**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

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.



# BRAHIM'S HOLDINGS BERHAD

*(formerly known as Tamadam Bonded Warehouse Berhad)*

(Company No.: 82731-A)

(Incorporated in Malaysia under the Companies Act, 1965)

**("BHB")**

## CIRCULAR TO SHAREHOLDERS IN RELATION TO

## PART A

## PROPOSED ACQUISITION OF 51% EQUITY INTEREST IN DEWINA HOST SDN BHD FOR A CASH CONSIDERATION OF RM20,000,000 ("PROPOSED ACQUISITION")

## PART B

## INDEPENDENT ADVICE LETTER FROM TA SECURITIES HOLDINGS BERHAD TO THE NON-INTERESTED SHAREHOLDERS OF BHB IN RELATION TO THE PROPOSED ACQUISITION

***Principal Adviser***

HwangDBS INVESTMENT BANK

**HWANGDBS INVESTMENT BANK BERHAD** (14389-U)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

***Independent Adviser***

**TA Securities Holdings Berhad**

(Company No.14948-M)

A Participating Organisation of Bursa Malaysia Securities Berhad

TA SECURITIES

A MEMBER OF THE TA GROUP

## AND

## NOTICE OF EXTRAORDINARY GENERAL MEETING

An Extraordinary General Meeting ("EGM") will be held at Sandakan Room, Auditorium & Convention Center @ The Podium, Ground Floor, Menara Hap Seng, 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur on Monday, 27 June 2011 at 10.30 a.m. or at any adjournment thereof. The notice of EGM, together with the Form of Proxy, is enclosed in this Circular.

You are requested to complete the enclosed Form of Proxy and deposit it at the Company's Registered Office at Level 10, Menara Hap Seng, 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur on or before the time and date indicated below 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.

| | | |
|---|---|---|
| Last date and time for lodging the Form of Proxy | : | 25 June 2011 at 10.30 a.m. |
| Date and time of EGM | : | 27 June 2011 at 10.30 a.m. |

This Circular is dated 10 June 2011

## DEFINITIONS

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

| | | |
|---|---|---|
| Act | : | Companies Act, 1965 |
| BHB or Company | : | Brahim's Holdings Berhad *(formerly known as Tamadam Bonded Warehouse Berhad) (82731-A))* |
| BHB Group or Group | : | BHB and its subsidiaries, collectively |
| BIF | : | Brahim's International Franchises Sdn Bhd (296392-A) |
| Board | : | Board of Directors |
| Bursa Securities | : | Bursa Malaysia Securities Berhad (635998-W) |
| CAGR | : | Compounded annual growth rate |
| Datin Dr. Hiryati | : | Datin Dr. Hiryati binti Abdullah |
| Dato' Choo | : | Dato' Choo Kah Hoe |
| Datuk Ibrahim | : | Datuk Ibrahim bin Haji Ahmad |
| DHost | : | Dewina Host Sdn Bhd (434286-P) |
| DHSB or Vendor | : | Dewina Holdings Sdn Bhd (550913-P) |
| EBITDA | : | Earnings before interest, taxation, depreciation and amortisation |
| EGM | : | Extraordinary General Meeting |
| En Zamry | : | Mohamed Zamry bin Mohamed Hashim |
| EPS | : | Earnings per share |
| EV | : | Enterprise value |
| F&B | : | Food and beverage |
| FCSB | : | Fahim Capital Sdn Bhd (507720-V) |
| FRS | : | Financial Reporting Standards |
| FYE | : | Financial year ended / ending |
| GDP | : | Gross domestic products |
| HwangDBS | : | HwangDBS Investment Bank Berhad (14389-U) |
| IBHC | : | IBH Capital (Labuan) Limited (LL06841) |
| Interested Directors | : | Datuk Ibrahim, Tan Sri Dato' Mohd Ibrahim, Dato' Choo and En Zamry, collectively |
| KLIA | : | Kuala Lumpur International Airport |
| LCCT | : | Low Cost Carrier Terminal |
| MMLR | : | Main Market Listing Requirements of Bursa Securities |
| LPD | : | 31 May 2011, being the latest practicable date prior to the printing of this Circular |
| NA | : | Net assets |
| PAT | : | Profit after taxation |

| | | |
|---|---|---|
| PATMI | : | Profit after taxation and minority interest |
| PBR | : | Price-to-book ratio |
| PBT | : | Profit before taxation |
| PER | : | Price-earnings-ratio |
| Proposed Acquisition | : | Proposed acquisition of the Sale Shares for the Purchase Consideration |
| Purchase Consideration | : | RM20,000,000, being the purchase consideration for the 51% equity interests in DHost which is to be satisfied entirely in cash |
| RM | : | Ringgit Malaysia |
| ROA | : | Return on assets |
| ROE | : | Return on equity |
| Sale Shares | : | 127,500 DHost Shares representing approximately 51% of the issued and paid-up share capital of DHost to be acquired by BHB pursuant to the Proposed Acquisition |
| SCSB | : | Semantan Capital Sdn Bhd (249670-D) |
| Share(s) | : | Ordinary share(s) of RM1.00 each |
| SSA | : | The conditional share sale agreement dated 16 May 2011 entered into between BHB and DHSB in relation to the Proposed Acquisition |
| TA Securities | : | TA Securities Holdings Berhad (14948-M), the Independent Adviser appointed by the Board of BHB for the Proposed Acquisition |
| Tan Sri Dato' Mohd Ibrahim | : | Tan Sri Dato' Mohd Ibrahim bin Mohd Zain |
| USD | : | United States Dollars |

In this Circular, unless there is something in the subject or context inconsistent herewith, the singular includes the plural and references to gender include both feminine and the neuter genders. References to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted.

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

Any discrepancy in the tables included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

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**NOTICE OF EGM** **ENCLOSED**

**FORM OF PROXY** **ENCLOSED**

## PART A

## LETTER TO THE SHAREHOLDERS OF BHB

**BRAHIM'S HOLDINGS BERHAD**
*(formerly known as Tamadam Bonded Warehouse Berhad)*
(Company No.: 82731-A)
(Incorporated in Malaysia under the Companies Act, 1965)

**Registered Office:**

Level 10, Menara Hap Seng
1 & 3, Jalan P. Ramlee
50250 Kuala Lumpur

10 June 2011

**Board of Directors:**

Datuk Ibrahim Bin Haji Ahmad *(Executive Chairman)*
Tan Sri Dato' Mohd Ibrahim Bin Mohd Zain *(Non-Independent Non-Executive Director)*
Cheam Heng Cheang *(Managing Director)*
Col (Rtd) Dato' Ir Cheng Wah *(Independent Non-Executive Director)*
Goh Joon Hai *(Independent Non-Executive Director)*
Mohamed Zamry Bin Mohamed Hashim *(Non-Independent Non-Executive Director)*
Dato' Choo Kah Hoe *(Non-Independent Non-Executive Director)*

**To: The Shareholders of Brahim's Holdings Berhad** ***(formerly known as Tamadam Bonded Warehouse Berhad)***

Dear Sir/Madam,

**PROPOSED ACQUISITION OF 51% EQUITY INTEREST IN DHOST FOR A CASH PURCHASE CONSIDERATION OF RM20,000,000**

## 1. INTRODUCTION

On 16 May 2011, on behalf of the Board of BHB, HwangDBS announced that BHB has on 16 May 2011 entered into the SSA with DHSB to acquire the Sale Shares for a cash purchase consideration of RM20,000,000.

On 19 May 2011, on behalf of the Board of BHB, HwangDBS announced further information in relation to the Proposed Acquisition.

In view of the interests of certain Directors and major shareholders of BHB in the Proposed Acquisition, as set out in Section 8, Part A of this Circular, the Proposed Acquisition is deemed a related party transaction pursuant to paragraph 10.08 of the MMLR. Accordingly, TA Securities has been appointed by the Board of BHB as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of BHB in respect of the Proposed Acquisition.

The purpose of this Circular is to:
(i) provide you with the relevant information on the Proposed Acquisition;
(ii) set out your Board's recommendation on the Proposed Acquisition; and
(iii) seek your approval for the resolution relating to the Proposed Acquisition to be tabled at the forthcoming EGM to be convened at Sandakan Room, Auditorium & Convention Center @ The Podium, Ground Floor, Menara Hap Seng, 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur on Monday, 27 June 2011 at 10.30 a.m.

**SHAREHOLDERS ARE ADVISED TO READ THE CONTENTS OF THIS CIRCULAR INCLUDING THE INDEPENDENT ADVICE LETTER FROM TA SECURITIES AND THE ACCOMPANYING APPENDICES CAREFULLY BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION AT THE FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.**

## 2. THE PROPOSED ACQUISITION

The Proposed Acquisition involves the acquisition by the Company of 127,500 DHost Shares representing 51% of the issued and paid-up share capital of DHost for a purchase consideration of RM20,000,000 to be satisfied entirely via cash.

The Sale Shares will be acquired from the Vendor with full title guarantee and free from all encumbrances, liens, options, claims, charges and other encumbrances but with all rights, benefits and advantages attaching thereto and accruing thereon and subject to and upon the terms and conditions of the SSA.

The shareholding structure of DHost before and after the Proposed Acquisition is as follow:


Upon completion of the Proposed Acquisition, DHost will become a 51%-owned subsidiary of BHB.

### 2.1 Basis and justification of arriving at the Purchase Consideration

The Purchase Consideration was negotiated on an arm's length basis based on commercial terms and arrived at on a willing-buyer willing-seller basis after taking into consideration the following:

(a) the operating history of DHost since 1998;

(b) the historical earnings and earnings potential of DHost; and

(c) the audited NA of DHost as at 31 December 2010 of RM10.64 million on a debt-free basis.

Based on the audited PAT and NA of DHost for the FYE 31 December 2010 of RM4.70 million and RM10.64 million, the Purchase Consideration represents a historical PER of 8.34 times and PBR of 3.68 times respectively.

**[The rest of this page is intentionally left blank]**

## 2.2 Terms of payment

The Purchase Consideration is proposed to be settled as follows:

| Purchase Consideration | Payment Percentage | Timing |
|---|---|---|
| RM2.0 million | 10% | Upon exeeution of the SSA |
| RM18.0 million | 90% | No later than 15 business days from the date the SSA becomes unconditional |

The Purchase Consideration will be funded via bank borrowings.

## 2.3 Liabilities to be assumed

BHB will not assume any liability, including contingent liabilities and guarantees arising from the Proposed Acquisition other than those liabilities of DHost which arise from the ordinary course of business of DHost.

## 2.4 Additional financial commitment

DHost's business operation is currently income generating and has sufficient cashflow for its working capital. Accordingly there is no additional financial commitment required from BHB for DHost's existing operations at this juncture.

## 2.5 Salient terms and conditions of the SSA

The salient terms and conditions of the SSA are as follows:

(a) The Vendor shall sell and BHB shall purchase the Sale Shares with full title guarantee and free from all encumbrances, liens, options, claims, charges and other encumbrances but with all rights, benefits and advantages attaching thereto and accruing thereon for the Purchase Consideration upon the terms and conditions of the SSA;

(b) Immediately upon the execution of the SSA, BHB shall pay to the Vendor in cleared funds a sum equivalent to 10% of the Purchase Consideration ("Deposit");

(c) Unless otherwise waived by BHB, the Vendor shall allow BHB's employees and/or professional advisers reasonable access to premises and persons to inspect DHost's records, accounts, books and documents to verify and/or confirm the Vendors' various warranties and representations as provided in the SSA ("Due Diligence Audit");

(d) BHB shall commence the Due Diligence Audit within 5 Business Days (as defined in the SSA as a day excluding Saturday, Sunday or a gazetted public holiday) from the date of the SSA ("Commencement Date") and complete the Due Diligence Audit within 5 Business Days from the Commencement Date. By the completion date of the Due Diligence Audit, BHB shall confirm in writing to the Vendor whether it is satisfied or otherwise with the Due Diligence Audit;

(e) BHB and the Vendor agree that the sale and purchase of the Sale Shares shall be subject to the following conditions precedent being fulfilled within 3 months from the date of the SSA or such later date as BHB and the Vendor may mutually agree ("Conditional Period"):

(i) the approval of the shareholders of the Vendor being obtained;
(ii) the approval of the shareholders of BHB being obtained;
(iii) the Due Diligence Audit is confirmed satisfactory by BHB; and
(iv) any other relevant approvals from the authorities.

(collectively "Conditions Precedent")

(f) All the Conditions Precedent shall be fulfilled or satisfied within the Conditional Period. If any of the Conditions Precedent shall not have been obtained or fulfilled by then, either BHB or the Vendor shall be entitled by written notice to the other party or the other party's solicitors, to terminate the SSA, whereupon the SSA shall be terminated and deemed to be null and void and all monies paid towards the Deposit shall be refunded by the Vendor, without any interest, within 14 days from the date of the written notice to terminate;

(g) BHB shall satisfy or cause to be satisfied the balance 90% of the Purchase Consideration ("Balance Purchase Consideration") on a day mutually agreed between BHB and the Vendor to be the completion date of the SSA which shall not be later than 15 Business Days (as defined in the SSA as a day excluding Saturday, Sunday or a gazetted public holiday) from the date the SSA becomes unconditional or such later date as may be agreed between the parties ("Completion Date");

(h) In the event the Balance Purchase Consideration is not settled by the Completion Date, the Vendor shall grant a further period of 2 months to BHB to pay the Balance Purchase Consideration provided interest at the rate of 8% per annum calculated on a daily basis on the balance outstanding shall be paid by BHB from the Completion Date on the balance outstanding to the date of actual payment; and

(i) The Vendor, amongst others, represents and warrants to BHB that the net tangible assets (meaning the total assets minus total liabilities less intangible assets such as goodwill, patent or trademark) of DHost shall not, as at the Completion Date, be less than RM10.64 million. Any claim for breach of warranty against the Vendor must be made within 2 years from the Completion Date and the maximum quantum claimable shall be capped at the Purchase Consideration.

## 2.6 Information on the Vendor

DHSB was incorporated on 21 June 2001 under the Act. Its present authorised share capital is RM100,000 comprising 100,000 Shares, of which 100,000 Shares have been issued and fully paid-up.

The principal activity of DHSB is investment holding, management services and property investment.

As at the LPD, the Directors of DHSB and their respective shareholdings in DHSB are as follows:

| Name | Direct | | Indirect | |
|---|---|---|---|---|
| | No. of shares held | % | No. of shares held | % |
| Datuk Ibrahim | 99,998 | 99.99 | - | - |
| Datin Dr. Hiryati | - | - | *99,998 | 99.99 |
| Nur Fatin binti Ibrahim | - | - | **99,998 | 99.99 |
| Nur Azizah binti Ibrahim | - | - | **99,998 | 99.99 |
| Ahmad Fahimi bin Ibrahim | - | - | **99,998 | 99.99 |

*Notes:*

* *Deemed interested by virtue of her husband's shareholding in DHSB pursuant to Section 6A of the Act*

** *Deemed interested by virtue of their father's shareholding in DHSB pursuant to Section 6A of the Act*

DHSB's original total cost of investment in DHost is approximately RM4.427 million which was incurred between 1997 and 1998.

## 2.7 Information on DHost

DHost was incorporated in Malaysia under the Act as a private limited company on 9 June 1997 under the name of Ratna Klasik Sdn Bhd. On 20 September 1997, it changed its name to Dewina Host Sdn Bhd. As at the LPD, the authorised share capital of DHost is RM250,000 divided into 250,000 Shares, of which 250,000 Shares are issued and fully paid-up.

DHost is principally involved in the F&B business and is an operator of restaurants and cafés in KLIA and LCCT. The restaurants and café currently operated by DHost include inter-alia, Burger King, Taste of Asia and Café Barbera.

Based on its audited financial statements for the FYE 31 December 2010, DHost recorded PAT of RM4.70 million whilst its NA as at 31 December 2010 was RM10.64 million.

Please refer to **Appendix I** of this Circular for further information on DHost.

### 2.7.1 Business of DHost

DHost operates an exciting portfolio of F&B brands in KLIA and LCCT. DHost provides a mix of international brands and local favourites that cater for different travelers' preferences.

At KLIA, DHost's current flagship outlets are Burger King in the arrival hall and satellite building, Café Barbera in the departure check-in hall, and Food Paradise at the mezzanine level of the main terminal building. At LCCT, DHost has its foothold via Taste of Asia at the public concourse, and Café Espresso at the international departure hall.

The restaurants and cafés currently operated by DHost at KLIA and LCCT are as follows:

| | Outlet Name | Type of Food Served | Outlet Location | Outlet Size (approximate square meters) | Tenancy terms* |
|---|---|---|---|---|---|
| 1. | Burger King | Fast food | Arrival Level, Main Terminal Building, KLIA | 150 | Expiring on 31 Dec 2011 |
| 2. | Burger King | Fast food | Mezzanine Level, Satellite Building, KLIA | 309 | Expiring on 31 Dec 2011 |
| 3. | Café Barbera | Café | Departure Level, Main Terminal Building, KLIA | 88 | Expiring on 31 May 2012 |
| 4. | Asian Café (to be rebranded as Kopitime) | Café | Departure Level, Main Terminal Building, KLIA | 78 | Expiring on 31 May 2012 |
| 5. | Food Paradise | Casual dining | Mezzanine Level, Main Terminal Building, KLIA | 781 | Renewable on month-to-month basis |
| 6. | Taste of Asia | Casual dining | Public Concourse, LCCT | 360 | Expiring on 29 Feb 2012 |
| 7. | Café Espresso | Café | International Departure Hall, LCCT | 130 | Expiring on 17 Mar 2012 |
| 8. | Café A/15 | Café | Domestic Level, Contact Pier, Main Terminal Building, KLIA | 15 | Renewable on month-to-month basis |
| | | | **Total** | **1,911** | |

***Note:***

* *Tenancies may be renewed for further terms subject to agreement between the tenant and landlord at absolute discretion of the landlord. In the past, the tenancy terms, if renewed, were for a period of 2 to 3 years and some were subject to relocations of outlets.*

**[The rest of this page is intentionally left blank]**

The following outlets are currently being operated by DHost but their tenancy terms are due for expiry on 30 June 2011:

| | Outlet Name | Type of Food Served | Outlet Location | Outlet Size (approximate square meters) | Tenancy terms |
|---|---|---|---|---|---|
| 1. | Burger King | Fast Food | Domestic Departure Level, Contact Pier, KLIA | 134 | Expiring on 30 Jun 2011# |
| 2. | Asian Station | Casual dining | Domestic Departure Level, Contact Pier, KLIA | | Expiring on 30 Jun 2011# |
| | | | Total | 134 | |

*Note:*

\# *DHost was granted the offer to extend the tenancy of these outlets for a period of 2 years commencing from 1 January 2010 with commitment to refurbish the said outlets. After careful review of the potential and locations of these outlets, a 2 year tenancy renewal was not a commercially viable option for DHost. Accordingly, DHost decided to allow the tenancy to expire to conserve its cashflow for expansion of outlets in other locations in the airport as and when other tender opportunities arise.*

A summary of the audited financial information of DHost for the past 3 financial years is set out below:

| | Audited FYE 31 December | | |
|---|---|---|---|
| | 2008 RM'000 | 2009 RM'000 | 2010 RM'000 |
| Revenue | 32,366 | 31,784 | 32,145 |
| Gross profit | 19,826 | 19,520 | 19,659 |
| PBT | 6,027 | 6,231 | 6,401 |
| PAT | 4,172 | 4,666 | 4,703 |
| Shareholders' funds | 7,275 | 8,941 | 10,644 |
| Total borrowings | - | - | - |
| Gross profit margin (%) | 61.3 | 61.4 | 61.2 |
| PAT margin (%) | 12.9 | 14.7 | 14.6 |
| ROE (%) | 57.3 | 52.2 | 44.2 |
| ROA (%) | 33.8 | 34.8 | 31.8 |

*Note:*
*The financial statements for DHost for FYE 2010 were prepared in accordance with FRS in Malaysia. The financial information for FYE 2009 and 2008, which were previously prepared in accordance with Private Entity Reporting Standards, issued by the Malaysian Accounting Standards Board in Malaysia was adjusted for any effects, if any, assuming the financial information comply with the FRS that were effective during the respective years.*

DHost recorded consistent revenue of more than RM30 million with high gross profit margin of 61.3%, 61.4% and 61.2% for the FYE 2008, 2009 and 2010 respectively.

