LKL INTERNATIONAL BERHAD

(Company No. 1140005-V)

ANNUAL REPORT
2018

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Datuk Adzmi Bin Abdul Wahab
Independent Non-Executive Chairman

Lim Kon Lian
Managing Director

Mok Mei Lan
Executive Director

Tan Chuan Hock
Non-Independent Non-Executive Director

Tevanaigam Randy Chitty
Senior Independent Non-Executive Director

Selma Enolil Binti Mustapha Khalil
Independent Non-Executive Director

AUDIT COMMITTEE

Tevanaigam Randy Chitty
(Chairman)
Tan Sri Datuk Adzmi Bin Abdul Wahab
Selma Enolil Binti Mustapha Khalil
Tan Chuan Hock

REMUNERATION COMMITTEE

Selma Enolil Binti Mustapha Khalil
(Chairman)
Tevanaigam Randy Chitty
Tan Chuan Hock

NOMINATION COMMITTEE

Tevanaigam Randy Chitty
(Chairman)
Selma Enolil Binti Mustapha Khalil
Tan Chuan Hock

RISK MANAGEMENT COMMITTEE

Tevanaigam Randy Chitty
(Chairman)
Tan Sri Datuk Adzmi Bin Abdul Wahab
Selma Enolil Binti Mustapha Khalil
Tan Chuan Hock

COMPANY SECRETARY

Tea Sor Hua *(MACS 01324)*

REGISTERED OFFICE

Third Floor, No.79 (Room A)
Jalan SS21/60
Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan
Tel No. : (03) 7725 1777
Fax No. : (03) 7722 3668

HEAD OFFICE

Wisma LKL
No.3, Jalan BS7/18
Kawasan Perindustrian Bukit Serdang
Seksyen 7, 43300 Seri Kembangan
Selangor Darul Ehsan
Tel No. : (03) 8948 2990
Fax No. : (03) 8948 7904
Website : http://www.lklbeds.com/
Email : info@lklbeds.com

AUDITORS

Messrs. Crowe Malaysia *(AF 1018)*
Level 16, Tower C
Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel No. : (03) 2788 9999
Fax No. : (03) 2788 9998

SHARE REGISTRAR

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
Tel No. : (03) 2783 9299
Fax No. : (03) 2783 9222

SPONSOR

Alliance Investment Bank Berhad
Level 3, Menara Multi-Purpose
Capital Square
8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel No. : (03) 2604 3333
Fax No. : (03) 2691 9028

PRINCIPAL BANKERS

United Overseas Bank (M) Bhd
Alliance Islamic Bank Berhad

STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia Securities Berhad
Stock Code : 0182
Stock Name : LKL

CORPORATE STRUCTURE

LKL International Berhad

100% LKL Advance Metaltech Sdn Bhd

100% Medik Gen Sdn Bhd

70%* TMI Medik Group Sdn Bhd

Note:

** 1 % held via LKL Advance Metaltech Sdn Bhd and 69% held via Medik Gen Sdn Bhd.*

MANAGEMENT DISCUSSION AND ANALYSIS

Dear valued shareholders,

*It is my pleasure, on behalf of the Board of Directors ("**the Board**") of LKL International Berhad ("**LKL International**" or "**the Group**"), to present to you our Annual Report and Audited Financial Statements for the financial year ended 30 April 2018 ("**FYE2018**").*

The financial year under review proved challenging as players in the healthcare sector took a cautious approach to capital expenditure ("**CAPEX**") in the first half of FYE2018 due to muted economic outlook. The Group also faced higher raw material costs and increased competition, which impacted our financial performance.

Fortunately, the improved economic optimism in the second half of FYE2018 prompted signs of a recovery in the healthcare sector as customers increased orders for our various medical/ healthcare beds and medical equipment products. This development reinforced our decision to maintain a strategic approach of expanding our product range and enhancing production capacity to better meet customer needs.

MANAGEMENT DISCUSSION AND ANALYSIS
Cont'd

ECONOMIC REVIEW

The global economy grew at a faster pace of 3.8% in 2017 compared to 3.2% in 2016, supported by rising trade, investment recovery in advanced economies, strong growth in emerging Asia, and the pickup in several commodity exporting economies[1].

Domestically, Malaysia recorded stronger gross domestic product ("**GDP**") growth of 5.9% in 2017 compared to 4.2% in 2016, driven by higher exports as well as increased private consumption and investments[2].

Meanwhile, the uptrend in crude oil prices and other commodities such as industrial metals in 2017 led to an increase in raw material costs for manufacturers[3,4]. Additionally, the stronger Ringgit against the U.S. Dollar impacted the ability of some exporters to compete in overseas markets.

FINANCIAL HIGHLIGHTS

Financial Performance *(figures in RM'000 unless otherwise stated)*	FYE2014	FYE2015	FYE2016	FYE2017	FYE2018
Revenue	38,894	39,039	37,149	33,893	29,716
Profit/(Loss) before taxation	8,186	7,299	4,889	6,052	(1,202)
Finance costs	252	359	489	471	431
Profit/(Loss) after taxation attributable to shareholders	6,007	5,963	3,271	4,479	(1,098)
Shareholders' equity	32,348	31,311	35,082	59,779	58,681
Total assets	43,718	45,393	52,233	72,302	72,399
Total borrowings	6,042	10,108	9,492	9,052	8,568
Net gearing ratio (times)	0.09	0.28	0.23	Net cash	Net cash
Earnings per share (sen)	1.90	1.89	1.04	1.05	(0.26)
Net assets per share (RM)	32.35	20.87	0.11	0.14	0.14
Dividend per share (sen)	n.a.	n.a	n.a	0.35	n.a

Share Performance *(figures in RM unless otherwise stated)*	FYE2018
Financial year high	0.290
Financial year low	0.145
Financial year close	0.150
Trading volume (number of shares)	264,298
Market capitalisation as at the financial year end (RM 'million)	64.32

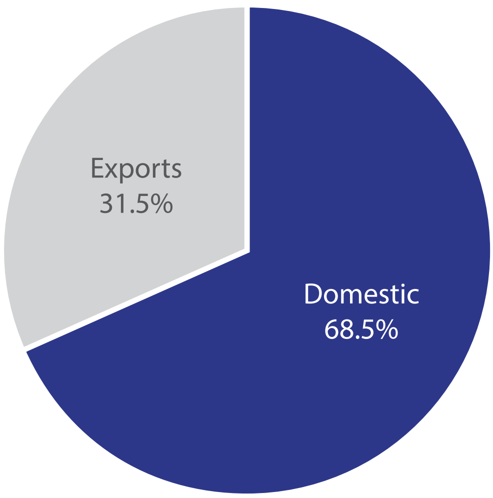
1 *International Monetary Fund, World Economic Outlook, April 2018: Cyclical Upswing, Structural Change*
2 *Bank Negara Malaysia, Annual Report 2017*
3 *International Energy Agency, Oil Market Report, 13 April 2018*
4 *Reuters, METALS-Zinc prices highest in a decade as industrial metals surge, 16 August 2017*

MANAGEMENT DISCUSSION AND ANALYSIS

Cont'd

Against the backdrop of weaker sentiment in the first half of FYE2018, group revenue dipped 12.3% in FYE2018 to RM29.7 million from RM33.9 million in the financial year ended 30 April 2017 ("**FYE2017**").

68.5% or RM20.3 million of FYE2018 group revenue was derived from domestic sales, while export sales made up the remaining 31.5% or RM9.4 million.



Revenue by Geography

In light of higher raw material costs and a less favourable product mix, gross profit decreased 35.3% to RM10.9 million in FYE2018 compared to RM16.9 million in FYE2017.

The Group incurred additional expenses pertaining to the formation of the new medical devices segment including headcount expansion and other costs. This led to administrative expenses rising 9.6% from RM8.2 million in FYE2017 to RM9.0 million in FYE2018.

The lower revenue resulted in 22.7% decrease in selling and distribution expenses to RM1.8 million compared to RM2.3 million in FYE2017. However, other expenses increased 17.3% from RM1.2 million in FYE2017 to RM1.4 million in FYE2018, mainly attributed to higher depreciation of property, plant and equipment, and higher realised loss on foreign exchange.

Finance costs decreased 8.5% to RM0.4 million in FYE2018 compared to RM0.5 million in FYE2017 on lower borrowings.

These factors cumulatively resulted in LKL International recording a loss before taxation and loss after taxation attributable to shareholders of RM1.2 million and RM1.1 million respectively in FYE2018, versus preceding year's profit before taxation and profit after taxation attributable to shareholders of RM6.1 million and RM4.5 million respectively.

Despite the challenging operating environment, LKL International continued to maintain a strong balance sheet.

The Group reported total borrowings of RM8.6 million in FYE2018, 5.3% lower than the RM9.1 million registered in the preceding year.

In line with our longer term expectations for a recovery in healthcare sector spending, the Group continued to invest in property, plant, and equipment, while building up inventory for the new business segment as well as in anticipation of larger future orders. This resulted in 40.9% decrease in cash and cash equivalents from RM23.0 million in FYE2017 to RM13.6 million in FYE2018.

For the FYE2018, the Group recorded shareholders' equity of RM58.7 million, 1.8% lower than RM59.8 million registered in the preceding year. The marginal decrease was attributable to the net loss of RM1.1 million incurred in the financial year under review.

The Group ended FYE2018 in a net cash position, which places us in a favourable position to implement our expansion plans when required.

CAPITAL EXPENDITURE

LKL International incurred RM6.2 million in CAPEX in FYE2018, of which RM4.4 million went towards the acquisition of new machinery while RM1.8 million was utilised to renovate the factory building acquired in the fourth quarter of FYE2017, and other assets including computer equipment.

The Group has allocated CAPEX of RM2.5 million for the financial year ending 30 April 2019 ("**FYE2019**") primarily for the purchase of equipment and other expenses related to the factory extensions.

MANAGEMENT DISCUSSION AND ANALYSIS
Cont'd

OPERATIONAL REVIEW

Manufacturing

LKL International, through our wholly-owned subsidiary LKL Advance Metaltech Sdn. Bhd. ("**LKL Advance**"), manufactures a comprehensive range of medical and healthcare beds, peripherals, and accessories under the LKL brand.

The Group has four manufacturing facilities in Seri Kembangan with total built-up area of 110,460 square feet ("**sq ft**"). Our design and manufacturing process is accredited with the ISO 9001:2008 and EN ISO 13485:2012 quality management certifications. Additionally, we have been granted a CE registration, which certifies that our products comply with the European Commission health, safety and environment protection legislation.

The Group's operations is also registered with the United States Food and Drug Administration ("**FDA**"), enabling us to market our products in the country. The registration with the FDA also entails the listing of a selection of LKL products such as medical beds and peripherals, thereby enhancing our profile in the healthcare industry.

I. Medical and healthcare beds

Revenue contribution from the medical and healthcare beds manufacturing segment increased slightly by 1.3% to RM9.7 million in FYE2018 from RM9.6 million in FYE2017 despite the challenging operating environment. The resilience in demand is testament to the quality, ability to customise and overall value proposition of our medical and healthcare beds.

II. Medical peripherals and accessories

The medical peripherals and accessories manufacturing segment registered a 13.5% decrease in revenue to RM14.7 million in FYE2018 from RM16.9 million in FYE2017 as customers in the healthcare sector continued to take a cautious approach towards new purchases overall.

Trading

The Group, through our wholly-owned subsidiary LKL Advance, is involved in the trading of medical and healthcare beds, peripherals and accessories to complement our in-house manufactured products and offer customers a wide range of products.

Also, our 70%-owned joint venture company TMI Medik Group Sdn. Bhd. ("**TMG**"), since 1 June 2017 was engaged in the distribution of selected 'Nihon Kohden' medical devices in Malaysia such as defibrillators, automated external defibrillator, electroencephalographs and patient monitor screens.

I. Medical peripherals and accessories

The medical peripherals and accessories trading segment posted 49.8% lower revenue of RM3.7 million in FYE2018 compared to RM7.3 million in FYE2017 attributed to slower CAPEX spending from our customers in the healthcare sector, especially in the first half of FYE2018.

II. Medical devices distribution

TMG made its maiden contribution of RM1.6 million to group revenue in FYE2018. There was no comparable data for sales of medical devices in the previous financial year.

Expanded manufacturing capacity and capabilities

The Group continued to enhance our production facilities and processes towards attaining greater efficiency and improving competitiveness.

In this respect, we completed renovation works on one of our factory buildings in the second quarter of FYE2018, which increased overall storage capacity and provided the necessary space to accommodate new machinery installations.

The Group also successfully installed a Computer Numeric Control ("**CNC**") laser tube machine, the TruLaser Tube 5000, in the second quarter of FYE2018. With the CNC laser tube machine, the Group is now able to perform high-speed precision cutting, which increases our overall manufacturing efficiency and quality control.

OUTLOOK AND CHALLENGES

According to the International Monetary Fund, the global economy is expected to expand at a robust pace of 3.9% in 2018 propelled by growth in emerging economies and resilient advanced economies[5].

According to industry reports, global healthcare spending is still on track to reach USD8.7 trillion in 2020 from USD7.1 trillion in 2015 underpinned by an ageing population, growth in developing markets, technology improvements, and rising labour costs[6].

Locally, the Malaysian economy has made a strong start with GDP growth of 5.4%, driven by expansion in the manufacturing and services sectors. Bank Negara Malaysia forecasts that the economy will expand by 5.5% to 6.0% in 2018 due to continued growth in private sector activity and an increase in exports on the back of favourable global demand[7].

[5] *International Monetary Fund, World Economic Outlook, April 2018: Cyclical Upswing, Structural Change.*
[6] *The Edge Markets, Rising health care demand needs to be tackled as population ages - Deloitte, 20 January 2017.*
[7] *Bank Negara Malaysia, Quarterly Bulletin, 1Q 2018.*

MANAGEMENT DISCUSSION AND ANALYSIS

Cont'd

Sector experts project that total healthcare industry spending in Malaysia is set to grow to RM80 billion by 2020 from RM52 billion in 2017 on the back of rising demand for healthcare services[8].

The Group is also hopeful that the new Federal Government would reassess procurement and competitive policies to prioritise locally sourced and manufactured contents and products. By providing more opportunities to local players through a merit-based system, the Federal Government can foster a conducive environment for manufacturers to improve competitiveness and move up the value chain.

While we are optimistic about our future prospects, we are cognizant of the challenges in the manufacturing sector. The strength of the Ringgit relative to the U.S. Dollar impacts our ability to compete in the export markets, potentially affecting sales orders from cost-sensitive customers.

Meanwhile, higher costs for materials such as steel sheets, electrical components, and hydraulic pumps place pressure on our overall profitability. The Group may also face increase competition from industry players vying for the same market in Malaysia and abroad for the next few years, which could constrain future performance.

GROWTH STRATEGIES

The positive outlook for the economy alongside projected growth in both domestic and global healthcare sector spending is expected to create significant opportunities for LKL International moving forward. To capture these opportunities, the Group will continue to pursue our growth strategies, namely expanding our product portfolio, growing export sales, and enhancing our manufacturing facilities.

- **Expanding product portfolio**

  The Group is continuously identifying opportunities to carry new high-value medical products to complement our current offerings. This will not only improve our product mix, but will also strengthen our position as a comprehensive supplier of solutions to our customers in the healthcare sector.

  Our medical devices business speaks volumes of our ability to successfully incorporate new product lines into our offerings. In just a short period, we managed to build significant interest for 'Nihon Kohden' medical devices in Malaysia. We are optimistic of developing this business into a significant contributor of group performance moving forward.

- **Growing export sales**

  The Group has been making inroads into the global healthcare market by exporting our products to over 30 countries since 2000. We will continue our efforts to boost export sales by building greater awareness for the LKL brand through trade exhibitions to showcase the quality and functionality of our medical and healthcare beds, peripherals and accessories.

  The Group also aims to increase the number of overseas distributors and agents for expansion into new geographical markets, as well as to grow our existing export markets through more distribution points.

- **Investing in a new manufacturing plant extension**

  The Group will continue to invest in new manufacturing facilities and improve our manufacturing capacity and capabilities to ensure future sustainability.

  The Group plans to build a four-storey steel structure extension upon approval of the amalgamation of the land titles for two of our manufacturing plants. The new structure will increase the total built-up area of the manufacturing plants by 37,400 sq ft or 40.8% to 129,140 sq ft, from 91,740 sq ft currently.

  The additional space will allow the Group to install a conveyor line to partially automate our epoxy powder coating process and increase storage area for inventory. Taking into consideration estimated timelines for submission of plans and approvals obtained from regulatory authorities, together with the construction period, the four-storey steel structure extension is expected to commence operations in the third quarter of the financial year ending 30 April 2021.

APPRECIATION

I would like to extend my deepest gratitude to the Board, management team, and employees for their tireless efforts in driving the Group forward in this challenging environment. Your hard work and dedication have positioned us to resume growth once business conditions become more favourable.

I would also like to sincerely thank our business partners, associates, customers, and valued shareholders for their continued support. We remain fully committed to delivering stronger performance and maximizing long-term shareholder value in a sustainable manner.

Sincerely,

LIM KON LIAN
Managing Director

[8] *The Edge Markets, Malaysia's healthcare industry to grow to RM80 billion by 2020 - Frost & Sulliran, 1 March 2018.*

SUSTAINABILITY STATEMENT

LKL International Berhad ("**LKL International**" or "**the Group**") is committed to being a responsible corporate citizen by working towards the betterment of society. In the daily course of our business, we strive to play a conscious and ongoing role to bring a positive impact to our employees, the environment, the community and the marketplace. We are committed to not only strengthening the sustainability of the Group from a financial perspective, but also from the societal and environmental perspectives.

I. Employees

We recognise the vital role that our employees play in the success of our business. We therefore encourage our employees to pursue healthy lifestyles and achieve an optimal work-life balance, which will contribute to more effective long-term performance in their work.

Employee safety is also a top priority in all our workspaces, and we have implemented best practices to minimise the risk of work-related accidents and injuries.

We are steadfast in supporting our employees' professional development in order to achieve the Group's growth aspirations. To this end, the Group continuously offers training and career advancement opportunities for our employees to maximize their potential.

The Group is committed to building a pleasant working environment that fosters our employees' level of engagement. We organise yearly events such as company annual dinner and teambuilding activities to forge closer bonds within the team, which leads to enhanced teamwork.

LKL International does not condone any form of discrimination in the workplace. Decisions with regards to promotion and compensation are made based on employee merit and performance and contribution to the Group.

II. Environment

The Group is dedicated to upholding environmentally-friendly practices and will continue to pursue the initiatives in reducing wastage in our manufacturing processes. We also ensure that waste is recycled where possible, and that non-recyclable waste is disposed of responsibly.

The Group places strong emphasis on manufacturing products in an environmentally-safe manner, and aims to increase the use of eco-friendly components in our products. We obtained a CE registration in 2009, certifying that our products comply with the European Commission health, safety and environment protection legislation.

III. Community

LKL International intends to play a positive role in the communities where it operates. During the financial year under review, we have made charitable contributions to noble causes and charitable organisations such as old folk homes and schools.

As at 30 April 2018, LKL International employed 156 people, providing them with gainful employment. We also support the development of Malaysia's domestic medical manufacturing industry by engaging a wide network of local suppliers and distributors.

The Group is committed to delivering high-quality medical and healthcare beds, peripherals and accessories, and medical devices to our customers in the healthcare sector. Our products assist healthcare practitioners to effectively administer treatment to patients. LKL International also designs healthcare and medical beds that emphasise both practicality and patient comfort.

Moving forward, we will strive to ensure that our manufacturing processes are in compliance with the ISO 9001:2008 and EN ISO 13485:2012 quality management certifications.

IV. Marketplace

The Group is dedicated to upholding high standards of corporate governance in our organisation. We adopt and adhere to the ethical standards of business conduct in our dealings with our stakeholders.

The protection of shareholders' interest and the creation of shareholder value is the top priority within the Group. To this end, the Group will ensure that transparency is maintained with regards to our financial performance and material information pertaining to our business activities is communicated in a timely manner.

