.

Of significance, large and volatile shifts in global liquidity could have implications on the financial markets and growth prospects of the emerging economies.

Uneven growth performances across major economies

In the **US**, economic recovery is expected to become more entrenched, underpinned by a continued expansion in private sector demand and lower fiscal headwinds. Private consumption is projected to strengthen on account of improving household balance sheets and favourable labour market conditions. Of significance, job creation has been more broad-based. While some degree of labour market slack remains, it is expected to gradually diminish, as reflected by the ongoing decline in the unemployment rate and the lower number of involuntary part-time workers. The low energy prices will also provide further impetus to private consumption through lower inflation and higher disposable income.

On the investment front, non-residential capital expenditure will be supported by rising new orders and higher capacity utilisation rates, which have already exceeded pre-crisis levels (December 2014: 79.4% of total capacity; 2003-2007 average: 78.9%). Although mining investment will be weighed down by the lower crude oil prices, this is expected to be offset by higher investment in the other industries amid lower production costs and improving demand. Fiscal headwinds are projected to moderate amid a slower pace of fiscal consolidation in the near term. Possible fiscal challenges have broadly been alleviated, as the US Congress had passed a funding package for most federal agencies through Fiscal Year 2015, thus removing the possibility of a government shutdown. Nevertheless, the pace of economic expansion in the US could be affected by adverse spillovers arising from weaker-than-expected growth in several other major economies and the reversal of earlier US dollar weakness. Of significance, lower export performance and corporate earnings could affect the strength of investment activity.

In contrast, growth in the **euro area** is expected to remain subdued in 2015. Private consumption activity is anticipated to grow at a modest pace, as employment and real wage growth remain weak. Investment activity will likely remain low amid ample spare capacity, weak business sentiments amid persistent geopolitical developments, the modest implementation of structural reforms, and still unfavourable although improving financing conditions. Nevertheless, a broadly neutral fiscal stance, together with the introduction of the European Fund for Strategic Investments, could provide some support to investment activity going forward. Domestic demand may also benefit from the highly accommodative monetary policy stance, particularly following the implementation of the expanded asset purchase programme of EUR60 billion per month by the European Central Bank (ECB). On the external front, trade activity is expected to be supported in part by a gradual strengthening of external demand and the depreciation of the euro.

Economic activity in **Japan** is also expected to remain subdued in 2015. While export performance will continue to be supported by improving external demand and the weak yen, the lingering effects from the consumption tax increase in April 2014 could continue to limit the strength of domestic private sector recovery. Nevertheless, the postponement of the second consumption tax increase from 2015 to 2017 will likely mitigate further weakness in domestic economic activity. Over the longer term, higher wage growth and further structural reforms aimed towards raising productivity and improving fiscal sustainability remain vital to the growth prospects.

In **PR China**, economic activity is expected to continue to trend towards a more sustainable growth path amid the implementation of further structural reforms to rebalance the key drivers of the economy. The pace of growth moderation is, nevertheless, expected to remain gradual. Of significance, the Chinese policymakers continue to have ample policy space to support overall growth, particularly through targeted measures to key productive sectors as well as accelerated infrastructure and rural development, and to mitigate potential risks confronting the Chinese economy.

In **Asia**, growth is expected to be sustained in 2015, supported by the continued expansion in domestic activity and improving external demand. Of significance, capital spending, particularly on infrastructure development, will continue to support the expansion in domestic demand. In the external sector, the improving growth prospects of several advanced economies, particularly the US, will continue to benefit Asia's export performance. Nevertheless, the degree of improvement will vary across economies based on their trade exposure, especially to the US and PR China. For the major commodity exporters in the region, the lift from improving external demand could also be partly mitigated by the low commodity prices. Overall, the Asian region is projected to remain an important driver of global economy activity, contributing to over 50% of global growth in 2015.

Global inflationary pressures to remain modest

Global inflationary pressures are expected to remain modest in 2015, reflecting the persistence of low commodity prices amid favourable supply conditions and weak demand from several key economies. Given the moderate growth outlook for the global economy, the persistence of low inflation will provide further support to consumer spending.

In the global commodities markets, crude oil prices are likely to remain subdued on account of ample supply from both the Organisation of the Petroleum Exporting Countries (OPEC) and non-OPEC producers. Food prices are also projected to remain moderate amid higher crop production.

For hard commodities, improved supply conditions and lower demand from several key economies, such as PR China, are likely to continue to exert downward pressures on prices, particularly for iron

ore and copper. Amid the subdued outlook for global commodity prices, headline inflation is expected to continue to trend below central banks' inflation targets in most advanced and emerging economies. Of significance, in the Euro area, persistently low commodity prices amid a persistent negative output gap and subdued wage growth could increase the risk of protracted deflation. In contrast, for several advanced economies, such as the US, the potential for improving wage growth amid the further narrowing of economic slack could dampen the downward pressures on overall inflation. In Asia, the subdued commodity price outlook will help to contain price pressures emanating from improving domestic demand and further price adjustments in a few economies.



Downside risks to global growth remain

There, however, remain several downside risks to the global growth outlook in 2015. Despite highly accommodative monetary policies, prolonged economic slack and unresolved structural issues in several advanced economies could lead to weaker-than-expected growth momentum in these economies, with adverse spillovers on global trade activity. The possibility for weaker-than-expected growth momentum in these economies could be further exacerbated by the persistence of disinflation or even deflation amid low commodity prices. While recent episodes of geopolitical developments have not resulted in sizeable disruptions to production, an increase in adverse geopolitical developments, particularly in the Euro area, Eastern Europe and the Middle East, could affect global sentiments and dampen the strength of overall global growth. In addition, uncertainties over commodity price movements could have implications on the growth prospects of commodity-producing emerging economies.

THE MALAYSIAN ECONOMY

Overview

As a highly open economy, Malaysia's economic outlook will be affected by global developments. Export growth is projected to be lower due to the low commodity prices. At the same time, uncertainties regarding the strength of global economic outlook and the sharp decline in the global oil prices have raised concerns on the country's fiscal and balance of payments positions. These developments have affected market sentiments and resulted in greater volatility in the capital markets in late 2014 and early 2015.

Although the commodity sector is an important contributor to production, exports and employment, the highly diversified structure of the Malaysian economy provides a buffer against the consequences of the sharp decline in global oil prices. Domestic economic activity and employment are expected to be sustained by the continued growth of the services, manufacturing and construction sectors, which together accounts for almost 84% of GDP. While the Government's fiscal position will be affected, the impact is mitigated by the fact that the dependency of the Government on oil-related revenue has declined over the years following efforts to broaden the revenue base. Importantly, the pre-emptive measures announced by the Government on 20 January 2015, which involved both revenue enhancement and expenditure rationalisation measures, will contain the impact of the external developments on the overall fiscal position.

DESPITE FACING SIGNIFICANT EXTERNAL SHOCKS, THE MALAYSIAN ECONOMY IS EXPECTED TO REMAIN ON A STEADY GROWTH PATH OF 4.5 – 5.5% IN 2015

A positive development for Malaysia's exports in 2015 is the expected improvement in the US economy and the sustained growth of regional economies. Lower energy prices are expected to provide a lift to consumption and investment spending in net oil-importing economies such as the US, PR China and regional economies which are Malaysia's key trading partners. In addition, the global demand for mobile devices, tablets and automotive sensors continues to be strong. These developments are expected to drive Malaysia's manufactured exports (77% of total exports), in particular electronics and electrical (E&E) and non-resource based exports. The more diverse nature of exports in terms of products and markets will help sustain a surplus in the current account balance. The balance of payments position is therefore, expected to remain resilient, with the current account balance remaining positive.

Overall, the Malaysian economy is projected to register a steady growth of 4.5 – 5.5% in 2015 (2014: 6.0%), supported mainly by a sustained expansion in domestic demand amid strong domestic fundamentals and a resilient export sector.

Domestic demand will continue to anchor growth in 2015, driven by private sector spending. Private consumption is forecasted to record a more moderate growth during the year, after registering five consecutive years of above-average growth rates since the financial crisis in the advanced economies. While household spending is expected to be affected by the implementation of the Goods and Services Tax (GST) in April and lower earnings in the commodity-related sectors, its impact will, however, be partially offset by Government measures to assist targeted groups, the additional disposable incomes from lower fuel prices and the favourable labour market conditions. Similarly, after three consecutive years of double-digit growth, private investment is expected to moderate due mainly to lower investment in the mining sector following weak global crude oil prices. Nevertheless, private investment growth will be supported by on-going and new investments in the manufacturing and services sectors as firms benefit from the continued global recovery and lower cost of inputs. Public sector spending, in particular public investment, is expected to improve amidst higher spending on fixed assets, particularly by the public enterprises. In 2015, the contribution to growth from the Government is expected to remain modest.

