DPI HOLDINGS BERHAD
Registration No. 201701035607 (1249778-M)
(Incorporated in Malaysia)

RESPONSES AND CLARIFICATIONS TO QUESTIONS RECEIVED FOR THE 8TH ANNUAL GENERAL MEETING ("AGM") OF DPI HOLDINGS BERHAD ("DPI" OR "THE COMPANY" OR "THE GROUP") TO BE HELD ON WEDNESDAY, 19 NOVEMBER 2025

OPERATIONAL AND FINANCIAL MATTERS

1. Despite a 67.18% revenue increase to RM93.27 million in FYE2025 from RM55.79 million in FYE2024 (Page 16 of the Annual Report (AR) 2025), DPI's Profit Before Tax decreased 44.85% from RM7.38 million in FYE2024 to RM4.07 million in FYE2025. The variance was mainly due to gross profit movements, foreign currency fluctuations, and higher administrative expenses related to corporate exercises during the year (Page 17 of AR 2025). DPI's profit after tax margin dropped from 8.43% in FYE2024 to just 3.11% in FYE2025 (Page 12 of AR 2025).

   a) As the gross profit margin (GPM) compressed from 27.54% to 20.10% due to higher average raw material costs and the FMCG segment's different margin profile (Page 17 of AR 2025), what is the realistic GPM outlook for FYE2026 and FYE2027 with full-year inclusion of the FMCG segment?
   A: The overall compression of Group's GPM is due to the FMCG segment inherently having a lower gross profit margin profile compared to aerosol product manufacturing GPM. While we cannot provide specific GPM forecasts for FYE2026 and FYE2027, the Group foresees an improvement in the overall Gross Profit trend. This optimism is primarily driven by three factors: the recent strengthening of the Ringgit Malaysia, the stabilization of critical raw material prices observed since the fourth quarter of FY2025, and the benefit of scale within the newly acquired FMCG segment. Crucially, the latest quarterly result in 1QFY2026 shows a marked improvement in the GP for both the Aerosol Products and the FMCG segments, signalling a positive trajectory.

   b) What specific, measurable actions will DPI take to restore profitability in FYE2026?
   A: We have implemented several specific and measurable initiatives to restore and enhance profitability in FYE2026:-
   - Raw Material Cost Optimization: We are actively monitoring and hedging critical raw materials, such as solvents, to mitigate market price volatility. Furthermore, we maintain a strategic buffer stock for these materials to ensure cost-effective procurement and insulation against short-term price spikes.
   - Operational Efficiency and Automation: We are committed to the continuous upgrading of our automation machine lines to reduce reliance on manual labour and lower the Group's long-term operating costs. This investment directly targets manpower cost reduction and enhances production yield.

2. Eastern Forever Sdn Bhd ("Eastern Forever" or "EF") Acquisition

   The RM7.54 million EF acquisition generated RM3.13 million goodwill (4152% of purchase price) (Note 37, Page 103 of AR 2025). The impairment test assumed gross profit margins of 14.34% to 16.02% (Page 88 of AR 2025).

   However, the segmental reporting (Page 110 of AR 2025) does not disclose EF's actual gross profit, showing only segment profit before interest and taxation (PBIT) of RM1,129,751 on RM39,480,897 revenue, a 2.86% PBIT margin.

   a) What is EF's actual gross profit margin since acquisition, and how does it compare to the projected 14.34% to 16.02%? If below projections, will there be goodwill impairment?

      A: Gross Profit (GP) margin for EF has been quite consistent since the acquisition through Q1FY2026. The goodwill impairment test is based on the projected future cash flows and GP assumptions. The Group's auditors have reviewed the projections and have not raised any concerns regarding the carrying value of the investment in EF at this time.

   b) Given the thin operating margins, what specific actions that the Group will take to improve EF's profitability to justify the RM7.54 million investment?

      A: The management is proactively working to expand EF's distribution portfolio and efforts are underway to secure new agency and distribution contracts. The goal of bringing in new contracts is to immediately increase the potential scale of the business and enhance revenue stability and reap economies of scale.

      The management is also putting effort toward integrating and optimizing the sharing of resources, specifically within the selling and distribution functions, across the Group's existing infrastructure and EF's operation. This integrated, shared-resource model is expected to contribute toward a reduction in the operation cost ratio and is anticipated to yield improved operational efficiency, thereby boosting the PBIT overtime.

3. EF had on the same date entered into a conditional sale and purchase agreement with PCA Venture Sdn Bhd ("PCA") for the proposed acquisition of an industrial property from PCA for a purchase consideration of RM18.00 million to be satisfied entirely in cash ("Proposed Warehouse Acquisition"). (Note 45(a), page 131 of AR 2025)

   a) Since EF acquisition has been completed on 27 December 2024 and given that the warehouse acquisition will be completed after the EF acquisition is completed, what is causing the delay to complete the warehouse acquisition until both parties agreed to extend the payment date to 30 November 2025?

      A: The cause of the delay in completing the Proposed Warehouse Acquisition is administrative, specifically related to the pending finalisation of the land registry process. This delay was unavoidable as the Land Registry Office experienced a disruption due to a fire incident.

b) Has EF secured bank borrowings to pay the remaining balance of the purchase consideration of the warehouse? Please update how much of the purchase consideration for the warehouse acquisition of RM18.00 million will be satisfied through EF's internally generated funds and bank borrowings.

A: Yes, EF has successfully secured the necessary bank borrowing for the Proposed Warehouse Acquisition. The purchase consideration of RM18.00 million will be satisfied through a financing mix of 90% from bank borrowings and the remaining 10% from internally generated funds.