As at FYE 2010, DHost is free from interest-bearing debt with cash reserves of RM12.1 million (FYE 2009: RM10.3 million; FYE 2008: RM10.1 million). Its shareholders funds increased at a CAGR of 13.5% from 2008 to 2010.

DHost achieved double digit ROE and ROA from 2008 to 2010. The average ROE and ROA of DHost from 2008 to 2010 were 51.2% and 33.5% respectively.

## 3. RATIONALE

The strategic decision of your Board to shift from logistics business to F&B related business since 2008 after the acquisition of 51% equity interest in Brahim's-LSG Sky Chefs Holdings Sdn Bhd has come to fruition with more than 97% of the Group's revenue and PAT for the FYE 2010 derived from the Group's new core business in food services.

Your Board intends to leverage on BHB's niche F&B related competencies, and capture business synergies across the Group via the Proposed Acquisition. The Proposed Acquisition will allow the Group to position itself to serve the different needs of airline customers in more locations in the airports. Through the Proposed Acquisition, BHB will gain immediate exposure to the restaurant operations business in the airports. The extensive operating history of DHost in airport F&B business since 1998 is expected to provide a platform for BHB to strengthen its F&B business, in particular the restaurant operations segment, which is currently being represented by BHB's wholly-owned subsidiary, Café Barbera (SEA) Sdn Bhd, which owns and operates the franchise "Café Barbera" in Malaysia. More new Café Barbera outlets are scheduled to open in different locations in the Klang Valley and Penang to capture the growth momentum of the restaurant operations segment and market acceptance of the franchise. The Proposed Acquisition is expected to drive the Company in building on its existing core strengths in F&B services whilst mitigating the dependency on a single segment of aviation food chain.

As revenue from the in-flight catering services currently dominates the income stream of the BHB Group, the acquisition of DHost, which is involved in the operation of restaurants, via the Proposed Acquisition will broaden the BHB Group's earnings base. The Group going forward will have more balanced and robust business portfolio comprising both in-flight catering services and operation of restaurants. The Board of BHB intends to focus on its F&B business and competencies. Upon completion of the Proposed Acquisition, DHost will be a subsidiary of BHB and BHB will benefit from the profitable business of DHost.

## 4. OUTLOOK AND PROSPECTS

DHost is an operator of restaurants and cafés in KLIA and LCCT. Accordingly, DHost's business prospects are dependent on the airport passenger traffic which is in turn dependent on the prospects of the air transportation and tourism industry in Malaysia, both inbound and outbound.

### 4.1 Overview of the tourism industry in Malaysia

Tourism is a rapidly growing industry with tourist arrivals and receipts increasing 9.0% and 12.0% per annum, respectively, from 2004 to 2009. Despite the challenging environment in 2009, when countries worldwide suffered declines in tourist arrivals, Malaysia posted growth of 7.3% in tourist arrivals to 23.6 million while receipts increased 7.7% to RM53.4 billion. In terms of global ranking for 2009 by the United Nations World Tourism Organisation, Malaysia moved up 2 notches to 9th in tourist arrivals and 13th in receipts.

Efforts will be intensified towards maintaining Malaysia among the top 10 tourist destinations, particularly focusing on attracting a larger share of high-spending and long-stay tourists. While continuing to promote existing tourism products such as eco-tourism, edu-tourism and health tourism as well as the Malaysia My Second Home and home stay programmes, the promotion of innovative tourism products will be accelerated.

*(Source: Economic Report 2010/2011, Ministry of Finance Malaysia)*

The surplus in the travel account was sustained as the improvement in global economic conditions continued to spur greater tourist arrivals. In 2010, tourist arrivals totalled 24.6 million visitors (2009: 23.6 million visitors), with Asian countries providing the largest number of visitors. The expansion of travel routes and the increase of flight frequencies by low cost carriers were the main contributing factors.

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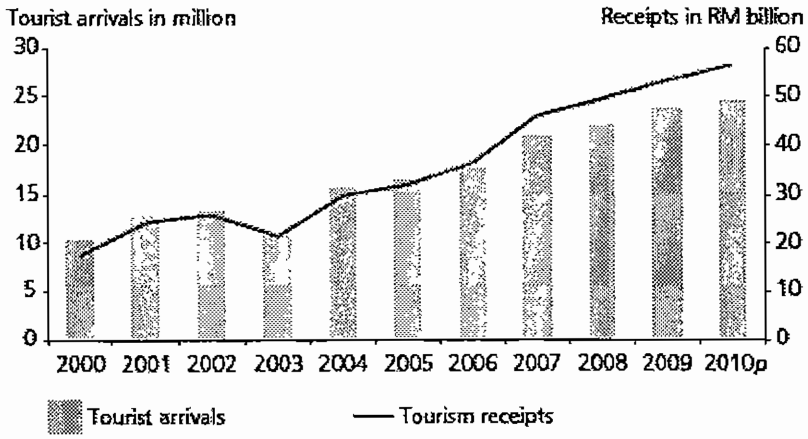
Tourist arrivals and tourists receipts have been on an upward trend from 2004 to 2010 as set out in the graph below:




p Preliminary

*(Source: Bank Negara Malaysia Annual Report 2010)*

The Tourism Ministry is targeting 25 million tourists visiting the country in 2011, compared with 24 million in 2010, with a projected tourism revenue of RM60 billion.

*(Source: Ministry Targets 25m Tourist Arrivals for 2011, Bernama, 6 February 2011)*

**4.2 Overview of the air transportation sector in Malaysia**

Growth of the air transport segment improved markedly during the first 7 months of 2010, due to strong demand for passenger and cargo services, especially from Asia and the Middle East. Total passengers on 5 domestic airlines, namely Malaysia Airlines System ("MAS"), AirAsia, Firefly, MASWings and AirAsia X rose 13.6% to 18.9 million (January – July 2009: 8.3%; 16.7 million), driven by higher demand, particularly from budget travelers.

Passenger traffic at airports nationwide registered significant growth of 16.0% to 33.5 million (January – July 2009: 2.7%; 28.9 million), on account of capacity expansion and higher tourist arrivals. Similarly, passenger traffic at the KLIA rose 18.9% to 19.3 million, accounting for 57.5% (January – July 2009: 2.0%; 16.2 million; 56.1%) of total passenger volume.

*(Source: Economic Report 2010/2011, Ministry of Finance Malaysia)*

For the year 2010, total passenger volume registered at all airports was 59.1 million, a growth of 12.3% compared to 52.6 million registered in year 2009. This was spurred by increased frequency, connectivity and capacity as well as continuous promotional activities.

*(Source: 1st to 4th Quarterly Updates on the Malaysian Economy, 2009 and 2010, Ministry of Finance Malaysia)*

The momentum in tourist arrival continued from 2010 through Q1 2011. Total passenger volume at all airports registered a double-digit growth of 11.8% to 15.4 million in Q1 2011. Likewise, total passengers on MAS and AirAsia rose 10.3% to 7.5 million in Q1 2011. The increase in frequency, connectivity and capacity as well as continuous promotional activities continued to be the main drivers for the increase in passengers travelling by air. Total air cargo handled at all airports, however, grew marginally by 0.1% to 215.3 million tonnes. Cargo handling by MAS and AirAsia contracted 2.3% to 121.2 million tonnes, mainly due to slower exports of electrical and electronics products.

*(Source: Malaysian Economy First Quarter 2011, Ministry of Finance Malaysia)*

Malaysia Airports Holdings Berhad ("MAHB") is expecting to see 12% year-on-year growth in passengers for the first 3 months for the year 2011, compared with the earlier forecast of 7%.

As quoted by the managing director Tan Sri Bashir Ahmad Abdul Majid, as air transportation traffic has continued to be encouraging in the first 3 months despite recent developments in the Middle East and Japan. The aviation industry is very volatile at the moment, but MAHB expects to reach about 7% to 10% growth for the full year, and achieve the targeted 60 million passenger traffic volume in 2011, premised on the good GDP growth and increase in the number of travelling Malaysians as well as tourism activities in the country.

*(Source: MAHB Sees 12% Air Traffic Increase in 1Q, The Edge Financial Daily, 14 April 2011)*

### 4.3 Overview of the global and Malaysian economy

The global economy continued to strengthen at an uneven pace during the 4th quarter of 2010.

The Malaysian economy registered a growth of 4.8% (Q3 2010: 5.3%) in the 4th quarter of 2010. Performance in the quarter was mainly driven by continued strong domestic demand, albeit moderating exports. On the supply side, all sectors of the economy except mining and agriculture recorded positive growth. For the year 2010, the economy expanded strongly by 7.2% (2009: -1.7%), surpassing the official forecast of 7.0% in the 2011 Budget. Growth was broad-based, led by strong expansion in all sectors, particularly manufacturing (11.4%), services (6.8%) and construction (5.2%).

The wholesale and retail trade sub-sector grew 8.2% (Q3 2010: 5.7%) supported by higher wholesale activities. The accommodation and restaurant sub-sector increased 3.4% (Q3 2010: 5.1%) driven by steady domestic consumption, particularly during the year-end holidays. The Fabulous Food 1Malaysia campaign, which was held during the quarter also contributed to the growth of the sub-sector.

Growth in the air passenger segment was sustained, fuelled by offerings of attractive products and services at affordable rates by airlines, particularly during the festive and year-end holiday seasons. Total passenger traffic at all airports rose 6.3% to 15.9 million (Q3 2010: 10.0%; 14.9 million). Similarly, air cargo volume rose 3.0% (Q3 2010: 10.7%).

*(Source: Quarterly Update on the Malaysian Economy – 4th Quarter 2010, Ministry of Finance)*

### 4.4 Prospects of DHost

In light of the positive industry outlook as set out in Section 4.1 and 4.2 above, DHost is well poised to reap the benefits of the expected growth in passenger traffic at both airports riding on gradual recovery of the global and Malaysian economy, and the Government's continuous effort to promote the tourism industry in Malaysia. Such positive prospects augur well for the F&B business of DHost, which is expected to bode well for BHB as it may result in higher income and cashflow contribution from DHost.

The new permanent low-cost carrier terminal, dubbed "KLIA 2" is scheduled for operation in October 2012. KLIA 2 is to be built to handle 30 million passengers a year with the ability to expand to 45 million passengers a year as opposed to 17 million passengers currently handled by the LCCT. Your Board is excited about the retail and commerce opportunities offered by KLIA 2 which is expected to attract more airlines and visitors to the country.

The remaining 49% equity interest of DHost is held by Host International Inc. Host International Inc which is wholly-owned by HMSHost Corporation (previously known as Host Marriot Services Corporation) is part of Autogrill S.p.A ("Autogrill"), the world's largest provider of food, beverage and retail services for travelers. Along with Autogrill, HMSHost Corporation is a recognized industry leader who creates innovative dining and shopping locations at airports and motorways worldwide. With 34,000 associates and revenues of more than USD2.5 billion, Autogrill and HMSHost Corporation use their experience and global reach to offer travelers an unparalleled blend of local, regional and international brands in F&B services *(Source: HMSHost Corporation website: www.hmshost.com as at 13 May 2011)*.

Despite the change in shareholding arising from the Proposed Acquisition, BHB is expected to work closely with Host International Inc which is a recognized industry leader. The Proposed Acquisition will allow BHB to leverage on Host International Inc's expertise to create innovative dining experiences at airports to capitalize on the influx of tourists and spending power flowing through the arrival and departure gates in the airports. In the event that there are more opportunities for DHost to expand its reach to travelers by operating more restaurants in the airports especially KLIA 2, BHB together with Host International Inc via DHost would submit tenders as and when such business opportunities arise. The financial resources required for the possible expansion of outlets in airports and in particular in KLIA 2, if any, will be determined after the completion of the Proposed Acquisition and discussion with Host International Inc.

*(Source: The management of DHost and BHB)*

## 5. RISK FACTORS

### 5.1 Restaurant operations risks

Restaurant operation business in airports is highly competitive and is characterised by sensitivity to price changes, branding of products and changes in consumer preference and behaviour. The investment in DHost will assist the Group to reinforce its foothold in restaurant operations and the Proposed Acquisition is expected to derive some synergistic benefits from the Group's niche F&B competencies. However, there can be no assurance that such synergies can be immediately realised. It is the intention of BHB to constantly review business strategies together with Host International Inc to mitigate business risks associated with restaurant opcrations.

### 5.2 Industry risks

The Proposed Acquisition will enable the Group to expand its F&B related business activities to include those of restaurant operator in the airports. The future performance of DHost is therefore not only dependent on the performance of the F&B service sector, but also on the growth of the tourism industry as well as the air transportation sector of the country. As such, factors like increase in operating costs, changes in general outlook and operating environment in the said sectors, demand and supply conditions, unforeseen outbreak of disease, the international and domestic tourism industry, seasonality, emergence of new routes and services, liberalisation of markets and economic conditions, political stability, possible threat of terrorism, health scare as well as the supply and prices of fuel will affect the Group's performance.

The Group would review the operation strategies on regular basis to enable the Group to react swiftly to changes in the industry to mitigate the industry risks inherent in the Proposed Acquisition. However, there can be no assurance that any change to these factors will not have a material and/or adverse effect on the business and financial performance of the Group.

### 5.3 Risk relating to food business and operations

The food industry is susceptible to the outbreak of animal and food-related diseases. Such outbreaks could interrupt the operations of DHost and may have an adverse effect on the business of DHost. In addition, food preparation and restaurant operations are also subject to periodic checks by the relevant authorities, which may withdraw or suspend DHost's rights/licence as a result of health and hygiene issues. In the event that there are any food poisoning cases or food scares related to the restaurants that DHost are operating, it may have an adverse effect on the financial position of the Group.

Nonetheless, the management believes that the Group has sufficient experience and knowledge in F&B related services to mitigate the above risk.

### 5.4 Political and economic considerations

Like any other concessions, DHost's rights to operate the restaurants in the airports could be materially and/or adversely affected by changes in political and economic conditions in Malaysia. These political and economic uncertainties include, but are not limited to, changes in political leadership, nationalisation, expropriation and taxations.

DHost's rights to operate in the airports are based on negotiated tenancy terms. Accordingly, DHost does not expect immediate major financial impact arising from the loss of rights by DHost until the expiry of the respective tenancies. In forging ahead the business strategies of BHB, the Board constantly reviews its operations and business activities and carefully considers business opportunities that may arise and present itself to the BHB Group. In the event that DHost loses the rights to operate the restaurants in the airports, DHost will take proactive steps to consider and venture into other profitable business with the view to counter for the loss in revenue and profit contribution of DHost.

### 5.5 Rental fluctuation and tenancy renewal

DHost's restaurants are operated on rented properties within the premises of KLIA and LCCT, accordingly DHost has significant exposure to the retail rental market. From FYE 2007 to FYE 2010, DHost's rental expenses was approximately 30% of total operating expenses. As the rental expenses comprise a significant portion of the total operating expenses of DHost, any substantial increase in rental may adversely affect the profitability of DHost.

Most of DHost's tenancy agreements are for periods of between 2 to 3 years. Nonetheless, certain outlets are operated based on month to month tenancies. Upon the expiry of the tenancy of a restaurant, Malaysia Airports (Sepang) Sdn Bhd or its affiliates ("Landlord") would have the right to review and alter the terms and conditions of the tenancy agreement. DHost would negotiate with the Landlord on the terms and conditions for the extension of the tenancy upon the expiry of the tenancy agreement.

However, there is no assurance that the tenancy agreement will be renewed or extended. Nonetheless, based on the successful renewal of tenancy agreements by DHost historically, the management believes that DHost would be able to maintain a cordial relationship with the Landlord in the future.

### 5.6 Dependence on human resources and manpower

As DHost's business is service oriented and food quality driven, it is important that DHost has sound training methodology and human resource expertise in staff training, recruitment, compensation and staff retention. Any perceived poor service, decline in food quality and competition in pricing may have an adverse impact on DHost's or the Group's business or earnings.

The Group recognises the importance of its ability to attract and retain its key management personnel and key technical personnel, and have in place a remuneration package which is on par with the industry standards for employees. In addition, the Group strives to provide a good working environment which promotes employee productivity and loyalty. Further, efforts are constantly made to continuously attract new skilled personnel to strengthen the Group's current pool of employees.

### 5.7 Transaction risk

The completion of the Proposed Acquisition is conditional upon, inter-alia, the conditions precedent of the SSA as stated in Section 2.5, Part A of this Circular and obligations of the parties stated therein being satisfied and/or waived as the case maybe. There can be no assurance that the Proposed Acquisition will not be exposed to risks such as the inability to obtain the approvals from the relevant parties and/or inability to comply with the conditions imposed by the relevant authorities, if any. However, BHB will take and continue to take all reasonable steps to ensure the timely completion of the Proposed Acquisition.

## 6. EFFECTS OF THE PROPOSED ACQUISITION

### 6.1 Issued and paid-up share capital and substantial shareholders' shareholdings

The Proposed Acquisition does not have any effect on the issued and paid-up share capital and substantial shareholders' shareholdings of BHB as the Purchase Consideration is to be satisfied entirely in cash.

### 6.2 Earnings and EPS

The Proposed Acquisition is not expected to contribute significantly to the earnings and EPS of the BHB Group for the FYE 31 December 2011 as the Proposed Acquisition is only expected to be completed by the third quarter of 2011. The Board expects the Proposed Acquisition to be earnings accretive and to contribute to the future earnings and EPS of the BHB Group in view of the earnings potential of DHost.

For illustrative purposes only, the proforma effects of the Proposed Acquisition on the EPS of the BHB Group based on its audited consolidated financial statements for the FYE 31 December 2010 are set out below:

| | **Audited as at 31 December 2010** | **After the Proposed Acquisition** |
|---|---|---|
| PATMI (RM'000) | 6,552 | *7,651 |
| No. of Shares in issue ('000) | 179,005 | 179,005 |
| EPS (sen) | 3.66 | 4.22 |

*Note:*
**After incorporating the following assumptions:*
- *share of 51% PAT of DHost for the FYE 31 December 2010 of approximately RM4.70 million; and*
- *an estimated interest expense of approximately RM1.30 million for the Proposed Acquisition*

### 6.3 NA and gearing

For illustrative purposes only, the proforma effects of the Proposed Acquisition on the audited consolidated NA and gearing of BHB based on its audited consolidated financial statements as at 31 December 2010 are set out below:

| | **Audited as at 31 December 2010 (RM'000)** | **After the Proposed Acquisition (RM'000)** |
|---|---|---|
| Share capital | 179,005 | 179,005 |
| Share premium | 12,384 | 12,384 |
| Accumulated losses | (32,115) | (1) (32,765) |
| **Sbareholders' funds** | **159,274** | **158,624** |
| No. of Shares in issue ('000) | 179,005 | 179,005 |
| NA per Share (RM) | 0.89 | 0.89 |
| Total borrowings (RM'000) | 62,993 | (2) 82,993 |
| Gearing ratio (times) | 0.40 | 0.52 |

*Notes:*
*(1) After deducting the estimated expenses of RM650,000 in respect of the Proposed Acquisition*
*(2) After incorporating an increase of bank borrowing of RM20.0 million which is the source of funding for the Proposed Acquisition*

## 7. APPROVALS REQUIRED

The Proposed Acquisition is subject to the following approvals being obtained:

(i) shareholders of BHB at an EGM to be convened; and

(ii) any other relevant authorities/parties, if required.

