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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.

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DIVERSIFIED GATEWAY SOLUTIONS BERHAD

(Registration No. 200401036851 (675362-P))
(Incorporated in Malaysia)

PART A

**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 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 15th Annual General Meeting (“AGM”) of the Company which will be conducted on a fully virtual basis through live streaming and online remote voting from the broadcast venue at Redwood Meeting Room, Ho Hup Tower – Aurora Place, 2-09-01 – Level 9, Plaza Bukit Jalil, No. 1, Persiaran Jalil 1, Bandar Bukit Jalil, 57000 Kuala Lumpur on Thursday, 3 December 2020 at 11.00 a.m.

The Annual Report 2020, Notice of the 15th AGM together with the Proxy Form, administrative guide for the 15th AGM and this Statement/Circular are available on the Company’s website at <https://www.dgsbgroup.com/annual-reports-general-meetings>. Please follow the procedures provided in the administrative guide in order to register, participate and vote remotely at the 15th AGM.

If you wish to appoint a proxy to participate and vote remotely on your behalf at the 15th AGM of the Company, you may deposit your Proxy Form at the Company’s Registered Office at No. 47-5, The Boulevard, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof. Alternatively, if you are an individual member, you may lodge your appointment of proxy(ies) electronically via website portal at <https://agm.omesti.com> by following the procedures provided in the administrative guide.

Last date and time for lodging the Proxy Form : Tuesday, 1 December 2020 at 11.00 a.m.
Date and time of the virtual AGM : Thursday, 3 December 2020 at 11.00 a.m. or any adjournment thereof

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 or amendment thereto from time to time |
| AGM | : | Annual General Meeting |
| Board | : | Board of Directors of DGSB |
| Bursa Securities | : | Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W)) |
| Code | : | The Malaysian Code on Take-Overs and Mergers, 2016 and any statutory modification or amendment thereto from time to time |
| DGSB or the Company | : | Diversified Gateway Solutions Berhad (Registration No. 200401036851 (675362-P)) |
| DGSB Group or the Group | : | DGSB and its subsidiary companies |
| DGSB Share(s) or Share(s) | : | Ordinary share(s) in the Company |
| Director(s) | : | Shall have the meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding six (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 the Company, its subsidiary or holding company |
| EPS | : | Earnings Per Share |
| Ho Hup | : | Ho Hup Construction Company Berhad (Registration No. 197301000497 (14034-W)) |
| Ho Hup Group | : | Ho Hup and its subsidiary companies |
| Insas | : | Insas Berhad (Registration No. 196101000026 (4081-M)) |
| Insas Group | : | Insas and its subsidiary companies |
| ITB | : | Insas Technology Berhad (Registration No. 199401027938 (313620-T)), a wholly-owned subsidiary of Insas |
| LPD | : | 30 September 2020, being the latest practicable date prior to the printing of this Statement/Circular |
| Listing Requirements | : | ACE Market Listing Requirements of Bursa Securities, including any amendments thereto that may be made from time to time |
| 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 :- |

DEFINITIONS (Cont'd)

- (a) 10% or more of the total number of voting shares in the corporation;
or
- (b) 5% or more of the total number of voting shares in the corporation where such person is the largest shareholder of the corporation.

For the purposes of the Proposed Renewal of Shareholders' 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 Bursa Securities is open for trading in securities |
| NA | : | Net Assets |
| OHB | : | Omesti Holdings Berhad (Registration No. 199301026262 (281000-K)), a wholly-owned subsidiary of Omesti |
| Omesti | : | Omesti Berhad (Registration No. 200001028094 (530701-T)) |
| 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: <ul style="list-style-type: none">(a) a family member of the said Person;(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;(c) a partner of the said Person;(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;(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;(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 |

DEFINITIONS (Cont'd)

| | |
|-------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | (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 Share Buy-Back | : Proposed renewal of share buy-back authority for the Company to purchase up to 10% of its total number of issued shares |
| Proposed Renewal of Shareholders' Mandate | : Proposed renewal of shareholders' mandate for Recurrent Related Party Transactions |
| Purchased Shares | : Shares purchased pursuant to the Proposed Share Buy-Back |
| Record of Depositors | : A record of securities holders established and maintained by Bursa Malaysia Depository Sdn Bhd |
| 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 |
| 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 Shares, is not less than 5% of the total number of all the voting Shares in the Company |

