THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stock broker, bank manager, solicitor, accountant or other professional advisers immediately.

Shareholders should rely on their own evaluation to assess the merits and risks of the Proposed Strategic Partnership (as defined herein).

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular, makes no representation as to its accuracy and completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

Malayan Flour Mills Berhad

Registration No. 196101000210 (4260-M)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

PROPOSED STRATEGIC PARTNERSHIP WITH TYSON INTERNATIONAL HOLDING COMPANY ("TYSON") IN CONJUNCTION WITH THE PROPOSED DISPOSAL OF 49% EQUITY INTEREST IN DINDINGS SUPREME SDN BHD ("DSSB"), A WHOLLY-OWNED SUBSIDIARY OF MALAYAN FLOUR MILLS BERHAD ("MFM"), TO TYSON FOR A DISPOSAL CONSIDERATION OF UP TO RM420,000,000 TO BE SATISFIED WHOLLY BY CASH AND WHICH INVOLVES THE GRANTING OF CALL OPTIONS FOR TYSON TO ACQUIRE FROM MFM: (A) SUCH NUMBER OF SHARES REPRESENTING UP TO 11% OF THE EQUITY INTEREST IN DSSB AT THE TIME OF THE EXERCISE OF THE CALL OPTION; AND (B) ALL OF SHARES IN DSSB HELD BY MFM IN THE EVENT THERE IS A CHANGE OF CONTROL OF MORE THAN 50% OF SHARES IN MFM

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

HongLeong Investment Bank

Hong Leong Investment Bank Berhad
(Registration No. 197001000928 (10209-W))

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

The Notice convening the Extraordinary General Meeting ("**EGM**") of Malayan Flour Mills Berhad ("**Company**") to be conducted on a fully virtual basis from the Broadcast Venue at M5, Mezzanine Floor, Wisma MCA, 163 Jalan Ampang, 50450 Kuala Lumpur on Tuesday, 11 May 2021 at 10.00 a.m., together with the Form of Proxy are enclosed in this Circular.

The EGM will be conducted on a fully virtual basis via live streaming and online remote voting using Remote Participation and Electronic Voting ("**RPEV**") facilities provided by Boardroom Share Registrars Sdn Bhd at https://web.lumiagm.com. Please read and follow the procedures as set out in the Administrative Guide in order to register, participate and vote remotely via the RPEV facilities.

A member is entitled to participate and vote remotely at the EGM. If you decide to appoint a proxy or proxies to participate and vote on your behalf, you must complete and deposit the Form of Proxy at the office of the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan or lodge the Form of Proxy electronically via "**Boardroom Smart Investor Portal**" at https://boardroomlimited.my which is available to all individual members, not less than 48 hours before the time set for the EGM as indicated below. The lodging of the Form(s) of Proxy will not preclude you from participating and voting remotely at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy	:	Sunday, 9 May 2021 at 10.00 a.m.
Date and time of the EGM	:	Tuesday, 11 May 2021 at 10.00 a.m. or at any adjournment of the EGM

This Circular is dated 26 April 2021

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

Accounts	:	The audited balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the financial statements, including summary of significant accounting policies of each of DPDC and DPP as at and for the period ended on 31 December 2020
Accounting Standards	:	The International Financial Reporting Standards adopted by the International Accounting Standards Board, as may be amended from time to time by the International Accounting Standards Board, consistently applied for each period;
Act	:	Companies Act 2016
Actual Cash	:	The aggregate amount of Cash of DSSB Group as at 5:00 p.m. on SPA Completion Date
Actual Debt	:	The aggregate amount of Debt of DSSB Group as at 5:00 p.m. on SPA Completion Date
Actual Debt Variance	:	The amount, if any, by which Actual Debt exceeds the Target Debt, and if such amount is negative, it shall be deemed to be zero
Actual Working Capital	:	The aggregate amount of working capital of DSSB Group as at 5:00 p.m. on SPA Completion Date
Affiliate Contract	:	A contract or arrangement entered into between Group Company with Shareholder or Shareholder's respective affiliate(s) or in which a Shareholder or an affiliate to a Shareholder is otherwise interested
Anti-Corruption Law	:	Any applicable anti-bribery and corruption laws (including the UK Bribery Act, the US Foreign Corrupt Practices Act of 1977 and the Malaysian Anti-Corruption Commission Act 2009)
Bank Guarantee	:	The unconditional bank guarantee issued by Malayan Banking Berhad to Tyson in the agreed form, under which the aggregate amount available for demand by Tyson is an amount equal to (a) 7.5% of the Estimated Sale Shares Consideration plus (b) RM15 million. The bank guarantee shall be valid and enforceable from the date of the bank guarantee until the later of (i) the date falling 3 years from the date of the Bank Guarantee or (ii) the date on which all claims under the SPA made by Tyson prior to the expiry of the said 3-years period have been fully and finally resolved as summarised in **Appendix IV** of this Circular
Board	:	Board of Directors of MFM
Bursa Securities	:	Bursa Malaysia Securities Berhad
Business Day	:	A day (except a Saturday or Sunday or a national public holiday) on which commercial banks are generally open for business in Kuala Lumpur, Singapore and the United States of America

Cash	:	The aggregate amount of cash and cash equivalent held by DSSB Group as determined in accordance with the Accounting Standards, including cash balances and deposits in bank accounts reported in RM
Circular	:	This circular to the shareholders of MFM dated 26 April 2021 in relation to the Proposed Strategic Partnership
Completion	:	Completion of the Proposed Disposal of DSSB pursuant to the terms of the SPA
COVID-19	:	Novel coronavirus disease 2019
Deadlock Transfer	:	The transfer of shares by any of the Shareholder in the event of a non-resolved Material Deadlock Dispute;
Debt	:	The aggregate amount of any loans, financing liabilities, indebtedness or other liabilities (in each case whether or not due and payable) of DSSB Group
Default	:	The occurrence of any of the following events under the Shareholders' Agreement: - (i) a Shareholder subject to insolvency; (ii) a Shareholder transfers or encumbers any of its DSSB Shares in violation to the Shareholders' Agreement; and/or (iii) a Shareholder or its ultimate parent company commits fraud, misappropriation, embezzlement or theft against the relevant Group Company or otherwise directly or indirectly (a) instructs, entices, encourages or otherwise motivates any director, officer, employee, consultant, agent or contractor of such relevant Group Company to violate any applicable Anti-Corruption Laws or any applicable Sanction Laws for and on behalf of the benefits of the relevant Group Company; and/or (b) violate any Anti-Corruption Laws or Sanction Laws for and on behalf of the benefits of DSSB
Director		In accordance with paragraph 10.02(c) of the Listing Requirements, "Director" has the meaning given in section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the Proposed Strategic Partnership were agreed upon: (a) a director of MFM Group; or (b) a chief executive of MFM Group
Disposal Consideration	:	Disposal consideration of up to RM420,000,000 to be satisfied wholly by cash for the Proposed Disposal of DSSB
DPDC	:	Dindings Poultry Development Centre Sdn Bhd
DPDC Shares	:	Ordinary share(s) in DPDC
DPP	:	Dindings Poultry Processing Sdn Bhd

DPP Shares	:	Ordinary share(s) in DPP
DSSB	:	Dindings Supreme Sdn Bhd
DSSB Board	:	Board of Directors of DSSB
DSSB Directors	:	Directors of DSSB
DSSB Group or Group Company	:	DSSB and its subsidiaries namely DPDC and DPP following completion of the Transfer, and Group Company means any of them
DSSB Pre-Completion Restructuring	:	Restructuring of Debt of DSSB, DPP and DPDC (as applicable) and extinguishment of inter-company indebtedness between the DSSB Group and MFM (and its affiliates) pursuant to the terms of the Internal Agreement to be effected prior to the SPA Completion Date
DSSB Shares	:	Ordinary share(s) in DSSB
EBITDA	:	Earnings before interest, tax, depreciation and amortisation
EGM	:	Extraordinary general meeting
Encumbrance	:	A charge, debenture, mortgage, pledge, lien, security interest, title retention, assignment, restriction, right of first refusal, option, right of pre-emption or other third party right or interest of any kind, whether granted for the purpose of security or not and Encumbrances means all those kinds of right or interest and ("**Encumber**") shall be construed accordingly
Environment	:	Air (including air within buildings and air within other natural or man-made structures above or below ground), water (including territorial and coastal and inland waters, groundwater and water in drains and sewers) and land (including soil and sub-soil and land under any water) and any organisms or ecosystems supported by the air, water or land
Environmental Law	:	Applicable law (including statute, secondary legislation, directives, regulations, resolutions, statutory guidance and codes of practice having the force of law, civil, criminal or administrative law, common law, a notice, order, judgment, ruling or other requirement from any governmental, administrative or regulatory agency or body or a court, tribunal or other assembly conducting judicial business) relating to pollution or protection of the Environment, or human health and safety, including each law relating to: (a) packaging, emissions, seepages, spillages, discharges, escapes, releases or threatened escapes or releases of chemicals, Hazardous Substances, wastes, materials or noise into the Environment; or (b) the notification, manufacture, processing, distribution, use, keeping, treatment, disposal, deposit, storage, transport, handling or remediation of chemicals, Hazardous Substances, wastes or other materials

EPS	:	Earnings per Share
Estimated Cash	:	MFM's good faith estimate of Actual Cash, as set out in the pre-completion statement in the agreed format set out in the SPA as elaborated in **Section 2.6.1** of this Circular
Estimated Debt	:	MFM's good faith estimate of Actual Debt, as set out in the pre-completion statement in the agreed format set out in the SPA as elaborated in **Section 2.6.1** of this Circular
Estimated Debt Variance	:	The amount, if any, by which Estimated Debt exceeds the Target Debt, and if such amount is negative, it shall be deemed to be zero
Estimated Sale Shares Consideration	:	The portion of Initial Consideration payable on the SPA Completion Date as set out in **Section 2.6.1(a)** of this Circular
Estimated Working Capital	:	MFM's good faith estimate of Actual Working Capital, as set out in the pre-completion statement in the agreed format set out in the SPA as elaborated in **Section 2.6.1** of this Circular
First Earnout Consideration	:	Up to RM140 million to be paid in accordance with terms of the SPA as summarised in **Section 2.6.2** of this Circular
FPE	:	Financial period ended / ending (where applicable)
FYE	:	Financial year ended / ending 31 December (where applicable)
Hazardous Substances	:	Any waste, pollutant, contaminant or hazardous, toxic, radioactive, noxious, flammable, corrosive or caustic matter including asbestos (whether, in each case, in solid, liquid or gaseous form) which is (alone or in combination) capable of causing significant harm to the Environment or harm to human health
HLIB	:	Hong Leong Investment Bank Berhad
IAS	:	International Accounting Standard
IFRS	:	International Financial Reporting Standard
Initial Consideration	:	RM140 million to be paid on the SPA Completion Date subject to adjustments as summarised in **Section 2.6.1** of this Circular
Internal Agreement	:	An internal agreement to be entered into on the effective date of the Internal Agreement, which would be signed between MFM and DSSB, DPDC and DPP prior to the Long Stop Date to enable DSSB Group to achieve the following structure as at the SPA Completion Date in compliance with the terms of the SPA: (a) Estimated Debt shall not be more than RM200 million; and (b) no inter-company debt between DSSB Group and MFM and its affiliates.
LAT	:	Loss after tax
LBT	:	Loss before tax

Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
Lock-up Period	:	The period commencing on the date of the Shareholders' Agreement and ending on the 5th anniversary of the date of the Shareholders' Agreement
Long Stop Date	:	30 June 2021 or such other date as the parties may agree in writing
LPD	:	31 March 2021, being the latest practicable date prior to the printing of this Circular
Mac Food	:	Mac Food Services (Malaysia) Sdn Bhd
Mac Food Supply Agreement	:	A long term supply agreement to be entered on the effective date of Mac Food Supply Agreement, which would be signed on the SPA Completion Date between Mac Food and DSSB, and DPP to support the domestic requirement for poultry products of Mac Food derived from Malaysia (subject to pricing, quality standards and other applicable commercial terms contained thereto), for a period of 5 years with the ability to renew for successive term of 1 year each, upon mutual agreement between parties as summarised in **Appendix VI** of this Circular
MAE (Continuing)	:	In relation to any Group Company or the DSSB Group as a whole, any matter, fact, event or circumstance (either alone or together with any other matter, fact, event or circumstance) which results in (or which would be likely to result in) a material adverse effect on its business, its ability to carry it on in substantially the same manner, or its condition (financial, legal or business) or financial prospects, including the events summarised in **Section 2(g)** of **Appendix IV** of this Circular
MAE (Revenue/EBITDA)	:	In relation to any Group Company or the DSSB Group as a whole, any matter, fact, event or circumstance (either alone or together with any other matter, fact, event or circumstance) which results in (or which would be likely to result in) changes to the revenue (before tax) or EBITDA of DPDC and DPP (in the aggregate) as summarised in **Section 2(g)** of **Appendix IV** this Circular
MAE (Revenue/EBITDA) Applicable Period	:	In respect of the MAE (Revenue/EBITDA), the 12 calendar month period ending on the last day of the month immediately preceding the month in which the SPA becomes unconditional
Master Services Agreement	:	The agreement to be entered on the effective date of the Master Services Agreement which would be signed on the SPA Completion Date between MFM and DSSB for the provision of services to be provided by MFM as contemplated in the ordinary course of business to support the continued and uninterrupted operation of the DSSB Group including amongst others, management fees, agreed costs of shared centralised services such as general administration, human resources, internal audit, group reporting and treasury, for corresponding time periods stipulated thereto, commencing on the SPA Completion Date and as summarised in **Appendix VI** of this Circular

Material Deadlock Dispute	:	In summary, the failure of the board of a Group Company to approve material Board Reserved Matters or the failure of the Shareholders to approve material Shareholders Reserved Matter
MFM or Company	:	Malayan Flour Mills Berhad
MFM Change of Control Call Option	:	Option given by MFM to Tyson for Tyson to buy from MFM all of DSSB Shares held by MFM at such time when a person or group of persons, together with their respective affiliates, purchase or make a binding offer to purchase, whether through a single transaction or a series of transactions, more than 50% of MFM Shares
MFM CoC Shares	:	Such number of DSSB Shares held by MFM as at the date when Tyson exercises the MFM Change of Control Call Option in accordance with the Shareholders' Agreement
MFM Grain Supply Agreement	:	A long term grain supply agreement to be entered on the effective date of the MFM Grain Supply Agreement, which would be signed on the SPA Completion Date between Premier Grain, DSSB and DPDC for the sourcing, supplying and trading of corn and/or soybean meals and full fat soya between the parties thereto (subject to pricing, quality standards and other applicable commercial terms contained thereto) for an initial period of 10 years from the SPA Completion Date as summarised in **Appendix VI** of this Circular
MFM Group	:	MFM and its subsidiaries collectively
MFM Share(s) or Share(s)	:	Ordinary share(s) in MFM
MFRS	:	Malaysian Financial Reporting Standard
MyGAP	:	Malaysian Good Agricultural Practices
NA	:	Net assets
PAT	:	Profit after taxation
PATAMI	:	Profit after taxation and minority interests
PBT	:	Profit before taxation
PPPNP	:	Perak State Agricultural Development Corporation
PPPNP Lease Agreements	:	PPPNP Lease Agreement means any of below: (a) the lease agreement dated 21 October 2015 between PPPNP and DPDC in relation to the lease by DPDC from PPPNP of three pieces of land situated in Mukim Lumut, Daerah Manjung, Perak comprising two pieces of agriculture land and one piece of industrial land with a total land size of approximately 200 acres; or

		(b) the lease agreement dated 21 October 2015 between PPPNP and DPDC in relation to the lease by DPDC from PPPNP of three pieces of land situated in Mukim Pengkalan Bahru, Daerah Manjung, Perak comprising three pieces of agriculture land with a total land size of approximately 464.96 acres.
Premier Grain	:	Premier Grain Sdn Bhd, a 51% owned subsidiary of MFM
Profit Guarantee Payment	:	An amount of up to RM15 million payable to Tyson by MFM if the EBITDA for the FYE 2021 based on the audited consolidated accounts of DSSB Group falls below RM58 million as summarised in **Section 2.6.1(c)** of this Circular
Proposed Disposal of DSSB	:	Proposed disposal of 49% equity interest in DSSB, a wholly-owned subsidiary of MFM, to Tyson for a disposal consideration of up to RM420,000,000 to be satisfied wholly by cash
Proposed Strategic Partnership	:	Proposed strategic partnership with Tyson in conjunction with the Proposed Disposal of DSSB and the transactions contemplated in the Transaction Documents to regulate the terms of the Proposed Strategic Partnership
Right of Access and Services Agreement	:	The right of access and services agreement to be entered on effective date of the Right of Access and Services Agreement, which would be signed on SPA Completion Date between MFM, DSSB, DPP and DPDC in relation to the operating, managing and maintaining the ground-level thoroughfare and access to and use of all common areas and facilities, all situated/located on parcels of leasehold land in Lumut, Perak and Pasir Gudang, Johor for the purpose of the DSSB Group's business operations as summarised in **Appendix VI** of this Circular
RM and sen	:	Ringgit Malaysia and sen, respectively
Sale Shares	:	Such number of DSSB Shares, representing 49% equity interest in DSSB immediately following Completion
Sanctions Law	:	Sanctions administrated or enforced by the U.S. government (including the Office of Foreign Assets Control of the U.S Department of the Treasury and the U.S Department of State)
Second Earnout Consideration	:	Up to RM140 million to be paid in accordance with the terms of the SPA as summarised in **Section 2.6.3** of this Circular
Self-Liquidating Banker Acceptances	:	Banker acceptances issued to DPDC or DPP pursuant to the financial facilities previously disclosed to Tyson for the due diligence exercise on DSSB Group
Share Transfer Agreement	:	The agreement dated 5 February 2021 made between MFM and DSSB in relation to the sale of DPDC Shares and DPP Shares held by MFM to DSSB for consideration and upon the terms and conditions therein contained, which have been fully satisfied via the issuance of 271,235,531 DSSB Shares to MFM

Shareholders	:	MFM, Tyson and any other person who holds DSSB Shares subsequent to the execution of the Shareholders' Agreement who has agreed to adhere to the terms of the Shareholders' Agreement, and each of which is a "**Shareholder**"
Shareholders' Agreement	:	The agreement in the agreed form, to be entered into between MFM, Tyson, DSSB, DPDC and DPP on SPA Completion Date to formalise and set out the key terms outlining their respective obligations and liabilities *inter se* as the Shareholders of DSSB and the operations and management and affairs of DSSB Group after the Completion as summarised in **Appendix V** of this Circular
SPA	:	Conditional share purchase agreement dated 10 February 2021 entered into between MFM and Tyson for the Proposed Disposal of DSSB
SPA Completion Date	:	The date of completion of the Proposed Disposal of DSSB pursuant to the terms of the SPA
SPA Conditions Precedent	:	Conditions precedent in relation to the SPA, as summarised in **Appendix IV** of this Circular
Subsidiary Board	:	Board of Directors of the subsidiaries of DSSB, namely DPDC and DPP
Subsidiary Board Meeting	:	The meeting of Subsidiary Board
Target Debt	:	The Debt of DSSB Group of not more than RM200 million
Transaction Documents	:	Shareholders' Agreement, Mac Food Supply Agreement, MFM Grain Supply Agreement, Master Services Agreement and Right of Access and Services Agreement, collectively
Transfer	:	The transfer of 122,009,046 DPP Shares and 149,226,485 DPDC Shares representing the entire equity interest of DPP and DPDC, held by MFM to DSSB under and pursuant to the Share Transfer Agreement
Transfer to Affiliates	:	A Shareholder may transfer all, but not less than all, of its DSSB Shares to an affiliate pursuant to the Shareholders' Agreement
Tyson or Buyer	:	Tyson International Holding Company, a wholly-owned subsidiary of New Canada Holdings, Inc. The ultimate holding company of Tyson is Tyson Foods which is listed on the New York Stock Exchange
Tyson Call Option	:	Option given by MFM to Tyson for Tyson to buy from MFM 11% of the equity interest in DSSB at a prescribed price as stated in **Section 8 (ii)** of **Appendix V** of this Circular, at any time after 5 years from the date of the Shareholders' Agreement which may be exercised by Tyson in full or in part in accordance with the Shareholders' Agreement

Tyson Call Option Partial Exercise Shares	:	Such number of DSSB Shares held by MFM or its affiliates representing 1.01% of the equity interest in DSSB as at the date when Tyson exercises the Tyson Call Option in part in accordance with the Shareholders' Agreement. As at the date of this Circular, the Tyson Call Option Partial Exercise Shares are no longer applicable as MFM has received written confirmation from PPPNP via its letter dated 19 April 2021 confirming that its consent is not required for any transfer or issuance of DSSB Shares
Tyson Call Option Shares	:	Such number of DSSB Shares held by MFM or its affiliate representing: (a) if Tyson has not exercised the Tyson Call Option in part in respect of the Tyson Call Option Partial Exercise Shares or if Tyson has exercised the Tyson Call Option in part in respect of the Tyson Call Option Partial Exercise Shares but completion of the transfer of the Tyson Call Option Partial Exercise Shares does not take place for any reason, 11% of the total number of issued DSSB Shares on the date on which Tyson exercises the Tyson Call Option; or (b) if Tyson has exercised the Tyson Call Option in part in respect of the Tyson Call Option Partial Exercise Shares and the transfer of the Tyson Call Option Partial Exercise Shares been completed in accordance with the Shareholders' Agreement, (i) 11% of the total number of issued DSSB Shares on the date on which Tyson exercises the Tyson Call Option minus (ii) the Tyson Call Option Partial Exercise Shares
Tyson Foods	:	Tyson Foods, Inc.
Tyson Foods Group	:	Tyson Foods and its subsidiaries
USA	:	United States of America
2023 Net Cash Target	:	An amount equal to RM100 million less the amount, if any, by which the net Debt as at 31 December 2022 exceeds RM44 million

All references to "**our Company**" in this Circular are to MFM and references to "**our Group**" collectively refer to our Company and our subsidiaries. References to "**we**", "**us**", "**our**" and "**ourselves**" are to our Company, and where the context otherwise requires, shall include our Company and subsidiaries.

All references to "**you**" and "**your**" in this Circular are to our shareholders, unless the context otherwise requires.

Words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations, unless otherwise specified.

All references to any enactment in this Circular are references to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

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

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by our Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to differ materially from the anticipated results, performance and achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that our Group's plans and objectives will be achieved.

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION OF THE PROPOSED STRATEGIC PARTNERSHIP. YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS TOGETHER WITH THE APPENDICES OF THIS CIRCULAR WITHOUT RELYING SOLELY ON THIS EXECUTIVE SUMMARY BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED STRATEGIC PARTNERSHIP TO BE TABLED AT OUR FORTHCOMING EGM.

Key Information		Summary	Reference to this Circular
Introduction	:	On 10 February 2021, on behalf of our Board, HLIB announced that our Company had entered into the SPA with Tyson for the proposed disposal of 49% equity interest in DSSB, a wholly-owned subsidiary of MFM, to Tyson for a disposal consideration of up to RM420,000,000 to be satisfied wholly by cash, in conjunction with the Proposed Strategic Partnership. Tyson Foods, being the ultimate parent holding company of Tyson, is listed on the New York Stock Exchange (NYSE: TSN) and through itself and subsidiaries, is one of the world's largest food companies and a recognised leader in protein. In Malaysia, Tyson Foods operates Mac Food which supplies halal further processed poultry and other protein solutions to modern trade under the "First Pride" brand and bespoke products to various quick service restaurants in Malaysia and export markets.	Section 1
Rationale and benefit of the Proposed Strategic Partnership	:	▪ The Proposed Strategic Partnership will allow Tyson to participate as a strategic investor in DSSB to leverage on MFM's standards in halal-certified food production, whilst providing an opportunity for MFM to harness Tyson's global distribution network and technical expertise in poultry integrated operations. ▪ The Proposed Strategic Partnership is expected to benefit MFM and DSSB Group in the following areas: (i) stability of demand for DSSB Group's processed products through the Mac Food Supply Agreement; (ii) access to Tyson's expertise regarding capabilities in fully vertically-integrated chicken production process; and (iii) access to Tyson's expertise in global distribution capabilities which is expected to open new export markets for DSSB Group in line with Tyson's target markets for halal-certified food products in Singapore and the Middle East. The value proposition envisaged above, if achieved, would significantly increase the volume of production and enable DSSB Group to optimise its new plant capacities and achieve economies of scale.	Section 2.2

Key Information		Summary	Reference to this Circular
Disposal Consideration	:	The Disposal Consideration is payable in the following manner: **Disposal Consideration** / **Amount (RM'million)** Initial Consideration: 140 First Earnout Consideration: Up to 140 Second Earnout Consideration: Up to 140 Please refer to further information on the conditions to attain the Disposal Consideration, adjustments to be effected and the Profit Guarantee Payment as set out in **Section 2.6** of this Circular.	Section 2.6
Basis and justification of the Disposal Consideration, exercise prices for the Tyson Call Option Share and Profit Guarantee Payment	:	The Disposal Consideration was arrived at based on "willing buyer-willing seller" basis after taking into consideration, *inter-alia*, the following basis: (i) the financial performance of DPP and DPDC for the FYE 2019; (ii) the financial targets to qualify for the First Earnout Consideration and Second Earnout Consideration; and (iii) the estimated NA of the DSSB Group as at 31 December 2020 of approximately RM695.78million. Our Board is of the opinion that the Disposal Consideration is justified after taking into consideration the following: (i) the future earnings potential of the DSSB Group; (ii) the rationale and benefit of the Proposed Strategic Partnership as elaborated in **Section 2.2** of this Circular; and (iii) the valuation multiples of comparable companies which are involved in similar poultry integration business. Our Board is of the opinion that the exercise prices for the Tyson Call Option Shares are justified as: (a) the exercise price for the Tyson Call Option Partial Exercise Shares is based on the proportionate value of the Initial Consideration; and	Section 2.7

Key Information		Summary	Reference to this Circular
		(b) the exercise price for the remaining Tyson Call Option Shares net that of (a) above is based on a multiple of 8 times of the prevailing EBITDA of the DSSB Group for the 12 calendar month-period ending on the last day of the month immediately preceding the month in which the date of the Tyson Call Option Reference Date (as elaborated in **Section 8** of the **Appendix V** of this Circular) falls. The multiple of 8 times is within the range of the multiples of EV/EBITDA of comparable companies as set out in **Section 2.7.2** of this Circular.	
		Our Board is of the opinion that the Profit Guarantee Payment is justified in order to incentivise Tyson to enter into the Proposed Strategic Partnership given the prospects of DSSB Group may be dampened by the current COVID-19 pandemic.	
Utilisation of proceeds	:	The total proceeds from the Proposed Strategic Partnership of up to RM420 million is expected to be utilised as follows:	Section 3

Initial Consideration

Details of utilisation	%	RM'million
Repayment of bank borrowings	90	126
Estimated expenses in relation to the Proposed Strategic Partnership	10	14
Total	**100**	**140**

First Earnout Consideration

Assuming the maximum payment of up to RM140 million to be received after the FYE 2022

Details of utilisation	%	RM'million
Repayment of bank borrowings	100	140
Total	**100**	**140**

Second Earnout Consideration

Assuming the maximum payment of up to RM140 million to be received after the FYE 2023

Details of utilisation	%	RM'million
Repayment of bank borrowings	46	64
Working capital	54	76
Total	**100**	**140**

Please refer to **Section 3** of this Circular for further information on the details of utilisation of proceeds.

Prospects of DSSB Group	:	With the Proposed Strategic Partnership in place, DSSB Group plans to undertake the following activities: (i) Export its halal poultry products; (ii) Develop value-added downstream products; (iii) Upgrade its supply chain with technology from Tyson; (iv) Develop and introduce new infrastructure models; and (v) Adopt best practices in modern poultry farming. The above activities are expected to improve the sustainability of the DSSB Group's business and increase its future revenue and net assets.	Section 5.1
Prospects of MFM Group	:	Our Group will continue to operate the flour, aqua feeds and grains trading businesses alongside the poultry integration business via the DSSB Group upon completion of the Proposed Disposal of DSSB. Aside from the benefits to our Group's poultry integration business, via the DSSB Group, as set out in Section 2.2 of this Circular, the Proposed Strategic Partnership is also expected to benefit our Group's grains trading business by enabling economies of scale via the MFM Grain Supply Agreement. Our Group expects an improvement in the growth in the poultry integration business with the easing of the movement control order by the Malaysian government. Moving forward, we expect to see continued growth from our operations in Vietnam and Indonesia. The above benefits are expected to increase our Group's future revenue and net profits.	Section 5.2

Malayan Flour Mills Berhad
Registration No. 196101000210 (4260-M)
(Incorporated in Malaysia)

Registered Office

22nd Floor, Wisma MCA
163 Jalan Ampang
50450 Kuala Lumpur

26 April 2021

Board of Directors

Tun Arshad bin Ayub (*Chairman, Non-Independent Non-Executive Director*)
Teh Wee Chye (*Managing Director*)
Datuk Oh Chong Peng (*Senior Independent Non-Executive Director*)
Dato' Wira Zainal Abidin bin Mahamad Zain (*Independent Non-Executive Director*)
Prakash A/L K.V.P Menon (*Non-Independent Non-Executive Director*)
Quah Poh Keat (*Independent Non-Executive Director*)
Prof. Datin Paduka Setia Dato' Dr Aini binti Ideris (*Independent Non-Executive Director*)
Dato' Maznah binti Abdul Jalil (*Independent Non-Executive Director*)
Azhari Arshad (*Executive Director*)
Lim Pang Boon (*Executive Director*)

To: Our shareholders

Dear Sir / Madam,

PROPOSED STRATEGIC PARTNERSHIP

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1. INTRODUCTION

On 10 February 2021, on behalf of our Board, HLIB announced that we had entered into the SPA.

DSSB holds the entire equity interests of DPP and DPDC (except for 1 unit of DPDC Share held by PPPNP), which collectively undertake vertical integrated poultry business comprising poultry farming and feed milling via DPDC and poultry processing via DPP.

Tyson Foods, the ultimate parent holding company of Tyson, is listed on the New York Stock Exchange (NYSE: TSN) and through itself and subsidiaries is one of the world's largest food companies and a recognised leader in protein. In Malaysia, Tyson Foods operates Mac Food which supplies halal further processed poultry and other protein solutions to modern trade under the "First Pride" brand and bespoke products to various quick service restaurants in Malaysia and export markets.

THE PURPOSE OF THIS CIRCULAR TOGETHER WITH THE APPENDICES IS TO PROVIDE YOU WITH RELEVANT INFORMATION PERTAINING TO THE PROPOSED STRATEGIC PARTNERSHIP TOGETHER WITH THE RECOMMENDATION OF OUR BOARD AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED STRATEGIC PARTNERSHIP (INCLUDING THE TYSON CALL OPTION AND MFM CHANGE OF CONTROL CALL OPTION) TO BE TABLED AT OUR FORTHCOMING EGM.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED STRATEGIC PARTNERSHIP TO BE TABLED AT OUR FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED STRATEGIC PARTNERSHIP

MFM agrees to sell, and Tyson agrees to buy the Sale Shares, free from any encumbrances and together with all rights of any nature attaching or accruing to the Sale Shares on or after the Completion, including the right to receive all distributions and dividends declared, made or paid on or after the SPA Completion Date.

On the SPA Completion Date, MFM will enter into the following Transaction Documents (as detailed in **Sections 2.4 and 2.5** of this Circular) to regulate the terms of the Proposed Strategic Partnership and to amongst others, cement the commitments of MFM and DSSB Group in providing capacity, resources and services to produce and supply raw materials, chicken and processed products to corporations related to Tyson, and of commitments of corporations related to Tyson to purchase processed products of DPP:

(i) Shareholders' Agreement. Apart from the matters regulating the management and operations of the DSSB Group, the Shareholders' Agreement provides the following:

(a) to MFM and Tyson, the security of the strategic partnership for the first 5 years from the SPA Completion Date, whereby both MFM and Tyson are not allowed to transfer their respective holdings in DSSB;

(b) to Tyson, MFM's promise to sell all (and not less than all) of the Tyson Call Option Shares for the Tyson Call Option at any time after 5 years from the SPA Completion Date as elaborated in **Section 2.4 (iv)** of this Circular;

(c) to MFM and Tyson, the various protection mechanism in the form of the Right of First Refusal, the right to drag along and the right to tag-along whenever either party wishes to sell their holdings in DSSB;

(d) to Tyson, MFM's promise to sell Tyson Call Option Partial Exercise Shares to Tyson at any time after 5 years from the SPA Completion Date if Tyson has not received the written consent or confirmation of PPPNP assenting to any transfers of DSSB Shares pursuant to the Shareholders' Agreement or PPPNP's confirmation that its consent is not required for this as elaborated in **Section 2.4 (v)** of this Circular; and

(e) to Tyson, and subject to applicable laws and regulations, the right to purchase all of DSSB Shares held by MFM via the MFM Change in Control Call Option in the event that there is a change in control in MFM whereby a person or a group of persons purchase or make a binding offer to purchase more than 50% of the issued shares of MFM, as elaborated in **Section 2.4 (vi)** of this Circular.

The Shareholders' Agreement also sets out the terms relating to the formulae of price(s) to be paid in respect of the scenarios in (b) to (e) above as summarised in **Appendix V.**

As an update, the Tyson Call Option in relation to the Tyson Call Option Partial Exercise Shares is no longer applicable as MFM has received written confirmation from PPPNP via its letter dated 19 April 2021 confirming that its consent is not required for any transfer or issuance of DSSB Shares;

(ii) Mac Food Supply Agreement;

(iii) MFM Grain Supply Agreement;

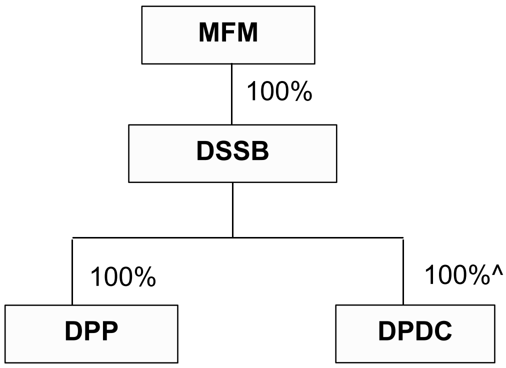
(iv) Master Services Agreement; and

(v) Right of Access and Services Agreement

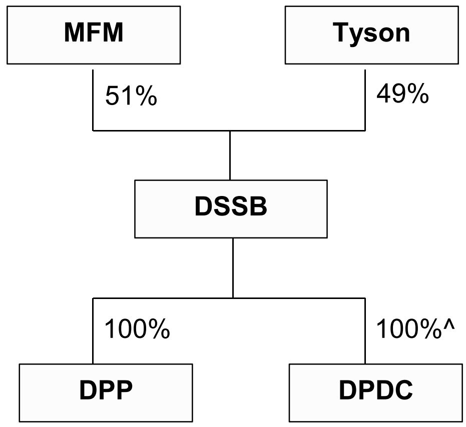
Prior to the Long Stop Date, MFM will enter into the Internal Agreement with DSSB, DPDC and DPP in compliance with the terms of the SPA.

The corporate structures of the DSSB Group before and after the Proposed Strategic Partnership are as follows:

Before the Proposed Strategic Partnership



After the Proposed Strategic Partnership



Note:

^ *One (1) unit of ordinary share is held by PPPNP which has no voting rights nor entitled to any dividends, rights, allotments or other forms of distribution.*

2.1 Information on Tyson, DSSB, DPP and DPDC

2.1.1 Information on Tyson

Tyson was incorporated in Delaware, United States of America on 2 August 1994 as a corporation. Tyson is principally involved in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

As at LPD, the issued share capital of Tyson is USD42,512,637.77 comprising 1,000 common stock.

As at LPD, the Directors of Tyson are as follows:

(i) Curt Calaway; and

(ii) Mark Elser.

As at LPD, Tyson is a wholly-owned subsidiary of New Canada Holdings, Inc. The ultimate holding company of Tyson is Tyson Foods which is listed on the New York Stock Exchange.

As at LPD, the Directors of Tyson Foods are as follows:

(i) Les R. Baledge;
(ii) Gaurdie E. Banister Jr;
(iii) Dean Banks;
(iv) Mike Beebe;
(v) Maria Claudia Borras;

(vi) David J. Bronczek;
(vii) Mikel A. Durham;
(viii) Jonathan Mariner;
(ix) Kevin M. McNamara;
(x) Cheryl S. Miller;
(xi) Jeffrey K. Schomburger;
(xii) Robert C. Thurber;
(xiii) Barbara A. Tyson;
(xiv) John H. Tyson; and
(xv) Noel White.

Shareholders with greater than 5% interest in Class A shares or Class B shares of Tyson Foods as of 31 December 2020 are set out below:

Shareholder	Shares held
Tyson Limited Partnership	70,000,000 (100% of Class B shares)
The Vanguard Group, Inc.	32,444,167 (11.0% of Class A shares)
BlackRock, Inc.	20,422,495 (6.9% of Class A shares)
T. Rowe Price Group, Inc.	14,675,650 (5.0% of Class A shares)

(Source: Management of Tyson Foods)

Tyson Foods Group is one of the world's largest food companies and a recognised leader in protein. The Tyson Foods Group has operations in the USA, Australia, China, Malaysia, Mexico, the Netherlands, South Korea and Thailand.

The Tyson Foods Group portfolio of products and brands including Tyson®, Jimmy Dean®, Hillshire Farm®, Ball Park®, Wright®, Aidells®, ibp® and State Fair®. It operates a fully vertically-integrated chicken production process with the majority of its production certified as no antibiotic ever (sometimes referred to as "NAE"). Its integrated operations consist of breeding stock, contract farmers, feed production, processing, further-processing, marketing and transportation of chicken and related specialty products, including animal and pet food ingredients. Through its wholly-owned subsidiary, Cobb-Vantress, Inc., it supplies poultry breeding stock. In addition, it produces a wide range of fresh, value-added, frozen and refrigerated food products. Its products are marketed and sold primarily to grocery retailers, grocery wholesalers, meat distributors, warehouse club stores, military commissaries, industrial food processing companies, chain restaurants or their distributors, live markets, international export companies and domestic distributors who serve restaurants, foodservice operations such as plant and school cafeterias, convenience stores, hospitals and other vendors. As part of its commitment to innovation and growth, it has a subsidiary focused on investing in companies developing breakthrough technologies, business models and products to sustainably feed a growing world population. Tyson New Ventures LLC is used to broaden exposure to innovative, new forms of protein and ways of sustainably producing food to complement its continuing investments in innovation in its core businesses.

(Source for the paragraphs above: Annual Report of Tyson Foods for the fiscal year ended 3 October 2020)

2.1.2 Information on DSSB

DSSB was incorporated under the Act on 2 February 2021 as a private limited company. As at the LPD, the issued share capital of DSSB is RM271,235,532 comprising 271,235,532 DSSB Shares. DSSB is principally an investment holding company and it is currently a wholly owned subsidiary of MFM.

DSSB does not have any historical financial information as it is a newly incorporated company. DSSB owns 100% equity interest in DPP and 100% equity interest in DPDC except for 1 unit of DPDC Share held by PPPNP.

Further information on DSSB is set out in **Appendix I** of this Circular.

2.1.3 Information on DPP

DPP was incorporated in Malaysia under the Companies Act 1965 (now repealed by the Act) on 14 September 1985 as a private limited company.

