



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022⁽¹⁾

| | Note | INDIVIDUAL QUARTER | | CUMULATIVE PERIOD | |
|--|------|---|---|---|---|
| | | UNAUDITED CURRENT QUARTER ENDED 31 DEC 2022 RM'000 | UNAUDITED COMPARATIVE QUARTER ENDED 31 DEC 2021 RM'000 | UNAUDITED CUMULATIVE PERIOD TO DATE ENDED 31 DEC 2022 RM'000 | UNAUDITED CUMULATIVE PRECEDING PERIOD TO DATE ENDED 31 DEC 2021 RM'000 |
| Revenue | A9 | 17,114 | - | 102,476 | - |
| Cost of sales | | (15,628) | - | (87,541) | - |
| Gross profit | | 1,486 | - | 14,935 | - |
| Other income | | 111 | - | 2,280 | - |
| Administrative expenses | | (2,259) | - | (17,357) | - |
| Selling and distribution expenses | | (354) | - | (2,183) | - |
| Other expenses | | (24,431) | - | (25,501) | - |
| Net gain on impairment of financial assets | | 3,719 | - | 6,731 | - |
| Share of loss of an associate | | (2) | - | (47) | - |
| Loss from operations | | (21,730) | - | (21,142) | - |
| Finance costs | | (118) | - | (407) | - |
| Loss before taxation ("LBT") | | (21,848) | - | (21,549) | - |
| Tax expense | B4 | 223 | - | 956 | - |
| Loss after taxation ("LAT") | | (21,625) | - | (20,593) | - |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive expense for the financial period | | (21,625) | - | (20,593) | - |
| Total comprehensive expense for the financial period attributable to:- | | | | | |
| Owners of the Company | | (21,625) | - | (20,488) | - |
| Non-controlling interests | | - | - | (105) | - |
| | | (21,625) | - | (20,593) | - |
| Loss per share (sen) | | | | | |
| - Basic ⁽²⁾ | B11 | (2.23) | - | (2.21) | - |

Notes:-

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Profit or loss and Other Comprehensive Income is detailed in Note A1 and should be read in conjunction with the audited financial statements for the financial period ended ("FPE") 30 September 2021 and the accompanying explanatory notes attached to this interim financial report.
- (2) Basic loss per share is calculated based on the weighted average number of ordinary shares in issue.
- (3) The financial year end of the Company and the Group has changed from 30 September to 31 December as announced to Bursa Malaysia Securities Berhad on 22 April 2022. As such, there are no comparative figures available for the corresponding periods in the preceding year.



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 ⁽¹⁾

| | Note | UNAUDITED AS AT 31 DEC 2022 RM'000 | AUDITED AS AT 30 SEP 2021 RM'000 |
|--|------|--|--|
| ASSETS | | | |
| Non-current Assets | | | |
| Property, plant and equipment | | 63,939 | 40,267 |
| Right-of-use assets | | 3,121 | 3,061 |
| Investment in quoted shares | | 24,704 | - |
| | | <u>91,764</u> | <u>43,328</u> |
| Current Assets | | | |
| Inventories | | 10,413 | 15,045 |
| Trade receivables | | 7,148 | 9,867 |
| Other receivables, deposits and prepayments | | 9,607 | 2,395 |
| Amount owing by an associate | | 319 | 366 |
| Amount owing by a related party | | 228 | 228 |
| Current tax assets | | 4,153 | 2,322 |
| Fixed deposits with licensed banks | | 12,000 | 15,000 |
| Cash and bank balances | | 14,708 | 65,662 |
| | | <u>58,576</u> | <u>110,885</u> |
| TOTAL ASSETS | | <u><u>150,340</u></u> | <u><u>154,213</u></u> |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | | 193,763 | 179,167 |
| Merger deficit | | (29,580) | (29,580) |
| Accumulated losses | | (34,190) | (13,702) |
| Equity attributable to owners of the Company | | <u>129,993</u> | <u>135,885</u> |
| Non-controlling interests | | (667) | (562) |
| TOTAL EQUITY | | <u><u>129,326</u></u> | <u><u>135,323</u></u> |
| Non-current Liabilities | | | |
| Lease liabilities | B8 | 1,214 | 1,471 |
| Term loans | B8 | 6,734 | 4,889 |
| | | <u>7,948</u> | <u>6,360</u> |
| Current Liabilities | | | |
| Trade payables | | 1,726 | 4,572 |
| Other payables and accruals | | 8,369 | 6,085 |
| Bankers' acceptance | B8 | 1,368 | 238 |
| Lease liabilities | B8 | 1,201 | 1,213 |
| Term loans | B8 | 402 | 422 |
| | | <u>13,066</u> | <u>12,530</u> |
| TOTAL LIABILITIES | | <u>21,014</u> | <u>18,890</u> |
| TOTAL EQUITY AND LIABILITIES | | <u><u>150,340</u></u> | <u><u>154,213</u></u> |
| Net asset per share (RM) ⁽²⁾ | | <u>0.13</u> | <u>0.18</u> |

