

## LKL INTERNATIONAL BERHAD ("LKL INTERNATIONAL" OR "THE COMPANY")

### JOINT VENTURE AGREEMENT BETWEEN MEDIK GEN SDN. BHD. AND LKL ADVANCE METALTECH SDN. BHD., THE WHOLLY-OWNED SUBSIDIARIES OF LKL INTERNATIONAL, WITH T.M.I SOLUTIONS (PVT) LTD

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#### 1. INTRODUCTION

The Board of Directors of LKL International ("**Board**") wishes to announce that its wholly-owned subsidiaries, Medik Gen Sdn. Bhd. ("**Medik Gen**") and LKL Advance Metaltech Sdn. Bhd. ("**LKLAM**"), had on 1 March 2017 entered into a Joint Venture Agreement ("**JVA**") with T.M.I Solutions (Pvt) Ltd ("**TMI**") to form and incorporate a joint venture company, TMI Medik Group Sdn Bhd ("**JV Company**") solely to carry out the business of distributing selected "Nihon Kohden" branded medical devices within Malaysia ("**Business**") ("**Proposed Joint Venture**") upon award of Exclusive Distributorship Rights (as defined below).

Medik Gen, LKLAM and TMI are hereinafter collectively referred to as the "**Parties**" and individually as a "**Party**".

#### 2. INFORMATION ON MEDIK GEN, LKLAM AND TMI

##### 2.1 MEDIK GEN

Medik Gen is a private limited company incorporated in Malaysia on 27 October 2014 under the Companies Act, 1965 ("**Act**") and having its registered address at Third Floor, No. 79 (Room A), Jalan SS21/60, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan. Its place of business is at No. 3, Jalan BS 7/18, Kawasan Perindustrian Bukit Serdang, 43300 Seri Kembangan, Selangor Darul Ehsan.

As at the date of this announcement, Medik Gen has a total issued share capital of RM100 comprising 100 issued ordinary shares. The principal activity of Medik Gen is trading of hospital furniture, laboratory furniture, medical equipment, utensils and accessories.

##### 2.2 LKLAM

LKLAM is a private limited company incorporated in Malaysia on 13 October 1993 under the Act and having its registered address at Third Floor, No. 79 (Room A), Jalan SS21/60, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan. Its place of business is at No. 3, Jalan BS 7/18, Kawasan Perindustrian Bukit Serdang, 43300 Seri Kembangan, Selangor Darul Ehsan.

As at the date of this announcement, LKLAM has a total issued share capital of RM2,000,000 comprising 2,000,000 issued ordinary shares. The principal activity of LKLAM is the provision of medical/healthcare beds, peripherals and accessories.

##### 2.3 TMI

TMI was incorporated in Sri Lanka under The Companies Act, No.7 of 2007 as a private limited company on 17 March 2010 and having its office at No.20/1/1 Robert Gunawardena Mw, Colombo 6, Sri Lanka.

As at the date of this announcement, TMI has a total issued share capital of LKR97,500,000 comprising 10,000,000 issued ordinary shares of LKR9.75 each. The principal activity of TMI is the provision of medical devices.

### 3. SALIENT TERMS OF THE JVA

3.1 The Parties agree that the basis of the collaboration contemplated under the JVA is that the JV Company, within one (1) month from the date of the JVA or such other mutually agreed period, be awarded an exclusive distributorship right in Malaysia (including Sabah and Sarawak) by Nihon Kohden Singapore Pte Ltd, for distribution of "Nihon Kohden" medical devices for a minimum period of three (3) years on terms mutually agreed between the JV Company and Nihon Kohden Singapore Pte Ltd ("**Exclusive Distributorship Rights**").

3.2 The Parties agree that the initial capital contribution from the Parties shall be Ringgit Malaysia One Million (RM1,000,000.00) comprising of 1,000,000 ordinary shares as set out below:

(a) Medik Gen shall subscribe for and pay in full in cash 690,000 ordinary shares of the JV Company equivalent to Ringgit Malaysia Six Hundred and Ninety Thousand only (RM690,000.00); and

(b) TMI shall subscribe for and pay in full in cash 300,000 ordinary shares of the JV Company equivalent to Ringgit Malaysia Three Hundred Thousand only (RM300,000.00); and

(c) LKLAM shall subscribe for and pay in full in cash 10,000 ordinary share of the JV Company equivalent to Ringgit Malaysia Ten Thousand only (RM10,000.00),

and such amounts shall be paid within one (1) month from the notification of opening of a bank account by the JV Company or within such further period as may be mutually agreed between the Parties in writing.

3.3 In the event the future carrying on of the Business of the JV Company requires additional funding and it is agreed that such funding shall be provided through equity investment by the then shareholders of the JV Company, the shareholders' shall provide such equity proportionate to the respective shareholders' shareholding in the JV Company. The funding so required of the shareholders shall be provided through the issue and subscription of new ordinary shares of the JV Company in accordance to the JVA.

