# GENERAL MEETINGS: Notice of Meeting

## DIVERSIFIED GATEWAY SOLUTIONS BERHAD

| | |
|---|---|
| **Type of Meeting** | Annual General Meeting |
| **Indicator** | Notice of Meeting |
| **Description** | 13th Annual General Meeting of Diversified Gateway Solutions Berhad |
| **Date of Meeting** | 05 Sep 2018 |
| **Time** | 10:00 AM |
| **Venue** | Banquet Hall, The Royal Selangor Golf Club, Jalan Kelab Golf Off Jalan Tun Razak, 55000 Kuala Lumpur |
| **Date of General Meeting Record of Depositors** | 27 Aug 2018 |

Please refer attachment below.

### Attachments

DGSB - Notice of Annual General Meeting.pdf
*1.1 MB*

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### Announcement Info

| | |
|---|---|
| **Company Name** | DIVERSIFIED GATEWAY SOLUTIONS BERHAD |
| **Stock Name** | DGSB |
| **Date Announced** | 31 Jul 2018 |
| **Category** | General Meeting |
| **Reference Number** | GMA-30072018-00013 |

**DIVERSIFIED GATEWAY SOLUTIONS BERHAD**
(Company No. 675362-P)
(Incorporated in Malaysia)

# NOTICE OF 13TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 13th Annual General Meeting ("AGM") of the Company will be held at Banquet Hall, The Royal Selangor Golf Club, Jalan Kelab Golf, Off Jalan Tun Razak, 55000 Kuala Lumpur, on Wednesday, 5 September 2018 at 10.00 am for the following purposes:

**AGENDA**

**AS ORDINARY BUSINESS:**

1. To receive the Audited Financial Statements for the financial year ended 31 March 2018 together with the Reports of the Directors and Auditors thereon. **(Please refer to Explanatory Note)**
2. To approve the payment of benefits payable to Non-Executive Directors of up to an amount of RM67,000 for the period from 6 September 2018 until the conclusion of the next AGM of the Company. **Resolution 1**
3. To re-elect Dato' Mah Siew Kwok retiring pursuant to Article 111 of the Company's Articles of Association and being eligible, offered himself for re-election. **Resolution 2**
4. To re-elect the following Directors retiring pursuant to Article 97 of the Company's Articles of Association and being eligible, offered themselves for re-election:
   a) Dato' Dr Tan Seng Chuan **Resolution 3**
   b) Monteiro Gerard Clair **Resolution 4**
   c) Dr Tang Pen San **Resolution 5**
   d) Chow Seck Kai **Resolution 6**
   e) Wan Mai Gan **Resolution 7**
5. To re-appoint Messrs BDO as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 8**

**AS SPECIAL BUSINESS:**

6. To consider, and if thought fit, to pass the following resolution as an Ordinary Resolution:

   **AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016 ("Act")** **Resolution 9**
   "THAT subject always to the Companies Act, 2016 and the approvals of the relevant authorities, the Directors be and are hereby empowered, pursuant to Sections 75 and 76 of the Act, to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad (Bursa Securities) and that such authority shall continue to be in force until the conclusion of the next AGM of the Company."

7. To consider, and if thought fit, to pass the following resolution as an Ordinary Resolution:

   **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE AND NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE** **Resolution 10**
   "THAT the Company and/or its subsidiaries be and is/are hereby authorised to enter into recurrent related party transactions from time to time with Related Parties who may be a Director, a major shareholder of the Company and/or its subsidiaries or a person connected with such a Director or major shareholder, as specified in section 2.3 of the Statement/Circular to Shareholders dated 31 July 2018 subject to the following:-

   i) the transactions are of a revenue or trading nature which are necessary for the day-to-day operations of the Company and/or its subsidiaries and are transacted on terms consistent or comparable with market or normal trade practices and/or based on normal commercial terms and on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and

   ii) disclosure is made in the annual report of the aggregate value of transactions conducted during the financial year pursuant to the shareholders' mandate in accordance with the ACE Market Listing Requirements of Bursa Securities;

   THAT the mandate given by the shareholders of the Company shall only continue to be in force until the conclusion of the next AGM of the Company or the expiry of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Act, (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); unless revoked or varied by Ordinary Resolution of the shareholders of the Company in general meeting, whichever is the earlier;

   AND THAT the Directors of the Company be authorised to complete and carry out such acts and actions as they may consider expedient or necessary to give effect to the shareholders' mandate."

8. To consider, and if thought fit, to pass the following resolution as an Ordinary Resolution:

   **PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES** **Resolution 11**
   "THAT, subject to the provisions of the Act, the Articles of Association of the Company, Chapter 12 of the ACE Market Listing Requirements of Bursa Securities and any prevailing laws, orders, requirements, rules and regulations, guidelines issued by the relevant authorities at the time of purchase, the Company be and is hereby authorised to allocate an amount not exceeding the total audited retained profits of the Company for the purpose of purchasing such amount of ordinary shares (DGSB Shares) in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors of the Company may deem fit in the interest of the Company provided that the aggregate number of shares purchased pursuant to this resolution does not exceed ten percent (10%) of the total issued and paid-up share capital of the Company at the time of purchase (Proposed Renewal of Share Buy-Back Authority);

   AND THAT the Directors of the Company be and are hereby authorised to decide in their absolute discretion to deal with any DGSB Shares purchased by the Company pursuant to the Proposed Renewal of Share Buy-Back Authority, whereby the DGSB Shares purchased may be dealt with in the following manner:-

   (i) cancelled; or
   (ii) retained as treasury shares for distribution as dividend and/or resold on Bursa Securities and/or cancelled subsequently; or
   (iii) partly retained and partly cancelled; or
   (iv) such other manner as may be permitted by the Act; or

   in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of the Bursa Securities and any other relevant authority for the time being in force;

   AND FURTHER THAT the Directors of the Company be and are hereby authorised to carry out the Proposed Renewal of Share Buy-Back Authority immediately upon the passing of this resolution, which shall continue to be in force until:

   (i) the conclusion of the next AGM of DGSB at which the ordinary resolution for the Proposed Renewal of Share Buy-Back Authority is passed, at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
   (ii) the expiration of the period within which the next AGM after that date is required by law to be held; or
   (iii) the authority is revoked or varied by ordinary resolution passed by the shareholders of DGSB in a general meeting,

   whichever occurs first but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and to take all steps as are necessary and/or to carry out all such acts and actions as the Directors of the Company deem fit and expedient in the best interests of the Company and to give full effect to the Proposed Renewal of Share Buy-Back Authority with full powers to assent to any conditions, modifications, amendments and/or variations as may be imposed by the relevant authorities."

9. To transact any other business of which due notice shall have been given.

By Order of the Board

**PHANG AI TEE** [MAICSA No. 7013346]
Company Secretary

Kuala Lumpur
31 July 2018

**NOTES:**

i) A member of the Company may appoint more than two (2) proxies to attend at the same meeting. Where a member appoints two (2) or more proxies, he shall specify in each Form of Proxy the proportion of his shareholdings to be represented by each proxy.

ii) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (Omnibus Account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 (SICDA) which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

iii) The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation either under Seal or under the hand of an officer or attorney duly authorised. A proxy may but need not be a member of the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

iv) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Registered Office of the Company at 10th Floor, Menara SMI, 6 Lorong P. Ramlee, 50250 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for taking of the poll, and in default the instrument of proxy shall not be treated as valid.

v) Only members whose names appears in the Record of Depositors on 27 August 2018 shall be entitled to attend, speak and vote at this meeting or appoint proxy/proxies to attend and/or vote on his/her behalf.

vi) The resolutions set out in the Notice of 13th AGM will be put to vote by poll pursuant to Rule 8.31A of the ACE Market Listing Requirements of Bursa Securities.

