LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 JULY 2020 [1]

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Note	CURRENT YEAR QUARTER 31 JULY 2020 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 JULY 2019 RM'000	CURRENT YEAR-TO-DATE 31 JULY 2020 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 JULY 2019 RM'000
Revenue	A9	19,278	9,352	19,278	9,352
Cost of sales		(13,468)	(5,778)	(13,468)	(5,778)
Gross profit		5,810	3,574	5,810	3,574
Other income		92	123	92	123
Administrative expenses		(3,485)	(2,557)	(3,485)	(2,557)
Selling and distribution expenses		(251)	(504)	(251)	(504)
Other expenses		(287)	(210)	(287)	(210)
Finance costs		(109)	(84)	(109)	(84)
Net (impairment losses)/reversal of impairment losses on financial assets		(55)	11	(55)	11
Share of losses of equity accounted joint venture		-	(37)	-	(37)
Profit before taxation ("**PBT**")		1,715	316	1,715	316
Income tax expense	B4	(593)	(202)	(593)	(202)
Profit after taxation ("**PAT**")		1,122	114	1,122	114
Other comprehensive income		-	-	-	-
Total comprehensive income for the financial period		1,122	114	1,122	114
PAT/Total comprehensive income attributable to:-					
Owners of the Company		1,246	124	1,246	124
Non-controlling interests		(124)	(10)	(124)	(10)
		1,122	114	1,122	114
Earnings per share (sen) - Basic/Diluted [2]	B10	0.29	0.03	0.29	0.03

Notes:-

*(1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income are detailed in Note A1 and should be read in conjunction with the audited financial statements for the financial year ended ("**FYE**") 30 April 2020 and the accompanying explanatory notes attached to this interim financial report.*

(2) Diluted earnings per share of the Company for the individual quarter 31 July 2020 and cumulative quarter 31 July 2020 is equivalent to the basic earnings per share as the Company does not have convertible options at the end of the reporting period.

LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 JULY 2020 [(1)]

	Note	UNAUDITED AT 31 JULY 2020 RM'000	AUDITED AT 30 APRIL 2020 RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		30,456	30,580
Right-of-use assets		2,217	2,419
		32,673	32,999
Current Assets			
Inventories		13,055	13,256
Trade receivables		11,507	19,031
Other receivables, deposits and prepayments		2,534	6,599
Current tax assets		87	1,078
Fixed deposits with licensed banks		1,000	1,000
Cash and bank balances		14,756	5,180
		42,939	46,144
TOTAL ASSETS		75,612	79,143
EQUITY AND LIABILITIES			
Equity			
Share capital		53,299	53,299
Merger deficit		(29,580)	(29,580)
Retained profits		38,007	36,761
Equity attributable to owners of the Company		61,726	60,480
Non-controlling interests		(166)	(42)
TOTAL EQUITY		61,560	60,438
Non-current Liabilities			
Lease liabilities	B7	1,217	1,343
Term loans	B7	3,258	3,261
Deferred tax liabilities		574	574
		5,049	5,178
Current Liabilities			
Trade payables		2,576	3,019
Other payables and accruals		2,309	3,809
Bankers' acceptances	B7	659	120
Lease liabilities	B7	842	847
Term loans	B7	2,353	2,324
Trust receipts	B7	224	104
Bank overdrafts	B7	7	3,301
Current tax liabilities		33	3
		9,003	13,527
TOTAL LIABILITIES		14,052	18,705
TOTAL EQUITY AND LIABILITIES		75,612	79,143
Net assets per share (RM)		0.14	0.14

Note:-

(1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Financial Position are detailed in Note A1 and should be read in conjunction with the audited financial statements for the FYE 30 April 2020 and the accompanying explanatory notes attached to this interim financial report.

LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 JULY 2020 [(1)]

	<---------- Non-Distributable ---------->		Distributable	Attributable to	Non-controlling	
	Share Capital	Merger Deficit	Retained Profits	Owners of Company	Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1 May 2020	53,299	(29,580)	36,761	60,480	(42)	60,438
PAT/Total comprehensive income for the financial period	-	-	1,246	1,246	(124)	1,122
Balance at 31 July 2020	53,299	(29,580)	38,007	61,726	(166)	61,560
Balance at 1 May 2019	53,299	(29,580)	32,464	56,183	(293)	55,890
PAT/Total comprehensive income for the financial period	-	-	124	124	(10)	114
Balance at 31 July 2019	53,299	(29,580)	32,588	56,307	(303)	56,004

Note:-

(1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Changes in Equity are detailed in Note A1 and should be read in conjunction with the audited financial statements for the FYE 30 April 2020 and the accompanying explanatory notes attached to this interim financial report.

LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FIRST QUARTER ENDED 31 JULY 2020 [(1)]

	CUMULATIVE QUARTER	
	CURRENT YEAR-TO-DATE 31 JULY 2020 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 JULY 2019 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES		
Profit before taxation	1,715	316
Adjustments for:		
Depreciation of property, plant and equipment	405	478
Depreciation of right-of-use assets	202	-
Impairment losses on trade receivables	63	-
Interest expense	109	84
Share of losses of equity accounted joint venture	-	37
Gain on disposal of property, plant and equipment	(1)	-
Interest income	(7)	(35)
Reversal of impairment losses on trade receivables	(8)	(11)
Unrealised loss on foreign exchange	24	14
Operating profit before working capital changes	2,502	883
Decrease/(Increase) in inventories	201	(1,164)
Decrease in trade and other receivables	11,527	2,026
Decrease in trade and other payables	(1,953)	(1,439)
Decrease in amount owing to a related party	-	(1)
Decrease in amount owing to a joint venture	-	(250)
CASH FROM OPERATIONS	12,277	55
Income tax paid	(442)	(267)
Income tax refunded	870	-
Interest paid	(83)	(84)
Interest received	7	35
NET CASH FROM/(FOR) OPERATING ACTIVITIES	12,629	(261)
CASH FLOWS FOR INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	7	-
Purchase of property, plant and equipment	(287)	(255)
NET CASH FOR INVESTING ACTIVITIES	(280)	(255)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of bankers' acceptances and trust receipts	659	312
Repayment of hire purchase obligations	-	(94)
Repayment of lease liabilities	(131)	-
Repayment of term loans	-	(119)
NET CASH FOR FINANCING ACTIVITIES	528	99
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	12,877	(417)
EFFECT OF FOREIGN EXCHANGE TRANSLATION	(7)	1
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	2,879	11,660
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	15,749	11,244
Cash and cash equivalents at end of the financial period comprises the following:		
Cash and bank balances	14,756	9,244
Fixed deposit with a licensed bank	1,000	2,722
Bank overdraft	(7)	-
	15,749	11,966
Less: Fixed deposit pledged to a licensed bank	-	(722)
	15,749	11,244

Note:-

(1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Cash Flows are detailed in Note A1 and should be read in conjunction with the audited financial statements for the FYE 30 April 2020 and the accompanying explanatory notes attached to this interim financial report.

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134: INTERIM FINANCIAL REPORTING

A1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with the requirements of MFRS 134 - Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("**MASB**"), Paragraph 9.22 and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**").

The interim financial report should be read in conjunction with the audited financial statements for the FYE 30 April 2020. These explanatory notes attached to the interim financial report provide explanation of events and transactions that are significant for the understanding of the changes in the financial position and performance of the Group since the FYE 30 April 2020.

A2. Changes in accounting policies

The Group has adopted those standards and interpretations (including the consequential amendments, if any) that have become effective on 1 January 2020 and such adoptions do not have material impact on the financial position and performance of the Group.

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 MASB but are not yet effective for this interim financial report:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	**Effective Date**
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 4: Extension of the Temporary Exemption from Applying MFRS 9	At issue date of 17 August 2020
Amendments to MFRS 10 and MFRS 128: Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 16: COVID-19-Related Rent Concessions	1 June 2020
Amendments to MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRS Standards 2019 - 2020	1 January 2022

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 interim financial report of the Group upon its initial application.