CONTENTS

PART A

STATEMENT IN RELATION TO THE PROPOSED SHARE BUY-BACK

| | PAGE |
|---------------------------------------------------------------------------------------|-------------|
| 1. INTRODUCTION | 1 |
| 2. DETAILS OF THE PROPOSED SHARE BUY-BACK | 1 |
| 2.1 Details of the Proposed Share Buy-Back | 1 |
| 2.2 Quantum | 2 |
| 3. SOURCE OF FUNDS | 2 |
| 4. RATIONALE FOR THE PROPOSED SHARE BUY-BACK | 2 |
| 5. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK | 3 |
| 6. EFFECTS OF THE PROPOSED SHARE BUY-BACK | 3 |
| 6.1 Share capital | 3 |
| 6.2 Earnings and EPS | 4 |
| 6.3 NA and gearing | 4 |
| 6.4 Working capital | 5 |
| 6.5 Directors' and Substantial Shareholders' shareholdings | 5 |
| 7. IMPLICATION OF THE CODE | 5 |
| 8. PURCHASE OF SHARES AND RESALE, TRANSFER OR CANCELLATION OF TREASURY SHARES | 5 |
| 9. PUBLIC SHAREHOLDING SPREAD | 6 |
| 10. APPROVAL REQUIRED | 6 |
| 11. INTERESTS OF THE DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM | 6 |
| 12. DIRECTORS' RECOMMENDATION | 6 |
| 13. AGM | 6 |

CONTENTS (Cont'd)

PART B

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE **PAGE**

| | | |
|-----|-----------------------------------------------------------------------------------------|-----------|
| 1. | INTRODUCTION | 1 |
| 2. | DETAILS OF THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE | 2 |
| 2.1 | Provisions under the Listing Requirement | 2 |
| 2.2 | Principal activities of the DGSB Group | 3 |
| 2.3 | Class, nature and estimated aggregate value of the Recurrent Related Party Transactions | 4 |
| 2.4 | Amounts due and owing to the DGSB Group by Related Parties | 7 |
| 3. | RATIONALE AND BENEFITS FOR THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE | 7 |
| 4. | REVIEW PROCEDURES | 8 |
| 5. | STATEMENT BY THE AUDIT AND RISK MANAGEMENT COMMITTEE | 9 |
| 6. | APPROVAL REQUIRED | 9 |
| 7. | EFFECTS OF THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE | 9 |
| 8. | INTERESTS OF THE DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED WITH THEM | 9 |
| 9. | BOARD'S RECOMMENDATION | 10 |
| 10. | AGM | 10 |
| 11. | FURTHER INFORMATION | 10 |
| | APPENDIX I : FURTHER INFORMATION | 11 |

PART A

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



DIVERSIFIED GATEWAY SOLUTIONS BERHAD

(Registration No. 200401036851 (675362-P))

(Incorporated in Malaysia)

STATEMENT IN RELATION TO THE PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES

1. INTRODUCTION

At the 14th AGM of the Company held on 21 November 2019, the Company had obtained the shareholders' approval for, amongst others, the renewal of the authority for the Company to purchase its own shares of up to 10% of the Company's total number of issued shares.

On 24 September 2020, the Company had announced its intention to seek the approval of its shareholders at the forthcoming 15th AGM for the Proposed Share Buy-Back.

The purpose of this statement is to provide you with the details of the Proposed Share Buy-Back and to seek your approval for the ordinary resolution pertaining to the Proposed Share Buy-Back to be tabled at the forthcoming 15th AGM of the Company. The Notice of the 15th AGM together with the Proxy Form are enclosed in the Annual Report 2020, which can be downloaded from the Company's website at <https://www.dgsbgroup.com/annual-reports-general-meetings>.

2. DETAILS OF THE PROPOSED SHARE BUY-BACK

2.1 Details of the Proposed Share Buy-Back

The Board proposes to seek shareholders' approval for the Proposed Share Buy-Back subject to compliance with Section 127 of the Act and the Prevailing Laws.

The approval from the shareholders will be effective immediately upon the passing of the ordinary resolution for the Proposed Share Buy-Back at the forthcoming 15th AGM of the Company and will continue to be in force until:-

- (a) the conclusion of the next AGM of the Company following the AGM at which the ordinary resolution for the Proposed Share Buy-Back 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 Share Buy-Back 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.

