

THIS CIRCULAR TO SHAREHOLDERS OF LKL INTERNATIONAL BERHAD ("LKL" OR THE "COMPANY") IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately. This Circular has been reviewed by TA Securities Holdings Berhad, being the Principal Adviser to the Company for the Proposals (as defined herein).

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



LKL INTERNATIONAL BERHAD
(Registration No. 201501014673 (1140005-V))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

- (I) **PROPOSED CONSOLIDATION OF EVERY 10 ORDINARY SHARES IN LKL ("LKL SHARES" OR "SHARES") INTO 1 LKL SHARE ("CONSOLIDATED SHARE") ("PROPOSED SHARE CONSOLIDATION");**
- (II) **PROPOSED DIVERSIFICATION OF THE PRINCIPAL ACTIVITIES OF LKL AND ITS SUBSIDIARIES TO INCLUDE THE OPERATION OF PHARMACIES INCLUDING RETAILING OF PHARMACEUTICAL, HEALTHCARE AND PERSONAL CARE PRODUCTS ("PROPOSED DIVERSIFICATION");**
- (III) **PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 291,480,180 LKL SHARES ("RIGHTS SHARES") TOGETHER WITH UP TO 194,320,120 FREE DETACHABLE WARRANTS IN LKL ("WARRANTS") ON THE BASIS OF 3 RIGHTS SHARES TOGETHER WITH 2 FREE WARRANTS FOR EVERY 1 CONSOLIDATED SHARE HELD BY THE ENTITLED SHAREHOLDERS OF LKL ON AN ENTITLEMENT DATE TO BE DETERMINED ("PROPOSED RIGHTS ISSUE WITH WARRANTS"); AND**
- (IV) **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 AND ITS SUBSIDIARIES ("PROPOSED SIS")**

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

TA SECURITIES

AN UNWAVERING COMMITMENT

TA SECURITIES HOLDINGS BERHAD

(Registration No. 197301001467 (14948-M))

(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Extraordinary General Meeting of the Company ("**EGM**") will be held on a fully virtual basis and entirely via remote participation and electronic voting via an online meeting platform at <https://rebrand.ly/LKL-EGM> operated by Mlabs Research Sdn Bhd from the Main Venue at Lot 4.1, 4th Floor, Menara Lien Hoe, No. 8, Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan.

If you are unable to participate in the EGM and wish to appoint proxy(ies) instead, the appointment of proxy(ies) may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof at which the person named in the appointment proposes to vote:

- (i) **In hard copy form**
In the case of an appointment made in hard copy form, the Form of Proxy must be deposited at the office of the Poll Administrator, Workshire Share Registration Sdn Bhd at A1-2-2, Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur, Wilayah Persekutuan (KL).
- (ii) **By electronic form**
The Form of Proxy can be electronically lodged by email to infosr@wscs.com.my. Kindly refer to the Administrative Notes on the procedures for electronic lodgement of Form of Proxy.

Last date and time for lodging the Form of Proxy : Sunday, 18 September 2022 at 11:00 a.m.
Date and time of the EGM : Tuesday, 20 September 2022 at 11:00 a.m.

This Circular is dated 2 September 2022

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

19% Private Placement	: Private placement of 150,000,000 Shares, representing approximately 19% of the total number of issued shares of the Company, which was completed on 13 January 2022
20% Private Placement	: Private placement of 85,760,000 Shares, representing 20% of the total number of issued shares of the Company, which was completed on 12 April 2021
30% Private Placement	: Private placement of 177,523,200 Shares, representing approximately 30% of the total number of issued shares of the Company, which was completed on 16 November 2021
Act	: Companies Act 2016, as amended from time to time including any re-enactment thereof
Aluxcare Wellness	: Aluxcare Wellness Sdn Bhd (202101015036 (1415336-K))
AGESB	: AT Glove Engineering Sdn Bhd (202001014272 (1370592-K))
Board	: Board of Directors of LKL
Books Closure Date	: A date to be determined and announced later by the Board, at the close of business on which the Shareholders must be registered in the Record of Depositors of the Company as at 5.00 p.m. in order to be entitled to participate in the Proposed Share Consolidation
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd (198701006854 (165570-W))
Bursa Securities	: Bursa Malaysia Securities Berhad (200301033577 (635998-W))
By-laws	: By-laws governing the SIS, as amended, modified and/or varied from time to time in accordance with the provisions of the By-laws, a draft of which is appended in Appendix II of this Circular
Circular	: This circular to Shareholders in relation to the Proposals
Code	: Malaysian Code on Take-Overs and Mergers 2016, as amended from time to time and any re-enactment thereof
Consolidated Shares	: Shares that have been consolidated following the completion of the Proposed Share Consolidation
COVID-19	: Coronavirus disease of 2019
Date of Offer	: The date of the letter in which an Offer is made by the SIS Committee to the Eligible Persons to participate in the SIS
Deed Poll	: Deed poll constituting Warrants and governing the rights of Warrant holders to be executed by LKL
Directors	: Directors of the Company for the time being and shall have the meaning ascribed to it in Section 2(1) of the Act and Section 2(1) of the Capital Markets and Services Act 2007 and Director shall be construed accordingly

DEFINITIONS (CONT'D)

Effective Date	:	The date on which the SIS shall take effect, following full compliance with all relevant requirements prescribed under the Listing Requirements
EGM	:	Extraordinary general meeting
Eligible Directors	:	Directors (including executive and non-executive Directors, independent or otherwise) of the Group who fulfil the eligibility criteria for participation in the SIS as set out in the By-laws
Eligible Employees	:	Employees of the Group who fulfil the eligibility criteria for participation in the SIS as set out in the By-laws
Eligible Persons	:	Collectively, the Eligible Directors and the Eligible Employees
Entitled Shareholders	:	Shareholders whose names appear in the Record of Depositors of the Company as at the close of business on the Entitlement Date in order to be entitled to participate in the Proposed Rights Issue with Warrants
Entitlement Date	:	A date to be determined by the Board and announced later, on which the names of Shareholders must appear in the Record of Depositors of the Company as at the close of business on that date in order to be entitled to participate in the Proposed Rights Issue with Warrants
EPS	:	Earnings per Share
Exercise Price	:	The price at which a Grantee shall be entitled to subscribe for each new Share from the Company upon the exercise of the SIS Options, as specified in the Offer and as may be adjusted in accordance with the provisions of the By-laws
Existing ESOS	:	The employees' share option scheme 2020/2025 of the Company which took effect on 26 October 2020 for a period of 5 years
Existing ESOS Options	:	Options granted or which may be granted under the Existing ESOS pursuant to the by-laws governing the Existing ESOS that are exercisable into new LKL Shares
Foreign-Addressed Shareholders	:	Shareholders who have not provided to the Company a registered address or an address for service in Malaysia for the service of documents which will be issued in connection with the Proposed Rights Issue with Warrants
FPE	:	Financial period ended
FYE	:	Financial year ended / ending, as the case may be
GP	:	Gross profit
Grantee	:	An Eligible Person who has accepted an Offer in the manner provided in the By-laws
IMR Report	:	Independent market research report dated 22 August 2022 prepared by Infobusiness
Infobusiness or the IMR	:	Infobusiness Research & Consulting Sdn Bhd (199901024026 (498926-P))

DEFINITIONS (CONT'D)