The Proposed Acquisition is not conditional upon any other corporate exercise undertaken or to be undertaken by BHB.

## 8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED TO THEM

Save as disclosed below, none of the Directors, major shareholders of the Company and/or persons connected to them has any interest, directly or indirectly, in the Proposed Acquisition:

| | As at the LPD | | | |
|---|---|---|---|---|
| | Direct | | Indirect | |
| | No. of shares held | % | No. of shares held | % |
| **Interested Directors** | | | | |
| Datuk Ibrahim | - | - | (1) 118,605,000 | 66.26 |
| Tan Sri Dato' Mohd Ibrahim | - | - | (2) 93,605,000 | 52.29 |
| Dato' Choo | - | - | (3) 25,000,000 | 13.97 |
| En Zamry | - | - | - | - |
| **Interested Major Shareholders** | | | | |
| BIF | 93,605,000 | 52.29 | - | - |
| FCSB | - | - | (4) 93,605,000 | 52.29 |
| SCSB | - | - | (4) 93,605,000 | 52.29 |
| IBHC | 25,000,000 | 13.97 | - | - |

***Notes:***

*(1) Deemed interested by virtue of his shareholdings in BIF and IBHC and also FCSB which is a shareholder of BIF pursuant to Section 6A of the Act*

*(2) Deemed interested by virtue of his shareholding in SCSB which is a shareholder of BIF pursuant to Section 6A of the Act*

*(3) Deemed interested by virtue of his shareholding in IBHC pursuant to Section 6A of the Act*

*(4) Deemed interested by virtue of its shareholding in BIF pursuant to Section 6A of the Act*

Datuk Ibrahim, the Executive Chairman of BHB, is also:

- a Director and shareholder of DHSB and DHost;
- a Director and shareholder of FCSB, which in turn is a shareholder of BIF, which hold 52.29% equity interest in BHB; and
- a Director and shareholder of IBHC, which holds 13.97% equity interest in BHB.

Tan Sri Dato' Mohd Ibrahim is a Non-Independent Non-Executive Director of BHB. He is also a Director and shareholder of SCSB. SCSB is a shareholder of BIF, which holds 52.29% equity interest in BHB.

Dato' Choo is a Non-Independent Non-Executive Director of BHB. He is a Director and shareholder of IBHC, which holds 13.97% equity interest in BHB.

En Zamry is a Non-Independent Non-Executive Director of BHB and an alternate Director for Datin Dr Hiryati in DHost, who is the wife of Datuk Ibrahim.

Accordingly, Datuk Ibrahim, Tan Sri Dato' Mohd Ibrahim, Dato' Choo and En Zamry are deemed interested in the Proposed Acquisition. The Interested Directors have abstained and will continue to abstain from deliberating and voting on and from making any opinion on the Proposed Acquisition at the relevant meetings of the Board of BHB. They will also abstain from voting in respect of their direct and/or indirect shareholdings, if any, in BHB, and will also ensure that persons connected to them shall abstain from voting in respect of their direct and/or indirect shareholdings, if any, on the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

BIF and IBHC, the major shareholders which hold 52.29% and 13.97% equity interests in BHB respectively, are persons connected to the Interested Directors by virtue of the following:

(a) FCSB and SCSB are shareholders of BIF;
(b) Datuk Ibrahim is a shareholder of FCSB and IBHC;
(c) Tan Sri Dato' Mohd Ibrahim is a shareholder of SCSB; and
(d) Dato' Choo is a shareholder of IBHC.

BIF and IBHC will abstain from voting in respect of their direct and/or indirect shareholdings in BHB on the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM. BIF and IBHC will also ensure that persons connected to them shall abstain from voting, in respect of their direct and/or indirect shareholdings, if any, on the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

## 9. TOTAL AMOUNT TRANSACTED WITH THE SAME RELATED PARTY

There is no related party transaction entered into between BHB and DHSB for the preceding 12 months prior to the LPD.

Nonetheless, Café Barbera (SEA) Sdn Bhd ("CBSSB"), a wholly-owned subsidiary of BHB has entered into an agreement with DHost on 6 January 2011 ("Trademarks Agreement"). Pursuant to the Trademarks Agreement, CBSSB has licensed to DHost the right to use the trademarks in relation to "Café Barbera" at a royalty rate of 2.5% of the gross revenue of the café(s) operated by DHost using the trademarks for a period of 3 years commencing on 6 January 2011 to 5 January 2014 with an option to renew for a further period of 3 years or such other period as may be agreed between the parties on the terms and conditions therein contained.

## 10. INDEPENDENT ADVISER

The Proposed Acquisition is a related party transaction pursuant to paragraph 10.08 of the MMLR. Accordingly, TA Securities was appointed as the Independent Adviser on 26 April 2011 to advise the non-interested Directors and non-interested shareholders of BHB in relation to the Proposed Acquisition.

The independent advice letter from TA Securities is set out in Part B of this Circular. The non-interested shareholders of BHB are advised to read and consider the contents of the independent advice letter carefully before voting on the resolution relating to the Proposed Acquisition at the forthcoming EGM.

## 11. STATEMENT BY THE AUDIT COMMITTEE

The Audit Committee of BHB ("Audit Committee"), having considered all aspects of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is:

(a) **in the best interests of BHB** after taking into consideration the rationale for the Proposed Acquisition and the earnings potential of DHost;

(b) **fair, reasonable and on normal commercial terms**; and

(c) **is not detrimental to the interests of the minority shareholders** as the Proposed Acquisition is expected to contribute positively towards the financial performance of the BHB Group in the long term barring unforeseen circumstances and risk factors as described in Section 5 above.

The Audit Committee has sought the opinion of the Independent Adviser and the Independent Adviser has given its view that the Proposed Acquisition is not fair based on the PBR perspective as the implied PBR based on the Purchase Consideration and NA of DHost as at FYE 31 December 2010 of 3.68 times represents a premium over the average PBR of the local comparable public listed companies which are involved in similar or closely similar business activities with that of DHost ("Comparable Companies").

However, the Independent Adviser is of the view that the Proposed Acquisition is fair based on the earnings-based approach, i.e. from the PER and EV/EBITDA perspectives as the Purchase Consideration represents a discount to the average PER and EV/EBITDA of the Comparable Companies. The Independent Adviser has also considered the ROE and ROA of DHost which are higher than each Comparable Company and also the average ROE and ROA of the Comparable Companies. Therefore, the Proposed Acquisition is deemed reasonable after taking into consideration DHost is a profitable company, operates in a captive market with limited competitors and the DHost's business is synergistic to BHB's new core business in food services.

The PER, PBR, EV/EBITDA, ROE and ROA of the Comparable Companies and DHost are set out below:

| **Comparable Companies** | **(1)PER (times)** | **(1)PBR (times)** | **(2)EV/EBITDA (times)** | **(2)ROA (%)** | **(2)ROE (%)** |
|---|---|---|---|---|---|
| QSR Brands Berhad | 14.88 | 1.94 | 6.28 | 7.87 | 12.22 |
| KFC Holdings (M) Berhad | 21.11 | 3.21 | 10.08 | 10.09 | 16.13 |
| Oversea Enterprise Berhad | N/A | 0.64 | 0.03 | 0.13 | 0.16 |
| Berjaya Food Berhad (3) (4) | 10.36 | 2.82 | 6.66 | 23.59 | 29.84 |
| **Average** | **(5)15.45** | **2.15** | **5.76** | **(7)8.98** | **(7)14.18** |
| DHost | (6)8.34 | (6)3.68 | (6)3.79 | 31.75 | 44.18 |
| Premium/(Discount) to the average | (46.02%) | 71.16% | (34.20%) | (8)- | (8)- |

***Notes:***

*(1) Based on the respective closing prices of the Comparable Companies as at the LPD*

*(2) Unless stated otherwise, based on the respective Comparable Companies latest audited financial statements*

*(3) Based on latest quarterly report as at 31 January 2011*

*(4) Based on annualised unaudited figures for the financial period ended 31 January 2011*

*(5) Excluding Oversea Enterprise Berhad*

*(6) Based on the Purchase Consideration*

*(7) Excluding Oversea Enterprise Berhad and Berjaya Food Berhad which are outliers*

*(8) The ROA and ROE of DHost is above the ROA and ROE of each Comparable Company*

*N/A Not applicable as the company has registered losses during the financial year*

The Audit Committee, taking into account the opinion of the Independent Adviser, maintains its view set out above principally due to the fairness of the Purchase Consideration from an earnings-based perspeetive. Furthermore, DHost is profitable and its audited financial statements for FYE 2010 show that DHost is free from interest-bearing debt.

## 12. DIRECTORS' RECOMMENDATION

The Board of BHB (save for the Interested Directors), having considered all aspects of the Proposed Acquisition including but not limited to the rationale and the views of the Independent Adviser, is of the opinion that the Proposed Acquisition is in the best interest of the Company and the terms of the Proposed Acquisition is in line with commercial terms. Accordingly, the Proposed Acquisition is fair and reasonable and is not detrimental to the minority shareholders and is in the best interest of the Company.

Based on the above, the Board of BHB (save for the Interested Directors) recommends that you vote in favour of the resolution, which will be tabled at the forthcoming EGM to give effect to the Proposed Acquisition.

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## 13. CORPORATE PROPOSALS WHICH HAVE BEEN ANNOUNCED BUT NOT YET COMPLETED

As at the date of this Circular, there is no other corporate exercise or scheme which has been announced but has yet to be completed by the Company.

The Proposed Acquisition is not conditional upon any other corporate exercise or scheme.

## 14. TENTATIVE TIMETABLE FOR THE IMPLEMENTATION OF THE PROPOSED ACQUISITION

Barring unforeseen circumstances, the Proposed Acquisition is expected to be completed by the third quarter of 2011.

| **Events** | **Tentative Date** |
|---|---|
| EGM | End June 2011 |
| Completion of the Proposed Acquisition | Mid July 2011 |

## 15. EGM

The EGM, notice of which is enclosed with this Circular, will be held at Sandakan Room, Auditorium & Convention Center @ The Podium, Ground Floor, Menara Hap Seng, 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur on Monday, 27 June 2011 at 10.30 a.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing the resolution to give effect to the Proposed Acquisition.

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 Company's Registered Office at Level 10, Menara Hap Seng, 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur not later than 48 hours before the time 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.

## 16. FURTHER INFORMATION

We advise the shareholders to refer to the accompanying appendices for further information.

Yours faithfully,
for and on behalf of the Board
**BRAHIM'S HOLDINGS BERHAD**
*(formerly known as Tamadam Bonded Warehouse Berhad)*

**Col (Rtd) Dato' Ir Cheng Wah**
Independent Non-Executive Director

**PART B**

**INDEPENDENT ADVICE LETTER FROM TA SECURITIES TO THE NON-INTERESTED SHAREHOLDERS OF BHB IN RELATION TO THE PROPOSED ACQUISITION**

TA SECURITIES HOLDINGS BERHAD (14948-M)

A MEMBER OF THE TA GROUP
A PARTICIPATING ORGANISATION OF BURSA MALAYSIA SECURITIES BERHAD

Corporate Finance Department
28th Floor, Menara TA One
22, Jalan P.Ramlee
50250 Kuala Lumpur
Tel: 03-2072-1277 Fax: 03-2026-7241

10 June 2011

**To: The Non-Interested Shareholders of Tamadam Bonded Warehouse Berhad**

Dear Sir/Madam,

**BRAHIM'S HOLDINGS BERHAD *(FORMERLY KNOWN AS TAMADAM BONDED WAREHOUSE BERHAD)("BHB")***

**INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF BHB IN RELATION TO THE PROPOSED ACQUISITION**

This Independent Advice Letter ("IAL") is prepared for inclusion in the circular to the shareholders of BHB dated 10 June 2011 ("Circular") in relation to the Proposed Acquisition. All definitions used in this IAL shall have the same meaning as the words and expressions defined in the Circular, except where the context herein requires otherwise or as otherwise defined.

## 1. INTRODUCTION

On 16 May 2011, HwangDBS had on behalf of the Board, announced that BHB had on 16 May 2011 entered into a conditional SSA with DHSB, for the acquisition of 127,500 ordinary shares of RM1.00 each in DHost, representing 51% of the issued and paid-up share capital of DHost for a cash purchase consideration of RM20.0 million. Details of the Proposed Acquisition are set out in Section 2, Part A of this Circular and should be read in entirety by the shareholders of the Company.

In view of the interests of certain directors and major shareholders of BHB in the Proposed Acquisition as disclosed in Section 3 of this IAL, the Proposed Acquisition is deemed to be a related party transaction pursuant to Paragraph 10.08 of Chapter 10 of the MMLR. Accordingly, the Board had on 26 April 2011 appointed TA Securities as the Independent Adviser ("IA") to advise the non-interested Directors and non-interested shareholders of BHB in relation to the Proposed Acquisition.

The purpose of this IAL is to provide you an independent evaluation of the Proposed Acquisition and to set out our opinion and recommendation thereon subject to the scope and limitations of our role specified herein. You should nonetheless rely on your own evaluations of the merits of the Proposed Acquisition before making a decision on the course of action to be taken.

This IAL is prepared solely for the use of the non-interested shareholders of BHB for the purpose of considering the Proposed Acquisition and should not be used, reproduced or relied upon by any other party for any purpose either, wholly or partially, without the express written consent of TA Securities.

**NON-INTERESTED SHAREHOLDERS OF BHB ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS IAL AND PART A OF THE CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN, AND TO CONSIDER CAREFULLY THE EVALUATION AND RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION AT THE FORTHCOMING EGM OF BHB.**

**IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, ACCOUNTANT, SOLICITOR OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.**

## 2. LIMITATIONS TO THE EVALUATION OF THE PROPOSED ACQUISITION

TA Securities was not involved in any of the negotiations or discussions on the terms of the Proposed Acquisition. TA Securities' evaluation of the Proposed Acquisition is based on the information contained in Part A of this Circular, information and documents furnished to us by the Board, management and representatives of BHB and other publicly available information. We have not however, independently verified such information.

Nonetheless, we have obtained confirmation from your Board that they individually and collectively accept full responsibility for the accuracy of the information herein and confirm that after making all reasonable enquiries, and to the best of their knowledge and belief, all information relevant to our evaluation of the Proposed Acquisition has been disclosed to us and there is no omission of any material fact which would make any information disclosed to us false or misleading.

We have not undertaken any independent investigation into the business and affairs of the BHB Group. In our review and analysis and in formulating our advice, we have relied on the reasonableness, accuracy and completeness of the financial and other information provided to us by BHB. In rendering our advice, we have taken note of pertinent issues which we believe are of general importance to an assessment of the implication of the Proposed Acquisition and therefore of concern to the non-interested shareholders of BHB.

We have not taken into consideration any specific investment objective, financial situation or particular needs of any individual shareholder or any specific group of shareholders. We recommend that individual shareholder or group of shareholders who may require advice in relation to the Proposed Acquisition in the context of their individual objectives, financial situation and particular situation, to consult their stockbroker, bank manager, solicitor, accountant or other professional adviser.

TA Securities, as the IA, has evaluated the Proposed Acquisition and has considered various factors which we believe are critical in forming an opinion on the fairness and reasonableness of the Proposed Acquisition.

## 3. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

Save as disclosed below, none of the Directors, major shareholders of the Company and/or persons connected to them has any interest, directly or indirectly, in the Proposed Acquisition:

| | As at the LPD | | | |
|---|---|---|---|---|
| | Direct | | Indirect | |
| | No. of shares held | % | No. of shares held | % |
| **Interested Directors** | | | | |
| Datuk Ibrahim | - | - | (1) 118,605,000 | 66.26 |
| Tan Sri Dato' Mohd Ibrahim | - | - | (2) 93,605,000 | 52.29 |
| Dato' Choo | - | - | (3) 25,000,000 | 13.97 |
| En Zamry | - | - | - | - |
| | | | | |
| **Interested Major Shareholders** | | | | |
| BIF | 93,605,000 | 52.29 | - | - |
| FCSB | - | - | (4) 93,605,000 | 52.29 |
| SCSB | - | - | (4) 93,605,000 | 52.29 |
| IBHC | 25,000,000 | 13.97 | - | - |

*Notes:-*

*(1) Deemed interested by virtue of his shareholdings in BIF and IBHC and also FCSB which is a shareholder of BIF pursuant to Section 6A of the Act*

*(2) Deemed interested by virtue of his shareholdings in SCSB which is a shareholder of BIF pursuant to Section 6A of the Act*

*(3) Deemed interested by virtue of his shareholdings in IBHC pursuant to Section 6A of the Act*

*(4) Deemed interested by virtue of its shareholdings in BIF pursuant to Section 6A of the Act*

Datuk Ibrahim, the Executive Chairman of BHB, is also:

- a Director and shareholder of DHSB and DHost;
- a Director and shareholder of FCSB, which in turn is a shareholder of BIF, which hold 52.29% equity interest in BHB; and
- a Director and shareholder of IBHC, which holds 13.97% equity interest in BHB.

Tan Sri Dato' Mohd Ibrahim is a Non-Independent Non-Executive Director of BHB. He is also a Director and shareholder of SCSB. SCSB is a shareholder of BIF, which holds 52.29% equity interest in BHB.

Dato' Choo is a Non-Independent Non-Executive Director of BHB. He is also a Director and shareholder of IBHC, which holds 13.97% equity interest in BHB.

En. Zamry is a Non-Independent Non-Executive Director of BHB and an alternate Director for Datin Dr Hiryati in DHost, who is the wife of Datuk Ibrahim.

Accordingly, Datuk Ibrahim, Tan Sri Dato' Mohd Ibrahim, Dato' Choo and En. Zamry are deemed interested in the Proposed Acquisition. The Interested Directors have abstained and will continue to abstain from deliberating and voting on and from making any opinion on the Proposed Acquisition at the relevant meetings of the Board of BHB. They will also abstain from voting in respect of their direct and/or indirect shareholdings, if any, in BHB, and will also ensure that persons connected to them shall abstain from voting in respect of their direct and/or indirect shareholdings, if any, on the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

BIF and IBHC, major shareholders which hold 52.29% and 13.97% equity interests in BHB respectively, are persons connected to the Interested Directors by virtue of the following:

(a) FCSB and SCSB are shareholders of BIF;
(b) Datuk Ibrahim is a shareholder of FCSB and IBHC;
(c) Tan Sri Dato' Mohd Ibrahim is a shareholder of SCSB; and
(d) Dato' Choo is a shareholder of IBHC.