**EXPLANATORY NOTES**

**Agenda 1** **Audited Financial Statements for the financial year ended (FYE) 31 March 2018**
The audited financial statements are for discussion only under Agenda 1, as they do not require shareholders' approval under the provision of Section 340(1)(a) of the Act. Hence, they will not be put for voting.

**Resolution 1** **Directors' Benefits**
The proposed Resolution 1, if passed, will authorise the payment of Directors' benefits (being meeting attendance allowance) payable to the Non-Executive Directors for the period from 6 September 2018 until the conclusion of the next AGM of the Company. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of the next AGM of the Company.

The total estimated amount of meeting attendance allowance payable is calculated based on the number of scheduled Board and Board Committee meetings and the current composition of the Board and Board Committees remains unchanged.

**Resolution 9** **Authority to Allot Shares**
Further information in relation to the general mandate for issue of securities is set out in the Statement Accompanying Notice of 13th AGM.

**Resolution 10** **Resolution pertaining to the Proposed Renewal of Shareholders' Mandate and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**
Further information on the Recurrent Related Party Transactions is set out in Part B of the Statement/Circular to Shareholders dated 31 July 2018 which is dispatched together with the Company's Annual Report 2018.

**Resolution 11** **Proposed Renewal of Authority for the Company to Purchase Its Own Shares (Proposed Renewal of Share Buy-Back Authority)**
Further information on the Proposed Renewal of Share Buy-Back Authority is set out in Part A of the Statement/Circular to Shareholders dated 31 July 2018 which is dispatched together with the Company's Annual Report 2018.

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

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

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused Part A in respect of the proposed renewal of authority for the Company to purchase its own shares in respect of this Statement/Circular prior to its issuance as it its prescribed as an Exempt Circular pursuant to Guidance Note 22 of the ACE Market Listing Requirements. Bursa Securities has only perused through Part B in respect of the new shareholders' mandate for recurrent related party transactions of a revenue or trading on a limited review basis pursuant to the provisions of Guidance Note 22 of ACE Market Listing Requirements of Bursa Securities.

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

# DIVERSIFIED GATEWAY SOLUTIONS BERHAD

(Company No. 675362-P)
(Incorporated in Malaysia)

## PART A

## SHARE BUY-BACK STATEMENT

## IN RELATION TO THE

## PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES

## AND

## PART B

## CIRCULAR TO SHAREHOLDERS

## IN RELATION TO THE

## PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE AND NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

The ordinary resolutions in respect of the above proposals will be tabled at the 13th Annual General Meeting of the Company. The Notice of the 13th Annual General Meeting of the Company to be held at Banquet Hall, The Royal Selangor Golf Club, Jalan Kelab Golf, Off Jalan Tun Razak, 55000 Kuala Lumpur on Wednesday, 5 September 2018 at 10.00 a.m. together with the Form of Proxy are set out in the Annual Report 2018 of the Company which is despatched together with this Statement/Circular.

The Form of Proxy must be lodged at the Registered Office of the Company at 10th Floor, Menara SMI, 6 Lorong P. Ramlee, 50250 Kuala Lumpur not less than 48 hours before the time set for the 13th Annual General Meeting or any adjournment thereof.

The lodging of the Form of Proxy will not preclude you from attending and voting in person at the 13th Annual General Meeting should you subsequently wish to do so.

This Statement/Circular is dated 31 July 2018

## DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout and for the purposes of this Statement/Circular only:

| | | |
|---|---|---|
| Act | : | The Companies Act, 2016 and any statutory modification, amendment or re-enactment thereof for the time being in force |
| AGM | : | Annual General Meeting |
| Board | : | Board of Directors of DGSB |
| Bursa Securities | : | Bursa Malaysia Securities Berhad (Company No. 635998-W) |
| Code | : | The Malaysian Code on Take-Overs and Mergers, 2010, as amended from time to time and any re-enactment thereof |
| DGSB or the Company | : | Diversified Gateway Solutions Berhad (Company No. 675362-P) |
| DGSB Group or the Group | : | DGSB and its subsidiary companies |
| Director(s) | : | Shall have the meaning given in Section 2(1) of the Capital Markets and Services Act 2007, includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director of the Company, its subsidiary or holding company or a chief executive of DGSB, its subsidiary or holding company |
| EPS | : | Earnings Per Share |
| Ho Hup | : | Ho Hup Construction Company Berhad (Company No. 14034-W) |
| Ho Hup Group | : | Ho Hup and its subsidiary companies |
| Insas | : | Insas Berhad (Company No. 4081-M) |
| ITB | : | Insas Technology Berhad (Company No. 313620-T), a wholly-owned subsidiary of Insas |
| Insas Group | | Insas Berhad and its subsidiary companies |
| LPD | : | 29 June 2018, being the latest practicable date prior to the printing of this Statement/Circular |
| Listing Requirements | : | ACE Market Listing Requirements of Bursa Securities and includes any amendments thereto |
| Major Shareholder | : | A person who has an interest or interests in one or more voting shares in a corporation and the number or aggregate number of those shares, is :-<br>(a) 10% or more of the total number of voting shares in the corporation; or<br>(b) 5% or more of the total number of voting shares in the corporation where such person is the largest shareholder of the corporation.<br>For the purposes of the Proposed Mandate, "interest in shares" shall have the same meaning in Section 8 of the Act. It also includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a Major Shareholder of the corporation or any other corporation which is its subsidiary or holding company. |

| | | |
|---|---|---|
| Market Day | : | A day on which the stock market of the Bursa Securities is open for trading in securities |
| MSB | : | Microlink Solutions Berhad (Company No. 620782-P) |
| MSB Group | : | Microlink and its subsidiary companies |
| NA | : | Net Assets |
| OHB | : | Omesti Holdings Berhad (Company No. 281000-K), a wholly-owned subsidiary of Omesti |
| Omesti | : | Omesti Berhad (Company No. 530701-T), a related company of DGSB through its wholly-owned subsidiary, OHB, which owns 14.77% equity interest in DGSB |
| Omesti Group | : | Omesti and its subsidiary companies |
| Person Connected | : | In relation to any person (referred to as "said Person") means such person who falls under any one of the following categories:<br>(a) a family member of the said Person;<br>(b) a trustee of a trust (other than a trustee for a share scheme for employees or pension scheme) under which the said Person, or a family member of the said Person, is the sole beneficiary;<br>(c) a partner of the said Person;<br>(d) a person , or where the person is a body corporate, the body corporate or its directors, who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instruction or wishes of the said Person;<br>(e) a person, or where the person is a body corporate, the body corporate or its directors, in accordance with those directions, instructions or wishes of the said Person is accustomed or is under an obligation, whether formal or informal, to act;<br>(f) a body corporate in which the said Person, or persons connected with the said Person are entitled to exercise, or control the exercise of, not less than 20% of the votes attached to voting shares in the body corporate; or<br>(g) a body corporate which is a related corporation of the said Person |
| Prevailing Laws | : | Any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities including but not limited to the Listing Requirements |
| Proposed Mandate | : | Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate |
| Proposed New Shareholders' Mandate | : | Proposed New shareholders' mandate for new Recurrent Related Party Transactions |