As at the LPD, the issued share capital of DPP is RM122,009,046, comprising 122,009,046 DPP Shares.

DPP is principally involved in the processing and sale of halal-certified poultry products. DPP produces fresh and frozen whole chicken, cut up parts, skinless & deboned meats as well as marinated products and further processed products under various brands such as “Ayam Dindings”, “Ayam Fiesta”, “Jimat Fiesta” and “DeliHous”.

DPP’s processing plant is located in Sitiawan, Perak. In February 2020, DPP completed the expansion and modernisation of its primary processing plant. DPP’s processing plant currently comprise the following:

(i) a complex which houses the processing of primary products segment. The primary products include fresh whole chickens, cut-chicken parts, customised chicken marination and etc;

(ii) a poultry processing complex to house the processing of the further processed products segment. The further processed products include a wide range of semi-cooked products such as meatloaf, frankfurter, breaded fried chicken and nuggets;

(iii) a rendering plant (by-product processing plant) to process poultry by-products into powder and liquid form, which are rich in protein and fat content, to be used as part of formulation in producing poultry and aqua feeds. For example, the poultry processing plant generates large amounts of by-products (e.g. feathers, blood, fat, etc) which would have to be disposed of. With the rendering plant, these by-products are being processed into value add and hygienic raw materials for animal feeds manufacturing such as poultry and aqua feeds; and

(iv) a waste water treatment plant to improve the quality of the waste water discharged from the poultry processing plant to an acceptable level to comply with the requirements of the Department of Environment under the Ministry of Energy, Science, Technology, Environment & Climate Change.

The new poultry processing plant’s built-up area is approximately 83,000 square metres with production capacity of 280,000 birds slaughtered per day.

Further information on DPP is set out in **Appendix II** of this Circular.

2.1.4 Information on DPDC

DPDC was incorporated in Malaysia under the Companies Act 1965 (now repealed by the Act) on 21 March 1989 as a private limited company.

As at the LPD, the issued share capital of DPDC is RM149,226,486 comprising 149,226,486 DPDC Shares.

DPDC is principally involved in breeding and sale of day-old chicks, growing and selling broilers, contract farming activities and manufacture and sale of animal feeds and sale of related raw materials.

DPDC operates microbiological laboratories and undertakes bio-security measures in its farms and hatcheries, as well as health management monitoring.

The breeder farms operations are located in Kedah and Perak. The breeder houses are pre-engineered galvanised steel structures and are installed with insulated materials to maintain a healthy and comfortable environment for the breeders. DPDC uses Cobb breed, which is widely accepted in Malaysia. The breeder houses are equipped with the latest automated technology. The broiler farms are located in Perak and Johor. All the broilers are raised in large closed houses and are designed with ventilation and temperature control, providing a healthy and comfortable environment for the broilers to grow. The broiler farms are installed with customised equipment for automation and with well-balanced nutritious feeding and fresh water for optimum growth.

All the DPDC farms are awarded and certified with MyGAP and Biosecurity Program are implemented in accordance with MyGAP guidelines to prevent diseases in the farm. All the products of DPDC are halal-certified by the Department of Islamic Development Malaysia.

Further information on DPDC is set out in **Appendix III** of this Circular.

2.2 Rationale and benefit of the Proposed Strategic Partnership

Taking cognizance of the challenges of businesses of DPP and DPDC over the past 3 FYE 2017 to FYE 2019, our Board has taken the strategic decision to expand further downstream, modernise and increase production capacity.

Despite recording higher revenues year-on-year from FYE 2017 to FYE 2019, DPP had recorded declining gross profits mainly due to limited capacity of the then processing plant of 90,000 birds slaughtered per day, as well as low efficiency from out-dated machinery and low level automation. In addition, DPDC recorded losses mainly due to the volatility and sharp drop of live birds prices in FYE 2018 and FYE 2019 in an over-supply environment.

In February 2020, DPP had completed the expansion of its primary processing plant in Sitiawan, Perak and has increased its capacity from 90,000 birds slaughtered per day to 280,000 birds slaughtered per day. With the new highly automated primary processing plant that complies to international quality standard, DPP has increased its production capacity for the local premium raw chicken segment. Although the new poultry processing plant became operational in February 2020, the utilisation rate is lower than the optimum utilisation level and has yet to achieve the intended economies of scale.

The Proposed Strategic Partnership will provide an opportunity for MFM to harness Tyson's global distribution network and technical expertise in poultry integrated operations, whilst allowing Tyson to participate as a strategic investor in DSSB to leverage on MFM's standards in halal-certified food production.

The Proposed Strategic Partnership is expected to benefit MFM and DSSB Group in the following areas:

(i) stability of demand for DSSB Group's processed products through the Mac Food Supply Agreement which provides for the commitment from DSSB Group to support the poultry products demand of Mac Food derived from Malaysia (subject to pricing, quality standards and other applicable commercial terms), for a period of 5 years from the commencement of the date of the Mac Food Supply Agreement with ability to renew for successive terms of 1 year each upon mutual agreement between parties. The Mac Food Supply Agreement also stipulates that provided the DSSB Group's pricing is competitive with other third parties in Malaysia and the DSSB Group otherwise complies with the terms of the Mac Food Supply Agreement (including quality control requirements), Mac Food will, within 24 months from the effective date of the Mac Food Supply Agreement, which would be signed on the SPA Completion Date, purchase from the DSSB Group, at least 75% of its demand for poultry products derived from Malaysia;

(ii) access to Tyson's expertise regarding capabilities in fully vertically-integrated chicken production process and especially in respect of:

   (a) improving the yields for DSSB Group's chicken farming business which currently uses the Cobb breed supplied by Tyson Foods Group; and

   (b) increasing the variety of halal-certified products offering complemented by Tyson's processed foods technology; and

(iii) access to Tyson's expertise in global distribution capabilities which is expected to open new export markets for DSSB Group in line with Tyson's target markets for halal-certified food products in Singapore and the Middle East.

The value proposition envisaged above, if achieved, would significantly increase the volume of production and enable DSSB to optimise its new plant capacities and achieve economies of scale. Our Board envisage that the utilisation rate of the processing plant would improve from 48% as at LPD to 80% within 24 months subject to fulfilment of the minimum demand of 75% of Mac Food's demand for poultry products derived from Malaysia under and pursuant to the Mac Food Supply Agreement and the synergistic benefits arising from it. This would support the business operations of DSSB Group towards achieving the required financial targets in respect of the First Earnout Consideration and Second Earnout Consideration.

Although the Proposed Strategic Partnership will result in our Company divesting 49% of the integrated poultry business, our Company will continue to own 51% as an investment in a joint venture and financial results will be equity accounted. This is in view that under the Shareholders' Agreement, at least 1 affirmative vote from both our Company and Tyson respectively is required for the approval of board reserved matters which direct the activities that significantly affect DSSB's returns. In this regard, DSSB will no longer be deemed as our subsidiary. Any capital expenditure requirement in the future will be contributed on a proportionate basis. Notwithstanding this, we expect to continue enjoying synergies with the DSSB Group through the Transaction Documents to be entered into on SPA Completion Date, such as the MFM Grain Supply Agreement and the Master Service Agreement.

In the course of our negotiations with Tyson, Tyson has indicated that they may wish to acquire additional holdings in DSSB and we have agreed to accede to Tyson in relation to an integral condition imposed by Tyson for the Proposed Strategic Partnership, where, upon the expiry of 5 years from the SPA Completion Date;

(a) Tyson is entitled to exercise, at any time, the Tyson Call Option, and the consequence of which, Tyson will be the majority shareholder of DSSB and MFM will be a minority shareholder holding 40% equity interest in DSSB; and

(b) Tyson is entitled to exercise, at any time, the Tyson Call Option in part to acquire Tyson Call Option Partial Exercise Shares if Tyson has not received the written consent or confirmation of PPPNP referred to in **Section 2.4 (v)** of this Circular upon the expiry of 5 years from the date of the Shareholders' Agreement, and the consequences of which, Tyson will be the majority shareholder of DSSB and MFM will be a minority shareholder holding 49.99% equity interest in DSSB.

As an update, the Tyson Call Option in relation to the Tyson Call Option Partial Exercise Shares is no longer applicable as MFM has received written confirmation from PPPNP via its letter dated 19 April 2021 confirming that its consent is not required for any transfer or issuance of DSSB Shares.

Our Board is of the view that MFM will continue to derive benefits from the expected value proposition for the Proposed Strategic Partnership, albeit as a minority shareholder holding 40% equity interest in DSSB. The exercise of the Tyson Call Option will not affect certain of the operations and direction of business of DSSB Group as the important affairs and regulation of the DSSB Group will still be bound by the Shareholders' Agreement which will continue to subsist after the exercise of the Tyson Call Option.

Further, Tyson had also requested for MFM Change of Control Call Option by Tyson to acquire all the shares in DSSB held by the Company in the event that there has been a change in control over more than 50% of the issued shares of our Company, as elaborated in **Section 2.4 (vi)** of this Circular.

2.3 Salient terms of the SPA

Subject to the terms of SPA, MFM agrees to sell, and the Buyer agrees to buy, the Sale Shares, representing 49% equity interest in DSSB immediately following Completion free from any Encumbrances and together with all rights of any nature attaching or accruing to the Sale Shares on or after SPA Completion Date, including the right to receive all distributions and dividends declared, made or paid on or after SPA Completion Date.

Please refer to **Appendix IV** of this Circular for further information on the salient terms and conditions of the SPA, including the SPA Conditions Precedent.

2.4 Salient terms of the Shareholders' Agreement

Subject to the completion of the SPA, MFM, Tyson, DSSB, DPDC and DPP agree to execute the Shareholders' Agreement, in the agreed form, on the SPA Completion Date to formalise and set out the key terms outlining their respective obligations and liabilities among themselves as the shareholders of DSSB and the operations, management and affairs of DSSB Group on a commercial basis and in the spirit and manner set out in the agreement.

Some salient terms and conditions of the Shareholders' Agreement are as follows:

(i) **Right of First Refusal ("ROFR")**

Following the expiry of the Lock-up Period, subject to the applicable law in Malaysia, a shareholder of DSSB ("**ROFR Seller**") may transfer the entire legal and beneficial ownership of all (but not less than all) of its DSSB Shares to a bona fide third party purchaser who is a single body corporate pursuant to a bona fide offer with indicative terms, provided that before it agrees to make such a transfer, the ROFR Seller of the ROFR shall first issue a written notice to the other shareholder(s) of DSSB, copied to DSSB.

(ii) **Drag-Along Right**

Subject to any shareholder of DSSB which, together with its affiliates, has a shareholding percentage of more than 50% ("**Majority Shareholder**") having complied in full with its obligation under ROFR (unless waived in writing by all other DSSB shareholders), if the Majority Shareholder receives an offer from a bona fide third party purchaser for all (not less than all) of its DSSB Shares which the Majority Shareholder wishes to accept, the Majority Shareholder has the right ("**Drag-Along Right**") to require the other shareholder(s) of DSSB to sell all (and not less than all) of their DSSB Shares to the bona fide third party purchaser on the same terms and condition as the Majority Shareholder has agreed to sell its DSSB Shares including, giving such representations, warranties and indemnities and contributing (where required) pro-rata into any escrow agreement which the Majority Shareholder may agree with the bone fide third party purchaser, provided that all liability to the bona fide third party purchaser shall be on a several basis only. The price to be paid by the bona fide third party purchaser for each DSSB Share subject to the Drag-Along Right shall be no less than the price per DSSB Share payable to the ROFR Seller, calculated in accordance with the formula stated in **Section 5** of **Appendix V** of this Circular, set out in the ROFR Seller's written notice to the other shareholder(s) of DSSB for the sale of the ROFR share ("**ROFR Offer Notice**").

(iii) **Tag-Along Right**

Subject to the Majority Shareholder having complied in full with its obligations under ROFR (unless waived in writing by all other DSSB shareholders), if the Majority Shareholder receives an offer from a bona fide third party purchaser for all (and not less than all) of its DSSB Shares, which is bona fide offer in writing, and contains all material terms and conditions, including the consideration payable for the DSSB Shares that are the subject of the offer, and which it wishes to accept the offer, it shall, unless it has exercised its Drag-Along Right, give written notice to the other shareholder(s) of DSSB as soon as practical after having received the offer notifying them of the offer and inviting them to sell all (and not less than all) of their DSSB Shares to such bona fide third party purchaser on the same terms and conditions as the Majority Shareholder has agreed to sell its DSSB Shares. Such invitation to sell shall remain open for not less than 10 Business Days from the date of the written notice from the Majority Shareholder.

Please refer to **Section 7** of **Appendix V** of this Circular for further information on the Tag-Along Right.

(iv) **Tyson Call Option**

MFM grants Tyson the option to require MFM to sell to Tysonsuch number of DSSB Shares held by MFM or an affiliate equivalent to 11% of the total number of the issued DSSB Shares on the date on which Tyson exercises the Tyson Call Option at any time after 5 years from the date of the Shareholders' Agreement.

The aggregate purchase price payable by Tyson for all the Tyson Call Option Shares ("**Tyson Call Option Shares Price**") shall be an amount calculated as follows:

$$\textbf{Tyson Call Option Shares Price} = \left[\{(8 \times \text{Tyson Call Option LTM EBITDA}) - \text{Tyson Call Option Relevant Debt} + \text{Tyson Call Option Relevant Cash}\} \right] \times A$$

A	=	11%;
Tyson Call Option LTM EBITDA	=	EBITDA for the 12 calendar month-period ending on the last day of the month immediately preceding the month in which the exercise date of the Tyson Call Option or such other date as may be determined in accordance with the Shareholders' Agreement ("**Tyson Call Option Reference Date**") falls.
Tyson Call Option Relevant Debt	=	The aggregate amount of Debt of DSSB Group as at 5:00 p.m. on the last day of the month immediately preceding the month in which the date of the Tyson Call Option Reference Date falls. Debt refers to the aggregate amount of any loans, financing liabilities, indebtedness or other liabilities set out in the Shareholders' Agreement (in each case whether or not due and payable) of the DSSB Group.

Tyson Call Option Relevant Cash	=	The aggregate amount of Cash of DSSB Group as at 5:00 p.m. on the last day of the month immediately preceding the month in which the date of the Tyson Call Option Reference Date falls. Cash refers to the aggregate amount of cash and cash equivalent held by DSSB Group as determined in accordance with the Accounting Standards, including cash balances and deposits in bank accounts reported in RM.

(v) **Tyson Call Option Partial Exercise (for information only)**

MFM shall use best endeavours to obtain either (i) the written consent of PPPNP for any transfer or issuance of DSSB shares pursuant to the provisions of the Shareholders' Agreement; or (ii) a written confirmation from PPPNP confirming that its consent is not required for any transfer or issuance of DSSB Shares. In the event Tyson has not received a copy of the written consent or confirmation from PPPNP upon the expiry of 5 years from the date of the Shareholders' Agreement, Tyson may, at any time following the expiry of 5 years from the date of the Shareholders' Agreement, exercise the Tyson Call Option in part in respect of the Tyson Call Option Partial Exercise Shares to require MFM to sell to Tyson the Tyson Call Option Partial Exercise Shares. MFM has on 19 April 2021 received written confirmation from PPPNP confirming that its consent is not required for any transfer or issuance of DSSB Shares.

(vi) **MFM Change of Control Call Option ("MFM CoC")**

If a person or group of persons (together with their respective affiliates) purchase or make a binding offer to purchase (whether through a single transaction or a series of transactions) more than 50% of MFM Shares ("**MFM Change of Control Event**"), MFM shall immediately provide written notice of this to Tyson and DSSB.

On the occurrence of this, subject to applicable law, Tyson shall be entitled to purchase all (and not less than all) of DSSB Shares held by MFM ("**MFM CoC Shares**").

Tyson may exercise its right to purchase all DSSB Shares held by MFM by providing written notice to MFM stating its intentions to exercise such right. Tyson may issue the notice at any time after it receives a notice from MFM pursuant to the event or after Tyson otherwise becomes aware of this.

The purchase price payable by Tyson for each MFM CoC Share upon the occurrence of the MFM Change of Control Event shall be an amount equal to an amount ("**EBITDA Value Per MFM CoC Share**") calculated as follows:

$$\textbf{EBITDA Value Per MFM CoC Share} = \frac{\{(8 \text{ x MFM CoC LTM EBITDA})\} - \text{MFM CoC Relevant Debt} + \text{MFM CoC Relevant Cash}}{\text{Total number of issued DSSB Shares as at the last day of the month immediately preceding the month in which the date of the MFM Change of Control Event Notice falls}}$$

MFM CoC LTM EBITDA	=	EBITDA for the 12 calendar month-period ending on the last day of the month immediately preceding the month in which the date of the MFM Change of Control Event Notice falls.

MFM CoC Relevant Debt	=	The aggregate amount of Debt of DSSB Group as at 5:00 p.m. on the last day of the month immediately preceding the month in which the date of the MFM Change of Control Event Notice falls. Debt refers to the aggregate amount of any loans, financing liabilities, indebtedness or other liabilities set out in the Shareholders' Agreement (in each case whether or not due and payable) of the DSSB Group.
MFM CoC Relevant Cash	=	The aggregate amount of Cash of DSSB Group as at 5:00 p.m. on the last day of the month immediately preceding the month in which the date of the MFM Change of Control Event Notice falls. Cash refers to the aggregate amount of cash and cash equivalent held by DSSB Group as determined in accordance with the Accounting Standards, including cash balances and deposits in bank accounts reported in RM.

MFM shall, upon receiving the notice from Tyson, sell to Tyson all of its DSSB Shares on such date as may be agreed between MFM and Tyson, which date shall be within 10 Business Days from the date on which the accounts that are referred to in determining the purchase price payable become final and binding in accordance with the terms of the Shareholders' Agreement and otherwise based on the terms of the transfer of DSSB Shares between DSSB's shareholders.

(vii) **Board Reserved Matters**

MFM and Tyson agree that no action shall be taken or resolution passed by any Group Company for all board reserved matters as set out in the Shareholders' Agreement pertaining to key matters such as but not limited to, changes in capital structure, approval of annual budget, entering into new business ventures, declaration of dividends, risk management and restructuring of any Group Company (the "**Board Reserved Matters**") (or anything which is analogous or has a substantially similar effect to any of those matters) without the approval of at least one DSSB Director or Subsidiary Director (as applicable) appointed by each of MFM and Tyson

(viii) **Shareholder Reserved Matters**

MFM and Tyson agree that no action shall be taken or resolution passed by any Group Company for all Shareholders' reserved matters as set out in the Shareholders' Agreement pertaining to key matters such as but not limited to, any Board Reserved Matter which is escalated by the DSSB Board to the Shareholders or by the Subsidiary Board to DSSB, amendment of any Group Company's constitution, liquidation, winding-up or dissolution of a Group Company and declaration of dividend or distribution of profits, assets or reserves by any Group Company (the "**Shareholder Reserved Matters**") (or anything which is analogous or has a substantially similar effect to any of those matters) without the approval of both MFM and Tyson.

Please refer to **Appendix V** of this Circular for further information on the salient terms and conditions of the Shareholders' Agreement.

2.5 Salient terms of the Ancillary Agreements

2.5.1 Salient terms of the Mac Food Supply Agreement

On the SPA Completion Date, DSSB and DPP (collectively, the "**Mac Food Seller**") and Mac Food will execute the Mac Food Supply Agreement.

The Mac Food Supply Agreement is a long term supply agreement between the Mac Food Seller and Mac Food to support the domestic requirement for poultry products of Mac Food derived from the Malaysia market as set forth in the schedule of the Mac Food Supply Agreement (the "**Products**") (subject to pricing, quality standards and other applicable commercial terms contained in the Mac Food Supply Agreement), for a period of 5 years from the commencement of the Mac Food Supply Agreement which is to be signed on the SPA Completion Date and shall thereafter renew for successive terms of 1 year each upon the parties' written mutual agreement.

Mac Food agrees to purchase from DSSB and/or DPP (collectively, the "**Mac Food Seller**") and Mac Food Seller agrees to sell to Mac Food, the Products in such quantities as are ordered by Mac Food in accordance with the terms of the Mac Food Supply Agreement. Provided that Mac Food Seller's price is competitive with other third parties in Malaysia, and subject to quality control requirements and other applicable commercial terms contained in the Mac Food Supply Agreement, Mac Food agrees to purchase from Mac Food Seller, as of a date no later than 24 months following the SPA Completion Date, at least 75% of its demand for the Products derived from Malaysia.

Please refer to **Section 1** of **Appendix VI** of this Circular for further information on the salient terms of the Mac Food Supply Agreement.

2.5.2 Salient terms of the MFM Grain Supply Agreement

On the SPA Completion Date, Premier Grain, DSSB and DPDC (DSSB and DPDC collectively, the "**DSSB Grain Group**") will execute the MFM Grain Supply Agreement.

The MFM Grain Supply Agreement sets out the terms and conditions on the role of Premier Grain and the DSSB Grain Group in respect of the sourcing, trading of corn and/or soybean meals (the "**Raw Materials**") and full fat soya ("**FFS**") for Premier Grain and DSSB Grain Group's respective businesses.

The MFM Grain Supply Agreement shall be valid for an initial term of 10 years commencing from the date of the MFM Grain Supply Agreement ("**Initial Term**"). After the Initial Term, the MFM Grain Supply Agreement shall automatically renew for 1 year term (each, a "**Renewal Term**"), provided that if MFM is no longer a shareholder of DSSB on the date immediately preceding a Renewal Term, the MFM Grain Supply Agreement shall then be renewed for a final 18 months term ("**Final Term**") and shall thereafter expire unless otherwise mutually agreed by the parties.

Please refer to **Section 2** of **Appendix VI** of this Circular for further information on the salient terms of the MFM Grain Supply Agreement.

2.5.3 Salient terms of the Right of Access and Services Agreement

On the SPA Completion Date, MFM and DSSB Group will execute the Right of Access and Services Agreement.

DPDC is the tenant, lessee or registered proprietor (as applicable) for all those parcels of leasehold land identified under the Right of Access and Services Agreement (the "**Designated Lot**") and as delineated in the map annexed as appendix of the Right of Access and Services Agreement upon which a feed mill and other business operations of DSSB, DPDC and/or DPP (as applicable) are conducted in Lumut and Pasir Gudang.

MFM will be operating, managing and maintaining a physical connection in the form of a ground-level thoroughfare (the “**Thoroughfare**”) to ease and facilitate the flow and movement of traffic to and from the Designated Lots and permitting access to and use of all common areas and facilities which are necessary or desirable for DSSB Group to access and use for the DSSB Group's business operations, including a pier/jetty, workshop, truck scales, parking facilities and housing as more particularly set out in the Right of Access and Services Agreement (the “**Identified Facilities**”), and DSSB Group will be obtaining access to the Thoroughfare and access to and use of the Identified Facilities.

Please refer to **Section 3** of **Appendix VI** of this Circular for further information on the salient terms of the Right of Access and Services Agreement.

2.5.4 Salient terms of the Master Services Agreement

On the SPA Completion Date, MFM and DSSB will execute the Master Services Agreement.

MFM has agreed to provide services to the DSSB Group as contemplated in the ordinary course of business of the DSSB Group to support the continued and uninterrupted operation of the DSSB Group including amongst others, management fees, agreed costs of shared centralised services such as general administration, human resources, internal audit, group reporting and treasury as listed and particularised under the annexure of the Master Services Agreement (the “**Services**”), for the corresponding time periods commencing on the date thereof i.e. the SPA Completion Date and ending on the date on which a Service is discontinued or the Master Services Agreement is terminated.

As consideration for providing the Services, DSSB will pay to MFM, the applicable amounts for the Services (the “**Service Fees**”) and that:

(i) from 1 January 2022, MFM and DSSB shall perform an annual review of the Service Fees and if considered appropriate, revise such Service Fees with the approval of DSSB Board, and if the DSSB Board does not approve any proposed revision to the Service Fees in any calendar year, no Service Fees for any calendar year shall be more than 105% of such Service Fees for the immediately preceding calendar year; and

(ii) the aggregate amount of the Service Fees that would be payable for calendar year 2021 had such Services been performed commencing 1 January 2021 shall not exceed RM20,200,000.

Please refer to **Section 4** of **Appendix VI** of this Circular for further information on the salient terms of the Master Services Agreement.

2.5.5 Salient terms of the Internal Agreement

MFM will enter into the Internal Agreement with DSSB, DPDC and DPP prior to the Long Stop Date, to undertake an internal restructuring to enable the DSSB Group to achieve the following structure as at the SPA Completion Date in compliance with the terms of the SPA:

(a) DSSB Group’s Estimated Debt shall not be more than RM200 million; and

(b) there shall be no inter-company debt between each company in DSSB Group and MFM (and its affiliates).

The parties have agreed to enter into the Internal Agreement to undertake the following internal restructuring to satisfy the term of the SPA, where:

(a) DPDC will fully repay the inter-company loan and advances owing and payable by DPDC to MFM as at the date of the Internal Agreement;

(b) DPP will fully repay the inter-company loan and advances owing and payable by DPP to MFM as at the date of the Internal Agreement; and

(c) with the consent of the relevant financial institutions, MFM and DPP, being the co-customers under the facilities granted by the financial institutions will split and assume the liabilities under the existing banking facilities granted to MFM and DPP as standalone customers in the proportions and in the manner set out in the Internal Agreement.

Please refer to **Section 5** of **Appendix VI** of this Circular for further information on the salient terms of the Internal Agreement.

2.6 Disposal Consideration

The Disposal Consideration is payable in 3 main tranches as follows:

Disposal Consideration	Condition to attain aggregate disposal consideration	Amount
		RM'million
Initial Consideration	▪ Debt of not more than RM200 million ("**Target Debt**"); ▪ No intercompany debt; and ▪ Working capital of RM175 million at SPA Completion Date ("**Target Working Capital**")	140[(2)]
First Earnout Consideration	▪ EBITDA[(1)] equals to or greater than RM141 million for the FYE 2022; and ▪ Net Debt[(1)] being equal to or less than RM44 million as of 31 December 2022.	Up to 140
Second Earnout Consideration	▪ EBITDA[(1)] equals to or greater than RM173 million for the FYE 2023; and ▪ Net Cash[(1)] being equal to or greater than the 2023 Net Cash Target	Up to 140
Total		**Up to 420[(3)]**

Notes:

(1) EBITDA, net Debt and net Cash shall be subject to adjustments to be agreed upon by MFM and Tyson if a new further processing plant is approved and constructed subsequent to Completion.

(2) This is based on the assumption that there are no adjustments required to be made to the Initial Consideration based on Estimated Sale Shares Consideration and Post-Completion Adjustments as elaborated in Section 2.6.1 below

(3) In the event where the financial targets are met in full, and payment of RM140 million is made for the First Earnout Consideration and Second Earnout Consideration respectively, the total consideration will exceed RM420 million if the Post-Completion Adjustments result in an amount exceeding the Initial Consideration as explained in Section 2.6.1(b) below.

2.6.1 Initial Consideration

Under the terms of the SPA, MFM shall no later than 10 Business Days before SPA Completion Date, deliver to Tyson a pre-completion statement, with the Estimated Cash, Estimated Debt and the Estimated Working Capital, based on DSSB Group's books and records and other information (including any management accounts of DSSB, DPDC and DPP) then available and prepared in accordance with the Accounting Standards, from which the Estimated Sale Shares Consideration will be calculated and paid on the SPA Completion Date.

(a) On the SPA Completion Date, Tyson will pay the Estimated Sale Shares Consideration, being:

Cash amount of RM140 million

plus	:	49% multiplied by the Estimated Cash
(minus)	:	49% multiplied by the Estimated Debt Variance
plus or (minus)	:	49% multiplied by the amount by which Estimated Working Capital exceeds RM175 million being the Target Working Capital or (49% multiplied by the amount by which Estimated Working Capital is less than RM175 million), whichever applicable.

The arrangement for the estimation by MFM of the Estimated Sale Shares Consideration is to allow for expeditious payment of the first tranche of the Disposal Consideration by Tyson on the SPA Completion Date, as the actual amounts of the Actual Cash, Actual Debt and Actual Working Capital will not be determined until after the SPA Completion Date. The Initial Consideration of RM140 million was agreed on (among others) the condition that on the SPA Completion Date:

(i) DSSB Group's Actual Debt shall not be more than RM200 million;

(ii) there shall be no inter-company debt between each company in DSSB Group and MFM (and its affiliates); and

(iii) Target Working Capital shall be RM175 million,

and for which MFM endeavours to fulfil through (among others) the implementation of the Internal Agreement. The Estimated Sale Shares Consideration and the Post-Completion Adjustments (elaborated in (b) below) are mechanisms by which MFM and Tyson have agreed in compensating each other when the conditions in Section 2.6.1 (a) (i), (ii) and (iii) are not met, where there are (a) differences between the Estimated Cash and the Actual Cash, the Estimated Debt and the Actual Debt, and the Estimated Working Capital and the Actual Working Capital and/or (b) surpluses or shortfalls from the targeted amounts of Debt and Target Working Capital. Any additional payments made in excess of the Initial Consideration (if any) merely represents the portion of Tyson's equity of 49% of the surpluses from the agreed targets that are retained in the DSSB Group, which Tyson has agreed to compensate pursuant to the terms in arriving at the Estimated Sale Shares Consideration and Post-Completion Adjustments.

(b) **Post-Completion Adjustments**

Within 45 Business Days after the SPA Completion Date, MFM shall prepare the prescribed completion statement in accordance with Accounting Standards ("**Completion Statement**") in order to determine adjustments to the Estimated Sale Shares Consideration ("**Post-Completion Adjustments**").

Under the following circumstances, upward adjustment to the Estimated Sale Shares Consideration via payment by Tyson to MFM will be made no later than 10 Business Days following the date on which the Completion Statement is agreed or determined in accordance with the provisions of the SPA:

	Amount to be paid by Tyson to MFM in RM
(a) if the Actual Cash is **more than** the Estimated Cash	The amount by which the Actual Cash exceeds the Estimated Cash multiplied by 49%
(b) if the Actual Debt Variance is **less than** the Estimated Debt Variance	The amount by which the Actual Debt Variance is less than the Estimated Debt Variance multiplied by 49%
(c) if the Actual Working Capital **exceeds** the Estimated Working Capital	the amount by which the Actual Working Capital exceeds the Estimated Working Capital multiplied by 49%

Under the following circumstances, downward adjustment to the Estimated Sale Shares Consideration via payment by MFM to Tyson will be made no later than 10 Business Days following the date on which the Completion Statement is agreed or determined in accordance with the provisions of the SPA:

	Amount to be paid by MFM to Tyson in RM
(a) if the Actual Cash is **less than** the Estimated Cash	The amount by which the Actual Cash is less than the Estimated Cash multiplied by 49%
(b) if the Actual Debt Variance is **more than** the Estimated Debt Variance	The amount by which the Actual Debt Variance exceeds the Estimated Debt Variance multiplied by 49%
(c) if the Actual Working Capital is **less than** the Estimated Working Capital	the amount by which the Actual Working Capital is less than the Estimated Working Capital multiplied by 49%

MFM and Tyson agree that if payment is to be made by MFM to Tyson pursuant to the Post-Completion Adjustments, at the election of Tyson: (a) Tyson shall make a written demand on the Bank Guarantee for such amount to be paid to Tyson; (b) MFM shall promptly pay such amount to Tyson by electronic transfer of funds for same day value without deduction for bank or other similar charges into Tyson's account; or (c) the payment shall be paid to Tyson by a combination of (a) and (b) above.

(c) **Profit Guarantee Payment:**

In addition to the above Post-Completion Adjustments, in the event the EBITDA for the FYE 2021 based on the audited consolidated accounts of the DSSB Group falls below RM58 million, MFM will be required to pay the Profit Guarantee Payment:

(a) If the EBITDA for the FYE 2021 is less than RM58 million but equal to or more than RM54 million, MFM will be obliged to pay Tyson an amount of RM12 million; or

(b) If the EBITDA for the FYE 2021 is less than RM54 million, MFM will be obliged to pay Tyson an amount of RM15 million.

2.6.2 First Earnout Consideration

The First Earnout Consideration will be calculated and paid, subject to conditions being met, after the audited financial statements of DSSB Group for FYE 2022 becomes available and following final agreement by MFM and Tyson.

The First Earnout Consideration of up to RM140 million shall be paid by Tyson to MFM if the DSSB Group:

(a) achieves EBITDA based on the audited consolidated accounts of the DSSB Group equal to or greater than RM141 million[(1)] for the FYE 2022; and

(b) achieves an audited net Debt being equal to or less than RM44 million[(1)] as at 31 December 2022; and

If the EBITDA based on the audited consolidated accounts of the DSSB Group for the FYE 2022:

(a) is less than RM141 million, the First Earnout Consideration would be reduced by 1.5 times of the shortfall amount; or

(b) is less than RM48 million, the First Earnout Consideration would be zero.

***Note**:*

(1) in the event that the DSSB Board approves the construction of the new further processing facility during the FYE 2022, MFM and Tyson shall agree on (a) the appropriate adjustment to be made to the FYE 2022 target EBITDA (to take account, among others, the demolition of any existing further processing facility operated by any Group Company in connection with the construction of the new further processing facility), and (b) the appropriate treatment of any Cash to be utilised, or Debt to be incurred, in connection with the construction of the new further processing facility.

If the audited net Debt of DSSB Group as at 31 December 2022 is greater than RM44 million, the First Earnout Consideration would be reduced by, for each RM1.00 by which the audited net Debt of DSSB Group as at 31 December 2022 exceeds RM44 million, an amount equal to RM1.00 multiplied by the percentage of Buyer's equity ownership in DSSB as at 31 December 2022, subject to the First Earnout Consideration not being negative.

For avoidance of doubt, the First Earnout Consideration will not be increased if the net Debt is below RM44 million and there shall be no offset of the First Earnout Consideration underperformance of EBITDA by overperformance of net Debt target, and vice versa.

For illustrative purposes only, we set out a scenario for the adjustments to the First Earnout Consideration:

Assuming:

(a) The EBITDA for the FYE 2022 is RM130 million, which is RM11 million lower than the targeted EBITDA of RM141 million;

(b) The actual net Debt is RM60 million as at 31 December 2022 which is RM16 million higher than the targeted net Debt of RM44 million; and

(c) Percentage of Buyer's equity ownership in DSSB is 49% as at 31 December 2022.

As the EBITDA in (a) above is below the targeted EBITDA by RM11 million, this variance would be multiplied by 1.5 times to arrive at RM16.5 million and deducted from the First Earnout Consideration. As the net Debt in (b) above, exceeds the targeted net Debt by RM16 million, this variance would be multiplied by 49% to arrive at the amount to be deducted of RM7.84 million from the First Earnout Consideration, as follows:

	RM'000
First Earnout Consideration	140,000
(Less):	
Adjustment due to shortfall in EBITDA	(16,500)
Adjustment due to higher net Debt	(7,840)
Adjusted First Earnout Consideration	**115,660**

2.6.3 Second Earnout Consideration

The Second Earnout Consideration will be calculated and paid, subject to conditions being met after the audited financial statements of DSSB Group for FYE 2023 becomes available and following final agreement by MFM and Tyson.

The Second Earnout Consideration of up to RM140 million shall be paid by Tyson to MFM if the DSSB Group:

(a) achieves EBITDA based on the audited consolidated accounts of DSSB Group equal to or greater than RM173 million[(1)] for the FYE 2023;

(b) the actual net Cash as at 31 December 2023 is equal to or more than the 2023 Net Cash Target[(1)]; and

If the EBITDA based on the audited consolidated accounts of DSSB Group for the FYE 2023:

(a) is less than RM173 million, the Second Earnout Consideration would be reduced by 1.5 times of the shortfall amount; or

(b) is less than RM80 million, the Second Earnout Consideration would be zero.

***Note**:*

(1) in the event that the DSSB Board approves the construction of the new further processing facility during the FYE 2023, MFM and Tyson shall agree on (a) the appropriate adjustment to be made to the FYE 2023 target EBITDA (to take account, among others, the demolition of any existing further processing facility operated by any Group Company in connection with the construction of the new further processing facility), and (b) the appropriate treatment of any Cash to be utilised, or Debt to be incurred, in connection with the construction of the new further processing facility.

If the audited net Cash of the DSSB Group as at 31 December 2023 is a positive number and is less than 2023 Net Cash Target, the Second Earnout Consideration would be reduced by, for each RM1.00 by which the audited net Cash of the DSSB Group as at 31 December 2023 is less than the 2023 Net Cash Target, an amount equal to RM1.00 multiplied by the percentage of Buyer's equity ownership in DSSB as at 31 December 2023 (such amount, the "**Net Cash Deducted Amount**"), subject to the Second Earnout Consideration not being negative.

If the audited net Cash of the DSSB Group as at 31 December 2023 is a negative number, the Second Earnout Consideration would be reduced by an amount equal to (a) the Net Cash Deducted Amount multiplied by (b) the sum of the absolute value of the net Cash of the DSSB Group as at 31 December 2023 plus the 2023 Net Cash Target.

For avoidance of doubt, the Second Earnout Consideration will not be increased if the net Cash is above the 2023 Net Cash Target and there shall be no offset of the Second Earnout Consideration underperformance of EBITDA by overperformance of net Cash target, and vice versa.

For illustrative purposes only, we set out below two scenarios for the Second Earnout Consideration:

Actual Net Cash for FYE 2023 is higher than the 2023 Net Cash Target

Assuming:

(a) The EBITDA for the FYE 2023 is RM200 million, which is higher by RM27 million from the targeted EBITDA of RM173 million;

(b) the actual net Cash is RM90 million;

(c) the actual net Debt is RM60 million as at 31 December 2022 which is RM16 million higher than the FYE 2022 targeted net Debt of RM44 million; and

(d) percentage of Buyer's equity ownership in DSSB is 49% as at 31 December 2023.

As the actual net Debt as at 31 December 2022 is RM16 million higher than the FYE 2022 targeted net Debt of RM44 million, the 2023 Net Cash Target would be adjusted to RM84 million (being RM16 million deducted from RM100 million). No adjustment to the Second Earnout Consideration in this regard is required as the actual net Cash of RM90 million achieved in FYE 2023 is higher than the 2023 Net Cash Target. The higher EBITDA of RM27 million will not be adjusted to the Second Earnout Consideration, as follows:

	RM'000
Second Earnout Consideration	140,000
(Less):	
Adjustment due to shortfall in EBITDA	-
Adjustment due to non-achievement of 2023 Net Cash Target	-
Second Earnout Consideration payable	**140,000**

Actual Net Cash for FYE 2023 is lower than the 2023 Net Cash Target

Assuming that all variables remain the same as the illustration above, save for actual net cash for FYE 2023 which is now negative:

(a) The EBITDA for the FYE 2023 is RM200 million, which is higher by RM27 million from the targeted EBITDA of RM173 million;

(b) the actual net Cash is negative RM20 million;

(c) the actual net Debt is RM60 million as at 31 December 2022 which is RM16 million higher than the FYE 2022 targeted net Debt of RM44 million; and

(d) percentage of Buyer's equity ownership in DSSB is 49% as at 31 December 2023.

In view that EBITDA for FYE 2023 exceeds the targeted EBITDA of RM173 million, no adjustment to the Second Earnout Consideration is necessary in this regard.

