

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

SUMMARY OF KEY MATTERS DISCUSSED AT THE 16TH AGM OF DIVERSIFIED GATEWAY SOLUTIONS BERHAD (“DGSB”) CONDUCTED ON A FULLY VIRTUAL BASIS THROUGH LIVE STREAMING AND ONLINE REMOTE VOTING HELD ON 9 DECEMBER 2021

No.	Questions raised by shareholders/proxy	The Company’s responses
1.	<p>Any progress on the status of the Company being classified as an affected listed corporation (“ALC”)?</p> <p>Did Company have any plan or action to prevent Company fall into GN3 since only 1 month left for the Company to submit a regularisation plan?</p> <p>Why did the Company commit itself in the called-off Duramitt deal and left all supporters and investors in a lurch?</p>	<p>The Company was classified as ALC on 6 January 2020 pursuant to Rule 8.03A of the ACE Market Listing Requirements (“LR”) following the disposal of a subsidiary, ISS Consulting (Thailand) Pte Ltd. Pursuant to LR, DGSB is required to submit a regularisation plan to Bursa Malaysia Securities Berhad (“Bursa Securities”) within 12 months from the date of its first announcement in relation to its ALC status. The said requisition time was subsequently extended to 24 months i.e. up to 6 January 2022, being additional relief measures announced by Bursa Securities to alleviate the impact of COVID-19 on capital market players.</p> <p>After the change of shareholding control of DGSB at the end of 2017, the plans for DGSB Group were first disrupted by two changes in government followed by COVID-19 pandemic which started in March 2020, the end of which we have not quite seen yet.</p> <p>The major impact of the COVID-19 pandemic to DGSB Group is the restriction of cross-border travel which made cross-border import/export business development impossible.</p> <p>With regularisation as the urgent exercise to be carried out and given limited options due to movement control order (“MCO”) and travel restrictions, the Company made the decision to acquire Duramitt Sdn Bhd (“Duramitt”) in October 2020 even though it was only an industrial glove manufacturer in the process of setting up nitrile glove lines. Although Duramitt’s industrial glove export business had low margins, the nitrile rubber glove outlook was good and expected to remain good at least until end of 2021 which would have allowed time for DGSB to complete the regularisation exercise after the acquisition.</p> <p>However, the rubber glove outlook deteriorated faster than we expected and by end of May 2021, the Company made the call to re-negotiate the deal as the nitrile glove’s average selling price (“ASP”) had dipped below the original forecast of USD60 for the full year 2021. Had DGSB gone ahead with the deal, it would likely not be successful in its regularisation plan as the ASP has dropped below breakeven levels by August 2021 and to USD25 by October 2021. Fortunately, DGSB was able to negotiate to terminate the deal amicably between the parties at the end of July 2021.</p>

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		<p>On 24 November 2021, DGSB was able to execute a term sheet for the proposed acquisition of 51% equity interest in Excel Commerce Solutions Sdn Bhd (“Excel”) and Finther Tecnologica Sdn Bhd (“Finther”) (“Proposed Acquisitions”). Both companies are in the same ICT and digital infrastructure space as Diversified Gateway Berhad (“DGB”), the wholly-owned subsidiary of DGSB. Based on the advice from our sponsors, M&A Securities Sdn Bhd, we believe the growing digital infrastructure space, synergies, regional expansion opportunities and the combined revenue/profit will enable DGSB to meet the requirements to exit from the ALC status.</p> <p>The plan is for definitive agreements to be executed with the promoters of Excel and Finther in mid-December, thereafter submit to Bursa Securities for an extension of time to the regularisation timeline before end of December 2021, complete the Proposed Acquisitions before end of March 2022 and submit the regularisation plan to Bursa to exit from the ALC status. In any event, we will submit for extension of time to Bursa before the end of December 2021.</p>
2.	How much does the Company spend on this virtual AGM?	Overall, the cost incurred for the conduct of the virtual AGM is lower compared to the physical AGMs held in the previous years. The Company will convene the physical AGM in future once physical meeting is allowed to be conducted. We are unable to give any costs due to confidentiality in the agreement with the service provider for the virtual AGM.
3.	What is the Group’s business strategy for the next 6 months?	The focus of the Group for the next 6 months is to complete the proposed acquisitions of Excel and Finther to realign the Group’s business direction towards its core business in the provision of ICT solutions and thereafter to formulate a regularisation plan to be submitted to Bursa Securities for approval in order to exit from the ALC status.
4.	What are top 3 challenges in running the business and operations of the Group?	<p>The existing top 3 challenges of the Group in running the business and operation are :-</p> <ul style="list-style-type: none"> (i) On-going cross border travel restrictions which causes both inbound and outbound business travel to remain difficult, making import/export business development challenging; (ii) On-going supply chain disruption especially in delays in ICT hardware supply; and (iii) Disrupted customer demand patterns due to COVID-19 disruptions to their businesses.
5.	When do Management expect DGSB to turn around? Is the rubber gloves plan still on or aborted? What will be DGSB’s core business going forward?	<p>The Group is expected to turn around in year 2022 in view of the increasing demand for the digital infrastructure business from both public and private sectors as well as improved operating environment for project rollouts. DGB’s business has improved significantly for the last 6 months compared to the previous corresponding period.</p> <p>The rubber gloves business plan has been aborted by the DGSB Group.</p>

