MALAYAN FLOUR MILLS BERHAD ("MFM" OR "COMPANY")

PROPOSED STRATEGIC PARTNERSHIP WITH TYSON INTERNATIONAL HOLDING COMPANY ("TYSON" OR "BUYER") IN CONJUNCTION WITH THE PROPOSED DISPOSAL OF 49% EQUITY INTEREST IN DINDINGS SUPREME SDN BHD ("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")

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1. INTRODUCTION

On behalf of the Board of Directors of Malayan Flour Mills Berhad ("**Board**"), Hong Leong Investment Bank Berhad ("**HLIB**") wishes to announce that the Company had on 10 February 2021 entered into a conditional share purchase agreement ("**SPA**") with Tyson for the proposed disposal of 49% equity interest in DSSB, a wholly-owned subsidiary of MFM, to Tyson for a total disposal consideration of up to RM420,000,000 ("**Disposal Consideration**") to be satisfied wholly by cash, in conjunction with the proposed strategic partnership with Tyson ("**Proposed Strategic Partnership**").

As at 5 February 2021, being the latest practicable date ("**LPD**") prior to this announcement, DSSB holds the entire equity interests of Dindings Poultry Processing Sdn Bhd ("**DPP**") and Dindings Poultry Development Centre Sdn Bhd ("**DPDC**") (except for 1 unit of ordinary share of DPDC held by Perak State Agricultural Development Corporation ("**PPPNP**") which collectively undertake vertical integrated poultry business comprising poultry farming and feed milling via DPDC and poultry processing via DPP. DSSB, DPP and DPDC are collectively referred as the "**DSSB Group**".

Tyson Foods, Inc. ("**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 recognized leader in protein. In Malaysia, Tyson Foods operates Mac Food Services (Malaysia) Sdn Bhd ("**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.

2. DETAILS OF THE PROPOSED STRATEGIC PARTNERSHIP

MFM agrees to sell, and Tyson agrees to buy such number of ordinary shares in DSSB ("**DSSB Shares**"), representing 49% of the equity interest of DSSB ("**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 of the SPA ("**Completion**"), including the right to receive all distributions and dividends declared, made or paid on or after the completion date of the SPA ("**SPA Completion Date**").

On the SPA Completion Date, MFM will enter into the following 5 agreements (as detailed in **Sections 2.6 to 2.10** of this announcement) 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) a shareholders' agreement with Tyson to regulate the management and affairs of the DSSB Group ("**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 at any time after 5 years from the SPA Completion Date, to sell such number of DSSB Shares representing 11% of the equity interest in DSSB to Tyson ("**Tyson Call Option**");

(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; and

(d) to Tyson, and subject to applicable laws and regulations, the right to purchase all of DSSB Shares held by MFM 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.

The Shareholders' Agreement also sets out the terms relating to the formulae of price(s) to be paid in respect of the scenarios in (a) to (d) above.

(ii) a long term supply agreement between Mac Food and DSSB to support the domestic requirement of Mac Food for the Malaysian market (subject to pricing, quality standards and other applicable commercial terms), for a period of 5 years from the commencement of the agreement with ability to renew for successive of 1 year each upon mutual agreement between parties ("**Mac Food Supply Agreement**");

(iii) a long term grain supply agreement between Premier Grain Sdn Bhd ("**Premier Grain**"), a 51%-owned subsidiary of MFM, DSSB and DPDC for the supply and sourcing of corn and/or soybean meals (subject to pricing, quality standards and other applicable commercial terms) for a period of 10 years from the SPA Completion Date ("**MFM Grain Supply Agreement**");

(iv) a master services agreement between MFM and DSSB for the provision of services by MFM as contemplated in the ordinary course of business of the DSSB Group including amongst others, rental of premises, management fees, agreed costs of shared centralised services such as general administration, human resources, internal audit, group reporting and treasury, for periods to be mutually agreed and as required, commencing from the SPA Completion Date ("**Master Services Agreement**"); and

(v) the right of access and services agreement between MFM and DSSB Group in relation to MFM permitting access to and use of common areas and facilities in the vicinity of DSSB Group's operations in Lumut and Pasir Gudang which are necessary for DSSB Group to access and use for its business operations, commencing from the SPA Completion Date ("**Right of Access and Services Agreement**").

The Shareholders' Agreement, Mac Food Supply Agreement, MFM Grain Supply Agreement, Master Services Agreement and Right of Access and Services Agreement are collectively referred to as the "**Transaction Documents**".

Prior to completion of the SPA, MFM will enter into an internal agreement with DSSB ("**Internal Agreement**") to enable DSSB Group to achieve the following structure as at the SPA Completion Date in compliance with the terms of the SPA:

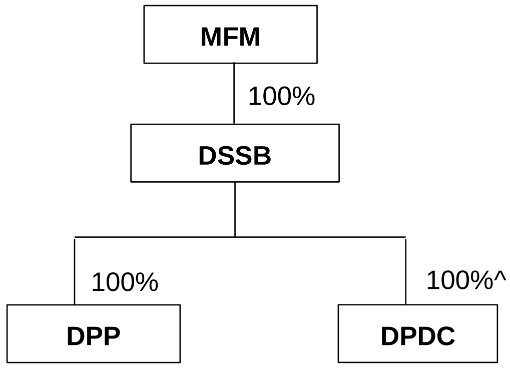
(a) external debt shall not be more than RM200.00 million; and

(b) no intercompany debt.

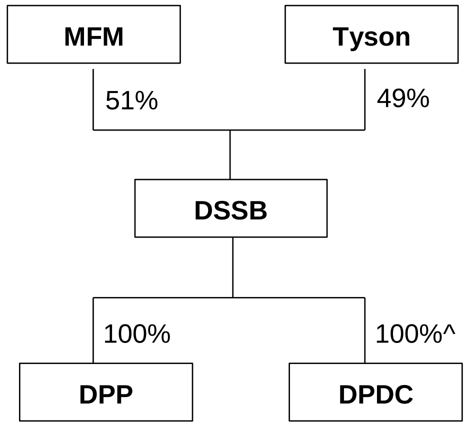
The above shall be referred to as the "**DSSB Pre-Completion Restructuring**".

