

BRAHIM'S HOLDINGS BERHAD ("BHB" OR THE "COMPANY")

PROPOSED PRIVATE PLACEMENT OF UP TO 23,628,550 NEW ORDINARY SHARES IN BHB, REPRESENTING UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES OF BHB ("PROPOSED PRIVATE PLACEMENT")

1. INTRODUCTION

On behalf of the Board of Directors of BHB ("**Board**"), Hong Leong Investment Bank Berhad ("**HLIB**") wishes to announce that the Company proposes to undertake a private placement of up to 23,628,550 new ordinary shares in the Company ("**Shares**") ("**Placement Shares**"), representing up to 10.0% of the existing issued shares of the Company ("**Proposed Private Placement**").

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

2.1 Background

Under the Proposed Private Placement, the Company intends to issue up to 23,628,550 Placement Shares, representing up to 10.0% of the existing issued shares of the Company. The number of issued shares was arrived at after taking into consideration the existing number of issued shares of the Company of 236,285,500 Shares as at 26 January 2018, being the latest practicable date prior to the date of this announcement ("**LPD**").

The Proposed Private Placement may be implemented in one or more tranches, depending on the prevailing market conditions, within six months after the receipt of all relevant approvals for the Proposed Private Placement or any extended period as may be approved by Bursa Malaysia Securities Berhad ("**Bursa Securities**"), subject to the expiry of the General Mandate (as defined herein) or a new mandate being obtained from shareholders of the Company.

The Proposed Private Placement is intended to be implemented pursuant to the authority conferred to the Board under the shareholders' mandate for the issuance of new BHB Shares under Sections 75 and 76 of the Companies Act 2016 ("**Act**"), which was obtained at the 35th Annual General Meeting ("**AGM**") of the Company held on 18 May 2017 ("**General Mandate**"), which will continue to be in force until the conclusion of the next AGM of the Company.

As the Proposed Private Placement may be implemented in one or more tranches, there could be several price fixing dates and issue prices.

2.2 Placement arrangement

The Placement Shares will be placed out to independent third-party investor(s) who are yet to be identified. The placees of the Placement Shares shall fall within Part 1 of Schedule 6 of the Capital Markets and Services Act 2007 ("**CMSA**") and Part 1 of Schedule 7 of the CMSA.

The Placement Shares are not intended to be placed out to the following parties:

- (i) a director, major shareholder or chief executive of the Company ("**Interested Person**");
- (ii) a person connected with an Interested Person; and
- (iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

2.3 Basis for determining the issue price(s) of the Placement Shares

The issue price of the Placement Shares, shall be determined and fixed on a date to be determined later (“**Price-Fixing Date**”). The Placement Shares will be priced at a discount of not more than 10% (the actual quantum of which will be determined later) from the 5-day volume-weighted average market price (“**VWAMP**”) of BHB Shares immediately preceding the Price-Fixing Date.

For illustration purposes, the indicative issue price of the Placement Shares is assumed to be at RM0.42 each, which represents a discount of RM0.04 or 8.6% to the 5-day VWAMP of BHB Shares up to and including the LPD of RM0.4626.

2.4 Ranking of the Placement Shares

The Placement Shares shall, upon allotment and issue, rank equally in all respects with the existing BHB Shares, save and except that the holders of the Placement Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid by to shareholders, the entitlement date of which is before the date of allotment of the Placement Shares.

2.5 Listing of and quotation for the Placement Shares

An application will be made to Bursa Securities for the listing of and quotation for the Placement Shares to be issued pursuant to the Proposed Private Placement on the Main Market of Bursa Securities.

3. RATIONALE FOR THE PROPOSED PRIVATE PLACEMENT

The Proposed Private Placement will allow the Company to raise funds for the repayment of bank borrowings and working capital purposes.

