



## LKL INTERNATIONAL BERHAD

201501014673 (1140005-V)  
(Incorporated in Malaysia)

### SUMMARY OF KEY MATTERS DISCUSSED AT THE SEVENTH ANNUAL GENERAL MEETING OF LKL INTERNATIONAL BERHAD (“LKL” OR “THE COMPANY”) HELD ON TUESDAY, 15 MARCH 2022 AT 10.00 A.M.

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#### REPLY TO QUESTIONS FROM THE MINORITY SHAREHOLDERS WATCH GROUP

Mr. Lim Ming Chang (“Mr. Lim”) presented to the Shareholders, the questions received from Minority Shareholders Watch Group (“MSWG”) and the responses to MSWG as follows:-

#### Operational / Financial Matters

**Q1. The Company suffered a loss after tax of RM51.63 million for the Financial Period Ended (FPE) September 30, 2021. It had changed its year end from April to September in 2021. LKL attributed its sluggish performance mainly due to Impairments in respect of property, plant and equipment, inventories written down to net realizable value, and non-trade receivables arising mainly from material litigations with Crecom Burj Gloves Sdn Bhd and Genesis Gateway Sdn. Bhd. (Page 7 of AR 2021)**

- (a) What was the amount involved in the material litigations with Crecom Burj Gloves Sdn Bhd and Genesis Gateway Sdn Bhd during FPE 2021?**

As disclosed in Note 38 of the Annual report (pages 125 and 126) and reproduced here:

Crecom Burj Gloves Sdn. Bhd.	RM12,542,783
Genesis Gateway Sdn. Bhd.	RM13,311,960

- (b) What are the measures being taken by the Company to enable it to return to the path of profitability in FYE 2022?**

Going forward, the Company and its subsidiaries (“Group”) will always continue to increase their efforts to improve profitability and performance.

As announced, LKL had already returned to profitability in the first quarter ended 31 March 2022 (1Q22). Our plans towards enhancing our performance further are as follows:

- Trading segment: Continue to expand and upgrade the product portfolio

We remain focused on our commitment to the highest level of product quality for manufacturing products and customer service, and at the same time expand our distribution business of medical products like personal protective equipment, test kit, trace token, and others.

- Manufacturing segment: To manage costs and focus on value-added offerings

While mindful of increasing prices of raw materials including steel, we will continue to manage costs in a stringent manner, and focus on providing higher customised and value-added products that differentiate us in the market.

- New segment: Pharmacy

In view of the increased public awareness on keeping high levels of personal and public health after the COVID-19 pandemic, the Group's planned venture to establish a pharmacy chain represents a timely opportunity for the Group to enter into a new business with growing demand and to have an additional source of income.

Notwithstanding the various efforts taken including those mentioned above, various factors such as market demand, and local and global political and economic conditions may affect our plans to improve our profitability.

**Q2. LKL recorded a revenue of RM46.36 million for its manufacturing segment in FPE 2021 with a RM19.35 million contribution from its medical/healthcare beds segment and RM27.0 million contribution from its medical peripherals segment.**

- (a) What are the Company's plans to develop the revenue contribution from its medical/healthcare beds segment in FYE 2022?**

We will continue our research and development to customise our medical beds, and maintain marketing efforts to secure large-scale orders from a wider pool of customers. Our medical peripherals segment can play a complementary role in keeping us as top-of-mind as a comprehensive supplier of choice to healthcare and related institutions.

- (b) The onset of the pandemic has stimulated the demand for medical peripherals and how has the Company capitalised on its position to take advantage of this?**

Revenue from our medical peripherals and accessories segment has consistently grown year-on-year from our efforts to increase our product range. This reflects our ability to support hospitals and medical centres in the ongoing battle against COVID-19.

- Q3. On 16 December 2020, the Company entered into an agreement with Komarkcorp Berhad's wholly-owned subsidiary, Komark Mask Sdn Bhd to sell and distribute its disposable medical grade face masks worldwide. The distributorship agreement will be valid for a period of 1 year, commencing 16 December 2020. Subsequently, the agreement has been renewed on 22 November 2021 for a period of 1 year. (Page 8 of AR 2021)**

**What was the value of this contract?**

The distributorship agreement entered with Komark Mask Sdn Bhd does not come with a contract value.