LAT	: Loss after taxation
LBT	: Loss before taxation
Listing Requirements	: ACE Market Listing Requirements of Bursa Securities
LKL or the Company	: LKL International Berhad (201501014673 (1140005-V))
LKL Group or the Group	: Collectively, LKL and its subsidiaries
LKL Shares or the Shares	: Ordinary shares in LKL
LKLAM	: LKL Advance Metaltech Sdn Bhd (199301023839 (278577-X))
LPD	: 19 August 2022, being the latest practicable date prior to the printing of this Circular
LPS	: Loss per Share
Market Day	: Any day on which Bursa Securities is open for the trading of securities
Maximum Scenario	: Assuming that all the Entitled Shareholders and/or their renouncee(s) fully subscribe to their respective entitlements under the Proposed Rights Issue with Warrants
Maximum Shares	: Maximum number of Shares that may be granted under the SIS and shall not in aggregate exceed 30% of the total number of issued shares of the Company (excluding treasury shares, if any) at any point in time during the duration of the SIS
MCO	: Movement Control Order
Minimum Scenario	: Assuming that the Proposed Rights Issue with Warrants is undertaken based on the Minimum Subscription Level.
Minimum Subscription Level	: Minimum subscription level of 25,000,000 Rights Shares together with 16,666,666 Warrants based on an illustrative issue price of RM0.20 per Rights Share to arrive at RM5.00 million
NA	: Net assets
Offer	: Written offer of SIS Options at the discretion of the SIS Committee, to an Eligible Person from time to time within the duration of the SIS
Official List	: The official list of the ACE Market of Bursa Securities
PAT	: Profit after taxation
PBT	: Profit before taxation
Pharmacy Business	: Operation of pharmacies including retailing of pharmaceutical, healthcare and personal care products
PPE	: Personal protective equipment

DEFINITIONS (CONT'D)

Proposals	:	Collectively, the Proposed Share Consolidation, Proposed Rights Issue with Warrants, Proposed SIS and Proposed Diversification
Proposed Diversification	:	Proposed diversification of the principal activities of LKL Group to include the Pharmacy Business
Proposed Rights Issue with Warrants	:	Proposed renounceable rights issue of up to 291,480,180 Rights Shares together with up to 194,320,120 free detachable Warrants on the basis of 3 Rights Shares together with 2 free Warrants for every 1 Consolidated Share held by the Entitled Shareholders on the Entitlement Date
Proposed Consolidation	Share :	Proposed consolidation of every 10 LKL Shares into 1 Consolidated Share
Proposed SIS	:	Proposed establishment of a SIS of up to 30% of the total number of issued Shares (excluding treasury shares, if any)
Record of Depositors	:	A record of securities holders established by Bursa Depository under the Rules of Bursa Depository
Rights Shares	:	Up to 291,480,180 new Shares to be allotted and issued pursuant to the Proposed Rights Issue with Warrants
RM and sen	:	Ringgit Malaysia and sen respectively
Rules of Bursa Depository	:	Rules of Bursa Depository as issued pursuant to the Securities Industry (Central Depositories) Act, 1991, as amended from time to time
Rules on Take-overs, Mergers and Compulsory Acquisitions	:	Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the SC pursuant to Section 377 of the Capital Markets and Services Act 2007, as amended from time to time
SC	:	Securities Commission Malaysia
Shareholders	:	Registered holders of LKL Shares
SIS	:	Share issuance scheme for the granting of the SIS Options to the Eligible Persons to subscribe for new Shares upon the terms as set out in the By-laws, such scheme to be known as “LKL Share Issuance Scheme”
SIS Committee	:	The committee appointed and authorised by the Board from time to time to administer the SIS in accordance with the By-laws, comprising such number of Directors and/or other persons identified and appointed from time to time by the Board
SIS Options	:	The right of a Grantee to subscribe for new Shares, during the SIS Option Period, at the Exercise Price pursuant to an Offer duly accepted by the Grantee
SIS Option Period	:	The period commencing from the date an Offer is accepted by the Grantee and expiring on (i) the last day of the duration of the SIS, or (ii) such other date as stipulated by the SIS Committee in the Offer, or (iii) on the date of termination or expiry of the SIS as provided in the By-laws

DEFINITIONS (CONT'D)

TA Securities or the Principal Adviser	: TA Securities Holdings Berhad (197301001467 (14948-M))
TEAP	: Theoretical ex-all price
Undertaking	: The written undertaking from the Undertaking Shareholder dated 16 June 2022 pursuant to which the Undertaking Shareholder has irrevocably and unconditionally undertaken, amongst others, to apply and subscribe in full for his Rights Shares entitlements and additional Rights Shares not taken up by other Entitled Shareholders by way of excess Rights Shares application to the extent that the aggregate subscription proceeds of the Rights Shares received by LKL arising from the subscription by the Undertaking Shareholder amount to not less than RM5.00 million, details of which are set out in Section 2.3.3 of this Circular
Undertaking Shareholder	: Datuk Chong Loong Men (Executive Director of the Company)
VWAP	: Volume-weighted average market price
Warrants	: Up to 194,320,120 free detachable warrants in LKL to be allotted and issued pursuant to the Proposed Rights Issue with Warrants

All references to “you” in this Circular are to the Shareholders.

In this Circular, words referring to the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to time and date in this Circular shall be a reference to Malaysian time and date, unless otherwise stated. Any discrepancies in the tables between the actual figures, amounts stated and the totals in this Circular are, unless otherwise explained, due to rounding.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that the Company’s plans and objectives will be achieved.

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EXECUTIVE SUMMARY

This Executive Summary only highlights the key information from other parts of the Circular. It does not contain all the information that may be important to you. You should read and understand the contents of the whole Circular for further details before voting at the EGM.

Summary												
Summary of the Proposals												
Proposed Share Consolidation	:	Consolidation of every 10 LKL Shares into 1 Consolidated Share										
Proposed Diversification	:	Diversification of the principal activities of LKL Group to include the Pharmacy Business										
Proposed Rights Issue with Warrants	:	Renounceable rights issue of up to 291,480,180 Rights Shares together with up to 194,320,120 free detachable Warrants on the basis of 3 Rights Shares together with 2 free Warrants for every 1 Consolidated Share held by the Entitled Shareholders on the Entitlement Date										
Proposed SIS	:	Establishment of a SIS of up to 30% of the total number of issued Shares (excluding treasury shares, if any)										
Please refer to Section 2 of this Circular for further information.												
Shareholders' Undertaking												
Undertaking Shareholder and undertaking amount	:	Datuk Chong Loong Men (Executive Director of the Company): RM5.00 million										
Minimum Rights Shares to be subscribed for pursuant to the Undertaking	:	<table><tr><th>Undertaking Shareholder</th><th>Entitlement</th><th>Excess application</th><th>Total</th></tr><tr><td>Datuk Chong Loong Men</td><td>30,000</td><td>24,970,000</td><td>⁽¹⁾⁽²⁾25,000,000</td></tr></table>	Undertaking Shareholder	Entitlement	Excess application	Total	Datuk Chong Loong Men	30,000	24,970,000	⁽¹⁾⁽²⁾ 25,000,000		
Undertaking Shareholder	Entitlement	Excess application	Total									
Datuk Chong Loong Men	30,000	24,970,000	⁽¹⁾⁽²⁾ 25,000,000									
<u>Notes:</u>												
(1) Based on the illustrative issue price of RM0.20 per Rights Share.												
(2) Representing 8.58% of the total number of 291,480,180 Rights Shares available for subscription under the Maximum Scenario.												
Please refer to Section 2.3.3 of this Circular for further information.												
Utilisation of proceeds												
Proposed Rights Issue with Warrants												
Based on an illustrative issue price of RM0.20 per Rights Share, the gross proceeds to be raised from the Proposed Rights Issue with Warrants are intended to be utilised in the following manner:												
Utilisation of proceeds		Expected timeframe for utilisation from completion of the Proposed Rights Issue with Warrants	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)								
(i) Expansion of the Pharmacy Business		Within 24 months	3,900	57,196								
(ii) Estimated expenses for the Proposals		Immediate	1,100	1,100								
Total			5,000	58,296								

Summary**Utilisation of proceeds (Cont'd)****Proposed SIS**

The proceeds arising from the exercise of the SIS Options will depend on, amongst others, the number of SIS Options granted and exercised at the relevant point in time as well as the Exercise Price. As such, the actual amount of proceeds arising from the exercise of the SIS Options as well as the timeframe for the utilisation of proceeds could not be determined at this juncture.

Please refer to Section 3 of this Circular for further information.