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 Caraway; 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.

Tyson Foods and together with its subsidiaries (collectively, the "**Tyson Foods Group**") is one of the world's largest food companies and a recognized leader in protein. The Tyson Foods Group has operations in the United States of America ("**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 2 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 Companies Act 2016 ("**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. As at LPD, DSSB owns 100% equity interest in DPP and 100% equity interest in DPDC except for 1 DPDC Share held by PPPNP.

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

2.1.3 Information on DPP

DPP was incorporated under 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 ordinary shares in DPP ("**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 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 announcement.

2.1.4 Information on DPDC

DPDC was incorporated under 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 ordinary shares in DPDC ("**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 automated and with well-balanced nutritious feeding and fresh water for optimum growth.

All the DPDC farms are awarded & certified with Malaysian Good Agricultural Practices ("**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 announcement.

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 financial year ended ("**FYE**") 2017 to FYE 2019, the Board has taken the strategic decision to expand further downstream, and modernise and increase production capacity.

As a background, 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 since 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 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 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.

Although the Proposed Strategic Partnership will result in MFM divesting 49% of its integrated poultry business, the Company will continue to own 51% as an investment in a joint venture and results will be equity accounted. Any capital expenditure requirement in the future will be contributed on a proportionate basis. In addition, the Company expects to continue enjoying synergies with the DSSB Group through agreements to be entered into on Completion Date, such as the MFM Grain Supply Agreement and the Master Service Agreement.

As an integral negotiation condition imposed by Tyson for the Proposed Strategic Partnership, upon the expiry of 5 years from the SPA Completion Date, 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. The 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.

2.3 Mode of Settlement

The Disposal Consideration is payable in the following manner:

Disposal Consideration	Condition to attain aggregate disposal consideration	Amount
		RM'million
Initial Consideration[(1)]	▪ External debt of not more than RM200.00 million	140.0
	▪ No intercompany debt	
	▪ Working capital of at least RM175.00 million at closing ("**Target Working Capital**")	
	▪ A bank guarantee of an amount equivalent to 7.5% of the Initial Consideration in favour of Tyson ("**Bank Guarantee**")	

Disposal Consideration	Condition to attain aggregate disposal consideration	Amount
		RM'million
First Earnout Consideration[2]	▪ Earnings before interest, tax, depreciation and amortisation ("**EBITDA**") equal to or greater than RM141.00 million for the financial year ending 31 December 2022	Up to 140.0
	▪ Net debt being equal to or less than RM44.00 million as of 31 December 2022	
Second Earnout Consideration[3]	▪ EBITDA equal to or greater than RM173.00 million for the financial year ending 31 December 2023	Up to 140.0
	▪ Net cash position being equal to or greater than RM100.00 million as of 31 December 2023	
Total		**Up to 420.0**

Notes:

*(1) In the event the EBITDA for the financial year ending 31 December 2021 based on the audited consolidated accounts of the DSSB Group is below RM58.0 million, MFM will be required to pay the following amounts to Tyson ("**Profit Guarantee Payment**"):*

(c) If the EBITDA is less than RM58 million but equal to or more than RM54.0 million, MFM will be obliged to pay Tyson an amount of RM12.0 million; or

(d) If the EBITDA is less than RM54.0 million, MFM will be obliged to pay Tyson an amount of RM15.0 million.

(2) Up to RM140.00 million shall be paid by Tyson to MFM if the DSSB Group:

(a) achieves EBITDA equal to or greater than RM141.0 million for the financial year ending 31 December 2022; and

(b) achieves a net debt being equal to or less than RM44.0 million as of 31 December 2022; and

If the EBITDA of the DSSB Group for the financial year ending 31 December 2022:

(a) is less than RM141.0 million, the First Earnout Consideration would be reduced by 1.5 times of the shortfall amount; or

(b) is less than RM48.0 million, the First Earnout Consideration would be zero.

If the net debt of DSSB Group as at 31 December 2022 is greater than RM44.0 million, the First Earnout Consideration would be reduced by RM1.00 multiplied by the Buyer's equity ownership at the close date of the First Earnout Consideration, 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 the target level and there is no offset of the First Earnout Consideration underperformance of EBITDA by overperformance of net debt target, and vice versa.

(3) Up to RM140.0 million shall be paid by Tyson to MFM if the DSSB Group:

(a) achieves EBITDA equal to or greater than RM173.0 million for the financial year ending 31 December 2023;

*(b) achieves a net cash position being equal or greater than RM100.0 million as at 31 December 2023, less the amount, if any, by which the net debt exceeds RM44.0 million as of 31 December 2022 and excluding debt incurred to fund the construction of the new further processing facility ("**2023 Net Cash Target**"); and*

If the EBITDA of DSSB Group for the financial year ending 31 December 2023:

(a) is less than RM173.0 million, the Second Earnout Consideration would be reduced by 1.5 times of the shortfall amount; or

(b) is less than RM80.0 million, the Second Earnout Consideration would be zero.

If the net cash position of the DSSB Group as at 31 December 2023 is less than 2023 Net Cash Target, the Second Earnout Consideration would be reduced by RM1.00 multiplied by the Buyer's equity ownership at the close date of the Second Earnout Consideration, subject to the Second Earnout Consideration not being negative.

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

<u>Summary</u>

Based on the above, MFM may:

(i) need to pay up to RM15.0 million of Profit Guarantee Payment to Tyson if the EBITDA for the financial year ending 31 December 2021 based on the audited consolidated accounts of the DSSB Group falls below RM58.0 million; and

(ii) not be entitled to the full amount of First Earnout Consideration or Second Earnout Consideration if the DSSB Group's actual EBITDA, net debt and net cash do not meet the respective targets in the financial year ending 31 December 2022 and 2023 respectively.