Headline inflation is expected to average 2 – 3% in 2015 (2014: 3.2%) due mainly to lower energy and food prices. The decline in global oil prices would lead to lower domestic fuel prices through the managed float fuel pricing mechanism. The subdued external price pressures would also mitigate increases in the cost of imports stemming partly from the recent ringgit depreciation, thereby reducing overall imported inflation. These would partly offset some of the impact from the implementation of the GST on 1 April 2015. While there is a risk that the monthly inflation trajectory could be subject to the volatility in global oil prices, the underlying inflation is expected to remain relatively stable.

While the latest projection is for a gradual improvement to global growth in 2015 relative to 2014, there are several **downside risks** to the growth outlook. In the advanced economies, the implementation of much needed structural reforms will determine the strength of economic recovery in the immediate term and the sustainability of the recovery over the longer term. A sharper-than-expected slowdown in PR China poses downside risks to global growth and trade. In addition, the uneven growth prospects are raising the possibility of a divergence in the monetary policies of the major central banks. Such a development could result in sizeable global liquidity shifts and contribute to greater volatility in global financial markets and capital flows. The sharp decline in the price of oil and the uncertainty over its future price path, coupled with the attendant effects on the prices of other commodities, further compounds the challenging global environment.

In the event that some of these risks materialise, the Malaysian economy would be adversely affected, but its strong underlying fundamentals would act as a buffer to mitigate the impact. The economy is well-diversified, inflation is low, and the balance of payments position is resilient. At the same time, labour market conditions remain healthy, with an unemployment rate of 3%. In addition, financial system stability is intact, supported by financial institutions that have strong capitalisation levels and sound risk management practices. This will allow financial intermediation to continue and provide support to economic activity in the event of an external shock. The deeper and more matured financial markets and the strong banking system have also increased Malaysia's resilience to bouts of capital flow volatility. On the external front, the long-term prospects for FDI remain positive while Malaysia's external debt remains manageable, with a debt profile that is skewed towards the medium- and longer-term tenures. A significant share of the external debt is also ringgit-denominated, which reduces the impact of foreign exchange fluctuations. This, together with ample international reserves will further accord the policymakers with flexibility to manage these external risks. The combination of these factors will cumulatively also enable a more effective policy response to mitigate the impact of any external shocks on domestic demand and growth.

Domestic demand continues to underpin growth

Domestic demand is expected to register a sustained growth of 6.0% in 2015 (2014: 6.0%), anchored by private sector expenditure. Private sector spending is expected to remain resilient amid an improvement in public expenditure growth.

The projected GDP growth in 2015 points to the economy operating close to its potential output. While the estimated positive output gap of 0.39% suggests that the economy would be operating slightly above its potential, the gap is relatively modest and is not expected to put a strain on resources within the economy.

PRIVATE EXPENDITURE IS EXPECTED TO REMAIN RESILIENT AMID AN IMPROVEMENT IN PUBLIC EXPENDITURE

After registering five consecutive years of above average growth rates following the crisis in the advanced economies, **private consumption** is projected to grow by 6.0% in 2015 (2014: 7.1%). The implementation of the GST in April 2015 may have some effect on household spending. This will, however, be partially offset by the Government's measures to assist targeted groups, the additional household disposable income from lower fuel prices, and the favourable labour market conditions. The targeted Government assistance to low- and middle-income groups is expected to provide support to private consumption. These include the higher amount of Bantuan Rakyat 1Malaysia (BR1M) cash transfers, the RM100 cash assistance programme to primary

and secondary school students, and the Baucar Buku 1Malaysia (BB1M) for Malaysian students in higher learning institutions. The reduction of individual income tax rates by one to three percentage points with the implementation of the GST is also expected to increase the household disposable income. The lower fuel prices will support household spending in two ways: through savings from paying lower prices for fuel and from lower inflation. All these factors are expected to raise disposable income and consequently, support consumption spending.

Overall wage growth is also expected to remain favourable. In particular, the latest Malaysian Employers Federation's survey suggests a slightly higher forecast for salary increment of 5.8% in 2015 (2014: 5.4%). Although workers in the agriculture and mining sectors will experience lower earnings, they account for a relatively small share of total employment (about 13%). Wages in selected export-oriented industries, particularly the non-resource-based manufacturing sectors, are projected to improve in line with continued export growth. Growth of wages in the domestic-oriented sectors is also expected to be sustained given the favourable domestic demand conditions. In addition, employment conditions remain favourable, with sustained demand for labour in the domestic-oriented services sectors. In 2015, the unemployment rate is projected to remain stable at 3.0% (2014: 2.9%).

(Source: Extracts from Bank Negara Malaysia Annual Report 2014)

CRITICAL ACCOUNTING POLICIES

The adoption of the accounting standards and interpretations (including the consequential amendments) are fully outlined in Note 4 and Note 5 of the Financial Statements. They do not have any material impact on the Group's financial statements, other than the following:-

- (a) MFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Subsequently, this MFRS 9 was amended in year 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition (known as MFRS 9 (2010)). Generally, MFRS 9 replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 divides all financial assets into 2 categories – those measured at amortised cost and those measured at fair value, based on the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of the MFRS 139 requirement. An entity choosing to measure a financial liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss. There will be no financial impact on the financial statement of the Group upon its initial application.

- (b) The amendments to MFRS 132 provide the application guidance for criteria to offset financial assets and financial liabilities. These amendments will have no financial impact on the financial statements of the Group upon its initial application.
- (c) The amendments to MFRS 136 remove the requirement to disclose the recoverable amount when a cash-generating unit (CGU) contains goodwill or intangible assets with indefinite useful lives but there has been no impairment. Therefore, there will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

RESULTS OF OPERATIONS

Performance of current year compared to previous year

The Group's revenue of RM 353.93 million in current year was lower against the previous year's revenue of RM 394.83 million which was a decrease of RM 40.90 million or 10.4%.

The Group's loss before tax of RM 35.06 million was compared against the previous year profit before tax of RM 58.80 million which was a decrease of RM 93.86 million or 159.6%.

Detailed analysis by each segment is as follows:

• In-flight Catering and Related Services

The revenue for in-flight catering and related services segment for the current year was lower by RM 41.79 million or 10.86% to RM 342.84 million from RM 384.63 million in the previous year.

The negative results arose from a one-off settlement of disputed amounts with MAS totalling RM 94.03 million with a global settlement sum of RM 37.95 million. This has resulted in a special provision of RM 56.08 million. In addition to another RM 18.0 million in discounts forced by MAS under the Settlement Agreement on BAC in the final quarter of 2014.

The outlook for the In-Flight Catering segment continues to remain challenging despite the expected increase in passenger load in first half of 2015. The meals volume and revenue from Malaysian Airline System Bhd (MAS) is expected to be consistent with the previous period. However, the profit margin from flight catering and cabin handling may be affected due to the implementation of new pricing methodology in the new catering agreement currently under negotiations and the lower-priced "hybrid meals" introduced by MAS on all its regional and domestic flights. Revenue from foreign airlines are expected to improve arising from new airline clients in 2015.

• F&B Segment

The revenue for F&B segment for the current year contributed RM 3.21 million or a decrease from RM 3.69 million in the previous year. This arose from the closure of two unprofitable outlets. This segment is monitored closely for a business turnaround and revenue improvement.

• Warehouse Rental, Freight Forwarding, Transportation & Insurance Agency

The revenue for warehouse rental, freight forwarding, transportation and insurance agency segment for the current year was at RM 7.7 million increasing from RM 6.2 million in the previous year. The management is proud of maintaining a continuous profit growth trend after its turnaround in 2012.

BALANCE SHEET AND FUNDING SOURCES

One of our focus on risk management is on Balance Sheet size and Composition. While the Group's asset base changes arising from market fluctuations and client's activities, and the opportunities of new businesses, our Balance Sheet size and composition reflects (i) our ability to tolerate risk, (ii) our ability to access to funding sources and (iii) the mix of debt and equity in our Enterprise value to seize new business opportunities.

As the Group expands, it is critical to adopt an efficient debt and capital management framework and implemented by a sound finance committee to dynamically manage the Group's assets and liabilities, including:-

- quarterly planning and review
- business-specific limits
- setting and monitoring key metrics, and
- scenario planning and analyses.

In this context your Group has since 2012 established an Executive Board to carry out the above functions.

Total Asset of the Group decreased to RM 517.8 million from the RM 536.3 million in the previous year representing a reduction of RM 18.5 million or 3.4%.

Group Shareholders Funds for the year decreased to RM 246.6 million from RM 254.2 million, a reduction of RM 7.6 million or 3.0% arising from losses incurred in FY 2014 but was buffered by a healthy share premium account of RM 14.3 million.

Group Total Liabilities for the year decreased to RM 244.5 million from RM 247.4 million in the previous year. This represents a reduction of RM 2.9 million or 1.2%. Correspondingly, Net Assets per Ordinary Share of the Group for the year has reduced to RM1.04 from RM1.13 in the previous year.