Rationale of the Proposals**Proposed Share Consolidation**

The reduction in the number of Shares available in the market may reduce the volatility of the trading price for the Shares. Further, the higher share price resulting from the Proposed Share Consolidation provides the Company with more flexibility in fixing the issue price of the Rights Shares.

Proposed Diversification

It allows the Group to undertake the Pharmacy Business on a bigger scale. Moreover, the Proposed Diversification will provide an additional revenue stream to the Group, which is expected to contribute positively to the Group's financial performance.

Proposed Rights Issue with Warrants

Enables the Company to raise the requisite funds without incurring additional interest expense from bank borrowings, thereby minimising any potential cash outflow in respect of interest servicing costs.

Proposed SIS

Align the interests of the Eligible Persons with the interests of the Shareholders by providing an incentive for the Eligible Persons to participate in the future growth of the Group and motivating them towards achieving better performance.

Please refer to Section 4 of this Circular for further information.

Approvals required

- (i) Bursa Securities, the approval of which was obtained on 18 August 2022;
- (ii) Shareholders at the forthcoming EGM; and
- (iii) any other relevant parties / authorities, if required.

Please refer to Section 8 of this Circular for further information.

Interests of Directors, major Shareholders, chief executive and/or persons connected to them

Save for the Proposed SIS, none of the directors, major shareholders, chief executive of the Company and/or persons connected with them are deemed interested, direct or indirect, in the Proposals.

Please refer to Section 10 of this Circular for further information.

Board's recommendation

The Board recommends that you vote in favour of the resolution pertaining to the Proposals to be tabled at the forthcoming EGM, the details of which are set out in the cover page of this Circular and the Notice of EGM as enclosed.

Please refer to Section 11 of this Circular for further information.



LKL INTERNATIONAL BERHAD
(Registration No. 201501014673 (1140005-V))
(Incorporated in Malaysia)

Registered Office:

Third Floor, No. 77, 79 & 81
Jalan SS 21/60
Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan

2 September 2022

Board of Directors

Zulkarnin Bin Ariffin (Executive Director)
Datuk Chong Loong Men (Executive Director)
Lim Ming Chang (Non-Independent Non-Executive Director)
Ling Chi Hoong (Independent Non-Executive Director)
Chan Jee Peng (Independent Non-Executive Director)
Ng Fun Kim (Independent Non-Executive Director)

To: The Shareholders

Dear Sir / Madam,

PROPOSALS

1. INTRODUCTION

On 16 June 2022, the Company had announced the termination of the Existing ESOS with effect from 16 June 2022, in accordance to the by-laws governing the Existing ESOS in view that the Board does not intend to grant any options under the Existing ESOS.

Subsequently on 17 June 2022, TA Securities had, on behalf of the Board, announced that the Company proposes to undertake the Proposals.

On 18 August 2022, TA Securities had, on behalf of the Board, announced that Bursa Securities had vide its letter dated 18 August 2022 granted its approval for the following:

- (i) Proposed Share Consolidation;
- (ii) admission of the Warrants to the Official List;
- (iii) listing and quotation of the Rights Shares and Warrants;
- (iv) listing and quotation of the new Shares to be issued pursuant to the exercise of the Warrants; and
- (v) listing and quotation of up to 30% of the total number of issued Shares (excluding treasury shares, if any) to be issued pursuant to the exercise of the SIS Options under the Proposed SIS.

The approval of Bursa Securities is subject to the conditions as set out in Section 8 of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH RELEVANT INFORMATION ON THE PROPOSALS AND TO SET OUT THE VIEWS AND RECOMMENDATION OF THE BOARD AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS WHICH WILL BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF THE EGM AND THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDIX CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS TO GIVE EFFECT TO THE PROPOSALS AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSALS

2.1 Proposed Share Consolidation

2.1.1 Details of the Proposed Share Consolidation

The Proposed Share Consolidation entails the consolidation of every 10 existing Shares held by the Shareholders, whose names appear in the Company's Record of Depositors at the close of business on the Books Closure Date, into 1 Consolidated Share.

It is the intention of the Company to implement the Proposed Share Consolidation prior to the implementation of the Proposed Rights Issue with Warrants and Proposed SIS.

As at the LPD, the issued share capital of the Company is RM193,765,957 comprising 971,600,600 Shares and the Company does not have any treasury shares and convertible securities.

Upon completion of the Proposed Share Consolidation, the resultant issued share capital of LKL will be RM193,765,957 comprising 97,160,060 Consolidated Shares.

Fractional entitlements arising from the Proposed Share Consolidation, if any, shall be disregarded and/or dealt with by the Board in such manner at its absolute discretion as it may deem fit or expedient and in the best interest of the Company.

2.1.2 Theoretical adjusted reference price of the Consolidated Shares

The Proposed Share Consolidation will result in an adjustment to the reference price of the Shares as quoted on the ACE Market of Bursa Securities but theoretically shall not have any impact on the market value of the Shares held by the Shareholders.

For illustration, based on the last transacted market price of the Shares as at the LPD, the theoretical adjusted reference price of the Consolidated Shares upon completion of the Proposed Share Consolidation is as follows:

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	No. of Shares	Closing market price / Theoretical adjusted reference price per Share (RM)	Total value ⁽¹⁾ (RM)
As at the LPD	971,600,600	0.04	38,864,024
After the Proposed Share Consolidation	97,160,060	0.40	38,864,024

Notes:

- (1) The total value is arrived at by multiplying the number of Shares with the closing market price / theoretical adjusted reference price per Share.
- (2) The theoretical adjusted reference price is arrived at based on the following formula:

$$\begin{aligned}
 \text{Theoretical adjusted reference price} &= \text{Market price per Share} \times \frac{\text{Number of Shares before the Proposed Share Consolidation}}{\text{Number of Shares after the Proposed Share Consolidation}} \\
 &= 0.04 \times \frac{971,600,600}{97,160,060} \\
 &= 0.40
 \end{aligned}$$

Based on the illustration above, the Proposed Share Consolidation will increase the reference price of the Shares but it will not have any impact on the total value of the Shares.

2.1.3 Ranking of the Consolidated Shares

The Consolidated Shares shall rank equally in all respects with one another.

2.1.4 Suspension of trading, listing date and notices of allotment

There will not be any suspension of trading of the Shares on the ACE Market of Bursa Securities pursuant to the Proposed Share Consolidation.

The Consolidated Shares will be listed and quoted on the ACE Market of Bursa Securities on the next Market Day after the Books Closure Date.

The notices of allotment of the Consolidated Shares will be issued and despatched to the entitled holders within 4 Market Days after the listing and quotation of the Consolidated Shares on the ACE Market of Bursa Securities.

2.2 Proposed Diversification

2.2.1 Details of the Proposed Diversification

LKL Group is currently involved in the manufacturing of medical / healthcare beds, medical peripherals and accessories as well as the trading of medical furniture, medical devices, medical peripherals and accessories.

The Group has been actively identifying other business opportunities to expand its revenue stream to reduce dependence on any single revenue source. After taking into consideration the growing need for individuals to look after their own health, the Group has resolved to venture into the Pharmacy Business.

The Proposed Diversification will allow the Group to leverage on the increasing health and wellness awareness amongst the consumers pre-COVID-19 pandemic, as well as the growing demand for preventive healthcare products due to the COVID-19 pandemic. Under the Pharmacy Business, the products to be supplied by the Group will include pharmaceutical drugs, dietary supplements, cosmetics and personal care products, medical equipment and medical devices.

The Group expects the demand for healthcare-related products will continue to grow and sustain in Malaysia even after the recovery of the COVID-19 pandemic due to the constant demand in the medical industry as well as the prevailing public awareness of the need for self-protection and hygienic practices. Further details on the prospects for the pharmacy retail industry in Malaysia is set out in Section 5.2 of this Circular.

Further, the Pharmacy Business complements the existing business of the Group in the healthcare sector, as the Group will be able to tap on its existing network within the healthcare industry to operate this business as well as to expand its customer base. In addition, the Group will be able to use the pharmacy outlets as an additional distribution channel to market its existing healthcare-related products.

