

BRAHIM'S HOLDINGS BERHAD [REGISTRATION NO. 198201002985 (82731-A)]

TYPE : ANNOUNCEMENT
SUBJECT : AUDIT REPORT – MODIFIED OPINION/ MATERIAL UNCERTAINTY RELATED TO GOING CONCERN: DISCLAIMER OF OPINION

DESCRIPTION : BRAHIM'S HOLDINGS BERHAD ("BHB" OR "THE COMPANY") - AUDIT REPORT OF BHB'S AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 – DISCLAIMER OF OPINION

Pursuant to Paragraph 9.19 (37) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors of Brahim's Holdings Berhad ("BHB" or "the Company") wishes to announce that the Company's External Auditors, Messrs. Baker Tilly Monteiro Heng PLT had expressed the following disclaimer opinion in the Company's Audited Financial Statements for the financial year ended 31 December 2021:

- a) all key audit matters disclosed in the external auditors' report

Disclaimer of Opinion

We were engaged to audit the financial statements of Brahim's Holdings Berhad, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 86.

We do not express an opinion on the accompanying financial statements of the Group and of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. As disclosed in Note 2.7 to the financial statements, the financial statements of the Group and the Company have been prepared on the assumption that the Group and the Company will continue as going concerns. The application of going concern basis is based on the assumption that the Group and the Company will be able to realise their assets and discharge their liabilities in the normal course of business.

- (a) During the financial year ended 31 December 2021, the Group and the Company incurred a net loss of RM47.642 million and RM6.786 million respectively and as of that date, the Group's and the Company's current liabilities exceeded the current assets by RM177.244 million and RM82.247 million respectively and the Group recorded a capital deficiency of RM163.363 million.
- (b) The Company had triggered the prescribed criteria under Paragraph 2.1(a) of Practice Note 17 ("PN 17") of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") on 28 February 2019, as the shareholders' equity of the Group is less than RM40.000 million and is 25% or less of its issued and paid-up capital.

On 22 September 2021, the Company has obtained the approval from Bursa Securities for the extension of time until 27 February 2022 to submit its regularisation plan.

On 25 February 2022, the Company has submitted an application for a further extension of time to Bursa Securities ("EOT Application"). Bursa Securities had vide its letter dated 7 April 2022, rejected the EOT Application of the Company.

A written appeal against the de-listing was submitted to Bursa Securities on 14 April 2022 and the removal of the securities of the Company from the Official List of Bursa Securities is currently pending the decision by Bursa Securities on the appeal. The trading in the securities of the Company has been suspended with effect from 15 April 2022.

- (c) As disclosed in Note 12(a)(ii), on 21 April 2021, the Company received a letter of demand from OCBC Al-Amin Berhad's ("OCBC") appointed solicitor which claimed against the Company on the following:
- i. the arrears of rentals due to OCBC in total sum of RM49.880 million as at 1 April 2021;
 - ii. the Company is given seven days from the date hereon to regularise the said payment, failing which OCBC shall have no option but be compelled to declare default in payment; and
 - iii. demand that the secured amount to be immediately due and payable.

On 22 April 2021, the Company has defaulted in repaying overdue rental sum of RM49.880 million as at 1 April 2021 as requested by the OCBC under an Ijarah Muntahiah Bi Al-Tamlik Term-Financing-i facilities granted by OCBC to the Company. Pursuant to the above, the Company has further triggered the prescribed criteria under Paragraph 2.1(f) of PN17 of the Listing Requirements on 22 April 2021.

On 12 May 2021, OCBC is agreeable to an interim indulgence to withhold legal action against the Company and all security providers until 1 November 2021 subject to compliance of certain terms and conditions.

On 18 March 2022, the Company received a letter of demand dated 16 March 2022 from OCBC's appointed solicitor which claimed against the Company on the following:

- i. the outstanding rental sum of RM62.033 million as at 28 February 2022; and
- ii. the Company is given seven days from the date hereon to regularise the said payment, failing which OCBC shall have no option but be compelled to declare and demand that the secured amount to be immediately due and payable.

These events or conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

The ability of the Group and the Company to operate as going concerns is dependent on:

- discussion with the financial institution for settlement which is still in progress;
- its ability to continue its other remaining business operations and engage with the lenders and suppliers for their continuous support;
- investment and funding from potential investors; and
- formalisation and successful implementation of a proposed regularisation plan.

In the event that these are not forthcoming, the Group and the Company may be unable to realise their assets and discharge their liabilities in the normal course of business. Accordingly, the financial statements may require adjustments relating to the recoverability and classification of recorded assets and to additional amount and classification of liabilities that may be necessary should the Group and Company be unable to continue as going concerns.

We were unable to obtain sufficient appropriate audit evidence to determine whether the management's use of the going concern basis in the preparation of the financial statements of the Group and of the Company was appropriate.

2. (i) As disclosed in Note 5(c)(i) to the financial statements, the carrying amount of property, plant and equipment (including right-of-use assets) of cash generating unit of catering and catering related services as at the end of the financial year amounted to

RM150.067 million (2020: RM13.291 million) with the corresponding lease liabilities of RM155.477 million (2020: RM1.790 million).

The Group has performed an impairment assessment on its cash generating unit in order to determine its recoverable amount based on its value-in-use.

In the previous financial year, an impairment loss of RM9.809 million was recognised in respect of property, plant and equipment in the profit or loss. As at 31 December 2021, the Group is of the view that no further impairment is required to the property, plant and equipment.

(ii) As disclosed in Note 6(c) to the financial statements, included in the carrying amount of investment in subsidiaries is an investment of RM69.540 million in a subsidiary which is engaged in the business of providing catering and catering related services. The Company is of the view that no impairment is required for the investment in subsidiaries. We were unable to determine whether any adjustments were necessary in respect of the recoverable amount of the property, plant and equipment of the Group and investment in subsidiaries of the Company, therefore, we could not determine the effect of adjustment, if any, on the financial statements of the Group and of the Company respectively.

3. Our auditors' report on the financial statements for the financial year ended 31 December 2020 included a disclaimer of opinion which includes the recoverable amount of goodwill, property, plant and equipment and investment in subsidiaries in relation to the cash generating units of the catering and catering related services.

Our opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures.

4. In light of all the matters highlighted above, there may be further significant impact on the recorded assets, liabilities, income, expenses and the related disclosures of the Group's and the Company's financial statements. However, the financial statements have not taken into consideration these adjustments, if any.

We were unable to determine whether any adjustment is required on the financial statements of the Group and of the Company.

- b) steps taken or proposed to be taken to address those key audit matters that relate to the modified opinion or material uncertainty related to going concern

While the company is currently formulating the PN17 regularization scheme which will give implication to the whole group, few steps to be taken are as follows:

1. Continue negotiation with the financial institution for the indulgence and settlement at the end of the agreed tenure
2. Expanding the customer reach and companies marketing effort for both airline catering involving non-aviation food and catering business and the warehousing business

- c) the timeline for the steps referred to in sub-paragraph (b) above
These steps are expected to be executed immediately and the outcome of these proposal will be dynamic with no specific deadlines.