Healthcare LKL

LKL INTERNATIONAL BERHAD

(Company No. 1140005-V)

ANNUAL REPORT 2019

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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

Lim Pak Hong
Executive Director

Selma Enolil Binti Mustapha Khalil
Independent Non-Executive Director

Sandra Mohan A/L Manthiry
Independent Non-Executive Director

Wong Yeong Lee
Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Wong Yeong Lee *(Chairman)*
Tan Sri Datuk Adzmi Bin Abdul Wahab
Selma Enolil Binti Mustapha Khalil
Sandra Mohan A/L Manthiry

REMUNERATION COMMITTEE

Selma Enolil Binti Mustapha Khalil
(Chairman)
Wong Yeong Lee
Sandra Mohan A/L Manthiry

NOMINATION COMMITTEE

Wong Yeong Lee *(Chairman)*
Selma Enolil Binti Mustapha Khalil
Sandra Mohan A/L Manthiry

COMPANY SECRETARY

Tea Sor Hua *(MACS 01324)*

REGISTERED OFFICE

Third Floor, No. 77, 79 & 81
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

Crowe Malaysia PLT
(LLP0018817-LCA & 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

MIDF Amanah Investment Bank Berhad
Level 21, Menara MIDF
82, Jalan Raja Chulan
50200 Kuala Lumpur
Tel No. : (03) 2173 8888
Fax No. : (03) 2173 8777

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

50%
LKL Agrow Healthtech 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,

On behalf of the Board of Directors ("**the Board**") of LKL International Berhad ("**LKL International**" or "**the Group**"), I hereby present to you our annual report and audited financial statements for the financial year ended 30 April 2019 ("**FYE 2019**").

While FYE 2019 has been a tough year for the Group, we continued to take strategic steps to position ourselves for growth when capital expenditure in the healthcare sector eventually resumes its uptrend. To this end, we incorporated new medical devices and medical peripherals into our product portfolio and extended our presence in new and existing target markets.

MANAGEMENT DISCUSSION AND ANALYSIS

Cont'd

ECONOMIC REVIEW

The global economy maintained gross domestic product ("**GDP**") expansion at 3.6% in 2018, the same rate as 2017. [1] The strengthening of the United States ("**US**") and energy-exporting economies was tempered by numerous headwinds including the waning financial market sentiment, trade tensions and trade policy uncertainties.

Closer to home, Malaysia posted weak GDP growth of 4.7% in 2018 compared to 5.9% in 2017, with reduced public investment, lower commodity prices and tighter fiscal policies weighing on expansion following the change of guard at the ruling coalition. [2]

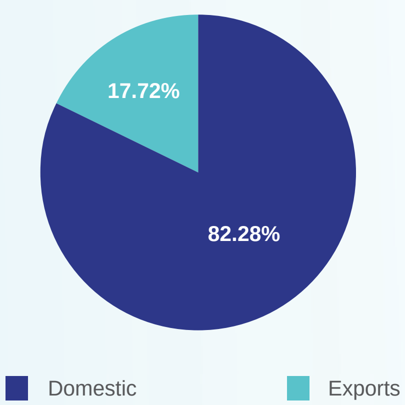
In the first quarter of 2019, the Malaysian economy recorded marginally slower GDP growth of 4.5% which exceeded economists' forecasts of 4.3%. [3] Malaysia's resilience was underpinned by a recovery in the agriculture sector especially for crude palm oil production, continued expansion in private sector spending, as well as high net exports.

FINANCIAL REVIEW

Group revenue increased by 25.10% in FYE 2019 to RM37.18 million from RM29.72 million in the previous financial year ended 30 April 2018 ("**FYE 2018**") due to higher sales of manufactured and traded medical peripherals and accessories.

Geographically, domestic sales stood at RM30.59 million or 82.28% of group revenue in FYE 2019, while export sales made up the remaining RM6.59 million or 17.72%. Comparing year-on-year, local sales rose by 50.25% from RM20.36 million.

FYE 2019 Revenue by Geography



Exports declined by 29.59% from RM9.36 million as the Group refocused its efforts on maintaining its domestic market share.

The rising commodity prices during the year led to an increase in raw material prices while the write-down of slow-moving inventories and less favourable product mix also contributed to the higher cost of sales. As a result, the Group registered 3.11% lower gross profit of RM10.59 million in FYE 2019 compared to RM10.93 million in the previous financial year.

The Group also noted high operating expenses to support the larger revenue base and initiate advancement of newly distributed products.

Administrative expenses rose by 9.11% to RM9.82 million in FYE 2019 from RM9.00 million in FYE 2018, whereas selling and distribution expenses were 37.02% higher in FYE 2019 at RM2.48 million compared to RM1.81 million in the previous financial year. Other expenses decreased by 32.28% in FYE 2019 to RM0.86 million from RM1.27 million in FYE 2018, mainly attributed to the decrease in realised and unrealised loss on foreign exchange.

Finance costs decreased by 9.30% to RM0.39 million in FYE 2019 compared to RM0.43 million in the previous financial year due to lower borrowings.

Net impairment losses on financial assets increased by 700.0% to RM0.40 million in FYE 2019 from RM0.05 million in the previous financial year due to increase in impairment losses for trade receivables.

In line with lower gross profit and higher administrative expenses, and selling and distribution expenses, the Group reported loss before taxation of RM2.89 million in FYE 2019 against loss before taxation of RM1.20 million in FYE 2018. The Group registered net loss of RM2.86 million in FYE 2019 compared to net loss of RM1.33 million in the previous financial year.

Cash and cash equivalents decreased by 14.33% to RM11.66 million as at FYE 2019 from RM13.61 million as at FYE 2018 as the Group made repayments of bankers' acceptances in line with a prudent financial policy and invested in a joint venture for future growth.

Group shareholders' equity stood at RM55.89 million as at 30 April 2019, dipping by 4.87% from RM58.75 million as at 30 April 2018, in line with loss after tax in FYE 2019.

Total borrowings decreased by 21.00% to RM6.77 million as at 30 April 2019 from RM8.57 million as at 30 April 2018 as the Group continued to pare down its debt. Therefore, the Group commendably maintained its net cash position as at FYE 2019.

[1] *International Monetary Fund, World Economic Outlook, April 2019: Growth Slowdown, Precarious Recovery*
[2] *Bank Negara Malaysia, Annual Report 2018*
[3] *Department of Statistics Malaysia, Malaysia Economic Performance First Quarter 2019 Press Release*

MANAGEMENT DISCUSSION AND ANALYSIS

Cont'd

CAPITAL EXPENDITURE ("CAPEX")

LKL International incurred RM0.60 million CAPEX in FYE 2019, of which RM0.10 million was used for the acquisition of new machinery. This CAPEX was deemed sufficient for the Group's manufacturing requirements, in light of substantial investments in prior years.

The Group has allocated CAPEX of RM0.43 million for the financial year ending 30 April 2020 primarily for the purchase of equipment related to the factory expansion.

OPERATIONAL REVIEW

Manufacturing

The Group manufactures a comprehensive range of medical and healthcare beds, peripherals, and related accessories under the 'LKL' brand.

I. Medical and healthcare beds

The manufacturing of medical and healthcare beds posted a 17.45% increase in revenue to RM11.44 million in FYE 2019 from RM9.74 million in FYE 2018 despite the overall challenging market. The consistency in quality and wide range of products ensured that the demand remained resilient.

II. Medical peripherals and accessories

Revenue generated from the medical peripherals and accessories manufacturing segment increased slightly by 2.25% to RM14.99 million in FYE 2019 from RM14.66 million in FYE 2018, despite customers' overall prudence on CAPEX spending.

TRADING

The Group is involved in the trading of medical peripherals, accessories and medical devices to complement its in-house manufactured products.

I. Medical peripherals and accessories

The medical peripherals and accessories trading segment reported a significant 68.75% increase in sales to RM6.21 million in FYE 2019 versus RM3.68 million in FYE 2018. This revenue boost was buoyed by the growth in sales of existing products as well as the further diversification of the company's portfolio of products through several distributorship agreements inked during the financial year under review.

Appointed B. Braun Medical Supplies Sdn. Bhd. ("B.Braun") as distributor

On 7 March 2019, LKL Advance Metaltech Sdn. Bhd. ("**LKL Advance**") appointed B. Braun, a leading medical solutions provider, as the exclusive distributor of 'Dynafix Plus', the Group's international brand for medical consumables such as IV and wound dressing, ultrasound probe cover, and retention tape. The agreement entails the distribution of 'Dynafix Plus' products to medical and healthcare providers in Malaysia and Brunei for an initial term of three years.

Secured distribution rights for BenQ Medical Technology Corporation ("BenQ") products

On 19 March 2019, the Group's subsidiary, Medik Gen Sdn. Bhd. ("**MGen**"), announced that it had secured the distribution rights for selected BenQ products in Malaysia including ultrasound system, surgical light and surgical tables.

MGen also obtained distribution rights from BenQ's unit, Lily Medical Corporation ("**Lily**"), to market and sell Lily's disposable medical devices and related spare parts.

Both agreements will cover the Malaysian market and last for an initial term of two years.

Formed joint venture ("JV") with Agrow Corporation Sdn. Bhd. ("Agrow")

Furthermore, MGen had on 10 April 2019, signed a Shareholders' Agreement with Agrow to incorporate a JV company, LKL Agrow Healthtech Sdn. Bhd. ("**LKL Agrow Healthtech**"). MGen will invest RM250,000 for a 50% stake in LKL Agrow Healthtech, with Agrow holding the remaining 50%.

Under the terms of the agreement, MGen is responsible for the marketing, promoting and distribution of products in the medical and healthcare sector, while Agrow would focus on senior living and commercial markets. Agrow would also be responsible for the sourcing and acquiring of new products for LKL Agrow Healthtech.

This JV aims to incorporate more international healthcare brands into the Group's product distribution portfolio to be distributed locally, including the Breathair® mattress from Toyobo Japan, nursing call systems from Alexys Australia, cleanroom solutions for hospitals from Dagard France, hospital digital solutions and monitoring systems from Melten Taiwan, and air purifier systems from Aerus USA.

MANAGEMENT DISCUSSION AND ANALYSIS

Cont'd

II. Medical devices distribution

The medical devices trading segment posted a substantial rise in revenue of 177.44% to RM4.55 million in FYE 2019 from RM1.64 million in FYE 2018. This represents a strong start for a relatively new segment in the Group since its first establishment in FYE 2018, proving the growing acceptance of the 'Nihon Kohden' range of medical devices, and providing a promising backdrop for new collaborations.

NEW CONTRACTS SECURED

Local Market

Private hospital in Rawang

On 1 August 2018, the Group secured a RM6.20 million contract from Selgate Rawang Hospital Sdn. Bhd. to supply medical beds and equipment for a hospital to be constructed in Rawang. The contract shall commence when construction of the private hospital is completed in the fourth quarter of 2019.

Medical academic centre in Mukim Jeram

On 28 December 2018, the Group was awarded a RM4.85 million contract by VAMED Engineering GmbH for the supply, installation and testing of healthcare beds and medical equipment for a medical academic centre to be constructed in Mukim Jeram, Selangor. The contract will begin once the aforementioned facilities are completed in the third quarter of 2019.

OUTLOOK

International economic growth is projected to decline to 3.3% in 2019 before rising to 3.6% in 2020. [4] The lower projection for 2019 is due to growing trade tensions between China and the US, as well as tightening financial conditions in emerging markets. Anticipated improvements in financial market sentiment and gradual stabilisation in emerging markets resulting from pro-business and capital-positive policies are expected to catalyse the improvement in 2020.

The Malaysian economy is forecasted to maintain its GDP growth rate at around 4.3%-4.8%, with private consumption the main driver due to stable labour market conditions. [5] Public investment is expected to remain subdued due to the tightening of fiscal policies. Ongoing trade tensions and shifts in global financial market sentiment pose downside risks due to the country's high degree of trade and financial integration.

According to industry statistics, global healthcare spending is set to increase at an annual rate of 5.4% up to 2022, reaching around USD10.1 trillion from around USD7.7 trillion in 2017. Ageing and increasing populations, greater prevalence of chronic diseases and exponential advances in innovative, but costly, digital technologies are among the factors increasing health care demand and expenditure.

Meanwhile, a leading business consulting firm expects total healthcare industry spending in Malaysia to grow to RM80 billion by 2020 from RM52 billion in 2017 on the back of rising demand for healthcare services.

CHALLENGES

- **Higher material costs**

  Higher costs for inputs in our production process such as steel sheets, electrical components and hydraulic pumps could adversely impact the Group's competitiveness in our target markets and ensuing profitability. To mitigate potential uptrends in material costs, the Group will enhance operating efficiency by reviewing manufacturing processes to identify cost-saving opportunities and invest in machinery to attain greater automation and reduce dependence on manual labour.

- **Increased competition**

  Simultaneously, the Group faces keener competition in the Malaysian market as well as in export markets due to less-than-robust demand, which could result in lower sales and margins.

  The Group will remain competitive by focusing on delivering high quality products, while expanding its product portfolio to provide a more comprehensive range of solutions to our customers. Our ability to customise our manufactured products, alongside our commitment to research and development is another significant factor that will give us a competitive advantage against the competition.

[4] *International Monetary Fund, World Economic Outlook, April 2019: Growth Slowdown, Precarious Recovery*

[5] *Bank Negara Malaysia, Annual Report 2018*

MANAGEMENT DISCUSSION AND ANALYSIS

Cont'd

GROWTH STRATEGIES

The Group will continue to pursue strategies that will position it to capture opportunities once CAPEX in the domestic and global healthcare sector resumes its growth trajectory.

- **Broadening product range**

  To keep growing as a business, the Group is constantly looking for opportunities to integrate high-value medical products into the current portfolio to complement current offerings. This mitigates the risk of single-product concentration, while further solidifying our position as reliable supplier of various solutions to our customers in the healthcare sector.

  Expanding further into the medical devices business is a promising strategy which not only boosts revenue prospects, but also improves our product mix and enhances the comprehensiveness of the Group's product portfolio.

  The Group is also hopeful of attaining similar results for the medical peripherals and accessories segment following various distribution agreements signed during the year.

- **Increasing export sales**

  The Group has explored other markets at the international level, having exported products to over 30 countries since 2000 to further diversify its revenue base.

  To further promote the 'LKL' brand, the Group will participate in trade exhibitions to build rapport and provide good portrayals of the high quality and practicality of its medical beds, peripherals and associated accessories.

  The Group is also constantly identifying potential new distributors and agents from other countries to capitalise on opportunities in new geographical markets.

APPRECIATION

I would like to extend my deepest gratitude to the Board, management team, and employees for their tireless effort in driving the Group forward in this challenging environment.