| | | |
|---|---|---|
| Proposed Renewal | : | Proposed Renewal of Authority for DGSB to purchase its own ordinary shares of up to 10% of the issued and paid-up share capital of the Company |
| Proposed Renewal of Shareholders' Mandate | : | Proposed renewal of shareholders' mandate for Recurrent Related Party Transactions |
| Purchased Share | : | Share to be purchased pursuant to the Proposed Renewal |
| Recurrent Related Party Transactions | : | Related Party Transactions which are recurrent, of a revenue or trading nature and which are necessary for the day-to-day operations of the DGSB Group |
| Related Party(ies) | : | Director(s), Major Shareholder(s) or Person(s) Connected with such Director(s) or Major Shareholder(s) |
| Related Party Transaction | : | A transaction entered into by the Company or its subsidiaries which involves the interest, direct or indirect, of a Related Party |
| RM and sen | : | Ringgit Malaysia and sen respectively |
| Shares | : | Ordinary shares fully paid-up in the Company |
| Substantial Shareholder | : | A person who has an interest in one or more voting Shares in the Company and the number or the aggregate number of such Share, is not less than 5% of the total number of all the voting Shares included in the Company |

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# PART A

## SHARE BUY BACK STATEMENT

## IN RELATION TO

## THE PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES

# DIVERSIFIED GATEWAY SOLUTIONS BERHAD

(Company No. 675362-P)
(Incorporated in Malaysia)

**SHARE BUY-BACK STATEMENT IN RELATION TO THE PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES**

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## 1. INTRODUCTION

The Company had on 14 September 2017, at the 12th AGM, obtained the shareholders' approval for the authorisation for share buy-back of up to ten percent (10%) of its issued and paid-up share capital of the Company.

On 13 July 2018, the Company had announced its intention to seek the approval of its shareholders at the forthcoming 13th AGM on the Proposed Renewal.

The purpose of this Statement is to provide you with the details on the Proposed Renewal and to seek your approval for the Ordinary Resolution pertaining to the Proposed Renewal to be tabled at the forthcoming 13th AGM of the Company. The Notice of the 13th AGM (under "Special Business") together with the Form of Proxy are enclosed in the Annual Report 2018, which is being sent to you together with this Statement.

**SHAREHOLDERS ARE ADVISED TO READ THE CONTENTS OF THIS STATEMENT CAREFULLY BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED RENEWAL.**

## 2. DETAILS OF THE PROPOSED RENEWAL

The Board proposes to seek shareholders' approval for the Proposed Renewal subject to the Prevailing Laws issued or to be issued by the relevant authorities.

The mandate from the shareholders for the Proposed Renewal will be effective immediately after the passing of the ordinary resolution to be tabled at the 13th AGM of the Company to be convened and will continue to be in force until:-

(a) the conclusion of the next AGM of the Company following this AGM at which the ordinary resolution for the Proposed Renewal is passed, at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or

(b) the expiration of the period within which the next AGM after that date is required by law to be held; or

(c) the authority is revoked or varied by ordinary resolution passed by the shareholders of DGSB in a general meeting,

whichever occurs first.

The shareholders' approval for the Proposed Renewal does not impose an obligation on the Company to purchase its own shares. Rather, it will allow the Board to exercise the power of the Company to purchase its own shares at any time within the abovementioned period.

## 3. SOURCES OF FUNDS

The maximum funds to be allocated by the Company for the purchase of existing Shares in the open market shall be financed from internally-generated funds and/or external borrowings. Such maximum funds shall not exceed the total retained profits and/or share premium account of the Company.

Based on the audited financial statements of DGSB as at 31 March 2018 the accumulated losses was RM102,608,616 at the Company level.

If funded through internally generated funds, it is not expected to have a material impact on the cash flow position of the Company. In the event it is to be financed by external borrowings, the Company will ensure its capabilities of repaying such borrowings and that such repayment will not have a material effect on its cash flow of the Company.

## 4. RATIONALE FOR THE PROPOSED RENEWAL

The procurement of the shareholders' approval for the Proposed Renewal would enable the Company to purchase its own Shares as and when appropriate and at market prices which the Board views favourable.

The Proposed Renewal may enable the Company to utilise any of the DGSB Group's surplus financial resources, which is not immediately required for other uses, to purchase its own Shares from the open market. The Proposed Renewal is expected to stabilise the supply and demand of the Shares, hence supporting its fundamental value.

If the Purchased Shares are subsequently cancelled, the Proposed Renewal may strengthen its EPS. Consequently, long-term investors are expected to enjoy a corresponding increase in the value of their investments in the Company.

The Purchased Shares can also be held as treasury shares and resold on Bursa Securities at a higher price therefore realising a potential gain without affecting the total issued and paid-up share capital of the Company. Should any treasury shares be distributed as share dividends, this would serve to reward the shareholders of the Company.

The Proposed Renewal is not expected to have any potential material disadvantages to the Company and its shareholders, and it will be implemented only after taking into consideration, amongst others, the financial resources of the DGSB Group, and the resultant impact on the shareholders of the Company.

## 5. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED RENEWAL

The potential advantages and disadvantages of the Proposed Renewal, if implemented, to the Company and its shareholders are as follows:-

<u>Potential advantages:-</u>

(i) allows the Company the flexibility in attaining its desired capital structure;

(ii) rewards the shareholders in the event that the treasury shares are distributed as share dividends; and

(iii) mitigates the dilution effects on the EPS of the DGSB Group if the shares purchased are cancelled, hence making the Shares more attractive to investors.

Potential disadvantages:-

(i) reduce the financial resources of the DGSB Group and may result in the forgoing of better investment opportunities that may emerge in the future; and

(ii) may result in the reduction of financial resources available for distribution of dividends and/or bonus shares to shareholders in the future as the Proposed Renewal can only be made out of the retained profit of the Company.

The Board will be mindful of the interests of the Company and its shareholders when undertaking the Proposed Renewal and in the subsequent resale of treasury shares on Bursa Securities, if any.

## 6. EFFECTS OF THE PROPOSED RENEWAL

The effects of the Proposed Renewal on the issued and paid-up share capital, earnings and EPS, NA and gearing, working capital and Substantial Shareholders' shareholdings of the Company are set out below.

### 6.1 Issued and paid-up share capital

The effect of the Proposed Renewal on the issued and paid-up share capital of the Company will depend on the intention of the Board with regard to the treatment of the Purchased Shares. Assuming that 10% of the Company's issued and paid-up share capital are purchased and cancelled, it will result in a reduction on the total issued and paid-up share capital of the Company as shown in the table below:-

| | **No. of Shares** |
|---|---|
| As at the LPD | 1,355,877,090 |
| To be purchased and cancelled pursuant to the Proposed Renewal | (135,587,709) |
| **Issued and paid-up share capital after the Proposed Renewal** | **1,220,289,381** |

Conversely, if the Purchased Shares are retained as treasury shares, resold or distributed to the shareholders, the Proposed Renewal will not have any effect on the issued and paid-up share capital of the Company. Nevertheless, certain rights (such as voting rights) attached to the Purchased Shares will be suspended when the Purchased Shares are held as treasury shares.