Notes:-

(1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Financial Position is detailed in Note A1 and should be read in conjunction with the audited financial statements for the FPE 30 September 2021 and the accompanying explanatory notes attached to this interim financial report.

(2) Net asset per share is calculated based on the number of ordinary shares in issue of 971,600,600 shares as at 31 December 2022 and 773,110,600 shares as at 30 September 2021.



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022 ⁽¹⁾

| | <----- Non-Distributable -----> | | Accumulated Losses RM'000 | Total 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 October 2021 | 179,167 | (29,580) | (13,702) | 135,885 | (562) | 135,323 |
| Transaction with owners | | | | | | |
| Ordinary shares issued pursuant to: | | | | | | |
| - ESOS | 2,922 | - | - | 2,922 | - | 2,922 |
| - Transfer from ESOS Reserve upon expiration of ESOS | 416 | - | - | 416 | - | 416 |
| - Private placements | 11,258 | - | - | 11,258 | - | 11,258 |
| | 14,596 | - | - | 14,596 | - | 14,596 |
| Loss and other comprehensive expense for the financial period | - | - | (20,488) | (20,488) | (105) | (20,593) |
| Balance at 31 December 2022 | 193,763 | (29,580) | (34,190) | 129,993 | (667) | 129,326 |

Note:-

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Changes in Equity is detailed in Note A1 and should be read in conjunction with the audited financial statements for the FPE 30 September 2021 and the accompanying explanatory notes attached to this interim financial report.
- (2) The financial year end of the Company and the Group has changed from 30 September to 31 December as announced to Bursa Malaysia Securities Berhad on 22 April 2022. As such, there are no comparative figures available for the corresponding periods in the preceding year.



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022 ⁽¹⁾

| | UNAUDITED PERIOD ENDED 31 DEC 2022 RM'000 | UNAUDITED PERIOD ENDED 31 DEC 2021 RM'000 |
|---|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before taxation | (21,549) | - |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 2,158 | - |
| Gain on disposal of property, plant and equipment | (22) | - |
| Gain on disposal of quoted investment | (1,500) | - |
| Depreciation of right-of-use assets | 1,682 | - |
| Interest expense | 407 | - |
| Interest income | (464) | - |
| Property, plant and equipment written off | 174 | - |
| Net written down on inventories | 17,511 | - |
| Reversal of impairment loss on other receivables | (5,406) | - |
| Reversal of impairment loss on trade receivables | (1,325) | - |
| Fair value loss on investment in quoted shares | 12,800 | - |
| Unrealised gain on foreign exchange | (92) | - |
| Share of loss of equity accounted associate | 47 | - |
| Operating profit before working capital changes | <u>4,421</u> | <u>-</u> |
| Decrease in inventories | (12,880) | - |
| Increase in trade and other receivables | 2,243 | - |
| Decrease in trade and other payables | (571) | - |
| CASH USED IN OPERATIONS | <u>(6,787)</u> | <u>-</u> |
| Income tax paid | (874) | - |
| Interest paid | (407) | - |
| Interest received | 464 | - |
| NET CASH USED IN OPERATING ACTIVITIES | <u>(7,604)</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property, plant and equipment | (26,008) | - |
| Acquisition of investment in quoted shares | (36,003) | - |
| Acquisition of right-of-use asset | (1,639) | - |
| Proceeds from disposal of right-of-use asset | 25 | - |
| NET CASH USED IN INVESTING ACTIVITIES | <u>(63,625)</u> | <u>-</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Drawdown of bankers' acceptances | 1,130 | - |
| Drawdown of term loans | 1,825 | - |
| Drawdown of finance leases | 599 | - |
| Proceeds from issuance of ordinary shares via ESOS scheme | 3,338 | - |
| Proceeds from issuance of ordinary shares via private placement | 11,258 | - |
| Repayment of lease liabilities | (971) | - |
| NET CASH GENERATED FROM FINANCING ACTIVITIES | <u>17,179</u> | <u>-</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | <u>(54,050)</u> | <u>-</u> |
| EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES | 96 | - |
| CASH AND CASH EQUIVALENTS AT 1 OCTOBER 2021 | <u>80,662</u> | <u>-</u> |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER 2022 | <u><u>26,708</u></u> | <u><u>-</u></u> |
| Cash and cash equivalents at end of the financial period comprise the following: | | |
| Cash and bank balances | 14,708 | - |
| Fixed deposit with a licensed bank | 12,000 | - |
| | <u><u>26,708</u></u> | <u><u>-</u></u> |

