



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 31 JANUARY 2021 ⁽¹⁾

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31 JANUARY 2021 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 JANUARY 2020 RM'000	CURRENT YEAR-TO-DATE 31 JANUARY 2021 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 JANUARY 2020 RM'000
Revenue	A9	11,588	13,469	40,486	33,497
Cost of sales		(7,702)	(8,863)	(27,733)	(21,020)
Gross profit		<u>3,886</u>	<u>4,606</u>	<u>12,753</u>	<u>12,477</u>
Other income		299	107	429	416
Administrative expenses		(3,461)	(2,619)	(10,617)	(8,363)
Selling and distribution expenses		(369)	(749)	(822)	(1,660)
Other expenses		(330)	(355)	(913)	(763)
Finance costs		(168)	(108)	(347)	(278)
Net reversal of impairment losses/ (impairment losses) on financial assets		25	23	(29)	200
Share of losses of equity accounted joint venture		-	-	-	(36)
(Loss)/Profit before taxation ("LBT"/"PBT")		<u>(118)</u>	<u>905</u>	<u>454</u>	<u>1,993</u>
Income tax expense	B4	132	(319)	(417)	(838)
Profit after taxation ("PAT")		<u>14</u>	<u>586</u>	<u>37</u>	<u>1,155</u>
Other comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the financial period		<u><u>14</u></u>	<u><u>586</u></u>	<u><u>37</u></u>	<u><u>1,155</u></u>
PAT/Total comprehensive income attributable to:-					
Owners of the Company		59	612	293	1,169
Non-controlling interests		(45)	(26)	(256)	(14)
		<u>14</u>	<u>586</u>	<u>37</u>	<u>1,155</u>
Earnings per share (sen)					
- Basic ⁽²⁾ /Diluted ⁽³⁾	B11	<u>0.01</u>	<u>0.14</u>	<u>0.07</u>	<u>0.27</u>

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) Basic earnings per share is calculated based on the weighted average number of ordinary shares in issue.

(3) Diluted earnings per share of the Company for the individual and cumulative quarter ended 31 January 2021 are 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 JANUARY 2021 ⁽¹⁾

	Note	UNAUDITED AT 31 JANUARY 2021 RM'000	AUDITED AT 30 APRIL 2020 RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		38,935	30,580
Right-of-use assets		3,085	2,419
		<u>42,020</u>	<u>32,999</u>
Current Assets			
Inventories		15,710	13,256
Trade receivables		10,680	19,031
Other receivables, deposits and prepayments		34,078	6,599
Current tax assets		907	1,078
Fixed deposits with licensed banks		35,000	1,000
Cash and bank balances		19,717	5,180
		<u>116,092</u>	<u>46,144</u>
TOTAL ASSETS		<u><u>158,112</u></u>	<u><u>79,143</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		110,000	53,299
Merger deficit		(29,580)	(29,580)
Retained profits		37,054	36,761
Equity attributable to owners of the Company		<u>117,474</u>	<u>60,480</u>
Non-controlling interests		(298)	(42)
TOTAL EQUITY		<u>117,176</u>	<u>60,438</u>
Non-current Liabilities			
Lease liabilities	B7	1,636	1,343
Term loans	B7	5,197	3,261
Deferred tax liabilities		574	574
		<u>7,407</u>	<u>5,178</u>
Current Liabilities			
Trade payables		2,047	3,019
Other payables and accruals		29,590	3,809
Bankers' acceptances	B7	211	120
Lease liabilities	B7	1,264	847
Term loans	B7	417	2,324
Trust receipts	B7	-	104
Bank overdrafts	B7	-	3,301
Current tax liabilities		-	3
		<u>33,529</u>	<u>13,527</u>
TOTAL LIABILITIES		<u>40,936</u>	<u>18,705</u>
TOTAL EQUITY AND LIABILITIES		<u><u>158,112</u></u>	<u><u>79,143</u></u>
Net assets per share (RM) ⁽²⁾		<u>0.24</u>	<u>0.14</u>

Notes:-

(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.

(2) Net assets per share is calculated based on the number of ordinary shares in issue of 495,910,000 shares as at 31 January 2021 and 428,800,000 shares as at 30 April 2020.