BIF and IBHC will abstain from voting in respect of their direct and/or indirect shareholdings in BHB on the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM. BIF and IBHC will also ensure that persons connected to them shall abstain from voting, in respect of their direct and/or indirect shareholdings, if any, on the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

## 4. EVALUATION OF THE PROPOSED ACQUISITION

In forming our opinion on the Proposed Acquisition, we have taken into consideration the following factors:-

(i) rationale for the Proposed Acquisition;

(ii) salient terms of the SSA;

(iii) evaluation of the Purchase Consideration;

(iv) financial effects of the Proposed Acquisition;

(v) future industry prospects and economic outlook; and

(vi) risk factors in relation to the Proposed Acquisition.

We set out in the following sections, the details of our evaluation of the Proposed Acquisition.

### 4.1 Rationale for the Proposed Acquisition

The rationale for the Proposed Acquisition as set out in Section 3 of Part A of this Circular is as follows:

*The strategic decision of your Board to shift from logistics business to F&B related business since 2008 after the acquisition of 51% equity interest in Brahim's-LSG Sky Chefs Holdings Sdn Bhd has come to fruition with more than 97% of the Group's revenue and PAT for the FYE 2010 derived from the Group's new core business in food services.*

*Your Board intends to leverage on BHB's niche F&B related competencies, and capture business synergies across the Group via the Proposed Acquisition. The Proposed Acquisition will allow the Group to position itself to serve the different needs of airline customers in more locations in the airports. Through the Proposed Acquisition, BHB will gain immediate exposure to the restaurant operations business in the airports. The extensive operating history of DHost in the airport F&B business since 1998 is expected to provide a platform for BHB to strengthen its F&B business, in particular the restaurant operations segment, which is currently being represented by BHB's wholly-owned subsidiary, Café Barbera (SEA) Sdn Bhd, which owns and operates the franchise "Café Barbera" in Malaysia. More new Café Barbera outlets are scheduled to open in different locations in the Klang Valley and Penang to capture the growth momentum of the restaurant operations segment and market acceptance of the franchise. The Proposed Acquisition is expected to drive the Company in building on its existing core strengths in F&B services whilst mitigating the dependency on a single segment of aviation food chain.*

*As revenue from the in-flight catering services currently dominates the income stream of the BHB Group, the acquisition of DHost, which is involved in the operation of restaurants, via the Proposed Acquisition will broaden the BHB Group's earnings base. The Group going forward will have more balanced and robust business portfolio comprising both in-flight catering services and operation of restaurants. The Board intends to focus on its F&B business and competencies. Upon completion of the Proposed Acquisition, DHost will be a subsidiary of BHB and BHB will benefit from the profitable business of DHost.*

**Comments by TA Securities:-**

BHB was previously principally involved in the logistics business providing warehousing, freight forwarding and transportation services and insurance. Subsequent to the acquisition of 51% equity interest in Brahim's-LSG Sky Chefs Holdings Sdn Bhd ("BLH") in 2008, the Group has been focusing on its new core business in food services.

We set out the financial performance of the BHB Group based on its audited consolidated financial statements for the past four (4) FYE 31 December 2007 to 31 December 2010 as follows:-

| | <------FYE 31 December------> | | | | |
|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2010 | For the 3 months ended 31 March 2011 |
| | Audited (RM'000) | Audited (RM'000) | Audited (RM'000) | Audited (RM'000) | Unaudited (RM'000) |
| Revenue | 12,275 | 107,591 | 156,741 | 165,811 | 44,483 |
| PBT/Loss Before Tax ("LBT") | (699) | 1,693 | 11,176 | 19,639 | 5,806 |
| PAT/Loss After Tax ("LAT") | (699) | (3,659) | 5,977 | 12,243 | 3,823 |
| Profit After Tax and Minority Interest ("PATAMI")/ Loss After Tax and Minority Interest ("LATAMI") | (699) | (4,103) | 2,382 | 6,552 | 2,339 |
| EPS/Loss per share ("LPS") (sen) | (1.43) | (2.80) | 1.33 | 3.66 | 1.31 |
| PBT Margin | (5.69%) | 1.57% | 7.13% | 11.84% | 13.05% |
| PATAMI/(LATAMI) Margin | (5.69%) | -3.81% | 1.52% | 3.95% | 5.26% |

*(Source: Company annual report for the past four (4) financial years and the latest unaudited results for the three (3) months ended 31 March 2011)*

**FYE 31 December 2007**

BHB's core business of warehousing and other logistics services faced a challenging year in 2007. There was a slowdown in the core customers' imports and exports which affected the Company's performance. For the FYE 31 December 2007, the Group registered revenue from operations of RM12.3 million compared to RM14.6 million the previous year. Group loss from operations for the year was RM0.70 million. For the previous year, after adjusting for gain on disposal, the Group made a profit of RM3.93 million. BHB suffered a loss of RM0.58 million at company level in 2007 compared to a profit of RM4.35 million the previous year (after adjusting for gain on disposal of RM6.49 million). BHB had on 8 June 2006 entered into a sale and purchase agreement with Amanah Raya Berhad for the disposal of the Company's leasehold land and buildings for a cash consideration of RM27.9 million. Without adjusting for the gain on disposal, BHB made a loss of RM2.56 million at the Group level and a loss of RM2.14 million at the Company level during the financial year ended 31 December 2006. The Group has successfully undertaken aggressive cost cutting measures to mitigate the drop in revenue.

**FYE 31 December 2008**

For the FYE 31 December 2008, the Group registered revenue from operations of RM107.6 million compared to RM12.3 million the previous year. Group LAT for the year was RM3.7 million as compared to its previous year's LAT at RM0.7 million. From the RM107.6 million revenue, approximately RM98.58 million or 91.6% of its revenue were derived from BHB's catering services segment while approximately RM10.0 million or 9.3% of its revenue were derived from its warehouse rental, freight forwarding, transportation services and trading and insurance agency segment. The results of BLH were only consolidated from 1 April 2008 until 31 December 2008. Full year contribution from BLH will only be recognised for the financial year ending 31 December 2009. The Group also registered a PBT of RM11.06 million from the catering segment and a LBT of RM3.76 million from its warehouse rental, freight forwarding, transportation services and trading and insurance agency segment. The increase in the Group's LAT was also due to among others, the global financial crisis which consequently affected weak demand for air travel, hence, affected the in-flight catering division. In addition, the PAT of the in-flight catering division was also adversely affected by the underprovision of tax in previous financial years which had to be expensed against the income statement for FYE 31 December 2008. The warehousing and logistics division also suffered increased LAT due to among others, a drop in consumer demand which led to slower movement of goods and the increase in cost of diesel.

**FYE 31 December 2009**

For the FYE 31 December 2009, the Group registered a substantial growth in revenue of 45.7% from RM107.6 million to RM156.7 million. This was in line with the growth in revenue contribution from the in-flight catering division under BLH. Accordingly, BHB Group registered a PAT for the year of RM5.97 million compared to group LAT in 2008 of RM3.7 million. The Group's new core business of in-flight catering and related services contributed more than 95% of the Group's revenue in 2009. The strategic business direction taken by the Board of BHB had substantially shifted the industry sector the Group operated in, and was beginning to produce the desired results. The Group had also ventured into other food service related business in 2009, namely Café Barbera (SEA) Sdn Bhd, to undertake the operation of cafés on a franchise basis.

**FYE 31 December 2010**

For the FYE 31 December 2010, the Group's revenue grew by a further 6% to RM165.8 million from RM156.7 million in the previous year. Strong growth in airline in-flight catering demand contributed to this achievement.

The Group's PAT doubled to RM12.2 million in 2010 from RM6.0 million in 2009. Profit attributable to owners of the Company correspondingly increased from RM2.4 million to RM6.6 million. The increase in the PAT and PATAMI were due to the improved performance of the in-flight catering division which had an increase in number of meals served as more passengers travelled from KLIA and Penang airports. This was due to increase in airlines calling at these airports as well as fleet expansion by airlines including MAS, AirAsia and AirAsia X.

Based on BHB's financial review for the past four (4) years, we note that the revenue and profitability of the Group has improved since 2008 with the acquisition of BLH by BHB. The segmental results of the Group based on the audited financial statements for FYE 31 December 2009 and 2010 are as follows:-

| | **Warehouse Rental, Freight Forwarding & Transportation Services and Trading & Insurance Agency (RM)** | **%** | **Food and Beverage (RM)** | **%** | **Catering Services (RM)** | **%** | **Consolidated (RM)** |
|---|---|---|---|---|---|---|---|
| **2010** | | | | | | | |
| **Revenue** | 4,399,943 | 2.65 | 1,187,354 | 0.71 | 160,223,640 | 96.63 | 165,810,937 |
| **Segment results*** | (4,608,158) | | (351,510) | | 29,592,750 | | 24,633,082 |
| **2009** | | | | | | | |
| **Revenue** | 6,763,740 | 4.31 | 8,740 | 0.006 | 149,968,050 | 95.68 | 156,740,530 |
| **Segment results*** | (4,305,431) | | (188,420) | | 21,984,571 | | 17,490,720 |

*Note:-*
*Segment results represent profit before taxation*

*(Source: Annual Report, 2010)*

Based on the above, more than 95.7% and 96.6% of the consolidated revenue for the FYE 31 December 2009 and 2010 respectively have been derived from its new core business in food services.

The acquiree company, DHost, is principally involved in the F&B business. It was awarded by Malaysia Airports Holdings Berhad the first tender to operate a number of F&B outlets at KLIA in 1998. DHost currently operates ten (10) outlets situated in the KLIA and LCCT. The outlets in KLIA are Burger King in the arrivals hall and satellite building, Café Barbera in the departures check-in hall, and Food Paradise at the mezzanine level of the main terminal building. At LCCT, DHost operates Taste of Asia at the public concourse and Café Espresso at the international departure hall.

The Proposed Acquisition will allow the Group to better position itself to serve the different needs of airline customers through both in-flight catering services and operation of restaurants and cafes in airports. We note that with the operating history of DHost in the airport F&B business since 1998, it is expected that the Proposed Acquisition would provide a platform for BHB to strengthen its F&B business, and driving the Company in building on its existing core strengths in F&B services whilst mitigating the dependency on a single segment of aviation food chain.

The Proposed Acquisition will also enable the Group to benefit in terms of the steady income from DHost. Kindly refer to Section 4.3.1 on the evaluation of financial performance of DHost. In addition, we wish to note that BHB will not assume any liability, including contingent liabilities and guarantees arising from the Proposed Acquisition other than those liabilities of DHost which arises from the ordinary course of business of DHost. There is also no additional financial commitment required from BHB in respect of the Proposed Acquisition.

Premised on the above, we are of the view that the rationale for the Proposed Acquisition is fair and reasonable and is not to the detriment of the non-interested shareholders of BHB.

## 4.2 Salient terms of the SSA

The salient terms of the SSA are as follows:-

| | Salient terms | Comments by TA Securities |
|---|---|---|
| ***4.2.1*** | ***Deposit & Sale of the Sale Shares*** | |
| *(i)* | *In consideration of the mutual covenants as stated in the SSA and the Vendor's receipt of the Deposit, the Vendor shall sell and BHB ("Purchaser") shall purchase the Sale Shares with full title guarantee and free from all encumbrances, liens, options, claims, charges and other encumbrances but with all rights, benefits and advantages attaching thereto and accruing thereon for the Purchase Consideration and subject to and upon the terms and conditions hereinafter set out.* | The terms of the sale and purchase of the Sale Shares are fair and reasonable as 51% of the shares of DHost shall be acquired and transferred to BHB with all rights, benefits and advantages attaching thereto and the Sale Shares shall be acquired free from all encumbrances, liens, options, claims, charges and other encumbrances. |
| *(ii)* | *Immediately upon the execution of the SSA, the Purchaser shall pay to the Vendor (by bank transfer to the Vendor's designated account) in cleared funds the Deposit which is part of the Purchase Consideration. The Deposit is intended to cover the Vendor's professional and out of pocket expenses incurred by it in entering into the SSA at the Purchaser's request and is not refundable to the Purchaser in any circumstance save and except for the failure by the Vendor to procure its directors' and/or shareholders' approvals as stated in <u>Clause 5.1.1</u> of the* | We note that a deposit of RM2.0 million, representing ten percent (10%) of the Purchase Consideration shall be paid to the Vendor. The Deposit is refundable in the event of failure by the Vendor to procure its shareholders' approval. In addition, in the event that the conditions precedent are not satisfied within three (3) months of the SSA, either party is allowed to terminate the SSA and all monies paid towards the deposit shall be refunded by the Vendor, without any interest, within fourteen (14) days of the written notice. We deem this term as fair and reasonable. |

| Salient terms | Comments by TA Securities |
|---|---|
| *SSA.* | |
| ***4.2.2 Conditions precedent*** | |
| *The Vendor and Purchaser agrees that the sale and purchase of the Sale Shares shall be subject to the following conditions precedent being fulfilled within the Conditional Period:-*<br>*(i) the approvals of shareholders of the Vendor being obtained;*<br>*(ii) the Purchaser's shareholders' approval in its extra-ordinary general meeting as required either under section 132C and/or section 132E of the Companies Act and the Main Market Listing Requirements of Bursa Malaysia;*<br>*(iii) the approvals (where applicable or mandatory) of any regulatory agency or authority, in particular, the Bursa Malaysia to which any of the Parties or the transaction hereby contemplated is subject; and*<br>*(iv) the Due Diligence Audit is confirmed satisfactory by the Purchaser.* | The conditions precedent in the SSA sets out the pre-requisites for the Proposed Acquisition to be completed.<br><br>The terms of the conditions precedent which require the consent of among others, shareholders of BHB/ DHost and regulatory authorities of BHB for the Sale Shares are fair and reasonable. The approvals from these parties are necessary for BHB to be in compliance with the rules and regulations as set out by the relevant authorities. These conditions precedent of the SSA shall be fulfilled within three (3) months from the date of the SSA. |
| ***4.2.3 Purchaser's covenant relating to financing*** | |
| *(i) Upon approval of a term loan of Ringgit Malaysia Twenty Million only ("Loan") by a licensed financial institution in Malaysia ("Financier") to the Purchaser but subject always to the SSA having by then become unconditional the Purchaser shall at its sole costs execute with the Financier all relevant facility agreement memorandum of deposit/charge/pledge of shares, assignment of designated accounts and/or such other relevant security documents including share transfer to the Financier's custodian nominee, enter into security arrangements and pay all relevant documentation and commitment fee as may be required by the Financier as a condition for the Loan;*<br>*(ii) the Purchaser shall satisfy or cause to be satisfied the balance of 90% of the Purchase Consideration ("**Balance Purchase Consideration**") via the Loan to the Vendor's Solicitors upon its pre-disbursement conditions being fulfilled on or before the Completion Date. In the event that the Balance Purchase Consideration is* | This clause provides that the Purchaser shall ensure that the Balance Purchase Consideration is to be released to the Vendor's solicitors on or before the completion date.<br><br>The interest rate of 8% per annum charged by the Vendor to BHB is higher as compared to the average base lending rate currently charged by the banks in Malaysia of 6.5% *(Source: www.bankinginfo.com.my)*. Whilst it may seem costly for BHB if in the event that the Balance Purchase Consideration is not paid to the Vendor's Solicitors by the Completion Date, it may be viewed as a deterrent to BHB to delay such payment, thereby encouraging better cash management. |

| Salient terms | Comments by TA Securities |
|---|---|
| *not paid to the Vendor's Solicitors by the Completion Date, the Vendor shall grant to the Purchaser additional time not exceeding two (2) months from the Completion Date ("Extended Completion Date") with which to pay the Balance Purchase Consideration provided always that interest at the rate of 8% per annum calculated on a daily basis shall accrue on the amount outstanding from the Completion Date to the date of actual payment of the same;* | |
| *(iii) Subject always to <u>Clause 8</u> of the SSA, it is the Purchaser's primary obligation to procure the Financier's release of the Loan to satisfy on the Purchaser's behalf the Balance Purchase Consideration on or before the Completion Date or, subject to payment of interest aforesaid, by the latest, the Extended Completion Date whether or not the Financier's pre-disbursement conditions have been met thereby.* | |
| *4.2.4 Vendor's covenant* | |
| *As from the date of the SSA to the Completion Date, the Vendor shall ensure and procure that the issued and paid-up capital of the DHost shall be maintained at levels stated in <u>Schedule 1</u> and that DHost will not, without the prior consent of the Purchaser in writing being first obtained:-* | These clauses provide that the Vendor will ensure that they do not enter or make any arrangements that will jeopardise the business or incur additional liabilities to DHost. |
| *(i) make any loans or advances to any of its directors, shareholders, employees or any supplier or person (save and except ordinary trade credit or those incurred in the ordinary course of the DHost's business) and the Vendor and/or its related/affiliates companies will settle all advances which are not in the ordinary course of business of the DHost's business granted by DHost by the Completion Date;* | Based on the Vendor's warranties relating to DHost's financial status as per the SSA, the NTA of the Company shall not, as at the Completion, be less than RM10,644,002.00. Based on the latest audited financial statements of DHost for the FYE 31 December 2010, the NA of DHost stood at RM10,644,002. |
| *(ii) assume or incur any liabilities (including contingent liabilities) or borrow any loan or raise any credit from any financial institutions or persons for any purpose whatsoever save and except for working capital requirements of DHost with notice in writing and full disclosure to the Purchaser;* | This will ensure that DHost's operating conditions remain largely the same from the date of the SSA up to the Completion Date save and except where BHB's consent is procured. |
| *(iii) subject any of DHost's assets, properties and undertakings to any encumbrance whether for its own or others' benefits;* | |

| Salient terms | | Comments by TA Securities |
|---|---|---|
| *(iv)* | *acquire or sell, transfer, dispose, lease or in any way cease to exercise control over whether by single transaction or a series or number of transactions, whether related or not, the whole or part (being in aggregate a substantial part) of its asset, property and undertaking, save and except in the ordinary course of its business, with notice in writing and full disclosure to the Purchaser;* | |
| *(v)* | *issue any additional shares or securities or grant any stock options or create any voting rights pertaining to any of its shares in DHost;* | |
| *(vi)* | *enter into any material or long term contract or franchise agreement or effect any amendment to or terminate any existing material contract or franchise agreement or enter into any contract other than in the ordinary course of business;* | |
| *(vii)* | *by the commission or omission of any act effect any materially adverse change in DHost's operations, condition (financial, business or otherwise) assets, liabilities (whether absolute, accrued, contingent or otherwise);* | |
| *(viii)* | *effect any alteration in the manner of keeping DHost's books accounts or record or in the accounting practices therein reflected the effect of which is to adversely affect the Purchaser when it becomes the controlling shareholder of DHost;* | |
| *(ix)* | *increase, or commit to increase the compensation payable or become payable to any of the DHost's officers, directors, employees or agents;* | |
| *(x)* | *reduce, redeem or purchase any of its share capital or alter its authorized issued or paid-up capital whether by varying the amount, structure or value thereof or the rights attached thereto or convert any of its share capital into stock, or by consolidation, dividing or subdividing all or any of its shares;* | |
| *(xi)* | *enter into any partnership, profit-sharing or royalty agreement or other similar arrangement whereby its income or profits are, or might be, shared with any other person, firm or company or enter into any management contract or similar* | |