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134: INTERIM FINANCIAL REPORTING (CONT'D)

A3. Auditors' report on preceding audited financial statements

The preceding year's audited financial statements of the Group were not subject to any qualification.

A4. Seasonal or cyclical factors

The Group's business operations were not materially affected by seasonal or cyclical factors during the current financial quarter under review.

A5. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no material unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current financial quarter and current year-to-date under review.

A6. Material changes in estimates

There were no changes in estimates that have had a material effect in the current financial quarter under review.

A7. Debts and equity securities

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current financial quarter under review.

A8. Dividend paid

There was no dividend paid during the current financial quarter under review.

A9. Segmental information

(a) Analysis of revenue by product categories

	UNAUDITED INDIVIDUAL QUARTER		UNAUDITED CUMULATIVE QUARTER	
	31 JULY 2020 RM'000	31 JULY 2019 RM'000	31 JULY 2020 RM'000	31 JULY 2019 RM'000
Manufacturing:				
Medical/healthcare beds	3,134	2,663	3,134	2,663
Medical peripherals and accessories	5,558	4,162	5,558	4,162
	8,692	6,825	8,692	6,825
Trading:				
Medical peripherals and accessories	10,399	1,447	10,399	1,447
Medical devices	187	1,080	187	1,080
	10,586	2,527	10,586	2,527
Total revenue	**19,278**	**9,352**	**19,278**	**9,352**

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134: INTERIM FINANCIAL REPORTING (CONT'D)

A9. Segmental information (Cont'd)

(b) Analysis of revenue by geographical areas

	UNAUDITED INDIVIDUAL QUARTER				UNAUDITED CUMULATIVE QUARTER			
	31 JULY 2020		31 JULY 2019		31 JULY 2020		31 JULY 2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Local:								
Malaysia	17,479	90.67	7,128	76.22	17,479	90.67	7,128	76.22
Export:								
Africa	13	0.16	303	3.24	13	0.16	303	3.24
Asia - other than Malaysia	1,598	8.29	1,637	17.50	1,598	8.29	1,637	17.50
Europe	163	0.84	117	1.25	163	0.84	117	1.25
Middle East	7	0.04	167	1.79	7	0.04	167	1.79
	1,799	9.33	2,224	23.78	1,799	9.33	2,224	23.78
Total revenue	**19,278**	**100.00**	**9,352**	**100.00**	**19,278**	**100.00**	**9,352**	**100.00**

A10. Valuation of property, plant and equipment

There was no valuation of the property, plant and equipment for the current financial quarter under review.

A11. Material events subsequent to the end of the current financial quarter

Save as disclosed below, there were no other material events subsequent to the end of the current financial quarter that have not been reflected in this interim financial report.

On 17 July 2020, MIDF Amanah Investment Bank Berhad had announced on behalf of the Board of Directors that LKL International Berhad ("**LKL International**" or "**the Company**") proposed to undertake the following proposals:

(i) Proposed private placement of up to 85,760,000 new ordinary shares in LKL International ("**LKL International Shares**" or "**Shares**"), representing not more than 20% of the total number of issued LKL International Shares to parties to be identified at a later date ("**Proposed Private Placement**"); and

(ii) Proposed establishment of an employees' share option scheme of up to 15% of the total number of issued LKL International Shares (excluding treasury shares, if any) at any point in time to the eligible employees and directors of the Company and its subsidiaries ("**Proposed ESOS**").

The Proposed Private Placement and Proposed ESOS are collectively referred to as "**the Proposals**".

On 22 September 2020, Bursa Securities has approved the listing of and quotation for the new shares to be issued pursuant to the Company's Proposals.

A12. Changes in composition of the Group

There were no material changes in the composition of the Group for the current financial quarter under review.

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134: INTERIM FINANCIAL REPORTING (CONT'D)

A13. Contingent assets or contingent liabilities

The Group has no contingent assets and contingent liabilities as at the date of this report.

A14. Capital commitments

There were no material capital commitments in respect of property, plant and equipment as at the date of this report.

A15. Related party transactions

During the current financial quarter, the Board of Directors is of the opinion that there were no material related party transactions which would have a significant impact on the financial position and business of the Group.