The following tabulation shows the Group's external funding sources:-

	BHB	BACH	TISB	CB	TOTAL
External Credit Facilities	149,898,730	-	121,912	2,966,255	152,986,897
Average Cost of Borrowings (p.a.)	6.50%	-	5.49%	7.50%	

OVERVIEW AND STRUCTURE OF RISKS MANAGEMENT

The Board acknowledges its overall responsibility of maintaining Brahim's Holdings Berhad's ("BHB" or "the Company") system of internal control, which provides reasonable assessment of effective and efficient operations, risk management practices, internal financial controls and compliance with laws and regulations, as well as with internal procedures and guidelines, to safeguard the shareholders' investments and the Company's assets.

However, due to the complexity and management of a wide range of risks, the nature of these risks means that events may occur which could give rise to unanticipated or unavoidable losses. It should be noted that the Company's system of internal control and risk management are designed to provide reasonable but not absolute assurance against material misstatement, frauds or losses arising from unusual events or circumstances. It is possible that internal controls can also be circumvented or overridden. Due to the changing circumstances and conditions, the effectiveness of an internal control system may vary over time.

The rationale of the system of internal controls is to enable the Company to achieve its corporate objectives within an acceptable risk profile and cannot be expected to eliminate all the risks. The Group's system of internal control does not apply to Jointly Controlled Entities where the Group does not have full management control over them.

RECENT ACCOUNTING DEVELOPMENTS

There were no major accounting developments that may affect the company and the group for the current financial year. See Note 5 to the consolidated financial statements for information about significant

Accounting Policies and Note 4 on Basis of Preparation of the financial statements, the most significant being MFRS 11, Accounting for Acquisitions of Interests in Joint Operations.

RISKS FACTORS THAT MAY AFFECT OUR BUSINESS

- The ongoing uncertainty over Ukraine and the Middle East and global economic growth remains a key concern. Growth in the Asia region also seems to be moderating. Overall, a slower global economy could have an unfavourable impact on tourist arrivals and air passenger traffic growth, which will adversely affect the performance of our in-flight catering and F&B outlet operations at the airports. Concern over potential acts of terrorism and epidemic outbreaks could also serve to hurt the air travel industry, and undermine our core business. The MH370 incident and MH17 mishap are examples which have brought negative impact to MAS and consequently to BHB.
- Rising costs and competition are also common risk factors within the food-related industry. In that respect, we have always possessed the core competencies, drawing on our experience and knowledge in food services and established relationships with our business partners and customers, to mitigate such business risks.
- Restaurant operation business in airports is highly competitive and is characterized by sensitivity to price changes, branding of products and changes in consumer preference and behaviour. It is the intention of BHB to constantly review business strategies together its partner to mitigate business risks associated with restaurant operations. The Group would review the operation strategies on regular basis to enable the Group to react swiftly to changes in the industry to mitigate the industry risks.



The Winning Team



Tray Setting

- Like any other concessions, Dewina Host's rights to operate the restaurants in the airport could be materially and/or adversely affected by changes in political and economic conditions in Malaysia. These political and economic uncertainties include, but are not limited to, changes in political leadership, nationalization, expropriation and taxations.
- Dewina Host's rights to operate in the airports are based on negotiated tenancy terms. Dewina Host does not expect immediate major financial impact arising from the loss of rights by Dewina Host until the expiry of the respective tenancies. In forging ahead the business strategies of BHB, the Board constantly reviews its operations and business activities and carefully considers business opportunities that may arise and present itself to the BHB Group. In the event that Dewina Host loses the rights to operate the restaurants in the airports, Dewina Host will take proactive steps to consider and venture into other profitable business with the view to counter for the loss in revenue and profit contribution of Dewina Host. Dewina Host's rental expenses were approximately 30% of the total operating expenses. As the rental expenses comprise a significant portion of the total operating expenses of Dewina Host, any substantial increase in rental may adversely affect the profitability of Dewina Host. Most of Dewina Host's tenancy agreements are for a period between 2 to 3 years. Upon the expiry of the tenancy of a restaurant, Malaysia Airports (Sepang) Sdn Bhd or its affiliates ("Landlord") would have the right to review and alter the terms and conditions of the tenancy agreement. Dewina Host would negotiate with the Landlord on the terms and conditions for the extension of the tenancy upon the expiry of the tenancy agreement. However, there is no assurance that the tenancy agreement will be renewed or extended. Nonetheless, based on the successful renewal of rental agreements by Dewina Host historically, the management believes that Dewina Host would be able to maintain a cordial relationship with Landlord in the future.
- The MAS Turnaround Plan has created much uncertainty over the existing Catering Agreement with MAS. The impending new National Airline, Malaysia Airlines Berhad ("MAB") is yet to be operational as at the time of writing this report. There is no certainty that MAB will succeed as planned and BAC as a supplier to MAS is subject to a contract review by the appointed Administrator under the MAS Act. Currently, these are the major risks facing BHB. Your Board will manage these risks accordingly.



SHARING
OUR PASSION.
BUILDING
A BETTER TOMORROW.



CORPORATE SOCIAL RESPONSIBILITY



Your Group continues to maintain initiative in its Corporate Responsibility (CR) activities to uphold the highest standard of ethics and citizenship. The Group's businesses are built on sustainable practices and responsible corporate governance that contributes towards safety, sustainable environment and society.

Our CR drive focuses on the workplace, community, marketplace and the environment. As BHB is merely an investment holding company, the bulk of its CR activities are carried out by its key venture in Brahim's Airline Catering Sdn Bhd (BAC).

A HELPING HAND FOR FLOOD VICTIMS

14 January 2014 – To lighten the burden of those in need, volunteers from Brahim's Airline Catering made a trip to 6 affected areas in Kuala Lipis, Pahang. With basic necessities in tow like oil, rice, dry goods and more, volunteers distributed the goods to 40 families.

BUSINESS ZAKAT CONTRIBUTION

3 March 2014 – Represented by Chief Executive Officer of Brahim's Airline Catering, Encik Ainul Hasnizam bin Abu Hassan, the company made a zakat contribution worth RM500,000 to Pusat Zakat Negeri Sembilan (PZNS). The cheque was received by DYMM Yang DiPertuan Besar Negeri Sembilan Tuanku Muhriz ibni Al Marhum Tuanku Munawir.

A FITTING SEND-OFF FOR THE MINDEF TROOPS MOVEMENT

5 March 2014 – To send-off 550 Malaysian armed personnel off on a peace-keeping mission to Abu Dhabi, Brahim's Airline Catering (BAC) prepared a sumptuous breakfast spread for the courageous men and women prior to their departure at Terena Udara Diraja Malaysia (TUDM) Subang. The send-off was a collaborative effort with MAS Airline.

BRAHIM'S WELCOMES INTERNS FROM INDONESIA

28 February 2014 – Always an advocate for learning, Brahim's Airline Catering welcomed more interns from neighbouring country, Indonesia. It was the fifth intake since the internship programme first began. The programme gives Indonesian students an insightful introduction to the world of airline catering and also serves as a nurturing platform for young minds.

A BETTER TOMORROW STARTS IN LITTLE WAYS

17 May 2014 – Brahim's Airline Catering made an orphanage more comfortable to live in when 25 management staff and their families lent a helping hand to Pusat Jagaan Anak Yatim/Miskin Rukaiyah Sungai Merab Luar, Kajang. Everyone willingly cleaned and painted the home, even giving its surrounding vicinity a new landscaped look. Chief Executive Officer, Encik Ainul Hasnizam also presented the home with a mock cheque worth RM17,000.





BREAKING FAST WITH UNDERPRIVILEGED CHILDREN

18 July 2014 – To spread the spirit of giving during Ramadhan, Brahim's Airline Catering invited 35 underprivileged children from Pertubuhan Persatuan Orang Kurang Upaya, Al-Bukhori, Permatang Damar Laut for a special evening of break fast. Smiles could be seen all around as the children enjoyed the buffet spread prepared by the catering team. Brahim's Airline Catering also donated RM10,000 to the association.



TEE-OFF AT PENANG

19 April 2014 – Representatives from Board of Directors, management and clients from Brahim's Airline Catering Penang Kitchen got together for a friendly golf game. Called the BAC Golf Networking 2014, the game was held at Bukit Jambul Country Golf Club, Penang and allowed the management and clients to strengthen relationships with each other.

HELPING THOSE CLOSEST TO US

25 June 2014 – As part of the Group's commitment to its people, monetary donations were given to employees with children facing health issues or disabilities. The donations were aimed at helping these employees with daily expenses and medication for the children.



BUILDING TEAMWORK

18 June 2014 – 35 new staff from Operations Department, Production Department and KLIA2 participated in a two-day team building exercise at Port Dickson. The goal was to instill self confidence, cultivate team work and foster competitive spirit amongst the new staff. Fun yet engaging activities such as inspirational talks, night jungle-trekking, raft building and more were held.





SHARING OUR INSIGHTS WITH FELLOW INDUSTRY PLAYERS

24 - 26 November 2014 – Organised by Malaysia Productivity Corporation (MPC), the Annual Productivity & Innovation Conference and Exposition 2014 was held. Brahim's Airline Catering was invited to share insights on the topic, Creating New Values for Sustainability. It was a significant milestone for BAC as it indicated the company's value as a noteworthy industry player, having shared the panel with other blue chip companies.