Note:-

(1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Cash Flows is detailed in Note A1 and should be read in conjunction with the audited financial statements for the FPE 30 September 2021 and the accompanying explanatory notes attached to this interim financial report.

(2) The financial year end of the Company and the Group has changed from 30 September to 31 December as announced to Bursa Malaysia Securities Berhad on 22 April 2022. As such, there are no comparative figures available for the corresponding periods in the preceding year.



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

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

A1. Basis of preparation

The interim financial report of LKL International Berhad (“**LKL International**” or “**the Company**”) and its subsidiaries (“**the Group**”) 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 financial period ended 30 September 2021 (“**FPE 2021**”). 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 FPE 2021.

Change in Financial Year End

As announced on 22 April 2022, the Company had changed its financial year end from 30 September to 31 December. As a result, the next annual audited financial statements of the Group shall be made up from 1 October 2021 to 31 December 2022 covering a period of 15 months and subsequently, the financial year of the Company shall end on 31 December.

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 2021 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 |
|--|-----------------------|
| Annual Improvements to MFRS Standards 2018 – 2020 | 1 January 2022 |
| Amendments to MFRS 3: Reference to the Conceptual Framework | 1 January 2022 |
| 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 |
| MFRS 17 Insurance Contracts | 1 January 2023 |
| Amendments to MFRS 17: Insurance Contracts | 1 January 2023 |
| Amendments to MFRS 17: Insurance Contracts – Initial Application of MFRS 17 and MFRS 9 | 1 January 2023 |
| Amendments to MFRS 101: Classification of Liabilities as Current or Non-current | 1 January 2023 |
| Amendments to MFRS 101: Definition of Accounting Estimates | 1 January 2023 |
| Amendments to MFRS 108: Disclosure of accounting policies | 1 January 2023 |
| Amendments to MFRS 112: Income Tax – Deferred Tax related to Assets and Liabilities arising from a Single Transaction. | 1 January 2023 |
| Amendments to MFRS 16: Lease Liability in a Sale and Leaseback | 1 January 2024 |
| Amendments to MFRS 101: Non-current Liabilities with Covenants | 1 January 2024 |
| Amendments to MFRS 10 and MFRS 128: Sales or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred |

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.



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

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 period-to-date under review except as disclosed in the unaudited financial statements.

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 other 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.



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

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

A9. Segmental information

(a) Analysis of revenue by product categories

| | UNAUDITED INDIVIDUAL QUARTER | | | | UNAUDITED CUMULATIVE PERIOD | | | |
|-------------------------------------|---------------------------------|---------------|-------------|----------|--------------------------------|---------------|-------------|----------|
| | 31 DEC 2022 | | 31 DEC 2021 | | 31 DEC 2022 | | 31 DEC 2021 | |
| | RM’000 | % | RM’000 | % | RM’000 | % | RM’000 | % |
| Manufacturing: | | | | | | | | |
| Medical/healthcare beds | 3,822 | 22.33 | - | - | 12,917 | 12.61 | - | - |
| Medical peripherals and accessories | 5,518 | 32.24 | - | - | 26,003 | 25.37 | - | - |
| | 9,340 | 54.57 | - | - | 38,920 | 37.98 | - | - |
| Trading: | | | | | | | | |
| Medical peripherals and accessories | 7,590 | 44.35 | - | - | 62,623 | 61.11 | - | - |
| Medical devices | 107 | 0.63 | - | - | 605 | 0.59 | - | - |
| | 7,697 | 44.98 | - | - | 63,228 | 61.70 | - | - |
| Retail: | | | | | | | | |
| Healthcare and Pharmaceuticals | 77 | 0.45 | - | - | 328 | 0.32 | - | - |
| Total revenue | 17,114 | 100.00 | - | - | 102,476 | 100.00 | - | - |

