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If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

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BRAHIM'S HOLDINGS BERHAD

(Company No.: 82731-A)

(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

**PROPOSED DISPOSAL OF 49% EQUITY INTEREST IN
BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD FOR A
PROPOSED AGGREGATE CASH DISPOSAL CONSIDERATION OF UP TO RM218 MILLION**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

JOINT PRINCIPAL ADVISERS



AFFIN HWANG
CAPITAL

AFFIN HWANG INVESTMENT BANK BERHAD

(Company No.: 14389-U)

(A Participating Organisation of Bursa Malaysia Securities Berhad)



HongLeong Investment Bank

Hong Leong Investment Bank Berhad (10209-W)

(A Participating Organisation of Bursa Malaysia Securities Berhad)
(A Trading Participant of Bursa Malaysia Derivatives Berhad)

An Extraordinary General Meeting ("**EGM**") will be held at Café Barbera, 18, Lorong Maarof, Bangsar Park, 59000 Kuala Lumpur on Friday, 15 January 2016 at 10.30 a.m. or at any adjournment thereof. The notice of EGM, together with the Form of Proxy, are enclosed in this Circular.

You are requested to complete the enclosed Form of Proxy and deposit it at the office of the Company's Share Registrar, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time and date fixed for EGM on any adjournment thereof, if you are unable to attend the EGM. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

Date of Record of Depositors for the purpose of determining members' entitlement to attend, vote and speak at the EGM : Friday, 8 January 2016

Last date and time for lodging the Form of Proxy : Wednesday, 13 January 2016 at 10.30 a.m.

Date and time of EGM : Friday, 15 January 2016 at 10.30 a.m. or at any adjournment thereof.

This Circular is dated 31 December 2015

DEFINITIONS

Except where the context otherwise requires, the following terms and abbreviations shall apply throughout the Circular:

| | |
|-----------------------------|---|
| Act | : Companies Act, 1965 |
| Affin Hwang IB | : Affin Hwang Investment Bank Berhad (14389-U) |
| BAC | : Brahim's Airline Catering Sdn Bhd (317281-X) |
| BAC Business | : BAC's business of providing airline catering and catering related services |
| BACH | : Brahim's Airline Catering Holdings Sdn Bhd (583216-P) |
| BACH Group | : BACH and BAC, collectively |
| BACH Shares | : Ordinary shares of RM1.00 each in BACH |
| Balance Base Consideration | : Base Consideration less the amount released towards payment of the redemption sum |
| Base Consideration | : RM110.0 million to be paid on or before the Completion Date in accordance with the terms of the SSA as summarised in Section 2.4.3 of this Circular |
| Base Earn-out Consideration | : Up to RM90.0 million to be paid in accordance with the terms of the SSA as summarised in Section 2.1.1 of this Circular |
| BHB or Company | : Brahim's Holdings Berhad (82731-A) |
| BHB Group or Group | : BHB and its subsidiaries, collectively |
| BHB Shares | : Ordinary shares of RM1.00 each in BHB |
| BIF | : Brahim's International Franchises Sdn Bhd (296392-A) |
| BLH Acquisition | : Acquisition of 49% equity interest in BACH (then known as Brahim's-LSG Sky Chefs Holdings Sdn Bhd) which was completed on 7 January 2013 |
| Board | : Board of Directors of BHB |
| Bursa Securities | : Bursa Malaysia Securities Berhad (635998-W) |
| CGU | : Cash generating units |
| Circular | : Circular to shareholders of BHB dated 31 December 2015 in relation to the Proposed Disposal |
| Completion Date | : The date falling as soon as practicable after the Unconditional Date but in any case no later than 30 days from the Unconditional Date or such other date as may be mutually agreed by BHB and the Purchaser in writing |
| Conditions Precedent | : Conditions precedent in relation to the SSA, as summarised in Section 2.4.4 of this Circular |
| Conditions to Completion | : Conditions to completion in relation to the SSA, as summarised in Section 2.4.5 of this Circular |
| Confirmatory Due Diligence | : A confirmatory due diligence carried out by the Purchaser on BACH Group |
| Disposal Consideration | : The proposed aggregate cash disposal consideration for the Sale Shares of up to RM218.0 million (subject to adjustment) |
| Earn-out Period | : FYE 31 December 2016, 31 December 2017 and 31 December 2018, collectively |

DEFINITIONS

| | |
|------------------------------|---|
| Earn-out Year | : Each and any one of the FYE 31 December 2016, 31 December 2017 or 31 December 2018 |
| EBITDA | : Earnings before interest, taxation, depreciation and amortisation |
| EGM | : Extraordinary general meeting |
| EPS | : Earnings per share |
| Escrow Agent | : The escrow agent to be jointly appointed by the Company and the Purchaser pursuant to the terms of the SSA |
| EV | : Enterprise value |
| FPE | : Financial period ended |
| FYE | : Financial year ending/ended |
| HLIB | : Hong Leong Investment Bank Berhad (10209-W) |
| Joint Principal Advisers | : Affin Hwang IB and HLIB, collectively |
| KLIA | : Kuala Lumpur International Airport |
| LATNCI | : Loss after taxation and non-controlling interest |
| LPD | : 11 December 2015, being the latest practicable date prior to the printing of this Circular |
| LPS | : Loss per share |
| LSG Asia | : LSG Asia GmbH (Registration No. HRB 42655 AG Offenbach) |
| LSG SSA | : Share sale agreement between BHB and LSG Asia dated 18 May 2012 in relation to the BLH Acquisition |
| MAB | : Malaysia Airlines Berhad (1116944-X) |
| MAS | : Malaysian Airline System Berhad (10601-W) |
| NA | : Net assets attributable to the owners of the company |
| NCAAs | : New Catering Agreement (Wide Body) and New Catering Agreement (Narrow Body) between BAC and MAB both dated 10 May 2015 |
| NPV | : Net present value |
| OCBC | : OCBC Al-Amin Bank Berhad (818444-T) |
| Offer | : As defined in Section 1 of this Circular |
| Outperformance Consideration | : Up to RM18.0 million to be paid in accordance with the terms of the SSA as summarised in Section 2.1.2 of this Circular |
| PAT | : Profit after taxation |
| PATNCI | : Profit after taxation and non-controlling interest |
| PBR | : Price-to-book ratio |
| PBT | : Profit before taxation |
| PER | : Price-to-earnings ratio |
| PHP | : Philippine Peso |
| Proposed Disposal | : Proposed disposal of the Sale Shares to the Purchaser for the Disposal Consideration |

DEFINITIONS

| | | |
|------------------------|---|--|
| Right of First Refusal | : | Right of first refusal granted to LSG Asia in respect of the Sale Shares |
| RM and sen | : | Ringgit Malaysia and sen, respectively |
| Sale Shares | : | 490,000 BACH Shares representing 49% equity interest in BACH |
| SATS | : | SATS Ltd. (197201770G) |
| SGD | : | Singapore Dollar |
| SHA | : | Shareholders' agreement between BHB, SIPL and BACH in the form and substance agreed between BHB and SIPL to be executed on completion of the SSA |
| SIPL or Purchaser | : | SATS Investments Pte. Ltd. (200908257K), a wholly-owned subsidiary of SATS |
| SSA | : | The conditional share sale agreement dated 18 December 2015 entered into between BHB and SIPL in relation to the Proposed Disposal |
| THB | : | Thai Baht |
| Unconditional Date | : | The date when all the Conditions Precedent have been fulfilled |
| WACC | : | Weighted average cost of capital |

All references to the "Company" and/or "BHB" in this Circular are to BHB. References to "BHB Group" and/or the "Group" are to BHB and its subsidiaries and references to "we", "us", "our" and "ourselves" are to BHB and where the context does require, shall include its subsidiaries.

All references to "you" in this Circular are to the shareholders of the Company.

Words referring to the singular shall, where applicable, include the plural and vice versa and words referring to the masculine gender shall, where applicable, include the feminine and neutral genders and vice versa. Reference to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment currently enforced and as may be amended from time to time and any re-enactment thereof.

Any discrepancy in the tables between the amounts listed and the totals in this Circular are due to rounding.

Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

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TABLE OF CONTENTS

LETTER TO THE SHAREHOLDERS OF BHB

| | PAGE |
|--|-------------|
| 1. INTRODUCTION | 1 |
| 2. THE PROPOSED DISPOSAL | 2 |
| 3. RATIONALE FOR THE PROPOSED DISPOSAL | 22 |
| 4. EFFECTS OF THE PROPOSED DISPOSAL | 22 |
| 5. RISK FACTORS | 26 |
| 6. APPROVALS REQUIRED | 27 |
| 7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM | 28 |
| 8. DIRECTORS' STATEMENT AND RECOMMENDATION | 28 |
| 9. CORPORATE PROPOSALS WHICH HAVE BEEN ANNOUNCED BUT NOT YET COMPLETED | 28 |
| 10. TENTATIVE TIMETABLE FOR THE IMPLEMENTATION OF THE PROPOSED DISPOSAL | 28 |
| 11. EGM | 28 |
| 12. FURTHER INFORMATION | 29 |

APPENDICES

| | |
|---|----|
| I ILLUSTRATION OF BASE EARN-OUT CONSIDERATION AND OUTPERFORMANCE CONSIDERATION COMPUTATIONS | 30 |
| II INFORMATION ON BACH | 32 |
| III AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014 | 38 |
| IV FURTHER INFORMATION | 90 |

NOTICE OF EGM **ENCLOSED**

FORM OF PROXY **ENCLOSED**



BRAHIM'S HOLDINGS BERHAD

(Company No.: 82731-A)

(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

10th Floor, Menara Hap Seng
No. 1 & 3, Jalan P. Ramlee
50250 Kuala Lumpur

31 December 2015

Board of Directors:

Dato' Seri Ibrahim Bin Haji Ahmad (*Executive Chairman*)
Mohamed Zamry Bin Mohamed Hashim (*Managing Director*)
Tan Sri Dato' Mohd Ibrahim Bin Mohd Zain (*Non-Independent Non-Executive Director*)
Dato' Choo Kah Hoe (*Non-Independent Non-Executive Director*)
Datuk Seri Panglima Haji Abdul Azeez Bin Abdul Rahim (*Non-Independent Non-Executive Director*)
Col (Rtd) Dato' Ir Cheng Wah (*Senior Independent Non-Executive Director*)
Goh Joon Hai (*Independent Non-Executive Director*)
Datuk Seri Panglima Sulong Bin Matjeraie (*Independent Non-Executive Director*)
Professor Dr. Jinap Binti Salamet (*Independent Non-Executive Director*)
Ahmad Fahimi Bin Ibrahim (*Alternate Director to Mohamed Zamry Bin Mohamed Hashim*)

To: The Shareholders of Brahim's Holdings Berhad

Dear Sir/Madam,

PROPOSED DISPOSAL OF 49% EQUITY INTEREST IN BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD FOR A PROPOSED AGGREGATE CASH DISPOSAL CONSIDERATION OF UP TO RM218 MILLION

1. INTRODUCTION

On 22 October 2015, the Board announced that the Company received a conditional binding offer from the Purchaser, setting out an offer to acquire from BHB, the Sale Shares for a proposed aggregate cash disposal consideration of up to RM218.0 million (subject to adjustment) which is payable in the following manner:

- (i) RM110.0 million upon the completion of the Proposed Disposal; and
- (ii) up to RM108.0 million conditional upon certain financial targets being achieved ("**Offer**").

The Joint Principal Advisers, on behalf of the Board, announced the following in relation to the Proposed Disposal on the respective dates:

- (a) 27 October 2015, that the Board, after careful deliberation, decided to accept the Offer, subject to the execution of the definitive agreement(s) for the Proposed Disposal; and
- (b) 18 December 2015, that BHB entered into the SSA with the Purchaser in relation to the Proposed Disposal.

The purpose of this Circular is to:

- (I) provide you with the relevant information on the Proposed Disposal;
- (II) set out your Board's recommendation on the Proposed Disposal; and
- (III) seek your approval by way of an ordinary resolution relating to the Proposed Disposal to be tabled at the forthcoming EGM.

The notice of EGM together with the Form of Proxy are enclosed in this Circular.

SHAREHOLDERS ARE ADVISED TO READ THE CONTENTS OF THIS CIRCULAR AND THE ACCOMPANYING APPENDICES CAREFULLY BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.

2. THE PROPOSED DISPOSAL

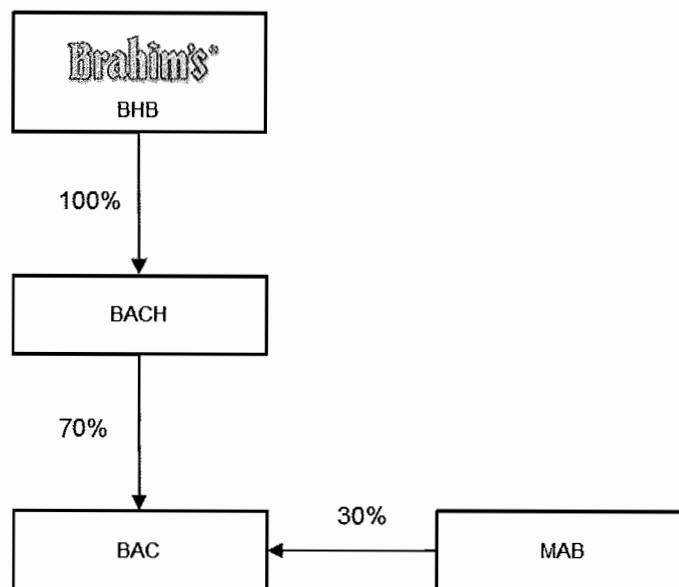
The Proposed Disposal involves the disposal of the Sale Shares for the Disposal Consideration payable in the following manner:

- (i) **Base Consideration:** RM110.0 million to be paid on or before the Completion Date in accordance with the terms of the SSA as summarised in Section 2.4.3 of this Circular;
- (ii) **Base Earn-out Consideration:** Up to RM90.0 million to be paid in accordance with the terms of the SSA as summarised in Section 2.1.1 of this Circular; and
- (iii) **Outperformance Consideration:** Up to RM18.0 million to be paid in accordance with the terms of the SSA as summarised in Section 2.1.2 of this Circular.

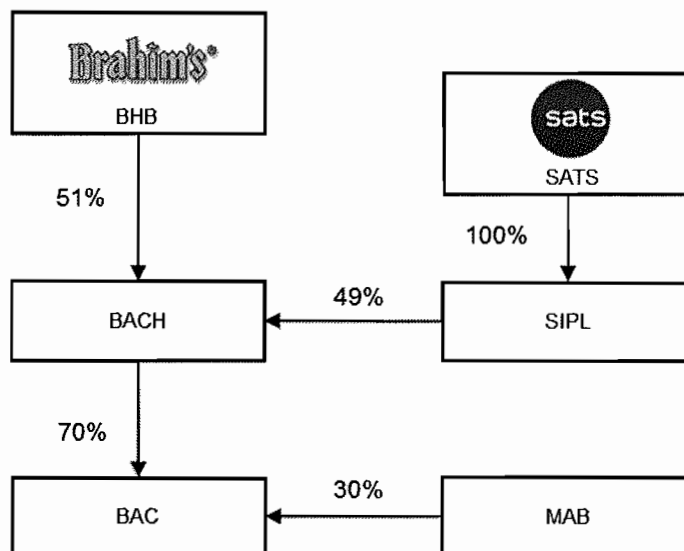
BACH is an investment holding company. Its 70%-owned subsidiary, BAC is principally involved in the provision of in-flight catering and related services such as cabin handling. The remaining 30% equity interest in BAC is held by MAB. BAC is the principal in-flight catering service provider at both KLIA and Penang International Airport.

The shareholding structure of BACH before and after the Proposed Disposal is as follows:

(a) Before the Proposed Disposal



(b) After the Proposed Disposal



2.1 THE DISPOSAL CONSIDERATION

The Disposal Consideration is payable in the following manner:

| Disposal Consideration | Condition to attain aggregate Disposal Consideration | Amount |
|------------------------------|---|------------------------------|
| Base Consideration | On or before the Completion Date (in accordance with the terms of the SSA as summarised in Section 2.4.3 of this Circular) | RM110.0 million |
| Base Earn-out Consideration | If BAC's actual PATNCI meets and exceeds the Minimum PATNCI ⁽¹⁾ up to the Target PATNCI ⁽²⁾ over the FYE: <ul style="list-style-type: none"> • 31 December 2016; • 31 December 2017; and • 31 December 2018 (each an "Earn-out Year" and collectively the "Earn-out Period") | Up to RM90.0 million |
| Outperformance Consideration | If BAC's actual PATNCI exceeds the Target PATNCI up to the Capped PATNCI ⁽³⁾ over the Earn-Out Period | Up to RM18.0 million |
| Total | | Up to RM218.0 million |

Note:

- (1) "**Minimum PATNCI**" is the PATNCI threshold which will provide BHB a minimum earn-out payout of RM7.5 million per Earn-out Year. Please refer to Table A below for the Minimum PATNCI for the respective Earn-out Years.
- (2) "**Target PATNCI**" is the PATNCI threshold which will provide BHB with the Base Earn-out Consideration of up to RM30.0 million per Earn-out Year. Please refer to Table A below for the Target PATNCI for the respective Earn-out Years.
- (3) "**Capped PATNCI**" is the PATNCI threshold which will provide BHB with the Outperformance Consideration of up to RM6.0 million per Earn-out Year. Please refer to Table A below for the Capped PATNCI for the respective Earn-out Years. For avoidance of doubt, no additional consideration will be paid to BHB if BAC's actual PATNCI exceeds the Capped PATNCI for the respective Earn-out Years.

For the formulae in relation to the computation of the Base Earn-out Consideration and Outperformance Consideration, please refer to Sections 2.1.1 and 2.1.2 of this Circular respectively.

On or before the Completion Date, the Purchaser is to pay:

- (i) the Base Consideration to BHB (in accordance with the terms of the SSA as summarised in Section 2.4.3 of this Circular); and
- (ii) the Base Earn-out Consideration totalling RM90.0 million to the Escrow Agent, who shall hold the Base Earn-out Consideration in trust.

The Base Earn-out Consideration in escrow is divided into 3 tranches of RM30.0 million each, corresponding to each Earn-out Year. The Escrow Agent will hold and manage the Base Earn-out Consideration in accordance with the terms and conditions of the escrow agreement to be executed between BHB, the Purchaser and the Escrow Agent. Further announcement will be made by the Company upon the appointment of the Escrow Agent and execution of the escrow agreement including the salient terms of the escrow agreement.

The Outperformance Consideration of up to RM18.0 million will not be held by the Escrow Agent and will be paid by the Purchaser to BHB if BAC's actual PATNCI exceeds the Target PATNCI up to the Capped PATNCI during the Earn-out Period. Similar to the Base Earn-out Consideration, the Outperformance Consideration is also divided into 3 tranches of RM6.0 million each, corresponding to each Earn-out Year.

To qualify for the Base Earn-out Consideration and Outperformance Consideration for the relevant Earn-out Year, BAC's actual audited PATNCI must meet the PATNCI threshold which is to be assessed independently on a yearly basis and no excess or shortfall of PATNCI is to be carried forward to the next financial year, as set out in Table A below:

Table A

| PATNCI thresholds | Earn-out Year FYE 31 December | | |
|-----------------------|----------------------------------|------------------|------------------|
| | 2016 (RM'mil) | 2017 (RM'mil) | 2018 (RM'mil) |
| Minimum PATNCI | 23.7 | 28.7 | 33.9 |
| Target PATNCI | 44.1 | 50.7 | 57.7 |
| Capped PATNCI | 49.5 | 56.5 | 64.0 |

Accordingly, the Disposal Consideration of up to RM218.0 million is subject to the achievability of BAC's actual PATNCI for the respective Earn-out Years, as set out below:

| | | RM' million | RM' million |
|--|---|-------------|--------------|
| Base Consideration ⁽¹⁾ | | | 110.0 |
| FYE 31 December 2016 | Base Earn-out Consideration ⁽²⁾ | 30.0 | |
| | Outperformance Consideration ⁽²⁾ | 6.0 | |
| | Sub-total | | 36.0 |
| FYE 31 December 2017 | Base Earn-out Consideration ⁽²⁾ | 30.0 | |
| | Outperformance Consideration ⁽²⁾ | 6.0 | |
| | Sub-total | | 36.0 |
| FYE 31 December 2018 | Base Earn-out Consideration ⁽²⁾ | 30.0 | |
| | Outperformance Consideration ⁽²⁾ | 6.0 | |
| | Sub-total | | 36.0 |
| Total, being the Disposal Consideration | | | 218.0 |

Note:

- (1) Payable on the Completion Date.
- (2) Assuming respective BAC's actual audited PATNCI meet the PATNCI thresholds in the respective Earn-out Years.

