



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023⁽¹⁾

	Note	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
		UNAUDITED CURRENT QUARTER ENDED	UNAUDITED COMPARATIVE QUARTER ENDED	UNAUDITED CUMULATIVE PERIOD TO DATE ENDED	UNAUDITED CUMULATIVE PRECEDING PERIOD TO DATE ENDED
		30 SEPTEMBER 2023 RM'000	30 SEPTEMBER 2022 RM'000	30 SEPTEMBER 2023 RM'000	30 SEPTEMBER 2022 RM'000
Revenue	A9	8,821	-	28,638	-
Cost of sales		(6,795)	-	(19,289)	-
Gross profit		2,026	-	9,349	-
Other income		296	-	870	-
Administrative expenses		(3,029)	-	(8,104)	-
Selling and distribution expenses		(352)	-	(1,219)	-
Other expenses		2,207	-	(7,588)	-
Net loss on impairment of financial assets		-	-	(47)	-
Share of profit of an associate		-	-	-	-
Profit/(Loss) from operations		1,148	-	(6,739)	-
Finance costs		(103)	-	(299)	-
Profit/(Loss) before taxation ("PBT" or "LBT")		1,045	-	(7,038)	-
Tax expense	B4	-	-	-	-
Profit/(Loss) after taxation ("PAT" or "LAT")		1,045	-	(7,038)	-
Other comprehensive income		-	-	-	-
Total comprehensive income/(expense) for the financial period		1,045	-	(7,038)	-
Total comprehensive income/(expense) for the financial period attributable to:-					
Owners of the Company		1,058	-	(7,022)	-
Non-controlling interests		(13)	-	(16)	-
		1,045	-	(7,038)	-
Earnings/(Loss) per share (sen)					
- Basic ⁽²⁾	B11	0.54	-	(2.37)	-

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") 31 December 2022 and the accompanying explanatory notes attached to this interim financial report.
- (2) Basic earnings/(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. The financial statements for the last financial period were prepared for a 15 months period from 1 October 2021 to 31 December 2022. This is the first set of the interim financial statements prepared for the current financial year of 12 months ending 31 December 2023. As such, there are no comparative figures available for the corresponding periods in the preceding financial period.



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 ⁽¹⁾

	Note	UNAUDITED AS AT 30 SEPTEMBER 2023 RM'000	AUDITED AS AT 31 DECEMBER 2022 RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		69,070	63,923
Right-of-use assets		4,252	3,121
Goodwill		-	-
Investment in an associate company		-	-
Investment in quoted shares		34,246	24,704
		<u>107,568</u>	<u>91,748</u>
Current Assets			
Inventories		14,501	10,413
Trade receivables		10,416	7,640
Other receivables, deposits and prepayments		29,952	9,657
Amount owing by a related party		228	228
Current tax assets		2,629	4,079
Fixed deposit with licensed bank		20,228	12,000
Cash and bank balances		19,373	14,708
		<u>97,327</u>	<u>58,725</u>
TOTAL ASSETS		<u>204,895</u>	<u>150,473</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		240,262	191,704
Merger deficit		(29,580)	(29,580)
Accumulated losses		(39,070)	(32,048)
Equity attributable to owners of the Company		<u>171,612</u>	<u>130,076</u>
Non-controlling interests		(644)	(668)
TOTAL EQUITY		<u>170,968</u>	<u>129,408</u>
Non-current Liabilities			
Lease liabilities	B8	2,402	1,214
Bank borrowings	B8	6,666	6,734
		<u>9,068</u>	<u>7,948</u>
Current Liabilities			
Trade payables		3,338	1,668
Other payables and accruals		4,090	8,420
Bank borrowings	B8	16,202	1,828
Lease liabilities	B8	1,229	1,201
		<u>24,859</u>	<u>13,117</u>
TOTAL LIABILITIES		<u>33,927</u>	<u>21,065</u>
TOTAL EQUITY AND LIABILITIES		<u>204,895</u>	<u>150,473</u>
Net asset per share (RM) ⁽²⁾		<u>0.44</u>	<u>1.34</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 31 December 2022 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 388,057,256 shares as at 30 September 2023 and 97,160,054 shares as at 31 December 2022.