BOARD OF DIRECTORS

From Left to Right:

Tevanaigam Randy Chitty
Senior Independent Non-Executive Director

Mok Mei Lan
Executive Director

Tan Sri Datuk Adzmi Bin Abdul Wahab
Independent Non-Executive Chairman

BOARD OF DIRECTORS
Cont'd

From Left to Right:

Lim Kon Lian
Managing Director

Tan Chuan Hock
Non-Independent Non-Executive Director

Selma Enolil Binti Mustapha Khalil
Independent Non-Executive Director

PROFILE OF DIRECTORS

TAN SRI DATUK ADZMI BIN ABDUL WAHAB

Independent Non-Executive Chairman

Tan Sri Datuk Adzmi Bin Abdul Wahab ("**Tan Sri Datuk Adzmi**"), Malaysian, Male, aged 75, is our Independent Non-Executive Chairman and was appointed to the Board on 23 July 2015. He is a Member of the Audit Committee and Risk Management Committee.

Tan Sri Datuk Adzmi holds a Master in Business Administration from University of Southern California. He is the Chairman of two (2) other public listed companies, namely Magna Prima Berhad and Lebtech Berhad, and director for several private companies involved in various industries, such as information technology, construction, property development, manufacturing, trading and tertiary education.

Tan Sri Datuk Adzmi served the Malaysian Administrative and Diplomatic Service in the following capacities from 1967 to 1982: Central Procurement and Contract Management in Ministry of Finance; Investment Promotion in Pahang Tenggara Development Authority; Public Enterprise Management in Implementation Coordination Unit (Prime Minister's Department); and Regional Planning in Klang Valley Planning Secretariat (Prime Minister's Department). From 1982 to 1985, he was a Manager of the Corporate Planning Division of HICOM Holdings Berhad and was responsible for the development of heavy industry projects. From 1985 to 1992, he served in Proton Holdings Berhad and he served his last position there as Director/Corporate General Manager of the Administration and Finance division.

In 1992, Tan Sri Datuk Adzmi was appointed as Managing Director of Edaran Otomobil Nasional Berhad ("**EON Berhad**"), where he served until his retirement in 2005, and he is the longest serving Managing Director of EON Berhad. In 2003, he was conferred Malaysia Chief Executive Officer ("**CEO**") of the Year by American Express and Business Times and Most PR Savvy CEO by Institute of Public Relations Malaysia.

Tan Sri Datuk Adzmi was appointed as the Independent Non-Executive Chairman of Dataprep Holdings Berhad from 2006 until his retirement in 2017. He was also the Independent Non-Executive Chairman of Grand-Flo Berhad from 2010 until his retirement in 2017.

PROFILE OF DIRECTORS

Cont'd

LIM KON LIAN

Managing Director

Lim Kon Lian ("**Mr. Lim**"), Malaysian, Male, aged 64, is our Co-Founder and Managing Director. He was appointed to our Board on 13 April 2015. He is responsible for overseeing the strategic business planning, development and operations of our Group.

Mr. Lim began his career in 1969 as an apprentice in a metal fabrication business in Kuala Lumpur. In 1974, he moved to Singapore, and continued to work in metal fabrication as a freelance sub-contractor.

Mr. Lim returned to Malaysia in 1977 and was involved in general trading before he founded Victor Company in 1981, a sole proprietorship involved in the manufacturing of steel and wooden furniture, which included hospital furniture and accessories. He subsequently co-founded Victor Steel Equipment Supplies in 1983, a business partnership set up for the trading and supply of steel and wooden furniture, including hospital furniture and accessories. It was during these years when he fine-tuned his expertise in the manufacturing of healthcare furniture and equipment, as well as acquiring knowledge and understanding of the medical and healthcare industry. In 1993, he co-founded our wholly-owned subsidiary, LKL Advance Metaltech Sdn Bhd together with our Executive Director, Mok Mei Lan.

PROFILE OF DIRECTORS
Cont'd

MOK MEI LAN

Executive Director

Mok Mei Lan ("**Ms. Mok**"), Malaysian, Female, aged 63, is our Co-Founder and Executive Director. She was appointed to our Board on 13 April 2015 and is presently responsible for overseeing the procurement functions of our Group.

Ms. Mok began her career in 1973 as an Administrative Clerk, where she managed the administrative functions of an assemblyman in her role as an elected representative of the constituency she served. In 1976, she joined Klinik Thurai, as an Assistant Nurse.

Ms. Mok co-founded Victory Supplies in 1988, a business partnership involved in the trading and supply of hospital furniture, accessories, and steel and wooden furniture and fittings, with Lim Kon Khoon, the brother of Mr. Lim. In 1993, she co-founded our wholly-owned subsidiary, LKL Advance Metaltech Sdn Bhd together with our Managing Director, Mr. Lim.

PROFILE OF DIRECTORS
Cont'd

TAN CHUAN HOCK

Non-Independent Non-Executive Director

Tan Chuan Hock ("**Mr. Tan**"), Malaysian, Male, aged 57, is our Non-Independent Non-Executive Director. He was appointed to our Board on 23 July 2015 and is a Member of the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee.

Mr. Tan is the Executive Proprietor and also the founder of Messrs. William C.H. Tan & Associates, a Chartered Accountants firm based in Selangor in 1989. He is a member of the Malaysian Institute of Accountants, Chartered Tax Institute of Malaysia and is a Fellow member of the Association of Chartered Certified Accountants.

Mr. Tan has more than 30 years of experience particularly in financial reporting, auditing, taxation and planning, company secretarial as well as corporate management and advisory services. Presently, he holds directorships in three (3) other public listed companies, namely Grand-Flo Berhad, EITA Resources Berhad and Careplus Group Berhad, as well as several private limited companies.

PROFILE OF DIRECTORS

Cont'd

TEVANAIGAM RANDY CHITTY

Senior Independent Non-Executive Director

Tevanaigam Randy Chitty ("**Randy**"), Malaysian, Male, aged 50, is our Senior Independent Non-Executive Director. He was appointed to our Board on 23 July 2015 and is the Chairman of the Audit Committee, Nomination Committee and Risk Management Committee as well as a Member of the Remuneration Committee.

Randy is a member of the Malaysian Institute of Certified Public Accountants. He completed the Malaysian Certified Public Accountants examination and was admitted as a member of Malaysian Institute of Certified Public Accountants in 1994. He previously held a Capital Markets Services Representative's Licence as governed by the Securities Commission Malaysia from 2008 up to 2017. Randy started his career as an Articled Clerk with Ernst & Young in 1989 and his last position there was as Audit Senior. In 1993, he joined the Corporate Finance division of Arab Malaysian Merchant Bank Berhad as an Officer and was promoted to Manager in 1996. In 1997, he joined TA Securities Berhad as a Senior Manager in the Corporate Finance division. Randy continued his career as Group General Manager for Pancaran Ikrab Berhad in 1999. In 2002, he joined the Finance department of Bukit Kiara Properties Sdn Bhd as General Manager. Subsequently in 2003, he joined as the Group General Manager of the Finance department at AWC Facilty Solutions Berhad (now known as AWC Berhad). In 2008, Randy joined the International Corporate Finance Unit of Kenanga Investment Bank Berhad as a Director/ Senior Vice President. He was an Associate at Sierac Corporate Advisers Sdn Bhd from 2010 until 2017.

Randy served as the Chief Financial Officer of AWC Berhad from 2015 until 2018, when he left to join Malaysia Smelting Corporation Berhad as the Group Chief Financial Officer.

He also holds directorship in one (1) other public listed company, namely Radiant Globaltech Berhad.

PROFILE OF DIRECTORS
Cont'd

SELMA ENOLIL BINTI MUSTAPHA KHALIL

Independent Non-Executive Director

Selma Enolil Binti Mustapha Khalil ("**Selma**"), Malaysian, Female, aged 47, is our Independent Non-Executive Director. She was appointed to our Board on 23 July 2015 and is the Chairman of the Remuneration Committee as well as a Member of the Audit Committee, Nomination Committee and Risk Management Committee.

Selma graduated from University of Wales, Aberystwyth with a Bachelor of Laws in 1994. She obtained her Certificate in Legal Practice in 1995 and was called to the Malaysian Bar as an Advocate and Solicitor in 1996.

She started her career as an Advocate and Solicitor with Messrs. Abu Talib Shahrom & Zahari in 1996. In 1998, she joined TNB Remaco Sdn Bhd as a legal executive. She resumed practicing law as an Advocate and Solicitor with Messrs. Raslan Loong in 2000.

In 2003, she co-founded Messrs. Enolil Loo, Advocates and Solicitors, in which she is currently a Partner.

Notes:

1. *Except for Mr. Lim who is the spouse of Ms. Mok, none of the other Directors has any family relationship with any Director and/or major shareholder of the Company.*
2. *None of the Directors have any conflict of interest with the Company.*
3. *None of the Directors have been convicted of any offences in the past five (5) years, or been imposed on any public sanction or penalty by relevant regulatory bodies during the financial year ended 30 April 2018, other than traffic offences (if any).*

PROFILE OF KEY SENIOR MANAGEMENT

LIM PAK HONG
Group General Manager

Lim Pak Hong ("**PH Lim**"), Malaysian, Male, aged 32, is our Group General Manager since 1 July 2015 and is also a substantial shareholder of the Company. He assists our Managing Director in managing the overall operations of our Group, with a special focus on Research & Development ("**R&D**"). He obtained a diploma in Mechatronics Engineering from INTI University College in 2009. In 2013, he graduated with a Bachelor of Engineering in Mechatronic Engineering from Staffordshire University, United Kingdom.

Upon graduation, PH Lim joined our Group as a R&D Engineer and was responsible for product design and development, including product customisations as specified by our customers. Among his notable achievements was the design of a Longitudinal Patient Transfer Trolley System, developed for the transferring of patients longitudinally (or lengthwise) as opposed to the conventional lateral (or sideways) transfer, which was useful in narrow hospital corridors and tight spaces. He was promoted to his current role as Group General Manager in 2015 and will be an integral part of our Group's future growth and success.

PH Lim is the son to Mr. Lim and Ms. Mok, brother to Elaine, brother-in-law to MC Lim and cousin to KE Lee.

LIM MING CHANG
General Manager - Operations

Lim Ming Chang ("**MC Lim**"), Malaysian, Male, aged 36, is our General Manager - Operations since 1 July 2015. He 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 joined our Group as an IT and Sales Executive. In 2008, he was promoted to Management Information System Manager and was appointed as the Deputy Quality Management Representative of our Group. In 2011, he was promoted to Quality Management Representative.

In 2015, MC Lim was promoted to his current role as General Manager - Operations. In this role, he oversees our Group's manufacturing operations, IT and telecommunications functions, corporate website maintenance, as well as building and facilities management. MC Lim remains as our Quality Management Representative and manages quality control and quality assurance of our operations, as well as operational safety, health and environment.

MC Lim is the spouse of Elaine, son-in-law to Mr. Lim and Ms. Mok and brother-in-law to PH Lim.

PROFILE OF KEY SENIOR MANAGEMENT
Cont'd

WEE CHUEN LII
Financial Controller

LEE KAH EARNG
Chief Marketing Officer

Wee Chuen Lii ("**CL Wee**"), a Malaysian, Male, aged 45, is our Financial Controller. He is responsible for overseeing the finance functions of our Group. He obtained a Diploma in Commerce (Financial Accounting) from Tunku Abdul Rahman College in 1996. He is a Fellow member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants.

CL Wee started his career as an Accounts Executive with Tasja Sdn Bhd (a wholly-owned subsidiary of Astral Asia Bhd) in 1997. He joined EA Consulting Asia Pacific Sdn Bhd as an Accountant in 2000 and continued his career as an Accountant with Axon Solutions Sdn Bhd in 2006. In 2009, he joined DSC Systems (M) Sdn Bhd (a wholly-owned subsidiary of DGB Asia Berhad) as their Group Finance Manager. Subsequently, he joined Huawei Technologies (M) Sdn Bhd as their Business Financial Controller in 2012. On 9 February 2015, he joined our Group as Financial Controller.

Lee Kah Earng ("**KE Lee**"), Malaysian, Male, aged 48, is our Chief Marketing Officer. He is responsible for managing overall sales and marketing and business development activities of our Group. In 1996, he joined our Group as a Sales Executive and has been an instrumental part of our Group's success and growth to-date. He was promoted to Sales Manager in 2003 and subsequently to Senior Sales Manager in 2012. He assumed his present position as our Chief Marketing Officer on 1 May 2014.

Over the years, he has been instrumental in the delivery of our products to public hospitals and also been responsible for leading our Group's sales initiatives in the private hospitals.

KE Lee is the nephew of Ms. Mok and cousin to Elaine and PH Lim.

PROFILE OF KEY SENIOR MANAGEMENT

Cont'd

ELAINE LIM SIN YEE

Human Resource and Administration Manager

LEE KAM WENG

Export Manager

Elaine Lim Sin Yee ("**Elaine**"), Malaysian, Female, aged 37, is our Human Resource ("**HR**") and Administration ("**Admin**") Manager and a substantial shareholder of the Company. She is responsible for overseeing the HR and Admin functions of our Group. She graduated from Royal Melbourne Institute of Technology University in Melbourne, Australia with a Bachelor of Business (Accountancy) in 2005. Upon graduation, she joined our Group as a Personal Assistant to the Managing Director and was promoted to her present position as the HR and Admin Manager on 2 January 2006.

As HR and Admin Manager, Elaine ensures the smooth running and operations of our Group. She manages our Group's employment and payroll functions, and oversees security, transportation, dispatch, office management, and the maintenance and upkeep of motor vehicles. She is also responsible for the renewal of all relevant licenses and certifications.

Elaine is the spouse of MC Lim, daughter to Mr. Lim and Ms. Mok, sister to PH Lim and cousin to KE Lee.

Lee Kam Weng ("**KW Lee**"), Malaysian, Male, aged 30, is our Export Manager. He graduated from INTI International University with a Bachelor of International Business in 2012 and was awarded a Bachelor of Arts from University of Hertfordshire in the same year.

KW Lee joined our Group in 2012 as a Sales and Marketing Executive and was promoted to Export Manager on 1 April 2014. He oversees all sales and marketing activities relating to our overseas agents, distributors and hospitals. He is extensively involved in client relationship building and international sales development, as he maintains regular communications with all our overseas stakeholders. Further, he is our Group's key liaison personnel at international trade shows and exhibitions to which he has received a certificate of appreciation as a speaker for a sharing session held by the Ministry of International Trade and Industry in 2017. KW Lee's international sales experience will be vital to our Group's plans to expand our export business.

Notes:

1. *None of the key senior management has any directorship in other public companies and listed corporations.*
2. *Except for PH Lim, MC Lim, KE Lee and Elaine, none of the other key senior management has any family relationships with any directors and/or major shareholders of the Company.*
3. *None of the key senior management has any conflict of interest with Company.*
4. *None of the key senior management has been convicted of any offences in the past five (5) years, or been imposed on any public sanction or penalty by relevant regulatory bodies during the financial year ended 30 April 2018, other than traffic offences (if any).*

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“**the Board**”) of LKL International Berhad (“**the Company**”) is committed towards ensuring good corporate governance practices are implemented and maintained throughout the Company and its subsidiaries (“**the Group**”) as a fundamental part of discharging its duties to enhance shareholders’ values consistent with the broad principles, intended outcomes, guidance and recommendations for good corporate governance and best practices for listed companies as set out in the Malaysian Code on Corporate Governance (“**MCCG**”).

This Corporate Governance Overview Statement (“**the Statement**”) should be read together with the Corporate Governance Report 2018 which is available on the Group’s website, www.lklbeds.com, as well as via an announcement on the website of Bursa Malaysia Securities Berhad (“**Bursa Securities**”).

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

PART I – BOARD RESPONSIBILITIES

1. Board’s Leadership on Objective and Goals

1.1 Strategic Aims, Values and Standards

The Board is responsible for the stewardship of business and affairs of the Company in order to enhance long term shareholders’ value. The Board is fully aware and understand their collective responsibilities in guiding the business activities of the Group in reaching an optimum balance of a sound and sustainable business operation with an optimal corporate governance framework in order to safeguard shareholders’ value.

The Board is responsible for formulating and reviewing the Group’s strategic plans and key policies, and charting the course of the Group’s business operations whilst providing effective oversight of the performance of the Group’s senior management (“**Senior Management**”), risk assessment and controls over business operations. The Board is also responsible for determining the nature and extent of the principal risks of the Company’s business in achieving its strategic objectives.

The Managing Director (“**MD**”) is directly responsible for the day-to-day management of the business and operations, for procuring new business and for the commercial and corporate performance of the Company within the parameters of good governance. Non-Executive Directors play a vital check and balance role by challenging and scrutinising the Senior Management’s recommendations and proposals in an objective manner and bringing independent judgment to the decision making process at the Board and Board Committee levels.

Broadly, the Board assumes, amongst others, the following responsibilities in discharging its fiduciary and leadership functions:-

- Reviewing and adopting a strategic plan for the Group, including addressing the Group’s business strategies underpinning sustainability;
- Overseeing the performance of the Group’s business and determining whether its business is being properly managed;
- Identifying principal business risks faced by the Group and ensuring the implementation of appropriate risk management framework and mitigating measures to address such risks;
- Ensuring that all candidates appointed to the Board or the Senior Management are of sufficient calibre, including having in place a process to provide for the orderly succession of the Board and Senior Management;
- Overseeing the implementation of investor relations programme and stakeholder communication policy;
- Evaluating the adequacy and soundness of the Group’s internal controls and management information systems, including systems for the Group’s business to be in compliance with applicable laws, regulations, rules, directives and guidelines; and
- Ensuring the financial statements are prepared based on appropriate and consistently applied accounting policies, supported by reasonably prudent judgment and estimation and in accordance to the applicable financial reporting standards.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
Cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *Cont'd*

PART I – BOARD RESPONSIBILITIES *Cont'd*

1. Board's Leadership on Objective and Goals *Cont'd*

1.1 Strategic Aims, Values and Standards *Cont'd*

The Board has also delegated certain responsibilities to the following Board Committees to assist in the execution of its responsibilities:-

a. Audit Committee
b. Nomination Committee
c. Remuneration Committee
d. Risk Management Committee

The Board Committees' Terms of Reference can be accessed via the Company's website, www.lklbeds.com.

The role of Board Committees is to advise and make recommendation to the Board. Notwithstanding, the ultimate responsibility for making the final decision on all matters lies with the Board. The Chairman of these Committees will provide a verbal report on the outcome of their respective Committee meeting to the Board, and any further deliberation is made at the Board level, if required.

1.2 The Chairman

The Chairman holds a Non-Executive position and is primarily responsible for matters pertaining to the Board and ensure the orderly conduct and performance of the Board. The Chairman is committed to good corporate governance practices and has been leading the Board towards high performing culture.

The role of Chairman of the Board is stated clearly on the Board Charter, which is available on the Company's website, www.lklbeds.com.

The responsibilities of the Chairman, amongst others, are as follows:-

a. To provide leadership to the Board.

b. To oversee the effective discharge of the Board's supervisory role.

c. To facilitate the effective contribution of all Directors.

d. To conduct and chair Board Meetings and General Meetings of the Company.

e. To manage Board communications and Board effectiveness and effective supervision over Management.

f. To ensure that quality information to facilitate decision-making is delivered to the Board on timely manner.

g. To ensure Board Meetings and General Meetings are in compliance with good conduct and best practices.

h. To promote constructive and respectful relations between Board members and between the Board and the Management.

i. Together with the MD, represents the Company and /or Group to external groups such as shareholders, creditors, consumer groups, local communities and federal, state, and local governments.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
Cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *Cont'd*

PART I – BOARD RESPONSIBILITIES *Cont'd*

1. Board's Leadership on Objective and Goals *Cont'd*

1.3 Chairman and MD

The Chairman and the MD are held by two different individuals. The Chairman of the Board, Tan Sri Datuk Adzmi Bin Abdul Wahab who is an Independent Non-Executive Director, he is responsible for the leadership of the Board, whereas the MD, Mr. Lim Kon Lian leads the management of the Group. The MD has overall responsibility for the business and day-to-day management of the Company and the implementation of the Board's policies and decisions.

The distinct and separate roles and responsibilities of the Chairman and MD are clearly stated in the Board Charter, which is available on the Company's website, www.lklbeds.com.

1.4 Qualified and competent Company Secretary

The Board is supported by a suitably qualified and competent Company Secretary. Our Company Secretary is a member of the Malaysian Association of Company Secretaries and is holding a professional certificate as qualified Company Secretary under the Companies Act 2016. She possesses over 25 years of experience in corporate secretarial practices.