For avoidance of doubt, BHB will not be entitled to the Base Earn-out Consideration and Outperformance Consideration if BAC's actual PATNCI does not meet the PATNCI threshold in the respective Earn-out Years as set out in Table A above. Under this circumstance, BHB would only have received the Base Consideration for the Proposed Disposal.

The PATNCI threshold as set out in Table A above is determined by the Purchaser after taking into account the financial position and business prospects of the BACH Group.

The Board is of the opinion that the Minimum PATNCI and Target PATNCI are realistic having considered BAC's historical financial performance and its future business plans which are complemented by the strategic partnership with the Purchaser. The Purchaser and its related corporations which have extensive experience in the airline catering and related services as well as non-airline catering (represented through institutional and remote catering), are expected to form a meaningful business collaboration to strengthen BAC's business performance. The achievability of the PATNCI threshold is also supported by the potential business opportunities in the non-airline catering businesses which BAC could tap on which were in the past not permissible under the old catering agreement but are now allowed under the NCAs.

BAC's historical audited PATNCI/(LATNCI) for the past 3 FYE 31 December 2012 to 2014 are set out below:

| | FYE 31 December | | |
|-----------------|-----------------|----------------|----------------|
| | 2012 RM'000 | 2013 RM'000 | 2014 RM'000 |
| PATNCI/(LATNCI) | 43,715 | 57,068 | (5,722) |

Comments:

FYE 31 December 2012

BAC's PATNCI was maintained at approximately RM43.72 million in FYE 31 December 2012 (2011:RM43.70 million) despite that there was a marginal decrease of revenue of 1.25% in 2012. This was mainly due to the positive impact arising from active cost control measures for raw materials and consumables as well as for direct labour costs. In addition, the lower finance cost in FYE 31 December 2012 has also contributed to maintain BAC's profitability position in FYE 31 December 2012.

FYE 31 December 2013

The PATNCI increased by approximately 30.54% from RM43.72 million in FYE 31 December 2012 to RM57.07 million in FYE 31 December 2013. The increase in PATNCI is mainly driven by the increase in revenue as a result of increase in passenger load of BAC's major customer, MAS, following its focus on route maximisation of its current destinations, therefore increasing the demand for meals and handling services.

FYE 31 December 2014

For the FYE 31 December 2014, BAC encountered major difficulties in collection from its key customer, MAS, which went into financial distress after the tragic incidents of MH370 and MH17. BAC was required to enter into a settlement agreement with MAS which effectively resulted in the impairment of approximately RM49.95 million from its receivables and bill reductions of approximately RM24.05 million, totalling approximately RM74.00 million. Without taking into account of the said impairment of trade receivables and bill reductions, BAC would have recorded a profit of approximately RM68.28 million for the FYE 31 December 2014.

2.1.1 BASE EARN-OUT CONSIDERATION

The Base Earn-out Consideration is based on a formula outlined below:

- (i) If BAC's actual PATNCI meets the Minimum PATNCI for the respective Earn-out Years, a minimum earn-out payout of RM7.5 million per Earn-out Year will be paid to BHB.

$$\text{Earn-out payout} = \text{RM7.5 million}$$

- (ii) If BAC's actual PATNCI in the respective Earn-out Years meets and exceeds the Minimum PATNCI and lies between the Minimum PATNCI and Target PATNCI, the earn-out payout will be determined using the following formula:

$$\text{Earn-out payout} = \text{RM7.5 million} + \left[\frac{\text{Actual PATNCI} - \text{Minimum PATNCI}}{\text{Target PATNCI} - \text{Minimum PATNCI}} \times \text{RM22.5 million} \right]$$

The earn-out payout pursuant to the Base Earn-out Consideration shall be capped at RM30.0 million for each Earn-out Year. If BAC's actual PATNCI is below the Target PATNCI, the Purchaser shall be entitled to a refund of the difference between the earn-out payout and RM30.0 million plus the accrued interest, if any.

2.1.2 OUTPERFORMANCE CONSIDERATION

Likewise, the Outperformance Consideration uses a similar mechanism as set out below:

If BAC's actual PATNCI in the respective Earn-out Years exceeds the Target PATNCI and lies between the Target PATNCI and Capped PATNCI, an additional Outperformance Consideration of up to RM6.0 million per Earn-out Year will be paid and determined using the following formula:

$$\text{Outperformance payout} = \left[\frac{\text{Actual PATNCI} - \text{Target PATNCI}}{\text{Capped PATNCI} - \text{Target PATNCI}} \right] \times \text{RM6.0 million}$$

An illustration of the Base Earn-out Consideration and Outperformance Consideration computations, with reference to FYE 31 December 2016 PATNCI threshold, is set out in Appendix I of this Circular.

2.1.3 PRICE ADJUSTMENT

Pursuant to the terms of the SSA, the Base Consideration is subject to price adjustment upon the occurrence of any one or more of the following events prior to the Completion Date ("**Relevant Events**"):

- (i) If there are any subsequent amendments to the terms of the NCAs or if any of the NCAs are terminated early or suspended;
- (ii) If there are, in the reasonable opinion of the Purchaser, any subsequent onerous obligations affecting the Purchaser, the BACH Group and its business, or the Proposed Disposal; and
- (iii) If (a) any of the Conditions Precedent and/or Conditions to Completion are not met/fulfilled within the prescribed period but is waived by the Purchaser and/or (b) there is any material breach of the Conditions to Completion, BHB's warranties and/or BHB's obligations.

Upon the occurrence of any one or more of the Relevant Events, the Purchaser shall within 14 days serve a written notice to the Vendor informing BHB of the quantum of the adjustment to be made ("**Adjustment Notice**"). The Adjustment Notice shall set out factors taken into account by the Purchaser in arriving at the quantum of the adjustment.

If BHB accepts the quantum of the adjustment as set out in the Adjustment Notice, the Base Consideration shall be adjusted downward accordingly, provided that any adjustment to be made shall be capped at no more than 7.5% of the Base Consideration (i.e. RM8.25 million) ("**Adjustment Cap**").

If BHB is not agreeable to adjustment as set out in the Adjustment Notice, BHB shall within 14 days of its receipt of the Adjustment Notice issue a written notice ("**Vendor's Notice**") to the Purchaser requesting for the appointment of an independent expert/valuer ("**Valuer**") to determine and evaluate the adjustment. BHB shall within 7 days from the date of the Vendor's Notice appoint the Valuer to determine and evaluate the adjustment.

The Valuer shall as soon as practicable but in any event no more than 14 days after its appointment determine and evaluate the adjustment and certify the same in writing and its determination and certification of the adjustment shall be binding on BHB.

Where the certified adjustment exceeds the Adjustment Cap:

- (i) if the Purchaser elects not to terminate the SSA, the Base Consideration shall be adjusted downward accordingly, provided that any adjustment to be made shall be capped at no more than the Adjustment Cap; or
- (ii) if the Purchaser elects to terminate the SSA, the SSA shall immediately thereafter cease to have any effect and shall become null and void and neither party shall have any claim or claims against the other party save and except for any antecedent breach and without prejudice to such other rights the parties may have under the laws in respect of any antecedent breach.

Any adjustment to be made arising from the Relevant Events will result in the reduction of Base Consideration of no more than RM8.25 million, representing no more than 7.5% of the Base Consideration.

Post-completion of the Proposed Disposal, the Base Consideration is also subject to adjustment arising from the following:

(a) Net cash balance ("NCB")

BHB represents, warrants and undertakes to the Purchaser that as at the Completion Date, BAC's NCB shall not be less than RM43 million (calculated as current assets less current liabilities and any indebtedness and excludes any deferred taxation) ("**Minimum NCB**").

If BAC's NCB as at the Completion Date is less than the Minimum NCB, the Base Consideration shall be reduced by an amount equal to 49% of the shortfall and BHB shall refund to the Purchaser the amount equal to the shortfall within 7 days from the date of receipt by the parties of the NCB report from the auditors.

(b) Collectable receivables

BHB represents, warrants and undertakes to the Purchaser that all of the receivables of the BACH Group at Completion Date shall be able to be collected in full within 180 days from the Completion Date ("**Collection Period**").

If the amount of the collected receivables is less than the amount of the collectable receivables ("**Collectable Receivables Shortfall**"), BHB shall refund to the Purchaser the amount equal to 49% of the Collectable Receivables Shortfall within 7 days from the date of receipt by the parties of the collected receivables report from the auditors.

In the event that any of the Collectable Receivables Shortfall is collected by the BACH Group after the Collection Period but within 6 months from the date immediately after the expiry date of the Collection Period (“**Subsequent Collection**”), the parties agree to instruct the auditors of the Purchaser to determine and certify the amount of the Subsequent Collection and to submit the report to the parties within 30 days from the date of the instruction. The Purchaser shall reimburse to BHB an amount equal to 49% of the Subsequent Collection within 7 days from the date the Purchaser receives the auditor’s report on the Subsequent Collection.

2.2 BASIS AND JUSTIFICATION FOR THE DISPOSAL CONSIDERATION

The Disposal Consideration was arrived at on a “willing-buyer willing-seller” basis after taking into consideration, *inter-alia*, the following:

- (i) earnings potential of BAC, being the principal inflight caterer to MAB, which is the national carrier of Malaysia, serving 40,000 guests on 330 flights to more than 50 destinations daily (**source:** *MAB, Corporate Info – Our Story, available from www.malaysiaairlines.com*) pursuant to the NCAs which has a tenure of 5 years (expiring 15 September 2020) with option of renewal for another 5 years to provide catering and related services (such as cabin handling) to MAB at KLIA. BAC is the principal in-flight catering service provider at both KLIA and Penang International Airport;
- (ii) the financial targets to qualify for the Base Earn-out Consideration and Outperformance Consideration;
- (iii) audited consolidated LATNCI of BACH of RM4.31 million for the FYE 31 December 2014;
- (iv) audited consolidated NA of BACH of RM113.04 million as at 31 December 2014; and
- (v) the valuation multiples in relation to the Proposed Disposal, the relative valuation analysis of which is set out below.

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Relative Valuation Analysis

For comparison purposes, the Board noted that there is no company listed on Bursa Securities which is directly comparable to BACH given the market dominance of its 70%-owned subsidiary, BAC in airline catering and related services such as cabin handling in Malaysia. Further, the Board also noted and wishes to highlight that there are no companies that are directly comparable to BACH in terms of, *inter-alia*, the composition of business activities, product lines, scale of operations, market capitalisation, asset-base, risk profile, geographical spread of activities, track record, financial performance, operating and financial leverage, liquidity, accounting policies, future prospects and other relevant criteria.

Accordingly, comparable companies are selected based on listed companies in Southeast Asia which are involved in airport management services or related airport services (including in-flight catering services where relevant) ("**Comparable Companies**") where their prospects and growth are dependent on the airport passenger traffic and air transportation industry. The comparison on valuation metrics of the Comparable Companies will serve to give an indication of the current market expectations with regard to the valuation of companies which are involved in airport management services or related airport services.

The Board considered the PER, PBR and EV/EBITDA ratio of the Comparable Companies.

| Name of company | Business description | Currency | (1) Market capitalisation | (2) PATNCI | (2) NA | (3) EV | (2) EBITDA | (4) PER (times) | (4) PBR (times) | (4) EV / EBITDA (times) |
|--|--|-----------------------|---------------------------|--------------------|------------------------|-------------------------|--------------------|-----------------|-----------------|-------------------------|
| <u>Listed on Bursa Securities</u> Malaysia Airports Holdings Berhad | Provides management, maintenance and operation of designated airports, operating of duty free and non-duty free stores as well as provision of food and beverages outlets at airports. | (RM'000) | 9,108,963 | 748,213 | 7,422,120 | 13,392,888 | 1,374,972 | 12.17 | 1.23 | 9.74 |
| <u>Listed on Singapore Exchange</u> SATS | Provides integrated ground handling and in-flight catering services at Singapore Changi Airport. The company also provides aviation security, airline laundry, and airport cargo delivery management services. | (SGD'000) (RM'000) | 4,244,438 13,045,280 | 195,695 526,870 | 1,441,102 3,879,879 | 3,996,390 10,759,481 | 292,610 787,794 | 21.69 | 2.95 | 13.66 |

| Name of company | Business description | Currency | (1) Market capitalisation | (2) PATNCI | (2) NA | (3) EV | (2) EBITDA | (4) PER (times) | (4) PBR (times) | (4) EV / EBITDA (times) |
|--|--|--------------------------|---------------------------|-------------------------|---------------------------|---------------------------|-------------------------|-----------------|-----------------|-------------------------|
| <u>Listed on Stock Exchange of Thailand</u> Airports of Thailand Public Company Limited | Operates the Bangkok International Airport (Don Muang) and the New Bangkok International Airport (Suvarnabhumi). The company also operates provincial airports in Chiang Mai, Chiang Rai, Hat Yai, and Phuket. | (THB'000) (RM'000) | 428,571,000 51,706,663 | 18,728,648 2,267,815 | 108,587,573 13,148,652 | 412,735,535 49,977,320 | 29,853,530 3,614,904 | 22.88 | (5) 3.95 | 13.83 |
| <u>Listed on Philippine Stock Exchange</u> MacroAsia Corporation | Through its subsidiaries, provides in-flight catering services. The company also offers aircraft chartering services and ground handling requirements of passenger and cargo aircrafts. MacroAsia Corporation also invests in real estate. | (PHP'000) (RM'000) | 2,836,829 261,306 | 114,980 8,970 | 2,740,660 213,804 | 2,311,035 180,288 | 239,422 18,678 | 24.67 | 1.04 | 9.65 |
| | | | | | | | Average | 20.35 | 1.74 | 11.72 |
| BACH | BACH is an investment holding company. Through its subsidiary, it is involved in the provision of in-flight catering and related services such as cabin handling. | (6) Scenario I (RM'000) | (7) 224,490 | (4,310) | 113,040 | 249,696 | 3,259 | (6) N/A | 1.99 | 76.62 |
| | | (9) Scenario II (RM'000) | (10) 444,898 | (4,310) | 113,040 | 470,104 | 3,259 | (8) N/A | 3.94 | 144.25 |

(Source: Bloomberg and the Comparable Companies' audited financial statements)

Note:

- (1) Based on closing price or last traded price as at 21 October 2015, being the last trading date prior to the announcement on the receipt of the Offer. Where applicable, the relevant closing price or last traded price is converted to RM using the closing middle exchange rate as extracted from the website of Bank Negara Malaysia as at 21 October 2015 as follows:

SGD:RM - 1: 3.0735
 100THB:RM - 100: 12.0649
 100PHP:RM - 100: 9.2112

- (2) PATNCI, NA or EBITDA as extracted/computed from the latest available audited financial statements of the respective Comparable Companies and converted into RM based on the closing middle exchange rate as extracted from the website of Bank Negara Malaysia as at the relevant financial year ends of the respective Comparable Companies are as follows:

SGD:RM - 1: 2.6923 as at 31 March 2015
 100THB:RM - 100: 12.1088 as at 30 September 2015
 PHP:RM - 100: 7.8012 as at 31 December 2014

- (3) The EV is computed as a sum of (i) market capitalisation and (ii) minority interest, short term and long term debt positions less the cash and cash equivalent positions as at the respective financial years based on the latest audited financial statements. The market capitalisation is determined by multiplying the shares in issue of the respective companies against the closing prices or last traded price as at 21 October 2015, except for BACH which is based on the Base Consideration and Disposal Consideration of RM218 million.
- (4) Computed using local currency data to negate any currency conversion effects.
- (5) Denotes an outlier being excluded from the computation of the simple average. An outlier is determined based on extreme deviation from the simple average (including outliers). We have generally regarded values outside of up to 1 standard deviation of the average as extreme deviation.
- (6) Scenario I: Assuming the worst case scenario where BAC's actual PATNCI is below the Minimum PATNCI throughout the Earn-out Period.
- (7) Implied equity value for a 100% equity interest computed based on the Base Consideration of RM110.0 million.
- (8) Not applicable as BACH was in a loss-making position for the FYE 31 December 2014.
- (9) Scenario II: Assuming the best case scenario where BAC's actual PATNCI meets or exceeds the Capped PATNCI throughout the Earn-out Period.
- (10) Implied equity value for a 100% equity interest computed based on the disposal consideration of RM218.0 million.

Based on the above, the range of the Disposal Consideration of between RM110.0 million and RM218.0 million represents the following:

| | | PBR (times) | Comments | EV / EBITDA (times) | Comments |
|--|--|----------------|--|---------------------------|--|
| Average multiples of Comparable Companies | | 1.74 | - | 11.72 | - |
| Scenario I ⁽¹⁾ | Base Consideration of RM110.0 million | 1.99 | Implied PBR is higher than the average PBR of the Comparable Companies | 76.62 | Implied EV/EBITDA is higher than the average EV/EBITDA of the Comparable Companies |
| Scenario II ⁽²⁾ | Disposal Consideration of RM218.0 million | 3.94 | Implied PBR is higher than the average PBR of the Comparable Companies | 144.25 | Implied EV/EBITDA is higher than the average EV/EBITDA of the Comparable Companies |

Note:

- (1) *Scenario I: Assuming the worst case scenario where BAC's actual PATNCI is below the Minimum PATNCI throughout the Earn-out Period.*
- (2) *Scenario II: Assuming the best case scenario where BAC's actual PATNCI meets or exceeds the Capped PATNCI throughout the Earn-out Period.*

The range of the Disposal Consideration of between RM110 million and RM218 million represents:

- (i) PBR of 1.99 times and 3.94 times respectively which are higher than the average PBR of the Comparable Companies of 1.74 times; and
- (ii) EV/EBITDA of 76.62 times and 144.25 times respectively which are higher than the average EV/EBITDA of the Comparable Companies of 11.72 times.

As BACH was in a loss-making position with a LATNCI for FYE 31 December 2014 of RM4.31 million, the implied historical PER cannot be computed and is not applicable.

The Board is of the view that the range of the Disposal Consideration of between RM110 million and RM218.0 million is justifiable on account of the following:

- (a) BACH reported an audited consolidated LATNCI of RM4.31 million for the FYE 31 December 2014;
- (b) it represents a premium of 68.17% or RM88.37 million over the cost of investment of BHB for a 49% equity interest in BACH of approximately RM129.63 million based on the Disposal Consideration of RM218 million;
- (c) the Disposal Consideration represents implied EV/EBITDA and implied PBR which are above the average multiples of the Comparable Companies; and
- (d) the rationale for the Proposed Disposal as set out in Section 3 of this Circular.

The Board noted that if BAC's actual PATNCI is below the Minimum PATNCI throughout the Earn-out Period, BHB will only receive the Base Consideration of RM110 million for the Proposed Disposal. Under this circumstance, the Base Consideration of RM110 million represents a discount of 15.14% or RM19.63 million from the cost of investment of BHB for a 49% equity interest in BACH of approximately RM129.63 million. The Board is of the view that despite the Base Consideration being below BHB's cost of investment for a 49% equity interest in BACH of RM129.63 million, it is justifiable taking into account the changes in the business landscape of the Group's airline catering business arising from the termination of the old catering agreement. In addition, the Base Consideration will enable the Group to pare down its borrowings and reduce its gearing and financial burden. As set out in Section 2.1 of this Circular, the Board is of the opinion that the Minimum PATNCI and Target PATNCI are realistic. Accordingly, there is potential for BHB to dispose of the Sale Shares at or above the cost of investment of RM129.63 million over the Earn-out Period.

2.3 ORIGINAL COST AND DATE OF INVESTMENT

The original cost investment of BHB's 100% equity interest in BACH is set out in the table below:

| Date of investment | Number of BACH Shares | Cost of investment RM'000 |
|--------------------|-----------------------|------------------------------|
| 27 March 2008 | 510,000 | 130,000 |
| 7 January 2013 | 490,000 | 134,550 |
| Total | 1,000,000 | 264,550 |

Therefore, the cost of investment of BHB for a 49% equity interest in BACH is approximately RM129.63 million.

2.4 SALIENT TERMS OF THE SSA

2.4.1 AGREEMENT FOR THE SALE AND PURCHASE

BHB shall sell and transfer to the Purchaser and the Purchaser or its nominee shall purchase and accept the transfer of the Sale Shares, free from all encumbrances and together with all rights and benefits attaching thereto on and from completion.

2.4.2 CONSIDERATION

The consideration for the sale, purchase and transfer of the Sale Shares are summarised in Section 2.1 of this Circular.

2.4.3 REDEMPTION OF SALE SHARES AND PAYMENT OF SALE SHARES

BHB shall redeem the Sale Shares from OCBC in the manner as set out in Section 2.4.3 (a) below.

The Base Consideration shall be paid on or before the Completion Date, in the following manner:

- (a) first, to be released towards payment of the redemption sum to OCBC[^], subject to the redemption statement; and
- (b) thereafter, the Balance Base Consideration to BHB provided always that the discharge documents have been delivered to the Purchaser on or before the Completion Date.