(b) Analysis of revenue by geographical areas

| | UNAUDITED INDIVIDUAL QUARTER | | | | UNAUDITED CUMULATIVE PERIOD | | | |
|----------------------------|---------------------------------|---------------|-------------|----------|--------------------------------|---------------|-------------|----------|
| | 31 DEC 2022 | | 31 DEC 2021 | | 31 DEC 2022 | | 31 DEC 2021 | |
| | RM’000 | % | RM’000 | % | RM’000 | % | RM’000 | % |
| Local: | | | | | | | | |
| Malaysia | 14,581 | 85.20 | - | - | 93,805 | 91.54 | - | - |
| Export: | | | | | | | | |
| Africa | 1,778 | 10.39 | - | - | 2,536 | 2.47 | - | - |
| Asia - other than Malaysia | 229 | 1.34 | - | - | 4,899 | 4.78 | - | - |
| Europe | 282 | 1.65 | - | - | 654 | 0.64 | - | - |
| Middle East | 17 | 0.10 | - | - | 355 | 0.35 | - | - |
| Central America | 227 | 1.32 | - | - | 227 | 0.22 | - | - |
| | 2,533 | 14.80 | - | - | 8,671 | 8.46 | - | - |
| Total revenue | 17,114 | 100.00 | - | - | 102,476 | 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.



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

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

On 22 February 2023, the Board of Directors of the Company had announced that its wholly-owned subsidiary, LKL Advance Metaltech Sdn. Bhd. had on 21 February 2023 entered into a Sale and Purchase Agreement (“SPA”) with Lembaga Kumpulan Wang Simpanan Pekerja (“KWSP”) or also known as Employees Provident Fund Board, for the proposed acquisition of all that piece of leasehold land measuring approximately 2,301 square metres in area held under Pajakan Negeri 12257, Lot 934, Bandar Damansara, Daerah Petaling, Negeri Selangor together with a 12-storey commercial office block with a 5-storey car park containing 130 car park bays known as Bangunan KWSP Damansara Fairway erected thereon bearing the postal address of No. 6A, Persiaran Tropicana, Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan (collectively referred to as “the Property”) for a total cash consideration of RM24,000,000.00 only (“Proposed Acquisition”).

Save for the above, 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.

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 other contingent assets and contingent liabilities as at the date of this report except for the following:

(i) Contingent liabilities

| | UNAUDITED AS AT 31 DEC 2022 RM'000 | AUDITED AS AT 30 SEP 2021 RM'000 |
|---|---|---|
| Bank guarantees given by financial institution to third parties | 300 | 243 |

A14. Capital commitments

| | UNAUDITED AS AT 31 DEC 2022 RM'000 | AUDITED AS AT 30 SEP 2021 RM'000 |
|---|---|---|
| Approved and contracted for: | | |
| Purchase of property, plant and equipment | 2,077 | 12,129 |

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 FINANCIAL PERIOD ENDED 31 DECEMBER 2022

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

B1. Review of performance of 15-month ended 31 December 2022

The financial year end of the Company and the Group has changed from 30 September to 31 December as announced to Bursa Malaysia Securities Berhad on 22 April 2022. As such, there are no comparative figures available for the corresponding periods in the preceding year.

The Group's performance for the 15-month ended 31 December 2022 is as tabled below:

| | UNAUDITED CUMULATIVE PERIOD ENDED 31 DECEMBER 2022 RM'000 |
|----------------------------|--|
| Revenue | 102,476 |
| Gross profit | 14,935 |
| Loss Before Tax ("LBT") | <u>(21,549)</u> |

The Group posted revenue of RM102.476 million for the current financial period ended 31 December 2022. The group revenue was mainly contributed by trading segment of RM63.228 million on the back of sales of test kits totaling RM45.464 million. The manufacturing of medical beds, peripherals and accessories segment contributed RM38.920 million or 37.98% of group revenue and the retail segment contributed RM0.328 million of the group revenue for the current financial period.

Geographically, the local market was the largest revenue contributor at RM93.805 million or 91.54% of the group revenue. Export sales contributed the remaining RM8.671 million or 8.46% of the group revenue for the current financial period.

The Group reported a gross profit of RM14.935 million and gross profit margin of 14.57% for the current financial period mainly due to a lower gross profit margin recorded in the trading sales of test kits and loss in the gross profit margin in the trading sales of glove.