After due consideration of the various funding options available, the Board is of the view that the Proposed Private Placement is the most appropriate avenue for the Company to raise funds after taking into consideration, among others, that the Proposed Private Placement:

- (i) allows the Company to raise funds based on market conditions and the prevailing share price;
- (ii) allows the Company to raise funds expeditiously and cost effectively as compared to other fund-raising exercises;
- (iii) will serve as an additional source of funding for the Company without further incurring finance cost; and
- (iv) will increase the capital base of the Company and strengthen its financial position arising from the increase in the number of Shares in issue.

4. UTILISATION OF PROCEEDS

4.1 Utilisation of proceeds

The actual amount of proceeds to be raised from the Proposed Private Placement cannot be determined at this juncture as the amount to be raised will depend on the actual number of Placement Shares to be issued and the issue price(s) of the Placement Shares.

For illustration purposes, assuming that up to 23,628,550 Placement Shares are issued at an indicative price of RM0.42 per Placement Share, the Proposed Private Placement is expected to raise approximately up to RM9.9 million. The estimated gross proceeds are intended to be utilised in the following manner:

Details of utilisation	RM'000	Note	Expected timeframe of utilisation of proceeds from the date of listing of the Placement Shares
Repayment of bank borrowings	9,189	(i)	Within 3 months
Working Capital	485	(ii)	Within 6 months
Estimated expenses in relation to the Proposed Private Placement	250	(iii)	Within 1 month
	<u>9,924</u>		

The details of the utilisation of proceeds are as follows:

(i) Repayment of bank borrowings

The breakdown of the repayment of the bank borrowings are as follows:

Description	RM'000	Expected timeframe for utilisation of proceeds from the date of listing of the Placement Shares
Repayment of OCBC Al-Amin Bank Berhad loan ^(a)	5,721	Within 3 months
Repayment of loan taken by subsidiary ^(b)	3,468	Within 3 months
Total	<u>9,189</u>	

- (a) The company had in 2014 obtained a term loan from OCBC Al-Amin Bank Berhad (“**OCBC Al-Amin**”). Based on the latest consolidated audited financial statements of the Company as at 31 December 2016, the amount of term loan outstanding is approximately RM75.75 million. The amount due for repayment to OCBC Al-Amin during the financial year ending 31 December 2018 is approximately RM11.4 million. The repayment is expected to be repaid in 2 tranches, which is approximately RM5.7 million by April 2018 and another RM5.7 million by October 2018. The proceeds raised from the Proposed Private Placement is expected to service the first tranche of term loan amount due for repayment by April 2018.

- (b) Cafe Barbera (SEA) Sdn. Bhd., a wholly owned subsidiary of the Company, had obtained fixed rate loans from IBH Investment Bank Limited, a licensed financial institution from Labuan, for the purposes of its new outlet expansion and purchase of equipment. Part of the proceeds raised will be utilised for the repayment of the outstanding loan amount which will mature on 30 June 2018.

(ii) Working Capital

Part of the proceeds arising from the Proposed Private Placement is expected to be utilised for the working capital requirements of the Company. Such working capital requirements may include, amongst others, payment of financing costs, trade and other payables, employees' salaries, wages and rental, as well as other day-to-day expenses of the Company.

(iii) Estimated expenses in relation to the Proposed Private Placement

The estimated expenses of approximately RM250,000 comprise fees payable to the relevant authorities, placement commission and other ancillary expenses to be incurred in relation to the Proposed Private Placement. In the event the actual expenses incurred are higher/lower than budgeted, the deficit/surplus will be funded from/contributed to the portion allocated for repayment of bank borrowing purposes.

The actual proceeds to be raised from the Proposed Private Placement is dependent on the issue price and actual number of Placement Shares issued. In the event of a variation in the actual gross proceeds raised due to differences in the issue price(s) and/or the number of Placement Shares to be issued, the amount proposed to be allocated for working capital or estimated expenses in relation to the Proposed Private Placement purposes will be varied accordingly.

Pending the utilisation of proceeds from the Proposed Private Placement for the above purposes, the proceeds would be placed as deposits with licensed financial institutions or short-term money market instruments.