2.4 Basis and Justification of the Disposal Consideration and Profit Guarantee Payment

2.4.1 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 financial year ended ("**FYE**") 31 December 2019 and the losses before interest, tax, depreciation and amortisation of DPDC of approximately RM11.24 million for the FYE 31 December 2019;

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

(iii) the estimated net asset ("**NA**") of the DSSB Group of approximately RM702.04 million based on the assumptions highlighted in **Section 2.13** of this announcement.

2.4.2 Justification for the Disposal Consideration

The 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; and

(ii) The rationale of the Proposed Strategic Partnership as set out in **Section 2.2** of this announcement.

2.4.3 Justification for the Profit Guarantee Payment

The Board is of the opinion that the Profit Guarantee Payment is justified in order to incentivise the Buyer to proceed with the Proposed Strategic Partnership given that the prospects of DSSB Group may be dampened by the current novel coronavirus 2019 ("**COVID-19**") pandemic which has affected the results of DPP and DPDC in the 9-months financial period ended 30 September 2020 due to decreased economic activities, and may continue to affect operations and results of the DSSB Group in the financial year ending 31 December 2021.

2.5 Salient terms of the SPA

2.5.1 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.

2.5.2 Conditions Precedent

The sale and purchase of the Sale Shares is conditional upon the fulfilment of, amongst others, the following conditions precedent ("**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 30 June 2021, or such other date as the parties may agree in writing ("**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 by MFM of all its DPP Shares and DPDC Shares to DSSB ("**Restructuring**") in accordance with the terms of the agreement in the agreed form to be entered into between MFM and DSSB to implement the Restructuring ("**Share Transfer Agreement**"), with all costs and expenses incurred in connection with or arising from the Restructuring (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 Restructuring (in respect of the shares of DPDC);

(d) the Estimated Debt not exceeding RM200.0 million. The Estimated Debt refer to MFM's good faith estimate of the aggregate amount of debt of DSSB Group as at 5:00 p.m. on Completion;

(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 in DSSB ("**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 the MFM's Group (excluding, for this purpose, each Group Company), any director of any member of the MFM's Group (excluding, for this purpose, each Group Company) and/or any person connected with any of them;

(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 applicable environmental law in Malaysia ("**Environmental Law**") not exceeding RM11.0 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 DSSB Group 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 the DSSB Group in respect of the MAE (Revenue/EBITDA) Applicable Period being less than the EBITDA of DSSB Group in respect of the 12 calendar month-period ending on 31 December 2020 as set out in the Accounts (as defined below) by more than RM5.0 million (or its equivalent).

The MAE (Revenue/EBITDA) refers to the twelve (12) calendar month period ending on the last day of the month immediately preceding the month in which the Long Stop Dates falls.

"Accounts" means (a) 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 2019; and (b) the unaudited balance sheet, income statement, and direct cash flow statement of each of DPDC and DPP for the period from 1 January 2020 to 31 December 2020 (both dates inclusive).

(f) No following material adverse events ("**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 RM5.0 million (or its equivalent) or more in the aggregate;

(ii) unplanned capital expenditure ("**CAPEX**") for the DSSB Group of RM4.0 million (or its equivalent) or more in aggregate; in excess of the aggregate amount of capital expenditure set out in the planned CAPEX schedule;

(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 RM5.0 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 ("**FPP Assets**") by DPDC or DPP (as applicable) to MFM;

No 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 RM5.0 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

No following material adverse event ("**Material Adverse Event (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 RM40.0 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 RM5.0 million or more.

(g) Each of warranties provided by MFM contained in the SPA remaining true, accurate and not misleading in all respect.

(h) No breach of clause 10.1 of the SPA having occurred;

(i) (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 RM50,000,000 and each Self-

Liquidating Bank Acceptance expires prior to the date falling 6 months after the Completion Date) and (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 SPA and the other transactions contemplated by the Transaction Documents under any financial facilities (including accounts, lines of credit, loans of any nature, debt or guarantees) of any Group Company, such consent having been obtained or such notification having been made.

The Self-Liquidating Banker Acceptances refers to banker acceptances issued to DPDC or DPP pursuant to the financial facilities previously disclosed to Tyson; and

(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 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

(j) 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.

2.5.3 Completion

Completion shall, subject to the affirmative conditions as highlighted in the SPA 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.

2.5.4 Termination

2.5.4.1 MFM's right to terminate

If the Buyer fails to comply with any of its obligations under 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.

2.5.4.2 Tyson's right to terminate

If MFM fails to comply with any of its obligations under the SPA, the Buyer may, by written notice to MFM, 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 MFM 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.

2.6 Salient terms of the Shareholders' Agreement

The salient terms of the Shareholders' Agreement are set out in **Appendix IV** of this announcement.

2.7 Salient terms of the Mac Food Supply Agreement

The salient terms of the Mac Food Supply Agreement are set out in **Appendix V** of this announcement.

2.8 Salient terms of the MFM Grain Supply Agreement

The salient terms of the MFM Grain Supply Agreement are set out in **Appendix VI** of this announcement.

2.9 Salient terms of the Right of Access and Services Agreement

The salient terms of the Right of Access and Services Agreement are set out in **Appendix VII** of this announcement.

2.10 Salient terms of the Master Services Agreement

The salient terms of the Master Services Agreement are set out in **Appendix VIII** of this announcement.

