

DIVERSIFIED GATEWAY SOLUTIONS BERHAD
(Registration No. 200401036851 (675362-P))
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE 15TH AGM OF DIVERSIFIED GATEWAY SOLUTIONS BERHAD (“DGSB”) CONDUCTED ON A FULLY VIRTUAL BASIS THROUGH LIVE STREAMING AND ONLINE REMOTE VOTING HELD ON 3 DECEMBER 2020

No.	Questions raised by shareholders/proxy	The Company’s responses
1.	DGSB reported losses for FY2020 and Q1 FY2021. When do you expect the turnaround at DGSB?	<p>Back in October 2018 when DGSB was approached by the buyer on their interest to acquire ISS Consulting (Thailand) Ltd (“ISS Thailand”), DGSB also started work on plans to add the food technology business to its telco & media technology business all based in Malaysia in order to maintain profitability of the Group despite disposal of ISS Thailand.</p> <p>After completion of the disposal of ISS Thailand in January 2020, the Group’s telco & media technology business which were starting to make progress after short term uncertainties brought about by changes in Government in May 2018 and February 2020. Unfortunately, the situation did not improve due to the Covid-19 CMCO movement control in March 2020 and is only gradually recovering with RMCO as telco projects in general have long lead times.</p> <p>The impact of the above are:</p> <ul style="list-style-type: none"> i. Uncertainties in the telco industry resulting in delays in decision making and project rollouts ii. A major drop in media advertising business in Malaysia. iii. Covid-19 pandemic in Europe and current restrictions in cross border travel has resulted in the delay of delivery and commissioning of our sweetened creamer plant by two quarters. Progress on our factory site is also hampered by Covid-19 infections & CMCO in Selangor. iv. Inability of our sales team to travel outside Malaysia since March 2020 to market our food technology integration services in the ASEAN region, which until the onset Covid-19, was very promising. Food is a necessity and with population growth, we expect projects will resume after the economies open up post Covid-19. v. The issues in (i) to (iv) are now dragged on by the on-going CMCO in Malaysia since November 2020. <p>Due to these developments & delays, we expect DGSB will recover profitability only in Q4 FY2021 as telco projects start to roll out again, pick up of media advertising business, opening up of cross border travel due to availability of vaccines and the expected commissioning of our creamer line in Q3 FY2021.</p>

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2.	What is Rule 8.03A? Is this the same as GN3? When do you expect DGSB to exit the Rule 8.03A?	<p>DGSB was classified as an affected listed corporation (“ALC”) pursuant to Rule 8.03A of ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa”) in January 2020 following the completion of disposal of ISS Thailand which contributed more than 70% of the Group’s revenue.</p> <p>DGSB was given 12 months to submit a regularization plan to Bursa to regularize its ALC status i.e. with other existing business units being able to replace the revenue loss or an acquisition with significant future prospects. DGSB has been actively working on the regularization plan since January 2020 and before.</p> <p>The Covid-19 pandemic has impacted DGSB’s existing business significantly. As part of relief measures announced by Bursa in March 2020 to alleviate the impact of Covid-19 on capital market players, the requisite time for DGSB’s submission of a regularization plan has been extended from 12 months to 24 months i.e. until end of 2021. The proposed investment into Duramitt Sdn Bhd (“Duramitt”) is part of our regularization plans as are those of the food technology and telco/media technology integration business.</p> <p>No, Rule 8.03A is not the same as Guidance Notes 3 (GN3).</p> <p>Barring any unforeseen circumstance, DGSB is expected to exit the Rule 8.03A by Q3 or Q4 FY2021. The shareholders will be updated by the Company’s monthly announcements pertaining to Rule 8.03A from time to time.</p>
3.	The management has guided that the dairy business expects to go into production in 3Q FY2021. What is the expected volume of product to be produced and expected contribution to the topline of the Company?	<p>Due to delays caused by Covid-19, our plans have been delayed by about 2 quarters and the sweetened creamer line is expected to be commissioned only in Q3 FY2021 and full production will commence in Q4 FY2021 if no deterioration in the Covid-19 situation or unforeseen circumstances. Our creamer production line has the capacity to produce up to RM125 million of revenue annually.</p>
4.	Is it a good timing to venture into glove business now? Looking at the announcement, Duramitt’s profit after tax is not so exciting. Is Duramitt supplying medical glove now? How is the order in hand & average selling price for Duramitt?	<p>Duramitt have been in the manufacturing of industrial glove business and now moving to nitrile gloves. It doesn't have very good results as recent as 2019. With the increased demand of medical glove caused by Covid-19, we expect improvement in Duramitt’s results soon as their nitrile glove lines are already being set up and should start producing very soon in January 2021.</p>

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		We understand too that Duramitt has secured raw materials for the nitrile glove production. Although prices of raw materials have gone up, the nitrile glove prices are even higher at the moment.
5.	With the emergence of the Covid-19 vaccine, will there be any impact on Duramitt medical glove outlook in 2021?	The markets are responding overly positive to the vaccine news and negative to the glove market. There are market expectations due to vaccine news and the same for glove makers. We believe on the ground, even with vaccine, usage of gloves will continue as part of habit; just like many people will continue to use masks in transit systems and crowded places. As drop in margins is expected, we work our plans on being a good manufacturer in gloves as well as in food technology to be able to compete. Health and food will continue to be good areas to invest into in future.
6.	Will DGSB offer e-vouchers for the shareholders who participating in virtual AGM?	The directors have taken note of this request. It has been a practise that DGSB does not provide any vouchers/ door gifts at physical AGMs. No e-vouchers will be offered for virtual AGM too.
7.	Will DGSB be paying a dividend?	With the premise of rewarding our shareholders, any dividends and the size thereof will be determined on the basis of the Company’s current earnings. DGSB has recently completed a special dividend payment in June 2020 to reward our shareholders using the proceeds from the disposal of ISS Thailand. In view of the Covid-19 pandemic and taking into account the current economic environment, the Board of Directors does not recommend any dividend for FY 2020.
8.	How much does the Company spend on this virtual AGM?	The Company has budgeted about RM15,000 for services provided by the external parties for the convening of virtual AGM.
9.	The management guided that we are in the vending machine business during the last AGM. What is the progress made on the business and how much capex have been made? What is the revenue contribution so far?	<p>The business potential of vending machines has been receptive and we have been aggressively making placements and deployment regularly ever since the CMCO/RMCO rules relaxed.</p> <p>We have been making in-roads into many hot-spot locations with higher eyeball and footprint, for example, LRT stations, KTM stations, private hospitals, shopping malls, office buildings and other private condominiums and apartments.</p> <p>We have allocated RM4.0 million for vending machines business and we have been working out the budget as planned. We will be able to witness growing revenue contribution once we have deployed sufficient machines in the market. Our vending business will have good visibility towards Q3 FY2021.</p>

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10.	What is the expected CAPEX for the Company going forward? Is the Company's finances adequate and, if not, how much fund raising is expected over the coming 4 quarters?	<p>The Group has sufficient and adequate financial resources for the roll out of food technology and media-linked vending machine business, mainly by utilizing the proceeds from the disposal of ISS Thailand. The status of the said disposal proceeds are updated from time to time in the Company's announcements of quarterly results.</p> <p>The new business of glove manufacturing will require new funding. The Company is currently having active discussion with the corporate advisers on the funding options while due diligence is being conducted on the investment into Duramitt. The funding options and other details will be announced in the Circular to shareholders in due course.</p>
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