5. ADDITIONAL RELEVANT INFORMATION

5.1 Impact of the Proposed Private Placement on the Company and its shareholders

Based on the audited consolidated financial statements of BHB as at 31 December 2016, the net current assets of the Company and its subsidiaries (the "Group") stood at approximately RM41.0 million. Assuming that the Company raises gross proceeds of RM9.9 million (based on up to 23,628,550 Placement Shares at an indicative issue price of RM0.42 per BHB Share) from the Proposed Private Placement, the net current assets of the Group is expected to improve to RM56.4 million.

Assuming the Placement Shares are issued at an indicative issue price of RM0.42, the pro forma effects of the Proposed Private Placement on the audited net current assets of the Group as at 31 December 2016 are as follows:

	As at 31 December 2016	After the Proposed Private Placement
	(RM'000)	(RM'000)
Current assets		
Inventories	6,126	6,126
Trade and other receivables	55,660	55,660
Amount due from a related company	66	66
Amount due from joint venture	43	43
Tax recoverable	11,349	11,349
Cash and bank balances	30,143	⁽¹⁾ 39,817
	103,387	113,061
Current liabilities		
Trade and other payables	54,043	54,043
Lease and hire purchase payables	116	116
Term loans	5,752	-
Amounts due to related companies	867	867
Bank overdrafts	1,535	1,535
Provision for taxation	65	65
	62,378	56,626
Net current assets	41,009	56,435
Current ratio (times)	1.66	2.00

Note:

- (1) After deducting estimated expenses of about RM250,000 in relation to the Proposed Private Placement.

Notwithstanding that the issuance of the Placement Shares will dilute the existing shareholders' shareholdings in the Company, the Proposed Private Placement is expected to improve the net current assets of the Group, which in turn will enhance the Group's liquidity position.

5.2 How the Proposed Private Placement will create value to the Company and its shareholders

(i) Interest savings for the Group

The Proposed Private Placement will enable the Group to obtain fresh funds without incurring further finance costs as compared to other options of fund raising exercise, such as debt financing.

For illustration purposes only, assuming the proceed raised of RM9.19 million is used to repay the term loans, it would result in interest savings of approximately RM652,000 to RM698,000 per annum to the Group based on the interest rate of the term loan of approximately 7.1% to 7.6% per annum.

(ii) Provides flexibility to its cash flow management

The partial servicing of the term loans will result in interest savings for the Company as the Proposed Private Placement will enable the Group to have better control and flexibility over its cash flows, and allow the Group to preserve its cash flows for its operations.

5.3 Adequacy of funds to be raised from the Proposed Private Placement

The Proposed Private Placement will strengthen the financial position of the Group as the proceeds will be utilised to repay part of its existing bank borrowings which will reduce the overall gearing level and interest commitment of the Group. This allows the Group to have more flexibility over its cash flows funding of its on-going projects without further incurring interest cost.

However, as mentioned in note (i)(a) of Section 4.1 of this announcement, BHB is expected to repay a loan of approximately RM5.7 million to OCBC Al-Amin loan due in October 2018. The Company intends to explore its options such as to refinance the loan or to negotiate with OCBC Al-Amin to reschedule the repayment of the outstanding loan amount.

5.4 Steps taken by the Group to improve its financial position

The Group has taken various steps to strengthen its financial position by leveraging on its core competencies and adopting cost cutting measures. One of the focus of the Group during the year has been to gradually shift the business model away from dependence on Malaysia Airlines Berhad (“**MAB**”) as its core customer and towards a recurring revenue model with the goal of providing long-term revenue sustainability. In this respect, the Group has plans to explore more opportunities by exploring strategic partnership with global food companies. At the same time, the Group will optimise its halal excellence centre’s halal certification expertise by collaborating and to establish a joint venture company to develop food manufacturing, production and services in the Middle East market. This will open up other opportunities in trading, food services, restaurant operations and industrial catering including in-flight catering in the Middle East market. The Group will then contribute its expertise in setting up the food industry, as well as in the areas of operation management, food production and processing, food packaging and food quality management.