The Board acknowledges that the Company Secretary plays an important role and will ensure that the Company Secretary fulfils the functions including advising, administrative and governance matters for which she has been appointed.

The Company Secretary plays an advisory role in supporting the Board and Board Committees on issues relating to complying with laws, rules, procedures and regulations affecting the Company, particularly Companies Act 2016, ACE Market Listing Requirements of Bursa Securities ("**Listing Requirements**"), MCCG, Company's Constitution and Board Charter.

The Company Secretary manages the logistics of all Board, Board Committees and general meetings. She ensures minutes of all meetings are properly recorded and reflected the correct proceedings of the meetings, including whether any Director abstained from voting or deliberating on a particular matter.

During the financial year under review, all Board and Board Committees meetings were properly convened, and accurate and proper records of the proceedings and resolutions passed were taken and maintained in the statutory records of the Company.

Overall, the Board is satisfied with the service and support rendered by the Company Secretary to the Board in the discharge of her functions.

All Directors have unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively. The Company Secretary also keeps the Directors and Principal Officers informed of the closed period for dealings in the Company's shares.

1.5 Access to information and advice

The Board recognises that the decision-making process is highly dependent on the quality of information furnished. In furtherance of this, all Directors have access to the information within the Group through the following means:-

a. Members of Senior Management attended the Board and/or Board Committees meetings by invitation, to report on areas of which are within their responsibility for the Board's decision making and effective discharge of the Board's responsibilities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
Cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *Cont'd*

PART I – BOARD RESPONSIBILITIES *Cont'd*

1. Board's Leadership on Objective and Goals *Cont'd*

1.5 Access to information and advice *Cont'd*

b. The Board and/or Board Committees meeting papers are prepared and circulated to the Directors and/or Board Committees at least five (5) days before the Board and Board Committee meetings.

c. The Audit Committee ("**AC**") meets with the Senior Management, Internal Auditors and External Auditors regularly to review their audit plans and reports, and obtain updates and observations on internal control system and financial reporting matters.

Besides direct access to the Company Secretary and Senior Management, the Board may obtain independent professional advice at the Company's expense, if considered necessary.

2. Demarcation of Responsibilities

2.1 Board Charter

In April 2018, the Board also reviewed and approved the amendments to the Board Charter and the Code of Ethics and Conduct ("**the Code**") for the Group to be in line with the practices in the MCCG. The Board Charter is intended to identify the role, structure and processes related to key governance activities of the Board. It also serves as a reference point for Board activities.

A copy of the Board Charter is available on the Company's website at www.lklbeds.com.

3. Good Business Conduct and Corporate Culture

3.1 Code of Ethics and Conduct

The Board has adopted the Code which is incorporated in the Board Charter of the Company. The Directors continue to observe the Code based on the code of conduct expected of directors of companies as set out in the Code of Ethics for Company Directors established by the Companies Commission of Malaysia, and ensure implementation of corporate accountability standards to support and promote an ethical corporate environment and ensure the compliance of the Code.

The Board will periodically review and assess the adequacy of the Code, and make such amendments to the Code as the Board may deem appropriate. The Code is available on the Company's website at www.lklbeds.com.

3.2 Whistle Blowing

The Board has put in place a Whistle Blowing Policy to encourage its employees to report genuine concerns in relation to breach of any legal obligation (including negligence, criminal activity, breach of contract and breach of the law), miscarriage of justice, danger to health and safety or to the environment and the cover-up of any of these in the workplace. The Whistle Blowing Policy of the Company provides guidance on the appropriate communication and feedback channels to ensure legitimate concerns can be objectively investigated and addressed.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *Cont'd*

PART II – BOARD COMPOSITION

4. Board's Objectivity

4.1 Composition of the Board

The control environment sets the tone for the Group and is driven by an effective Board consisting of qualified and competent individuals with appropriate specialised skills and knowledge to ensure capable management of the Group. The appointment of Independent and Non-Independent Directors are carefully considered to ensure that the Board is well balanced on views, advice, judgment and decision making.

The Board currently has six (6) members as set out in the table below:-

Name of Board Members	Designation
Tan Sri Datuk Adzmi Bin Abdul Wahab, Chairman	Independent Non-Executive Chairman
Lim Kon Lian, Member	Managing Director
Mok Mei Lan, Member	Executive Director
Tan Chuan Hock, Member	Non-Independent Non-Executive Director
Tevanaigam Randy Chitty, Member	Senior Independent Non-Executive Director
Selma Enolil Binti Mustapha Khalil, Member	Independent Non-Executive Director

Half of the Board comprises Independent Directors as recommended by Practice 4.1 of the MCCG. The Company also fulfils the requirement of the Board comprising at least one-third (1/3) Independent Directors as stipulated under Rule 15.02 of the Listing Requirements.

The size and composition of the Board is well balanced in its current constituted state to address any business challenges and to drive the business of the Group to greater heights. The Board comprises of a mixture of Executive and Non-Executive Directors from diverse professional backgrounds with a wealth of experience, skills and expertise to meet the Group's needs. The size and composition of the Board are reviewed from time to time to ensure its appropriateness.

The presence of Independent Directors ensures that views, consideration, judgment and discretion exercised by the Board in decision making remains objective and independent whilst assuring the interest of other parties such as minority shareholders are fully addressed and adequately protected as well as being accorded with due consideration.

4.2 Tenure of Independent Directors

The MCCG recommends that the tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. The Company does not have tenure limits for Independent Directors and the Board is of the opinion that the ability of an Independent Director to exercise his independence and objective judgment in Board deliberations shall not be a function of his length of service as an Independent Director.

However, if the Board intends to retain a Director who has served as an Independent Director of the Company for a cumulative term of more than nine (9) years, the Board must justify its decision and seek the shareholders' approval at a general meeting.

During the financial year under review, none of our Director has served the Board as an Independent Director of the Company for a cumulative term of more than nine (9) years.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
Cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *Cont'd*

PART II – BOARD COMPOSITION *Cont'd*

4. Board's Objectivity *Cont'd*

4.3 New Appointment to the Board

The Board, through the Nomination Committee ("**NC**"), is responsible for reviewing recommendations of any new appointments to the Board. In reviewing these recommendations, the NC considers the required mix of skills and experiences which the new appointments would bring to the Board and his or her time commitment. Any new nomination is to be reviewed by NC and subsequently recommended to the Board for assessment and endorsement.

The key task of the NC is to ensure that the Company recruits and retains the suitably qualified Executive and Non-Executive Directors who are competent and are able to guide the Company to meet its strategy and business plan. In searching suitable candidates, the NC may receive suggestions from existing Board members, Senior Management and major shareholders. The NC is also open to referrals from external sources or independent recruiter firms.

4.4 Diverse Board and Senior Management Team

The Group is an equal opportunity employer and does not practice discrimination of any form, whether based on age, gender, ethnicity throughout the organisation.

Appointment of Board and Senior Management are based on objective criteria, merit and besides gender diversity, due regard are placed for diversity in skills, experience, age, integrity and cultural background. Please refer to the Profiles of Directors and Key Senior Management as disclosed in this Annual Report for further information.

4.5 Gender Diversity

The Board recognises that gender diversity and equitable representation at Board and Senior Management level are essential element of good corporate governance, and is a critical attribute of a well-functioning Board and maintaining a competitive advantage. It enhances decision-making capability and a diverse Board is more effective in dealing with organisational changes.

The Company takes cognisant of the best practices recommended under the MCCG to have at least thirty percent (30%) female Directors.

In line with the MCCG and in view of the gained attention of boardroom diversity as an important element of a well functioned organisation, the Board has established a Gender Diversity Policy which provides a framework for the Company to improve its gender diversity at Board level. The objectives/principles and measures as set out in our Gender Diversity Policy are summarised below:

<u>Objectives/Principles</u>

a. The Company acknowledges the importance to promote gender diversity at Board level and will actively work towards having more female Directors on the Board. To avoid any mismatch and ineffective appointment of the female Directors, the Company does not set any specific target for female Directors in this policy.

b. In assessing the Board composition and Board effectiveness, the Board shall accord due consideration to gender diversity, required mix of skills, experience, independence and other qualities, including core competencies, commitment, integrity and/or other commitments to the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
Cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *Cont'd*

PART II – BOARD COMPOSITION *Cont'd*

4. Board's Objectivity *Cont'd*

4.5 Gender Diversity *Cont'd*

Measures

To pursue the objectives of gender diversity, the Board will take into consideration the following measures:-

a. The NC and the Board shall nominate or appoint a gender diverse Board with a broad spectrum of perspectives, including but not limited to education background, age, ethnicity, skills, knowledge, expertise, experience, competencies, integrity and/or other commitments that the candidate will bring to complement the Board.

b. The NC is responsible in ensuring that gender diversity objective is adopted in the Board recruitment and succession planning processes.

c. The Company shall adopt a more accommodating boardroom culture and environment that is free from discriminations to attract and retain female participation at the Board level.

d. The Company will undertake the following strategies to promote its gender diversity at Board level:-

- recruiting from a diverse pool of candidates for female Directors;
- reviewing succession plans to ensure an appropriate focus on gender diversity;
- identifying specific factors to take into account the recruitment and selection processes to encourage gender diversity; and
- any other strategies the Board may develop from time to time.

The Board will review the Gender Diversity Policy from time to time to ensure that the policy remains relevant and viable to meet its objectives.

Currently, there are two (2) female Directors on the Board namely, Ms. Mok Mei Lan, the Executive Director and Ms. Selma Enolil Binti Mustapha Khali, the Independent Non-Executive Director, which have more than 30% of the composition of female Directors in the Company.

4.6 Nomination Committee

The NC of the Company comprises the following members, all being Non-Executive Directors and majority of whom are Independent Non-Executive Directors with the Chairman being the Senior Independent Director identified by the Board:-

Name of Committee Members	Designation
Tevanaigam Randy Chitty, Chairman	Senior Independent Non-Executive Director
Selma Enolil Binti Mustapha Khalil, Member	Independent Non-Executive Director
Tan Chuan Hock, Member	Non-Independent Non-Executive Director

The Terms of Reference of the NC is available on the Company's website at www.lklbeds.com.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
Cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *Cont'd*

PART II – BOARD COMPOSITION *Cont'd*

4. Board's Objectivity *Cont'd*

4.6 Nomination Committee *Cont'd*

Pursuant to the Terms of Reference of the NC, the main responsibilities of the NC are as follows:-

a. Nominate new nominees for appointment to the Board and Board Committees for the Board's consideration and to ensure that gender diversity objective is adopted in the Board recruitment and succession planning processes.

b. Annually review the Board's required mix of skills, experience and other qualities, including core competencies, which the Board members should bring to the Board.

c. Annually review and assess the effectiveness of the Board and Board Committees and performance of the Directors of the Company both individually and collectively.

d. Annually review and assess independence of the Independent Non-Executive Directors.

e. Annually review the term of office and performance of the Audit Committee and each of its members to determine whether such Audit Committee and its members have carried out their duties in accordance with their terms of reference.

The NC has developed certain criteria to be used in the recruitment process and annual assessment of Directors, including Independent Directors. Due consideration is given to the competencies, required mix of skills, expertise, experience and contribution that the new appointments and Board member(s) shall bring to complement the Board.

The NC meets as and when required. The NC met once during the financial period under review and had undertaken the following activities:-

i. Assessed and evaluated the independence of the Independent Non-Executive Directors.

ii. Carried out an annual assessment and rating of the performance of each Independent Non-Executive Director against the criteria as set out in the evaluation form, amongst others, attendance at Board and/or Board Committees meetings, adequate preparation for Board and/or Board Committee meetings, regular contribution to Board and/or Board Committee meetings, personal input to the role and other contributions to the Board and/or Board Committees.

iii. Carried out an annual assessment and rating of the performance of the Executive Directors against the criteria as set out in the evaluation forms, amongst others, financial, strategic, operations management and business plans, technology and product development, business acumen, conformance and compliance, investor relations, employee training and development, succession planning and personal input to the role.

iv. Carried out an annual assessment and rating of the performance of Audit Committee against diverse key performance indicators, amongst others, composition, quality, oversight of the financial reporting process including internal controls and audit functions, understanding of the business including risks, access to information, access to advice, compliance with corporate governance and others.

v. Reviewed and recommended to the Board the re-election of Mr. Tan Chuan Hock and Mr. Tevanaigam Randy Chitty as Directors who retire by rotation pursuant to Clause 89 of the Constitution of the Company at the third Annual General Meeting ("**AGM**") held on 26 September 2017.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *Cont'd*

PART II – BOARD COMPOSITION *Cont'd*

4. Board's Objectivity *Cont'd*

4.7 Attendance of Board and Board Committees Meetings

The Board schedules at least four (4) meetings in a year with the Board members and Board Committees meetings scheduled well in advance to facilitate the Directors in planning ahead and to ensure that the dates of the Board and Board Committees meetings are booked in their respective schedules. Additional meetings are scheduled if there are matters requiring the Board's decision.

The number of meetings held and attended by each members of the Board and the Board Committees during the financial year under review are as follows:-

Type of Meetings	**Board**	**AC**	**NC**	**RC**
No. of Meetings Held	4	4	1	1
Name of Directors	**No. of Meetings Attended**			
Tan Sri Datuk Adzmi Bin Abdul Wahab	4	4	-	-
Lim Kon Lian*	4	-	-	1
Mok Mei Lan	4	-	-	-
Tan Chuan Hock	4	4	1	1
Tevanaigam Randy Chitty	4	4	1	1
Selma Enolil Binti Mustapha Khalil	4	4	1	1

Note:

* *Mr. Lim Kon Lian has resigned as a member of the RC on 13 December 2017 to be in line with Guidance 6.2 of the MCCG that the RC should only consists of Non-Executive Directors and a majority of them must be Independent Directors.*

To ensure that the Directors have sufficient time to focus and fulfil their roles and responsibilities effectively, one of the criteria is that they must not hold directorships of more than five (5) public listed companies. The Directors are required to submit an update on their directorships annually. Directors are also required to notify the Chairman before accepting any new directorship.

Overall, the Board is satisfied with the level of time commitment given by the Directors towards fulfilling their duties and responsibilities. This is evidenced by the attendance record of the Directors as set out herein above.

To facilitate the Directors' time planning, the annual Board and Board Committees meetings calendar was prepared in advance of each new year by the Company Secretary. The calendar provides the Directors with scheduled dates for meetings of the Board and Board Committees as well as the AGM. The closed periods for dealings in securities by Directors and Principal Officers based on the scheduled dates of meetings for making announcements of the Group's quarterly results were also provided therein.

The meeting papers were generally furnished to the Board members at least five (5) working days prior to the dates of meetings. This is to ensure that the Directors have sufficient preparation time and information to make an informed decision at each Board meeting. The submission of certain meeting materials may be less than five (5) working days prior to the dates of meetings occasionally due to time constraints in collating relevant information and details.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
Cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *Cont'd*

PART II – BOARD COMPOSITION *Cont'd*

4. Board's Objectivity *Cont'd*

4.7 Attendance of Board and Board Committees Meetings *Cont'd*

The notice of Board meetings were sent to the Directors via email at least seven (7) days prior to the dates of meetings.

The deliberations and conclusions of matters discussed in the Board or Board Committees meetings are duly recorded in the minutes of meetings. The draft minutes of which is circulated for the Board or Committee Chairman's review within a reasonable timeframe after the meeting. The meeting minutes accurately captured the deliberations and decisions of the Board and/or the Board Committees, including whether any Director abstains from voting or deliberating on a particular matter.

All the records of proceedings and resolutions passed are kept at the registered office of the Company.

All existing Directors have attended the Mandatory Accreditation Programme as required by the Listing Requirements and will continue to attend other relevant training programmes as appropriate to enhance their skills and knowledge.

In addition, all the Directors have attended an in-house training conducted by the Company Secretary on the Malaysian Code on Corporate Governance introduced by the Securities Commission Malaysia on 26 April 2017. During the course of the year, they have also attended other training programmes for directors and seminars on areas such as financial reporting standards, performance reviews, tax and accounting conferences that include the following:-

Directors	Seminar / Training attended
Tan Sri Datuk Adzmi Bin Abdul Wahab	• Global Capital Markets Entering a New Era • 2017 Corporate Governance • Malaysian Code on Corporate Governance 2017 • New Companies Act 2016
Lim Kon Lian	• Malaysian Code on Corporate Governance 2017
Mok Mei Lan	• Malaysian Code on Corporate Governance 2017
Tevanaigam Randy Chitty	• Malaysian Code on Corporate Governance A New Dimension • Capital Markets Conference 2017 • Rising Up to the Challenges of Sustainability Reporting • Leading in a volatile, uncertain, complex, ambiguous (VUCA) world • MFRS 15 Revenue from Contracts with Customers and MFRS 16 Leases • 2018 Budget: Implications to the Malaysian Economy and Capital Market • Transfer Pricing, Tax Audits and Investigations • GST Breakfast Talk: Abolition of GST and Transition to Sales & Services Tax
Selma Enolil Binti Mustapha Khalil	• Workshop on Driving Financial Integrity and Performance – Enhancing Financial Literary for Audit Committee • Malaysian Code on Corporate Governance 2017

CORPORATE GOVERNANCE OVERVIEW STATEMENT
Cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *Cont'd*

PART II – BOARD COMPOSITION *Cont'd*

4. Board's Objectivity *Cont'd*

4.7 Attendance of Board and Board Committees Meetings *Cont'd*

Directors	Seminar / Training attended
Tan Chuan Hock	● National Tax Conference 2017 ● 2018 Budget Seminar ● Malaysian Code on Corporate Governance 2017 ● MIA Forum with Audit Sole-Practitioners ● Financial Instruments Updates – An Analysis of MFRS 9 (2014) Version

PART III – REMUNERATION

5. Level and Composition of Remuneration

5.1 Remuneration Committee ("RC")

The RC is principally responsible for assessing and reviewing the remuneration policy and packages for the Directors of the Company. The RC also seeks to ensure that the remuneration packages commensurate with the expected responsibility and contribution by the Directors and subsequently recommending to the Board for adoption.

The RC comprise of the following members:-

Name of Committee Members	Designation
Selma Enolil Binti Mustapha Khalil, Chairman	Independent Non-Executive Director
Tevanaigam Randy Chitty, Member	Senior Independent Non-Executive Director
Tan Chuan Hock, Member	Non-Independent Non-Executive Director

5.2 Remuneration Policy

The Board had established a formal remuneration policy as a guide for the Board and the RC to determine the remuneration of Directors and Senior Management of the Company, which take into account the demands, complexities and performance of the Company as well as skills and experience required.

The Remuneration Policy is made available on the Company's website at www.lklbeds.com.

The Board recognises that levels of remuneration must be sufficient to attract, retain and motivate the Directors with the desirable qualities to manage the business of the Group.

Each Director shall abstain from the deliberation and voting on matters pertaining to their own remuneration.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *Cont'd*

PART III – REMUNERATION *Cont'd*

5. Level and Composition of Remuneration *Cont'd*

5.2 Remuneration Policy *Cont'd*

The tables below set out the main components and structure of the remuneration packages of Directors and Senior Management of the Company:-

(I) Remuneration structure for the Senior Management and/or Directors who hold an Executive role in the Company

Component to pay	Particulars
Base Salary	A fixed salary will be paid for performing the scope of duties and responsibilities and will be reviewed based on the individual performance and achievements of the Company/the Group and comparable market rate within the industry.
Bonus / Incentive	Annual bonus/incentive will be paid to reward, retain and motivate the individual and will be depend on the performance of the Company/the Group and the personal contribution of the individual to the achievement of those results.
Other Benefits	Other benefits which include contribution of EPF, SOCSO, medical fees, medical or health insurance, motor vehicle, driver, handphone, commission, travelling and entertainment claims, amongst others, will be provided based on the Group's human resource policy in the context of market practices from time to time.