In this regard, Aluxcare Wellness (a wholly-owned subsidiary of LKL), had setup its first pharmacy outlet in Solaris Dutamas, Kuala Lumpur under the “Pharmacy” brand name. This outlet was officially launched on 23 March 2022 and served as the Group’s pilot project in undertaking the Pharmacy Business.



(Pictures of the pharmacy outlet operated by Aluxcare Wellness)

The Group has been promoting its first pharmacy outlet via digital marketing, promotional campaigns and loyalty program.

Moving forward, the Group is looking to open 20 to 30 pharmacy outlets within 2 years from the Proposed Rights Issue with Warrants. With more pharmacy outlets and a more extensive distribution network, the Group hopes to achieve a higher stock turnover and therefore be able to negotiate for better pricing or bulk discount for the products that it sells in its pharmacy outlets. In this regard, the Group is planning to undertake the Proposed Rights Issue with Warrants to fund the expansion of the Pharmacy Business.

Following the above, the Company expects that its future participation in the Pharmacy Business may result in the diversion of 25% or more of the net assets of LKL Group or may result in a contribution to 25% or more of the net profits of the Group. As such, the Board proposes to seek approval from the Shareholders for the Proposed Diversification pursuant to Rule 10.13(1) of the Listing Requirements at the forthcoming EGM. Notwithstanding the Proposed Diversification, the Group intends to continue its existing principal activities in the same manner.

2.2.2 Key management personnel

The Group has identified William Shak Soo Wei and Zulkarnin Bin Ariffin to oversee the Pharmacy Business. Their profiles are set out below:

(i) William Shak Soo Wei

William Shak Soo Wei, Malaysian, aged 30, attended UCSI University, Malaysia and obtained a Bachelor of Pharmacy in 2014. He started his career with Hospital Keningau in 2014 as a Provisionally Registered Pharmacist. From 2014 to 2016, he was mainly involved in the operations of outpatient and inpatient pharmacy.

He joined Hospital Pitas in 2016 as a Fully Registered Pharmacist. From 2016 to 2017, he has mainly been involved in the operations of outpatient pharmacy as well as inventory management.

He then joined Health Lane Family Pharmacy, Taman Cheras in 2017 as a Pharmacist cum Branch Manager. From 2017 to 2021, he was mainly involved in the operations of this pharmacy outlet which includes providing customer service medication and over-the-counter drugs, training customer service personnel, inventory management as well as financial management.

He joined LKL Group since July 2021 and is currently an executive director in Aluxcare Wellness (a wholly-owned subsidiary of LKL). He has been involved in the Group's venture into the Pharmacy Business and is a full-time pharmacist in the Group's first pharmacy outlet in Solaris Dutamas, Kuala Lumpur. He is licensed to dispense over-the-counter drugs and his primary responsibility is to oversee the daily operations of the pharmacy outlets and inventory management.

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(ii) Zulkarnin Bin Ariffin

Zulkarnin Bin Ariffin, Malaysian, aged 49, attended International Islamic University, Malaysia and obtained a Bachelor of Accounting (Honours) in 1997. He is also a member of the Malaysia Institute of Certified Public Accountants (MICPA) and a member of the Malaysia Institute of Accountants (MIA) since 1998 and 2000 respectively.

He started his career with KPMG PLT in 1997 as an auditor. From 1997 up to 2000, he was mainly involved in audit and advisory services for both private and public listed companies. He joined Malaysia Mining Corporation Berhad in 2000 as an Assistant Finance Manager. From 2000 to 2003, he was mainly involved in finance department and accounts matters.

He then joined Furqan Business Organisation Berhad in 2003 as a Senior Group Finance Manager. From 2003 to 2005, he was mainly involved in the company's finance department matters including taxation.

He joined Seacera Group Berhad in 2005 as the Group Financial Controller where he was mainly involved in overseeing the business's day-to-day financial operations. He was appointed as the Chief Executive Officer of Seacera Group Berhad in January 2008. Subsequently, he was appointed as the Group Managing Director in February 2011. On 29 May 2019, he was redesignated as the Group Chief Executive Officer of the aforesaid company and has since remained in this position.

On 29 March 2021, he was appointed as the Executive Director of LKL Group and was subsequently appointed as Group Chief Executive Office of the Group on 23 May 2022. He has been leading the Group's initiatives to expand its product portfolio. He also oversees the operations and business activities of the Group including the Group's venture into the Pharmacy Business. His past operational and managerial experiences will be crucial in managing the team tasked to undertake the Pharmacy Business.

LKL's senior management team will, from time to time, review the capabilities and resources needed for the Pharmacy Business. By leveraging on the expertise of the aforesaid key management personnel, the Board believes that the Group has the capability and resources to diversify into the Pharmacy Business without impacting the Group's existing operations.

As and when the need arises, the Group may employ more employees to support the Pharmacy Business, taking into consideration the number of new pharmacy outlets to be set up, the cost in employing additional employees and the cash flow position of the Group at the relevant point in time.

2.3 Proposed Rights Issue with Warrants

2.3.1 Basis and number of Rights Shares and Warrants to be issued

The Proposed Rights Issue with Warrants shall be undertaken after the Proposed Share Consolidation.

The Proposed Rights Issue with Warrants involves the issuance of up to 291,480,180 Rights Shares together with up to 194,320,120 free Warrants to be implemented on a renounceable basis of 3 Rights Shares together with 2 free Warrants for every 1 Consolidated Share held by the Entitled Shareholders on the Entitlement Date at an issue price to be determined and announced by the Board.

The basis of 3 Rights Shares together with 2 free Warrants for every 1 Consolidated Share was arrived at after taking into consideration, amongst others, the following:

- (i) the amount of proceeds to be raised from the subscription of the Rights Shares which is to be channelled towards the purposes as set out in Section 3.1 of this Circular. The proceeds to be raised are subject to the final issue price of the Rights Shares, further details of which are set out in Section 2.3.4 of this Circular; and
- (ii) Rule 6.51 of the Listing Requirements which states that the number of new Shares which will arise from all outstanding warrants, when exercised, does not exceed 50% of the total number of issued shares of the Company (excluding treasury shares and before the exercise of the warrants) at all times.

The actual number of Rights Shares and Warrants to be issued will depend on the total number of issued Shares held by the Entitled Shareholders on the Entitlement Date after taking into consideration any new Shares that may be issued arising from the exercise of any convertible securities as well as the eventual subscription level for the Proposed Rights Issue with Warrants.

As at the LPD, the Company has 971,600,600 issued Shares. Upon the completion of Proposed Share Consolidation and assuming all Entitled Shareholders fully subscribe to their entitlements of the Rights Shares with Warrants, the Proposed Rights Issue with Warrants would entail the issuance of up to 291,480,180 Rights Shares together with 194,320,120 Warrants.

The Rights Shares and Warrants will be provisionally allotted and issued to the Entitled Shareholders. The Entitlement Date shall be determined by the Board after obtaining all approvals for the Proposed Rights Issue with Warrants.

The Warrants are attached to the Rights Shares without any cost and will be issued only to the Entitled Shareholders and/or their renouncee(s) who subscribe for the requisite number of Rights Shares. Each Warrant will entitle its holder to subscribe for 1 new Share at an exercise price to be determined by the Board. The Warrants will be immediately detached from the Rights Shares upon issuance and will be traded separately. The Warrants will be issued in registered form and constituted by Deed Poll.

The entitlements for the Rights Shares together with the Warrants are renounceable in full or in part. Accordingly, the Entitled Shareholders may fully or partially renounce their entitlements under the Proposed Rights Issue with Warrants.