2.11 Original cost of investment

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

<u>DSSB</u>

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

2.12 Estimated gain arising from the Proposed Strategic Partnership

Assuming the Proposed Strategic Partnership is completed at the end of FYE 31 December 2019, the pro forma gain on disposal based on the audited consolidated financial statements of the Company for the FYE 31 December 2019 is as illustrated below:

	RM'000
Disposal Consideration	420,000
Investment in a joint venture(1)	437,143
Less:	
Estimated net assets of DSSB Group(2)	(702,039)
Estimated expenses in relation to the Proposed Strategic Partnership(3)	(14,000)
Estimated net gain from the Proposed Strategic Partnership(4)	**141,104**

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 estimated net assets of the DSSB Group is approximately RM702.04 million after taking into account the **DSSB Pre-Completion Restructuring** based on the following assumption:*

(i) The transfer of RM126,516,072 of bank borrowings from DPP to MFM via the issuance of 126,516,072 new DPP Shares to DSSB. DSSB will correspondingly issue 126,516,072 new DSSB Shares to MFM;

(ii) The settlement of amount owing from DPP to MFM of RM184,002,735 via the issuance of 184,002,735 new DPP Shares to DSSB. DSSB will correspondingly issue 184,002,735 new DSSB Shares to MFM; and

(iii) The settlement of amount owing from DPDC to MFM of RM204,233,318 via the issuance of 204,233,318 new DPDC Shares to DSSB. DSSB will correspondingly issue 204,233,318 new DSSB Shares to MFM.

*(3) 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 Extraordinary General Meeting ("**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 RM141.10 million is subject to changes depending on the final capitalisation of debt arising from the DSSB Pre-Completion Restructuring and the actual amount on earnout consideration to be received and the actual financial performance of DSSB Group for the financial year ending 31 December 2021 to 31 December 2023 which may affect the amount of First Earnout Consideration and Second Earnout Consideration as well as Profit Guarantee Payment as elaborated in **Section 4.2** of this announcement.*

2.13 Liabilities to be assumed by MFM

Save for the obligations and liabilities arising from the SPA and the Profit Guarantee Payment, there are no other liabilities including contingent liabilities and guarantees to be assumed by the Company arising from the Proposed Strategic Partnership.

3. UTILISATION OF PROCEEDS

The total proceeds from the Proposed Strategic Partnership of RM420.00 million is expected to be utilised as follows:

3.1 Initial Consideration

Details of utilisation	%	RM'000	Estimated utilisation timeframe from the receipt of proceeds
Repayment of bank borrowings[(1)]	90	126,000	Within 6 months from the receipt of the proceeds
Estimated expenses in relation to the Proposed Strategic Partnership[(2)]	10	14,000	Within 1 month from the receipt of the proceeds
Total	**100**	**140,000**	

Notes:

1. *As at 31 January 2021, MFM Group has an outstanding bank borrowing of approximately RM427.73 million, where approximately 69% comprise revolving credit loans, approximately 30% comprise trade loans and less than 1% comprise of term loan. Assuming the average finance cost is 2.25% per annum, the repayment of bank borrowing of RM126.00 million will result in an interest expense savings of approximately RM2.83 million.*

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 RM140.0 million to be received after the financial year ending 31 December 2022

Details of utilisation	%	RM'000	Estimated utilisation timeframe from the receipt of proceeds
Repayment of bank borrowings[(1)]	100	140,000	Within 6 months from the receipt of the proceeds
Total	**100**	**140,000**	

Note:

1. *Upon the receipt of RM140.0 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 RM140.0 million to be received after the financial year ending 31 December 2023

Details of utilisation	%	RM'000	Estimated utilisation timeframe from the receipt of proceeds
Repayment of bank borrowings(1)	46	64,000	Within 6 months from the receipt of the proceeds
Working capital	54	76,000	Within 12 months from the receipt of the proceeds
Total	**100**	**140,000**	

Notes:

1. *MFM intends to utilise RM64.00 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 RM76.00 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 the Company, the proceeds will be placed in interest-bearing deposit accounts with financial institutions or short-term money market instrument(s) as the Board may deem fit.

4. RISK FACTORS

4.1 Non-completion of the Proposed Strategic Partnership

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

4.2 Failure in receiving the full Disposal Consideration

Under the SPA, the balance sum of RM280 million shall be settled by Tyson within the balance settlement period based on the achievement of financial targets for the financial year ending 31 December 2022 and 31 December 2023 respectively as highlighted in **Section 2.3** of the announcement.

There is no assurance that the DSSB Group is able to achieve such targets for the financial year ending 31 December 2022 and 2023 and in such event, the 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 financial year ending 31 December 2021 based on the audited consolidated accounts of the DSSB Group falls below RM58.0 million, MFM will be required to pay the Profit Guarantee Payment. There is no assurance that DSSB Group will achieve an EBITDA of at least RM58.0 million for the financial year ending 31 December 2021 given that the performance of the DSSB Group could be significantly impacted by the COVID-19 pandemic which resulted in the imposition of the second round Movement Control Order on 13 January 2021 ("**MCO 2.0"**) which is still on-going. The COVID-19 pandemic has affected the results of DPP and DPDC in the 9-months financial period ended 30 September 2020 due to decreased economic activities, and may continue to affect operations and results of the DSSB Group in the financial year ending 31 December 2021.

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 International Financial Reporting Standard ("**IFRS**") and the Malaysian Financial Reporting Standard ("**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 International Accounting Standard ("**IAS**") 28 and MFRS 128 *Investments in Associates and Joint Ventures*.

5. EFFECTS OF THE PROPOSED STRATEGIC PARTNERSHIP

5.1 Issued share capital and substantial shareholders' shareholdings

The Proposed Strategic Partnership will not have any effect on the share capital and substantial shareholders' shareholdings of the Company as the Proposed Strategic Partnership does not involve any new issuance of ordinary shares in MFM ("**MFM Shares**").