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 31 JANUARY 2021 ⁽¹⁾

	<----- Non-Distributable ----->		Distributable Retained Profits RM'000	Attributable to Owners of Company RM'000	Non-controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Merger Deficit 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	-	-	293	293	(256)	37
Contributions by owners of the Company:						
- Issuance of shares	56,701	-	-	56,701	-	56,701
Balance at 31 January 2021	110,000	(29,580)	37,054	117,474	(298)	117,176
Balance at 1 May 2019	53,299	(29,580)	32,464	56,183	(293)	55,890
PAT/Total comprehensive income for the financial period	-	-	1,169	1,169	(14)	1,155
Balance at 31 January 2020	53,299	(29,580)	33,633	57,352	(307)	57,045

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.



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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THIRD QUARTER ENDED 31 JANUARY 2021 ⁽¹⁾

	CUMULATIVE QUARTER	
	CURRENT YEAR-TO-DATE 31 JANUARY 2021 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 JANUARY 2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	454	1,993
Adjustments for:		
Depreciation of property, plant and equipment	1,243	1,159
Depreciation of right-of-use assets	665	665
Impairment losses on trade receivables	68	36
Interest expense	347	290
Inventories written down	-	140
Share of losses of equity accounted joint venture	-	36
Gain on disposal of property, plant and equipment	(93)	(77)
Interest income	(88)	(147)
Reversal of impairment losses on trade receivables	(39)	(236)
Unrealised loss on foreign exchange	135	61
Operating profit before working capital changes	2,692	3,920
Increase in inventories	(2,454)	(838)
(Increase)/Decrease in trade and other receivables	(19,160)	1,985
Increase/(Decrease) in trade and other payables	24,803	(2,326)
Decrease in amount owing to a related party	-	(1)
Decrease in amount owing to a joint venture	-	(250)
CASH FROM OPERATIONS	5,881	2,490
Income tax paid	(1,119)	(954)
Income tax refunded	870	1,500
Interest paid	(347)	(290)
Interest received	88	147
NET CASH FROM OPERATING ACTIVITIES	5,373	2,893
CASH FLOWS FOR INVESTING ACTIVITIES		
Addition of right-of-use assets	(31)	(186)
(Increase)/Decrease in pledged fixed deposit with a licensed bank	(35,000)	722
Proceeds from disposal of a joint venture	-	214
Proceeds from disposal of property, plant and equipment	132	144
Purchase of property, plant and equipment	(9,637)	(1,558)
NET CASH FOR INVESTING ACTIVITIES	(44,536)	(664)
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES		
Drawdown of bankers' acceptances and trust receipts	91	440
Drawdown of term loans	2,240	-
Proceeds from issuance of ordinary shares	56,701	-
Repayment of lease liabilities	(590)	(678)
Repayment of term loans	(2,211)	(352)
Repayment of trust receipts	(104)	-
NET CASH FROM/(FOR) FINANCING ACTIVITIES	56,127	(590)
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,964	1,639
EFFECT OF FOREIGN EXCHANGE TRANSLATION	(126)	(18)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	2,879	11,660
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	19,717	13,281
Cash and cash equivalents at end of the financial period comprises the following:		
Cash and bank balances	19,717	12,281
Fixed deposit with a licensed bank	35,000	1,000
	54,717	13,281
Less: Fixed deposit pledged to a licensed bank	(35,000)	-
	19,717	13,281

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.



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 JANUARY 2021

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 9, MFRS 139, MFRS 7, MFRS 4 AND MFRS16: Interest Rate Benchmark Reform – Phase 2	1 January 2021
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.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 JANUARY 2021

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 were no other issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current financial quarter under review, except for the issuance of 72,610,000 Placement Shares listed on the ACE Market of Bursa Securities pursuant to the Private Placement as disclosed in the Note B6(a).

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 JAN 2021 RM’000	31 JAN 2020 RM’000	31 JAN 2021 RM’000	31 JAN 2020 RM’000
Manufacturing:				
Medical/healthcare beds	2,645	3,994	8,752	9,862
Medical peripherals and accessories	4,623	5,261	14,415	13,775
	<u>7,268</u>	<u>9,255</u>	<u>23,167</u>	<u>23,637</u>
Trading:				
Medical peripherals and accessories	4,258	3,218	16,930	6,604
Medical devices	62	996	389	3,256
	<u>4,320</u>	<u>4,214</u>	<u>17,319</u>	<u>9,860</u>
Total revenue	<u>11,588</u>	<u>13,469</u>	<u>40,486</u>	<u>33,497</u>