Consequently, coupled with the impacts of the written down of glove inventories of RM16.045 million and the fair value loss on investment in quoted shares of RM12.800 million, the Group posted a LBT of RM21.549 million for the current financial period.

B2. Comparison with preceding quarter's results

| | UNAUDITED CURRENT QUARTER ENDED 31 DECEMBER 2022 RM'000 | UNAUDITED PRECEDING QUARTER ENDED 30 SEPTEMBER 2022 RM'000 |
|---|--|---|
| Revenue | 17,114 | 10,087 |
| Gross profit | 1,486 | 2,850 |
| (Loss)/Profit Before Tax ("LBT")/("PBT") | <u>(21,848)</u> | <u>254</u> |



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

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

The Group's revenue for the current financial quarter under review increased by 69.66% or RM7.027 million to RM17.114 million, from RM10.087 million in the preceding financial quarter, mainly due to higher trading sales of medical peripherals & accessories such as Nitrile Gloves.

Segmentally, the manufacturing segment constituted RM9.340 million of Group revenue in the current financial quarter, an increase of 25.71% or RM1.910 million from RM7.430 million in the preceding financial quarter. The trading segment registered revenue of RM7.697 million, increased 197.99% or RM5.114 million from RM2.583 million in the preceding financial quarter, was attributed from higher sales of medical peripherals and accessories. Meanwhile, the retail segment made up RM0.077 million in revenue, raised 8.45% or RM0.006 million from RM0.071 million in the preceding financial quarter.

The Group posted a lower gross profit of RM1.486 million and a lower gross profit margin of 8.68% in the current financial quarter as compared with RM2.850 million and 28.25% in the preceding financial quarter mainly due to the written down of glove inventories for the trading segment.

Consequently, the Group recorded a LBT of RM21.848 million as compared with a PBT of RM0.254 million in the preceding financial quarter, mainly due to fair value loss on investment in quoted shares.

B3. Prospects

In view of the improvement in personal and public health awareness after the outbreak of COVID-19 pandemic, the Group is cautiously optimistic that robust healthcare expenditure levels will complement its future prospects. The higher demand is driven by a growing ageing population in Malaysia and regional countries, improving disposable income levels, medical advancements, and increasing public health awareness.

However, we continue to note market uncertainties and challenges attributed to rising inflation and supply chain disruptions globally, further exacerbated by the prolonged Russia-Ukraine war as well as lockdowns in China. As a result, the Group faces higher cost for key raw materials in the manufacturing segment, such as steel sheets, electrical components, and hydraulic pumps, which resulted in higher cost of sales for the business, thereby affecting our gross profit margin.

To mitigate the rising costs, the Group will continue to cushion the impact through prudent cost optimisation and tight management of internal efficiencies. Apart from efficiency improvement initiatives, the Group also seeks to expand and enhance our product portfolio to cater for a wider range of needs as well as higher-value segments.

To capture more growth opportunities, the Group is expanding our domestic sales and marketing efforts and increasing participation in overseas trade exhibitions and roadshows amid international border restrictions ease further.

The Group's forward strategy involves reinforcing our position as a reliable, one-stop solutions provider to the medical and healthcare industry. To achieve this, we strive to offer a more comprehensive range of products in our manufacturing and trading segments, as well as explore synergistic businesses.

The Group will prudently continue to focus on its existing revenue generation business and enhance its operating efficiency by streamlining manufacturing processes to improve production capacity. In respect of the pharmacy business, the Group will cautiously assess the demand from time to time to capture opportunities in the business-to-consumer segment.



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

B4. Tax expense

| | UNAUDITED INDIVIDUAL QUARTER ENDED 31 DEC 2022 RM'000 | UNAUDITED CUMULATIVE PERIOD ENDED 31 DEC 2022 RM'000 |
|---|---|--|
| Current tax expense | (223) | - |
| Overprovision in prior financial period | - | (956) |
| | (223) | (956) |

The provision for tax payable was made for profitable subsidiaries and certain expenses of the group were disallowed for tax purposes.

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.