As illustrated above, the 2023 Net Cash Target would be adjusted to RM84 million (being RM16 million deducted from RM100 million). Given that the actual net Cash for FYE 2023 is a negative number, the Second Earnout Consideration shall be adjusted as follows:

	RM'000
Second Earnout Consideration	140,000
(Less):	
Adjustment due to shortfall in EBITDA	-
Adjustment due to non-achievement of 2023 Net Cash Target	(50,960)(1)
Second Earnout Consideration payable	**89,040**

***Note**:*

(1) Calculated as the product of (a) the Net Cash Deducted Amount of 49%, being the percentage of Buyer's equity ownership in DSSB as at 31 December 2023, and (b) RM104 million, being the sum of the absolute value of the actual net Cash of DSSB Group as at 31 December 2023 and the 2023 Net Cash Target.

<u>Summary</u>

Based on the above, MFM may:

(i) need to pay up to RM15 million of Profit Guarantee Payment to Tyson if the EBITDA based on the audited consolidated accounts of the DSSB Group falls below RM58 million for the FYE 2021;

(ii) not be entitled to the full amount of First Earnout Consideration or Second Earnout Consideration, or at all, if the DSSB Group's actual EBITDA, net Debt and net Cash do not meet the respective targets in the FYE 2022 and 2023 respectively; and

(iii) not be entitled to a higher consideration even if the DSSB Group over-achieves in respect of the financial targets.

Our Company will make the necessary announcements, as appropriate should there be any variance in the final Initial Consideration, Profit Guarantee Payment, First Earnout Consideration and Second Earnout Consideration.

2.7 Basis and Justification of the Disposal Consideration, exercise price for the Tyson Call Option and Profit Guarantee Payment

2.7.1 Basis for the Disposal Consideration

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

(i) the EBITDA of DPP of approximately RM15.65 million for the FYE 2019 and the losses before interest, tax, depreciation and amortisation of DPDC of approximately RM11.24 million for the FYE 2019;

(ii) the financial targets to qualify for the First Earnout Consideration and Second Earnout Consideration; and

(iii) the proforma NA of the DSSB Group as at 31 December 2020 of approximately RM695.78 million based on the assumptions highlighted in **Section 2.9** of this Circular.

2.7.2 Justification for the Disposal Consideration

Our Board is of the opinion that the Disposal Consideration is justified after taking into consideration the following:

(i) The future earnings potential of the DSSB Group;

(ii) The rationale of the Proposed Strategic Partnership as set out in **Section 2.2** of this Circular; and

(iii) the valuation multiples of comparable companies which are involved in similar poultry integration business in relation to the Proposed Strategic Partnership, the relative valuation analysis of which is set out in the ensuing page.

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Relative Valuation Analysis

These companies listed on Bursa Securities are broadly comparable to the DSSB Group based on the parameters which may be similar to DSSB Group such as manufacture and sale of animal feeds, processing and sale of poultry products, poultry grow-out farm, breeding and sale of day-old-chicks and contract farming activities.

However, there are no companies listed on Bursa Securities which are identical or directly comparable in terms of, among others composition of business activities, scale of business operations, historical performance and track records, accounting policies, risk profile, client base as well as future prospects. Accordingly, the selected comparable companies ("**Comparable Companies**") are selected based on a best-effort basis and any comparison made with these Comparable Companies is merely to provide an indicative valuation of DSSB Group in order to assess the Disposal Consideration.

The details of the Comparable Companies are as follows:

Company Name	**Principal activities**	[(1)] **Market capitalisation**	[(2)] **Revenue**	[(2)] **PAT / (LAT)**	[(1)(2)] **EV**	[(2)] **EBITDA**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Lay Hong Berhad ("**Lay Hong**")	Lay Hong is an investment holding company. The company, through subsidiaries, undertakes poultry farming, mass produces fresh table and specialty chicken eggs, liquid egg, chilled and frozen dressed chicken, chicken parts and processed related chicken products and produce organic fertilisers. Lay Hong is also involved in community type retail supermarket business.	221,197	839,697	5,576	542,939	69,929
CAB Cakaran Corporation Berhad ("**CAB**")	CAB is an investment holding company. Through its subsidiaries, the company breeds, processes, markets and trades broiler chickens. CAB also operates fast food and franchising business, operates supermarkets, manufactures marine products and trades poultry feeds and other farm consumables.	293,466	1,680,488	(11,131)	837,640	72,448

Company Name	Principal activities	Disposal Consideration	Market Capitalisation	(6) Revenue	(8) LAT	(9) EV	EBITDA
			RM'000	RM'000	RM'000	RM'000	RM'000
DSSB	DSSB Group provides poultry integrated services, which offers breeding, broiler, livestock, poultry feeding, processing and sale of poultry products	Initial Consideration	(3)285,714	(7)714,229	(36,800)	485,714	(10) 4,411
		First Earnout Consideration	(4)571,429	-	-	615,429	141,000
		Second Earnout Consideration	(5)857,143	-	-	757,143	173,000

Notes:

(1) Extracted from Bloomberg as at the LPD.

(2) Based on the latest available annual reports of the Comparable Companies respectively.

(3) Implied equity value of 100% equity interest computed based on the Initial Consideration of RM140 million.

(4) Implied equity value of 100% equity interest computed based on the aggregate of Initial Consideration and First Earnout Consideration of RM280 million.

(5) Implied equity value of 100% equity interest computed based on the aggregate of Initial Consideration, First Earnout Consideration and Second Earnout Consideration of RM420 million.

(6) Calculated by the aggregate of revenue of DPP and DPDC for the audited FYE 2019.

(7) Net of inter-company sales between DPP and DPDC, and vice versa.

(8) Calculated by the aggregate of PAT of DPP and DPDC for the audited FYE 2019.

(9) Calculated based on the 100% of the implied equity value upon achieving the targeted EBITDA, net debt or net cash for the applicable Initial Consideration, First Earnout Consideration and Second Earnout Consideration.

(10) Calculated by the aggregated EBITDA of DPP and DPDC for FYE 2019. For information purposes, the aggregated loss before interest, taxation, depreciation and amortisation for FYE 2020 was RM30.04 million.

(iv) the range of Disposal Consideration of between RM140 million and RM420 million translates into an implied EV/EBITDA of between 4.36 times and 110.11 times, compared with the EV/EBITDA of the Comparable Companies, details of which are as follows:

Name	[(1)] EV / EBITDA Multiple
	times
Lay Hong (based on historical EBITDA)	7.76
CAB (based on historical EBITDA)	11.56
Average	**9.66**
High	**11.56**
Low	**7.76**
Initial Consideration (based on historical EBITDA)	**[(2)] 110.11**
First Earnout Consideration (based on forward FYE 2022 EBITDA)	**[(3)] 4.36**
Second Earnout Consideration (based on forward FYE 2023 EBITDA)	**[(4)] 4.38**

Notes:

(1) Based on the respective audited consolidated financial statements of the respective Comparable Companies.

(2) The historical EV/EBITDA multiple was calculated after taking into consideration the 100% grossed up value of RM286 million based on Initial Consideration and the net debt of RM200 million over the net proforma EBITDA of DSSB Group approximately RM4.41 million of the integrated poultry segment for FYE 2019. For information, the DSSB Group would have recorded a proforma loss before interest, taxation, depreciation and amortization of RM30.04 million for the audited FYE 2020.

(3) The forward EV/EBITDA multiple calculated after taking into consideration of the aggregate of 100% grossed up Initial Consideration and First Earnout Consideration and the net debt of RM44 million based on the targeted achievement of net Debt for First Earnout Consideration in FYE 2022. The targeted EBITDA achievement is RM141 million for First Earnout Consideration in FYE 2022.

(4) The forward EV/EBITDA multiple calculated after taking into consideration of the aggregate of 100% grossed up Initial Consideration, First Earnout Consideration and Second Earnout Consideration and the net cash of RM100 million based on the targeted achievement of net cash for Second Earnout Consideration in FYE 2023. The targeted EBITDA achievement is RM173 million for Second Earnout Consideration in FYE 2023.

Based on the analysis above, the range of the Disposal Consideration of between RM140 million and RM420 million represents:

(i) The EV/EBITDA for Initial Consideration of 110.11 times based on the audited financial performance of DSSB Group on a proforma basis for FYE 2019 is higher than the average EV/EBITDA of Lay Hong and CAB of 9.66 times, which indicates that the Initial Consideration is at a valuation that is much higher than the comparable companies;

(ii) the EV/EBITDA for the aggregate of Initial Consideration and First Earnout Consideration of 4.36 times based on the targeted EBITDA for DSSB Group for FYE 2022 is lower than the average EV/EBITDA of Lay Hong and CAB of 9.66 times, which indicates that this aggregate consideration is at a valuation that is lower than the comparable companies; and

(iii) the EV/EBITDA for the aggregate of Initial Consideration, First Earnout Consideration and Second Earnout Consideration of 4.38 times based on the targeted EBITDA of DSSB Group for FYE 2023 is lower than the average EV/EBITDA of Lay Hong and CAB of 9.66 times, which indicates that this aggregate consideration is at a valuation that is lower than the comparable companies.

Our Board is of the view that the lower EV/EBITDA multiples for (ii) and (iii) above is justifiable given that Tyson is entering into the Proposed Strategic Partnership at this period where the DSSB Group has been adversely affected by the external conditions, and especially in the latest audited FYE 2020. Our Board is optimistic that the Proposed Strategic Partnership is expected to provide benefits and value proposition to MFM and DSSB Group as elaborated in **Section 2.2** of this Circular.

2.7.3 Justification for the Profit Guarantee Payment

Our Board is of the opinion that the Profit Guarantee Payment is justified in order to incentivise the Buyer to enter into with the Proposed Strategic Partnership given that the prospects of DSSB Group may be dampened by the current COVID-19 pandemic which has affected the results of DPP and DPDC in the audited FYE 2020 due to decreased economic activities, and may continue to affect operations and results of the DSSB Group in the FYE 2021.

2.7.4 Basis and justification for the exercise prices for the Tyson Call Option Shares and MFM Change of Control Call Option Shares

(a) The formula for the exercise price for the Tyson Call Option Shares is stated in **Section 8** of **Appendix V** of this Circular. Our Board is of the opinion that the exercise price for the Tyson Call Option Shares is justified as it is based on a multiple of 8 times of the prevailing EBITDA of the DSSB Group for the 12 calendar month-period ending on the last day of the month immediately preceding the month in which the date of the Tyson Call Option Reference Date (as elaborated in **Section 8 of Appendix V** of this Circular) falls. The multiple of 8 times is within the ranges of multiples of EV/EBITDA of comparable companies as set out in **Section 2.7.2** of this Circular.

(b) The formula for the exercise price for the MFM Change of Control Call Option Shares is stated in **Section 9** of **Appendix V** of this Circular. Our Board is of the opinion that the exercise price of the MFM Change of Control Call Option Shares is justified as it is based on a multiple of 8 times of the prevailing EBITDA for the 12 calendar month-period ending on the last day of the month immediately preceding the month in which the date of the MFM Change of Control Event Notice (as elaborated in **Section 9** of **Appendix V** of this Circular) falls. The multiple of 8 times is within the ranges of multiples of EV/EBITDA of comparable companies as set out in **Section 2.7.2** of this Circular.

2.7.5 Our Directors' Commentaries in relation to the agreed terms for the Proposed Strategic Partnership

In consideration of the significant benefits of the Proposed Strategic Partnership as outlined in **Section 2.2** of the Circular, MFM and Tyson discussed and negotiated a wide range of key commercial items and terms. The commercial terms agreed as a result of the negotiations took into account, among others, the prevailing business plan expectations of DSSB and the enhanced potential of DSSB following the partnership with Tyson compared with the status-quo of DPP and DPDC and certain challenging business conditions as set out in **Section 2.2** of this Circular.

In particular, the Proposed Strategic Partnership is expected to provide DSSB with additional demand as a result of the Mac Food Supply Agreement which could contribute to enhanced capacity utilisation of DPP's newly constructed primary processing facility and operational efficiencies arising from economies of scale. The introduction of an international partner such as Tyson is expected to enable DSSB to expand its customer base and access new export markets. As such, Tyson's potential investment in DSSB is expected to contribute directly and significantly to DSSB's future revenue and profitability potential.

The key commercial terms negotiated and agreed in consideration of amongst others, the above include:

1. The respective components of the Disposal Consideration (i.e. the Initial Consideration, First Earnout Consideration and Second Earnout Consideration), which includes components such as:
   a) achievement of EBITDA of at least RM48 million and RM80 million respectively in order to qualify for the First Earnout Consideration and Second Earnout Consideration ("**Minimum EBITDA**");
   b) achievement of EBITDA of RM141 million and RM173 million respectively in order to qualify for the maximum consideration of RM140 million for both First Earnout Consideration and Second Earnout Consideration;
   c) a reduction factor of 1.5 times in the event of any shortfall of EBITDA from the financial targets of RM141 million for the First Earnout Consideration and of RM173 million for the Second Earnout Consideration.

   The Minimum EBITDA was set as a floor for the financial targets for FYE 2022 and FYE 2023 respectively, and represents the expected minimum level of financial results for the operations of DSSB group in these 2 financial years. Hence, it was agreed that additional consideration would be only be payable upon achievement of the Minimum EBITDA.

   In agreeing to RM141 million and RM173 million respectively as one of the benchmarks for the maximum consideration of RM140 million for both First Earnout Consideration and Second Earnout Consideration, our Directors have taken into consideration amongst others, the capacity of our newly constructed primary processing plants to generate such financial targets as well as the potential contribution expected from Tyson in providing the demand via the Mac Food Supply Agreement as well as additional synergies arising from the economies of scale for the anticipated increase in production. Although DSSB Group has recorded substantial losses in the recent 3 years from FYE 2018 to FYE 2020 (which were primarily due to the volatility in the live birds prices in an oversupply environment and limited capacity in our poultry processing plant as well as the disruption from COVID-19 in FYE 2020), on a proforma basis, the DSSB Group has in FYE 2016 achieved EBITDA of RM83 million despite our poultry processing capacity then being only approximately one third of our current new poultry processing plant. Further, with the new processing plant, DSSB Group is less dependent on live birds market and hence is less affected by the volatility in the live birds prices.

   Our Directors acknowledge that the reduction factor of 1.5 times in the event of any shortfall of EBITDA from the financial targets for the First Earnout Consideration and Second Earnout Consideration respectively would result in a lower payment (which is not linear) if the financial targets are not achieved. The reduction factor of 1.5 times was negotiated with the intention of incentivising the achievement of the required targets of RM141 million and RM173 million.

2. The Profit Guarantee Payment where the DSSB Group is required to achieve EBITDA of at least RM58 million for FYE 2021 in order to be absolved from the Profit Guarantee Payment. Based on the Initial Consideration of RM140 million and assuming a debt amount of RM200 million (which is the targeted Actual Debt on the SPA Completion Date), this would translate into an EV/EBITDA valuation multiple of 8.4 times, which is within the range of the multiples of EV/EBITDA of comparable companies as set out in **Section 2.7.2** of this Circular.

3. Tyson Call Option which was an integral condition set by Tyson to potentially increase its shareholding to 60% after 5 years from the SPA Completion Date. An increased shareholding to 60% would indicate commitment by Tyson towards its investment in DSSB and this also potentially allows MFM to benefit from the envisaged growth of DSSB and any future uplift in value if the Tyson Call Option is exercised by Tyson in future.

4. The MFM Change of Control Call Option which was another integral condition set by Tyson and which is intended to protect its rights in partnering with our Company, a publicly listed company.

5. The valuation multiple of 8 times for both the Tyson Call Option and the MFM Change of Control Call Option which are based on future trailing EBITDA of DSSB Group at the point of the exercise of the options, is within the ranges of multiples of EV/EBITDA of comparable companies as set out in **Section 2.7.2** of this Circular.

Our Board is of the view that there will be a strong impetus for DSSB to achieve the financial targets due to the various synergistic benefits arising from the strategic partnership with Tyson. Barring any further escalation and protracted impact of COVID-19, our Board is of the opinion that the financial targets are reasonable and achievable.

2.8 Original cost of investment

The original cost and date of investment in DSSB, DPP and DPDC by MFM are as follows:

DSSB

Date of Investment	No. of DSSB Shares	Cost of Investment
		RM
2 February 2021	1	1
5 February 2021	271,235,531	271,235,531
Total	**271,235,532**	**271,235,532**

DPP

Date of Investment	No. of DPP Shares / Preference Shares	Cost of Investment
		RM
25 March 1988 to 6 October 2017	122,009,046	105,933,807

DPDC

Date of Investment	No. of DPDC Shares / Preference Shares	Cost of Investment
		RM
12 February 1990 to 20 April 2018	149,226,485	149,226,485

2.9 Estimated gain arising from the Proposed Strategic Partnership

Assuming the Proposed Strategic Partnership is completed at the end of FYE 2020, the pro-forma gains on disposal based on the audited consolidated financial statements of our Company for the FYE 2020 is as illustrated below:

	RM'000
Disposal Consideration	420,000
Investment in a joint venture(1)	437,143
Less:	
Estimated NA of DSSB Group(2)	(695,777)
Estimated expenses in relation to the Proposed Strategic Partnership(3)	(14,000)
Estimated net gain from the Proposed Strategic Partnership(4)	**147,366**

Notes:

(1) Upon the completion of the Proposed Strategic Partnership, MFM's investment in DSSB will be de-consolidated in view that the Shareholders' Agreement stipulates that at least 1 affirmative vote from both MFM and Tyson respectively will be required for the approval of board reserved matters in respect of the activities that significantly affect DSSB's returns. As such, the cost of investment for the remaining 51% equity interest in DSSB held by MFM will be accounted for as an investment in a joint venture.

(2) The proforma NA of the DSSB Group as at 31 December 2020 is approximately RM695.78 million after taking into account the DSSB Pre-Completion Restructuring based on the following assumption:

(i) NA of DPP and DPDC as at 31 December 2020 of RM28.33 million and RM70.54 million respectively;

(ii) The transfer of RM135,775,089 of bank borrowings from DPP to MFM via the issuance of 135,775,089 new DPP Shares to DSSB. DSSB will correspondingly issue 135,775,089 new DSSB Shares to MFM;

(iii) The repayment of amount owing from DPP to MFM of RM277,056,536 via the issuance of 277,056,536 new DPP Shares to DSSB. DSSB will correspondingly issue 277,056,536 new DSSB Shares to MFM; and

(iv) The repayment of amount owing from DPDC to MFM of RM184,081,620 via the issuance of 184,081,620 new DPDC Shares to DSSB. DSSB will correspondingly issue 184,081,620 new DSSB Shares to MFM.

The above proforma NA is based on the aggregation of items (i) to (iv).

(3) The estimated expenses in relation to the Proposed Strategic Partnership comprise, among others, professional fees for advisers and lawyers, fees payable to the authorities, expenses to convene the EGM, printing, despatch, advertising expenses and other incidental expenses to be incurred for the Proposed Strategic Partnership such as, amongst others, the stamp duties for all the related agreements arising from the Proposed Strategic Partnership.

(4) The estimated net gain from the Proposed Strategic Partnership of RM147.37 million is based on the audited consolidated financial information for FYE 2020.

The above proforma net gain from the Proposed Strategic Partnership of RM147.37 million is subject to changes depending on the following:

(a) final capitalisation of debt arising from the DSSB Pre-Completion Restructuring;

(b) the actual amount of Disposal Consideration to be received after adjustments based on events set out in **Section 2.6** of this Circular which includes:

(i) the actual financial performance of DSSB Group for the FYE 2021 which may result in adjustment to the Initial Consideration due to the Profit Guarantee Payment and a demand made on the Bank Guarantee; and

(ii) the actual financial performance of DSSB for the FYE 2022 to FYE 2023, which may result in the adjustment to the First Earnout Consideration and Second Earnout Consideration.

Please refer to **Section 4.2** of this Circular on the elaboration in relation to the risk pertaining to failure in receiving the total consideration.

2.10 Liabilities to be assumed by MFM

Save for the obligations and liabilities arising from the SPA which include liabilities arising from MFM's obligation under the fundamental and general warranties (that relates to, among others, the enforceability of the Transaction Documents) and tax warranties, the Profit Guarantee Payment as set out in **Sections 5 and 6** of **Appendix IV** of this Circular and the liabilities arising from the ancillary agreements as set out in **Sections 3 and 4** of **Appendix VI** of this Circular and the Internal Agreement as set out in **Section 5** of **Appendix VI** of this Circular, there are no other liabilities including contingent liabilities and guarantees to be assumed by our Company arising from the Proposed Strategic Partnership.

Save for the Profit Guarantee Payment, there are no other financial guarantees given by our Group to Tyson or DSSB Group..

3. UTILISATION OF PROCEEDS

The total proceeds from the Proposed Strategic Partnership of up to RM420 million is expected to be utilised as follows:

3.1 Initial Consideration

Details of utilisation	%	RM'million	Estimated utilisation timeframe from the receipt of proceeds
Repayment of bank borrowings(1)	90	126	Within 6 months from the receipt of the proceeds
Estimated expenses in relation to the Proposed Strategic Partnership(2)	10	14	Within 1 month from the receipt of the proceeds
Total	**100**	**140**	

Notes:

1. *As at 31 March 2021, MFM Group has an outstanding bank borrowing of approximately RM442.41 million, where approximately 59% comprise revolving credit loans, approximately 40% comprise trade loans and less than 1% comprise term loan. Assuming the average finance cost is 2.14% per annum, the repayment of bank borrowing of RM126 million will result in an interest expense savings of approximately RM2.70 million per annum.*

2. *Expenses in relation to the Proposed Strategic Partnership comprise, among others, professional fees for advisers and lawyers, fees payable to the authorities, expenses to convene the EGM, printing, despatch, advertising expenses and other incidental expenses to be incurred for the Proposed Strategic Partnership such as, amongst others, the stamp duties for all the related agreements arising from the Proposed Strategic Partnership. Any difference in the actual amount utilised for the estimated expenses relating to the Proposed Strategic Partnership would be used for working capital requirements of MFM Group.*

3.2 First Earnout Consideration

Assuming the maximum payment of up to RM140 million to be received after the FYE 2022

Details of utilisation	%	RM'million	Estimated utilisation timeframe from the receipt of proceeds
Repayment of bank borrowings(1)	100	140	Within 6 months from the receipt of the proceeds
Total	**100**	**140**	

Note:

1. *Upon the receipt of RM140 million from the First Earnout Consideration, MFM intends to repay its bank borrowings, which expected to comprise revolving credit loans, trade loans and term loan. The actual amount to be utilised to repay these bank borrowings has not been determined at this juncture as it is subject to the outstanding amounts of these bank borrowings at the time of repayment. As such, the savings in the interest expense will also depend on the actual amount to be utilised to repay these bank borrowings.*

3.3 Second Earnout Consideration

Assuming the maximum payment of up to RM140 million to be received after the FYE 2023

Details of utilisation	%	RM'million	Estimated utilisation timeframe from the receipt of proceeds
Repayment of bank borrowings(1)	46	64	Within 6 months from the receipt of the proceeds
Working capital(2)	54	76	Within 12 months from the receipt of the proceeds
Total	**100**	**140**	

Notes:

1. *MFM intends to utilise RM64 million to repay its bank borrowings, which expected to comprise revolving credit loans, trade loans and term loan. The actual allocation to repay these bank borrowings has not been determined at this juncture as it is subject to the outstanding amounts of these bank borrowings at the time of repayment. As such, the savings in the interest expense will also depend on the actual amount to be utilised to repay these bank borrowings.*

2. *MFM intends to utilise up to RM76 million of the proceeds to finance MFM Group's daily operations, which include, but are not limited to salary costs, administrative expenses and payment of trade and other payables. The breakdown for each component of working capital has not been determined at this juncture. The actual amount to be utilised by each component of working capital may differ subject to the operating requirements at the time of utilisation.*

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

Should there be any variation in the final Initial Consideration, First Earnout Consideration and Second Earnout Consideration, our Company will make the necessary announcements on the consequence of such variation to the intended utilisation of proceeds.

4. RISK FACTORS

4.1 Non-completion of the Proposed Strategic Partnership

The completion of the Proposed Strategic Partnership is conditional upon the SPA Conditions Precedent being fulfilled and/or waived. There is no assurance that all such SPA Conditions Precedent will be satisfied. Any delay in the fulfilment of the SPA Conditions Precedent may also cause delay in the completion or termination of the Proposed Strategic Partnership.

4.2 Failure in receiving the full Disposal Consideration

Under the SPA, the balance sum of up to RM280 million shall be settled by Tyson within the balance settlement period based on the achievement of financial targets for the FYE 2022 and FYE 2023 respectively as highlighted in **Section 2.6** of this Circular.

There is no assurance that the DSSB Group is able to achieve such targets for the FYE 2022 and FYE 2023 and in such event, our Company will receive either a lower First Earnout Consideration and/or lower Second Earnout Consideration, or not at all.

Further, if the EBITDA for the FYE 2021 based on the audited consolidated accounts of the DSSB Group falls below RM58 million, MFM will be required to pay the Profit Guarantee Payment of up to RM15 million. There is no assurance that DSSB Group will achieve an EBITDA of at least RM58 million for the FYE 2021.

Hence, failure to meet the conditions of the Profit Guarantee Payment, First Earnout Consideration and Second Earnout Consideration may result in the failure in receiving the full Disposal Consideration.

4.3 Joint venture interest in DSSB Group

Under the Shareholders' Agreement, at least 1 affirmative vote from both MFM and Tyson respectively is required for the approval of board reserved matters which direct the activities that significantly affect DSSB's returns. In this regard, pursuant to the IFRS and the MFRS 10 *Consolidated Financial Statements*, the DSSB Group is no longer deemed as a subsidiary of MFM although it still holds 51% of the equity interest upon the completion of the SPA. The remaining 51% investment in DSSB Group is accounted for under the IAS 28 and MFRS 128 *Investments in Associates and Joint Ventures*.

5. PROSPECTS OF DSSB GROUP AND MFM GROUP

5.1 Prospects of DSSB Group

The Proposed Strategic Partnership is expected to benefit the DSSB Group by allowing it to leverage on Tyson's global marketing network and supply chain, its proprietary technology in relation to integrated poultry production, as well as the branding and market reputation of its product portfolio.

With the Proposed Strategic Partnership in place, DSSB Group plans to undertake the following activities:

(i) Export its halal poultry products to the international market, establishing Malaysia as a strategic hub for its halal poultry product exports;
(ii) Engage in product development of value-added downstream products;
(iii) Apply proprietary Tyson technology to boost production, productivity and efficiency along the DSSB Group's entire supply chain;
(iv) Develop and introduce new poultry technology application infrastructure models; and
(v) Provide a holistic modern poultry farming eco-system that employs and demonstrates 'best-in-class best practices'.

The above activities are expected to improve the sustainability of the DSSB Group's business, and result in a positive accretion to the DSSB Group's future revenue and net assets.

(Source: Management of MFM)

5.2 Prospects of MFM Group

5.2.1 Prospects of MFM Group (excluding DSSB Group)

Apart from DSSB Group, our Group are involved in the flour, aqua feeds and grains trading businesses. For the latest audited FYE 2019, these businesses contributed RM1.98 billion of our Group revenue with a corresponding PBT of RM124.6 million. Additional information on our businesses are set out below:

Flour Business

Our Group's flour business involves the milling and selling of wheat flour and allied products in Malaysia, Vietnam and Indonesia via our joint venture company.

We see positive growth in the flour industry despite challenging economic conditions due to its continued affordability, market demand and it being one of the preferred choice as a food source in the markets that we operate in due to the following reasons:

(i) Continued demand from bakeries and noodle manufacturers;
(ii) Increase in consumption of plant protein products by discerning consumers; and
(iii) Rise in new segment of start-up food entrepreneurs venturing into home cooked food business.

Aqua Feeds Business

Our Group's feed business entails the manufacture and sale of aqua feeds and sale of related raw materials via our wholly-owned subsidiary, Dindings Soya & Multifeeds Sdn Bhd.

Our Group continues to be committed to the production of quality premium aqua feeds. Our Group will also use our aqua feed mill with 10,000 MT/month capacity as a strategic thrust into the growing aquaculture sector.

We expect the demand for aqua feeds to increase in tandem with higher food production and demand for animal protein due to the growing population.

Grains Trading

Our Group's grains trading business is in the trading in corn, soybean meal and other feed ingredients.

Through our 51%-owned subsidiary, Premier Grain Sdn Bhd, in partnership with Toyota Tsusho Corporation of Japan, we continue to be a local major player in grains trading.

Supported by a professional team of traders who are able to source commodities to ensure consistent and uninterrupted supply of essential commodities, our Group cultivates strong relationships with grains suppliers worldwide, which enables us to purchase raw materials from global sources at competitive prices. Our Group also implements innovative hedging techniques to maintain our trading profitability.

5.2.2 Prospects of MFM Group upon completion of the Proposed Disposal of DSSB

Upon completion of the Proposed Disposal of DSSB, we would be embarking on a strategic partnership with Tyson to further grow the business of the DSSB Group as highlighted in Section 5.1 above.

Our Group will also continue to operate the flour, aqua feeds and grains trading businesses which have historically been contributing towards a significant portion of our Group's revenue and profitability.

Aside from the benefits that will accrue to our Group from the Proposed Strategic Partnership which have been set out in Section 2.2 of this Circular, the Transaction Documents to be entered into by the MFM Group as part of the Proposed Strategic Partnership will also benefit other business segments of the our Group, such as our grains trading business and its corporate division.

In particular, the MFM Grain Supply Agreement allows our Group's grains trading business to leverage on economies of scale by combining, where applicable, our requirements for grains for trading with those required by the DSSB Group for production of animal feed under DPDC. This may result in lower cost of sales, and in turn better profitability for our Group's grain trading business, assuming all other factors such as grain pricing on the commodities market remain constant.

The Proposed Strategic Partnership is expected to transform our poultry integration business. With the easing of the movement control order by the government of Malaysia, we expect more sectors of the economy to open up, particularly the food and beverage as well as retail sectors. Due to these factors, we anticipate an improvement in the growth in the poultry integration business.

Moving forward, this enables our Group's other core businesses to be better focused. We expect to see continued positive growth, particularly from our Vietnam and Indonesia operations, while managing the uncertain economic environment and the challenges of commodity prices fluctuations and foreign exchange.

The above benefits, in combination with the benefits to our Group via our shareholdings in DSSB from the Proposed Strategic Partnership, are expected to bring a positive effect to our Group.

(Source: Management of MFM)

6. EFFECTS OF THE PROPOSED STRATEGIC PARTNERSHIP

6.1 Issued share capital and substantial shareholders' shareholdings

The Proposed Strategic Partnership (including the Tyson Call Option and MFM Change of Control Call Option) will not have any effect on the share capital and substantial shareholders' shareholdings of our Company as the Proposed Strategic Partnership does not involve any new issuance of MFM Shares.

6.2 NA and gearing

The proforma effects on the NA and the gearing of MFM Group based on the audited consolidated financial statements as at 31 December 2020 are prepared based on the following assumption:

(i) assuming the Proposed Strategic Partnership had been effected on 31 December 2020;

(ii) assuming MFM receives the Initial Consideration and DSSB Group achieves the financial targets for the FYE 2022 and FYE 2023 respectively as highlighted in **Section 2.6** of this Circular, where the balance sum of RM280 million is received in full;

(iii) assuming the Initial Consideration of RM140 million is received with no adjustments required pursuant to **Section 2.6.1** (a) of this Circular, and:

- assuming there is no Profit Guarantee Payment; and
- assuming the Bank Guarantee is not encashed;

(iv) assuming the Tyson Call Option is exercised and the proceeds of RM209 million from the exercise of the Tyson Call Option is based on an ***illustrative EBITDA of RM200 million*** based on targeted EBITDA for Second Earnout Consideration of RM173 million in FYE 2023, at a projected organic growth of approximately 5% each year thereafter;

(v) assuming Tyson Call Option Relevant Debt is nil and Tyson Call Option Relevant Cash of RM300 million;

(vi) assuming MFM Change of Control Call Option is exercised after the Tyson Call Option, hence the remaining issued shares not owned by Tyson is 40% immediately after the exercise of the Tyson Call Option and nil upon the exercise of the MFM Change of Control Call Option;

(vii) assuming the proceeds of RM760 million from the exercise of the MFM Change of Control Call Option is based on an ***illustrative EBITDA of RM200 million*** based on targeted EBITDA for Second Earnout Consideration of RM173 million in FYE 2023, at a projected organic growth of approximately 5% each year thereafter;

(viii) assuming MFM Change of Control Call Option Relevant Debt is nil and MFM Change of Control Call Option Relevant Cash of RM300 million;

(ix) assuming MFM's investment in DSSB will be de-consolidated and the cost of investment for the remaining 51% and 40% equity interest in DSSB held by MFM upon completion of the Proposed Strategic Partnership and the exercise of the Tyson Call Option respectively will be accounted for as an investment in a joint venture;

(x) assuming the proforma NA of DSSB as at 31 December 2020 is approximately RM695.78 million after taking into consideration the DSSB Pre-Completion Restructuring; and

(xi) assuming the estimated expenses in relation to the Proposed Strategic Partnership of approximately RM14 million.

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		(I)	(II)	(III)
	Audited as at 31 December 2020	**After the Proposed Strategic Partnership(1)**	**After (I) and the exercise of Tyson Call Option**	**After (I), (II) and the exercise of MFM Change of Control Call Option**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Share capital	530,665	530,665	530,665	530,665
RCULS-Equity	82,479	82,479	82,479	82,479
Warrant reserve	17,884	17,884	17,884	17,884
Other capital reserve	40,883	40,883	40,883	40,883
Translation reserve	(53,590)	(53,590)	(53,590)	(53,590)
Retained earnings	452,538	599,904	714,617	1,131,760
NA attributed to the owners of our Company	**1,070,859**	**1,218,225**	**1,332,938**	**1,750,081**
Number of MFM Shares in issue	1,010,282	1,010,282	1,010,282	1,010,282
NA per MFM Share **(RM)**(2)	1.06	1.21	1.32	1.73
Total interest-bearing borrowings (including lease liabilities)	1,165,171	(3)641,651	(4)432,651	(5)332,032
Gearing **(times)**(6)	1.09	0.53	0.32	0.19

Notes:

1. *The proforma effects on the NA and gearing of the Proposed Strategic Partnership have not taken into consideration the following completed events:*

    (i) *the conversion of 3,299,150 RCULS into 6,598,300 new MFM Shares up to the LPD; and*

    (ii) *the payment of an interim single tier dividend of approximately RM10.18 million on 26 March 2021.*

    After taking into consideration the completed events above and the Proposed Strategic Partnership:

    (i) *the NA attributable to the owners of our Company would be approximately RM1,208.04 million;*

    (ii) *the NA attributable to the owners of our Company per MFM Share would be RM1.19; and*

    (iii) *the gearing of MFM Group would be 0.53 times.*

2. *Calculated based on NA attributable to the owners of our Company divided by the number of MFM shares in issue.*

3. *Assuming repayment of bank borrowings of approximately RM330 million and de-consolidation of DPP and DPDC's total interest bearing borrowings of approximately RM193.52 million upon the completion of the Proposed Strategic Partnership.*

4. *Assuming repayment of bank borrowings of approximately RM539 million and de-consolidation of DPP and DPDC's total interest bearing borrowings of approximately RM193.52 million upon the completion of the exercise of the Tyson Call Option.*

5. *Assuming repayment of bank borrowings of approximately RM639.62 million and de-consolidation of DPP and DPDC's total interest bearing borrowings of approximately RM193.52 million upon the completion of the exercise of the MFM Change of Control Call Option.*

6. *Calculated based on total interest-bearing borrowings (including lease liabilities) divided by the NA attributable to the owners of our Company.*

6.3 Earnings per Share

The Proposed Strategic Partnership is expected to be completed by the second quarter of 2021 and hence, it is expected to contribute positively to the consolidated earnings and EPS of our Company for the FYE 2021 with the entry of Tyson as the strategic partner to open new markets and networks.

Further, based on the assumptions as highlighted and illustrated in **Section 2.9 and 5.2** of this Circular on the assumption that the Proposed Strategic Partnership is completed at the end of FYE 2020, the proforma gain arising from the Proposed Strategic Partnership is approximately RM147.37 million. Based on 1,007.59 million Shares, being the weighted average number of Shares in issue as at 31 December 2020, the proforma gain on disposal translates to an increase of 14.6 sen per Share.

For illustrative purposes only, assuming that the Proposed Strategic Partnership and the exercise of the Tyson Call Option and MFM Change of Control Call Option had been effected at the beginning of FYE 2020, the proforma effects on the earnings and EPS of MFM Group (excluding the proforma gain on disposal which has been illustrated in the preceding paragraph) are as follows:

	PATAMI / Proforma PATAMI	**EPS / Proforma EPS[(1)]**
	RM'000	**Sen**
PATAMI and EPS of MFM Group for FYE 2020	5,413	0.5
Add: Reversal of losses from DPP	52,811	5.2
Add: Reversal of losses from DPDC	35,611	3.5
Less: Share of losses in DPP and DPDC at 51% equity	(45,095)	(4.4)
Add: Savings in interest expense[(2)]	8,526	0.9
Proforma PATAMI and EPS of after the Proposed Strategic Partnership	**57,266**	**5.7**
Add: Reversal of 11% share of losses in DPP and DPDC	9,726	1.0
Add: Savings in interest expense[(3)]	4,389	0.4
Proforma PATAMI and EPS after the exercise of the Tyson Call Option	71,381	7.1
Add: Reversal of 40% share of losses in DPP and DPDC	35,369	3.5
Add: Savings in interest expense[(4)]	15,960	1.6
Proforma PATAMI and EPS after the exercise of MFM Change of Control Call Option	122,710	12.2

Notes:

1. *Based on 1,007,587,000 Shares, being the weighted average number of Shares in issue as at 31 December 2020*

2. *Assuming Disposal Consideration proceeds of RM406 million (net of Estimated Expenses mentioned in **Section 3.1** of this Circular), at average finance cost (net of 24% tax) of approximately 2.10% per annum*

3. *Assuming proceeds from the exercise of the Tyson Call Option amounting to RM209 million, based on an illustrative EBITDA of RM200 million which is based on EBITDA Target for Second Earnout Consideration of RM173 million in FYE 2023, at a projected organic growth of approximately 5% each year thereafter, at average finance cost (net of 24% tax) of approximately 2.10% per annum*

4. *Assuming proceeds from the exercise of the MFM Change of Control Call Option amounting to RM760 million, based on an illustrative EBITDA of RM200 million, which is based on EBITDA Target for Second Earnout Consideration of RM173 million in FYE 2023, at a projected organic growth of approximately 5% each year thereafter, at average finance cost (net of 24% tax) of approximately 2.10% per annum*

6.4 Our Company's shareholdings in DSSB

The effects on our Company's shareholdings in DSSB upon the exercise of various options by Tyson pursuant to the terms of the Shareholders' Agreement are as follows:

Shareholders of DSSB	**As at the LPD**	**After the Proposed Disposal of DSSB**	**Upon the exercise of Tyson Call Option[(1)]**	**MFM Change of Control Call Option**	**Drag-along Right & Tag-along Right[(2)]**
	Shareholdings in DSSB	**Shareholdings in DSSB**	**Shareholdings in DSSB**	**Shareholdings in DSSB**	**Shareholdings in DSSB**
	%	**%**	**%**	**%**	**%**
MFM	100	51	40	-	-
Tyson	-	49	60	100	-

Note:

1. *Tyson will no longer be entitled to exercise the Tyson Call Option in part in respect of the Tyson Call Option Partial Exercise Shares as MFM has procured the written confirmation from PPPNP confirming that its consent is not required for any transfer or issuance of DSSB Shares.*

2. *Please refer to Section 2.4 (ii) and (iii) for information on the Drag-along Right and the Tag-along Right.*

7. APPROVALS / CONSENT REQUIRED

The Proposed Strategic Partnership is subject to the following approvals being obtained:

(i) approval of our shareholders for the SPA and all the Transaction Documents at the forthcoming EGM to be convened;

(ii) consent of PPPNP, for the change of shareholding structure of DPDC arising from the Transfer and the Proposed Strategic Partnership (which has been duly obtained);

(iii) consent of creditors / lenders of our Company and/or DPP and DPDC arising from the DSSB Pre-Completion Restructuring to be obtained; and

(iv) any other relevant authorities and/or parties, if required.