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023 ⁽¹⁾

	<----- Attributable to Equity Holders of the Company ----->					
	<----- Non-Distributable ----->					
	Share Capital RM'000	Merger Deficit RM'000	Accumulated Losses RM'000	Total Attributable to Owners of Company RM'000	Non-controlling Interests RM'000	Total Equity RM'000
Balance at 1 January 2023	191,704	(29,580)	(32,048)	130,076	(668)	129,408
Transactions with owners						
Ordinary shares issued pursuant to:						
- Right issue with warrants	49,452	-	-	49,452	-	49,452
- Share issuance expenses	(894)	-	-	(894)	-	(894)
	48,558	-	-	48,558	-	48,558
Disposal of shares to non-controlling interest	-	-	-	-	40	40
Loss and other comprehensive expense for the financial period	-	-	(7,022)	(7,022)	(16)	(7,038)
Balance at 30 September 2023	240,262	(29,580)	(39,070)	171,612	(644)	170,968

Note:-

(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 31 December 2022 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. The financial statements for the last financial period were prepared for a 15 months period from 1 October 2021 to 31 December 2022. This is the first set of the interim financial statements prepared for the current financial year of 12 months ending 31 December 2023. As such, there are no comparative figures available for the corresponding periods in the preceding financial period.



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023 ⁽¹⁾

	UNAUDITED PERIOD ENDED 30 SEPTEMBER 2023 RM'000	UNAUDITED PERIOD ENDED 30 SEPTEMBER 2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(7,038)	-
Adjustments for:		
Depreciation of property, plant and equipment	1,547	-
Gain on disposal of property, plant and equipment	(15)	-
Depreciation of right-of-use assets	995	-
Interest expense	411	-
Interest income	(489)	-
Net reversal of written down on inventories	(108)	-
Net impairment loss on trade receivables	47	-
Fair value loss on investment in quoted shares	6,108	-
Unrealised gain on foreign exchange	(46)	-
Operating profit before working capital changes	1,412	-
Increase in inventories	(3,979)	-
Increase in trade and other receivables	(23,232)	-
Decrease in trade and other payables	(2,660)	-
CASH USED IN OPERATIONS	(28,459)	-
Income tax paid	(17)	-
Income tax refunded	1,468	-
Interest received	489	-
NET CASH USED IN OPERATING ACTIVITIES	(26,519)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(6,693)	-
Acquisition of investment in quoted shares	(15,775)	-
Acquisition of right-of-use asset	(517)	-
Increase in pledged fixed deposit with a licensed bank	(20,228)	-
Decrease in short term unit trust investment	124	-
Proceeds from disposal of property, plant and equipment	15	-
Proceeds from disposal of investment in subsidiaries	40	-
Termination adjustment of right-of-use asset	328	-
NET CASH USED IN INVESTING ACTIVITIES	(42,706)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of bankers' acceptances	3,327	-
Net proceeds from issuance of ordinary shares via right issue with warrants	48,558	-
Repayment of lease liabilities	(722)	-
Repayment of term loans	(1,703)	-
Interest paid	(411)	-
NET CASH GENERATED FROM FINANCING ACTIVITIES	49,049	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(20,176)	-
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	159	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	26,708	-
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	6,691	-
Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	19,373	-
Fixed deposit with a licensed bank	20,228	-
Bank overdraft	(12,682)	-
	26,919	-
Less: Fixed deposit pledged with a licensed bank	(20,228)	-
	6,691	-

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 31 December 2022 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. The financial statements for the last financial period were prepared for a 15 months period from 1 October 2021 to 31 December 2022. This is the first set of the interim financial statements prepared for the current financial year of 12 months ending 31 December 2023. As such, there are no comparative figures available for the corresponding periods in the preceding financial period.