- (i) On 17 June 2022, TA Securities had announced on behalf of the Board that LKL International proposed to undertake the following:
 - (a) proposed consolidation of every 10 ordinary shares in LKL (“LKL Shares” or “Shares”) into 1 LKL Share (“Consolidated Share”) (“Proposed Share Consolidation”);
 - (b) proposed diversification of the principal activities of LKL and its subsidiaries (“LKL Group”) to include the operation of pharmacies including retailing of pharmaceutical, healthcare and personal care products (“Proposed Diversification”);
 - (c) proposed renounceable rights issue of up to 291,480,180 LKL Shares (“Rights Shares”) together with up to 194,320,120 free detachable warrants in LKL (“Warrants”) on the basis of 3 Rights Shares together with 2 free Warrants for every 1 Consolidated Share held by the entitled shareholders of LKL on an entitlement date to be determined (“Proposed Rights Issue with Warrants”); and
 - (d) proposed establishment of a share issuance scheme of up to 30% of the total number of issued Shares of LKL (excluding treasury shares, if any) to the eligible directors and eligible employees of LKL Group (“Proposed SIS”).

On 18 August 2022, TA Securities had announced the approval had been granted for the above by Bursa Securities.

On 20 September 2022, The Board of Directors of LKL International Berhad had announced all proposed exercise mentioned above were duly passed by the shareholders of the Company by voting at the EGM of the Company.

On 17 October 2022, TA Securities had announced that the Share Consolidation has been completed following the listing and quotation of 97,160,054 Consolidated Shares on the ACE Market of Bursa Securities.



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

B6. Status of corporate proposals (Cont'd)

On 30 January 2023, TA Securities had announced that Bursa Securities had, vide its letter dated 30 January 2023, resolved to grant the Company an extension of time until 17 May 2023 to implement and complete the Rights Issue with Warrants and thereafter implement the SIS.

ON 10 February 2023, TA Securities had announced that the Company has resolved to fix the issue price of the Rights Shares at RM0.17 per Rights Share ("Issue Price") and the exercise price of the Warrants at RM0.17 per Warrant ("Exercise Price") and the last date and time for acceptance, excess application and payment is 14 March 2023 at 5.00 p.m.

On 24 February 2023, TA Securities had announced that the abridged prospectus of the Company in relation to the Rights Issue with Warrants, together with the notice of provisional allotments and rights subscription form have been duly registered by Bursa Securities and lodged with the Registrar of Companies.

B7. Utilisation of proceeds from the Private Placements

(i) Pursuant to the 1st Private Placement, 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 |
| Tranche 7 | 9 April 2021 | 13,150,000 | 0.2690 | 3,537,350 |
| | | 85,760,000 | | 62,840,350 |

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

| Purposes | Proceeds raised RM'000 | Actual utilisation RM'000 | Deviation RM'000 | Unutilised proceeds RM'000 | Estimated timeframe for utilisation |
|---|---------------------------|------------------------------|----------------------|-------------------------------|--|
| (a) Capital expenditure and expansion | 26,500 | 12,610 | - | 13,890 | Within 24 months |
| (b) Future investments or projects | 6,000 | 6,000 | - | - | Within 24 months |
| (c) Repayment of bank borrowings | 5,561 | 5,561 | - | - | Within 6 months |
| (d) Working capital | 23,779 | 23,896 | (117) ⁽¹⁾ | - | Within 12 months |
| (e) Estimated expenses in relation to the Proposals | 1,000 | 883 | 117 ⁽¹⁾ | - | Within 1 month |
| Total | 62,840 | 48,950 | - | 13,890 | |

Note:-

(1) In view that the actual listing expenses were less than estimated, the surplus has been re-allocated for working capital purposes.



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

B7. Utilisation of proceeds from the Private Placements (Cont'd)

(ii) Pursuant to the 2nd Private Placement, 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 | 3 September 2021 | 144,000,000 | 0.2050 | 29,520,000 |
| Tranche 2 | 3 September 2021 | 26,033,200 | 0.2050 | 5,336,806 |
| Tranche 3 | 15 November 2021 | 7,490,000 | 0.0930 | 696,570 |
| | | 177,523,200 | | 35,553,376 |

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

| Purposes | Proceeds raised RM'000 | Actual utilisation RM'000 | Deviation RM'000 | Unutilised proceeds RM'000 | Estimated timeframe for utilisation |
|---|---------------------------|------------------------------|---------------------|-------------------------------|--|
| (a) Trading of rubber gloves and PPE | 32,953 | 30,029 | (86) ⁽¹⁾ | 3,010 | Within 24 months |
| (b) Setting up new storage facilities | 2,000 | 252 | - | 1,748 | Within 24 months |
| (c) Estimated expenses in relation to the Proposals | 600 | 514 | 86 ⁽¹⁾ | - | Within 1 month |
| Total | 35,553 | 30,795 | - | 4,758 | |

Note:-

(1) In view that the actual listing expenses were less than estimated, the surplus has been re-allocated for trading of rubber gloves and PPE.

