LKL INTERNATIONAL BERHAD

201501014673 (1140005-V)
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE ELEVENTH ANNUAL GENERAL MEETING ("11TH AGM" OR "MEETING") OF LKL INTERNATIONAL BERHAD HELD AT LOT 4.1, 4TH FLOOR, MENARA LIEN HOE, NO. 8, PERSIARAN TROPICANA, TROPICANA GOLF & COUNTRY RESORT, 47410 PETALING JAYA, SELANGOR DARUL EHSAN ON FRIDAY, 29 MAY 2026 AT 10:00 A.M.

REPLY TO QUESTIONS FROM THE MINORITY SHAREHOLDERS WATCH GROUP ("MSWG") RECEIVED PRIOR TO THE MEETING

Mr. Ti Lian Seng, the Managing Director, presented to the Shareholders the questions received from MSWG along with the replies from the Board, as summarised follows:-

Operational & Financial Matters

Q1. The manufacturing segment, which has long been the Group's core business, recorded a lower revenue contribution of RM27.15 million (48.08% of total revenue) compared to RM28.97 million (60.87%) in the previous year, mainly due to reduced demand for medical and healthcare beds, largely reflecting the timing of project deliveries and order fulfilment cycles. (Source: Page 9 of Annual Report (AR) 2025)

Meanwhile, the trading segment grew to RM27.21 million (48.20%) from RM14.38 million (30.22%), driven by improved contract execution and an expanded distribution base. (Source: Page 10 of AR2025)

a) Please provide a breakdown of trading revenue between government-related contracts and private sector customers. Additionally, indicate whether the growth in the trading segment is sustainable or mainly supported by one-off contract fulfilment.

From the trading segment revenue of RM27.2 million, approximately 88% of the revenue was derived from the private sector and 12% from the government sector. The private sector mainly consists of our existing customers, which include private hospitals and distributors. The demand for the manufactured products has remained consistent over the past few years due to market maturity. Accordingly, we are placing greater emphasis on growing the trading segment. The growth achieved during the year reflects the cumulative benefit of an expanded distribution network and broader product range, rather than reliance on any one-off contract.

b) **Can the Board provide the current order book for healthcare beds compared to the previous year, and clarify whether the order delays are limited to specific customers or affect the broader customer base?**

Our current order book as at 22 May 2026 is RM24 million, and the order book as at 31 December 2025 is RM63 million. The order delays observed during the year were not confined to specific customers but reflected a broader pattern across our customer base. We continue to engage actively with our customers and pursue new tenders to replenish the order pipeline.

c) **What is the segmental EBITDA contribution for both manufacturing and trading divisions?**

The EBITDA contribution by the manufacturing segment for the financial year ended 31 December 2025 is (1,741,498), whereas the trading segment is (437,387).

Q2. The Group is undertaking a capital reduction of RM120,000,000 to cancel issued share capital that is no longer backed by underlying assets. The exercise aims to reduce accumulated losses of RM106.77 million (Source: Page 126 of AR2025) and improve the Group's financial position and credibility with stakeholders. It will not affect the number of shares in issue or involve any payment to shareholders, except for related expenses. The exercise is expected to be completed in the second quarter of 2026. (Source: Page 11 of AR2025)

Given the continued decline of shareholders' equity and recurring losses in recent years, what specific measures are in place to ensure that this initiative leads to sustainable financial recovery rather than merely improving the reported financial position?

In addition, what contingency plans are in place should losses continue into FY2026?

The Group's accumulated losses were mainly due to the losses incurred by the Group over the past financial years because of, amongst others, depreciation of property, plant and equipment, impairment losses on assets and fair value adjustments on other investments. The Proposed Capital Reduction will enable the Company and the Group to rationalise the financial positions by reducing the accumulated losses of the Company. This is expected to enhance both the Company's and the Group's credibility with, amongst others, its bankers, customers, suppliers, and investors.

Starting in 2026, the Management has implemented enhanced Key Performance Indicators and Annual Operating Plan tracking to monitor the group's performance against targets, with formal measurement of variances and corrective action protocols.

On business, the Group is diversifying in terms of enhancing its products. We will be bringing more trading products in cross selling to our existing customer base. We are also exploring being an outsourced OEM manufacturer for medical beds.

Q3. The Group ceased physical pharmacy operations following weaker retail segment results, with revenue declining to RM2.10 million in FYE 2025 from RM4.24 million in FYE 2024 and a gross loss of RM2.73 million mainly due to high costs of sales and operating expenses. (Source: Page 10 of AR2025)

Meanwhile, the Board suspended further investment in its joint ventures in Indonesia and the Philippines after reviewing their viability, and PT LKL Indonesia Makmur was later deregistered during the year. (Source: Page 11 of AR2025)

a) What was the total amount of capital invested in the pharmacy segment prior to its cessation?