SOLAT HAJAT FOR MH370

March 2014 – During this time of tragedy and despair, BAC staff came together to pray for peace and strength for the family and friends of those on board MH370.

GIVING POTENTIAL CLIENTS A TASTE OF BRAHIM'S

16, 23 - 24 January 2014 – A menu presentation ceremony was held to attract potential clientele and for BAC to gain insights on existing menus. Airlines that were drawn to the ceremony included Hong Kong Airlines, Japan Airlines & China Airlines. Apart from being able to showcase proposed menus, BAC also developed an understanding of each airline's stringent standards.

JAPAN HALAL SEMINAR 2014

2 June 2014 – Held at CONRAD Hotel in Tokyo, the seminar aimed to provide insights and understanding about the principles and belief systems in the Halal food industry. Participants comprised of Brahim's Food Japan as well as company directors and representatives from the food industry in Japan. The seminar was supported by Malaysian halal agencies, Japan Muslims Associations (JMA) and Japan Halal Association (JHA).





THE FUNDAMENTALS OF **OUR INTEGRITY**

HONESTY.

ACCOUNTABILITY.

EFFICACY.

CLARITY.

CODE OF ETHICS

1. Brahim's Holdings Berhad will conduct its business honestly and ethically wherever we operate in the world. We will constantly improve the quality of our services, products and operations and will create a reputation for honesty, fairness, respect, responsibility, integrity, trust and sound business judgement. No illegal or unethical conduct on the part of its executives, directors, employees or affiliates is in the company's best interest. Brahim's Holdings Berhad will not compromise its principles for short-term advantage. The ethical performance of this company is the sum of the ethics of the human resources who work here. Thus, we are all expected to adhere to high standards of personal integrity.
2. Executives, directors, and employees of the company must never permit their personal interests to conflict, or appear to conflict, with the interests of the company, its clients or affiliates. Executives, directors and employees must be particularly careful to avoid representing Brahim's Holdings Berhad in any transaction with others with whom there is any outside business affiliation or relationship. Executives, directors, and employees shall avoid using their company contacts to advance their private business or personal interests at the expense of the company, its clients or affiliates. Also, any act that involves theft, fraud, embezzlement or misappropriation of property, money, or services, including that of Brahim's Holdings Berhad or any of its employees, suppliers, or customers is strictly prohibited.
3. No bribes, kickbacks or other similar remuneration or consideration shall be given to any person or organisation in order to attract or influence business activity. Offering, giving, receiving, or promising, directly or indirectly, anything of value for the purpose of improperly obtaining or maintaining business or to obtain improper business advantage is strictly prohibited. Executives, directors, and employees shall avoid gifts, gratuities, fees, bonuses or excessive entertainment and anything else of value.
4. Executives, directors, and employees of Brahim's Holdings Berhad will often come into contact with, or have possession of, proprietary, confidential or business-sensitive information and must take appropriate steps to assure that such information is strictly safeguarded. This information – whether it is on behalf of our company or any of our clients or affiliates – could include strategic business plans, operating results, marketing strategies, customer lists, personnel records, upcoming acquisitions and divestitures, new investments, and manufacturing costs, processes and methods. Proprietary, confidential and sensitive business information about this company, other companies, individuals and entities should be treated with sensitivity and discretion and only be disseminated on a need-to-know basis. Disclosing confidential information to any person or organisation, directly or indirectly, is prohibited, as is using confidential information for commercial or other purposes not directly related to Brahim's Holdings Berhad business or operations.
5. Misuse of material inside information in connection with trading in the company's securities can expose an individual to civil liability and penalties under the Capital Markets and Services Act 2007 and Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Under this Act, directors, executives, and employees in possession of material information not available to the public are "insiders". Spouses, friends, suppliers, brokers, and others outside the company who may have acquired the information directly or indirectly from a director, officer or employee are also "insiders". The Act prohibits insiders from trading in, or recommending the sale or purchase of, the company's securities, while such inside information is regarded as "material", or if it is important enough to influence you or any other person in the purchase or sale of securities of any company with which we do business, which could be affected by the inside information. The following guidelines should be followed in dealing with inside information:
 - Until the material information has been publicly released by the company, an employee must not disclose it to anyone except those within the company whose position require use of the information.
 - Employees must not buy or sell company's securities when they have knowledge of material information concerning the company until it has been disclosed to the public and the public has had sufficient time to absorb the information.
 - Employees shall not buy or sell securities of another corporation, the value of which is likely to be affected by an action by the company of which the employee is aware and which has not been publicly disclosed.
6. Executives, directors, and employees will seek to report all information accurately and honestly, and as otherwise required by applicable reporting requirements. Executives, directors, and employees may not make any false statements, misleading or artificial entries, or material omissions or misrepresentations in any of Brahim's Holdings Berhad financial books, records, or other documents or communications. No funds or assets may be maintained for illegal or improper purposes. Any report, document, or statement submitted to the government or communicated publicly must be accurate, complete, understandable, and timely.
7. Executives, directors, and employees will remain personally balanced so that their personal life will not interfere with their ability to deliver quality products or services to the company and its clients. Executives, directors, and employees agree to disclose unethical, dishonest, fraudulent and illegal behaviour, or the violation of company policies procedures, directly to management.
8. Executives, directors, and employees must comply with all applicable laws, rules, and regulations. Executives, directors, and employees are expected to deal competitively and fairly with others and may not use deception, misrepresentation, or abuse of confidential information to obtain unfair advantage over competitors, suppliers, or customers.
9. Executives, directors, and employees are expected to respect each other's privacy. All are advised to not disclose personal information obtained in the workplace or business operations to others without consent of the individual, unless required by law.
10. Only the Executive Chairman and the Managing Director are authorised as spokesperson for Brahim's Holdings Berhad. Other personnels appointed by the management may act as temporary authorised spokespersons. Only authorised spokespersons are allowed to address the public, approve announcements, make press releases, clarify rumours and authorise the publication of contents on the company website on behalf of Brahim's Holdings Berhad.
11. Violation of this Code of Ethics can result in discipline, including possible termination. The degree of discipline relates in part to whether there was a voluntary disclosure of any ethical violation and whether or not the violator cooperated in any subsequent investigation. A failure to report potential violation is also considered a violation.

BOARD CHARTER

1. PURPOSE OF CHARTER

This Board Charter sets out the role, composition and responsibilities of the Board of Directors ("the Board") of Brahim's Holdings Berhad.

2. PURPOSE OF THE BOARD

The Board has two broad purposes, compliance and performance:

COMPLIANCE: Conform with or exceed all legal requirements

Legal

- monitor compliance with the Memorandum and Articles of Association
- comply with directors' responsibilities
- comply with laws
- monitor insurance requirements

Accountability

- monitor financials
- compliance audits

PERFORMANCE: assist the organisation to perform to its best potential

Strategy and Policy

- approve Vision/mission and ensure it is embedded into the organisation operations
- approve strategic plan and policies and monitor regularly

Accountability

- overall performance of the organisation
- board evaluation, succession planning
- report outcomes to stakeholders
- manage the Managing Director (MD)

Public Relations

- represent and participate
- keep stakeholders informed
- project a strong and positive image
- promote the vision
- facilitate cohesion
- protect the interests of stakeholders
- speak with one voice regarding Board decisions

Risk Management

- ensure up-to-date and effective risk profile and management strategy
- monitor critical risks

The Board, while meeting its responsibilities, is mindful of the organisation mission and the objects of the organisation as embodied in its Memorandum and Articles of Association.

3. ROLES AND RESPONSIBILITIES

The Board has delegated authority for the operations and administration of the organisation to the Managing Director (MD).

The functions of the Board are to:

Provide effective leadership and collaborate with the Executive Management team in:

- articulating the organisation's values, vision, mission and strategies
- developing strategic (direction) plans and ordering strategic priorities
- maintaining open lines of communication and promulgating through the organisation and with external stakeholders the values, vision, mission and strategies
- developing and maintaining an organisation structure to support the achievement of agreed strategic objectives

Monitor the performance of the MD against agreed performance indicators.

Review and agree the business (action) plans and annual budget proposed by the Executive Management team.

Monitor the achievement of the strategic and business plans and annual budget outcomes.

Establish such committees, policies and procedures as will facilitate the more effective discharge of the Board's roles and responsibilities.

Ensure, through the Board committees and others as appropriate, compliance obligations and functions are effectively discharged.

Initiate a Board self-evaluation program and follow-up action to deal with issues arising and arrange for directors to attend courses, seminars and participate in development programs as the Board judges appropriate.

Ensure that all significant systems and procedures are in place for the organisation to run effectively, efficiently, and meet all legal and contractual requirements.

Ensure that all significant risks are adequately considered and accounted for by the Executive Management team.

Ensure that organisation has appropriate corporate governance structures in place including standards of ethical behaviour and promoting a culture of corporate and social responsibility.

The Board has no operational involvement in the conduct of organisation's business activities and delivery of services. Its role is confined to setting and reviewing policy.