However, the Rights Shares and Warrants cannot be renounced separately and only the Entitled Shareholders who subscribe for the Rights Shares will be entitled to the Warrants. As such, the Entitled Shareholders who renounce all of their Rights Share entitlement shall be deemed to have renounced all the accompanying entitlements to the Warrants to be issued together with the Rights Shares. If the Entitled Shareholders accept only part of their Rights Share entitlement, they shall be entitled to the Warrants in proportion to their acceptance of their Rights Share entitlement.

Any Rights Shares which are not validly taken up shall be offered to other Entitled Shareholders and/or their renouncee(s) under excess shares application. It is the intention of the Board to reduce the incidence of odd lots and to allocate excess Rights Shares in a fair and equitable manner and on a basis to be determined by the Board later.

Fractional entitlements of the Rights Shares and/or Warrants arising from the Proposed Rights Issue with Warrants, if any, shall be disregarded and/or dealt with by the Board in such manner and on such terms and conditions as the Board in its absolute discretion may deem fit or expedient and in the best interest of the Company.

2.3.2 Indicative salient terms of Warrants

Issuer	: LKL
Issue size	: Up to 194,320,120 Warrants.
Form	: The Warrants will be issued in registered form and constituted by the Deed Poll.
Board lot	: For purpose of trading on Bursa Securities, a board lot of Warrants shall be 100 units of Warrants, carrying the right to subscribe for 100 new Shares at any time during the exercise period, or such other denomination as determined by Bursa Securities.
Tenure	: 3 years commencing on and including the date of issuance of the Warrants.
Exercise period	: The Warrants may be exercised at any time within the tenure of the Warrants, commencing from and including the date of issue of the Warrants (" Issue Date ") and expiring at the close of business at 5.00 p.m. in Kuala Lumpur on the date immediately preceding the 3rd anniversary of the Issue Date, and if such a day is not a market day, on the immediately preceding market day. Any Warrants not exercised at the expiry of the exercise period will thereafter lapse and become null and void.
Exercise price	: The exercise price of the Warrants shall be determined by the Board at a later date after obtaining the relevant approvals but prior to the Entitlement Date. The exercise price and/or the number of Warrants in issue during the exercise period shall however be subject to adjustments under circumstances prescribed in accordance with the terms and provisions of Deed Poll.
Exercise rights	: Each Warrant shall entitle the holder of the Warrants to subscribe for 1 new Share at any time during the exercise period at the exercise price, subject to adjustments in accordance with provisions of the Deed Poll.
Mode of exercise	: The holders of the Warrants shall pay the aggregate of the exercise price payable when exercising their Warrants to subscribe for new Shares in the Company: (i) via online payment into a bank account of the Company maintained with a bank operating in Malaysia and provide the payment advice; or (ii) by banker's draft or cashier's order drawn on a bank operating in Malaysia or money order or postal order issued by a post office in Malaysia. The payment of such amount must be made in RM.

Adjustments to the exercise price and/or the number of the Warrants	: The exercise price and/or the number of unexercised Warrants shall be adjusted from time to time by the Board in consultation with an approved adviser appointed by the Company and/or certified by the auditors in the event of any alteration in the share capital of the Company at any time during the tenure of the Warrants and such other event stipulated in the Deed Poll, subject to the provisions of the Deed Poll. Any adjustment to the exercise price will be rounded up to the nearest 1 sen.
Rights of the holders of Warrants	: The Warrants do not confer on their holders any voting rights or any rights to participate in any forms of distribution and/or offer of further securities in the Company until and unless the holders of such Warrants have exercised their Warrants to subscribe for new Shares in accordance with the provisions of the Deed Poll and such new Shares have been allotted and issued to such holders.
Ranking of the new Shares to be issued pursuant to the exercise of the Warrants	: The new Shares to be issued pursuant to the exercise of the Warrants in accordance with the provisions of the Deed Poll shall, upon allotment, issuance and payment of the exercise price, rank pari passu in all respects with the existing issued Shares, save and except that the new Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to shareholders of the Company where the entitlement date of which is prior to the date of issuance and allotment of the new Shares to be issued arising from the exercise of the Warrants.
Modification of rights of the Warrant holder	: Save as otherwise provided in the Deed Poll, a special resolution of the Warrants holders is required to sanction any modification, amendments, deletions or additions in respect of the rights of the Warrant holders.
Modification of the Deed Poll	: The Company may, from time to time, without the consent or sanction of the holders of the Warrants make modifications to the Deed Poll which in the opinion of the Company are not materially prejudicial to the interest of the Warrant holders or are to correct a manifest error or to comply with mandatory provisions of the laws of Malaysia, the Rules of Bursa Depository, Securities Industry (Central Depositories) Act, 1991 and/or the Listing Requirements. Subject to the above, any modification to the Deed Poll may, subject to the approval of any relevant authorities, be effected only by a further deed poll, executed by the Company and expressed to be supplemental to the Deed Poll.
Rights of the Warrant holders in the event of winding-up, compromise and/or arrangement	: Where a resolution has been passed for a members' voluntary winding-up of the Company, or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with 1 or more companies, then: (i) for the purposes of such winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the holders of the Warrants (or some person designated by them for such purpose by special resolution) shall be a party, the terms of such winding-up, compromise and arrangement shall be binding on all the holders of the Warrants; and

Rights of the Warrant holders in the event of winding-up, compromise and/or arrangement (cont'd)	: (ii)	in any other case, every holder of the Warrants shall be entitled to exercise the exercise rights at any time within 6 weeks after the passing of such resolution for a members' voluntary winding up of the Company or within 6 weeks from the granting of the court order approving the winding up, compromise or arrangement, as the case may be, by the irrevocable surrender of his Warrants to the Company by submitting the duly completed exercise notices authorising the debit of his Warrants, together with payment of the relevant payments and fees for the exercise price, to elect to be treated as if he had immediately prior to the commencement of such winding up, compromise or arrangement, exercised the exercise rights to the extent specified in the exercise notices and be entitled to receive out of the assets of the Company which would be available in liquidation as if he had on such date been the holder of the new Shares to which he would have become entitled pursuant to such exercise and the liquidator of the Company must give effect to such election accordingly. All exercise rights which have not been exercised within the above 6 weeks of either the passing of such resolution for the members' voluntary winding up or the granting of the court order for the approval of such winding up, compromise or arrangement, as the case may be, will lapse and all the unexercised Warrants will cease to be valid for any purpose. If the Company is wound up (other than by way of a members' voluntary winding up), all the exercise rights which have not been exercised prior to the date of the commencement of the winding up shall lapse and cease to be valid for any purpose.
Listing status	:	The Warrants will be listed on the ACE Market of Bursa Securities. The listing and quotation of the Warrants on the ACE Market of Bursa Securities are subject to a minimum of 100 holders of Warrants.
Transferability	:	The Warrants shall be transferable in the manner provided under the Securities Industry (Central Depositories) Act, 1991 of Malaysia and the Rules of Bursa Depository.
Governing law	:	The Warrants and the Deed Poll shall be governed by the laws and regulations of Malaysia.

The Board intends to fix the exercise price of the Warrants such that it is at a discount range of between 15% and 35% to the TEAP of LKL Shares, to be calculated based on the 5-day VWAP of LKL Shares up to and including the last trading day prior to the price-fixing date, further details of which are disclosed in Section 2.3.4(ii) of this Circular.

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2.3.3 Minimum Subscription Level and Undertaking

LKL intends to raise a minimum of RM5.00 million from the Proposed Rights Issue with Warrants to meet the funding requirements of the Group, which will be channelled towards the proposed utilisation as set out in Section 3.1 of this Circular. As such, the Proposed Rights Issue with Warrants will be undertaken on the Minimum Subscription Level. Based on an illustrative issue price of RM0.20 per Rights Share, the Minimum Subscription Level would involve 25,000,000 Rights Shares together with 16,666,666 Warrants, to arrive at RM5.00 million.

The Minimum Subscription Level will be met via the Undertaking from Datuk Chong Loong Men (Executive Director of the Company) to apply and subscribe in full for his Rights Share entitlement and additional Rights Shares not taken up by other Entitled Shareholders by way of excess Rights Shares application, to the extent such that the aggregate subscription proceeds of the Rights Shares received by the Company arising from the subscription by all Entitled Shareholders and/or their renounee(s) (including the Undertaking Shareholder, if necessary) amount to not less than RM5.00 million.

