



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 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 Group has adopted those standards and interpretations (including the consequential amendments, if any) that have become effective on 1 January 2023 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
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.

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.



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

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

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

Save as disclosed below, there was no other issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current financial quarter under review: -

(i) Issuance of new ordinary shares pursuant to the Right Issue with Warrants:

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

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			
	31 MARCH 2023		31 MARCH 2022		31 MARCH 2023		31 MARCH 2022	
	RM’000	%	RM’000	%	RM’000	%	RM’000	%
Manufacturing:								
Medical/healthcare beds	2,138	20.63	-	-	2,138	20.63	-	-
Medical peripherals and accessories	5,212	50.27	-	-	5,212	50.27	-	-
	<u>7,350</u>	<u>70.90</u>	<u>-</u>	<u>-</u>	<u>7,350</u>	<u>70.90</u>	<u>-</u>	<u>-</u>
Trading:								
Medical peripherals and accessories	2,943	28.39	-	-	2,943	28.39	-	-
Medical devices	5	0.05	-	-	5	0.05	-	-
	<u>2,948</u>	<u>28.44</u>	<u>-</u>	<u>-</u>	<u>2,948</u>	<u>28.44</u>	<u>-</u>	<u>-</u>
Retail:								
Healthcare and Pharmaceuticals	68	0.66	-	-	68	0.66	-	-
Total revenue	<u>10,366</u>	<u>100.00</u>	<u>-</u>	<u>-</u>	<u>10,366</u>	<u>100.00</u>	<u>-</u>	<u>-</u>



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 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			
	31 MARCH 2023		31 MARCH 2022		31 MARCH 2023		31 MARCH 2022	
	RM’000	%	RM’000	%	RM’000	%	RM’000	%
Local:								
Malaysia	9,231	89.05	-	-	9,231	89.05	-	-
Export:								
Africa	167	1.61	-	-	167	1.61	-	-
Asia - other than								
Malaysia	799	7.70	-	-	799	7.70	-	-
Europe	55	0.54	-	-	55	0.54	-	-
Middle East	114	1.10	-	-	114	1.10	-	-
	1,135	10.95	-	-	1,135	10.95	-	-
Total revenue	10,366	100.00	-	-	10,366	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 31 MARCH 2023 RM’000	AUDITED AS AT 31 DECEMBER 2022 RM’000
Bank guarantees given by financial institution to third parties	1,015	606



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

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

A14. Capital commitments

	UNAUDITED AS AT 31 MARCH 2023 RM'000	AUDITED AS AT 31 DECEMBER 2022 RM'000
Approved and contracted for: Purchase of property, plant and equipment	<u>24,321</u>	<u>2,077</u>

A15. Related party transactions

During the current financial quarter, the Board of Directors is of the opinion that there were no material related party transactions which would have a significant impact on the financial position and business of the Group.



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

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

B1. Review of performance of 3-month ended 31 March 2023 (“1Q 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 1Q 2023 is as tabled below:

	UNAUDITED
	1Q 2023
	RM'000
Revenue	10,366
Gross profit	3,773
Loss Before Tax (“LBT”)	<u>(497)</u>

For 1Q 2023, the Group posted revenue of RM10.366 million mainly contributed by the orders delivered from the manufacturing segment of medical/ healthcare beds, medical peripherals and accessories. Geographically, the local market remains as the largest revenue contributor at RM9.231 million or 89.05% of the group revenue where the remaining revenue of RM1.135 million or 10.95% of the group revenue was generated from exports, mainly to the other Asia region for the 1Q 2023.

The Group reported a gross profit of RM3.773 million and gross profit margin of 36.39% for the current financial period.

The Group posted a LBT of RM0.497 million for the current financial period on the account of an accounting loss in the fair value on investment in quoted shares of RM1.426 million. It is noticeable that, without this accounting adjustment, the Group would have turned around with a profit before tax of RM0.929 million for 1Q 2023.

Manufacturing Segment

The manufacturing segment of medical/ healthcare beds, medical peripherals and accessories contributed revenue of RM7.350 million or 70.90% of group revenue for the 1Q 2023 where orders delivered for medical beds were RM2.138 million and the remaining RM5.212 million was contributed from medical peripherals and accessories, mainly to the private primary care facilities and healthcare dealers.