Note:

[^] *The redemption statement setting out the redemption sum for the Sale Shares payable to OCBC has yet to be issued by OCBC as at the date of this Circular. An amount of RM55.0 million from the Base Consideration has been allocated for the said redemption as set out in Section 2.9 of this Circular under "Repayment of bank borrowings".*

In the event the discharge documents are not delivered to the Purchaser on or prior to the date falling 10 days after the redemption sum is paid to OCBC, the Purchaser shall be entitled to terminate the SSA and seek to recover the redemption sum from BHB and/or OCBC without prejudice to any other rights or remedies provided in the SSA.

2.4.4 CONDITIONS PRECEDENT

The sale, purchase and transfer of the Sale Shares are conditional upon the following Conditions Precedent being fulfilled or satisfied within 2 months from the date of the SSA (or such other date as may be mutually agreed in writing between BHB and the Purchaser):

- (a) BHB having obtained the consent of MAB in respect of the Proposed Disposal in accordance with the NCAs and the shareholders' agreement dated 14 September 2015 entered into between MAB, BACH and BAC in respect of the shares in BAC, if required;
- (b) BHB having obtained the documents evidencing the compliance with the Right of First Refusal as required under the LSG SSA to which BHB is subject to and documents evidencing LSG Asia:
 - (i) not having exercised its Right of First Refusal and such Right of First Refusal having lapsed; or
 - (ii) a written waiver from LSG Asia waiving the compliance with the Right of First Refusal being obtained;
- (c) a resolution being passed at a general meeting of BHB approving the sale of the Sale Shares to the Purchaser subject to the terms of the SSA;
- (d) a Confirmatory Due Diligence and the Purchaser being reasonably satisfied with the results of the Confirmatory Due Diligence; and

- (e) where required, BHB and the Purchaser having obtained any other approvals, governmental, statutory and/or regulatory approval/consent/permission from any party or public authorities which may be required to lawfully carry out this sale and purchase.

If any of the Conditions Precedent above are not fulfilled (or otherwise waived) by a date within 2 months from the date of the SSA (or such other date as may be mutually agreed in writing by BHB and the Purchaser), the Purchaser may rescind the SSA with immediate effect by written notice to BHB.

2.4.5 CONDITIONS TO COMPLETION

BHB undertakes to cause and procure, amongst others, the following to be fulfilled on or prior to the Completion Date:

- (a) there being no material adverse effect to the business, reputation and/or financial condition of the BACH Group on or prior to the Completion Date;
- (b) BHB's warranties continuing to be true in all material respect as at the Completion Date;
- (c) the compliance in all material respects with all applicable covenants given by BHB;
- (d) BHB shall provide to the Purchaser, within 21 days after the end of every month, the monthly management accounts and operational reports of the BACH Group commencing September 2015 until Completion Date;
- (e) BHB shall provide a written update with supporting documents to the Purchaser every quarter commencing from the date of the SSA until the Completion Date of the new business initiatives/ventures/opportunities/deals of the BACH Group; and
- (f) the complete discharge and redemption of the Sale Shares in respect of any charges created over the same and the delivery of the discharge documents by BHB to the Purchaser.

If any of the Conditions to Completion is unfulfilled on or before the Completion Date, the Purchaser may:

- (i) terminate the SSA;
- (ii) compel BHB by way of specific performance (subject to fulfillment of Conditions Precedent) to complete the transaction contemplated in the SSA; or
- (iii) claim damages for any default on the part of BHB in the performance of the terms and conditions in the SSA.

2.4.6 COSTS AND EXPENSES

- (a) The Purchaser shall bear the costs and stamp duty payable in respect of the transfer of the Sale Shares.
- (b) Each Party shall bear its own costs and expenses in respect of the preparation and execution of the SSA.

2.4.7 TERMINATION

(A) BHB'S BREACH

Upon the Purchaser becoming aware of the occurrence of any of the events stated hereunder, the Purchaser shall have the right to give notice in writing to BHB specifying the default or breach requiring BHB to remedy the said default or breach to the satisfaction of the Purchaser within 14 days of the receipt of such notice or such other period as may be mutually agreed between the parties in writing. The events are where:

- (i) BHB breaches any of the material or fundamental terms or conditions of the SSA or if BHB fails to perform or observe any material or fundamental undertaking, obligation or agreement in the SSA. For this purpose, Vendor's warranties referred to in the SSA are deemed material and fundamental;
- (ii) a receiver, receiver and manager, special administrator, trustee or similar official is appointed over any of the assets or undertaking of BHB or the BACH Group;
- (iii) the BACH Group, or BHB is or becomes unable to pay its debts when they are due or becomes unable to pay its debts within the meaning of the Act or any other legislation regarding insolvency of the jurisdiction in which it carried on business;
- (iv) the BACH Group, or BHB enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them;
- (v) an application or order is made for the winding up or dissolution of BHB or the BACH Group or a resolution is passed or any steps are taken to pass a resolution for the winding up or dissolution of BHB or the BACH Group otherwise than for the purpose of an amalgamation or reconstruction which has the prior written consent of the Purchaser;
- (vi) the BACH Group ceases or threatens to cease carrying on a substantial portion of their business; or
- (vii) BHB or the BACH Group commit(s) any act or omits to do any act which results in the breach or non-fulfilment of any term or condition of any banking, finance or credit facility which has the effect of causing the events specified in Section 2.4.7(A)(ii), (iii), (iv), (v) and (vi) of this Circular to occur.

If BHB fails to remedy the relevant default or breach within 14 days or such other period as may be mutually agreed between the parties in writing to the satisfaction of the Purchaser, the Purchaser shall be entitled to:

- (a) give notice to BHB to terminate the SSA or proceed to specific performance if prior to the completion of transfer of the Sale Shares; or
- (b) pursue a claim for damages if subsequent to completion of the SSA subject to provisions relating to limitation of liability under the SSA.

(B) THE PURCHASER'S BREACH

Upon BHB becoming aware of the occurrence of any of the events stated hereunder, BHB shall have the right to give notice in writing to the Purchaser specifying the default or breach requiring the Purchaser to remedy the said default or breach to the satisfaction of BHB within 14 days or such other period as may be mutually agreed between the parties in writing of the receipt of such notice. The events are where:

- (i) the Purchaser breaches any of the material or fundamental terms or conditions of the SSA or if the Purchaser fails to perform or observe any of the material or fundamental undertaking, obligation or agreement in the SSA. For this purpose, the Purchaser's warranties referred to in the SSA are deemed material and fundamental;
- (ii) a receiver, receiver and manager, special administrator, trustee or similar official is appointed over any of the assets or undertaking of the Purchaser;
- (iii) the Purchaser is or becomes unable to pay its debts when they are due or becomes unable to pay its debts within the meaning of the Act or any other legislation regarding insolvency of the jurisdiction in which it carried on business;

- (iv) the Purchaser enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them;
- (v) an application or order is made for the winding up or dissolution of the Purchaser or a resolution is passed or any steps are taken to pass a resolution for the winding up or dissolution of the Purchaser otherwise than for the purpose of an amalgamation or reconstruction which has the prior written consent of the Purchaser; or
- (vi) the Purchaser commits any act or omits to do any act which results in the breach or non-fulfilment of any term or condition of any banking, finance or credit facility which has the effect of causing the events specified in Section 2.4.7(B)(ii), (iii), (iv) and (v) of this Circular to occur.

If the Purchaser fails to remedy the relevant default or breach within 14 days to the satisfaction of BHB, BHB shall be entitled to:

- (a) give notice to the Purchaser to terminate the SSA or proceed to specific performance if prior to completion of transfer of the Sale Shares; or
- (b) pursue a claim for damages if subsequent to completion of the SSA where such claim for damages shall be capped at RM108 million.

2.5 SALIENT TERMS OF THE SHA

Upon execution of the SSA, BHB, the Purchaser and BAC have also confirmed the finalisation of the terms of the SHA. The SHA is to be executed on the Completion Date. The salient terms of the SHA are set out below:

2.5.1 DECISIONS OF THE BOARD AND BOARD RESERVED MATTERS

The board of BACH shall obtain the written approval of 1 BHB director and 1 SIPL director before taking any action or decision in relation to any of the board reserved matters as set out below:

- (a) Capital expenditure in any financial year, not included in the annual budget for that year, exceeding RM1,000,000.
- (b) Leasing expenditure in any financial year, not included in the annual budget for that year, in respect of plant and machinery with a value exceeding RM1,000,000.
- (c) The sale, transfer, lease, assignment or disposal in any financial year of any part of the business, asset, undertaking or property (including intellectual property) of BACH (including any sale of shares in any subsidiary or the dilution of its interests) with a book or market value (whichever is the greater) exceeding RM200,000 or the cessation of any material part of the business of BACH or any major diversification into new activities concerning BACH.
- (d) The raising of any loan or borrowing by BACH exceeding RM3,000,000.
- (e) The raising of any loans or any other kind of borrowing by BACH requiring a guarantee or indemnity from the shareholders.
- (f) The provision of any loan to any person, other than credit extended to trade customers in the ordinary course of the business.
- (g) BACH entering into or becoming liable under any guarantee or indemnity, or similar arrangement under which BACH may incur liability in respect of the financial obligation of any other person.
- (h) The creation of any encumbrance over any asset of BACH.

- (i) Any decision to commence, defend, settle, compromise or abandon any litigation or arbitration proceedings or other similar procedure other than the collection of trade debts in the ordinary course of business, except where advice is given to BACH that the defence of an action must be undertaken on an urgent basis or that application for injunctive relief or other interim order for preservation must be made.
- (j) The disposal of the business or the assets of BACH or any substantial part of either the business or the assets of BACH.
- (k) The establishment of new subsidiary(ies) or investments into new affiliates and the entering into any joint venture or partnership or profit sharing arrangement or similar arrangement by whatever name called with any person and any amendment to the terms of such venture, partnership or arrangement.
- (l) The employment and removal of any key personnel.
- (m) The terms of employment of executives who are members of the board of directors and any variation thereto.
- (n) The entry into of any agreement or arrangement not in the ordinary course of business.
- (o) Any matters concerning related party transactions inclusive of any loan or advances or credit to be granted to such related party.
- (p) Any material changes to the accounting policies of BACH except as required by any applicable law.
- (q) All matters concerning BAC that requires the approval/consent of BACH as stated in the shareholders' agreement dated 14 September 2015 entered into between MAB, BACH and BAC.
- (r) Any exercise of BACH's lien or forfeiture rights in respect of any shares under the articles of association.
- (s) Approval of any transaction outside the ordinary course of business of BACH.
- (t) The formulation of, and amendment and variation to, all corporate governance policies.

In relation to non-board reserved matters, resolutions of the directors shall be passed by a simple majority of votes.

2.5.2 BOARD COMPOSITION

The board of BACH shall consist of 4 directors.

BHB and SIPL shall each be entitled to appoint 2 persons as directors.

The chairman of the board of directors of BACH will be a director nominated by BHB. Subject to Section 2.5.1 of this Circular, and in the event of an equality of votes, the chairman shall have a casting vote.

2.5.3 INTEGRATION COMMITTEE

The shareholders of BACH agree to establish an integration committee to provide oversight, supervision and assistance for the individual, departmental and organisational work scope, work processes integration between existing BACH's, BAC's and SIPL's officers and employees.

2.5.4 SHAREHOLDERS' MEETING AND RESOLUTIONS

A simple majority vote of those present and entitled to vote, will constitute a valid resolution save and except for those resolutions that require a three-fourth majority as prescribed in the Act. In the case of shareholders' reserved matters (as described in the SHA), the affirmative vote of each representative of BHB and SIPL shall be required for such resolution to pass. The chairman of the board of directors, if he is present, will be the chairman of the general meetings of BACH but he will not be entitled to a vote. If the shareholders are unable to make a decision over a shareholders' reserved matter, a conciliation process will take place whereby a shareholder will first issue a conciliation notice on the other shareholder and the other shareholder will be given time to provide a written response. If the written response does not resolve the issue, the representatives of the shareholders will meet. If the meeting does not resolve the issue, the matter will be referred to the Chairman of BHB and the President and Chief Executive Officer of SATS for resolution. The entire conciliation process may take up to 70 days.

2.5.5 PRE-EMPTION RIGHTS

Any transfer of shares (other than transfers to related corporations and transfer in the event of default) by any one of the shareholders, the other shareholder shall have a right of first offer over such transfer shares.

2.5.6 EVENTS OF DEFAULT

The events of default under the SHA are as follows:

- (a) the shareholder commits a material or persistent breach of the SHA which if capable of remedy has not been so remedied within 14 business days after written notice to that effect has been served on it;
- (b) any step is taken by any person to appoint a receiver, receiver and manager, trustee, judicial manager or similar official in respect of the whole or a substantial part of the assets or undertaking of the shareholder;
- (c) the shareholder becomes unable to pay its debts when they become due or becomes unable to pay its debts within the meaning of the Act, the Bankruptcy Act 1967, of Malaysia or any other legislation regarding insolvency or bankruptcy of the jurisdiction in which it carries on business;
- (d) the shareholder enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them;
- (e) an application or order is made for the winding up or dissolution of the shareholder or a resolution is passed for the winding up or dissolution of the shareholder other than a voluntary winding up for the purpose of the reconstruction or amalgamation of all of part of the shareholder's group of companies in which a new company assumes (and is capable of assuming) all the obligations of the shareholder;
- (f) if a process has been instituted that could lead to the shareholder being dissolved and its assets being distributed among the shareholder's creditors, shareholders or other contributors; or
- (g) if a shareholder undergoes a change in control otherwise than for the purposes of internal restructuring. A change in control for this purpose occurs where:
 - (i) in the case of SIPL, SIPL ceases to be a subsidiary or indirect subsidiary of SATS; and
 - (ii) in the case of BHB, Dato' Seri Ibrahim bin Haji Ahmad ceases to be a controlling shareholder of BHB or where a competitor of SATS becomes a controlling shareholder of BHB.

2.5.7 MORATORIUM

Save for the transfer to related corporations, transfer arising from a deadlock and transfer arising from an event of default under the SHA, the shareholders agree not to directly or indirectly sell, assign, transfer, pledge, mortgage, charge or otherwise dispose of its shares in BACH to any third party within 5 years from the date of the SHA.

2.5.8 COSTS

Unless otherwise provided, all costs in connection with the negotiation, preparation, execution and performance of the SHA, shall be borne by the party that incurred the costs.

2.5.9 TERMINATION OF THE SHA

The SHA shall terminate:

- (a) when one shareholder ceases to hold any shares in BACH other than by reason of a transfer of shares pursuant to transfer to related corporations and transfer relating to pre-emption rights (as summarised in Section 2.5.5 of this Circular); or
- (b) when a resolution is passed by shareholders or creditors, or an order made by a court or other competent body or person instituting a process that shall lead to BACH being wound up and its assets being distributed among the BACH's creditors, shareholders or other contributors.

2.6 LIABILITIES TO BE ASSUMED BY THE PURCHASER

There are no other liabilities, including contingent liabilities and guarantees, to be assumed by the Purchaser pursuant to the Proposed Disposal.

2.7 INFORMATION ON BACH

BACH was incorporated in Malaysia under the Act as a private limited company on 18 June 2002. BACH is an investment holding company.

As at the LPD, the authorised and issued and paid-up share capital of BACH is as follows:

| | No. of shares | Par value (RM) | Amount (RM) |
|---|---------------|----------------|-------------|
| BACH Shares | | | |
| Authorised | 4,990,000 | 1.00 | 4,990,000 |
| Issued and paid-up | 1,000,000 | 1.00 | 1,000,000 |
| Class A redeemable preference shares | | | |
| Authorised | 500,000 | 0.01 | 5,000 |
| Issued and paid-up | - | - | - |
| Class B redeemable preference shares | | | |
| Authorised | 500,000 | 0.01 | 5,000 |
| Issued and paid-up | - | - | - |

Based on the latest audited consolidated financial statements of BACH for the FYE 31 December 2014, BACH's NA was RM113.04 million with a LATNCI of RM4.31 million.

BAC, a 70%-owned subsidiary of BACH, is principally involved in the provision of in-flight catering and related services such as cabin handling. BAC is the principal in-flight catering service provider at both KLIA and Penang International Airport.

Please refer to Appendix II of this Circular for further information on BACH.

2.8 INFORMATION ON THE PURCHASER

The Purchaser is a wholly-owned subsidiary of SATS, a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange.

The directors of the Purchaser and their shareholdings in SIPL as at the LPD are as follows:

| Name | Nationality | Direct | | Indirect | |
|---------------------------|-------------|---------------|---|---------------|---|
| | | No. of shares | % | No. of shares | % |
| Alexander Charles Hungate | Switzerland | - | - | - | - |
| Tan Chuan Lye | Singapore | - | - | - | - |
| Wong Hong | Singapore | - | - | - | - |

As at the LPD, the substantial shareholders of SATS, being the ultimate substantial shareholders of the Purchaser are as follows:

| Name | Place of incorporation | Direct | | Indirect | |
|------------------------------------|------------------------|----------------------------|-------|----------------------------|-------|
| | | No. of shares | % | No. of shares | % |
| Temasek Holdings (Private) Limited | Singapore | - | - | ⁽¹⁾ 479,874,521 | 43.19 |
| Tembusu Capital Pte Ltd | Singapore | - | - | ⁽¹⁾ 479,096,858 | 43.12 |
| Napier Investments Pte Ltd | Singapore | - | - | ⁽¹⁾ 479,096,858 | 43.12 |
| Venezio Investments Pte Ltd | Singapore | ⁽²⁾ 479,096,858 | 43.12 | - | - |

Note:

(1) Derived mainly through the direct interest of Venezio Investments Pte Ltd.

(2) The shareholding percentage has been calculated based on the number of issued ordinary shares of SATS as at the LPD, excluding any ordinary shares held in treasury as at that date.

As at 17 December 2015, SATS has a market capitalisation of about SGD4.3 billion.

SATS is a leading provider of gateway services and food solutions in Asia. Its food solutions business includes airline catering, institutional and remote catering, aviation laundry as well as food distribution and logistics. Its comprehensive gateway services encompass airfreight handling, passenger services, ramp handling, baggage handling, aviation security services, aircraft interior and exterior cleaning as well as cruise centre management. SATS is present at 43 airports and 11 countries across Asia and the Middle East.

(Source: Management of SATS)

2.9 PROPOSED UTILISATION OF PROCEEDS

The Base Consideration which is payable on the Completion Date is expected to be utilised as follows:

| Utilisation of proceeds | Indicative utilisation timeframe from Completion Date | RM'000 | % |
|---|---|----------------|---------------|
| Working capital ⁽¹⁾ | Within 12 months | 19,500 | 17.73 |
| Repayment of bank borrowings ⁽²⁾ | Within 1 month | 62,750 | 57.04 |
| Repayment of shareholder's advance ⁽³⁾ | Within 1 month | 17,250 | 15.68 |
| Estimated expenses for the Proposed Disposal ⁽⁴⁾ | Within 1 month | 10,500 | 9.55 |
| Total | | 110,000 | 100.00 |

Note:

- (1) The proceeds allocated for working capital shall be utilised to finance the BACH Group's day-to-day operations which shall include, but are not limited to salary costs, administrative expenses and payment of trade and other payables. The breakdown of proceeds to be utilised for each component of working capital has not been determined at this juncture. The actual amount to be utilised by each component of working capital may differ subject to the operating requirements at the time of utilisation.
- (2) BHB intends to utilise a substantial part of the proceeds from the Proposed Disposal amounting up to RM62.75 million to pare down its borrowings. BHB Group's total borrowings as at 30 September 2015 are RM154.89 million. Assuming financing cost of 6.52% per annum, the repayment of RM62.75 million in borrowings will result in approximately RM4.09 million in savings in interest expense. The details of the repayment are as set out below:

| RM'000 | OCBC | HLIB |
|---|---------------|----------|
| Amount outstanding as at 30 November 2015 | 133,351 | 7,750 |
| Proposed repayment amount | 55,000 | 7,750 |
| Amount outstanding after the repayment | 78,351 | - |

- (3) BHB intends to utilise part of the proceeds to repay the shareholder's advances provided by BIF to the BHB Group, a substantial shareholder of BHB. The shareholders' advances were provided to the BHB Group on the basis that the amounts owing are unsecured and interest free. The shareholder's advances are a form of financial support provided by BIF to:
- (a) BACH in 2003 to part finance the acquisition of BACH's subsidiary, BAC. As at 30 September 2015, the amount owing by BACH to BIF is approximately RM10.00 million; and
- (b) BHB in between 2008 and 2012 to part finance the operating expenses of the BHB Group. As at 30 September 2015, the amount owing by BHB to BIF is approximately RM7.25 million.
- There will be no further amount outstanding after the repayment of RM17.25 million to BIF.
- (4) Any excess/shortfall in the actual amount to be utilised for defraying the estimated expenses relating to the Proposed Disposal will be adjusted to/from working capital. The breakdown of the estimated expenses in relation to the Proposed Disposal is set out below:

| | RM'000 |
|---|---------------|
| Professional fees including financial advisory fee, legal advisory fee and deal arranger fee | 9,500 |
| Service tax, goods and services tax or other value added tax whether imposed in Singapore or Malaysia | 550 |
| Out of pocket expenses including transportation, travelling, accommodation, telephone, printing, courier charges and other related expenses incurred in connection with the Proposed Disposal | 250 |
| EGM related expenses including regulatory fee, printing, advertisement and venue rental fee | 100 |
| Miscellaneous expenses | 100 |
| Total | 10,500 |

The Base Earn-out Consideration and Outperformance Consideration totalling up to RM108.0 million are only payable based on the financial targets to be achieved over the Earn-out Period. No less than 50% and up to 80% of the Base Earn-out Consideration and Outperformance Consideration, if earned, will be utilised for the repayment of bank borrowings and the balance thereafter will be utilised for working capital as and when the monies are received (if any). The exact quantum of the proceeds to be utilised for each component has not been determined at this juncture and will differ subject to the operating and financial requirements of the BHB Group at the time of utilisation and the actual audited PATNCI achieved by BAC during the Earn-out Period.

