

THIS CIRCULAR TO SHAREHOLDERS OF LKL INTERNATIONAL BERHAD (“LKL” OR THE “COMPANY”) IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately. This Circular has been reviewed by TA Securities Holdings Berhad, being the Principal Adviser to the Company for the Proposals (as defined herein).

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



LKL INTERNATIONAL BERHAD
(Registration No. 201501014673 (1140005-V))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

- (I) PROPOSED DIVERSIFICATION OF THE PRINCIPAL ACTIVITIES OF LKL INTERNATIONAL BERHAD (“LKL”) AND ITS SUBSIDIARIES TO INCLUDE TRADING OF RUBBER GLOVES AND PERSONAL PROTECTIVE EQUIPMENT; AND**
- (II) PROPOSED PRIVATE PLACEMENT OF UP TO 177,523,200 NEW ORDINARY SHARES IN LKL, REPRESENTING APPROXIMATELY 30% OF THE TOTAL NUMBER OF ISSUED SHARES OF LKL TO INDEPENDENT THIRD-PARTY INVESTORS TO BE IDENTIFIED AT A LATER DATE**

(COLLECTIVELY REFERRED TO AS THE “PROPOSALS”)

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

TA SECURITIES

AN UNWAVERING COMMITMENT

TA SECURITIES HOLDINGS BERHAD

(Registration No. 197301001467 (14948-M))

(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Extraordinary General Meeting of the Company (“EGM”) will be held on a fully virtual basis and entirely via remote participation and voting via TIIH Online website at <https://tiih.online> provided by Tricor Investor & Issuing House Services Sdn Bhd.

If you are unable to participate in the EGM and wish to appoint proxy(ies) instead, the appointment of proxy(ies) may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof at which the person named in the appointment proposes to vote:

(i) In hard copy form

In the case of an appointment made in hard copy form, the Form of Proxy must be deposited with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

(ii) By electronic form

The Form of Proxy can be electronically lodged with the Share Registrar of the Company via TIIH Online website at <https://tiih.online>. Kindly refer to the Administrative Notes on the procedures for electronic lodgement of Form of Proxy via TIIH Online.

Last date and time for lodging the Form of Proxy	: Saturday, 17 July 2021 at 4:00 p.m.
Date and time of the EGM	: Monday, 19 July 2021 at 4:00 p.m.
Online meeting platform of the EGM	: TIIH Online website at https://tiih.online provided by Tricor Investor & Issuing House Services Sdn Bhd

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

20% Private Placement	: Private placement of up to 20% of the total number of issued shares of the Company, which was completed on 12 April 2021
Act	: Companies Act 2016, as amended from time to time including any re-enactment thereof
AGESB	: AT Glove Engineering Sdn Bhd (202001014272 (1370592-K))
Board	: Board of Directors of LKL
BNM	: Bank Negara Malaysia
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd (198701006854 (165570-W))
Bursa Securities	: Bursa Malaysia Securities Berhad (200301033577 (635998-W))
CAGR	: Compounding annual growth rate
Circular	: This circular to Shareholders in relation to the Proposals
COVID-19	: Coronavirus disease 2019
Directors	: Directors of the Company for the time being and shall have the meaning ascribed to it in Section 2(1) of the Act and Section 2(1) of the Capital Markets and Services Act 2007 and Director shall be construed accordingly
EGM	: Extraordinary general meeting
EPS	: Earnings per Share
ESOS	: The employees' share option scheme 2020/2025 of the Company which took effect on 26 October 2020 for a period of 5 years
ESOS Options	: Options granted or which may be granted under the ESOS pursuant to the by-laws governing the ESOS that are exercisable into new LKL Shares
FPE	: Financial period ended
FYE	: Financial year ended / ending, as the case may be
GP	: Gross profit
Infobusiness or the IMR	: Infobusiness Research & Consulting Sdn Bhd (199901024026 (498926-P))
Interested Person	: A director, major shareholder, chief executive of LKL
IT	: Information technology
Listing Requirements	: ACE Market Listing Requirements of Bursa Securities
LKL or the Company	: LKL International Berhad (201501014673 (1140005-V))

DEFINITIONS (CONT'D)

LKL Group or the Group	:	Collectively, LKL and its subsidiaries
LKL Shares or the Shares	:	Ordinary shares in LKL
LKLAM	:	LKL Advance Metaltech Sdn Bhd (199301023839 (278577-X))
LPD	:	23 June 2021, being the latest practicable date prior to the printing of this Circular
Market Day	:	Any day on which Bursa Securities is open for trading of securities
NA	:	Net assets
New Businesses	:	Trading of rubber gloves and PPE
PAT	:	Profit after taxation
Placement Shares	:	Up to 177,523,200 new LKL Shares to be issued pursuant to the Proposed Private Placement
PPE	:	Personal protective equipment
Proposals	:	Collectively, the Proposed Diversification and the Proposed Private Placement
Proposed Bonus Issue	:	Proposed bonus issue of up to 591,744,000 bonus shares on the basis of 1 bonus share for every 1 existing LKL Share, further details of which are set out in the announcement made on 23 March 2021. As at the LPD, this exercise is pending the approval of Bursa Securities and shareholders
Proposed Diversification	:	Proposed diversification of the principal activities of LKL Group to include the New Businesses
Proposed Private Placement	:	Proposed private placement of up to 177,523,200 new LKL Shares, representing approximately 30% of the total number of issued shares of the Company to independent third-party investor(s) to be identified later and at an issue price to be determined later
Record of Depositors	:	A record of securities holders established by Bursa Depository under the rules of Bursa Depository as issued pursuant to the Securities Industry (Central Depositories) Act, 1991, including the Securities Industry (Central Depositories) Amendment Act, 1998
RM and sen	:	Ringgit Malaysia and sen respectively
Shang Hong	:	Shang Hong International (Hong Kong) Limited
Shareholders	:	Registered holders of LKL Shares
TA Securities or the Principal Adviser	:	TA Securities Holdings Berhad (197301001467 (14948-M))

DEFINITIONS (CONT'D)

VWAP : Volume weighted average price

Weihai Textile : Weihai Textile Group Import and Export Co. Ltd

All references to “you” in this Circular are to the Shareholders.

In this Circular, words referring to the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to time and date in this Circular shall be a reference to Malaysian time and date, unless otherwise stated. Any discrepancies in the tables between the actual figures, amounts stated and the totals in this Circular are, unless otherwise explained, due to rounding.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that the Company’s plans and objectives will be achieved.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

	PAGE
LETTER TO THE SHAREHOLDERS IN RELATION TO THE PROPOSALS:-	
1. INTRODUCTION	1
2. DETAILS OF THE PROPOSALS	2
3. RATIONALE FOR THE PROPOSALS	13
4. INDUSTRY OUTLOOK AND FUTURE PROSPECTS	13
5. RISK FACTORS	18
6. EFFECTS OF THE PROPOSALS	19
7. APPROVALS REQUIRED AND CONDITIONALITY	24
8. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION	25
9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM	25
10. BOARD'S RECOMMENDATION	25
11. ESTIMATED TIMEFRAME FOR COMPLETION	25
12. EGM	25
13. FURTHER INFORMATION	26
APPENDIX I FURTHER INFORMATION	27
NOTICE OF EGM	ENCLOSED
FORM OF PROXY	ENCLOSED

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]



LKL INTERNATIONAL BERHAD
(Registration No. 201501014673 (1140005-V))
(Incorporated in Malaysia)

Registered Office:

Third Floor, No. 77, 79 & 81
Jalan SS 21/60
Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan

2 July 2021

Board of Directors

Lim Kon Lian (Managing Director)
Lim Ming Chang (Executive Director)
Zulkarnin Bin Ariffin (Executive Director)
Datuk Chong Loong Men (Executive Director)
Ling Chi Hoong (Independent Non-Executive Director)
Chan Jee Peng (Independent Non-Executive Director)

To: The Shareholders

Dear Sir / Madam,

PROPOSALS

1. INTRODUCTION

On 23 March 2021, TA Securities had on behalf of the Board, announced that the Company wishes to undertake the Proposed Bonus Issue. As at LPD, the Proposed Bonus Issue is pending approval from Bursa Securities and the shareholders.

On 10 May 2021, TA Securities had, on behalf of the Board, announced that the Company proposes to undertake the following:-

- (i) proposed diversification of the existing principal activities of LKL and its subsidiaries to include trading of rubber gloves and PPE; and
- (ii) proposed private placement of up to 355,046,400 Placement Shares, representing approximately 30% of the total issued Shares to independent third-party investors to be identified later and at an issue price to be determined later.

On 17 June 2021, TA Securities had, on behalf of the Board, announced that the Company has subsequently decided to implement the Proposed Private Placement ahead of the Proposed Bonus Issue in view of the impending need for LKL to secure the necessary funds expeditiously for the New Businesses. As such, the maximum number of Placement Shares will be revised from 355,046,400 Placement Shares to 177,523,200 Placement Shares.

On 23 June 2021, TA Securities had, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 23 June 2021, granted its approval for the listing and quotation of the Placement Shares on the ACE Market of Bursa Securities. The approval of Bursa Securities is subject to the conditions as set out in Section 7 of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH RELEVANT INFORMATION ON THE PROPOSALS AND TO SET OUT THE VIEWS AND RECOMMENDATION OF THE BOARD AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS WHICH WILL BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF THE EGM AND THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDIX CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS TO GIVE EFFECT TO THE PROPOSALS AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSALS

2.1 Proposed Diversification

2.1.1 Details of the Proposed Diversification

LKL Group is currently involved in the manufacturing of medical / healthcare beds, medical peripherals and accessories as well as the trading of medical furniture, medical devices, medical peripherals and accessories.

The Group has been actively identifying other business opportunities to expand its revenue stream. After taking into consideration the current market demand for rubber gloves and PPE following the COVID-19 pandemic, the Group has resolved to venture into the New Businesses. Under the New Businesses, the PPE to be supplied by the Group will include but not limited to, jumpsuit, protective overall, medical face shield, medical goggles, medical shoe cover, N95 respirator and surgical mask.

The COVID-19 pandemic exposed a critical shortage of supplies for medical gloves and put a strain on these healthcare supplies. The market for disposable rubber gloves rose in the past year and laid a solid foundation for future growth. Despite the introduction of various COVID-19 vaccines, vaccination progress has been slow in most countries, especially in the emerging markets.

According to the Malaysian Rubber Glove Manufacturers Association (“MARGMA”), in 2020, Malaysia supplied 65% of approximately 360 billion gloves in total global supply. In 2021, Malaysia is expected to supply 280 billion rubber gloves or 67% of an estimated 420 billion gloves in total global supply.

