

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

SUMMARY OF KEY MATTERS DISCUSSED AT THE EXTRAORDINARY GENERAL MEETING (“EGM”) OF DIVERSIFIED GATEWAY SOLUTIONS BERHAD (“DGSB”) CONDUCTED ON A FULLY VIRTUAL BASIS THROUGH LIVE STREAMING AND ONLINE REMOTE VOTING HELD ON 22 APRIL 2021

No.	Questions raised by shareholders/proxy	The Company’s responses									
1.	Can the Board make presentation on the progress of Duramitt Sdn Bhd’s (“Duramitt”) glove production with photos?	<p>The setup and progress of the medical examination glove production line of Duramitt are currently within the timelines stated in the Circular to Shareholders dated 5 April 2021 i.e. Line 1 Single Former commenced production on 8 March 2021.</p> <p>Please click this link https://www.youtube.com/watch?v=i8pMyJt0L-A to watch the video on the progress of glove production.</p>									
2.	What will be the revenue and expecting net profit (“NP”) of Duramitt for the financial year ending (“FYE”) 30 June 2021 and FYE 30 June 2022?	<p>As the selling and cost prices in the glove market are changing due to new capacity in the market and expected demand from the market due to COVID-19 infections and rollout of vaccines, it is difficult for the Board to state forward figures especially the NP mainly due to high sensitivity to timing of actual roll out and stability of the lines.</p> <p>However, we expect to sell all the examination gloves produced. An illustration of the expected revenue from the examination glove business based on production capacity for FYE 30 June 2021 and FYE 30 June 2022 are as follows, added to the on-going industrial glove business which is stable:-</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">FYE 30 June 2021</th> <th style="text-align: center;">FYE 30 June 2022</th> </tr> </thead> <tbody> <tr> <td>Expected production *</td> <td style="text-align: center;">50 million units</td> <td style="text-align: center;">570 million units</td> </tr> <tr> <td>Expected revenue **</td> <td style="text-align: center;">RM14,350,000</td> <td style="text-align: center;">RM116,850,000</td> </tr> </tbody> </table> <p><i>Notes:</i> * Output based on the capacity of 4 medical examination glove production lines. ** Based on the assumption of USD70 and USD50 per 1,000 units for the respective FYE at exchange rate of USD1=RM4.10.</p> <p>The NP will depend on raw material prices and manpower costs due to recent emphasis placed on Environmental, Social & Governance (“ESG”) concerns in the industry. We will be disclosing Duramitt’s revenue and NP and provide forward guidance in our quarterly reports to Bursa Malaysia Securities Berhad.</p>		FYE 30 June 2021	FYE 30 June 2022	Expected production *	50 million units	570 million units	Expected revenue **	RM14,350,000	RM116,850,000
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<p>3.</p>	<p>When is the Group going to commence the expansion for the 14 surgical gloves lines?</p> <p>How about being able to meet the sweetened milk production target date in July 2021?</p> <p>Do you foresee problem in getting out from Rule 8.03A requirements?</p>	<p>The current plan for the expansion of Duramitt involves the medical examination gloves. There are no plans to go into surgical gloves business at this moment, although this may change. Duramitt has rolled out 2 single former lines and is in the process of installing 2 double former lines.</p> <p>The targeted date for production of sweetened creamer remains in July 2021 and the equipment has been installed at the factory. However, the Group is facing some challenges in commissioning the equipment due to COVID-19 quarantine restrictions in Malaysia and their home countries for the foreign suppliers’ engineers. We are still trying to meet the target production date if this issue can be resolved or mitigated.</p> <p>The proposed investment in Duramitt and proposed diversification are part of the Company’s regularisation plans to address the requirements of Rule 8.03A, which is due for submission to Bursa Malaysia Securities Berhad by the end of 2021. The Board is currently working on the regularisation plans and is confident in resolving these requirements within the timeframe.</p>
<p>4.</p>	<p>Is Duramitt examination glove medical grade (for medical frontlines and surgical) with EU and FDA certificates?</p> <p>Has Duramitt exported the medical grade examination glove to EU and US?</p>	<p>Duramitt has obtained the relevant certificates and testing reports for its medical examination gloves from various authorities/ regulatory bodies such as SATRA, SGS, BSI, KGS and also expected to obtain the approval from 510K US FDA for export to US in August 2021. We expect to obtain full certification and testing reports by end of the year.</p>
<p>5.</p>	<p>Will the acquisition of Duramitt bring DGSB out of being an affected company under Rule 8.03A and when?</p> <p>What will be the Group’s core business then?</p> <p>What about the other F&B based business the Group has also got into and what will be their expected contributions relative to the others and any other business plan in store?</p>	<p>The proposed investment in Duramitt is part of the regularisation plans to bring DGSB out of Rule 8.03A status.</p> <p>The Group’s core business is based around our core skill of system and technology integration which remains the focal point in the different business units within the Group including food technology. The food manufacturing and glove manufacturing processes are similar from a technology perspective even though they have different chemistry. DGSB can contribute its engineering skill and technology integration skill to make Duramitt a niche player in the specialised gloves market.</p> <p>During the last 12 months, global economic situation has been subject to different kind of challenges, the outlook of gloves industry is highly dependent on when and how the COVID-19 situation will play out. Similarly for the food and food technology business as well, because of changing consumption and market behaviour. It’s really challenging at the moment and hard to for us to predict. Directors are cognizant of the challenges and are constantly monitoring the</p>