Pending the utilisation of the proceeds by BHB, the proceeds will be placed in interest/profit bearing deposit accounts with financial institution(s) or short-term money market instrument(s) as the Board may deem fit.

3. RATIONALE FOR THE PROPOSED DISPOSAL

In May 2012, the Company embarked on the BLH Acquisition with the view to reaffirm its position as a niche food and beverage player and at the same time fulfil the national aspiration of having a Malaysian wholly-owned airline catering food services company. The BLH Acquisition was undertaken on the back of the old catering agreement entered into with MAS which was a 25-year concession (expiring in the year 2028) to provide catering and related services to MAS at KLIA.

Nonetheless, due to the 2 unprecedented airline industry tragedies which involved BAC's major customer, MAS in 2014, it exacerbated the difficulties of MAS to turnaround its business operations. Its troubled financial position intensified and necessitated a bold change in MAS. As a result, in August 2014, Khazanah Nasional Berhad, the major shareholder of MAS, announced "The MAS Recovery Plan". As the Group's airline catering business is closely connected to MAS' operations, BAC's financial performance was severely affected and its sterling performance during the FYE 31 December 2013 with revenue of RM384.63 million and PAT of RM57.07 million, weakened considerably to register revenue of RM342.84 million and loss after taxation of RM5.72 million for the FYE 31 December 2014. BAC was also not spared to support "The MAS Recovery Plan" where it faced deferred payment terms, write-offs amounting to RM74 million and discounted supplies to MAS. A combination of the above factors resulted in cashflow constraints to BAC operations and affected its ability to upstream dividends to BHB. BHB as a holding company requires cashflow from BAC to meet its debt obligation to avoid triggering loan defaults.

As part of "The MAS Recovery Plan", in order to ensure BAC's continuity of in-flight catering and cabin handling businesses with MAB (being the new national carrier replacing MAS), BHB entered into the NCAs. The NCAs mark a different chapter of business for BAC where pricing of the NCAs is now based on a new pricing methodology for meals and cabin handling services agreed by the parties. As a means to realise savings and operational efficiencies for BAC, the NCAs also now allow BAC to undertake non-airline food catering and related businesses which were previously not permissible under the old catering agreement.

Arising from changes in business landscape of the Group's airline catering business as set out above, the future of BAC's airline catering business remain challenging if no proactive steps are taken by the Board to counter the effect of the said changes. The Board is of the view that the Proposed Disposal is timely after taking into consideration the following:

- (i) **Reduction of gearing and financial burden** – Assuming RM62.75 million is utilised to repay the BHB Group's bank borrowings, proforma gearing will decrease from 0.56 times to between 0.24 times and 0.20 times. Based on the interest rate of 6.52% per annum, the savings in finance cost is estimated to be approximately RM4.09 million per annum. Taking into consideration the decline in the dividend payment ability of the BACH Group for the time being under the NCAs, the reduction of gearing and financial burden will also reduce BHB's dividend requirements from the BACH Group for debt servicing; and
- (ii) **Strategic partnership** – Upon completion of the Proposed Disposal, the Purchaser will become our strategic business partner, holding 49% equity interest in BACH. BACH intends to work closely with the Purchaser and its related corporations that operate in 43 airports across 11 countries, to explore opportunities for its halal inflight kitchen catering capabilities. In addition, the BACH Group is also expected to tap into the experience and know-how of the Purchaser and its related corporations in the non-airline catering business with the aim of strengthening our business performance.

4. EFFECTS OF THE PROPOSED DISPOSAL

4.1 ISSUED AND PAID-UP SHARE CAPITAL

The Proposed Disposal will not have any effect on the issued and paid-up share capital of BHB.

4.2 SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

The Proposed Disposal will not have any effect on the substantial shareholders' shareholdings in BHB.

4.3 NA AND GEARING

The proforma effects of the Proposed Disposal on the consolidated NA and gearing of BHB based on the audited consolidated statement of financial position of BHB as at 31 December 2014 and assuming that the Proposed Disposal had been effected on that date, are set out below:

| | Audited consolidated as at 31 December 2014 RM'000 | After the Proposed Disposal | |
|---------------------------|---|-----------------------------|--------------------------|
| | | (1) Scenario A RM'000 | (2) Scenario B RM'000 |
| Share capital | 236,286 | 236,286 | 236,286 |
| Share premium | 31,980 | 31,980 | 31,980 |
| Accumulated losses | (21,688) | (3) (81,902) | (3) (10,511) |
| NA | 246,578 | 186,364 | 257,755 |
| Non-controlling interest | 26,783 | (4) 186,497 | (4) 186,497 |
| Total equity | 273,361 | 372,861 | 444,252 |
| No. of BHB Shares ('000) | 236,286 | 236,286 | 236,286 |
| NA per BHB Share (RM) | 1.04 | 0.79 | 1.09 |
| Borrowings | 152,987 | (5) 90,237 | (5) 90,237 |
| Gearing ratio (6) (times) | 0.56 | 0.24 | 0.20 |

Note:

- (1) **Scenario A:** On the basis that BHB will only receive the Base Consideration where BAC's actual PATNCI is below the Minimum PATNCI throughout the Earn-out Period.
- (2) **Scenario B:** On the basis that BHB will receive the Base Consideration and on the assumption that BHB will also receive the Base Earn-out Consideration, i.e. the "Contingent Consideration" where BAC's actual PATNCI meets the Target PATNCI throughout the Earn-out Period. On a prudence basis, it is assumed that BHB will not receive the Outperformance Consideration.
- (3) Disposal of a partial interest in a subsidiary in which the parent company retains control does not result in a gain or loss but will result in an increase or decrease in equity under the economic entity approach under the Malaysian Financial Reporting Standards.

Scenario A

On the basis that BHB will only receive the Base Consideration, the movement in accumulated losses is as set out below:

| | RM'000 | RM'000 | Computation |
|---|-----------|-----------------|-------------|
| Accumulated losses as at FYE 31 December 2014 | | (21,688) | |
| Add: Accretion in share of total NA | | | |
| • Base Consideration | 110,000 | | |
| • Decrease in share of BACH's NA | (159,714) | | Table B |
| | | (49,714) | |
| Less: Estimated expenses in relation to the Proposed Disposal | | (10,500) | |
| Proforma accumulated losses as at FYE 31 December 2014 | | (81,902) | |

Scenario B

On the basis that BHB will receive the Base Consideration and on the assumption that BHB will also receive the Base Earn-out Consideration, i.e. the "Contingent Consideration", the movement in accumulated losses is as set out below. On a prudence basis, it is assumed that BHB will not receive the Outperformance Consideration.

| | RM'000 | RM'000 | Computation |
|---|-----------|-----------------|-------------|
| Accumulated losses as at FYE 31 December 2014 | | (21,688) | |
| Add: Accretion in share of total NA | | | |
| • NPV of Base Consideration and Contingent Consideration | 181,391 | | Table C |
| • Decrease in share of BACH's NA | (159,714) | | Table B |
| | | 21,677 | |
| Less: Estimated expenses in relation to the Proposed Disposal | | (10,500) | |
| Proforma accumulated losses as at FYE 31 December 2014 | | (10,511) | |

Tables of computation:

Table B

| | RM'000 |
|---|--------------------------------|
| NA of BACH as at FYE 31 December 2014 | (A) 113,040 |
| Goodwill of BACH at BHB level as at FYE 31 December 2014 | (B) 212,906 |
| Total NA and goodwill | (C) = (A) + (B) 325,946 |
| Share of BACH's NA and goodwill after the Proposed Disposal | (D) = (C) x 51% 166,232 |
| Decrease in share of BACH's NA | (C) – (D) 159,714 |

Table C

| | FYE 31 December 2016 RM'000 | FYE 31 December 2017 RM'000 | FYE 31 December 2018 RM'000 | FYE 31 December 2019 RM'000 |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Base Consideration | 110,000 | - | - | - |
| Base Earn-out Consideration | - | (a) 30,000 | (a) 30,000 | (a) 30,000 |
| WACC (b) | 8.10% | | | |
| NPV | 110,000 | 25,673 | 23,749 | 21,969 |
| Total NPV of Base Consideration and Contingent Consideration | 181,391 | | | |

Note:

- (a) The Base Earn-out Consideration for the respective Earn-out Years will be payable to BHB in the respective subsequent financial years.
- (b) The WACC of BHB as extracted from Bloomberg as at 17 December 2015, being the market day prior to the date of the announcement that BHB entered into the SSA.
- (4) After taking into account the adjustments for the decrease in share of BACH's NA of RM159.71 million after the Proposed Disposal.
- (5) Assuming the repayment of RM62.75 million in borrowings as part of the utilisation of the Disposal Consideration. Assuming financing cost of 6.52% per annum, the repayment of RM62.75 million in borrowings will result in approximately RM4.09 million in savings in interest expense. As at 30 September 2015, BHB Group has RM154.89 million in borrowings.
- (6) Gearing ratio is computed based on total borrowings divided by total equity.

Based on the audited consolidated statement of financial position of BHB as at 31 December 2014 and assuming that BHB will only receive the Base Consideration, the consolidated NA will reduce from RM246.58 million to RM186.37 million and the NA per share of BHB will reduce from RM1.04 to RM0.79 respectively as the Base Consideration is inadequate to off-set the impact of the decrease in equity under the economic entity approach under the Malaysian Financial Reporting Standards and the one-off expenses incurred for the Proposed Disposal. Nonetheless, the gearing ratio will reduce by approximately 57% from 0.56 times to 0.24 times arising from the repayment of borrowings from the Base Consideration as detailed in Section 2.9 of this Circular.

On the other hand, based on the audited consolidated statement of financial position of BHB as at 31 December 2014 and assuming that BHB will receive the Base Consideration as well as the Base Earn-out Consideration, the consolidated NA will increase from RM246.58 million to RM257.76 million and the NA per share of BHB will increase from RM1.04 to RM1.09 respectively. This is mainly due to the receipt of the additional Base Earn-out Consideration which will have a positive effect to off-set the impact of the decrease in equity under the economic entity approach under the Malaysian Financial Reporting Standards. Similarly, the gearing ratio will reduce from 0.56 times to 0.20 times from the repayment of borrowings from the Base Consideration as detailed in Section 2.9 of this Circular.

4.4 EARNINGS AND EPS

Based on the audited consolidated financial statements of BHB for the FYE 31 December 2014 and on the assumption that the Proposed Disposal had been affected at the beginning of the FYE 31 December 2014, i.e. 1 January 2014, the Proposed Disposal will have the following proforma effects on the consolidated earnings of BHB:

| | LATNCI RM'000 | ⁽¹⁾LPS sen |
|---|--------------------------|----------------------------------|
| Audited for the FYE 31 December 2014 | 31,962 | 13.53 |
| Less: LATNCI attributable to the Purchaser | ⁽²⁾ (2,112) | |
| Less: Savings in interest expense | ⁽³⁾ (4,091) | |
| Add: Estimated expenses in relation to the Proposed Disposal | 10,500 | |
| Proforma LATNCI for the FYE 31 December 2014 | 36,259 | 15.35 |

Note:

(1) Computed based on the total number of BHB Shares as at 31 December 2014 of 236,285,500 BHB Shares.

(2) Computation as set out below:

| | RM'000 |
|---|------------------------|
| LATNCI of BACH as at FYE 31 December 2014 | (A) 4,310 |
| LATNCI attributable to the Purchaser | (A) x 49% 2,112 |

(3) Assuming the repayment of RM62.75 million in borrowings as part of the utilisation of the Disposal Consideration. Assuming financing cost of 6.52% per annum, the repayment of RM62.75 million in borrowings will result in approximately RM4.09 million in savings in interest expense.

For the FYE 31 December 2014, the BHB Group recorded a consolidated LATNCI of RM31.96 million. Assuming the reduction of BHB's equity interest in BACH, savings in interest expense and the estimated expenses in relation to the Proposed Disposal, the consolidated proforma LATNCI and LPS of BHB would be RM36.26 million and 15.35 sen respectively. The increase in LATNCI and LPS is mainly due to the related expenses in relation to the Proposed Disposal which is a one-off expense incurred for the Proposed Disposal.

Notwithstanding the above, the Proposed Disposal is expected to have a positive impact on the consolidated earnings and EPS of BHB for the FYE 31 December 2016 (on the assumption that the Proposed Disposal is completed by February 2016) as well as the future consolidated earnings and EPS of BHB with the entry of a new strategic partner which is expected to contribute positively in terms of synergies, expertise and network to spur revenue and profit growth as well as interest savings due to lower borrowings.

4.5 CONVERTIBLE SECURITIES

As at the LPD, BHB does not have any convertible security.

5. RISK FACTORS

The risk factors associated with the Proposed Disposal, which may not be exhaustive, are set out below:

5.1 COMPLETION RISK

The completion of the Proposed Disposal is conditional upon the Conditions Precedent and Conditions to Completion as summarised in Section 2.4.4 and 2.4.5, respectively of this Circular being satisfied. The non-fulfilment of the Conditions Precedent and Conditions to Completion may result in the Proposed Disposal being delayed or terminated.

Should a delay or non-completion occur, the Group will not be able to utilise the proceeds from the Proposed Disposal in the manner set out in Section 2.9 of this Circular. Nevertheless, the management of the Group will ensure reasonable steps are taken for the completion of the Proposed Disposal and the Conditions Precedent and Conditions to Completion are met within the stipulated timeframe.

5.2 FUTURE INCOME

Presently, the Company is recognising 100% of BACH's results which owns 70% equity interest in BAC. Upon completion of the Proposed Disposal, BHB's equity interest in BACH will be reduced to 51% and the consolidation of BACH's results will also reduce correspondingly.

Notwithstanding the above, the Board is of the view that the entry of a new strategic partner in BACH will provide the BACH Group with synergies, expertise and the network required to spur its revenue and profit growth. However, there is no assurance that these synergies will materialise or will generate sufficient earnings to compensate for the loss of income contribution arising from the Proposed Disposal.

5.3 ACHIEVABILITY OF FUTURE PATNCI

The Base Earn-out Consideration and Outperformance Consideration will only be payable to BHB upon the achievement of BAC's audited PATNCI during the Earn-out Period.

There is no certainty that the Minimum PATNCI, Target PATNCI and Capped PATNCI for the respective Earn-out Years will be achieved. If the relevant financial target for the year is not met, a portion of the Disposal Consideration will not accrue to BHB, effectively lowering the aggregate Disposal Consideration. Should this occur, BHB will not be able to reap the full benefits of the aggregate Disposal Consideration of up to RM218.0 million.

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The financial targets are based on current expectations of business performance, strategies, plans and prospects regarding the BAC Business. Such bases and assumptions regarding BAC Business on its future business operations and performance are forward looking statements which are believed to be reasonable as at the LPD. Nonetheless, such forward looking statements involve known or unknown risks, uncertainties and other factors that may cause the actual results or business performance to be materially different from the results or performance expressed or implied by the above forward looking statements.

5.4 PRICE ADJUSTMENTS PURSUANT TO THE SSA

Pursuant to the terms of the SSA, the Base Consideration may be adjusted by the Purchaser under the circumstances as summarised in Section 2.1.3 of this Circular.

Should any adverse price adjustments be effected, BHB will not be able to have the entire proceeds from the Proposed Disposal for utilisation in the manner set out in Section 2.9 of this Circular. Nevertheless, the Board and the management of the Group will ensure that all reasonable steps will be taken to ensure the circumstances above are mitigated.

5.5 CONTRACTUAL RISK

BHB has given warranties as set out in the SSA and the SHA, in favour of the Purchaser. In this respect, BHB may be subject to claim in accordance with the terms and conditions of the SSA and SHA for the breach of any warranties given pursuant to the SSA and SHA.

The Board and the management of BHB will endeavour to ensure compliance with its obligations under the SSA and SHA to minimise the risk of any breach of the warranties given.

5.6 IMPAIRMENT OF GOODWILL

Based on BHB's latest audited consolidated financial statements for the FYE 31 December 2014, the carrying amounts of goodwill allocated to BACH and BAC as CGU are RM212.91 million and RM69.57 million respectively. For the FYE 31 December 2014, the BHB Group has assessed the recoverable amounts of goodwill allocated to BACH and BAC, and determined that no impairment is required. Financial Reporting Standards 136: Impairment of Assets requires goodwill to be tested for impairment annually if events or circumstances indicate that it is more likely than not that the recoverable amount of a CGU is less than its carrying amount. In the event that the goodwill is not supported by the projected cashflows of the relevant CGU, there could be an impairment to the carrying amounts of goodwill allocated to BACH and BAC, which in turn will have to be expensed immediately.

The Board notes that these are consequential adjustments pursuant to applicable accounting standards and there can be no assurance that the carrying amounts of goodwill allocated to BACH and BAC will remain the same in the future. Nonetheless, the Board intends to continuously monitor the projected cashflows of the BACH Group to ensure that the goodwill is supported by the project cashflows of the relevant CGU.

6. APPROVALS REQUIRED

The Proposed Disposal is subject to the following approvals/consents being obtained:

- (i) MAB for the Proposed Disposal in accordance with the NCAs and the shareholders' agreement between MAB, BACH and BAC dated 14 September 2015 in respect of the shares in BAC, if required;
- (ii) LSG Asia in respect of the Right of First Refusal pursuant to the LSG SSA, which was obtained on 12 December 2015;
- (iii) shareholders of BHB for the Proposed Disposal at the forthcoming EGM; and

- (iv) creditors/lenders of the Company and/or its subsidiaries, which is pending as at the date of this Circular.

The Proposed Disposal is not conditional upon any other corporate exercise.

7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

None of the Directors, major shareholders of BHB and/or persons connected to them has any interest, directly or indirectly, in the Proposed Disposal.

8. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, having considered all aspects of the Proposed Disposal including the rationale, risk factors and effects of the Proposed Disposal and after careful deliberation, is of the opinion that the Proposed Disposal is in the best interests of the Company.

Accordingly, the Board recommends that you vote in favour of the ordinary resolution to give effect to the Proposed Disposal which will be tabled at the forthcoming EGM of the Company.

9. CORPORATE PROPOSALS WHICH HAVE BEEN ANNOUNCED BUT NOT YET COMPLETED

Save for the Proposed Disposal, the Board confirms that BHB does not have any other corporate exercise which has been announced on Bursa Securities but pending completion as at the LPD.

The Proposed Disposal is not conditional or inter-conditional upon any other corporate exercise or scheme.

10. TENTATIVE TIMETABLE FOR THE IMPLEMENTATION OF THE PROPOSED DISPOSAL

Barring any unforeseen circumstances, the Proposed Disposal is expected to be completed by the first quarter of 2016.

The tentative timetable for the implementation for the Proposed Disposal is set out below:

| Date | Event |
|-----------------|-------------------------------------|
| 15 January 2016 | EGM for the Proposed Disposal |
| February 2016 | Completion of the Proposed Disposal |

11. EGM

The EGM, the notice of which is enclosed with this Circular, will be held at Café Barbera, 18, Lorong Maarof, Bangsar Park, 59000 Kuala Lumpur on Friday, 15 January 2016 at 10.30 a.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing the ordinary resolution to give effect to the Proposed Disposal.

If you are unable to attend and vote in person at the EGM, you should complete, sign and return the enclosed Form of Proxy in accordance with the instructions printed therein as soon as possible and in any event must be deposited at the office of the Company's Share Registrar, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time and date fixed for the EGM or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person should you subsequently wish to do so.