Further, the demand for PPE used in the healthcare market is anticipated to experience high demand growth moving forward, perpetuated by the spread of COVID-19 and the need to curb such spread. Rising hygiene awareness and a stricter standard operating procedure among businesses, including in non-healthcare industries such as airlines, hotels, personal care and beauty, and food and beverages, would also keep the demand for PPE high.

Spikes in COVID-19 patient volumes are putting a strain on scarce PPE resources. The World Health Organisation (“WHO”) estimated that around 89 million masks and 1.6 million goggles are required for healthcare personnel around the world each month during the COVID-19 pandemic. To meet rising global demand, the WHO estimates that the industry must increase manufacturing by 40%.

(Source: IMR report dated 25 June 2021 prepared by Infobusiness)

Further details on the prospects for the rubber gloves and PPE industries are set out in Section 4.2 of this Circular.

Premised on the above, the Proposed Diversification allows the Group to capitalise on the increasing demand for rubber gloves and PPE while making the most out of the opportunities created by the COVID-19 pandemic. Moreover, the Proposed Diversification will provide an additional revenue stream to the Group's current core business.

The New Businesses complement the existing business of the Group in the healthcare sector, as the Group will be able to tap on its existing network within the healthcare industry to supply rubber gloves and PPE as well as to expand its customer base. To this end, LKLAM (a wholly-owned subsidiary of LKL) has secured the following contracts / orders:-

- (i) A contract dated 24 March 2020 for the procurement of PPE (including medical face shield, disposable medical protective gown, medical goggles, medical shoe cover, N95 respirator and surgical mask) by the Sarawak State Government for a sum of RM6.57 million. This contract has been fulfilled in the fourth quarter of FYE 30 April 2020;
- (ii) An order dated 7 April 2020 for the supply of PPE (including disposable medical protective gown, medical face shield, medical shoe cover, disposable fluid resistant apron long sleeves, round cap, head cover and KN95 mask) to the Sarawak State Health Department for a sum of RM7.08 million. This contract has been fulfilled in the first quarter of FYE 30 April 2021;
- (iii) A sales contract dated 1 September 2020 to supply nitrile gloves to Weihai Textile (a China-based company), for a sum of USD18.96 million (approximately RM78.98 million based on BNM's exchange rate of USD1:RM4.1655 as at the LPD). This contract has not been fulfilled as at LPD and it is expected to be fulfilled by December 2021; and
- (iv) A sales contract dated 30 November 2020 to supply nitrile examination gloves to Shang Hong for a sum of USD40.07 million (approximately RM166.91 million based on BNM's exchange rate of USD1:RM4.1655 as at the LPD). This contract has not been fulfilled as at LPD and it is expected to be fulfilled by December 2021.

In addition, the Group also intends to enter into distribution agreements with suppliers of rubber gloves and PPE.

On 6 November 2020, LKLAM entered into a distributorship agreement with AGESB for LKLAM to market, sell and distribute AGESB's natural rubber latex gloves and nitrile gloves. The distributorship agreement will be valid for a period of 1 year, commencing 6 November 2020 and is renewable by mutual written agreement between both parties. Subsequently, the Group had purchased RM2.77 million worth of rubber gloves from AGESB.

On 16 December 2020, LKLAM entered into a distributorship agreement with Komark Mask (M) Sdn Bhd for LKLAM to market, sell and distribute Komark Mask (M) Sdn Bhd's 3-ply disposable medical grade face masks, KN95 protective 5-layer face masks and 3-layer protective face masks. The distributorship agreement will be valid for a period of 1 year, commencing 16 December 2020 and is renewable by mutual written agreement between both parties. As at the LPD, the Group has yet to purchase any masks from Komark Mask (M) Sdn Bhd.

Pursuant to the Malaysian Rubber Board (Licensing and Permit) Regulations 2014, companies who are involved in the export of rubber gloves are required to obtain the rubber gloves export licence from the Malaysian Rubber Board. At this juncture, LKLAM has sought the assistance from AGESB in exporting the rubber gloves to LKLAM's customers as AGESB has an export licence from the Malaysian Rubber Board. LKLAM has submitted its application for the export licence to the Malaysian Rubber Board on 30 June 2021.

LKL Group is not exporting PPE at this juncture. In the event the Group intends to export PPE to its customers in foreign countries, depending on the actual types of PPE to be exported at the relevant time, export licence may be required. LKL Group will apply for the necessary approvals / licenses / permits from the relevant authorities such as the Medical Device Authority, for purpose of exportation, as and when required.

LKLAM has commenced the New Businesses since 3 April 2020. The contribution in PAT and NA of the New Businesses to the audited financial statements for the FYE 30 April 2020 and the 9-month FPE 31 January 2021 is as follows:

	Audited FYE 30 April 2020		Unaudited 9-month FPE 31 January 2021	
	PAT	NA	PAT	NA
Contribution of New Businesses (RM' 000)	908	8,124	7	4,315
Existing LKL Group (RM' 000)	4,547	60,438	37	117,176
Contribution (%)	19.97	13.44	18.92	3.68

The Group is planning to invest approximately RM80.00 million in the New Businesses, out of which RM49.11 million is envisaged to be funded by proceeds from the Proposed Private Placement (as set out in Section 2.2.6 of this Circular). The remaining capital shall be funded via the Group's internally generated funds, subsequent receipts from customers, bank borrowings and/or future fundraising exercises to be undertaken (if required). Apart from the aforementioned existing orders, the Group intends to secure more future orders, be it from Weihai Textile, Shang Hong or other customers that the Group may identify in the future.

Following the above, the Company reasonably expects that its future participation in the New Businesses may result in the diversion of more than 25% of the net assets of LKL Group, and/or may result in contribution to 25% or more of the net profits of the Group. As such, the Board proposes to seek the approval from the Shareholders for the Proposed Diversification pursuant to Rule 10.13(1) of the Listing Requirements at the forthcoming EGM. Notwithstanding the Proposed Diversification, the Group intends to continue its existing principal activities in the same manner.

2.1.2 Key management personnel

The Group has identified Lim Ming Chang and Lee Kah Earng to oversee the New Businesses. Their profiles are set out below:-

(i) Lim Ming Chang

Lim Ming Chang, Malaysian, aged 39, attended Asia Pacific Institute of Information Technology in Kuala Lumpur and obtained a Diploma in Computing and Information Technology in 2002, followed by a Higher Diploma in Software Engineering in 2004. In 2005, he obtained a Bachelor of Science in Computing from Staffordshire University, United Kingdom.

He started his career with LKLAM in 2005 as an IT and Sales Executive and was placed under the company's job rotation system. During this period from 2005 up to 2008, he was mainly involved in the day-to-day operations as well as the administration, inventory and IT management. From 2008 up until 2015, he was promoted to Management Information System Manager and was appointed as the Deputy Quality Management Representative of the Group. During this period, he was responsible for overseeing all the activities for IT and telecommunications functions, and leading a team to ensure the process of quality management system are implemented in accordance with ISO13485.

In 2015, he was promoted to General Manager - Operations. In this role, he oversees the company's manufacturing operations, IT and telecommunications functions, corporate website maintenance, as well as building and facilities management. He remains as the Group's Quality Management Representative and manages quality control and quality assurance of the Group's operations, as well as operational safety, health and environment. He assumed the position of Chief Executive Officer for LKLAM on 1 June 2019 until to-date and was appointed to the Board as Executive Director on 16 November 2020.

Over the years, he has been leading the Group's initiatives to expand its product portfolio. He also assists Lim Kon Lian (Managing Director of LKL) to oversee the operations and business activities of the Group. He has accumulated various experiences in operational, managerial, marketing and customer relations roles. With that, he is expected to lead the Group's venture into the New Businesses. His past operational and managerial experience will be crucial in establishing and leading a team to undertake the New Businesses.

(ii) Lee Kah Earnng

Lee Kah Earnng, Malaysian, aged 51, obtained his Sijil Pelajaran Malaysia in 1988. He began his career in 1988 up until 1990 as a factory / store operator with Victory Supplies. In 1990 up until 1993, he joined Hong Leong Finance Berhad as a Collection Clerk, whereby he was mainly involved in back-office operations. From 1993 up until 1994, he joined Great Wall Marketing Sdn Bhd as a Sales Executive and was responsible for sales and marketing.

From 1994 up until 1996, he joined Victory Supplies as a Sales Executive, whereby he was mainly involved in attending the sales inquiry and sales operations. In 1996, he started his career with LKLAM as a Sales Executive and was subsequently promoted to Sales Manager and Senior Sales Manager in 2003 and 2012 respectively. During this period, he was responsible for overseeing LKLAM sales performance, collections and other activities / operations, and develop effective sales strategy to achieve revenue target. Lee Kah Earnng was then promoted to Chief Marketing Officer in 2014 before assuming his current position of Sales Director on 1 June 2019.

Over the years, he has been instrumental in the marketing of LKL's products to public hospitals and also been responsible for leading the Group's sales initiatives to private hospitals. He is also responsible for developing new sales leads for the Group as well as maintaining rapport with existing customers of the Group. With over 30 years of experience and 25 years in LKL Group, his past experience in sales and marketing will be key in securing sales orders and maintaining good relationship with the existing customers in undertaking the New Businesses.

LKL's senior management team will, from time to time, review the capabilities and resources needed for the New Businesses. By leveraging on the expertise of the aforesaid key management personnel, the Board believes that the Group has the capability and resources to diversify into the New Businesses without impacting the Group's existing operations.

As and when the need arises, the Group may employ more employees to support the New Businesses, taking into consideration the number of contracts / orders secured, the cost in employing additional employees and the cash flow position of the Group at the relevant point in time.

2.2 Proposed Private Placement

2.2.1 Size of placement

As at the LPD, the issued share capital of the Company is RM153,604,693 comprising 566,777,400 Shares and the Company does not have any treasury shares.

As at the LPD, the Company has 28,838,870 granted ESOS Options which have not been exercised and up to 3,960,340 ESOS Options which may be granted under the ESOS.

Assuming all the ESOS Options available for granting are fully granted and exercised into new Shares, the Proposed Private Placement would entail the issuance of up to 177,523,200 Placement Shares, representing approximately 30% of the enlarged total number of issued Shares.

2.2.2 Placement arrangement

The Placement Shares are intended to be placed to independent third-party investor(s) to be identified later. The Placement Shares are not intended to be placed to the following persons:-

- (i) Interested Person;
- (ii) a person connected with an Interested Person; or
- (iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

The issue price for each tranche of the Placement Shares will be determined separately. The basis of determining the issue price of the Placement Shares will be in accordance with market-based principles.