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

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 31 December 2022 (“**FPE 2022**”). 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 2022.

A2. Changes in accounting policies

The significant accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements of the Group for the financial period ended 31 December 2022 except for the adoption of the following new accounting standards, amendments and interpretation:

	Effective Date
Amendments to MFRS 17: Insurance Contracts	1 January 2023
Amendment to MFRS 17 Initial Applications of MFRS 17 and MFRS 9 Comparative Information	1 January 2023
Amendments to MFRS 101: Disclosures of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction and International Tax Reform-Pillar Two Model Rules	1 January 2023

The adoption of the above amendments to MFRSs does not have a material impact on the financial statements 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: -

	Effective Date
Amendments to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 107: Supplier Finance Arrangements	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.

A3. Auditors’ report on preceding audited financial statements

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



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

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

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.

A9. Segmental information

(a) Analysis of revenue by product categories

	UNAUDITED INDIVIDUAL QUARTER				UNAUDITED CUMULATIVE PERIOD			
	30 SEPTEMBER 2023		30 SEPTEMBER 2022		30 SEPTEMBER 2023		30 SEPTEMBER 2022	
	RM’000	%	RM’000	%	RM’000	%	RM’000	%
Manufacturing:								
Medical/healthcare beds	1,763	19.98	-	-	6,495	22.68	-	-
Medical peripherals and accessories	4,626	52.45	-	-	15,059	52.58	-	-
	6,389	72.43	-	-	21,554	75.26	-	-
Trading:								
Medical peripherals and accessories	2,151	24.38	-	-	6,662	23.26	-	-
Medical devices	17	0.19	-	-	29	0.10	-	-
	2,168	24.57	-	-	6,691	23.36	-	-
Retail:								
Healthcare and Pharmaceuticals	264	3.00	-	-	393	1.38	-	-
Total revenue	8,821	100.00	-	-	28,638	100.00	-	-



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

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 PERIOD			
	30 SEPTEMBER 2023		30 SEPTEMBER 2022		30 SEPTEMBER 2023		30 SEPTEMBER 2022	
	RM’000	%	RM’000	%	RM’000	%	RM’000	%
Local:								
Malaysia	7,246	82.14	-	-	24,934	87.06	-	-
Export:								
Africa	871	9.88	-	-	1,320	4.61	-	-
Asia - other than Malaysia	648	7.36	-	-	2,128	7.43	-	-
Europe	1	-	-	-	56	0.20	-	-
Middle East	55	0.62	-	-	200	0.70	-	-
	1,575	17.86	-	-	3,704	12.94	-	-
Total revenue	8,821	100.00	-	-	28,638	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

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:

a) Contingent liabilities

	UNAUDITED AS AT 30 SEPTEMBER 2023 RM’000	AUDITED AS AT 31 DECEMBER 2022 RM’000
Bank guarantees given by financial institution to third parties	1,114	606



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

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

A14. Capital commitments

	UNAUDITED AS AT 30 SEPTEMBER 2023 RM'000	AUDITED AS AT 31 DECEMBER 2022 RM'000
Approved and contracted for: Purchase of property, plant and equipment	<u>27,892</u>	<u>2,077</u>

A15. Related party transactions

Significant related party transactions for the financial period to date are as follows :

	RM'000
Transactions with a company in which the major shareholder of the Company, Bioalpha Holding Berhad has substantial interests: Mediconstant Pharmacy Sdn. Bhd.	
- Outlets management fee paid	90
- Promotion and marketing fee paid	30
- Manpower related paid	118
- Shoplot sublease rent & utilities related paid	260
- Purchase of pharmaceutical products, medical, healthcare equipment and pharmacy related.	<u>6,471</u>
Transactions with a company in which a director of the Company, Datuk Chong Loong Men has substantial interests: Parlo Tours Sdn. Bhd.	
- Purchase of travel services including airline ticket and hotel bookings	<u>268</u>



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

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

B1. Review of performance of 9-month ended 30 September 2023 (“3Q 2023”)

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. The financial statements for the last financial period were prepared for a 15 months period from 1 October 2021 to 31 December 2022. This is the first set of the interim financial statements prepared for the current financial year of 12 months ending 31 December 2023. As such, there are no comparative figures available for the corresponding periods in the preceding financial period.