| Salient terms | | Comments by TA Securities |
|---|---|---|
| | *arrangement whereby its business or operations are managed by any other person, firm or company;* | |
| *(xii)* | *declare, make or pay any dividend and/or other distributions whether of an income or capital nature and whether in cash or in specie;* | |
| *(xiii)* | *amend, add to, delete or vary its Memorandum and Articles of Association;* | |
| *(xiv)* | *embark upon or undertake any amalgamation, merger, demerger, reconstruction and/or consolidation;* | |
| *(xv)* | *by the commission or omission of any act cause any of the franchise for the F&B outlets to be suspended or revoked by the franchisor(s); and/or;* | |
| *(xvi)* | *by the commission or omission of any act cause the Malaysia Airport Berhad to terminate the existing tenancies and licenses for the F&B outlets to operate in KLIA and LCCT.* | |
| *(xvii)* | *Do or omit to do anything under the Shareholders' Agreement or the Technical Assistance Agreement which would give rise to an event of default or breach under the terms of the respective agreements or amend or vary the terms of either of the agreements without the consent of the Purchaser.* | |
| ***4.2.5 Completion of Sale*** | | |
| *Completion of the sale and purchase of the Sale Shares shall take place on the Completion Date when the Vendor's Solicitors shall have received the Balance Purchase Consideration in the form of the Loan from the Financier whereupon the transactions in Clause 9.2 of the SSA will take place.* | | Upon receipt of the differential sum amounting to RM18.0 million from the Purchaser or the loan from a financier, the sale will be deemed completed.<br><br>We wish to highlight that the Proposed Acquisition shall be funded entirely via borrowings from a financier. In this respect, the increase in borrowings will increase the gearing level of the Group and the credit risks of the Group.<br><br>Despite the increase in gearing, the gearing level of the Group after the Proposed Acquisition, is below one (1) time and is still at a manageable level. |

| Salient terms | Comments by TA Securities |
|---|---|
| ***4.2.6 Restrictive Agreement*** | |
| *For the purpose of assuring to the Purchaser the full benefit of the businesses and goodwill of DHost, the Vendor undertakes by way of further consideration for the obligations of the Purchaser under the SSA as separate and independent agreements that it will not at any time:*<br><br>*(i) after Completion disclose and shall use its best endeavours to prevent the publication or disclosure of any information to third party competitors concerning the business, marketing strategies, design or concept of DHost's F&B outlets, accounts or finances of the Company or any of its clients' or customers' transactions or affairs of which it has knowledge;*<br><br>*(ii) for three (3) years from the date of Completion, engage in any F&B business of a directly competing nature using the franchise of the F&B outlets of DHost in any airport terminals anywhere in Malaysia.* | This clause stipulated that the Vendor will also agree on the following:-<br><br>(i) not to provide any information to third party competitors on the business information as set out in the SSA; and<br><br>(ii) to ensure that for a period of three (3) years from the date of completion, the Vendors will not engage in any F&B business of a directly competing nature using the franchise of the F&B outlets of DHost in any airport terminals anywhere in Malaysia.<br><br>As independent obligations of the Vendors, the Vendors may be sued separately on these contractual obligations as if they were stand alone or independent agreements.<br><br>This clause protects the Company as it will ensure that the Vendor will treat the information or trade secrets of DHost with confidentiality and not disclose to third party competitors any such confidential information for a period of three (3) years. In addition, the Vendor will not compete with the Company by undertaking F&B business using the same franchise of the Company in any airport terminals anywhere in Malaysia. Hence, BHB's interest is protected. |

<u>**Comments by TA Securities:-**</u>

After evaluating the salient terms of the SSA, we find that the terms are generally fair and reasonable insofar as the interest of BHB is concerned and are not detrimental to the non-interested shareholders of BHB.

**4.3 Evaluation of the Purchase Consideration**

For the purpose of the evaluation of the Proposed Acquisition, we have reviewed the historical financial performance of DHost and also the market capitalisation, PER, PBR, enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA"), ROA and ROE of the selected comparable companies listed on Bursa Securities which are primarily involved or have subsidiaries involved in the F&B industry.

### 4.3.1 Financial performance of DHost

For the purpose of assessing the Proposed Acquisition, we have reviewed the audited financial information of DHost from FYE 31 December 2008 to 31 December 2010 as follows:-

| | Audited FYE 31 December | | |
|---|---|---|---|
| | **2008** | **2009** | **2010** |
| | **RM'000** | **RM'000** | **RM'000** |
| Revenue | 32,366 | 31,784 | 32,145 |
| Gross profit | 19,826 | 19,520 | 19,659 |
| PBT | 6,027 | 6,231 | 6,401 |
| PAT | 4,172 | 4,666 | 4,703 |
| Shareholders' funds | 7,275 | 8,941 | 10,644 |
| Total borrowings | - | - | - |
| Gross profit margin (%) | 61.3 | 61.4 | 61.2 |
| PAT margin (%) | 12.9 | 14.7 | 14.6 |
| ROE (%) | 57.3 | 52.2 | 44.2 |
| ROA (%) | 33.8 | 34.8 | 31.8 |

*Notes:-*
*The financial statements for DHost for FYE 2010 were prepared in accordance with FRS in Malaysia. The financial information for FYE 2009 and 2008, which were previously prepared in accordance with Private Entity Reporting Standards, issued by the Malaysian Accounting Standards Board in Malaysia was adjusted for any effects, if any, assuming the financial information comply with the FRS that were effective during the respective years.*

**Comments by TA Securities:-**

Based on the financial results for the past three (3) FYE 31 December 2010, we note that DHost has been registering consistent revenues of above RM30.0 million and an average PAT margin of 14.1% for the past three (3) FYEs under review translating to an average of 7.2% return based on a 51% stake in DHost. We note that DHost does not have any borrowings and has registered an average ROE and ROA of 51.23% and 33.46% for the past three (3) FYEs.

Premised on the above, the Proposed Acquisition is expected to contribute positively towards BHB's earnings.

*[The rest of this page has been left blank intentionally]*

### 4.3.2 Basis and Justification for arriving at the Purchase Consideration

As set out in Section 2.1 of Part A of this Circular, the basis of arriving at the Purchase Consideration is as follows:-

*The Purchase Consideration was negotiated on an arm's length basis based on commercial terms and arrived at on a willing-buyer willing-seller basis after taking into consideration the following:*

*(a) The operating history of DHost since 1998;*

*(b) The historical earnings and earnings potential of DHost; and*

*(c) The audited NA of DHost as at 31 December 2010 of RM10.64 million on a debt-free basis.*

*Based on the audited PAT and NA of DHost for the FYE 31 December 2010 of RM4.70 million and RM10.64 million, the Purchase Consideration of RM20.0 million represents a PER of 8.34 times and PBR of 3.68 times respectively.*

**Comments by TA Securities:**

For the purpose of assessing the Purchase Consideration for the Proposed Acquisition, we have reviewed the market capitalisation, PER, PBR, EV/EBITDA, ROA and ROE of selected comparable companies listed on Bursa Securities which are primarily involved or have subsidiaries involved in the F&B sector ("Comparable Companies"). However, we wish to highlight that we are not in any way implying that the Comparable Companies may be considered to be identical or directly similar to BHB.

It should be noted that the Comparable Companies used have been selected on a best effort basis from companies listed on Bursa Securities which occupy a similar industrial sector and would serve as an illustration only, as the Comparable Companies are not directly similar in terms of the composition of business activities, scale and geographical location of operations, market capitalisation, historical performance, risk profile, customer profile, future prospects, marketability and liquidity of the company's shares and other relevant factors. The list of Comparable Companies as set out below is by no means exhaustive.

The principal activities of the Comparable Companies are detailed as follows:-

| Comparable Companies | Principal Activities |
|---|---|
| QSR Brands Berhad ("QSR") | Principally involved in the operations in the restaurant, integrated poultry and ancillary business. The Company owns and operates various fast-food restaurants. |
| KFC Holdings (M) Berhad ("KFC") | Principally involved in managing and operating fast food restaurant chains such as Kentucky Fried Chicken and Pizza Hut. |
| Oversea Enterprise Berhad ("OEB") | Principally involved in the operation of Chinese food restaurants. |
| Berjaya Food Berhad ("BFB") | Principally involved in developing and operating a chain of restaurants in Malaysia. |

| COMPARABLE COMPANIES | PRICE[1] (RM) | MARKET CAPITALISATION (RM million) | EPS[2] (RM) | NA PER SHARE[2] (RM) | PER[1] (times) | PBR[1] (times) | EV/ EBITDA[2] (times) | ROA[2] (%) | ROE[2] (%) |
|---|---|---|---|---|---|---|---|---|---|
| QSR | 5.95 | 1,654.47 | 0.40 | 3.07 | 14.88 | 1.94 | 6.28 | 7.87 | 12.22 |
| KFC | 4.01 | 3,180.86 | 0.19 | 1.25 | 21.11 | 3.21 | 10.08 | 10.09 | 16.13 |
| OEB | 0.13 | 33.075 | (0.14) | 0.21 | N/A | 0.64 | 0.03 | 0.13 | 0.16 |
| BFB[3][4] | 0.79 | 111.67 | 0.08 | 0.28 | 10.36 | 2.82 | 6.66 | 23.59 | 29.84 |
| **Average** | | | | | 15.45[5] | 2.15 | 5.76 | 8.98[7] | 14.18[7] |
| **High** | | | | | 21.11 | 3.21 | 10.08 | 10.09 | 16.13 |
| **Low** | | | | | 10.36 | 0.64 | 0.03 | 7.87 | 12.22 |
| **DHost** | - | - | | | **8.34**[6] | **3.68**[6] | **3.79**[6] | **31.75** | **44.18** |
| **Premium/(Discount) to the Average** | | | | | **(46.02%)** | **71.16%** | **(34.20%)** | -[8] | -[8] |

*Notes:-*

*(1) Based on respective closing prices of the Comparable Companies as at 31 May 2011*
*(2) Unless stated otherwise, based on the respective Comparable Companies latest audited financial statements*
*(3) Based on annualised unaudited figures for the financial period ended 31 January 2011*
*(4) Based on latest unaudited interim financial report for the period ended 31 January 2011*
*(5) Excluding OEB*
*(6) Based on the Purchase Consideration*
*(7) Excluding OEB and BFB which are outliers*
*(8) The ROA and ROE of DHost is above the average ROA and ROE of the Comparable Companies*
*N/A Not applicable as OEB has registered losses during the financial year*

Premised on the above, we noted the following:

(i) The PER based on the Purchase Consideration over the audited earnings of DHost for FYE 31 December 2010 of 8.34 times is below the average of 15.45 times of the Comparable Companies;

(ii) The PBR based on the Purchase Consideration over the audited financial statements of DHost as at FYE 31 December 2010 of 3.68 times is above the average of 2.15 times of the Comparable Companies;

(iii) The EV/EBITDA of DHost of 3.79 times computed based on the Purchase Consideration over audited EBITDA as at 31 December 2010 is below the average of 5.76 times of the Comparable Companies;

(iv) The ROA of DHost for FYE 31 December 2010 of 31.75% is above the average Comparable Companies of 8.98%; and

(v) The ROE of DHost for FYE 31 December 2010 of 44.18% is above the average Comparable Companies of 14.18%.

From a PER perspective, the PER based on the Purchase Consideration of 8.34 times represents a *discount* of approximately 46.02% to the average PER of the Comparable Companies. In this respect, the Purchase Consideration is **attractive**.

From a PBR perspective, the PBR based on the Purchase Consideration of 3.68 times represents a *premium* of approximately 71.16% above the average PBR of the Comparable Companies. In this respect, the Purchase Consideration is **not fair**.

From an EV/EBITDA perspective, EV was based on the Purchase Consideration whilst EBITDA was based on the audited financial statements of DHost for FYE 31 December 2010 of 3.79 times represents a discount of approximately 34.23% to the average EV/EBITDA of the Comparable Companies. In this respect, the Purchase Consideration is **attractive**.

From a ROA perspective, the ROA based on the audited financial statements of DHost for FYE 31 December 2010 of 31.75% is above the average ROA of the Comparable Companies of 8.98%. In this respect, the Purchase Consideration is **fair**.

From a ROE perspective, the ROE based on the audited financial statements of DHost for FYE 31 December 2010 of 44.18% is above the average ROE of the Comparable Companies of 14.18%. In this respect, the Purchase Consideration is **fair**.

## 4.4 Financial effects of the Proposed Acquisition

The financial effects of the Proposed Acquisition as extracted from Section 6, Part A of this Circular are as follows:

### 4.4.1 Share capital and substantial shareholders' shareholding

The Proposed Acquisition will not have any effect on the issued and paid-up share capital of BHB as well as the substantial shareholders' shareholdings in BHB as the Proposed Acquisition will be fully satisfied by cash.

### 4.4.2 Earnings and EPS

The Proposed Acquisition is not expected to contribute significantly to the earnings and EPS of the BHB Group for the FYE 31 December 2011 as the Proposed Acquisition is only expected to be completed by the third quarter of 2011. The Board expects the Proposed Acquisition to be earnings accretive and to contribute to the future earnings and EPS of the BHB Group in view of the earnings potential of DHost.

For illustrative purposes only, the proforma effects of the Proposed Acquisition on the EPS of the BHB Group based on its audited consolidated financial statements as at 31 December 2010 are set out below:

| | Audited as at 31 December 2010 | After the Proposed Acquisition |
|---|---|---|
| PATMI (RM'000) | 6,552 | *7,651 |
| No. of Shares in issue ('000) | 179,005 | 179,005 |
| EPS (sen) | 3.66 | 4.22 |

*Notes:-*

* *After incorporating the following assumptions:*

- *share of 51% PAT of DHost for the FYE 31 December 2010 of approximately RM4.70 million; and*
- *interest expense of approximately RM1.30 million for the Proposed Acquisition*

### 4.4.3 NA and Gearing

For illustrative purposes only, the proforma effects of the Proposed Acquisition on the audited consolidated NA and gearing of BHB based on its audited consolidated financial statements as at 31 December 2010 are set out below:

| | Audited as at 31 December 2010 (RM'000) | After the Proposed Acquisition (RM'000) |
|---|---|---|
| Share capital | 179,005 | 179,005 |
| Share premium | 12,384 | 12,384 |
| Accumulated losses | (32,115) | (1) (32,765) |
| **Shareholders' funds** | **159,274** | **158,624** |
| No. of shares in issue ('000) | 179,005 | 179,005 |
| NA per share (RM) | 0.89 | 0.89 |
| Total borrowings (RM'000) | 62,993 | (2)82,993 |
| Gearing ratio (times) | 0.40 | 0.52 |

*Notes:-*

*(1) After deducting the estimated expenses of RM650,000 in respect of the Proposed Acquisition*

*(2) After incorporating an increase of bank borrowing of RM20.0 million which is the source of funding for the Proposed Acquisition*

**<u>Comments by TA Securities:-</u>**

We note that the Proposed Acquisition is expected to contribute positively to BHB's future earnings as shown in its previous track record of registering consistent revenues of above RM30.0 million and an average PAT margin of 14.1% for the past three (3) FYEs translating to an average of 7.2% return based on a 51% stake in DHost.

We wish to highlight that the Proposed Acquisition shall be funded entirely via borrowings. In this regard, the Proposed Acquisition will increase the gearing of the Group from 0.4 times to 0.52 times. Despite the increase in gearing, the gearing level of the Group after the Proposed Acquisition is below one (1) time and is still at a manageable level. This means that the Group has sufficient shareholders funds to repay the borrowings of the Group. We wish to note that BHB will also be incurring additional finance cost in view that the Proposed Acquisition will be funded entirely via borrowings. We understand that the borrowings will be repaid via its cash flow generated from its existing and new businesses.

As such, we are of the view that the financial effects of the Proposed Acquisition, as a whole are not detrimental to the non-interested shareholders of BHB.

### 4.5 Future Industry Prospects and Economic Outlook

In assessing the Proposed Acquisition, we have considered the overview and prospects of the Malaysian economy, the F&B industry in which DHost operates in and the future prospects of DHost for the next twelve (12) months.

**(a) Overview and prospects of the Malaysian economy for the next twelve (12) months**

The Malaysian economy registered a growth of 4.8% in the fourth ($4^{th}$) quarter of 2010. Higher private and public sector spending contributed to the expansion in domestic demand. The slower growth in the global economy, however, had led to weaker growth in external demand. On the supply side, all economic sectors, with the exception of the primary sectors, continued to expand further during the quarter. For the year as a while, the Malaysian economy registered a growth of 7.2% (2009: -1.7%).

The pace of growth of the Malaysian economy will be affected by the environment of moderating external demand. Growth will, nevertheless, be supported by continued firm expansion in domestic demand. Private consumption spending will continue to benefit from the favourable labour market conditions, firm commodity prices and access to financing.

The roll-out of construction and infrastructure activities and the implementation of the economic transformation programme by the Government are likely to provide significant support to the growth momentum in private investment.

*(Source: Economic and Financial developments in the Malaysian Economy in the Fourth Quarter of 2010, Bank Negara Malaysia)*

In Malaysia, economic growth is projected to moderate to 5.2% yoy in 2011, before rising to 5.5% in 2012. Structural impediments in net exports will drag down overall GDP growth in 2011, while domestic demand is likely to be strong due to supportive government policy measures. With GDP growth within the potential level of 5.0-6.0%, coupled with manageable CPI forecast of 2.8% yoy in 2011, Bank Negara Malaysia is expected to lift the OPR marginally higher to 3.00% by end 2011. As the economy gathers momentum in 2012, CPI may breach Bank Negara Malaysia's implicit target of 3.0% prompting further hikes in OPR to 3.25%. The RM/USD is projected to hit 3.05 in 2011 on larger capital inflows. Improving macroeconomic fundamentals will see an average RM/USD of 2.95 in 2012.

*(Source: Malaysian Economic Outlook, MIER Quarterly Surveys (4th Quarter of 2010), The Malaysian Institute of Economic Research)*

**(b) Prospects and outlook of the Food and Beverage Industry for the next twelve (12) months**

Gross imports grew by 21.7%, with expansion across all major import categories. Imports of consumption goods expanded by 10.1%, driven mainly by imports of food and beverages, reflecting positive consumer spending. The pace of expansion in capital and consumption imports remained strong despite moderating slightly in the second half of the year.

(*Source: Bank Negara 2010 Annual Report*)

**(c) Future Prospects of DHost for the next twelve (12) months**

In light of the positive industry outlook as set out in Section 4.1 and 4.2 above, DHost is well poised to reap the benefits of the expected growth in passenger traffic at both airports riding on gradual recovery of the global and Malaysian economy, and the Government's continuous effort to promote the tourism industry in Malaysia. Such positive prospects augur well for the F&B business of DHost, which is expected to bode well for BHB as it may result in higher income and cashflow contribution from DHost.

The new permanent low-cost carrier terminal, dubbed "KLIA 2" is scheduled for operation in October 2012. KLIA 2 is to be built to handle 30 million passengers a year with the ability to expand to 45 million passengers a year as opposed to 15 million passengers currently. Your Board is excited over the retail and commerce opportunities offered by KLIA 2 which is expected to attract more airlines and visitors to the country.

The remaining 49% equity interest of DHost is held by Host International Inc. Host International Inc which is wholly-owned by HMSHost Corporation (previously known as Host Marriot Services Corporation) is part of Autogrill S.p.A ("Autogrill"), the world's largest provider of food, beverage and retail services for travelers. Along with Autogrill, HMSHost Corporation is a recognized industry leader who create innovative dining and shopping locations at airports and motorways worldwide. With 34,000 associates and revenues of more than USD2.5 billion, Autogrill and HMSHost Corporation use their experience and global reach to offer travelers an unparalleled blend of local, regional and international brands in F&B services *(Source: HMSHost Corporation website: www.hmshost.com as at 13 May 2011).*

Despite the change in shareholding arising from the Proposed Acquisition, BHB is expected to work closely with Host International Inc which is a recognized industry leader. The Proposed Acquisition will allow BHB to leverage on Host International Inc's expertise to create innovative dining experiences at airports to capitalize on the influx of tourists and spending power flowing through the arrival and departure gates in the airports. In the event that there are more opportunities for DHost to expand its reach to travelers by operating more restaurants in the airports especially KLIA 2, BHB together with Host International Inc via DHost would submit tenders as and when such business opportunities arise. The financial resources required for the possible expansion of outlets in airports and in particular in KLIA 2, if any, will be determined after the completion of the Proposed Acquisition and discussion with Host International Inc.