At this juncture, we would like to thank Mr. Tan Chuan Hock for his contributions to the Board, who has resigned from his designation of Non-Independent Non-Executive Director on 4 June 2019 to attend to his personal commitments.

In addition, Mr. Tevanaigam Randy Chitty ("**Mr. Tevanaigam**") stepped down from his position of Non-Executive Director on 14 August 2019 due to personal commitments. We express our sincere gratitude towards Mr. Tevanaigam for playing a vital role in supporting the Board.

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.

Sincerely,

LIM KON LIAN
Managing Director

SUSTAINABILITY STATEMENT

LKL International Berhad ("**LKL International**" or "**the Group**") is determined to set a good example by proactively participating in the betterment of society. We continuously explore different ideas to positively influence and empower our employees, the community, the environment and the marketplace. We are fully aware of the growing importance to be sustainable towards society and the environment while also being consistently healthy from a financial viewpoint.

I. Employees

Employees are the heartbeat of any business entity and the Group recognises the indispensable role that our employees play in assisting with the company's continuous growth. Therefore, we always promote a healthy working culture prioritising the need for work-life equilibrium, leading to improvements in work productivity in the long run.

The Group develops safety procedures for employees in all our workspaces, implementing workplace risk management techniques to reduce the probability of work-related accidents.

As for the professional development of employees, the Group actively engages with staff on their career aspirations within the company as this positively correlates with the Group's ambitions to continuously evolve as a business. An array of in-depth training, guidance and promotion opportunities are provided as incentives for employees to fulfill their respective potentials.

In order to maintain a pleasant working environment with healthy levels of engagement and to forge closer bonds among all employees, we organise yearly events such as company annual dinner and teambuilding activities to build stronger rapport among teams.

We do not tolerate any form of discrimination in the workplace. Any promotion and compensation decisions are made based on fair, unbiased evaluations of employees' performances and contributions to the overall business.

II. Environment

The Group devotes itself to uphold environmentally friendly practices at the forefront of daily operations and will continue to pursue the initiatives in reducing our carbon footprint and production waste. We consistently carry out accepted practices that comply with local environmental regulations and recycle our production waste wherever possible including removing non-recyclable waste from premises in a safe and secure manner.

In addition, we continuously look for ways to ensure our manufacturing processes do not unwittingly lead to negative drawbacks to the environment. An example would be the utilisation of eco-friendly components as frequently as possible. The attainment of a CE registration in 2009 certifies that our products comply with the European Commission health, safety and environment protection legislation.

III. Community

The Group intends to actively assist and empower the communities where it operates. Charitable contributions were made to noble causes and charitable organisations such as St. John Ambulance of Malaysia and Buddhist Compassion Relief Tzu Chi Foundation during the financial year under review.

As at 30 April 2019, the Group employed 168 people, providing them with a wholesome and fulfilling employment experience. We continuously take the initiative to assume a leadership role in the development of Malaysia's domestic medical manufacturing industry by collaborating with an array of domestic suppliers and distributors to form mutually beneficial partnerships.

We are strongly dedicated to consistently deliver high-quality medical beds, peripherals, devices and related accessories to our customers in the healthcare sector. Our products possess a good reputation in helping medical professionals successfully implement treatments for patients while also catering to their comfort.

The Group will always ensure that our manufacturing processes comply with the ISO 9001:2008 and EN ISO 13485:2012 quality management certifications.

IV. Marketplace

High standards of corporate governance have always been instilled throughout our organisation. When dealing with stakeholders, we conduct business and disclose information in an ethical manner which protects both the company's and the stakeholders' interests.

Shareholders' interest is undoubtedly a top priority within the Group as shareholders provide the foundation for the business' continuous existence. We always advocate transparency when preparing and disclosing financials and related material information about the Group's business activities while adhering strictly to deadlines set by regulators.

BOARD OF DIRECTORS

Lim Pak Hong
Executive Director

Mok Mei Lan
Executive Director

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

BOARD OF DIRECTORS
Cont'd

Lim Kon Lian
Managing Director

Selma Enolil Binti Mustapha Khalil
Independent Non-Executive Director

Sandra Mohan A/L Manthiry
Independent Non-Executive Director

Wong Yeong Lee
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 76, is our Independent Non-Executive Chairman and was appointed to the Board on 23 July 2015. He is a Member of the Audit 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 resignation 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 65, 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.

Mr. Lim does not hold any directorship in other public companies and listed companies but hold directorships in several private limited companies.

PROFILE OF DIRECTORS

Cont'd

Mok Mei Lan
Executive Director

Mok Mei Lan ("**Mdm. Mok**"), Malaysian, Female, aged 64, 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.

Mdm. 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.

Mdm. 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.

Mdm. Mok does not hold any directorship in other public companies and listed companies but hold directorships in several private limited companies.

PROFILE OF DIRECTORS
Cont'd

Lim Pak Hong
Executive Director

Lim Pak Hong ("**PH Lim**"), Malaysian, Male, aged 33, is our Executive Director. He was appointed to our Board on 2 May 2019. PH Lim has been the Group General Manager since 1 July 2015 assisting our Managing Director in managing the overall operations of our Group, with a special focus on Research & Development ("**R&D**").

PH Lim 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 as a Group General Manager in 2015.

PH Lim does not hold any directorship in other public companies and listed companies but hold directorships in several private limited companies.

PROFILE OF DIRECTORS
Cont'd

Wong Yeong Lee
Independent
Non-Executive Director

Wong Yeong Lee ("**Mr. Wong**"), Malaysian, Male, aged 36, is our Independent Non-Executive Director. He was appointed to our Board on 20 August 2019 and is the Chairman of the Audit and Risk Management Committee, Nomination Committee as well as a Member of the Remuneration Committee.

Mr. Wong graduated from Charles Sturt University with a Bachelor of Business (Accounting/Finance) in 2005. He is a member of the Malaysia Institute of Accountants and a Fellow member of the Association of Chartered Certified Accountants. He started his career as an Audit Assistant in Messrs HLB Ler Lum in 2005. Subsequently, he joined Crowe Malaysia PLT (converted from a Conventional Partnership, Crowe Malaysia) in 2007 and left as a Senior Manager in 2016. He was responsible for planning and reviewing of the audits of various public listed companies, private limited companies as well as foreign owned entities from various industries. He also led special assignments such as reporting accountants works for initial public offerings and financial due diligence review.

He joined Messrs Tong & Associates as an Audit Principal in 2016 and was promoted as a Partner since 2017.

Mr. Wong does not hold any directorship in other public companies and listed companies.

PROFILE OF DIRECTORS

Cont'd

Selma Enolil Binti Mustapha Khalil
Independent Non-Executive Director

Selma Enolil Binti Mustapha Khalil ("**Selma**"), Malaysian, Female, aged 48, 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 and Risk Management Committee and Nomination 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.

Selma presently sits on the board of directors of Techbond Group Berhad and Selangor Dredging Berhad, both of which are public companies listed on the Main Market of Bursa Malaysia Securities Berhad. She is also a director of Powerwell Holdings Berhad and a director and trustee of Ericsen Foundation.

PROFILE OF DIRECTORS

Cont'd

Sandra Mohan A/L Manthiry
Independent
Non-Executive Director

Sandra Mohan A/L Manthiry ("**Mohan**"), Malaysian, Male, aged 65, is our Independent Non-Executive Director. He was appointed to our Board on 2 May 2019 and is the Member of the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee.

Mohan holds a Bachelor's degree in Mathematics and a Master's degree in Hospital & Health Administration from University of Iowa, USA. He served as an Administrative and Diplomatic Officer for the Government of Malaysia in various positions at Ministry of Home Affairs, Ministry of Education and Ministry of Health from 1979 to 2000. In 2000, Mohan pioneered with insurers the students' healthcare program for Institutions of Higher Learning in Malaysia.

Mohan was involved in several healthcare consultancies for Ministry of Health Malaysia, namely in the design and implementation of a specialised pilot project on telemedicine, Hospital Information System and in the implementation of Malaysian Case-Mix System for public hospitals. He was actively involved from 2011 to 2015 with the Malaysia Healthcare Travel Council to promote Malaysian Healthcare to regional countries, in particular to Bangladesh.

Currently, he publishes the quarterly premier magazine InfoMed for healthcare professionals and the public.

Mohan does not hold any directorship in other public companies and listed companies but hold directorships in several private limited companies

Notes:

1. *None of the Directors have family relationship with other Directors or major shareholders except for the following:-*
   (a) Mr. Lim is the spouse of Mdm. Mok, a Director and major shareholder of the Company
   (b) Mdm. Mok is the spouse of Mr. Lim, a Director and major shareholder of the Company
   (c) PH Lim is the son of Mr. Lim and Mdm. Mok, the Directors and major shareholders 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 2019, other than traffic offences (if any).*

PROFILE OF KEY SENIOR MANAGEMENT

LIM MING CHANG
Chief Executive Director
(LKL Advance Metaltech Sdn. Bhd.)

Lim Ming Chang ("**MC Lim**"), Malaysian, Male, aged 37, is our Chief Executive Director (LKL Advance Metaltech Sdn. Bhd.) since 1 June 2019. 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 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. He assumed his current position as Chief Executive Director (LKL Advance Metaltech Sdn. Bhd.) on 1 June 2019.

As the Chief Executive Officer (LKL Advance Metaltech Sdn. Bhd.), MC Lim focuses in developing various business strategies and plans to achieve the company's short-term objectives and long-term goals. Together with a high calibre management team, he leads and motivates employees to foster their level of engagement in the company. MC Lim also assists the Managing Director to oversee the operations and business activities of the Group.

MC Lim is the spouse of Elaine Lim Sin Yee ("**Elaine**"), son-in-law of Mr. Lim and Mdm. Mok and brother-in-law of PH Lim.

WEE CHUEN LII
Financial Controller

Wee Chuen Lii ("**CL Wee**"), a Malaysian, Male, aged 46, 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
Sales Director

Lee Kah Earng ("**KE Lee**"), Malaysian, Male, aged 49, is our Sales Director. 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 was then promoted to Chief Marketing Officer in 2014 before assuming his current position as our Sales Director on 1 June 2019.

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 Mdm. Mok and cousin of Elaine and PH Lim.

PROFILE OF KEY SENIOR MANAGEMENT

Cont'd

ELAINE LIM SIN YEE
Human Resource and Adminstration Manager

Elaine, Malaysian, Female, aged 38, 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, the daughter of Mr. Lim and Mdm. Mok, sister of PH Lim and cousin of KE Lee.

LEE KAM WENG
International Sales Director

Lee Kam Weng ("**KW Lee**"), Malaysian, Male, aged 31, is our International Sales Director. 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.

KW Lee was promoted to his current position as our International Sales Director on 1 June 2019.

Notes:

1. *None of the Key Senior Management has any directorship in other public companies and listed corporations.*

2. *Except for 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 2019, other than traffic offences (if any).*

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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**" or "**the Code**").

This Corporate Governance Overview Statement ("**the Statement**") is supported with a Corporate Governance Report ("**CG Report**"), based on prescribed format as outlined in Rule 15.25(2) of the ACE Market Listing Requirements ("**Listing Requirements**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**") so as provide the detailed application of the Company's corporate governance practices against the MCCG throughout the FYE 2019. The CG Report is available on the Group's website, www.lklbeds.com, as well as via an announcement on the website of Bursa Securities.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

PART I – BOARD RESPONSIBILITIES

1.1 Board Roles and Responsibilities

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.

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*

1.2 Board Committees

In order to ensure the effective discharge of its fiduciary duties and execution of specific responsibilities, the Board has established Board Committees as follows to assist the Board in the running of the Group:-

- Audit and Risk Management Committee ("**ARMC**");
  (Merged as a single committee on 14 December 2018)
- Nomination Committee ("**NC**"); and
- Remuneration Committee ("**RC**")

Each Committee operates in accordance with clearly defined terms of reference. These Committees are authorised by the Board to deal with and to deliberate on matters delegated to them within their respective terms of reference and report to the Board on their proceedings and deliberation together with its recommendations to the Board for approval.

1.3 The Chairman

The Chairman of the Board, Tan Sri Datuk Adzmi is an Independent Non-Executive Chairman and is primarily responsible for matters pertaining to the Board and ensures the orderly conduct and performance of the Board. The Chairman is committed to good corporate governance practices and has been leading the Board towards a 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.

1.4 Chairman and Managing Director ("MD")

The roles of the Chairman and the MD are separate with clear distinction of responsibilities between them to provide effective leadership of the Board and the Group. The Chairman of the Board is responsible for the leadership and effective running of the Board, whereas the MD who leads the management of the Group, 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.

1.5 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 Company Secretary plays an advisory role in supporting the Board and Board Committees in advising on its roles and responsibilities, governance matters and ensuring the Company is complied with its own Constitution and all the law and regulations prescribed by the Companies Act 2016 and Listing Requirements of Bursa Securities.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
Cont'd

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

PART I – BOARD RESPONSIBILITIES *Cont'd*

1.5 Qualified and Competent Company Secretary *Cont'd*

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.

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

1.6 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 responsibilities for the Board's decision making and effective discharge of the Board's responsibilities.

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

c. The ARMC 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.

Furtherance to the abovementioned, the Board, as a whole, has the right to determine whether as a full Board or in their individual capacity, to seek and take independent professional advice, where necessary and under appropriate circumstances, in pursuance of their duties at the Group's expense.

2.1 Board Charter

The Company has formalized and adopted a Board Charter which sets out the functions, authority, roles and responsibilities of the Board as well as the various internal processes and principles governing the Board. The Board Charter also serves as a source of reference and primary induction literature, providing insights to new Board members.

The Board Charter would be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities. The Board Charter is available at the Company's website, www.lklbeds.com.

3.1 Code of Ethics and Conduct

The Board has adopted a Code of Ethics and Conduct which is incorporated in the Board Charter of the Company. The Directors continue to observe the Code of Ethics and Conduct 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 of Ethics and Conduct.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT
Cont'd

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

PART I – BOARD RESPONSIBILITIES *Cont'd*

3.2 Whistle Blowing Policy

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.