5.2 NA and gearing

The proforma effects of the Proposed Strategic Partnership on the NA and the gearing of MFM Group based on the audited consolidated financial statements as at 31 December 2019 are prepared based on the following assumption:

(i) assuming the Proposed Strategic Partnership had been effected on 31 December 2019; and

(ii) assuming MFM receives the Initial Consideration and DSSB Group achieves the financial targets for the financial year ending 31 December 2022 and 31 December 2023 respectively as highlighted in **Section 2.3** of the announcement, where the balance sum of RM280.0 million is received in full;

(iii) assuming the Initial Consideration of RM140.00 million is based on the following assumptions:

- assuming there is no Profit Guarantee Payment;
- assuming bank guarantee of an amount equivalent to 7.5% of the Initial Consideration is not encashed;

(iv) assuming MFM's investment in DSSB will be de-consolidated and 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;

(v) assuming the estimated net assets of DSSB is approximately RM702.04 million after taking into consideration the DSSB Pre-Completion Restructuring; and

(vi) assuming the estimated expenses in relation to the Proposed Strategic Partnership is approximately RM14.00 million.

	Audited as at 31 December 2019	After the Proposed Strategic Partnership[(1)]
	RM'000	**RM'000**
Share capital	527,571	527,571
RCULS-Equity	85,462	85,462
Warrant reserve	17,884	17,884
Other capital reserve	40,883	40,883
Translation reserve	(42,746)	(42,746)
Retained earnings	465,258	606,362
NA attributed to the owner of the Company	**1,094,312**	**1,235,416**
Number of MFM Shares in issue	1,004,095	1,004,095
NA per MFM Share **(RM)**[(2)]	1.09	1.23
Total interest-bearing borrowings (including lease liabilities)	1,175,949	[(3)]653,133
Gearing **(times)**[(4)]	1.07	0.53

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 4,067,000 RCULS into 8,134,000 new MFM Shares up to the LPD; and

   (ii) the payment of second interim single tier dividend of approximately RM18.13 million on 27 March 2020.

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

   (i) the NA attributable to the owners of the Company would be approximately RM1,217.28 million;

   (ii) the NA attributable to the owners of the Company per MFM Share would be RM1.20; and

   (iii) the gearing of MFM Group would be 0.54 times.

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

3. *Assuming repayment of bank borrowings of approximately RM330.00 million and de-consolidation of DPP and DPDC's total interest bearing borrowings of approximately RM192.82 million.*

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

5.3 Earnings per Share ("EPS")

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 the Company for the financial year ending 31 December 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 2.12** of this announcement on the assumption that the Proposed Strategic Partnership is completed at the end of the FYE 31 December 2019, the pro forma gain arising from the Proposed Strategic Partnership is approximately RM141.10 million.

6. APPROVALS / CONSENT REQUIRED

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

(i) the shareholders at an EGM to be convened for the SPA and all the Transaction Documents;

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

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

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

The Proposed Strategic Partnership is not conditional upon any other corporate proposal of the Company.

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

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

8. DIRECTORS' STATEMENT

The 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 and the 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 the Company.

9. PRINCIPAL ADVISER

HLIB has been appointed by the Company to act as the Principal Adviser for the Proposed Strategic Partnership.

10. HIGHEST PERCENTAGE RATIO APPLICABLE TO THE PROPOSED STRATEGIC PARTNERSHIP

The highest percentage ratio applicable to the Proposed Strategic Partnerships pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Securities is 38.38%.

11. ESTIMATED TIMEFRAME FOR THE COMPLETION OF THE PROPOSED STRATEGIC PARTNERSHIP

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

12. DOCUMENTS AVAILABLE FOR INSPECTION

The SPA, Transaction Documents and Internal Agreement are available for inspection at the registered office of Malayan Flour Mills Berhad at 22nd floor, Wisma MCA, 163, Jalan Ampang, 50450, Kuala Lumpur, Federal Territory during normal business hours from Monday to Friday (except public holidays) for a period of three (3) months from date of this announcement.

This announcement is dated 10 February 2021.

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. As at the LPD, DSSB owns 100% equity interest in DPP and 100% equity interest in DPDC except for 1 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 LDP, 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 is Teh Wee Chye.

4. SUBSTANTIAL SHAREHOLDER

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

5. SUBSIDIARY AND ASSOCIATED COMPANY

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

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

INFORMATION ON DPP

1. HISTORY AND BUSINESS

DPP was incorporated in Malaysia under 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 31 December 2019, 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 purchase 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 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 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 our 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 existing poultry processing plant’s built-up area is approximately 83,000 square metres with production capacity of 280,000 birds slaughtered per day.

INFORMATION ON DPP (CONT'D)

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 2019
		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	8,974
Mukim Lumut District of Manjung Perak Darul Ridzuan/ PN 296140 Lot 15562 (expiring on 9 July 2105)	Factory	3	5.172	DPP	38,349

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 are:

(i) Teh Wee Chye; and

(ii) Azhari Arshad.

4. SUBSTANTIAL SHAREHOLDER

As at the LPD, 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 FYE 31 December 2017 to FYE 31 December 2019 and nine (9) months financial period ended ("**FPE**") 30 September 2020, is set out below:

	Audited for the FYE 31 December			Unaudited 9-month FPE 30 September 2019	Unaudited 9-month FPE 30 September 2020
	2017	**2018**	**2019**		
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	336,382	329,483	337,081	254,657	281,139
Gross Profit	47,031	46,319	45,207	36,522	6,807
EBITDA	13,440	15,750	15,647	14,947	(14,450)
PBT/(LBT)	4,263	7,484	2,347	5,077	(39,483)
PAT/(LAT)	4,263	4,394	(1,017)	5,077	(39,483)
Number of issued ordinary shares ("**000**")	54,000	54,000	54,000	54,000	54,000
Net earnings per DPP Share (**RM**)	0.08	0.08	(0.02)	0.09	(0.73)
Share capital	122,009	122,009	122,009	122,009	122,009
Shareholders' funds / NA	77,761	82,154	81,137	87,231	41,655
NA per DPP Share	1.44	1.52	1.50	1.62	0.77
Current ratio (**times**)(1)	0.94	0.61	0.40	0.66	0.30
Total borrowings (including lease liabilities)	50,554	141,281	251,380	243,837	256,199
Gearing ratio (**times**)(2)	0.65	1.72	3.10	2.80	6.15

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 31 December 2017 and FYE December 2018

DPP recorded a slightly lower revenue of RM329.48 million in the FYE 31 December 2018 as compared to a revenue of RM336.38 million in FYE 31 December 2017, mainly due to unfavourable live birds selling price which impacted the selling price of primary processed products negatively. Nonetheless, selling prices of further processed and marinated products improved in FYE 31 December 2018 as compared to that of FYE 31 December 2017.