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		Moving forward, the Group will refocus on its core business in digital, infrastructure and integration services as well as to expand its core business through the synergistic benefits with the proposed acquisitions of Excel and Finther.
6.	Does the Group have intention to divest food businesses – ghee and condensed milk production?	The Management is reconsidering the business strategy for the food manufacturing business as a longer gestation period is expected for it to reach a sustainable level of profitability due to disruptions and continuing challenges for import/export business development caused by the COVID-19 pandemic. A strategic decision will be made and the future plans for its food manufacturing business will be announced by the Company in due course.
7.	Does Management see 2022 to be better or worsen than 2021?	2021 is a challenging year for DGSB Group as it has been directly affected by the COVID-19 pandemic especially the movement controls implemented. The Group expects improved performance in year 2022 with the easing of movement controls. This is barring emergence of new COVID-19 variants or any other unforeseen circumstances.
8.	Has the creamer factory business commenced yet?	The production line for sweetened creamer is currently undergoing the final commissioning. There are challenges in implementing the new jet cook technology in the production line since it requires support from the key equipment supplier whose staff are reluctant to travel to Malaysia due to quarantine requirements imposed on foreigners including approved business travelers.
9.	What are the gross margin and net margin for ghee? Manufactures or imported for trading?	The targeted gross margin and net margin of ghee manufacturing business is 30% and 10% respectively.
10.	Does QBI own the factory and machinery or process is mainly outsourced? Are QBI products certified halal? Can target middle east market?	No, QBI does not own any factory. Some of the machinery belong to QBI and some of them are outsourced from the external parties. All QBI’s products are certified halal and middle east is one of the target markets.
11.	How will the present proposed new acquisitions be good synergistic and profitable fit for DGSB going forward to overcome its existing predicaments?	The Proposed Acquisitions of Excel and Finther are part of the Group’s plan to expand its core business in the provision of ICT solutions, vertically and horizontally, by adding new revenue streams which complement the existing business of the Group. The Company has identified the strength of both companies and their existing businesses as a viable and feasible source of revenue which would bring synergistic benefits to the Group as well as improve the Group’s financial performance.
12.	When will DGSB hold the EGM for the acquisition proposal?	The EGM is expected to be held in the first quarter of calendar year 2022 i.e. late February or March 2022.

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13.	What were the opportunity and obstacles of 5G infrastructure business? Would there be any business opportunity in 5G to the Group in the near future?	<p>There were delays in 5G infrastructure business in Malaysia in the last 2 years due to the changes in the government’s policy. With the recent announcement on the launch of 5G services in Malaysia by end of 2021, the Group expects the growth in commensurate digital infrastructure to be opportunistic.</p> <p>The Group will work with business partners like telcos, infrastructure players, IT services providers in deploying, commissioning, managing and providing solutions and maintenance services for the 5G-related projects.</p>
14.	Fintech and digital infrastructure space is getting too crowded? Any profit guarantee for the new digital infrastructure acquisition?	Despite the digital infrastructure business being crowded, it is still a growing space with opportunities. Being already established, DGB and the promoters of Excel and Finther will be able to maintain relevance in the industry. Yes, there are profit guarantees in the Proposed Acquisitions of Excel and Finther.
15.	Will DGSB transfer to main board soon?	No. The Company has to work on the regularisation plan to address its ALC status first.