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 JANUARY 2021

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 JAN 2021		31 JAN 202		31 JAN 2021		31 JAN 2020	
	RM’000	%	RM’000	%	RM’000	%	RM’000	%
Local:								
Malaysia	5,944	51.30	10,652	79.09	29,977	74.04	25,853	77.18
Export:								
Africa	72	0.62	1,164	8.64	297	0.73	2,511	7.49
Asia - other than Malaysia	4,253	36.70	1,330	9.87	8,699	21.49	3,744	11.18
Europe	1,311	11.31	-	-	1,493	3.69	800	2.39
Middle East	8	0.07	323	2.40	20	0.05	589	1.76
	5,644	48.70	2,817	20.91	10,509	25.96	7,644	22.82
Total revenue	11,588	100.00	13,469	100.00	40,486	100.00	33,497	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.

- (i) On 9 February 2021, LKL Advance Metaltech Sdn. Bhd. (“**LKLAM**”), a wholly-owned subsidiary of the Company had entered into a Memorandum of Understanding with iWOW Technology Pte Ltd (“**iWOW**”) to explore the potential cooperation on marketing and developing of Trace Token locally and internationally.
- (ii) On 18 February 2021, the Company had entered into a supplemental share sale agreement with Tahmaz Meditech Sdn. Bhd. to amend, modify, substitute, vary and alter certain terms, conditions and provisions of the share sale agreement which was entered into by both parties on 28 September 2020.
- (iii) On 23 February 2021, LKLAM had entered into an exclusive distributorship agreement with iWOW to market, sell and distribute Trace Token within Malaysia.
- (iv) On 5 March 2021, the Company had submitted an application to Bursa Securities to seek its approval for an extension of time of 6 months until 21 September 2021 for the Company to complete the implementation of the Private Placement (“**Application**”). On 16 March 2021, Bursa Securities has approved the Application.
- (v) On 8 March 2021, the Company had entered into an agreement with Macquarie Bank Limited (“**Macquarie Bank**”) (“**Agreement**”) in relation to the allotment and issuance of up to 18,650,000 new ordinary shares in LKL International to Macquarie Bank pursuant to the Private Placement in accordance with the terms and conditions of the Agreement.



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 JANUARY 2021

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING (CONT’D)

A11. Material events subsequent to the end of the current financial quarter (Cont’d)

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. (Cont’d)

(vi) On 8 March 2021, the Company announced that its wholly-owned subsidiary, LKLAM (“**Plaintiff**”), had through its solicitors, Messrs. Chong + Kheng Hoe, filed an Originating Summons (“**OS**”) in the High Court in Kuala Lumpur bearing registration number: WA-24NCC(ARB)-37-12/2020 against Crecom Burj Gloves Sdn. Bhd. (“**Defendant**”). The High Court had on 5 March 2021 granted a Mareva injunction to freeze the Defendant’s assets up to the amount of RM12,542,783.60 after hearing all parties involved.

In line with the OS, the Plaintiff had also filed a Notice of Arbitration (“**Arbitration**”) against the Defendant. The Plaintiff claims against the Defendant for breach of the Purchase Agreement dated 2 October 2020 which was entered into by both parties for the purchase of gloves from the Defendant. In the Arbitration, the Plaintiff is seeking from the Defendant of RM12,542,783.60 for general damages, interest, costs and any further relief that the arbitral tribunal thinks fit and just.

(vii) On 11 March 2021, the Company had completed the fourth tranche of the listing of and quotation for 1,000,000 Placement Shares on the ACE Market of Bursa Securities pursuant to the Private Placement of up to 85,760,000 new ordinary shares in LKL International.

(viii) On 16 March 2021, the Company had completed the fifth tranche of the listing of and quotation for 1,000,000 Placement Shares on the ACE Market of Bursa Securities pursuant to the Private Placement of up to 85,760,000 new ordinary shares in LKL International.

(ix) On 18 March 2021, the Company had completed the sixth tranche of the listing of and quotation for 3,500,000 Placement Shares on the ACE Market of Bursa Securities pursuant to the Private Placement of up to 85,760,000 new ordinary shares in LKL International.

(x) On 23 March 2021, TA Securities Holdings Berhad had on behalf of the Board of Directors announced that the Company proposes to undertake the bonus issue of up to 591,744,000 new ordinary shares in the Company (“**LKL Share**” or “**Share**”) (“**Bonus Shares**”) on the basis of 1 Bonus Share for every 1 existing LKL Share held on the entitlement date to be determined later.