PART II – BOARD COMPOSITION

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 seven (7) 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
Lim Pak Hong, Member (1)	Executive Director
Selma Enolil Binti Mustapha Khalil, Member	Independent Non-Executive Director
Sandra Mohan A/L Manthiry, Member (2)	Independent Non-Executive Director
Wong Yeong Lee, Member (3)	Independent Non-Executive Director
Tan Chuan Hock, Member (4)	Non-Independent Non-Executive Director
Tevanaigam Randy Chitty, Member (5)	Senior Independent Non-Executive Director

Notes:
- *(1) Mr. Lim Pak Hong was appointed as an Executive Director of the Company on 2 May 2019.*
- *(2) Mr. Sandra Mohan A/L Manthiry was appointed as an Independent Non-Executive Director of the Company on 2 May 2019.*
- *(3) Mr. Wong Yeong Lee was appointed as an Independent Non-Executive Director of the Company on 20 August 2019.*
- *(4) Mr. Tan Chuan Hock has resigned as a Non-Independent Non-Executive Director of the Company on 4 June 2019.*
- *(5) Mr. Tevanaigam Randy Chitty has resigned as a Senior Independent Non-Executive Director of the Company on 14 August 2019.*

At least 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 of Bursa Securities.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Cont'd

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

PART II – BOARD COMPOSITION *Cont'd*

4.1 Composition of the Board *Cont'd*

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/her independence and objective judgment in Board deliberations shall not be determined solely or arbitrary by their tenure of service.

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.

4.3 New Appointment to the Board

The Board, through the 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.

In fostering the commitment of the Board to devote sufficient time to carry out their responsibilities, each Director is required to notify the Chairman of the NC and the Board prior to accepting directorships in the listed issuer outside the Group. All Directors shall not hold more than five (5) directorships in other listed issuer as required under Rule 15.06 of the Listing Requirements of Bursa Securities.

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.

Currently, the Board has two (2) female Board members, Mdm. Mok and Puan Selma, representing 29% of women participation. The Board is satisfied that the current boardroom diversity is adequate for its purpose and has the appropriate blend of gender, experience, independence and required mix of skills upon recent assessment carried out by the NC.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Cont'd

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

PART II – BOARD COMPOSITION *Cont'd*

4.6 Nomination Committee

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

Name of Committee Members	Designation
Wong Yeong Lee, Chairman (1)	Independent Non-Executive Director
Tevanigam Randy Chitty, Chairman (2)	Senior Independent Non-Executive Director
Selma Enolil Binti Mustapha Khalil, Member	Independent Non-Executive Director
Sandra Mohan A/L Manthiry, Member (3)	Independent Non-Executive Director

Notes:-

(1) *Mr. Wong Yeong Lee was appointed as the Chairman of the NC on 20 August 2019.*
(2) *Mr. Tevanaigam Randy Chitty ceased as the Chairman of the NC on 14 August 2019.*
(3) *Mr. Sandra Mohan A/L Manthiry was appointed as the member of the NC on 26 June 2019.*

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

The NC is responsible for identifying and recommending suitable candidates for Board membership and also assessing the performance of the individual Directors. The Board would have the final decision on the appointment. This process is to ensure the Board membership are determined by the relevant skills, talents and experience in order to support the strategic direction and needs of the Group.

During the FYE 2019, the following are the summary of activities undertaken by the NC:-

a. Reviewed and assessed the Managing Director's, Executive Director's and Non-Executive Directors' Annual Performance Evaluation Forms for the FYE 2018.

b. Reviewed and assessed independence of the Independent Directors.

c. Reviewed and assessed the effectiveness of the Board and Board Committees and performance of the Directors of the Company both individually and collectively.

d. Reviewed and assessed the performance of the Audit Committee.

e. Considered and recommended to the Board for consideration, the re-election of Tan Sri Datuk Adzmi and Puan Selma who retired pursuant to Clause 89 of the Company's Constitution at the last Annual General Meeting ("AGM") held on 17 October 2018.

5.1 Annual Evaluation of the Board and Board Committees as a whole

The Board has, through the NC, conducted annual evaluation to determine the effectiveness of the Board, its Board Committees and each individual Director in the FYE 2019. The process was carried out by sending the following customised assessment forms to Directors:-

i. Performance of MD and Executive Director;
ii. Performance of Non-Executive Directors;
iii. Independence of the Independent Directors;
iv. Performance of the Audit Committee; and
v. Effectiveness of the Board and Board Committees as a whole.

The assessment criteria that based on the key performance indicators covers the financial performance and business operations, strategic, operations management and business plans, product development, conformance and compliance, stakeholders' relation, succession planning, attendance, preparation and contribution to the committee meetings.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Cont'd

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

PART II – BOARD COMPOSITION *Cont'd*

5.2 Attendance of Board and Board Committees' Meetings

The Board meets at least once in every quarter on a scheduled basis and additional meetings to be convened as and when deemed necessary by the Board. All the Directors fulfilled the requirements of the Listing Requirement of Bursa Securities of having attended at least 50% of the Board meetings held by the Company during the FYE 2019.

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

Type of Meetings	Board	ARMC*	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	-	-	-
Mok Mei Lan	4	-	-	-
Lim Pak Hong (1)	Not Applicable			
Selma Enolil Binti Mustapha Khalil	4	4	1	1
Sandra Mohan A/L Manthiry (2)	Not Applicable			
Wong Yeong Lee (3)	Not Applicable			
Tan Chuan Hock (4)	4	4	1	1
Tevanaigam Randy Chitty (5)	4	4	1	1

Notes:

(1) *Mr. Lim Pak Hong was appointed as an Executive Director of the Company on 2 May 2019.*

(2) *Mr. Sandra Mohan A/L Manthiry was appointed as an Independent Non-Executive Director of the Company on 2 May 2019.*

(3) *Mr. Wong Yeong Lee was appointed as an Independent Non-Executive Director of the Company on 20 August 2019.*

(4) *Mr. Tan Chuan Hock has resigned as a Non-Independent Non-Executive Director of the Company on 4 June 2019.*

(5) *Mr. Tevanaigam Randy Chitty has resigned as a Senior Independent Non-Executive Director of the Company on 14 August 2019.*

* *Audit Committee and Risk Management Committee were merged as a single committee, namely ARMC on 14 December 2018.*

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Cont'd

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

PART II – BOARD COMPOSITION *Cont'd*

5.3 Directors' Training

During the FYE 2019, the Directors had attended the following training programmes in compliance with Rule 15.08 of the Listing Requirements of Bursa Securities:-

Directors	Seminar / Training attended
Tan Sri Datuk Adzmi Bin Abdul Wahab	• Gearing Up for Corporate Liability by the Malaysia Anti-Corruption Academy • Companies of the Future – The Role of Boards • Non-Financial – Does it Matter? • Would a Business Judgement Rule Help Directors sleep better at night? • Updates to Listing Requirements • Digital Ethics and Sustainability in a New Economy of Privacy • Revisiting the Misconception of Board Remuneration • Forum: Accelerating the Fourth Industrial Revolution in Malaysia
Tan Chuan Hock *(Resigned on 4 June 2019)*	• Public Rulings and Latest Developments • MFRS Seminar: MFRS 9, MFRS 15 & MFRS 16 • Crucial Tax Compliance Issues for Companies • The New Constitution under the Companies Act 2016 • Seminar Percukaian Kebangsaan 2018 • National Tax Conference 2018
Tevanaigam Randy Chitty *(Resigned on 14 August 2019)*	• MIA Integrated Reporting • Evolution of future CFOs • Abolition of GST and Transition to Sales & Services Tax

All the Directors continued to gain updates through briefings by the Company Secretary, Internal and External Auditors during quarterly meetings, communications with other Directors as well as the daily work exposures. On 25 June 2019, all the Directors were briefed by the Company Secretary on the "Key Amendments to the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad relating to Continuing Disclosure Obligations and other Amendments".

The Directors will continue to participate in future professional development programme from time to time as necessary to enable them to carry out their roles and duties effectively.

PART III – REMUNERATION

6.1 Remuneration Policy

The Board has in place a formal Remuneration Policy for Directors and Senior Management. The Remuneration Policy establishes a formal and transparent procedure for developing a structure for the remuneration of Directors and Senior Management of the Company with the objective of supporting and driving business strategy and the long-term interests of the Company.

The aim of the Remuneration Policy is to:-

a. determine the level of remuneration of Directors and Senior Management;
b. attract, retain and reward high performing, experienced and qualified Directors and Senior Management by providing remuneration commensurate with their responsibilities and contributions, and be competitive with the industry; and
c. encourage value creation for the Company by aligning the interests of Directors with the long-term interests of shareholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Cont'd

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

PART III – REMUNERATION *Cont'd*

6.1 Remuneration Policy *Cont'd*

The remuneration is reviewed by the RC on an annual basis prior to making its recommendations to the Board for approval. In its review, the RC considers various factors including the Directors' fiduciary duties, time commitments and expertise expected from them and the Company's performance.

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

6.2 Remuneration Committee

The RC is principally responsible for the development and review of the remuneration packages of the MD and Executive Directors including Board Members, where necessary, and subsequently furnishes their recommendations to the Board for adoption. The RC plays an essential role in overseeing the quality of the remuneration for Directors by ensuring the remuneration decisions remunerate the Directors fairly and responsibly, and that it reflects the commitment of the Director concerned.

The RC also recommends the Directors' fees and/or benefits payable to Non-Executive Directors, which are deliberated and decided at the Board before it is presented at the AGM for shareholders' approval.

The Terms of Reference of the RC is published at the Company's website, www.lklbeds.com.

7.1 Directors' Remuneration

The details of the remuneration of the Directors of the Company received from the Company and the Group during the FYE 2019 are as follows:-

The Company

Name of Directors	Fees	Salaries	Benefits in Kind	Meeting Allowance	Bonus	EPF	Total
	RM	RM	RM	RM	RM	RM	RM
Tan Sri Datuk Adzmi Bin Abdul Wahab	42,000	-	-	1,200	-	-	43,200
Lim Kon Lian	-	-	-	-	-	-	-
Mok Mei Lan	-	-	-	-	-	-	-
Lim Pak Hong *(Appointed on 2 May 2019)*	-	-	-	-	-	-	-
Selma Enolil Binti Mustapha Khalil	36,000	-	-	1,200	-	-	37,200
Sandra Mohan A/L Manthiry *(Appointed on 2 May 2019)*	-	-	-	-	-	-	-
Wong Yeong Lee *(Appointed on 20 August 2019)*	-	-	-	-	-	-	-
Tan Chuan Hock *(Resigned on 4 June 2019)*	36,000	-	-	900	-	-	36,900
Tevanaigam Randy Chitty *(Resigned on 14 August 2019)*	36,000	-	-	1,200	-	-	37,200
Total	**150,000**	**-**	**-**	**4,500**	**-**	**-**	**154,500**

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CORPORATE GOVERNANCE OVERVIEW STATEMENT
Cont'd

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

PART III – REMUNERATION *Cont'd*

7.1 Directors' Remuneration *Cont'd*

The Group

Name of Directors	Fees	Salaries	Benefits in Kind	Meeting Allowance	Bonus	EPF	Total
	RM	RM	RM	RM	RM	RM	RM
Tan Sri Datuk Adzmi Bin Abdul Wahab	42,000	-	-	1,200	-	-	43,200
Lim Kon Lian	35,000	720,000	-	-	-	86,400	841,400
Mok Mei Lan	-	360,000	-	-	-	43,200	403,200
Lim Pak Hong *(Appointed on 2 May 2019)*	-	-	-	-	-	-	-
Selma Enolil Binti Mustapha Khalil	36,000	-	-	1,200	-	-	37,200
Sandra Mohan A/L Manthiry *(Appointed on 2 May 2019)*	-	-	-	-	-	-	-
Wong Yeong Lee *(Appointed on 20 August 2019)*	-	-	-	-	-	-	-
Tan Chuan Hock *(Resigned on 4 June 2019)*	36,000	-	-	900	-	-	36,900
Tevanaigam Randy Chitty *(Resigned on 14 August 2019)*	36,000	-	-	1,200	-	-	37,200
Total	**185,000**	**1,080,000**	**-**	**4,500**	**-**	**129,600**	**1,399,100**

7.2 Remuneration of Key Senior Management

The remuneration of the top five (5) Key Senior Management of the Group for the FYE 2019 as follows:-

Range of Remuneration	No. of Senior Management
Below RM200,000	2
RM250,001 to RM300,000	1
RM300,001 to RM350,000	-
RM350,001 to RM400,000	1
RM400,001 to RM450,000	-
RM450,001 to RM500,000	1

Due to confidentiality and sensitivity of the remuneration package of Key Senior Management as well as security concerns, the Company opts not to disclose the Key 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 Key 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.

The Board is of the view that the disclosure of the Key Senior Management's aggregated remuneration on unnamed basis in the bands of RM50,000 in the Annual Report 2019 is adequate.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Cont'd

PRINCIPLE B – EFFECTIVENESS AUDIT AND RISK MANAGEMENT

PART I – Audit and Risk Management Committee

8.1 Effective and Independent ARMC

The ARMC is relied upon by the Board to, amongst others, provide advice in the areas of financial reporting, external audit, internal control environment and internal audit process, review of related party transactions as well as conflict of interest situations. The ARMC also undertakes to provide oversight on the risk management framework of the Group.

The ARMC is chaired by the Independent Non-Executive Director who is distinct from the Chairman of the Board. This had ensured that the objectivity of the Board's review of the ARMC's findings and recommendations is not impaired.

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

Currently, none of the members of the ARMC of the Company were former key audit partners. The ARMC has in place a policy that requires a former key partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the ARMC. The policy had been codified in the Terms of Reference of ARMC of the Company.

The Group has established a transparent and appropriate relationship with the Internal Auditors and External Auditors which facilitate the Group to seek professional advice on matters relating to compliance and corporate governance. The internal audit function of the Group is outsourced to third party. Similar to the External Auditors, Internal Auditors too have direct reporting access to the ARMC to ensure that issues highlighted are addressed independently, objectively and impartially without any undue influence from the Management.

The Board has established the Internal and External Auditors Assessment Policy together with the Annual Performance Evaluation 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

9.1 Risk Management and Internal Control Framework

The Board has delegated the responsibility of reviewing the adequacy and effectiveness of the risk management and internal control system to the ARMC with the primary objective to assist the Board in the following functions:-

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

b. Ensuring Key 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.

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 2019.

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*

10.1 Internal Audit Function

The Group's Internal Audit Function is outsourced to a professional service firm to assist the Board in maintaining a system of internal control to safeguard shareholders' investment and the Group's assets. The internal audit findings and investigations of business units of the Group will be reported directly to the ARMC.

The information on the Group's risk management and internal control is presented in the Statement of Risk Management and Internal Control in this Annual Report 2019.

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

PART I – Communication with Stakeholders

11.1 Continuous Communication with 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.

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

11.2 Corporate Disclosure Policy

The Board is committed to provide effective communication to its shareholders and general public regarding the business, operations and financial performance of the Group and where necessary, information filed with regulators is in accordance with all applicable legal and regulatory requirements.