The Group’s performance for the 3Q 2023 is as tabled below:

	UNAUDITED 3Q 2023 RM'000
Revenue	28,638
Gross profit	9,349
Loss Before Tax (“LBT”)	<u>(7,038)</u>

The Group posted revenue of RM28.638 million on the back of continuous orders of key products including medical/ healthcare beds, and medical peripherals and accessories delivered from the manufacturing segment for the current financial period. Geographically, the domestic front remains as the main contributor at RM24.934 million or 87.06% of the group revenue where the remaining revenue of RM3.704 million or 12.94% of the group revenue was generated from exports, mainly to the Asia and Africa regions for the current financial period.

The Group reported a gross profit of RM9.349 million and gross profit margin of 32.64% for the current financial period despite a gross loss incurred during the first two months of the operations of the six new pharmacy outlets which have been commenced businesses in August 2023.

The Group posted a LBT of RM7.038 million for the current financial period mainly due to an accounting loss in the fair value on investment in quoted shares of RM6.108 million and initial set up and operating costs incurred on the opening of six new pharmacy outlets during the current financial period.

Manufacturing Segment

The manufacturing segment of medical/ healthcare beds, medical peripherals and accessories delivered orders totaling RM21.554 million or 75.26% of the group revenue for the current financial period mainly to the private primary care facilities and healthcare dealers.

This segment posted a gross profit of RM8.842 million and a gross profit margin of 41.02% for the current financial period on the back of certain medical beds and peripherals with better profit margins for exports. Consequently, this segment registered an operating profit of RM 2.327 million before interest and tax for the current financial period under review.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

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

B1. Review of performance of 6-month ended 30 September 2023 ("3Q 2023") (Cont'd)

Trading Segment

The trading segment of medical peripherals, accessories and medical devices contributed RM5.375 million or 18.76% of group revenue and the sales of medical gloves contributed RM1.316 million or 4.60% for the current financial period.

This segment posted a gross profit of RM1.160 million and a gross profit margin of 17.33% mainly due to tiny margins from the sales of medical gloves for the current financial period, as explained in the previous quarter.

Consequently, this segment posted an operating loss of RM1.106 million from the operations before interest and tax expense for the current financial period mainly due to rising in the operating costs to expand its existing sales and marketing capacity.

Pharmacy Retail Segment

The revenue contributed from the pharmacy retail segment improved to RM0.393 million for the current financial period following the opening of six new pharmacy outlets located in the major cities of Klang Valley in August 2023, represent 1.38% of the group revenue for the current financial period.

Due to the unabsorbed outlet overhead and lacking volume sales resulting a poor pricing power, this segment registered a gross loss of RM0.653 million for the current financial period, and consequently, this segment posted an operating loss of RM1.193 million before interest and tax mainly due to initial outlet operating and set up cost expensed off to the income statement for the current financial period.

Investment Holding Segment

This segment continues to register a loss on fair value of the quoted investments of RM6.108 million resulting in an operating loss of RM6.765 million for the current financial period.

B2. Comparison with preceding quarter's results

	UNAUDITED CURRENT QUARTER ENDED 30 SEPTEMBER 2023 RM'000	UNAUDITED PRECEDING QUARTER ENDED 30 JUNE 2023 RM'000
Revenue	8,821	9,451
Gross profit	2,026	3,550
Profit/(Loss) Before Tax ("PBT" or "LBT")	1,045	(7,586)

The Group recorded a lower revenue of RM8.821 million for the current financial quarter as against RM9.451 million in the preceding financial quarter, mainly due to deferral in the delivery schedules of a major order of medical peripherals to meet the customer's request.