8. CONDITIONALITY

Other than the Transfer which has been implemented in accordance with the Share Transfer Agreement and the DSSB Pre-Completion Restructuring to the implemented in accordance with the Internal Agreement, the Proposed Strategic Partnership is not conditional upon any other corporate proposal undertaken or to be undertaken by our Company.

9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of our directors and/or major shareholders of our Company and/or persons connected with them have any interest, either direct or indirect, in the Proposed Strategic Partnership.

10. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board, having considered all aspects of the Proposed Strategic Partnership, including but not limited to:

(i) the rationale for the Proposed Strategic Partnership;

(ii) the salient terms of the SPA, Transaction Documents and Internal Agreement;

(iii) the basis and justification for arriving at the Disposal Consideration, exercise prices for the Tyson Call Option, MFM Change of Control Call Option and Profit Guarantee Payment;

(iv) the utilisation of proceeds from the Proposed Strategic Partnership; and

(v) the effects of the Proposed Strategic Partnership,

is of the opinion that the Proposed Strategic Partnership is in the best interest of our Company.

Accordingly, our Board recommends you to vote in favour of the resolution pertaining to the Proposed Strategic Partnership to be tabled at our forthcoming EGM.

11. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Strategic Partnership pursuant to Paragraph 10.02(g) of the Listing Requirements based on the latest audited consolidated financial statements of MFM for the FYE 2020 is approximately 39.22%.

12. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Strategic Partnership, there is no other corporate exercise which has been announced but pending completion as at the LPD.

13. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to the fulfilment of all Conditions Precedent as set out in the SPA, the Proposed Strategic Partnership is expected to be completed by the second quarter of 2021.

The tentative timeline for the implementation of the Proposed Strategic Partnership is as follows:

Tentative timeline	Key milestones
11 May 2021	EGM
21 May 2021	SPA becomes unconditional
31 May 2021	Signing of the Transaction Documents
31 May 2021	Completion of the SPA

14. EGM

Our forthcoming EGM, the notice of which is enclosed in this Circular, will be conducted on a fully virtual basis from its Broadcast Venue at M5, Mezzanine Floor, Wisma MCA, 163 Jalan Ampang, 50450 Kuala Lumpur on Tuesday, 11 May 2021 at 10.00 a.m., for the purpose of considering if thought fit, passing with or without modifications, the resolution to give effect to the Proposed Strategic Partnership.

If you are unable to participate and vote remotely at our forthcoming EGM and wish to appoint a proxy to participate and vote in your stead, please complete, sign and return the enclosed Form of Proxy in accordance with the instructions contained therein as soon as possible and any event so as to arrive at the office of our Company's Share Registrar, Boardroom Share Registrars Sdn Bhd at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan *or lodge electronically via "Boardroom Smart Investor Portal" at https://boardroomlimited.my which is available to all individual members,* not less than 48 hours before the time stipulated for holding our forthcoming EGM. The lodging of the Form(s) of Proxy will not preclude you from participating and voting remotely at our forthcoming EGM should you subsequently wish to do so.

15. FURTHER INFORMATION

We request that you refer to the attached appendices for additional information.

Yours faithfully,
For and on behalf of the Board of
MALAYAN FLOUR MILLS BERHAD

TUN ARSHAD BIN AYUB
Non-Independent Non-Executive Chairman

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INFORMATION ON DSSB

1. HISTORY AND PRINCIPAL ACTIVITIES

DSSB was incorporated under the Act on 2 February 2021 as a private limited company.

DSSB does not have any historical financial information as it is newly incorporated company.

Pursuant to the Share Transfer Agreement with MFM, DSSB acquired the entire equity interest of DPP for a consideration of RM122,009,046, as well as the entire equity interest of DPDC, save for 1 share held by PPPNP, for a consideration of RM149,226,485. The consideration for the acquisition of DPP and DPDC were fully satisfied via the issuance of 122,009,046 and 149,226,485 DSSB Shares to MFM respectively.

Pursuant to the terms of the SPA, DSSB will enter into the Internal Agreement with MFM, DPP and DPDC prior to the Long Stop Date of the SPA to effect the DSSB Pre-Completion Restructuring. Further information on the Internal Agreement can be found in **Section 5 of Appendix VI** of this Circular. It is the intention of DSSB to enter into the Internal Agreement upon receipt of shareholders' approval for the Proposed Strategic Partnership at the forthcoming EGM to be convened. Should there be any consideration due to MFM arising from the DSSB Pre-Completion Restructuring, such consideration shall be satisfied via the issuance of DSSB Shares to MFM.

As at LPD, DSSB owns 100% equity interest in DPP and 100% equity interest in DPDC except for 1 unit of DPDC Share held by PPPNP, which represent the poultry processing, poultry farming and feed mill businesses of MFM. DSSB was set up purely to facilitate the Proposed Strategic Partnership and will serve as the investment holding company to hold shares in DPDC and DPP, being the operating entities, and to appoint a business leader and a board of directors, comprising representatives of both MFM and Tyson to be housed in DSSB upon the completion of the SPA, whereby DSSB will act as the investment holding company vehicle, where its shares will be held by MFM and Tyson with equity interests of 51% and 49% respectively.

The setting up of DSSB and the Proposed Strategic Partnership would allow DPP and DPDC to explore future growth opportunities, which may include expanded further poultry processing operations, through the establishment of new companies beneath DSSB. As a result, DPP and DPDC would be able to continue to focus on existing business activities. The leadership structure at DSSB would allow coordination among its shareholders when making strategic decisions to grow the entire business of the DSSB Group.

2. SHARE CAPITAL

As at the LPD, the issued share capital of DSSB is RM271,235,532 comprising 271,235,532 DSSB Shares.

3. DIRECTORS

As at the LPD, the director of DSSB and his shareholdings in DSSB is as follow:

			Direct		Indirect	
Name	**Nationality**	**Designation**	**No. of DSSB Shares**	**%**	**No. of DSSB Shares**	**%**
Teh Wee Chye	Malaysian	Director	-	-	*271,235,532	100

Note:

* *Deemed interest by virtue of his interest in MFM pursuant to Section 8 of the Act.*

4. SUBSTANTIAL SHAREHOLDER

As at the LPD, DSSB is a wholly-owned subsidiary of MFM.

5. SUBSIDIARY AND ASSOCIATED COMPANY

As at present, the subsidiaries of DSSB are DPP and DPDC.

Further information on DPP and DPDC are set out in **Appendix II** and **Appendix III** of this Circular respectively.

6. MATERIAL CONTRACTS

Save for the Share Transfer Agreement, there is no material contract (not being contract entered into in the ordinary course of business) which has been entered into by DSSB during the past two years immediately preceding the date of this Circular. Pursuant to the terms of the SPA, the Transaction Documents and Internal Agreement shall be effected by DSSB, in the case of the Transaction Documents, upon Completion, which falls on the SPA Completion Date and in the case of the Internal Agreement, prior to the Long Stop Date.

7. MATERIAL LITIGATION

As at the LPD, DSSB is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the directors of DSSB and MFM have no knowledge of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of MFM Group.

8. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

8.1 Material commitments

As at the LPD, the Directors of DSSB and MFM are not aware of any material commitments incurred or known to be incurred by DSSB which, upon becoming enforceable, may have a material impact on the profits or NA of MFM Group.

8.2 Contingent liabilities

As at the LPD, the Directors of DSSB and MFM are not aware of any contingent liabilities incurred or known to be incurred by DSSB which, upon becoming enforceable, may have a material impact on the profits or NA of MFM Group.

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INFORMATION ON DPP

1. HISTORY AND BUSINESS

DPP was incorporated in Malaysia under the Companies Act 1965 (now repealed by the Act) on 14 September 1985 as a private limited company. DPP commenced business in August 1990 and is principally engaged in the processing and selling of poultry products.

The principal products from DPP includes the following:

(i) Primary processed products, whereby it produces chilled and frozen whole chicken, cut up parts, skinless and deboned meats under the brand names "Ayam Dindings" and "Ayam Jimat Fiesta";

(ii) marinated products, which includes customised marination services based on customers' specifications; and

(iii) further processed products, which provide a wide range of semi and fully cooked further processed products, under the brand names of "Ayam Dindings", "Ayam Fiesta", "Jimat Fiesta" and "DeliHous".

Based on the audited revenue generated by DPP for the FYE 2020, its principal market is in Malaysia in view that almost 100% of the revenue was generated in Malaysia. DPP supplies its products to major market segments in Malaysia including quick service restaurants, cafes, hospitals, hypermarkets, food manufacturers and caterers. The raw material of DPP consists mainly of broilers which are purchased locally from a related corporation, DPDC.

DPP's processing plant is located in Sitiawan, Perak. In February 2020, DPP completed the expansion and modernisation of its primary processing plant, which comprise the following:

(i) a complex which house the processing of primary products segment. The primary products include fresh whole chickens, cut-chicken parts, customised chicken marination and etc;

(ii) a poultry processing complex to house the processing of the further processed products segment. The further processed products include a wide range of semi-cooked products such as meatloaf, frankfurter, breaded fried chicken and nuggets;

(iii) a rendering plant (by-product processing plant) to process poultry by-products into powder and liquid form, which are rich in protein and fat content, to be used as part of formulation in producing poultry and aqua feeds. For example, the poultry processing plant generates large amounts of by-products (e.g. feathers, blood, fat, etc) which would have to be disposed of. With the rendering plant, these by-products are being processed into value add and hygienic raw materials for animal feeds manufacturing such as poultry and aqua feeds; and

(iv) a waste water treatment plant to improve the quality of the waste water discharged from the poultry processing plant to an acceptable level to comply with the requirements of the Department of Environment under the Ministry of Energy, Science, Technology, Environment & Climate Change.

The new poultry processing plant's built-up area is approximately 83,000 square metres with production capacity of 280,000 birds slaughtered per day.

The details of the premises owned by DPP are as follows:

Location / Identification of property	Description / Existing use	(2) Age of buildings	Built-up area	Owner	Latest audited net book value as at 31 December 2020
		Years	acres		RM'000
Mukim Lumut, District of Manjung Perak Darul Ridzuan/ HSD 42440, PT 19754 (expiring on 13 September 2116)	(1) Office and factory	30	26.68	DPP	5,745
Mukim Lumut, District of Manjung Perak Darul Ridzuan/ PN 296140 Lot 15562 (expiring on 9 July 2105)	Factory	3	5.172	DPP	257,475

Notes:

(1) The office and factory on this property were reconstructed and were completed and commenced operation since the first quarter of 2020.

(2) The age of buildings up to the LPD.

Currently, the total production capacity of the poultry processing complex owned by DPP is 280,000 birds slaughtered per day.

2. SHARE CAPITAL

As at the LPD, the issued share capital of DPP is RM122,009,046 comprising 122,009,046 DPP Shares.

3. BOARD OF DIRECTORS

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

			Direct		Indirect	
Name	Nationality	Designation	No. of DPP Shares	%	No. of DPP Shares	%
Teh Wee Chye	Malaysian	Director	-	-	*122,009,046	100
Azhari Arshad	Malaysian	Director	-	-	-	-

Note:

* *Deemed interest by virtue of his interest in MFM pursuant to Section 8 of the Act.*

4. SUBSTANTIAL SHAREHOLDER

As at present, DPP is a wholly-owned subsidiary of DSSB.

5. SUBSIDIARY AND ASSOCIATED COMPANY

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

6. SUMMARY OF FINANCIAL INFORMATION

A summary of the key financial information of DPP for the audited FYE 2018 to FYE 2020, is set out below:

	Audited for the FYE		
	2018	**2019**	**2020**
	RM'000	**RM'000**	**RM'000**
Revenue	329,483	337,081	391,636
Gross Profit	46,319	45,207	7,521
EBITDA	15,750	15,647	(22,474)
PBT/(LBT)	7,484	2,347	(56,758)
PAT/(LAT)	4,394	(1,017)	(52,811)
Number of issued ordinary shares ("**000**")	54,000	54,000	54,000
Net earnings per DPP Share (**RM**)	0.08	(0.02)	(0.98)
Share capital	122,009	122,009	122,009
Shareholders' funds / NA	82,154	81,137	28,326
NA per DPP Share	1.52	1.50	0.52
Current ratio (**times**)(1)	0.61	0.40	0.32
Total borrowings (including lease liabilities)	141,281	251,380	248,758
Gearing ratio (**times**)(2)	1.72	3.10	8.78

Notes:

1. *Calculated based on total current assets divided by the total current liabilities.*
2. *Calculated based on total borrowings divided by the NA.*

COMMENTARIES ON THE PAST FINANCIAL PERFORMANCE OF DPP

Comparison between FYE 2018 and FYE 2019

DPP's revenue increased by 2.30% with RM337.08 million recorded in FYE 2019 as compared to RM329.48 million recorded in FYE 2018, mainly attributed to higher sales volume in FYE 2019.

DPP's PBT declined by 68.60% from RM7.48 million recorded in the FYE 2018 to RM2.35 million recorded in FYE 2019. The lower PBT in FYE 2019 was mainly due to higher interest expense in FYE 2019 arising from higher working capital requirement as well as lower margin in FYE 2019 resulting from higher factory overhead costs.

Comparison between audited FYE 2019 and FYE 2020

DPP's revenue increased by 16.18% with RM391.64 million recorded in the audited FYE 2020 as compared to RM337.08 million recorded in FYE 2019. This was mainly due to higher sales volume of poultry processed products in the audited FYE 2020 arising from the expanded production capacity in the new primary poultry processing plant starting from the first quarter of 2020.

Despite the higher sales volume, DPP incurred LBT of RM56.76 million in the audited FYE 2020 as compared to a PBT of RM2.35 million in FYE 2019, mainly due to the compressed margins arising from the lower average selling price of poultry processed products due to competitive pressure coupled with higher interest and depreciation costs incurred for the new processing plant which had yet to achieve economies-of-scale as the utilisation rate remained lower than the optimum utilisation level.

Accounting policies and audit qualification

For the past 3 FYEs 2018, 2019 and 2020 under review:

(i) there were no exceptional or extraordinary items reported in DPP's audited financial statements;

(ii) there are no accounting policies adopted by DPP which are peculiar to DPP due to the nature of its business or the industry which it is involved in; and

(iii) DPP's external auditors had not issued any audit qualification on its financial statements.

7. MATERIAL CONTRACTS

There is no material contract (not being contract entered into in the ordinary course of business) which has been entered into by DPP during the past two years immediately preceding the date of this Circular. Pursuant to the terms of the SPA, DPP shall enter into the Internal Agreement prior to the Long Stop Date and the relevant Transaction Documents where DPP is a party named therein, upon Completion of the SPA, which is on the SPA Completion Date.

8. MATERIAL LITIGATION

As at the LPD, DPP is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the directors of DPP and MFM have no knowledge of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of MFM Group save and except for:

(i) Kuala Lumpur High Court Suite No.: WA-24C-21-01/2020

eTEC E&C (M) Sdn Bhd – (the "**Plaintiff**" and "eTEC)

DPP – (the "**Defendant**")

On 16 December 2016, DPP issued a letter of award to eTEC where DPP awarded the construction works of V5, Primary Processing and Further Processing Plant in Lumut for the total sum of RM247,219,526 to eTEC. eTEC has provided a performance guarantee for RM12,360,976 which is the sum equivalent to 5% of the total contract sum, issued by a licensed financial institution in favour of DPP ("**Performance Guarantee**").

There were delays in the completion of the works and eTEC had breached its obligations under the contract which led to issuance of a notice of default by DPP to eTEC on 10 January 2020 and the eventual termination notice on 24 January 2020.

Just prior to DPP making a demand on the Performance Guarantee, eTEC's solicitors obtained an interim injunction to restrain DPP from making a demand on the Performance Guarantee. The inter parte hearing on the eTEC's injunction application was disposed on 28 August 2020 at the High Court wherein the Judge dismissed eTEC's application for a permanent injunction on the ground that DPP was not unconscionable in its conduct.

Subsequently DPP made a demand on the Performance Guarantee on 28 August 2020 and the bank released the payment under the Performance Guarantee.

The Plaintiff's solicitors have filed an appeal against the decision of the High Court to the Court of Appeal and the case management has been fixed on 10 March 2021.

DPP's solicitors are of the opinion that DPP have a reasonably good prospect of getting the appeal dismissed.

(ii) Court of Appeal Civil Appeal No: W-02(C)(A0 – 1163-09/2020

eTech E&C (M) Sdn Bhd – Appellant

DPP – Defendant

eTEC filed an appeal against the decision of the High Court to the Court of Appeal. On 10 March 2021, the Court of Appeal fixed the matter for further case management on 1 April 2021 to enable eTEC to file their Supplementary Record of Appeal.

On 1 April 2021, the Court of Appeal directed the respective parties to file and serve:

(a) the written submission on or by 14 January 2022; and

(b) the reply (if any) on or before 1 February 2022,

and the Court of Appeal further fixed the matter for case management on 28 January 2022 and for Hearing on 15 February 2022.

(iii) Arbitration

Parties: (1) DPP

(2) eTEC & eTEC E&C Limited ("**eTEC Korea**")

(A) Notice of Arbitration filed by DPP on 11 September 2020 ("**DPP NOA**")

(B) Notice of Arbitration filed by eTEC E&C Limited on 15 September 2020 ("**eTEC**") ("**eTEC NOA**")

1. Nature of claim / counterclaim:

(aa) By a letter of award dated 16 December 2016 ("**eTEC Contract**"), eTEC was engaged by DPP to construct for DPP's benefit, 3 separate facilities that are otherwise referred to as V5, Primary Processing Plant ("**PPP**") and further Processing Plant ("**FPP**").

(bb) Separately, by a Parent Company Guarantee ("**PCG**") dated 15 December 2016, eTEC Korea had guaranteed eTEC's performance under the eTEC Contract, failing which eTEC Korea undertook to become the original obligor in place of eTEC.

(cc) The engineer had certified that V5 was practically completed by eTEC on 24 July 2018, a year later than the schedule completion date under the eTEC Contract.

(dd) In respect of the remaining works for, among others, PPP and FPP, there were numerous instances where eTEC failed to properly execute the works, including but not limited to the eTEC's abandonment of FPP.

(ee) On 6 February 2020, DPP Issued a notice of termination of the eTEC Contract as a result of eTEC's failure to satisfactorily rectify the defects specified under the engineer's notice of default dated 10 January 2020 (ref: RHDHV/ETEC/DPP/ LTR/246).

(ff) As at the date of termination, the status of works for PPP was near completion, while works for FPP was still substantially incomplete.

(gg) On 11 September 2020, DPP served the DPP NOA on eTEC and eTEC Korea to commence an arbitration in accordance to the Institution of Engineers Malaysia ("**IEM**") arbitration rules, claiming for, amongst others, DPP's losses suffered as a result of eTEC's various breaches of the terms of the eTEC Contract in the sum of approximately RM46,697,788.10.

(hh) On 15 September 2020, eTEC served the eTEC Notice on DPP to commence an arbitration in accordance to the IEM arbitration rules, claiming for, amongst others:

(i) payment for work done and variations;

(ii) damages for loss and expenses for delay and extension of time;

(iii) damages for unlawful termination and repudiation of the eTEC Contract; and

(iv) repayment of monies under the performance bond.

2. The first preliminary meeting was held on 16 February 2021 and the current status of the arbitration process is pending. DPP scheduled to file its Statement of Claim on 12 April 2021.

3. DPP's solicitors, namely M/s Lee Hishammuddin Allen & Gledhill are of the opinion that DPP has a good arguable claim against eTEC for the losses suffered as a result of eTEC's various breaches of the eTEC Contract. DPP is continuing to assess its claims against eTEC Korea.

(iv) Adjudication proceedings under the Construction Industry Payment and Adjudication Act 2012 ("**CIPAA 2012**") arising from Progress Claim No. 35-R1

Adjudication Reference No: AIAC/D/ADJ-3448-2020

Parties: eTEC as the claimant

DPP as the respondent

1. DPP appointed eTEC to carry out the full construction (CSA and MEP non-process and Utility Distribution network) of DPP poultry plant – which includes V5, PPP and FPP on Lot 15562 (V5 Site), Lot 15656, Lot 15657 and Lot 6478 (Main Site) at Lumut Port Industrial Park, Kampung Acheh, Mukim Lumut, Daerah Manjung, Perak Darul Ridzuan ("**Project**"). As such it was an employer-contractor type of relationship.

2. eTEC had issued 4 separate payment claims under Section 5 of CIPAA 2012 to DPP for claims under progress claim nos. 31 to 34 respectively. All of these claims were subsequently withdrawn and/or discontinued by eTEC.

3. Nevertheless, on 23 September 2020, eTEC had issued a payment claim under Section 5 of CIPAA 2012 to DPP for its final claim under progress claim no. 35-R1.

4. eTEC contended that: -

   (a) eTEC had submitted progress claim no. 35-R1 for the amount of RM65,940,125.60;

   (b) DPP's payment obligations are governed under Section 36(4) of CIPAA 2012;

   (c) the notice of termination dated 6 February 2020 was purportedly wrongful and in repudiatory breach of the contract; and

   (d) therefore, eTEC was left with no choice but to accept the repudiation on 13 March 2020.

5. As such, eTEC had issued the said progress claim under Section 5 of CIPAA 2012 pursuant to its final claim under progress claim no. 35-R1 to DPP to claim for the purported amount of RM65,940,125.60.

6. On 7 October 2020, DPP had issued a payment response pursuant to Section 6 of CIPAA 2012 to reply and oppose the payment claim issued by eTEC.

7. In the payment response, DPP had also sought to extinguish eTEC's claim for a total cross-claim amount of at least RM46,346,821.16 (and interests and costs) against eTEC.

8. The matter is actively ongoing in early 2021. For completeness, the following relevant information are only as at 8 March 2021are as follows:

   (a) on 4 January 2021, eTEC filed its adjudication claim under Section 9 of CIPAA 2012 for the sum of RM65,940,125.60;

   (b) on 1 February 2021, DPP filed its adjudication response under Section 10 of CIPAA 2012 to dispute and challenge eTEC's claimed sum in its entirety, on the various grounds. DPP had also sought to extinguish eTEC's claim by revising its total cross-claim amount to RM48,137,003.66 (and interests and costs) against eTEC; and

   (c) on 18 February 2021, eTEC filed its adjudication reply under Section 11 of CIPAA 2012 to reply to DPP's adjudication response.

9. DPP's solicitors, namely M/s Ho Partnership are of the opinion that DPP has a reasonably fair chance in defending eTEC's claim.

9. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

9.1 Material commitments

As at the LPD, save as disclosed below, the Directors of DPP and MFM are not aware of any material commitments incurred or known to be incurred by DPP which, upon becoming enforceable, may have a material impact on the profits or NA of MFM Group:

	RM'000
Property, plant and equipment	
Contracted but not provided for	10,344

9.2 Contingent liabilities

As at the LPD, save as disclosed below, the Directors of DPP and MFM are not aware of any contingent liabilities incurred or known to be incurred by DPP which, upon becoming enforceable, may have a material impact on the profits or NA of MFM Group, except for the material litigation mentioned in **Section 8** of **Appendix II** of this Circular.

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INFORMATION ON DPDC

1. HISTORY AND BUSINESS

DPDC was incorporated in Malaysia under the Companies Act 1965 (now repealed by the Act) on 21 March 1989 as a private limited company. In 2018, arising from an internal restructuring, Dindings Soya & Multifeeds Sdn Bhd and MFM Feedmill Sdn Bhd, both of which are DPDC's related corporation, have transferred their poultry feeds business to DPDC. Upon completion of this restructuring, DPDC manufactures poultry feeds both for internal consumption and to be sold externally as well as sell related raw materials.

DPDC commenced business in April 1992 and is principally engaged in breeding and sale of day-old chicks, poultry grow-out farm, purchase and contract farming activities, manufacture and sale of animal feeds and sale of related raw materials.

Based on the audited revenue generated by DPDC for the FYE 2020, its principal market is in Malaysia in view that 100% of the revenue was generated in Malaysia.

Currently, the day-old chicks production capacity in the breeder farms owned by DPDC is approximately 65,000,000 per year. The day-old-chicks are either sold or grown into broilers whereby they are sold internally to DPP and sold externally as live birds in Malaysian market. DPDC also have poultry feed milling capacity totalling 50,000 metric tonne per month, whereby the poultry feeds are consumed internally and sold externally in the Malaysian market.

The principal products of DPDC include the following:

(i) day-old chicks, whereby they are either sold or grown into broilers;

(ii) broilers, whereby they are sold internally to DPP and sold externally as live birds;

(iii) poultry feeds, where they are consumed internally and sold externally; and

(iv) raw materials.

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INFORMATION ON DPDC (CONT'D)

The details of the premises owned by DPDC are as follows:

Location / Identification of property	Description / Existing use	[1] Age of buildings	Built-up area	Owner	Latest audited net book value as at 31 December 2020
		years	acres		RM'000
Mukim Lumut, District of Manjung, Perak Darul Ridzuan / HSD 30841 PT 1352, HSD 30845 PT 13525 and HSD 30844 PT 13524 (expiring in 2075)	Breeder farm and factory	31	200	DPDC (Lessee)	21,098
Mukim Pengkalan Baharu, District of Manjung, Perak Darul Ridzuan / PN370859 Lot 23679, HSD 35899 PT 18500 and HSD 35900 PT 18501 (expiring in 2075)	Broiler farm	28	464.96	DPDC (Lessee)	55,569
Mukim Sri Gading, District of Batu Pahat, Johor Darul Takzim / HS(M) 15129 PTD 21255	Broiler farm	24	17.84	DPDC	5,924
Mukim Lumut, District of Manjung, Perak Darul Ridzuan / PN 378132 Lot 5471 and PN 378133 Lot 5472 (expiring on 7 May 2034)	Breeder farm	10	25.81	DPDC	1,490
Mukim Sungai Terap, District of Kinta, Perak Darul Ridzuan / Geran Nos 110919, 110936, 110937, 110940 & 110941, Lots 65276, 65297, 65298, 65301 & 65302	Broiler farm	9	25.91	DPDC	5,809
Mukim Tawar, District of Baling, Kedah Darul Aman / Geran No. 53949 Lot 3997	Breeder farm	9	116.83	DPDC	21,823
Mukim Lenggong, District of Hulu Perak, Perak Darul Ridzuan / Geran No. 43156 Lot 4656 and Geran No. 11810 Lot 9132	Vacant land	-	95.54	DPDC	7,981

INFORMATION ON DPDC (CONT'D)

Location / Identification of property	Description / Existing use	[1] Age of buildings	Built-up area	Owner	Latest audited net book value as at 31 December 2020
		years	acres		RM'000
Mukim Lenggong, District of Hulu Perak, Perak Darul Ridzuan / GRN 65374 Lot 3160 and GRN 61255 Lot 3163	Broiler farm	3	21.67	DPDC	6,371
Mukim Beriah, District of Kerian, Perak Darul Ridzuan / Geran No. 364, Lot 1029 Geran No. 413, Lot 272 Geran No. 435, Lot 969 Geran No. 659, Lot 965 Geran No. 785, Lot 968 Geran No. 980, Lot 971 Geran No. 981, Lot 972 Geran No. 982, Lot 973 Geran No. 983, Lot 974 Geran No. 984, Lot 975 Geran No. 985, Lot 976 Geran No. 986, Lot 966 Geran No. 987, Lot 967 Geran No. 988, Lot 980 Geran No. 989, Lot 981 Geran No. 993, Lot 274 Geran No. 994, Lot 275 Geran No. 996, Lot 278 Geran No. 997, Lot 279 Geran No. 1001, Lot 1046 Geran No. 1003, Lot 970	Vacant land	-	102.93	DPDC	8,643

INFORMATION ON DPDC (CONT'D)

Location / Identification of property	Description / Existing use	[1] Age of buildings	Built-up area	Owner	Latest audited net book value as at 31 December 2020
		years	acres		RM'000
Geran No. 2385, Lot 977					
Geran No. 2388, Lot 1301					
Geran No. 2390, Lot 1300					
Geran No. 2444, Lot 978					
Geran No. 2445, Lot 979					
Geran No. 2464, Lot 1033					
Geran No. 2915, Lot 1034					
Geran No. 2925, Lot 1035					
Geran No. 1092, Lot 964					
Geran No. 365, Lot 1030					
Geran No. 373, Lot 1036					
Geran No. 392, Lot 1031					
Geran No. 594, Lot 1032					
Geran No. 753, Lot 276					
Geran No. 976, Lot 1037					
Geran No. 992, Lot 273					
Geran No. 995, Lot 277					
Geran No. 998, Lot 281					
Geran No. 1002, Lot 1305					
Geran No. 1138, Lot 1304					
Geran No. 2383, Lot 280					
Geran No. 2386, Lot 1302					
Geran No. 2387, Lot 1303					

INFORMATION ON DPDC (CONT'D)

Location / Identification of property	Description / Existing use	[1] Age of buildings	Built-up area	Owner	Latest audited net book value as at 31 December 2020
		years	**acres**		**RM'000**
Mukim Pengkalan Baharu, District of Manjung, Perak Darul Ridzuan Geran No. 2935 Lot 102 Geran No. 2949 Lot 101	Broiler farm	6	2.54	DPDC	1,515

***Note**:*

(1) The age of buildings up to the LPD.

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2. SHARE CAPITAL

As at the LPD, the issued share capital of DPDC is RM149,226,486, comprising 149,226,486 DPDC Shares.

3. DIRECTORS

As at the LPD, the Directors of DPDC and their shareholdings in DPDC are:

			Direct		Indirect	
Name	Nationality	Designation	No. of DPDC Shares	%	No. of DPDC Shares	%
Teh Wee Chye	Malaysian	Director	-	-	*149,226,485	100
Azhari Arshad	Malaysian	Director	-	-	-	-

Note:

* *Deemed interest by virtue of his interest in MFM pursuant to Section 8 of the Act.*

4. SUBSTANTIAL SHAREHOLDER

As at present, DPDC is a wholly-owned subsidiary of DSSB, except for 1 unit of DPDC Share held by PPPNP which has no voting rights nor entitled to any dividends, rights, allotments or other forms of distribution.

5. SUBSIDIARY AND ASSOCIATED COMPANY

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

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6. FINANCIAL INFORMATION

A summary of the key financial information of DPDC for the FYE 2018 to FYE 2020, is set out below:

	Audited for the FYE		
	2018	**2019**	**2020**
	RM'000	**RM'000**	**RM'000**
Revenue	548,722	574,550	570,789
Gross Profit / (Loss)	23,885	(4,105)	(363)
EBITDA	10,166	(11,236)	(7,565)
PBT / (LBT)	(20,453)	(46,662)	(40,882)
PAT / (LAT)	(14,906)	(35,783)	(35,611)
Number of issued ordinary shares ("**000**")	106,030	106,030	106,030
Net earnings per DPDC Share (**RM**)	(0.14)	(0.34)	(0.34)
Share capital	149,226	149,226	149,226
Shareholders' funds / NA	141,932	106,149	70,538
NA per DPDC Share	1.34	1.00	0.67
Current ratio (**times**)(1)	0.61	0.53	0.42
Total borrowings (including lease liabilities)	600	67,952	80,537
Gearing ratio (**times**)(2)	negligible	0.64	1.14

Notes:

1. *Calculated based on the total current assets divided by the total current liabilities.*
2. *Calculated based on total borrowings divided by the NA.*

COMMENTARIES ON THE PAST FINANCIAL PERFORMANCE OF DPDC

Comparison between FYE 2018 and FYE 2019

DPDC recorded a 4.70% increase in revenue from RM548.72 million in the FYE 2018 to a revenue of RM574.55 million in the FYE 2019. The higher revenue in 2019 was attributed to higher sales of poultry feeds, raw materials and live birds, primarily driven by higher sales volume in FYE 2019. However, live birds prices declined in FYE 2019 due to excessive supply of live birds.

DPDC's LBT widened to RM46.66 million in the FYE 2019 as compared to LBT of RM20.45 million in FYE 2018, mainly due to the lower live birds prices in 2019. The excessive supply of live birds induced a downward pressure on the prices.

Comparison between audited FYE 2019 and audited FYE 2020

DPDC's revenue decreased by 0.65% with RM570.79 million recorded in the audited FYE 2020 as compared to RM574.55 million recorded in FYE 2019. This was mainly due to higher volume of day-old-chick being sold at a price lower than that of live birds price in the audited FYE 2020. DPDC's LBT narrowed to RM40.88 million in the audited FYE 2020 as compared to LBT of RM46.66 million in FYE 2019, mainly due to the slightly improved live birds prices in FYE 2020. As the new primary processing plant came into operation, the sales volume of live birds sold externally decreased whilst more broilers were channeled to the poultry processed products segment at a higher price in FYE 2020 as compared to that of FYE 2019.

Accounting policies and audit qualification

For the past 3 FYEs 2018, 2019 and 2020 under review:

(i) there were no exceptional or extraordinary items reported in DPDC's audited financial statements;

(ii) there are no accounting policies adopted by DPDC which are peculiar to DPDC due to the nature of its business or the industry which it is involved in; and

(iii) DPDC's external auditors had not issued any audit qualification on its financial statements.

7. MATERIAL CONTRACTS

There is no material contract (not being contract entered into in the ordinary course of business) which has been entered into by DPDC during the past two years immediately preceding the date of this Circular. Pursuant to the terms of the SPA, DPDC shall enter into the Internal Agreement prior to the Long Stop Date and the relevant Transaction Documents where DPDC is a party named therein, upon Completion of the SPA, which is on the SPA Completion Date.

8. MATERIAL LITIGATION

As at the LPD, DPDC is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the directors of DPDC and MFM have no knowledge of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of MFM Group.

9. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

9.1 Material commitments

As at the LPD, save as disclosed below, the Directors of DPDC and MFM are not aware of any material commitments incurred or known to be incurred by DPDC which, upon becoming enforceable, may have a material impact on the profits or NA of MFM Group:

	RM'000
Property, plant and equipment	
Contracted but not provided for	1,217

9.2 Contingent liabilities

As at the LPD, save as disclosed below, the Directors of DPDC and MFM are not aware of any contingent liabilities incurred or known to be incurred by DPDC which, upon becoming enforceable, may have a material impact on the profits or NA of MFM Group.

SALIENT TERMS OF THE SPA

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

1. Sale and purchase

Subject to the terms of the SPA, MFM agrees to sell, and the Buyer agrees to buy, the Sale Shares free from any encumbrances and together with all rights of any nature attaching or accruing to the Sale Shares on or after Completion, including the right to receive all distributions and dividends declared, made or paid on or after Completion.

2. SPA Conditions Precedent

The sale and purchase of the Sale Shares is conditional upon the fulfilment of, amongst others, the following SPA Conditions Precedent as soon as reasonably practicable after the date of the SPA and in any event on or before 5:00 p.m. on Long Stop Date:

(a) in the event the merger control regime under the Malaysian Competition Act 2010 comes into force prior to Completion: (i) the Buyer being satisfied that the Proposed Strategic Partnership does not constitute a merger which would require the approval of the Malaysia Competition Commission under the Malaysian Competition Act 2010 or (ii) if the Proposed Strategic Partnership constitutes a merger which would require the approval of the Malaysia Competition Commission under the Malaysian Competition Act 2010, the Malaysia Competition Commission having provided its approval for the Proposed Strategic Partnership, without imposing any conditions, or if any conditions are imposed, such conditions being acceptable to the Buyer in its absolute discretion;

(b) the despatch by MFM of an announcement and a circular (each in the agreed form) to its shareholders and the passing at a duly convened general meeting of MFM's shareholders of the resolutions set out in the circular to approve MFM's entry into the SPA, the Proposed Strategic Partnership and the other transactions contemplated by the Transaction Documents, without requiring any amendment to be made to the Transaction Documents or any other agreement which is in agreed form, and such approval remaining in full force and effect;

(c) (i) the completion of the Transfer in accordance with the terms of the Share Transfer Agreement, with all costs and expenses incurred in connection with or arising from the Transfer (including any stamp duty payable in relation to the transfer of the shares of DPDC and DPP) being borne by MFM (and not any DSSB Group company) and (ii) DPDC having provided written notice to PPPNP of the change in its shareholding structure as a result of completion of the Transfer (in respect of the shares of DPDC);

(d) the Estimated Debt not exceeding RM200 million;

(e) (i) the repayment of all loans, obligations and other indebtedness due from any member of MFM's Group (MFM and its affiliates) (excluding, for this purpose, each Group Company) any director of any member of MFM's Group (excluding, for this purpose, each Group Company) and/or any person connected with any of them to any Group Company; and (ii) the cancellation of all loans, obligations and other indebtedness due from any Group Company to any member of MFM's Group (excluding, for this purpose, each Group Company), any director of any member of MFM's Group (excluding, for this purpose, each Group Company) and/or any person connected with any of them;

(f) (i) the aggregate projected costs of completing the remediation and upgrade of the wastewater facility located at DPP's poultry processing factory in Mukim of Lumut, District of Manjung, Perak Darul Ridzuan to bring such facility into compliance with Environmental Law not exceeding RM11 million (or its equivalent), such projected costs representing MFM's good-faith estimate of such costs, taking into account all costs incurred prior to Completion and including all fines and penalties imposed, or which are reasonably likely to be imposed, by any government authority on any Group Company in connection with any such non-compliance with Environmental Law; and (ii) no order, decree, directive, judgment, ruling, stipulation or other mandate having been issued by any relevant authorities as a result of, or in connection with, such non-compliance with Environmental Law which adversely affects the ongoing operations of any company under DSSB Group and results in (or which would be likely to result), whether alone or together with any other such order, decree, directive, judgment, ruling, stipulation or other mandate, the EBITDA of such Group Company in respect of the MAE (Revenue/EBITDA) Applicable Period being less than the EBITDA of such Group Company in respect of the 12 calendar month-period ended on 31 December 2020 as set out in the Accounts (as defined below) by more than RM5 million (or its equivalent).

The MAE (Revenue/EBITDA) Applicable Period refers to the 12 calendar month period ending on the last day of the month immediately preceding the month in which the SPA becomes unconditional.

(g) None of the following MAE (Continuing) having occurred since 31 December 2020:

(i) the DSSB Group incurring any current tax liabilities or lease liabilities (excluding trade and other payables including derivatives, loan and borrowings and deferred tax liabilities) of RM5 million (or its equivalent) or more in the aggregate;

(ii) unplanned capital expenditure for the DSSB Group of RM4 million (or its equivalent) or more in aggregate in excess of the aggregate amount of capital expenditure set out in the planned capital expenditure schedule; or

(iii) the value of any property, plant and equipment, intangible assets or right of use assets (excluding deferred tax assets, inventories, biological assets, trade and other receivables including derivatives, and cash and cash equivalents) of DPDC and DPP (in the aggregate) decreasing from its value as at 31 December 2020, as set out in the Accounts, by RM5 million (or its equivalent) or more (disregarding, for this purpose, (i) any decrease in value attributable to the scheduled depreciation of such assets in accordance with the bases and rates of depreciation used in the Accounts and in accordance with the Accounting Standards, but including, for this purpose, any decrease in value attributable to one-time depreciation of such assets or (ii) any decrease in value attributable to the transfer of the assets (real and intangible) to be used in a further processing plant by DPDC or DPP (as applicable) to MFM).