4. MEMBERSHIP AND TERM

The Memorandum and Articles of Association provides for a minimum of two (2) directors (so that a quorum can be formed to transact business at meetings).

Directors are free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the organisation.

Membership of the Board shall be disclosed in the annual report including whether a director is independent or not independent.

The Board has not adopted a tenure policy, but the tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the Board subject to the director's re-designation as a non-independent director. The Board, upon recommendation of the Nomination Committee, shall justify and seek shareholders' approval in the event that it desires to retain a person who has served in that capacity for more than nine (9) years as an independent director.

5. BOARD/MD RELATIONSHIP

The roles of the Chairman of the Board and MD are strictly separated.

The MD is responsible for:

- policy direction of the operations of the organisation
- the efficient and effective operation of the organisation
- bringing material and other relevant matters to the attention of the Board in an accurate and timely manner.

6. BOARD CULTURE

The Board actively seeks to have an 'engaged culture' which is characterised by candour and willingness to challenge. This is evidenced by:-

Agendas

- The agendas of the Board limit presentation time and maximise discussion time.
- There are lot of opportunities for informal interactions among Board members.

Behaviour

- Board members are honest yet constructive.
- Members are ready to ask questions and willing to challenge leadership.
- Members actively seek out other member's views and contributions.
- Members spend appropriate time on important issues.

Values

- The Board serves the community by actively participating in governance.

- The Board is responsible to various stakeholders.
- Board members are personally accountable for what goes on at the organisation.
- The Board is responsible for maintaining the organisation's stature in the sector.
- Board members respect each other.

7. REPORTING

Proceedings of all meetings are minuted and signed by the Chairman of the meeting.

Minutes of all Board meetings are circulated to directors and approved by the Board at the subsequent meeting.

Resolutions are first put to the Board in draft form (as a "Board Paper") and, once passed, are recorded in the Minutes Book.

8. REVIEW OF CHARTER

The Board will review this charter bi-annually to ensure it remains consistent with the Board's objectives and responsibilities.

STATEMENT OF CORPORATE GOVERNANCE

The Board of Brahim's recognises the importance of practicing the highest standards of Corporate Governance throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value with corporate accountability and transparency.

As such, the Board continues to affirm its commitment in adhering to the Principles and Best Practices set out in the Malaysian Code on Corporate Governance 2012 ("the Code").

Set out below is a description of how the Group has applied the Principles of the Code and how the Board has complied with the Best Practices set out in the Code throughout the financial year ended 31 December 2014.

THE BOARD STRUCTURE, DUTIES AND EFFECTIVENESS

Board Size, Leadership and Competencies

An experienced and effective Board consisting of mainly Non-Executive members with a wide range of skills and experience from financial and business background lead and control the Group. The directors bring depth and diverse expertise to the leadership of the challenging and highly competitive in-flight catering, restaurant operations, logistics and warehousing businesses.

The Board continues to give close consideration to its size, composition, spread of experience and expertise. No individual or group of individuals dominates the Board's decision making. This is to ensure that issues of strategy, performance and resources are fully discussed and examined to take into account the long term interests of stakeholders of the Company.

As at 31 December 2014, the Board size of nine members comprises the Executive Chairman, an Executive Director, four Independent Non-Executive Directors and three Non-Independent Non-Executive Directors. The composition of the Board meets the criteria on one-third independent directorship as set out in the Main Market Listing Requirements.

Clear Functions of the Board and Management

The Board owes the fiduciary duties to the Company and, while discharging its duties and responsibilities, shall individually and collectively exercise reasonable care, skill and diligence at all times.

The principal responsibilities of the Board of Directors of the Company are as follows: -

- Approval of financial results
- Dividend policy
- Issuance of new securities
- Annual business plan
- Annual financial budget
- Acquisition or disposal of material fixed assets
- Acquisition or disposal of group companies

To ensure the effective discharge of its function and responsibilities, the Board delegates some of the Board's authorities and discretion on the Executive Director, representing the Management, as well as to the properly constituted Executive Board. The Board Members, in carrying out their duties and responsibilities, are firmly committed to ensuring that the highest standards of corporate governance and corporate conduct are adhered to, in order that the Company achieves strong financial performance for each financial year, and more importantly delivers long-term and sustainable value to stakeholders.

The Executive Board is entrusted with specific responsibilities to oversee the Company's affairs, in accordance with their respective Terms of References.

The Board additionally provides stewardship to the Group's strategic direction and operations, and ultimately the enhancement of long-term shareholder's value. The Board is primarily responsible for:

- adopting and monitoring progress of the Company's strategies, budgets, plan and policies;
- overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;
- considering management recommendations on key issues including acquisitions and divestments, restructuring, funding and significant capital expenditure;
- succession planning including appointing and reviewing the compensation of the top management;
- identifying principal risks and ensuring the implementation of appropriate systems to manage these risks; and
- reviewing the adequacy and integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board has delegated certain responsibilities to several Board Committees such as the Audit Committee, Nomination Committee and Remuneration Committee which operated within clearly defined terms of reference.

The roles of the Executive Chairman and Executive Director are separate with clearly defined responsibilities to ensure the balance of power and authority. The Executive Chairman is primarily responsible for the orderly conduct and workings of the Board whilst the Executive Director is responsible for the overall operations of the business and the implementation of Board strategy and policy.

All the Independent Non-Executive Directors are independent of management and are free from any business or other relationship that could materially interfere with the exercise of their independent judgement. They have the calibre to ensure that the strategies proposed by the management are fully deliberated and examined in the long-term interests of the Group, as well as shareholders, employees and customers.

Col (Rtd) Dato' Ir Cheng Wah is the Senior Independent Non-Executive Director to whom concerns relating to the Company may be conveyed by shareholders and other stakeholders.

Code of Ethics

The Company's Code of Ethics are set out in the Annual Report herein which covers all aspects of the Company's business operations, such as confidentiality of information, conflict of interest, gifts, gratuities or bribes, dishonest conduct and assault. The Code is expected to govern the standards of ethics and good conduct expected of Directors and employees of the Group.

Board Meetings and Supply of Information to the Board

All directors of the Company whether in full Board or in their individual capacity, have access to all information within the Company and are able to seek independent professional advice where necessary and, in appropriate circumstances, in furtherance of their duties.

The Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that Board meeting procedures are followed and that applicable rules and regulations are complied with.

The Board is satisfied with the performance and support rendered by the Company Secretary to the Board in the discharge of its functions. The Company Secretary plays an advisory role to the Board in relation to the Company's constitution, Board's policies and procedure and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretary supports the Board in managing the Company's governance model, ensuring it is effective and relevant. The Company Secretary also ensures that deliberations at the Board meetings are well captured and minuted.

During the financial year ended 31 December 2014, six (6) Board of Directors' meetings were convened. The details of attendance of the Board members are as follows:

Name of Director	No. of meetings attended	%
Dato' Seri Ibrahim Bin Haji Ahmad	5/6	83
Tan Sri Dato' Mohd Ibrahim Bin Mohd Zain	4/6	67
Col (Rtd) Dato' Ir Cheng Wah	5/6	83
Mr Goh Joon Hai	6/6	100
Dato' Choo Kah Hoe	6/6	100
En. Mohamed Zamry Bin Mohamed Hashim	5/6	83
Datuk Seri Panglima Sulong Bin Maljerala	6/6	100
YB Datuk Seri Panglima Haji Abdul Azeez Bin Abdul Rahim (Appointed as Director wef 26 June 2014)	2/3	67
Professor Dr. Jinap Binli Salamel (Appointed as Director wef 26 June 2014)	2/3	67

All proceedings, deliberations and conclusions of the Board and Board Committees Meetings are clearly recorded in the minutes of meetings by the Company Secretaries, confirmed by the Board and signed as correct record by the Chairman of the Meeting. The Board also exercises control on routine matters that require the Board's approval through the circulation of Directors' Resolutions In Writing as allowed under the Company's Articles of Association.

Board Charter

The Board Charter adopted in 2012 is also represented in this Annual Report. In this board charter, the Board recognizes the importance to set out the key values, principals and ethos of the Company, as policies and strategy development are based on these considerations. The Board Charter defines clearly the division of responsibilities and powers between the board and management as well as the different committees established by the Board.

BOARD COMMITTEES

The Board Committees of the Company consist of the Audit Committee, Nomination Committee and Remuneration Committee. The Chairman of the respective Board Committees reports the outcome of the Board Committee Meetings to the Board, and if required, further deliberations are made at Board level.

Audit Committee

The Audit Committee comprises two Independent Non-Executive Directors and one Non-Independent Non-Executive Director with Col (Rtd) Dato' Ir Cheng Wah as Chairman of the Committee. The composition and Terms of Reference of the Audit Committee are also provided in this report.

The Audit Committee has explicit authority from the Board to investigate any matter and is given full responsibility within its term of reference and necessary resources which it needs to do so and full access to information. The Audit Committee also meets at least twice a year with the external auditors without the presence of the executive Board members.