### 6.2 Earnings and EPS

The effects of the Proposed Renewal on the earnings and EPS on the DGSB Group will depend on the purchase price(s) of the Shares and the effective funding cost, if any, or any loss in interest income to the Group.

Assuming the Purchased Shares are retained as treasury shares and resold, the effects on the earnings of the DGSB Group will depend on the actual selling price(s), the number of the treasury shares resold and the effective gain or interest savings arising from the exercise.

If the Purchased Shares are cancelled, the Proposed Renewal will increase the EPS of the DGSB Group provided that the income foregone and interest expenses incurred on the Purchased Shares are less than the EPS before the share buy-back.

### 6.3 NA per Share and gearing

The proforma effects of the Proposed Renewal on the NA per Share will depend on the actual purchase price of the Shares and the effective cost of funding, loss in interest income of the Company and the treatment of the Shares purchased. If all the Shares purchased are cancelled, the Proposed Renewal will reduce the NA per Share if the purchase price exceeds the NA per Share at the time of the purchase.

Conversely, the NA per Share will increase if the purchase price is below the NA per Share at the time of the purchase.

The NA per Share will decrease if the Purchased Shares are retained as treasury shares due to the accounting requirements for treasury shares to be carried at cost resulting in a decrease by the cost of the treasury shares.

If the treasury shares are subsequently resold on Bursa Securities, the NA per Share upon the resale will increase if the Company realises a gain from the resale, and *vice-versa*. If the treasury shares are distributed as dividends, the NA of the DGSB Group will be reduced by the cost of the treasury shares.

**6.4 Working capital**

The Proposed Renewal, as and when implemented, will reduce the working capital and cash flow of the DGSB Group, the quantum of which will depend on, amongst other, the purchase price of the Shares and the number of Purchased Shares. The Proposed Renewal will affect the cash flow of the Group if it is wholly and/or partly financed by internally generated funds and results in a lower amount of cash reserves available for dividends to be declared to shareholders and business operations as funds are utilised to purchase Shares.

**6.5 Substantial Shareholders' shareholdings**

The proforma effects of the Proposed Renewal on the shareholdings structure of the Substantial Shareholders of DGSB based on the Company's Register of Substantial Shareholders as at the LPD are set out as follows:-

| Substantial Shareholders | As at the LPD | | | | After Proposed Renewal and assuming that the Purchased Shares are cancelled | | | |
|---|---|---|---|---|---|---|---|---|
| | Direct | | Indirect | | Direct | | Indirect | |
| | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| ITB | 270,000,00 | 19.91 | - | - | 270,000,000 | 22.13 | - | - |
| Insas | - | - | 270,000,000[(1)] | 19.91 | - | - | 270,000,000[(1)] | 22.13 |
| Dato' Sri Thong Kok Khee | - | - | 270,000,000[(2)] | 19.91 | - | - | 270,000,000[(2)] | 22.13 |
| OHB | 200,281,209 | 14.77 | - | - | 200,281,209 | 16.41 | - | - |
| Omesti | - | - | 200,281,209[(3)] | 14.77 | - | - | 200,281,209[(3)] | 16.41 |

*Notes:-*

*(1) Deemed interest by virtue of ITB being a wholly-owned subsidiary of Insas pursuant to Section 8(4) of the Act.*

*(2) Deemed interest by virtue his substantial interest in Insas, the holding company of ITB pursuant to Section 8(4) of the Act.*

*(3) Deemed interest by virtue of OHB being a wholly-owned subsidiary of Omesti pursuant to Section 8(4) of the Act.*

## 7. IMPLICATION OF THE CODE

As it is not intended for the Proposed Renewal to trigger the obligation to undertake a mandatory offer under the Code by any of the Company's Substantial Shareholders and/or parties acting in concert with them, the Board will ensure that such number of Shares are purchased, retained as treasury shares, cancelled or distributed such that the Proposed Renewal would not result in triggering any mandatory offer obligation on the part of its Substantial Shareholders and/or parties acting in concert with them. In this connection, the Board will be mindful of the requirements when making any purchase of the Shares pursuant to the Proposed Renewal.

## 8. PURCHASE, RESALE AND CANCELLATION OF TREASURY SHARES MADE IN THE PREVIOUS TWELVE (12) MONTHS

There have not been any previous purchase, resale and/or cancellation of treasury shares of DGSB in the previous 12 months preceding the LPD. As at the date of this Statement, the Company does not hold any treasury shares.

## 9. PUBLIC SHAREHOLDING SPREAD

The Proposed Renewal will be carried out in accordance with the Prevailing Laws at the time of the purchase including compliance with the 25% shareholding spread as required under Rule 8.02(1) of the Listing Requirements.

According to the Record of Depositors of the Company as at the LPD, the total percentage of the issued and paid-up share capital of DGSB which is held by the public was 58.10%.

The Board will be mindful of the public shareholding spread requirement before making any purchase of its own Shares.

## 10. APPROVAL REQUIRED

The Proposed Renewal is subject to the approval of the shareholders of DGSB at the forthcoming 13th AGM to be convened. The Proposed Renewal is not conditional upon any other proposal.

## 11. INTERESTS OF THE DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

Save for the inadvertent proportionate increase in the percentage shareholdings of the Directors and major shareholders of the Company as a result of the share buy-back exercise, insofar as the Directors are aware, none of the Directors and/or major shareholders and/or persons connected with them has any interest, direct or indirect, in the Proposed Renewal and the subsequent resale of treasury shares, if any.

As at the LPD, the direct and indirect interest of the Directors, the Major Shareholders and/or person connected with them of DGSB are set out below:-

| | **Direct** | | **Indirect** | |
|---|---|---|---|---|
| | **No. of Shares held** | **%** | **No. of Shares held** | **%** |
| **Directors** | | | | |
| Dato' Mah Siew Kwok | 6,763,892 | 0.50 | - | - |
| Dato' Dr Tan Seng Chuan | 15,000,000 | 1.11 | - | - |
| Monteiro Gerard Clair | - | - | - | - |
| Chow Seck Kai | - | - | - | - |
| Dr Tang Pen San | - | - | - | - |
| Wan Mai Gan | - | - | - | - |

| | Direct | | Indirect | |
|---|---|---|---|---|
| | **No. of Shares held** | **%** | **No. of Shares held** | **%** |
| **Major Shareholders** | | | | |
| ITB | 270,000,000 | 19.91 | - | - |
| Insas | - | - | 270,000,000[(1)] | 19.91 |
| OHB | 200,281,209 | 14.77 | - | - |
| Omesti | - | - | 270,000,000[(2)] | 14.77 |

*Notes:-*

*(1) Deemed interest by virtue of ITB being a wholly-owned subsidiary of Insas pursuant to Section 8(4) of the Act.*

*(2) Deemed interest by virtue of OHB being a wholly-owned subsidiary of Omesti pursuant to Section 8(4) of the Act.*

## 12. DIRECTORS' RECOMMENDATION

The Board is of the opinion that the Proposed Renewal is in the best interest of the Company. As such, the Directors recommend that you vote in favour of the ordinary resolution pertaining to the Proposed Renewal to be tabled at the forthcoming 13th AGM.