None of the following MAE (Continuing) having occurred since the date of the SPA:

(i) the commencement of any litigation or arbitration proceedings against any companies under the DSSB Group where the amount claimed in aggregate is RM5 million (or its equivalent) or more;

(ii) substantial or permanent damage to the reputation of any companies under the DSSB Group as a result of any criminal or civil proceedings, investigations or inquiries by any relevant authorities concerning any companies under the DSSB Group, its shareholders, directors or employees for breach of applicable law; or

(iii) effects that arise from, are exacerbated by, or continue as a result of a global health condition, including any epidemic, pandemic, or disease outbreak and/or any exceptional measures adopted, expanded or extended by any relevant authorities, at the local and national levels, in response thereto, including lockdown of areas, travel restrictions, and/or mandatory quarantine (but excluding effects that arise from, are exacerbated by, or continue as a result of the COVID-19 outbreak and/or any exceptional measures adopted, expanded or extended by any relevant authorities in connection with the COVID-19 outbreak).

No MAE (Continuing) which is not referred to in the paragraphs above having occurred since the date of the SPA; and

None of the following MAE (Revenue/ EBITDA) having occurred since 31 December 2020:

(i) the revenue (before tax) of (in the aggregate) DPDC (excluding revenue from sales by DPDC to DPP) and DPP (excluding revenue from sales by DPP to DPDC) in respect of the MAE (Revenue/EBITDA) Applicable Period being less than the revenue (before tax) of (in the aggregate) DPDC (excluding revenue from sales by DPDC to DPP) and DPP (excluding revenue from sales by DPP to DPDC) in respect of the 12 calendar month-period ended on 31 December 2020 as set out in the Accounts, by RM40 million or more; or

(ii) the EBITDA of DPDC and DPP (in the aggregate) in respect of the MAE (Revenue/EBITDA) Applicable Period being less than the EBITDA of DPDC and DPP (in the aggregate) in respect of the 12 calendar month-period ended on 31 December 2020 as set out in the Accounts, by RM5 million or more.

(h) Each of warranties provided by MFM contained in the SPA relating to the state of DSSB Group including share capital, assets, liabilities, record keeping and business and operations of the DSSB Group remaining true, accurate and not misleading in all respects;

(i) No breach of the undertakings in clause 10.1 of the SPA (which require MFM to procure that the DSSB Group carries on its business in the ordinary and usual course, including the preservation of the share capital, assets and affairs of the DSSB Group from the date of the SPA up to Completion) having occurred;

(j) (i) no companies under the DSSB Group being party to or otherwise having any ability to access, borrow, utilise or earmark under any financial facilities, including accounts, lines of credit, loans of any nature, debt or guarantees, which allow access to borrowing, utilisation or earmarking by any person who is not a company under the DSSB Group, regardless of whether any of the companies under DSSB Group is accessing, borrowing, utilising or earmarking under any such facility at or prior to Completion (including any financial facility pursuant to which a Self-Liquidating Banker Acceptance (as defined below) has been issued, but excluding for this purpose, each Self-Liquidating Banker Acceptance, provided that the maximum aggregate amount of all Self-Liquidating Bank Acceptances as at Completion does not exceed RM50 million and each Self-Liquidating Bank Acceptance expires prior to the date falling 6 months after the SPA Completion Date);

(ii) if the consent of any person is required to be obtained, or any notification to any person is required to be made, for the Proposed Strategic Partnership and the other transactions contemplated by the SPA and the Transaction Documents under any financial facilities (including accounts, lines of credit, loans of any nature, debt or guarantees) of any companies under the DSSB Group, such consent having been obtained or such notification having been made; and

SALIENT TERMS OF THE SPA (CONT'D)

(k) DPDC having submitted applications to the relevant Government authorities to register the instruments of lease in respect of each of the following properties, under which DPDC is a lessee on the respective land titles of such properties: (i) HSD 30841 PT 13521, Mukim Lumut, Manjung, Perak; (ii) HSD 30845 PT 13525, Mukim Lumut, Manjung, Perak; (iii) PN 370859 Lot 23679 (formerly HSD 35896 PT 18497), Mukim Pengkalan Bahru, Manjung, Perak; (iv) HSD 35899 PT 18500, Mukim Pengkalan Bahru, Manjung, Perak; and (v) HSD 35900 PT18501, Mukim Pengkalan Bahru, Manjung, Perak.

Update on the SPA Conditions Precedent:

(i) As at LPD, merger control regime under the Malaysian Competition Act 2010 has not come into force and if such regime does not come into force prior to Completion, this condition precedent will no longer be applicable.

(ii) Condition (b) will be met upon obtaining approval from shareholders of MFM.

(iii) Condition (c) has been met.

(iv) Conditions (d) and (e) will be met upon execution of the Internal Agreement and meeting the conditions of the Internal Agreement.

(v) Conditions (f) to (k) are continuing obligations of MFM in respect of DSSB Group until the SPA Completion Date. These conditions are mainly in relation to the observance and preservation of financial conditions and matters related to operational matters of DSSB Group as negotiated and agreed by MFM and Tyson.

3. Completion

Completion shall, subject to the SPA Conditions Precedent in paragraph 2(g), 2(h) and 2(i) set out above being and remaining satisfied immediately prior to Completion, take place remotely via the electronic exchange of documents and signatures at 12:00 pm on the SPA Completion Date (or at such other location, time and date as the Buyer and MFM shall agree in writing or as is determined based on the terms of the SPA).

4. Termination

4.1 MFM's right to terminate

If the Buyer fails to comply with any of its obligations to be performed on Completion (as set out in the SPA), MFM may, by written notice to the Buyer, choose to:

(a) terminate the SPA without liability on its part for such termination;

(b) effect Completion so far as practicable having regard to the defaults that have occurred (with such default to be remedied by the Buyer as soon as possible after Completion); or

(c) fix a new date for Completion (being not more than 20 Business Days after the original date and time set for Completion set out in the SPA and which shall be within a period commencing on the last day of a calendar month and ending on the date falling 5 Business Days after such day (both dates inclusive), in which case the provisions of this clause shall apply *mutatis mutandis* to any such postponed Completion.

4.2 Tyson's right to terminate

Tyson is entitled to, inter alia, terminate the SPA by written notice to MFM in any of the following events: -

(i) if the Unconditional Date has not occurred on or before 5.00 p.m. on the Long Stop Date or if any relevant Government Authority has taken action or give a written indication that any Condition Precedent will not be satisfied;

(ii) (if, at any time prior to Completion, MFM is in breach of (or would be in breach when such fundamental warranty, general Warranty or tax warranty is repeated on Completion):

(a) any of the fundamental warranties;

(b) any of the general warranties in paragraphs 2 (Other investments and associated businesses), 7.5 (No event of default under financial facilities), 10 (Guarantees, indemnities and Encumbrances), 11 (Grants), 12 (Ownership of assets of the Group), 16 (Intellectual property), 18 (Contracts), 19 (Suppliers and customers), 22 (Property owned, occupied or used by the Group), 23 (Matters relating to right or ability to use the Property), 24 (Compliance with law), 25 (Licences, registrations and consents), 26 (Litigation and investigations), 27 (Anti-bribery and corruption), 29 (Environmental and health and safety matters) or 33 (Effects of the transaction) of Part B of Schedule 3 in the SPA; or

(c) any of the general warranties which are not referred to in paragraph 4.2(ii)(b) above or any of the tax warranties, and such breach (individually or in the aggregate with any other such breach) results in (or is reasonably likely to result in):

(i) DSSB Group incurring any current tax liabilities or lease liabilities (excluding trade and other payables including derivatives, loan and borrowings and deferred tax liabilities) of RM5 million (or its equivalent) or more in the aggregate;

(ii) the revenue (before tax) of (in the aggregate) DPDC (excluding revenue from sales by DPDC to DPP) and DPP (excluding revenue from sales by DPP to DPDC) in respect of the MAE (Revenue/EBITDA) Applicable Period being less than the revenue (before Tax) of (in the aggregate) DPDC (excluding revenue from sales by DPDC to DPP) and DPP (excluding revenue from sales by DPP to DPDC) in respect of the twelve (12) calendar month-period ending on 31 December 2020 as set out in the Accounts, by RM40 million (or its equivalent) or more;

(iii) the EBITDA of DPDC and DPP (in the aggregate) in respect of the MAE (Revenue/EBITDA) Applicable Period being less than the EBITDA of DPDC and DPP (in the aggregate) in respect of the 12 calendar month-period ending on 31 December 2020 as set out in the Accounts, by RM5 million (or its equivalent) or more;

(iv) unplanned capital expenditure for DSSB Group of RM4 million (or its equivalent) or more in aggregate;

(v) the value of any property, plant and equipment, intangible assets or right of use assets (excluding deferred tax assets, inventories, biological assets, trade and other receivables including derivatives, and cash and cash equivalents) of DPDC and DPP (in the aggregate) decreasing from its value as at 31 December 2020, as set out in the accounts, by RM5 million (or its equivalent) or more; or

(vi) the commencement of any litigation or arbitration proceedings against any Group Company where the amount claimed in aggregate is RM5 million (or its equivalent) or more,

(d) MFM is in breach of any of its pre-Completion undertakings contained in the SPA;

(e) if prior to Completion, Tyson considers that any event which constitutes or is likely to constitute a MAE (Continuing) or a MAE (Revenue/EBIDTA) has occurred since:

(i) in the case of clauses (a) to (c) of the definition of MAE (Continuing) as contained in the SPA, 31 December 2020;

(ii) in the case of clauses (d) to (f) of the definition of MAE (Continuing) as set out in the SPA, the date of the SPA;

(iii) in the case of a MAE (Continuing) which is not referred to in clause 4.2(e)(i) or clause 4.2(e)(ii), the date of the SPA; or

(iv) in the case of a MAE (Revenue/EBITDA), 31 December 2020,

OR

(f) If MFM fails to comply with any of its obligations to be performed on Completion (as set out in the SPA), the Buyer may, by written notice to MFM, choose to:

(i) terminate the SPA without liability on its part for such termination;

(ii) effect Completion so far as practicable having regard to the defaults that have occurred (with such default to be remedied by MFM as soon as possible after Completion); or

(iii) fix a new date for Completion (being not more than 20 Business Days after the original date and time set for Completion set out in the SPA and which shall be within a period commencing on the last day of a calendar month and ending on the date falling 5 Business Days after such day (both dates inclusive), in which case the provisions of this clause shall apply *mutatis mutandis* to any such postponed Completion.

5. Bank Guarantee

The Bank Guarantee shall be available for demand by Tyson under the following events/circumstances in accordance with the provisions of the SPA.

(A) Payment by MFM pursuant to Post Completion Adjustment under Clause 5 of SPA

(i) In the event of any post-completion adjustment arising from the differences between the following items resulting in payment to be made by MFM to Tyson under clause 5 of the ("**Post-Completion Adjustment Sum**"):

(a) Actual Cash in the Completion Statement and the Estimated Cash in the Pre-Completion Statement:

(b) Actual Debt Variance in the Completion Statement and the Estimated Debt Variance in the Pre-Completion Statement; and

(c) Actual Working Capital in the Completion Statement and the Estimated Working Capital in the Pre-Completion Statement.

(ii) Tyson shall be entitled to make a written demand to Malayan Banking Berhad under the Bank Guarantee for such payment of the Post-Completion Adjustment Sum.

(B) Payment for breaches of warranties under Schedule 4 of SPA

(i) In the event of any breach of warranties, Tyson shall be entitled to claim and depending on the nature of the warranties breached, the aggregate liability of MFM shall be limited to up to 100% of the total consideration paid by Tyson to MFM as at the date of such claim with appropriate adjustments to take into account any increase in the total consideration paid by Tyson (if any) due to the First Earnout Consideration and/or the Second Earnout Consideration (as set out in the SPA);

(ii) For the purpose of being compensated for the breach of warranties above, Tyson shall be entitled to make a written demand to Malayan Banking Berhad under the Bank Guarantee for:

(a) a sum equivalent to its best estimate of amount arising from such claim (if the amount claimed by Tyson is agreed by MFM in full); or

(b) such part of the amount claimed by Tyson and agreed by MFM (if MFM only agreed to part of the amount claimed by Tyson); or

(c) in the event MFM disagreed on any part of the amount claimed by Tyson, (I) the stipulated amount stated in the settlement agreement made between MFM and Tyson after a resolution in good faith; or (II) the amount awarded by the arbitration tribunal if the matter is referred to the arbitration tribunal in accordance with Clause 29 of the SPA.

(C) Payment for Profit Guarantee

MFM has guaranteed to Tyson that the DSSB Group's EBITDA for FYE 2021 would be a sum amounting to at least RM58 million ("**Profit Guarantee**") failing which, Tyson shall be entitled to demand / call for the Bank Guarantee against MFM in respect of the shortfall of the Profit Guarantee in the following agreed sum and at the time and manner as follow:

(i) if the FYE 2021 EBITDA is less than RM54 million, Tyson shall be entitled to make a written demand to Malayan Banking Berhad under the Bank Guarantee for an agreed sum of **RM15 million**;

(ii) if the FYE 2021 EBITDA is less than RM58 million but equal to or more than RM54 million, Tyson shall be entitled to make a written demand to Malayan Banking Berhad under the Bank Guarantee for an agreed sum of **RM12 million**; and

(iii) if the FYE 2021 EBITDA is equal to or more than RM58 million, MFM shall be deemed to have reach the targeted Group's FYE 2021 EBITDA, hence there shall be **no such demand / call to be made to the Bank Guarantee by Tyson.**

6. Profit Guarantee Payment

6.1 Preparation and delivery of Profit Guarantee Accounts

Tyson shall prepare, or shall procure the preparation of, and deliver (in accordance with the relevant provisions of the SPA) to MFM, the draft profit guarantee accounts of DSSB Group as soon as practicable following the end of the FYE 2021 and in any event not later than 60 Business Days after the audited consolidated accounts of the DSSB Group for such financial year are finalised and delivered to Tyson ("**Profit Guarantee Accounts**"). The draft Profit Guarantee Accounts shall be prepared in accordance with the provisions of accounting standards. MFM shall, and shall procure that each Group Company shall, procure that Tyson is given such assistance and access to information as may be reasonably requested by Tyson for the purposes of preparing the draft Profit Guarantee accounts within the period referred in the SPA, including, subject to reasonable notice, making available during normal office hours to Tyson and its representatives and accountants all books and records as Tyson may reasonably require.

MFM shall have 20 Business Days (starting on the first business day after receipt of the draft Profit Guarantee Accounts (such period, the "**PG Objection Period**")), to agree or dispute the draft Profit Guarantee Accounts. If MFM disputes the draft Profit Guarantee Accounts it shall, within the PG Objection Period, serve on Tyson a notice to that effect setting out, in reasonable detail, each area in dispute, the reasons why the treatment does not comply with the requirements of the SPA, and quantifying, where possible, the adjustments that it considers should be made ("**PG Dispute Notice**").

If MFM has not delivered a PG Dispute Notice to Tyson during the PG Objection Period or MFM serves written notice on Tyson that it agrees to the draft Profit Guarantee accounts (a "**PG Acceptance Notice**"), the draft Profit Guarantee Accounts shall be, in respect of the financial year ending 31 December 2021, final and binding on Tyson and MFM on the earlier of the expiry of the PG Objection Period or the date of delivery of the PG Acceptance Notice.

The costs of preparing the Profit Guarantee Accounts will be borne by Tyson and the costs of their review will be borne by MFM.

If MFM serves a PG Dispute Notice, Tyson and MFM must use their reasonable endeavours to reach agreement as to the matter or matters in dispute within 20 Business Days of the date of delivery of the PG Dispute Notice (the "**PG Resolution Period**"). If, before expiry of the PG Resolution Period, agreement is reached between Tyson and MFM as to all matters in dispute, Tyson shall, within 5 Business Days of such agreement being reached, deliver or procure the delivery (in either case in accordance with clause 15 (Notices) of the SPA) to MFM of revised Profit Guarantee Accounts incorporating such adjustments as are required by such agreement. The revised Profit Guarantee Accounts which incorporate such adjustments as agreed to by Tyson and MFM shall be final and binding on them in respect of the FYE 2021 from the date of delivery to MFM.

In respect of any matters included in the PG Dispute Notice on which no agreement is reached within the PG Resolution Period, such matters will be referred, on the application of either Tyson or MFM to an independent accountant (to be appointed in accordance with the relevant provisions of the SPA) for determination.

SALIENT TERMS OF THE SPA (CONT'D)

7. Governing Law and Arbitration

The SPA, the documents to be entered pursuant to the SPA, the arbitration clause contained in the SPA and all non-contractual obligations arising in any way whatsoever out of or in connection with the SPA or any such documents shall be governed by and construed in accordance with the laws of Singapore.

Notwithstanding the governing laws of the SPA, nothing thereof shall prevent MFM from complying with the mandatory requirements of Malaysia law applying to it in the performance of its obligations under the SPA.

Any dispute, disagreement, controversy or claim arising out of or in connection with the SPA (including any claims for set off or counterclaim, or any question regarding the existence, validity or termination of the SPA) or the legal relationships established by the SPA shall be referred to and finally resolved by arbitration administered by the International Court of Arbitration of the International Chamber of Commerce in Singapore in accordance with the Rules of Arbitration of the International Chamber of Commerce for the time being in force (the "**ICC Rules**"), which rules are deemed to be incorporated by reference in this clause. The seat of the arbitration shall be Singapore. The arbitral tribunal shall consist of 3 arbitrators. MFM shall appoint 1 arbitrator, Tyson shall appoint 1 arbitrator, and the 2 arbitrators so nominated shall designate a third arbitrator acceptable to both MFM and Tyson within 10 Business Days from the confirmation of the second arbitrator, failing which the third arbitrator shall be appointed in accordance with the ICC Rules. The language of the arbitration shall be English.

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SALIENT TERMS OF THE SHAREHOLDERS' AGREEMENT

Subject to the completion of the SPA, MFM, Tyson, DSSB, DPDC and DPP agree to execute the Shareholders' Agreement, in the agreed form, on the SPA Completion Date to formalise and set out the key terms outlining their respective obligations and among themselves as the shareholders of DSSB and the operations, management and affair of the DSSB Group on a commercial basis and in the manner as agreed.

The salient terms of the Shareholders' Agreement are as follows:

1. The DSSB Board

(i) The DSSB Board shall consist of 5 DSSB Directors at all times, unless otherwise agreed by the Shareholders, save that if at any time, DSSB only has 2 shareholders who each has a shareholding percentage of 50%, the DSSB Board shall consist of 6 DSSB Directors. As at the SPA Completion Date, the DSSB Board shall comprise 3 directors appointed by MFM and 2 directors appointed by Tyson.

(ii) A DSSB Director is entitled to appoint and remove an alternate at any time to act on his behalf as a DSSB Director by notice in writing to DSSB.

(iii) The number of DSSB Directors which a Shareholder shall be entitled to appoint depends on its shareholding percentage (as set out in the Shareholders' Agreement). If a shareholder (together with its affiliates) has a shareholding percentage of less than or equal to 25%, such shareholder shall not be entitled to appoint any DSSB Director provided always that if such shareholder has a shareholding percentage of 10% or more but less than or equal to 25%, such shareholder shall be entitled to appoint a company board observer.

(iv) DSSB Directors shall not be entitled to any remuneration in their capacity as DSSB Directors but shall be reimbursed for all out-of-pocket expenses (excluding travel expenses) reasonably incurred in attending board of directors' meetings or carrying out authorised businesses for and on behalf of the DSSB Group.

(v) All shareholders shall, (save for the defaulting shareholder), receive notice of all meetings of the shareholders in accordance with the constitution of DSSB and the Shareholders' Agreement and shall have 1 vote for each DSSB Share held by it.

(vi) At any board of directors' meeting, each DSSB Director (save for the DSSB Director appointed by the defaulting shareholder) shall have 1 vote.

(vii) All business arising at any board of directors' meeting, other than the following matters shall be determined by resolution passed by a majority of DSSB Directors present and entitled to vote:

(a) the appointment or removal of a DSSB Director;

(b) a Board Reserved Matters as set out in the Shareholders' Agreement; or

(c) matters involving any of the shareholders and their affiliates, particularly in decision with respect to any action, suit, arbitration, proceeding, investigation, condemnation or audit before a competent court of law or authority or claims, demands or damages involving DSSB as a party or potential party to which a shareholder or its affiliates is a party or potential party adverse to DSSB or the negotiation, entry into or execution and approval of any contract with shareholder or its affiliates or any election, decision, variation or termination to be made by DSSB pertaining to the terms of the same.

2. The Subsidiary Board

(i) Each subsidiary's (namely DPDC and DPP) ("**Subsidiary**") board of directors ("**Subsidiary Board**") shall have responsibility for the overall supervision and management of the relevant Subsidiary and its business. Except for matters which are specifically reserved for the shareholder(s) of a Subsidiary under applicable law, all other matters shall be decided by the Subsidiary Board in accordance with the terms of the Shareholders' Agreement.

(ii) The provisions relating to the board composition of DSSB, appointment and removal of DSSB Directors, alternate DSSB Director, remuneration and reimbursement of expenses of the DSSB Directors, and board observer(s) applicable to DSSB shall apply mutatis mutandis to each Subsidiary.

(iii) At any board meeting of the Subsidiary ("**Subsidiary Board Meeting**"), each director of the Subsidiary ("**Subsidiary Director**") (save for the Subsidiary Director appointed by the defaulting shareholder) shall have 1 vote.

(iv) All business arising at any Subsidiary Board Meeting, other than the following matters shall be determined by resolution passed by a majority of Subsidiary Directors present and entitled to vote.

(a) the appointment or removal of a Subsidiary Director;

(b) a Board Reserved Matters as set out in the Shareholders' Agreement; or

(c) matters involving any of the shareholders and their affiliates, particularly in decision with respect to any action, suit, arbitration, proceeding, investigation, condemnation or audit before a competent court of law or authority or claims, demands or damages involving a Subsidiary as a party or potential party to which a shareholder or its affiliates is a party or potential party adverse to a Subsidiary or the negotiation, entry into or execution and approval of any contract with shareholder or its affiliates or any election, decision, variation or termination to be made by a Subsidiary pertaining to the terms of the same.

3. New Issue of DSSB Shares

Any new shares which DSSB proposes to allot and issue ("**New Shares**") shall first be offered for subscription to each of the shareholders on the same terms whereby such offer may be accepted in whole or in part. If a shareholder wishes to take up all or part of its entitlement to the New Shares, it shall notify DSSB in writing of such intention, otherwise, it shall be deemed to have waived its right to participate in that issue of New Shares, in such case, the Company Board shall be entitled to dispose of or otherwise offer to any person (other than a competitor of DSSB), any remaining New Shares not taken up by the shareholders on such terms and conditions (including price) that shall not be more favourable to such person than those offered to the shareholders.

4. Prohibition on DSSB Shares transfers

No shareholder shall, directly or indirectly:

(i) transfer any of its DSSB Shares or any interest in its DSSB Shares;

(ii) pledge, mortgage, charge or otherwise encumber any of its DSSB Shares or any interest in its DSSB Shares;

(iii) enter into any agreement in respect of the votes attached to any of its DSSB Shares; or

(iv) agree, whether conditionally or otherwise, to do any of the above, other than:

(a) to an affiliate of such shareholder;

(b) where required to do so pursuant to provisions relating to Material Deadlock Dispute Transfer Options or MFM CoC;

(c) where required or entitled to do so pursuant to provisions relating to Default;

(d) after the expiry of the Lock-up Period:

1) in accordance with the provisions relating to ROFR;

2) where required to do so pursuant to provisions relating to Drag-Along Right) or Tyson Call Option or Tyson Call Option (Partial Exercise); or

3) where entitled to do so pursuant to provisions relating to Tag-Along Right,

in each case in accordance with the provisions of the Shareholders' Agreement with the prior written consent of the other shareholders.

5. **Right of First Refusal**

(a) Following the expiry of the Lock-up Period, subject to applicable law, a ROFR Seller may transfer the entire legal and beneficial ownership of all (but not less than all) of its DSSB Shares ("**ROFR Shares**") to a bona fide third party purchaser who is a single body corporate ("**ROFR Buyer**") pursuant to a bona fide offer with indicative terms; provided, that before it agrees to make such a transfer, the ROFR Seller shall first issue a ROFR Offer Notice to the other shareholder(s) ("**Remaining Shareholder(s)**"), copied to DSSB, offering to sell the ROFR Shares to such remaining Shareholder(s).

(b) The purchase price for each ROFR Shares payable by the remaining shareholder(s) pursuant to the ROFR Offer Notice shall be an amount ("**EBITDA Value Per ROFR Share**") calculated as follows:

$$\textbf{EBITDA Value Per ROFR Share} = \frac{\{(8 \text{ x ROFR LTM EBITDA})\} - \text{ROFR Relevant Debt} + \text{ROFR Relevant Cash}}{\text{Total number of issued DSSB Shares as at the last day of the month immediately preceding the month in which the date of the ROFR Offer Notice falls}}$$

ROFR LTM EBITDA	=	EBITDA for the 12 calendar month-period ending on the last day of the month immediately preceding the month in which the date of the ROFR Offer Notice falls.
ROFR Relevant Debt	=	The aggregate amount of Debt of DSSB Group as at 5:00 p.m. on the last day of the month immediately preceding the month in which the date of the ROFR Offer Notice falls. Debt refers to the aggregate amount of any loans, financing liabilities, indebtedness or other liabilities set out in the Shareholders' Agreement (in each case whether or not due and payable) of the DSSB Group.

ROFR Relevant Cash	=	The aggregate amount of Cash of DSSB Group as at 5:00 p.m. on the last day of the month immediately preceding the month in which the date of the ROFR Offer Notice falls. Cash refers to the aggregate amount of cash and cash equivalent held by DSSB Group as determined in accordance with the Accounting Standards, including cash balances and deposits in bank accounts reported in RM.

6. **Drag-along Right**

Subject to the Majority Shareholder having complied in full with its obligations under the ROFR (unless waived in writing by all other Shareholders), if the Majority Shareholder receives an offer from a bona fide third party ("**Drag-along Purchaser**") for all (and not less than all) of its DSSB Shares which the Majority Shareholder wishes to accept, the majority shareholder has the Drag-along Right to require the other shareholder(s) (each, a "**Dragged Seller**") to sell all (and not less than all) of their DSSB Shares ("**Drag-along Shares**") to the Drag-along Purchaser on the same terms and conditions as the majority shareholder has agreed to sell its DSSB Shares. The price to be paid by the Drag-along Purchaser for each Drag-along Share shall be no less than the price per ROFR Share set out in the ROFR Offer Notice

7. **Tag-along Right**

(i) Subject to the Majority Shareholder having complied in full with its obligations under the ROFR (unless waived in writing by all other Shareholders), if the Majority Shareholder receives a written offer ("**Tag-along Offer**") from a bona fide third party ("**Tag-along Purchaser**") to purchase all (and not less than all) of its DSSB Shares, it shall, unless it has exercised its Drag-along Right, give written notice ("**Tag-along Notice**") to other shareholder of DSSB ("**Tag-along Seller**"), notifying them of such Tag-along Offer and inviting them to offer to sell all (and not less than all) of their DSSB Shares ("**Tag-along Shares**") to the Tag-along Purchaser on the same terms and conditions as the Tag-along Offer within a period of not less than 10 Business Days from the date of the Tag-along Notice ("**Tag-along Offer Period**").

(ii) Once a Tag-along Seller signifies its acceptance in writing within the Tag-along Offer Period to offer to sell the Tag-along Shares to the Tag-along Purchaser, it shall agree to sell such Tag-along Shares on the terms and conditions set out in the Tag-along Notice and the majority shareholder shall procure that the Tag-along Purchaser shall purchase such Tag-along Shares from the Tag-along Seller together with the majority shareholder's DSSB Shares.

(iii) If the Tag-along Seller fails to signify its acceptance in writing within the Tag-along Offer Period to offer to sell the Tag-along Shares to the Tag-along Purchaser, the Tag-along Seller shall deem to have waived its right thereto and the majority shareholder shall be entitled to sell all of its DSSB Shares to the Tag-along Purchaser on terms and conditions no more favourable than those communicated to the Tag-along Seller in the Tag-along Notice.

8. **Tyson Call Option**

(i) Tyson Call Option (Partial Exercise)

(a) MFM shall use its best endeavours to obtain within the Lock-Up Period, either (1) PPPNP's written consent for any transfer or issuance of DSSB Shares pursuant to the provisions of the Shareholders' Agreement or 2 PPPNP's written confirmation confirming that its consent is not required for any transfer or issuance of DSSB Shares.

(b) If such PPPNP's written consent or written confirmation (as the case may be) is not procured within the Lock-Up Period, MFM grants to Tyson the option to require MFM to sell to Tyson the Tyson Call Option Partial Exercise Shares at the Tyson Call Option Partial Exercise Shares Price.

(c) The aggregate purchase price payable by Tyson for all the Tyson Call Option Partial Exercise Shares ("**Tyson Call Option Partial Exercise Shares Price**") shall be an amount calculated as follows:

$$\textbf{Tyson Call Option Partial Exercise Shares Price} = \frac{\text{An amount equal to the Initial Consideration (as defined in the SPA)}}{0.49} \times 0.0101$$

(ii) Tyson Call Option

(a) MFM grants to Tyson the option to require MFM to sell to Tyson the Tyson Call Option Shares at the Tyson Call Option Shares Price at any time following the expiry of the Lock-Up Period.

(b) The aggregate purchase price payable by Tyson for all the Tyson Call Option Shares ("**Tyson Call Option Shares Price**") shall be an amount calculated as follows:

$$\textbf{Tyson Call Option Shares Price} = \left[\{(8 \text{ x Tyson Call Option LTM EBITDA}) - \text{Tyson Call Option Relevant Debt} + \text{Tyson Call Option Relevant Cash}\}\right] \text{x} \quad A$$

A = If Tyson has not exercised the Tyson Call Option in part in respect of the Tyson Call Option Partial Exercise Shares or if Tyson has exercised the Tyson Call Option in part in respect of the Tyson Call Option Partial Exercise Shares but completion of the transfer of the Tyson Call Option Partial Exercise Shares does not take place for any reason, 11%;

OR

If Tyson has exercised the Tyson Call Option in part in respect of the Tyson Call Option Partial Exercise Shares and the Tyson Call Option Partial Exercise Shares have been duly transferred and registered in the name of Tyson, "A" shall mean 11% – B, where "B" means the number of Tyson Call Option Partial Exercise Shares expressed as a percentage of the total number of issued DSSB Shares on the date on which Tyson exercises the Tyson Call Option

Tyson Call Option LTM EBITDA	=	EBITDA for the 12 calendar month-period ending on the last day of the month immediately preceding the month in which the exercise date of the Tyson Call Option or such other date as may be determined in accordance with the Shareholders' Agreement ("**Tyson Call Option Reference Date**") falls.
Tyson Call Option Relevant Debt	=	The aggregate amount of Debt of DSSB Group as at 5:00 p.m. on the last day of the month immediately preceding the month in which the date of the Tyson Call Option Reference Date falls. Debt refers to the aggregate amount of any loans, financing liabilities, indebtedness or other liabilities set out in the Shareholders' Agreement (in each case whether or not due and payable) of the DSSB Group.
Tyson Call Option Relevant Cash	=	The aggregate amount of Cash of DSSB Group as at 5:00 p.m. on the last day of the month immediately preceding the month in which the date of the Tyson Call Option Reference Date falls. Cash refers to the aggregate amount of cash and cash equivalent held by DSSB Group as determined in accordance with the Accounting Standards, including cash balances and deposits in bank accounts reported in RM.

9. **MFM Change of Control Call Option**

(a) If a person or group of persons (together with their respective affiliates) purchase or make a binding offer to purchase (whether through a single transaction or a series of transactions) more than 50% of the issued shares of MFM, MFM shall notify Tyson and DSSB on the details of such event, and subject to applicable law, Tyson shall be entitled to purchase all (and not less than all) MFM CoC Shares.

(b) The purchase price payable by Tyson for each MFM CoC Share upon the occurrence of the MFM Change of Control Event shall be an amount equal to an amount ("**EBITDA Value Per MFM CoC Share**") calculated as follows:

$$\textbf{EBITDA Value Per MFM CoC Share} = \frac{\{(8 \text{ x MFM CoC LTM EBITDA})\} - \text{MFM CoC Relevant Debt} + \text{MFM CoC Relevant Cash}}{\text{Total number of issued DSSB Shares as at the last day of the month immediately preceding the month in which the date of the MFM Change of Control Event Notice falls}}$$

MFM CoC LTM EBITDA	=	EBITDA for the 12 calendar month-period ending on the last day of the month immediately preceding the month in which the date of the MFM Change of Control Event Notice falls.

MFM CoC Relevant Debt	=	The aggregate amount of Debt of DSSB Group as at 5:00 p.m. on the last day of the month immediately preceding the month in which the date of the MFM Change of Control Event Notice falls. Debt refers to the aggregate amount of any loans, financing liabilities, indebtedness or other liabilities set out in the Shareholders' Agreement (in each case whether or not due and payable) of the DSSB Group.
MFM CoC Relevant Cash	=	The aggregate amount of Cash of DSSB Group as at 5:00 p.m. on the last day of the month immediately preceding the month in which the date of the MFM Change of Control Event Notice falls. Cash refers to the aggregate amount of cash and cash equivalent held by DSSB Group as determined in accordance with the Accounting Standards, including cash balances and deposits in bank accounts reported in RM.

10. **Event of Default**

(a) On the occurrence of an event of Default:

(i) the shareholder who is subject of an event of default ("**Defaulting Shareholder**") shall immediately notify any shareholders who is not the Defaulting Shareholder ("**Non-defaulting Shareholder(s)**") and DSSB by written notice setting out brief details of the event of default; or

(ii) if the Defaulting Shareholder fails to give notice, any Non-defaulting Shareholder may within the period of 20 Business Days from the date it became aware of the event of default, serve notice on the Defaulting Shareholder (with a copy to DSSB and the other Non-Defaulting Shareholder(s)) stating that an event of default has occurred,

each such notice is referred to as "**Default Notice**".

(b) When a Default Notice is served, the Non-defaulting Shareholder shall be entitled (without prejudice to any right such Non-defaulting Shareholder may have to claim for damages):

(i) in the case of an event of Default under an insolvency event, to require the Defaulting Shareholder to sell all of its DSSB Shares ("**Default Shares**") to the Non-defaulting Shareholder for a purchase price per Default Share equal to the Fair Market Value Per Share (as defined below) as at the last day of the month immediately preceding the month in which the date of the Default Notice falls; and

(ii) in the case of an event of default where a Shareholder transfer or encumbers any of its DSSB Shares in violation to the Shareholders' Agreement or Shareholder or its ultimate parent commits fraud, misappropriation, embezzlement, or theft against the relevant Group Company, or otherwise directly or indirectly through any of its respective partners, shareholders or administrators) (i) instructs, entices, encourages or otherwise motivates any director, officer, employee, consultant, agent or contractor of any Group Company to violate any Anti-Corruption Laws or Sanctions Laws on behalf of or for the benefit of any Group Company; or (ii) violates any Anti-Corruption Laws or Sanctions Laws on behalf of or for the benefit of the DSSB, to require the Defaulting Shareholder, by way of written notice to require the Defaulting Shareholder:

1) to sell all of its DSSB Shares to the Non-defaulting Shareholder at a price per Default Share equal to 85% of the Price Per Default Share (as defined below); or

2) to purchase all of the Non-defaulting Shareholder's Shares at a Price Per Default Share (as defined below) equal to 115% of the Price Per Default Share (as defined below).

(c) The Price Per Default Share shall be an amount equal to the lower of (i) or (ii) below:

(i) the Fair Market Value Per Share as at the last day of the month immediately preceding the month in which the date of the Default Notice falls calculated as follows:

(aa) if the shareholders reach agreement on the fair market value of DSSB Shares:

$$\textbf{Fair Market Value per Share} = \frac{\text{fair market value of DSSB Shares following agreement by shareholders}}{\text{Total number of issued DSSB Shares as at the last day of the month immediately preceding the month in which the date of the Default Notice falls}}$$

failing agreement by shareholders on the fair market value of DSSB shares within 20 Business Days of the Default Notice:

$$\textbf{Fair Market Value per Share} = \frac{\text{fair market value of the Shares determined by the Reporting Accountants}}{\text{Total number of issued DSSB Shares as at the last day of the month immediately preceding the month in which the date of the Default Notice falls}}$$

Fair market value of DSSB Shares = the value of DSSB Shares agreed by the shareholders or, failing agreement by the shareholders within 20 Business Days of the Default Notice, the value of DSSB Shares determined by the Reporting Accountants, taking into account the following principles:

(I) except where DSSB has ceased to carry on business as a going concern, the determination of the fair market value shall be on the basis that DSSB is carrying on business as a going concern, and will continue to do so, and there is a willing buyer and a willing seller acting knowledgeably and prudently;

(II) the fair market value shall be determined as at the last day of the month immediately preceding the month in which the date of the Default Notice falls;

(III) the DSSB Shares are capable of being transferred without restriction;

(IV) valuing the relevant DSSB Shares as a rateable proportion of all the DSSB Shares without any premium or discount being attributed to the class of DSSB Shares to be sold or the percentage of the issued share capital of DSSB which they represent; and

(V) subject always to the foregoing paragraphs, applying such other criteria as the Reporting Accountants deem appropriate.

Reporting Accountants = an accounting firm of international standing, being any one of Deloitte & Touche LLP, Grant Thornton LLP or BDO LLP (or the Malaysia affiliate or member entity of each of the foregoing) independent of the shareholders; and

(ii) an amount being the EBITDA Value Per Default Share calculated as follows:

$$\textbf{EBITDA Value Per Default Share} = \frac{\{(8 \text{ x EOD LTM EBITDA})\} \text{ - EOD Relevant Debt + EOD Relevant Cash}}{\text{Total number of issued DSSB Shares as at the last day of the month immediately preceding the month in which the date of the Default Notice falls}}$$

EOD LTM EBITDA = EBITDA for the 12 calendar month-period ending on the last day of the month immediately preceding the month in which the date of the Default Notice falls.

EOD Relevant Debt = The aggregate amount of Debt of DSSB Group as at 5:00 p.m. on the last day of the month immediately preceding the month in which the date of the Default Notice falls.

Debt refers to the aggregate amount of any loans, financing liabilities, indebtedness or other liabilities set out in the Shareholders' Agreement (in each case whether or not due and payable) of the DSSB Group.

SALIENT TERMS OF THE SHAREHOLDERS' AGREEMENT (CONT'D)

EOD Relevant Cash	=	The aggregate amount of Cash of DSSB Group as at 5:00 p.m. on the last day of the month immediately preceding the month in which the date of the Default Notice falls. Cash refers to the aggregate amount of cash and cash equivalent held by DSSB Group as determined in accordance with the Accounting Standards, including cash balances and deposits in bank accounts reported in RM.

11. **Termination of Shareholders' Agreement**

(a) The Shareholders' Agreement shall cease to have effect in relation to a shareholder if that shareholder ceases to hold any DSSB Shares.

(b) Termination of the Shareholders' Agreement does not affect any rights or liabilities that the shareholders have accrued under it.