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of performance

For the current financial quarter ended 31 July 2020, the Group's revenue rose 106.1% to RM19.278 million from RM9.352 million in the preceding year corresponding quarter, driven by higher sales of medical/healthcare beds as well as medical peripheral and accessories.

The manufacturing segment contributed to RM8.692 million of total group revenue, increasing 27.4% or RM1.867 million from RM6.825 million as reported in the preceding year corresponding quarter on higher sales of medical/healthcare beds as well as medical peripherals and accessories. The trading segment contributed RM10.586 million to group revenue, surging 318.9% or RM8.059 million from RM2.527 million in the preceding year corresponding quarter on improved sales of distributed medical peripherals and accessories.

Geographically, local sales made up 90.7% of the Group's total revenue compared to 76.2% in the preceding year corresponding quarter. The growth was due to a significant rise in topline contributions from the Malaysian market in the current financial quarter, with local sales leaping 145.2% or RM10.351 million to RM17.479 million from RM7.128 million in the preceding year corresponding quarter, as the Group emphasised on fulfilling domestic requirements amidst the COVID-19 pandemic.

Revenue contributions from overseas markets accounted for 9.3% of total group revenue compared to 23.8% in the preceding year corresponding quarter, in line with the domestic focus during the current financial quarter under review. Export sales moderated 19.1% or RM0.425 million to RM1.799 million from RM2.224 million in the preceding year corresponding quarter, mainly due to lower sales to Africa and the Middle East.

In line with the increase in group revenue, gross profit rose 62.6% or RM2.236 million to RM5.810 million from RM3.574 million in the preceding year corresponding quarter. As a result, the Group's profit before taxation ("**PBT**") surged 442.7% or RM1.399 million to RM1.715 million from RM0.316 million in the preceding year corresponding quarter.

B2. Comparison with preceding quarter's results

	UNAUDITED CURRENT QUARTER 31 JULY 2020 RM'000	UNAUDITED PRECEDING QUARTER 30 APRIL 2020 RM'000
Revenue	19,278	21,454
PBT	1,715	3,626

The Group's revenue for the current financial quarter declined 10.1% or RM2.176 million to RM19.278 million from RM21.454 million in the preceding financial quarter. This was mainly due to lower sales of manufactured medical/healthcare beds and distributed medical devices, partially offset by higher sales of distributed medical peripherals and accessories.

The manufacturing segment's revenue contribution decreased by 15.9% or RM1.646 million to RM8.692 million, from RM10.338 million in the preceding financial quarter. The trading segment registered 4.8% or RM0.530 million lower revenue contribution to RM10.586 million compared to RM11.116 million in the preceding financial quarter.

The Group recorded PBT of RM1.715 million for the current financial quarter under review as compared to a PBT of RM3.626 million in the preceding financial quarter, which was in line with the decrease in revenue and lower gross profit margin of 30.1% in the current financial quarter under review as compared to 32.8% in the preceding financial quarter mainly due to the product mix sold.

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)

B3. Prospects

Following a turnaround to full-year profitability in the recently concluded financial year ended 30 April 2020, LKL International continued posting improved financials driven by robust demand for the various manufacturing and trading products of the Group's diverse product portfolio.

To fulfil the increasing needs for high quality healthcare products and services both domestically and internationally, the Group would continue expanding its product portfolio of medical beds, medical peripherals and accessories, and medical devices to capture more market opportunities and strengthen its value proposition to healthcare providers and institutions.

The Group recently announced a USD19 million (approximately RM78.5 million) export sales contract from a China-based customer, Weihai Textile Group Import and Export Co., Ltd, to supply nitrile examination gloves. This is expected to significantly boost export sales and overall performance of the Group in the current financial year. This positive development underscores the Group's continuous efforts to broaden our product portfolio and global clientele, as well as our strong capabilities, extensive network, and reliability in the healthcare industry.

The Group remains positive of further strengthening its market position and competitiveness in the current financial year, supported by continued uptrend in healthcare-related expenditure in the public and private sectors, in light of the COVID-19 pandemic and inherent factors.