The Proposed Private Placement may be implemented in one or multiple tranches. The implementation of the placement arrangement in multiple tranches would provide flexibility to the Company to procure interested investors to subscribe for the Placement Shares from time to time.

2.2.3 Ranking of the Placement Shares

The Placement Shares shall, upon allotment, issuance and payment of the issue price, rank pari passu in all respects with the then existing issued and fully paid-up Shares, save and except that the holders of such Placement Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to Shareholders, the entitlement date of which is prior to the date of allotment of the Placement Shares.

2.2.4 Listing and quotation of the Placement Shares

The Placement Shares will be listed on the ACE Market of Bursa Securities.

2.2.5 Basis and justification of the issue price of the Placement Shares

The issue price of the Placement Shares in each tranche will be determined by the Board after taking into consideration the prevailing market conditions. The issue price shall be fixed at a price based on the 5-day VWAP of LKL Shares up to and including the last trading day immediately preceding the price-fixing date, with a discount of not more than 20%. This was determined by the Board's intention to issue the Placement Shares at a maximum discount of 20%. The maximum discount of 20% allows more flexibility for the Company to fix an issue price which is deemed sufficiently attractive to entice subscription by potential investors.

As the Proposed Private Placement may be implemented in several tranches within 6 months, there could potentially be several price-fixing dates and issue prices. The implementation of the Proposed Private Placement in multiple tranches would provide flexibility to LKL to procure interested investors to subscribe for the Placement Shares expediently within the period as approved by Bursa Securities.

For illustrative purposes only, based on an illustrative issue price of RM0.28 per Placement Share, the issue price of the Placement Shares would represent a discount of approximately 8.38% to the 5-day VWAP of LKL Shares up to and including the LPD of RM0.3056. (Source: Bloomberg).

2.2.6 Utilisation of proceeds

Based on an illustrative issue price of RM0.28 per Placement Share, the gross proceeds to be raised from the Proposed Private Placement are intended to be utilised in the following manner:-

Utilisation of proceeds	Expected timeframe for utilisation from completion of the Proposed Private Placement	RM'000
(i) Trading of rubber gloves and PPE	Within 24 months	47,106
(ii) Setting up new storage facilities	Within 24 months	2,000
(iii) Estimated expenses for the Proposals	Immediate	600
Total		(1) 49,706

Note:-

(1) In the event of any shortfall in the actual amount of proceeds raised from the Proposed Private Placement, the proceeds are intended to be utilised in the following order of priority, up to the respective maximum allocation:-

- (i) Estimated expenses for the Proposals;
- (ii) Setting up new storage facilities; and
- (iii) Trading of rubber gloves and PPE.

Any excess in the actual amount of proceeds to be raised from the Proposed Private Placement will be allocated for trading of rubber gloves and PPE.

(i) Trading of rubber gloves and PPE

The Group intends to utilise proceeds of RM47.11 million from the Proposed Private Placement for the trading of rubber gloves and PPE as set out below:-

Utilisation	Amount (RM'000)
Purchase of latex and nitrile gloves ⁽¹⁾	43,000
Purchase of PPE ⁽²⁾	2,406
Marketing and distribution expenses ⁽³⁾	1,000
Transportation costs from manufacturer ⁽⁴⁾	700
Total	47,106

Notes:-

(1) The Group intends to allocate RM43.00 million to purchase approximately 130,000 cartons (1.30 million boxes) of latex and nitrile gloves to be supplied to Weihai Textile, Shang Hong or other customers that the Group may identify in the future. The actual quantity to be supplied to each customer cannot be determined at this juncture as the rubber gloves will be supplied upon receipt of purchase order from them.

LKLAM had signed a sale contract with Weihai Textile on 1 September 2020 for 240,000 cartons (2.40 million boxes) of nitrile gloves, out of which 5,054 cartons (0.05 million boxes) of nitrile gloves have been supplied to Weihai Textile. LKLAM is to supply another 234,946 cartons (2.35 million boxes) of nitrile gloves upon request by Weihai Textile through purchase orders.

The Group expects to fulfil the aforesaid amount by December 2021, subject to amongst others, availability of funds for the purchase of gloves and availability of such supplies. The Group expects that subsequent purchases will be funded via payments received from these customers.

Further, LKLAM had signed a sale contract with Shang Hong on 30 November 2020 for 421,800 cartons (4.22 million boxes) of nitrile gloves, out of which 10,548 cartons (0.11 million boxes) of nitrile gloves have been supplied to Shang Hong. LKLAM is to supply another 411,252 cartons (4.11 million boxes) of nitrile gloves upon request by Shang Hong through purchase orders by December 2021.

The Group is currently sourcing from AGESB to fulfil the orders from Weihai Textile and Shang Hong. Moving forward, the Group intends to source from other suppliers for future orders, be it from Weihai Textile, Shang Hong or other customers that the Group may identify in the future. The actual quantity to be purchased from each supplier cannot be determined at this juncture as it will depend on amongst others, the size of the upcoming order from customers.

- (2) The Group intends to allocate RM2.41 million to purchase PPE to be supplied to customers to be identified.

LKLAM had succeeded in an invitation to tender by the Sarawak State Government to supply jumpsuit / protective overall. With the successful tender, LKLAM had on 17 May 2021, entered into an agreement dated 10 May 2021 with the Ministry of Local Government and Housing Sarawak (an agency of the Sarawak State Government) to supply 90,000 units of jumpsuit / protective overall within 1 month from the date of agreement i.e. 10 May 2021.

As at 14 June 2021, all the 90,000 units of jumpsuit / protective have been supplied to the Ministry of Local Government and Housing Sarawak. The Group experienced a delay in the progress of supplying to the Ministry of Local Government and Housing Sarawak following the introduction of the movement control order (MCO 3.0) by the government from 1 June 2021 to 14 June 2021.

On 17 May 2021, the Group issued a purchase order to Asia Living Young Sdn Bhd to fulfil the order from the Ministry of Local Government and Housing Sarawak using the Group's existing cash balances. The Group will continue to source for other customers and suppliers. The proceeds from the Proposed Private Placement will be used for this purpose.

- (3) The marketing and distribution expenses will comprise mainly fees payable to marketing agencies and if appointed, commissions payable to third-party distributors as well as fees payable to third-party logistics service providers for the distribution of rubber gloves and PPE from the Group's storage facilities.

At this juncture, the marketing and distribution expenses are based on estimations and may change based on the prevailing circumstances and the negotiations with the third-party distributors and third-party logistics service providers.

- (4) This represents transportation cost for delivery of rubber gloves and PPE from manufacturers to the Group's storage facilities.

Any shortfall between the actual proceeds raised and the Group's funding requirement for trading of rubber gloves and PPE shall be funded via the Group's internally generated funds, bank borrowings and/or future fundraising exercises to be undertaken (if required). The actual funding breakdown cannot be determined at this juncture as it will depend on amongst others, the actual amount of proceeds to be raised from the Proposed Private Placement as well as the availability and suitability of other funding options at the relevant time.

(ii) **Setting up new storage facilities**

The Group intends to set up a facility for the storage and distribution of rubber gloves and PPE. As such, the Group has earmarked RM2.00 million for the following:-

Utilisation	Amount (RM'000)
Rental costs ⁽¹⁾	770
Staff salaries ⁽²⁾	550
Equipment ⁽³⁾	680
Total	2,000

Notes:-

- (1) As at the LPD, the Group has identified a potential industrial unit to be rented in Seri Kembangan with a lettable area of total approximately 5,850 square feet, to be used as a storage and distribution centre for rubber gloves and PPE. The Group is in the midst of negotiation with the landlord for the rental of the industrial unit. The new storage facility is expected to be ready for occupation by the third quarter of 2021. Nevertheless, the Group is still seeking for more options within the Klang Valley which offer better rental rates.

In view that the Group expects more purchases of rubber gloves and PPE to be made, the Group intends to set up a storage facility with larger capacity. Pending the setting up and operation of the storage facility, the Group will store the rubber gloves and PPE purchased at its existing warehouse. Further, the Group may store the rubber gloves and PPE purchased with third-party warehouses, if the need arises.

- (2) The Group intends to recruit 6 employees within 6 months from completion of the Proposed Private Placement, to undertake various roles required (e.g. administrative, marketing and product storage, logistics and handling) to set up and expand the New Businesses. The actual numbers of the employees to be recruited cannot be determined at this juncture as it will depend on, amongst others, the actual requirements of the Group at the relevant time.

At this juncture, the Company intends to allocate RM0.60 million for the recruitment of additional employees over a period of 24 months, details as follows:-

Type	Number of personnel	Employment costs (RM'000)
Storage ⁽ⁱ⁾	4	310
Administrative and general project monitoring ⁽ⁱⁱ⁾	1	180
Logistic and distribution ⁽ⁱⁱⁱ⁾	1	60
Total	6	550

Notes:-

- (i) The gross salary for 4 warehouse staffs. The salary range of a warehouse staff is RM2,200 to RM7,000 per month.
- (ii) The gross salary for 1 project manager. The estimated salary for a project manager is RM6,000 to RM7,500 per month.
- (iii) The gross salary for 1 logistic manager. The estimated salary for a logistic manager is RM3,500 to RM5,500 per month.

