

BRAHIM'S HOLDINGS BERHAD ("BRAHIMS" OR "COMPANY")

PROPOSED OUTSOURCING ARRANGEMENT FOR TAMADAM INDUSTRIES SDN BHD

1. INTRODUCTION

The Board of Directors of Brahims ("**Board**") wishes to announce that the Company had on 27 July 2021 entered into an agreement ("**Agreement**") with MHC Trading (M) Sdn Bhd ("**MHC**") in respect of Brahims' wholly-owned subsidiary, Tamadam Industries Sdn Bhd ("**Tamadam**").

(Brahims and MHC shall be collectively referred to as the "**Parties**")

2. DETAILS OF THE PROPOSED OUTSOURCING

2.1 Overview of the Proposed Outsourcing

The Company had on 27 July 2021 entered into the Agreement with MHC for the proposed outsourcing of management and operations of Tamadam's business to MHC ("**Proposed Outsourcing**") for a period of up to 3 years.

The Company received a proposal from MHC to turn around and grow the business of Tamadam. Profits generated from Tamadam will initially be used for the repayment of Brahims' overdue loan with OCBC Al-Amin Bank Berhad ("**OCBC**") based on the stipulated repayment schedule, and subsequently to be divided between MHC and Brahims on a 60:40 basis.

Salient terms of the Agreement are set out in ensuing section of this Announcement.

2.2 Proposed Outsourcing

Tamadam has been established for approximately 40 years involved in warehouse rental, bonded warehousing, freight forwarding and transportation services. It owns a bonded warehouse located in Port Klang on a piece of leasehold land measuring approximately 15 acres or 1,089,000 sq ft and gross floor area of 282,907 sq ft comprising two single-storey warehouses, a three-storey office annexe, and other ancillary buildings ("**Tamadam Warehouse**"). However, in recent years the performance of Tamadam's operations has been on a downtrend and coupled with the prolonged downturn in Brahims' flight catering business, it is now timely to look at turning around and growing the operations of Tamadam.

MHC's shareholders and directors have extensive experience in the logistics and warehousing industries and are of the view that they can turn around Tamadam which presently has many operational inefficiencies and also to further expand its business activities and revenue streams. The board of directors of Tamadam will be jointly controlled by Brahims and MHC whilst a new management team will be formed by MHC which will thereafter be responsible of the business and operations of Tamadam.

The key benefit to Brahims is MHC's commitment to undertake the full repayment of Brahims' outstanding loan with OCBC which currently stands at approximately RM75 million ("**Proposed Repayment**") utilising the surplus cashflows from Tamadam's revamped business operations which will be driven by the new management team to be formed by MHC. At present, Brahims' core business of flight catering is unable to generate sufficient revenues due to the virtual standstill of the passenger aviation industry, leading to losses and inability to service its borrowings.

2.3 Proposed Repayment

In 2013, the Company had obtained a financing facility *Ijarah Muntahiah Bi Al-Tamlik Term-Financing-i* Facility of RM155,000,000.00 from OCBC (“**Facility**”). On 22 April 2021, the Company announced that it had received a letter of demand from OCBC for the amount in arrears. As at 27 June 2021 (“**LPD**”), the total amount due to OCBC is RM75 million (“**Outstanding Amount**”).

Pursuant to the Agreement, the management team formed by MHC has undertaken to fulfil the repayment schedule for the Facility with OCBC within three (3) years in the following manner:

Year	Repayment amount (RM'million)
1	5
2	35
3	35
Total	75

3. INFORMATION ON TAMADAM

Tamadam was incorporated in Malaysia on 23 January 1990. As at LPD, the issued share capital of Tamadam is RM34,628,000 comprising 34,628,000 ordinary shares. Brahims is the sole shareholder of Tamadam.

The directors of Tamadam as at the LPD are Ahmad Fahimi bin Ibrahim and Dzamir bin Elyas. They do not have any direct or indirect shareholdings in Tamadam.

A summary of the financial information of Tamadam for the past three (3) financial years up to the financial year ending (“**FYE**”) 31 December 2020 is set out as follows.

	FYE 31 December 2018 (RM'000)	FYE 31 December 2019 (RM'000)	FYE 31 December 2020 (RM'000)
Revenue	8,387	7,712	7,447
Profit/(Loss) before tax (“ PBT ”)	1,024	681	(1,483)
Profit/(Loss) after tax (“ PAT ”)	832	732	(3,925)
Net assets (“ NA ”)	28,745	29,476	25,552
Total borrowings	17	606	866
Total issued shares ('000)	34,628	34,628	34,628
PBT margin (%)	12.2	8.8	(19.9)
PAT margin (%)	9.9	9.5	(52.7)
Earnings/(Loss) per share (RM)	0.02	0.02	(0.11)
NA per share (RM)	0.83	0.85	0.74
Current ratio (times)	1.79	2.32	2.30
Gearing level (times)	*	0.02	0.03

* *Negligible*

4. INFORMATION ON MHC

MHC was incorporated in Malaysia under the Companies Act, 2016 on 4 November 2020. MHC is principally involved in retail sale of food products, and export and import of food products.