II) Remuneration structure for the Directors who hold a Non-Executive role in the Company:-

Component to pay	Particulars
Fees	A fixed retainer sum will be paid for their contribution to the Board and the Company. The fixed fee is determined based on the following factors: ● On par with the rest of the market; ● Reflect the qualifications and contribution required in view of the Group's complexity; ● The extent of the duty and responsibilities; and ● The number of Board meetings and Board Committees' meetings.
Meeting allowance and other benefits	A reasonable fixed meeting allowance will be paid on per trip basis with the condition that attendance is a prerequisite for such remittance. Other benefits which include flight tickets, accommodation, travelling expenses, amongst others, incurred in the course of performing his duties or other things required of him as a Director of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *Cont'd*

PART III – REMUNERATION *Cont'd*

5. Level and Composition of Remuneration *Cont'd*

5.2 Remuneration Policy *Cont'd*

The Remuneration Policy is guided by the following key principles in remunerating the Directors of the Company:

a. fees payable to Directors who hold non-executive role in the Company shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover;

b. fees and/or benefits (including meeting allowance) payable to Directors are subject to annual shareholders' approval at a general meeting, where notice of the proposed fees and/or benefits has been given in the notice convening the meeting;

c. fees payable to an alternate Director (if any) shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter; and

d. salaries and other emoluments payable to Directors who hold an executive office in the Company pursuant to a contract of service need not be determined by the Company in general meeting but such salaries and emoluments may not include a commission on or percentage of turnover.

The Board will review this policy from time to time and make any necessary amendments to ensure that it remain consistent with the Board's objectives, current law and practices.

5.3 Details of Directors' Remuneration

The Directors' fees and/or benefits payable to Non-Executive Directors of the Company are subject to the approval of shareholders of the Company. The remuneration of the Directors of the Company and the Group for the financial year ended 30 April 2018 are as follows:-

The Company

Name of Directors	Fees RM	Salaries RM	Benefits in Kind RM	Meeting Allowance RM	Bonus RM	EPF RM	Total RM
Tan Sri Datuk Adzmi Bin Abdul Wahab	42,000	-	-	1,200	-	-	43,200
Tevanaigam Randy Chitty	36,000	-	-	1,200	-	-	37,200
Selma Enolil Binti Mustapha Khalil	36,000	-	-	1,200	-	-	37,200
Tan Chuan Hock	36,000	-	-	1,200	-	-	37,200
TOTAL	**150,000**	**-**	**-**	**4,800**	**-**	**-**	**154,800**

CORPORATE GOVERNANCE OVERVIEW STATEMENT
Cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *Cont'd*

PART III – REMUNERATION *Cont'd*

5. Level and Composition of Remuneration *Cont'd*

5.3 Details of Directors' Remuneration *Cont'd*

The Group

Name of Directors	Fees RM	Salaries RM	Benefits in Kind RM	Meeting Allowance RM	Bonus RM	EPF RM	Total RM
Tan Sri Datuk Adzmi Bin Abdul Wahab	42,000	-	-	1,200	-	-	43,200
Lim Kon Lian	-	720,000	-	-	-	86,400	806,400
Mok Mei Lan	-	360,000	-	-	-	43,200	403,200
Tevanaigam Randy Chitty	36,000	-	-	1,200	-	-	37,200
Selma Enolil Binti Mustapha Khalil	36,000	-	-	1,200	-	-	37,200
Tan Chuan Hock	36,000	-	-	1,200	-	-	37,200
TOTAL	**150,000**	**1,080,000**	**-**	**4,800**	**-**	**129,600**	**1,364,400**

The Board determines the remuneration packages of all Directors. The Director's fees are endorsed by the Board for approval by the shareholders of the Company at the AGM. Directors do not participate in the decisions regarding their own fees, benefits and/or remuneration packages.

5.4 Remuneration of Top Five Senior Management

The remuneration of the top five (5) Senior Management of the Group is as follows:-

Range of Remuneration	No. of Senior Management
RM200,001 to RM250,000	1
RM250,001 to RM300,000	2
RM300,001 to RM350,000	1
RM350,001 to RM400,000	1

Due to confidentiality and sensitivity of the remuneration package of Senior Management as well as security concerns, the Company opts not to disclose the top five (5) Senior Management's remuneration components on named basis in the bands of RM50,000.

The Board is of the view that the disclosure of the Senior Management's remuneration components would not be in the best interest of the Company given the competitive human resources environment as such disclosure may give rise to recruitment and talent retention issues.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
Cont'd

PRINCIPLE B – EFFECTIVENESS AUDIT AND RISK MANAGEMENT

PART I – Audit Committee

6. Effective and Independent Audit Committee

The AC comprises of four (4) members, all of whom are Non-Executive Directors. The AC is chaired by a Senior Independent Non-Executive Director who is not a Chairman of the Board. The composition of AC is as follows:-

Name of Committee Members	Designation
Tevanaigam Randy Chitty, Chairman	Senior Independent Non-Executive Director
Tan Sri Datuk Adzmi Bin Abdul Wahab, Member	Independent Non-Executive Chairman
Selma Enolil Binti Mustapha Khalil, Member	Independent Non-Executive Director
Tan Chuan Hock, Member	Non-Independent Non-Executive Director

Majority of the AC members are financially literate, whilst the Chairman of the AC is a member of the Malaysian Institute of Certified Public Accountants. The AC has full access to both the Internal and External Auditors who, in turn, have access at all times to the Chairman of the AC.

A cooling-off period of at least two years will be observed by the AC, in the event of any potential candidate to be appointed as a member of the AC was former key audit partner.

The objectives of the AC are, amongst others, to provide additional assurance to the Board by giving an objective and independent review of the Group's financial, operational and internal control procedures. The AC is also tasked with reinforcing the independence of the Company's Internal and External Auditors, thereby ensuring that the auditors have autonomy and independence in their audit process.

Members of the AC and the activities carried out during the financial year under review are as set out in the AC Report in this Annual Report.

The term of office and performance of AC and its members are reviewed by the NC annually to determine whether such AC and members have carried out their duties in accordance with the Terms of Reference.

The AC plays a crucial role in assisting the Board to scrutinise the information for disclosure to stakeholders to ensure accuracy, adequacy, validity and timeliness of the financial statements.

The Board has, during the financial period under review, established the Internal and External Auditors Assessment Policy together with an annual assessment form to review, assess and monitor the performance, and independence of the Internal and External Auditors of the Company.

PART II – Risk Management and Internal Control Framework

7. Risk Management and Internal Control Framework

7.1 Effective Risk Management and Internal Control Framework

The Board is supported by the Risk Management Committee which was established on 28 June 2017 with the primary objective to assist the Board in the following functions:-

a. Overseeing the Group's risk management framework and policies;

b. Ensuring Senior Management maintains a sound system of risk management and internal controls to safeguard shareholders' interest and the Group's assets; and

c. Determining the nature and extent of significant risks which it is willing to take in achieving its strategic objectives.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
Cont'd

PRINCIPLE B – EFFECTIVENESS AUDIT AND RISK MANAGEMENT *Cont'd*

PART II – Risk Management and Internal Control Framework *Cont'd*

7. Risk Management and Internal Control Framework *Cont'd*

7.1 Effective Risk Management and Internal Control Framework *Cont'd*

The risk management and internal control are ongoing processes and the Company will continuously enhance the existing system of risk management and internal control by taking into consideration the changing business environment.

The review and assessment of the Company's internal control and risk management framework are conducted as and when required. Further details on the features of the risk management and internal control framework, and the adequacy and effectiveness of this framework, are disclosed in the Statement on Risk Management and Internal Control in this Annual Report.

7.2 Internal Audit Function

The internal audit function of the Company is carried out by an outsourced professional service firm that assists the AC in managing the risks and establishment of the internal control system and processes of the Company where they performed independent assessment on the adequacy, efficiency and effectiveness of the Company's internal control system and processes.

Internal Auditors have direct reporting access to the Audit Committee to ensure that issues highlighted are addressed independently, objectively and impartially without any undue influence of the Senior Management. The internal audit function is independent of the operations of the Company and provides reasonable assurance that the Company's system of internal control is satisfactory and operating effectively. During the financial year under review, the Internal Auditors executed internal control reviews in accordance with the approved risk based internal audit plan and performed follow-up reviews to ensure that corrective actions have been implemented in a timely manner.

The Internal Auditors has and will continue to keep abreast with developments in the profession, relevant industry and regulations. Further details of the internal audit function are set out in the Statement on Risk Management and Internal Control and the AC Report of this Annual Report.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

PART I – Communication with Stakeholders

8. Continuous Communication between the Company and Stakeholders

The Board is committed to provide stakeholders with accurate, useful and timely information about the Company's businesses, operations and financial performance of the Group and where necessary, information filed with regulators is in accordance with the applicable legal and regulating requirements. Stakeholders will receive regular communication from the Company through the release of quarterly reports to Bursa Securities and annual reports. In addition, the Company will communicate other information to the stakeholders by way of press releases or announcement to Bursa Securities as and when necessary.

The Board has also established a dedicated section on the Company's website at www.lklbeds.com for corporate information on the Company's announcements, financial information, annual reports, quarterly reports, and share prices which are available to public. The website acts as a key communication channel for the Company to reach its stakeholders and general public.

The Investor Relations section on the company website enhances the investor relations function, stakeholders and the general public may direct their enquiries and concerns by contacting the Company's Investor Relations which is available at the website www.lklbeds.com.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
Cont'd

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS *Cont'd*

PART I – Communication with Stakeholders *Cont'd*

8. Continuous Communication between the Company and Stakeholders *Cont'd*

Stakeholders can also access historical data and stocks chart information by clicking on the subject matter in the website.

PART II – Conduct of General Meetings

9. Encourage Shareholders Participation at General Meetings

The Company dispatched its notice of AGM and related papers to shareholders at least twenty eight (28) days before the meeting to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed.

The AGM serves as the principal forum for direct interaction and dialogue between the shareholders, the Board and the management. The AGM provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's performance and other matters of concern. The Company should facilitate greater shareholders participation and the shareholders will be able to make informed voting decisions. The Board, Senior Management and the External Auditors will be providing meaningful responses to questions and appropriate clarifications at the meeting.

At the AGM and/or other general meetings, all resolutions put forth for shareholders' approval at the meeting were voted on by poll of which the votes shall be validated by an independent scrutineer appointed by the Company. The outcome of all resolutions proposed at the general meeting is announced to Bursa Securities at the end of the meeting day.

A summary of key matters discussed at the AGM, if any, will be published on the Company's website for the shareholders' information.

It has always been the Company's practice to maintain good relationship with its shareholders. Major corporate developments and happenings in the Company have always been duly and promptly announced to the shareholders, in line with Bursa Securities' objectives of ensuring transparency and good corporate governance practices.

The Company's financial performance, major corporate developments and other relevant information are promptly disseminated to shareholders and investors via announcements of its quarterly performance, annual report, corporate announcements to Bursa Securities and press conferences. Further updates of the Company's activities and operations are also disseminated to shareholders and investors through dialogue with analysts, investor relations and the media.

The Company's website www.lklbeds.com also contains all announcements made to Bursa Securities, as well as the contact details of the designated contact to cater to any queries.

STATEMENT BY THE BOARD

The Board has deliberated, reviewed and approved this statement. The Board considers and is satisfied that to the best of its knowledge the Company has applied the principles and the extent of compliance with the recommendations under the MCCG, the relevant chapters of the Listing Requirements on corporate governance and all applicable laws and regulations throughout the financial year ended 30 April 2018.

The Board recognises that there are always opportunities for improvement in its corporate governance activities in order for the Group to continue to engender trust and confidence amongst stakeholders.

AUDIT COMMITTEE REPORT

INTRODUCTION

Pursuant to Rule 15.15 of the ACE Market Listing Requirements ("**Listing Requirements**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**"), the Board is pleased to present the Audit Committee Report which lays out the activities held for the financial year ended 30 April 2018 ("**FYE2018**").

OBJECTIVES

The primary objective of the Audit Committee ("**AC**" or "**the Committee**") is to assist the Board of Directors ("**the Board**") in discharging its statutory duties and responsibilities, among others, providing an additional assurance to the Board by giving an objective and independent review of financial, operational and administrative controls and procedures, establishing and maintaining internal controls and reinforcing the independence of the Company's External Auditors, thereby ensuring that they have free reign in the audit process.

COMPOSITION OF AUDIT COMMITTEE

The Committee comprises of four (4) members, all of whom are Non-Executive Directors with a majority of them being Independent Directors in compliance with the requirements of Rule 15.09 of the Listing Requirements of Bursa Securities.

The members of the Committee comprises of the following Directors:

Name of Committee Members	Designation
Tevanaigam Randy Chitty	Chairman, Senior Independent Non-Executive Director
Tan Sri Datuk Adzmi Bin Abdul Wahab	Member, Independent Non-Executive Chairman
Selma Enolil Binti Mustapha Khalil	Member, Independent Non-Executive Director
Tan Chuan Hock	Member, Non-Independent Non-Executive Director

The Terms of Reference of the AC can be accessed from the corporate website of the Company at www.lklbeds.com.

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The Committee met four (4) times during the financial year under review. The attendance of the Committee members are set out as follows:

Name of Committee Members	Meeting Attendance
Tevanaigam Randy Chitty	4/4
Tan Sri Datuk Adzmi Bin Abdul Wahab	4/4
Selma Enolil Binti Mustapha Khalil	4/4
Tan Chuan Hock	4/4

The presence of the External Auditors and/or the Internal Auditors at the Committee meetings can be requested if required by the Committee. Other members of the Board, Sponsor and officers were present by invitation at all meetings.

The Committee had carried out the following activities during the FYE2018 in discharging their duties and responsibilities:

i. Reviewed the Company's quarterly unaudited financial results and annual Audited Financial Statements of the Group including the announcements pertaining thereto. Discussion focused particularly on any change in accounting policies and practices, significant adjustments arising from the audit and compliance with approved accounting standards and other legal regulatory requirements before recommending to the Board for approval and release of the announcements to Bursa Securities and submission to Companies Commission of Malaysia;

AUDIT COMMITTEE REPORT
Cont'd

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR *Cont'd*

ii. Reviewed the Audit Planning Memorandum for the FYE2018 presented by the External Auditors to ensure the scope of the external audit is comprehensive;

iii. Reviewed with the External Auditors, the annual Audited Financial Statements of the Company and the Group and issues arising from the audit of the financial statements highlighted in the External Auditors' management letter and the management's responses thereon;

iv. Considered and recommended the re-appointment of Messrs. Crowe Malaysia (formerly known as Crowe Horwath) as the External Auditors and their audit fee to the Board for consideration based on the independence, competency and efficiency as demonstrated by the External Auditors during their audit;

v. Reviewed with the Internal Auditors, the internal audit plan, work done and reports, for the internal audit function and considered the findings of the internal audit investigations and management responses thereon, and ensure that appropriate actions were taken in addressing the issues reported by the Internal Auditors;

vi. Reviewed if there were any related party transactions and/or recurrent related party transactions that transpired within the Group to ensure that the transactions entered into were at arm's length basis and on normal commercial terms;

vii. Reviewed the revised Terms of Reference to be aligned with the changes in Listing Requirements of Bursa Securities; and

viii. Reviewed the Corporate Governance Overview Statement, Audit Committee Report and Statement on Risk Management and Internal Control to ensure adherence to legal and regulatory reporting requirements before recommending to the Board for approval for inclusion in the Company's Annual Report.

INTERNAL AUDIT ("IA") FUNCTION

Appointment

The IA function is outsourced to Sterling Business Alignment Consulting Sdn. Bhd. ("**Sterling**"), an independent professional consulting firm to carry out IA services for the Group. The Internal Auditors report directly to the Committee, providing the Board with a reasonable assurance of adequacy of the scope, functions and resources of the IA function. IA reports will be presented, together with senior management's response and proposed action plans to the Committee on a quarterly basis.

The purpose of the IA function is to provide the Board, through the Committee, assurance of the effectiveness of the system of internal control of the designated entities of the Group.

IA Activities

The Internal Auditors undertake IA functions based on the operational, compliance and risk-based audit plan approved by the Committee. The risk-based audit plans cover the review of the key operational and financial functions in accordance to the approved IA plan. A risk-based methodology is adopted to evaluate the adequacy and effectiveness of the risk management, financial, operational and governance processes.

The IA functions carried out by Sterling during the financial year under review includes, among others, the following:

i. Prepared the IA plan for the Group for discussion and approval of the Committee before recommending to the Board for adoption;

ii. Reviewed the system of internal control and key operating processes based on the approved IA plan. During the financial year under review, Sterling has reviewed critical business processes, identified risks and internal control gaps, assessed the effectiveness and adequacy of the existing state of internal control of the Group and recommended possible improvements to the existing system of internal control;

AUDIT COMMITTEE REPORT
Cont'd

INTERNAL AUDIT ("IA") FUNCTION *Cont'd*

iii. IA reports incorporating the audit observations, audit recommendations and management action plans were tabled to the Committee for review and approval on quarterly basis; and

iv. Follow-ups were conducted on previously issued audit recommendations to ensure that all recommendations and management action plans had been implemented accordingly.

Total costs incurred for the financial year

The total costs incurred for the IA function of the Group for the FYE2018 was RM44,000.

Review of IA Function

For the FYE2018, the Committee noted that the IA function is independent and Sterling has performed their audit assignments with impartiality, proficiency and due professional care. Notwithstanding the above, although a number of internal control deficiencies were identified during the internal audit reviews, none of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require a separate disclosure in the Annual Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("**the Board**") of LKL International Berhad ("**the Company**") is pleased to present the Statement on Risk Management and Internal Control ("**Statement**") of the Company and its subsidiaries ("**the Group**") which outlines the nature and scope of risk management and the internal control systems of the Group for the financial year ended 30 April 2018 pursuant to Rule 15.26(b) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Listing Requirement**"), Malaysian Code on Corporate Governance ("**MCCG**") and is guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility for the Group's risk management and internal control system to safeguard shareholders' interests and the Group's assets as well as reviewing its effectiveness, adequacy and integrity on a regular basis.

The system of internal control covers governance, risk management, financial, organisational, operational and compliance controls. The Board recognises the importance of internal audit to establish and maintain a sound system of internal control. In view of the limitations that are inherent in any system of internal control, it can only provide reasonable but not absolute assurance against material misstatement of financial information, loss or fraud. Nevertheless, the Board regularly receives and reviews reports on internal control, and is of the view that the system of internal control is adequate to safeguard shareholders' interests and the Group's assets.

The Board, through the Audit Committee ("**AC**"), ensures that the risk management and internal control practices are adequately implemented within the Group. Management is required to apply good judgement in assessing the risks faced by the Group, identifying the Group's ability to reduce the incidence and impact of risks, and ensuring the benefits outweigh the costs of operating the controls.

RISK MANAGEMENT

The Board acknowledges its overall responsibility for the Group's system of risk management and internal control, and for reviewing its adequacy and effectiveness. The risk management system is designed to manage the Group's risks within an acceptable risk profile, rather than to totally avoid or eliminate the risks that are inherent to the Group's activities.

On 28 June 2017, the Board has formed a Risk Management Committee ("**RMC**") which consists of majority Independent Non-Executive Directors to discharge the risk management function of the Group on behalf on the Board. The RMC reports to the Board in respect of the identified risks and has been delegated to oversee the risk management framework and control framework, to review the risk registry, ongoing risk management implementation and assess effectiveness risk management framework.

As at the date of the Annual Report, the AC and the Board had received and reviewed the Risk Registry of the Group for corporate level and its key subsidiary. The risk factors identified and deliberated were assigned to the respective risk owners to implement the risk control actions. The Board would ensure that the risk control actions are taken accordingly.

The Board is of the opinion that the role of Management is to implement the Board's policies and guidelines on risks and controls, to identify and evaluate the risks faced by the Group, and to operate a suitable system of internal controls to manage these risks.

INTERNAL AUDIT FUNCTION

The Group in its efforts to provide adequate and effective internal control system had appointed an independent consulting firm i.e. Sterling Business Alignment Consulting Sdn. Bhd. ("**Sterling**"), a corporate member of the Institute of Internal Auditors Malaysia to undertake its internal audit function. Sterling acts as the internal auditors and reports directly to the AC on quarterly basis. Sterling is free from any relationships or conflict of interest, which could impair their objectivity and independence of the internal audit function. Sterling does not have any direct operational responsibility or authority over any of the activities audited. The AC is of the opinion that the internal audit function is effective and able to function independently.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
Cont'd

INTERNAL AUDIT FUNCTION *Cont'd*

Sterling utilised the internal control framework as promulgated by the Committee of Sponsoring Organisation of the Treadway Commission ("**COSO**") as internal control review approach with review procedures carried out in accordance with applicable standards of the International Professional Practices Framework adopted and recommended by the Institute of Internal Auditors Malaysia.