## 13. AGM

The Notice of 13th AGM to consider and if thought fit, passing the ordinary resolution pertaining to the Proposed Renewal as set out herein is also enclosed in the Annual Report 2018. The 13th AGM will be held on Wednesday, 5 September 2018 at 10.00 a.m. at Banquet Hall, The Royal Selangor Golf Club, Jalan Kelab Golf, Off Jalan Tun Razak, 55000 Kuala Lumpur.

If you are unable to attend and vote in person at the 13th AGM and wish to appoint a proxy to attend and vote in your stead, you are requested to complete, sign and return the Form of Proxy in accordance with the instructions contained therein as soon as possible and in any event so as to arrive at the Company's Registered Office at 10th Floor, Menara SMI, 6 Lorong P. Ramlee, 50250 Kuala Lumpur not less than 48 hours before the time for the 13th AGM.

The lodging of the Form of Proxy will not preclude you from attending and voting in person at the 13th AGM should you subsequently wish to do so.

This Statement is dated 31 July 2018.

# PART B

## CIRCULAR TO SHAREHOLDERS

## IN RELATION TO THE

## PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE AND NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

# DIVERSIFIED GATEWAY SOLUTIONS BERHAD

(Company No. 675362-P)
(Incorporated in Malaysia)

**Registered Office:**

10th Floor, Menara SMI
6 Lorong P. Ramlee
50250 Kuala Lumpur

31 July 2018

**Board of Directors**

Dato' Mah Siew Kwok *(Non-Independent Non-Executive Chairman)*
Dato' Dr Tan Seng Chuan *(Executive Director)*
Monteiro Gerard Clair *(Non-Independent Non-Executive Director)*
Chow Seck Kai *(Independent Non-Executive Director)*
Dr Tang Pen San *(Independent Non-Executive Director)*
Wan Mai Gan *(Independent Non-Executive Director)*

**To: The Shareholders of Diversified Gateway Solutions Berhad**

Dear Sir / Madam,

**PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE AND NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

## 1. INTRODUCTION

At the 12th AGM held on 14 September 2017, the shareholders of the Company approved, *inter alia*, the shareholders' mandate for the Company and/or its subsidiaries to enter into Recurrent Related Party Transactions. The said mandates shall, in accordance with the Listing Requirements, expire at the conclusion of the forthcoming 13th AGM of the Company, unless renewal is obtained.

In connection thereto, the Board of DGSB had on 13 July 2018 announced its intention to seek shareholders' approval for the Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate respectively.

The purpose of this Circular is to provide you with the relevant information on the Proposed Mandate and to seek your approval for the ordinary resolution to be tabled at the forthcoming 13th AGM of the Company. The Notice of 13th AGM is set out in the Annual Report 2018. The extract of ordinary resolution on the Proposed Mandate to be tabled at the DGSB's 13th AGM is enclosed together with this Circular.

**YOU ARE ADVISED TO READ THE CONTENTS OF THIS CIRCULAR, TOGETHER WITH THE APPENDIX CONTAINED HEREIN CAREFULLY BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED MANDATE.**

## 2. DETAILS OF THE PROPOSED MANDATE

### 2.1 The Proposed Mandate

Rule 10.08 of the Listing Requirements stipulates the obligations of a listed corporation to comply with in relation to Related Party Transactions. However, pursuant to Rule 10.09(2) of the Listing Requirements, a listed corporation may seek a mandate from shareholders in respect of Recurrent Related Party Transactions, subject to the following :-

(a) the transactions are in the ordinary course of business and are on terms not more favourable to the Related Party than those generally available to the public;

(b) the shareholder mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholder mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under Rule 10.09(1) of the Listing Requirements.

(c) a circular to shareholders which includes information as may be prescribed by Bursa Securities is issued by the listed corporation for the shareholder mandate;

(d) in a meeting to obtain shareholder mandate, the interested Director, interested Major Shareholder or interested Person Connected with a Director or Major Shareholder; and where it involves the interest of an interested Person Connected with a Director or Major Shareholder, such Director or Major Shareholder, must not vote on the resolution to approve the transaction. An interested Director or interested Major Shareholder must ensure that Persons Connected with him abstain from voting on the resolution approving the transactions; and

(e) an immediate announcement is made to Bursa Securities when the actual value of a Recurrent Related Party Transaction entered into by the listed corporation, exceeds the estimated value of the Recurrent Related Party Transaction disclosed in the circular by 10% or more and the announcement must include the information as may be prescribed by Bursa Securities.

Where a listed corporation has procured a shareholder mandate in respect of Recurrent Related Party Transactions, the provisions under Rule 10.08 of the Listing Requirements will not apply to the Recurrent Related Party Transactions which are comprised in the said mandate.

The Proposed Mandate, if approved by the shareholders of the Company at the forthcoming 13$^{th}$ AGM, is subject to annual renewal and will continue to be in force until :-

(a) the conclusion of the next AGM of the Company following the forthcoming 13$^{th}$ AGM at which the Proposed Mandate is passed, at which time such mandate will lapse, unless by a resolution passed at the meeting, the authority for the Proposed Mandate is renewed;

(b) the expiration of the period, within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Act (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

## 2.2 Principal Activities of the DGSB Group

DGSB is principally involved in the business of investment holding. The principal activities of those subsidiary companies within the DGSB Group as at the LPD are as follows :-

| Name of Company | Effective equity interest % | Principal Activities |
|---|---|---|
| Diversified Gateway Berhad | 100.00 | Provision of computer networking solutions and system integration |
| ISS Consulting (Malaysia) Sdn Bhd | 100.00 | Provision of computer networking and digital media solutions and services |
| ISS Consulting (Thailand) Ltd | 100.00 | Advisers and consultants for computer software solutions |
| Rangkaian Ringkas Sdn Bhd | 100.00 | Distribution and maintenance of computer networking, network security storage and network management |
| ISS Consulting (S) Pte Ltd | 100.00 | Inactive |
| PT ISS Consulting Indonesia | 100.00 | Inactive |
| Cogent Business Solutions (S) Pte Ltd | 100.00 | Inactive |
| Ledge Consulting Pte Ltd | 100.00 | Inactive |
| Cogent Consulting Sdn Bhd | 70.00 | Inactive |

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

**2.3 Class, nature and estimated aggregate value of the Recurrent Related Party Transactions**

(a) The Recurrent Related Party Transactions which will be covered in the **Proposed Renewal of Shareholders' Mandate** are identified in the table below :-

| Companies within the DGSB Group transacting with the Related Party | Nature of Transactions | Transacting Related Party | Interested Directors / Major Shareholders | Estimated aggregate value during the validity period of the Proposed Mandate* (RM) | Estimated aggregated value as disclosed in the preceding year's circular to shareholders dated 31 July 2017 ("Estimated Value") (RM) | Actual value transacted from 14 September 2017 (date of 12th AGM) to the LPD ("Actual Value") (RM) |
|---|---|---|---|---|---|---|
| DGSB Group (7) | Receipt of administrative and management support, training and other related services from Omesti to DGSB Group | Omesti (3) | **Interested Director**<br>- Dato' Mah Siew Kwok ("Dato' Mah") (1)<br>**Interested Major Shareholders**<br>- OHB (2)<br>- Omesti (3) | 360,000 | 1,200,000 | 340,000 |
| | Supply of computer hardware, software and services by Omesti Group to DGSB Group | Omesti Group (4) | | 300,000 | 1,000,000 | - |
| | Supply of network and software solutions, network security, storage and network management solutions inclusive of technical / maintenance services by DGSB Group to Omesti Group | | | 4,000,000 | 60,000,000 | 2,174,519 |