Nomination Committee

The Nomination Committee comprised exclusively of the following Non-Executive Directors:

No.	Name	Designation
1.	Goh Joon Hai (Chairman)	Independent Non-Executive Director
2.	Col (Rtd) Dato' Ir Cheng Wah (Member)	Senior Independent Non-Executive Director
3.	Dato' Choo Kah Hoe (Member)	Non-Independent Non-Executive Director

The terms of reference of the Nomination Committee include:

- annually review the required mix of skills and experience and other qualities, including core competencies which non-executive and executive directors should have.
- assess on an annual basis, the effectiveness of the Boards as a whole, the committees of the Board and for assessing the contribution of each individual Director, including Independent Non-Executive Directors. All assessments and evaluations carried out by the Nomination Committee in the discharge of all its functions should be properly documented.
- be entitled to the services of the Company Secretary who must ensure that all appointments are properly made, that all necessary information is obtained from Directors, both for the Company's own record and for the purposes of meeting statutory obligations, as well as obligations arising from the Bursa Malaysia Securities Berhad Main Market Listing Requirements or other regulatory requirements.

Re-appointment and Re-election of Directors

Each director must retire from office at least once in every three years and can offer himself for re-election. Directors who are appointed by the Board are subject to election by the shareholders at the next Annual General Meeting held following their appointment.

Each year, the Nomination Committee assesses the experience, competence, integrity and capability of each Director including any Directors over 70 years old who wish to continue his office before making recommendation to the Board.

Directors' Continuing Education

The Directors had during the financial year attended the following trainings, conferences, seminars and briefings relevant to their functional duties:

- **Dato' Seri Ibrahim Bin Haji Ahmad**
 - o Japan Halal Seminar 2014 held on 2 June 2014
- **Tan Sri Dato' Mohd Ibrahim Mohd Zain**
 - o Unbound Digital held on 25 November 2014
- **Encik Mohamed Zamry Bin Mohamed Hashim**
 - o Japan Halal Seminar 2014 held on 2 June 2014
 - o Goods & Services Tax - "All You Need to Know about GST including Implementation" held on 8 - 9 August 2014

- **Col (Rtd) Dato' Ir Cheng Wah**
 - o Gain Insights on:
 - a) What to Expect in 2014,
 - b) Market Outlook,
 - c) The Next Best Thing held on 4 April 2014
 - o Advocacy Sessions on Corporate Disclosure for Directors of Listed Issuers held on 2 July 2014
 - o Audit Committee Breakfast Series – "Enhancing Internal Audit Practice" held on 13 August 2014
 - o MASB Roundtable on Financial Reporting held on 17 November 2014
- **Mr Goh Joon Hai**
 - o Audit Committee Breakfast Series – "Enhancing Internal Audit Practice" held on 13 August 2014
 - o Companies Act and Listing Requirements updates; Overview of GST Concepts; Accountants' and Auditors' Duties of Care - The Need to "Risk Manage" held on 22 September 2014
 - o Revenue Standards (MFRS 15) and MPERS held on 23 September 2014
 - o MIA International Accountants Conference 2014 held on 4 - 5 November 2014
- **Dato' Choo Kah Hoe**
 - o Outlook on Financial Markets held on 12 August 2014
 - o Audit Committee Breakfast Series – "Enhancing Internal Audit Practice" held on 13 August 2014
 - o Anti-Money Laundering/Counter Terrorism Financing Workshop held on 19 - 20 August 2014
 - o A Holistic Approach to Global Estate Planning for High-Net-Worth Families Masterclass held on 23 September 2014
- **Datuk Seri Panglima Sulong Bin Matjeraie**
 - o Seminar on "Regulating the Capital Market: Changing Dynamics & Challenges" organised by Judicial Appointments Commission and Securities Commission Malaysia held on 5 - 6 June 2014
 - o Workshop on Asean Corporate Governance Scorecard held on 29 September 2014
 - o Board Chairman Series: The Role of the Board Chairman presented by Prof. Nabil N. El-Hage organised by Bursa Malaysia, held on 12 November 2014
- **Professor Dr. Jinap Binti Salamet**
 - o Advanced Course on Mycotoxins in Food held on 3 - 14 March 2014
 - o International Conference on Food Security and Nutrition held on 19 - 20 June 2014
 - o Seminar on Food Safety held on 25 June 2014
 - o The 6th Asian Congress of Dietetics held on 21 - 24 August 2014
 - o Mandatory Accreditation Programme (MAP) for Directors of Public Listed Companies held on 8 - 9 October 2014
 - o Food Security Roundtable Discussion held on 18 December 2014

- **Ahmad Fahimi Bin Ibrahim (Alternate Director)**
 - o Mandatory Accreditation Programme for Directors of Public Listed Companies held on 12 - 13 February 2014
 - o Japan Halal Seminar 2014 held on 2 June 2014
 - o National Goods and Services Tax (GST) Conference 2014 held on 10 - 11 July 2014

At the year end, the Board also discusses the Continuing Professional Development and courses attended by various directors in enhancing their professional skills. In the assessment of the Independent Directors' and Board of Directors' contribution level, attention is also paid to the effectiveness of the training programs attended by various Board Members.

Remuneration Committee

The Remuneration Committee is responsible for recommending the level of remuneration of individual directors. The interested Directors shall abstain from any discussion on their own remuneration packages. As at the reporting date, the Remuneration Committee comprises the following Directors:

No.	Name	Designation
1.	Dato' Choo Kah Hoe (Chairman)	Non-Independent Non-Executive Director
2.	Col (Rtd) Dato' Ir Cheng Wah (Member)	Senior Independent Non-Executive Director
3.	Goh Joon Hai (Member)	Independent Non-Executive Director

The terms of reference of the Remuneration Committee include:

- review, assess and recommend to the Board of Directors the remuneration packages of the executive directors in all forms, with other independent professional advice or outside advice, if necessary.
- be entitled to the services of the Company Secretary who must ensure that all decisions made on the remuneration packages of the executive directors be properly recorded and minuted.

Remuneration Policy and Procedures

The Code states that remuneration for directors should be determined so as to ensure that the Company attracts and retains the directors needed to run the Company successfully. In the Company, remuneration for Executive Directors is structured so as to link reward to corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration should reflect the level of experience and responsibilities undertaken.

The aggregate Directors' remuneration paid or payable or otherwise made available to all Directors of the Group during the financial year are as follows:

(Refer to next page)

Descriptions	Chairman RM	Executive Director RM	Non-Executive Director RM	Total RM
Fees	60,000	50,000	300,000	410,000
Salary and other emoluments	1,707,821	222,500	16,500	1,746,821
Benefits-in-kind (BIK)	-	6,417	-	6,417
Total	1,767,821	278,917	316,500	2,163,238

The number of Directors of the Company whose income from the Company falling within the following bands are:

Range of Remuneration	Executive Director	Non-Executive Director	Total
RM1 to RM50,000	-	2	2
RM50,001 to RM100,000	-	5	5
RM300,001 to RM350,000	1	-	1
RM1,500,001 to RM1,550,000	1	-	1

REINFORCE INDEPENDENCE

Annual Assessment of Independence

The Board has set out policies and procedures to ensure effectiveness of the Independent Non-Executive Directors on the Board, including new appointments. The Board assesses the independence of the Independent Non-Executive annually, taking into account the individual Director's ability to exercise independent judgement at all times and to contribute to the effective functioning of the Board.

The Independent Non-Executive Directors are not employees and they do not participate in the day-to-day management as well as the daily business of the Company. They bring an external perspective, constructively challenge and help develop proposals on strategy, scrutinise the performance of Management in meeting approved goals and objectives, and monitor risk profile of the Company's business and the reporting of monthly business performance.

The Board is satisfied with the level of independence demonstrated by all the Independent Non-Executive Directors and their ability to act in the best interests of the Company.

Tenure of Independent Directors

One of the recommendation of the Corporate Governance states that the tenure of an independent director should not exceed a cumulative term of nine years. However, the Nomination Committee and the Board have determined at the annual assessment carried out that Col (Rtd) Dato' Ir Cheng Wah and Mr. Goh Joon Hai, who has served on the Board for more than nine years, remains objective and independent in expressing his views and in participating in deliberations and decision making of the Board and Board Committees. The length of his service on the Board does not in any way interfere with his exercise of independent judgement and ability to act in the best interest of the Company.

RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

Dialogue with Investors and Shareholders

The Annual General Meeting is the principal forum for dialogue with shareholders. At each Annual General Meeting, the Board presents the progress and performance of the business and shareholders are encouraged to participate in the question and answer session.

Encourage Poll Voting

There will not be any substantive resolutions to be put forth shareholder's approval at the forthcoming Annual General Meeting. Nevertheless, the Company would conduct poll voting if demanded by shareholders at the general meeting.