- Q4. Administrative Expenses rose significantly to RM24.6 million in FPE 2021 compared to RM11.5 million in FYE 2020. (Page 60 of AR 2021)**

**What were the reasons for the sharp increase?**

Our administrative expenses are mainly comprised of variable cost components, including employee expenses, professional fees, and provision by liquated ascertained damages.

Also, FPE 2021 comprises a longer period of 17 months compared to the 12 months in FYE 2020.

- Q5. Impairment loss on trade receivables increased sharply in FPE 2021 to RM2.09 million in contrast with RM83.7k in FYE 2020. (Page 64 of AR 2021)**

**(a) What were the reasons for the sharp increase in the impairment?**

This is part of the Group's financial prudence to recognize the unexpected loss in value of trade receivables.

**(b) Were any amounts collected from the impaired trade receivables after FPE 2021?**

Yes. We had collected RM 1 million subsequent after the FPE2021.

**(c) Do you foresee the impairments increasing in FYE 2022 due to a weaker economy?**

As of now, we do not foresee further impairments for the FYE 2022. However, the Group will continue with its prudence policy to evaluate all outstanding receivables and provide impairments if required.

**Corporate Governance**

- Q6. Practice 1.2 of the Malaysian Code of Corporate Governance stipulates that the Board of Directors should be headed by a Chairman who is responsible for instilling good corporate governance practices, leadership and effectiveness of the Board**

**The Company has been without a Chairman since 13th October 2020. Does the Company plan to apply Practice 1.2 and if yes, by when?**

The Board takes note of Practice of 1.2 of MCCG. The Group is currently sourcing for a suitable candidate who is well-versed with the healthcare industry practices and able to contribute expertise to provide proper guidance to the Company. The Company is targeting to appoint such candidate as Independent Non-Executive Chairman within the next three (3) years.

- Q7. Practice 4.1 of the Malaysian Code of Corporate Governance stipulates that at least half of the Board should be made up of Independent Directors. Currently, only 3 out of 7 directors are independent directors, and this is not in line with the Practice.**

**Does the Company plan to apply this Practice and if yes, by when?**

The Board takes note of Practice 4.1 of MCCG. Based on the current size and level of complexity of the Group's business and operations, the Board is of the opinion that the current Board size with three (3) Independent Directors, though not forming half of the Board's composition, amply provides the element of independence in the Board's composition and conduct, in ensuring objective and effective Board decision making process as well as effective oversight of the management.

Moreover, by the time the Company has identified the Chairman of the Board of Directors under Practice 1.2 of MCCG, the Company will then fulfil this Practice 4.1 of MCCG of having at least half of the Board comprise Independent Directors.

The Board will review its composition from time to time, to ensure that such a level of independence is not in any way compromised.

**QUESTIONS RAISED BY THE SHAREHOLDERS DURING THE MEETING**

The questions raised by the Shareholders and responded to by En. Zulkarnin Bin Ariffin, the Executive Director of the Company, during the Meeting were summarised as follows:-

- Q8. What is the RM12 million capital commitment related to as set out in Note 34 of the Annual Report 2021?**

The amount of RM12 million was the commitment by the Company to purchase assets for the new pharmacy business that the Company has recently ventured into.

**Q9. Why LKL Advance Metaltech Sdn. Bhd., the subsidiary of the Company, invested in Parlo Berhad (“Parlo”)? What is the value from Parlo that attracted the Group to make such investments?**

As per the Company’s announcement dated 27 January 2022, the investment in Parlo represents a strategic investment for LKL with potential synergy with the existing and future business of LKL. Apart from its existing business of travel and tours, employment agency related services and digital services, Parlo had on 29 September 2021, subscribed 51% equity interest in V Care Industries (Malaysia) Sdn. Bhd. (“V Care”), which provides an opportunity for Parlo to involve in the business of trading of medical and pharmaceutical related products.

In addition, Parlo’s latest quarterly results for the period ended 31 December 2021 has shown a significant increase in revenue due to the revenue contribution from V Care.

Hence, LKL is expected to leverage on Parlo existing vast data of its clientele and customer base to strengthen the existing business of the Group and to have a better competitive advantage position in the challenging market.