*(Source: The management of DHost and BHB)*

**Comments by TA Securities:-**

Premised on the above, we note that the overall outlook and prospects of the Malaysian economy remains positive given that there is still a projected growth of 5.2% in 2011. With the Government's efforts to promote the tourism industry in Malaysia and the positive consumer spending, DHost will stand to benefit with the expected increase in airlines and visitors to the country including locals who travel to other countries which will in turn augur well for DHost which is operating restaurants in both KLIA and LCCT.

We note that as DHost is in a captive market with limited amount of competitors. Hence, with the Proposed Acquisition, BHB is given an opportunity to gain an entry into this business. Upon completion of the Proposed Acquisition, BHB will be able to expand its F&B business further so as to stay more competitive in the industry.

## 5. RISK FACTORS IN RELATION TO THE PROPOSED ACQUISITION

Kindly refer to Section 5, Part A of this Circular for the risk factors in relation to the Proposed Acquisition.

Based on the risks set out in Section 5, Part A of this Circular, we are of the view that the risks are acceptable and mitigated to the extent possible and hence are not deemed detrimental to the non-interested shareholders of BHB.

We note that the Board of BHB has and will continue to exercise due care in considering the potential risks and benefits associated with the Proposed Acquisition and the Board of BHB believes that the long-term benefits should outweigh the cost and its associated risks.

## 6. CONCLUSION AND RECOMMENDATION

| | | | |
|---|---|---|---|
| (a) | **Rationale for the Proposed Acquisition** | : | The Proposed Acquisition will allow the Group to better position itself to serve the different needs of airline customers through both in-flight catering services and operation of restaurants and cafes in airports. We note that with the operating history of DHost in the airport F&B business since 1998, it is expected that the Proposed Acquisition is expected to drive the Company in building on its existing core strengths in F&B services whilst mitigating the dependency on a single segment of aviation food chain.<br><br>The Proposed Acquisition will also enable the Group to benefit in terms of the steady income from DHost. In addition, we wish to note that BHB will not assume any liability arising from the Proposed Acquisition other than those liabilities of DHost which arises from the ordinary course of business of DHost. There is also no additional financial commitment required from BHB in respect of the Proposed Acquisition.<br><br>Premised on the above, we are of the view that the rationale for the Proposed Acquisition is fair and reasonable and not to the detriment to the non-interested shareholders of BHB. |
| (b) | **Salient Terms of the SSA** | : | The salient terms of the SSA are generally fair and reasonable as far as the BHB Group's interest are concerned and the terms are not detrimental to the non-interested shareholders of BHB. |

| | | |
|---|---|---|
| (c) **Evaluation of the Purchase Consideration** | : | Based on the financial results for the past three (3) FYE 31 December 2010, we note that DHost has been registering consistent revenues of above RM30.0 million and an average PAT margin of 14.1% for the past three (3) FYEs under review translating to an average of 7.2% return based on a 51% stake in DHost. We note that DHost does not have any borrowings and has registered an average ROE and ROA of 51.23% and 33.46% for the past three (3) FYEs.<br><br>Premised on the above, the Proposed Acquisition is expected to contribute positively towards BHB's earnings.<br><br>From a PER perspective, the PER based on the Purchase Consideration of 8.34 times represents a *discount* of approximately 46.02% to the average PER of the Comparable Companies. In this respect, the Purchase Consideration is **attractive**.<br><br>From a PBR perspective, the PBR based on the Purchase Consideration of 3.68 times represents a *premium* of approximately 71.16% above the average PBR of the Comparable Companies. In this respect, the Purchase Consideration is **not fair**.<br><br>From an EV/EBITDA perspective, EV was based on the Purchase Consideration whilst EBITDA was based on the audited financial statements of DHost for FYE 31 December 2010 of 3.79 times represents a discount of approximately 34.20% to the average EV/EBITDA of the Comparable Companies. In this respect, the Purchase Consideration is **attractive**.<br><br>From a ROA perspective, the ROA based on the audited financial statements of DHost for FYE 31 December 2010 of 31.75% is above the average ROA of the Comparable Companies of 8.98%. In this respect, the Purchase Consideration is **fair**.<br><br>From a ROE perspective, the ROE based on the audited financial statements of DHost for FYE 31 December 2010 of 44.18% is above the average ROE of the Comparable Companies of 14.18%. In this respect, the Purchase Consideration is **fair**. |
| (d) **Financial effects of the Proposed Acquisition** | : | We note that the Proposed Acquisition is expected to contribute positively to BHB's future earnings as shown in its previous track record of registering consistent revenues of above RM30.0 million and an average PAT margin of 14.1% for the past three (3) FYEs translating to an average of 7.2% return based on a 51% stake inDHost.<br><br>We wish to highlight that the Proposed Acquisition shall be funded entirely via borrowings. In this regard, the Proposed Acquisition will increase the gearing of the Group from 0.4 times to 0.52 times. Despite the increase in gearing, the gearing level of the Group after the Proposed Acquisition is below one (1) time and is still at a manageable level. This means that the Group has |

sufficient shareholders funds to repay the borrowings of the Group. We wish to note that BHB will also be incurring additional finance cost in view that the Proposed Acquisition will be funded entirely via borrowings. We understand that the borrowings will be repaid via its cash flow generated from its existing and new businesses.

As such, we are of the view that the financial effects of the Proposed Acquisition, as a whole are not detrimental to the non-interested shareholders of BHB.

(f) **Future industry prospects and economic outlook** : We note that the overall outlook and prospects of the Malaysian economy remains positive given that there is still a projected growth of 5.2% in 2011. With the Government's efforts to promote the tourism industry in Malaysia and the positive consumer spending, DHost will stand to benefit with the expected increase in airlines and visitors to the country including locals who travel to other countries which will in turn augur well for DHost which is operating restaurants in both KLIA and LCCT.

We note that as DHost is in a captive market with limited amount of competitors. Hence, with the Proposed Acquisition, BHB is given an opportunity to gain an entry into this business. Upon completion of the Proposed Acquisition, BHB will be able to expand its F&B business further so as to stay more competitive in the industry.

We have assessed and evaluated the terms of the Proposed Acquisition and have set out our evaluation in Section 4 of this IAL.

Based on the above, we are of the view that the Proposed Acquisition is **not fair** based on the PBR perspective as the implied PBR based on the Purchase Consideration and the NA of DHost as at FYE 31 December 2010 of 3.68 times represents a **premium** over the average PBR of the Comparable Companies.

The Proposed Acquisition **is fair** based on earnings-based approach, i.e. from the PER and EV/EBITDA perspectives as the Purchase Consideration represents a **discount** to the average PER and EV/EBITDA of the Comparable Companies. We have also considered the ROE and ROA of DHost which are higher than each Comparable Company and also the average ROE and ROA of the Comparable Companies.

Therefore, the Proposed Acquisition is deemed reasonable after taking into consideration that DHost is a profitable company, operates in a captive market with limited competitors and DHost's business is synergistic to BHB's new core business of food services.

Accordingly, we recommend that the shareholders of BHB **VOTE IN FAVOUR** for the ordinary resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

Yours faithfully,
For and on behalf of
**TA SECURITIES HOLDINGS BERHAD**

| | |
|---|---|
| **ROBERT TI** | **TAN POH LIN** |
| Head | Vice President |
| Corporate Finance | Corporate Finance |

**INFORMATION ON DHOST**

## 1. DATE AND PLACE OF INCORPORATION

DHost was incorporated in Malaysia under the Act as a private limited company on 9 June 1997 under the name of Ratna Klasik Sdn Bhd. On 20 September 1997, DHost changed its name to Dewina Host Sdn Bhd.

## 2. SHARE CAPITAL

The authorised and issued and paid-up ordinary share capital of DHost as at the LPD are as follows:

| Type | No. of ordinary shares | Par value (RM) | Amount (RM) |
|---|---|---|---|
| Authorised share capital | 250,000 | 1.00 | 250,000 |
| Issued and paid-up share capital | 250,000 | 1.00 | 250,000 |

## 3. DESCRIPTION OF BUSINESS

DHost is principally involved in the F&B business and operates local and foreign franchise F&B outlets in KLIA and LCCT.

DHost commenced its F&B business when DHost was successfully awarded the first tender to operate a number of F&B outlets at KLIA in 1998. Dewina Berhad was the first beneficial owner of the Sale Shares when DHost was formed in 1997. DHost was at that time jointly held by Dewina Berhad (51%) and Host International Inc (49%). The assets and liabilities, undertakings and business of Dewina Berhad, including its shares and equity stake in DHost was subsequently transferred to the Vendor in 2002, resulting in the Vendor becoming the legal beneficial owner of the Sale Shares.

Currently, at KLIA, DHost's flagship outlets are Burger King in the arrival hall and satellite building, Café Barbera in the departures check-in hall, and Food Paradise at the mezzanine level of the main terminal building. At LCCT, DHost has its foothold via Taste of Asia at the public concourse, and Café Espresso at the international departure hall.

## 4. DIRECTORS AND THEIR SHAREHOLDINGS

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

| Name | Nationality | Designation | Direct | | Indirect | |
|---|---|---|---|---|---|---|
| | | | No. of shares held | % | No. of shares held | % |
| Datuk Ibrahim | Malaysian | Director | - | - | *127,500 | 50.00 |
| David Joseph Mackay | Australian | Director | - | - | - | - |
| Datin Dr. Hiryati | Malaysian | Director | - | - | **127,500 | 50.00 |
| Patrick Keith Banducci | American | Director | - | - | - | - |
| Kim Margaret Ann Smith (Alternate Director to David Joseph Mackay) | New Zealander | Alternate Director | - | - | - | - |

| Name | Nationality | Designation | Direct | | Indirect | |
|---|---|---|---|---|---|---|
| | | | No. of shares held | % | No. of shares held | % |
| En Zamry (Alternate Director to Datin Dr. Hiryati) | Malaysian | Alternate Director | - | - | - | - |
| Chang Yean Ling (Alternate Director to Datuk Ibrahim) | Malaysian | Alternate Director | - | - | - | - |
| Chew Siew Lay (Alternate Director to Patrick Keith Banducci) | Malaysian | Alternate Director | - | - | - | - |

*Notes:*

* *Deemed interested by virtue of his shareholding in DHSB pursuant to Section 6A of the Act*

** *Deemed interested by virtue of her husband's shareholding in DHSB pursuant to Section 6A of the Act*

## 5. CHANGES IN THE ISSUED AND PAID-UP SHARE CAPITAL

The changes in the issued and paid-up share capital of DHost since incorporation are as follows:

| Date of allotment | No. of shares | Par value RM | Consideration | Cumulative total RM |
|---|---|---|---|---|
| 9 June 1997 | 2 | 1 | Incorporation | 2 |
| 1 June 1998 | 249,998 | 1 | Subscription of shares by Dewina Berhad and Host International Inc | 250,000 |

## 6. SUBSTANTIAL SHAREHOLDERS

The substantial shareholders (holding 5% or more) of DHost and their respective shareholdings in DHost as at the LPD are as follows:

| Name | Nationality / Country of Incorporation | Direct | | Indirect | |
|---|---|---|---|---|---|
| | | No. of shares held | % | No. of shares held | % |
| DHSB | Malaysia | 127,500 | 51.00 | - | - |
| Host International Inc | United States of America | 122,500 | 49.00 | - | - |
| Datuk Ibrahim | Malaysian | - | - | *127,500 | 51.00 |

*Note:*

* *Deemed interested by virtue of his shareholding in DHSB pursuant to Section 6A of the Act*

## 7. SUBSIDIARY AND ASSOCIATED COMPANY

As at the LPD, DHost does not have any subsidiary or associated company.

## 8. FINANCIAL INFORMATION

The key financial results of DHost for the past 3 years from FYE 31 December 2008 to 31 December 2010 are as follows:

| | Audited FYE 31 December | | |
|---|---|---|---|
| | **2008** | **2009** | **2010** |
| | **RM'000** | **RM'000** | **RM'000** |
| Revenue | 32,366 | 31,784 | 32,145 |
| Gross profit | 19,826 | 19,520 | 19,659 |
| PBT | 6,027 | 6,231 | 6,401 |
| PAT | 4,172 | 4,666 | 4,703 |
| Shareholders' funds | 7,275 | 8,941 | 10,644 |
| NA | 7,275 | 8,941 | 10,644 |
| Minority interest | - | - | - |
| Paid-up capital | 250 | 250 | 250 |
| Total borrowings | - | - | - |
| | | | |
| Gross profit margin (%) | 61.3 | 61.4 | 61.2 |
| PAT margin (%) | 12.9 | 14.7 | 14.6 |
| | | | |
| NA per share (RM) | 29.10 | 35.76 | 42.58 |
| Gross EPS (RM) | 24.11 | 24.92 | 25.60 |
| Net EPS (RM) | 16.69 | 18.66 | 18.81 |
| | | | |
| Current ratio (times) | 2.18 | 2.61 | 3.21 |
| Gearing ratio (times) | - | - | - |

*Note:*
*The financial statements for DHost for FYE 2010 were prepared in accordance with FRS in Malaysia. The financial information for FYE 2009 and 2008, which were previously prepared in accordance with Private Entity Reporting Standards, issued by the Malaysian Accounting Standards Board in Malaysia was adjusted for any effects, if any, assuming the financial information comply with the FRS that were effective during the respective years.*

There have been no peculiar accounting policies adopted by DHost during the financial years under review. The audited financial statements of DHost for the FYE 2008, 2009 and 2010 have not been subject to any audit qualification.

**Commentaries:**

The financial results of DHost reflect the resilience of its F&B business. Revenue is maintained at above RM30 million per annum with consistent high gross profit margin of 61.3%, 61.4% and 61.2% for the FYE 2008, 2009 and 2010 respectively.

The high gross profit margin recorded by DHost allowed the business to absorb the changes in the variable and other fixed costs which translate into an average net profit margin of 14.1% over the years under review.

Being self-sufficient in generating free cash flows, DHost has no bank borrowings which has allowed for maximum cash retention. As a result, the shareholders' funds registered a double digit percentage growth year-on-year from 2008 to 2010.

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# Dewina Host Sdn. Bhd.

(Company No. 434286 P)
(Incorporated in Malaysia)

# Financial statements for the year ended 31 December 2010

# Dewina Host Sdn. Bhd.

(Company No. 434286 P)
(Incorporated in Malaysia)

# Directors' report for the year ended 31 December 2010

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended 31 December 2010.

## Principal activity

The Company is principally engaged in food catering. There has been no significant change in the nature of this activity during the financial year.

## Results

| | RM |
|---|---|
| Profit for the year | 4,702,934 |

## Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except on disclosed in the financial statements.

## Dividend

Since the end of the previous financial year, the Company paid an interim dividend of RM16 per ordinary share less tax at 25% totaling RM3,000,000 in respect of the year ended 31 December 2010 on 1 February 2011. The Directors do not recommend any final dividend to be paid for the financial year under review.

## Directors of the Company

Directors who served since the date of the last report are:

| | |
|---|---|
| Datuk Haji Ibrahim Bin Haji Ahmad | |
| David Joseph Mackay | |
| Datin Dr. Hiryati Binti Abdullah | |
| Patrick Keith Banducci | Appointed on 1 July 2010 |
| Kim Margaret Ann Smith (Alternate Director to David Joseph Mackay) | Appointed on 1 July 2010 |
| Mohamed Zamry Bin Mohamed Hashim (Alternate Director to Datin Dr. Hiryati Binti Abdullah) | |
| Chang Yean Ling (Alternate Director to Datuk Haji Ibrahim Bin Haji Ahmad) | |
| Chew Siew Lay (Alternate Director to Patrick Keith Banducci) | Appointed on 1 July 2010 |

## Directors of the Company (continued)

| | |
|---|---|
| Walter Seib | Resigned on 1 July 2010 |
| Bhavesh Jayantibhai Patel | Resigned on 1 July 2010 |
| Antonio Francesco Cricenti (Alternate Director to David Joseph Mackay) | Resigned on 1 July 2010 |

## Directors' interest

The interests and deemed interests in the ordinary shares of the Company and of its related corporations of those who were Directors at year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

| | Number of ordinary shares of RM1 each | | | |
|---|---|---|---|---|
| | At 1.1.2010 | Bought | Sold | At 31.12.2010 |
| Shareholdings in which Directors have deemed interests in the Company: | | | | |
| Datuk Haji Ibrahim Bin Haji Ahmad | 127,500 | - | - | 127,500 |
| Datin Dr. Hiryati Binti Abdullah | 127,500 | - | - | 127,500 |

None of the other Directors holding office at 31 December 2010 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

## Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit by reason of a contract made by the Company with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object 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.

## Issue of shares

There were no changes in the authorised, issued, and paid-up capital of the Company during the financial year.

## Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Company No. 434286 P

## Other statutory information

Before the statement of comprehensive income and statement of financial position of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

i) that would render the amount written off for bad debts, or the amount of the allowance for doubtful debts, in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the Company's financial statements misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Company misleading.

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

i) any charge on the assets of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Company 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 substantially affect the ability of the Company to meet its obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Company for the financial year ended 31 December 2010 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

........................................................................

**Datuk Haji Ibrahim Bin Haji Ahmad**

........................................................................

**David Joseph Mackay**

Bangi, Selangor Darul Ehsan

Date: 12 MAY 2011

# Dewina Host Sdn. Bhd.

(Company No. 434286 P)
(Incorporated in Malaysia)

## Statement of financial position as at 31 December 2010

| | Note | 2010 RM | 2009 RM |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 3 | 1,197,889 | 1,465,424 |
| Deferred tax assets | 4 | 255,000 | 288,000 |
| **Total non-current assets** | | 1,452,889 | 1,753,424 |
| Inventories | 5 | 557,409 | 569,280 |
| Trade and other receivables | 6 | 671,034 | 803,965 |
| Cash and cash equivalents | 7 | 12,130,559 | 10,268,783 |
| **Total current assets** | | 13,359,002 | 11,642,028 |
| **Total assets** | | 14,811,891 | 13,395,452 |
| **Equity** | | | |
| Share capital | | 250,000 | 250,000 |
| Retained profits | | 10,394,002 | 8,691,068 |
| **Total equity attributable to owners of the Company** | 8 | 10,644,002 | 8,941,068 |
| Trade and other payables | 9 | 4,076,302 | 4,210,796 |
| Current tax liabilities | | 91,587 | 243,588 |
| **Total current liabilities** | | 4,167,889 | 4,454,384 |
| **Total liabilities** | | 4,167,889 | 4,454,384 |
| **Total equity and liabilities** | | 14,811,891 | 13,395,452 |

The notes on pages 10 to 35 are an integral part of these financial statements.