Effective Communication and Proactive Engagement

In maintaining the commitment to effective communication with shareholders, the Group adopts the practice of comprehensive, timely and continuing disclosures of information to its shareholders as well as to the general investing public. The practice of disclosure of information is not just established to comply with the requirements of the Main Market Listing Requirements pertaining to continuing disclosures, it also adopts the best practices as recommended in the Malaysian Code on Corporate Governance 2012 with regard to strengthening engagement and communication with shareholders. Where possible and applicable, the Group also provides additional disclosure of information on a voluntary basis. The Group believes that consistently maintaining a high level of disclosure and extensive communication with its shareholders is vital to shareholders and investors to make informed investment decisions.

The Annual Report is the main channel of communication between the Company and its stakeholders. The Annual Report communicates comprehensive information of the financial results and activities undertaken by the Group. As a listed issuer, the contents and disclosure requirements of the annual report are also governed by the Main Market Listing Requirements.

The Company dispatches its Annual Report to shareholders as soon as practicable and within requirements of the Companies Act as well as the Main Market Listing Requirements. The Annual Report allows shareholders to have timely information about the Company, its operations and performance. All information to shareholders are available electronically as soon as it is announced or published. Another key avenue of communication with its shareholders is the Company's Annual General Meeting, which provides a useful forum for shareholders to engage directly with the Company's Directors. During the general meeting, shareholders are at liberty to raise questions or seek clarification on the agenda items of the general meeting from the Company's Directors.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors, with assistance of the Audit Committee, are responsible for the accuracy and integrity of the annual audited financial statements and the Board ensures that the accounts and other financial reports of the Company are prepared in accordance with Approved Accounting Standards in Malaysia and present a balanced and comprehensive assessment of the Company's position and prospects, to all the shareholders.

The Company's Annual Report and quarterly announcements of results gives an updated financial performance of the Company periodically.

Directors' Responsibility Statement

The Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the results of their operations and cash flows of the Group as at the end of the financial year in accordance with the requirements of the Companies Act, 1965 (the "Act").

During the preparation of the Company's financial statements for the year ended 31 December 2014, the Directors have:

- used appropriate accounting policies that are consistently applied and supported by reasonable and prudent judgements and estimates;
- ensured that all applicable accounting standards have been followed, subject to any material departures disclosed and explained in the notes to the financial statements; and
- prepared the financial statements on a going concern basis.

The Directors are required to keep proper accounting records which disclose with reasonable accuracy the financial position of the Company and the Group in compliance with the Act.

The Directors are also responsible for safeguarding the assets of the Company and the Group and to prevent and detect fraud and other irregularities that may arise.

Internal Control

The Directors recognise their responsibility for the maintenance of a sound system of internal control, covering not only financial controls but also compliance controls including risk assessment framework and control activities covering information and communication, and reviewing its effectiveness. As with any such system, controls can only provide reasonable but not absolute assurance against material misstatements or loss. The Group is continuously looking into the adequacy and integrity of its system of internal controls.

Internal Audit

The Board has an internal audit department. The internal audit department is to be independent and audit work will be conducted with impartiality, proficiency and due professional care.

During the year, the following were audit activities carried out and presented to the Audit Committee for deliberation:-

- followed up on the 2014 audit findings and recommendations.
- payroll audit on one of the wholly-owned subsidiaries.
- audit on 'void sales' function in one of the wholly-owned subsidiaries' outlet.

Relationship with Auditors

The Board ensures that there is a transparent arrangement for the achievement of objectives and maintenance of professional relationship with External Auditors and Internal Auditors via the Audit Committee who has explicit authority to communicate directly with them.

During the financial year, there were no non-audit fees incurred by the Company to the external auditors.

Other Information

During the financial year ended 31 December 2014, save and except as mentioned in this report there were no: -

- Options, warrants or convertible securities were exercised or issued by the Company or its subsidiaries.
- Share buybacks.
- American Depository Receipts or Global Depository Receipts programmes sponsored by the Company.
- Sanctions and/or penalties imposed on the Company or its subsidiary companies.
- Variance of results which differ by 10% or more from any profit estimate/forecast/projection/unaudited results announced.
- Profit guarantees received by the Company.
- Material contracts of the Company and its subsidiary companies involving directors' and major shareholders' interests.

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Corporate Disclosure Policy

The Company recognises the value of transparent, consistent and coherent communications with investment community consistent with commercial confidentiality and regulatory considerations. The Company aims to build long-term relationships with shareholders and potential investors through appropriate channels for the management and disclosure of information. These investors are provided with sufficient business, operations and financial information on the Group to enable them to make informed investment decisions.

The Company's website is constantly updated where shareholders and potential investors may direct their enquiries to the Company. The Company's internal Investor Relations team will endeavour to reply to these queries in the shortest possible time.

Leverage on Information Technology for Effective Dissemination of Information

The Company's website incorporates a section which provides all relevant information on the Company and is accessible by the public. This section enhances the Investor Relations function by including analyst reports,

all announcements made by the Company, annual reports as well as the corporate and governance structure of the Company.

The announcement of the quarterly financial results is also made via Bursa LINK immediately after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

The company's website has a 'Contact Us' section via info@brahmsgroup.com where shareholders and potential investors may direct their enquiries to the Company.

STATEMENT OF RISK MANAGEMENT & INTERNAL CONTROL

INTRODUCTION

The statement on Risk Management and Internal Control by the Board of Directors ("Board") on the Group is made pursuant to paragraph 15.26 (b) of the Listing Requirement of Bursa Malaysia Securities Berhad and in consideration with the Principles and Recommendations relating to risk management and internal controls provided in the Malaysian Code on Corporate Governance ("Code").

BOARD'S RESPONSIBILITY

The Board recognises and affirms its overall responsibility for the Group's system of risk management and internal controls practices for good corporate governance. The Board, through its various committees, has continuously reviewed the adequacy and effectiveness of the system in particular the financial, operational, as well as compliance aspects of the Group throughout the financial year.

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group in its achievement of objectives and strategies. The process has been in place during the year up to the date of approval of this statement and is subject to review by the Board. It should be noted, however, that such systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives. In addition, it should be noted that these systems can only provide reasonable but not absolute assurance against material misstatement, loss or fraud.

The Board is assisted by Senior Management in implementing the Board approved policies and procedures on risk and control by identifying and analysing risk information; designing, operating suitable internal controls to manage and control these risks; and monitoring effectiveness of risk management and control activities.

The Board had reviewed the risk management and internal control systems of the joint venture. The management of joint venture provides the board with information for timely decision-making on the continuity of the Group's investments based on the performance of the joint venture and critical business decision contemplated by the joint venture.

The key features of the risk management and internal control systems are described in the following paragraphs.

RISK MANAGEMENT FRAMEWORK

The Board regards risk management as an integral part of the Group's business operations. The Group has an embedded process for the identification, evaluation, reporting, treatment, monitoring and reviewing of business and operation risks within the Group. Both the Audit Committee and Board of Directors review the effectiveness of the risk management function and deliberate on the risk management and internal control frameworks, functions, processes and reports on a regular basis.

For the period under review, the Audit Committee is assisted by the internal audit division and alongside the operations staff from various subsidiaries and divisions to effectively administer the risk management and control into the corporate culture, processes and structures within the Group. The framework is continuously monitored to ensure it is responsive to the changes in the business environment and clearly communicated to all levels.

KEY PROCESSES

The Board confirms that there is a continuous process for identifying, evaluating and managing the significant risk faced by the Group, which has been in place for the financial year under review and up to the date of approval of the annual report and financial statements.

The key processes that the directors have established in reviewing the adequacy and integrity of the system of internal controls are as follows:

- a. A documented operating procedures manual, guidelines and directives are issued and updated from time to time to ensure that the business objectives are achieved.
- b. Monthly reporting of results and key performance indicators to assess and sustain the effectiveness of the Company's system of controls.
- c. Quarterly review of the financial performance of the Group by the Audit Committee and the Board.
- d. Operations review meetings are held by the respective business units to monitor the progress of business operations, deliberate significant issues and formulate corrective measures.

- e. Review the effectiveness, adequacy and integrity of the Company's internal control system. The results are reviewed with various levels of management and any major concerns identified are raised to senior management and the Board's Audit Committee.
- f. An independent internal audit department has been established and to report to the Audit Committee of the Company. The internal audit team performed its duties in accordance with its annual audit plan covering management, operational and system audit of the Companies within the Group. The internal audit function is performed in-house and the costs incurred for the internal audit function in year 2014 is about RM100,000 per annum.
- g. A clearly defined organisational structure with clear lines of delegation of responsibilities to Committees of the Board, the management of the Company and operating units including authorisation levels for all aspect of the businesses.

REVIEW BY BOARD

The Board's review of risk management and internal control effectiveness is based on information from:

- Senior Management within the organisation responsible for the development and maintenance of the risk management and internal control system; and
- The work by the internal audit function which submit reports to the Audit Committee together with the assessment of the internal controls systems relating to key risks and recommendations for improvement.

The Board considered the system of internal controls described in this statement to be satisfactory and the risk to be at an acceptable level within the context of the Group's business environment.

The Board and Senior Management will continue to take measures to strengthen the risk and control environment and monitor the health of the risk and internal controls framework.

The Board also received assurances from Senior Management that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects based on the risk management and internal control system of the Group.