The Proposed Share Buy-Back will be undertaken in accordance with Section 127 of the Act and Chapter 12 of the Listing Requirements. The DGSB Shares purchased can be dealt with in the following manner:-

- (i) cancel the shares so purchased;
- (ii) retain the shares so purchased in treasury, which may be distributed as share dividends to the shareholders and/or resold in accordance with the relevant rules of Bursa Securities and/or transferred for the purposes of an employees' share scheme and/or transferred as purchase consideration and/or cancelled and/or sold, transferred or otherwise be used for such other purposes as the Minister may by order prescribe;
- (iii) retain part of the shares so purchased as treasury shares and cancel the remainder; and/or
- (iv) such other manner as may be permitted by the Act.

2.2 Quantum

The maximum aggregate number of DGSB Shares, which may be purchased by the Company, shall not exceed 10% of the total number of issued shares of the Company at any point in time.

Based on the total issued shares of DGSB as at LPD of 745,730,961, the number of shares that can be purchased by the Company is up to 74,573,096 DGSB Shares representing 10% of the total number of issued shares of the Company.

3. SOURCE OF FUNDS

The Listing Requirements stipulate that the purchase by a listed company of its own shares must be made wholly out of the retained profits of the listed company. Based on the latest audited financial statements of DGSB as at 30 June 2020, the retained profits of the Company is RM7,457,976.

The funding for the Proposed Share Buy-Back will be sourced from internally-generated funds of the Group and/or external borrowings and the maximum funds allocated shall not exceed the total retained profits of the Company. The amount of internally generated funds and/or external borrowings to be utilised will only be determined later, depending on, amongst others, the availability of internally generated funds, the actual number of shares to be purchased and other relevant factors. The actual number of shares to be purchased and the timing of such purchases will depend on, amongst others, the market conditions and sentiment of the stock market as well as the retained profits and financial resources available to the DGSB Group.

In the event that the Company purchases its own shares using external borrowings, the Company will ensure that DGSB Group has sufficient funds to repay such external borrowings and that the repayment will not have any material effect on the cash flow of the Group.

4. RATIONALE FOR THE PROPOSED SHARE BUY-BACK

The Proposed Share Buy-Back will 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

at market prices which the Board views favourable. The Proposed Share Buy-Back is also expected to stabilise the supply and demand of DGSB Shares, hence supporting the fundamental value of the Group.

If the Purchased Shares are subsequently cancelled, the Proposed Share Buy-Back may strengthen the EPS of the Company. 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 Share Buy-Back is not expected to have any potential material disadvantages to the Company or 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 SHARE BUY-BACK

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

Potential advantages:-

- (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 DGSB 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 to shareholders in the future as the Proposed Share Buy-Back 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 Share Buy-Back and in the subsequent resale of treasury shares on Bursa Securities, if any.

6. EFFECTS OF THE PROPOSED SHARE BUY-BACK

The effects of the Proposed Share Buy-Back on the share capital, earnings and EPS, NA and gearing, working capital and Directors' and Substantial Shareholders' shareholdings of the Company are set out below.

6.1 Share capital

The effect of the Proposed Share Buy-Back on the share capital of the Company will depend on the intention of the Board with regards to the treatment of the Purchased Shares. Assuming that 10% of the Company's

issued shares are purchased and cancelled, it will result in a reduction of the total number of issued shares as set out below:-

| | No. of Shares |
|-----------------------------------------------------------------------|----------------------|
| As at the LPD | 745,730,961 |
| To be purchased and cancelled pursuant to the Proposed Share Buy-Back | (74,573,096) |
| Resultant issued shares | 671,157,865 |
| | |

Conversely, if the Purchased Shares are retained as treasury shares, resold or distributed to the shareholders, the Proposed Share Buy-Back will not have any effect on the issued shares 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 Share Buy-Back on the earnings and EPS of 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 Share Buy-Back 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 Proposed Share Buy-Back.

6.3 NA and gearing

The effects of the Proposed Share Buy-Back on the NA per Share will depend on the actual purchase prices of the DGSB Shares. If all the DGSB Shares purchased are cancelled, the Proposed Share Buy-Back 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.