The total capital invested in the pharmacy segment is held through our wholly-owned subsidiary, Aluxcare Wellness Sdn. Bhd. was approximately RM35.6 million as at 31 December 2025.

b) To what extent did the losses from the pharmacy segment impact the Group's liquidity, cash flow, and working capital position during FYE 2025, and what was the total cash absorbed by the operations before they were discontinued?

The overall Group financial results were affected by the total RM10.6 million impairment in assets, trade receivables and inventories.

c) Was PT LKL Indonesia Makmur operational at any stage prior to its deregistration, and what were the total incorporation and administrative costs incurred up to the point of deregistration?

PT LKL Indonesia Makmur was still dormant at the time prior to its deregistration, and a total of RM251,632 was spent on its incorporation and office set up.

d) Following the Group's recent strategic setbacks, what key lessons has the Board obtained from the failed retail pharmacy and Indonesia expansion initiatives, and what specific targets have been established to ensure that future investments deliver sustainable returns?

We acknowledge that the outcomes from both the retail pharmacy venture and the Indonesia expansion fell short of expectations. The key lessons we have taken from these experiences include the importance of rigorous pre-investment commercial due diligence, the need for clearly defined performance milestones and pre-agreed exit triggers before deploying significant capital, and the value of focusing on our areas of established competitive advantage in the manufacturing and trading of medical and healthcare products.

Going forward, appropriate investment appraisal will be carried out for any future investment before we proceed with the investment decision. We will adopt a bite-sized approach, rather than committing large amounts of capital at the outset, so that assumptions can be validated and proof of concept demonstrated before scaling up.

Q4. The Group recognised RM84.58 million (FY2024: RM17.9) in impairment losses on investments in subsidiaries for FY2025, resulting in cumulative impairment losses of approximately RM122.33 million. (Source: Note 14, page 149 of AR2025).

a) Which subsidiaries contributed most significantly to the RM84.6 million impairment loss?

LKL Advance Metaltech Sdn. Bhd. and Aluxcare Wellness Sdn. Bhd.

b) What measures have been implemented to mitigate the risk of further impairment losses in FY2026?

The Group will be implementing a long-term projection to ensure sustainable cost structures are included, which allows for investment growth with positive profit & cash flow.

Q5. Despite a reduction in total borrowings to RM49.86 million in FY2025 from RM53.71 million in FY2024, the Group's gearing ratio increased from 0.216 times to 0.331 times due to a decline in shareholders' funds. (Source: Note 37, page 184 of AR2025)

a) What portion of the borrowing reduction was funded by internal cash generation as opposed to refinancing activities or asset disposals?

The borrowing reduction was mainly from the withdrawal of pledged fixed deposits.

b) Is the current equity level sufficient to support the Group's existing operational and financing obligations?

Yes, our current equity level is sufficient to support our existing operational and financing obligations.

<u>**Sustainability Matters**</u>

Q1. The Group's workforce reduced from 224 in FYE2024 to 196 in FYE2025, mainly due to competitive labour market conditions and higher remuneration offered by competitors. As a result, staff attrition increased to 24% from 15% previously.

The Group is currently reviewing its human capital management while remaining cautious of rising production costs and supply chain uncertainties. (Source: Page 64 of AR2025)

a) Why is the Group unable to retain talent despite reviewing its human capital strategies and does the current attrition level suggest a structural retention issue rather than normal market turnover?

We wish to clarify that the Group experienced a higher attrition rate in the financial year ended 31 December 2025, but this does not mean we are unable to retain talent within the Group.

We believe that as a result of our on-going staff recruitment and staff retention program, we are able to manage our staff attrition rate from deteriorating further, during the financial year under review.

Furthermore, we are seeking ways to improve our human capital management, in view of the growing intensity in attracting the right talent for our Group while replacing out-going staff.

We wish to bring to your attention that 66% of the staff who resigned during the financial year ended 31 December 2025 were from our manufacturing division. This is a result of the growing competition in attracting skilled and unskilled workers in the manufacturing sector and around the location of our factory.

As part of our human capital management, we are also exploring ways to utilise automation and technology to reduce our reliance on human capital in our manufacturing division.

We continuously review our human capital strategy to ensure the sustainability of our Group's operations.

b) How does the Group's remuneration structure compare with current industry benchmarks?

Our Group periodically review the competitiveness of our remuneration structure, especially compared to the current industry benchmarks. This is to ensure that we remain competitive in our remuneration structure.

c) Can the Board confirm whether the current workforce structure is sustainable for ongoing operations and whether continued high attrition could pose a risk to the Group's long-term stability?