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report of the Company for the financial year ended 31 December 2014 in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information and Recommended Practice Guide 5

(Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, have reported to the Board that nothing has come to their attention that causes them to believe that the Statement, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

CONCLUSION

For the financial year under review and up to the date of approval of this Statement on Risk Management and Internal Control, the Board is satisfied that the risk management and internal control system was satisfactory and has not resulted in any material loss, contingency or uncertainty. The Board has not identified any circumstances which suggest any fundamental deficiencies in the Group's internal control system.

The above statement is made in accordance with a resolution of the Board.

AUDIT COMMITTEE REPORT

CHAIRMAN

Col (Rtd) Dato' Ir Cheng Wah

Senior Independent Non-Executive Director

MEMBERS

Goh Joon Hal

Independent Non-Executive Director

Dato' Choo Kah Hoe

Non-Independent Non-Executive Director

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. Composition

The Audit Committee shall be appointed from amongst the Board and shall comprise no fewer than three (3) members, a majority of whom shall be independent directors and all members should be non-executive directors.

At least one (1) member must:

- (i) be a member of the Malaysian Institute of Accountants ("MIA") or possess such other qualifications and/or experience as approved by the Bursa Malaysia Securities Berhad ("Bursa Securities"); or
- (ii) if he is not a member of the MIA, he must have at least three years of working experiences and:
 - He must have passed the examination specified in Part I of the 1st Schedule of the Accountant Act 1967; or
 - He must be a member of one of the Association of Accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
- (iii) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

No alternate director shall be appointed as a member of the Committee.

In the event of any vacancy with the result that the number of members is reduced to below three, the vacancy shall be filled within three (3) months. Therefore a member of the Audit Committee who wishes to retire or resign should provide sufficient written notice to the Company so that a replacement may be appointed before he leaves.

The terms of office and performance of an audit committee and each of its members must be reviewed by the Board of Directors annually to determine whether such audit committee and members have carried out their duties in accordance with their terms of reference.

2. Chairman

The Chairman, who shall be elected by the Audit Committee, shall be an independent director. In the event of the chairman's absence, the meeting shall be chaired by an independent director.

The Chairman should engage on a continuous basis with senior management, such as the Chairman of the Board, the Managing Director ("MD"), the head of internal audit and the external auditors in order to be kept informed of matters affecting the company.

3. Secretary

The Company Secretary or any authorised person shall be the secretary of the Audit Committee (the "Secretary"). The Secretary shall provide assistance to the members of the Committee, including but not limited to assist the Audit Committee Chairman in planning the work of the Committee, formulating meeting agendas, maintenance of committee minutes, collation and distribution of information required by the Committee and provide practical support, as and when needed.

4. Meetings

The Audit Committee shall meet at least four (4) times in each financial year and may regulate its own procedure in lieu of convening a formal meeting by means of video or teleconference. The Audit Committee also may call for a meeting as and when required with reasonable notice as the Audit Committee Members deem fit.

The quorum for a meeting shall be the majority of members present, who shall be independent directors. The MD and the CFO may attend the quarterly meetings upon the invitation of the Audit Committee although they do not have any voting rights.

All decisions at such meeting shall be decided on a show of hands on a majority of votes and that the Chairman shall have the casting vote should a tie arise.

The external auditors and internal auditors have the right to appear at any meeting of the Audit Committee and shall appear before the Audit Committee when required to do so by the Audit Committee. The external auditors may also request a meeting if they consider it necessary. At least twice a year and whenever deemed necessary, the Audit Committee shall meet with the external auditors without presence of Executive Director and the Management.

5. Rights

The Audit Committee shall:

- (a) have authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Group;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- (e) have the right to obtain independent professional or other advice at the Company's expense;
- (f) promptly report to Bursa Securities or such other name(s) as may be adopted by Bursa Securities, matters which have not been satisfactorily resolved by the Board of Directors resulting in a breach of the listing requirements;
- (g) have the right to pass circular resolutions in writing by a majority vote from the Audit Committee
- (h) meet as and when required on a reasonable notice;
- (i) the Chairman shall call for a meeting upon the request of the External Auditors.

6. Duties

a. Risk Management & Internal Control

- i. Review the adequacy of and recommend such measures to the Board on the effectiveness of the Company's risk management and risk assurance process.
- ii. Evaluate the quality and effectiveness of the Company's Internal Control system and management information systems, including compliance with applicable laws, rules, corporate governance requirements and guidelines.
- iii. Recommend to the Board the Director's Statement on Risk Management and Internal Control and any changes to the said Statement.

b. Financial Reporting

- i. Review the quarterly results and annual financial statements before recommendation to the Board for approval for release to Bursa Securities, focusing particularly on:
 - Any changes in or implementation of accounting policies and practices;
 - Significant or material adjustments with financial impact arising from the audit;
 - Significant unusual events or exceptional activities;
 - Financial decision-making with the presumptions of significant judgments;
 - The going concern assumptions;
 - The appropriateness of management's selection of accounting policies and

disclosures in compliance with approved accounting standards, stock exchange and other regulatory requirements; and

- Compliance with applicable financial reporting standards.
- ii. Propose best practices on disclosure in financial results and annual reports of the Company in line with the recommendations set out in the Malaysian Code of Corporate Governance, other applicable laws, rules, directives and guidelines.

c. External Audit

- i. Recommend the appointment or re-appointment of the external auditors and audit fee to your Board, after reviewing the suitability, resources, competency and independence of external auditors and the accounting firm.
- ii. Make appropriate recommendations to your Board on matters of resignation, dismissal or cessation of office of the external auditors and secure the reason of such resignation, dismissal or cessation of office.
- iii. Review and discuss the nature and scope of the external audit strategy and plan for the year.
- iv. Review and discuss issues arising from external auditors' interim and final letters of recommendation to management, including management responses and the external auditor's evaluation of the system of internal control and any other matters the external auditor may wish to discuss (in the absence of Management, if required).

d. Internal Audit

- i. Review the adequacy of the scope, functions, competency, resources and authority of the internal audit function in carrying out its work.
- ii. Review the risk-based internal audit plans and programmes.
- iii. Ensure co-ordination between the internal and external auditors.
- iv. Review the major findings reported by internal audit and follow up on management's implementation of the recommended actions.
- v. Annually assess performance of services provided by the internal audit function.

e. Related Party Transactions

- i. To monitor related party transactions entered into by the Company or the Group and to determine if such transactions are undertaken on an arm's length basis and normal commercial terms and on terms not more favourable to the related parties than those generally available to the public; and to ensure that the Directors report such

transactions annually to shareholders via the annual report, and to review conflicts of interest that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

- ii. To announce to Bursa Securities, if there is any related party transactions which exceed the Shareholder Mandate and provide full reason and detailed explanations.

f. Other Matters

- i. To report to Bursa Securities, if the Audit Committee views that a matter resulting in a breach of the Listing Requirements of Bursa Securities reported by the Audit Committee to the Board has not been satisfactorily resolved by the Board.
- ii. To highlight such matters as the Audit Committee considers appropriate or as defined by the Board from time to time.

These Terms of Reference were reviewed and approved by the Board of Directors on 28 November 2014.

7. Attendance at Meetings

During the financial year ended 31 December 2014, the Audit Committee held a total of five (5) meetings. The details of attendance of the Committee members are as follows:

Name of Member	No. of Meetings Attended by Members
Col (Rtd) Dato' Ir Cheng Wah	5/5
Goh Joon Hai	5/5
Dato' Choo Kah Hoe	5/5

8. Summary of Activities

During the year under review, the following were the activities of the Audit Committee:

- Reviewed and discussed the observations, recommendations and Audit Report and the Management's comments in respect of the issues raised by the Internal Auditor on the evaluation of the system of internal controls.
- Reviewed the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work.
- Reviewed and discussed the internal audit reports. The Committee was briefed by the Head of Internal Audit that in a few instances, the audit process identified certain control and operational weaknesses which were brought to the attention of the management and that corrective action had been taken to rectify the weaknesses.

- Reviewed the quarterly and year-end financial statements and ensured that the financial reporting and disclosure requirements of relevant authorities had been complied with, focusing particularly on:
 - changes in implementation of major accounting policy changes;
 - the going concern assumptions;
 - significant adjustments resulting from audit;
 - major judgmental areas, significant and unusual events; and
 - compliance with accounting standards and other legal requirements.
- Reviewed the related party transactions and conflict of interest situation that may arise within the Company or Group including any transactions, procedures or course of conduct that raise questions of management integrity which were incurred during the financial year, were done in the ordinary course of business.
- The Audit Committee met with the external auditors twice during the year without members of management being present.
- Reviewed the Share Placement under Section 132 (d) of the Companies Act 1965.
- Reviewed and discussed the issues relating to Brahim's Airline Catering Sdn Bhd ('BAC') in BAC's position with MAS in relation to the existing Catering Agreement and the proposed New Catering Agreement as well as the Settlement Agreement. These special issues arose out of the MAS Turnaround Plan announced by the Malaysian Government in December 2014.