The effects of the Proposed Share Buy-Back on the gearing of the Group will depend on the proportion of borrowing utilised to fund any purchase of DGSB Shares. At this juncture, DGSB has not determined whether to utilise any form of borrowings for the purposes of the Proposed Share Buy-Back. Nevertheless, all else being equal, assuming that the treasury shares are retained by the Company and no borrowing is being utilised to fund any purchase of DGSB Shares, the Proposed Share Buy-Back may increase the gearing of the Group as the equity will be reduced by the cost of shares acquired and held as treasury shares.

6.4 Working capital

The Proposed Share Buy-Back will reduce the working capital and cash flow of the DGSB Group, the quantum of which will depend on, amongst other, the purchase prices and the number of DGSB Shares purchased. It will affect the cash flow of the Group if the Proposed Share Buy-Back 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.

6.5 Directors' and Substantial Shareholders' shareholdings

The effects of the Proposed Share Buy-Back on the shareholdings of the Director and Substantial Shareholders of DGSB based on the Register of Directors' Shareholdings and Register of Substantial Shareholders as at the LPD are set out as follows:-

| Director/ Substantial Shareholders | As at the LPD | | | | After Proposed Share Buy-Back and assuming that the Purchased Shares are cancelled | | | |
|------------------------------------------|---------------|-------|----------------------------|-------|------------------------------------------------------------------------------------------|-------|----------------------------|-------|
| | Direct | | Indirect | | Direct | | Indirect | |
| | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| Dato' Dr. Tan Seng Chuan | 9,500,000 | 1.27 | - | - | 9,500,000 | 1.42 | - | - |
| ITB | 190,000,00 | 25.48 | - | - | 190,000,000 | 28.31 | - | - |
| Insas | - | - | 190,000,000 ⁽¹⁾ | 25.48 | - | - | 190,000,000 ⁽¹⁾ | 28.31 |
| Dato' Sri Thong Kok Khee | - | - | 190,000,000 ⁽²⁾ | 25.48 | - | - | 190,000,000 ⁽²⁾ | 28.31 |

Notes:-

⁽¹⁾ Deemed interest held through ITB, a wholly-owned subsidiary of Insas pursuant to Section 8(4) of the Act.

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

7. IMPLICATION OF THE CODE

As it is not intended for the Proposed Share Buy-Back to trigger the obligation to undertake a mandatory general offer under the Code for any of the Company's Substantial Shareholders and/or persons acting in concert with them, the Board will ensure that only such number of DGSB Shares are purchased, retained as treasury shares, cancelled or distributed such that the Code will not be triggered. In this connection, the Board will be mindful of the requirements of the Code when making any purchase of DGSB Shares pursuant to the Proposed Share Buy-Back.

8. PURCHASE OF SHARES AND RESALE, TRANSFER OR CANCELLATION OF TREASURY SHARES

DGSB has not made any purchase of its own Shares in the previous twelve (12) months preceding the date of this statement. As such, the Company does not have any treasury shares and has not resold, transferred, cancelled and/or distributed any treasury shares as dividends in the same period.

9. PUBLIC SHAREHOLDING SPREAD

Based on the Record of Depositors of the Company as at the LPD, the total percentage of the issued shares of DGSB which is held by the public was 67.85%.

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

10. APPROVAL REQUIRED

The Proposed Share Buy-Back is subject to the approval of the shareholders of DGSB at the forthcoming 15th AGM.

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

Save for the proportionate increase in the percentage shareholdings of the Directors and Major Shareholders of the Company as a result of the Proposed 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 Share Buy-Back.

12. DIRECTORS' RECOMMENDATION

The Board is of the opinion that the Proposed Share Buy-Back is in the best interest of DGSB and its shareholders. As such, the Board recommends that the shareholders vote in favour of the ordinary resolution pertaining to the Proposed Share Buy-Back to be tabled at the forthcoming 15th AGM.

13. AGM

The 15th AGM of the Company will be conducted on a **fully virtual** basis through live streaming and online remote voting using Remote Participation and Electronic Voting facilities from the broadcast venue at Redwood Meeting Room, Ho Hup Tower – Aurora Place, 2-09-01 – Level 9, Plaza Bukit Jalil, No. 1, Persiaran Jalil 1, Bandar Bukit Jalil, 57000 Kuala Lumpur on **Thursday, 3 December 2020 at 11.00 a.m.**

If you wish to appoint a proxy to participate and vote remotely on your behalf at the 15th AGM of the Company, you may deposit your Proxy Form at the Company's Registered Office at No. 47-5, The Boulevard, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof. Alternatively, if you are an individual member, you may lodge your appointment of proxy(ies) electronically via website portal at <https://agm.omesti.com>, not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.