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.

A13. Contingent assets or contingent liabilities

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



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 JANUARY 2021

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING (CONT’D)

A14. Capital commitments

There were no other material capital commitments in respect of property, plant and equipment as at the date of this report except for the following:

	UNAUDITED AT 31 JAN 2021 RM'000	AUDITED AT 30 APRIL 2020 RM'000
Purchase of property, plant and equipment	<u>2,607</u>	<u>21</u>

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.



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 JANUARY 2021

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

B1. Review of performance

For the current financial quarter ended 31 January 2021, the Group recorded a total revenue of RM11.588 million, a decrease of 14.0% or RM1.881 million compared to RM13.469 million in the preceding year corresponding quarter. The decrease in revenue was due to lower contributions from the manufacturing segment.

Revenue from the manufacturing segment stood at RM7.268 million, declining 21.5% or RM1.987 million from RM9.255 million in the preceding year corresponding quarter on lower sales of manufactured medical/healthcare beds, and medical peripherals and accessories. Meanwhile, revenue from the trading segment remained relatively stable at RM4.320 million, an increase of 2.5% or RM0.106 million from RM4.214 million in the preceding year corresponding quarter, supported by significantly stronger sales of distributed medical peripherals and accessories, which mitigated weaker sales of medical devices.

Geographically, local sales amounted to RM5.944 million, dipping 44.2% or RM4.708 from RM10.652 million in the preceding year corresponding quarter. As a result of lower local sales mainly from medical/healthcare beds, local market contributed to 51.3% of the Group's total revenue as compared to 79.1% in the preceding year corresponding quarter.

Export sales stood at RM5.644 million in the current financial quarter under review, representing a 100.4% or RM2.827 million increase from RM2.817 million in the preceding year corresponding quarter. This was driven by significantly improved sales of medical/healthcare beds across Europe, as well as gloves sales in Asian countries. Export market constituted 48.7% of the Group's total revenue in the current financial quarter compared to 20.9% in the preceding year corresponding quarter.

The Group's gross profit in the quarter under review amounted to RM3.886 million, moderating by 15.6% or RM0.720 million from RM4.606 million in the preceding year corresponding quarter, mainly due to decrease in Group's total revenue. The Group incurred a loss before taxation ("LBT") of RM0.118 million in contrast to a profit before taxation ("PBT") of RM0.905 million in the preceding year corresponding quarter, which was in line with the lower gross profit as well as higher administrative expenses.

B2. Comparison with preceding quarter's results

	UNAUDITED CURRENT QUARTER 31 JAN 2021 RM'000	UNAUDITED PRECEDING QUARTER 31 OCT 2020 RM'000
Revenue	11,588	9,620
LBT	(118)	(1,143)

In the current financial quarter under review, the Group's total revenue grew 20.5% or RM1.968 million to RM11.588 million from RM9.260 million in the preceding financial quarter, mainly due to increase sales in the trading segment.

The manufacturing segment's revenue of RM7.268 million remained relatively stable compared to RM7.207 million in the preceding financial quarter. Meanwhile, the trading segment contributed revenue of RM4.320 million in the current financial quarter under review, increased by 79.0% or RM1.907 million from RM2.413 million in the preceding financial quarter.



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 JANUARY 2021

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

B2. Comparison with preceding quarter's results (Cont'd)

In line with the higher sales recorded across both segments, the Group's gross profit improved 27.1% or RM0.829 million to RM3.886 million from RM3.057 million in the preceding financial quarter. With more favourable product mix sold in the current financial quarter, gross profit margin improved to 33.5% compared to 31.8% in the preceding financial quarter. Consequently, the current financial quarter's LBT of RM0.118 million represented a substantial improvement over the preceding financial quarter's LBT of RM1.143 million.

B3. Prospects

The Group's total revenue for the nine months ended 31 January 2021 expanded significantly compared to the preceding year corresponding period, on the back of commendable performance in the trading segment. This highlights the Group's capabilities in capturing new market opportunities for medical peripherals and accessories to complement our core manufacturing expertise.

The Group's multi-faceted strategies helped the Group maintains resilience in the financial quarter under review despite temporarily weaker local sales within the healthcare sector. Notably, the Group registered significant growth in exports to Asia and Europe, primarily from the exports of gloves as well as new orders for medical/healthcare beds and medical peripherals and accessories.