A summary of the Undertaking is set out as below:

Undertaking Shareholder	Existing direct shareholdings as at the LPD		After the Proposed Share Consolidation		Subscription amount pursuant to Undertaking	Minimum Rights Shares to be subscribed for pursuant to the Undertaking			Assuming none of the other Entitled Shareholders subscribe for their Rights Shares	
	No. of Shares	(1)%	No. of Shares	(2)%		Subscription based on entitlement	Subscription based on excess application	(3)Total	No. of Shares held after the Proposed Rights Issue with Warrants	(4)%
Datuk Chong Loong Men	100,000	0.01	10,000	0.01	RM 5,000,000	30,000	24,970,000	25,000,000	25,010,000	20.47

Notes:

- (1) Based on 971,600,600 issued Shares as at the LPD.
- (2) Based on 97,160,060 issued Shares after the Proposed Share Consolidation.
- (3) Based on an illustrative issue price of RM0.20 per Rights Share.
- (4) Based on the 122,160,060 enlarged issued Shares under the Minimum Scenario.

Pursuant to the Undertaking, the Undertaking Shareholder has confirmed that he has sufficient financial means and resources to fulfil his obligations under the Undertaking.

TA Securities has verified the sufficiency of financial resources of the Undertaking Shareholder for the purpose of subscribing for the Rights Shares and excess Rights Shares pursuant to the Undertaking.

For illustrative purposes, assuming none of the other Entitled Shareholders subscribe for their entitlements to the Rights Shares, the Undertaking Shareholder will be subscribing for a total of 25,000,000 Rights Shares based on the illustrative issue price of RM0.20 per Rights Share.

However, should the actual issue price be higher or lower than RM0.20 per Rights Share, the total number of Rights Shares and excess Rights Shares to be subscribed by the Undertaking Shareholder (which is computed based on RM5.00 million divided by the actual issue price of the Rights Shares) will be adjusted correspondingly to arrive at RM5.00 million.

The Undertaking Shareholder has confirmed that:

- (i) his subscription for Rights Shares and excess Rights Shares pursuant to the Undertaking will not give rise to any consequence of mandatory take-over offer obligation under the Code and the Rules on Take-Overs, Mergers and Compulsory Acquisitions immediately after completion of the Proposed Rights Issue with Warrants (based on an illustrative issue price of RM0.20 per Rights Share); and
- (ii) he will observe and comply at all times with the provisions of the Code and the Rules on Take-Overs, Mergers and Compulsory Acquisitions and will seek from the SC the necessary exemptions from undertaking such mandatory take-over offer, if required.

As the Minimum Subscription Level will be fully satisfied via the Undertaking, the Company will not procure any underwriting arrangement for the remaining Rights Shares not subscribed for by other Entitled Shareholders.

The Undertaking is not expected to result in any breach in the public shareholding spread requirement by the Company under Rule 8.02(1) of the Listing Requirements, which stipulates that a listed corporation must ensure that at least 25% of its total listed shares (excluding treasury shares) are in the hands of public shareholders.

2.3.4 Basis and justification of determining the issue price of the Rights Shares and the exercise price of the Warrants

(i) Issue price of the Rights Shares

The issue price of the Rights Shares shall be determined and announced by the Board at a later date before the announcement of the Entitlement Date after taking into consideration, amongst others, the following:

- (a) the funding requirements of the Group as set out in Section 3.1 of this Circular;
- (b) the reference price of LKL Shares (after the Proposed Share Consolidation); and
- (c) the TEAP of LKL Shares is based on the 5-day VWAP of LKL Shares up to and including the last trading day prior to the price-fixing date.

The Board intends to fix the issue price of the Rights Shares such that the issue price is at a discount range of between 15% and 35% to the TEAP of LKL Shares, to be calculated based on the 5-day VWAP of LKL Shares up to and including the last trading day prior to the price-fixing date. This was determined by the Board after taking into consideration the need of the Company to price the Rights Shares at an issue price deemed sufficiently attractive to encourage subscription of the Rights Shares and to enable the Group to raise the necessary funds to meet its funding requirements as set out in Section 3.1 of this Circular.

The illustrative issue price of RM0.20 per Rights Share represents a discount of approximately 16.49% to the TEAP of LKL Shares of RM0.2395, calculated based on the 5-day VWAP of LKL Shares up to and including the LPD of RM0.0437 and after adjusting for the effects of the Proposed Share Consolidation as well as assuming an illustrative exercise price of RM0.20 per Warrant.

(ii) Exercise price of the Warrants

The exercise price of the Warrants shall be determined and announced by the Board at a later date before the announcement of the Entitlement Date after taking into consideration, amongst others, the TEAP of LKL Shares based on the 5-day VWAP of LKL Shares up to and including the last trading day prior to the price-fixing date.

The Board intends to fix the exercise price of the Warrants such that it is at a discount range of between 15% and 35% to the TEAP of LKL Shares, to be calculated based on the 5-day VWAP of LKL Shares up to and including the last trading day prior to the price-fixing date. This was determined by the Board after taking into consideration the future prospects of the Group, further details of which are set out in Section 5.3 of this Circular, as well as the need to fix an exercise price that makes the Warrants attractive for the purposes of enhancing the subscription level of the Rights Shares.

The illustrative exercise price of RM0.20 per Warrant represents a discount of approximately 16.49% to the TEAP of LKL Shares of RM0.2395, calculated based on the 5-day VWAP of LKL Shares up to and including the LPD of RM0.0437 and after adjusting for the effects of the Proposed Share Consolidation as well as assuming an illustrative issue price of RM0.20 per Rights Share.

2.3.5 Ranking of the Rights Shares and new Shares to be issued arising from the exercise of the Warrants

(i) Rights Shares

The Rights Shares shall, upon allotment, issuance and full payment of the issue price of the Rights Shares, rank pari passu in all respects with the then existing issued Shares, save and except that the holders of such Rights Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to Shareholders, the entitlement date of which is prior to the date of allotment and issuance of such Rights Shares.

(ii) New Shares to be issued arising from the exercise of the Warrants

The new Shares to be issued pursuant to the exercise of the Warrants shall, upon allotment and issuance, rank pari passu in all respects with the then existing issued Shares, save and except that the holders of such new Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the Shareholders, the entitlement date of which is prior to the date of allotment and issuance of such new Shares.

2.3.6 Foreign-Addressed Shareholders

An abridged prospectus together with its accompanying documents or any other documents to be issued in connection with the Proposed Rights Issue with Warrants are not intended to comply with the laws of any jurisdiction other than Malaysia and will not be lodged, registered or approved under applicable securities legislation of any jurisdiction other than Malaysia. Accordingly, the Proposed Rights Issue with Warrants will not be offered for subscription in any countries or jurisdictions other than Malaysia.

The abridged prospectus together with its accompanying documents or any other documents relating to the Proposed Rights Issue with Warrants will only be sent to the Entitled Shareholders who have a registered address or an address for service of documents in Malaysia as registered in the Record of Depositors on the Entitlement Date and will not be sent to Foreign-Addressed Shareholders as at the Entitlement Date.

Foreign-Addressed Shareholders who wish to provide Malaysian addresses should inform their respective stockbrokers to effect the change of address or notify the share registrar of the Company at Workshire Share Registration Sdn Bhd at A1-2-2, Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur, Wilayah Persekutuan (KL) or via email to infosr@wscs.com.my to send the documents to their address in Malaysia, prior to the Entitlement Date.

Alternatively, such Foreign-Addressed Shareholders may collect the abridged prospectus from the Company's share registrar who shall be entitled to request for such evidence as they deem necessary to satisfy themselves as to the identity and authority of the person collecting the abridged prospectus.