Please follow the procedures provided in the administrative guide for the 15th AGM which is available at the Company's website <https://www.dgsbgroup.com/annual-reports-general-meetings> in order to register, participate and vote remotely at the 15th AGM.

This statement is dated 30 October 2020.

PART B

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

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



DIVERSIFIED GATEWAY SOLUTIONS BERHAD

(Registration No. 200401036851 (675362-P))

(Incorporated in Malaysia)

Registered Office:

No. 47-5, The Boulevard
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

30 October 2020

Board of Directors

Y.A.M. Tengku Puteri Seri Kemala Tengku Hajjah Aishah Binti Almarhum Sultan Haji Ahmad Shah, DK (II),
SIMP (*Chairperson, Non-Independent Non-Executive Director*)

Dato' Dr. Tan Seng Chuan (*Executive Director*)

Wan Mai Gan (*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*)

Rajendran A/L Velayuthan (*Independent Non-Executive Director*)

To: The Shareholders of Diversified Gateway Solutions Berhad

Dear Sir / Madam,

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

1. INTRODUCTION

At the 14th AGM held on 21 November 2019, 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 mandate shall, in accordance with the Listing Requirements, expire at the conclusion of the forthcoming 15th AGM of the Company, unless renewal is obtained.

In connection thereto, the Board of DGSB had on 24 September 2020 announced its intention to seek shareholders' approval for the Proposed Renewal of Shareholders' Mandate at the forthcoming 15th AGM.

The purpose of this Circular is to provide you with the relevant information on the Proposed Renewal of Shareholders' Mandate and to seek your approval for the ordinary resolution to be tabled at the forthcoming 15th AGM of the Company.

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 RENEWAL OF SHAREHOLDERS' MANDATE.

2. DETAILS OF THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE

2.1 Provisions under the Listing Requirements

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 its 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 Renewal of Shareholders' Mandate, if approved by the shareholders of the Company at the forthcoming 15th 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 15th AGM at which the Proposed Renewal of Shareholders' Mandate is passed, at which time such mandate will lapse, unless by a resolution passed at the meeting, the authority for the Proposed Renewal of Shareholders' 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 | Computer networking and digital media solutions and services |
| iVend Data Sdn Bhd <i>(formerly known as ISS Consulting (Malaysia) Sdn Bhd)</i> | 100.00 | Computer networking and digital media solutions and services |
| Rangkaian Ringkas Sdn Bhd | 100.00 | Computer distribution, maintenance of computer networking, network security, storage and network management solutions and sales of consumable goods |
| QBI Packaging Sdn Bhd | 70.00 | Food and contract manufacturing |
| Hyperaccess Sdn Bhd | 50.01 | Provision of technology solutions for food and related industries |
| Cogent Consulting Sdn Bhd | 70.00 | Inactive |
| ISS Consulting (S) Pte Ltd | 100.00 | Inactive |
| Ledge Consulting Pte Ltd | 100.00 | Inactive |

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

The Recurrent Related Party Transactions which are covered in the Proposed Renewal of Shareholders' Mandate are identified in the table below :-

| Companies within the DGSB Group | Nature of Transactions | Transacting Parties | Interested Related Parties | Previous estimated value as disclosed in the Circular to Shareholders dated 23 October 2019 ("Estimated Value") (RM) | Actual value transacted from 21 November 2019 (date of 14 th AGM) to LPD ("Actual Value") (RM) | Estimated value to be incurred during the validity period of the Proposed Mandate* (RM) |
|---------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| DGSB Group | Supply of computer hardware, software and services by Omesti Group to DGSB Group | Omesti Group | - Dato' Sri Thong Kok Khee ("DSTKK") ⁽¹⁾ - Monteiro Gerard Clair ("MGC") ⁽²⁾ | 5,000,000 | 30,278 | 5,000,000 |
| | Supply of network and software solutions, network security, storage and network management solutions inclusive of technical / maintenance services by DGSB Group to Omesti Group | | | 30,000,000 | 350,822 | 30,000,000 |
| DGSB Group | Supply of network and software solutions inclusive of technical / maintenance services by DGSB Group to Ho Hup Group | Ho Hup Group | - Insas ⁽³⁾ - DSTKK ⁽⁴⁾ | 300,000 | - | 300,000 |