The Corporate Disclosure Policy was formalised to promote comprehensive, accurate and timely disclosures pertaining to the Company and the Group to regulators, shareholders and stakeholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Cont'd

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

PART II – Conduct of General Meetings *Cont'd*

12.1 Conduct of General Meetings

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, Key Senior Management and the External Auditors will be providing meaningful responses to questions and appropriate clarifications at the meeting.

In line with the Practice 12.1 of the MCCG, the notice of the 4th AGM and related papers were sent to shareholders at least twenty eight (28) days before the AGM to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed.

All resolutions set out in the Notice of AGM were put to vote by poll and the votes casted were 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.

All the Directors were present at the 4th AGM held on 17 October 2018 and responded to queries raised by the shareholders.

STATEMENT BY THE BOARD ON THE STATEMENT

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 fulfilled its obligations under the MCCG, the relevant chapters of the Listing Requirements of Bursa Securities on corporate governance and all applicable laws and regulations throughout the FYE 2019.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

INTRODUCTION

Pursuant to Rule 15.15 of the Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**"), the Board is pleased to present the Audit and Risk Management Committee Report which lays out the activities held for the FYE 2019.

OBJECTIVES

The Audit Committee and Risk Management Committee have been merged as a single committee known as Audit and Risk Management Committee ("**ARMC**" or "**the Committee**") on 14 December 2018. The primary objective of the ARMC is to assist 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 ARMC

The Committee comprises of four (4) members, all of whom are Non-Executive Directors and 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
Wong Yeong Lee *(Appointed on 20 August 2019)*	Chairman, Independent Non-Executive Director
Tevanaigam Randy Chitty *(Resigned on 14 August 2019)*	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 *(Resigned on 4 June 2019)*	Member, Non-Independent Non-Executive Director
Sandra Mohan A/L Manthiry *(Appointed on 26 June 2019)*	Member, Independent Non-Executive Director

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

SUMMARY OF ACTIVITIES FOR THE FYE 2019

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

Name of Committee Members	Meeting Attendance
Wong Yeong Lee *(Appointed on 20 August 2019)*	Not Applicable
Tevanaigam Randy Chitty *(Resigned on 14 August 2019)*	4/4
Tan Sri Datuk Adzmi Bin Abdul Wahab	4/4
Selma Enolil Binti Mustapha Khalil	4/4
Tan Chuan Hock *(Resigned on 4 June 2019)*	4/4
Sandra Mohan A/L Manthiry *(Appointed on 26 June 2019)*	Not Applicable

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.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

Cont'd

SUMMARY OF ACTIVITIES FOR THE FYE 2019 *Cont'd*

The Committee had carried out the following activities for the FYE 2019 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;

ii Reviewed the Audit Planning Memorandum for the FYE 2019 presented by the External Auditors to ensure the scope of the external audit is comprehensive;

iii. Reviewed with the External Auditors, the 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 Crowe Malaysia PLT (converted from a Conventional Partnership, Crowe Malaysia) 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 Terms of Reference to be aligned with the merger of Audit Committee and Risk Management Committee;

viii. Reviewed the Corporate Governance Overview Statement, ARMC 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;

ix. Self-appraised the performance of the ARMC for the FYE 2019 and submitted the evaluation form to the Nomination Committee for assessment; and

x. Reviewed the annual performance evaluation forms of the Internal and External Auditors.

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.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT
Cont'd

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

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 for 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 theBoard 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;

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 FYE 2019 was RM44,000.

Review of IA Function

For the FYE 2019, 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 LKL International Berhad is pleased to present the Statement on Risk Management and Internal Control ("**Statement**") of the Group which outlines the nature and scope of risk management and the internal control systems of the Group for the FYE 2019 pursuant to Rule 15.26(b) of the 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 ("**Guidelines**").

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 and Risk Management Committee ("**ARMC**"), 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.

The ARMC consists of all Independent Non-Executive Directors to discharge the risk management function of the Group on behalf on the Board. The ARMC 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 ARMC and the Board had received and reviewed the Risk Registry of the Group for corporate level and its key subsidiaries. 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 ARMC 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 ARMC 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 – Internal Control ("**COSO - IC**") 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 ARMC for review during the quarterly ARMC Meeting. In addition, the internal auditors followed up on the implementation of recommendations from previous cycles of internal audit and updated the ARMC on the status of Management agreed action plans. For the FYE 2019, the total costs incurred for the outsourced internal audit function is RM44,000.

For the FYE 2019, the following subsidiaries of the Group were audited by Sterling:-

Audit Period	Reporting Month	Name of Entity Audited	Audited Areas
1st Quarter (May 2018 – Jul 2018)	Sep 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
2nd Quarter (Aug 2018 – Oct 2018)	Dec 2018	LKL Advance Metaltech Sdn Bhd	Internal Audit Review: • Research and Development
3rd Quarter (Nov 2018– Jan 2019)	Mar 2019	LKL Advance Metaltech Sdn Bhd	Internal Audit Review: • Finance and Accounts
4th Quarter (Feb 2019 – Apr 2019)	Jun 2019	LKL Advance Metaltech Sdn Bhd TMI Medik Group Sdn Bhd	Internal Audit Review: • Inventory Management

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 FYE 2019, 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 of the Company 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

Pursuant to Paragraph 15.23 of the Listing Requirements, the External Auditors have reviewed this statement for inclusion in this Annual Report. Their reviews were performed in accordance with Malaysian Approval Standard on Assurance Engagements, ISAE 3000 (Revised), Assurance Engagement Other than Audits or Reviews of Historical Financial Information and Audit and Assurance Practice Guide 3 (AAPG 3): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants. Based on their reviews, nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Guidelines and Practices 9.1 and 9.2 of the MCCG to be set out, nor is factually inaccurate.

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 23 August 2019.

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 FYE 2019, 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

No corporate exercise involving fund raising was carried out during the FYE 2019.

2. AUDIT AND NON-AUDIT FEES

The audit and non-audit fees to the External Auditors for the services rendered to the Company and the Group for the FYE 2019 were as follows:

	Company RM	Group RM
Audit fee	26,000	93,500
Non-audit fee	5,000	15,000

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.

4. CORPORATE SOCIAL RESPONSIBILITY ("CSR") ACTIVITIES AND PRACTICES

The Board recognises the importance of being a responsible corporate citizen to enhance and positively contribute to society. The Company did not undertake any corporate responsibility activities during the year under review as the Board focuses on capturing market opportunities to sustain its business growth. The Group will be looking at implementing the best practices of CSR in areas of environment, community, workplace and marketplace in the coming years.

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 2019.

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	(2,857,439)	(477,259)
Attributable to:-		
Owners of the Company	(2,497,269)	(477,259)
Non-controlling interests	(360,170)	-
	(2,857,439)	(477,259)

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.

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
Selma Enolil Binti Mustapha Khalil
Lim Pak Hong *(Appointed on 2 May 2019)*
Sandra Mohan A/L Manthiry *(Appointed on 2 May 2019)*
Wong Yeong Lee *(Appointed on 20 August 2019)*
Tan Chuan Hock *(Resigned on 4 June 2019)*
Tevanaigam Randy Chitty *(Resigned on 14 August 2019)*

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 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 1.5.2018	**Bought**	**Sold**	**At 30.4.2019**
The Company				
Direct Interests				
Lim Kon Lian	110,710,745	30,000	-	110,740,745
Mok Mei Lan	110,003,725	-	-	110,003,725
Tan Chuan Hock *(Resigned on 4 June 2019)*	28,771,990	-	28,771,990	-
Tan Sri Datuk Adzmi Bin Abdul Wahab	300,000	-	-	300,000
Tevanaigam Randy Chitty *(Resigned on 14 August 2019)*	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 #	178,531,285	30,000	-	178,561,285
Tan Chuan Hock ^ *(Resigned on 4 June 2019)*	-	28,771,990	-	28,771,990

\# *Deemed interested through spouse's and children's shareholdings in the Company.*

^ *Deemed interested by virtue of his direct substantial shareholding in AI Capital Sdn. Bhd..*

By virtue of their shareholdings in the Company, Lim Kon Lian and Mok Mei Lan are deemed to have interests in shares in its related corporations 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 36 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 Group and the Company during the financial year are disclosed in Note 35(a) to the financial statements.

INDEMNITY AND INSURANCE COST

During the financial year, there was 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 DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 40 to the financial statements.

AUDITORS

The auditors, Crowe Malaysia PLT (converted from a conventional partnership, Crowe Malaysia), have expressed their willingness to continue in office.

The auditors' remuneration are disclosed in Note 27 to the financial statements.

Signed in accordance with a resolution of the directors dated 23 August 2019

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 52 to 107 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 2019 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 23 August 2019

Lim Kon Lian **Mok Mei Lan**

STATUTORY DECLARATION

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

I, Wee Chuen Lii, MIA Membership Number: 23657, being the officer primarily responsible for the financial management of LKL International Berhad, do solemnly and sincerely declare that the financial statements set out on pages 52 to 107 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
at Kuala Lumpur
in the Federal Territory
on this 23 August 2019

Wee Chuen Lii

Before me
Datin Hajah Raihela Wanchik (No. W-275)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

To the members of the 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 2019 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 52 to 107.

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 2019, 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.

Valuation of Inventories Refer to Note 8 to the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
The carrying amount of inventories held by the Group is approximately RM12.8 million. We focused on this area as the assessment of net realisabe value is an area of significant judgement particularly in relation to the estimation of allowances for obsolete and slow-moving inventories.	Our procedures included, amongst others:- (a) Obtained an understanding of: - the Group's inventory management process; - how the Group identifies and assesses inventories write-down; and - how the Group makes the accounting estimates for inventory write-down. (b) Made inquiries of management regarding the action plans to clear slow-moving and obsolete inventories. (c) Reviewed the net realisable value of major inventories. (d) Evaluated the reasonableness and tested the adequacy of inventory write-down recognised for identified exposures.

INDEPENDENT AUDITORS' REPORT

To the members of the LKL International Berhad

(Incorporated in Malaysia) Company No: 1140005-V

Cont'd

Key Audit Matters *Cont'd*

<table>
<tr><td colspan="2">Recoverability of Trade Receivables

Refer to Note 9 to the financial statements</td></tr>
<tr><td>Key Audit Matter</td><td>How our audit addressed the Key Audit Matter</td></tr>
<tr><td>The trade receivables of the Group amounted to approximately RM8.13 million, which is presented and disclosed as a major component of the financial position.

Management recognised the allowance of impairment losses on trade receivables based on specific known facts or customers' ability to pay. We focused on this area as determination of trade receivables are recoverable involves significant management judgement.</td><td>Our procedures included, amongst others:-

(a) Obtained an understanding of:-
- the Group's control over the trade receivables collection process;
- how the Group identifies and assesses the impairment of trade receivables; and
- how the Group makes the accounting estimates for impairment.

(b) Reviewed the ageing analysis of receivables and tested its reliability.

(c) Reviewed subsequent cash collections for major receivables and overdue amounts.

(d) Make inquiries of management regarding the action plans to recover overdue amounts.

(e) Compared and challenged management's view on the recoverability of overdue amounts to historical patterns of collection.

(f) Examined other evidence including customers' correspondences, proposed or existing settlement plans and repayment schedules.

(g) Evaluated the reasonableness and tested the adequacy of the impairment losses recognised for identified exposures on trade receivables by assessing the relevant assumptions and historical data from the Group's pervious collection experience.</td></tr>
</table>

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.

INDEPENDENT AUDITORS' REPORT

To the members of the LKL International Berhad

(Incorporated in Malaysia) Company No: 1140005-V

Cont'd

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.

- 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.

INDEPENDENT AUDITORS' REPORT

To the members of the LKL International Berhad

(Incorporated in Malaysia) Company No: 1140005-V

Cont'd

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

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.

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 PLT
LLP0018817-LCA & AF 1018
Chartered Accountants

Elvina Tay Choon Choon
03329/10/2019 J
Chartered Accountant

Kuala Lumpur

23 August 2019

STATEMENTS OF FINANCIAL POSITION
At 30 April 2019

		The Group		The Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	-	-	31,580,090	31,580,090
Investment in a joint venture	6	250,000	-	-	-
Property, plant and equipment	7	31,482,847	32,897,937	-	-
		31,732,847	32,897,937	31,580,090	31,580,090
CURRENT ASSETS					
Inventories	8	12,780,710	15,310,290	-	-
Trade receivables	9	8,126,761	6,715,855	-	-
Other receivables, deposits and prepayments	10	2,572,872	1,424,631	47,611	8,367
Amount owing by subsidiaries	11	-	-	17,979,893	17,279,894
Current tax assets		2,416,656	1,739,946	33,328	45,826
Fixed deposits with licensed banks	12	3,748,935	5,872,013	3,026,844	5,170,842
Cash and bank balances		8,633,292	8,438,372	1,073,780	134,249
		38,279,226	39,501,107	22,161,456	22,639,178
TOTAL ASSETS		70,012,073	72,399,044	53,741,546	54,219,268
EQUITY AND LIABILITIES					
EQUITY					
Share capital	13	53,298,848	53,298,848	53,298,848	53,298,848
Merger deficit	14	(29,579,990)	(29,579,990)	-	-
Retained profits		32,464,382	34,961,651	389,072	866,331
Equity attributable to owners of the Company		56,183,240	58,680,509	53,687,920	54,165,179
Non-controlling interests	5	(293,179)	66,991	-	-
TOTAL EQUITY		55,890,061	58,747,500	53,687,920	54,165,179
NON-CURRENT LIABILITIES					
Long-term borrowings	15	5,894,735	6,651,358	-	-
Deferred tax liabilities	18	574,000	574,000	-	-
		6,468,735	7,225,358	-	-

STATEMENTS OF FINANCIAL POSITION

At 30 April 2019

Cont'd

		The Group		The Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
CURRENT LIABILITIES					
Trade payables	19	2,337,744	2,447,624	-	-
Other payables and accruals	20	4,186,033	2,051,393	53,626	54,089
Amount owing to a joint venture	21	250,000	-	-	-
Amount owing to a related party	22	1,166	-	-	-
Short-term borrowings	23	878,134	1,916,350	-	-
Current tax liabilities		200	10,819	-	-
		7,653,277	6,426,186	53,626	54,089
TOTAL LIABILITIES		14,122,012	13,651,544	53,626	54,089
TOTAL EQUITY AND LIABILITIES		70,012,073	72,399,044	53,741,546	54,219,268