**2.3 Class, nature and estimated aggregate value of the Recurrent Related Party Transactions (Cont'd)**

(a) The Recurrent Related Party Transactions which will be covered in the **Proposed Renewal of Shareholders' Mandate** are identified in the table below :- (Cont'd)

| Companies within the DGSB Group transacting with the Related Party | Nature of Transactions | Transacting Related Party | Interested Directors / Major Shareholders | Estimated aggregate value during the validity period of the Proposed Mandate* (RM) | Estimated aggregated value as disclosed in the preceding year's circular to shareholders dated 31 July 2017 ("Estimated Value") (RM) | Actual value transacted from 14 September 2017 (date of 12th AGM) to the LPD ("Actual Value") (RM) |
|---|---|---|---|---|---|---|
| DGSB Group (7) | Supply of network and software solutions inclusive of technical / maintenance services by DGSB Group to Ho Hup Group | Ho Hup Group (5) | **Interested Director**<br>- Dato' Mah (1)<br><br>**Interested Major Shareholders**<br>- OHB (2)<br>- Omesti (3) | 300,000 | 2,000,000 | - |

**2.3 Class, nature and estimated aggregate value of the Recurrent Related Party Transactions (Cont'd)**

(a) The Recurrent Related Party Transactions which will be covered in the **Proposed Renewal of Shareholders' Mandate** are identified in the table below :- (Cont'd)

| Companies within the DGSB Group transacting with the Related Party | Nature of Transactions | Transacting Related Party | Interested Directors / Major Shareholders | Estimated aggregate value during the validity period of the Proposed Mandate* (RM) | Estimated aggregated value as disclosed in the preceding year's circular to shareholders dated 31 July 2017 ("Estimated Value") (RM) | Actual value transacted from 14 September 2017 (date of 12th AGM) to the LPD ("Actual Value") (RM) |
|---|---|---|---|---|---|---|
| DGSB Group (7) | Supply of network and software solutions, network security, storage and network management solutions inclusive of technical/maintenance services by DGSB Group to MSB Group | MSB Group (6) | **Interested Director**<br>- Dato' Mah (1)<br><br>**Interested Major Shareholders**<br>- OHB (2)<br>- Omesti (3) | 1,000,000 | 1,000,000 | 3,250 |
| | Supply of computer hardware, software and services by the Microlink Group to DGSB Group | | | 1,000,000 | 5,000,000 | 344,038 |

Note : None of the Actual Value of the Recurrent Related Party Transactions has exceeded the Estimated Value by 10% or more.

* This comprises estimated value of transactions from the date of forthcoming 13th AGM to the date of the next AGM expected to be held in the month of September 2019. The estimated value is based on information available at the point of estimation. Due to the nature of transactions, the actual value of transactions may vary from the estimated aggregate value disclosed above.

**2.3 Class, nature and estimated aggregate value of the Recurrent Related Party Transactions (Cont'd)**

(b) The Recurrent Related Party Transactions which will be covered in the **Proposed New Shareholders' Mandate** are identified in the table below :-

| Companies within the DGSB Group transacting with the Related Parties | Nature of transactions | Related Party | Interested Directors / Major Shareholders | Estimated aggregate value during the validity period of the Proposed New Shareholders' Mandate# (RM) |
|---|---|---|---|---|
| DGSB Group | Shared office [13], network, data center, hosting and other services by Insas Group to DGSB Group | Insas Group [8] | **Interested Major Shareholders**<br>- ITB [9]<br>- Insas [10] | 400,000 |
| | Sales & purchases of electronic systems and parts between DGSB Group and ITB in 3rd party systems integration projects [12] | | | 6,000,000 |
| | Provision of Information Technology services (project management, software, maintenance) between DGSB Group and ITB in 3rd party systems integration projects [12] | | | 6,000,000 |
| | Provision of manufacturing/assembly services between DGSB Group and ITB in 3rd party systems integration projects [12] | | | 6,000,000 |
| DGSB Group | Corporate Advisory & related services by M&A Securities Sdn Bhd to DGSB Group | M&A Securities Sdn Bhd [11] | Interested Major Shareholders<br>- ITB [9]<br>- Insas [10] | 2,000,000 |

# This comprises estimated value of transactions from the date of forthcoming 13th AGM to the date of the next AGM expected to be held in the month of September 2019. The estimated value is based on information available at the point of estimation. Due to the nature of transactions, the actual value of transactions may vary from the estimated aggregate value disclosed above.

*Notes :-*

*(1) Dato' Mah is the Non-Executive Vice Chairman of Omesti and also a Major Shareholder of Omesti by virtue of his direct interest in Omesti. By virtue of his interests in Omesti, Dato' Mah is deemed interested in the shares of Omesti's subsidiary companies to the extent Omesti has an interest. Dato' Mah's direct and indirect interests in Omesti, MSB, Ho Hup and DGSB as at the LPD are set out below:-*

| ***Name of Company*** | ***% of Interest*** | |
|---|---|---|
| | ***Direct*** | ***Indirect*** |
| *Omesti* | *18.97* | - |
| *MSB* | *0.70* | |
| *Ho Hup* | *1.37* | *13.61 (a)* |
| *DGSB* | *0.49* | - |

*(a) Deemed interest by virtue of his substantial interest in Omesti pursuant to Section 8(4) of the Act and shareholdings held by his spouse and daughter pursuant to Section 59(11)(c) of the Act.*

*(2) OHB is an associate company of DGSB and immediate holding company of MSB.*

*(3) Omesti is the immediate holding company of OHB.*

*(4) Omesti Group is a related party to DGSB Group through an associate company, Omesti. Omesti is principally engaged in investment holding activities and the provision of management services, and through its subsidiaries, are engaged in the following:*

*(i) distribution and provision of maintenance for hardware and software;*
*(ii) provision of a comprehensive range of tele/data communication and networking solutions and services;*
*(iii) provision of legal, financial and commercial software products as well as services to develop and implement platform-independent software solutions;*
*(iv) provision of integrated business solutions based on SAP software and customised solutions which include, building automation and management, media publication and broadcasting solutions; and*
*(v) provision of customised systems integration of hardware platforms, continuous maintenance and after sales support services.*

*(5) Ho Hup Group is a related party to DGSB Group through an associate company, Omesti. As at the LPD, Ho Hup is a 13.88% associated company of OHB. Ho Hup Group is principally involved in foundation engineering, civil engineering, building contracting works and hire of plant and machinery.*

*(6) MSB Group is a related party to DGSB Group through an associate company,Omesti. As at the LPD, MSB is a 59.28% owned subsidiary company of OHB. MSB is principally involved in investment holding and provision of research and development. Through its subsidiaries, MSB is involved in the following:*