The Company will not make or be bound to make any enquiry as to whether the Entitled Shareholders have a registered address other than as stated in the Record of Depositors as at the Entitlement Date and will not accept or be deemed to accept any liability whether or not any enquiry or investigation is made in connection therewith.

Foreign-Addressed Shareholders may only exercise their rights in respect of the Proposed Rights Issue with Warrants to the extent that it would be lawful to do so and the Company and/or any of its advisers would not, in connection with the Proposed Rights Issue with Warrants, be in breach of the laws of any jurisdiction to which the Foreign-Addressed Shareholders may be subject to.

Foreign-Addressed Shareholders will be solely responsible for payment of any issue or transfer fees or costs, and any taxes or requisite payments due in such jurisdiction and the Company shall be entitled to be fully indemnified and held harmless by such foreign applicants for any issue, transfer or any other taxes or duties as such persons may be required to pay. They will have no claims whatsoever against the Company, its share registrar and/or any of its advisers in respect of their rights or entitlements under the Proposed Rights Issue with Warrants. Such applicants should also consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to exercise their rights in respect of the Proposed Rights Issue with Warrants.

The Foreign-Addressed Shareholders shall be solely responsible to seek advice as to the laws of any jurisdiction to which they may be subject, and participation by the applicants in the Proposed Rights Issue with Warrants shall be on the basis of a warranty by the applicants that they are allowed to do so lawfully without the Company and/or its advisers being in breach of the laws of any jurisdiction.

Neither the Company nor any of its advisers to the Proposed Rights Issue with Warrants shall accept any responsibility or liability in the event that any acceptance by a Foreign-Addressed Shareholder of his/her rights in respect of the Proposed Rights Issue with Warrants is or shall become illegal, unenforceable, voidable or void in any country or jurisdiction.

Foreign-Addressed Shareholders who do not provide an address in Malaysia or who are not entitled to subscribe for the Rights Shares under the laws and jurisdiction to which they are subject, will have no claims whatsoever against the Company and/or any of its advisers in respect of their rights entitlements or any net proceeds arising from the Proposed Rights Issue with Warrants.

The Company reserves the right in its absolute discretion to treat any subscription of the Rights Shares as being invalid if it believes or has reason to believe that such subscription for the Rights Shares may violate applicable legal or regulatory requirements.

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2.4 Proposed SIS

2.4.1 Details of the Proposed SIS

The Company proposes to establish and implement the Proposed SIS, which involves granting of SIS Options to the Eligible Persons as set out in the By-laws. The SIS Options granted under the SIS shall entitle the Eligible Persons to subscribe for new Shares at the Exercise Price to be determined at a later date.

It is the intention of the Company to implement the Proposed SIS after the implementation of the Proposed Share Consolidation and Proposed Rights Issue with Warrants.

The Proposed SIS will be administered and managed by the SIS Committee in accordance with the terms of the By-laws. The SIS Committee will have the absolute discretion in administering the SIS. Any liberty, power or discretion which may be exercised or any decision or determination which may be made by the SIS Committee pursuant to the By-laws may be exercised at the SIS Committee's sole and absolute discretion having regard to the terms of reference which the Board may establish to regulate and govern the SIS Committee's functions and responsibilities.

2.4.2 Maximum number of Shares available under the SIS

The maximum number of Shares which may be made available under the SIS shall not exceed the Maximum Shares at any point in time during the duration of the SIS.

Notwithstanding the above or any other provisions contained in the By-laws, if the number of new Shares to be issued pursuant to the exercise of the SIS Options granted under the SIS exceeds the Maximum Shares as a result of the Company purchasing, cancelling and/or reducing its own Shares in accordance with the Act, or the Company undertaking any other corporate proposal and thereby diminishing the total number of issued Shares, then such SIS Options granted prior to the adjustment of such total number of issued Shares (excluding treasury shares, if any) shall remain valid and exercisable in accordance with the provisions of the By-laws.

However, in such a situation, the SIS Committee shall not make any further Offer until the total number of Shares to be issued pursuant to the SIS Options granted, including those Shares that have been issued under the SIS falls below the Maximum Shares at any point in time over the duration of the SIS after such adjustment.

It should be noted that even if the Maximum Shares are granted to the Eligible Persons, the actual number of new Shares to be issued pursuant to the exercise of SIS Options may be lesser in view that not all Grantees under the SIS will exercise their SIS Options in full or at all.

2.4.3 Basis of allotment and maximum allowable allotment of new Shares

Subject to the Maximum Shares and any adjustments which may be made under the By-laws, the total number of SIS Options that may be granted to any of the Eligible Person shall be determined entirely at the sole and absolute discretion of the SIS Committee after taking into consideration, amongst other factors, the designation, length of service, work performance of the Eligible Persons, and such other factors that the SIS Committee may deem relevant, subject to the following conditions:

- (i) the number of new Shares to be allocated to any Eligible Person who, either singly or collectively through persons connected with such Eligible Person, holds 20% or more of the total number of issued Shares of the Company (excluding treasury shares, if any), does not exceed 10% (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) of the total number of Shares to be issued under the SIS;

- (ii) the number of Shares allocated, in aggregate to the Directors and senior management personnel of the companies in the Group shall not exceed 70%⁽¹⁾ of the total number of Shares to be made available under the SIS. This threshold has been determined by the Company to ensure that there will be sufficient SIS Options to be allocated to other employees of the Group; and
- (iii) the Eligible Persons do not participate in the deliberation or discussion in respect of their own allocation,

provided always that it is in accordance with any prevailing guidelines issued by Bursa Securities, including the Listing Requirements or any other requirements of the relevant authorities as amended from time to time.

Note:

- (1) The basis of arriving at this threshold takes into account the number of Eligible Directors and senior management personnel of LKL Group (excluding dormant subsidiaries) who are eligible to participate in the Proposed SIS and was determined after considering that the Eligible Directors and senior management personnel are the key drivers to the growth of the Group's businesses.

This is intended to incentivise the Eligible Directors and senior management for their contribution towards improving the Group's overall financial performance. The Proposed SIS also aims to reward and retain the Eligible Directors and senior management personnel of LKL Group (excluding dormant subsidiaries) for their high performance, commitment and loyalty.

The SIS Committee will comprise Directors and/or other persons identified and appointed from time to time by the Board. At this juncture, the composition of the SIS Committee has yet to be decided by the Board.

For the avoidance of doubt, the SIS Committee shall have the sole and absolute discretion in determining whether the Shares available for vesting under this SIS are to be offered to the Grantees via:

- (a) 1 single Offer at a time determined by the SIS Committee; or
- (b) several Offers, where the vesting of the SIS Options comprised in those Offers is staggered or made in several tranches at such times and on such terms and conditions as may be determined by the SIS Committee,

provided always that the aggregate number of new Shares in respect of the Offers granted to any Eligible Person shall not exceed the amount stipulated in Section 2.4.2 and Section 2.4.3(i) of this Circular.

In deciding between (a) and (b) above, the SIS Committee shall consider, amongst others, whether it wishes to provide a one-off reward for the relevant Grantee's contribution to the Group to incentivise the Grantee's continued employment with the Group, or to motivate the relevant Grantee to achieve certain milestones throughout the course of the Grantee's career progression with the Group moving forward.

The SIS Committee also has the discretion to determine, amongst others:

- (aa) whether or not to stagger the Offer over the duration of the SIS for which each Offer shall be separate and independent from the others, including the maximum allocation of the Offer for each financial year in the event the Offer is staggered over the duration of the SIS;

- (bb) the number of SIS Options to be offered in each Offer;
- (cc) whether the SIS Options are subject to any vesting period and if so, the vesting conditions and whether such vesting is subject to performance target; and
- (dd) such other terms and conditions as it shall deem fit and appropriate to be imposed for the participation in the SIS.

No performance target has been set for the allocation of SIS Options at this juncture. Notwithstanding this, the SIS Committee may from time to time at its own discretion decide on the performance targets.

