



LKL INTERNATIONAL BERHAD

[Registration No. 201501014673 (1140005-V)]

(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE 5th ANNUAL GENERAL MEETING OF LKL INTERNATIONAL BERHAD ("LKL" OR "THE COMPANY") HELD ON WEDNESDAY, 30 OCTOBER 2019 AT 10.00 A.M.

REPLY TO QUESTIONS FROM THE MINORITY SHAREHOLDERS WATCH GROUP

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

Q1. The Group registered net loss of RM2.86 million in financial year ended 2019 ("FYE 2019") compared to net loss of RM1.33 million in the previous financial year (Page 5 of the Annual Report 2019). As the net loss is increasing, how will the Board address the performance of the Group?

A1. LKL noted two main challenges to profitability in FYE 2019:

- ✓ Lower gross profit due to:
 - Increased raw material prices of namely steel materials, parts and components from rising commodity prices
 - Less favourable product mix in line with customers' requirements
- ✓ Higher operating expenses to support the larger revenue base and initial expenses to kickstart new product distributions.
 - Higher expenses for administration, selling and distribution was in line with initiating new product distributions and also continuing the sales of existing products.
 - These increases were mitigated by lower 'other expenses' from realised and unrealised loss on foreign exchange, and also reduced finance costs from lower borrowings.

LKL will continue its financial prudence by further paring down borrowings, monitor raw material prices to manage input costs, and seek to enhance cost-efficiency in operations.

Q2. The Group is constantly looking for opportunities to integrate high value medical products into the current portfolio to complement current offerings. To-date, what other opportunities have been discovered? (*Broadening product range, page 8 of the Annual Report 2019*)

- A2. Expanding the product portfolio is an ongoing initiative, in light of new technologies and as part of product range enhancement exercise. LKL has had a fruitful year in FYE 2019, adding a wide range of medical products, including:

- ✓ Ultrasound system, surgical light and surgical tables from BenQ Medical Technology Corporation
- ✓ Disposable medical devices and spare parts from Lily Medical Corporation
- ✓ Breathair® mattress from Toyobo Japan
- ✓ Nursing call system from Alexys Australia
- ✓ Digital solutions and monitoring systems from Melten Taiwan
- ✓ Cleanroom solutions for hospitals from Dagard France
- ✓ Air purifier system from Aerus USA

LKL is moving beyond just bringing in new medical products, but also advanced technologies and systems to enhance the operational efficiencies of medical centres.

LKL is actively seeking other products from local and international markets and will keep the shareholders updated when these discussions are fruitful.

- Q3. The Group is also constantly identifying potential new distributors and agents from other countries to capitalise on opportunities in the new geographical markets. What is the progress to-date in this area? (*Increasing export sales, page 8 of the Annual Report 2019*)**

- A3. LKL participated in the Arab Health international trade show in Dubai, UAE in January 2019, and have also registered to attend the Medica Düsseldorf exhibition, which is the largest healthcare-related trade show in the world.

Through these exhibitions and ongoing efforts, LKL aims to enhance the coverage in Oceania countries (namely Fiji Island and Papua New Guinea), Ethiopia, Vietnam and Indonesia.

- Q4. The Board of Directors of LKL International announced that its wholly-owned subsidiary, Medik Gen Sdn Bhd, had on 18 September 2019 entered into a Memorandum of Understanding (MOU) with Shin Sung TK Co., Ltd.**

The MOU complements LKL International's existing business in the medical and healthcare sector. With iRinger, LKL International will be able to broaden its product offerings to existing customers and enable it to expand its customer base in the new territories.

If the collaboration materialises, what would be the targeted contribution to the earnings of the Company and to what extent will this enable LKL to broaden its product offering to its existing customers and to expand its customer base?

- A4. LKL's existing customers are hospitals and medical centres that require new technologies to improve services to patients. The iRinger is envisioned to harness IoT features to deliver real-time information flow for intravenous and intravenous infusion, hence enabling the Company to broaden the sales to existing customers.

Subject to the successful development and obtaining the regulatory approvals, LKL plan to roll out the iRinger in stages, starting with the domestic market in the second half of calendar year 2020, and to South East Asian countries in the first half of calendar year 2021. This would help build a sustainable following on home-ground, before progressing to the region.

The iRinger is targeted to contribute between 5% to 10% of total revenue in the future.

- Q5. What is the nature of the inventories written down amounting to RM1,342,000 in FYE 2019? (page 87 of the Annual Report 2019)**

- A5. The inventories refers to medical devices acquired by a subsidiary for resale. The write-down arose from the Company's prudent financial policy to provide for slow-moving inventory held for more than two years.

LKL sales team has continued to identify buyers for these products, and have sold RM41k worth of goods over the current financial year, resulting in the reversal of provision for slow-moving inventory. The Company will sustain their efforts to market these goods to contribute to the Group's bottom line.

- Q6. Not all members of the Audit Committee have attended formal training programmes or seminars for continuous professional development relating to the development in accounting and auditing standards, practices and rules. (page 28 of the Annual Report 2019)**

- A6. The Board takes note of the importance of such programmes or seminars as part of ongoing development, and endeavours to place more emphasis on this going forward.

QUESTIONS RAISED BY THE SHAREHOLDERS DURING THE MEETING

The questions raised by the Shareholders and response from the Company during the Meeting were summarised as follow:-

- Q1. What is the condition of the inventories written down amounting to RM1,342,000?**

- A1. Mr. Wee Chuen Lii, the Financial Controller responded that the inventories are still in good condition. LKL's sales team is always looking out for potential buyers in selling the inventories.

Q2. What is the impact of the implementation of the MFRS 9 to the Company?

A2. Ms. Elvina, the External Auditors from Crowe Malaysia PLT responded that the MFRS 9 has brought the impairment provision upfront through the introduction of the expected credit loss model for all financial instruments. LKL has carried out its assessment and there was no material adjustment provided for in the financial statements.

Q3. On top of the inventory impairment amounting to RM1,342,200, why there was an additional impairment loss under MFRS 9 amounting to RM422,328 as shown in the page 86 of the Annual Report and what is the impact to the Company?

A3. Ms. Elvina responded that MFRS 9 requires loss allowance for a financial instrument to be recognised at an amount equal to the 12-month expected credit losses or lifetime expected credit losses. The page 99 of the Annual Report 2019 had shown the information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for trade receivables. As the amount of the expected credit losses is immaterial, there was no adjustment provided for.