B4. Income tax expense

	UNAUDITED INDIVIDUAL QUARTER 31 JULY 2020 RM'000	UNAUDITED CUMULATIVE QUARTER 31 JULY 2020 RM'000
Current tax expense:		
- for the financial year	593	593
Effective tax rate (%)	34.6	34.6

The effective tax rate is higher than the statutory tax rate mainly due to deferred tax assets not recognised for business losses incurred by certain subsidiary and non-deductible expenses in certain subsidiaries of the Group.

B5. Variance of actual profit from profit forecast and profit guarantee

The Group has not issued any profit forecast or profit guarantee in any form of public documentation and announcement during the current financial quarter under review.

B6. Status of corporate proposals

Save as disclosed in Note A11, there were no other corporate proposals announced but not completed as at the date of this report.

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)

B7. Group's borrowings and debt securities

The Group's borrowings as at 31 July 2020 are as follows:

	UNAUDITED AT 31 JULY 2020 RM'000	AUDITED AT 30 APRIL 2020 RM'000
Current:		
Bankers' acceptances	659	120
Lease liabilities	842	847
Term loans	2,353	2,324
Trust receipts	224	104
Bank overdrafts	7	3,301
	4,085	6,696
Non-current:		
Lease liabilities	1,217	1,343
Term loans	3,258	3,261
	4,475	4,604
Total borrowings:		
Bankers' acceptances	659	120
Lease liabilities	2,059	2,190
Term loans	5,611	5,585
Trust receipts	224	104
Bank overdrafts	7	3,301
	8,560	**11,300**

All the borrowings are secured and denominated in Ringgit Malaysia.

B8. Material litigation

Save as disclosed below, there is no litigation or arbitration which has a material effect on the financial position of the Group and the Board of Directors is not aware of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings as at the date of this interim financial report.

The Company's subsidiary, LKL Advance Metaltech Sdn. Bhd., had on 21 January 2016 issued a notice of outstanding sum to Kluang Health Care Sdn. Bhd. ("**KHC**") and filed a notice of intention to appear as a supporting creditor in the winding-up petition by Lee Yong Beng (trading as Yong Seng Construction Work) against KHC for a principal sum of RM279,089 as at 24 February 2012 in respect of supply of products.

The case remains status quo and our lawyer will continue to update the progress on regular basis.

B9. Dividend proposed

There was no dividend proposed for the current financial quarter under review.

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)

B10. Earnings per share ("EPS")

The basic EPS for the current financial quarter and financial year-to-date are computed as follows:

	UNAUDITED INDIVIDUAL QUARTER 31 JULY 2020	UNAUDITED CUMULATIVE QUARTER 31 JULY 2020
Net profit attributable to ordinary equity holders of the Company (RM'000)	1,246	1,246
Weighted average number of ordinary shares in issue ('000)	428,800	428,800
Basic/Diluted EPS (sen) [(1)]	0.29	0.29

Note:-

(1) Diluted EPS of the Company for the individual quarter 31 July 2020 and cumulative quarter 31 July 2020 is equivalent to the basic EPS as the Company does not have convertible options at the end of the reporting period.

B11. Notes to the Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

PBT is arrived at after charging/(crediting):

	UNAUDITED INDIVIDUAL QUARTER		UNAUDITED CUMULATIVE QUARTER	
	31 JULY 2020 RM'000	31 JULY 2019 RM'000	31 JULY 2020 RM'000	31 JULY 2019 RM'000
Depreciation of property, plant and equipment	405	478	405	478
Depreciation of right-of-use assets	202	-	202	-
Impairment losses on trade receivables	63	-	63	-
Interest expense	109	84	109	84
Interest income	(7)	(35)	(7)	(35)
Gain on disposal of property, plant and equipment	(1)	-	(1)	-
Realised gain on foreign exchange	(40)	(22)	(40)	(22)
Unrealised loss on foreign exchange	24	14	24	14
Reversal of impairment losses on trade receivables	(8)	(11)	(8)	(11)

Other disclosure items pursuant to Appendix 9B Note 16 of the ACE Market Listing Requirements of Bursa Securities are not applicable.