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

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

| Companies within the DGSB Group | Nature of Transactions | Transacting Parties | Interested Related Parties | Previous estimated value as disclosed in the Circular to Shareholders dated 23 October 2019 ("Estimated Value") (RM) | Actual value transacted from 21 November 2019 (date of 14 th AGM) to LPD ("Actual Value") (RM) | Estimated value to be incurred during the validity period of the Proposed Mandate* (RM) |
|---------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|--------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| DGSB Group | Shared office, network, data center, hosting and other services by Insas Group to DGSB Group | Insas Group | - ITB ⁽⁵⁾ - Insas ⁽⁶⁾ - DSTKK ⁽⁷⁾ | 400,000 | 338,408 | 1,000,000 |
| DGSB Group | Sales and purchases of electronic systems and parts between DGSB Group and ITB in 3 rd party systems integration projects ⁽⁸⁾ | ITB | - ITB ⁽⁵⁾ - Insas ⁽⁶⁾ - DSTKK ⁽⁷⁾ | 6,000,000 | 324,709 | 6,000,000 |
| | Provision of information technology services (project management, software, maintenance) between DGSB Group and ITB in 3 rd party systems integration projects ⁽⁸⁾ | | | 2,000,000 | 27,500 | 2,000,000 |
| | Provision of manufacturing/assembly services between DGSB Group and ITB in 3 rd party systems integration projects ⁽⁸⁾ | | | 2,000,000 | - | 2,000,000 |
| DGSB Group | Provision of corporate advisory & related services by M&A Securities Sdn Bhd to DGSB Group | M&A Securities Sdn Bhd ⁽⁹⁾ | - ITB ⁽⁵⁾ - Insas ⁽⁶⁾ - DSTKK ⁽⁷⁾ | 2,000,000 | 200,000 | 2,000,000 |

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

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

| Companies within the DGSB Group | Nature of Transactions | Transacting Parties | Interested Related Parties | Previous estimated value as disclosed in the Circular to Shareholders dated 23 October 2019 ("Estimated Value") (RM) | Actual value transacted from 21 November 2019 (date of 14 th AGM) to LPD ("Actual Value") (RM) | Estimated value to be incurred during the validity period of the Proposed Mandate* (RM) |
|---------------------------------|------------------------------------------------------------------------------------|---------------------|--------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| DGSB Group | Manufacturing equipment leasing from Insas Group to DGSB Group for food production | Insas Group | - ITB ⁽⁵⁾ - Insas ⁽⁶⁾ - DSTKK ⁽⁷⁾ | 8,000,000 | - | 8,000,000 |

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 the forthcoming 15th AGM to the date of the next AGM expected to be held in the month of November 2021. 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) DSTKK is a Major Shareholder of DGSB. He is also a director and substantial shareholder of Omesti.
- (2) MGC, a Director of DGSB, is also a director and Major Shareholder of Omesti.
- (3) Insas is a common Major Shareholder of DGSB and Ho Hup.
- (4) DSTKK is a common Major Shareholder of DGSB and Ho Hup. He is also a director of Ho Hup.
- (5) ITB is a wholly-owned subsidiary of Insas and a Major Shareholder of DGSB.
- (6) Insas is a Major Shareholder of DGSB.
- (7) DSTKK is a common Major Shareholder of DGSB and Insas. He is also a director of ITB.
- (8) 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.
- (9) M&A Securities Sdn Bhd is a wholly-owned subsidiary of Insas.

2.4 Amounts due and owing to the DGSB Group by Related Parties

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 30 June 2020 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 | 403,090 | 291,510 | | |

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 RM275 out of the above amounts due to the DGSB Group by the Related Parties has been recovered.

3. RATIONALE AND BENEFITS FOR THE PROPOSED RENEWAL OF SHAREHOLDERS' 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 Renewal of Shareholders' 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 for 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 Renewal of Shareholders' 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 Renewal of Shareholders' 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 Renewal of Shareholders' 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 Transaction and their relationship with the DGSB Group.