12. FURTHER INFORMATION

Shareholders are advised to refer to the accompanying appendices for further information.

Yours faithfully,
for and on behalf of the Board
BRAHIM'S HOLDINGS BERHAD

DATO' SERI IBRAHIM BIN HAJI AHMAD
Executive Chairman

ILLUSTRATION OF BASE EARN-OUT CONSIDERATION AND OUTPERFORMANCE CONSIDERATION COMPUTATIONS

For illustration purposes, the Base Earn-Out Consideration and Outperformance Consideration will be computed as follows, using the Minimum PATNCI, Target PATNCI and Capped PATNCI for FYE 31 December 2016 set out below:

| PATNCI thresholds | Earn-out Year |
|-------------------|-------------------------------|
| | FYE 31 December 2016 (RM'mil) |
| Minimum PATNCI | 23.7 |
| Target PATNCI | 44.1 |
| Capped PATNCI | 49.5 |

(i) Actual PATNCI is less than Minimum PATNCI

Assumed actual BAC PATNCI - RM20 million

Earn-out Payout = nil (financial target not met)

(ii) Actual PATNCI is equal to Minimum PATNCI

Assumed actual BAC PATNCI - RM23.7 million

| Formula for Earn-out Payout (RM'mil) | Earn-out Payout for FYE 31 December 2016 (RM'mil) | Formula for Outperformance Payout (RM'mil) | Outperformance Payout for FYE 31 December 2016 (RM'mil) |
|---|---|--|---|
| $7.5 + [(23.7 - 23.7) / (44.1 - 23.7) \times 22.5]$ | 7.5 | $[(23.7 - 44.1) / (49.5 - 44.1)] \times 6.0$ | Nil |

(iii) Actual PATNCI is more than Minimum PATNCI but less than Target PATNCI

Assumed actual BAC PATNCI - RM40 million

| Formula for Earn-out Payout (RM'mil) | Earn-out Payout for FYE 31 December 2016 (RM'mil) | Formula for Outperformance Payout (RM'mil) | Outperformance Payout for FYE 31 December 2016 (RM'mil) |
|---|---|--|---|
| $7.5 + [(40.0 - 23.7) / (44.1 - 23.7) \times 22.5]$ | 25.5 | $[(40.0 - 44.1) / (49.5 - 44.1)] \times 6.0$ | Nil |

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ILLUSTRATION OF BASE EARN-OUT CONSIDERATION AND OUTPERFORMANCE CONSIDERATION COMPUTATIONS

(iv) Actual PATNCI is equal to Target PATNCI

Assumed actual BAC PATNCI - RM44.1 million

| Formula for Earn-out Payout (RM'mil) | Earn-out Payout for FYE 31 December 2016 (RM'mil) | Formula for Outperformance Payout (RM'mil) | Outperformance Payout for FYE 31 December 2016 (RM'mil) |
|---|--|---|--|
| $7.5 + [(44.1 - 23.7) / (44.1 - 23.7) \times 22.5]$ | 30.0 (Capped) | $[(44.1 - 44.1) / (49.5 - 44.1)] \times 6.0$ | Nil |

(v) Actual PATNCI is more than Target PATNCI but less than Capped PATNCI

Assumed actual BAC PATNCI - RM48.0 million

| Formula for Earn-out Payout (RM'mil) | Earn-out Payout for FYE 31 December 2016 (RM'mil) | Formula for Outperformance Payout (RM'mil) | Outperformance Payout for FYE 31 December 2016 (RM'mil) |
|---|--|---|--|
| $7.5 + [(48.0 - 23.7) / (44.1 - 23.7) \times 22.5]$ | 30.0 (Capped) | $[(48.0 - 44.1) / (49.5 - 44.1)] \times 6.0$ | 4.3 |

(vi) Actual PATNCI is equal to Capped PATNCI

Assumed actual BAC PATNCI - RM49.5 million

| Formula for Earn-out Payout (RM'mil) | Earn-out Payout for FYE 31 December 2016 (RM'mil) | Formula for Outperformance Payout (RM'mil) | Outperformance Payout for FYE 31 December 2016 (RM'mil) |
|---|--|---|--|
| $7.5 + [(49.5 - 23.7) / (44.1 - 23.7) \times 22.5]$ | 30.0 (Capped) | $[(49.5 - 44.1) / (49.5 - 44.1)] \times 6.0$ | 6.0 (Capped) |

(vii) Actual PATNCI is more than Capped PATNCI

Assumed actual BAC PATNCI - RM52.0 million

| Formula for Earn-out Payout (RM'mil) | Earn-out Payout for FYE 31 December 2016 (RM'mil) | Formula for Outperformance Payout (RM'mil) | Outperformance Payout for FYE 31 December 2016 (RM'mil) |
|---|--|---|--|
| $7.5 + [(52.0 - 23.7) / (44.1 - 23.7) \times 22.5]$ | 30.0 (Capped) | $[(52.0 - 44.1) / (49.5 - 44.1)] \times 6.0$ | 6.0 (Capped) |

(Important Note: The above illustration is solely for reference purpose and should not be regarded as a representation by BHB that the above are financial targets which can be achieved.)

INFORMATION ON BACH

1. PRINCIPAL ACTIVITY

BACH was incorporated in Malaysia under the Act as a private limited company on 18 June 2002 under the name of "Gubahan Saujana Sdn Bhd". On 23 December 2003, BACH changed its name to "Brahim's-LSG Sky Chefs Holdings Sdn Bhd". It assumed its present name on 21 February 2013 following the completion of the BLH Acquisition. BACH is an investment holding company. BAC, a 70%-owned subsidiary of BACH, is principally involved in the provision of in-flight catering and related services such as cabin handling. BAC is the principal in-flight catering service provider at both KLIA and Penang International Airport.

BACH's principal subsidiary, BAC, operates at KLIA and Penang International Airport with kitchen sizes of 59,025 square metres and 1,036.8 square metres respectively. The principal customers for BAC are airline companies with landing rights at both airports. BAC is currently the market leader for in-flight catering services with approximately 95% and 100% of market share at KLIA and Penang International Airport respectively. Apart from MAB as its anchor customer, BAC caters to over 35 other airlines with the capacity to serve up to 60,000 meals daily at KLIA and up to 5,000 meals at the Penang International Airport. BAC served approximately 15 million, 17 million and 18 million meals during the FYE 31 December 2012, FYE 31 December 2013 and FYE 31 December 2014, respectively. From this amount and over the same period, meals uplifted from MAB were approximately 8.8 million, 11.5 million and 12.0 million meals, respectively. As at the FYE 31 December 2014, BAC has a total headcount of 1,133 staff.

BAC entered into NCAs with MAB which has a tenure of 5 years (expiring 15 September 2020) with the option of renewal for another 5 years to provide catering and related services to MAB at KLIA. It prides itself on the preparation of halal in-flight meals and a fully integrated food logistics supply chain which includes cold rooms, warehouses and distribution support.

The principal activity of its subsidiary is set out in Section 5 of this Appendix.

2. SHARE CAPITAL

As at the LPD, the authorised and issued and paid-up share capital of BACH is as follows:

| | No. of shares | Par value (RM) | Amount (RM) |
|---|---------------|-------------------|----------------|
| BACH Shares | | | |
| Authorised | 4,990,000 | 1.00 | 4,990,000 |
| Issued and paid-up | 1,000,000 | 1.00 | 1,000,000 |
| Class A redeemable preference shares | | | |
| Authorised | 500,000 | 0.01 | 5,000 |
| Issued and paid-up | - | - | - |
| Class B redeemable preference shares | | | |
| Authorised | 500,000 | 0.01 | 5,000 |
| Issued and paid-up | - | - | - |

As at the LPD, there is no Class A redeemable preference share and Class B redeemable preference share in issue.

INFORMATION ON BACH

3. DIRECTORS AND THEIR SHAREHOLDINGS

The Directors of BACH and their shareholdings in BACH as at the LPD are as follows:

| Name | Nationality | Designation | Direct | | Indirect | |
|--|-------------|-------------|--------------------|---|--------------------------|-----|
| | | | No. of BACH Shares | % | No. of BACH Shares | % |
| Dato' Seri Ibrahim bin Haji Ahmad | Malaysian | Director | - | - | ⁽¹⁾ 1,000,000 | 100 |
| Tan Sri Dato' Mohd Ibrahim bin Mohd Zain | Malaysian | Director | - | - | ⁽¹⁾ 1,000,000 | 100 |

Note:

(1) Deemed interest pursuant to Section 6A of the Act by virtue of BHB's equity interest in BACH.

4. SUBSTANTIAL SHAREHOLDERS' AND THEIR SHAREHOLDINGS

The substantial shareholders of BACH and their shareholdings in BACH as at the LPD are as follows:

| Name | Nationality/Place of incorporation | Direct | | Indirect | |
|--|------------------------------------|--------------------|-----|--------------------------|-----|
| | | No. of BACH Shares | % | No. of BACH Shares | % |
| BHB | Malaysia | 1,000,000 | 100 | - | - |
| BIF | Malaysia | - | - | ⁽¹⁾ 1,000,000 | 100 |
| Fahim Capital Sdn Bhd | Malaysia | - | - | ⁽²⁾ 1,000,000 | 100 |
| Semantan Capital Sdn Bhd | Malaysia | - | - | ⁽²⁾ 1,000,000 | 100 |
| Dato' Seri Ibrahim Bin Haji Ahmad | Malaysian | - | - | ⁽³⁾ 1,000,000 | 100 |
| Tan Sri Dato' Mohd Ibrahim Bin Mohd Zain | Malaysian | - | - | ⁽⁴⁾ 1,000,000 | 100 |
| Lembaga Tabung Haji | Malaysia | - | - | ⁽¹⁾ 1,000,000 | 100 |

Note:

(1) Deemed interest pursuant to Section 6A of the Act by virtue of its equity interest in BHB.

(2) Deemed interest pursuant to Section 6A of the Act by virtue of its equity interest in Brahimi's International Franchises Sdn Bhd.

(3) Deemed interest pursuant to Section 6A of the Act by virtue of his shareholdings in Fahim Capital Sdn Bhd and IBH Capital (Labuan) Limited.

(4) Deemed interest pursuant to Section 6A of the Act by virtue of his shareholdings in Semantan Capital Sdn Bhd.

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INFORMATION ON BACH

5. SUBSIDIARY AND ASSOCIATED COMPANY

The subsidiary of BACH as at the LPD is as follows:

| Name | Date / Place of incorporation | Issued and paid-up share capital | Effective equity interest (%) | Principal activity |
|------|---------------------------------|----------------------------------|-------------------------------|---|
| BAC | 23 September 1994 (Malaysia) | RM78 million | 70% | Carry on airline catering and catering related services |

As at the LPD, BACH does not have any associated company.

6. FINANCIAL SUMMARY

The audited consolidated financial results of BACH for the past 3 financial years from FYE 31 December 2012 to FYE 31 December 2014 are as follows:

| | ⁽¹⁾ Audited FYE 31 December | | |
|---|--|---------|---------|
| | 2012 | 2013 | 2014 |
| | RM'000 | RM'000 | RM'000 |
| Revenue | 335,058 | 384,625 | 342,836 |
| Profit/(Loss) before taxation | 59,037 | 77,506 | (6,778) |
| Profit/(Loss) after taxation | 43,452 | 56,571 | (6,027) |
| PATNCI/(LATNCI) | 30,337 | 39,451 | (4,310) |
| NA | 111,700 | 130,850 | 113,040 |
| Non-controlling interest | 26,343 | 34,761 | 27,042 |
| Total equity | 138,043 | 165,611 | 140,082 |
| Paid-up capital | 1,000 | 1,000 | 1,000 |
| Total borrowings | 37,458 | 10,345 | 10,021 |
| NA per share (RM) | 111.70 | 130.85 | 113.04 |
| Gross earnings/(loss) per share ⁽²⁾ (RM) | 59.04 | 77.51 | (6.78) |
| Net earnings/(loss) per share ⁽³⁾ (RM) | 30.34 | 39.45 | (4.31) |
| Current ratio (times) | 1.40 | 1.82 | 1.28 |
| Gearing ratio (times) ⁽⁴⁾ | 0.27 | 0.06 | 0.07 |

Note:

(1) The management of BACH only prepares consolidated financial statements for audit purposes on a yearly basis. No consolidated management accounts for interim financial periods are available.

(2) Computed based on profit/(loss) before taxation divided by total number of shares.

(3) Computed based on PATNCI/(LATNCI) divided by total number of shares.

(4) Computed based on total borrowings divided by total equity.

Comments:**FYE 31 December 2012**

Revenue decreased marginally by 1.25% as compared to FYE 31 December 2011. However, due to lower cost of raw materials, consumables, direct labour cost and finance cost, BACH maintained the PATNCI at RM30.34 million for the FYE 31 December 2012 (RM30.33 million for FYE 31 December 2011).

INFORMATION ON BACH

Gearing ratio also decreased significantly from 0.66 times in FYE 31 December 2011 to 0.27 times in FYE 31 December 2012. This is attributed to the repayment of bank borrowings during the financial year.

FYE 31 December 2013

Revenue increased by approximately 14.79% from RM335.06 million to RM384.63 million. The increase in revenue was driven by the increase in passenger load of BAC's major customer, MAS, following its focus on route maximisation of its current destinations, therefore increasing the demand for meals.

The PATNCI increased by approximately 30.03% from RM30.34 million to RM39.45 million. The increase in PATNCI is mainly due to the increase in revenue coupled with lower finance cost.

The gearing ratio of BACH improved from 0.27 times in FYE 31 December 2012 to 0.06 times in FYE 31 December 2013 due to the repayment of bank borrowings during the financial year.

FYE 31 December 2014

Revenue decreased by 10.86% as compared to FYE 31 December 2013 due to the discount of 25% provided to MAS following the execution of a settlement agreement in the 4th quarter of 2014 up to the execution of the NCAs.

For the FYE 31 December 2014, BACH's major subsidiary, BAC, encountered major difficulties in collection from its key customer, MAS. After the tragic incidents of MH370 and MH17, MAS went into financial distress and had to undertake the MAS Recovery Plan. Under these circumstances, BAC was required to enter into a settlement agreement with MAS which effectively resulted in the impairment of approximately RM49.95 million from its receivables and bill reductions of approximately RM24.05 million, totalling approximately RM74.00 million.

Hence, BACH recorded a LATNCI of RM4.31 million for the FYE 31 December 2014.

As a result of the losses incurred during the financial year, the NA of BACH reduced from RM130.85 million to RM113.04 million which increased its gearing ratio from 0.06 times to 0.07 times.

7. ACCOUNTING POLICIES

There are no accounting policies being adopted which are peculiar to the BACH Group because of the nature of the BACH Group's business or the industry that the BACH Group is involved in.

8. AUDIT QUALIFICATION

There were no audit qualifications on the audited consolidated financial statements of BACH for the FYE 31 December 2012 to FYE 31 December 2014.

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INFORMATION ON BACH

9. MATERIAL LITIGATION

As at the LPD and save as disclosed below, the BACH Group is not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant and the Board does not have any knowledge of any proceedings pending or threatened against the BACH Group or any fact likely to give rise to any proceedings which may materially and adversely affect the financial position or business of the BACH Group:

- (i) BAC has brought an appeal before the Special Commissioners of Income Tax against the Director General of Inland Revenue Board. The appeal is against the deemed assessment by the Inland Revenue Board for the company's Years of Assessment ("YA") 2011 and 2012. BHB appealed and prayed that the interest expenditure of RM4,054,848 and RM2,315,440 be allowed as a deduction for YA 2011 and 2012 respectively and the brought forward tax losses to the YA 2011 be revised to RM38,962,726. As at the LPD, the decision date in relation to this case has yet to be fixed.

10. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business), which have been entered into by the BACH Group within the past 2 years immediately preceding the date of this Circular:

(i) Settlement Agreement and Extension Agreement

The settlement agreement was entered into on 26 February 2015 between MAS and BAC ("**Settlement Agreement**"). The Settlement Agreement commenced from 1 October 2014 until the earlier of:

- (a) the new catering agreement ("**New Agreement**") cut-off date (which was extended to 10 May 2015 pursuant to the extension agreement dated 8 May 2015 ("**Extension Agreement**")); or
- (b) the date of execution of the New Agreement ("**Interim Period**").

Amongst others, the Settlement Agreement provides for the following:

- (1) MAS and BAC shall use best efforts to negotiate in good faith and conclude, finalise and execute the definitive New Agreement by the New Agreement cut-off date;
- (2) during the Interim Period, BAC shall provide a reduction of 25% on the total amount of the final bill;
- (3) a full and final settlement in respect of the unresolved notice of dispute ("**NOD**") claims, the dispute productivity rebate and the non-NOD claims (collectively as "**Claims**"); and
- (4) BAC waives all claims it may have in respect of all invoiced amounts for which payments have been withheld by the MAS in connection with the resolved NOD claims and Claims, and neither party shall have further claims or demands against each other, whether existing or future, howsoever arising in connection with such withholdings.

INFORMATION ON BACH

(ii) Termination Agreement for Shareholders' Agreement

The termination agreement for shareholders' agreement entered into on 14 September 2015 between MAS, BACH and BAC to terminate the shareholders' agreement dated 25 September 2003 made between MAS, BACH and BAC.

(iii) Termination Agreement for Tenancy Agreement

The termination agreement for tenancy agreement entered into on 14 September 2015 between MAS and BAC to terminate the tenancy agreement dated 25 September 2003 made between MAS and BAC. In pursuance to the catering agreement dated 25 September 2003 as set out in Section 10(iv) of this appendix, MAS and BACH entered into the tenancy agreement dated 25 September 2003 for the rental of the catering building situated at MAS Complex, South Support Zone, KLIA, Sepang, Selangor, together with the fixtures and fittings, plant and equipment as set out in the said tenancy agreement. A new tenancy agreement was signed in lieu of the terminated old tenancy agreement.

(iv) Termination Agreement for Catering Agreement

The termination agreement for catering agreement entered into on 14 September 2015 between MAS and BAC to terminate the catering agreement dated 25 September 2003 made between MAS and BAC. The catering agreement provided BAC the exclusive right to supply and provide in-flight catering and cabin handling services to MAS at both the KLIA and Penang International Airport for a period of 25 years expiring on 1 December 2028. The catering agreement has been superseded by the NCAs.

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER
2014**

Company No.

| | |
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| 583216 | P |
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BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

FINANCIAL YEAR ENDED 31 DECEMBER 2014

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia).

**REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

| Contents | Page |
|---|---------|
| Directors' report | 1 - 5 |
| Financial statements | |
| Statements of comprehensive income | 6 |
| Statements of financial position | 7 - 8 |
| Consolidated statement of changes in equity | 9 |
| Statement of changes in equity | 10 |
| Statements of cash flows | 11 - 12 |
| Notes to the financial statements | 13 - 47 |
| Statement by Directors | 48 |
| Statutory declaration | 48 |
| Independent auditors' report | 49 - 50 |

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia).

DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of an investment holding company.

The principal activities of the Group are to carry on catering and catering related services.

There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

| | <u>Group</u> RM'000 | <u>Company</u> RM'000 |
|--|------------------------|--------------------------|
| Net (loss)/profit for the financial year | <u>(6,027)</u> | <u>13,700</u> |

DIVIDENDS

The dividend on ordinary shares paid by the Company since the end of the previous financial year was as follows:

| | RM'000 |
|---|---------------|
| In respect of the financial year ended 31 December 2014, interim single-tier dividend of RM13.50 per share on 1,000,000 ordinary share: | |
| - paid on 15 December 2014 | 11,373 |
| - payable as at date of this report | 2,127 |
| | <u>13,500</u> |

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2014.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia).

DIRECTORS' REPORT (CONTINUED)**RESERVES AND PROVISIONS**

All material transfers to or from reserves and provisions during the financial year are disclosed in the financial statements.

DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows:

Dato' Seri Ibrahim bin Haji Ahmad
Tan Sri Dato' Mohd Ibrahim bin Mohd Zain
Ahmad Husaini bin Hassan (Appointed on 3 March 2015)

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than Directors' remuneration as disclosed in Note 6 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in Note 25 to the financial statements.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the register of Directors' shareholdings, particulars of interests of the Directors who held office at the end of the financial year in shares in the Company and its related corporations are as follows:

| | <u>Number of ordinary shares of RM1.00 each</u> | | | |
|---|---|---------------|-------------|-----------------------------------|
| | <u>As at</u> <u>1.1.2014</u> | <u>Bought</u> | <u>Sold</u> | <u>As at</u> <u>31.12.2014</u> |
| <u>Indirect shareholdings in the Company</u> | | | | |
| Dato' Seri Ibrahim bin Haji Ahmad ¹ | 1,000,000 | - | - | 1,000,000 |
| Tan Sri Dato' Mohd Ibrahim bin Mohd Zain ¹ | 1,000,000 | - | - | 1,000,000 |

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia).