This segment posted a gross profit of RM3.042 million and a gross profit margin of 41.38% for 1Q 2023 on the back of certain medical beds and peripherals with better profit margins for exports. Consequently, this segment registered an operating profit of RM 1.404 million before interest and tax for the 1Q 2023.



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

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

B1. Review of performance of 3-month ended 31 March 2023 (“1Q 2023”) (Cont'd)

Trading Segment

The trading segment of medical peripherals, accessories and medical devices contributed RM1.735 million or 16.74% of group revenue and the sales of personal protective equipment from medical gloves contributed RM1.213 million or 11.70% for the 1Q 2023. Due to a tiny margin of medical gloves, this segment posted a lower gross profit of RM0.809 million and a gross profit margin of 27.45% for current financial period.

Consequently, this segment posted an operating profit of RM0.012 million from the operations before interest and tax expense for the 1Q 2023.

Pharmacy Retail Segment

The revenue contributed from the one retail pharmacy remains low at RM0.068 million or 0.66% of the group revenue for the current financial period due to lack of volume resulting in a gross loss of RM0.078 million mainly due to poor pricing power for the 1Q 2023. Consequently, this segment posted an operating loss of RM0.187 million before interest and tax on the back of high unabsorbed outlet overhead 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 RM1.426 million resulting in an operating loss of RM1.630 million for this segment for the 1Q 2023.

B2. Comparison with preceding quarter’s results

	UNAUDITED CURRENT QUARTER ENDED 31 MARCH 2023 RM'000	UNAUDITED PRECEDING QUARTER ENDED 31 DECEMBER 2022 RM'000
Revenue	10,366	17,114
Gross profit	3,773	1,414
Loss Before Tax (“LBT”)	(497)	(21,692)

The Group’s revenue for the current financial quarter under review decreased by 39.43% or RM6.748 million to RM10.366 million, from RM17.114 million in the preceding financial quarter, mainly due to lower order deliveries from both manufacturing and trading of medical peripherals & accessories in the beginning of the new calendar year.

Segmentally, the decline in the revenue contribution for current financial quarter was mainly due to lower revenue of RM2.948 million recorded in the trading segment, decreased by RM4.990 million or 62.86% from RM7.938 million in the preceding financial quarter. The manufacturing segment registered a revenue contribution of RM7.350 million of Group revenue in the current financial quarter, represents a decline of 19.21% or RM1.748 million from RM9.098 million in the preceding financial quarter. Meanwhile, the retail segment made up RM0.068 million in revenue, dropped 12.82% or RM0.010 million from RM0.078 million in the preceding financial quarter.

The Group posted a lower gross profit of RM3.773 million and a higher gross profit margin of 36.39% in the current financial quarter as against RM1.414 million and 8.26% in the preceding financial quarter mainly due to the significant write down of aged inventories of RM4.867 million in the preceding financial quarter.



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

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

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

Despite a lower gross profit, the Group recorded a lower LBT of RM0.497 million as against RM21.692 million in the preceding financial quarter, mainly due to the non-cash accounting adjustments including a higher fair value loss on investment in quoted shares of RM12.800 million and further impairment on the glove inventories of RM4.981 million in the preceding 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 Kenaga 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 Board is currently engaging with its business partner to finalise the designs and the strategy plans of the targeted new outlets in Klang Valley which the Board shall make announcements in due course. 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.



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

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

B4. Tax expense

	UNAUDITED INDIVIDUAL QUARTER ENDED 31 MARCH 2023 RM'000	UNAUDITED CUMULATIVE PERIOD ENDED 31 MARCH 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

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

- (i) The effective date for the implementation of the 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") is 6 April 2023, being the date on which the Company is in full compliance with all relevant requirements including Rule 6.44(1) of the Listing Requirements.