(3) The equipment essential for the storage facilities as set out below:-

Purpose	Description	Total cost (RM'000)
Storage equipment	Procurement of 2 units of racking system, 2 units of forklift and 500 units of pallets	510
Ancillary expenses	Safety and security costs, which comprise security system, fire extinguishing and alarm system	170
Total		680

(iii) Estimated expenses for the Proposals

The breakdown of the estimated expenses for the Proposals are as follows:-

Estimated expenses	RM'000
Professional fees ⁽¹⁾	530
Fees to relevant authorities	30
Printing, despatch, advertising and miscellaneous expenses	40
Total	⁽²⁾600

Notes:-

- (1) These include advisory fees, placement commission and other professional fees payable to the Principal Adviser, due diligence solicitors, company secretary and share registrar in relation to the Proposals.
- (2) Any shortfall or excess in funds allocated for the estimated expenses will be funded from or used for the setting up of new storage facilities.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

2.2.7 Details of fund-raising exercises undertaken by the Company in the past 12 months

Save as disclosed below, the Company has not undertaken any fund-raising exercises in the past 12 months up to LPD:

On 12 April 2021, the Company completed the 20% Private Placement, which involved the issuance of 85,760,000 new Shares and raised proceeds of RM62.84 million. The said proceeds have been utilised as follows:-

Utilisation of proceeds	Actual proceeds raised (RM'000)	Actual utilisation as at the LPD (RM'000)	Balance unutilised (RM'000)	Estimated timeframe for utilisation from the completion of 20% Private Placement
Capital expenditure and expansion ⁽¹⁾	26,500	10,904	15,596	Within 24 months
Future investments or projects ⁽²⁾	6,000	-	6,000	Within 24 months
Repayment of bank borrowings ⁽³⁾	5,561	402	5,159	Within 6 months
Working capital	23,779	23,779	-	Within 12 months
Expenses for the 20% Private Placement	1,000	883	⁽⁴⁾ 117	Within 1 month
Total	62,840	35,968	26,872	

Notes:-

(1) As at the LPD, the Group has utilised RM10.90 million for the following:-

Purpose	RM'000
Purchase and setting up of 2 units of adjoining new factory buildings ⁽ⁱ⁾	10,802
Expansion of current factory buildings and installation of a conveyor line ⁽ⁱⁱ⁾	102
Total	10,904

Notes:-

(i) LKLAM had on 17 December 2020 entered into a sale and purchase agreement for the acquisition of 2 pieces of adjoining freehold land together with 2 units of adjoining 3 storey semi-detached factory buildings erected thereon located at Kawasan Perindustrian Bukit Serdang, Seksyen 7, 43300 Seri Kembangan, Selangor for a total cash consideration of approximately RM12.00 million.

As at the LPD, the Company has paid approximately RM10.80 million as progress payment for the acquisition. The remaining of approximately RM1.20 million is expected to be settled by second half of 2021.

(ii) The Group intends to increase the future capacity of its existing manufacturing plant as well as to boost the efficiency of the Group's production processes, by constructing a 3-storey steel structure extension across its existing factory buildings.

As at the LPD, the Company has paid RM102,000 for equipment and accessories for conveyor line. The equipment and accessories purchased, as well as the construction of the 3-storey steel structure extension is expected to be completed by second half of 2022 and commence production latest by first quarter of 2023.

- (2) The allocated proceeds will be utilised as, among others, investment sourcing costs, including but not limited to, travelling expenses, costs for obtaining a feasibility analysis report and/or independent valuation report in assessing the potential merger and acquisitions, etc until a viable investment or project has been identified as well as purchase consideration for the future investment or projects.

In relation to the above, the Board is currently embarking on several initiatives including investment into the trading and distribution of a contact tracing product. In this respect, LKLAM had entered into an exclusive distributorship agreement dated 23 February 2021 with iWOW Technology Pte Ltd (a company based in Singapore) for the distribution of this product.

Further, Carelife Center Sdn Bhd (a wholly-owned subsidiary of LKL) had entered into a joint venture and shareholders' agreement with Focus Medicare Sdn Bhd (a subsidiary of Focus Dynamics Group Berhad) on 20 May 2021 to form a joint venture company for setting up of pharmacies in Malaysia and trading, supplying, wholesaling and/or manufacturing of medical and healthcare equipment, products and services.

Further developments of the abovementioned initiatives, if any, will be announced in due course. The Board will seek the necessary approval from Shareholders if the nature of the transaction requires Shareholders' approval pursuant to the Listing Requirements.

- (3) As at the LPD, the total bank borrowings of the Group were approximately RM5.42 million. The status of repayment of bank borrowings is as set out below:

Bank / Type of banking facility	Maturity date	Balance as at the LPD RM'000	Amount to be repaid from the balance proceeds RM'000
Public Bank Berhad / Term loan	May 2035	3,327	3,327
Hong Leong Islamic Bank Berhad / Flexi Term Financing-i ⁽ⁱ⁾	November 2030	2,095	1,832
Total⁽ⁱⁱⁱ⁾		⁽ⁱⁱ⁾5,422	5,159

Notes:-

- (i) Previously, the proceeds from the 20% Private Placement were intended to repay the term loan obtained from Public Bank Berhad and United Overseas Bank (Malaysia) Berhad. However, the term loan from United Overseas Bank (Malaysia) Berhad was refinanced with another term loan from Hong Leong Islamic Bank Berhad.
- (ii) After repayment of RM402,000 from the proceeds of the 20% Private Placement.
- (iii) The differences between balance as at the LPD and amount to be repaid is mainly due to the following:-
- (aa) The Group incurred a fee of approximately RM66,010 for the refinancing mentioned in Note (i) above; and
- (bb) Interest charged by Public Bank Berhad and Hong Leong Islamic Bank Berhad amounting to RM187,957.

The Group will settle the differences with internally-generated funds.

- (4) This amount will be re-allocated for working capital of the Group.

3. RATIONALE FOR THE PROPOSALS

3.1 Proposed Diversification

As set out in Section 2.1 of this Circular, the Proposed Diversification allows the Group to capitalise on a booming segment with favourable prospects while making the most out of the opportunities created by the COVID-19 pandemic. Moreover, the Proposed Diversification will provide an additional revenue stream to the Group. This represents part of the Group's business plan to strengthen its financial performance.

3.2 Proposed Private Placement

As detailed in Section 2.2.6 of this Circular, the proceeds raised from the Proposed Private Placement will be utilised mainly for trading of rubber gloves and PPE, which is expected to contribute positively to the earnings of the Group.

After due consideration of the various methods of fund raising, the Board is of the opinion that the Proposed Private Placement is the most appropriate avenue of fund raising at this juncture as it would enable the Group to raise additional funds expeditiously without having to incur interest costs or service principal repayments as compared to bank borrowings. In turn, this allows the Company to preserve its cash flow.

On the other hand, other fund-raising exercises such as a rights issue may not be suitable as it will involve a cash call from existing Shareholders. Moreover, it will also require the Company to identify certain Shareholders to provide irrevocable undertakings to subscribe for a minimum number of rights shares or, alternatively, procure underwriting arrangements (which will incur additional cost), in order to achieve a minimum subscription level. In addition, a rights issue exercise is likely to take a longer time to complete as compared to a private placement exercise.

4. INDUSTRY OUTLOOK AND FUTURE PROSPECTS

4.1 Malaysian economy

The Malaysian economy contracted by 5.6% in 2020 amid a challenging global and domestic operating environment. The global pandemic had resulted in weaker global growth, trade and commodity prices, as well as disruptions to the global manufacturing supply chains which weighed on Malaysia's exports. The domestic economy was further impacted by the introduction of strict local containment measures.

The expectation is for the economy to recover in 2021, with growth ranging between 6.0% and 7.5%. Growth will be underpinned by stronger external demand and higher public and private expenditure, as well as the rollout of the domestic COVID-19 vaccination programme.

The services sector is expected to register a growth of 6.6% in 2021 (2020: -5.5%). The information and communication, as well as finance and insurance sub-sectors are poised to lead the recovery as demand for digital solutions, especially in e-commerce and e-payment continues to accelerate. However, the closure of Malaysia's international borders will continue to affect tourism-related industries (e.g., food and beverage, accommodation and air travel).

The manufacturing sector is expected to record a growth of 8.8% in 2021 (2020: -2.6%) as the pandemic accelerates the structural shifts towards digitalisation, spurring demand for telecommunications, cloud computing and medical device products. On the domestic-front, growth in the construction-related manufacturing cluster is also expected to be supported by the pick-up in construction of infrastructure projects. Growth in the consumer-related manufacturing cluster is also expected to improve, in tandem with the recovery in consumption activities.

Growth in the construction sector is also expected to rebound by 13.4% in 2021 (2020: -19.4%), driven by resumption of activities across all subsectors. In the civil engineering subsector, growth is expected to recover in line with the ramp up of construction activities in large infrastructure projects. Meanwhile, launches of affordable housing projects in the previous years will continue to provide support for activities in the residential subsector.

Growth in the agriculture sector is expected to expand by 4.2% in 2021 (2020: -2.2%), primarily due to a recovery in oil palm production. Meanwhile, higher natural rubber prices will support increased natural rubber production, while continued growth in household spending will support an expansion in livestock production.

The mining sector is projected to recover by 3.1% on 2021 (2020: -10.0%) due to the commissioning of new gas fields and higher production of natural gas.

(Source: IMR report dated 25 June 2021 prepared by Infobusiness)

4.2 Overview and outlook of the rubber gloves and PPE industries in Malaysia

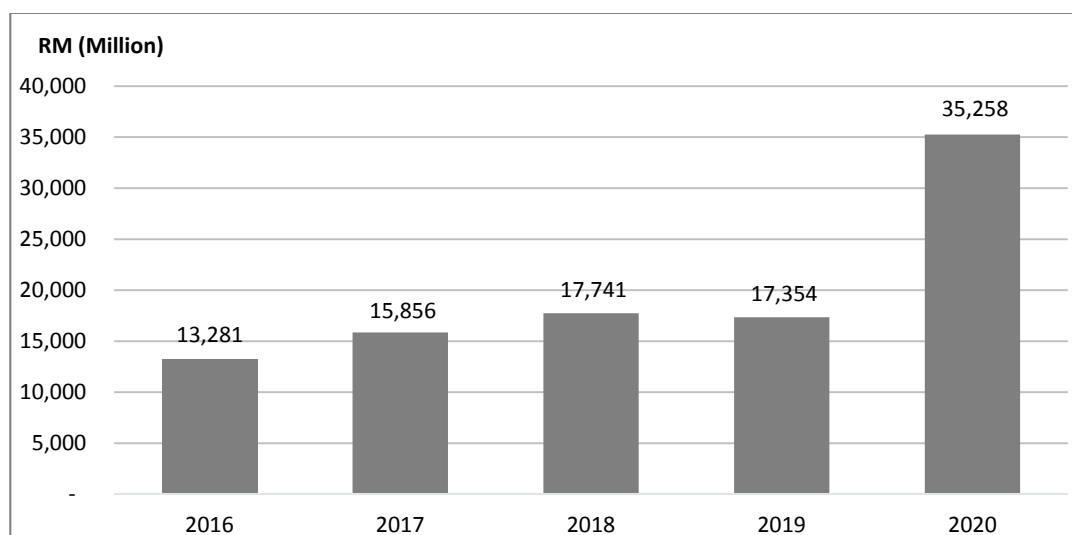
4.2.1 Rubber Gloves Industry

Malaysia is the largest rubber gloves producer and exporter in the world. The production of rubber gloves rose from 44.43 billion pairs in 2016 to 102.59 billion pairs in 2020, yielding a CAGR of 23.27%.