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 2019

		The Group		The Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
REVENUE	24	37,179,836	29,716,400	-	-
COST OF SALES	25	(26,590,299)	(18,781,555)	-	-
GROSS PROFIT		10,589,537	10,934,845	-	-
OTHER INCOME	26	472,454	423,451	137,831	219,099
		11,061,991	11,358,296	137,831	219,099
ADMINISTRATIVE EXPENSES	27	(9,821,231)	(9,000,888)	(609,965)	(674,694)
SELLING AND DISTRIBUTION EXPENSES	28	(2,480,877)	(1,806,703)	-	-
OTHER EXPENSES	29	(860,579)	(1,272,311)	-	-
FINANCE COSTS	30	(387,259)	(431,105)	-	-
NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS	31	(397,302)	(49,011)	-	-
LOSS BEFORE TAXATION		(2,885,257)	(1,201,722)	(472,134)	(455,595)
INCOME TAX EXPENSE	32	27,818	(127,570)	(5,125)	(52,597)
LOSS AFTER TAXATION/ TOTAL COMPREHENSIVE EXPENSES FOR THE FINANCIAL YEAR		(2,857,439)	(1,329,292)	(477,259)	(508,192)
LOSS AFTER TAXATION/TOTAL COMPREHENSIVE EXPENSES ATTRIBUTABLE TO:-					
Owners of the Company		(2,497,269)	(1,098,283)	(477,259)	(508,192)
Non-controlling interests		(360,170)	(231,009)	-	-
		(2,857,439)	(1,329,292)	(477,259)	(508,192)
LOSS PER SHARE (SEN)					
- Basic	33	(0.58)	(0.26)	-	-
- Diluted	33	(0.58)	(0.26)	-	-

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 April 2019

	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 1.5.2017		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 30.4.2018/1.5.2018		53,298,848	-	(29,579,990)	34,961,651	58,680,509	66,991	58,747,500
Loss after taxation/ Total comprehensive expenses for the financial year		-	-	-	(2,497,269)	(2,497,269)	(360,170)	(2,857,439)
Balance at 30.4.2019		53,298,848	-	(29,579,990)	32,464,382	56,183,240	(293,179)	55,890,061

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 April 2019

Cont'd

	Note	Share Capital RM	Share Premium RM	Retained Profits RM	Total Equity RM
The Company					
At 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 30.4.2018/1.5.2018		53,298,848	-	866,331	54,165,179
Loss after taxation/Total comprehensive expenses for the financial year		-	-	(477,259)	(477,259)
Balance at 30.4.2019		53,298,848	-	389,072	53,687,920

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

STATEMENTS OF CASH FLOWS

For the financial year ended 30 April 2019

	The Group		The Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Loss before taxation	(2,885,257)	(1,201,722)	(472,134)	(455,595)
Adjustments for:-				
Bad debts written off	16,035	14,040	-	-
Depreciation of property, plant and equipment	1,980,568	1,782,748	-	-
Impairment losses on trade receivables	422,328	85,711	-	-
Interest expenses	387,259	431,105	-	-
Inventories written down	1,542,000	-	-	-
Loss/(Gain) on disposal of property, plant and equipment	2,822	(24,054)	-	-
Property, plant and equipment written off	6,000	-	-	-
Interest income	(185,508)	(318,674)	(137,831)	(219,099)
Reversal of impairment losses on trade receivables	(25,026)	(36,700)	-	-
Reversal of inventories previously written down	(32,510)	(105,171)	-	-
Unrealised (gain)/loss on foreign exchange	(50,473)	241,649	-	-
Operating profit/(loss) before working capital changes	1,178,238	868,932	(609,965)	(674,694)
Decrease/(Increase) in inventories	1,033,512	(4,645,700)	-	-
(Increase)/Decrease in trade and other receivables	(2,965,380)	1,231,492	(39,244)	(1,767)
Increase/(Decrease) in trade and other payables	2,026,782	1,567,262	(463)	(19,211)
Increase in amount owing to a joint venture	250,000	-	-	-
Decrease in amount owing to subsidiaries	-	-	(699,999)	(7,230,001)
Increase in amount owing to a related party	1,166	-	-	-
CASH FROM/(FOR) OPERATIONS	1,524,318	(978,014)	(1,349,671)	(7,925,673)
Income tax paid	(1,133,198)	(1,686,753)	(37,502)	(104,673)
Income tax refunded	473,687	316,725	44,875	-
NET CASH FROM/(FOR) OPERATING ACTIVITIES	864,807	(2,348,042)	(1,342,298)	(8,030,346)

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

STATEMENTS OF CASH FLOWS

For the financial year ended 30 April 2019

Cont'd

		The Group		The Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Increase in pledged fixed deposit with a licensed bank		(20,920)	(20,368)	-	-
Interest received		185,508	318,674	137,831	219,099
Investment in a joint venture		(250,000)	-	-	-
Proceeds from disposal of property, plant and equipment		11,315	24,056	-	-
Purchase of property, plant and equipment	34(a)	(541,137)	(6,424,957)	-	-
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(615,234)	(6,102,595)	137,831	219,099
CASH FLOWS FOR FINANCING ACTIVITIES					
Drawdown of bankers' acceptances	34(b)	-	626,000	-	-
Interests paid	34(b)	(387,259)	(431,105)	-	-
Proceeds from issuance of shares by a subsidiary to non-controlling interests		-	299,970	-	-
Repayment of hire purchase obligations	34(b)	(421,622)	(400,946)	-	-
Repayment of term loans	34(b)	(729,117)	(807,198)	-	-
Repayment of bankers' acceptances	34(b)	(702,000)	-	-	-
NET CASH FOR FINANCING ACTIVITIES		(2,239,998)	(713,279)	-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,990,425)	(9,163,916)	(1,204,467)	(7,811,247)
EFFECTS OF FOREIGN EXCHANGE TRANSLATION		41,347	(241,649)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		13,609,214	23,014,779	5,305,091	13,116,338
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	34(c)	11,660,136	13,609,214	4,100,624	5,305,091

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2019

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. 77, 79 & 81, 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 23 August 2019.

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)

MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)

MFRS 15 Revenue from Contracts with Customers

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions

Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts

Amendments to MFRS 15: Effective Date of MFRS 15

Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'

Amendments to MFRS 140 – Transfers of Investment Property

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

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 other than the new classification of financial assets under MFRS 9 which is disclosed in Note 39.3 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2019
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 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to MFRS 3: Definition of a Business	1 January 2020
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 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019

The adoption of the 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.

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 7 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2019
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 8 to the financial statements.

(c) Impairment of Trade 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 receivables as at the reporting date is disclosed in Note 9 to the financial statements.

(d) Impairment of Non-trade Receivables

The loss allowances for non-trade financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions as well as forward-looking estimates at the end of each reporting period. The carrying amounts of other receivables as at the reporting date is disclosed in Note 10 to the financial statements.

(e) 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	
	2019 RM	2018 RM	2019 RM	2018 RM
Current tax assets	2,416,656	1,739,946	33,328	45,826
Current tax liabilities	(200)	(10,819)	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2019
Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *Cont'd*

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:-

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2019

Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.2 BASIS OF CONSOLIDATION *Cont'd*

(a) Business Combinations *Cont'd*

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.

(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 statements 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2019
Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.2 BASIS OF CONSOLIDATION *Cont'd*

(e) Loss of Control *Cont'd*

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 9 (2018 - MFRS 139) or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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 (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 - Revenue from Contracts with Customers at inception). 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2019
Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.4 FINANCIAL INSTRUMENTS *Cont'd*

(a) Financial Assets

All recognised financial asset are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

Debt Instruments

(i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

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), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

Equity Instruments

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except when the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2019
Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.4 FINANCIAL INSTRUMENTS *Cont'd*

(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. The changes in fair value of these financial liabilities are recognised in profit or loss.

(ii) Other Financial Liabilities

Other financial liabilities are 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 (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 liability or a shorter period (where appropriate).

(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 the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recongised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

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. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.4 FINANCIAL INSTRUMENTS *Cont'd*

Accounting Policies Applied Until 30 April 2018

The Group has applied MFRS 9 retrospectively but has elected not to restate comparative information of its financial instruments. However, there were no material financial impacts at the date of initial application. As a result, the comparative information of the Company's financial assets continue to be accounted for in accordance with their previous accounting policies as summarised below:-

- Financial assets were designated at fair value through profit or loss when the financial asset was either held for trading or was designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Financial assets at fair value through profit or loss were stated at fair value at each reporting date with any gain or loss arising on remeasurement recognised in profit or loss.

- Unquoted trade receivables and other receivables with fixed or determinable payments were classified as loans and receivables financial assets, measured at amortised cost using the effective interest method, less any impairment loss. Interest income was recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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 JOINT ARRANGEMENTS

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements returns.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Joint Ventures

A joint venture is a joint arrangement whereby the Group has rights only to the net assets of the arrangement.

The investment in a joint venture is accounted for in the consolidated financial statements using the equity method, based on the financial statements of the joint venture made up to 30 April 2019. The Group's share of the post acquisition profits and other comprehensive income of the joint venture is included in the consolidated statements of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that joint control commences up to the effective date when the investment ceases to be a joint venture or when the investment is classified as held for sale. The Group's interest in the joint venture is carried in the consolidated statements of financial position at cost plus the Group's share of the post acquisition retained profits and reserves. The cost of investment includes transaction costs.

When the Group's share of losses exceeds its interest in a joint venture, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 April 2019
Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.6 JOINT ARRANGEMENTS *Cont'd*

Joint Ventures *Cont'd*

Unrealised gains on transactions between the Group and the joint venture are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are eliminated unless cost cannot be recovered.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture or when the investment is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with MFRS 9. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that joint venture to profit or loss when the equity method is discontinued. However, the Group will continue to use the equity method when an investment in a joint venture becomes an investment in an associate. Under such change in ownership interest, the retained investment is not remeasured to fair value but a proportionate share of the amounts previously recognised in other comprehensive income of the joint venture will be reclassified to profit or loss where appropriate. All dilution gains or losses arising in investments in joint ventures are recognised in profit or loss.

4.7 PROPERTY, PLANT AND EQUIPMENT

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, property, plant and equipment, other than freehold land, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2019

Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.7 PROPERTY, PLANT AND EQUIPMENT *Cont'd*

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.

4.8 IMPAIRMENT

(a) Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statements of financial position.

<u>Accounting Policy Applied Until 30 April 2018</u>

The Group has applied MFRS 9 retrospectively but has elected not to restate comparative information of its financial instruments. As a result, the comparative information on the impairment of Group's financial assets has been accounted for in accordance with its previous accounting policy as summarised below:-

- The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset (or group of financial assets) was impaired. Impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that events had an impact on the estimated future cash flows of the financial asset (or group of financial assets) that could be reliably estimated.

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.8 IMPAIRMENT *Cont'd*

(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.

4.9 LEASED ASSETS

(a) Finance Leases

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 statements 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.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(b) Operating Leases

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the statements of financial position of the Group and of the Company.

Payments made under operating leases are recognised as an expense in the profit or loss on a straight-line method over the term of the lease. Lease incentives received are recognised as a reduction of rental expense over the lease term on a straight-line method. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.10 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. The cost of conversion includes cost directly related to the units of production, and a proportion of fixed production overheads based on normal capacity of the production facilities.

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

4.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances and demand deposits 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.

4.12 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.

4.13 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.

4.14 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).

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2019

Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.14 INCOME TAXES *Cont'd*

(b) Deferred Tax *Cont'd*

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.

4.15 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.

4.16 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 2019
Cont'd

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.17 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.

4.18 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.

4.19 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer net of sales and service tax, returns, rebates and discounts. The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

Sales of Goods

Revenue from sale of goods is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2019
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4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.20 OTHER OPERATING INCOME

(a) Interest Income

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

(b) Rental Income

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

5. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2019	2018
	RM	RM
Unquoted shares, at cost	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		Principal Activities
		2019	2018	
		%	%	
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 in hospital furniture, laboratory furniture, medical equipment, utensils and accessories, and providing management and advisory services.
TMI Medik Group Sdn. Bhd. ("**TMG**")*	Malaysia	70	70	Trading in medical equipment, medical peripherals and accessories, and distribution of pharmaceutical products.

* *MGSB and LKLAM hold 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		The Group	
	2019	2018	2019	2018
	%	%	RM	RM
TMG	30	30	(293,179)	66,991

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2019

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5. INVESTMENTS IN SUBSIDIARIES *Cont'd*

The summarised financial information (before intra-group elimination) for a subsidiary that has non-controlling interests that are material to the Group is as follows:-

	TMG	
	2019	**2018**
	RM	**RM**
At 30 April		
Non-current asset	756,832	814,840
Current assets	3,427,886	4,114,842
Current liabilities	(5,161,984)	(4,706,380)
	(977,266)	223,302

	1.5.2018 to 30.4.2019	**3.3.2017 (date of incorporation) to 30.4.2018**
	RM	**RM**
Financial Year/Period Ended 30 April		
Revenue	4,636,476	1,834,490
Loss for the financial year/period	(1,200,568)	(776,698)
Total comprehensive expenses	(1,200,568)	(776,698)
Net cash from/(for) operating activities	735,471	(3,684,848)
Net cash for investing activity	(51,725)	(894,067)
Net cash from financing activities	-	4,730,000

6. INVESTMENT IN A JOINT VENTURE

	The Group	
	2019	**2018**
	RM	**RM**
Unquoted shares, at cost:-		
At 1 May	-	-
Addition during the financial year	250,000	-
At 30 April	250,000	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2019
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6. INVESTMENT IN A JOINT VENTURE *Cont'd*

The details of the joint venture are as follows:-

Name of Joint Venture	Principal Place of Business	Effective Equity Interest 2019 %	Effective Equity Interest 2018 %	Principal Activity
LKL Agrow Healthtech Sdn. Bhd. ("LKLAGROW")	Malaysia	50	-	Business in the healthcare field as importers, exporters, dealers, distributors, agents, marketers, wholesale and retail dealers of all kinds of medical and hospital equipment.

The Group has not recognised its share of results in LKLAGROW as the share of results is not material to the Group.

