



LKL INTERNATIONAL BERHAD

Registration No.: 201501014673 (1140005-V)
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE SIXTH ANNUAL GENERAL MEETING OF LKL INTERNATIONAL BERHAD ("LKL" OR "THE COMPANY") HELD ON TUESDAY, 13 OCTOBER 2020 AT 10.00 A.M.

REPLY TO QUESTIONS FROM THE MINORITY SHAREHOLDERS WATCH GROUP

Mr. Lim Pak Hong ("Mr. Lim") presented to the Shareholders, the questions received from Minority Shareholders Watch Group ("MSWG") and the responses to MSWG as follows:-

Strategy / Financial Matters

Q1. The Company incurred capital expenditure (CAPEX) of RM1.58 million for financial year ended 30 April 2020 ("FYE 2020") which was higher than RM0.6 million in financial year ended 30 April 2019. (page 8 of Annual Report 2020)

- (a) What is the CAPEX planned for financial year ended 30 April 2021 ("FYE 2021")?**
(b) How will the CAPEX for FYE 2021 be utilised?

A1. As per the Bursa announcement on 17 July 2020 on the proposed private placement, LKL will be allocating RM26.5 million of proceeds for CAPEX and expansion within 24 months.

LKL will utilise the funds as follows:-

- Purchase of two new adjoining factory buildings located in close proximity to LKL's current headquarters and manufacturing facilities;
- Expand current manufacturing facilities through the construction of a three-storey steel structure extension to increase the total built-up area for storage, and installation of a conveyor line to automate the epoxy powder coating process; and
- Purchase 5 units of machinery including laser cutting machine, robotic welding machine, fully-automated computer numerical control ("CNC") lathe machine, CNC shaft bending machine, and fully-automated tools grinding machine.

Q2. On 18 September 2019, the Company's wholly owned subsidiary, Medik Gen Sdn Bhd signed a MoU with Shin Sung TK Co. Ltd (SST), a Korean company specialising in security systems based on the 'Internet of Things' (IoT) to collaborate on the market development of iRinger, an advanced IoT based medical device. (page 9 of Annual Report 2020)

- (a) What are terms of the MoU in respect of profit sharing or equity participation of the Company?**
- (b) What is the potential revenue from this collaboration for FYE 2021 if it materialises?**
- (c) What is the projected margin of this business for FYE 2021 if it materialises?**

- A2.
- The MoU provides a basic framework for both parties to collaborate in promoting and marketing iRinger in ASEAN countries and Bangladesh.
 - If it is proven to be commercially viable, the Company will be awarded the distributorship of iRinger in the respective countries.
 - The Company is unable to quantify the revenue and margin contribution because the product is still in development. Many factors will determine revenue and margins, including raw materials, development costs, distribution costs and others.
 - It did not contribute to earnings in FYE 2020, but LKL plans to roll out the iRinger in stages after its successful development and upon obtaining the relevant regulatory approvals, starting with the domestic market, followed by Southeast Asian countries and Bangladesh in due course.

Q3. The Company recorded a net profit for FYE 2020 of RM4.5 million compared to a net loss of RM2.8 million which was mainly due to the COVID-19 pandemic which had stoked the demand for the Company's products. (page 11 of Annual Report 2020)

- (a) What are the Company's strategies to enhance its product offerings to ride on the COVID-19 pandemic wave?**
- (b) How does the company intend to expand its exports during the pandemic?**

- A3.
- FYE 2020 performance from May 2019 to April 2020 was already profitable (before COVID-19 impact), driven by stronger sales of medical/healthcare beds, medical peripherals and accessories, as well as medical devices.
 - The existing manufacturing segment products of medical/healthcare beds as well as medical peripherals and accessories are helping to better equip hospitals and medical centres in the ongoing battle against COVID-19.
 - In the trading segment, LKL ventured into distributing PPE to respond to ongoing enquiries from customers in light of COVID-19.

- To expand exports, LKL will identify the potential new distributors and agents from other countries through virtual means, and participate in virtual trade conferences. LKL's products are essential products, so there are no travel restrictions.

Corporate Governance

Q4. The Company in its CG Report for FYE 2020 had stated that it has applied Practice 8.5 of the Malaysian Code on Corporate Governance (page 3 of the CG 2020 Report) which requires all members of the Audit Committee to undertake continuous professional development to keep themselves abreast of the relevant developments in accounting standards and auditing standards, practices and rules.

The Company had explained, inter alia, that during the financial year under review, members of the Audit and Risk Management Committee ("ARMC") had undertaken continuous professional development to keep abreast of the developments in accounting and auditing standards, practices and rules.

We note not all the members of the ARMC have attended formal training programmes or seminars for continuous professional development (page 32 of Annual Report 2020) relating to the development in accounting and auditing standards, practices and rules.

A4. LKL takes note on this matter. LKL is committed towards ensuring that the Board committees remain in full compliance with all regulations set by the authorities and will strive to participate in development opportunities.

QUESTION RAISED BY THE SHAREHOLDERS DURING THE MEETING

The question raised by the Shareholders and response from the Company during the Meeting was summarised as follows:-

Q5. Is there any plan for the Company to diversify into other products in the near future?

A5. Mr. Lim responded that the Company had recently entered into a conditional share sale agreement to acquire 60% equity interest of Tahmaz Meditech Sdn. Bhd., a company dealing in dialysis machines, filters and dialysis peripherals. The Shareholders may refer to the announcement made on 28 September 2020 in respect of the proposed acquisition for further details. Apart from this, the Company will continue to grow and explore any other business opportunities.