12. **Governing Law**

The Shareholders' Agreement, the documents to be entered pursuant to the Shareholders' Agreement, the arbitration clause contained in the Shareholders' Agreement and all non-contractual obligations arising in any way whatsoever out of or in connection with the Shareholders' Agreement or any such documents shall be governed by and construed in accordance with the laws of Singapore.

Notwithstanding the governing laws of the Shareholders' Agreement, nothing thereof shall prevent MFM or a Group Company from complying with the mandatory requirements of Malaysia law applying to it as to any actions or steps required to give effect to the transactions contemplated under the Shareholders' Agreement.

Any dispute, disagreement, controversy or claim arising out of or in connection with the Shareholders' Agreement (including any claims for set off or counterclaim, or any question regarding the existence, validity or termination of the Shareholders' Agreement) or the legal relationships established by the Shareholders' Agreement shall be referred to and finally resolved by arbitration administered by the International Court of Arbitration of the International Chamber of Commerce in Singapore in accordance with the ICC Rules for the time being in force, which rules are deemed to be incorporated by reference in this clause. The seat of the arbitration shall be Singapore. The arbitral tribunal shall consist of 3 arbitrators. The claimant(s) shall appoint 1 arbitrator, the respondent(s) shall appoint 1 arbitrator, and the 2 arbitrators so nominated shall designate a third arbitrator acceptable to the parties in dispute within 10 Business Days from the confirmation of the second arbitrator, failing which the third arbitrator shall be appointed in accordance with the ICC Rules. The language of the arbitration shall be English.

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SALIENT TERMS OF ANCILLARY AGREEMENTS

The salient terms of the ancillary agreements (apart from those disclosed in **Section 2.5** of this Circular) are as follows:

1. Salient terms of the Mac Food Supply Agreement

1.1 Purchase and Sale of Products

Mac Food agrees to purchase from DSSB and/or DPP (collectively, the "**Mac Food Seller**") and Mac Food Seller agrees to sell to Mac Food, the Products in such quantities as are ordered by Mac Food in accordance with the terms of the Mac Food Supply Agreement. Provided that Mac Food Seller's price is competitive with other third parties in Malaysia, and subject to quality control requirements and other applicable commercial terms contained in the Mac Food Supply Agreement, Mac Food agrees to purchase from Mac Food Seller, as of a date no later than 24 months following the SPA Completion Date, at least 75% of its demand for the Products derived from Malaysia.

1.2 Termination by either party

In addition to any other rights and remedies existing in favour of the terminating party, the Mac Food Supply Agreement may be terminated by either party upon written notice to the other party:

(i) if the other party fails to perform any of its material obligations under the Mac Food Supply Agreement and such material default, if capable of remedy, remains unremedied for a period of 30 days after written notice of such default from the non-defaulting party; or

(ii) if the other party is subject to an insolvency event.

1.3 Termination on the Transfer

If, at any time during the continuation of the Mac Food Supply Agreement, Tyson ceases to be a shareholder of DSSB, Mac Food shall have the right to terminate the Mac Food Supply Agreement upon 30 days written notice.

1.4 Governing Law

The Mac Food Supply Agreement, the documents to be entered pursuant to the Mac Food Supply Agreement and all non-contractual obligations arising in any way whatsoever out of or in connection with the Mac Food Supply Agreement or any such documents shall be governed by and construed in accordance with the laws of Malaysia.

Any dispute, disagreement, controversy or claim arising out of or in connection with the Mac Food Supply Agreement (including any claims for set off or counterclaim, or any question regarding the existence, validity or termination of the Mac Food Supply Agreement) or the legal relationships established by the Mac Food Supply Agreement shall be referred to and finally resolved by arbitration administered by the International Court of Arbitration of the International Chamber of Commerce in Singapore in accordance with the ICC Rules for the time being in force, which rules are deemed to be incorporated by reference in this clause. The seat of the arbitration shall be Singapore. The arbitral tribunal shall consist of 3 arbitrators. Each party shall appoint one 1 arbitrator and the 2 arbitrators so nominated shall designate a third arbitrator acceptable to both the parties within 10 Business Days from the confirmation of the second arbitrator, failing which the third arbitrator shall be appointed in accordance with the ICC Rules. The language of the arbitration shall be English.

2. Salient terms of the MFM Grain Supply Agreement

2.1 Premier Grain as facilitator to source for purchase and supply of Raw Materials

(i) The parties acknowledge that Premier Grain shall act as a facilitator and negotiator with various suppliers to source corn/or soybean meals ("**Raw Materials**") for DSSB and DPDC (collectively, the "**DSSB Grain Group**"). Premier Grain will also negotiate with the same suppliers to source such Raw Materials for Premier Grain's own business.

(ii) Upon the conclusion of negotiation for the Raw Materials to be sourced for the DSSB Grain Group, Premier Grain will inform the DSSB Grain Group and direct them to the relevant suppliers and, if the terms are acceptable to the DSSB Grain Group, they shall enter into direct contract with the relevant suppliers for the purchase of Raw Materials. The DSSB Grain Group shall thereafter deal directly with the relevant suppliers for all matters relating to their purchase of the Raw Materials.

(iii) Premier Grain may also assist in respect of purchase and supply of Raw Materials, under circumstances stated in the agreement.

2.2 Premier Grain as purchaser for full fat soya ("FFS")

In the event the DSSB Grain Group has supply of FFS, Premier Grain agrees to purchase from the DSSB Grain Group and the DSSB Grain Group agrees to sell to Premier Grain such quantity of the FFS at the price and upon the terms and conditions therein set forth in the MFM Grain Supply Agreement.

2.3 Termination

(i) The MFM Grain Supply Agreement may be terminated by:

(a) mutual agreement by the parties; or

(b) by either party by giving 30 days' written notice to the other party in the event:

(1) if the other party fails to perform any of its material obligations under the MFM Grain Supply Agreement and such material default, if capable of remedy, remains unremedied for a period of 30 days after written notice of such default from the non-defaulting party; or

(2) if the other party is subject to an insolvency event.

(ii) During the period between a notice of termination and the effective date of the termination, each party shall continue to perform its obligations under the MFM Grain Supply Agreement and any pending order which has been accepted by DSSB and/or DPDC or Premier Grain under and pursuant to the MFM Grain Supply Agreement, as the case may be, must be fulfilled in accordance with the provisions thereto. In this regard, DSSB and/or DPDC or Premier Grain, as the case may be, shall continue to pay for the price of the Raw Materials and/or FFS, as the case may be and all such other amounts which may be due to the other party in compliance with the MFM Grain Supply Agreement.

2.4 Governing Law

The MFM Grain Supply Agreement, the documents to be entered pursuant to the MFM Grain Supply Agreement and all non-contractual obligations arising in any way whatsoever out of or in connection with the MFM Grain Supply Agreement or any such documents shall be governed by and construed in accordance with the laws of Malaysia.

3. Salient terms of the Right of Access and Services Agreement

3.1. Grant of Right of Access over the Right of Access Areas

In consideration of DSSB (on behalf of itself and each of DPDC and DPP) paying a nominal fee of RM10, MFM grants to DSSB Group and the persons authorised by DSSB Group (the "**DSSB Group Authorised Persons**") the right to access, use, pass and re-pass at any time (unless otherwise is mutually agreed upon between parties in writing) (the "**Right of Access**") along and through the Thoroughfare and to enter and use the amongst the Identified Facilities (collectively, the "**Right of Access Areas**") without interruption or disturbance by MFM or those lawfully claiming title under or in trust for them, subject to the following terms and conditions of the Right of Access and Services Agreement.

3.2. Operation, Management, and Maintenance of the Thoroughfare

(i) MFM shall operate, manage and maintain the Right of Access Areas in good working order, reasonable wear and tear excepted.

(ii) If obstruction or closure of any section of the Right of Access Areas is required by MFM due to any reason whatsoever which would prevent DSSB Group and DSSB Group Authorised Persons from exercising the Right of Access, MFM shall give reasonable notice to DSSB Group and coordinate with DSSB Group to minimise disruption to DSSB Group and DSSB Group Authorised Persons' exercise of the Right of Access.

3.3. MFM's Covenants

MFM covenants with DSSB Group and its permitted assigns and successors-in-title that:

(i) MFM shall not do anything or permit itself or third parties to do anything whether of temporary or permanent nature that interferes with or restricts or in any way prevents or prejudices the full and free exercise of the rights granted to DSSB Group and DSSB Group Authorised Persons pursuant to the Right Access and Services Agreement and/or arising from the Right of Access;

(ii) the Right of Access Areas include all of the rights of access provided as of, and during the 12 months prior to, the date of the Right of Access and Services Agreement i.e. the SPA Completion date to DSSB Group by MFM and/or its affiliates (excluding DSSB Group) that were necessary for the day-to-day operations of DSSB Group;

(iii) MFM shall not do anything or permit itself or third parties to do anything which would cause DSSB Group to incur or become liable to pay any penalty, damages or compensation under any applicable law throughout the continuation of the Right of Access as stated thereto; and

(iv) MFM shall comply with the category of land use and all express, and implied conditions and restriction in-interest as specified in the original issue documents of the title to the Designated Lots and the Right of Access Areas and as amended thereof.

3.4. DSSB Group's Covenants

DSSB Group covenants with MFM and its permitted assigns and successors-in-title that:

(i) DSSB Group shall not do anything or permit itself or DSSB Group Authorised Persons to do anything whether of temporary or permanent nature that interferes with or restricts or in any way prevents or prejudice, except as contemplated herein, the full and free use of the Right of Access Areas by MFM;

(ii) DSSB Group shall comply with category of land use and all express and implied conditions and restriction-in-interest as specified in the original issue documents of title to the designated lots and the Right of Access Areas and as amended thereof, and

(iii) DSSB Group shall, in connection with the use of the Right of Access and the Right of Access Areas by it or DSSB Group Authorised Persons pursuant to the Right of Access and Services Agreement, indemnify, defend and hold harmless MFM from and against any and all losses, liabilities, costs (including without limitation legal, expert and consultant fees), charges, expenses, actions, proceedings, claims and demands arising from a breach of the terms of this Right of Access and Services Agreement by DSSB Group.

3.5. Provision of Utility Services

MFM shall provide required water and electricity utilities to the Designated Lots as specified in Schedule 2 of the Right of Access and Services Agreement (the "**Designated Lots Utilities**") and shall maintain continual access to such Designated Lots Utilities for the benefit of the DSSB Group to satisfy the DSSB Group's needs.

3.6. Improvements to Identified Facilities

DSSB Group acknowledges that MFM may, from time to time, make improvements to the Identified Facilities. In respect of any such improvements which have been agreed to in writing between MFM and DSSB, DSSB Group shall, subject to the DSSB Group's receipt of the relevant receipts, invoices and other evidence reasonably requested by DSSB Group, reimburse MFM a proportional share of MFM's costs and expenses (as may be agreed in writing between MFM and the DSSB) reasonably incurred to make such improvements, such proportional share to be determined and agreed between MFM and DSSB based on the DSSB Group's actual use of the relevant Identified Facilities arising from its business operations. For the avoidance of doubt, any costs and expenses incurred by MFM after the date of the Right of Access and Services Agreement to maintain, repair, remedy defects in, or renew any of the Identified Facilities in connection with issues which existed prior to the date of the Right of Access and Services Agreement shall not be reimbursed by DSSB Group under the compensation for the improvement to Identified Facilities.

3.7. Termination

The Right of Access and Services Agreement shall commence on the date of the Right of Access and Services Agreement, i.e. on the SPA Completion Date and shall subsist in perpetuity. It shall terminate only upon the written mutual consent of the parties. Notwithstanding the foregoing, the term of the Right of Access in respect of each Designated Lot and the DSSB Group's right to access and use any of the Identified Facilities used in connection with the conduct of DSSB Group's business operations on such Designated Lot shall expire on the date on which the tenancy, lease or other agreement pursuant to which DPDC is tenant, lessee or registered owner (as applicable) of such Designated Lot expires or is terminated.

3.8. Governing Law

The Right of Access and Services Agreement, the documents to be entered pursuant to the Right of Access and Services Agreement and all non-contractual obligations arising in any way whatsoever out of or in connection with the Right of Access and Services Agreement or any such documents shall be governed by and construed in accordance with the laws of Malaysia.

Any dispute, disagreement, controversy or claim arising out of or in connection with the Right of Access and Services Agreement (including without limitation any claims for set off or counterclaim, or any question regarding the existence, validity or termination of the Right of Access and Services Agreement) or the legal relationships established by the Right of Access and Services Agreement shall be referred to and finally resolved by arbitration administered by the International Court of Arbitration of the International Chamber of Commerce in Singapore in accordance with the ICC Rules for the time being in force, which rules are deemed to be incorporated by reference in this clause. The seat of the arbitration shall be Singapore. The arbitral tribunal shall consist of 3 arbitrators. Each party shall appoint 1 arbitrator and the 2 arbitrators so nominated shall designate a third arbitrator acceptable to both the parties within 10 Business Days from the confirmation of the second arbitrator, failing which the third arbitrator shall be appointed in accordance with the ICC Rules. The language of the arbitration shall be English.

4. Salient terms of the Master Services Agreement

4.1 Provision of Services

(i) Performance Standard

MFM will perform the services listed as referenced in Annex A to the Master Services Agreement as well as other services that may be mutually agreed to in writing by MFM and DSSB (the "**Services**") with the same degree of care, skill, prudence, accuracy, quality and timeliness with respect to the provision of such Services prior to the SPA Completion Date, but in no event less than in a commercially reasonable manner. MFM represents and warrants that the Services will: (i) comply with all applicable law; (ii) not infringe or misappropriate any intellectual property; and (iii) be performed (1) in a good, efficient, professional and workmanlike manner, (2) using sufficient numbers of personnel who have suitable competence, ability or other qualifications for any assigned roles, (3) using then-current technology, and (4) in compliance with the requirements of the Master Services Agreement.

(ii) Subcontractors

MFM may use subcontractors to perform the Services, provided that: (i) MFM ensures such subcontractors comply with the terms in respect to DSSB's confidential information as if they were parties to the Master Services Agreement; (ii) the delegation of performance of the applicable Service does not adversely impact the quality of such Service; and (iii) MFM shall require the DSSB's prior written approval before engaging any new subcontractors after the SPA Completion Date if the fee for such Service is likely to exceed RM400,000 per year (the "**Subcontractors Fee Threshold**"). The parties may, from time to time during the term of the Master Services Agreement, review and, if considered appropriate, revise the Subcontractors Fee Threshold. In connection to DSSB's prior written approval for engaging new subcontractors (as set out in (iii) above), when seeking DSSB's prior written approval, MFM shall provide DSSB with such information as DSSB may reasonably request to facilitate the decision whether or not to grant its approval, and DSSB shall notify MFM in writing whether or not it grants its approval within 30-days of the later of (1) receipt by DSSB of MFM's written request seeking such approval and (2) receipt of the information reasonably requested by DSSB to facilitate the decision whether or not to grant its approval, provided that if DSSB does not notify MFM within such 30 day period whether it grants or withholds its approval, approval shall be deemed to have been granted. Notwithstanding the foregoing, MFM will remain liable for all acts or omissions of subcontractors providing the services and shall be responsible for all fees, costs and expenses of such subcontractors.

(iii) Additional Services

In the event that after SPA Completion Date, DSSB desires for additional services which are necessary to support the ordinary course of business of DSSB or the other group companies be provided, MFM will respond in good faith to any reasonable written request by DSSB for such additional services. DSSB will submit a written request describing such services to the MFM's representative and the representatives of each of MFM and DSSB will meet to discuss such request. MFM and DSSB will use commercially reasonable efforts to mutually agree on reasonable terms (including compensation and the date of commencement) for such additional services. Any additional services mutually agreed will be documented in writing as an amendment to the existing list of Services and such additional services will be included as the Services under the Master Services Agreement.

(iv) Discontinuation of Services

During the term of the Master Services Agreement, DSSB may discontinue receiving any or all of the Services as of any calendar month's end, with or without cause, by giving MFM written notice within the time period specified in the Annex A of the of the Master Services Agreement.

(v) Consents and Licences

MFM shall, and shall procure that its affiliates who provide any Services shall, obtain and, as applicable, maintain in force, all necessary third-party consents required under any contract or agreement with a third party and all licences, approvals, authorisations or permits which are necessary to allow MFM and/or its affiliates to perform or cause to be performed the Services under the Master Services Agreement. DSSB will, at MFM's cost, cooperate with and assist MFM and its affiliates in good faith in obtaining such third-party consents, licences, approvals, authorisations and permits. If MFM and/or any of its affiliates is unable to obtain any required consent, licence, approval, authorisation or permit or if any required consent, licence, approval, authorisation or permit is varied, suspended, revoked or terminated, MFM shall notify DSSB as soon as reasonably practicable and shall, in consultation with DSSB, use reasonable endeavours (at DSSB's cost) to assist DSSB to obtain alternative service(s) which are the same as (or similar in all material respects to) the relevant Service for which the relevant consent, licence, approval, authorisation or permit was required, such alternative service(s) to be provided to DSSB on the same or similar terms as the Master Services Agreement.

(vi) Termination

Either party will have the right, without prejudice to its other rights and remedies, to terminate the Master Services Agreement: -

(a) with immediate effect by written notice to the other party if the other party is in breach of any of its obligations contained thereto and either the breach is incapable of remedy or the breaching party has failed to remedy such breach within 30 days after receiving written notice from the non-breaching Party requiring the breaching Party to remedy that breach; or

(b) with 18 months' prior written notice to the other party if MFM or any of its affiliates ceases to hold any interest in DSSB.

4.2 Governing Law

The Master Services Agreement, the documents to be entered pursuant to the Master Services Agreement and all non-contractual obligations arising in any way whatsoever out of or in connection with the Master Services Agreement or any such documents shall be governed by and construed in accordance with the laws of Singapore. For the avoidance of doubt, nothing in this provision shall prevent MFM or DSSB from complying with the mandatory requirements of Malaysia law applying to it as to any actions or steps required to give effect to the transactions contemplated under the Master Services Agreement.

Any dispute, disagreement, controversy or claim arising out of or in connection with the Master Services Agreement (including without limitation any claims for set off or counterclaim, or any question regarding the existence, validity or termination of the Master Services Agreement) or the legal relationships established by the Master Services Agreement shall be referred to and finally resolved by arbitration administered by the International Court of Arbitration of the International Chamber of Commerce in Singapore in accordance with the ICC Rules for the time being in force, which rules are deemed to be incorporated by reference in this clause. The seat of the arbitration shall be Singapore. The arbitral tribunal shall consist of 3 arbitrators. Each party shall appoint 1 arbitrator and the 2 arbitrators so nominated shall designate a third arbitrator acceptable to both the parties within 10 Business Days from the confirmation of the second arbitrator, failing which the third arbitrator shall be appointed in accordance with the ICC Rules. The language of the arbitration shall be English.

5. Salient terms of the Internal Agreement

5.1 Internal Restructuring

The parties hereto agree to the internal restructuring of all the parties hereto in the manner and on the terms and conditions hereinafter stated:

(i) **Repayment of DPDC MFM Loan**

(a) DPDC will fully repay all inter-company loan and advances owing and payable by DPDC to MFM as at the date of the Internal Agreement ("**DPDC MFM Loan**") to MFM vide issuance and allotment of such number of new ordinary shares of RM1.00 each deemed fully paid in the share capital of DPDC ("**DPDC Capitalisation Shares**") to DSSB; and

(b) DSSB agrees to accept DPDC Capitalisation Shares from DPDC and in consideration thereof, DSSB will issue and allot such number of new ordinary shares of RM1.00 each deemed fully paid in the share capital of DSSB ("**DSSB Consideration Shares 1**") to MFM.

(ii) **Repayment of DPP MFM Loan**

(a) DPP will fully repay all inter-company loan and advances owing and payable by DPP to MFM as at the date of the Internal Agreement ("**DPP MFM Loan**") to MFM vide issuance and allotment of such number of new ordinary shares of RM1.00 each deemed fully paid in the share capital of DPP ("**DPP Capitalisation Shares**") to DSSB; and

(b) DSSB agrees to accept DPP Capitalisation Shares from DPP and in consideration thereof, DSSB will issue and allot such number of new ordinary shares of RM1.00 each deemed fully paid in the share capital of DSSB ("**DSSB Consideration Shares 2**") to MFM.

(iii) **Splitting and Assumption of Liabilities under the Existing Facilities**

(a) with the consent of the relevant financial institution and in order to satisfy the condition that DSSB Group's Estimated Debt does not exceed RM200 million, DPP has requested and MFM has agreed to split the liabilities under the existing facilities of MFM and DPP under which MFM and DPP are co-customers by entering into new separate facilities for each of MFM and DPP both as standalone customer in such proportions mutually agreed by MFM, DPP and the relevant financial institution as part of the internal restructuring upon the terms and conditions set out in the letters of offer from the relevant financial institution;

(b) as part of the internal restructuring, DPP will issue and allot such number of new ordinary shares of RM1.00 each deemed fully paid in the share capital of DPP ("**DPP Consideration Shares**") to DSSB; and

(c) DSSB agrees to accept DPP Consideration Shares from DPP and in consideration thereof, DSSB will issue and allot such number of new ordinary shares of RM1.00 each deemed fully paid in the share capital of DSSB ("**DSSB Consideration Shares 3**") to MFM.

5.2 DPDC Capitalisation Shares

(i) MFM confirms and acknowledges that it is MFM's request to DPDC to issue and allot the DPDC Capitalisation Shares to DSSB as full repayment for DPDC MFM Loan and that the DPDC MFM Loan shall be deemed fully repaid by DPDC upon DSSB's receipt of the DPDC Capitalisation Shares in accordance with the provisions of the Internal Agreement.

(ii) The DPDC Capitalisation Shares to be issued and allotted pursuant to the Internal Agreement shall rank pari passu with the existing DPDC Shares at the time of such issue and will carry the same entitlement to all the rights benefits and advantages attached to the existing DPDC Shares (save and except PPPNP is the beneficial owner of one (1) DPDC Share) upon issuance thereof.

5.3 DPP Capitalisation Shares and DPP Consideration Shares

(i) MFM confirms and acknowledges that it is MFM's request to DPP to:

(a) issue and allot the DPP Capitalisation Shares to DSSB as full repayment for DPP MFM Loan and that the DPP MFM Loan shall be deemed fully repaid by DPP upon DSSB's receipt of the DPP Capitalisation Shares in accordance with the provisions of the Internal Agreement; and

(b) issue and allot the DPP Consideration Shares to DSSB as part of the internal restructuring in accordance with the provisions of the Internal Agreement.

(ii) The DPP Capitalisation Shares to be issued and allotted pursuant to the Internal Agreement shall rank pari passu with the existing DPP Shares at the time of such issue and will carry the same entitlement to all the rights benefits and advantages attached to the existing DPP Shares upon issuance thereof.

(iii) The DPP Consideration Shares to be issued and allotted pursuant to the Internal Agreement shall rank pari passu with the existing ordinary shares of DPP at the time of such issue and will carry the same entitlement to all the rights benefits and advantages attached to the existing DPP Shares upon issuance thereof.

5.4 DSSB Consideration Shares

(i) The consideration for the DPDC Capitalisation Shares, the DPP Capitalisation Shares and the DPP Consideration Shares received by DSSB from DPDC and DPP respectively at the request of MFM shall be satisfied fully by way of the issue and allotment of the DSSB Consideration Shares 1, the DSSB Consideration Shares 2 and the DSSB Consideration Shares 3 (collectively, the "**DSSB Consideration Shares**") by DSSB to MFM upon the terms and conditions of the Internal Agreement.

(ii) The DSSB Consideration Shares to be issued and allotted pursuant to the Internal Agreement shall rank pari passu with the existing DSSB Shares at the time of such issue and will carry the same entitlement to all the rights benefits and advantages attached to the existing DSSB Shares upon issuance thereof.

5.5 Governing Law

The Internal Agreement shall be governed by and construed in accordance with the laws of Malaysia.

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Dindings Poultry Processing Sdn. Bhd.

(Company No. 198501012354 (144808-P))
(Incorporated in Malaysia)

Financial statements for the year ended 31 December 2020

Dindings Poultry Processing Sdn. Bhd.

(Company No. 198501012354 (144808-P))
(Incorporated in Malaysia)

Directors' report for the year ended 31 December 2020

The Directors hereby submit their report and the audited financial statements of the Company for the financial year ended 31 December 2020.

Principal activities

The Company is principally engaged in the processing and selling of poultry products. There has been no significant change in the nature of these activities during the financial year.

Ultimate holding company

The Company is a subsidiary of Malayan Flour Mills Berhad, of which is incorporated in Malaysia and regarded by the Directors as the Company's ultimate holding company, during the financial year and until the date of this report.

Results

	RM'000
Loss for the year	52,811

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review.

Dividend

No dividend was paid during the financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

Directors of the Company

Directors who served during the financial year until the date of this report are:

Teh Wee Chye
Azhari Arshad
Dato' Dr. Kamruddin @ Kardin bin Shukor (Retired on 31 December 2020)

Directors' interests

As the Company is a wholly-owned subsidiary of the holding company, the interests in the shares of the Company and its related companies of all the Directors of the Company, who are also Directors of the holding company, are shown in the Directors' report of the holding company.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefits (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements of the Company and its related companies) by reason of a contract made by the Company or a related 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 issuance of shares 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.

Indemnity and insurance costs

During the financial year, the amount of insurance premium effected for all Directors and officers of the Company was RM12,123.

Other statutory information

Before the financial statements 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 provision 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 financial statements of the Company 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 2020 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.

Company No. 198501012354 (144808-P)

Auditors

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

The auditors' remuneration is disclosed in Note 14 to the financial statements.

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

....

Teh Wee Chye
Director

....

Azhari Arshad
Director

Kuala Lumpur

Date: 5 April 2021

Dindings Poultry Processing Sdn. Bhd.

(Company No. 198501012354 (144808-P))
(Incorporated in Malaysia)

Balance sheet as at 31 December 2020

	Note	2020 RM'000	2019 RM'000
Assets			
Property, plant and equipment	3	447,780	426,158
Right-of-use assets	4	10,919	11,168
Intangible assets	5	3,053	1,020
Deferred tax assets	6	6,892	2,944
Total non-current assets		468,644	441,290
Trade and other receivables	7	54,461	53,009
Prepayments		1,831	1,103
Inventories	8	46,898	31,191
Cash and cash equivalents	9	14,995	15,607
Total current assets		118,185	100,910
Total assets		586,829	542,200
Equity			
Share capital	10	122,009	122,009
Accumulated losses		(93,683)	(40,872)
Total equity		28,326	81,137
Liabilities			
Loans and borrowings	11	190,658	210,864
Lease liabilities		236	363
Total non-current liabilities		190,894	211,227
Trade and other payables	12	309,745	209,683
Loans and borrowings	11	57,680	40,000
Lease liabilities		184	153
Total current liabilities		367,609	249,836
Total liabilities		558,503	461,063
Total equity and liabilities		586,829	542,200

The notes on pages 12 to 48 are an integral part of these financial statements.

Dindings Poultry Processing Sdn. Bhd.

(Company No. 198501012354 (144808-P))
(Incorporated in Malaysia)

Income statement for the year ended 31 December 2020

	Note	2020 RM'000	2019 RM'000
Revenue	13	391,636	337,081
Cost of goods sold		(384,116)	(291,874)
Gross profit		7,520	45,207
Other income		937	325
Distribution and selling expenses		(41,843)	(33,718)
Administrative expenses		(4,728)	(4,690)
Other expenses		-	(78)
Net loss on impairment of financial instruments		(219)	-
Results from operating activities		(38,333)	7,046
Interest expense		(18,431)	(4,701)
Interest income		5	2
(Loss)/Profit before tax	14	(56,759)	2,347
Tax expense	15	3,948	(3,364)
Loss for the year		(52,811)	(1,017)

The notes on pages 12 to 48 are an integral part of these financial statements.

Dindings Poultry Processing Sdn. Bhd.

(Company No. 198501012354 (144808-P))
(Incorporated in Malaysia)

Statement of comprehensive income for the year ended 31 December 2020

	2020 RM'000	2019 RM'000
Loss for the year	(52,811)	(1,017)
Other comprehensive income for the year	-	-
Total comprehensive expense for the year	(52,811)	(1,017)

The notes on pages 12 to 48 are an integral part of these financial statements.

Dindings Poultry Processing Sdn. Bhd.

(Company No. 198501012354 (144808-P))
(Incorporated in Malaysia)

Statement of changes in equity for the year ended 31 December 2020

	Share capital RM'000	Accumulated losses RM'000	Total Equity RM'000
At 1 January 2019	122,009	(39,855)	82,154
Loss for the year	-	(1,017)	(1,017)
Other comprehensive income for the year	-	-	-
Total comprehensive expense for the year	-	(1,017)	(1,017)
At 31 December 2019/1 January 2020	122,009	(40,872)	81,137
Loss for the year	-	(52,811)	(52,811)
Other comprehensive income for the year	-	-	-
Total comprehensive expense for the year	-	(52,811)	(52,811)
At 31 December 2020	122,009	(93,683)	28,326
	Note 10		

The notes on pages 12 to 48 are an integral part of these financial statements.

Dindings Poultry Processing Sdn. Bhd.

(Company No. 198501012354 (144808-P))
(Incorporated in Malaysia)

Statement of cash flows for the year ended 31 December 2020

	Note	2020 RM'000	2019 RM'000
Cash flows from operating activities			
(Loss)/Profit before tax		(56,759)	2,347
Adjustments for:			
Amortisation of intangible assets	5	688	608
Depreciation of property, plant and equipment	3	14,818	7,646
Depreciation of right-of-use assets	4	352	345
Interest expense		18,431	4,701
Interest income		(5)	(2)
Gain on disposal of property, plant and equipment		(4)	(95)
Net unrealised gain on foreign exchange		(5)	(3)
Operating (loss)/profit before changes in working capital		(22,484)	15,547
Changes in working capital:			
Inventories		(15,707)	(9,684)
Trade and other payables and other financial liabilities		100,067	4,259
Trade and other receivables, prepayments and other assets		(2,180)	44,261
Cash generated from operations		59,696	54,383
Interest paid		(18,431)	(4,701)
Interest received		5	2
Net cash from operating activities		41,270	49,684
Cash flows from investing activities			
Acquisition of property, plant and equipment	3	(36,441)	(149,706)
Acquisition of intangible assets	5	(2,721)	(5)
Proceeds from disposal of property, plant and equipment		5	96
Net cash used in investing activities		(39,157)	(149,615)
Cash flows from financing activities			
Payment of lease liabilities		(199)	(184)
(Payment to)/Proceeds from loans and borrowings, net	11	(2,526)	109,583
Net cash (used in)/from financing activities		(2,725)	109,399
Net (decrease)/increase in cash and cash equivalents		(612)	9,468
Cash and cash equivalents at 1 January		15,607	6,139
Cash and cash equivalents at 31 December	9	14,995	15,607

Statement of cash flows for the year ended 31 December 2020 (continued)

Cash outflows for leases as a lessee

	Note	2020 RM'000	2019 RM'000
Included in net cash from operating activities			
Payment relating to short-term leases	14	324	67
Payment relating to leases of low-value assets	14	41	31
Payment relating to variable lease payments not included in the measurement of lease liabilities	14	3,403	1,039
Interest paid in relation to lease liabilities		21	31
Included in net cash from financing activities			
Payment of lease liabilities		199	184
Total cash outflows for leases		3,988	1,352

Company No. 198501012354 (144808-P)

Statement of cash flows for the year ended 31 December 2020 (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	At 1 January 2019 RM'000	Net changes from financing cash flows RM'000	At 31 December 2019 RM'000	Addition for the year RM'000	Net changes from financing cash flows RM'000	At 31 December 2020 RM'000
Unsecured term loans and borrowings	141,281	109,583	250,864	-	(2,526)	248,338
Lease liabilities	700	(184)	516	103	(199)	420
Total liabilities from financing activities	141,981	109,399	251,380	103	(2,725)	248,758

The notes on pages 12 to 48 are an integral part of these financial statements.

Dindings Poultry Processing Sdn. Bhd.

(Company No. 198501012354 (144808-P))
(Incorporated in Malaysia)

Notes to the financial statements

Dindings Poultry Processing Sdn. Bhd. is a limited liability company, incorporated and domiciled in Malaysia. The address of its registered office, which is also its principal place of business is as follows:

Registered office and principal place of business

22nd Floor, Wisma MCA
Jalan Ampang
50450 Kuala Lumpur

The Company is principally engaged in the processing and selling of poultry products. There has been no significant change in the nature of these activities during the financial year.

The holding company is Malayan Flour Mills Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The financial statements were authorised for issue by the Board of Directors on 5 April 2021.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Company:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement,* MFRS 7, *Financial Instruments: Disclosures,* MFRS 4*, Insurance Contracts** and MFRS 16*, Leases – Interest Rate Benchmark Reform – Phase 2*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018−2020)**
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework**
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018−2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018−2020)*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022 (continued)

- Amendments to MFRS 116, *Property, Plant and Equipment − Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets − Onerous Contracts − Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018−2020)**

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

- from the annual period beginning on 1 January 2021 for those amendments that are effective for annual periods beginning on or after 1 January 2021, except as marked as ("*") which is not applicable to the Company.

- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except as marked as ("*") which is not applicable to the Company.

- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 which is not applicable to the Company.

During the financial year, the Company has early adopted the amendment to MFRS 16, *Leases – COVID-19-Related Rent Concessions* which is effective for annual periods beginning on or after 1 June 2020.

The initial application of the abovementioned accounting standards and amendments are not expected to have any material financial impact to the current period and prior period financial statements of the Company.

1. Basis of preparation (continued)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with MFRSs 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 assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future 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 other than disclosed in the following note:

(i) Note 4 - extension options and incremental borrowing rate in relation to leases
(ii) Note 16 - measurement of expected credit loss ("ECL")

2. Significant accounting policies

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

The Company has applied the amendment of MFRS 16, *Leases – Covid-19-Related Rent Concessions*, issued by MASB in June 2020. The amendment introduces an optional practical expedient that simplifies how a lessee accounts for rent concessions, arising as a direct consequence of COVID-19 pandemic. The initial application of the amendment to MFRS 16 did not have any material impact to the financial statements of the Company.

(a) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

2. Significant accounting policies (continued)

(a) Foreign currency (continued)

Foreign currency transactions (continued)

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the income statement.

(b) Financial instruments

(i) Recognition and initial measurement

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

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

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

Financial assets (continued)

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the income statement. Any gain or loss on derecognition is recognised in the income statement.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(h)(i)) where the effective interest rate is applied to the amortised cost.

(b) Fair value through profit or loss

All financial assets not measured at amortised cost as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the income statement.

All financial assets, except for those measured at fair value through profit or loss, are subject to impairment assessment (see Note 2(h)(i)).

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

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

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

(a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

(a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;

(b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Company's key management personnel; or

(c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the income statement.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Company recognises the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the income statement, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

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

Financial liabilities (continued)

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the income statement. Any gains or losses on derecognition are also recognised in the income statement.

(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 transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in the income statement.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. 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 recognised in the income statement.

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured 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 costs 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. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

2. Significant accounting policies (continued)

(c) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in the income statement.

(ii) Subsequent costs

The cost of replacing a component 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 component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to the income statement. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Capital work-in-progress is not depreciated until the assets are ready for their intended use.

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

• buildings	50 years
• staff quarters	50 years
• renovation and electrical installation	10 - 20 years (2019: 10 years)
• plant, machinery and equipment	10 - 20 years (2019: 10 years)
• furniture and fittings	10 - 20 years (2019: 10 years)
• computer equipment	4 years
• motor vehicles	5 years

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

2. Significant accounting policies (continued)

(d) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of land and buildings in which the Company is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

2. Significant accounting policies (continued)

(d) Leases (continued)

(ii) Recognition and initial measurement (continued)

As a lessee (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise:
- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The Company excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in the income statement in the period in which the performance or use occurs.

The Company has elected not to recognise right-of-use asset and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) Subsequent measurement

As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use asset are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

2. Significant accounting policies (continued)

(d) Leases (continued)

(iii) Subsequent measurement (continued)

As a lessee (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the income statement if the carrying amount of the right-of-use asset has been reduced to zero.

(e) Intangible assets

(i) Computer software

Computer software acquired by the Company is stated at cost less any accumulated amortisation and any accumulated impairment losses.

The cost capitalised includes expenditures that are directly attributable to the acquisition of the software licenses and any other development costs directly attributable to the preparation of the computer software for its intended use.

(ii) Subsequent expenditure

Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the income statement as incurred.

(iii) Amortisation

Amortisation of computer software is recognised in the income statement on a straight-line basis over its estimated useful lives from the date that it is available for use.

The estimated useful life of computer software is 4 years.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

2. Significant accounting policies (continued)

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is measured based on the weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of processed products, cost includes an appropriate share of production overheads based on normal operating capacity.

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.

(g) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and bank balances.

(h) Impairment

(i) Financial assets

The Company recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

The Company measures loss allowances for trade receivables at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

2. Significant accounting policies (continued)

(h) Impairment (continued)

(i) Financial assets (continued)

The Company estimates the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in the income statement and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Company assesses whether financial assets carried at amortised cost is credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery amounts due.

(ii) Other assets

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

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 cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

2. Significant accounting policies (continued)

(h) Impairment (continued)

(ii) Other assets (continued)

Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period 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 since the last impairment loss was recognised. 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 financial year in which the reversals are recognised.

(i) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in the income statement as accrued.

2. Significant accounting policies (continued)

(j) 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 the income statement in the financial year to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

(k) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Company transfers control of a good or service at a point in time unless one of the following over time criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Company performs;

(b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

(ii) Interest Income

Interest income is recognised as it accrues, using the effective interest method in the income statement.

2. Significant accounting policies (continued)

(l) Borrowing costs

General and specific 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, until such time as the assets are substantially ready for their intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

All other borrowing costs are recognised in income statement in the period in which they are incurred.

(m) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss 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 financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the balance sheet and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, 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 tax loss. Deferred tax is measured at the tax rates that are expected to be applied 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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences 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.