B7. Utilisations of proceeds from corporate exercises

- a) 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



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

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

B7. Utilisations of proceeds from corporate exercises (Cont'd)

- a) Pursuant to the 1st Private Placement, the details of the issuance of Placement Shares as at the date of this report are as follows: (Cont'd)

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	26,617	(117) ⁽¹⁾	-	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	23,779	-	-	Within 12 months
(e)	Estimated expenses in relation to the Proposals	1,000	883	117 ⁽¹⁾	-	Within 1 month
	Total	62,840	62,840	-	-	

Note:-

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

- b) 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



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

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

B7. Utilisations of proceeds from corporate exercises (Cont'd)

- b) Pursuant to the 2nd Private Placement, the details of the issuance of Placement Shares as at the date of this report are as follows: (Cont'd)

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

		Proceeds raised	Actual utilisation	Deviation	Unutilised proceeds	Estimated timeframe for utilisation
	Purposes	RM'000	RM'000	RM'000	RM'000	
(a)	Trading of rubber gloves and PPE	32,953	32,446	(507) ⁽¹⁾	-	Within 24 months
(b)	Setting up new storage facilities	2,000	1,280	(720) ⁽¹⁾	-	Within 24 months
(c)	Estimated expenses in relation to the Proposals	600	514	(86) ⁽¹⁾	-	Within 1 month
(d)	Working capital	-	1,313	1,313 ⁽¹⁾	-	Within 24 months
	Total	35,553	35,553	-	-	

Note:-

(1) In view that the actual listing expenses, trading purchase of rubber gloves and PPE and cost of setting up new storage facilities were less than estimated, the surpluses have been re-allocated for working capital purpose.

- c) 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:

		Proceeds raised	Actual utilisation	Deviation	Unutilised proceeds	Estimated timeframe for utilisation
	Purposes	RM'000	RM'000	RM'000	RM'000	
(a)	Expansion of the pharmacy business	48,353	6,000	(206)	42,559	Within 24 months
(b)	Estimated expenses in relation to the Proposals	1,100	894	206	-	Immediate
	Total	49,453	6,894	-	42,559	

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.



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 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 31 March 2023 were as follows:

	UNAUDITED AS AT 31 MARCH 2023 RM'000	AUDITED AS AT 31 DECEMBER 2022 RM'000
Current:		
Bankers' acceptance	1,462	1,426
Lease liabilities	901	1,201
Term loans	277	402
	<u>2,640</u>	<u>3,029</u>
Non-current:		
Lease liabilities	954	1,214
Term loans	6,676	6,734
	<u>7,630</u>	<u>7,948</u>
Total borrowings:		
Bankers' acceptance	1,462	1,426
Lease liabilities	1,855	2,415
Term loans	6,953	7,136
	<u><u>10,270</u></u>	<u><u>10,977</u></u>

All the borrowings were secured and denominated in Ringgit Malaysia.

B9. Material litigation

Save as disclosed below, there is no litigation or arbitration which has a material effect on the financial position of the Group and the Board of Directors is not aware of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings as at the date of this report.

(i) 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.

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.



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 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)

(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.



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 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 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.

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 MARCH 2023	UNAUDITED CUMULATIVE PERIOD ENDED 31 MARCH 2023
Net loss attributable to ordinary equity holders of the Company (RM'000)	(496)	(496)
Weighted average number of ordinary shares in issue ('000)	984,248	984,248
Basic LPS (sen)	(0.05)	(0.05)



LKL INTERNATIONAL BERHAD (201501014673) (1140005-V)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 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

LBT is arrived at after charging/(crediting):

	UNAUDITED		UNAUDITED	
	INDIVIDUAL QUARTER ENDED		CUMULATIVE PERIOD ENDED	
	31 MARCH	31 MARCH	31 MARCH	31 MARCH
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	489	-	489	-
Gain on disposal of property, plant and equipment	(15)	-	(15)	-
Gain on disposal of quoted investments	-	-	-	-
Property, plant and equipment written off	-	-	-	-
Depreciation of right-of-use assets	245	-	245	-
Interest expense	119	-	119	-
Interest income	(134)	-	(134)	-
Net written down on inventories	106	-	106	-
Impairment loss on trade receivables	20	-	20	-
Fair value loss on investment in quoted shares	1,426	-	1,426	-
Unrealised gain on foreign exchange	(270)	-	(270)	-

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 31 May 2023.