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		shifting business environment and adjust our business models accordingly. We would work to revise our business plans progressively to meet the market situation as well as to exit Rule 8.03A as soon as possible.
6.	<p>To what extent will Duramitt’s business change or be affected by the significant expansion of other similar companies and global efforts to overcome the pandemic that may vastly impact market demand for our products or depress product pricing adversely?</p> <p>What are your thoughts and will the price paid for Duramitt worth it?</p>	<p>It is Duramitt’s and our plan to position Duramitt as niche player in the glove industry so that it will not be so subject to pricing pressures arising from global production expansion. Duramitt will also be targeting market areas with stable demand for specialised gloves.</p> <p>We believe that there is still opportunity for Duramitt to grow in the glove market given its existing size, equipment and production capacity. Duramitt has been in the industrial glove industry for more than 30 years and the promoters have in-depth understanding of the market. Couple with DGSB’s technology integration capability, we believe that we can contribute positively to Duramitt’s position in both the traditional industrial gloves and examination gloves market.</p> <p>The independent adviser from FHMH Corporate Advisory Sdn Bhd opined that based on the net assets of Duramitt which consist primarily of value of the factory property; the price paid for the comparable transactions: without taking into consideration Duramitt’s future development due to change in its examination glove business direction, the price paid for Duramitt is fair.</p>
7.	<p>Based on the Circular to Shareholders, the glove business planned to be acquired is still making losses for the first 9 months ended 30 September 2020. When would the Board expect the glove business turned into profitability?</p>	<p>Line 1 and line 2 single former have commenced production in March and April 2021 respectively and Duramitt is expected to be profitable in May/June 2021.</p> <p>DGSB will only start accounting for Duramitt’s results after the completion of the acquisition. Historical losses have been taken into account as there is mechanism to adjust the pricing based on NTA of Duramitt. Shareholders should note that new lines in the examination glove are a new business area for Duramitt, so the historical numbers will not be reflective of the business performance moving forward. Meanwhile, DGSB team will ensure DGSB’s interests are protected during the acquisition process.</p>
8.	<p>How does and how much will this acquisition benefit the shareholders and will this acquisition improve the share price?</p>	<p>Duramitt is expected to be profitable based on the current good average selling prices vs costs. The acquisition is proposed in order to benefit DGSB’s top and bottom lines, and any good performance will impact the Company’s share price accordingly.</p>