The Malaysian rubber glove export market revenue was worth RM35.26 billion in 2020 and is expected to increase by 8.00% and 7.50% to reach RM38.08 billion and RM40.94 billion, in 2021 and 2022, respectively. This growth may be attributed to the continuing risks of contagious diseases, growing prevalence of chronic diseases, rising healthcare expenditure and elderly population, increasing volume of surgeries, growing number of healthcare practitioners and healthcare procedures, as well as pandemic preparedness planning with healthcare countermeasures by governments.

The export of rubber gloves increased by a CAGR of 27.65% between 2016 and 2020, from RM13.28 billion to RM35.26 billion. Due to the COVID-19 pandemic, export revenues doubled to RM35.26 billion in 2020 from the previous year.

Export of Rubber Gloves from Malaysia



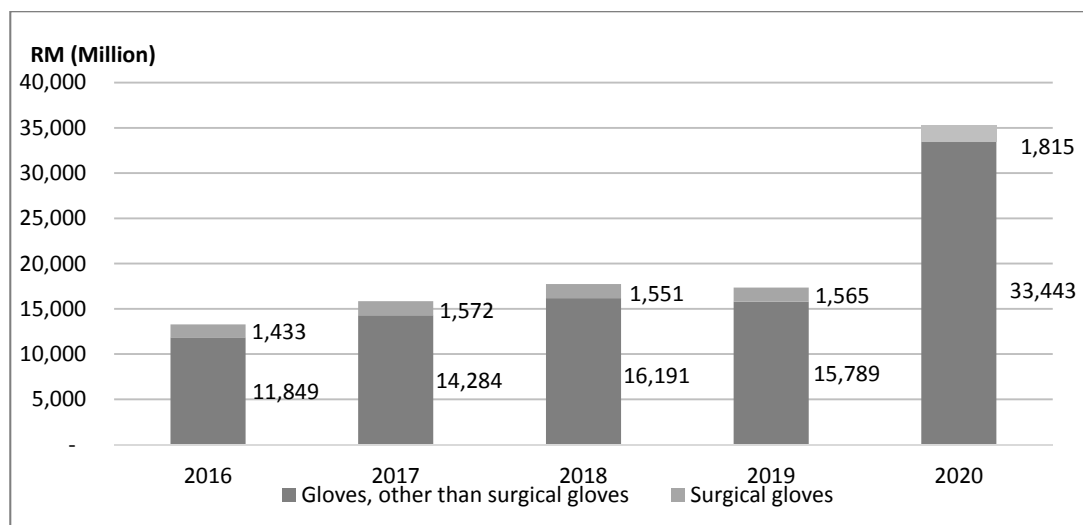
(Source: Department of Statistics)

Malaysia's export of rubber gloves comprises 2 categories as follows:

- (i) Gloves, other than surgical (mainly examination gloves), and
- (ii) Surgical gloves.

In 2020, the category of gloves, other than surgical, accounted for RM33.44 billion or 94.85% of total Malaysia's exports of rubber gloves, an increase of 111.82% year-on-year, whilst surgical gloves recorded RM1.82 billion or 5.15% of total Malaysia's exports of rubber gloves, an increase of 15.97% year-on-year.

Export of Surgical and Non-Surgical Gloves from Malaysia



(Source: Department of Statistics)

Moving forward, demand for rubber gloves is also expected to be driven by growth in healthcare services and global industrial production activities. The key demand drivers are as follows:-

(i) Continuing risks of contagious diseases

The pandemics of the past 20 years have demonstrated the speed at which contagious diseases is able to spread globally. The continuing risks of contagious diseases such as the current COVID-19 pandemic, as well as the Middle East respiratory syndrome, Ebola, severe acute respiratory syndrome, and Zika viruses have contributed to the growth of the medical gloves market. Global consumption of medical gloves increases during outbreaks of contagious diseases.

Medical gloves are considered the most basic form of protection against contagious diseases. New and recurrent pandemics are expected to continue to drive the demand for examination and surgical gloves in the foreseeable future as such outbreaks of contagious diseases exert disruptive pressure on health systems worldwide.

(ii) Rising healthcare expenditures and growing elderly population

According to the Organisation for Economic Co-operation and Development, healthcare expenditures in several developed countries have been rising, due to ongoing efforts to establish a strong healthcare infrastructure and offer advanced treatment opportunities to patients.

According to the United Nations, there were 727 million people in the world aged 65 years or above in 2020 and this figure is projected to exceed 1.5 billion people by 2050. The global population of people aged 65 or above is expected to rise from 9.3% in 2020 to approximately 16.0% in 2050.

In emerging economies, better accessibility to healthcare gives rise to an increasing population using both public and private healthcare facilities. The rise in patient population and the growing elderly population are likely to drive the demand for medical gloves in the future.

(iii) **Increasing volume of surgeries and growing number of healthcare practitioners and healthcare procedures**

The volume of surgeries is expected to rise on the back of increasing chronic illnesses, increasing obese population, rising elderly population and elective surgery backlogs. The increasing numbers of healthcare procedures as well as the continual growth in the number of healthcare practitioners in the public and private healthcare sectors are also expected to contribute to the demand for medical gloves.

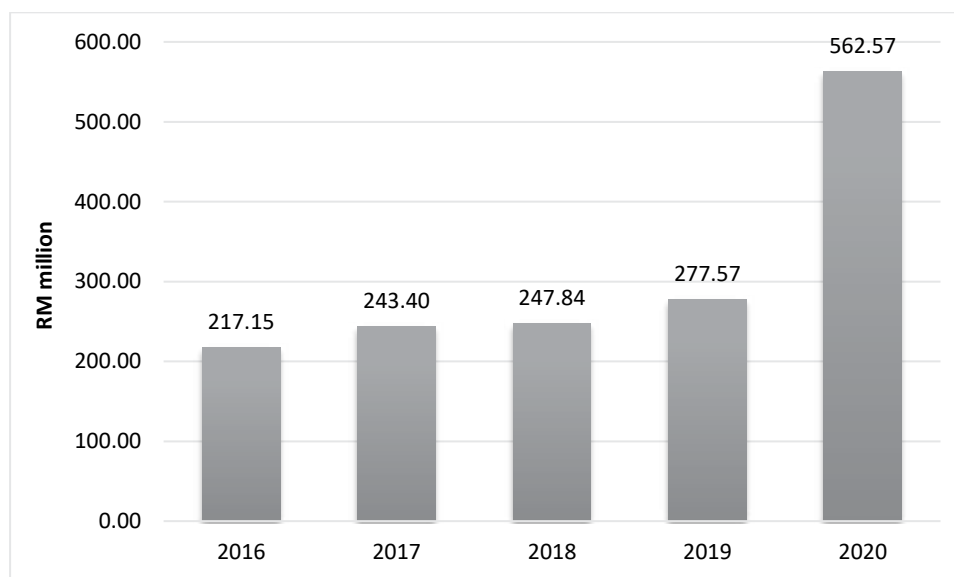
(Source: IMR report dated 25 June 2021 prepared by Infobusiness)

4.2.2 PPE Industry

The COVID-19 pandemic has accelerated the sales of PPE, particularly in both the healthcare industry, as well as non-healthcare industries. Lockdowns and containment measures have also accelerated sales of PPE online. E-commerce platforms are making it easier for trading companies to reach out to end-users.

In addition, many governments around the world have mandated the stockpiling of PPE for future health crises. These factors have contributed towards the surge in sales of PPE in 2020. The PPE market in Malaysia grew by a CAGR of 26.86% between 2016 and 2020, from RM217.2 million to RM562.6 million.

Past performance of the PPE market in Malaysia



(Source: IMR report dated 25 June 2021 prepared by Infobusiness)

The exports of major PPE used in the healthcare market from Malaysia increased from RM2.49 billion in 2015 to RM3.32 billion in 2019, representing a CAGR of 7.46%. On the other hand, imports of major PPE utilised in the healthcare market grew at a CAGR of 6.15%, from RM2.69 billion in 2015 to RM3.42 billion in 2019.

Exports and Imports of Major PPE Used in Healthcare in Malaysia

Year	Exports	Imports	Net Imports
2015	2,486,720,042	2,696,932,388	210,212,346
2016	2,731,353,133	2,803,377,581	72,024,448
2017	2,625,456,774	3,434,835,501	809,378,726
2018	2,920,237,141	3,135,166,308	214,929,167
2019	3,316,468,397	3,424,300,624	107,832,227
CAGR	7.46%	6.15%	-15.37%

Note:

The figures encompass major PPE products used in the healthcare market such as surgical masks, respirators, surgical gowns, protective suits and protective goggles.

The current global COVID-19 outbreak has boosted the demand for PPE used in the healthcare market, which surpassed the global production capacity, in terms of quantity. The PPE market in Malaysia expanded by 102.68% from RM277.57 million in 2019 to RM562.57 million in 2020. It is expected to increase by 42.19% and 22.32% to reach RM799.95 million and RM978.50 million, in 2021 and 2022, respectively.

Demand for PPE is also expected to be driven by growth in healthcare market. Rising hygiene awareness and a stricter standard operating procedure among businesses, including in non-healthcare industries such as airlines, hotels, personal care and beauty, and food and beverages, would also keep the demand for PPE high.

Many organisations have mandated the use of PPE as a standard operating procedure, and this is anticipated to continue over the short and medium term. In addition, the general public are also using PPE more frequently to ensure their safety. Governments around the world are also expected to continue stockpiling PPE in preparatory efforts to combat future waves of pandemic.

The ongoing worldwide efforts to increase the scale of manufacturing and distribution mechanisms in the global supply chain for PPE have improved since the onset of the COVID-19 pandemic. As countries experience a resurgence of infections and the emergence of various viral mutations, this is expected to sustain the demand for PPE.

(Source: IMR report dated 25 June 2021 prepared by Infobusiness)

4.3 Prospects and future plans of the Group

LKL Group is currently involved in the manufacturing of medical / healthcare beds, medical peripherals and accessories as well as the trading of medical furniture, medical devices, medical peripherals and accessories.

In view of the ongoing COVID-19 pandemic, the Proposed Diversification represents a timely opportunity for the Group to venture into the New Businesses, which has growing demand and may allow the Group to have an additional source of income. Premised on the prospects of rubber gloves and PPE industries as mentioned in Section 4.2 of this Circular, LKL expects the demand for rubber gloves and PPE to remain high in view of the ongoing COVID-19 pandemic.

Notwithstanding the roll out of the COVID-19 vaccine, the Board is of the view that the vaccine deployment could be a new demand source for rubber gloves in anticipation of the number of rubber gloves needed in administering the vaccination. Therefore, LKL intends to capitalise on this opportunity to diversify its income stream.