If any shareholder of the JV Company should fail to make a required investment of equity ("**Defaulting Shareholder**"), the remaining shareholders of the JV Company ("**Non-Defaulting Shareholders**") may subscribe for the shares offered to the Defaulting Shareholder and the terms of the issue of the shares shall mutatis mutandis apply to the Non-Defaulting Shareholders, and the percentage equity holding of the Defaulting Shareholder shall correspondingly be reduced.

3.4 The JV Company may raise funds by borrowings from banks and/or financial institutions.

3.5 The Board of the JV Company shall comprise a maximum of three (3) directors, one (1) director to be nominated by TMI and two (2) directors to be nominated by Medik Gen.

3.6 The JVA shall immediately terminate if:

(a) the JV Company is not awarded the Exclusive Distributorship Rights on terms acceptable to the JV Company as stated in Item 3.1 above and/ or any Party fail to make the capital contribution as stated in Item 3.2 above;

(b) a resolution is passed to wind up the JV Company or if a liquidator is otherwise appointed; and

(c) if any party goes into liquidation or an administrator or receiver or manager shall be appointed.

3.7 The JVA shall be effective from the date of the JVA and continue to be valid and in force without limit in point of time until terminated in accordance with the provisions of the JVA or by agreement of all of the then shareholders of the JV Company.

#### **4. SOURCE OF FUNDING AND ADDITIONAL FINANCIAL COMMITMENT REQUIRED**

Medik Gen's and LKLAM's subscription of RM690,000 and RM10,000 respectively for the JV Company's shares in accordance to the JVA will be funded through internally generated funds.

Save for the subscription, there is no other additional financial commitment required from Medik Gen and LKLAM for the Proposed Joint Venture at this current juncture.

#### **5. EXPECTED COMMENCEMENT OF JV COMPANY**

The anticipated commencement of business of the JV Company is by 3 months from the date of the JVA.

#### **6. RATIONALE OF THE JV**

The Proposed Joint Venture complements LKL International's existing business in the healthcare sector. With the award of the Exclusive Distributorship Rights, LKL International group will be able to diversify its products offering to its customers via the distribution of "Nihon Kohden" branded medical devices and is expected to contribute positively to the future financial performance of the Group.

#### **7. RISK FACTORS**

The JV Company will be exposed to, among others, the following risks:

##### **7.1 Award of Exclusive Distributorship Rights**

The award of the Exclusive Distributorship Rights to the JV Company is a condition precedent to the Proposed Joint Venture. The distributorship rights may or may not be awarded to the JV Company or renewed upon the expiration of the distributorship. The Board will take reasonable steps to ensure every effort is made to comply with the terms and conditions of the JVA in relation to Medik Gen's obligations.

##### **7.2 Competition risk**

The JV Company may face competition from existing competitors and/or new entrants distributing similar medical devices of other brands. The competition may be due to pricing and quality of the products distributed and the after-sales service provided. Nevertheless, the JV Company will take proactive measures to remain competitive by providing competitive pricing and good quality after-sales services.

#### **8. EFFECTS OF THE PROPOSED JOINT VENTURE**

##### **8.1 Share capital and substantial shareholders' shareholdings**

The Proposed Joint Venture will not have any effect on the issued and paid-up share capital of LKL International as well as the shareholdings of its substantial shareholders as it does not involve any issuance of new ordinary shares in the Company.

## **8.2 Earnings and earnings per share ("EPS")**

The Proposed Joint Venture is not expected to have a material effect on the consolidated earnings and EPS of the Group for the financial year ending 30 April 2017. The Board envisages the Proposed Joint Venture to contribute positively to the overall earnings as well as the EPS of the LKL International group in the future.

## **8.3 Net assets ("NA"), NA per share and gearing**

The Proposed Joint Venture is not expected to have a material effect on the consolidated NA, NA per share and gearing of the Group in the financial year ending 30 April 2017.

## **9. HIGHEST PERCENTAGE RATIO APPLICABLE**

Based on the latest audited consolidated financial statements for the financial year ended 30 April 2016 of LKL International and pursuant to Rule 10.02(g) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, the highest percentage ratio applicable to the Proposed Joint Venture is 2.00%.

## **10. APPROVALS REQUIRED FOR THE PROPOSED JOINT VENTURE**

The Proposed Joint Venture is not subject to the approval of the shareholders of LKL International and/or any regulatory authorities.

## **11. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM**

None of the other directors, major shareholders and/or persons connected to them has any interest, whether direct or indirect, in the Proposed Joint Venture/JV Company.

## **12. DOCUMENT FOR INSPECTION**

The JVA will be made available for inspection at the registered office of the Company at Third Floor, No. 79 (Room A), Jalan SS21/60, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan, during normal business hours (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 1 March 2017.