DIRECTORS' REPORT (CONTINUED)**DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONTINUED)**

According to the register of Directors' shareholdings, particulars of interests of the Directors who held office at the end of the financial year in shares in the Company and its related corporations are as follows: (continued)

| | <u>Number of ordinary shares of RM1.00 each</u> | | | |
|---|---|---------------|-------------|-----------------------------------|
| | <u>As at</u> <u>1.1.2014</u> | <u>Bought</u> | <u>Sold</u> | <u>As at</u> <u>31.12.2014</u> |
| <u>Indirect shareholdings in a subsidiary.</u> | | | | |
| <u>Brahim's Airline Catering Sdn Bhd</u> | | | | |
| Dato' Seri Ibrahim bin Haji Ahmad ² | 54,600,000 | - | - | 54,600,000 |
| Tan Sri Dato' Mohd Ibrahim bin Mohd Zain ² | 54,600,000 | - | - | 54,600,000 |

¹ Dato' Seri Ibrahim bin Haji Ahmad and Tan Sri Dato' Mohd Ibrahim bin Mohd Zain have deemed interest pursuant to Section 6A of the Companies Act, 1965 by virtue of 100% interest in the Company via Brahim's Holdings Berhad.

² Dato' Seri Ibrahim bin Haji Ahmad and Tan Sri Dato' Mohd Ibrahim bin Mohd Zain have deemed interest pursuant to Section 6A of the Companies Act, 1965 by virtue of 70% interest in Brahim's Airline Catering Sdn Bhd via the Company.

Other than as disclosed above, according to the register of Directors' shareholdings, the Directors in office at the end of the financial year did not hold any interest in shares in the Company or its related corporations during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and the Company were made out, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and the Company have been written down to an amount which they might be expected so to realise.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)**STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)**

At the date of this report, the Directors are not aware of any circumstances:

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and the Company to meet their obligations when they fall due.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group or the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group or the Company which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

- (a) the results of the operations of the Group and the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than the impairment of trade receivables of the subsidiary as disclosed in the consolidated statement of comprehensive income and Note 16 to the financial statements; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made, except as disclosed in Note 29 to the financial statements.

HOLDING AND ULTIMATE HOLDING COMPANIES

The Directors regard Brahim's Holdings Berhad, a company incorporated in Malaysia and listed on the Main Board of Bursa Malaysia Securities Berhad, as the ultimate holding company.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.


| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)**AUDITORS**

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 28 April 2015.



DATO' SERI IBRAHIM BIN HAJI AHMAD
DIRECTOR



TAN SRI DATO' MOHD IBRAHIM BIN MOHD ZAIN
DIRECTOR

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

| | Note | Group | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Revenue | 5 | 342,836 | 384,625 | 14,005 | 20,306 |
| Raw materials, consumables used and direct labour costs | | (147,273) | (158,634) | - | - |
| Staff costs | 6 | (75,615) | (71,754) | - | - |
| Utilities and fuel | | (23,559) | (19,620) | - | - |
| Rental expense for land and building | | (21,986) | (21,337) | - | - |
| Upkeep, repairs and maintenance of assets | | (14,732) | (13,988) | - | - |
| Depreciation of property, plant and equipment | | (10,509) | (10,125) | - | - |
| Amortisation of other intangible assets | | (167) | (447) | - | - |
| Impairment of trade receivables | | (49,954) | (5,568) | - | - |
| Other operating expenses | | (7,216) | (6,507) | (313) | (501) |
| Other operating income | | | | | |
| - interest income | | 799 | 781 | 8 | 4 |
| - others | | 758 | 898 | - | - |
| | | 1,557 | 1,679 | 8 | 4 |
| (Loss)/profit from operations | | (6,618) | 78,324 | 13,700 | 19,809 |
| Finance cost | 7 | (160) | (818) | - | - |
| (Loss)/profit before zakat and taxation | 8 | (6,778) | 77,506 | 13,700 | 19,809 |
| Zakat | | - | (1,500) | - | - |
| Taxation | 9 | 751 | (19,435) | - | - |
| (Loss)/profit for the financial year | | (6,027) | 56,571 | 13,700 | 19,809 |
| Other comprehensive income, net of tax | | - | - | - | - |
| Total comprehensive (loss)/income for the financial year | | (6,027) | 56,571 | 13,700 | 19,809 |
| Attributable to: | | | | | |
| - Owners of the parent | | (4,310) | 39,451 | 13,700 | 19,809 |
| - Non-controlling interest | | (1,717) | 17,120 | - | - |
| | | (6,027) | 56,571 | 13,700 | 19,809 |

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

| | Note | Group | | Company | |
|--|------|----------------|----------------|-----------------|-----------------|
| | | 2014 | 2013 | 2014 | 2013 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| NON-CURRENT ASSETS | | | | | |
| Property, plant and equipment | 10 | 32,508 | 34,243 | - | - |
| Investment in subsidiary | 11 | - | - | 7,302 | 7,302 |
| Goodwill | 12 | 69,573 | 69,573 | - | - |
| Other intangible assets | 13 | 58 | 225 | - | - |
| Deferred tax assets | 14 | 13,740 | - | - | - |
| | | <u>115,879</u> | <u>104,041</u> | <u>7,302</u> | <u>7,302</u> |
| CURRENT ASSETS | | | | | |
| Inventories | 15 | 7,204 | 7,195 | - | - |
| Trade and other receivables | 16 | 89,616 | 82,226 | - | - |
| Amount due from immediate holding company | 17 | - | 8,560 | - | 8,560 |
| Amount due from subsidiary | 18 | - | - | 2,710 | - |
| Amounts due from related parties | 19 | 13 | 42 | 13 | - |
| Tax recoverable | | 2,321 | - | - | - |
| Deposits with a licensed financial institution | 20 | 204 | 14,078 | - | - |
| Cash and bank balances | 20 | 11,653 | 27,512 | 222 | 406 |
| | | <u>111,011</u> | <u>139,613</u> | <u>2,945</u> | <u>8,966</u> |
| LESS: CURRENT LIABILITIES | | | | | |
| Trade and other payables | 21 | 58,379 | 49,563 | 246 | 101 |
| Amount due to immediate holding company | 17 | 10,207 | - | 10,166 | - |
| Amount due to subsidiary | 18 | - | - | - | 5,920 |
| Amount due to a Director | 22 | - | 12,753 | - | 12,753 |
| Amounts due to related parties | 19 | 72 | 142 | 14 | - |
| Dividend payable | | 8,129 | - | 2,127 | - |
| Borrowings | 23 | 10,021 | 10,345 | 10,021 | 10,021 |
| Tax payable | | - | 4,044 | - | - |
| | | <u>86,808</u> | <u>76,847</u> | <u>22,574</u> | <u>28,795</u> |
| NET CURRENT ASSETS/ (LIABILITIES) | | 24,203 | 62,766 | (19,629) | (19,829) |
| LESS: NON-CURRENT LIABILITY | | | | | |
| Deferred tax liabilities | 14 | - | 1,196 | - | - |
| | | <u>-</u> | <u>1,196</u> | <u>-</u> | <u>-</u> |
| | | <u>140,082</u> | <u>165,611</u> | <u>(12,327)</u> | <u>(12,527)</u> |

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2014
(CONTINUED)

| | <u>Note</u> | <u>Group</u> | | <u>Company</u> | |
|--|-------------|----------------|----------------|-----------------|-----------------|
| | | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| CAPITAL AND RESERVES | | | | | |
| ATTRIBUTABLE TO OWNERS | | | | | |
| OF THE COMPANY | | | | | |
| Share capital | 24 | 1,000 | 1,000 | 1,000 | 1,000 |
| Retained earnings/ (accumulated losses) | | 112,040 | 129,850 | (13,327) | (13,527) |
| | | <u>113,040</u> | <u>130,850</u> | <u>(12,327)</u> | <u>(12,527)</u> |
| Non-controlling interests | | 27,042 | 34,761 | - | - |
| Total equity | | <u>140,082</u> | <u>165,611</u> | <u>(12,327)</u> | <u>(12,527)</u> |

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia).

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

| | <u>Note</u> | <u>Share capital</u> RM'000 | <u>Retained earnings</u> RM'000 | <u>Total</u> RM'000 | <u>Non- controlling interests</u> RM'000 | <u>Total equity</u> RM'000 |
|--|-------------|------------------------------------|--|------------------------|---|-----------------------------------|
| <u>Group</u> | | | | | | |
| At 1 January 2014 | | 1,000 | 129,850 | 130,850 | 34,761 | 165,611 |
| Total comprehensive loss for the financial year | | - | (4,310) | (4,310) | (1,717) | (6,027) |
| Dividends for the financial year ended 31 December 2014 | 26 | - | (13,500) | (13,500) | (6,002) | (19,502) |
| At 31 December 2014 | | <u>1,000</u> | <u>112,040</u> | <u>113,040</u> | <u>27,042</u> | <u>140,082</u> |
| At 1 January 2013 | | 1,000 | 110,700 | 111,700 | 26,343 | 138,043 |
| Total comprehensive income for the financial year | | - | 39,451 | 39,451 | 17,120 | 56,571 |
| Dividends for the financial year ended 31 December 2013 | 26 | - | (20,301) | (20,301) | (8,702) | (29,003) |
| At 31 December 2013 | | <u>1,000</u> | <u>129,850</u> | <u>130,850</u> | <u>34,761</u> | <u>165,611</u> |

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

| | <u>Note</u> | <u>Share capital</u> RM'000 | <u>Accumulated losses</u> RM'000 | <u>Total equity</u> RM'000 |
|--|-------------|------------------------------------|---|-----------------------------------|
| <u>Company</u> | | | | |
| At 1 January 2014 | | 1,000 | (13,527) | (12,527) |
| Total comprehensive income for the financial year | | - | 13,700 | 13,700 |
| Dividends for the financial year ended 31 December 2014 | 26 | - | (13,500) | (13,500) |
| At 31 December 2014 | | <u>1,000</u> | <u>(13,327)</u> | <u>(12,327)</u> |
| | | | | |
| At 1 January 2013 | | 1,000 | (13,035) | (12,035) |
| Total comprehensive income for the financial year | | - | 19,809 | 19,809 |
| Dividends for the financial year ended 31 December 2013 | 26 | - | (20,301) | (20,301) |
| At 31 December 2013 | | <u>1,000</u> | <u>(13,527)</u> | <u>(12,527)</u> |

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

| | <u>Group</u> | | <u>Company</u> | |
|--|--------------|-------------|----------------|-------------|
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| (Loss)/profit for the financial year | (6,027) | 56,571 | 13,700 | 19,809 |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | 10,509 | 10,125 | - | - |
| Amortisation of intangible assets | 167 | 447 | - | - |
| Gain on disposal of property, plant and equipment | (55) | (18) | - | - |
| Impairment of trade receivables | 49,954 | 5,568 | - | - |
| Interest income | (799) | (781) | (8) | (4) |
| Finance cost | 160 | 818 | - | - |
| Taxation | (751) | 19,435 | - | - |
| Zakat | - | 1,500 | - | - |
| Dividend income from a subsidiary | - | - | (14,005) | (20,306) |
| Operating profit/(loss) before working capital changes | 53,158 | 93,665 | (313) | (501) |
| Changes in working capital: | | | | |
| Inventories | (9) | (286) | - | - |
| Receivables | (57,302) | (18,677) | - | - |
| Payables | 8,729 | 18,770 | 146 | 18,716 |
| Cash generated from/ (used in) operations | 4,576 | 93,472 | (167) | 18,215 |
| Tax paid | (20,550) | (22,959) | - | - |
| Tax refund | - | 19 | - | - |
| Zakat paid | - | (1,500) | - | - |
| Interest paid | (160) | (818) | - | - |
| Net cash flows (used in)/from operating activities | (16,134) | 68,214 | (167) | 18,215 |

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

| | Note | Group | | Company | |
|--|------|-------------------|-------------------|-------------------|-------------------|
| | | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Purchase of property, plant and equipment | | (8,774) | (7,003) | - | - |
| Proceeds from disposal of property, plant and equipment | | 55 | 18 | - | - |
| Interest income received | | 799 | 781 | 8 | 4 |
| Dividends received from a subsidiary | | - | - | - | 20,306 |
| | | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net cash flows (used in)/from investing activities | | (7,920) | (6,204) | 8 | 20,310 |
| | | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Repayment of term loan | | - | (12,000) | - | - |
| Repayment of revolving credit | | - | (5,000) | - | - |
| Finance lease principal payments | | (324) | (484) | - | - |
| Repayment of/(advances) to immediate holding company | | 7,395 | (18,189) | 7,353 | (18,189) |
| Repayment of advances from related parties and a Director | | (12,750) | - | (12,753) | - |
| Advances from subsidiary | | - | - | 5,375 | - |
| Dividends paid to non-controlling interests of a subsidiary | | - | (8,702) | - | - |
| Dividends paid | | - | (20,301) | - | (20,301) |
| | | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net cash flows used in financing activities | | (5,679) | (64,676) | (25) | (38,490) |
| | | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | (29,733) | (2,666) | (184) | 35 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR | | <u>41,590</u> | <u>44,256</u> | <u>406</u> | <u>371</u> |
| CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR | 20 | <u>11,857</u> | <u>41,590</u> | <u>222</u> | <u>406</u> |

SIGNIFICANT NON-CASH TRANSACTION

The principal non-cash transaction during the financial year is the partial payment of dividend received from the subsidiary amounting to RM11,373,000, which was set off against amount due from the subsidiary. There was no significant non-cash transaction in the prior financial year.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

1 PRINCIPAL ACTIVITY AND GENERAL INFORMATION

The principal activity of the Company is that of an investment holding company.

The principal activities of the Group are to carry on catering and catering related services.

There have been no significant changes in the nature of these activities during the financial year.

The Company is a private limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at A-6-4, Megan Phileo Promenade, 189 Jalan Tun Razak, 50400 Kuala Lumpur.

The number of employees in the Group and Company at the end of the financial year was 1,216 (2013: 1,133) and nil (2013: nil) respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the Group and Company have been prepared in accordance with the Malaysian Financial Reporting Standards ('MFRS'), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgment in the process of applying the Group's and Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

As at 31 December 2014, the Company had net current liabilities of RM19,629,000. At that date, the Company also had deficit in shareholder's funds of RM 12,327,000, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Therefore, the Company may not be able to discharge its liabilities in the normal course of business.

The Directors consider that it is appropriate to prepare the financial statements of the Company on the going concern basis as the Group will be able to generate sufficient cash flows to sustain its future operations and the shareholders of the Company have confirmed that they will not demand for repayment of advances given to the Company amounting to RM10,021,000 (2013: RM10,021,000) and amount due from the Company of RM10,166,000 (2013: RM nil) within the period of 12 months from the end of the reporting period.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Standards, amendments to published standards and interpretations that are effective

The new accounting standards, amendments and improvements to published standards and interpretations to existing standards that are effective for the Group's financial year beginning on or after 1 January 2014 are as follows:

- Amendments to MFRS 132 'Offsetting Financial Assets and Financial Liabilities'
- Amendments to MFRS 10, 12 & 127 "Investment Entities"
- Amendments to MFRS 139 'Novation of Derivatives and Continuation of Hedge Accounting'

The adoption of the above amendments to MFRSs did not have any material effect on the financial statements of the Group and Company.

(c) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective

The Group will apply the following new standards, amendments to standards and interpretations from in the following periods:

(i) Financial years beginning on or after 1 January 2015

- Annual Improvements to MFRSs 2010 - 2012 Cycle
- Annual Improvements to MFRSs 2011- 2013 Cycle
- Amendments to MFRS 119 "Deferred Benefits Plans: Employee Contributions"

(ii) Financial years beginning on/or after 1 January 2016

- Amendments to MFRS 101 "Disclosure Initiative"
- Amendments to MFRS 116 and MFRS 138 "Clarification of Acceptable Methods of Depreciation and Amortisation"
- Amendments to MFRS 127 "Equity Method in Separate Financial Statements"
- Annual Improvements to MFRSs 2012 - 2014 Cycle

(iii) Financial years beginning on/or after 1 January 2017

- MFRS 15 "Revenue from Contracts with Customers"

(iv) Financial years beginning on/after 1 January 2018

- MFRS 9 "Financial Instruments"

The Group is in the process of assessing the impact of the adoption of these standards, amendments to published standards and interpretations to existing standards on the financial statements of the Group and the Company in the year of initial application.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Consolidation

Subsidiaries

Subsidiaries are those entities (including special purpose entities) in which the Group has power to govern the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effects of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The consideration transferred for acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the gain is recognised in profit or loss.

All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated.

(e) Investment in subsidiary

In the Company's separate financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 2(i) on impairment of non-financial assets.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment

Property, plant and equipment are initially stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit before taxation.

Property, plant and equipment are depreciated on the straight line method to allocate the cost to their residual values over their estimated useful lives, summarised as follows:

| | |
|-------------------------|----------|
| Plant and equipment | 10 years |
| Furniture and fittings | 5 years |
| Motor vehicles | 5 years |
| Computer equipment | 5 years |
| Catering equipment | 5 years |
| Communication equipment | 3 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2(i) on impairment of non-financial assets.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

583216

P

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other (losses)/gains – net'.

(h) Intangibles assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ('CGUs'), or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Intangibles assets (continued)

(ii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

(i) Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to profit or loss. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss.

(j) Financial assets

(i) Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'amount due from immediate holding company', 'amounts due from related parties' and 'cash and cash equivalents' in the statement of financial position (Notes 16, 17, 19 and 20).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets (continued)

(ii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets.

(iii) Subsequent measurement – gains and losses

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(iv) Subsequent measurement - Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio; and
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets (continued)

(iv) Subsequent measurement - Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

(v) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

(k) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(n) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(o) Share capital

(i) Classification

Ordinary shares are classified as equity.

(ii) Dividends to shareholders of the Company

Dividends on ordinary shares are recognised as liabilities when declared before the end of the reporting period. A dividend declared after the end of the reporting period, but before the financial statements are authorised for issue is not recognised as a liability at the end of the reporting date.

(p) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as noncurrent liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Interests, dividends, losses and gains relating to a financial instrument, or a component part classified as a liability, are reported within finance costs in the income statements.

Borrowings are classified as current liabilities unless the Group and Company have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

(r) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax expense is determined according to the tax laws of the jurisdiction in which the Company operates and includes all taxes based upon the taxable profits.

Deferred tax is recognised, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined contribution plans

The Group's contributions to defined contribution plans are charged to profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(t) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts.

(i) Sale of goods and services

Revenue is recognised upon delivery of products and customer's acceptance or performance of services, if any, net of discounts.

(ii) Interest income

Interest income is recognised on time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity.

(iii) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

583216

P

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Leases

A lease is an agreement whereby the lesser conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

(i) Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability.

The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in the profit or loss over the lease term on the same basis as the lease expense.

(ii) Operating lease

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight line basis over the lease period.

(v) Contingent liabilities

The Group and Company do not recognise contingent assets and liabilities, but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and Company. The Group and Company do not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Estimation of income taxes

Income taxes are estimated based on the rules governed under the Income Tax Act, 1967. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

4 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: fair value interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the Board of Directors, through risk reviews, internal control systems and adherence to the Group's financial risk management practices. The management regularly reviews these risks and approves the treasury policies, which covers the management of these risks.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises from bank deposits. The Group's policy is to obtain the most favourable interest rates available to minimise the adverse effects of changes in interest rates.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. Credit risk arises from cash and cash equivalents, deposits with a financial institution, as well as credit exposures to customers, including outstanding receivables and committed transactions. Risks arising therefrom are minimised through effective monitoring of receivables and suspension of sales to customers which accounts exceed the stipulated credit terms. The Group also seeks to control credit risk by setting credit limits and ensuring that sales of products and services are made to customers with an appropriate credit history. Other than the impairment of trade receivables recorded in the financial statements for the financial year ended 31 December 2014 (as disclosed in Note 16 to the financial statements), the Group considers the risk of material loss in the event of non-performance by a financial counterparty to be unlikely.

The Group seeks to invest cash assets safely and profitably. In this regard, counterparties are assessed for credit risk and limits are set to minimise any potential loss. The Group's cash and cash equivalents and short term deposits are placed with creditworthy financial institutions and the risks arising therefrom are minimised in view of financial strength of these financial institutions.

Information regarding financial assets that are either past due or impaired is disclosed in Note 16 to the financial statements.

(iii) Liquidity risk

The Group practices prudent liquidity risk management to minimise the mismatch of financial assets and liabilities. The Group's cash flow is reviewed regularly to ensure that the Group is able to settle its commitments when they fall due.