DPP's PBT increased by 75.6% from RM4.26 million in FYE 31 December 2017 to RM7.48 million in FYE 31 December 2018. The higher PBT in FYE 31 December 2018 was mainly attributed to lower interest expense in FYE 31 December 2018 as interest was capitalised during the ongoing construction of the new poultry processing plant as well as lower operating expenses in FYE 31 December 2018.

Comparison between FYE 31 December 2018 and FYE December 2019

DPP's revenue increased by 2.30% with RM337.08 million recorded in FYE 31 December 2019 as compared to RM329.48 million recorded in FYE 31 December 2018, mainly attributed to higher sales volume in FYE 31 December 2019.

DPP's PBT declined by 68.60% from RM7.48 million recorded in the FYE 31 December 2018 to RM2.35 million recorded in FYE 31 December 2019. The lower PBT in 2019 was mainly due to higher interest expense in FYE 31 December 2019 arising from higher working capital requirement as well as lower margin in FYE 31 December 2019 resulting from higher factory overhead costs.

Comparison between unaudited 9-month FPE 30 September 2019 and unaudited 9-month FPE 30 September 2020

DPP's revenue increased by 10.40% with RM281.14 million recorded in the 9-month FPE 30 September 2020 as compared to RM254.66 million recorded in the 9-month FPE 30 September 2019. This was mainly due to higher sales volume of poultry processed products in the 9-month FPE 30 September 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 RM39.48 million in 9-month FPE 30 September 2020 as compared to a PBT of RM5.08 million in the 9-month FPE 30 September 2019, mainly due to the compressed margins arising from the lower average selling price of poultry processed products since the imposition of the Movement Control Order (MCO) by the Government in March 2020 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.

<u>**Accounting policies and audit qualification**</u>

For the past 3 FYEs 31 December 2017, 31 December 2018 and 31 December 2019 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.

INFORMATION ON DPDC

1. HISTORY AND BUSINESS

DPDC was incorporated in Malaysia under 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 31 December 2019, 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.

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 2019
		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)	22,629
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)	57,956
Mukim Sri Gading, District of Batu Pahat, Johor Darul Takzim / HS(M) 15129 PTD 21255	Broiler farm	24	17.84	DPDC	6,258
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	2,078
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	6,285
Mukim Tawar, District of Baling, Kedah Darul Aman / Geran No. 53949 Lot 3997	Breeder farm	9	116.83	DPDC	23,700
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 2019
		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 2019
		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 2019
		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	1,578

***Note**:*

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

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 are:

(i) Teh Wee Chye; and

(ii) Azhari Arshad.

4. SUBSTANTIAL SHAREHOLDER

DPDC is a wholly-owned subsidiary of DSSB, except for 1 unit of ordinary share of DPDC is 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.

6. FINANCIAL INFORMATION

A summary of the key financial information of DPDC for the FYE 31 December 2017 to FYE 31 December 2019 and nine (9) months FPE 30 September 2020, is set out below:

	Audited for the FYE 31 December			**Unaudited 9-month FPE 30 September 2019**	**Unaudited 9-month FPE 30 September 2020**
	2017	**2018**	**2019**		
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	529,943	548,722	574,550	439,032	426,133
Gross Profit / (Loss)	36,104	23,885	(4,105)	666	(7,025)
EBITDA	41,972	10,166	(11,236)	3,119	(10,698)
PBT / (LBT)	16,545	(20,453)	(46,662)	(23,201)	(36,020)
PAT / (LAT)	9,466	(14,906)	(35,783)	(18,076)	(27,875)
Number of issued ordinary shares ("**000**")	39,572	106,030	106,030	106,030	106,030
Net earnings per DPDC Share (**RM**)	0.24	(0.14)	(0.34)	(0.17)	(0.26)
Share capital	82,769	149,226	149,226	149,226	149,226
Shareholders' funds / NA	90,381	141,932	106,149	123,857	78,274
NA per DPDC Share	2.28	1.34	1.00	1.17	0.74
Current ratio (**times**)[(1)]	0.43	0.61	0.53	0.54	0.45
Total borrowings (including lease liabilities)	-	600	67,953	41,173	91,889
Gearing ratio (**times**)[(2)]	-	negligible	0.64	0.33	1.17

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 31 December 2017 and FYE December 2018

DPDC recorded a 3.50% increase in revenue from RM529.94 million in the FYE 31 December 2017 to a revenue of RM548.72 million in the FYE 31 December 2018. The higher revenue in 2018 was mainly attributed to the sales of poultry feeds and raw materials arising from the transfer of poultry feeds business mentioned in **Section 1** of **Appendix III** but was partially offset by the decrease in the sales of live birds in 2018. The lower sales of live birds were mainly due to the following factors, details of which are as follows:

(i) lower production volume of live birds in 2018 mainly due to a combination of the following:

   (a) lower day-old-chicks production volume was a result of a carryover effect of the production performance issue encountered during the last quarter of FYE 31 December 2017 due to Inclusion Body Hepatitis ("**IBH**") disease, a type of virus found in chicken, which increases broiler mortality rate. As a result, time is needed for the farm to recover its performance in FYE 31 December 2018; and

   (b) insufficient contract farms amid low farming profits to produce broilers.