Furthermore, LKL International signed an exclusive distributorship agreement in February 2021 to supply Trace Token, a COVID-19 contact tracing token to the Malaysian market. The token, which has been successfully rolled out across Singapore, would enhance current contact tracing efforts and complement the upcoming vaccination programme in Malaysia. The Group is targeting Selangor as the first state to adopt Trace Token, with more effective contact tracing required at hotspots such as workplaces, factories and construction sites.

Going forward, it is expected that medical expenditure by the public and private sectors will continue being ramped up to not only effectively combat the COVID-19 pandemic, but also to treat various illnesses in line with an ageing demography and more affluent society. The Group strives to continue strengthening its capabilities in assisting efforts to combat COVID-19, as well as consistently enhancing healthcare offerings beyond the pandemic.

B4. Income tax expense

	UNAUDITED INDIVIDUAL QUARTER 31 JAN 2021 RM'000	UNAUDITED CUMULATIVE QUARTER 31 JAN 2021 RM'000
Current tax expense:		
- for the financial year	122	671
- overprovision in the previous financial year	(254)	(254)
	(132)	417
Effective tax rate (%)	-	91.9

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 subsidiaries and non-deductible expenses in certain subsidiaries of the Group.



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 JANUARY 2021

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

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 below, there were no other corporate proposals announced but not completed as at the date of this report.

(a) On 17 July 2020, MIDF Amanah Investment Bank Berhad ("**MIDF Investment**") had announced on behalf of the Board of Directors ("**Board**") 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.

The Proposals were approved by the shareholders at the Company's Extraordinary General Meeting held on 13 October 2020.

Accordingly, the effective date for the implementation of the ESOS is 26 October 2020, being the date on which the Company is in full compliance with Rule 6.44(1) of the Listing Requirements.

As disclosed in Note A11(iv), the Company had on 5 March 2021 applied to Bursa Securities for extension of time of 6 months until 21 September 2021 for the Company to complete the implementation of the Private Placement ("**Application**"). On 16 March 2021, Bursa Securities has approved the Application.

As at the date of this report, the Company had completed the listing of and quotation for 72,610,000 Placement Shares on the ACE Market of Bursa Securities pursuant to the Private Placement.

(b) On 28 September 2020, MIDF Investment had announced on behalf of the Board that LKL International had proposed to acquire 60% equity interest in Tahmaz Meditech Sdn. Bhd. ("**TMSB**") for a total purchase consideration of RM12,000,000.00 to be satisfy entirely via issuance of 12,000,000 new ordinary shares in LKL International at an issue price of RM1.00 per LKL International share.

As disclosed in Note A11(ii), the Company had on 18 February 2021 entered into a supplemental share sale agreement with TMSB to amend, modify, substitute, vary and alter certain terms, conditions and provisions of the share sale agreement which was entered into by both parties on 28 September 2020.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 JANUARY 2021

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

B6. Status of corporate proposals (Cont'd)

Save as disclosed below, there were no other corporate proposals announced but not completed as at the date of this report. (Cont'd)

- (c) On 23 March 2021, TA Securities Holdings Berhad had on behalf of the Board of Directors announced that the Company proposes to undertake the bonus issue of up to 591,744,000 new ordinary shares in the Company (“LKL Share” or “Share”) (“Bonus Shares”) on the basis of 1 Bonus Share for every 1 existing LKL Share held on the entitlement date to be determined later.

B7. Utilisation of proceeds from the Private Placement

Pursuant to the Proposed Private Placement as disclosed in Note B6(a)(i), the details of the issuance of Placement Shares as at the date of this report are as follows:

Tranches	Issuance Date	No. of Shares	Issue Price (RM)	Total Proceeds (RM)
Tranche 1	26 November 2020	44,540,000	0.8600	38,304,400
Tranche 2	6 January 2021	12,570,000	0.8300	10,433,100
Tranche 3	18 January 2021	10,000,000	0.8466	8,466,000
Tranche 4	10 March 2021	1,000,000	0.4030	403,000
Tranche 5	15 March 2021	1,000,000	0.3840	384,000
Tranche 6	17 March 2021	3,500,000	0.3750	1,312,500
		72,610,000		59,303,000

The status of utilisation of proceeds as at the date of this report is as follows:

Purposes	Proposed Utilisation RM'000	Proceeds Raised RM'000	Actual Utilisation RM'000	Unutilised Proceeds RM'000	Estimated timeframe for Utilisation
(a) Capital expenditure and expansion	26,500	26,500	8,478	18,022	Within 24 months
(b) Future investments or projects	6,000	6,000	-	6,000	Within 24 months
(c) Repayment of bank borrowings	5,561	5,561	129	5,432	Within 6 months
(d) Working capital	55,275	20,242	14,483	5,759	Within 12 months
(e) Estimated expenses in relation to the Proposals	1,000	1,000	577	423	Within 1 month
Total	94,336	59,303	23,667	35,636	



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 JANUARY 2021

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

B8. Group's borrowings and debt securities

The Group's borrowings as at 31 January 2021 were as follows:

	UNAUDITED AT 31 JAN 2021 RM'000	AUDITED AT 30 APRIL 2020 RM'000
Current:		
Bankers' acceptances	211	120
Lease liabilities	1,264	847
Term loans	417	2,324
Trust receipts	-	104
Bank overdrafts	-	3,301
	<u>1,892</u>	<u>6,696</u>
Non-current:		
Lease liabilities	1,636	1,343
Term loans	5,197	3,261
	<u>6,833</u>	<u>4,604</u>
Total borrowings:		
Bankers' acceptances	211	120
Lease liabilities	2,900	2,190
Term loans	5,614	5,585
Trust receipts	-	104
Bank overdrafts	-	3,301
	<u><u>8,725</u></u>	<u><u>11,300</u></u>

All the borrowings were secured and denominated in Ringgit Malaysia.

B9. 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 report.

(i) Lee Yong Beng (trading as Yong Seng Construction Work) v Kluang Health Care Sdn. Bhd. (28NCC-956-11/2015)

The Company's wholly-owned subsidiary, LKLAM, 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.

There was no progress in the case as reported in the preceding financial quarter, our lawyer will continue to update on regular basis.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 JANUARY 2021

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

B9. Material litigation (Cont'd)

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 report. (Cont'd)

(ii) LKL Advance Metaltech Sdn. Bhd. v Crecom Burj Gloves Sdn. Bhd. (WA-24NCC(ARB)-37-12/2020)

On 16 December 2020, the Company's wholly-owned subsidiary, LKLAM ("Plaintiff"), had filed an Originating Summons ("OS") in the High Court in Kuala Lumpur against Crecom Burj Gloves Sdn. Bhd. ("Defendant"). The High Court had on 5 March 2021 granted a Mareva injunction to freeze the Defendant's assets up to the amount of RM12,542,783.60 after hearing all parties involved.

In line with the OS, the Plaintiff had also filed a Notice of Arbitration ("Arbitration") against the Defendant. The Plaintiff claims against the Defendant for breach of the Purchase Agreement dated 2 October 2020 which was entered into by both parties for the purchase of gloves from the Defendant. In the Arbitration, the Plaintiff is seeking from the Defendant of RM12,542,783.60 for general damages, interest, costs and any further relief that the arbitral tribunal thinks fit and just.

B10. Dividend proposed

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

B11. 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 JAN 2021	UNAUDITED CUMULATIVE QUARTER 31 JAN 2021
Net profit attributable to ordinary equity holders of the Company (RM'000)	59	293
Weighted average number of ordinary shares in issue ('000)	466,311	441,304
Basic/Diluted EPS (sen) ⁽¹⁾	0.01	0.07

Note:

(1) Diluted EPS of the Company for the individual and cumulative quarter ended 31 January 2021 are equivalent to the basic EPS as the Company does not have convertible options at the end of the reporting period.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 JANUARY 2021

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

B12. Notes to the Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

(LBT)/PBT is arrived at after charging/(crediting):

	UNAUDITED		UNAUDITED	
	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	31 JAN 2021	31 JAN 2020	31 JAN 2021	31 JAN 2020
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	424	418	1,243	1,159
Depreciation of right-of-use assets	252	219	665	665
Impairment losses on trade receivables	5	-	68	36
Interest expense	168	107	347	290
Interest income	(69)	(52)	(88)	(147)
Inventories written down	-	140	-	140
Gain on disposal of property, plant and equipment	(94)	(7)	(93)	(77)
Realised (gain)/loss on foreign exchange	(112)	20	(191)	(20)
Unrealised loss on foreign exchange	76	51	135	61
Reversal of impairment losses on trade receivables	(30)	(23)	(39)	(236)

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