2. Significant accounting policies (continued)

(n) Contingencies

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

Company No. 198501012354 (144808-P)

3. Property, plant and equipment

	Buildings RM'000	Staff-quarters RM'000	Renovation and electrical installation RM'000	Plant, machinery and equipment RM'000	Furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost									
At 1 January 2019	42,399	408	5,976	108,053	1,545	4,294	3,532	203,095	369,302
Additions	3,094	-	105	1,057	140	284	233	144,793	149,706
Disposals	-	-	-	(50)	-	-	(172)	-	(222)
Write Off	-	-	(20)	(6,190)	(5)	-	-	-	(6,215)
At 31 December 2019/1 January 2020	45,493	408	6,061	102,870	1,680	4,578	3,593	347,888	512,571
Additions	8,253	-	232	26,012	1,311	249	370	14	36,441
Transfer	212,710	-	-	97,746	762	1,544	-	(312,762)	-
Disposals	-	-	-	(32)	-	(12)	-	-	(44)
Write off	-	-	-	(3)	-	-	-	-	(3)
At 31 December 2020	266,456	408	6,293	226,593	3,753	6,359	3,963	35,140	548,965

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3. Property, plant and equipment (continued)

	Buildings RM'000	Staff-quarters RM'000	Renovation and electrical installation RM'000	Plant, machinery and equipment RM'000	Furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Depreciation and impairment loss									
At 1 January 2019									
Accumulated depreciation	7,917	408	5,928	62,089	1,205	3,404	3,041	-	83,992
Accumulated impairment loss	1	-	-	1,209	-	-	-	-	1,210
	7,918	408	5,928	63,298	1,205	3,404	3,041	-	85,202
Depreciation for the year	915	-	146	5,871	70	492	152	-	7,646
Disposal for the year	-	-	-	(49)	-	-	(172)	-	(221)
Write off	-	-	(13)	(5,585)	(5)	-	-	-	(5,603)
Write off – Impairment	-	-	-	(611)	-	-	-	-	(611)
At 31 December 2019/1 January 2020									
Accumulated depreciation	8,832	408	6,061	62,326	1,270	3,896	3,021	-	85,814
Accumulated impairment loss	1	-	-	598	-	-	-	-	599
	8,833	408	6,061	62,924	1,270	3,896	3,021	-	86,413
Depreciation for the year	4,917	-	232	8,583	122	748	216	-	14,818
Disposal for the year	-	-	-	(32)	-	(11)	-	-	(43)
Write off	-	-	-	(3)	-	-	-	-	(3)
At 31 December 2020									
Accumulated depreciation	13,749	408	6,293	70,874	1,392	4,633	3,237	-	100,586
Accumulated impairment loss	1	-	-	598	-	-	-	-	599
	13,750	408	6,293	71,472	1,392	4,633	3,237	-	101,185

3. Property, plant and equipment (continued)

	Buildings RM'000	Staff-quarters RM'000	Renovation and electrical installation RM'000	Plant, machinery and equipment RM'000	Furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Carrying amounts									
At 1 January 2019	34,481	-	48	44,755	340	890	491	203,095	294,913
At 31 December 2019/1 January 2020	36,660	-	-	39,946	410	682	572	347,888	426,158
At 31 December 2020	252,706	-	-	155,121	2,361	1,726	726	35,140	447,780

3.1 Included in additions of the Company during the year are interest expense capitalised of RM2,236,000 (2019: RM12,648,594).

3.2 During the financial year ended 31 December 2020, the Company conducted an operational review and as a result, there was a change in the expected useful lives of certain assets. The effect of these changes on depreciation expense, in current and future periods is as follows:

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000	2024 RM'000	Later RM'000
(Decrease)/Increase in depreciation expense	(1,863)	(1,861)	(1,861)	(1,861)	(1,861)	9,307

4. Right-of-use assets

	Leasehold land RM'000	Buildings RM'000	Total RM'000
At 1 January 2019	10,813	700	11,513
Depreciation for the year	(149)	(196)	(345)
At 31 December 2019/1 January 2020	10,664	504	11,168
Addition for the year	-	103	103
Depreciation for the year	(150)	(202)	(352)
At 31 December 2020	10,514	405	10,919

The Company leases buildings for its office space that typically run for a period of one to five years, with an option to renew the lease after that date.

4.1 Extension options

Some leases of office space contain extension options exercisable by the Company. Where applicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

As at 31 December 2020, the Company has included all potential future cash flows of exercising the extension options in the lease liabilities.

4.2 Significant judgements and assumptions in relation to lease

The Company assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. The Company considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Company also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. The Company first determines the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

5. Intangible assets

	Computer software RM'000
Cost	
At 1 January 2019	2,847
Additions	5
At 31 December 2019/1 January 2020	2,852
Additions	2,721
At 31 December 2020	5,573
Amortisation	
At 1 January 2019	1,224
Amortisation for the year	608
At 31 December 2019/1 January 2020	1,832
Amortisation for the year	688
At 31 December 2020	2,520
Carrying amounts	
At 1 January 2019	1,623
At 31 December 2019/1 January 2020	1,020
At 31 December 2020	3,053

5.1 Intangible assets

Intangible assets principally comprise expenditure that are directly attributable to the acquisition of the software licences and any other development costs directly attributable to the preparation of the computer software for its intended use.

5.2 Amortisation

The amortisation is allocated to the income statement on a straight-line basis over the intangible assets' estimated useful lives.

6. Deferred tax assets

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	Assets		Liabilities		Net	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Property, plant and equipment	-	-	(27,029)	(5,520)	(27,029)	(5,520)
Right-of-use assets	-	-	(2,620)	(2,680)	(2,620)	(2,680)
Lease liabilities	101	124	-	-	101	124
Provisions	1,591	602	-	-	1,591	602
Unabsorbed capital allowance	26,780	1,364	-	-	26,780	1,364
Tax loss carry-forwards	8,049	9,040	-	-	8,049	9,040
Others	20	14	-	-	20	14
Tax assets/ (liabilities)	36,541	11,144	(29,649)	(8,200)	6,892	2,944
Set off of tax	(29,649)	(8,200)	29,649	8,200	-	-
Net tax assets	6,892	2,944	-	-	6,892	2,944

7. Trade and other receivables

	Note	2020 RM'000	2019 RM'000
Trade receivables from contracts with customers		52,755	37,248
Other receivables	7.1	1,360	15,396
Deposits		346	365
		54,461	53,009

7.1 Other receivables

Included in other receivables of the Company are advances paid to suppliers of RM1,360,000 (2019: RM15,392,000).

8. Inventories

	2020 RM'000	2019 RM'000
Raw materials	2,806	2,957
Processed products	34,245	19,638
Packing materials	1,830	1,608
Consumables	8,017	6,988
	46,898	31,191

9. Cash and cash equivalents

	2020 RM'000	2019 RM'000
Cash and bank balances	14,995	15,607

10. Capital and reserve

Share capital

	Amount 2020 RM'000	Number of shares 2020 '000	Amount 2019 RM'000	Number of shares 2019 '000
Issued and fully paid:				
Ordinary shares				
At 1 January/31 December	54,000	54,000	54,000	54,000
Redeemable preference shares				
At 1 January/31 December	68,009	68,009	68,009	68,009
	122,009	122,009	122,009	122,009

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

Redeemable preference shares

The holders of preference shares are entitled to receive notices of general meetings, reports and balance sheets and to attend general meetings but shall only have the rights to vote in the following circumstances and not otherwise:

i) On a proposal to reduce the Company's share capital or share premium account;

ii) On a proposal that affects the rights attached to the preference shares;

iii) On a proposal to wind up the Company;

iv) On a proposal for the disposal of the whole or a substantial part of the Company's property, business and undertaking; and

v) On a proposal to alter the Memorandum and Articles of Association of the Company.

The dividends on preference shares shall be decided at the sole discretion of the Board of Directors of the Company and are non-cumulative.

The redeemable preference shares shall be issued on the terms that they are; or at the option of the Company to be redeemed in whole or in part at par at any time to be determined by the Board of Directors of the Company.

10. Capital and reserve (continued)

Redeemable preference shares (continued)

The power of redemption may be executed by the Board of Directors acting on behalf of the Company upon giving one (1) month notice of the proposed redemption to the holders of the redeemable preference shares.

The preference shares shall rank ahead as regards to repayment of capital in priority to all classes of shares of the Company.

A holder of the redeemable preference shares may transfer all or any of the holder's redeemable preference shares to any party approved by the Board of Directors and such transfer shall be by way of any instrument in writing in the form prescribed by the Companies Act 2016 in Malaysia or in the common form which the Directors may approve.

All holders of redeemable preference shares shall have the right to appoint proxy.

11. Loans and borrowings

	2020 RM'000	2019 RM'000
Non-current		
Unsecured term loan	190,658	210,864
Current		
Unsecured banker's acceptance	7,680	-
Unsecured revolving credits	10,000	-
Unsecured term loan	40,000	40,000
	57,680	40,000
	248,338	250,864

12. Trade and other payables

	Note	2020 RM'000	2019 RM'000
Trade payables		11,620	10,128
Amount due to related company	12.1	669	669
Amount due to holding company	12.2	277,057	184,003
Other payables and accruals		20,399	14,883
		309,745	209,683

12.1 Amount due to related company

The amount due to related company is unsecured, repayable on demand and interest free (2019: interest free).

12.2 Amount due to holding company

The amount due to holding company is unsecured, repayable on demand and interest bearing (2019: interest bearing).

13. Revenue

	2020 RM'000	2019 RM'000
Revenue from contracts with customers	391,636	337,081

Revenue of the Company includes sales of poultry products and processed foods. Revenue is recognised when the Company transfers control of a good to the customers, net of rebates and/or incentives. The Company allows returns for quality issues, if any. The performance obligation is satisfied at a point in time and the customers are required to pay within the agreed credit terms, ranging between 0 to 90 days.

14. Profit before tax

	Note	2020 RM'000	2019 RM'000
Profit before tax is arrived at after charging/ (crediting):			
Auditors' remuneration		41	41
Material expenses/(income):			
Amortisation of intangible assets	5	688	608
Depreciation of property, plant and equipment	3	14,818	7,646
Depreciation of right-of-use assets	4	352	345
Interest expense from:			
- holding company		9,684	4,670
- lease liabilities		21	31
Net realised (gain)/loss on foreign exchange		(125)	77
Net unrealised gain on foreign exchange		(5)	(3)
Personnel expenses (including key management personnel):			
- Contributions to Employees Provident Fund		2,676	2,587
- Wages, salaries and others		29,542	31,721
Expenses arising from leases:			
Expenses relating to short-term leases		324	67
Expenses relating to leases of low-value assets		41	31
Expenses relating to variable lease payments not included in the measurement of lease liabilities		3,403	1,039
Net loss on impairment of financial instruments			
Financial assets at amortised cost		219	-

15. Tax expense

	2020 RM'000	2019 RM'000
Recognised in the income statement		
Current tax expense		
Current year	-	-
Prior year	-	-
Total current tax recognised in income statement	-	-
Deferred tax expense		
Reversal and origination of temporary differences	(3,767)	643
(Over)/Under provision in prior year	(181)	2,721
Total deferred tax recognised in income statement	(3,948)	3,364
Total income tax (credit)/expense	(3,948)	3,364
Reconciliation of tax expense		
(Loss)/Profit before tax	(56,759)	2,347
Tax at Malaysian tax rate of 24% (2019: 24%)	(13,622)	563
Non-deductible expenses	296	77
Deferred tax asset not recognised	9,559	-
Others	-	3
	(3,767)	643
(Over)/Under provision in prior year	(181)	2,721
	(3,948)	3,364

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the temporary differences (stated at gross) arising from tax loss carry forwards of RM39,829,000 because it is not probable that future taxable profit will be available against which the Company can utilise the benefit therefrom.

Pursuant to the Amended Finance Bill 2018, the abovementioned tax loss carry-forwards can only be carried forward up to 7 consecutive Years of Assessment as shown below:

	2020 RM'000	2019 RM'000
Year of assessment in which unutilised tax losses will expire:		
- 2026	37,669	-
- 2027	-	-
- 2028	2,160	-
	39,829	-

16. Financial instruments

16.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as amortised cost ("AC").

	Note	2020 RM'000	2019 RM'000
Financial assets			
Trade and other receivables	7	54,461	53,009
Cash and cash equivalents	9	14,995	15,607
		69,456	68,616
Financial liabilities			
Trade and other payables	12	(309,745)	(209,683)
Loans and borrowings	11	(248,338)	(250,864)
		(558,083)	(460,547)

16.2 Net gains and losses arising from financial instruments

	2020 RM'000	2019 RM'000
Net (losses)/gains on:		
Financial liabilities measured at amortised cost	(18,301)	(4,775)
Financial assets at amortised cost	(214)	2
	(18,515)	(4,773)

16.3 Financial risk management

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

- Credit risk
- Interest rate risk
- Foreign currency risk
- Liquidity risk

16.4 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. There are no significant changes as compared to prior periods.

16. Financial instruments (continued)

16.4 Credit risk (continued)

Trade 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. Credit risk is addressed by the Credit Committee that sets policies, approves credit evaluations and institutes mitigating actions. New customers are subject to credit evaluation process and existing customers' risk profiles are reviewed regularly with a view to setting appropriate terms of trade and credit limits. Where appropriate, further sales are suspended and legal actions are taken to attempt recoveries and mitigate losses.

At each reporting date, the Company assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Exposure to credit risk and credit quality

At the balance sheet date, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the balance sheet.

The Company receives financial guarantees given by banks, shareholders or directors of customers in managing exposure to credit risks.

Recognition and measurement of impairment losses

In managing credit risk of trade receivables, the Company manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within the credit terms of 90 days. The Company's debt recovery process is as follows:

a) Above 30 days past due after credit term, the Company will start to initiate a structured debt recovery process which is monitored by the sales management team; and
b) Above 180 days past due after credit term, the Company will commence a legal proceeding against the customer.

16. Financial instruments (continued)

16.4 Credit risk (continued)

Trade receivables (continued)

Recognition and measurement of impairment losses (continued)

The Company uses an allowance matrix to measure ECLs of trade receivables for all segments. Consistent with the debt recovery process, invoices which are past due 90 days will be considered as credit impaired.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 90 days past due.

Loss rates are based on actual credit loss experience over the past three years. The Company also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Company's view of economic conditions over the expected lives of the receivables. Nevertheless, the Company believes that these factors are immaterial for the purpose of impairment calculation for the year.

The following table provides information about the exposure to credit risk and ECLs for trade receivables which are grouped together as they are expected to have similar risk nature.

	Gross carrying amount RM'000	Loss allowances RM'000	Net balance RM'000
2020			
Not past due	52,516	(328)	52,188
Credit impaired			
More than 90 days past due	675	(108)	567
Individually impaired	3	(3)	-
	53,194	(439)	52,755
2019			
Not past due	37,258	(133)	37,125
Credit impaired			
More than 90 days past due	229	(106)	123
	37,487	(239)	37,248

There are trade receivables where the Company has not recognised any loss allowance as the trade receivables are supported by bank guarantees in managing the exposure to credit risk.

16. Financial instruments (continued)

16.4 Credit risk (continued)

Trade receivables (continued)

Recognition and measurement of impairment losses (continued)

The movements in the allowance for impairment in respect of trade receivables during the year are shown below.

	Trade receivables		
	Lifetime ECL RM'000	Credit impaired RM'000	Total RM'000
Balance at 1 January 2019	-	254	254
Amounts written off	-	(15)	(15)
Net remeasurement of loss allowance	201	(201)	-
Balance at 31 December 2019/ 1 January 2020	201	38	239
Amounts written off	-	(19)	(19)
Net remeasurement of loss allowance	127	92	219
Balance at 31 December 2020	328	111	439

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the balance sheet.

These banks and financial institutions have low credit risks. Consequently, the Company is of the view that the loss allowance is not material and hence, it is not provided for.

Other receivables

Credit risks on other receivables are mainly arising from advances to suppliers.

As at the end of the financial year, the maximum exposure to credit risk is represented by their carrying amounts in the balance sheet.

As at the end of the financial year, the Company did not recognise any allowance for impairment losses.

16. Financial instruments (continued)

16.5 Interest rate risk

The Company's exposure to interest rate risk relates primarily to their borrowings.

Risk management objectives, policies and processes for managing the risk

The Company's bank borrowings are subject to interest based on floating rates. Market interest rates movements are monitored with the view of ensuring that the most competitive rates are secured and where appropriate, borrowing arrangements are restructured or reduced.

Exposure to interest rate risk

The interest rate profile of the Company's significant interest-bearing financial instruments, based on the carrying amounts at the balance sheet date are as follows:

	Note	2020 RM'000	2019 RM'000
Fixed rate instruments			
Unsecured bankers' acceptances	11	7,680	-
Unsecured revolving credits	11	10,000	-
Floating rate instruments			
Unsecured term loans	11	230,658	250,864

Interest rate risk sensitivity analysis for variable rate instruments

A change of 50 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			
	50 bp increase 2020 RM'000	50 bp decrease 2020 RM'000	50 bp increase 2019 RM'000	50 bp decrease 2019 RM'000
Floating rate instruments	(876)	876	(953)	953

16. Financial instruments (continued)

16.6 Foreign currency risk

The Company is exposed to foreign currency risk on purchases that are denominated in a currency other than the functional currency of the Company. The currency giving rise to this risk is primarily Euro Dollar ("EUR").

Risk management objectives, policies and processes for managing the risk

The Company monitors its exposure to foreign currency movements closely.

Exposure to foreign currency risk

The exposure to foreign currency risk of the Company at balance sheet date is not material and hence, sensitivity analysis is not presented.

16.7 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, amounts due to holding company and related company, loans and borrowings and lease liabilities.

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

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

16. Financial instruments (continued)

16.7 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Company's financial liabilities at the balance sheet date based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
2020							
Non-derivative financial liabilities							
Trade and other payables	309,745	-	309,745	309,745	-	-	-
Unsecured banker's acceptances/ Unsecured revolving credits	17,680	2.19 - 2.96	17,716	17,716	-	-	-
Unsecured term loans	230,658	3.33 - 3.56	253,041	47,297	46,386	133,452	25,906
Lease liabilities	420	5.00	448	201	138	109	-
	558,503		580,950	374,959	46,524	133,561	25,906
2019							
Non-derivative financial liabilities							
Trade and other payables	209,683	-	209,683	209,683	-	-	-
Unsecured term loans	250,864	4.59 - 4.89	282,576	50,709	58,724	173,143	-
Lease liabilities	516	5.00	565	176	163	226	-
	461,063		492,824	260,568	58,887	173,369	-

16. Financial instruments (continued)

16.8 Fair value information

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

Fair value of financial instruments not carried at fair value

Level 3 fair value not carried at fair value comprises long term loan where its fair value approximate its carrying amount. The fair value is estimated using discounted cash flows with a discount rate based on the current market rate of borrowing of the Company at the reporting date.

17. Capital management

The Company's objectives when managing capital is to maintain a strong capital base and safeguard the Company's ability to continue as a going concern, so as to sustain future development of the business and to meet the working capital needs by relying on the continuous financial support from the holding company.

The Directors monitor and determine the adequacy of capital on an ongoing basis.

18. Capital and other commitments

	2020 RM'000	2019 RM'000
Property, plant and equipment		
Contracted but not provided for	10,210	105,650

19. Related parties

Identity of 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. Related parties may be individuals or other entities.

Related parties also include 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. Key management personnel include all the Directors of the Company.

The Company has related party relationship with its holding company, related companies and key management personnel.

19. Related parties (continued)

Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated basis. The significant related party transactions of the Company are shown below. The balances related to the below transactions are shown in Note 12.

	2020 RM'000	2019 RM'000
A. Holding company		
- Purchases of goods	(361)	(363)
- Rental expense of premises	(175)	(175)
- Interest expense	(9,684)	(4,670)
B. Related companies		
- Sales of goods	4,520	5,082
- Purchases of goods	(277,554)	(196,051)
C. Key management personnel		
Directors		
- Fees	-	3

20. Contingencies

Contingent liabilities not considered remote

Litigation

The Company had appointed eTEC E&C (M) Sdn Bhd as contractor ("the Contractor") to construct the new v5, primary processing and further processing plant in Lumut in December 2016. As the Contractor had breached the terms of the agreement, the Company had issued a notice of termination of the contract for breach of the terms of the contract which entitled the Company to make a demand on the performance guarantee of RM12.4 million issued in favour of the Company pursuant to the terms of the contract. Prior to the demand, the Contractor commenced proceeding in the High Court to restrain the Company from making the demand. The High Court dismissed the Contractor's claim and the bank issuing the guarantee proceeded to release the sum of RM12.4 million to the Company. The Contractor filed an appeal against the decision and the matter was fixed for case management in the Court of Appeal on 10 March 2021. On 10 March 2021, the Court of Appeal fixed the matter for further case management on 1 April 2021. On 1 April 2021, the Court of Appeal fixed the matter for further case management on 28 January 2022 and for Court hearing on 15 February 2022.

The Contractor has commenced adjudication proceedings for an alleged claim under various progress claims in the total sum of RM65.9 million. The Company has also raised a counter claim sum of RM48.1 million in the said proceedings.

20. Contingencies (continued)

Contingent liabilities not considered remote (continued)

Litigation (continued)

Arising from the breach of the contract by the Contractor, the Company has initiated arbitration proceedings against the Contractor for the consequential losses and damages which has been and/or to be incurred by the Company. The claim is presently estimated to be approximately RM46.7 million. Against this, the Contractor counter claims against the Company a sum of approximately RM78.3 million arising from the early termination of the Contractor's employment.

Based on the legal advice, the Directors are of the opinion that the Company has a good arguable defence for these alleged claims and provisions are not required in respect of these claims.

21. Subsequent event

On 4 February 2021, the Company redeemed all the 68,009,046 preference shares held by the holding company, Malayan Flour Mills Berhad ("MFM") and converted into 68,009,046 ordinary shares. On 5 February 2021, MFM and Dindings Supreme Sdn. Bhd. ("DSSB") entered into a Share Transfer Agreement to transfer all the 122,009,046 ordinary shares in the Company held by MFM to DSSB. On 9 March 2021, DSSB became the immediate holding company.

Dindings Poultry Processing Sdn. Bhd.

(Company No. 198501012354 (144808-P))
(Incorporated in Malaysia)

Statement by Directors pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 5 to 48 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2020 and of its financial performance and cash flows for the financial year then ended.

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

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Teh Wee Chye
Director

....

Azhari Arshad
Director

Kuala Lumpur

Date: 5 April 2021

Dindings Poultry Processing Sdn. Bhd.

(Company No. 198501012354 (144808-P))
(Incorporated in Malaysia)

Statutory declaration pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Tan Hui Joo**, the officer primarily responsible for the financial management of Dindings Poultry Processing Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 5 to 48 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Tan Hui Joo, MIA CA47701, at Kuala Lumpur in the State of Wilayah Persekutuan on 5 April 2021.

……………………………………..
Tan Hui Joo

Before me:

PESURUHJAYA SUMPAH
W632
SAMUGAM VASSOO
AMN
Tempoh Lantikan
1 Jan 2021 - 13 Dis 2021
MALAYSIA

No. 10-1, Jalan Bangsar Utama 1,
Bangsar Utama,
59000 Kuala Lumpur.

KPMG

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Telephone +60 (3) 7721 3388
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Website www.kpmg.com.my

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF DINDINGS POULTRY PROCESSING SDN. BHD.

(Company No. 198501012354 (144808-P))
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dindings Poultry Processing Sdn. Bhd., which comprise the balance sheet as at 31 December 2020 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 5 to 48.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the *By-Laws (on Professional Ethics,* Conduct *and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

KPMG

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 internal control of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

Other Matter

This report is made solely to the member of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG

KPMG PLT	**Chong Dee Shiang**
LLP0010081-LCA & AF 0758	Approval Number: 02782/09/2022 J
Chartered Accountants	Chartered Accountant

Petaling Jaya

Date: 5 April 2021

Dindings Poultry Development Centre Sdn. Bhd.

(Company No. 198901002738 (180044-A))
(Incorporated in Malaysia)

Financial statements for the year ended 31 December 2020

Dindings Poultry Development Centre Sdn. Bhd.

(Company No. 198901002738 (180044-A))
(Incorporated in Malaysia)

Directors' report for the year ended 31 December 2020

The Directors hereby submit their report and the audited financial statements of the Company for the financial year ended 31 December 2020.

Principal activities

The Company is principally engaged in breeding and sale of day-old chicks, poultry grow-out farm, purchase and contract farming activities, manufacture and sale of animal feeds and sale of related raw materials. There has been no significant change in the nature of these activities during the financial year.

Ultimate holding company

The Company is a subsidiary of Malayan Flour Mills Berhad, of which is incorporated in Malaysia and regarded by the Directors as the Company's ultimate holding company, during the financial year and until the date of this report.

Results

	RM'000
Loss for the year attributable to the owners of the Company	35,611

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review.

Dividend

No dividend was paid during the financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

Directors of the Company

Directors who served during the financial year until the date of this report are:

Teh Wee Chye
Azhari Arshad
Dato' Dr. Kamruddin @ Kardin bin Shukor (Retired on 31 December 2020)

Directors' interests

The interests and deemed interests in the ordinary shares, Redeemable Convertible Unsecured Loan Stocks ("RCULS") and Warrants of the Company and of its related companies (other than wholly-owned subsidiaries) of those who were Directors at financial 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			
	At 1.1.2020	**Acquired**	**Disposed**	**At 31.12.2020**
Company - Dindings Poultry Development Centre Sdn. Bhd.				
Deemed interest				
Teh Wee Chye	106,029,560	-	-	106,029,560
Holding company - Malayan Flour Mills Berhad				
Direct interest				
Teh Wee Chye	120,023,411	-	-	120,023,411
Azhari Arshad	460,000	40,000	-	500,000
Deemed interest				
Teh Wee Chye				
-own	63,954,360	-	-	63,954,360
-others*	63,000	-	-	63,000
Azhari Arshad	15,529,800	200,000	-	15,729,800
Deemed interest of Teh Wee Chye in related companies				
Muda Fibre Manufacturing Sdn. Bhd.	7,000,001	-	-	7,000,001
Premier Grain Sdn. Bhd.	10,200,000	-	-	10,200,000

	Interest in capital contribution denominated in Vietnamese Dong (VND)			
	At 1.1.2020 VND'000	**Acquired VND'000**	**Disposed VND'000**	**At 31.12.2020 VND'000**
Vimaflour Ltd	248,953,884	97,007,400	-	345,961,284

Directors' interests (continued)

	Number of RCULS			
	At 1.1.2020	Acquired	Disposed	At 31.12.2020
Holding company				
- Malayan Flour Mills Berhad				
Direct interest				
Teh Wee Chye	35,659,395	-	-	35,659,395
Deemed interest				
Teh Wee Chye	11,628,065	-	-	11,628,065
Azhari Arshad	50,000	-	-	50,000

	Number of Warrants			
	At 1.1.2020	Acquired	Disposed	At 31.12.2020
Holding company				
- Malayan Flour Mills Berhad				
Direct interest				
Teh Wee Chye	25,975,944	-	-	25,975,944
Azhari Arshad	62,500	-	-	62,500
Deemed interest				
Teh Wee Chye	9,690,052	-	-	9,690,052

* Deemed to have interest through spouse and children pursuant to the Section 59(11)(c) of the Companies Act 2016 in Malaysia.

By virtue of his interest in the shares of the holding company, Mr. Teh Wee Chye is also deemed interested in the shares of the subsidiaries during the financial year to the extent that Malayan Flour Mills Berhad has an interest.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefits (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements of the Company and its related companies) by reason of a contract made by the Company or a related 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 issuance of shares 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.

Indemnity and insurance costs

During the financial year, the amount of insurance premium effected for all Directors and officers of the Company was RM14,210.

Other statutory information

Before the financial statements 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 provision 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 financial statements of the Company 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 2020 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.

Company No. 198901002738 (180044-A)

Auditors

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

The auditors' remuneration is disclosed in Note 15 to the financial statements.

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

……………………………………………………………

Teh Wee Chye
Director

……………………………………………………………

Azhari Arshad
Director

Kuala Lumpur

Date: 5 April 2021

Dindings Poultry Development Centre Sdn. Bhd.

(Company No. 198901002738 (180044-A))
(Incorporated in Malaysia)

Balance sheet as at 31 December 2020

	Note	2020 RM'000	2019 RM'000
Assets			
Property, plant and equipment	3	225,249	235,001
Right-of-use assets	4	10,088	12,028
Deferred tax assets	10	9,463	4,192
Total non-current assets		244,800	251,221
Inventories	5	45,171	68,410
Biological assets	6	48,586	56,860
Trade and other receivables	7	25,357	32,916
Prepayments and other assets		1,087	1,422
Cash and cash equivalents	8	2,499	3,135
Total current assets		122,700	162,743
Total assets		367,500	413,964
Equity			
Share capital	9	149,226	149,226
Accumulated losses		(78,688)	(43,077)
Total equity attributable to the owners of the Company		70,538	106,149
Liabilities			
Lease liabilities		2,229	3,187
Total non-current liabilities		2,229	3,187
Trade and other payables, including derivatives	11	216,425	239,863
Loans and borrowings	12	77,395	63,815
Lease liabilities		913	950
Total current liabilities		294,733	304,628
Total liabilities		296,962	307,815
Total equity and liabilities		367,500	413,964

The notes on pages 13 to 50 are an integral part of these financial statements.

Dindings Poultry Development Centre Sdn. Bhd.

(Company No. 198901002738 (180044-A))
(Incorporated in Malaysia)

Income statement for the year ended 31 December 2020

	Note	2020 RM'000	2019 RM'000
Revenue	13	570,789	574,550
Cost of goods sold		(571,152)	(578,655)
Gross loss		(363)	(4,105)
Other income		2,802	2,338
Distribution and selling expenses		(8,653)	(9,739)
Administrative expenses		(17,272)	(18,536)
Net loss on impairment of financial instruments		(2,923)	(2,778)
Other expenses		(2,972)	(1,425)
Results from operating activities		(29,381)	(34,245)
Interest expense		(12,098)	(12,590)
Interest income		597	173
Loss before tax		(40,882)	(46,662)
Tax expense	14	5,271	10,879
Loss for the year	15	(35,611)	(35,783)

The notes on pages 13 to 50 are an integral part of these financial statements.

Dindings Poultry Development Centre Sdn. Bhd.

(Company No. 198901002738 (180044-A))
(Incorporated in Malaysia)

Statement of comprehensive expense for the year ended 31 December 2020

	2020 RM'000	2019 RM'000
Loss for the year	(35,611)	(35,783)
Other comprehensive income for the year	-	-
Total comprehensive expense for the year attributable to owners of the Company	(35,611)	(35,783)

The notes on pages 13 to 50 are an integral part of these financial statements.

Dindings Poultry Development Centre Sdn. Bhd.

(Company No. 198901002738 (180044-A))
(Incorporated in Malaysia)

Statement of changes in equity for the year ended 31 December 2020

	Note	Share capital RM'000	Accumulated losses RM'000	Total equity RM'000
At 1 January 2019		149,226	(7,294)	141,932
Loss for the year		-	(35,783)	(35,783)
Other comprehensive income for the year		-	-	-
Total comprehensive expense for the year		-	(35,783)	(35,783)
At 31 December 2019/1 January 2020		149,226	(43,077)	106,149
Loss for the year		-	(35,611)	(35,611)
Other comprehensive income for the year		-	-	-
Total comprehensive expense for the year		-	(35,611)	(35,611)
At 31 December 2020	9	149,226	(78,688)	70,538

The notes on pages 13 to 50 are an integral part of these financial statements.

Dindings Poultry Development Centre Sdn. Bhd.

(Company No. 198901002738 (180044-A))
(Incorporated in Malaysia)

Statement of cash flows for the year ended 31 December 2020

	Note	2020 RM'000	2019 RM'000
Cash flows from operating activities			
Loss before tax		(40,882)	(46,662)
Adjustments for:			
Depreciation of property, plant and equipment	3	20,641	21,804
Depreciation of right-of-use assets	4	1,175	1,205
Gain on disposal of property, plant and equipment		(225)	(49)
Property, plant and equipment written off		220	48
Interest expense		12,098	12,590
Interest income		(597)	(173)
Net unrealised loss/(gain) on foreign exchange		5	(24)
Operating loss before changes in working capital		(7,565)	(11,261)
Changes in working capital:			
Inventories		23,239	(22,328)
Biological assets		8,274	(1,954)
Trade and other receivables, prepayments and other assets		7,894	11,998
Trade and other payables and other financial liabilities		(22,678)	(8,768)
Cash generated from/(used in) operations		9,164	(32,313)
Interest paid		(12,098)	(12,590)
Interest received		597	173
Tax paid		-	(24)
Net cash used in operating activities		(2,337)	(44,754)
Cash flows from investing activities			
Acquisition of property, plant and equipment	3	(11,109)	(19,320)
Proceeds from disposal of property, plant and equipment		225	65
Net cash used in investing activities		(10,884)	(19,255)
Cash flows from financing activities			
Proceeds from loans and borrowings, net	12	13,580	63,215
Payment of lease liabilities		(995)	(904)
Net cash from financing activities		12,585	62,311

Statement of cash flows for the year ended 31 December 2020 (continued)

	Note	2020 RM'000	2019 RM'000
Net decrease in cash and cash equivalents		(636)	(1,698)
Cash and cash equivalents at 1 January		3,135	4,833
Cash and cash equivalents at 31 December		2,499	3,135
Cash outflows for leases as a lessee			
Included in net cash from operating activities			
Payment relating to short-term leases	15	46	51
Payment relating to leases of low-value assets	15	37	26
Payment relating to variable lease payments not included in the measurement of lease liabilities	15	1,848	974
Interest paid in relation to lease liabilities		184	229
Included in net cash from financing activities			
Payment of lease liabilities		995	904
Total cash outflows for leases		3,110	2,184

Company No. 198901002738 (180044-A)

Statement of cash flows for the year ended 31 December 2020 (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	At 1 January 2019 RM'000	Net changes from financing cash flows RM'000	Acquisition of new lease RM'000	At 31 December 2019 RM'000	Net changes from financing cash flows RM'000	At 31 December 2020 RM'000
Loans and borrowings	600	63,215	-	63,815	13,580	77,395
Lease liabilities	4,919	(904)	122	4,137	(995)	3,142
Total liabilities from financing activities	5,519	62,311	122	67,952	12,585	80,537

The notes on pages 13 to 50 are an integral part of these financial statements.

Dindings Poultry Development Centre Sdn. Bhd.

(Company No. 198901002738 (180044-A))
(Incorporated in Malaysia)

Notes to the financial statements

Dindings Poultry Development Centre Sdn. Bhd. is a 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

Batu 10, Persiaran Segari
Jalan Damar Laut, Segari
32200 Lumut, Perak

Registered office

22nd Floor, Wisma MCA
Jalan Ampang
50450 Kuala Lumpur

The Company is principally engaged in breeding and sale of day-old chicks, poultry grow-out farm, purchase and contract farming activities, manufacture and sale of animal feeds and sale of related raw materials.

The holding company is Malayan Flour Mills Berhad, a company incorporated in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

These financial statements were authorised for issue by the Board of Directors on 5 April 2021.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Company:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement,* MFRS 7, *Financial Instruments: Disclosures,* MFRS 4*, Insurance Contracts** and MFRS 16*, Leases – Interest Rate Benchmark Reform – Phase 2*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018−2020)**
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework**
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018−2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018−2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment − Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets − Onerous Contracts − Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018−2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

- from the annual period beginning on 1 January 2021 for those amendments that are effective for annual periods beginning on or after 1 January 2021, except as marked as ("*") which is not applicable to the Company.

- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except as marked as ("*") which is not applicable to the Company.

- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 which is not applicable to the Company.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

During the financial year, the Company has early adopted the amendment to MFRS 16, *Leases – COVID-19-Related Rent Concessions* which is effective for annual periods beginning on or after 1 June 2020.

The initial application of the abovementioned accounting standards and amendments are not expected to have any material financial impact to the current period and prior period financial statements of the Company.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with MFRSs 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 assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future 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 other than disclosed in the following note:

(i) Note 4 - extension options and incremental borrowing rate in relation to leases
(ii) Note 6 - valuation of biological assets
(iii) Note 16 - measurement of expected credit loss ("ECL")

2. Significant accounting policies

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

The Company has applied the amendment of MFRS 16, *Leases – Covid-19-Related Rent Concessions*, issued by MASB in June 2020. The amendment introduces an optional practical expedient that simplifies how a lessee accounts for rent concessions, arising as a direct consequence of COVID-19 pandemic. The initial application of the amendment to MFRS 16 did not have any material impact to the financial statements of the Company.

(a) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the income statement.

(b) Financial instruments

(i) Recognition and initial measurement

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

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the income statement. Any gain or loss on derecognition is recognised in the income statement.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(h)(i)) where the effective interest rate is applied to the amortised cost.

(b) Fair value through profit or loss

All financial assets not measured at amortised cost as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the income statement.

All financial assets, except for those measured at fair value through profit or loss, are subject to impairment assessment (see Note 2(h)(i)).

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

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

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

(a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

(a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;

(b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Company's key management personnel; or

(c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the income statement.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Company recognises the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the income statement, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

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

Financial liabilities (continued)

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the income statement. Any gains or losses on derecognition are also recognised in the income statement.

(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 transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in 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, 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 recognised in the income statement.

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured 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 costs 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. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

2. Significant accounting policies (continued)

(c) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in the income statement.

(ii) Subsequent costs

The cost of replacing a component 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 component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to the income statement. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Freehold land is not depreciated. Capital work-in-progress is not depreciated until the assets are ready for their intended use.

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

• buildings	10, 20 and 50 years
• plant, machinery, furniture and equipment	4 - 20 years (2019: 4 - 10 years)
• motor vehicles	5 years

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

2. Significant accounting policies (continued)

(d) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of land and buildings in which the Company is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses their incremental borrowing rate as the discount rate.

2. Significant accounting policies (continued)

(d) Leases (continued)

(ii) Recognition and initial measurement (continued)

As a lessee (continued)

Lease payments included in the measurement of the lease liability comprise:
- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The Company excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in the income statement in the period in which the performance or use occurs.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) Subsequent measurement

As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the income statement if the carrying amount of the right-of-use asset has been reduced to zero.

2. Significant accounting policies (continued)

(e) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

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.

(f) Biological assets

Biological assets comprising of parent stock, hatching eggs and broiler inventories and are measured on initial recognition and at the end of each financial year, at fair value less costs to sell. Cost to sell include the incremental selling costs, including estimated costs of transport but excludes finance costs and income taxes.

A gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset is included in the income statement for the period in which it arises.

(g) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and bank balances.

(h) Impairment

(i) Financial assets

The Company recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

The Company measures loss allowances for trade receivables at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information, where available.

2. Significant accounting policies (continued)

(h) Impairment (continued)

(i) Financial assets (continued)

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

The Company estimates the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in the income statement and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Company assesses whether financial assets carried at amortised cost is credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery amounts due.

(ii) Other assets

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

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 cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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 or cash-generating unit.

2. Significant accounting policies (continued)

(h) Impairment (continued)

(ii) Other assets (continued)

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period 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 since the last impairment loss was recognised. 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 financial year in which the reversals are recognised.

(i) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in income statement as accrued.

2. Significant accounting policies (continued)

(j) 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 the income statement in the financial year to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

(k) Revenue and other income

(i) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Company transfers control of a good or service at a point in time unless one of the following over time criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Company performs;

(b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

2. Significant accounting policies (continued)

(l) Borrowing costs

General and specific 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, until such time as the assets are substantially ready for their intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

All other borrowing costs are recognised in income statement in the period in which they are incurred.

(m) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss 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 financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the balance sheet and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits or loss. Deferred tax is measured at the tax rates that are expected to be applied 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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences 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.