B8. Group's borrowings and debt securities

The Group's borrowings as at 31 December 2022 were as follows:

| | UNAUDITED AS AT 31 DEC 2022 RM'000 | AUDITED AS AT 30 SEP 2021 RM'000 |
|--------------------------|--|--|
| Current: | | |
| Bankers' acceptance | 1,368 | 238 |
| Lease liabilities | 1,201 | 1,213 |
| Term loans | 402 | 422 |
| | 2,971 | 1,873 |
| Non-current: | | |
| Lease liabilities | 1,214 | 1,471 |
| Term loans | 6,734 | 4,889 |
| | 7,948 | 6,360 |
| Total borrowings: | | |
| Bankers' acceptance | 1,368 | 238 |
| Lease liabilities | 2,415 | 2,684 |
| Term loans | 7,136 | 5,311 |
| | 10,919 | 8,233 |

All the borrowings were secured and denominated in Ringgit Malaysia.



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

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

On 16 December 2020, LKL Advance Metaltech Sdn. Bhd. had through its solicitors, Messrs. Chong + Kheng Hoe, filed an Originating Summons in the High Court in Kuala Lumpur bearing registration number: WA-24NCC(ARB)-37-12/2020 ("OS") against Crecom Burj Gloves Sdn. Bhd. ("Defendant").

The High Court had on 5 March 2021 granted a Mareva injunction to freeze the Defendant's asset up to the amount of RM12,542,783 after hearing all parties involved.

On 9 April 2021, the Defendant filed an affidavit to declare and list out all the necessary details of its assets and current locations of the same. The Defendant had filed an appeal bearing appeal no. W-02(NCC)(A)-719-04/2021 to the Court of Appeal, Putrajaya to appeal against the injunction granted by the High Court in Kuala Lumpur to the Plaintiff. However, the Defendant has withdrawn its appeal No. W-02(NCC)(A)-719-04/2021 at the Court of Appeal on 9 September 2021.

In line with the OS, the Plaintiff had also filed a Notice of Arbitration dated 11 January 2021 ("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 the sum of RM12,542,783.60, general damages, interest, costs and any further relief that the arbitral tribunal thinks fit and just.

The Defendant filed a Response to the Arbitration dated 16 February 2021 counterclaiming for the sum of RM20,374,500.00 for the purported balance amount due to the Defendant. The Arbitration is pending appointment of arbitrator by the director of Asian International Arbitration Centre. There was no progress in the case as at the date of this report.

(ii) LKL Advance Metaltech Sdn. Bhd. vs Crecom Burj Gloves Sdn. Bhd. and 6 others (WA-22NCC-331-07/2021)

On 26 July 2021, LKLAM had through its solicitors, Messrs Chong + Kheng Hoe, filed a Writ and Statement of Claim in the High Court in Kuala Lumpur bearing suit number: WA-22NCC-331-07/2021 ("Suit") against the Crecom Burj Gloves Sdn Bhd, Crecom Burj Group Sdn Bhd, Datin Roslinda Binti Jaafar, Khairil Anuar Bin A. Rahman, Nurul Ashikin Binti Muhammad Muhiyuddin, Chew Seng Ker and Nurul Balqis Binti Khairul Anuar ("Defendant")

The Plaintiff is claiming against Defendants for the return of RM12,540,757.20 being payment made by the Plaintiff for the purchase of gloves from Crecom Burj Group Sdn Bhd pursuant to the Purchase Agreement dated 2 October 2020. The Suit is fixed for trial on 27 Feb to 3 March 2023.

On 23 August 2022, the second Defendant, Crecom Burj Group Sdn Bhd has been wound up by the Kuala Lumpur High Court. LKLAM has filed a post-winding up suit no. WA-28PW-620-12/2022 to obtain leave from the Kuala Lumpur High Court to continue the proceeding against the second Defendant, Crecom Burj Group Sdn Bhd in suit WA-22NCC-331-07/2021. The hearing of this application has been fixed on 16 February 2023.

On 29 September 2022, the first Defendant, Crecom Burj Gloves Sdn Bhd has been wound up by the Shah Alam High Court. LKLAM has filed a post-winding up suit no. BA-28PW-314-12/2022 to obtain leave from the Shah Alam High Court to continue the proceeding against the first Defendant, Crecom Burj Gloves Sdn Bhd in suit WA-22NCC-331-07/2021. The hearing of this application has been fixed on 6 March 2023.