Coupled with the gross loss registered by the new pharmacy outlets due to lower volume sales and pricing power in the initial months of operating since August 2023, the Group posted a lower gross profit of RM2.026 million for the current financial quarter as against RM3.550 million for the preceding financial quarter.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

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

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

The Group had turnaround to register a PBT of RM1.045 million in the current financial quarter as against a LBT of RM7.586 million in the preceding financial quarter, mainly due to the non-cash accounting adjustments including a fair value loss on investment in quoted shares of RM7.574 million in the last financial quarter.

B3. Prospects

Since the Company listed in 2016, it is part of the long-term strategy plans of LKL to expand its existing production capacity to cope with growing demands and going global. The existing facilities are nearing full capacity as our existing production team, and warehouse have not grown for the past few years while our business is overgrowing. The Board has decided to venture into several approved expansions requiring a more significant utilising area and bigger space of its existing facilities to streamline the production flow effectively and for additional warehousing to cope with existing and additional production capacity. To make ways for these expansions, the Board has also identified a strategic location to relocate its corporate headquarters from the current co-sharing main building in the coming periods.

According to Healthcare Sector Update released by Kenanga Research on 4 April 2023, the global healthcare expenditures are projected to reach a total of USD10.0 trillion by 2026, increasing from USD8.4 trillion in 2022, representing a CAGR of 35% during the five-year period. Backed by the reopening of international borders, the healthcare and pharmaceutical sectors are expected to sustain their growth momentum in the year 2023. The approved expansions of the Group are to better navigate LKL to the evolution of the latest global healthcare transformation for a more prominent market share in the healthcare industries.

Despite a positive outlook of a growing economy for the year 2023, many healthcare players still face demanding conditions in 2023, including inflationary pressures, labour shortages and endemic COVID-19 and see these are the key factors eroding its earning visibility.

To navigate these challenges and stay afloat, our manufacturing unit continues in leveraging on its strong fundamentals in technology competency, quality assurance, customer satisfaction and long-term relationship, and focus on improving its business strategy by streamlining its operations, expanding its high profitable product range, enhancing infrastructures and accelerating process automations to shorten the delivery lead times and reduce production wastage, are essential to improve the profitability of the Group.

The aftermath of the Covid-19 pandemic has redesigned health care delivery for the future and accelerated demands for all varieties of remote healthcare including home-based care, retail pharmacy and OTC healthcare services. The Board is confident that the amount of healthcare business through retail outlets will double during 2023 as more patients will choose retail health for their primary care needs. This trend has become more prominent as global economic conditions lead to squeezed budgets at traditional frontline primary care facilities. The retail pharmacy nowadays could offer healthcare services such as blood tests, vaccinations, medical checkup and consultation that have traditionally been delivered by hospitals, clinics, or doctors' practices, which patients will increasingly find it more convenient and better value than traditional primary care delivery.

To tap into these opportunities, the Group has a total of seven pharmacy outlets including six new pharmacy outlets, namely Constant Pharmacy to serve the community of the major areas in Klang Valley. This expansion plan will improve our pricing power immediately as a result of more volumes generated from more outlets. The Board will continue to set up more strategic outlets to enjoy prominent savings in the supply chain in return more savings for customers.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

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

B4. Tax expense

	UNAUDITED INDIVIDUAL QUARTER ENDED 30 SEPTEMBER 2023 RM'000	UNAUDITED CUMULATIVE PERIOD ENDED 30 SEPTEMBER 2023 RM'000
Current tax expense	-	-
Under/(Over)provision in prior financial period	-	-
	-	-

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

There were no corporate proposals announced but not completed as at the date of this report.