7. PROPERTY, PLANT AND EQUIPMENT

	At 1.5.2018	Additions	Disposals	Written Off	Reclassification*	Depreciation Charges	At 30.4.2019
	RM	RM	RM	RM	RM	RM	RM
The Group							
2019							
Carrying Amount							
Freehold land	11,005,594	-	-	-	-	-	11,005,594
Leasehold land and building	415,692	-	-	-	-	(13,464)	402,228
Freehold buildings	11,359,395	28,244	-	-	-	(257,151)	11,130,488
Motor vehicles	1,159,540	63,262	(1)	-	-	(464,724)	758,077
Office equipment, furniture and fittings	1,379,530	159,170	(3,334)	-	(13,422)	(272,250)	1,249,694
Plant and machinery	6,530,398	95,400	(10,802)	-	-	(834,708)	5,780,288
Renovations	1,021,232	252,961	-	(6,000)	-	(134,662)	1,133,531
Signboard	26,556	-	-	-	-	(3,609)	22,947
	32,897,937	599,037	(14,137)	(6,000)	(13,422)	(1,980,568)	31,482,847

* *Reclassified to inventory during the financial year.*

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2019

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

	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 Cost RM	Accumulated Depreciation RM	Carrying Amount RM
The Group			
2019			
Freehold land	11,005,594	-	11,005,594
Leasehold land and building	484,580	(82,352)	402,228
Freehold buildings	13,013,292	(1,882,804)	11,130,488
Motor vehicles	3,074,167	(2,316,090)	758,077
Office equipment, furniture and fittings	3,017,052	(1,767,358)	1,249,694
Plant and machinery	11,442,262	(5,661,974)	5,780,288
Renovations	1,407,925	(274,394)	1,133,531
Signboard	45,235	(22,288)	22,947
	43,490,107	(12,007,260)	31,482,847

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2019

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

	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
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

(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 RM751,217 (2018 - RM1,159,533), 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 16 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 2019 RM	The Group 2018 RM
Freehold land	6,905,594	6,905,594
Freehold buildings	9,966,203	10,169,521
	16,871,797	17,075,115

(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 2019 RM	The Group 2018 RM
Motor vehicles:		
- employees	1,198	15,570
Plant and machinery:		
- third party	24,896	49,416
	26,094	64,986

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2019

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8. INVENTORIES

	The Group	
	2019	2018
	RM	RM
Raw materials	4,881,318	5,119,499
Work-in-progress	2,411,254	2,820,402
Goods-in-transit	445,104	196,042
Finished goods	5,043,034	7,174,347
	12,780,710	15,310,290
Recognised in profit or loss:-		
Inventories recognised as cost of sales	18,584,224	12,596,631
Inventories written down	1,542,000	-
Reversal of inventories previously written down	(32,510)	(105,171)

The reversal of write-down was in respect of inventories previously written down which were sold during the financial year.

9. TRADE RECEIVABLES

	The Group	
	2019	2018
	RM	RM
Trade receivables	9,276,226	5,761,301
Unbilled receivables	-	1,722,752
	9,276,226	7,484,053
Allowance for impairment losses	(1,149,465)	(768,198)
	8,126,761	6,715,855
Allowance for impairment losses:-		
At 1 May	(768,198)	(733,227)
Addition during the financial year	(422,328)	(85,711)
Reversal during the financial year	25,026	36,700
Written off during the financial year	16,035	14,040
At 30 April	(1,149,465)	(768,198)

(a) The Group's normal trade credit terms range from 30 to 90 (2018 - 30 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 April 2019
Cont'd

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Other receivables:-				
Third parties	1,724,013	95,028	-	-
Advances to suppliers	296,074	-	-	-
	2,020,087	95,028	-	-
Deposits	178,125	189,343	1,300	1,300
Prepayments	208,042	470,294	46,311	7,067
GST recoverable	166,618	669,966	-	-
	2,572,872	1,424,631	47,611	8,367

11. AMOUNT OWING BY SUBSIDIARIES

The amount owing is non-trade in nature, unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

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 3.25% to 3.55% (2018 - 3.00% to 3.50%) and 3.55% (2018 - 3.50%) per annum respectively. The fixed deposits have maturity periods ranging from 90 to 365 (2018 - 90 to 365) days and 90 (2018 - 90) 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 RM722,091 (2018 - RM701,171) which has been pledged to a licensed bank as security for banking facilities granted to the Group as disclosed in Notes 17 and 23 to the financial statements.

13. SHARE CAPITAL

	The Group/The Company			
	2019	2018	2019	2018
	Number of Shares		RM	RM
Issued and Fully Paid-Up				
At 1 May	428,800,000	428,800,000	53,298,848	42,880,000
Transfer from share premium account	-	-	-	10,418,848
At 30 April	428,800,000	428,800,000	53,298,848	53,298,848

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. The ordinary shares have no par value.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2019

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14. 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.

15. LONG-TERM BORROWINGS

	The Group	
	2019	2018
	RM	RM
Hire purchase payables (Note 16)	432,014	725,493
Term loans (Note 17)	5,462,721	5,925,865
	5,894,735	6,651,358

16. HIRE PURCHASE PAYABLES

	The Group	
	2019	2018
	RM	RM
Minimum hire purchase payments:		
- not later than 1 year	379,322	466,115
- later than 1 year and not later than 5 years	449,974	769,682
	829,296	1,235,797
Less: Future finance charges	(50,955)	(93,734)
Present value of hire purchase payables	778,341	1,142,063
Analysed by:-		
Non-current liabilities (Note 15)	432,014	725,493
Current liabilities (Note 23)	346,327	416,570
	778,341	1,142,063

(a) The hire purchase payables of the Group are secured by the Group's motor vehicles under finance leases as disclosed in Note 7 to the financial statements. The hire purchase arrangements are expiring from 1 to 5 (2018 - 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 5.10% to 6.36% (2018 - 4.70% to 6.07%). 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 2019

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17. TERM LOANS

	The Group	
	2019	**2018**
	RM	**RM**
Non-current liabilities (Note 15)	5,462,721	5,925,865
Current liabilities (Note 23)	531,807	797,780
	5,994,528	6,723,645

(a) The term loans are secured by:-

(i) a first legal charge over certain properties as disclosed in Note 7 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.

(b) The term loans of the Group at the end of the reporting period bore effective interest rates ranging from 4.52% to 4.87% (2018 - 4.65% to 5.36%) per annum.

18. DEFERRED TAX LIABILITIES

	The Group	
	2019	**2018**
	RM	**RM**
At 1 May	574,000	535,000
Recognised in profit or loss (Note 32)	-	39,000
At 30 April	574,000	574,000

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

Deferred Tax Liabilities		
Accelerated capital allowances over depreciation	1,155,000	1,030,000
Unrealised gain on foreign exchange	15,000	-
	1,170,000	1,030,000
Deferred Tax Assets		
Impairment losses on trade receivables	(276,000)	(184,000)
Inventories written down	(106,000)	(65,000)
Unabsorbed capital allowances	(214,000)	(152,000)
Unrealised loss on foreign exchange	-	(55,000)
	(596,000)	(456,000)
	574,000	574,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2019

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19. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 120 (2018 - 30 to 120) days.

20. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Other payables:-				
Third parties	278,240	346,424	18,626	8,789
Advances from customers	2,262,034	737,107	-	-
	2,540,274	1,083,531	18,626	8,789
Deposits received	34,000	49,052	-	-
Accruals	1,611,759	918,810	35,000	45,300
	4,186,033	2,051,393	53,626	54,089

21. AMOUNT OWING TO A JOINT VENTURE

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

22. AMOUNT OWING TO A RELATED PARTY

The amount owing is non-trade in nature and represents payments made on behalf. The amount owing is repayable on demand and is to be settled in cash.

23. SHORT-TERM BORROWINGS

	The Group	
	2019	2018
	RM	RM
Bankers' acceptances	-	702,000
Hire purchase payables (Note 16)	346,327	416,570
Term loans (Note 17)	531,807	797,780
	878,134	1,916,350

The bankers' acceptances were secured by:-

(i) a first legal charge over certain buildings as disclosed in Note 7 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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 April 2019
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24. REVENUE

	The Group	
	2019	2018
	RM	RM
Revenue from Contracts with Customers		
Sales of goods	37,179,836	29,716,400

The information on the disaggregation of revenue is disclosed in Note 38.2 to the financial statements.

25. COST OF SALES

	The Group	
	2019	2018
	RM	RM
Included in cost of sales are:-		
Carriage charges	433,359	483,115
Inventories written down	1,542,000	-
Purchases of goods	16,364,020	16,667,993
Depreciation of property, plant and equipment	1,128,811	1,004,585
Staff costs:		
- salaries and other benefits	3,622,571	3,364,844
- defined contribution plan	254,792	247,382
Plating costs	487,048	428,650
Rental of factory	306,100	281,050
Reversal on inventories previously written down	(32,510)	(105,171)
Utilities	342,555	355,583

26. OTHER INCOME

	The Group		The Company	
	2019	2018	2019	2018
	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	55,541	24,259	-	-
Interest income	185,508	318,674	137,831	219,099
Rental income	4,389	11,161	-	-
Gain on foreign exchange:				
- realised	112,762	-	-	-
- unrealised	50,473	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

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27. ADMINISTRATIVE EXPENSES

	The Group		The Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Included in administrative expenses are:-				
Auditors' remuneration:				
- audit fees:				
- Crowe Malaysia	93,500	89,000	26,000	25,000
- other auditors	-	2,600	-	-
- non-audit fees:				
- Crowe Malaysia	15,000	5,000	5,000	5,000
Consultant fees	309,440	344,891	-	-
Directors' remuneration (Note 35(a))	2,416,091	2,203,602	154,500	154,800
Staff costs (including other key management personnel as disclosed in Note 35(b)):				
- salaries and other benefits	4,424,790	4,147,216	-	-
- defined contribution plan	531,463	534,986	-	-

28. SELLING AND DISTRIBUTION EXPENSES

	The Group	
	2019	2018
	RM	RM
Included in selling and distribution expenses are:-		
Accommodation expenses	132,696	100,819
Promotional and exhibition expenses	835,138	561,946
Sales commission	150,870	125,640
Travelling expenses	705,321	494,754

29. OTHER EXPENSES

	The Group	
	2019	2018
	RM	RM
Depreciation of property, plant and equipment	851,757	778,163
Loss on disposal of property, plant and equipment	2,822	-
Loss on foreign exchange:		
- realised	-	252,499
- unrealised	-	241,649
Property, plant and equipment written off	6,000	-
	860,579	1,272,311

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 April 2019
Cont'd

30. FINANCE COSTS

	The Group	
	2019	2018
	RM	RM
Interest expenses:		
- bankers' acceptances	24,023	19,098
- hire purchases	51,116	70,935
- term loans	312,120	341,072
	387,259	431,105

31. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	The Group	
	2019	2018
	RM	RM
Impairment losses during the financial year:		
- Individually impaired under MFRS 139	-	85,711
- Additions under MFRS 9	422,328	-
Reversal of impairment losses	(25,026)	(36,700)
	397,302	49,011

32. INCOME TAX EXPENSE

	The Group		The Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Current tax:				
- for the current financial year	126,200	189,819	-	-
- (over)/underprovision in the previous financial year	(154,018)	(101,249)	5,125	52,597
	(27,818)	88,570	5,125	52,597
Deferred tax (Note 18):				
- for the current financial year	-	39,000	-	-
	(27,818)	127,570	5,125	52,597

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2019

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32. INCOME TAX EXPENSE *Cont'd*

A reconciliation of income tax expense applicable to the loss 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	
	2019	2018	2019	2018
	RM	RM	RM	RM
Loss before taxation	(2,885,257)	(1,201,722)	(472,134)	(455,595)
Tax at the statutory tax rate of 24% (2018 - 24%)	(692,462)	(288,413)	(113,312)	(109,343)
Tax effects of:-				
Non-deductible expenses	518,662	352,532	96,312	108,643
Deferred tax assets not recognised during the financial year	300,000	164,700	17,000	700
(Over)/Underprovision of current tax in the previous financial year	(154,018)	(101,249)	5,125	52,597
Income tax expense for the financial year	(27,818)	127,570	5,125	52,597

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018 - 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.

At the end of the reporting period, the Group and the Company have temporary differences as follows:-

	The Group		The Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Deferred tax liability:-				
Accelerated capital allowances	(150,000)	(136,000)	-	-
Deferred tax assets:-				
Unabsorbed capital allowances	-	186,000	-	-
Unrealised loss on foreign exchange	13,000	11,000	-	-
Unused tax losses	728,000	623,000	75,000	3,000
Inventories written down	1,342,000	-	-	-
	1,933,000	684,000	75,000	3,000

No deferred tax assets are recognised in respect of these items as it is not probable that taxable profits of the Company and the subsidiaries will be available against which the deductible temporary differences can be utilised.

The unused tax losses as at year of assessment 2018 will expire at the end of year of assessment 2025. With effect from year of assessment 2019, unused tax losses in a year of assessment can only be carried forward for a maximum period of 7 consecutive years of assessment immediately following that year of assessment.

The unabsorbed capital allowances can be carried forward indefinitely to be utilised against income from the same business source, subject to no substantial change in shareholders.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2019

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33. LOSS PER SHARE

	The Group 2019	The Group 2018
Loss after taxation attributable to Owners of the Company (RM)	(2,497,269)	(1,098,283)
Weighted average number of ordinary shares for basic earnings per share computation	428,800,000	428,800,000
Basic loss per ordinary share attributable to equity holders of the Company (Sen)	(0.58)	(0.26)

The Company has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

34. CASH FLOW INFORMATION

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

	The Group 2019 RM	The Group 2018 RM
Cost of property, plant and equipment purchased (Note 7)	599,037	6,522,957
Amount financed through hire purchase (Note (b) below)	(57,900)	(98,000)
Cash disbursed for purchase of property, plant and equipment	541,137	6,424,957

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

	Term Loans RM	Hire Purchases RM	Bankers' Acceptances RM	Total RM
The Group				
2019				
At 1 May 2018	6,723,645	1,142,063	702,000	8,567,708
Changes in Financing Cash Flows				
Repayment of borrowing principal	(729,117)	(421,622)	(702,000)	(1,852,739)
Repayment of borrowing interests	(312,120)	(51,116)	(24,023)	(387,259)
	(1,041,237)	(472,738)	(726,023)	(2,239,998)
Non-cash Changes				
New hire purchase (Note (a) above)	-	57,900	-	57,900
Finance charges recognised in profit or loss	312,120	51,116	24,023	387,259
	312,120	109,016	24,023	445,159
At 30 April 2019	5,994,528	778,341	-	6,772,869

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2019

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34. CASH FLOW INFORMATION *Cont'd*

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

	Term Loans RM	Hire Purchases RM	Bankers' Acceptances RM	Total RM
The Group				
2018				
At 1 May 2017	7,530,843	1,445,009	76,000	9,051,852
Changes in Financing Cash Flows				
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)
Non-cash Changes				
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

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

	The Group 2019 RM	The Group 2018 RM	The Company 2019 RM	The Company 2018 RM
Cash and bank balances	8,633,292	8,438,372	1,073,780	134,249
Fixed deposits with licensed banks	3,748,935	5,872,013	3,026,844	5,170,842
	12,382,227	14,310,385	4,100,624	5,305,091
Less: Fixed deposit pledged to a licensed bank (Note 12)	(722,091)	(701,171)	-	-
	11,660,136	13,609,214	4,100,624	5,305,091

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2019

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35. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group and of the Company include executive directors, a non-executive director and certain members of senior management of the Group and of the Company.