Our Board has reviewed and approved the Sustainability Statement for the financial year ended 31 December 2025. The Sustainability Statement has outlined various strategies (on-going and future) and commitments, to ensure that our business and operations remain sustainable while addressing the ESG matters in our business, community and among our stakeholders.

Referring to page 47 of our Annual report, our Sustainability Statement has highlighted key initiatives in our "Commitment To Our People" section.

High attrition will definitely pose a risk to anybody's long term sustainability. This is the reason why we are constantly enhancing our human capital management to mitigate the impact of the high attrition rate.

Based on the above, our Board is confident that our current workforce structure is sustainable for ongoing operations.

QUESTIONS RAISED BY THE REPRESENTATIVE OF MSWG AND SHAREHOLDERS DURING THE MEETING

Questions were raised by the representative of MSWG and the Shareholders during the Meeting. These were duly addressed by Mr. Ti Lian Seng, the Managing Director of the Company. The relevant questions and answers (Q&A) are summarised below:-

Q1. To provide further details on the Group's expansion into the Latin American market through the exclusive distribution agreement, including the key commercial terms such as the pricing structure, profit margins, performance targets, duration and markets covered, without disclosing commercially sensitive information, as well as the expected revenue contribution from the partnership over the next 12 to 36 months.

The Group secured a contract from a customer in Mexico in 2025, with a project value ranging from approximately RM15 million to RM16 million. To date, approximately 80% of the procurement for the project has been completed.

The remaining 20% of the products have been manufactured and are pending delivery. The Group expects to complete the approval and delivery of the remaining portion within the current quarter.

The Group will continue to engage with the customer to explore further business opportunities for the current year. Discussions and negotiations in relation to potential future projects are ongoing.

Q2. How much financial loss was recognised in relation to the closure of all pharmacy outlets during the financial year?

During the financial year, the Group's wholly-owned subsidiary, Aluxcare Wellness Sdn. Bhd., ceased the operations of all its pharmacy outlets following persistent and escalating losses incurred since the commencement of operations in 2022, despite various cost rationalisation and performance improvement initiatives undertaken.

The retail segment recorded a loss before tax of RM12.60 million for the financial year ended 31 December 2025. Of this amount, approximately RM10.60 million is related to impairment losses and write-offs arising from the closure of the pharmacy outlets.

Q3. How will the remaining unutilised proceeds of RM3.54 million earmarked for the expansion of the pharmacy business be utilised following the closure of the pharmacy outlets?

The unutilised proceeds of RM3.54 million raised under the Rights Issue with Warrants ("RIWW") remain earmarked for their original approved purpose, namely the purchase of pharmacy product inventory under the "Expansion of the Pharmacy Business" utilisation, as disclosed in the Circular to Shareholders dated 2 September 2022 and subsequently varied pursuant to the announcement dated 20 May 2025 in relation to the variations and extension of time for the utilisation of proceeds raised from the RIWW.

The proceeds are required to be utilised in accordance with the approved purpose and cannot be redirected to other purposes without the necessary approvals. While the physical pharmacy retail outlets have ceased operations, the Group continues to explore alternative channels for its pharmacy business.

As disclosed in Note 21(c) to the financial statements, Aluxcare Wellness Sdn. Bhd. is exploring a potential collaboration with a third-party pharmacy operator in relation to a proposed pharmacy e-commerce platform. Accordingly, the unutilised proceeds will continue to be applied towards pharmacy product inventory within the approved purpose and utilisation timeframe of up to 48 months.

Q4. What is the total expected cost for the development of the healthcare mobile application, and what is the current status of the proposed pharmacy e-commerce platform?

The total contracted cost for the development of the healthcare mobile application is approximately RM2.50 million, of which RM950,000 has been advanced to the third-party vendor, as disclosed in Note 21(c) to the financial statements. Following recent changes in key management, the Group is re-evaluating the system and the vendor before making any further commitment, to ensure prudent cost management and value for money.

The proposed pharmacy e-commerce platform, which is being explored in collaboration with a third-party pharmacy operator, remains at the exploratory stage. The Group will only proceed upon satisfactory assessment of the commercial terms and overall viability of the proposed collaboration.

Q5. Why did the statutory audit fee for the current financial year increase by RM70,000, or approximately 45%, compared to the previous financial year?

The Group's statutory audit fee increased from RM155,000 for the financial year ended 31 December 2024 to RM225,000 for the financial year ended 31 December 2025, representing an increase of RM70,000, or approximately 45%.

The increase arose at both the Company and subsidiary levels. At the Company level, the higher audit fee reflected the additional audit effort, time and resources required by the External Auditors during the financial year. At the subsidiary level, the increase was principally attributable to LKL Advance Metaltech Sdn. Bhd., where the audit scope expanded in line with the increase in business activities during the year.

The audit fee was reviewed and recommended by the Audit and Risk Management Committee and subsequently approved by the Board.