Based on the internal audit reviews, observations were presented by Sterling, together with Management's response and proposed action plans, to the AC for review during the quarterly AC Meeting. In addition, the internal auditors followed up on the implementation of recommendations from previous cycles of internal audit and updated the AC on the status of Management agreed action plans. For the financial year ended 30 April 2018, the total costs incurred for the outsourced internal audit function is RM44,000.

For the financial year ended 30 April 2018, the following subsidiary of the Group were audited by Sterling:-

Audit Period	Reporting Month	Name of Entity Audited	Audited Areas
1st Quarter (May 2017 – Jul 2017)	Sep 2017	LKL Advance Metaltech Sdn Bhd	Internal Audit Review:- • Sales and marketing (Overseas Sales)
2nd Quarter (Aug 2017 – Oct 2017)	Dec 2017	LKL Advance Metaltech Sdn Bhd	Internal Audit Review:- • Human Resource and Administration • Management Information System
3rd Quarter (Nov 2017– Jan 2018)	Mar 2018	LKL Advance Metaltech Sdn Bhd	Internal Audit Review:- • Production • Quality Assurance
4th Quarter (Feb 2018 – Apr 2018)	Jun 2018	LKL Advance Metaltech Sdn Bhd	Follow-up actions on previously reported audited findings:- • Internal Audit Reported in March 2018 • Internal Audit Reported in December 2017 • Internal Audit Reported in September 2017 • Internal Audit Reported in December 2016 • Internal Audit Reported in September 2016

KEY ELEMENTS OF INTERNAL CONTROL

The following sets out the key elements of the Group's internal control, which have been in place throughout the financial year ended 30 April 2018, and up to the date of this Statement:-

- **Organisational Structure**
  The Group has a defined organisational structure that is aligned to its business and operation requirements. Defined lines of accountability, delegation of responsibility and level of authorisation for all aspects of the business have been laid down and communicated throughout the Group.

- **Limits of Authority**
  Authority charts have been established within the Group to provide a functional framework of authority in approving sales order, purchases, expenses and capital expenditure.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Cont'd

KEY ELEMENTS OF INTERNAL CONTROL *Cont'd*

- **Standard Operating Policies and Procedures ("SOP")**
  Numerous SOPs have been established to serve as a general management guide for daily operations. These policies and procedures are reviewed whenever necessary to reflect changing risks or to resolve any operational deficiencies. It is also to promote efficiency and accountability for the Group.

- **Board and Management Meetings**
  Regular Board and Management meetings are held where information is provided to the Board and Management covering financial results and operational performance, for effective monitoring and decision making.

- **Training and Development Programmes**
  Training and development programmes are established to ensure that staffs are constantly kept up-to-date with the constant technological changing environment in order to be competent in the industry which is in line with achieving the Group's business objectives.

ASSURANCE TO THE BOARD

The Board has received assurance from the Managing Director and Financial Controller that the Group's risk management and internal control system have been operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors have reviewed this Statement for the inclusion in the Annual Report of the Group for the financial year ended 30 April 2018. Their review was performed in accordance with the Recommended Practice Guide ("**RPG**") 5 (Revised 2015) issued by the Malaysian Institute of Accountants.

RPG 5 (Revised 2015) does not require the External Auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Directors and Management thereon. Based on their procedures performed, the External Auditors have reported to the Board that nothing has come to their attention that cause them to believe this Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and effectiveness of the risk management and internal control system of the Group.

CONCLUSION

For the financial year under review and up to the date of this Statement, the Board is of the opinion that there is an ongoing process of identifying, evaluating, and managing significant risks faced by the Group. The Board continues to take appropriate action plans to strengthen the risk management and internal control systems to meet the Group's objectives.

This Statement is made in accordance with the resolution of the Board dated 20 August 2018.

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Directors are fully accountable for ensuring that the financial statements are drawn up in accordance with the requirements of the Companies Act 2016 and the applicable approved accounting standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the operations results and cash flows of the Group and the Company for the financial year then ended.

In preparing the financial statements for the financial year ended 30 April 2018, the Directors have:

a. applied relevant and appropriate accounting policies consistently and in accordance with applicable approved accounting standards;

b. made judgments and estimates that are prudent and reasonable; and

c. applied the going concern basis for the preparation of the financial statements.

The Directors are responsible for ensuring that proper accounting records are kept, which disclose with reasonable accuracy the financial position of the Group and the Company and to enable proper financial statements to be prepared in accordance with the applicable laws and regulations. The Directors also have overall responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS FROM CORPORATE EXERCISE

The entire enlarged issued share capital of the Company comprising 428,800,000 ordinary shares was listed on the ACE Market of Bursa Securities on 16 May 2016 ("**IPO**").

The gross proceeds from the IPO amounting to RM22.6 million have been fully utilised during the financial year then ended as follows:

	Purposes	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation RM'000	Balance RM'000	Estimated timeframe for utilisation
(a)	Capital expenditure	6,000	5,516	484^	-	
(b)	Acquisition of factory and related renovation works	6,495	5,832	663^	-	
(c)	Working capital	7,605	8,597	(992)	-	
(d)	Estimated listing expenses	2,500	2,655	(155)*	-	
	Total	22,600	22,600	-	-	

Notes:

^ *In view that the capital expenditure and acquisition of factory and related renovation works were lower than estimated, the excess has been utilised for working capital purposes.*

* *In view that the actual listing expenses were higher than estimated, the deficit has been funded out of the portion allocated for working capital.*

2. AUDIT AND NON-AUDIT FEES

The audit fees to the External Auditors for the services rendered to the Company and the Group for the financial year ended 30 April 2018 amounted to RM27,000 and RM91,600 respectively, whereas the non-audit fees incurred by the Company was RM5,000 for the financial year ended 30 April 2018.

3. MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

There were no material contracts entered by the Company and its subsidiaries which involved Directors' or major shareholders' interests during the financial year under review.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 April 2018.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements.

RESULTS

	The Group RM	The Company RM
Loss after taxation for the financial year	(1,329,292)	(508,192)
Attributable to:-		
Owners of the Company	(1,098,283)	(508,192)
Non-controlling interests	(231,009)	-
	(1,329,292)	(508,192)

DIVIDENDS

No dividend was recommended by the directors for the financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

(a) there were no changes in the issued and paid-up share capital of the Company; and

(b) there were no issues of debentures by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

DIRECTORS' REPORT

Cont'd

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

(a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS' REPORT
Cont'd

DIRECTORS

The names of directors of the Company who served during the financial year and up to the date of this report are as follows:-

Lim Kon Lian
Mok Mei Lan
Tan Sri Datuk Adzmi Bin Abdul Wahab
Tan Chuan Hock
Tevanaigam Randy Chitty
Selma Enolil Binti Mustapha Khalil

The names of directors of the Company's subsidiaries who served during the financial year and up to the date of this report, not including those directors mentioned above, are as follows:-

Elaine Lim Sin Yee
Mohamed Hasnan Che Hussin
Lim Pak Hong
Lim Ming Chang
Chrisantha Samuel Mendis

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares of the Company and its related corporations during the financial year are as follows:-

	Number of Ordinary Shares			
	At 1.5.2017	**Bought**	**Sold**	**At 30.4.2018**
The Company				
Direct Interests				
Lim Kon Lian	110,310,745	400,000	-	110,710,745
Mok Mei Lan	110,003,725	-	-	110,003,725
Tan Chuan Hock	28,771,990	-	-	28,771,990
Tan Sri Datuk Adzmi Bin Adbul Wahab	300,000	-	-	300,000
Tevanaigam Randy Chitty	300,000	-	-	300,000
Selma Enolil Binti Mustapha Khalil	50,000	-	-	50,000
Indirect Interests				
Lim Kon Lian#	177,824,265	-	-	177,824,265
Mok Mei Lan#	178,131,285	400,000	-	178,531,285

\# *Deemed interested by virtue of his/her spouse's and children's direct shareholdings in the Company.*

By virtue of their shareholdings in the Company, Lim Kon Lian and Mok Mei Lan are deemed to have interests in shares in its subsidiaries during the financial year to the extent of the Company's interest, in accordance with Section 8 of the Companies Act 2016.

DIRECTORS' REPORT
Cont'd

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors shown in the financial statements or the fixed salary of a full-time employee of the Company or related corporations) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 35 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Company during the financial year are disclosed in Note 34 to the financial statements.

INDEMNITY AND INSURANCE COST

During the financial year, there is no indemnity given to or professional indemnity insurance effected for directors, officers or auditors of the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

The significant events occurring after the reporting period are disclosed in Note 39 to the financial statements.

AUDITORS

The auditors, Messrs. Crowe Malaysia (formerly known as Crowe Horwath), have expressed their willingness to continue in office.

The auditors' remuneration are disclosed in Note 26 to the financial statements.

Signed in accordance with a resolution of the directors dated 20 August 2018

Lim Kon Lian **Mok Mei Lan**

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, Lim Kon Lian and Mok Mei Lan, being two of the directors of LKL International Berhad, state that, in the opinion of the directors, the financial statements set out on pages 55 to 102 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 April 2018 and of their financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the directors dated 20 August 2018

Lim Kon Lian **Mok Mei Lan**

STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Lim Kon Lian, being the director primarily responsible for the financial management of LKL International Berhad, do solemnly and sincerely declare that the financial statements set out on pages 55 to 102 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned
Lim Kon Lian, NRIC Number: 541205-10-5773
at Kuala Lumpur
in the Federal Territory
on this 20 August 2018

Lim Kon Lian

Before me
Lai Din (No. W-668)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

To the Members of LKL International Berhad

(Incorporated in Malaysia) Company No: 1140005 - V

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of LKL International Berhad, which comprise the statements of financial position as at 30 April 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 55 to 102.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 April 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Recoverability of trade receivables Refer to Note 8 to the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
The trade receivables of the Group amounted to approximately RM6.72 million. It is presented and disclosed as a major component of the financial position. We focused on this area due to the long outstanding receivable balances which are past due or more than the credit term of 180 days granted by the Group. The total long outstanding balance which exceeded the credit term amounted to approximately RM0.8 million is considered to be of a major credit risk. The assessment of recoverability of these long outstanding receivables involved judgement and estimation of uncertainty by Management.	Our procedures included, amongst others:- (a) Review the ageing analysis of trade receivables and tested its reliability. (b) Review subsequent cash collections for major trade receivables and overdue amounts. (c) Evaluate the reasonableness and adequacy of the allowance for impairment loss recognised for identified exposures. (d) Test the adequacy of the Group's impairment of trade receivables by assessing the relevant assumptions and historical data from the Group's previous collection experience.

INDEPENDENT AUDITORS' REPORT

To the Members of LKL International Berhad

(Incorporated in Malaysia) Company No: 1140005 - V

Cont'd

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As a part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITORS' REPORT

To the Members of LKL International Berhad

(Incorporated in Malaysia) Company No: 1140005 - V

Cont'd

Auditors' Responsibilities for the Audit of the Financial Statements *Cont'd*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, is disclosed in Note 5 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Malaysia
Firm No: AF 1018
Chartered Accountants

Elvina Tay Choon Choon
Approval No: 03329/10/2019 J
Chartered Accountant

20 August 2018

Kuala Lumpur

STATEMENTS OF FINANCIAL POSITION
At 30 April 2018

		The Group		The Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	-	-	31,580,090	31,580,090
Property, plant and equipment	6	32,897,937	28,157,730	-	-
		32,897,937	28,157,730	31,580,090	31,580,090
CURRENT ASSETS					
Inventories	7	15,310,290	10,559,419	-	-
Trade receivables	8	6,715,855	7,834,395	-	-
Other receivables, deposits and prepayments	9	1,351,325	1,600,633	8,367	6,600
Amount owing by subsidiaries	10	-	-	17,279,894	10,049,893
Amount owing by a related company	11	73,306	-	-	-
Current tax assets		1,739,946	453,920	45,826	-
Fixed deposits with licensed banks	12	5,872,013	5,680,803	5,170,842	5,000,000
Cash and bank balances		8,438,372	18,014,779	134,249	8,116,338
		39,501,107	44,143,949	22,639,178	23,172,831
TOTAL ASSETS		72,399,044	72,301,679	54,219,268	54,752,921
EQUITY AND LIABILITIES					
EQUITY					
Share capital	13	53,298,848	42,880,000	53,298,848	42,880,000
Share premium	14	-	10,418,848	-	10,418,848
Merger deficit	15	(29,579,990)	(29,579,990)	-	-
Retained profits		34,961,651	36,059,934	866,331	1,374,523
Equity attributable to owners of the Company		58,680,509	59,778,792	54,165,179	54,673,371
Non-controlling interests	5	66,991	(1,970)	-	-
TOTAL EQUITY		58,747,500	59,776,822	54,165,179	54,673,371
NON-CURRENT LIABILITIES					
Long-term borrowings	16	6,651,358	7,760,268	-	-
Deferred tax liabilities	19	574,000	535,000	-	-
		7,225,358	8,295,268	-	-
CURRENT LIABILITIES					
Trade payables	20	2,447,624	1,453,167	-	-
Other payables and accruals	21	2,051,393	1,478,588	54,089	73,300
Short-term borrowings	22	1,916,350	1,291,584	-	-
Current tax liabilities		10,819	6,250	-	6,250
		6,426,186	4,229,589	54,089	79,550
TOTAL LIABILITIES		13,651,544	12,524,857	54,089	79,550
TOTAL EQUITY AND LIABILITIES		72,399,044	72,301,679	54,219,268	54,752,921

The annexed notes form an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Financial Year Ended 30 April 2018

	Note	The Group 2018 RM	The Group 2017 RM	The Company 2018 RM	The Company 2017 RM
REVENUE	23	29,716,400	33,892,664	-	5,000,000
COST OF SALES	24	(18,781,555)	(17,003,134)	-	-
GROSS PROFIT		10,934,845	16,889,530	-	5,000,000
OTHER INCOME	25	460,151	1,344,035	219,099	442,682
		11,394,996	18,233,565	219,099	5,442,682
ADMINISTRATIVE EXPENSES	26	(9,000,888)	(8,215,143)	(674,694)	(698,902)
SELLING AND DISTRIBUTION EXPENSES	27	(1,806,703)	(2,337,141)	-	-
OTHER EXPENSES	28	(1,358,022)	(1,158,315)	-	(222,935)
FINANCE COSTS	29	(431,105)	(470,790)	-	-
(LOSS)/PROFIT BEFORE TAXATION		(1,201,722)	6,052,176	(455,595)	4,520,845
INCOME TAX EXPENSE	30	(127,570)	(1,575,113)	(52,597)	(50,000)
(LOSS)/PROFIT AFTER TAXATION/TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE FINANCIAL YEAR		(1,329,292)	4,477,063	(508,192)	4,470,845
(LOSS)/PROFIT AFTER TAXATION/TOTAL COMPREHENSIVE (EXPENSES)/INCOME ATTRIBUTABLE TO:-					
Owners of the Company		(1,098,283)	4,479,063	(508,192)	4,470,845
Non-controlling interests		(231,009)	(2,000)	-	-
		(1,329,292)	4,477,063	(508,192)	4,470,845
(LOSS)/EARNINGS PER SHARE					
- Basic	31	(0.26)	1.05		
- Diluted	31	(0.26)	1.05		

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 30 April 2018

	Note	Share Capital RM	Share Premium RM	Merger Deficit RM	Retained Profits RM	Attributable to Owners of the Company RM	Non-Controlling Interests RM	Total Equity RM
The Group								
At 1.5.2016		31,580,000	-	(29,579,990)	33,081,671	35,081,681	-	35,081,681
Profit after taxation/Total comprehensive income for the financial year		-	-	-	4,479,063	4,479,063	(2,000)	4,477,063
Contributions by and distribution to owners of the Company:								
- Issuance of shares	13	11,300,000	11,300,000	-	-	22,600,000	-	22,600,000
- Share issuance expenses		-	(881,152)	-	-	(881,152)	-	(881,152)
- Incorporation of a subsidiary		-	-	-	-	-	30	30
- Dividend	32	-	-	-	(1,500,800)	(1,500,800)	-	(1,500,800)
Total transactions with owners		11,300,000	10,418,848	-	(1,500,800)	20,218,048	30	20,218,078
Balance at 30.4.2017/1.5.2017		42,880,000	10,418,848	(29,579,990)	36,059,934	59,778,792	(1,970)	59,776,822
Loss after taxation/Total comprehensive expenses for the financial year					(1,098,283)	(1,098,283)	(231,009)	(1,329,292)
Contributions by and distribution to owners of the Company:								
- Issuance of share in a subsidiary		-	-	-	-	-	299,970	299,970
- Transfer to share capital upon implementation of the Companies Act 2016	13	10,418,848	(10,418,848)	-	-	-	-	-
Total transactions with owners		10,418,848	(10,418,848)	-	-	-	299,970	299,970
Balance at 30.4.2018		53,298,848	-	(29,579,990)	34,961,651	58,680,509	66,991	58,747,500

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 30 April 2018

Cont'd

	Note	Share Capital RM	Share Premium RM	(Accumulated Losses)/ Retained Profits RM	Total Equity RM
The Company					
At 1.5.2016		31,580,000	-	(1,595,522)	29,984,478
Profit after taxation/Total comprehensive expenses for the financial year		-	-	4,470,845	4,470,845
Contributions by and distribution to owners of the Company:					
- Issuance of shares	13	11,300,000	11,300,000	-	22,600,000
- Share issuance expenses		-	(881,152)	-	(881,152)
- Dividend	32	-	-	(1,500,800)	(1,500,800)
Total transactions with owners		11,300,000	10,418,848	(1,500,800)	20,218,048
Balance at 30.4.2017/1.5.2017		42,880,000	10,418,848	1,374,523	54,673,371
Loss after taxation/Total comprehensive expenses for the financial year		-	-	(508,192)	(508,192)
Contributions by and distribution to owners of the Company:					
- Transfer to share capital upon implementation of the Companies Act 2016	13	10,418,848	(10,418,848)	-	-
Balance at 30.4.2018		53,298,848	-	866,331	54,165,179

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
For the Financial Year Ended 30 April 2018

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES				
(Loss)/Profit before taxation	(1,201,722)	6,052,176	(455,595)	4,520,845
Adjustments for:-				
Reversal of provision for annual leave	-	(158,359)	-	-
Impairment losses on trade receivables	85,711	185,358	-	-
Inventories written down	-	151,613	-	-
Depreciation of property, plant and equipment	1,782,748	1,336,077	-	-
Dividend income	-	-	-	(5,000,000)
Interest expenses	431,105	470,790	-	-
Unrealised loss/(gain) on foreign exchange	241,649	(511,528)	-	-
(Gain)/Loss on disposal of property, plant and equipment	(24,054)	13,769	-	-
Listing expenses	-	222,935	-	222,935
Interest income	(318,674)	(547,340)	(219,099)	(442,682)
Reversal of allowance for impairment losses on trade receivables	(36,700)	(180,299)	-	-
Reversal of inventories previously written down	(105,171)	-	-	-
Operating profit/(loss) before working capital changes	854,892	7,035,192	(674,694)	(698,902)
Increase in inventories	(4,645,700)	(529,632)	-	-
Decrease/(Increase) in trade and other receivables	1,318,838	935,146	(1,767)	(6,600)
Increase/(Decrease) in trade and other payables	1,567,262	(3,464,358)	(19,211)	43,300
Increase in amount owing by a related company	(73,306)	-	-	-
CASH (FOR)/FROM OPERATIONS	(978,014)	3,976,348	(695,672)	(662,202)
Income tax paid	(1,686,753)	(1,526,988)	(104,673)	(43,750)
Income tax refunded	316,725	-	-	-
NET CASH (FOR)/FROM OPERATING ACTIVITIES	(2,348,042)	2,449,360	(800,345)	(705,952)

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 30 April 2018

Cont'd

		The Group		The Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
CASH FLOWS FOR INVESTING ACTIVITIES					
Acquisition of subsidiary		-	-	-	(100)
Advances to subsidiaries		-	-	(7,230,001)	(10,049,893)
Dividend received		-	-	-	5,000,000
Interest received		318,674	547,340	219,099	442,682
Increase in pledged fixed deposit with a licensed bank		(20,368)	(21,749)	-	-
Proceeds from disposal of property, plant and equipment		24,056	154,950	-	-
Purchase of property, plant and equipment	33(a)	(6,424,957)	(6,892,967)	-	-
NET CASH FOR INVESTING ACTIVITIES		(6,102,595)	(6,212,426)	(7,010,902)	(4,607,311)
CASH FLOWS (FOR)/FROM FINANCING ACTIVTIES					
Dividend paid	32	-	(1,500,800)	-	(1,500,800)
Interests paid	33(b)	(431,105)	(470,790)	-	-
Proceeds from issuance of shares by a subsidiary to non-controlling interests		299,970	30	-	-
Repayment of hire purchase obligations	33(b)	(400,946)	(335,477)	-	-
Repayment of term loans	33(b)	(807,198)	(757,882)	-	-
Payment of listing expenses		-	(1,149,599)	-	(1,149,599)
Proceeds from issuance of ordinary shares		-	22,600,000	-	22,600,000
Repayment to a subsidiary		-	-	-	(1,520,000)
Drawdown of bankers' acceptances	33(b)	626,000	76,000	-	-
NET CASH (FOR)/FROM FINANCING ACTIVITIES		(713,279)	18,461,482	-	18,429,601
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(9,163,916)	14,698,416	(7,811,247)	13,116,338
EFFECTS OF FOREIGN EXCHANGE TRANSLATION		(241,649)	511,528	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		23,014,779	7,804,835	13,116,338	-
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	33(c)	13,609,214	23,014,779	5,305,091	13,116,338

The annexed notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 30 April 2018

1. GENERAL INFORMATION

The Company is a public limited liability company, and is incorporated and domiciled in Malaysia. The registered office and principal place of business are as follows:-

Registered office	:	Third Floor, No. 79 (Room A), Jalan SS 21/60, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan.
Principal place of business	:	Wisma LKL No. 3, Jalan BS 7/18, Kawasan Perindustrian Bukit Serdang, Seksyen 7, 43300 Seri Kembangan, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 20 August 2018.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements.