(ii) lower live birds prices in FYE 31 December 2018.

DPDC incurred LBT of RM20.45 million in the FYE 31 December 2018 as compared to a PBT of RM16.55 million in FYE 31 December 2017. The losses were primarily due to the following factors:

(i) lower production volume of live birds in FYE 31 December 2018 as mentioned above;

(ii) lower live birds prices in FYE 31 December 2018, but was partially mitigated by lower production costs; and

(iii) downward adjustment of fair value on biological assets in FYE 31 December 2018.

Comparison between FYE 31 December 2018 and FYE December 2019

DPDC recorded a 4.70% increase in revenue from RM548.72 million in the FYE 31 December 2018 to a revenue of RM574.55 million in the FYE 31 December 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 31 December 2019. However, live birds prices declined in FYE 31 December 2019 due to excessive supply of live birds.

DPDC's LBT widened to RM46.66 million in the FYE 31 December 2019 as compared to LBT of RM20.45 million in FYE 31 December 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 unaudited 9-month FPE 30 September 2019 and unaudited 9-month FPE 30 September 2020

DPDC's revenue decreased by 2.94% with RM426.13 million recorded in the 9-month FPE 30 September 2020 as compared to RM439.03 million recorded in the 9-month FPE 30 September 2019. This was mainly due to lower live birds prices in the 9-month FPE 30 September 2020.

DPDC's LBT widened to RM36.02 million in the 9-month FPE 30 September 2020 as compared to LBT of RM23.20 million in the 9-month FPE 30 September 2019, mainly due to the lower live birds prices in 2020. Furthermore, the fair value gain on biological assets in the 9-month FPE 30 September 2020 was lower at RM2.6 million as compared to a fair value gain of RM7.2 million in the 9-month FPE 30 September 2019.

Accounting policies and audit qualification

For the past 3 FYEs 31 December 2017, 31 December 2018 and 31 December 2019 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.

SALIENT TERMS OF THE SHAREHOLDERS' AGREEMENT

Subject to completion taking place in accordance with the SPA, the parties agree to execute the Shareholders' Agreement in the agreed form on such date as may be agreed between the parties.

MFM and Tyson agree that their respective rights in DSSB Group shall be regulated by the Shareholders' Agreement.

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

1. The parties of the Shareholders' Agreement are MFM, Tyson, DSSB, DPDC and DPP, The parties have agreed to enter into the Shareholders' Agreement to regulate their relationship and the operation and management of DSSB, DPDC and DPP ("**Group Company**").

2. The board of directors of DSSB (**"Company Board**") shall consist of five (5) directors ("**Company Directors**") at all times, unless otherwise agreed by the Shareholders, save that if at any time, DSSB only has two (2) shareholders who each has a shareholding percentage of 50%, the Company Board shall consist of 6 Company Directors.

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

4. A Shareholder (together with its Affiliates) has a shareholder percentage of 10% or more but less than or equal to 25%, such Shareholder shall be entitled to appoint a company board observer ("**Company Board Observer**").

5. Each Subsidiary's 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.

6. The provisions relating to appointment and removal of Company Directors, alternate Company Director and Company Board Observer applicable to DSSB shall apply *Mutatis mutandis* to each Subsidiary.

7. At any Company Board Meeting, each Company Director (save for the Company Director appointed by the defaulting shareholder) shall have one (1) vote.

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

    (i) the appointment or removal of a Company Director;

    (ii) a Board Reserved Matter; or

    (iii) matters which are covered by clause 10.2 of the Shareholders' Agreement.

9. 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 one (1) vote.

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

10. 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.

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

    (ii) a Board Reserved Matter; or

    (iii) matters which are covered by clause 10.2 of the Shareholders' Agreement.

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

12. No Shareholder shall, directly or indirectly:

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

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

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

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

    other than:

    (v) to an Affiliate of such Shareholder;

    (vi) where required to do so pursuant to clause 11.3 *(Material Deadlock Dispute Transfer Options)* or clause 21 *(MFM Change of Control Call Option)*;

    (vii) where required or entitled to do so pursuant to clause 22 *(Default)*;

    (viii) after the expiry of the period commencing on the date of the Shareholders' Agreement and ending on the 5th anniversary of the date of the Shareholders' Agreement ("**Lock-up Period**"):

        (1) in accordance with the provisions of clause 16 *(Right of First Refusal)*;
        (2) where required to do so pursuant to clause 17 *(Drag-Along Right)* or clause 19 *(Tyson Call Option)*; or
        (3) where entitled to do so pursuant to clause 18 *(Tag-Along Right)*,

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

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

Right of First Refusal

13. (a) Following the expiry of the Lock-up Period, subject to Applicable Law, a Shareholder (the "**ROFR Seller**") may Transfer the entire legal and beneficial ownership of all (but not less than all) of its Shares to a bona fide third party purchaser who is a single body corporate (the "**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 written notice (the "**ROFR Offer Notice**") to the other Shareholder(s) (the "**Remaining Shareholder(s)**"), copied to DSSB.

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

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

Drag-along Right

14. If the Majority Shareholder receives an offer from a bona fide third party (the "**Drag-along Purchaser**") for all (and not less than all) of its Shares which the Majority Shareholder wishes to accept, the Majority Shareholder has the right (the "**Drag-along Right**") to require the other Shareholder(s) (each, a "**Dragged Seller**") to sell all (and not less than all) of their Shares (the "**Drag-along Shares**") to the Drag-along Purchaser on the same terms and conditions as the Majority Shareholder has agreed to sell its Shares.