The Group also intends to increase its revenue from the non-aviation catering business. Recently, the Group managed to secure a long term catering services agreement with Keretapi Tanah Melayu Bhd’s (KTMB) electric train services rail cafes at train stations and terminals. Under the agreement, the Group will provide manpower for its onboard catering services, as well as operate rail cafes, develop IT software to integrate with KTMB’s software for the purpose of capturing sales and pre-booked meals and renovate new catering kitchen hub in Butterworth and Kuala Lumpur stations. The agreement officially took effect on 1 May 2017 and is for a period of five years until 30 April 2022 with an option to renew or extend for another five years. Therefore, the agreement is expected to contribute positively to the earnings and future cash flows of the Group.

In addition, the Group had on 24 March 2017 entered into 2 Cafeteria Operation Agreements (“COAs”) with Universiti Kebangsaan Malaysia. One contract is for leasing, renovation and upgrading of these designated cafeterias. The other contract is to provide training and consultancy services for other cafeterias located in UKM. Both contracts are based on the profit sharing scheme based on the amount calculated of the quarterly profit of business at the designated cafeteria leased to the Group. Under the agreement, the Group will at its own cost operate, supply and serve meals, beverages and refreshments of the types and standard befitting of a 3 star premium outlet and/or sublet portions of the designated cafeterias to other operators.

6. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

For illustrative purposes, the proforma effects of the Proposed Private Placement on the issued share capital, net assets (“NA”) per share, gearing, earnings and earnings per share (“EPS”) and the substantial shareholdings in our Company are illustrated as below.

6.1 Share capital

The pro forma effects of the Proposed Private Placement on the issued share capital of the Company is set out below:

	No. of BHB Shares (’000)	Share capital (RM’000)
Existing as at the LPD	236,286	268,266
To be issued pursuant to the Proposed Private Placement ⁽¹⁾	23,629	9,924
Enlarged issued share capital	259,915	278,190

Notes:

- (1) Based on 23,628,550 Placement Shares and the indicative issue price of RM0.42 per BHB Share.

6.2 Substantial shareholders' shareholdings

The pro forma effects of the Proposed Private Placement on the substantial shareholders' shareholdings is set out below:

	As at the LPD ⁽¹⁾				After the Proposed Private Placement			
	Direct No. of BHB Shares (^{'000})		Indirect No. of BHB Shares (^{'000})		Direct No. of BHB Shares (^{'000})		Indirect No. of BHB Shares (^{'000})	
		%		%		%		%
Brahim's International Franchises Sdn. Bhd.	71,005	30.05	-	-	71,005	27.32	-	-
Fahim Capital Sdn. Bhd.	-	-	⁽²⁾ 71,005	30.05	-	-	⁽²⁾ 71,005	27.32
Semantan Capital Sdn. Bhd.	-	-	⁽²⁾ 71,005	30.05	-	-	⁽²⁾ 71,005	27.32
Dato' Seri Ibrahim bin Haji Ahmad	-	-	⁽³⁾ 96,005	40.63	-	-	⁽³⁾ 96,005	36.94
Tan Sri Dato' Mohd Ibrahim bin Mohd Zain	-	-	⁽⁴⁾ 71,005	30.05	-	-	⁽⁴⁾ 71,005	27.32
IBH Capital (Labuan) Limited	25,000	10.58	-	-	25,000	9.62	-	-
Dato' Choo Kah Hoe	-	-	⁽⁵⁾ 25,000	10.58	-	-	⁽⁵⁾ 25,000	9.62
Lembaga Tabung Haji	45,553	19.28	-	-	45,553	17.53	-	-

Notes:

- ⁽¹⁾ Based on existing issued share capital as at the LPD.
- ⁽²⁾ Deemed interested in shares by virtue of their shareholdings in Brahim's International Franchises Sdn. Bhd. pursuant to Section 8 of the Act.
- ⁽³⁾ Deemed interested in shares by virtue of his shareholdings in IBH Capital (Labuan) Limited and Fahim Capital Sdn. Bhd. pursuant to Section 8 of the Act.
- ⁽⁴⁾ Deemed interested in shares by virtue of his shareholdings in Semantan Capital Sdn. Bhd. pursuant to Section 8 of the Act.
- ⁽⁵⁾ Deemed interested in shares by virtue of his shareholdings in IBH Capital (Labuan) Limited pursuant to Section 8 of the Act.