As at the LPD, the issued share capital of MHC is RM500,000 comprising 500,000 ordinary shares.

The direct and indirect shareholdings of the directors and shareholders of MHC as at the LPD are as follows:

Name	Director/ shareholder	Direct		Indirect	
		Shares	%	Shares	%
Abdul Offar bin Musa	Director and shareholder	100,000	20.0	-	-
Ng Darren Daniel	Director and shareholder	250,000	50.0	-	-
Tan Ghee Sean	Director and shareholder	50,000	10.0	-	-
Parichat Sakornpinij	Director	-	-	-	-
Shamsul bin Idrus	Shareholder	100,000	20.0	-	-

5. RATIONALE FOR THE PROPOSED OUTSOURCING

The Proposed Outsourcing will allow for a business turnaround of Tamadam, which is presently operating below its optimal level. More importantly, the Proposed Outsourcing will provide Brahims with a solution to its outstanding loan position with OCBC, for which it does not have the financial capacity to service at this juncture.

6. SALIENT TERMS OF THE AGREEMENT

The following are salient terms of the Agreement:

6.1 Board Composition

The board of Tamadam ("**Tamadam Board**") shall consist of five (5) members comprising two (2) representatives each from Brahims and MHC and one (1) independent board member who will be mutually appointed by both Parties.

6.2 Management Composition

The Company has agreed for MHC to form the new management team which will be subject to the Tamadam Board's approval, for the chief executive officer, chief operating officer and chief financial officer positions as well as to have full control of the business and operations of Tamadam.

6.3 Responsibilities

The new management team shall be committed to the Proposed Repayment as set out in Section 2.3.

MHC shall also be fully responsible for all investments required by Tamadam including plans for expansion and revamp, as and when required. All funding will be arranged by MHC including but not limited to profit generated by Tamadam without causing additional debt burden or any loan obligations to Brahims, including any corporate guarantees or indemnity.

MHC will be evaluated by the Board and the overall performance of Tamadam will be reviewed every six (6) months after the new management takes control of Tamadam.

6.4 Consideration

In consideration for the management of Tamadam:

- (i) A management fee of RM50,000.00 will be remunerated on monthly basis from the day of signing till expiry or termination of the Agreement to be paid to MHC; and
- (ii) The audited profit after tax shall be distributed between parties as follows:

Brahims	40.0%
MHC	60.0%

6.5 Duration

The Agreement comes into force on the date that it is signed by both Parties and remains valid for three (3) years or earlier upon settlement of the Facility until superseded by a revised agreement mutually endorsed by the Parties or terminated by either party.

6.6 Termination

Any of the Parties to the Agreement shall be entitled to terminate the Agreement immediately by giving ninety (90) days' notice in writing if any of the events set out in the Agreement occurs. Such notice shall be served upon the party in respect of which the event or events relate ("**Such Other Party**") and copies of such notice shall be given to all other Parties to the Agreement (if any). The effect of such notice shall be to terminate the Agreement as between Such Other Party and the remaining party or Parties to the Agreement but the Agreement shall continue in full force and effect as between such remaining parties (if more than one) but not if otherwise.

7. FINANCIAL EFFECTS OF THE PROPOSED OUTSOURCING

The Proposed Outsourcing is not expected to have any immediate effect on the earnings per share, net assets per share, gearing, share capital and shareholdings of the Company.

However, it is expected that the Proposed Outsourcing will contribute positively to the Company's future earnings per share. In addition, the gearing level of the Company will be reduced as the Facility is repaid.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/ OR PERSONS CONNECTED

None of the Directors and/or major shareholders of the Company and/or persons connected with them have any interest, direct or indirect, in the Proposed Outsourcing.

9. DIRECTORS' STATEMENT

The Board, after having considered, amongst others, the aspects of the Proposed Outsourcing, including the salient terms of the Agreement, the rationale of the Proposed Outsourcing as well as effects of the Proposed Outsourcing, is of the opinion that the Proposed Outsourcing is:-

- (i) in the best interest of the Company;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the shareholders of the Company.

10. APPROVALS REQUIRED

The Proposed Outsourcing is not subject to the approval of the shareholders of the Company or any regulatory authorities.

11. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Outsourcing is expected to be completed in the third quarter of 2024 taking into consideration the schedule for the Proposed Repayment.

12. OTHER CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION

The Company is an affected issuer pursuant to Practice Note 17 of the Main Market Listing Requirements and has until 27 August 2021 to submit its regularisation plan.

13. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Agreement is available for inspection at the registered office of the Company at 10th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia during normal business hours on Mondays to Fridays (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 27 July 2021.