*(i) provision of information technology solutions to the financial services industry and dealing in related products;*
*(ii) trading and marketing of computer software programmes and products;*
*(iii) provision of research and development for information technology solutions to the financial services industry;*
*(iv) providing consultancy services in supporting and modifying banking software;*
*(v) distribution of licences and services related to CA Technologies Inc., a provider of IT management software and solutions (including distribution and maintenance of computer equipment);*
*(vi) distribution and provision of maintenance for hardware and software; and*
*(vii) provision of legal, financial and commercial software products as well as services to develop and implement platform-independent software solutions.*

*(7) Cessation as Omesti's subsidiary on 7 March 2018.*

*(8) Insas Group is a related party to DGSB Group through an associate company, ITB.*

*(9) ITB is a related party to DGSB Group. As at the LPD, ITB holds 19.91% shareholdings in DGSB. ITB is principally involved in investment holding and provision of management services, provision of information technology and consultancy services and trading of electronic and telecommunications related products and building materials.*

*(10) Insas is the immediate holding company of ITB. Insas is principally involved in investment holding and the provision of management services.*

*(11) M&A Securities Services Sdn Bhd, is a subsidiary of Insas. M&A Securities Services Sdn Bhd is principally involved in stock broking and dealing in securities and provision of corporate finance and advisory services.*

*(12) These transactions can be conducted either by DGSB Group to ITB or by ITB to DGSB Group, depending on whether DGSB Group or ITB to lead the projects with third parties.*

*(13) The shared office is located at D-07-01, Plaza Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan. The office space is approximately 1,185 square feet with fixtures and fittings. The tenure of the office space will be for a rental period of one (1) year and rental payment will be made on a monthly basis.*

**2.4 Amounts due and owing to the DGSB Group by Related Parties pursuant to Recurrent Related Party Transactions**

The breakdown of the principal sum and interest for the total outstanding amount due under the Recurrent Related Party Transactions which exceeded the credit term as at 31 March 2018 are as follows :

| No. | Nature of transactions | Amount of Outstanding Recurrent Related Party Transactions Receivables (RM) | | | |
|---|---|---|---|---|---|
| | | ≤ 1 year | > 1 to 3 years | > 3 to 5 years | > 5 years |
| 1. | Supply of network and software solutions, network security, storage and network management solutions inclusive of technical / maintenance services by DGSB Group to Omesti Group | 902,049 | 1,349,307 | - | - |

There were no interest and late payment charges imposed on the overdue trade receivables as they were trade in nature. The Management is constantly following-up with those receivables on the outstanding amounts. The Board of Directors is of the opinion that there will be no recoverability issue as those related parties are the Group's long-standing trading customers who have continuously given their business support to the Group.

As at the LPD, an amount totaling of RM127 out of the above amounts due to the DGSB Group by the Related Parties has been recovered.

## 3. RATIONALE AND BENEFITS FOR THE PROPOSED MANDATE

The Recurrent Related Party Transactions entered into or to be entered into by the Group are in the ordinary course of business and are intended to meet the business needs of the Group at the best possible terms so as to achieve synergistic benefits within the Group. These transactions are likely to occur with some degree of frequency and may be constrained by the time-sensitive nature and confidentiality of such transactions, thus rendering it impractical to seek shareholders' approval on a case by case basis before entering into such transactions.

By obtaining the Proposed Mandate on an annual basis, the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such Recurrent Related Party Transactions occur would not arise. This would substantially reduce the time, administrative requirements, and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

The Related Parties which are involved in the Recurrent Related Party Transactions have proven their reliability and expertise in their respective fields. In certain instances, the Related Parties provide the Group the support for its operational needs, thereby enabling greater efficiency and effectiveness in the utilisation of the Group's resources.

## 4. REVIEW PROCEDURES

To ensure that the Recurrent Related Party Transactions are undertaken on transaction prices and terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders and that they are conducted at arm's length and on normal commercial terms consistent with the Group's usual business practices and policies and will not be prejudicial to the shareholders, the Board will ensure that all transactions with Related Parties will only be entered into after taking into consideration the pricing, level and quality of products and support services, and the review procedures as stated below.

The Board has established the following review procedures which are to be carried out for each Recurrent Related Party Transactions :

(a) Records will be maintained by the Company to capture all Recurrent Related Party Transactions entered into pursuant to the Proposed Mandate to ensure that relevant approvals have been obtained and review procedures in respect of such transactions are adhered to.

(b) On a periodic basis, the procedures and guidelines pertaining to Recurrent Related Party Transactions will be reviewed by the Senior Management of DGSB and the Audit and Risk Management Committee to ensure that the terms of the transactions are not more favourable to the Related Parties than those generally available to the public, and are not to the detriment of the minority shareholders.

(c) Where any person(s) has an interest in the Recurrent Related Party Transactions to be reviewed, such person(s) shall abstain from deliberation and voting in respect of such transactions.

(d) Disclosure shall be made in the annual report of a breakdown of the aggregate value of all transactions conducted pursuant to the Proposed Mandate during the financial year and in the annual reports for the subsequent financial years during which the shareholders' mandate remains in force. In making such disclosure, a breakdown will be provided of the aggregate value of the Recurrent Related Party Transactions conducted pursuant to the Proposed Mandate during the current financial year, amongst others, based on the following:-

    (i) the type of the Recurrent Related Party Transactions made; and

    (ii) the names of the Related Parties involved in each type of Recurrent Related Party Transactions and their relationship with the DGSB Group.

There are no thresholds for approval of Recurrent Related Party Transactions within the DGSB Group. However, all Recurrent Related Party Transactions are subject to the approval of any one of the directors of the respective companies.

At least 2 other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered to/by the Related Parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/services and/or quantities. Where quotation or comparative pricing from unrelated third parties cannot be obtained, the transaction price will be determined by the DGSB Group based on its usual business practices to ensure that the Recurrent Related Party Transaction is not detrimental to the DGSB Group.

## 5. STATEMENT BY THE AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee of the Company has reviewed the procedures mentioned in section 4 above and is of the view that the said procedures are sufficient to ensure that the Recurrent Related Party Transactions are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders.

The DGSB Group has in place adequate procedures and processes to monitor, track and identify Recurrent Related Party Transactions in a timely and orderly manner. These procedures and processes will be reviewed annually or as and when necessary.

## 6. CONDITION FOR THE PROPOSED MANDATE

The Proposed Mandate is conditional upon approval being obtained from the shareholders of DGSB at the forthcoming 13th AGM.

## 7. FINANCIAL EFFECTS

The Proposed Mandate does not have any effect on the issued and paid-up share capital and Major Shareholders' shareholdings of DGSB and is not expected to have any material effect on the consolidated earnings and NA of DGSB.

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

The direct and indirect shareholdings of the interested Director, namely Dato' Mah ("Interested Director") and interested Major Shareholders, namely ITB, Insas, OHB and Omesti ("Interested Major Shareholders") in the Company as at the LPD are set out below:-

| | **Direct** | | **Indirect** | |
|---|---|---|---|---|
| | **No. of Shares** | **%** | **No. of Shares** | **%** |
| **Interested Director** | | | | |
| Dato' Mah Siew Kwok | 6,763,892 | 0.50 | - | - |
| **Interested Major Shareholders** | | | | |
| ITB | 270,000,000 | 19.91 | - | - |
| Insas | - | - | 270,000,000 (1) | 19.91 |
| OHB | 200,281,209 | - 14.77 | - | - |
| Omesti | - | - | 200,281,209 (2) | 14.77 |

*Notes :*

(1) *Deemed interest by virtue ITB being a wholly-owned subsidiary of Insas Berhad pursuant to Section 8(4) of the Act.*

(2) *Deemed interest by virtue of OHB being a wholly-owned subsidiary of Omesti pursuant to Section 8(4) of the Act.*

The Interested Director has abstained and will continue to abstain from Board deliberations and voting pertaining to the Proposed Mandate.