6.3 NA and gearing

For illustration purposes, based on the audited consolidated financial statements of BHB for the FYE 31 December 2016, the pro forma effects of the Proposed Private Placement on the NA and gearing of the Group are as follows:

	As at 31 December 2016 (RM'000)	After the Proposed Private Placement (RM'000)
Share capital	236,286	278,190
Share Premium	31,980	⁽¹⁾ -
Reserves	(162,517)	⁽²⁾ (162,767)
NA attributable to owners of the parent	105,749	115,423
Number of Shares in issue ('000)	236,286	259,914
NA per Share (RM)	0.44	0.44
Total borrowings (RM'000)	81,590	71,866
Gearing (on shareholders' funds) (times)	0.77	0.62

Notes:

- (1) Pursuant to Section 618 of the Act, the amount standing to the credit of BHB's share premium shall become part of BHB's share capital.
- (2) After deducting estimated expenses for the Proposed Private Placement amounting to RM250,000.

6.4 Earnings and EPS

The Proposed Private Placement is not expected to have any effect on the earnings of our Group for the financial year ended 31 December 2017 as the Proposed Private Placement will only be implemented during the financial year ending 31 December 2018.

The Proposed Private Placement is expected to contribute positively to the future earnings of the Group for the financial year ending 31 December 2018 when the benefits arising from the proposed utilisation of the proceeds from the Proposed Private Placement for the repayment of bank borrowings as set out in Section 4 of this announcement is realised. However, there will be a corresponding dilution in the EPS of the Group upon completion of the Proposed Private Placement as a result of the increase in the number of BHB Shares in issue.

6.5 Convertible securities

The company does not have any outstanding convertible securities.

7. APPROVALS REQUIRED

The Proposed Private Placement is conditional upon approvals being obtained from the following:

- (i) Bursa Securities, for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities; and
- (ii) Other relevant authorities/parties, if required.

At the 35th AGM of the Company, which was held on 18 May 2017, the shareholders of the Company had approved the General Mandate conferring authority to the Board, subject to approvals of the relevant governmental/regulatory authorities, to allot and issue new BHB Shares under Sections 75 and 76 of the Act, provided that the aggregate number of new BHB Shares to be issued does not exceed 10% of the issued share capital of the Company. The General Mandate will continue to be in force until the conclusion of the next AGM of the Company.

The Proposed Private Placement is not conditional upon any other corporate exercise which has been announced by the Company.

8. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the directors and/or major shareholders of BHB and/or persons connected with them have any interest, direct or indirect, in the Proposed Private Placement.

9. DIRECTORS' STATEMENT

Our Board, having considered all aspects of the Proposed Private Placement, including but not limited to the rationale for and the financial effects of the Proposed Private Placement, is of the opinion that the Proposed Private Placement is in the best interests of the Company.

10. ESTIMATED TIME FRAME FOR COMPLETION

The application to Bursa Securities in respect of the Proposed Private Placement is expected to be submitted within 1 month from the date of this announcement. Barring any unforeseen circumstances, the Proposed Private Placement is expected to be completed within 6 months from the date of approval from Bursa Securities in relation to the application for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities.

11. ADVISER AND PLACEMENT AGENT

HLIB has been appointed as the Adviser and the Placement Agent for the Proposed Private Placement.

This announcement is dated 21 February 2018.