# Dewina Host Sdn. Bhd.

(Company No. 434286 P)
(Incorporated in Malaysia)

## Statement of comprehensive income for the year ended 31 December 2010

| | Note | 2010<br>RM | 2009<br>RM |
|---|---|---|---|
| Revenue | | 32,145,349 | 31,783,730 |
| Cost of sales | | (12,486,427) | (12,263,523) |
| **Gross profit** | | 19,658,922 | 19,520,207 |
| Administrative expenses | | (130,858) | (112,552) |
| Other expenses | | (13,285,698) | (13,300,838) |
| Other income | | 80,927 | 79,656 |
| **Operating profit** | | 6,323,293 | 6,186,473 |
| Finance costs | 12 | (49,842) | (103,946) |
| Finance income | | 127,760 | 148,617 |
| **Profit before tax** | 11 | 6,401,211 | 6,231,144 |
| Income tax expense | 13 | (1,698,277) | (1,564,809) |
| **Profit for the year** | | 4,702,934 | 4,666,335 |
| **Total comprehensive income for the year** | | 4,702,934 | 4,666,335 |

The notes on pages 10 to 35 are an integral part of these financial statements.

# Dewina Host Sdn. Bhd.

(Company No. 434286 P)
(Incorporated in Malaysia)

## Statement of changes in equity for the year ended 31 December 2010

| | Note | Share capital RM | Distributable Retained profits RM | Total equity RM |
|---|---|---|---|---|
| **At 1 January 2009** | | 250,000 | 7,024,733 | 7,274,733 |
| Total comprehensive income for the year | | - | 4,666,335 | 4,666,335 |
| Dividends to owners of the Company | 10 | - | (3,000,000) | (3,000,000) |
| **At 31 December 2009/1 January 2010** | | 250,000 | 8,691,068 | 8,941,068 |
| Total comprehensive income for the year | | - | 4,702,934 | 4,702,934 |
| Dividends to owners of the Company | 10 | - | (3,000,000) | (3,000,000) |
| **At 31 December 2010** | | 250,000 | 10,394,002 | 10,644,002 |
| | | Note 8 | Note 8 | |

The notes on pages 10 to 35 are an integral part of these financial statements.

# Dewina Host Sdn. Bhd.

(Company No. 434286 P)
(Incorporated in Malaysia)

## Statement of cash flows for the year ended 31 December 2010

| | 2010 RM | 2009 RM |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before tax | 6,401,211 | 6,231,144 |
| Adjustments for: | | |
| Depreciation | 829,168 | 1,041,776 |
| Finance costs | 49,842 | 103,946 |
| Finance income | (127,760) | (148,617) |
| Loss on disposal of property, plant and equipment | - | 34 |
| Property, plant and equipment written off | 30 | 31,575 |
| Operating profit before working capital changes | 7,152,491 | 7,259,858 |
| Changes in working capital: | | |
| Inventories | 11,871 | (20,457) |
| Trade and other receivables | 124,425 | (351,341) |
| Trade and other payables | 581,592 | 61,039 |
| Cash generated from operations | 7,870,379 | 6,949,099 |
| Income taxes paid | (1,817,278) | (1,781,809) |
| **Net cash generated from operating activities** | 6,053,101 | 5,167,290 |
| **Cash flows from investing activities** | | |
| (Increase)/Decrease in pledged deposits placed with licensed banks | (673,401) | 1,033,569 |
| Interest received | 127,760 | 148,617 |
| Proceeds from disposal of property, plant and equipment | - | 150 |
| Purchase of property, plant and equipment | (561,663) | (1,430,534) |
| **Net cash used in investing activities** | (1,107,304) | (248,198) |
| **Cash flows from financing activities** | | |
| Interest paid | (49,842) | (103,946) |
| Repayment from/(to) affiliates | 8,506 | (164,335) |
| Repayment to holding company | (716,086) | (440,412) |
| Dividends paid to owners of the Company | (3,000,000) | (3,000,000) |
| **Net cash used in financing activities** | (3,757,422) | (3,708,693) |

Company No. 434286 P

# Statement of cash flows for the year ended 31 December 2010

(continued)

| | 2010 RM | 2009 RM |
|---|---|---|
| **Net increase in cash and cash equivalents** | 1,188,375 | 1,210,399 |
| **Cash and cash equivalents at beginning of year** | 9,196,407 | 7,986,008 |
| **Cash and cash equivalents at end of year** | 10,384,782 | 9,196,407 |
| **Cash and cash equivalents comprise:** | | |
| Cash and bank balances | 3,792,157 | 3,911,407 |
| Deposits placed with licensed banks (excluding deposits pledged) | 6,592,625 | 5,285,000 |
| | 10,384,782 | 9,196,407 |

The notes on pages 10 to 35 are an integral part of these financial statements.

# Dewina Host Sdn. Bhd.

(Company No. 434286 P)
(Incorporated in Malaysia)

# Notes to the financial statements

Dewina Host Sdn. Bhd. is a private limited liability company, incorporated and domiciled in Malaysia. The addresses of the principal place of business and registered office of the Company are as follows:

**Principal place of business**
AP 4b 3rd Floor
Main Terminal Building
Kuala Lumpur International Airport
64000 KLIA, Sepang
Selangor Darul Ehsan

**Registered office**
18th Floor, Wisma Sime Darby
Jalan Raja Laut
50350 Kuala Lumpur

The Company is principally engaged in food catering.

The immediate and ultimate holding company is Dewina Holdings Sdn. Bhd., a company incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors on 12 MAY 2011..........

## 1. Basis of preparation

### (a) Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standards (FRS), generally accepted accounting principles and the Companies Act, 1965 in Malaysia.

The Company has adopted FRS in the current year. There are no impacts on the adoption of FRS except for extended disclosure on the notes to the financial statements.

The Company has not applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the Company:

# 1. Basis of preparation (continued)

## (a) Statement of compliance (continued)

*FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 March 2010*

- Amendments to FRS 132, *Financial Instruments: Presentation – Classification of Rights Issues*

*FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010*

- FRS 1, *First-time Adoption of Financial Reporting Standards* (revised)
- FRS 3, *Business Combinations* (revised)
- FRS 127, *Consolidated and Separate Financial Statements* (revised)
- Amendments to FRS 2, *Share-based Payment*
- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- Amendments to FRS 138, *Intangible Assets*
- IC Interpretation 12, *Service Concession Agreements*
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17, *Distributions of Non-cash Assets to Owners*
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

*FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011*

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
  - *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
  - *Additional Exemptions for First-time Adopters*
- Amendments to FRS 2, *Group Cash-settled Share Based Payment Transactions*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
- IC Interpretation 4, *Determining whether an Arrangement contains a Lease*
- IC Interpretation 18, *Transfers of Assets from Customers*
- Improvements to FRSs (2010)

*FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011*

- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*

# 1. Basis of preparation (continued)

## (a) Statement of compliance (continued)

*FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012*

- FRS 124, *Related Party Disclosures* (revised)
- IC Interpretation 15, *Agreements for the Construction of Real Estate*

The Company plans to apply the abovementioned standards, amendments and interpretations, where applicable:

- from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 March 2010, 1 July 2010 or 1 January 2011; and

- from the annual period beginning 1 January 2012 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2011 and 1 January 2012.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively, or which requires extended disclosures, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

The initial applications of the other standards, amendments and interpretations are not expected to have any material impact on the financial statements of the Company.

Following the announcement by the MASB on 1 August 2008, the Company's financial statements will be prepared in accordance with the International Financial Reporting Standards (IFRS) framework for annual periods beginning on 1 January 2012. The change of the financial reporting framework is not expected to have any significant impact on the financial position and performance of the Company.

## (b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

## (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency.

# 1. Basis of preparation (continued)

## (d) Use of estimates and judgements

The preparation of financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumption are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial period in which the estimate is revised and in any future financial periods affected.

There are no significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

# 2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements,

## (a) Financial instruments

Arising from the adoption of FRS 139, *Financial Instruments: Recognition and Measurement*, with effect from 1 January 2010, financial instruments are categorised and measured using accounting policies as mentioned below. Before 1 January 2010, different accounting policies were applied. The adoption of FRS 139 does not have a material impact on the financial statements of the Company.

### (i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

# 2. Significant accounting policies (continued)

## (a) Financial instruments (continued)

### (ii) Financial instrument categories and subsequent measurement

The Company categorise financial instruments as follows:

*Financial assets*

*(a) Loans and receivables*

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

*(b) Financial liabilities*

All financial liabilities are subsequently measured at amortised cost.

### (iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the profit or loss.

## 2. Significant accounting policies (continued)

### (b) Property, plant and equipment

#### (i) Recognition and measurement

Items of property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other cost directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other expenses" respectively in the profit or loss.

#### (ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of those parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

#### (iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

# 2. Significant accounting policies (continued)

## (b) Property, plant and equipment (continued)

### (iii) Depreciation (continued)

The estimated useful lives for the current and comparative periods are as follows:

| | |
|---|---|
| Computer software and hardware | 20% |
| Kitchen equipment | 12.5% - 89% |
| Office equipment, furniture and fittings | 12.5% - 75% |
| Motor vehicles | 27% |
| Renovations | 12.5% - 66% |
| Operating utensils | 57% - 77% |

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate at the end of the reporting period.

## (c) Inventories

Inventories are stated at the lower of cost and net realisable value with first-in-first-out being the main basis for cost. Cost includes cost of purchase and cost of bringing the inventories to their intended location.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

## (d) Receivables

Prior to 1 January 2010, receivables were initially recognised at their costs and subsequently measured at cost less allowance for doubtful debts.

Following the adoption of FRS 139, trade and other receivables are categorised and measured as loans and receivables in accordance with note 2(a)(ii)(a).

## 2. Significant accounting policies (continued)

### (e) Employee benefits

#### (i) Short term employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### (ii) State plans

The Company's contributions to statutory pension funds are charged to profit or loss in the year to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

### (f) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks. For the purpose of the cash flow statement, cash and cash equivalents are presented net of pledged deposits.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy note 2(a)(ii)(a).

### (g) Affiliated company

An affiliated company is defined as a company which holds, either directly or indirectly, between 20% and 50% of the shareholdings of the Company.

## 2. Significant accounting policies (continued)

### (h) Impairment

#### (i) Financial assets

All financial assets are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

#### (ii) Non-financial assets

The carrying amounts of assets except for inventories, deferred tax assets and financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash generating units are allocated to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

## 2. Significant accounting policies (continued)

### (i) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

## 2. Significant accounting policies (continued)

### (j) Revenue and other income

#### (i) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, traded discount and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

#### (ii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

### (l) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Before 1 January 2010, all borrowing costs were recognised in profit or loss using the effective interest method in the period in which they are incurred.

Following the adoption of revised FRS 123, *Borrowing Costs*, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

Company No. 434286 P

## 3. Property, plant and equipment

| *Cost* | Computer software and hardware RM | Kitchen equipment RM | Office equipment, furniture and fittings RM | Motor vehicles RM | Renovations RM | Operating utensils RM | Construction in progress RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| At 1 January 2009 | 157,037 | 2,713,413 | 687,844 | 45,871 | 4,009,662 | 298,190 | 31,079 | 7,943,096 |
| Additions | 51,110 | 227,780 | 110,793 | - | 1,009,394 | - | 31,457 | 1,430,534 |
| Disposals | (11,190) | - | - | - | - | - | - | (11,190) |
| Written off | (21,960) | (467,725) | (45,465) | - | (792,961) | (137,669) | (31,079) | (1,496,859) |
| At 31 December 2009/ 1 January 2010 | 174,997 | 2,473,468 | 753,172 | 45,871 | 4,226,095 | 160,521 | 31,457 | 7,865,581 |
| Additions | 10,430 | 138,165 | 62,383 | - | 321,840 | - | 28,845 | 561,663 |
| Written off | (26,930) | (196,912) | (73,971) | - | (1,409,759) | (88,127) | - | (1,795,699) |
| Transfer | - | - | - | - | 38,011 | - | (38,011) | - |
| At 31 December 2010 | 158,497 | 2,414,721 | 741,584 | 45,871 | 3,176,187 | 72,394 | 22,291 | 6,631,545 |

## 3. Property, plant and equipment (continued)

| | Computer software and hardware RM | Kitchen equipment RM | Office equipment, furniture and fittings RM | Motor vehicles RM | Renovations RM | Operating utensils RM | Construction in progress RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| ***Accumulated depreciation*** | | | | | | | | |
| At 1 January 2009 | 122,129 | 2,418,898 | 543,100 | 33,631 | 3,470,781 | 246,132 | - | 6,834,671 |
| Depreciation for the year | 32,467 | 292,203 | 120,588 | 12,240 | 532,220 | 52,058 | - | 1,041,776 |
| Disposals | (11,006) | - | - | - | - | - | - | (11,006) |
| Written off | (21,464) | (467,725) | (45,465) | - | (792,961) | (137,669) | - | (1,465,284) |
| At 31 December 2009/ 1 January 2010 | 122,126 | 2,243,376 | 618,223 | 45,871 | 3,210,040 | 160,521 | - | 6,400,157 |
| Depreciation for the year | 16,521 | 153,112 | 82,409 | - | 577,126 | - | - | 829,168 |
| Written off | (26,900) | (196,912) | (73,971) | - | (1,409,759) | (88,127) | - | (1,795,669) |
| At 31 December 2010 | 111,747 | 2,199,576 | 626,661 | 45,871 | 2,377,407 | 72,394 | - | 5,433,656 |
| ***Carrying amounts*** | | | | | | | | |
| At 1 January 2009 | 34,908 | 294,515 | 144,744 | 12,240 | 538,881 | 52,058 | 31,079 | 1,108,425 |
| At 31 December 2009/ 1 January 2010 | 52,871 | 230,092 | 134,949 | - | 1,016,055 | - | 31,457 | 1,465,424 |
| At 31 December 2010 | 46,750 | 215,145 | 114,923 | - | 798,780 | - | 22,291 | 1,197,889 |

## 4. Deferred tax assets

Deferred tax assets and liabilities are attributable to the following:

| | 2010 RM | 2009 RM |
|---|---|---|
| Deferred tax assets | 255,000 | 288,000 |

The recognised deferred tax assets and liabilities (before offsetting) are as follows:

| | 2010 RM | 2009 RM |
|---|---|---|
| Deductible temporary differences | 36,000 | 80,250 |
| Provisions | 219,000 | 207,750 |
| | 255,000 | 288,000 |

## 5. Inventories

| | 2010 RM | 2009 RM |
|---|---|---|
| Raw materials | 10,485 | 19,987 |
| Food and beverages | 441,835 | 427,722 |
| Consumable spares | 105,089 | 121,571 |
| | 557,409 | 569,280 |
| Recognised in profit or loss: | | |
| Inventories recognised as cost of sales | 9,781,089 | 9,625,190 |

## 6. Trade and other receivables

| | Note | 2010 RM | 2009 RM |
|---|---|---|---|
| Trade receivables | | 303,794 | 573,153 |
| Less: Allowance for impairmant losses | | (6,035) | (6,035) |
| | | 297,759 | 567,118 |
| Other receivables | (a) | - | - |
| Deposits | | 187,966 | 80,334 |
| Prepayments | | 126,356 | 89,054 |
| Amount due from affiliated company | (b) | 58,953 | 67,459 |
| | | 671,034 | 803,965 |

*(a) Other receivables*

The other receivables balance is net of allowance for impairment losses of RM2,000 (2009: RM8,000).

*(b) Amount due from affiliated company*

The non-trade amount due from an affiliated company is mainly in respect of payments made on behalf, which are unsecured, interest free and repayable on demand.

## 7. Cash and cash equivalents

| | 2010 RM | 2009 RM |
|---|---|---|
| Cash and bank balances | 3,792,157 | 3,911,407 |
| Deposits placed with licensed banks | 8,338,402 | 6,357,376 |
| | 12,130,559 | 10,268,783 |

Deposits with licensed banks of RM1,745,777 (2009: RM1,072,376) are pledged as security for bank guarantees issued to landlord.

## 8. Capital and reserves

| | Amount 2010 RM | Number of shares 2010 | Amount 2009 RM | Number of shares 2009 |
|---|---|---|---|---|
| Authorised: | | | | |
| Ordinary shares of RM1 each | 250,000 | 250,000 | 250,000 | 250,000 |
| Issued and fully paid: | | | | |
| Ordinary shares of RM1 each | 250,000 | 250,000 | 250,000 | 250,000 |

**Section 108 tax credit**

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit to frank all of its retained profits at 31 December 2010, if paid out as dividends.

The Finance Act, 2007 introduced a single tier company income tax system with effect from 1 January 2008. As such, the remaining Section 108 tax credit as at 31 December 2010 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

## 9. Trade and other payables

| | Note | 2010 RM | 2009 RM |
|---|---|---|---|
| **Trade** | | | |
| Trade payables | | 1,417,806 | 1,351,625 |
| **Non Trade** | | | |
| A corporate shareholder | (a) | 95,064 | 104,712 |
| Holding company | (b) | 326,865 | 1,033,303 |
| **Others** | | | |
| Other payables | | 498,105 | 340,746 |
| Accruals | | 1,738,462 | 1,380,410 |
| | | 4,076,302 | 4,210,796 |

## 9. Trade and other payables (continued)

### *(a) A corporate shareholder*

The amount due to a corporate shareholder arose from management fee payables, is unsecured, interest free and repayable on demand.

### *(b) Holding company*

The amount due to holding company which is unsecured and repayable on demand comprises the following:

| | 2010<br>RM | 2009<br>RM |
|---|---|---|
| Advance | 300,000 | 1,000,000 |
| Non-trade | 26,865 | 33,303 |
| | 326,865 | 1,033,303 |

The advance bears interest at 9.3% (2009: 8.55%) per annum.

## 10. Dividends

Dividends recognised in the current year by the Company are:

| 2010 | RM per share (net of tax) | Total amount RM | Date of payment |
|---|---|---|---|
| Interim 2010 ordinary | 12 | 3,000,000 | 1 February 2011 |
| **2009** | | | |
| Interim 2009 ordinary | 12 | 3,000,000 | 2 September 2009 |

Company No. 434286 P

## 11. Profit before tax

| | 2010<br>RM | 2009<br>RM |
|---|---|---|
| Profit before tax is arrived at after crediting: | | |
| Realised gain on foreign exchange | 80,927 | 79,656 |
| Reversal of allowance for impairment losses | 6,000 | 800 |
| and after charging: | | |
| Auditors' remuneration | 22,000 | 21,000 |
| Depreciation | 829,168 | 1,041,776 |
| Franchise royalty fees | 1,118,132 | 1,096,621 |
| Loss on disposal of property, plant and equipment | - | 34 |
| Management fees payable | 1,410,940 | 1,377,309 |
| Property, plant and equipment written off | 30 | 31,575 |
| Allowance for impairment losses | - | 8,000 |
| Rental of premises | 7,552,429 | 7,432,604 |
| Personnel expenses (including key management personnel) | | |
| Contributions to Employees Provident Fund | 325,847 | 327,327 |
| Wages, salaries and others | 3,123,123 | 3,035,369 |

## 12. Finance costs

| | 2010<br>RM | 2009<br>RM |
|---|---|---|
| Interest expenses: | | |
| Advances from holding company | 49,842 | 103,946 |

## 13. Income tax expense

| | 2010 RM | 2009 RM |
|---|---|---|
| Current tax expense | | |
| - current year | 1,748,000 | 1,795,000 |
| - overprovision in prior years | (82,723) | (141,191) |
| Deferred tax expense | | |
| - origination and reversal of temporary differences | (42,245) | (120,545) |
| - underprovision in prior years | 75,245 | 31,545 |
| | 1,698,277 | 1,564,809 |

**Reconciliation of effective tax expense**

| | 2010 RM | 2009 RM |
|---|---|---|
| Profit before tax | 6,401,211 | 6,231,144 |
| Tax calculated using Malaysian tax rate of 25% | 1,600,302 | 1,557,786 |
| Effect of using different tax rate for chargeable income up to RM500,000* | - | (25,000) |
| Non-deductible expenses | 105,351 | 141,535 |
| Other items | 102 | 134 |
| | 1,705,755 | 1,674,455 |
| Overprovision in prior years | (7,478) | (109,646) |
| Tax expense | 1,698,277 | 1,564,809 |

* With effect from year of assessment 2004, companies with paid-up capital of RM2,500,000 and below at the beginning of the basis period for a year of assessment are subject to corporate tax at 20% on chargeable income up to RM500,000. With effect from year of assessment 2009, the preferential tax rate entitlement for companies with paid-up capital of RM2,500,000 and below will not apply if more than 50% of the paid-up capital in respect of ordinary shares of the Company is directly or indirectly owned by a company which has a paid-up ordinary share capital exceeding RM2,500,000.