3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

3.1 During the current financial year, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

Amendments to MFRS 107: Disclosure Initiative

Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses

Annual Improvements to MFRS Standards 2014 - 2016 Cycles: Amendments to MFRS 12: Clarification of the Scope of the Standard

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 April 2018

Cont'd

3. BASIS OF PREPARATION *Cont'd*

3.2 The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to MFRS 119: Plan Amendments, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 140 – Transfers of Investment Property	1 January 2018
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2014 - 2016 Cycles: ● Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters ● Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018
Annual improvements to MFRS Standards 2015 - 2017 Cycles	1 January 2019

The adoption of above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon its initial application except as follows:-

(a) MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the guidance in MFRS 139 on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the financial assets are managed and their cash flow characteristics. The new standard contains 3 principal classification categories for financial assets (measured at amortised cost, fair value through profit or loss, fair value through other comprehensive income) and eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available-for-sale financial assets.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 30 April 2018
Cont'd

3. BASIS OF PREPARATION *Cont'd*

3.2 The adoption of above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon its initial application except as follows:- *Cont'd*

(a) MFRS 9 replaces the 'incurred loss' model in MFRS 139 with an 'expected credit loss' ("ECL") model. The new impairment model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. It involves a 3-stage approach under which financial assets move through the stages as their credit quality changes. This new impairment model applies to financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets, lease receivables, loan commitments and certain financial guarantee contracts.

The Group is currently assessing the impact of implementing MFRS 9. As a result, the potential impact on the adoption of this standard would only be observable when the assessment is completed later.

(b) MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the distinct promised goods or services underlying the particular performance obligation is transferred to the customers. The amendments to MFRS 15 further clarify the concept of 'distinct' for the purposes of this accounting standard. In addition, extensive disclosures are also required by MFRS 15 about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

As at the date of authorisation of issue of the financial report, the assessment of implementing MFRS 15 has not been finalised. Thus, the potential impact of the adoption of this standard cannot be determined and estimated reliably until the assessment is completed later.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 6 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 April 2018

Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *Cont'd*

Key sources of Estimation Uncertainty Cont'd

(b) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 7 to the financial statements.

(c) Impairment of Trade and Other Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its receivables and analyses their ageing profiles, historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment loss. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables. The carrying amount of trade and other receivables as at the reporting date are disclosed in Notes 8 and 9 to the financial statements.

(d) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made. The carrying amount of current tax assets/(liabilities) of the Group and of the Company as at the reporting date are:-

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Current tax assets	1,739,946	453,920	45,826	-
Current tax liabilities	(10,819)	(6,250)	-	(6,250)

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

(a) Fair Value Estimates for Certain Financial Assets and Financial Liabilities

The Group carries certain financial assets and financial liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 30 April 2018
Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *Cont'd*

Critical Judgements Made in Applying Accounting Policies Cont'd

(b) Classification of Leasehold Land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

4.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 April 2018

Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.2 BASIS OF CONSOLIDATION *Cont'd*

(b) Merger Accounting for Common Control Business Combinations

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory.

Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been effected throughout the current financial year.

The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. No amount is recognised in respect of goodwill and excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets and liabilities and contingent liabilities over cost at the time of the common control business combination to the extent of the continuation of the controlling party and parties' interests.

When the merger method is used, the cost of investment in the Company's books is recorded at the nominal value of shares issued. The difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries is treated as a merger deficit or merger reserve as applicable. The results of the subsidiaries being merged are included for the full financial year.

(c) Non-controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes In Ownership Interests In Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

(e) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets, and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 30 April 2018
Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.3 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

(b) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

4.4 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

(i) Financial Assets at Fair Value through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. Fair value through profit or loss category also comprises contingent consideration in a business combination.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 April 2018

Cont'd

4. **SIGNIFICANT ACCOUNTING POLICIES** *Cont'd*

4.4 **FINANCIAL INSTRUMENTS** *Cont'd*

(a) **Financial Assets** *Cont'd*

(i) Financial Assets at Fair Value through Profit or Loss *Cont'd*

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

Financial assets at fair value through profit or loss could be presented as current assets or non-current assets. Financial assets that are held primarily for trading purposes are presented as current assets whereas financial assets that are not held primarily for trading purposes are presented as current assets or non-current assets based on the settlement date.

(ii) Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with interest income recognised in profit or loss on an effective yield basis.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current assets.

(iii) Loans and Receivables Financial Assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

(iv) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 April 2018

Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.4 FINANCIAL INSTRUMENTS *Cont'd*

(a) Financial Assets *Cont'd*

(iv) Available-for-sale Financial Assets *Cont'd*

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. Fair value through profit or loss category also comprises contingent consideration in a business combination.

(ii) Other Financial Liabilities

Other financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 April 2018

Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.4 FINANCIAL INSTRUMENTS *Cont'd*

(d) Derecognition *Cont'd*

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4.5 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

4.6 PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment, other than freehold land and buildings, are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Freehold land is not depreciated. Depreciation on other property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Leasehold land	Over the lease period of 36 years
Leasehold building	2%
Freehold buildings	2%
Motor vehicles	20%
Office equipment, furniture and fittings	10% - 25%
Plant and machinery	10% - 20%
Renovations	10%
Signboard	10%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 April 2018

Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.7 IMPAIRMENT

(a) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss and investments in subdiaries), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be an objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity into profit or loss.

With the exception of available-for-sale debt instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 30 April 2018
Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.8 LEASED ASSETS

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

4.9 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost method and comprises the purchase price, production or conversion costs and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

4.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

4.11 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.

4.12 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave, and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

4.13 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 30 April 2018
Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.13 INCOME TAXES *Cont'd*

(b) Deferred Tax

Deferred tax are recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

(c) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of GST except for the GST in a purchase of assets or services which are not recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

In addition, receivables and payables are also stated with the amount of GST included (where applicable).

The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other payables.

4.14 OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4.15 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 April 2018

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4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.16 BORROWING COSTS

Borrowing costs that directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to borrowings that are outstanding during the financial year.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they are incurred.

4.17 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

4.18 REVENUE AND OTHER INCOME

Revenue is measured at the fair value of the consideration received or receivable, net of returns, goods and services tax, cash and trade discounts.

(a) Sales of Goods

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods have been transferred to the buyer and where the Group does not have continuing managerial involvement and effective control over the goods sold.

(b) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

(c) Rental Income

Rental income is accounted for on a straight-line method over the lease term.

(d) Dividend Income

Dividend income from investment is recognised when the right to receive dividend payment is established.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 30 April 2018
Cont'd

5. INVESTMENTS IN SUBSIDIARIES

	The Company 2018 RM	The Company 2017 RM
Unquoted shares, at cost:-		
At 1 May 2017/2016	31,580,090	31,579,990
Addition during the financial year	-	100
At 30 April	31,580,090	31,580,090

The details of the subsidiaries are as follows:-

Name of Subsidiaries	Principal Place of Business/Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2018 %	2017 %	Principal Activities
LKL Advance Metaltech Sdn. Bhd. ("**LKLAM**")	Malaysia	100	100	Provision of medical/healthcare beds, peripheral and accessories.
Medik Gen Sdn. Bhd. ("**MGSB**") ^	Malaysia	100	100	Trading of hospital furniture, laboratory furniture, medical equipment, utensils and accessories.
TMI Medik Group Sdn. Bhd. ("**TMG**")*	Malaysia	70	70	Business of distributing "Nihon Kohden" medical devices.

^ *This subsidiary was audited by other firm of chartered accountants.*
* *MGSB and LKLAM have subscribed for 69% and 1% equity interests in TMG respectively.*

The non-controlling interests at the end of the reporting period comprise the following:-

	Effective Equity Interest 2018 %	Effective Equity Interest 2017 %	The Group 2018 RM	The Group 2017 RM
TMG	30	30	66,991	(1,970)

Summarised financial information of non-controlling interests has not been presented as the non-controlling interests of the subsidiary is not individually material to the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 April 2018

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6. PROPERTY, PLANT AND EQUIPMENT

	At 1.5.2017 RM	Additions RM	Disposals RM	Depreciation Charges RM	At 30.4.2018 RM
The Group					
2018					
Carrying Amount					
Freehold land	11,005,594	-	-	-	11,005,594
Leasehold land and building	429,155	-	-	(13,463)	415,692
Freehold buildings	11,494,046	122,500	-	(257,151)	11,359,395
Motor vehicles	1,529,924	109,437	(2)	(479,819)	1,159,540
Office equipment, furniture and fittings	662,506	957,741	-	(240,717)	1,379,530
Plant and machinery	2,852,163	4,398,170	-	(719,935)	6,530,398
Renovations	165,991	922,801	-	(67,560)	1,021,232
Signboard	18,351	12,308	-	(4,103)	26,556
	28,157,730	6,522,957	(2)	(1,782,748)	32,897,937

	At 1.5.2016 RM	Additions RM	Disposals RM	Depreciation Charges RM	At 30.4.2017 RM
The Group					
2017					
Carrying Amount					
Freehold land	6,905,594	4,100,000	-	-	11,005,594
Leasehold land and building	442,616	-	-	(13,461)	429,155
Freehold buildings	10,719,993	1,011,078	-	(237,025)	11,494,046
Motor vehicles	1,502,806	630,132	(113,936)	(489,078)	1,529,924
Office equipment, furniture and fittings	649,504	183,812	(1,451)	(169,359)	662,506
Plant and machinery	1,778,470	1,527,627	(53,332)	(400,602)	2,852,163
Renovations	172,283	17,000	-	(23,292)	165,991
Signboard	21,293	318	-	(3,260)	18,351
	22,192,559	7,469,967	(168,719)	(1,336,077)	28,157,730

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 30 April 2018
Cont'd

6. PROPERTY, PLANT AND EQUIPMENT *Cont'd*

	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
The Group			
2018			
Freehold land	11,005,594	-	11,005,594
Leasehold land and building	484,580	(68,888)	415,692
Freehold buildings	12,985,048	(1,625,653)	11,359,395
Motor vehicles	3,184,942	(2,025,402)	1,159,540
Office equipment, furniture and fittings	2,876,305	(1,496,775)	1,379,530
Plant and machinery	11,362,862	(4,832,464)	6,530,398
Renovations	1,164,564	(143,332)	1,021,232
Signboard	45,235	(18,679)	26,556
	43,109,130	(10,211,193)	32,897,937
2017			
Freehold land	11,005,594	-	11,005,594
Leasehold land and building	484,580	(55,425)	429,155
Freehold buildings	12,862,548	(1,368,502)	11,494,046
Motor vehicles	3,243,113	(1,713,189)	1,529,924
Office equipment, furniture and fittings	1,918,564	(1,256,058)	662,506
Plant and machinery	6,964,692	(4,112,529)	2,852,163
Renovations	241,763	(75,772)	165,991
Signboard	32,927	(14,576)	18,351
	36,753,781	(8,596,051)	28,157,730

(a) Included in the property, plant and equipment of the Group at the end of the reporting date were motor vehicles with a total carrying amount of RM1,159,533 (2017 - RM1,528,504), which were acquired under hire purchase terms.

These leased assets have been pledged as security for the related finance lease liabilities of the Group as disclosed in Note 17 to the financial statements.

(b) Included in the carrying amount of property, plant and equipment at the end of the reporting period were the following assets pledged to financial institutions as security for banking facilities granted to the Group:-

	The Group 2018 RM	2017 RM
Freehold land	6,905,594	6,905,594
Freehold buildings	10,169,521	10,278,582
	17,075,115	17,184,176

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 30 April 2018
Cont'd

6. PROPERTY, PLANT AND EQUIPMENT *Cont'd*

(c) Included in the carrying amount of property, plant and equipment at the end of the reporting period were the following assets held in trust by the following parties:-

	The Group	
	2018	**2017**
	RM	**RM**
Motor vehicles:		
- employees	15,570	29,944
Plant and machinery:		
- third party	49,406	78,300
	64,976	108,244

7. INVENTORIES

	The Group	
	2018	**2017**
	RM	**RM**
Raw materials	5,119,499	4,645,033
Work-in-progress	2,820,402	3,419,935
Goods-in-transit	196,042	-
Finished goods	7,174,347	2,494,451
	15,310,290	10,559,419
Recognised in profit or loss:-		
Inventories recognised as cost of sales	16,085,524	12,122,121
Amount written down to net realisable value	-	151,613
Reversal of inventories previously written down	(105,171)	-

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 30 April 2018
Cont'd

8. TRADE RECEIVABLES

	The Group	
	2018	2017
	RM	RM
Trade receivables	5,761,301	5,122,117
Unbilled receivables	1,722,752	3,445,505
	7,484,053	8,567,622
Allowance for impairment losses	(768,198)	(733,227)
	6,715,855	7,834,395
Allowance for impairment losses:-		
At 1 May 2017/2016	(733,227)	(728,168)
Addition during the financial year	(85,711)	(185,358)
Reversal during the financial year	36,700	180,299
Written off during the financial year	14,040	-
At 30 April	(768,198)	(733,227)

(a) The Group's normal trade credit terms range from 30 to 120 (2017 - 30 to 120) days. Other credit terms are assessed and approved on a case-by-case basis.

(b) Unbilled receivables represent goods delivered/services provided but not yet billed.

9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Other receivables	21,722	36,310	-	-
Deposits	189,343	964,645	1,300	1,300
Prepayments	470,294	331,491	7,067	5,300
Goods and services tax recoverable	669,966	268,187	-	-
	1,351,325	1,600,633	8,367	6,600

10. AMOUNT OWING BY SUBSIDIARIES

The non-trade balance represents unsecured interest-free advances and payments made on behalf. The amount owing is repayable on demand and is to be settled in cash.

11. AMOUNT OWING BY A RELATED COMPANY

The amount owing is subject to normal trade credit term of 60 (2017 - Nil) days. The amount owing is to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 30 April 2018
Cont'd

12. FIXED DEPOSITS WITH LICENSED BANKS

(a) The fixed deposits with licensed banks of the Group and of the Company at the end of the reporting period bore effective interest rates ranging from 3.00% to 3.50% (2017 - 3.00% to 3.50%) and 3.50% (2017 - 3.50%) per annum respectively. The fixed deposits have maturity periods ranging from 90 to 365 (2017 - 90 to 365) days for the Group and the Company respectively.

(b) Included in the fixed deposits with licensed banks of the Group at the end of the reporting period was an amount of RM701,171 (2017 - RM680,803) which has been pledged to a licensed bank as security for banking facilities granted to the Group as disclosed in Note 18 and Note 22 to the financial statements.

13. SHARE CAPITAL

The movements in the paid-up share capital of the Group and of the Company are as follows:-

	The Group/The Company			
	2018	2017	2018	2017
	Number of Shares		RM	RM
Issued and Fully Paid-Up				
Ordinary Shares with no Par Value				
At 1 May 2017/2016	428,800,000	315,800,000	42,880,000	31,580,000
Issuance of new shares	-	113,000,000	-	11,300,000
Transfer from share premium account	-	-	10,418,848	-
At 30 April	428,800,000	428,800,000	53,298,848	42,880,000

(i) The holders of ordinary shares are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company.

(ii) On 31 January 2017, the concepts of authorised share capital and par value of share capital were abolished in accordance with the Companies Act 2016. Consequently, the amount standing to the credit of the Company's share premium account became part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Companies Act 2016. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

Included in share capital is share premium amounting to RM10,418,848 (2017 - Nil) that is available to be utilised in accordance with Section 618(3) of the Companies Act 2016 on or before 30 January 2019 (twenty-four (24) months from the commencement of Section 74 of the Companies Act 2016).

14. SHARE PREMIUM

	The Group/ The Company	
	2018	2017
	RM	RM
At 1 May 2017/2016	10,418,848	10,418,848
Transfer to share capital upon implementation of the Companies Act 2016	(10,418,848)	-
At 30 April	-	10,418,848

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 April 2018

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15. MERGER DEFICIT

The merger deficit arose from the difference between the carrying value of the investment and the nominal value of the shares of a subsidiary upon consolidation under the merger accounting principles.

16. LONG-TERM BORROWINGS

	The Group	
	2018 RM	2017 RM
Hire purchase payables (Note 17)	725,493	1,059,321
Term loans (Note 18)	5,925,865	6,700,947
	6,651,358	7,760,268

17. HIRE PURCHASE PAYABLES

	The Group	
	2018 RM	2017 RM
Minimum hire purchase payments:		
- not later than 1 year	466,115	452,922
- later than 1 year and not later than 5 years	769,682	1,144,700
	1,235,797	1,597,622
Less: Future finance charges	(93,734)	(152,613)
Present value of hire purchase payables	1,142,063	1,445,009
Analysed by:-		
Current liabilities (Note 22)	416,570	385,688
Non-current liabilities (Note 16)	725,493	1,059,321
	1,142,063	1,445,009

(a) The hire purchase payables of the Group are secured by the Group's motor vehicles under finance leases as disclosed in Note 6 to the financial statements. The hire purchase arrangements are expiring from 1 to 5 (2017 - 1 to 5) years.

(b) The hire purchase payables of the Group at the end of the reporting period bore effective interest rates ranging from 4.70% to 6.07% (2017 - 4.46% to 6.34%). The interest rates are fixed at the inception of the hire purchase arrangements.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 30 April 2018
Cont'd

18. TERM LOANS

	The Group	
	2018	2017
	RM	RM
Current liabilities (Note 22)	797,780	829,896
Non-current liabilities (Note 16)	5,925,865	6,700,947
	6,723,645	7,530,843

(a) The term loans are secured by:-

(i) a first legal charge over certain properties as disclosed in Note 6 to the financial statements;

(ii) a joint and several guarantee of certain directors of the Company; and

(iii) fixed deposit pledged with a licensed bank.

(b) The term loans of the Group at the end of the reporting period bore effective interest rates ranging from 4.65% to 5.36% (2017 - 4.52% to 5.36%) per annum.

19. DEFERRED TAX LIABILITIES

	The Group	
	2018	2017
	RM	RM
At 1 May 2017/2016	535,000	535,000
Recognised in profit or loss (Note 30)	39,000	-
At 30 April	574,000	535,000

The deferred tax liabilities are in respect of the tax effects of the following:-

Deferred Tax Liabilities		
Accelerated capital allowances over depreciation	1,030,000	679,000
Unrealised gain on foreign exchange	-	123,000
	1,030,000	802,000
Deferred Tax Assets		
Impairment losses on trade receivables	(184,000)	(176,000)
Inventories written down	(65,000)	(91,000)
Unabsorbed capital allowances	(152,000)	-
Unrealised loss on foreign exchange	(55,000)	-
	(456,000)	(267,000)
	574,000	535,000

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 30 April 2018
Cont'd

20. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 120 (2017 - 30 to 120) days.

21. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Other payables	1,141,822	435,362	8,789	-
Accruals	909,571	1,043,226	45,300	73,300
	2,051,393	1,478,588	54,089	73,300

22. SHORT-TERM BORROWINGS

	The Group	
	2018	2017
	RM	RM
Bankers' acceptances	702,000	76,000
Hire purchase payables (Note 17)	416,570	385,688
Term loans (Note 18)	797,780	829,896
	1,916,350	1,291,584

The bankers' acceptances are secured by:-

(i) a first legal charge over certain buildings as disclosed in Note 6 to the financial statements;

(ii) a joint and several guarantee of certain directors of the Group; and

(iii) fixed deposit pledged with a licensed bank.

23. REVENUE

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Dividend income	-	-	-	5,000,000
Sale of goods	29,716,400	33,892,664	-	-
	29,716,400	33,892,664	-	5,000,000

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 30 April 2018
Cont'd

24. COST OF SALES

	The Group	
	2018	2017
	RM	RM
Included in cost of sales are:-		
Inventories written down	-	151,613
Depreciation of property, plant and equipment	1,004,585	686,763
Staff costs:		
- salaries and other benefits	3,433,958	3,580,922
- defined contribution plan	247,382	251,052
Rental of factory	281,050	365,750
Reversal on inventories previously written down	(105,171)	-

25. OTHER INCOME

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Included in other income are:-				
Gain on disposal of property, plant and equipment	24,054	-	-	-
Human Resources Development Fund grant received	24,259	-	-	-
Interest income	318,674	547,340	219,099	442,682
Rental income	11,161	54,686	-	-
Reversal of allowance for impairment losses on trade receivables	36,700	180,299	-	-
Unrealised gain on foreign exchange	-	511,528	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 30 April 2018
Cont'd

26. ADMINISTRATIVE EXPENSES

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Included in administrative expenses are:-				
Auditors' remuneration:				
- audit fees				
- Crowe Malaysia	89,000	75,000	27,000	25,000
- other auditors	2,600	1,800	-	-
- non-audit fees				
- Crowe Malaysia	5,000	7,000	-	-
Directors' remuneration:				
- fees	150,000	126,000	150,000	126,000
- salaries and other benefits	1,084,800	989,700	4,800	5,700
- defined contribution plan	129,600	141,040	-	-
Reversal of provision for annual leave	-	(158,359)	-	-
Staff costs:				
- salaries and other benefits	4,771,692	3,694,642	-	-
- defined contribution plan	559,917	441,237	-	-

27. SELLING AND DISTRIBUTION EXPENSES

	The Group	
	2018	**2017**
	RM	**RM**
Included in selling and distribution expenses are:-		
Promotional and exhibition expenses	561,946	846,636
Sales commission	125,640	392,088
Travelling expenses	494,754	510,802

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 30 April 2018
Cont'd

28. OTHER EXPENSES

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Included in other expenses are:-				
Depreciation of property, plant and equipment	778,163	649,314	-	-
Impairment losses on trade receivables	85,711	185,358	-	-
Listing expenses	-	222,935	-	222,935
Loss on disposal of property, plant and equipment	-	13,769	-	-
Realised loss on foreign exchange	252,499	62,581	-	-
Unrealised loss on foreign exchange	241,649	-	-	-

29. FINANCE COSTS

	The Group	
	2018	2017
	RM	RM
Included in finance costs are:-		
Interest expenses:		
- bankers' acceptances	19,098	19,923
- hire purchases	70,935	68,893
- term loans	341,072	381,974
	431,105	470,790

30. INCOME TAX EXPENSE

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Current tax:				
- for the financial year	189,819	1,562,805	-	50,000
- (over)/underprovision in the previous financial year	(101,249)	12,308	52,597	-
	88,570	1,575,113	52,597	50,000
Deferred tax (Note 19):				
- for the financial year	39,000	-	-	-
	127,570	1,575,113	52,597	50,000

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 April 2018

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30. INCOME TAX EXPENSE *Cont'd*

A reconciliation of income tax expense applicable to the (loss)/profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
(Loss)/Profit before taxation	(1,201,722)	6,052,176	(455,595)	4,520,845
Tax at the statutory tax rate of 24%	(288,413)	1,453,000	(109,343)	1,085,000
Tax effects of:-				
Non-deductible expenses	517,232	326,805	109,343	165,000
Non-taxable income	-	-	-	(1,200,000)
(Over)/Underprovision of current tax in the previous financial year	(101,249)	12,308	52,597	-
Utilisation of tax incentives	-	(217,000)	-	-
Income tax expense for the financial year	127,570	1,575,113	52,597	50,000

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017 - 24%) of the estimated assessable profit for the financial year.

For years of assessment 2017 and 2018, the Malaysian statutory tax rate will be reduced by 1% to 4%, based on the prescribed incremental percentage of chargeable income from business, compared to that of the immediate preceding year of assessment.

31. (LOSS)/EARNINGS PER SHARE

	The Group	
	2018	2017
(Loss)/Profit after taxation attributable to Owners of the Company (RM)	(1,098,283)	4,479,063
Ordinary shares at 1 May 2017/2016	428,800,000	315,800,000
Effect of new ordinary shares issued during the financial year	-	109,594,521
Weighted average number of ordinary shares for basic earnings per share computation	428,800,000	425,394,521
Basic (loss)/earnings per ordinary share attributable to equity holders of the Company (Sen)	(0.26)	1.05

The diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share.

NOTES TO THE FINANCIAL STATEMENTS
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32. DIVIDEND

	The Group 2018 RM	The Group 2017 RM
First interim single tier dividend of 0.35 sen per ordinary share in respect of the current financial year	-	1,500,800

33. CASH FLOW INFORMATION

(a) The cash disbursed for the purchase of property, plant and equipment is as follows:-

	The Group 2018 RM	The Group 2017 RM
Cost of property, plant and equipment purchased (Note 6)	6,522,957	7,469,967
Amount financed through hire purchase	(98,000)	(577,000)
Cash disbursed for purchase of property, plant and equipment	6,424,957	6,892,967

(b) The reconciliations of liabilities arising from financing activities are as follows:-

	Term Loans RM	Hire Purchase RM	Bankers' Acceptances RM	Total RM
The Group				
At 1 May 2017	7,530,843	1,445,009	76,000	9,051,852
<u>Changes in Financing Cash Flows</u>				
Proceeds from drawdown	-	-	626,000	626,000
Repayment of borrowing principal	(807,198)	(400,946)	-	(1,208,144)
Repayment of borrowing interests	(341,072)	(70,935)	(19,098)	(431,105)
	(1,148,270)	(471,881)	606,902	1,013,249
<u>Non-cash Changes</u>				
New hire purchase (Note (a) above)	-	98,000	-	98,000
Finance charges recognised in profit or loss	341,072	70,935	19,098	431,105
	341,072	168,935	19,098	529,105
At 30 April 2018	6,723,645	1,142,063	702,000	8,567,708

Comparative information is not presented by virtue of the exemption given in MFRS 107.

NOTES TO THE FINANCIAL STATEMENTS
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33. CASH FLOW INFORMATION *Cont'd*

(c) The cash and cash equivalents comprise the following:-

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Cash and bank balances	8,438,372	18,014,779	134,249	8,116,338
Fixed deposit with licensed banks	5,872,013	5,680,803	5,170,842	5,000,000
	14,310,385	23,695,582	5,305,091	13,116,338
Less: Fixed deposit pledged to a licensed bank (Note 12)	(701,171)	(680,803)	-	-
	13,609,214	23,014,779	5,305,091	13,116,338

34. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group and of the Company include executive directors and certain members of senior management of the Group and of the Company.

The key management personnel compensation during the financial year are as follows:-

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Directors				
Executive Directors:				
Short-term employee benefits				
- fees	150,000	126,000	150,000	126,000
- salaries and allowances	1,084,800	989,700	4,800	5,700
- defined contribution plan	129,600	141,040	-	-
	1,364,400	1,256,740	154,800	131,700
Other Key Management Personnel				
Short-term employee benefits				
- salaries and allowances	1,307,178	1,200,898	-	-
- defined contribution plan	150,103	139,574	-	-
	1,457,281	1,340,472	-	-
Total	2,821,681	2,597,212	154,800	131,700

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For the Financial Year Ended 30 April 2018
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35. RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

(b) Related Party Transactions

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following transactions with the related parties during the financial year:-

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Subsidiaries:				
- advances to subsidiaries	-	-	7,230,000	10,049,893
Close members of the family of certain directors:				
- salaries and other emoluments paid to close members of the family of directors	846,784	724,670	-	-
- rental paid to close member of the family of directors	72,000	72,000	-	-

36. CAPITAL COMMITMENTS

	The Group	
	2018	**2017**
	RM	**RM**
Purchase of plant and equipment	-	3,142,114

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 30 April 2018
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37. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Managing Director as its chief operating decision maker in order to allocate resources to segments and to assess their performance on a quarterly basis. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into 3 main reportable segments as follows:-

(i) Manufacturing division - involved in manufacturing of medical/healthcare beds, medical peripherals and accessories;

(ii) Trading division - involved in trading and distribution of selected Nihon Kohden devices; and

(iii) Investment holding division

BUSINESS SEGMENTS

	Manufacturing Division	Trading Division	Investment Holding Division	The Group
	RM	RM	RM	RM
2018				
Results				
External revenue	28,430,421	1,285,979	-	29,716,400
Inter-segment revenue	25,827	548,511	-	574,338
	28,456,248	1,834,490	-	30,290,738
Consolidation adjustments				(574,338)
				29,716,400
Segment results	2,136,500	(606,914)	(674,694)	854,892
Interest income	97,901	1,674	219,099	318,674
Gain on disposal of property, plant and equipment	24,054	-	-	24,054
Reversal of allowance for impairment losses on trade receivables	36,700	-	-	36,700
Reversal of inventories previously written down	105,171	-	-	105,171
Depreciation of property, plant and equipment	(1,703,521)	(79,227)	-	(1,782,748)
Impairment losses on trade receivables	(85,711)	-	-	(85,711)
Interest expense	(431,105)	-	-	(431,105)
Unrealised loss on foreign exchange	(230,506)	(11,143)	-	(241,649)
Consolidation loss before taxation	(50,517)	(695,610)	(455,595)	(1,201,722)
Income tax expense	(57,075)	(17,898)	(52,597)	(127,570)
Consolidation loss after taxation	(107,592)	(713,508)	(508,192)	(1,329,292)

NOTES TO THE FINANCIAL STATEMENTS

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37. OPERATING SEGMENTS *Cont'd*

BUSINESS SEGMENTS *Cont'd*

	Manufacturing Division	Trading Division	Investment Holding Division	The Group
	RM	RM	RM	RM
2018				
Assets				
Segment assets/Consolidated total assets	61,974,840	5,064,920	5,359,284	72,399,044
Liabilities				
Segment liabilities/Consolidated total liabilities	13,490,358	107,097	54,089	13,651,544
Other Segment Items				
Additions to non-current assets other than financial instrument:				
- Plant and equipment	5,634,052	888,905	-	6,522,957

Business segments information is not presented for the previous financial year as the Group had one reportable segment which is the provision of medical/healthcare beds, peripherals and accessories.

37.1 GEOGRAPHICAL INFORMATION

Revenue is based on the country in which the customers are located. Non-current assets are determined according to the country where these assets are located. The amounts of non-current assets do not include financial instruments.

	Revenue		Non-current Assets	
	2018	2017	2018	2017
	RM	RM	RM	RM
The Group				
Africa	477,321	212,308	-	-
Asia (Other than Malaysia)	6,979,735	5,272,535	49,406	78,300
Europe	1,240,177	1,937,076	-	-
Malaysia	20,358,599	24,404,725	32,848,531	28,079,430
Middle East	496,228	2,002,972	-	-
Central America	164,340	63,048	-	-
	29,716,400	33,892,664	32,897,937	28,157,730

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 April 2018

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37. OPERATING SEGMENTS *Cont'd*

37.2 MAJOR CUSTOMER

The following is major customer with revenue equal to or more than 10% of the Group's total revenue:-

	The Group	
	2018	**2017**
	RM	**RM**
Customer A	-	4,176,978

There is no single customer that contributed 10% or more to the Group's revenue for the current financial year.

38. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

38.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies within the Group. The currencies giving rise to these risks are primarily United States Dollar ("USD"), Euro ("EUR"), Singapore Dollar ("SGD") and Renminbi ("RMB"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 30 April 2018
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38. FINANCIAL INSTRUMENTS *Cont'd*

38.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(a) Market Risk *Cont'd*

(i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the Company) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

Foreign Currency Exposure

	USD RM	EUR RM	SGD RM	RMB RM
The Group				
2018				
Financial assets				
Trade receivables	693,377	-	154,715	-
Cash and bank balances	1,356,299	7,508	-	-
	2,049,076	7,508	154,715	-
Financial liabilities				
Trade payables	3,496	-	-	6,243
Other payables and accruals	433,608	-	-	-
	437,104	-	-	6,243
Currency exposure	1,611,972	7,508	154,715	(6,243)

	USD RM	EUR RM	SGD RM
The Group			
2017			
Financial assets			
Trade receivables	477,023	-	38,816
Cash and bank balances	3,315,312	10	-
	3,792,335	10	38,816
Financial liability			
Trade payables	3,623	93,909	-
Currency exposure	3,788,712	(93,899)	38,816

NOTES TO THE FINANCIAL STATEMENTS

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38. FINANCIAL INSTRUMENTS *Cont'd*

38.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(a) Market Risk *Cont'd*

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies at the end of the reporting period, with all other variables held constant:-

		The Group	
		2018	2017
		RM	RM
Effects on (Loss)/Profit After Taxation/Other Comprehensive (Expenses)/Income			
USD/RM	- strengthened by 10%	(161,000)	379,000
	- weakened by 10%	161,000	(379,000)
EUR/RM	- strengthened by 10%	(800)	(9,000)
	- weakened by 10%	800	9,000
SGD/RM	- strengthened by 10%	(15,000)	4,000
	- weakened by 10%	15,000	(4,000)
RMB/RM	- strengthened by 10%	600	-
	- weakened by 10%	(600)	-

The Company does not have any transactions or balances denominated in foreign currencies and hence, is not exposed to foreign currency risk.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rate available.

The Group's fixed deposit with licensed banks is carried at amortised cost. Therefore, it is not subject to interest rate risk as defined in MFRS 7 since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Note 38.1(c) to the financial statements.

Any reasonably possible change in the interest rates of floating rate term loans at the end of the reporting period does not have material impact on the (loss)/profit after taxation and other comprehensive (expenses)/income of the Group and hence, no sensitivity analysis is presented.

The Company does not have any interest-bearing borrowings and hence, is not exposed to interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 April 2018

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38. FINANCIAL INSTRUMENTS *Cont'd*

38.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(a) Market Risk *Cont'd*

(iii) Equity Price Risk

The Group does not have any quoted investments and hence, is not exposed to equity price risk.

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 120 days, which are deemed to have higher credit risk, are monitored individually.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified (where applicable). Impairment is estimated by management based on prior experience and the current economic environment.

(i) Credit Risk Concentration Profile

The Group's major concentration of credit risk relates to amount owing by a customer which constituted approximately 26% (2017 - 44%) of its total trade receivables at the end of the reporting period.

In addition, the Group also determines concentration of credit risk by monitoring the geographical region of its trade receivables on an ongoing basis. The credit risk concentration profile of trade receivables at the end of the reporting period is as follows:-

	2018	**2017**
	RM	**RM**
Africa	28,664	59,269
Asia (Other than Malaysia)	247,540	310,159
Europe	332,363	-
Malaysia	5,867,763	7,311,295
Middle East	239,525	153,672
	6,715,855	7,834,395

NOTES TO THE FINANCIAL STATEMENTS
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38. FINANCIAL INSTRUMENTS *Cont'd*

38.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(b) Credit Risk *Cont'd*

(ii) Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position of the Group after deducting any allowance for impairment losses (where applicable).

(iii) Ageing Analysis

The ageing analysis of the Group's trade receivables is as follows:-

	Gross Amount RM	Individual Impairment RM	Carrying Amount RM
The Group			
2018			
Not past due	4,634,000	-	4,634,000
Past due:			
- less than 3 months	1,083,497	-	1,083,497
- 3 to 6 months	179,747	-	179,747
- 6 months to 1 year	171,065	-	171,065
- more than 1 year	1,415,744	(768,198)	647,546
	7,484,053	(768,198)	6,715,855
2017			
Not past due	5,905,293	-	5,905,293
Past due:			
- less than 3 months	601,914	-	601,914
- 3 to 6 months	755,111	-	755,111
- 6 months to 1 year	387,436	-	387,436
- more than 1 year	917,868	(733,227)	184,641
	8,567,622	(733,227)	7,834,395

At the end of the reporting period, trade receivables that are individually impaired were those past due and expected to be irrecoverable. These receivables are not secured by any collateral or credit enhancement.

The Group believes that no additional impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 30 April 2018
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38. FINANCIAL INSTRUMENTS *Cont'd*

38.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payment computed based on the rate at the end of the reporting period):-

The Group	Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 Years RM
2018						
Hire purchase payables	4.70 - 6.07	1,142,063	1,235,797	466,115	769,682	-
Term loans	4.65 - 5.36	6,723,645	8,680,391	1,043,205	3,886,833	3,750,353
Trade payables	-	2,447,624	2,447,624	2,447,624	-	-
Other payables and accruals	-	2,051,393	2,051,393	2,051,393	-	-
Bankers' acceptances	5.04 - 5.27	702,000	702,000	702,000	-	-
		13,066,725	15,117,205	6,710,337	4,656,515	3,750,353
2017						
Hire purchase payables	4.46 - 6.34	1,445,009	1,597,622	452,922	1,144,700	-
Term loans	4.52 - 5.36	7,530,843	9,547,718	1,139,856	4,414,633	3,993,229
Trade payables	-	1,453,167	1,453,167	1,453,167	-	-
Other payables and accruals	-	1,478,588	1,478,588	1,478,588	-	-
Bankers' acceptances	4.74	76,000	76,000	76,000	-	-
		11,983,607	14,153,095	4,600,533	5,559,333	3,993,229

NOTES TO THE FINANCIAL STATEMENTS

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38. FINANCIAL INSTRUMENTS *Cont'd*

38.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(c) Liquidity Risk *Cont'd*

Maturity Analysis Cont'd

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payment computed based on the rate at the end of the reporting period):- *Cont'd*

The Company	Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 Years RM
2018						
Other payables and accruals	-	54,089	54,089	54,089	-	-
2017						
Other payables and accruals	-	73,300	73,300	73,300	-	-

38.2 CAPITAL RISK MANAGEMENT

The Group manages its capital by maintaining an optimal capital structure so as to support its businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The debt-to-equity ratio of the Group at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total external borrowings. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions plus trade and other payables less cash and bank balances and fixed deposits with licensed bank.

There was no change in the Group's approach to capital management during the financial year.

The debt-to-equity ratio of the Group is not disclosed in the financial statements as the cash and cash equivalents exceeded the total debts.