B7. Utilisations of proceeds from corporate exercises

- a) Pursuant to the Right Issue with Warrants, the details of the issuance of Right Shares as at the date of this report are as follows:

Issuance Date	No. of Shares	Issue Price (RM)	Total Proceeds (RM)
28 March 2023	290,897,202	0.17	49,452,524

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) Expansion of the pharmacy business	48,353	12,200	206	36,359	Within 24 months
(b) Estimated expenses in relation to the Proposals	1,100	894	(206)	-	Immediate
Total	49,453	13,094	-	36,359	

Note:-

(1) In view that the actual listing expenses were less than estimated, the surplus has been re-allocated for expansion of the pharmacy business.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

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 30 September 2023 were as follows:

	UNAUDITED AS AT 30 SEPTEMBER 2023 RM'000	AUDITED AS AT 31 DECEMBER 2022 RM'000
Current:		
Bank overdraft	12,682	-
Bankers' acceptance	3,327	1,426
Lease liabilities	1,229	1,201
Term loans	193	402
	17,431	3,029
Non-current:		
Lease liabilities	2,402	1,214
Term loans	6,666	6,734
	9,068	7,948
Total borrowings:		
Bank overdraft	12,682	-
Bankers' acceptance	3,327	1,426
Lease liabilities	3,631	2,415
Term loans	6,859	7,136
	26,499	10,977

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) 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. ("LKLAM") had through its solicitors, Messrs. Chong + Kheng Hoe, filed an Originating Summons in the High Court in Kuala Lumpur bearing registration number: WA24NCC(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 RM12,542,784 after hearing all parties involved.

The Defendant has been wound up on 29 September 2022. The Defendant's liquidator had on 20 September 2023 filed an application to set aside the Mareva injunction. Parties had on 6 November 2023 recorded a consent order to set aside the Mareva injunction on the condition that, amongst others, the Defendant's liquidator accept and admit the Plaintiff's Proof of Debt lodged with the Defendant's liquidator.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

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)

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

In line with the OS, LKLAM had also filed a Notice of Arbitration dated 11 January 2021 ("Arbitration") against the Defendant. LKLAM 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, LKLAM is seeking from the Defendant the sum of RM12,542,784, 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 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 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").

LKLAM is claiming against Defendants for the return of RM12,540,757 being payment made by LKLAM for the purchase of gloves from Crecom Burj Group Sdn. Bhd. pursuant to the purchase agreement dated 2 October 2020.

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.

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.

Pending the leave hearing and also pending appointment of solicitors for Crecom Burj Group Sdn. Bhd. And Crecome Burj Gloves Sdn. Bhd., the new trial dates are fixed on 20 to 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.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

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)

(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 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.

B11. Earnings/(Loss) per share ("EPS" or "LPS")

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

	UNAUDITED INDIVIDUAL QUARTER ENDED 30 SEPTEMBER 2023	UNAUDITED CUMULATIVE PERIOD ENDED 30 SEPTEMBER 2023
Net profit/(loss) attributable to ordinary equity holders of the Company (RM'000)	1,058	(7,022)
Weighted average number of ordinary shares in issue ('000)	195,191	296,419
Basic EPS/LPS (Sen)	0.54	(2.37)



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

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

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

	UNAUDITED		UNAUDITED	
	INDIVIDUAL QUARTER ENDED		CUMULATIVE PERIOD ENDED	
	30 SEPTEMBER 2023 RM'000	30 SEPTEMBER 2022 RM'000	30 SEPTEMBER 2023 RM'000	30 SEPTEMBER 2022 RM'000
Depreciation of property, plant and equipment	568	-	1,547	-
Gain on disposal of property, plant and equipment	-	-	(15)	-
Depreciation of right-of-use assets	419	-	995	-
Interest expense	155	-	411	-
Interest income	(112)	-	(489)	-
Net reversal of written down on inventories	160	-	(108)	-
Impairment loss on trade receivables	-	-	47	-
Fair value (gain)/loss on investment in quoted shares	(2,892)	-	6,108	-
Unrealised Gain on foreign exchange	(43)	-	(46)	-

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 27 November 2023.