HISTORICAL FINANCIAL PERFORMANCE OF THE GROUP

A summary of the historical financial performance of the Group based on its audited consolidated financial statements for the 3 financial years ended (“FYE”) 31 December 2014 to 31 December 2016 and the unaudited consolidated financial statements for the 9-months financial period ended (“FPE”) 30 September 2016 and 30 September 2017 are set out below:

	Audited			Unaudited	
	FYE 31 December			FPE 30 September	
	2014	2015	2016	2016	2017
	(RM '000)	(RM '000)	(RM '000)	(RM '000)	(RM '000)
Revenue	353,925	281,295	266,364	193,872	217,659
(Loss) before tax (“LBT”) / Profit before tax (“PBT”)	(35,055)	(14,021)	(120,820)	(11,555)	1,117
(Loss) after tax attributable to owners of the Company	(31,962)	(15,680)	(74,957)	(12,109)	(4,944)
Number of Shares outstanding('000)	236,286	236,286	236,286	236,286	236,286
Net (loss) per share attributable to owners of the Company (sen)	(14)	(7)	(32)	(5)	(2)
NA attributable to owners of the Company	246,578	230,899	105,749	192,719	100,805
Total borrowings	152,987	145,663	81,590	84,331	80,073
NA per share (sen)	1.04	0.98	0.45	0.81	0.43
Current ratio (times)	1.13	0.88	1.66	2.49	1.70
Gearing ratio ⁽ⁱ⁾ (times)	0.62	0.63	0.77	0.44	0.79

Notes:

- (i) Computed based on total borrowings divided by NA attributable to owners of the Company.

Financial commentaries:**FYE 31 December 2015 compared to FYE 31 December 2014**

The Group recorded lower revenue of RM281.3 million for the FYE 31 December 2015, representing a decrease of RM72.6 million or 20.5% over the revenue of RM353.9 million recorded for the previous financial year. The decrease in revenue in 2015 was due to a 25% discount given to MAB until the New Catering Agreements officially took effect on the 15th September 2015 when MAB was undergoing its restructuring. Another reason contributing to lower revenue was the scaling down of flights by MAB after the incidents of MH370 and MH17 which greatly affected the meals offtake by MAB from the Group. Therefore, the Group faced lower margins after agreeing to new catering terms with MAB since MAB being the Group's core customer contributes about 75% of the Group's revenue and profits.

The LBT reduced by RM21.5 million from RM35.5 million for the FYE 31 December 2014 to RM14.0 million for the FYE 31 December 2015, representing a 61.4% reduction in the LBT. This was due to a one off loss from the write-off in trade receivables under dispute with MAB in the FYE 31 December 2014. MAB had been disputing with the Group on billings prior to the announcement of the MAB Recovery Plan in year 2014, which came into resolution in 2015 to settle the withholding payments owed to the Group.

FYE 31 December 2016 compared to FYE 31 December 2015

The Group recorded a lower revenue of RM266.4 million for the FYE 31 December 2016, representing a decrease of RM14.9 million or 5.3% over the revenue of RM281.3 million recorded for the FYE 31 December 2015. The lower revenue was mainly due to significant margin pressure from anchor clients, combined with lower than expected number of flights which resulted in lesser meal offtakes as well as a reduction in cabin handling revenue which contributes to 25% of total flight operation revenue. In addition, the flight route cuts arising from the shutdown of European routes except for Kuala Lumpur-London as part of MAB's change in business strategy contributed to the weakening in the Group's revenue.

LBT increased significantly by RM106.8 million from RM14.0 million for the FYE 31 December 2015 to RM120.8 million for the FYE 31 December 2016. The significantly higher LBT in 2016 was mainly due to a one-off adjustment for impairment loss on goodwill allocated to the catering services amounting to RM91.6 million.

FPE 30 September 2017 compared to FPE 30 September 2016

Overall, the Group achieved a higher revenue of RM217.7 million for the FPE 30 September 2017 as compared to a revenue of RM193.9 million for the FPE 30 September 2016, representing an increase of RM23.8 million or approximately 12.3%. The higher revenue was mainly due to improvement in revenue from the in-flight catering and related services and improvement of the Group's logistics and related services revenue. These numbers were derived on the back of higher numbers of meals offtake by MAB.

The Group recorded PBT of RM1.1 million for the FPE 30 September 2017 as compared to LBT of RM11.6 million in the FPE 30 September 2016. The PBT for the current period was mainly due to the Group's initiative in managing its costs more effectively. The Group has implemented a Group-wide Cost Cutting exercise and initiated a Group-wide Enterprise risk Management exercise and is gradually coming into realisation.