The Group is also required to comply with certain loan covenants, failing which, the banks may call an event of default. The Group has complied with this requirement.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 April 2018

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38. FINANCIAL INSTRUMENTS *Cont'd*

38.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Financial Asset				
Loans and Receivables Financial Assets				
Trade receivables	6,715,855	7,834,395	-	-
Other receivables	21,722	36,310	-	-
Amount owing by subsidiaries	-	-	17,279,894	10,049,893
Amount owing by a related company	73,306	-	-	-
Fixed deposits with licensed banks	5,872,013	5,680,803	5,170,842	5,000,000
Cash and bank balances	8,438,372	18,014,779	134,249	8,116,338
	21,121,268	31,566,287	22,584,985	23,166,231
Financial Liability				
Other Financial Liabilities				
Bankers' acceptances	702,000	76,000	-	-
Hire purchase payables	1,142,063	1,445,009	-	-
Term loans	6,723,645	7,530,843	-	-
Trade payables	2,447,624	1,453,167	-	-
Other payables and accruals	2,051,393	1,478,588	54,089	73,300
	13,066,725	11,983,607	54,089	73,300

NOTES TO THE FINANCIAL STATEMENTS

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38. FINANCIAL INSTRUMENTS *Cont'd*

38.4 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Group which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments. The following table sets out the fair value profile of financial instruments that are not carried at fair value at the end of the reporting period:-

	Fair Value of Financial Instruments Not Carried at Fair Value				
	Level 1	Level 2	Level 3	Total Fair Value	Carrying Amount
The Group	**RM**	**RM**	**RM**	**RM**	**RM**
2018					
Financial Liabilities					
Hire purchase payables	-	1,159,905	-	1,159,905	1,142,063
Term loans	-	6,723,645	-	6,723,645	6,723,645
2017					
Financial Liabilities					
Hire purchase payables	-	1,471,802	-	1,471,802	1,445,009
Term loans	-	7,530,843	-	7,530,843	7,530,843

The fair values of hire purchase payables and term loans are determined by discounting the relevant cash flows using current market interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

	2018	2017
	%	%
Hire purchase payables	5.49	5.08
Term loans	4.81	5.14

39. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

(a) On 27 July 2018, LKLAM, a wholly-owned subsidiary of the Company has been awarded a contract for supply and delivery of medical/healthcare beds and medical peripherals by Ministry of Health of Uganda ("the Contract"). The Contract value is US Dollars 2.8 million, which is approximately RM11.4 million. The Contract is for a period of one (1) year commencing from 1 August 2018 to 1 August 2019.

(b) On 31 July 2018, LKLAM, a wholly-owned subsidiary of the Company accepted a Letter of Award from Selgate Rawang Hospital Sdn. Bhd. for the supply, delivery, installation, testing and commission of medical/healthcare beds and medical equipment for a private medical hospital to be constructed in Mukim Rawang, Selangor ("the Contract"). The Contract value is approximately RM6.2 million. The Contract shall commence after completion of the construction of the private medical hospital, which is expected to be in the fourth quarter of 2019.

NOTES TO THE FINANCIAL STATEMENTS
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40. COMPARATIVE FIGURES

The following figures have been reclassified to conform with the presentation of the current financial year:-

	As Restated RM	As Previously Reported RM
The Group		
Statements of Cash Flows (Extract):-		
Net cash from operating activities	2,449,360	2,525,910
Net cash for investing activities	(6,212,426)	(6,759,766)
Net cash from financing activities	18,461,482	18,932,272
The Company		
Statements of Cash Flows (Extract):-		
Net cash for operating activities	(705,952)	(263,270)
Net cash for investing activities	(4,607,311)	(5,049,993)

ANALYSIS OF SHAREHOLDINGS
As at 31 July 2018

Total Number of Issued Shares	:	428,800,000 ordinary shares
Class of Equity Securities	:	Ordinary shares ("**shares**")
Voting Rights by Show of Hand	:	One vote for every member
Voting Rights by Poll	:	One vote for every share held

DISTRIBUTION SCHEDULE OF SHAREHOLDERS

Size of Holdings	No. of Holders	%	No. of Shares	%
Less than 100 shares	7	0.46	300	0.00
100 - 1,000 shares	109	7.15	71,700	0.02
1,001 - 10,000 shares	546	35.80	3,306,600	0.77
10,001 - 100,000 shares	674	44.19	27,987,500	6.53
100,001 - less than 5% of issued shares	184	12.07	80,726,900	18.83
5% and above of issued shares	5	0.33	316,707,000	73.85
Total	**1,525**	**100.00**	**428,800,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS
(As per the Register of Substantial Shareholders)

	Direct Interest		Indirect Interest	
Name of Substantial Shareholders	No. of Shares	%	No. of Shares	%
Lim Kon Lian	110,710,745	25.82	177,824,265 (1)	41.47
Mok Mei Lan	110,003,725	25.65	178,531,285 (2)	41.64
Elaine Lim Sin Yee	33,935,270	7.91	-	-
Lim Pak Hong	33,885,270	7.90	-	-
Tan Chuan Hock	28,771,990	6.71	-	-

Notes:

(1) Deemed interested by virtue of his spouse, Mok Mei Lan's and his children, Elaine Lim Sin Yee's and Lim Pak Hong's shareholdings in the Company.

(2) Deemed interested by virtue of her spouse, Lim Kon Lian's and her children, Elaine Lim Sin Yee's and Lim Pak Hong's shareholdings in the Company.

ANALYSIS OF SHAREHOLDINGS

As at 31 July 2018

Cont'd

DIRECTORS' SHAREHOLDINGS

(As per the Register of Directors' Shareholdings)

	Direct Interest		Indirect Interest	
Name of Directors	**No. of Shares**	**%**	**No. of Shares**	**%**
Tan Sri Datuk Adzmi Bin Abdul Wahab	300,000	0.07	-	-
Lim Kon Lian	110,710,745	25.82	177,824,265 (1)	41.47
Mok Mei Lan	110,003,725	25.65	178,531,285 (2)	41.64
Tan Chuan Hock	28,771,990	6.71	-	-
Tevanaigam Randy Chitty	300,000	0.07	-	-
Selma Enolil Binti Mustapha Khalil	50,000	0.01	-	-

Notes:

(1) Deemed interested by virtue of his spouse, Mok Mei Lan's and his children, Elaine Lim Sin Yee's and Lim Pak Hong's shareholdings in the Company.

(2) Deemed interested by virtue of her spouse, Lim Kon Lian's and her children, Elaine Lim Sin Yee's and Lim Pak Hong's shareholdings in the Company.

ANALYSIS OF SHAREHOLDINGS
As at 31 July 2018
Cont'd

THIRTY LARGEST SHAREHOLDERS
(without aggregating securities from different securities accounts belonging to the same registered holder)

No.	Name	No. of Shares	%
1	Alliancegroup Nominees (Tempatan) Sdn. Bhd. *(Pledged securities account for Lim Kon Lian)*	110,110,745	25.68
2	Alliancegroup Nominees (Tempatan) Sdn. Bhd. *(Pledged securities account for Mok Mei Lan)*	110,003,725	25.65
3	Alliancegroup Nominees (Tempatan) Sdn. Bhd. *(Pledged securities account for Elaine Lim Sin Yee)*	33,935,270	7.91
4	Alliancegroup Nominees (Tempatan) Sdn. Bhd. *(Pledged securities account for Lim Pak Hong)*	33,885,270	7.90
5	Tan Chuan Hock	28,771,990	6.71
6	Citigroup Nominees (Asing) Sdn. Bhd. *(Exempt An for Citibank New York)*	6,637,400	1.55
7	Alliancegroup Nominees (Tempatan) Sdn. Bhd. *(Pledged securities account for Khor Jan Yeow)*	4,032,500	0.94
8	Maybank Nominees (Tempatan) Sdn. Bhd. *(Lim Yoke Cho)*	3,745,300	0.87
9	Federlite Holdings Sdn. Bhd.	3,286,500	0.77
10	First Look Corporation Sdn. Bhd.	2,243,800	0.52
11	Tan Hang Chai	1,750,000	0.41
12	Khor Bean Chong	1,500,000	0.35
13	Jayaveeran A/L Shunmuganathan	1,300,000	0.30
14	Alliancegroup Nominees (Tempatan) Sdn. Bhd. *(Chin Foo Kong)*	1,250,000	0.29
15	RHB Nominees (Tempatan) Sdn. Bhd. *(Pledged securities account for Koon Poh Tat)*	1,200,000	0.28
16	George Lee Sang Kian	1,150,000	0.27
17	George Lee Sang Kian	1,140,000	0.27
18	Pangkor Fishing Sdn. Bhd.	1,124,300	0.26
19	Vision One Diagnostic Sdn. Bhd.	1,052,900	0.25
20	Vibrant Model Sdn. Bhd.	1,000,000	0.23
21	Malacca Equity Nominees (Tempatan) Sdn. Bhd. *(Exempt An for Phillip Capital Management Sdn. Bhd.)*	980,000	0.23
22	Ng Chai Wen	950,000	0.22
23	Ng Sing Beng	915,500	0.21
24	Alliancegroup Nominees (Tempatan) Sdn. Bhd. *(Pledged securities account for Lee Hye Chuan)*	900,000	0.21
25	Lim Yoke Hong	900,000	0.21
26	Maybank Nominees (Tempatan) Sdn. Bhd. *(Tay Swi Peng @ Tee Swi Peng)*	899,000	0.21
27	Tan Choon Ling	850,000	0.20
28	Soo Jen Li	820,000	0.19
29	Kong Jit Chong	816,800	0.19
30	Ong Yew Beng	800,000	0.19

LIST OF PROPERTIES

No.	Location/Title	Description/ Existing use	Tenure	Approximate age of building (Years)	Land area/ Built-up area (Square feet)	Audited net book value as at 30 April 2018 (RM'000)	Date of acquisition
1.	No. 3, Jalan BS7/18, Kawasan Perindustrian Bukit Serdang, Seksyen 7, 43300 Seri Kembangan, Selangor Darul Ehsan. HSD 202531, PT1386, Mukim Petaling, Daerah Petaling, Selangor Darul Ehsan.	A double-storey detached factory with a three (3)-storey office and other ancillary buildings used as an office and manufacturing plant	Freehold	10	43,560 / 57,690	6,019	12-Nov-04
2.	Level 3 - 29, Block B, Jalan Indah 2/6, Taman Universiti Indah, 43300 Seri Kembangan, Selangor Darul Ehsan. Master title HSD31704 PT2156 Mukim Petaling, Daerah Petaling, Selangor Darul Ehsan.	Apartment used as hostel	Freehold	13	- / 830	64	28-Mar-05
3.	Level 2 - 29, Block B, Jalan Indah 2/6, Taman Universiti Indah, 43300 Seri Kembangan, Selangor Darul Ehsan. Master title HSD31704 PT2156 Mukim Petaling, Daerah Petaling, Selangor Darul Ehsan.	Apartment used as hostel	Freehold	13	- / 830	68	28-Mar-05
4.	Level 1 - 29, Block B, Jalan Indah 2/6, Taman Universiti Indah, 43300 Seri Kembangan, Selangor Darul Ehsan. Master title HSD31704 PT2156 Mukim Petaling, Daerah Petaling, Selangor Darul Ehsan.	Apartment used as hostel	Freehold	13	- / 817	71	28-Mar-05
5.	No. 1, Jalan BS7/18, Kawasan Perindustrian Bukit Serdang, Seksyen 7, 43300 Seri Kembangan, Selangor Darul Ehsan. HSD 202530 PT1385, Mukim Petaling, Daerah Petaling, Selangor Darul Ehsan.	A double-storey detached factory used as an office, manufacturing plant and warehouse	Freehold	4	43,560 / 34,050	6,151	11-Apr-07

LIST OF PROPERTIES

Cont'd

No.	Location/Title	Description/ Existing use	Tenure	Approximate age of building (Years)	Land area/ Built-up area (Square feet)	Audited net book value as at 30 April 2018 (RM'000)	Date of acquisition
6	No. 1904, Jalan SK 13/5, 43300 Seri Kembangan, Selangor Darul Ehsan. HSM 11237 PT10760, Mukim Petaling, Daerah Petaling, Selangor Darul Ehsan.	Single-storey terrace house used as hostel	60 years leasehold expiring on 23 November 2048	22	3,400 / 1,862	416	16-Nov-12
7.	No. 15, Jalan BS7/20, Taman Perindustrian Bukit Serdang, Sek 7, 43300 Seri Kembangan, Selangor Darul Ehsan. HSD 252834 PT1981 Mukim Pekan Serdang, Daerah Petaling, Selangor Darul Ehsan.	An intermediate semi-detached one and a half (1 ½)- storey factory used as a manufacturing plant and warehouse	Freehold	8	11,282 / 9,720	4,905	16-Apr-15
8.	No. 5, Jalan BS7/20, Taman Perindustrian Bukit Serdang, Sek 7, 43300 Seri Kembangan, Selangor Darul Ehsan. HSD 252829 PT1976 Mukim Pekan Serdang, Daerah Petaling, Selangor Darul Ehsan.	An intermediate semi-detached one and a half (1 ½)- storey factory used as a manufacturing plant and warehouse	Freehold	8	11,135 / 9,000	5,087	15-Apr-17
					Total	**22,781**	

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fourth Annual General Meeting ("**Fourth AGM**" or "**the Meeting**") of LKL INTERNATIONAL BERHAD ("**LKL International**" or "**the Company**") will be held at Matahari 1, Level 3, Hotel Bangi-Putrajaya, Off Persiaran Bandar, 43650 Bandar Baru Bangi, Selangor Darul Ehsan on Wednesday, 17 October 2018 at 10.00 a.m. to transact the following businesses:-

A G E N D A

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 30 April 2018 together with the reports of the Directors and Auditors thereon. ***Please refer to Note (a)***

2. To approve the payment of Directors' fees and benefits of up to RM181,200.00 for the financial year ending 30 April 2019. ***Ordinary Resolution 1***

3. To re-elect the following Directors who retire by rotation in accordance with Clause 89 of the Company's Constitution:

   i Tan Sri Datuk Adzmi Bin Abdul Wahab ***Ordinary Resolution 2***
   ii Puan Selma Enolil Binti Mustapha Khalil ***Ordinary Resolution 3***

4. To re-appoint Messrs. Crowe Malaysia as Auditors of the Company until the conclusion of the next annual general meeting and to authorise the Directors to fix their remuneration. ***Ordinary Resolution 4***

AS SPECIAL BUSINESS:

To consider and if thought fit, pass with or without any modifications, the following resolutions:-

5. **GENERAL AUTHORITY FOR THE DIRECTORS TO ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** ***Ordinary Resolution 5***

   "THAT pursuant to Sections 75 and 76 of the Companies Act 2016, and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to allot and issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being AND THAT the Directors be and are also empowered to obtain approval from the Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued AND THAT such authority shall continue in force until the conclusion of the next annual general meeting of the Company."

6. **PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY** ***Special Resolution***

   "THAT approval be and is hereby given to alter or amend the whole of the existing Constitution of the Company by the replacement thereof with a new Constitution of the Company as set out in "Appendix A" with immediate effect AND THAT the Directors and/or the Secretary of the Company be authorised to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

7. To transact any other business of which due notice shall have been given in accordance with the Company's Constitution and the Companies Act 2016.

NOTICE OF ANNUAL GENERAL MEETING

Cont'd

By order of the Board

TEA SOR HUA (MACS 01324)
Company Secretary

Petaling Jaya, Selangor Darul Ehsan
30 August 2018

Notes:

a) *The Agenda No. 1 is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval from shareholders for the Audited Financial Statements. Hence, Agenda No. 1 is not put forward for voting.*

b) *A shareholder who is entitled to attend and vote at the Meeting shall be entitled to appoint not more than two (2) proxies to attend and vote at the Meeting in his stead. Where a shareholder appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.*

c) *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 of the Company's Constitution to issue the General Meeting Record of Depositors as at 9 October 2018. Only members whose names appear in the General Meeting Record of Depositors as at 9 October 2018 shall be regarded as members and entitled to attend, speak and vote at the Fourth AGM.*

d) *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.*

e) *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.*

f) *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

g) *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.*

h) *To be valid, the instrument appointing a proxy must be deposited at 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, not less than forty-eight (48) hours before the time for holding the Meeting or adjourned meeting at which the person named in the instrument proposes to vote.*

i) *All resolutions as set out in the Notice of the Meeting will be put to vote by poll.*

NOTICE OF ANNUAL GENERAL MEETING
Cont'd

EXPLANATORY NOTES TO SPECIAL BUSINESS

1. Ordinary Resolution 5 under Item 5 of the Agenda

The Ordinary Resolution proposed under item 5 of the Agenda is a renewal of the general mandate for issuance of shares by the Company under Sections 75 and 76 of Companies Act 2016. This Ordinary Resolution, if passed, is to empower the Directors to issue shares in the Company up to an amount not exceeding in total ten per centum (10%) of the total number of issued share of the Company for such purposes as the Directors consider would be in the interest of the Company. This would avoid any delay and cost involved in convening a general meeting to approve such an issue of shares. This authority will, unless revoked or varied by the Company at a general meeting, expire at the conclusion of the next annual general meeting or the expiration of the period within which the next annual general meeting is required by law to be held, whichever is the earlier.

This general mandate will provide flexibility to the Company for allotment of shares for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisition(s).

As at the date of this Notice, no new shares in the Company were issued pursuant to the general mandate to the Directors at the Third AGM held on 26 September 2017 and it will lapse at the conclusion of the Fourth AGM of the Company.

2. Special Resolution under Item 6 of the Agenda

The Special Resolution proposed under item 6 in relation to the proposed amendments to the existing Constitution of the Company are made mainly for the following purposes:-

(a) To ensure compliance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad; and

(b) To provide clarity and consistency with the amendments that arise from the Companies Act 2016 and other relevant regulatory provisions.

The shareholders' approval is sought for the Company to alter or amend the whole of its existing Constitution by the replacement with the proposed New Constitution as per "Appendix A" in accordance with Section 36(1) of the Companies Act 2016. The "Appendix A" on the proposed New Constitution of the Company, which is circulated together with the Notice of Fourth AGM dated 30 August 2018, shall take effect once the special resolution has been passed by a majority of not less than seventy-five per centum (75%) of such members who are entitled to vote and do vote in person or by proxy at the Fourth AGM.

PROXY FORM

LKL INTERNATIONAL BERHAD
(1140005-V)
(Incorporated in Malaysia)

I/We ______________________________ NRIC/Company No. ______________
(full name in capital letters)

of ____
(full address)

being (a) member(s) of LKL INTERNATIONAL BERHAD (1140005-V) ("**the Company**") hereby appoint ______________

______________________________ NRIC No. ______________
(full name in capital letters)

of ____
(full address)

or failing him/her, ______________________________ NRIC No. ______________
(full name in capital letters)

of ____
(full 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 Fourth Annual General Meeting ("**Fourth AGM**" or "**Meeting**") of the Company to be held at Matahari 1, Level 3, Hotel Bangi-Putrajaya, Off Persiaran Bandar, 43650 Bandar Baru Bangi, Selangor Darul Ehsan on Wednesday, 17 October 2018 at 10.00 a.m. and at any adjournment thereof.

Please indicate with an "X" in the appropriate spaces how you wish your votes to be cast. If no specific direction as to vote is given, the Proxy will vote or abstain from voting at his/her discretion.

No.	Ordinary Resolutions	For	Against
1.	To approve the payment of Directors' fees and benefits of up to RM181,200.00 for the financial year ending 30 April 2019.		
2.	To re-elect Tan Sri Datuk Adzmi Bin Abdul Wahab as Director who retires by rotation in accordance with Clause 89 of the Company's Constitution.		
3.	To re-elect Puan Selma Enolil Binti Mustapha Khalil as Director who retires by rotation in accordance with Clause 89 of the Company's Constitution.		
4.	To re-appoint Messrs. Crowe Malaysia as Auditors of the Company.		
5.	To approve the general authority for the Directors to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
	Special Resolution		
6.	To approve the Proposed Amendments to the Constitution of the Company.		

Dated this __________ day of ____________________ 2018.

CDS Account No.	No. of Shares Held

Percentage of shareholdings to be represented by the proxies:		
	No. of Shares	%
Proxy 1		
Proxy 2		
TOTAL		100

____
Signature of Member(s)/Common Seal

NOTES:

a) A shareholder who is entitled to attend and vote at the Meeting shall be entitled to appoint not more than two (2) proxies to attend and vote at the Meeting in his stead. Where a shareholder appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.

b) 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 of the Company's Constitution to issue the General Meeting Record of Depositors as at 9 October 2018. Only members whose names appear in the General Meeting Record of Depositors as at 9 October 2018 shall be regarded as members and entitled to attend, speak and vote at the Fourth AGM.

c) 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.

d) 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.

e) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

*f) 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.*

g) To be valid, the instrument appointing a proxy must be deposited at 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, not less than forty-eight (48) hours before the time for holding the Meeting or adjourned meeting at which the person named in the instrument proposes to vote.

h) All resolutions as set out in the Notice of the Meeting will be put to vote by poll.

Fold This Flap For Sealing

Please fold here

Stamp

The Share Registrar

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

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LKL INTERNATIONAL BERHAD
(Company No. 1140005-V)

Head Office:
Wisma LKL
No 3, Jalan BS 7/18
Kawasan Perindustrian Bukit Serdang
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Selangor Darul Ehsan, Malaysia
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