Cash flows forecasting is performed by the Group by monitoring rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times.

Generally, surplus cash held by the Group over the above balance required for working capital management are invested in interest-bearing accounts, choosing instruments with appropriate maturities sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

583216

P

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

4 **FINANCIAL RISK MANAGEMENT (CONTINUED)**

(iii) **Liquidity risk (continued)**

The analysis of the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date is as follows:

| <u>Group</u> | <u>2014</u> | <u>2013</u> |
|---|-------------------------|-------------------------|
| | <u>Less than 1 year</u> | <u>Less than 1 year</u> |
| | RM'000 | RM'000 |
| Trade and other payables | 58,379 | 49,563 |
| Amount due to a Director | - | 12,753 |
| Amounts due to related companies | 72 | 142 |
| Amount due to immediate holding company | 10,207 | - |
| Borrowings | 10,021 | 10,505 |
| Dividend payable | 8,129 | - |
| | <u>86,808</u> | <u>72,963</u> |
| | <u>2014</u> | <u>2013</u> |
| <u>Company</u> | <u>Less than 1 year</u> | <u>Less than 1 year</u> |
| | RM'000 | RM'000 |
| Trade and other payables | 246 | 101 |
| Amount due to subsidiary | - | 5,920 |
| Amount due to a Director | - | 12,753 |
| Amounts due to related companies | 14 | - |
| Amount due to immediate holding company | 10,166 | - |
| Borrowings | 10,021 | 10,021 |
| Dividend payable | 2,127 | - |
| | <u>22,574</u> | <u>28,795</u> |

(iv) **Capital risk management policies and objectives**

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 23 to the financial statements, and equity.

Management will review the capital structure. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Management will balance its overall capital structure between debt and equity by putting in place appropriate dividend and financing policies. The Group's overall strategy remains unchanged from the previous financial year.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

5 REVENUE

| | <u>Group</u> | | <u>Company</u> | |
|---|----------------|----------------|----------------|---------------|
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Sales of goods and services rendered net of discounts and rebates | 342,836 | 384,625 | - | - |
| Dividend income from a subsidiary | - | - | 14,005 | 20,306 |
| | <u>342,836</u> | <u>384,625</u> | <u>14,005</u> | <u>20,306</u> |

6 STAFF COSTS

| | <u>Group</u> | | <u>Company</u> | |
|---------------------------|---------------|---------------|----------------|-------------|
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Wages, salaries and bonus | 58,673 | 57,278 | - | - |
| Defined contribution plan | 5,900 | 5,150 | - | - |
| Other personnel costs | 11,042 | 9,326 | - | - |
| | <u>75,615</u> | <u>71,754</u> | <u>-</u> | <u>-</u> |

There is no disclosure for staff costs at the Company as the Company is managed by a related party, Dewina Trading Sdn Bhd.

Included in staff costs is Directors' remuneration which is analysed as follows:

| | <u>Group</u> | | <u>Company</u> | |
|--------------------------------|--------------|-------------|----------------|-------------|
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Executive Director</u> | | | | |
| Salaries and allowances | 602 | 601 | - | - |
| Defined contribution plan | 98 | 90 | - | - |
| Other benefits | 117 | 80 | - | - |
| | <u>817</u> | <u>771</u> | <u>-</u> | <u>-</u> |
| <u>Non-executive Directors</u> | | | | |
| Allowances | 10 | 4 | - | - |
| | <u>827</u> | <u>775</u> | <u>-</u> | <u>-</u> |

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

7 FINANCE COST

| | <u>Group</u> | | <u>Company</u> | |
|------------------------------|--------------|-------------|----------------|-------------|
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest on revolving credit | - | 287 | - | - |
| Interest on term loan | - | 241 | - | - |
| Interest on finance lease | 160 | 273 | - | - |
| Interest on bank overdraft | - | 17 | - | - |
| | <u>160</u> | <u>818</u> | <u>-</u> | <u>-</u> |

8 (LOSS)/PROFIT BEFORE ZAKAT AND TAXATION

The following items have been charged/(credited) in arriving at (loss)/profit before zakat and taxation:

| | <u>Group</u> | | <u>Company</u> | |
|---|--------------|-------------|----------------|-------------|
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cost of contract workers | 2,880 | 2,564 | - | - |
| Net realised (gain)/loss on foreign exchange | (95) | (232) | - | - |
| Auditors' remuneration | 193 | 180 | 18 | 18 |
| Gain on disposal of property, plant and equipment | (55) | (18) | - | - |
| Vehicle rental | - | 36 | - | - |
| | <u>-</u> | <u>36</u> | <u>-</u> | <u>-</u> |

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

9 TAXATION

| | <u>Group</u> | | <u>Company</u> | |
|---|---------------|---------------|----------------|-------------|
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current taxation: | | | | |
| - Malaysian income tax | 14,185 | 21,797 | - | - |
| Deferred taxation | (14,936) | (2,362) | - | - |
| Tax (credit)/expense | <u>(751)</u> | <u>19,435</u> | <u>-</u> | <u>-</u> |
| Current taxation: | | | | |
| - current year | 13,762 | 22,188 | - | - |
| - under/(over) accrual in prior financial years | 423 | (391) | - | - |
| | <u>14,185</u> | <u>21,797</u> | <u>-</u> | <u>-</u> |
| Deferred taxation (Note 14): | | | | |
| - origination and reversal of temporary differences | (14,936) | (2,362) | - | - |
| Tax (credit)/expense | <u>(751)</u> | <u>19,435</u> | <u>-</u> | <u>-</u> |

The numerical reconciliation between tax expense and (loss)/profit before taxation and after zakat multiplied by the Malaysian tax rate is as follows:

| | <u>Group</u> | | <u>Company</u> | |
|---|----------------|---------------|----------------|---------------|
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| (Loss)/profit before taxation and after zakat | <u>(6,778)</u> | <u>76,006</u> | <u>13,700</u> | <u>19,809</u> |
| Tax calculated at Malaysian statutory tax rate of 25% (2013: 25%) | (1,695) | 19,001 | 3,425 | 4,952 |
| Tax effects in respect of: | | | | |
| - expenses not deductible for tax purposes | 284 | 755 | 76 | 125 |
| - under/(over) accrual in prior financial years | 660 | (321) | - | - |
| - income not subject to tax | - | - | (3,501) | (5,077) |
| Tax (credit)/expense | <u>(751)</u> | <u>19,435</u> | <u>-</u> | <u>-</u> |

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

583216

P

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

10 PROPERTY, PLANT AND EQUIPMENT

| Group | Plant and equipment RM'000 | Furniture and fittings RM'000 | Motor vehicles RM'000 | Computer equipment RM'000 | Catering equipment RM'000 | Communication equipment RM'000 | Total RM'000 |
|----------------------------------|----------------------------------|-------------------------------------|-----------------------------|---------------------------------|---------------------------------|--------------------------------------|-----------------|
| <u>Net book value</u> | | | | | | | |
| At 1 January 2014 | 11,882 | 833 | 9,352 | 5,837 | 6,304 | 35 | 34,243 |
| Additions | 4,927 | 401 | 956 | 663 | 1,474 | 353 | 8,774 |
| Depreciation charge for the year | (2,069) | (302) | (3,507) | (2,006) | (2,568) | (57) | (10,509) |
| At 31 December 2014 | 14,740 | 932 | 6,801 | 4,494 | 5,210 | 331 | 32,508 |
| <u>At 31 December 2014</u> | | | | | | | |
| Cost | 98,421 | 3,802 | 41,789 | 13,251 | 56,813 | 1,349 | 215,425 |
| Accumulated depreciation | (83,681) | (2,870) | (34,988) | (8,757) | (51,603) | (1,018) | (182,917) |
| Net book value | 14,740 | 932 | 6,801 | 4,494 | 5,210 | 331 | 32,508 |

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

583216 P

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
 (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Group | Plant and equipment RM'000 | Furniture and fittings RM'000 | Motor vehicles RM'000 | Computer equipment RM'000 | Catering equipment RM'000 | Communication equipment RM'000 | Total RM'000 |
|----------------------------------|-------------------------------|----------------------------------|--------------------------|------------------------------|------------------------------|-----------------------------------|-----------------|
| <u>Net book value</u> | | | | | | | |
| At 1 January 2013 | 11,230 | 863 | 10,584 | 7,021 | 7,637 | 30 | 37,365 |
| Additions | 2,383 | 227 | 2,551 | 725 | 1,096 | 21 | 7,003 |
| Depreciation charge for the year | (1,731) | (257) | (3,783) | (1,909) | (2,429) | (16) | (10,125) |
| At 31 December 2013 | <u>11,882</u> | <u>833</u> | <u>9,352</u> | <u>5,837</u> | <u>6,304</u> | <u>35</u> | <u>34,243</u> |
| <u>At 31 December 2013</u> | | | | | | | |
| Cost | 101,184 | 4,080 | 41,141 | 12,588 | 55,687 | 996 | 215,676 |
| Accumulated depreciation | (89,302) | (3,247) | (31,789) | (6,751) | (49,383) | (961) | (181,433) |
| Net book value | <u>11,882</u> | <u>833</u> | <u>9,352</u> | <u>5,837</u> | <u>6,304</u> | <u>35</u> | <u>34,243</u> |

The net book value of motor vehicles under finance lease at the end of the reporting period was RM Nil (2013: RM293,000).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

11 INVESTMENT IN SUBSIDIARY

| | <u>Company</u> | |
|--------------------------|----------------|-------------|
| | <u>2014</u> | <u>2013</u> |
| | RM'000 | RM'000 |
| Unquoted shares, at cost | 7,302 | 7,302 |

The details of the subsidiary, which is incorporated in Malaysia, is as follows:

| <u>Name</u> | <u>Country of incorporation</u> | <u>Group's effective equity interest</u> | | <u>Principal activities</u> |
|-----------------------------------|---------------------------------|--|-------------|-----------------------------|
| | | <u>2014</u> | <u>2013</u> | |
| | | % | % | |
| Brahim's Airline Catering Sdn Bhd | Malaysia | 70 | 70 | Catering related services |

12 GOODWILL

| | <u>Group</u> | |
|--------------------------------|---------------|---------------|
| | <u>2014</u> | <u>2013</u> |
| | RM'000 | RM'000 |
| At cost | 75,898 | 75,898 |
| Less: Accumulated amortisation | (6,325) | (6,325) |
| | <u>69,573</u> | <u>69,573</u> |

The carrying amount of goodwill allocated to the Group's cash-generating units ("CGUs") is as follows:

| | <u>Group</u> | |
|---|--------------|-------------|
| | <u>2014</u> | <u>2013</u> |
| | RM'000 | RM'000 |
| Investment in Brahim's Airline Catering Sdn Bhd | 69,573 | 69,573 |

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

12 GOODWILL (CONTINUED)

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets/forecasts approved by the Directors covering a five-year period.

Key assumptions used by management are as follows:

1. Revenue is estimated to grow at 1% to 3% per annum, based on management's expectation of customer demands (2013: 2% per annum)
2. Cost of sales is expected to increase by 3% per annum (2013: 3.6% per annum).
3. All other expenses are expected to increase by 3% to 4% per annum (2013: 2.1% per annum).
4. Discount factor used in the discounted cash flow is 10% (2013: 10%), reflecting risks relating to the segment. Management estimated the discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU.

The cash flow projections are derived on a number of key factors including the past performance and the management's expectations of the market developments. Changes in direct costs are based on past practices and expectations of future changes in the market.

No impairment charge was required for goodwill arising from the business segment. Management believes that any reasonable possible change to the assumptions applied is not likely to cause the recoverable amount of the business segment to be lower than its carrying amount.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

13 OTHER INTANGIBLE ASSETS

| | <u>Group</u> | |
|--------------------------|--------------------------|-------------|
| | <u>Computer software</u> | |
| | <u>2014</u> | <u>2013</u> |
| | RM'000 | RM'000 |
| <u>Net book value</u> | | |
| At 1 January | 225 | 672 |
| Amortisation | (167) | (447) |
| At 31 December | <u>58</u> | <u>225</u> |
| | | |
| | <u>Group</u> | |
| | <u>Computer software</u> | |
| | <u>2014</u> | <u>2013</u> |
| | RM'000 | RM'000 |
| Cost | 7,883 | 7,883 |
| Accumulated amortisation | (7,825) | (7,658) |
| Net book value | <u>58</u> | <u>225</u> |

The remaining amortisation period of computer software at the end of the financial year ranged from 1 to 2 years (2013: 1 to 3 years).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

583216

P

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

14 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts determined after appropriate offsetting, are shown at the end of the reporting period:

| | Group | | Company | |
|-----------------------------------|--------|---------|---------|--------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deferred tax assets/(liabilities) | 13,740 | (1,196) | - | - |

The movements in deferred tax assets/(liabilities) during the financial year are as follows:

| | Group | | Company | |
|---|---------|---------|---------|--------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January | (1,196) | (3,558) | - | - |
| Credited/(charged) to profit or loss (Note 9): | | | | |
| - property, plant and equipment and other intangible assets | 1,039 | 626 | - | - |
| - allowances and accruals | 13,897 | 1,736 | - | - |
| | 14,936 | 2,362 | - | - |
| At 31 December | 13,740 | (1,196) | - | - |
| <u>Subject to income tax</u> | | | | |
| Deferred tax assets (before offsetting) | | | | |
| - allowances and accruals | 17,767 | 3,870 | - | - |
| Offsetting | (4,027) | (3,870) | - | - |
| Deferred tax assets (after offsetting) | 13,740 | - | - | - |
| Deferred tax liabilities (before offsetting) | | | | |
| - property, plant and equipment and other intangible assets | (4,027) | (5,066) | - | - |
| Offsetting | 4,027 | 3,870 | - | - |
| Deferred tax liabilities (after offsetting) | - | (1,196) | - | - |

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

15 INVENTORIES

| | <u>2014</u> | <u>Group</u> <u>2013</u> |
|--------------------|--------------|-----------------------------|
| | RM'000 | RM'000 |
| Catering stores | 4,407 | 4,683 |
| General stores | 383 | 437 |
| Maintenance stores | 2,414 | 2,075 |
| | <u>7,204</u> | <u>7,195</u> |

16 TRADE AND OTHER RECEIVABLES

| | <u>Group</u> | | <u>Company</u> | |
|---------------------------------------|----------------|---------------|----------------|-------------|
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Trade receivables: | | | | |
| - shareholder of subsidiary | 107,995 | 67,720 | - | - |
| - others | 21,465 | 15,570 | - | - |
| | <u>129,460</u> | <u>83,290</u> | <u>-</u> | <u>-</u> |
| Less: Impairment of trade receivables | (49,006) | (6,035) | - | - |
| | <u>80,454</u> | <u>77,255</u> | <u>-</u> | <u>-</u> |
| Other receivables | 302 | 192 | - | - |
| Prepayments | 5,365 | 1,178 | - | - |
| Deposits | 3,495 | 3,601 | - | - |
| | <u>89,616</u> | <u>82,226</u> | <u>-</u> | <u>-</u> |

As of 31 December 2014, trade and other receivables of RM34,145,000 (2013: RM38,140,000) were fully performing.

As of 31 December 2014, trade and other receivables of RM8,730,000 (2013: RM13,996,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default or where management has assessed the recoverability of the debts and are of the opinion that the debts are recoverable. The ageing analysis of these trade receivables is as follows:

| | <u>Group</u> | |
|--------------------|--------------|---------------|
| | <u>2014</u> | <u>2013</u> |
| | RM'000 | RM'000 |
| Up to 4 months | 5,848 | 5,249 |
| More than 4 months | 2,882 | 8,747 |
| | <u>8,730</u> | <u>13,996</u> |

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

16 TRADE AND OTHER RECEIVABLES (CONTINUED)

As of 31 December 2014, trade receivables of RM86,887,000 (2013: RM31,346,000) is in respect of disputed debts. The amount of the impairment was RM49,006,000 (2013: RM6,035,000) as of 31 December 2014. The individually impaired receivables mainly relate to disputed balances with customers or balances for which management is of the view that the amounts may not be recoverable. The ageing of these receivables is as follows:

| | <u>Group</u> | |
|---------------------------------------|---------------|---------------|
| | <u>2014</u> | <u>2013</u> |
| | RM'000 | RM'000 |
| Less than a year | 68,891 | 26,472 |
| More than 1 year | 16,638 | 4,848 |
| More than 2 years | 1,358 | 26 |
| | <u>86,887</u> | <u>31,346</u> |
| Less: Impairment of trade receivables | (49,006) | (6,035) |
| | <u>37,881</u> | <u>25,311</u> |

The amount of RM37,881,000 is expected to be received from the customer of the subsidiary in two payment stages of 50% respectively, as disclosed in Note 29 to the financial statements.

Movements on the provision for impairment of trade receivables of the Group are as follows:

| | <u>Group</u> | |
|--|---------------|--------------|
| | <u>2014</u> | <u>2013</u> |
| | RM'000 | RM'000 |
| At 1 January | 6,035 | 467 |
| Provision for receivables impairment | 49,954 | 5,568 |
| Receivables written off during the year as uncollectible | (6,983) | - |
| At 31 December | <u>49,006</u> | <u>6,035</u> |

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above as the Group does not hold any collateral as security.

Except for trade receivables due from a shareholder, concentration of credit risk is limited due to the Group's large number of customers. Management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

Credit terms of trade receivables range from payment in advance to 60 days (2013: payment in advance to 60 days).

Deposits of the Group at the end of the reporting period are with a number of external parties for which there is no expectation of default.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

16 TRADE AND OTHER RECEIVABLES (CONTINUED)

The currency profile of trade and other receivables is as follows:

| | <u>Group</u> | | <u>Company</u> | |
|-------------------|---------------|---------------|----------------|-------------|
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| -Ringgit Malaysia | 89,337 | 81,807 | - | - |
| - Euro | - | 147 | - | - |
| - Others | 279 | 272 | - | - |
| | <u>89,616</u> | <u>82,226</u> | <u>-</u> | <u>-</u> |

The carrying amount of the trade and other receivables approximate their fair values.

17 AMOUNT DUE FROM/(TO) IMMEDIATE HOLDING COMPANY

The amount due from/(to) immediate holding company is unsecured, interest free and repayable within the next 12 months.

The amount due from/(to) immediate holding company are denominated in Ringgit Malaysia.

18 AMOUNT DUE FROM/(TO) SUBSIDIARY

Amount due from subsidiary is unsecured, interest free and repayable on demand. Included in the amount due from subsidiary at the financial year end is dividend receivable from the subsidiary of RM2,632,000 (2013: RM Nil).

Amount due to subsidiary at the end of the previous financial year was unsecured and bore interest at 5.89% per annum. The amount was repaid during the financial via set off against the final dividend declared by the subsidiary for the financial year ended 31 December 2013.

19 AMOUNTS DUE FROM/(TO) RELATED PARTIES

The amounts due from/(to) related companies are trade in nature and subject to agreed trade terms ranging from 30 to 45 days (2013: 30 to 45 days).

Amounts due from/(to) related companies are denominated in Ringgit Malaysia.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

| | |
|-------------|---|
| Company No. | |
| 583216 | P |

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)
20 CASH AND CASH EQUIVALENTS

| | <u>Group</u> | | <u>Company</u> | |
|---|---------------|---------------|----------------|-------------|
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deposits with licensed financial institutions | 204 | 14,078 | - | - |
| Cash and bank balances | 11,653 | 27,512 | 222 | 406 |
| Cash and cash equivalents | 11,857 | 41,590 | 222 | 406 |

The effective interest rate of deposits with licensed financial institutions of the Group at the end of the reporting period was 2.1% (2013: 2.5%) per annum.

At the reporting date, deposits with licensed financial institutions of the Group have an average maturity period of 1 day (2013: 1 day). Bank balances are deposits held at call with banks.

All balances are denominated in Ringgit Malaysia.

21 TRADE AND OTHER PAYABLES

| | <u>Group</u> | | <u>Company</u> | |
|-----------------------|---------------|---------------|----------------|-------------|
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Trade payables | 41,673 | 32,541 | - | - |
| Sundry payables | 327 | 254 | 246 | 101 |
| Accruals | 16,379 | 16,768 | - | - |
| Trade payables | 58,379 | 49,563 | 246 | 101 |

Credit terms of trade payables vary from no credit to 45 days (2013: no credit to 45 days).

The currency exposure profile of trade and other payables is as follows:

| | <u>Group</u> | | <u>Company</u> | |
|---------------------------------|---------------|---------------|----------------|-------------|
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Ringgit Malaysia | 58,232 | 49,525 | 246 | 101 |
| Others | 147 | 38 | - | - |
| Trade and other payables | 58,379 | 49,563 | 246 | 101 |

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

22 AMOUNT DUE TO A DIRECTOR

Amount due to a Director at the end of the previous financial year was unsecured, interest free and denominated in Ringgit Malaysia. The amount was fully repaid during the financial year.