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

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. vs Crecom Burj Gloves Sdn. Bhd. and 6 others (WA-22NCC-331-07/2021) (Cont'd)

Pending the leave hearing and also pending appointment of solicitors for Crecom Burj Group Sdn Bhd and Crecome Burj Gloves Sdn Bhd, the court as vacated the upcoming trial dates on 27 February 2023 to 3 March 2023. The new trial dates are 20, 21, 23 and 24 May 2024.

(iii) LKL Advance Metaltech Sdn. Bhd. vs Genesis Gateway Sdn. Bhd. (WA-28NCC-800-11/2021)

On 8 November 2021, LKLAM ("Petitioner") has had through its solicitors, Messrs. Chong + Kheng Hoe, presented a Winding Up Petition at the Kuala Lumpur High Court registered under Companies (Winding-Up) No. WA-28NCC-800-11/2021 against Genesis Gateway Sdn Bhd ("Respondent") for the sum of RM13,311,960.96, indebted by the Respondent to the Petitioner wherein the Petitioner is seeking inter alia for the Respondent to be wound up by the Court and the incidental reliefs related thereto. The Court has also appointed a liquidator of the Respondent and Petitioner has filed their proof of debt to the liquidator on 31 October 2022.

(iv) LKL International Berhad vs The Edge Communications Sdn. Bhd. (WA-23NCvC-50-05/2021)

On 25 May 2021, the Company had through its solicitors, Messrs. Wong Kian Kheong, filed a Writ and Statement of Claim in the High Court in Kuala Lumpur against The Edge Communications Sdn. Bhd. ("The Edge"). The suit was initiated against The Edge for the article published at pages 62 to 64 of "The Edge Malaysia" on 12 April 2021 entitled "Hidden hands behind penny stock surge under scrutiny" ("Article"), of which the Company alleged that certain words in the Article were defamatory of LKL International Berhad.

The Company is seeking from The Edge, amongst others, damages and an injunction to restrain The Edge whether by itself, its agents or servants or otherwise from publishing or causing to be published the same or similar words defamatory of the LKL International.

On 19 August 2021, the Edge has filed a striking out application to strike out the Company's claim, and the High Court has on 17 May 2022 dismissed The Edge's striking application with costs in the cause. The Court has further fixed the Suit for trial on 15 to 17 January 2024.

B10. Dividend proposed

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



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

B11. Loss per share (“LPS”)

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

| | UNAUDITED INDIVIDUAL QUARTER ENDED 31 DECEMBER 2022 | UNAUDITED CUMULATIVE PERIOD ENDED 31 DECEMBER 2022 |
|--|--|---|
| Net loss attributable to ordinary equity holders of the Company (RM'000) | (21,625) | (20,488) |
| Weighted average number of ordinary shares in issue ('000) | 971,601 | 925,416 |
| Basic LPS (sen) | (2.23) | (2.21) |

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

LBT is arrived at after charging/(crediting):

| | UNAUDITED INDIVIDUAL QUARTER ENDED | | UNAUDITED CUMULATIVE PERIOD ENDED | |
|---|---|--------------------|--|--------------------|
| | 31 DEC 2022 | 31 DEC 2021 | 31 DEC 2022 | 31 DEC 2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Depreciation of property, plant and equipment | 442 | - | 2,158 | - |
| Gain on disposal of property, plant and equipment | - | - | (22) | - |
| Gain on disposal of quoted investments | - | - | (1,500) | - |
| Property, plant and equipment written off | 174 | - | 174 | - |
| Depreciation of right-of-use assets | 343 | - | 1,682 | - |
| Interest expense | 118 | - | 407 | - |
| Interest income | (87) | - | (464) | - |
| Net written down on inventories | 15,942 | - | 17,511 | - |
| Reversal of impairment loss on other receivables | (3,559) | - | (5,406) | - |
| Reversal of impairment loss on trade receivables | (160) | - | (1,325) | - |
| Fair value loss on investment in quoted shares | 12,800 | - | 12,800 | - |
| Realised loss on foreign exchange | 55 | - | 21 | - |
| Unrealised loss/(gain) on foreign exchange | 53 | - | (92) | - |

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

B13. Authorisation for Issue

The interim financial report was authorised for issue by the Board of Directors on 28 February 2023.