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

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
(a) Directors				
Directors of the Company				
Short-term employee benefits:				
- fees	185,000	150,000	150,000	150,000
- salaries and allowances	1,804,500	1,084,800	4,500	4,800
- defined contribution plan	129,600	129,600	-	-
	1,399,100	1,364,400	154,500	154,800
Directors of the Subsidiaries				
Short-term employee benefits:				
- fees	121,000	36,000	-	-
- salaries and allowances	804,455	717,887	-	-
- defined contribution plan	91,536	85,315	-	-
	1,016,991	839,202	-	-
Total directors' remuneration	2,416,091	2,203,602	154,500	154,800

	The Group	
	2019	**2018**
	RM	**RM**
(b) Other Key Management Personnel		
Short-term employee benefits:		
- salaries and allowances	527,572	634,091
- defined contribution plan	62,588	75,079
Total compensation for other key management personnel	590,160	709,170

The estimated monetary value of benefits-in-kind provided by the Group to the other key management personnel were RM13,001 (2018 - RM15,854)

36. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2019
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36. RELATED PARTY DISCLOSURES *Cont'd*

(a) Identities of Related Parties *Cont'd*

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	
	2019	2018	2019	2018
	RM	RM	RM	RM
Subsidiaries:				
- advances	-	-	700,000	7,230,001
Joint venture:				
- advances	250,000	-	-	-
Close members of the family of certain directors:				
- salaries and other emoluments paid	884,297	846,784	-	-
- rental paid	72,000	72,000	-	-

The outstanding balances of the related parties together with their terms and conditions are disclosed in the respective notes to the financial statements

37. CAPITAL COMMITMENTS

	The Group	
	2019	2018
	RM	RM
Purchase of plant and equipment	430,000	-

38. 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 of medical furniture, medical devices, medical peripherals and accessories; and

(iii) Investment holding division.

NOTES TO THE FINANCIAL STATEMENTS

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38. OPERATING SEGMENTS *Cont'd*

38.1 BUSINESS SEGMENTS

	Manufacturing Division RM	Trading Division RM	Investment Holding Division RM	The Group RM
2019				
Revenue				
External revenue	26,358,320	10,821,516	-	37,179,836
Inter-segment revenue	42,724	-	-	42,724
	26,401,044	10,821,516	-	37,222,560
Consolidation adjustments				(42,724)
Consolidated revenue				37,179,836
Results				
Segment loss	(1,086,183)	(939,681)	(472,134)	(2,497,998)
Finance costs				(387,259)
Consolidated loss before taxation				(2,885,257)
Segment loss includes the followings:-				
Depreciation of property, plant and equipment	(1,669,625)	(310,943)	-	(1,980,568)
Impairment losses on trade receivables	(333,639)	(88,689)	-	(422,328)
Interest expenses	(305,935)	(81,324)	-	(387,259)
Interest income	36,307	11,370	137,831	185,508
Inventories written down	(172,024)	(1,369,976)	-	(1,542,000)
(Loss)/Gain on disposal of property, plant and equipment	(3,382)	560	-	(2,822)
Property, plant and equipment written off	(6,000)	-	-	(6,000)
Reversal of impairment losses on trade receivables	19,771	5,255	-	25,026
Reversal of inventories previously written down	12,613	19,897	-	32,510
Unrealised gain on foreign exchange	50,016	457	-	50,473

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2019

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38. OPERATING SEGMENTS *Cont'd*

38.1 BUSINESS SEGMENTS *Cont'd*

	Manufacturing Division	Trading Division	Investment Holding Division	The Group
	RM	RM	RM	RM
2019				
Assets				
Segment assets	50,705,164	16,966,283	53,741,546	121,412,993
Unallocated assets:				
- investment in a joint venture				250,000
Consolidation adjustments				(51,650,920)
Consolidated total assets				70,012,073
Addition to non-current assset other than financial instruments is:-				
Property, plant and equipment	488,455	110,582	-	599,037
Liabilities				
Segment liabilities	15,464,502	10,627,845	53,626	26,145,973
Unallocated liabilities:				
- deferred tax liabilities				574,000
- hire purchase payables				778,341
- term loans				5,994,528
Consolidation adjustments				(19,370,830)
Consolidated total liabilities				14,122,012
2018				
Revenue				
External revenue	24,081,325	5,635,075	-	29,716,400
Inter-segment revenue	25,694	-	-	25,694
	24,107,019	5,635,075	-	29,742,094
Consolidation adjustments				(25,694)
Consolidated revenue				29,716,400

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2019

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38. OPERATING SEGMENTS *Cont'd*

38.1 BUSINESS SEGMENTS *Cont'd*

	Manufacturing Division	Trading Division	Investment Holding Division	The Group
	RM	RM	RM	RM
2018				
Results				
Segment profit/(loss)	877,852	(1,192,874)	(455,595)	(770,617)
Finance costs				(431,105)
Consolidated loss before taxation				(1,201,722)
Segment profit/(loss) includes the followings:-				
Depreciation of property, plant and equipment	(1,573,768)	(208,980)	-	(1,782,748)
Gain on disposal of property, plant and equipment	20,446	3,608	-	24,054
Impairment losses on trade receivables	(72,854)	(12,857)	-	(85,711)
Interest expenses	(366,439)	(64,666)	-	(431,105)
Interest income	83,216	16,359	219,099	318,674
Reversal of impairment losses on trade receivables	31,195	5,505	-	36,700
Reversal of inventories previously written down	46,333	58,838	-	105,171
Unrealised loss on foreign exchange	(195,930)	(45,719)	-	(241,649)
2018				
Assets				
Segment assets	53,287,761	15,345,801	54,219,268	122,852,830
Consolidation adjustments				(50,453,786)
Consolidated total assets				72,399,044
Addition to non-current assset other than financial instruments is:-				
Property, plant and equipment	5,634,052	888,905	-	6,522,957
Liabilities				
Segment liabilities	15,131,333	8,200,110	54,089	23,385,532
Unallocated liabilities:				
- deferred tax liabilities				574,000
- hire purchase payables				1,142,063
- term loans				6,723,645
Consolidation adjustments				(18,173,696)
Consolidated total liabilities				13,651,544

38. OPERATING SEGMENTS *Cont'd*

38.2 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 (but including investment in a joint venture).

	Revenue		Non-current Assets	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
The Group				
Africa	122,342	477,321	-	-
Asia (Other than Malaysia)	5,050,410	6,979,735	8,771	28,981
Europe	112,168	1,240,177	-	-
Malaysia	30,587,787	20,358,599	31,724,076	32,868,956
Middle East	1,001,818	496,228	-	-
Central America	305,311	164,340	-	-
	37,179,836	29,716,400	31,732,847	32,897,937

38.3 MAJOR CUSTOMER

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

39. 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.

39.1 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 Chinese Yuan Renminbi ("CNY"). 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 2019

Cont'd

39. FINANCIAL INSTRUMENTS *Cont'd*

39.1 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 Group) 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	CNY RM
The Group				
2019				
Financial Assets				
Trade receivables	716,859	-	199,551	-
Other receivables	181,973	-	-	-
Cash and bank balances	171,511	1,688	-	-
	1,070,343	1,688	199,551	-
Financial Liability				
Trade payables	206	272,224	4,858	1,841
Net financial assets/(liability)/ Currency exposure	1,070,137	(270,536)	194,693	(1,841)
2018				
Financial Assets				
Trade receivables	693,377	-	154,715	-
Other receivables	73,306	-	-	-
Cash and bank balances	1,356,299	7,508	-	-
	2,122,982	7,508	154,715	-
Financial Liabilities				
Trade payables	3,496	-	-	6,243
Other payables and accruals	433,608	-	-	-
	437,104	-	-	6,243
Net financial assets/(liabilities)/ Currency exposure	1,685,878	7,508	154,715	(6,243)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2019

Cont'd

39. FINANCIAL INSTRUMENTS *Cont'd*

39.1 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	
		2019	**2018**
		RM	**RM**
Effects on Loss After Taxation/Other Comprehensive Expense			
USD/RM	- strengthened by 10%	107,000	169,000
	- weakened by 10%	(107,000)	(169,000)
EUR/RM	- strengthened by 10%	(27,000)	800
	- weakened by 10%	27,000	(800)
SGD/RM	- strengthened by 10%	19,000	15,000
	- weakened by 10%	(19,000)	(15,000)
CNY/RM	- strengthened by 10%	(200)	(600)
	- weakened by 10%	200	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 deposits with licensed banks are 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 39.1(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 after taxation and other comprehensive expense 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 2019
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39. FINANCIAL INSTRUMENTS *Cont'd*

39.1 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 fixed deposits with licensed banks), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

(i) Credit Risk Concentration Profile

The Group's major concentration of credit risk relates to amount owing by 1 (2018 - 1) customer which constituted approximately 20% (2018 - 26%) 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:-

	The Group	
	2019	**2018**
	RM	**RM**
Africa	47,519	28,664
Asia (Other than Malaysia)	863,638	247,540
Europe	-	332,363
Malaysia	7,215,604	5,867,763
Middle East	-	239,525
	8,126,761	6,715,855

(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) Assessment of Impairment Losses

At each reporting date, the Group assesses whether any of the financial assets at amortised cost are credit impaired.

The gross carrying amounts of financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite the fact that they are still subject to enforcement activities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2019

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39. FINANCIAL INSTRUMENTS *Cont'd*

39.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(b) Credit Risk *Cont'd*

(iii) Assessment of Impairment Losses *Cont'd*

Trade Receivables

The Group applies the simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables has been grouped based on shared credit risk characteristics and the days past due.

The Group considers any receivables having financial difficulty or with significant balances outstanding for more than 90 days, are deemed credit impaired.

The expected loss rates are based on the payment profiles of sales over a period of 12 months from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for trade receivables is summarised below:-

	Gross Amount	Lifetime Loss Allowance	Carrying Amount
	RM	RM	RM
The Group			
2019			
Current (not past due)	4,247,932	-	4,247,932
1 to 30 days past due	2,854,654	-	2,854,654
31 to 60 days past due	407,523	-	407,523
61 to 90 days past due	522,264	-	522,264
More than 90 days past due	94,388	-	94,388
	8,126,761	-	8,126,761
Credit impaired:			
- individually impaired	1,149,465	(1,149,465)	-
	9,276,226	(1,149,465)	8,126,761

NOTES TO THE FINANCIAL STATEMENTS

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Cont'd

39. FINANCIAL INSTRUMENTS *Cont'd*

39.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(b) Credit Risk *Cont'd*

(iii) Assessment of Impairment Losses *Cont'd*

Trade Receivables Cont'd

In the previous financial year, the loss allowance on trade receivables was calculated under MFRS 139. The ageing analysis of 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

The movements in the loss allowances in respect of trade receivables is disclosed in Note 9 to the financial statements.

Other Receivables

Other receivables are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial and hence, it is not provided for.

Fixed Deposits with Licensed Banks, and Cash and Bank Balances

The Group considers these banks and financial institutions have low credit risks. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

Amount Owing By Subsidiaries (Non-trade Balances)

The Company applies the 3-stage general approach to measuring expected credit losses for all inter-company balances. Generally, the Company considers loans and advances to subsidiaries have low credit risks. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiary is not able to pay when demanded. The Company considers a subsidiary's loan or advance to be credit impaired when the subsidiary is unlikely to repay its loan or advance in full or the subsidiary is continuously loss making or the subsidiary is having a deficit in its total equity.

The Company determines the probability of default for these loans and advances individually using internal information available.

NOTES TO THE FINANCIAL STATEMENTS

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39. FINANCIAL INSTRUMENTS *Cont'd*

39.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(b) Credit Risk *Cont'd*

(iii) Assessment of Impairment Losses *Cont'd*

Amount Owing By Subsidiaries (Non-trade Balances) Cont'd

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for amount owing by subsidiaries is summarised below:-

	Gross Amount	Individual Impairment	Carrying Amount
	RM	RM	RM
The Company			
2019			
Low credit risk			
Amount owing by subsidiaries	17,979,893	-	17,979,893

In the previous financial year, the loss allowance on amount owing by related companies was calculated under MFRS 139.

(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):-

	Weighted Average Effective Interest Rate	Carrying Amount	Contractual Undiscounted Cash Flows	Within 1 Year	1 - 5 Years	Over 5 Years
	%	RM	RM	RM	RM	RM
The Group						
2019						
Non-derivative Financial Liabilities						
Hire purchase payables	5.21	778,341	829,296	379,322	449,974	-
Term loans	4.66	5,994,528	7,612,207	736,075	3,439,503	3,436,629
Trade payables	-	2,337,744	2,337,744	2,337,744	-	-
Other payables and accruals	-	1,889,999	1,889,999	1,889,999	-	-
Amount owing to a joint venture	-	250,000	250,000	250,000	-	-
Amount owing to a related party	-	1,166	1,166	1,166	-	-
		11,251,778	12,920,412	5,594,306	3,889,477	3,436,629

NOTES TO THE FINANCIAL STATEMENTS

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39. FINANCIAL INSTRUMENTS *Cont'd*

39.1 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*:-

	Weighted Average Effective Interest Rate	Carrying Amount	Contractual Undiscounted Cash Flows	Within 1 Year	1 - 5 Years	Over 5 Years
	%	RM	RM	RM	RM	RM
The Group						
2018						
Non-derivative Financial Liabilities						
Hire purchase payables	5.48	1,142,063	1,235,797	466,115	769,682	-
Term loans	4.81	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	-	1,265,234	1,265,234	1,265,234	-	-
Bankers' acceptances	5.00	702,000	702,000	702,000	-	-
		12,280,566	14,331,046	5,924,178	4,656,515	3,750,353

	Carrying Amount	Contractual Undiscounted Cash Flows	Within 1 Year
	RM	RM	RM
The Company			
2019			
Non-derivative Financial Liabilities			
Other payables and accruals	53,626	53,626	53,626
2018			
Non-derivative Financial Liabilities			
Other payables and accruals	54,089	54,089	54,089

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2019
Cont'd

39. FINANCIAL INSTRUMENTS *Cont'd*

39.2 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 is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and bank balances and fixed deposits with licensed bank.

	The Group	
	2019	**2018**
	RM	**RM**
Hire purchase payables	778,341	1,142,063
Term loans	5,994,528	6,723,645
Bankers' acceptances	-	702,000
	6,772,869	8,567,708
Less: Cash and bank balances	(8,633,292)	(8,438,372)
Less: Fixed deposit with a licensed bank	(3,748,935)	(5,872,013)
Net debt	(5,609,358)	(5,742,677)
Total equity	55,890,061	58,747,500
Debt-to-equity ratio	N/A	N/A

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

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 loans and borrowings from financial institutions.