Recognising this opportunity, the Proposed Private Placement is undertaken to raise funds mainly for venturing into the New Businesses, details of which are set out in Sections 2.1.1 and 2.2.6 of this Circular.

Moving forward, the Group will focus on improving its business strategy by streamlining its operations and continued monitoring of its existing business. In respect of the New Businesses, the Group will from time to time assess the demand for rubber gloves and PPE and intend to acquire more latex and nitrile gloves as well as PPE in the future if demand outstrips supply.

Premised on the above as well as the outlook and prospects of the rubber gloves and PPE industries in Malaysia set out in Section 4.2 of this Circular, the management is cautiously optimistic about the Group's future prospects.

5. RISKS FACTORS

Pursuant to the Proposed Diversification, the Group will be exposed to new risks inherent in the rubber gloves and PPE industry, which include, but are not limited to, the following:-

5.1 Business diversification risk

The Proposed Diversification may expose the Group to new business risks inherent to the trading of rubber gloves and PPE that could have a material adverse effect on its financial performance, including but not limited to the following:-

- (i) structural change in global demand for rubber gloves and PPE, which will depend on the severity of the COVID-19 pandemic, outcome from implementation of vaccination programmes as well as growth in the healthcare services industry; and
- (ii) changes in the Government's legislation and policies (including those relating to environment, fiscal and taxation) governing the businesses for rubber gloves and PPE.

In order to mitigate such risks, the management of the Group endeavours to keep abreast with the latest market conditions and the general business environment relating to the New Businesses as well as maintaining close working relationships with suppliers, distributors as well as government agencies and other authorities. The Group also seeks to mitigate these risks by conducting periodical reviews of its business performance and adopting prudent financial management.

However, there can be no assurance that any changes to the abovementioned factors, which are beyond the control of the Board, will not adversely affect the Group's new business segment.

5.2 Competition risks

The Group faces competition from other market players as well as new market entrants in the rubber gloves and PPE industries in terms of competency, reliability of services. Some of the competitors may have greater financial resources, more extensive networks and exposure to potential business opportunities, and have a more comprehensive range of services than the Group.

In addition, the Group may not be able to provide comparable services at lower prices or respond faster to market trends, compared to competitors who have larger economies of scale and established networks. Intensified competition may result in increased overhead costs, which may adversely affect the Group's overall profitability.

Although the management will take proactive measures to remain competitive in the rubber gloves and PPE industries by ensuring timely delivery, products are priced competitively and keeping abreast with the latest market development, there can be no assurance that the Group will be able to compete effectively against its competitors.

5.3 No prior experience in the trading of rubber gloves and PPE

The Group is principally involved in the manufacturing and trading of medical / healthcare beds, medical peripherals and accessories. The Group does not have any prior experience specifically in the trading of rubber gloves and PPE. In particular, the marketing and distribution strategies that may be required for the success of the trading of rubber gloves and PPE may be relatively distinct from the Group's existing business.

Notwithstanding the above, the Group's background in the healthcare industry puts the Group in an advantageous position to embark on the New Businesses as the Group can capitalise its existing business networks for the sales and distribution of rubber gloves and PPE. Nevertheless, there is no assurance that the Group will be able to derive sufficient revenue to offset the start-up costs and operating costs arising from the Proposed Diversification.

6. EFFECTS OF THE PROPOSALS

6.1 Issued share capital

The Proposed Diversification will not have any effect on the Group's issued share capital as the Proposed Diversification does not involve any issuance of new LKL Shares.

The pro-forma effects pursuant to the Proposed Private Placement on the issued share capital of the Company as at the LPD is as follows:-

	Minimum scenario		Maximum scenario	
	No. of Shares	Share capital (RM)	No. of Shares	Share capital (RM)
Issued share capital as at the LPD	566,777,400	153,604,693	566,777,400	153,604,693
Assuming full granting and/or exercise of ESOS Options	-	-	32,799,210	⁽¹⁾ 21,904,686
Enlarged issued share capital assuming full granting and/or exercise of ESOS Options	566,777,400	153,604,693	599,576,610	175,509,379
To be issued pursuant to the Proposed Private Placement	170,033,200	⁽²⁾ 47,609,296	177,523,200	⁽²⁾ 49,706,496
Enlarged issued share capital after the Proposed Private Placement	736,810,600	201,213,989	777,099,810	225,215,875

Notes:-

- (1) After accounting for the reversal of ESOS reserve and based on the:-
- (i) exercise price of RM0.35 for the 500,000 ESOS Options granted on 7 May 2021 which have yet to be exercised;
 - (ii) exercise price of RM0.345 for the 28,338,870 ESOS Options granted on 4 June 2021 which have yet to be exercised; and
 - (iii) illustrative exercise price of RM0.28, representing a discount of 8.38% to the 5-day VWAP as at the LPD of RM0.3056 for the remaining 3,960,340 ESOS Options which have yet to be granted and exercised.
- (2) Based on an illustrative issue price of RM0.28 per Placement Share.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

6.2 NA and gearing

The Proposed Diversification is not expected to have any immediate material effect on the NA or NA per Share, and gearing level of the Group. However, the future NA and/or gearing level of the Group will depend on the manner of funding chosen for the New Businesses and the financial contribution from the New Businesses.

The pro forma effects of the Proposed Private Placement on the NA and gearing of the Group are as follows:-

Minimum scenario

	Audited as at 30 April 2020 (RM'000)	(I)	(II)
		After subsequent events ⁽¹⁾	After (I) and the Proposed Private Placement ⁽²⁾
		(RM'000)	(RM'000)
Share capital	53,299	153,605	201,214
Merger deficit	(29,580)	(29,580)	(29,580)
ESOS reserve	-	9,789	9,789
Retained earnings	36,761	7,997	7,397
Shareholders' equity	60,480	141,811	188,820
Non-controlling interests	(42)	(42)	(42)
Total equity	60,438	141,769	188,778
No. of Shares in issue ('000)	428,880	566,777	736,811
NA per Share (RM)	0.14	0.25	0.26
Total borrowings (RM'000)	11,300	11,300	11,300
Gearing (times)	0.19	0.08	0.06

Notes:-

(1) After accounting for the following:-

- (i) issuance of 44,540,000, 12,570,000, 10,000,000, 1,000,000, 1,000,000, 3,500,000 and 13,150,000 new Shares at an issue price of RM0.8600, RM0.8300, RM0.8466, RM0.4030, RM0.3840, RM0.3750 and RM0.2690 each pursuant to the 20% Private Placement on 26 November 2020, 6 January 2021, 18 January 2021, 10 March 2021, 15 March 2021, 17 March 2021 and 9 April 2021;
- (ii) deducting estimated expenses incurred in relation to the 20% Private Placement of approximately RM1.00 million; and
- (iii) granting and issuance of 25,228,000 and 26,989,400 new Shares arising from the exercise of ESOS Options at the exercise price of RM0.350 and RM0.395 on 21 May 2021 and 1 June 2021 respectively.

(2) Based on an illustrative issue price of RM0.28 per Placement Share and after deducting estimated expenses to be incurred in relation to the Proposals of RM0.60 million.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

Maximum scenario

	Audited as at 30 April 2020	(I)	(II)	(III)
		After subsequent events ⁽¹⁾	After (I) and assuming full granting and/or exercise of ESOS Options ⁽²⁾	After (II) and the Proposed Private Placement ⁽³⁾
		(RM'000)	(RM'000)	(RM'000)
Share capital	53,299	153,605	175,510	225,216
Merger deficit	(29,580)	(29,580)	(29,580)	(29,580)
ESOS reserve	-	9,789	-	-
Retained earnings	36,761	7,997	6,942	6,342
Shareholders' equity	60,480	141,811	152,872	201,978
Non-controlling interests	(42)	(42)	(42)	(42)
Total equity	60,438	141,769	152,830	201,936
No. of Shares in issue ('000)	428,880	566,777	599,577	777,100
NA per Share (RM)	0.14	0.25	0.25	0.26
Total borrowings (RM'000)	11,300	11,300	11,300	11,300
Gearing (times)	0.19	0.08	0.07	0.06

Notes:-

(1) After accounting for the following:-

- (i) issuance of 44,540,000, 12,570,000, 10,000,000, 1,000,000, 1,000,000, 3,500,000 and 13,150,000 new Shares at an issue price of RM0.8600, RM0.8300, RM0.8466, RM0.4030, RM0.3840, RM0.3750 and RM0.2690 each pursuant to the 20% Private Placement on 26 November 2020, 6 January 2021, 18 January 2021, 10 March 2021, 15 March 2021, 17 March 2021 and 9 April 2021; and
- (ii) deducting estimated expenses incurred in relation to the 20% Private Placement of approximately RM1.00 million; and
- (iii) granting and issuance of 25,228,000 and 26,989,400 new Shares arising from the exercise of ESOS Options at the exercise price of RM0.350 and RM0.395 on 21 May 2021 and 1 June 2021 respectively.

(2) After accounting for the reversal of ESOS reserve and based on the:-

- (i) exercise price of RM0.35 for the 500,000 ESOS Options granted on 7 May 2021 which have yet to be exercised;
- (ii) exercise price of RM0.345 for the 28,338,870 ESOS Options granted on 4 June 2021 which have yet to be exercised; and
- (iii) illustrative exercise price of RM0.28, representing a discount of 8.38% to the 5-day VWAP as at the LPD of RM0.3056 for the remaining 3,960,340 ESOS Options which have yet to be granted and exercised.

(3) Based on an illustrative issue price of RM0.28 per Placement Share and after deducting estimated expenses to be incurred in relation to the Proposals of RM0.60 million.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

6.3 Substantial Shareholders' shareholdings

The Proposed Diversification will not have any effect on the substantial shareholders' shareholdings of the Company as the Proposed Diversification does not involve any issuance of new LKL Shares.