The Interested Director and the Interested Major Shareholders will abstain from voting in respect of their direct and indirect shareholdings on the Proposed Mandate at the forthcoming 13th AGM.

In addition, the Interested Director and the Interested Major Shareholders have undertaken that they will ensure that Person Connected with them will abstain and continue to abstain from voting in respect of their direct and indirect shareholdings on the resolution, deliberating or approving the Proposed Mandate at the forthcoming 13th AGM.

Save as aforesaid, none of the other Directors or Major Shareholders or Person Connected with them has any interest direct or indirect in the Proposed Mandate.

## 9. BOARD'S RECOMMENDATION

The Board (save for the Interested Director) having considered all aspects of the Proposed Mandate, is of the opinion that the Proposed Mandate is in the best interest of the Company and its shareholders and accordingly, recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Mandate to be tabled at the forthcoming 13th AGM.

## 10. AGM

The Notice of 13th AGM to consider and if thought fit, passing the ordinary resolution pertaining to the Proposed Mandate as set out herein is also enclosed in the Annual Report 2018. The 13th AGM will be held on Wednesday, 5 September 2018 at 10.00 a.m. at Banquet Hall, The Royal Selangor Golf Club**,** Jalan Kelab Golf, Off Jalan Tun Razak, 55000 Kuala Lumpur.

If you are unable to attend and vote in person at the 13th AGM and wish to appoint a proxy to attend and vote in your stead, you are requested to complete, sign and return the Form of Proxy in accordance with the instructions contained therein as soon as possible and in any event so as to arrive at the Company's Registered Office at 10th Floor, Menara SMI, 6 Lorong P. Ramlee, 50250 Kuala Lumpur not less than 48 hours before the time for the 13th AGM.

The lodging of the Form of Proxy will not preclude you from attending and voting in person at the 13th AGM should you subsequently wish to do so.

## 11. FURTHER INFORMATION

Shareholders of DGSB are advised to refer to the attached Appendix I for further information.

Yours faithfully,
For and on behalf of the Board of
**DIVERSIFIED GATEWAY SOLUTIONS BERHAD**

**Dato' Dr Tan Seng Chuan**
Executive Director

## 1. RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board of DGSB who collectively and individually accept full responsibility for the accuracy and correctness of the information contained herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Circular false or misleading.

## 2. MATERIAL LITIGATION

As at the LPD, the DGSB Group is not involved in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board is not aware of any proceedings pending or threatened against the Group or of any facts likely to give rise to any proceedings which may materially and adversely affect the position or business of the Group:

## 3. MATERIAL CONTRACTS

As at the LPD, neither DGSB nor its subsidiaries has entered into any contracts which are or may be material, not being contracts entered into in the ordinary course of business, during the past two (2) years preceding the date of this Circular.

## 4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the Registered Office of the Company at 10th Floor, Menara SMI, 6 Lorong P. Ramlee, 50250 Kuala Lumpur, during office hours from Mondays to Fridays (except public holidays) from the date of this Circular until the date of the 13th AGM:-

(a) Memorandum and Articles of Association of DGSB; and

(b) The audited consolidated financial statements of DGSB for the past two (2) financial years ended 31 March 2017 and 2018.

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# DIVERSIFIED GATEWAY SOLUTIONS BERHAD

(Company No. 675362-P)
(Incorporated in Malaysia)

**EXTRACT RESOLUTIONS TO BE TABLED AS SPECIAL BUSINESS AT THE FORTHCOMING 13TH ANNUAL GENERAL MEETING**

**ORDINARY RESOLUTION 10**
**PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE AND PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

"THAT the Company and/or its subsidiaries be and is/are hereby authorised to enter into recurrent related party transactions from time to time with Related Parties who may be a Director, a Major Shareholder of the Company and/or its subsidiaries or a person connected with such a Director or Major shareholder, as specified in section 2.3 of Part B of the Statement/Circular to Shareholders dated 31 July 2018 subject to the following:-

i) the transactions are of a revenue or trading nature which are necessary for the day-to-day operations of the Company and/or its subsidiaries and are transacted on terms consistent or comparable with market or normal trade practices and/or based on normal commercial terms and on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and

ii) disclosure is made in the annual report of the aggregate value of transactions conducted during the financial year pursuant to the shareholders' mandate in accordance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad;

THAT the mandate given by the shareholders of the Company shall only continue to be in force until the conclusion of the next Annual General Meeting of the Company or the expiry of the period within which the next Annual General Meeting is required to be held pursuant to Section 340(2) of the Companies Act, 2016 (the "Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); unless revoked or varied by Ordinary Resolution of the shareholders of the Company in general meeting, whichever is the earlier;

AND THAT the Directors of the Company be authorised to complete and carry out such acts and actions as they may consider expedient or necessary to give effect to the shareholders' mandate."

**ORDINARY RESOLUTION 11**
**PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES**

"THAT, subject to the provisions of the Companies Act, 2016 ("Act"), Chapter 12 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any prevailing laws, orders, requirements, rules and regulations, guidelines issued by the relevant authorities at the time of purchase, the Company be and is hereby authorised to allocate an amount not exceeding the total audited retained profits of the Company for the purpose of purchasing such amount of ordinary shares ("DGSB Shares") in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors of the Company may deem fit in the interest of the Company provided that the aggregate number of shares purchased pursuant to this resolution does not exceed ten percent (10%) of the total issued and paid-up share capital of the Company at the time of purchase ("Proposed Renewal of Share Buy-Back Authority");

AND THAT the Directors of the Company be and are hereby authorised to decide in their absolute discretion to deal with any DGSB Shares purchased by the Company pursuant to the Proposed Renewal of Share Buy-Back Authority, whereby the DGSB Shares purchased may be dealt with in the following manner:-

(i) cancelled; or

(ii) retained as treasury shares for distribution as dividend and/or resold on Bursa Securities and/or cancelled subsequently; or

(iii) partly retained and partly cancelled; or

(iv) such other manner as may be permitted by the Act; or

in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of the Bursa Securities and any other relevant authority for the time being in force;

AND FURTHER THAT the Directors of the Company be and are hereby authorised to carry out the Proposed Renewal of Share Buy-Back Authority immediately upon the passing of this resolution, which shall continue to be in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") of DGSB at which the ordinary resolution for the Proposed Renewal of Share Buy-Back Authority is passed, at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next AGM after that date is required by law to be held; or

(iii) the authority is revoked or varied by ordinary resolution passed by the shareholders of DGSB in a general meeting,

whichever occurs first but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and to take all steps as are necessary and/or to carry out all such acts and actions as the Directors of the Company deem fit and expedient in the best interests of the Company and to give full effect to the Proposed Renewal of Share Buy-Back Authority with full powers to assent to any conditions, modifications, amendments and/or variations as may be imposed by the relevant authorities."