2. Significant accounting policies (continued)

(n) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

Company No. 198901002738 (180044-A)

3. Property, plant and equipment

	Freehold land RM'000	Buildings RM'000	Plant, machinery, furniture and equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost						
At 1 January 2019	32,440	179,334	111,508	13,557	28,436	365,275
Additions	-	324	4,310	3,175	11,511	19,320
Disposals	-	-	(36)	(218)	-	(254)
Write-off	-	(2,674)	(1,439)	(94)	(1)	(4,208)
Transfers	-	6,513	15,547	-	(22,060)	-
At 31 December 2019/1 January 2020	32,440	183,497	129,890	16,420	17,886	380,133
Additions	-	1,617	6,864	1,790	838	11,109
Disposals	-	-	-	(268)	-	(268)
Write-off	-	(393)	(240)	(1)	-	(634)
Transfers	-	334	1,348	1,105	(2,787)	-
At 31 December 2020	32,440	185,055	137,862	19,046	15,937	390,340
Depreciation						
At 1 January 2019	-	60,176	56,814	10,736	-	127,726
Depreciation for the year	-	8,944	11,791	1,069	-	21,804
Disposals	-	-	(20)	(218)	-	(238)
Write-off	-	(2,663)	(1,403)	(94)	-	(4,160)
At 31 December 2019/1 January 2020	-	66,457	67,182	11,493	-	145,132
Depreciation for the year	-	8,698	10,026	1,917	-	20,641
Disposals	-	-	-	(268)	-	(268)
Write-off	-	(223)	(190)	(1)	-	(414)
Transfers	-	(3)	3	-	-	-
At 31 December 2020	-	74,929	77,021	13,141	-	165,091

Company No. 198901002738 (180044-A)

3. Property, plant and equipment (continued)

	Freehold land RM'000	Buildings RM'000	Plant, machinery, furniture and equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Carrying amounts						
At 1 January 2019	32,440	119,158	54,694	2,821	28,436	237,549
At 31 December 2019/1 January 2020	32,440	117,040	62,708	4,927	17,886	235,001
At 31 December 2020	32,440	110,126	60,841	5,905	15,937	225,249

3.1 Included in additions of the Company are interest expense capitalised amounting to RM Nil (2019: RM787,000).

3.2 During the financial year ended 31 December 2020, the Company conducted an operational review and as a result, there was a change in the expected useful lives of certain assets. The effect of these changes on depreciation expense, in current and future periods is as follows:

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000	2024 RM'000	Later RM'000
(Decrease)/Increase in depreciation expense	(2,325)	(1,820)	(1,337)	(1,032)	(587)	7,101

4. Right-of-use assets

	Leasehold land RM'000	Building RM'000	Total RM'000
At 1 January 2019	13,110	-	13,110
Additions	87	36	123
Depreciation for the year	(1,199)	(6)	(1,205)
At 31 December 2019/1 January 2020	11,998	30	12,028
Derecognition	(743)	(22)	(765)
Depreciation for the year	(1,167)	(8)	(1,175)
At 31 December 2020	10,088	-	10,088

The Company leases building for its office space that typically runs for a period of four years.

Legal titles to certain leasehold land of the Company with a carrying amount of RM5,950,000 (2019: RM6,059,000) have yet to be received from the state authorities.

4.1 Extension options

The lease of land contains extension options exercisable by the Company. Where applicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

As at 31 December 2020, the Company has included all potential future cash flows of exercising the extension options in the lease liabilities.

4.2 Significant judgements and assumptions in relation to lease

The Company assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. The Company considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Company also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. The Company first determines the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

5. Inventories

	2020 RM'000	2019 RM'000
Raw materials	35,204	57,680
Finished goods	2,519	2,754
Consumables	7,448	7,976
	45,171	68,410

6. Biological assets

	2020 RM'000	2019 RM'000
Parent stock	21,245	25,845
Hatching eggs	6,128	5,084
Broiler inventories	21,213	25,931
	48,586	56,860

The movement of biological assets can be analysed as follows:

	Parent stock RM'000	Hatching eggs RM'000	Broiler inventories RM'000	Total RM'000
2020				
At 1 January	25,845	5,084	25,931	56,860
Additions	30,007	85,913	401,228	517,148
Fair value measurement	(3,429)	1,035	332	(2,062)
Depopulation	(31,178)	-	-	(31,178)
Hatched and placed as DOC	-	(63,823)	-	(63,823)
Sales	-	(22,081)	(406,278)	(428,359)
At 31 December	21,245	6,128	21,213	48,586
2019				
At 1 January	18,167	9,557	27,182	54,906
Additions	30,453	90,652	469,915	591,020
Fair value measurement	7,867	(3,721)	(5,236)	(1,090)
Depopulation	(30,642)	-	-	(30,642)
Hatched and placed as DOC	-	(86,647)	-	(86,647)
Sales	-	(4,757)	(465,930)	(470,687)
At 31 December	25,845	5,084	25,931	56,860

6. Biological assets (continued)

In measuring the fair value of biological assets, management's estimates and judgments are based on the following assumptions:

- parent stocks are expected to have a lifespan of up to 65 weeks;
- the expected selling prices of broiler inventories and hatching eggs are based on management's estimate of the current market price of broilers, whereas the expected selling price of parent stock is based on management's estimate of the historical average market price of broilers, adjusted for abnormal market movements;
- the costs expected to arise throughout the life of the broiler inventories and parent stocks are based on management's estimate of average feed costs and other estimated farm costs; and
- hatching eggs will be hatched into day-old-chick ("DOC") based on the expected hatchability and broiler inventories are expected to be sold upon reaching saleable weight.

The following table shows the valuation technique used in the determination of the fair value of biological assets and the significant unobservable inputs used in the valuation calculation.

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Parent stock The valuation method considers the expected day-old-chicks to be produced and subsequently reared to mature broiler for sale after taking into account the estimated mortality rate.	• Projected selling price of broiler based on management's estimate by referencing the historical average adjusted for abnormal market movements. • Management's estimate of incremental feed and other variable costs expected to be incurred throughout the life cycle.	• The higher the projected selling price, the higher the fair value. • The higher the incremental costs, the lower the fair value.
Hatching eggs The valuation method considers the expected day-old-chicks to be hatched and subsequently reared to mature broiler for sale after taking into account the estimated mortality rate.	• Projected selling price of broiler based on management's estimate of the current market price. • Management's estimate of incremental feed and other variable costs expected to be incurred throughout the life cycle.	• The higher the projected selling price, the higher the fair value. • The higher the incremental costs, the lower the fair value.

6. Biological assets (continued)

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Broiler inventories The valuation method considers the estimated selling price, weight and the mortality rate of the broiler.	• Projected selling price of broiler based on management's estimate of the current market price. • Management's estimate of incremental feed and other variable costs expected to be incurred throughout the life cycle.	• The higher the projected selling price, the higher the fair value. • The higher the incremental costs, the lower the fair value.

Sensitivity analysis

Sensitivity analysis of the fair value of the biological assets to the possible changes in the key assumptions are disclosed in the table below:

Effect on fair value of biological assets

	2020 RM'000	2019 RM'000
Projected selling price of broiler per kg:		
- increased by 5%	23,241	27,282
- decreased by 5%	(23,241)	(27,282)
Number of day-old-chick produced:		
- increased by 5%	1,724	2,127
- decreased by 5%	(1,724)	(2,127)
Feed cost per kg:		
- increased by 5%	(13,398)	(13,958)
- decreased by 5%	13,398	13,958

7. Trade and other receivables

	2020 RM'000	2019 RM'000
Trade receivables from contracts with customers	24,090	30,116
Other receivables	773	2,196
Deposits	494	572
Derivatives at fair value through profit or loss:		
- future and option contracts	-	32
	25,357	32,916

8. Cash and cash equivalents

	2020 RM'000	2019 RM'000
Cash and bank balances	2,499	3,135

9. Share capital

	Amount 2020 RM'000	Number of shares 2020 '000	Amount 2019 RM'000	Number of shares 2019 '000
Issued and fully paid:				
Ordinary shares				
At 1 January/31 December	106,030	106,030	106,030	106,030
Special ordinary share				
At 1 January/31 December	*	*	*	*
Redeemable preference shares				
At 1 January/31 December	43,196	43,196	43,196	43,196
	149,226	149,226	149,226	149,226

Ordinary shares

The holder of ordinary shares is entitled to receive dividends as declared from time to time, and is entitled to one vote per share at meetings of the Company.

Special ordinary share

* 1 special ordinary share of RM1 was allotted on 21 October 2015 as part of the consideration for the lease agreement entered between the Perak State Agricultural Development Corporation ("the holder") and the Company.

The holder of the special ordinary share shall have the following rights and be subjected to the following restriction:

i) The holder shall be entitled to receive notice of and to attend all general meetings but shall not have the right to vote at any general meeting of the Company. In the event that due to the absence of the holder, no quorum is reached for a shareholders' meeting, the said meeting shall be adjourned and at the adjourned meeting any one of the shareholders present at the said meeting shall constitute a quorum;

ii) The holder shall not be entitled to any dividends, rights and allotments or other forms of distribution which may be declared by the Company at any time;

iii) The Company shall obtain prior written consent of the holder for any change in the structure of the shareholdings of the Company which consent shall not be unreasonably withheld by the holder;

9. Share capital (continued)

Special ordinary share (continued)

iv) The holder shall not interfere nor participate in the decision-making, administration or day to day running of the business of the Company; and

v) The holder shall not be entitled to nominate any representative to the Board of Directors.

In the event of termination or expiration of the lease, the holder shall transfer the special ordinary share to the Company's holding company immediately upon notice from the Company unless there are other existing lease agreements between the holder and the Company where there is a condition precedent under the said lease agreement(s) for the holder to hold a special share in the Company. In such a case the holder is not required to transfer the special ordinary share to the Company's holding company upon termination or expiration of the lease.

Redeemable preference shares

The holders of preference shares are entitled to receive notices of general meetings, reports and balance sheets and to attend general meetings but shall only have the rights to vote in the following circumstances and not otherwise:

i) On a proposal to reduce the Company's share capital or share premium account;

ii) On a proposal that affects the rights attached to the preference shares;

iii) On a proposal to wind up the Company;

iv) On a proposal for the disposal of the whole or a substantial part of the Company's property, business and undertaking; and

v) On a proposal to alter the Memorandum and Articles of Association of the Company.

The dividends on preference shares shall be decided at the sole discretion of the Board of Directors of the Company and are non-cumulative.

The redeemable preference shares shall be issued on the terms that they are; or at the option of the Company to be redeemed in whole or in part at par at any time to be determined by the Board of Directors of the Company.

The power of redemption may be executed by the Board of Directors acting on behalf of the Company upon giving one (1) month's notice of the proposed redemption to the holders of the redeemable preference shares.

The preference shares shall rank ahead as regards to repayment of capital in priority to all classes of shares of the Company.

A holder of the redeemable preference shares may transfer all or any of the holder's redeemable preference shares to any party approved by the Board of Directors and such transfer shall be by way of any instrument in writing in the form prescribed by the Companies Act 2016 in Malaysia or in the common form which the Directors may approve.

9. Share capital (continued)

Redeemable preference shares (continued)

All holders of redeemable preference shares shall have the right to appoint proxy.

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

10. Deferred tax assets

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	Assets		Liabilities		Net	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Property, plant and equipment	-	-	(24,124)	(20,687)	(24,124)	(20,687)
Right-of-use assets	-	-	(719)	(2,886)	(719)	(2,886)
Provisions	3,958	3,409	-	-	3,958	3,409
Lease liabilities	754	993	-	-	754	993
Unabsorbed capital allowances	21,378	14,894	-	-	21,378	14,894
Tax loss carry-forwards	9,637	10,489	-	-	9,637	10,489
Others	-	-	(1,421)	(2,020)	(1,421)	(2,020)
Tax assets/ (liabilities)	35,727	29,785	(26,264)	(25,593)	9,463	4,192
Set off of tax	(26,264)	(25,593)	26,264	25,593	-	-
Net tax assets	9,463	4,192	-	-	9,463	4,192

11. Trade and other payables, including derivatives

	Note	2020 RM'000	2019 RM'000
Trade payables		18,020	18,184
Amount due to holding company	11.1	184,082	204,233
Other payables and accruals		14,050	17,397
Derivatives at fair value through profit or loss:			
- foreign currency forward contracts		47	49
- future and option contracts		226	-
		216,425	239,863

11.1 Amount due to holding company

The non-trade amount due to holding company is unsecured, repayable on demand and interest bearing (2019: interest bearing).

12. Loans and borrowings

	2020 RM'000	2019 RM'000
Unsecured bankers' acceptances	77,395	63,815

13. Revenue

	2020 RM'000	2019 RM'000
Revenue from contracts with customers	570,789	574,550

Revenue of the Company includes sale of day-old chicks, poultry grow-out farm, animal feeds and related raw materials. Revenue is recognised when the Company transfers control of a good to the customers, net of rebates and/or incentives. The Company allows returns for quality issues, if any. The performance obligation is satisfied at a point in time and the customers are required to pay within the agreed credit terms, ranging between 0 to 90 days.

14. Tax expense

	2020 RM'000	2019 RM'000
Recognised in the income statement		
Current tax expense		
- current year	-	-
- prior year	-	-
Total current tax expense	-	-
Deferred tax expense		
Reversal of temporary differences	(5,717)	(11,192)
Under provision in prior year	446	313
Total deferred tax recognised in profit or loss	(5,271)	(10,879)
Total tax expense	(5,271)	(10,879)
Reconciliation of tax expense		
Loss before tax	(40,882)	(46,663)
Tax at Malaysian tax rate of 24%	(9,812)	(11,199)
Non-deductible expenses	96	7
Effect of deferred tax assets not recognised	4,040	-
Others	(41)	-
	(5,717)	(11,192)
Under provision in prior year	446	313
	(5,271)	(10,879)

14. Tax expense (continued)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the temporary differences (stated as gross) arising from tax loss carry forward of RM 16,833,000 because it is not probable that future taxable profit will be available against which the Company can utilise the benefit therefrom.

Pursuant to Amended Finance Bill 2018, unabsorbed business losses can only be carried forward up to 7 consecutive Years of Assessment ("YA"). The RM 16,833,000 tax loss carry-forwards can be carried forward up to YA 2025.

15. Loss for the year

	Note	2020 RM'000	2019 RM'000
Loss for the year is arrived at after charging:			
Auditors' remuneration		95	95
Material expenses/(income):			
Bad debt recovery		-	(5)
Depreciation of property, plant and equipment	3	20,641	21,804
Depreciation of right-of-use assets	4	1,175	1,205
Fair value loss on biological assets	6	2,062	1,090
Insurance recovery		(510)	(134)
Interest expense from:			
- unsecured bankers' acceptance		2,467	345
- holding and related companies		9,447	12,016
- lease liabilities		184	229
Gain on disposal of property, plant and equipment		(225)	(48)
Net loss/(gain) from future and option contracts			
- realised		673	(1,055)
- unrealised		256	(32)
Net loss/(gain) on foreign exchange			
- realised		15	(9)
- unrealised		5	(24)
Personnel expenses:			
- Contributions to Employees Provident Fund		2,443	2,424
- Wages, salaries and others		29,516	29,022
Expenses arising from leases:			
Expenses relating to short-term leases		46	51
Expenses relating to leases of low-value assets		37	26
Expenses relating to variable lease payments not included in the measurement of lease liabilities		1,848	974
Net loss on impairment of financial instruments			
Financial assets at amortised cost		2,923	2,778

16. Financial instruments

16.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Fair value through profit or loss ("FVTPL")
  - Mandatorily required by MFRS 9
(b) Amortised cost ("AC")

2020	**Note**	**Carrying amount RM'000**	**AC RM'000**	**Mandatorily at FVTPL RM'000**
Financial assets				
Trade and other receivables	7	25,357	25,357	-
Cash and cash equivalents	8	2,499	2,499	-
		27,856	27,856	-
Financial liabilities				
Trade and other payables, including derivatives	11	(216,425)	(216,152)	(273)
Loans and borrowings	12	(77,395)	(77,395)	-
		(293,820)	(293,547)	(273)
2019				
Financial assets				
Trade and other receivables	7	32,916	32,884	32
Cash and cash equivalents	8	3,135	3,135	-
		36,051	36,019	32
Financial liabilities				
Trade and other payables, including derivatives	11	(239,863)	(239,814)	(49)
Loans and borrowings	12	(63,815)	(63,815)	-
		(303,678)	(303,629)	(49)

16.2 Net gains and losses arising from financial instruments

	2020 RM'000	**2019 RM'000**
Net (losses)/gain on:		
Financial assets at amortised cost	(2,325)	(2,605)
Financial assets/(liabilities) at fair value through profit or loss		
Mandatorily required by MFRS 9		
- foreign currency forward contracts	2	14
- future and option contracts	(929)	1,087
Financial liabilities measured at amortised cost	(12,119)	(12,572)
	(15,371)	(14,076)

16. Financial instruments (continued)

16.3 Financial risk management

The Company has exposure to credit, interest rate, foreign currency and liquidity risks from its use of financial instruments.

16.4 Credit risk

Credit risk is the risk of a financial loss 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. There are no significant changes as compared to prior periods.

Trade 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. Credit risk is addressed by the Credit Committee that sets policies, approves credit evaluations and institutes mitigating actions. New customers are subject to credit evaluation process and existing customers' risk profiles are reviewed regularly with a view to setting appropriate terms of trade and credit limits. Where appropriate, further sales are suspended and legal actions are taken to attempt recoveries and mitigate losses.

At each reporting date, the Company assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Exposure to credit risk and credit quality

At the balance sheet date, the maximum exposure to credit risk arising from trade receivables is represented by their carrying amounts in the balance sheet.

The Company receives financial guarantees given by banks, shareholders or directors of customers in managing exposure to credit risks.

16. Financial instruments (continued)

16.4 Credit risk (continued)

Trade receivables (continued)

Recognition and measurement of impairment losses

In managing credit risk of trade receivables, the Company manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within the credit terms of 90 days. The Company's debt recovery process is as follows:

a) Above 30 days past due after credit term, the Company will start to initiate a structured debt recovery process which is monitored by the sales management team; and
b) Above 180 days past due after credit term, the Company will commence a legal proceeding against the customer.

The Company uses an allowance matrix to measure ECLs of trade receivables for all segments. Consistent with the debt recovery process, invoices which are past due 90 days will be considered as credit impaired.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 90 days past due.

Loss rates are based on actual credit loss experience over the past three years. The Company also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Company's view of economic conditions over the expected lives of the receivables. Nevertheless, the Company believes that these factors are immaterial for the purpose of impairment calculation for the year.

16. Financial instruments (continued)

16.4 Credit risk (continued)

Trade receivables (continued)

Recognition and measurement of impairment losses (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables which are grouped together as they are expected to have similar risk nature.

	Gross carrying amount RM'000	Loss allowances RM'000	Net balance RM'000
2020			
Not past due	23,507	(206)	23,301
Credit impaired			
More than 90 days past due	846	(57)	789
Individually impaired	8,853	(8,853)	-
	33,206	(9,116)	24,090
2019			
Not past due	27,932	(481)	27,451
Credit impaired			
More than 90 days past due	2,960	(295)	2,665
Individually impaired	5,615	(5,615)	-
	36,507	(6,391)	30,116

There are trade receivables where the Company has not recognised any loss allowance as the trade receivables are supported by bank guarantees in managing the exposure to credit risk.

The movements in the allowance for impairment in respect of trade receivables during the year are shown below.

	Trade receivables		
	Lifetime ECL RM'000	Credit impaired RM'000	Total RM'000
Balance at 1 January 2019	-	3,613	3,613
Net remeasurement of loss allowance	481	2,297	2,778
Balance at 31 December 2019/ 1 January 2020	481	5,910	6,391
Amount written off	-	(198)	(198)
Net remeasurement of loss allowance	(275)	3,198	2,923
Balance at 31 December 2020	206	8,910	9,116

16. Financial instruments (continued)

16.4 Credit risk (continued)

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the balance sheet date, the maximum exposure to credit risk is represented by their carrying amounts in the balance sheet.

These banks and financial institutions have low credit risks. Consequently, the Company is of the view that the loss allowance is not material and hence, it is not provided for.

Intercompany balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to its related company. The Company monitors the results of the related company regularly.

Exposure to credit risk, credit quality and collateral

As at the balance sheet date, the maximum exposure to credit risk is represented by their carrying amounts in the balance sheet.

Recognition and measurement of impairment loss

Generally, the Company considers advances to related company have low credit risk. The Company assumes that there is a significant increase in credit risk when a related company's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the related company's advances when they are payable, the Company considers the advances to be in default when the related company is not able to pay when demanded. The Company considers a related company's advance to be credit impaired when:

- The related company is unlikely to repay its advance to the Company in full;
- The related company's advance is overdue for more than 365 days; and
- The related company is continuously loss-making and is having a deficit shareholders' fund.

The Company determines the probability of default for these advances individually using internal information available.

16. Financial instruments (continued)

16.5 Interest rate risk

The Company's exposure to interest rate risk relates primarily to their borrowings.

Risk management objectives, policies and processes for managing the risk

The Company's bank borrowings are subject to interest based on fixed rates. Market interest rates movements are monitored with the view of ensuring that the most competitive rates are secured and where appropriate, borrowing arrangements are restructured or reduced.

Exposure to interest rate risk

The interest rate profile of the Company's significant interest bearing financial instruments, based on the carrying amounts at the balance sheet date are as follows:

	Note	2020 RM'000	2019 RM'000
Fixed rate instruments			
Unsecured bankers' acceptances	12	77,395	63,815

Interest rate risk sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the balance sheet date would not affect the income statement.

16.6 Foreign currency risk

The Company is exposed to foreign currency risk on purchases that are denominated in a currency other than Ringgit Malaysia. The currency giving rise to this risk is primarily United States Dollar ("USD").

Risk management objectives, policies and processes for managing the risk

The Company monitors its exposure to foreign currency movements closely and where appropriate, the Company has used foreign currency forward contracts to hedge some of its foreign currency risk.

16. Financial instruments (continued)

16.6 Foreign currency risk (continued)

Exposure to foreign currency risk

The Company's exposure to foreign currency (a currency which is other than the functional currency of the Company) risk, based on carrying amounts as at the end of the reporting period was:

	Note	Denominated in USD 2020 RM'000	2019 RM'000
Financial liabilities at fair value through profit or loss:			
- foreign currency forward contracts	11	47	49

Currency risk sensitivity analysis

A 5 percent (2019: 5 percent) strengthening/(weakening) of RM against USD at the balance sheet date 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 interest rates, remain constant.

	Profit or loss 2020 RM'000	2019 RM'000
USD	531	503

16.7 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, amounts due to holding company and related companies, loans and borrowings and lease liabilities.

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

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

16. Financial instruments (continued)

16.7 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Company's financial liabilities at the balance sheet date based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
2020						
Non-derivative financial liabilities						
Trade and other payables	216,152	-	216,152	216,152	-	-
Unsecured bankers' acceptances	77,395	2.30 - 2.59	78,087	78,087	-	-
Lease liabilities	3,142	5.00	3,411	1,050	1,050	1,311
Derivative financial liabilities						
Foreign currency forward contracts (gross settled):						
Outflow	47	-	13,994	13,994	-	-
Inflow	-	-	(13,947)	(13,947)	-	-
Future and option contracts (gross settled):						
Outflow	226	-	226	226	-	-
Inflow	-	-	-	-	-	-
	296,962		297,923	295,562	1,050	1,311

16. Financial instruments (continued)

16.7 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
2019						
Non-derivative financial liabilities						
Trade and other payables	239,814	-	239,814	239,814	-	-
Unsecured bankers' acceptances	63,815	3.68 - 3.81	64,791	64,791	-	-
Lease liabilities	4,137	5.00	4,593	1,135	1,083	2,375
Derivative financial liabilities						
Foreign currency forward contracts (gross settled):						
Outflow	49	-	13,227	13,227	-	-
Inflow	-	-	(13,178)	(13,178)	-	-
	307,815		309,247	305,789	1,083	2,375

16.8 Fair value information

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

16. Financial instruments (continued)

16.8 Fair value information (continued)

16.8.1 Fair value hierarchy

Fair value of financial instruments carried at fair value

	Level 1 RM'000	Level 2 RM'000	Total RM'000
2020			
Financial liabilities			
Future and option contracts	226	-	226
Foreign currency forward contracts	-	47	47
2019			
Financial assets			
Future and option contracts	32	-	32
Financial liability			
Foreign currency forward contracts	-	49	49

Level 2 fair value

Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2019: no transfer in either directions).

17. Capital management

The Company's objectives when managing capital is to maintain a strong capital base and safeguard the Company's ability to continue as a going concern, so as to sustain future development of the business and to meet the working capital needs and rely on the continuous financial support from the holding company. The Directors monitor and determine the adequacy of capital on an ongoing basis.

There is no external capital requirement imposed on the Company.

18. Capital and other commitments

	2020 RM'000	2019 RM'000
Property, plant and equipment		
Contracted but not provided for	1,198	11,456

19. Related parties

Identity of 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. Related parties may be individuals or other entities.

Related parties also include key management personnel 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 include all the Directors of the Company.

The Company has related party relationship with its holding company, related companies and key management personnel.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated basis. The significant related party transactions of the Company other than as disclosed elsewhere in the financial statements, are shown below. The balances related to the below transactions are shown in Note 11.

	2020 RM'000	2019 RM'000
A. Holding company		
- Sales of goods	68	165
- Rental of premises	(1,848)	(2,991)
- Purchases of goods	(20,956)	(22,737)
- Interest expense	(9,306)	(10,190)
B. Related companies		
- Sales of goods	349,702	239,190
- Purchases of goods	(26,341)	(128,544)
- Interest expense	(141)	(1,826)
C. Key management personnel		
Directors		
- Remuneration and other short term employee benefits (including estimated monetary of benefits in kind)d	30	33

20. Subsequent event

On 4 February 2021, the Company redeemed all the 43,196,925 preference shares held by the holding company, Malayan Flour Mills Berhad ("MFM") and converted into 43,196,925 ordinary shares. On 5 February 2021, MFM and Dindings Supreme Sdn. Bhd. ("DSSB") entered into a Share Transfer Agreement to transfer all the 149,226,485 ordinary shares in the Company held by MFM to DSSB. On 9 March 2021, DSSB became the immediate holding company.

Dindings Poultry Development Centre Sdn. Bhd.

(Company No. 198901002738 (180044-A))
(Incorporated in Malaysia)

Statement by Directors pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 6 to 50 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2020 and of its financial performance and cash flows for the financial year then ended.

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

....
Teh Wee Chye
Director

....
Azhari Arshad
Director

Kuala Lumpur

Date: 5 April 2021

Dindings Poultry Development Centre Sdn. Bhd.

(Company No. 198901002738 (180044-A))
(Incorporated in Malaysia)

Statutory declaration pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Tan Hui Joo**, the officer primarily responsible for the financial management of Dindings Poultry Development Centre Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 6 to 50 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Tan Hui Joo, MIA CA47701, at Kuala Lumpur in the State of Wilayah Persekutuan on 5 April 2021.

…………………………………..
Tan Hui Joo

Before me:

PESURUHJAYA SUMPAH
W632
...GAM VASSOO
AMN
Tempoh Lantikan
1 Jan 2021 - 13 Dis 2021
MALAYSIA

No. 10-1 , Jalan Bangsar Utama 1,
Bangsar Utama,
59000 Kuala Lumpur.

KPMG

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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF DINDINGS POULTRY DEVELOPMENT CENTRE SDN. BHD.

(Company No. 198901002738 (180044-A)
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dindings Poultry Development Centre Sdn. Bhd., which comprise the balance sheet as at 31 December 2020, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 50.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

KPMG

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 internal control of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

Dindings Poultry Development Centre Sdn. Bhd.
(Company No. 198901002738 (180044-A))
Independent Auditors' Report for the
Financial Year Ended 31 December 2020

Other Matter

This report is made solely to the member of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Chong Dee Shiang
Approval Number: 02782/09/2022 J
Chartered Accountant

Petaling Jaya

Date: 5 April 2021

ADDITIONAL INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by our Directors who collectively and individually accept full responsibility for the accuracy of the information contained in this Circular and confirms that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements contained in this Circular or the omission of other facts which would make any statement herein false or misleading.

2. CONSENT AND DECLARATION OF CONFLICT OF INTEREST

HLIB, being the Principal Adviser for the Proposed Strategic Partnership, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

HLIB, its subsidiaries and associated companies, as well as its penultimate holding company and the subsidiaries and associated companies of its penultimate holding company ("**Hong Leong Financial Group")** form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and funds management and credit transaction service businesses.

The Hong Leong Financial Group has engaged and may in the future, engage in transactions with and perform services for our Group and/or their affiliates in addition to the role undertaken in the Proposed Strategic Partnership. In addition, in the ordinary course of business, any member of the Hong Leong Financial Group may at any time offer or provide its services to or engage in any transactions with our Group. This is a result of the businesses of the Hong Leong Financial Group generally acting independently of each other, and accordingly there may be situations where parts of the Hong Leong Financial Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interests our Group and/or our affiliates. Nonetheless, the Hong Leong Financial Group is required to comply with applicable laws and regulations issued by the relevant authorities governing its advisory business, which require, amongst others, segregation between dealing and advisory activities and Chinese wall between different business divisions.

As at the LPD, as part of the ordinary course of business, the Hong Leong Financial Group has extended the following to our Group:

(i) trade facilities, revolving credit facilities, overdraft facilities and term financing totalling up to RM329.79 million;

(ii) trade facilities of USD24.9 million;

(iii) overdraft facilities of RM1.0 million; and

(iv) Forward Exchange Contract facilities and Islamic Profit Rate Swap facilities of RM10 million and RM12.09 million respectively.

Notwithstanding the foregoing, HLIB is of the view that the aforesaid exposure would not give rise to a conflict of interest situation in its capacity as the Principal Adviser as:

(i) the extension of credit facilities arose in the ordinary course of business of the Hong Leong Financial Group;

(ii) the conduct of the Hong Leong Financial Group in its banking business is regulated by the Financial Services Act, 2013, Islamic Financial Services Act, 2013 and Hong Leong Financial Group's own internal controls and checks; and

(iii) the total aggregate exposure by Hong Leong Financial Group to our Group of approximately RM457.46 million, when compared to the latest audited consolidated NA of Hong Leong Financial Group Berhad as at 30 June 2020 of RM20.90 billion (representing about 2.2% of the latest audited consolidated NA of Hong Leong Financial Group Berhad), is not material.

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

3.1 Material commitments

Save as disclosed below, our Board confirms that as at the LPD, it is not aware of any other material commitments incurred or known to be incurred by our Company which, upon becoming enforceable, may have a material impact on the profits or NA of our Group:

	RM'000
Property, plant and equipment	
Contracted but not provided for	23,369

3.2 Contingent liabilities

Save as disclosed below, our Board confirms that as at the LPD, it is not aware of any other contingent liabilities which, upon becoming enforceable, may have a material impact on the profits or NA of our Group:

(i) Our Company has provided proportionate corporate guarantees of up to USD18.6 million for financing facilities granted by financial institutions to our joint venture company, PT Bungasari Flour Mills Indonesia. As at the LPD, the outstanding loans proportionately amounted to USD8.6 million;

(ii) In 2019, the Indonesian tax authority has issued another notification letter imposing a total sum of RM20.3 million (additional tax assessment of RM10.6 million and penalty of RM9.7 million) on the Company's joint venture, PT Bungasari on the basis of overclaimed value-added tax ("**VAT**") for the year 2017. The court proceedings for the assessment of overclaimed VAT for the year 2017 is ongoing. The Group's 30% share of the potential liabilities is RM6.1 million for the year 2017. PT Bungasari has obtained the advice of its tax consultant who is of the view that there are sufficient grounds to challenge this assessment. On that basis, the Directors concur with the view that no additional provision is required in the financial statements for the potential tax liabilities up to the reporting date; and

(iii) Material litigation mentioned in **Section 8** of **Appendix II** of this Circular relating to DPP.

4. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the registered office of our Company at 22nd Floor, Wisma MCA, 163 Jalan Ampang, 50450 Kuala Lumpur, during normal business hours from Monday to Friday (except public holidays) from the date of this Circular up to and including the date of our forthcoming EGM:

(i) Constitution of our Company, DSSB, DPP and DPDC;

(ii) audited consolidated financial statements of our Company for the past 2 years for the FYE 2019 and FYE 2020;

ADDITIONAL INFORMATION (CONT'D)

(iii) audited financial statements of DPP for the past 2 years for the FYE 2019 and FYE 2020;

(iv) audited financial statements of DPDC for the past 2 years for the FYE 2019 and FYE 2020;

(v) the SPA;

(vi) the Transaction Documents;

(vii) the Internal Agreement;

(viii) the Share Transfer Agreement;

(ix) the letter of consent referred to in **Section 2** above; and

(x) the relevant cause papers in respect of the material litigation referred to in **Section 8 of Appendix II**.

THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

Malayan Flour Mills Berhad
Registration No. 196101000210 (4260-M)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting ("**EGM**" or "**the Meeting**") of Malayan Flour Mills Berhad ("**MFM**" or "**Company**") will be conducted on a fully virtual basis from its Broadcast Venue at M5, Mezzanine Floor, Wisma MCA, 163 Jalan Ampang, 50450 Kuala Lumpur on Tuesday, 11 May 2021 at 10.00 a.m., for the purpose of considering and if thought fit, passing with or without modifications, the following resolution:

ORDINARY RESOLUTION

PROPOSED STRATEGIC PARTNERSHIP WITH TYSON INTERNATIONAL HOLDING COMPANY ("TYSON") IN CONJUNCTION WITH THE PROPOSED DISPOSAL OF 49% EQUITY INTEREST IN DINDINGS SUPREME SDN BHD ("DSSB"), A WHOLLY-OWNED SUBSIDIARY OF MALAYAN FLOUR MILLS BERHAD, TO TYSON FOR A DISPOSAL CONSIDERATION OF UP TO RM420,000,000 TO BE SATISFIED WHOLLY BY CASH AND WHICH INVOLVES THE GRANTING OF CALL OPTIONS FOR TYSON TO ACQUIRE FROM MFM: (A) SUCH NUMBER OF SHARES REPRESENTING UP TO 11% OF THE EQUITY INTEREST IN DSSB AT THE TIME OF THE EXERCISE OF THE CALL OPTION; AND (B) ALL OF SHARES IN DSSB HELD BY MFM IN THE EVENT THERE IS A CHANGE OF CONTROL OF MORE THAN 50% OF SHARES IN MFM ("PROPOSED STRATEGIC PARTNERSHIP")

"THAT subject to the approval and consent being obtained from all relevant authorities and/or parties (where applicable), as set out in the conditional share purchase agreement ("**SPA**") dated 10 February 2021 entered into between MFM and Tyson, approval be and is hereby given to MFM:

(i) to dispose of such number of ordinary shares of DSSB, representing 49% of the equity interest in DSSB, to Tyson for a disposal consideration of up to RM420,000,000 to be satisfied wholly by cash (subject to adjustments in accordance with the SPA) ("**Proposed Disposal of DSSB**"), subject to the terms and conditions as contained in the SPA;

(ii) to grant Tyson a call option (which may be exercised in full or in part) to acquire a total of up to 11% of the equity interest in DSSB from the Company at the Tyson Call Option Shares Price as defined in Section 8 of Appendix V of the circular to the shareholders of the Company dated 26 April 2021 ("**Circular**"), at any time after 5 years from the date of a shareholders' agreement ("**SHA**") which is to be executed on the date of completion of the Proposed Disposal of DSSB ("**Tyson Call Option**"), subject to the terms and conditions as contained in the SHA; and

(iii) to grant Tyson a call option to acquire all (and not less than all) of shares in DSSB held by the Company at the EBITDA Value Per MFM Change of Control Call Option Share as defined in Section 9 of Appendix V of the Circular in the event there is a change of control of more than 50% of shares in MFM ("**MFM Change of Control Call Option**"), subject to the terms and conditions as contained in the SHA.

AND THAT approval be and is hereby given to the Board of Directors of the Company and its relevant subsidiaries ("**Subsidiaries**") which are parties to the Transaction Documents, as defined and detailed in Sections 2, 2.4 and 2.5 of the Circular, to give effect to the Proposed Strategic Partnership with full power and authority:

(i) to enter into and execute the Transaction Documents, in the agreed form, and such other agreements, instruments, documents and deeds as the Board of Directors of the Company and the Subsidiaries may deem fit or expedient in connection with the Proposed Strategic Partnership; and

(ii) to carry out all such necessary acts and things to implement the Proposed Strategic Partnership and perform the Company's and/or the Subsidiaries' obligations under the SPA, the Transaction Documents and such other agreements with full power to assent to any conditions, modifications, variations, amendments and/or supplemental deemed necessary or expedient in the interest of the Company and the Subsidiaries, or as may be required by the relevant authorities."

BY ORDER OF THE BOARD

Mah Wai Mun
MAICSA 7009729
SSM PC No. 202008000785
Company Secretary

Kuala Lumpur
26 April 2021

Notes:

1. *In view of the COVID-19 pandemic and as part of the safety measures, the EGM will be conducted on a fully virtual basis via live streaming and online remote voting using Remote Participation and Electronic Voting ("RPEV") facilities provided by Boardroom Share Registrars Sdn Bhd ("Boardroom") at https://web.lumiagm.com.*

2. ***Please read and follow the procedures as set out in the Administrative Guide in order to register, participate and vote remotely via the RPEV facilities.***

3. *The Broadcast Venue of the EGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be present at the main venue. Members **WILL NOT BE ALLOWED** to attend the EGM in person at the Broadcast Venue on the day of the Meeting.*

4. *A member entitled to participate and vote remotely at the EGM is entitled to appoint not more than 2 proxies to participate and to vote in his/her stead. A proxy may but need not be a member of the Company.*

5. *Where a member appoints 2 proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holding to be represented by each proxy.*

6. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least 1 proxy but not more than 2 proxies in respect of each securities account it holds which is credited with ordinary shares of the Company.*

7. *Notwithstanding the above, an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account ("Omnibus Account"), may appoint multiple proxies in respect of each Omnibus Account held.*

8. *The instrument appointing a proxy must be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or the hand of the attorney duly authorised.*

9. *The Form of Proxy ("Form") shall not be treated as valid unless the posted Form is received or the Form is deposited at the office of the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan or lodged electronically via "Boardroom Smart Investor Portal" at https://boardroomlimited.my which is available to all individual members, not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. Forms transmitted by fax or email will not be accepted. The Company will not accept any photocopies of the Form in place of the original signed copy.*

10. *For the purpose of determining a member who shall be entitled to participate in the EGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 82 of the Constitution of the Company and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a Record of Depositors as at 5 May 2021. Only a depositor whose name appears on such Record of Depositors shall be entitled to participate and vote at the EGM or appoint proxies to participate and vote on his/her behalf.*

MALAYAN FLOUR MILLS BERHAD (4260-M)
Registration No. 196101000210 (4260-M)
(Incorporated in Malaysia)

CDS Account No.	No. of Shares Held

FORM OF PROXY

I/We ______________________________NRIC No./Passport No./Registration No.________________
(full name in block letters)

of____
(full address)

being a member/members of **MALAYAN FLOUR MILLS BERHAD** ("**Company**") hereby appoint:

Full Name (In Block)	NRIC No. / Passport No.	Proportion of Shareholding	
		No. of Shares	%
Address			

* and/or

Full Name (In Block)	NRIC No. / Passport No.	Proportion of Shareholding	
		No. of Shares	%
Address			

or failing him/her, the *CHAIRMAN OF THE MEETING as my/our proxy to participate and vote for me/us on my/ our behalf at the Extraordinary General Meeting ("**EGM**" or "**the Meeting**") of the Company which will be conduct on a fully virtual basis from its Broadcast Venue at M5, Mezzanine Floor, Wisma MCA, 163 Jalan Ampang, 50450 Kuala Lumpur on Tuesday, 11 May 2021 at 10.00 a.m. and at any adjournment thereof.

My/our proxy is to vote on a poll as indicated below:

(Please indicate with a "x" or "√" in the boxes provided how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion).

Resolution	**For**	**Against**
Proposed Strategic Partnership		

* Strike out whichever is not applicable

Dated this _____ day of ____________, 2021

____
Signature / Common Seal of Shareholder

Notes:

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Then fold here

AFFIX
STAMP

SHARE REGISTRAR
BOARDROOM SHARE REGISTRARS SDN BHD
11th Floor, Menara Symphony
No.5 Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan

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