23 BORROWINGS

| | <u>Group</u> | | <u>Company</u> | |
|---------------------------|---------------|---------------|----------------|---------------|
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Current</u> | | | | |
| <u>Secured</u> | | | | |
| Finance lease liabilities | - | 324 | - | - |
| <u>Unsecured</u> | | | | |
| Shareholder's advances | 10,021 | 10,021 | 10,021 | 10,021 |
| | <u>10,021</u> | <u>10,345</u> | <u>10,021</u> | <u>10,021</u> |

- (i) The shareholder's advances are unsecured and interest free. All borrowings are denominated in Ringgit Malaysia.
- (ii) The shareholder of the Company has confirmed that it will not demand for repayment of advances given to the Company amounting to RM10,021,000 (2013: RM10,021,000) within the period of 12 months from the end of the reporting period.
- (iii) The maturity structure of the borrowings of the Group and Company is as follows:

| | <u>Weighted average effective interest rate</u> | <u>Not later than 1 year RM'000</u> | <u>Total RM'000</u> |
|----------------------------|---|---|-------------------------|
| <u>Group</u> | | | |
| <u>At 31 December 2014</u> | | | |
| Shareholder's advances | Nil | 10,021 | 10,021 |
| <u>At 31 December 2013</u> | | | |
| Finance lease liabilities | Fixed at 6.3% | 324 | 324 |
| Shareholder's advances | Nil | 10,021 | 10,021 |
| | | <u>10,345</u> | <u>10,345</u> |

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

23 BORROWINGS (CONTINUED)

(iii) The maturity structure of the borrowings of the Group and Company is as follows:
(continued)

| <u>Company</u> | <u>Not later than 1 year RM'000</u> | <u>Total RM'000</u> |
|----------------------------|---|-------------------------|
| <u>At 31 December 2014</u> | | |
| Shareholder's advances | <u>10,021</u> | <u>10,021</u> |
| <u>At 31 December 2013</u> | | |
| Shareholder's advances | <u>10,021</u> | <u>10,021</u> |

(iv) As at 31 December 2014, the finance lease liabilities are effectively secured as the rights to the subsidiary's leased asset revert to the lessor in the event of default. The minimum lease payment of the Group at the end of the reporting period is as follows:

| | <u>2014 RM'000</u> | <u>Group 2013 RM'000</u> |
|------------------------|------------------------|----------------------------------|
| Not later than 1 year | - | 484 |
| Future finance charges | - | (160) |
| | <u>-</u> | <u>324</u> |

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

24 SHARE CAPITAL

| | <u>Group and Company</u> | |
|--|--------------------------|--------------|
| | <u>2014</u> | <u>2013</u> |
| | RM'000 | RM'000 |
| <u>Authorised:</u> | | |
| Ordinary shares of RM1.00 each | | |
| At start/end of the financial year | 4,990 | 4,990 |
| Class A redeemable preference shares (RPS A) | | |
| of RM0.01 each | | |
| At start/end of the financial year | 5 | 5 |
| Class B redeemable preference Shares (RPS B) | | |
| of RM0.01 each | | |
| At start/end of the financial year | 5 | 5 |
| | <u>5,000</u> | <u>5,000</u> |
| <u>Issued and fully paid up:</u> | | |
| Ordinary shares of RM1.00 each | | |
| At start/end of the financial year | <u>1,000</u> | <u>1,000</u> |

25 SIGNIFICANT RELATED PARTY DISCLOSURES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other related party disclosures. The related party transactions described below were carried out on terms and conditions mutually agreed between both parties.

| <u>Related parties</u> | <u>Relationship</u> |
|-----------------------------------|-------------------------------|
| Brahim's Holdings Berhad | Shareholder of the Company |
| Brahim's Airline Catering Sdn Bhd | Subsidiary of the Company |
| Malaysian Airline System Bhd | Shareholder of the subsidiary |
| Dewina Trading Sdn. Bhd. | Common director |

Related party balances

The significant related party balances at the financial year end are shown in the notes to the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

25 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party transactions

Significant related party transactions between the Group and in related parties are as follows:

| | <u>2014</u> | <u>Group</u> <u>2013</u> |
|--|-------------|-----------------------------|
| | RM'000 | RM'000 |
| <u>Transactions with a corporate shareholder of the subsidiary,</u> | | |
| <u>Malaysian Airline System Berhad</u> | | |
| Net sales of goods and services | 253,750 | 301,998 |
| Expenses charged by a shareholder of the subsidiary: | | |
| - rental | 21,986 | 21,337 |
| - supply of water | 12,391 | 10,244 |
| - other expenses | 7,710 | 6,151 |
| <u>Transactions with a company in which a Director has financial</u> | | |
| <u>interest, Dewina Trading Sdn. Bhd. *</u> | | |
| Purchases of supplies | <u>601</u> | <u>691</u> |

* Dewina Trading Sdn. Bhd. is owned by a Director, Dato' Seri Ibrahim bin Haji Ahmad.

Key management compensation

Key management includes Directors (executive and non-executive) and senior management personnel of the subsidiary. The compensation paid or payable to key management of the subsidiary for the financial year is shown below:

| | <u>2014</u> | <u>Group</u> <u>2013</u> |
|---------------------------|--------------|-----------------------------|
| | RM'000 | RM'000 |
| Wages, salaries and bonus | 2,246 | 2,029 |
| Other personnel costs | 129 | 503 |
| | <u>2,375</u> | <u>2,532</u> |

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

26 DIVIDEND

Dividends declared in respect of ordinary shares for the financial year are as follows:

| | <u>2014</u> | | <u>2013</u> | |
|---|--|-------------------------------|--|-------------------------------|
| | <u>Dividend per ordinary share</u> | <u>Amount of dividend</u> | <u>Dividend per ordinary share</u> | <u>Amount of dividend</u> |
| | RM | RM'000 | RM | RM'000 |
| <u>In respect of financial year ended 31 December 2014:</u> | | | | |
| Interim single-tier dividend | 13.50 | 13,500 | - | - |
| <u>In respect of financial year ended 31 December 2013:</u> | | | | |
| Gross dividend | - | - | 7.51 | 5,629 |
| Single-tier dividend | - | - | 14.67 | 14,672 |
| | <u>13.50</u> | <u>13,500</u> | <u>22.18</u> | <u>20,301</u> |

27 CAPITAL COMMITMENT

| | <u>Group</u> | |
|---------------------------------|--------------|-------------|
| | <u>2014</u> | <u>2013</u> |
| | RM'000 | RM'000 |
| Approved and contracted for: | | |
| - property, plant and equipment | 2,021 | - |
| - intangible assets | 235 | 63 |
| | <u>2,256</u> | <u>63</u> |

28 ULTIMATE HOLDING COMPANY

The Directors regard Brahim's Holdings Berhad, a company incorporated in Malaysia and listed on the Main Board of Bursa Malaysia Securities Berhad, as the ultimate holding company.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

29 EVENTS SUBSEQUENT TO THE FINANCIAL YEAR END

SETTLEMENT AGREEMENT BETWEEN THE SUBSIDIARY OF THE COMPANY AND MALAYSIAN AIRLINE SYSTEM BERHAD

On 26 February 2015, the subsidiary of the Company ("the subsidiary") entered into a Settlement Agreement ("SA") with Malaysian Airline System Berhad ("MAS") as part of the MAS Recovery Plan, announced by Khazanah Nasional Berhad. The subsidiary is currently the exclusive in-flight caterer for MAS under a 25-years catering agreement ("Catering Agreement") for Kuala Lumpur International Airport and Penang International Airport.

In conjunction with MAS' and the subsidiary's efforts to negotiate, finalise and execute a mutually acceptable new agreement to supersede the Catering Agreement by mutual consent, MAS and the subsidiary ("Parties") have agreed to enter into the SA to set out their mutually agreed rights, duties, liabilities and obligations vis-à-vis each other which shall be applicable during the Interim Period.

Salient terms of the SA, include amongst others, as follows:

- (i) the SA shall commence on 1 October 2014 and remain in force until a new catering agreement ("NCA") is signed on or before 31 March 2015 ("Interim Period"). The Catering Agreement will be superseded upon a NCA being executed. During the Interim Period, the subsidiary shall provide a reduction of 25% of the monthly final bill to MAS ("Reduction").
- (ii) the subsidiary shall not compromise in the quality of meals provided to MAS as a result of the Reduction.
- (iii) having regard to the current financial position of MAS and for the purpose of assisting MAS in giving effect to the MAS Recovery Plan to renegotiate with existing creditors on the settlement of outstanding debts and disputed amounts and in view of the longstanding relationship between the Parties, the subsidiary and MAS agree to the full and final settlement of the monies withheld by MAS amounting to RM94 million where the monies will be released to the subsidiary after deduction of a global settlement and reductions totalling RM56 million. The sum to be released by MAS to the subsidiary amounting to RM38 million will be released in two stages 50% of the sum within seven (7) days from the signing date of the SA and the balance upon signing of the NCA.
- (iv) should a NCA not be entered into on or before 31 March 2015, unless mutually extended, the Reduction shall cease, all settlements in the SA shall be deemed null and void with the disbursed first payment of 50% of RM38 million to be returned by the subsidiary, and both Parties shall be entitled to seek all legal recourse against each other in respect of any claims and sums withheld.

On 31 March 2015, the Parties entered into an Extension Agreement to extend the NCA Cut Off date (i.e. the end of the Interim Period) from 31 March 2015 to 30 April 2015.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

30 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 28 April 2015.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BACH FOR THE FYE 31 DECEMBER 2014

Company No.

| | |
|--------|---|
| 583216 | P |
|--------|---|

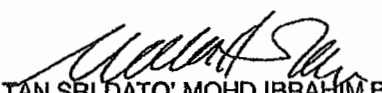
BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS PURSUANT TO
SECTION 169(15) OF THE COMPANIES ACT, 1965**

We, Dato' Seri Ibrahim bin Haji Ahmad and Tan Sri Dato' Mohd Ibrahim bin Mohd Zain, two of the Directors of Brahim's Airline Catering Holdings Sdn Bhd, state that, in the opinion of the Directors, the financial statements set out on pages 6 to 47 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2014 and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 28 April 2015.


DATO' SERI IBRAHIM BIN HAJI AHMAD
DIRECTOR


TAN SRI DATO' MOHD IBRAHIM BIN MOHD ZAIN
DIRECTOR

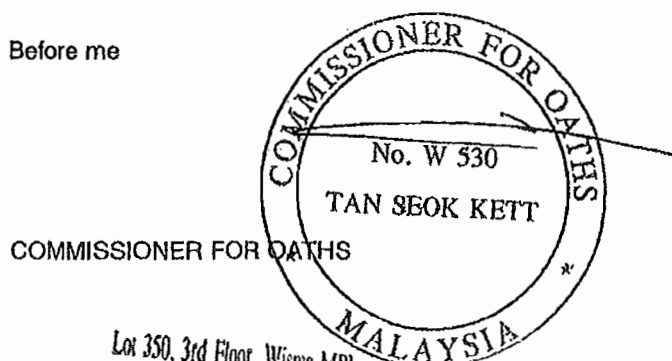
**STATUTORY DECLARATION PURSUANT TO
SECTION 169(16) OF THE COMPANIES ACT, 1965**

I, Dato' Seri Ibrahim bin Haji Ahmad, the Director primarily responsible for the financial management of Brahim's Airline Catering Holdings Sdn Bhd, do solemnly and sincerely declare that the financial statements set out on pages 6 to 47 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.


DATO' SERI IBRAHIM BIN HAJI AHMAD

Subscribed and solemnly declared by the abovenamed Dato' Seri Ibrahim bin Haji Ahmad at Kuala Lumpur in Malaysia on 28 April 2015.

Before me



Lot 350, 3rd Floor, Wisma MPL,
Jalan Raja Chulan,
50200 Kuala Lumpur

48

87



INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD
(Incorporated in Malaysia)
(Company No. 583216 P)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Brahim's Airline Catering Holdings Sdn Bhd on pages 6 to 47 which comprise the statements of financial position as at 31 December 2014 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on Notes 1 to 30.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

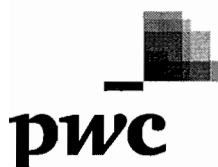
Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Travers, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my*



INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 583216 P)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiary that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) Our audit report on the financial statements of the subsidiary did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the member of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

NG GAN HOOI
(No. 2914/04/15 (J))
Chartered Accountant

Kuala Lumpur
28 April 2015

FURTHER INFORMATION

1. RESPONSIBILITY STATEMENT

The Directors have seen and approved this Circular and they collectively and individually accept full responsibility for the accuracy of the information given in this Circular. They confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Circular misleading.

The information relating to SIPL and SATS as contained in this Circular has been obtained from the management of SATS. The sole responsibility of the Board is limited to ensuring that the aforesaid information is accurately reproduced in this Circular.

2. CONSENT AND CONFLICT OF INTEREST**2.1 Affin Hwang IB**

Affin Hwang IB, being the Joint Principal Adviser to the Company for the Proposed Disposal, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form, manner and context in which it appears in this Circular.

Affin Hwang IB hereby declares that there is no situation of conflict of interest that exists or is likely to exist in relation to the role of Affin Hwang IB as the Joint Principal Adviser to the Company in relation to the Proposed Disposal.

2.2 HLIB

HLIB, being the Joint Principal Adviser to the Company for the Proposed Disposal, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form, manner and context in which it appears in this Circular.

Save as disclosed below, HLIB hereby declares that there is no other situation of conflict of interest that exists or is likely to exist in relation to the role of HLIB as the Joint Principal Adviser to the Company in relation to the Proposed Disposal.

As at the LPD, HLIB has in the ordinary course of business provided a bridging loan facility of RM7.75 million to the Company, for working capital purposes which is repayable upon the completion of the Proposed Disposal or 9 months from the date of first drawdown, whichever is earlier. HLIB's exposure to the Company is not material compared to the audited total assets of HLIB as at 30 June 2015.

HLIB has considered the factors involved and believes its objectivity and independence as the Joint Principal Adviser to the Company in relation to the Proposed Disposal are maintained at all times notwithstanding the aforementioned roles and services performed as these are mitigated by the following:

- (i) HLIB is a licensed investment bank which provides a wide range of investment banking services, including amongst others, loan syndications, corporate finance, debt capital markets and treasury. Therefore, the provision of advisory services for the Proposed Disposal and financing are both within the ordinary course of its business of HLIB;
- (ii) save as disclosed above and for the advisory fees earned by HLIB as the Joint Principal Adviser to the Company for the Proposed Disposal, HLIB will not be deriving any other direct or indirect benefits from the implementation of the Proposed Disposal; and
- (iii) the conduct of HLIB is regulated by the Financial Services Act, 2013 and by its respective own internal controls and checks.

FURTHER INFORMATION

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

As at the LPD, the Board is not aware of any material commitments or contingent liabilities incurred or known to be incurred by BHB and/or its subsidiaries, which upon becoming enforceable may have a material effect on the business or financial position of the BHB Group.

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal office hours from Mondays to Fridays (except for public holidays) from the date of this Circular up to and including the date of the forthcoming EGM, at the registered office of the Company which is located on the 10th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur:

- (i) memorandum and articles of association of BHB and BACH;
- (ii) audited financial statements of BHB for the past 2 FYE 31 December 2013 and 2014 and the unaudited quarterly results of BHB for the 9-month FPE 30 September 2015;
- (iii) audited financial statements of BACH for the past 2 FYE 31 December 2013 and 2014;
- (iv) SSA;
- (v) written consents referred to in Section 2 of this appendix;
- (vi) material contracts referred to in Section 10 of Appendix II; and
- (vii) cause papers in respect of the material litigation referred to in Section 9 of Appendix II.

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BRAHIM'S HOLDINGS BERHAD

(Company No.: 82731-A)

(Incorporated in Malaysia under the Companies Act, 1965)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of **BRAHIM'S HOLDINGS BERHAD** ("**BHB**" or "**Company**") will be held at Café Barbera, 18, Lorong Maarof, Bangsar Park, 59000 Kuala Lumpur on Friday, 15 January 2016 at 10.30 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the following resolution, with or without modification:

ORDINARY RESOLUTION

PROPOSED DISPOSAL OF 49% EQUITY INTEREST IN BRAHIM'S AIRLINE CATERING HOLDINGS SDN BHD ("BACH") FOR AN AGGREGATE CASH DISPOSAL CONSIDERATION OF UP TO RM218 MILLION (SUBJECT TO ADJUSTMENT)

"**THAT**, approval be and is hereby given to the Company to dispose 490,000 ordinary shares of RM1.00 each representing 49% equity interest in BACH to SATS Investments Pte. Ltd. or its nominee for an aggregate cash disposal consideration of up to RM218,000,000 (subject to adjustment) ("**Proposed Disposal**"), subject to the terms and conditions as contained in the conditional share sale agreement ("**SSA**") dated 18 December 2015,

AND THAT, approval be and is hereby given to the Board of Directors of the Company to give effect to the Proposed Disposal with full power and authority:

- (i) to enter into and execute the shareholders agreement in relation to the Proposed Disposal ("**SHA**") and such further other agreements, instruments, documents and deeds as the Board of Directors of the Company may from time to time deem fit, expedient or advisable for or in connection with the Proposed Disposal,
- (ii) to assent and/or give effect to any condition, variation, modification, addition and/or amendment in respect of the Proposed Disposal, the SSA and the SHA and/or any provision, term and condition thereof as may be required and/or as the Board of Directors of the Company deems fit, expedient or advisable, and
- (iii) to do all such other acts, deeds, and things as the Board of Directors of the Company may from time to time deem fit, expedient or advisable to implement, finalise and give full effect to the Proposed Disposal."

By Order of the Board

LIM LEE KUAN (MAICSA 7017753)

TEO MEE HUI (MAICSA 7050642)

Company Secretaries

Kuala Lumpur

31 December 2015

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
2. A member may appoint only 1 proxy to attend the same meeting. However, where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least 1 proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where an authorised nominee appoints 2 or more proxies, the appointment shall not be valid unless the member specifies the proportion of its shareholding to be represented by each proxy.
3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
5. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the Company's Share Registrar, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time for holding of the meeting or adjourned meeting.
6. The date of Record of Depositors for purpose of determining member's entitlement to attend, vote and speak at the meeting is Friday, 8 January 2016.



BRAHIM'S HOLDINGS BERHAD

(Company No.: 82731-A)

(Incorporated in Malaysia under the Companies Act, 1965)

FORM OF PROXY

| | |
|---------------------------|------------------------|
| No. of Shares held | CDS Account No. |
| | |

*I/We, _____ Company/NRIC/Passport No. _____

of _____

being a member of **BRAHIM'S HOLDINGS BERHAD**, hereby appoint _____

NRIC/Passport No. _____ of _____ *and/

or failing him/her, _____ NRIC/Passport No. _____

(second proxy is applicable to authorised nominee only)

of _____

or * #THE CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us on *my/our behalf at the Extraordinary General Meeting of the Company to be held at Café Barbera, 18, Lorong Maarof, Bangsar Park, 59000 Kuala Lumpur on Friday, 15 January 2016 at 10.30 a.m. or at any adjournment thereof and to vote as indicated below:

| ORDINARY RESOLUTION | FOR | AGAINST |
|----------------------------|------------|----------------|
| Proposed Disposal | | |

Mark either box if you wish to direct the proxy how to vote. If no mark is made, the proxy may vote on the resolution or abstain from voting as the proxy thinks fit.

* Delete if not applicable

If you wish to appoint other person(s) to be your proxy/proxies, kindly delete the words "The Chairman of the Meeting" and insert the name(s) of the person(s) desired.

The proportions of our shareholding to be represented by the proxies appointed by the authorised nominee (if appoint more than 1 proxy) are as follows:

| | |
|--------------|------------|
| First Proxy | _____ % |
| Second Proxy | _____ % |
| | _____ 100% |

In case of a vote taken by a show of hands, the first proxy shall vote on my/our behalf.

Dated this _____ day of _____ 2016

Signature / Common Seal of Shareholder

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
2. A member may appoint only 1 proxy to attend the same meeting. However, where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least 1 proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where an authorised nominee appoints 2 or more proxies, the appointment shall not be valid unless the member specifies the proportion of its shareholding to be represented by each proxy.
3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
5. The instrument appointing a proxy and the power of attorney or other attorney, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the Company's Share Registrar, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time for holding of the meeting or adjourned meeting.
6. The date of Record of Depositors for purpose of determining member's entitlement to attend, vote and speak at the meeting is Friday, 8 January 2016.



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AFFIX
STAMP

THE SHARE REGISTRAR

Brahim's Holdings Berhad (82731-A)
Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

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