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.

39.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group	The Company
	2019	**2019**
	RM	**RM**
Financial Asset		
Amortised Cost		
Trade receivables	8,126,761	-
Other receivables	1,724,013	-
Amount owing by subsidiaries	-	17,979,893
Fixed deposits with licensed banks	3,748,935	3,026,844
Cash and bank balances	8,633,292	1,073,780
	22,233,001	22,080,517

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2019
Cont'd

39. FINANCIAL INSTRUMENTS *Cont'd*

39.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS *Cont'd*

	The Group 2019 RM	The Company 2019 RM
Financial Liability		
Amortised Cost		
Hire purchase payables	778,341	-
Term loans	5,994,528	-
Trade payables	2,337,744	-
Other payables and accruals	1,889,999	53,626
Amount owing to a joint venture	250,000	-
Amount owing to a related party	1,166	-
	11,251,778	53,626

	The Group 2018 RM	The Company 2018 RM
Financial Asset		
Loans and Receivables Financial Assets		
Trade receivables	6,715,855	-
Other receivables	95,028	-
Amount owing by subsidiaries	-	17,279,894
Fixed deposits with licensed banks	5,872,013	5,170,842
Cash and bank balances	8,438,372	134,249
	21,121,268	22,584,985
Financial Liability		
Other Financial Liabilities		
Bankers' acceptances	702,000	-
Hire purchase payables	1,142,063	-
Term loans	6,723,645	-
Trade payables	2,447,624	-
Other payables and accruals	1,265,234	54,089
	12,280,566	54,089

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2019

Cont'd

39. FINANCIAL INSTRUMENTS *Cont'd*

39.4 GAINS OR (LOSSES) ARISING FROM FINANCIAL INSTRUMENTS

	The Group 2019 RM	The Company 2019 RM
Financial Asset		
Amortised Cost		
Net (losses)/gains recognised in profit or loss	(48,559)	137,831
Financial Liability		
Amortised Cost		
Net losses recognised in profit or loss	(387,259)	-

	The Group 2018 RM	The Company 2018 RM
Financial Asset		
Loans and Receivables Financial Assets		
Net gains recognised in profit or loss	156,949	219,099
Financial Liability		
Other Financial Liabilities		
Net losses recognised in profit or loss	(802,539)	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 April 2019
Cont'd

39. FINANCIAL INSTRUMENTS *Cont'd*

39.5 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
	RM	RM	RM	RM	RM
The Group					
2019					
Financial Liabilities					
Hire purchase payables	-	788,731	-	788,731	778,341
Term loans	-	5,994,528	-	5,994,528	5,994,528
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

The fair values of hire purchase payables 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:-

	2019	2018
	%	%
Hire purchase payables	6.03	5.49

The fair value of the Group's term loans that carrying floating interest rates approximated their carrying amounts as they are repriced to market interest rates on or near the reporting date

40. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 27 June 2018, LKLAM, a wholly-owned subsidiary of the Company was awarded a contract to supply and deliver medical/healthcare beds and medical peripherals by Ministry of Health of Uganda ("the Contract"). The Contract value amounted to US Dollars 2.8 million, equivalent to RM11.4 million. The Contract was 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 commissioning of medical/healthcare beds and medical equipment for a private medical hospital to be constructed in Mukim Rawang, Selangor ("the Contract"). The Contract value was 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

For the financial year ended 30 April 2019
Cont'd

40. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR *Cont'd*

(c) On 28 December 2018, LKLAM, a wholly-owned subsidiary of the Company was awarded a contract by VAMED Engineering GmbH for the supply, delivery, installation, testing and commissioning of medical/healthcare beds and medical equipment for a teaching hospital and medical academic centre to be constructed in Mukim Jeram, Selangor ("the Contract"). The Contract value was approximately RM4.8 million. The Contract shall commence after completion of the construction of the teaching hospital and medical academic centre, which is expected to be in the third quarter of 2019.

(d) On 19 March 2019, MGSB, a wholly-owned subsidiary of the Company entered into a Distribution Agreement ("DA") with BenQ Medical Technology Corporation to carry out the business of distributing BenQ's ultrasound system, surgical light and surgical table, and its related spare parts and software in Malaysia. The DA shall remain in force for 2 years and shall expire on 28 February 2021.

(e) On 10 April 2019, MGSB, a wholly-owned subsidiary of the Company entered into a Shareholders' Agreement with Agrow Corporation Sdn. Bhd. ("Agrow") to form and incorporate a joint venture company solely to carry out the business of promoting, marketing, distributing and sales of selected branded medical devices within Malaysia.

(f) On 12 April 2019, MGSB, a wholly-owned subsidiary of the Company entered into a Distribution Agreement ("DA") with BenQ Asia Pacific Corporation to carry out the business of distributing BenQ Asia's medical displays and its related spare parts and software. The DA shall expire on 31 March 2021.

(g) On 12 April 2019, MGSB, a wholly-owned subsidiary of the Company entered into a Distribution Agreement ("DA") with Lily Medical Corporation ("Lily") to carry out the business of distributing Lily's disposal medical devices and its related spare parts. The DA shall expire on 31 March 2021.

(h) On 15 April 2019, MGSB, a wholly-owned subsidiary of the Company announced that a joint venture company namely LKLAGROW has been incorporated pursuant to the Shareholders' Agreement entered into between MGSB and Agrow on 10 April 2019.

41. COMPARATIVE FIGURES

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

	As Previously Reported RM	As Restated RM
The Group		
Statements of Financial Position (Extract):-		
Other receivables	1,351,325	1,424,631
Amount owing by a related company	73,306	-
Statements of Profit or Loss and Other Comprehensive Income (Extract):-		
Other income	460,151	423,451
Other expenses	(1,358,022)	(1,272,311)
Net impairment losses on financial assets	-	(49,011)
The Company		
Statements of Cash Flows (Extract):-		
Net cash for operating activities	(800,343)	(8,030,346)
Net cash (for)/from investing activities	(7,010,902)	219,099

ANALYSIS OF SHAREHOLDINGS

As at 31 July 2019

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	0.45	300	0.00
100 - 1,000 shares	118	7.59	75,900	0.02
1,001 - 10,000 shares	522	33.57	3,206,000	0.75
10,001 - 100,000 shares	707	45.46	29,510,200	6.88
100,001 - less than 5% of issued shares	197	12.67	108,072,590	25.20
5% and above of issued shares	4	0.26	287,935,010	67.15
Total	**1,555**	**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	125,512,735	29.27	143,938,995 (1)	33.57
Mok Mei Lan	110,003,725	25.65	159,448,005 (2)	37.18
Elaine Lim Sin Yee	33,935,270	7.91	-	-
Lim Pak Hong	33,885,270	7.90	100,000 (3)	0.02

Notes:

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

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

(3) Deemed interested by virtue of his spouse, Tan Lee Ching’s shareholdings in the Company.

ANALYSIS OF SHAREHOLDINGS

As at 31 July 2019

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	125,512,735	29.27	143,938,995 [1]	33.57
Mok Mei Lan	110,003,725	25.65	159,448,005 [2]	37.18
Lim Pak Hong *(Appointed on 2 May 2019)*	33,885,270	7.90	100,000 [3]	0.02
Selma Enolil Binti Mustapha Khalil	50,000	0.01	-	-
Sandra Mohan A/L Manthiry *(Appointed on 2 May 2019)*	-	-	-	-
Wong Yeong Lee *(Appointed on 20 August 2019)*	-	-	-	-

Notes:

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

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

(3) Deemed interested by virtue of his spouse, Tan Lee Ching's shareholdings in the Company.

ANALYSIS OF SHAREHOLDINGS

As at 31 July 2019

Cont'd

THIRTY LARGEST SHAREHOLDERS AS AT 31 JULY 2019

(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	Lim Kon Lian	15,401,990	3.59
6	AI Capital Sdn. Bhd.	14,000,000	3.26
7	Maybank Nominees (Tempatan) Sdn. Bhd. *(Lim Yoke Cho)*	3,745,300	0.87
8	Federlite Holdings Sdn. Bhd.	3,486,500	0.81
9	Alliancegroup Nominees (Tempatan) Sdn. Bhd. *(Pledged securities account for Khor Jan Yeow)*	3,352,400	0.78
10	First Look Corporation Sdn. Bhd.	2,543,800	0.59
11	Ng Chai Wen	1,800,000	0.42
12	Tan Choon Ling	1,761,000	0.41
13	Tan Hang Chai	1,750,000	0.41
14	Khor Bean Chong	1,500,000	0.35
15	Jayaveeran A/L Shunmuganathan	1,300,000	0.30
16	Ng Sing Beng	1,240,500	0.29
17	George Lee Sang Kian	1,210,000	0.28
18	Ee Su Yan	1,200,000	0.28
19	RHB Nominees (Tempatan) Sdn. Bhd. *(Pledged securities account for Koon Poh Tat)*	1,200,000	0.28
20	Mohammad Allaudin & Co. Sdn. Bhd.	1,174,900	0.27
21	Pangkor Fishing Sdn. Bhd.	1,124,300	0.26
22	Vision One Diagnostic Sdn. Bhd.	1,052,900	0.25
23	Malacca Equity Nominees (Tempatan) Sdn. Bhd. *(Exempt An for Phillip Capital Management Sdn. Bhd.) (EPF)*	980,000	0.23
24	George Lee Sang Kian	967,800	0.23
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	Kong Jit Chong	890,000	0.21
28	Chong Sooi	860,000	0.20
29	Soo Jen Li	820,000	0.19
30	Pang Kee Hwa	736,500	0.17

LIST OF PROPERTIES

No.	Registered owner/ 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 2019 (RM'000)	Date of acquisition
1.	LKL Advance Metaltech Sdn Bhd 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	11	43,560 / 57,690	5,906	12-Nov-04
2.	LKL Advance Metaltech Sdn Bhd 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	14	- / 830	62	28-Mar-05
3.	LKL Advance Metaltech Sdn Bhd 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	14	- / 830	66	28-Mar-05
4.	LKL Advance Metaltech Sdn Bhd 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	14	- / 817	69	28-Mar-05

LIST OF PROPERTIES
Cont'd

No.	Registered owner/ 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 2019 (RM'000)	Date of acquisition
5.	LKL Advance Metaltech Sdn Bhd 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	5	43,560 / 34,050	6,082	11-Apr-07
6	LKL Advance Metaltech Sdn Bhd 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	23	3,400 / 1,862	402	16-Nov-12
7.	LKL Advance Metaltech Sdn Bhd 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	9	11,282 / 9,720	4,884	16-Apr-15
8.	LKL Advance Metaltech Sdn Bhd 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	9	11,135 / 9,000	5,067	15-Apr-17
					Total	**22,538**	

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifth Annual General Meeting ("**AGM**" or "**Meeting**") of LKL INTERNATIONAL BERHAD ("**LKL International**" or "**the Company**") will be held at Lily 1, Level 1, Bangi Resort Hotel, Off Persiaran Bandar, 43650 Bandar Baru Bangi, Selangor Darul Ehsan on Wednesday, 30 October 2019 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 2019 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 RM250,000 for the financial year ending 30 April 2020. ***Ordinary Resolution 1***

3. To re-elect the following Directors who retire by rotation in accordance with Clause 85 of the Company's Constitution:

   i. Mr. Lim Kon Lian ***Ordinary Resolution 2***
   ii. Mdm. Mok Mei Lan ***Ordinary Resolution 3***

4. To re-elect the following Directors who retire in accordance with Clause 91 of the Company's Constitution:

   i. Mr. Lim Pak Hong ***Ordinary Resolution 4***
   ii. Mr. Sandra Mohan A/L Manthiry ***Ordinary Resolution 5***
   iii. Mr. Wong Yeong Lee ***Ordinary Resolution 6***

5. To re-appoint Crowe Malaysia PLT as Auditors of the Company until the conclusion of the next AGM and to authorise the Directors to fix their remuneration. ***Ordinary Resolution 7***

AS SPECIAL BUSINESS:

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

6. **GENERAL AUTHORITY FOR THE DIRECTORS TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** ***Ordinary Resolution 8***

   "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 ten per centum (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 AGM of the Company."

7. To transact any other business of which due notice shall have been given.

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 2019

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 member who is entitled to attend and vote at the Meeting shall be entitled to appoint more than one (1) proxy to attend and vote at the Meeting in his/her stead. Where a member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.*

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 15 October 2019. Only members whose names appear in the General Meeting Record of Depositors as at 15 October 2019 shall be regarded as members and entitled to attend, speak and vote at the Meeting.*

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 one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

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) *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.*

EXPLANATORY NOTES TO SPECIAL BUSINESS

1. Ordinary Resolution 8 under Item 6 of the Agenda

The Ordinary Resolution 8 proposed under item 6 of the Agenda is a renewal of the general mandate for issuance and allotment 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 shares 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 the issuance and allotment of such shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM or the expiration of the period within which the next AGM 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 and allotted pursuant to the general mandate to the Directors at the Fourth AGM held on 17 October 2018 and it will lapse at the conclusion of the Fifth AGM of the Company.

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 Fifth Annual General Meeting ("**AGM**" or "**Meeting**") of the Company to be held at Lily 1, Level 1, Bangi Resort Hotel, Off Persiaran Bandar, 43650 Bandar Baru Bangi, Selangor Darul Ehsan on Wednesday, 30 October 2019 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 RM250,000 for the financial year ending 30 April 2020.		
2.	To re-elect Mr. Lim Kon Lian as Director who retires by rotation in accordance with Clause 85 of the Company's Constitution.		
3.	To re-elect Mdm. Mok Mei Lan as Director who retires by rotation in accordance with Clause 85 of the Company's Constitution.		
4.	To re-elect Mr. Lim Pak Hong as Director who retires in accordance with Clause 91 of the Company's Constitution.		
5.	To re-elect Mr. Sandra Mohan A/L Manthiry as Director who retires in accordance with Clause 91 of the Company's Constitution.		
6.	To re-elect Mr. Wong Yeong Lee as Director who retires in accordance with Clause 91 of the Company's Constitution.		
7.	To re-appoint Crowe Malaysia PLT as Auditors of the Company.		
8.	To approve the general authority for the Directors to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016.		

**delete whichever not applicable*

CDS Account No.	No. of Shares Held

Dated this __________ day of ____________________ 2019.

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 member who is entitled to attend and vote at the Meeting shall be entitled to appoint more than one (1) proxy to attend and vote at the Meeting in his/her stead. Where a member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.*

b) *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 15 October 2019. Only members whose names appear in the General Meeting Record of Depositors as at 15 October 2019 shall be regarded as members and entitled to attend, speak and vote at the Meeting.*

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 one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

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) *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

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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)

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