Tag-along Right

15. (a) If the Majority Shareholder receives an offer from a bona fide third party (the "**Tag-along Purchaser**") for all (and not less than all) of its Shares, which:

(i) is a bona fide offer in writing; and

(ii) contains all material terms and conditions, including the consideration payable for the Shares that are the subject of the offer, and which it wishes to accept (the "**Tag-along Offer**"),

it shall give written notice ("**Tag-along Notice**") to the other Shareholder(s) (each, a "**Tag-along Seller**") after having received the Tag-along Offer notifying them of the Tag-along Offer and inviting the Tag-along Seller(s) to offer to sell all (and not less than all) of their Shares (the "**Tag-along Shares**") to the Tag-along Purchaser on the same terms and conditions as the Majority Shareholder has agreed to sell its Shares.

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

Tyson Call Option

16. (a) MFM grants to Tyson the option to require MFM to sell to Tyson all (and not less than all) of the Tyson Call Option Shares (as defined in the Shareholders' Agreement) at the Tyson Call Option Shares Price (the "**Tyson Call Option**").

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

$$\text{Tyson Call Option Shares Price} = \{(8 \times \text{LTM EBITDA}) - \text{Relevant Debt} + \text{Relevant Cash}\} \times 0.11$$

MFM Change of Control Call Option

17. (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 fifty per cent. (50%) of the issued shares of MFM (an "**MFM Change of Control Event**"), MFM shall notify Tyson and DSSB on the details of the MFM Change of Control Event upon which Tyson shall be entitled to purchase all (and not less than all) of MFM Shares (the "**MFM CoC Shares**").

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

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

18. Event of Default

(a) An event of default (each, an "**Event of Default**") occurs:

(i) if a Shareholder is subject to an Insolvency Event;

(ii) if a Shareholder Transfers or Encumbers any of its Shares or interests in its Shares in violation of the Shareholders' Agreement; or

(iii) if a Shareholder or its Ultimate Parent commits fraud, misappropriation, embezzlement, or theft against a 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 Company.

(b) On the occurrence of an Event of Default:

(i) the Defaulting Shareholder shall immediately notify the Non-defaulting Shareholder(s) and the Company 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 twenty (20) Business Days from the date it became aware of the Event of Default, serve notice on the Defaulting Shareholder (with a copy to the Company and the other Non-Defaulting Shareholder(s)) stating that an Event of Default has occurred,

each such notice, a "**Default Notice**".

(c) 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 clause 1.1(c)(i) of the Shareholders' Agreement, to require the Defaulting Shareholder to sell all of its Shares to the Non-defaulting Shareholder for a purchase price per Default Share equal to 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; and

(ii) (in the case of an Event of Default under clause 1.1(b)(ii) or clause 0 of the Shareholders' Agreement) to require the Defaulting Shareholder:

1) to sell all of its Shares to the Non-defaulting Shareholder at a price per Default Share equal to eighty-five per cent. (85%) of the Price Per Default Share; or

2) to purchase all of the Non-defaulting Shareholder's Shares at a price per Default Share equal to one-hundred and fifteen per cent. (115%) of the Price Per Default Share.

(d) The "**Price Per Default Share**" shall be an amount equal to the lower of:

(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; and

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

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

19. 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 Shares.

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

SALIENT TERMS OF THE MAC FOOD SUPPLY AGREEMENT

1. The parties to the Mac Food Supply Agreement are DSSB ('**the Seller**") and Mac Food ("**Buyer**").

2. The agreement is a long term supply agreement between the Seller and the Buyer to support the domestic requirement of the Buyer for the Malaysian market (subject to pricing, quality standards and other applicable commercial terms), for a period of 5 years from the commencement of the agreement and shall thereafter renew for successive terms of 1 year each upon the parties' written mutual agreement.

SALIENT TERMS OF THE MFM GRAIN SUPPLY AGREEMENT

1. The parties of the MFM Grain Supply Agreement are Premier Grain Sdn Bhd ("**PGSB**"), DSSB and DPDC ("**DPDC**" and together with "**DSSB**", the "Company") ("**PGSB**" together with "**DPDC**" and "**DSSB**", "**the Parties**").

2. The agreement set out the terms and conditions on the role of PGSB as, amongst others, a facilitator and negotiator with various suppliers to source raw materials for the Company as well as purchaser for raw material.

3. The MFM Grain Supply Agreement shall be valid for a 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 terms (each, a "**Renewal Term**"), provided, however, 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 month term ("**Final Term**") and shall thereafter expire unless otherwise mutually agreed by the Parties.

SALIENT TERMS OF THE RIGHT OF ACCESS AND SERVICES AGREEMENT

1. The parties to MFM Right of Access and Services Agreement are MFM, DSSB, DPDC and DPP (DPP together with the DSSB and DPDC, collectively, the "**Company**"). The Company and MFM are at times referred to in this Agreement individually as a "**Party**" and collectively as the "**Parties**".

2. DPDC is the tenant, lessee or registered proprietor (as applicable) for certain parcels of leasehold land upon which a feed mill and other business operations of DSSB, DPDC and/or DPP (as applicable) are conducted in Lumut and Pasir Gudang.

3. MFM agrees to permit access for the Company's business operations subject to a fee of RM10 and pursuant to terms of agreement.

SALIENT TERMS OF THE MASTER SERVICES AGREEMENT

1. The parties to the agreement are MFM ("**the Provider**") and DSSB ("**the Recipient**"). The Provider has agreed to provide as contemplated in the ordinary course of business of the DSSB Group including amongst others, rental of premises, management fees, agreed costs of shared centralised services such as general administration, human resources, internal audit, group reporting and treasury, for periods to be mutually agreed and as required, commencing from the SPA Completion Date.

2. The Recipient will pay an applicable amount for the services provided, that (i) unless otherwise agreed in writing between the Provider and the Recipient (with the approval of the board of directors of the Recipient), no Service Fee for any calendar year shall be more than one hundred and five percent (105%) of such Service Fee 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 ("**Aggregate Service Fee**").