The proforma effects of the Proposed Private Placement on the substantial Shareholders' shareholding in the Company based on the register of Substantial Shareholders as at the LPD are as follows:-

Minimum scenario

Substantial shareholder	As at the LPD				(II) After (I) and Proposed Private Placement			
	Direct		Indirect		Direct		Indirect	
	No. of shares	(1)%	No. of shares	(1)%	No. of shares	(2)%	No. of shares	(2)%
Focus Dynamics Centre Sdn Bhd	150,000,000	26.47	-	-	150,000,000	20.36	-	-
Focus Dynamics Group Berhad	-	-	150,000,000	(3)26.47	-	-	150,000,000	(3)20.36

Notes:-

- (1) Based on the issued share capital of 566,777,400 LKL Shares as at the LPD.
- (2) Based on the enlarged share capital of 736,810,600 LKL Shares.
- (3) Deemed interested in the shares held by Focus Dynamics Centre Sdn Bhd pursuant to Section 8 of the Act.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

Maximum scenario

Substantial shareholder	As at the LPD				(I) Assuming full granting and/or exercise of ESOS Options				(II) After (I) and Proposed Private Placement			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of shares	(1)%	No. of shares	(1)%	No. of shares	(2)%	No. of shares	(2)%	No. of shares	(3)%	No. of shares	(3)%
Focus Dynamics Centre Sdn Bhd	150,000,000	26.47	-	-	150,000,000	25.02	-	-	150,000,000	19.30	-	-
Focus Dynamics Group Berhad	-	-	150,000,000	(4)26.47	-	-	150,000,000	(4)25.02	-	-	150,000,000	(4)19.30

Notes:-

(1) Based on the issued share capital of 566,777,400 LKL Shares as at the LPD.

(2) Based on the enlarged share capital of 599,576,610 LKL Shares.

(3) Based on the enlarged share capital of 777,099,810 LKL Shares.

(4) Deemed interested in the shares held by Focus Dynamics Centre Sdn Bhd pursuant to Section 8 of the Act.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

6.4 Earnings and EPS

The Proposals are not expected to have an immediate material effect on the EPS of the Company, save for the dilution to EPS as a result of the increase in the number of Shares pursuant to the issuance of Placement Shares.

Although the EPS will be diluted as a result of the increase in the number of Shares, the Proposed Private Placement is expected to contribute positively to the earnings of the Company thereafter in view of the utilisation of proceeds as set out in Section 2.2.6 of this Circular.

Barring any unforeseen circumstances, the Proposed Diversification is expected to contribute positively to the future earnings of the Group as and when the benefits therefrom are realised.

6.5 Convertible securities

As at the LPD, the Company does not have any other outstanding convertible securities save for 28,838,870 granted ESOS Options which have not been exercised and up to 3,960,340 ESOS Options which may be granted pursuant to the maximum allowable amount under the ESOS.

In accordance with the by-laws governing the ESOS, the Proposed Private Placement will not result in any adjustment to the exercise price and/or number of ESOS Options offered.

7. APPROVALS REQUIRED AND CONDITIONALITY

The Proposals are subject to the following approvals being obtained:-

- (i) the approval of Bursa Securities for the listing and quotation of the Placement Shares on the ACE Market of Bursa Securities.

The approval by Bursa Securities for the above was obtained via its letter dated 23 June 2021, subject to the following conditions:-

Conditions		Status of compliance
(a)	LKL and TA Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Private Placement;	To be met
(b)	LKL and TA Securities to inform Bursa Securities upon completion of the Proposed Private Placement; and	To be met
(c)	LKL to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Private Placement is completed.	To be met

- (ii) the approval of Shareholders at the forthcoming EGM; and
- (iii) the approvals / consents of any other relevant authorities and/or parties, if required.

The Proposed Private Placement and Proposed Diversification are not inter-conditional.

For shareholders' information, should the Proposed Diversification not be approved by the shareholders, the Board will continue with the New Businesses but at a lesser extent to ensure that the contribution from the New Businesses does not tantamount to a diversification of business activities of the Group.

The Proposals are not conditional upon any other proposals undertaken or to be undertaken by the Company.

8. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Bonus Issue and the Proposals, there are no other corporate exercises / schemes which have been announced by the Company but pending completion as at the date of this Circular.

9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

None of the directors, major shareholders, chief executive of the Company and/or persons connected with them are deemed interested, direct or indirect, in the Proposals.

10. BOARD'S RECOMMENDATION

The Board, having considered all aspects of the Proposals, including but not limited to the rationale and effects of the Proposals, is of the opinion that the Proposals are in the best interests of the Company.

Accordingly, the Board recommends that the Shareholders vote in favour of the resolution pertaining to the Proposals to be tabled at the forthcoming EGM.

11. ESTIMATED TIMEFRAME FOR COMPLETION

Subject to all relevant approvals being obtained, the Proposals are expected to be completed by the third quarter of 2021.

The tentative timeline for the implementation of the Proposed Private Placement is as follows:-

Date	Events
19 July 2021	EGM for the Proposals
Third quarter of 2021	Listing and quotation of the Placement Shares and completion of the Proposed Private Placement

Barring any unforeseen circumstances, the Proposed Diversification will take immediate effect upon obtaining the approval from the shareholders at the EGM to be convened.

12. EGM

The Notice of EGM together with the Administrative Notes are available on the Company's website at <https://www.lklbeds.com>. The EGM will be held on a fully virtual basis and entirely via remote participation and voting via TIH Online website at <https://tjih.online> provided by Tricor Investor & Issuing House Services Sdn Bhd on Monday, 19 July 2021 at 4:00 p.m., or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the ordinary resolutions pertaining to the Proposals as described herein.

If you are unable to participate at the EGM and wish to appoint proxy(ies) instead, the appointment of proxy(ies) may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof at which the person named in the appointment proposes to vote:

(i) In hard copy form

In the case of an appointment made in hard copy form, the Form of Proxy must be deposited with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

(ii) By electronic form

The Form of Proxy can be electronically lodged with the Share Registrar of the Company via TIIH Online website at <https://tiih.online>. Kindly refer to the Administrative Notes on the procedures for electronic lodgement of Form of Proxy via TIIH Online.

The lodging of Form of Proxy does not preclude you from attending and voting in person should you subsequently decide to do so.

Shareholders are advised to refer to the Administrative Notes for the EGM on the registration and voting process for the EGM.

13. FURTHER INFORMATION

You are advised to refer to Appendix I of this Circular for further information.

Yours faithfully,
For and on behalf of the Board of
LKL INTERNATIONAL BERHAD

LIM MING CHANG
Executive Director

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board and the Directors, collectively and individually, accept full responsibility for the completeness and accuracy of the information contained in this Circular. They confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or information contained in this Circular, or other facts, the omission of which would make any statement in this Circular false or misleading.

2. CONSENT AND CONFLICT OF INTEREST**2.1. TA Securities**

TA Securities, being the Principal Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which it appears in this Circular.

TA Securities has confirmed that there is no conflict of interest that exists or any circumstances which would or is likely to give rise to a possible conflict of interests in relation to its role as the Principal Adviser for the Proposals.

2.2 Infobusiness

Infobusiness, being the independent market researcher for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name and extracts of its IMR Report referred to in Sections 2.1.1, 4.1 and 4.2 of this Circular in the form and context in which it appears in this Circular.

Infobusiness has confirmed that there is no conflict of interest that exists or any circumstances which would or is likely to give rise to a possible conflict of interests in relation to its role as the independent market researcher for the Proposals.

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**Material commitments**

Save as disclosed below, as at the LPD, the Board confirmed that there are no material commitments incurred or known to be incurred by the Group that have not been provided for, which upon becoming due or enforceable, may have a material impact on the financial results or position of the Group:-

Capital expenditure in respect of purchase of freehold lands with factory buildings	RM'000
- Contracted but not provided for	1,200

Contingent liabilities

As at the LPD, the Board confirmed that there are no contingent liabilities incurred or known to be incurred by the Group which, upon becoming due or enforceable, may have a material impact on the financial results or position of the Group.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

4. MATERIAL LITIGATION

Save as disclosed below, LKL Group is not involved in any material litigation, claims or arbitration and the Board confirmed that there are no proceedings pending or threatened involving the LKL Group, or of any facts likely to give rise to any such proceedings as at the LPD:-

- (i) LKL's wholly-owned subsidiary, LKLAM had through its solicitors, Messrs. Chong + Kheng Hoe, on 16 December 2020, filed an Originating Summons in the High Court in Kuala Lumpur bearing registration number: WA-24NCC(ARB)-37-12/2020 ("**OS**") against Crecom Burj Gloves Sdn Bhd ("**Crecom**") to seek for an injunction against Crecom. The OS also included a tracing order which compelled Crecom to provide all the necessary details of its local and/or overseas assets whether wholly or jointly owned by Crecom within 10 days from the date of the Court Order. On 5 March 2021, the High Court in Kuala Lumpur had granted an injunction to freeze assets wholly or jointly owned by Crecom up to the amount of RM12,542,783.60 after hearing all parties involved. On 9 April 2021, Crecom filed an affidavit to declare and list out all the necessary details of its assets and current locations of the same. Crecom had filed an appeal bearing appeal no. W-02(NCC)(A)-719-04/2021 to the Court of Appeal, Putrajaya to appeal against the injunction granted by the High Court in Kuala Lumpur to LKLAM. The case management for the appeal has been fixed on 29 July 2021.

In line with the OS, the LKLAM had also filed a Notice of Arbitration dated 11 January 2021 ("**Arbitration**") against Crecom. LKLAM's claim against Crecom in the Arbitration arose from a dispute in the purchase agreement dated 2 October 2020 ("**Agreement**") entered into between both parties. LKLAM had paid RM12,673,500.00 to Crecom to purchase gloves from Crecom pursuant to the Agreement. This contractual arrangement however was breached by Crecom.

In the Arbitration, LKLAM is seeking from Crecom the sum of RM12,542,783.00, general damages for Crecom's repudiation of the Agreement, interest, costs and any further relief that the arbitral tribunal thinks fit and just. Crecom filed a Response to the Notice of Arbitration dated 16 February 2021 counterclaiming for the sum of RM20,374,500.00 for the purported balance amount due to Crecom. As at LPD, the Arbitration is pending appointment of arbitrator by the director of Asian International Arbitration Centre.

The Board is of the view that LKLAM has a fair chance in its claims against Crecom.

- (ii) LKL, had through its solicitors, Messrs. Wong Kian Kheong, on 24 May 2021, filed a Writ and Statement of Claim in the High Court in Kuala Lumpur bearing case number: WA-23NCvC-50-05/2021 against The Edge Communications Sdn Bhd ("**The Edge**"). The suit was initiated against The Edge for the article published at pages 62 to 64 of "The Edge Malaysia" on 12 April 2021 entitled "Hidden hands behind penny stock surge under scrutiny" ("**Article**"), of which LKL alleged that certain words in the Article were defamatory of LKL.

LKL is seeking from The Edge, amongst others, damages and an injunction to restrain The Edge whether by itself, its agents or servants or otherwise from publishing or causing to be published the same or similar words defamatory of the LKL.