There are no thresholds for approval of Recurrent Related Party Transactions within the DGSB Group. All Recurrent Related Party Transactions are reviewed and authorised by the Executive Directors of the Company, provided always that such Executive Directors have no interest in the transactions and the said transactions have been approved pursuant to the shareholders' mandate obtained at a general meeting for the Recurrent Related Party Transactions.

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 Transactions are 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. APPROVAL REQUIRED

The Proposed Renewal of Shareholders' Mandate is conditional upon approval being obtained from the shareholders of DGSB at the forthcoming 15th AGM.

7. EFFECTS OF THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE

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

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

The direct and indirect shareholdings of the interested Director, namely Monteiro Gerard Clair ("Interested Director") and interested Major Shareholders ("Interested Major Shareholders") of the Company as at the LPD are set out below:-

| | Direct | | Indirect | |
|--------------------------------------|---------------|-------|----------------------------|-------|
| | No. of Shares | % | No. of Shares | % |
| Interested Director | | | | |
| MGC | - | - | - | - |
| Interested Major Shareholders | | | | |
| ITB | 190,000,000 | 25.48 | - | - |
| Insas | - | - | 190,000,000 ⁽¹⁾ | 25.48 |
| DSTKK | - | - | 190,000,000 ⁽²⁾ | 25.48 |

Notes :

⁽¹⁾ Deemed interest held through ITB, a wholly-owned subsidiary of Insas, pursuant to Section 8(4) of the Act.

⁽²⁾ Deemed interest by virtue of his substantial interest in Insas 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 Renewal of Shareholders' Mandate.

The Interested Director and the Interested Major Shareholders will abstain from voting in respect of their direct and indirect shareholdings on the Proposed Renewal of Shareholders' Mandate at the forthcoming 15th AGM.

In addition, the Interested Director and the Interested Major Shareholders have undertaken that they will ensure that Persons Connected with them will abstain and continue to abstain from voting in respect of their direct and indirect shareholdings on the resolution pertaining to the Proposed Renewal of Shareholders' Mandate at the forthcoming 15th AGM.

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

9. BOARD'S RECOMMENDATION

The Board, having considered all aspects of the Proposed Renewal of Shareholders' Mandate, is of the opinion that the Proposed Renewal of Shareholders' Mandate is in the best interest of the Company and accordingly recommends that the shareholders vote in favour of the ordinary resolution pertaining to the Proposed Renewal of Shareholders' Mandate to be tabled at the forthcoming 15th AGM.

10. AGM

The 15th AGM of the Company will be conducted on a **fully virtual** basis through live streaming and online remote voting using Remote Participation and Electronic Voting facilities from the broadcast venue at Redwood Meeting Room, Ho Hup Tower – Aurora Place, 2-09-01 – Level 9, Plaza Bukit Jalil, No. 1, Persiaran Jalil 1, Bandar Bukit Jalil, 57000 Kuala Lumpur on **Thursday, 3 December 2020 at 11.00 a.m.**

If you wish to appoint a proxy to participate and vote remotely on your behalf at the 15th AGM of the Company, you may deposit your Proxy Form at the Company's Registered Office at No. 47-5, The Boulevard, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof. Alternatively, if you are an individual member, you may lodge your appointment of proxy(ies) electronically via website portal at <https://agm.omesti.com>, not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.

Please follow the procedures provided in the administrative guide for the 15th AGM which is available at the Company's website <https://www.dgsbgroup.com/annual-reports-general-meetings> in order to register, participate and vote remotely at the 15th AGM.

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

FURTHER INFORMATION

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 CONTRACT

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, save as disclosed below:-

- (i) Share Sale Agreement dated 4 July 2019 entered into between DGSB and intelligence AG for the disposal of 24,500 ordinary shares of THB100 each representing the entire issued and fully paid up ordinary shares in ISS Consulting (Thailand) Ltd for a total cash consideration of THB236,429,000 (approximately RM32.031 million based on exchange rate of RM1 : THB7.38).

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the Registered Office of the Company at No. 47-5, The Boulevard, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, during office hours from Mondays to Fridays (except public holidays) from the date of this Circular until the date of the 15th AGM:-

- (a) Constitution of DGSB;
- (b) The audited consolidated financial statements of DGSB for the financial period ended 30 June 2019 and financial year ended 30 June 2020; and
- (c) The material contract referred to in Section 3 above.