# 14. Financial instruments

Certain comparative figures have not been presented for 31 December 2009 by virtue of the exemption given in paragraph 44A of FRS 7.

## 14.1 Categories of financial instruments

The categories of financial assets and liabilities are as follows:

| | Note | Carrying amount 2010 RM |
|---|---|---|
| **Financial assets categorised as loans and receivables** | | |
| Trade and other receivables | 6 | 544,678 |
| Cash and cash equivalents | 7 | 12,130,559 |
| | | 12,675,237 |
| **Financial liabilities measured at amortised cost** | | |
| Trade and other payables | 9 | 4,076,302 |

## 14.2 Net gains and losses arising from financial instruments

| | 2010 RM |
|---|---|
| Net gains/(losses) arising on: | |
| Cash and cash equivalents | 127,760 |
| Financial liabilities measured at amortised cost | (49,842) |
| | 77,918 |

# 14. Financial instruments (continued)

## 14.3 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

## 14.4 Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from its receivables from customers.

**Receivables**

*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

*Exposure to credit risk and credit quality*

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Company. The Company uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 180 days, which are deemed to have higher credit risk, are monitored individually.

# 14. Financial instruments (continued)

## 14.4 Credit risk (continued)

**Receivables (continued)**

*Impairment losses*

The ageing of receivables as at the end of the reporting period was:

| | Gross RM | Individual impairment RM | Net RM |
|---|---|---|---|
| **2010** | | | |
| Not past due | 253,024 | - | 253,024 |
| Past due 0 - 30 days | 11,755 | - | 11,755 |
| Past due 31 - 180 days | 32,980 | - | 32,980 |
| Past due more than 180 days | 6,035 | (6,035) | - |
| | 303,794 | (6,035) | 297,759 |

The movements in the allowance for impairment losses of trade receivables during the year were:

| | 2010 RM |
|---|---|
| At 1 January | 6,035 |
| Impairment loss recognised | - |
| At 31 December | 6,035 |

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Company is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

# 14. Financial instruments (continued)

## 14.5 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from its various payables.

The Company maintains a level of cash and cash equivalents deemed adequate by the management to ensure, as for as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

*Maturity analysis*

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period:

| | Carrying amount RM | Within 1 year RM |
|---|---|---|
| **2010** | | |
| *Non-derivative financial liabilities* | | |
| Trade and other payables | 4,076,302 | 4,076,302 |

## 14.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Company's financial position or cash flows.

## 14.6.2 Interest rate risk

The Company's exposure to interest rate risk arises from interest-earning assets respectively. The Company does not hedge its interest rate risk. Deposits are placed with licensed banks with varying maturity dates.

*Exposure to interest rate risk*

The interest rate profile of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

| | 2010 RM |
|---|---|
| **Fixed rate instruments** | |
| Deposits with licensed banks | 8,338,402 |

# 14. Financial instruments (continued)

## 14.6 Market risk (continued)

### 14.6.2 Interest rate risk (continued)

*(a) Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points (bp) in interest rates at the end of the reporting period would have increased (decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

| | Profit or loss | |
|---|---|---|
| | **100 bp increase RM** | **100 bp decrease RM** |
| 2010 | | |
| Fixed rate instruments | 83,384 | (83,384) |

## 14.7 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables approximate their fair values due to the relatively short term nature of these financial instruments.

# 15. Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitor the return on capital, which the Company defines as net operating income divided by total shareholders' equity.

## 16. Related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel includes all the Directors of the Company, and certain members of senior management of the Company.

The significant related party transactions of the Company, other than key management personnel compensation (see note 11), are as follows:

| | 2010<br>RM | 2009<br>RM |
|---|---|---|
| **Holding company** | | |
| Dewina Holdings Sdn. Bhd. | | |
| Interest expense | 49,842 | 103,946 |
| Management fees | 282,188 | 275,462 |
| **Corporate shareholder** | | |
| Host International, Inc. | | |
| Management fees | 1,128,752 | 1,101,847 |

The outstanding amounts due to holding company and corporate shareholders as at 31 December 2010 are disclosed in Note 9 of the Financial Statements.

## 17. Capital commitments

| | 2010<br>RM |
|---|---|
| **Capital expenditure commitments** | |
| **Plant and equipment** | |
| Authorised but not contracted for | 515,545 |

# 18. Significant changes in accounting policies

## 18.1 FRS 139, *Financial Instruments: Recognition and Measurement*

The adoption of FRS 139 has resulted in several changes to accounting policies relating to recognition and measurement of financial instruments. Significant changes in accounting policies are as follows:

*Impairment of trade and other receivables*

Prior to the adoption of FRS 139, an allowance for doubtful debts was made when a receivable is considered irrecoverable by the management. With the adoption of FRS 139, an impairment loss is recognised for trade and other receivables and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

The transitional provisions of FRS 139 requiring adjustments arising from the remeasurement of the financial instruments do not have a material impact on the opening balance of retained earnings of the Company.

## 18.2 FRS 101, *Presentation of Financial Statements* (revised)

The Company applies FRS 101 (revised) which became effective as of 1 January 2010. The change only affects presentation aspects of the financial statements.

# Dewina Host Sdn. Bhd.
(Company No. 434286 P)
(Incorporated in Malaysia)

## Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 5 to 35 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2010 and of its financial performance and cash flows for the year then ended.

Signed in accordance with a resolution of the Directors:

..............................................................

**Datuk Haji Ibrahim Bin Haji Ahmad**

..............................................................

**David Joseph Mackay**

Bangi, Selangor Darul Ehsan

Date: 12 MAY 2011

# Dewina Host Sdn. Bhd.

(Company No. 434286'P)
(Incorporated in Malaysia)

## Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Datuk Haji Ibrahim Bin Haji Ahmad**, the Director primarily responsible for the financial management of Dewina Host Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 5 to 35 are to the best of my knowledge and belief, 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.

Subscribed and solemnly declared by the abovenamed **Datuk Haji Ibrahim Bin Haji Ahmad** in Bandar Baru Bangi on 12 MAY 2011

..........................................
**Datuk Haji Ibrahim Bin Haji Ahmad**

Before me:

PESURUHJAYA SUMPAH
No. B 330
ZAHARIAH
BT. MAHYUDDIN
MALAYSIA

Commissioner for Oaths
Bandar Baru Bangi

31-1-1b, Tingkat 1, Jalan Medan PB 2B,
Seksyen 9, 43650 Bandar Baru Bangi,
Selangor Darul Ehsan.
H/P: 016-371 8212

KPMG (Firm No. AF 0758)
Chartered Accountants
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47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

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# Independent Auditors' Report to the members of Dewina Host Sdn. Bhd.

(Company No. 434286 P)
(Incorporated in Malaysia)

**Report on the Financial Statements**

We have audited the financial statements of Dewina Host Sdn. Bhd., which comprise the statement of financial position as at 31 December 2010, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 35.

*Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are 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.

Company No. 434286 P

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2010 and of its financial performance and cash flows for the year then ended.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**Other Matters**

This report is made solely to the members 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.

KPMG

**KPMG**
Firm Number: AF 0758
Chartered Accountants

**Lee Yee Keng**
Approval Number: 2880/04/13(J)
Chartered Accountant

Petaling Jaya,

Date: 12 May 2011

**FURTHER INFORMATION**

## 1. RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board of BHB and its members who collectively and individually accept full responsibility for the accuracy of the information given and 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 false or misleading.

Information relating to DHost as contained in this Circular has been provided by the management of DHost. The responsibility of the Board of BHB is limited to ensuring that the aforesaid information is accurately reproduced in this Circular.

## 2. CONSENT

HwangDBS 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 and context in which they appear in this Circular.

TA Securities, the Independent Adviser for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, letters and all references thereto in the form and context in which they appear in this Circular.

## 3. DECLARATION OF CONFLICT OF INTERESTS

HwangDBS, its related and associated companies ("HwangDBS Group") are engaged in securities trading, futures trading, fund management and financing activities as well as providing investment banking and financial advisory services. In this respect, the HwangDBS Group may be granting credit facility of up to RM20 million for the Proposed Acquisition ("Potential Facility").

HwangDBS Group is of the view that the Potential Facility is in the ordinary course of its business activities and it is not significant to give rise to a conflict of interest situation in our capacity to act as the Principal Adviser to the Company for the Proposed Acquisition on the basis that the Potential Facility only constitutes approximately 3.27% of the total loans, advance and financing of approximately RM611.5 million based on the audited consolidated financial statements of HwangDBS' holding company, Hwang-DBS (Malaysia) Berhad as at 31 July 2010.

Accordingly, HwangDBS confirms that no conflict of interest exists or is likely to exist in relation to our capacity as the Principal Adviser for the Proposed Acquisition.

TA Securities, the Independent Adviser for the Proposed Acquisition, is not aware of any circumstances or relationships, which exist or are likely to exist to give rise to a possible conflict of interest in its capacity as the Independent Adviser for the Proposed Acquisition.

**[The rest of this page is intentionally left blank]**

## 4. MATERIAL LITIGATION

### 4.1 BHB

Save as disclosed below, as at the LPD, neither BHB nor its subsidiaries are engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, and the Board of BHB does not have any knowledge of any proceeding pending or threatened against BHB or its subsidiaries or any fact likely to give rise to any proceeding which may materially affect the financial position or business of the BHB Group:

**BHB vs Sanyo Sales & Services Sdn Bhd**

BHB has on 7 August 2009, through its solicitors, commenced a legal action against Sanyo Sales & Services Sdn Bhd ("Defendant") vide Shah Alam High Court Civil Suit No. 22-1114-2009 to claim for inter-alia, a total sum of RM546,496.67 being the unpaid fees in respect of logistics services rendered by BHB to the Defendant together with interest up to 18 June 2009 and, further interests, costs and other relief as the court may deem reasonable and fit.

On 23 September 2009, the Defendant served its defence on BHB and also counterclaimed for alleged cost of stock damaged or losses and other charges amounting to RM354,432.72. BHB is advised by its solicitors that it has a good defence against the counterclaim. The counterclaim is not expected to have any significant financial impact on the Group.

Subsequent to the case management on 20 May 2011, a further date has been given for further case management on 16 June 2011 to enable the parties to finalise the filing of the agreed bundle of documents.

### 4.2 DHost

As at the LPD, DHost is not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, and the Board of DHost does not have any knowledge of any proceeding pending or threatened against DHost or any fact likely to give rise to any proceeding which may materially affect the financial position or business of DHost.

## 5. MATERIAL CONTRACTS

### 5.1 BHB

Save as disclosed below, the BHB Group has not entered into any material contract, which is not within the ordinary course of business, within the past 2 years immediately preceding the date of this Circular:

(a) BHB had on 8 June 2006 entered into a sale and purchase agreement with Amanah Raya Berhad ("ARB") for the sale of the Property (as defined hereunder) from BHB to ARB for a cash consideration of RM27.9 million. On 8 June 2006, BHB and ARB had also simultaneously entered into a lease agreement ("Lease Agreement") pursuant to which BHB agreed to lease back the Property from ARB for 10 years (extendable for an additional 5 years).

By a novation agreement dated 26 November 2007 ("Novation Agreement"), ARB had assigned and transferred the lease of the Property together with the rights, title and interest, benefits and obligations under and in the lease annexure dated 14 December 2006 ("Lease Annexure") to CIMB Trustee Berhad ("CIMB Trustees"), who has purchased the Property from ARB. The Lease Annexure and Novation Agreement shall collectively be referred to as "Agreements".

On 14 June 2010, BHB and CIMB Trustees entered into a deed of mutual termination ("Deed") in relation to the termination of the Agreements and to mutually release the parties from all obligations, liabilities, demands and/or claims under and pursuant to the Agreements subject to the terms and conditions in the Deed effective from 14 June 2010.

Details of the "Property" are as follows:

(i) H.S.(D) 128214, No. PT 799 Seksyen 21, Bandar Port Swettenham, Daerah Klang, Negeri Selangor (formerly known as PN 4564, Lot 11614, Mukim Klang, Daerah Klang, Negeri Selangor) measuring approximately 47,348.145 square metres in area; and

(ii) H.S. (M) 19795, No. PT 21596, Mukim Klang, Daerah Klang, Negeri Selangor measuring approximately 7,344 square metres in area.

(b) The termination agreement dated 28 December 2009 ("Termination Agreement") between BHB and Netz Toyota Kyoto Co. Ltd in relation to the Memorandum of Understanding dated 10 June 2009 ("MoU") between the parties with respect to the establishment of a joint venture company in Malaysia to cooperate and synergise the capabilities, knowledge, expertise, resource, facilities and the networks of the parties and to develop service centers for automobiles in Malaysia.

The parties have mutually agreed to terminate the MoU via the said Termination Agreement as the parties were unable to agree on the terms and conditions of the joint venture arrangement.

(c) BHB entered into the SSA on 16 May 2011 with DHSB to acquire the Sale Shares for a cash purchase consideration of RM20 million. The terms of the SSA are as set out in Section 2.5, Part A of this Circular.

**5.2 DHost**

DHost has not entered into any material contract, which is not within the ordinary course of business, within the past 2 years immediately preceding the date of this Circular.

## 6. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

### 6.1 BHB

As at the LPD, the Board of BHB is not aware of any material commitment 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.

### 6.2 DHost

As at the LPD, the Board of DHost is not aware of any material commitment or contingent liabilities incurred or known to be incurred by DHost, which upon becoming enforceable may have a material effect on the business or financial position of DHost.

**[The rest of this page is intentionally left blank]**

## 7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal office hours (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 at Level 10, Menara Hap Seng, 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur:

(i) the memorandum and articles of association of BHB and DHost;

(ii) the audited financial statements of BHB for the past 2 FYE 31 December 2009 and 2010 and the quarterly results for the 3-month financial period ended 31 March 2011;

(iii) the audited financial statements of DHost for the past 2 FYE 31 December 2009 and 2010;

(iv) the SSA dated 16 May 2011;

(v) the written consents referred to in Section 2 of this appendix;

(vi) the relevant cause papers in respect of material litigation referred to in Section 4 of this appendix; and

(vii) the material contracts referred to in Section 5 of this appendix.

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**BRAHIM'S HOLDINGS BERHAD**
*(formerly known as Tamadam Bonded Warehouse 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 *(formerly known as Tamadam Bonded Warehouse Berhad)* ("BHB" or "Company") will be held at Sandakan Room, Auditorium & Convention Center @ The Podium, Ground Floor, Menara Hap Seng, 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur on Monday, 27 June 2011 at 10.30 a.m., for the purpose of considering and, if thought fit, passing the following resolution, with or without modification:

### ORDINARY RESOLUTION

### PROPOSED ACQUISITION OF 51% EQUITY INTEREST IN DEWINA HOST SDN BHD ("DHOST") FOR A CASH CONSIDERATION OF RM20,000,000

"**THAT**, approval be and is hereby given to the Company to acquire 127,500 ordinary shares of RM1.00 each representing 51% equity interest in DHost from Dewina Holdings Sdn Bhd for a cash consideration of RM20,000,000 ("Proposed Acquisition") and subject to the terms and conditions as contained in the Conditional Share Sale Agreement ("SSA") dated 16 May 2011,

**AND THAT**, the Company do hereby ratify and confirm the SSA,

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

(a) to enter into and execute 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 Acquisition,

(b) to assent and/or give effect to any condition, variation, modification, addition and/or amendment in respect of the Proposed Acquisition and the SSA 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

(c) 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 Acquisition."

By Order of the Board

**LIM MING TOONG (MAICSA 7000281)**
**MASHARUM BINTI ABDUL WAHAB (MAICSA 7041619)**
Company Secretaries

Kuala Lumpur
10 June 2011

***Notes:***

1. *A member entitled to attend and vote at the meeting may appoint another person as his proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. If the proxy is not a member, he need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.*
2. *A member may appoint more than 2 proxies to attend the same meeting. Where a member appoints more than 2 proxies, the appointment shall not be valid unless the member specifies the proportion of his shareholding to be represented by each proxy. 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.*
3. *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.*
4. *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 Company's Registered Office at Level 10, Menara Hap Seng, 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur not less than 48 hours before the time for holding of the meeting or adjourned meeting.*

**BRAHIM'S HOLDINGS BERHAD**
*(formerly known as Tamadam Bonded Warehouse Berhad)*
(Company No: 82731-A)
(Incorporated in Malaysia under the Companies Act, 1965)

**FORM OF PROXY**

| **Number of ordinary shares held** |
|---|
| |

*I/We (full name in capital letters) ..............................................................................................

NRIC No./Company Registration No. ................................ of (full address) ...............................

.............................................................................................................................. being a

*member/members of **BRAHIM'S HOLDINGS BERHAD** *(formerly known as Tamadam Bonded Warehouse Berhad)* (82731-A) (the "Company"), hereby appoint (full name in capital letters)..........................................

NRIC No. /Company Registration No...................................of (full address) .....................................

...............................................................................................................................

or failing *him/her, (full name in capital letters)....................................NRIC No. /Company Registration

No. ...................of (full address)..............................................................................................
or failing *him/her, the CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us and on *my/our behalf at the Extraordinary General Meeting of the Company to be held at Sandakan Room, Auditorium & Convention Center @ The Podium, Ground Floor, Menara Hap Seng, 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur on Monday, 27 June 2011 at 10.30 a.m., or any adjournment thereof.

The proportion of *my/our holding to be represented by *my/our proxies are as follows:
(The next paragraph should be completed only when two or more proxies are appointed)

* First Proxy................. %          * Second Proxy............... %

* Third Proxy.................. %          * Fourth Proxy................ %

Please indicate with an "X" in the space provided below as to how you wish your vote to be casted. If no specific direction as to voting is given, the proxy will vote or abstain from voting at *his/her discretion.

*My/Our proxy(ies) is/are to vote as indicated below:

| **ORDINARY RESOLUTION** | **FOR** | **AGAINST** |
|---|---|---|
| Proposed Acquisition | | |

* Strike out whichever not applicable

As witness my/our hand(s) this .......day of .................2011          ............................................................
Signature of member / Common seal

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Fold this flap for sealing

Then fold here

AFFIX
STAMP

THE COMPANY SECRETARIES

**Brahim's Holdings Berhad (82731-A)**
*(formerly known as Tamadam Bonded Warehouse Berhad)*
Level 10, Menara Hap Seng
1 & 3, Jalan P. Ramlee
50250 Kuala Lumpur

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