The case management for the suit has been fixed on 5 August 2021 via e-Review.

The solicitors of LKL are of the view that LKL has a reasonably good chance in their claim against The Edge.

APPENDIX I – FURTHER INFORMATION (CONT'D)

5. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of LKL Shares as traded on Bursa Securities for the past 12 months preceding the date of this Circular are as follows:-

	High RM	Low RM
<u>2020</u>		
July	0.940	0.520
August	2.020	0.775
September	1.290	0.785
October	1.240	0.960
November	1.100	0.840
December	1.080	0.810
<u>2021</u>		
January	1.010	0.810
February	0.845	0.580
March	0.580	0.320
April	0.465	0.270
May	0.445	0.325
June	0.415	0.260
Last transacted market price on 7 May 2021, being the last Market Day immediately prior to the announcement of the Proposals		0.365
Last transacted market price on 23 June 2021, being the LPD		0.290

(Source: Bloomberg)

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at Third Floor, No. 77, 79 & 81, Jalan SS 21/60, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan during normal business hours from Monday to Friday (except public holidays) for the period from the date of this Circular up to and including the date of the EGM:-

- (i) Constitution of the Company;
- (ii) audited consolidated financial statements of the Company for the FYE 30 April 2019 and FYE 30 April 2020 as well as the unaudited consolidated financial statements of the Company for the 9-month FPE 31 January 2021;
- (iii) the letters of consent referred to in Section 2 of this Appendix I;
- (iv) the independent market research report referred to in Section 4 of this Circular; and
- (v) the relevant cause papers in respect of the material litigation as set out in Section 4 of Appendix I above.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]



LKL INTERNATIONAL BERHAD
(Registration No. 201501014673 (1140005-V))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting (“EGM” or “Meeting”) of LKL International Berhad (“LKL” or the “Company”) will be held on fully virtual and entirely via remote participation and voting via TIIH Online website at <https://tiih.online> provided by Tricor Investor & Issuing House Services Sdn Bhd on Monday, 19 July 2021 at 4:00 p.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the following ordinary resolutions with or without any modifications:-

ORDINARY RESOLUTION 1

PROPOSED DIVERSIFICATION OF THE PRINCIPAL ACTIVITIES OF LKL AND ITS SUBSIDIARIES TO INCLUDE TRADING OF RUBBER GLOVES AND PERSONAL PROTECTIVE EQUIPMENT (“PROPOSED DIVERSIFICATION”)

“**THAT** subject to the necessary approvals of the relevant authorities and parties (if required) being obtained, approval be and is hereby given to the Board of Directors of the Company (“**Board**”) to implement the diversification of the existing business of LKL and its subsidiaries (the “**Group**”) to include trading of rubber gloves and personal protective equipment;

AND THAT the Board be and is hereby empowered and authorised to do all acts, deeds and things and to execute, sign and deliver or caused to be delivered for and on behalf of the Company, all such documents as it may consider necessary and/or expedient in the best interest of the Company in order to give full effect to the Proposed Diversification with full power to assent to any terms, conditions, modifications, variations and/or amendments in any manner as the Board may deem necessary and/or expedient in the best interest of the Company.”

ORDINARY RESOLUTION 2

PROPOSED PRIVATE PLACEMENT OF UP TO 177,523,200 NEW ORDINARY SHARES IN LKL, REPRESENTING APPROXIMATELY 30% OF THE TOTAL NUMBER OF ISSUED SHARES OF LKL (“PROPOSED PRIVATE PLACEMENT”)

“**THAT** subject to the approval of all the relevant authorities and parties (if required) being obtained, approval be and is hereby given to the Board to issue and allot up to 177,523,200 new ordinary shares in the Company (“**LKL Shares**” or “**Shares**”) (“**Placement Shares**”) by way of private placement to independent third-party investor(s), who qualify under Schedule 6 and Schedule 7 of the Capital Markets and Services Act, 2007 to be identified later, in one or more tranches at an issue price for each tranche to be determined at a later date by the Board (“**Price-Fixing Date**”) upon such terms and conditions as disclosed in the circular to the shareholders of the Company (“**Shareholders**”) dated 2 July 2021 (“**Circular**”).

THAT the issue price for each tranche of the Placement Shares will be determined based on a discount of not more than 20% to the 5-day volume-weighted average market price of LKL Shares up to and including the Price-Fixing Date.

THAT the Board be and is hereby authorised to utilise the proceeds to be derived from the Proposed Private Placement for such purposes as set out in the Circular and the Board be and is hereby authorised with full power to vary the manner and/or purpose of the utilisation of such proceeds from the Proposed Private Placement in the manner as the Board may deem fit, necessary and/or expedient, subject (where required) to the approval of the relevant authorities and in the best interest of the Company.

THAT such Placement Shares shall, upon allotment, issuance and full payment of the issue price, rank equally in all respects with the then existing issued Shares, save and except that the holders of such Placement Shares shall not be entitled to any dividend, rights, allotments and/or other distributions which may be declared, made or paid to the Shareholders, the entitlement date of which is prior to the date of allotment and issuance of the Placement Shares.

AND THAT the Board be and is hereby empowered and authorised to do all acts, deeds and things and to execute, sign, deliver and cause to be delivered on behalf of the Company all such documents and/or arrangements as may be necessary to give effect and complete the Proposed Private Placement and to assent to any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities or as the Directors may deem necessary in the interest of the Company and to take such steps as they may deem necessary or expedient in order to implement, finalise, give full effect and to complete the Proposed Private Placement.”

BY ORDER OF THE BOARD

TEA SOR HUA (MACS 01324) (SSM PC NO.: 201908001272)

Company Secretary

Petaling Jaya, Selangor Darul Ehsan

2 July 2021

Notes:-

- (a) A member who is entitled to attend and vote at the Meeting shall be entitled to appoint more than one (1) proxy to attend and vote at the Meeting in his/her stead. Where a member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.
- (b) A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
- (c) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised.
- (d) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- (e) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (“**omnibus account**”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. The appointment of multiple proxies shall not be valid unless the proportion of its shareholdings represented by each proxy is specified.
- (f) For the purpose of determining a member who shall be entitled to attend the Meeting, the Company will be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 63(b) of the Company's Constitution to issue the General Meeting Record of Depositors as at 12 July 2021. Only members whose names appear in the General Meeting Record of Depositors as at 12 July 2021 shall be regarded as members and entitled to attend, speak and vote at the Meeting.
- (g) The instrument appointing a proxy must be deposited with the Share Registrar of the Company situated at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time set for holding the EGM. Alternatively, the proxy appointment may also be lodged electronically via Tricor's TIIH Online website at <https://tiah.online> no less than 48 hours before the time for holding the Meeting or adjourned meeting at which the person named in the instrument proposes to vote.
- (h) The resolution as set out in the Notice of the Meeting will be put to vote by poll.
- (i) The EGM will be conducted on a fully virtual basis via TIIH Online website at <https://tiah.online> provided by Tricor Investor & Issuing House Services Sdn Bhd, members are advised to refer to the Administrative Notes on the registration and voting process for the EGM.
- (j) In view of the constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our EGM at short notice. Kindly check Bursa Malaysia Securities Berhad's website and the Company's website at <https://www.lklbeds.com> for the latest updates on the status of the EGM.



LKL INTERNATIONAL BERHAD
(Registration No. 201501014673 (1140005-V))
(Incorporated in Malaysia)

FORM OF PROXY

CDS Account No.
No. of Shares held

I/We, Tel. No.:
(Full name as NRIC/Passport and NRIC No. / Registration No.)

of
(Address)

being a member of LKL INTERNATIONAL BERHAD, hereby appoint(s):-

Full Name as per NRIC/Passport	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address	Email address		

and / or*

Full Name as per NRIC/Passport	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address	Email address		

or failing him/her*, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company ("EGM" or "Meeting") to be held on a fully virtual basis and entirely via remote participation and voting via TIH Online website at <https://tiah.online> provided by Tricor Investor & Issuing House Services Sdn Bhd on Monday, 19 July 2021 at 4:00 p.m. or at any adjournment thereof, and to vote as indicated below:-

Item	Agenda	Resolution	FOR	AGAINST
1.	Proposed Diversification	Ordinary Resolution 1		
2	Proposed Private Placement	Ordinary Resolution 2		

Please indicate with an 'X' in the space provided whether you wish your votes to be cast for or against the resolution. In the absence of specific direction, your proxy may vote or abstain as he thinks fit.

Signed this _____ day of _____ 2021

Signature^
Member

* Delete whichever is not applicable

^ Manner of execution:

- (a) If you are an individual member, please sign where indicated.
- (b) If you are a corporate member which has a common seal, this Form of Proxy should be executed under seal in accordance with the constitution of your corporation.
- (c) If you are a corporate member which does not have a common seal, this Form of Proxy should be affixed with the rubber stamp of your company (if any) and executed by:
 - (i) at least two (2) authorised officers, of whom one shall be a director; or
 - (ii) any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.



Notes:-

- (a) A member who is entitled to attend and vote at the Meeting shall be entitled to appoint more than one (1) proxy to attend and vote at the Meeting in his/her stead. Where a member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.
- (b) A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
- (c) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised.
- (d) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- (e) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. The appointment of multiple proxies shall not be valid unless the proportion of its shareholdings represented by each proxy is specified.
- (f) For the purpose of determining a member who shall be entitled to attend the Meeting, the Company will be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 63(b) of the Company's Constitution to issue the General Meeting Record of Depositors as at 12 July 2021. Only members whose names appear in the General Meeting Record of Depositors as at 12 July 2021 shall be regarded as members and entitled to attend, speak and vote at the Meeting.
- (g) The instrument appointing a proxy must be deposited with the Share Registrar of the Company situated at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than 48 before the time set for holding the EGM. Alternatively, the proxy appointment may also be lodged electronically via Tricor's TIIH Online website at <https://tiih.online> no less than 48 hours before the time for holding the Meeting or adjourned meeting at which the person named in the instrument proposes to vote.
- (h) The resolution as set out in the Notice of the Meeting will be put to vote by poll.
- (i) The EGM will be conducted on a fully virtual basis via TIIH Online website at <https://tiih.online> provided by Tricor Investor & Issuing House Services Sdn Bhd, members are advised to refer to the Administrative Notes on the registration and voting process for the EGM.
- (j) In view of the constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our EGM at short notice. Kindly check Bursa Malaysia Securities Berhad's website and the Company's website at <https://www.lklbeds.com> for the latest updates on the status of the EGM.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Share Registrar of
LKL INTERNATIONAL BERHAD

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia

1st fold here