The SIS Committee may from time to time at its discretion determine the allocation and granting of the SIS Options to the Eligible Persons based on staggered granting or several tranches over the duration of the Proposed SIS. Nevertheless, the maximum allocation of the Offer for each financial year has yet to be determined by the SIS Committee at this juncture. It will be determined at a later date in the event the Offer is staggered over the duration of the SIS.

2.4.4 Eligibility to participate in the SIS

Only Eligible Persons who fulfil the following conditions on the Date of Offer shall be eligible to participate in the SIS:

- (i) in respect of an employee of the Group, the employee must fulfil the following criteria as at the Date of Offer:
 - (a) he/she is at least 18 years of age and he/she is not an undischarged bankrupt or subject to any bankruptcy proceedings;
 - (b) he/she is employed on the Date of Offer:
 - (aa) on a full-time basis and is on the payroll of any company in the Group (which are not dormant) and his/her employment has been confirmed by any company in the Group (which are not dormant) on the Date of Offer; or
 - (bb) under an employment contract for a fixed duration and has been in the employment of any company in the Group (which are not dormant) for such period as may be determined by the SIS Committee; and
 - (c) such employee falls within any other eligibility criteria that may be determined by the SIS Committee from time to time at its sole discretion, whose decision shall be final and binding;
- (ii) in respect of an Eligible Director, the Eligible Director must fulfil the following criteria as at the Date of Offer:
 - (a) he/she is at least 18 years of age and he/she is not an undischarged bankrupt or subject to any bankruptcy proceedings;
 - (b) he/she has been appointed as a director to the board of directors of any company of the Group which is not dormant; and

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- (c) such director fulfils any other criteria as may be determined by the SIS Committee from time to time at its sole discretion, whose decision shall be final and binding;
- (iii) in respect of a Director or a chief executive of the Company or a holding company of the Company or a person connected with them, the specific allocation of SIS Options under the SIS must have been approved by the Shareholders at a general meeting; and
- (iv) if the employee is employed by a company which is acquired by the Group during the duration of the SIS and becomes a subsidiary whether directly or indirectly held by the Company upon such acquisition, the employee will be eligible to participate in the SIS if the said employee becomes an Eligible Person within the meaning of the By-laws.

The Eligible Person must fulfil any other criteria and/or fall within such category / designation of employment as may be determined by the SIS Committee from time to time at its sole discretion, whose decision shall be final and binding.

Eligibility under the SIS does not confer upon the Eligible Person a claim or right to participate in or any rights whatsoever under the SIS and an Eligible Person does not acquire or have any rights over or in connection with the SIS Options unless an Offer has been made by the SIS Committee to the Eligible Person and the Eligible Person has accepted the Offer in accordance with the terms of the By-laws.

2.4.5 Duration of the Proposed SIS

The SIS shall be in force for a duration of 5 years from the Effective Date, subject to any extension of the SIS as provided under the By-laws.

On or before the expiry of the aforementioned 5 years of the SIS, the Board shall have the discretion, without having to obtain approval of the Shareholders, to extend the duration of the SIS, provided that the initial period of the SIS and such extension of the SIS made pursuant to the By-laws shall not in aggregate exceed 10 years or such other period as may be prescribed by Bursa Securities or other relevant authorities from the Effective Date.

For the avoidance of doubt, no further sanction, approval, consent or authorisation of the Shareholders in a general meeting is required for any such extension. In the event the SIS is extended in accordance with the provision of the By-laws, the SIS Committee shall furnish a written notification to all Grantees and the Company shall make the necessary announcements to Bursa Securities prior to such extension (if required).

The SIS may be terminated by the SIS Committee at any time before its expiry provided that the Company shall make an announcement immediately through Bursa Securities.

In the event of termination of the SIS, the following provisions shall apply:

- (i) no further Offer shall be made by the SIS Committee from the effective date of termination of the SIS ("**Termination Date**");
- (ii) all Offers which have yet to be accepted by the Eligible Person(s) shall automatically lapse on the Termination Date; and
- (iii) all outstanding SIS Options which have yet to be exercised or vested shall be automatically terminated on the Termination Date.

Approval or consent of Shareholders by way of a resolution in a general meeting and written consent of the Grantees whose SIS Options have yet to be exercised or vested are not required to effect the termination of the SIS unless otherwise required by the Listing Requirements and/or other applicable laws.

2.4.6 Exercise of SIS Options

Subject to the By-laws, a Grantee shall be allowed to exercise the SIS Options granted to him/her either in whole or in part and in multiples of 100 Shares as the Grantee may be entitled under the SIS Options at any time during the SIS Option Period whilst he/she is in the employment of any company within the Group (which are not dormant).

There will be no restriction to the Grantee on the percentage of SIS Options exercisable by him/her during the SIS Option Period. Notwithstanding this, the SIS Committee may from time to time at its own discretion decide on whether the SIS Options are subject to any vesting period and if so, the vesting conditions and whether such vesting is subject to performance target.

2.4.7 Exercise Price

Subject to any adjustments that may be made in accordance with the By-laws, the Exercise Price shall be based on a price to be determined by the Board upon recommendation of the SIS Committee based on the 5-day VWAP of the Shares immediately preceding the Date of Offer with a discount of not more than 10% or such other percentage of discount as may be permitted by Bursa Securities during the duration of the SIS. The Exercise Price as determined by the SIS Committee shall be conclusive and binding on the Grantees.

2.4.8 Ranking of the new Shares to be issued pursuant to the exercise of the SIS Options

The new Shares to be issued arising from the exercise of the SIS Options will be subject to the Constitution of the Company and shall, upon allotment, issuance and payment of the Exercise Price, rank equally in all respects with the existing issued Shares, save and except that the holders of such new Shares shall not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid to Shareholders, the entitlement date of which is prior to the date of allotment and issuance of such new Shares.

2.4.9 Retention / restriction of Shares

The new Shares to be allotted and issued to a Grantee pursuant to the exercise of a SIS Option under the SIS will not be subject to any retention period or restriction on transfer unless otherwise stated in the Offer as may be determined by the SIS Committee from time to time at its discretion.

Notwithstanding the above, pursuant to Rule 8.22 of the Listing Requirements, a Grantee who is a non-executive Director of any company within the Group (excluding any dormant subsidiary) must not sell, transfer or assign his / her Shares obtained through the exercise of the SIS Options offered to him / her pursuant to the SIS within 1 year from the Date of Offer or such period as may be prescribed by Bursa Securities.

2.4.10 Alteration of share capital during the SIS Option Period

In the event of any alteration in the capital structure of the Company during the duration of the SIS Option Period, whether by way of rights issue, bonus issue or other capitalisation issue consolidation or subdivision of Shares or reduction or any other alteration in the capital structure of the Company or otherwise howsoever, the SIS Committee may, at its discretion, determine whether the Exercise Price and/or the number of unexercised SIS Options shall be adjusted and if so, the manner in which such adjustments should be made.

Such adjustments (other than an adjustment pursuant to a bonus issue, subdivision or consolidation of shares) must be confirmed in writing by the external auditors of the Company or an adviser (a person who is permitted to carry on regulated activity of advising corporate finance under the Capital Markets and Services Act, 2007 which includes a principal adviser under the Guidelines on Submission of Corporate and Capital Market Product Proposals and the Licensing Handbook issued by the Securities Commission Malaysia), to be in their opinion, fair and reasonable.

2.4.11 Modification, variation and/or amendment to the By-laws

Subject to the compliance with the Listing Requirements and any other relevant authorities, the SIS Committee may at any time recommend to the Board any additions, modifications or amendments to or deletions of the By-laws as it shall at its discretion think fit.

Subject to the By-laws, the approval of the Shareholders in a general meeting shall not be required in respect of the additions or modifications or amendments to or deletion of the By-laws provided that no additions, modifications or amendments or deletions shall be made to the By-laws which will:

- (i) prejudice any rights which would have accrued to any Grantee without the prior consent or sanction of that Grantee; or
- (ii) increase the number of Shares available under the SIS beyond the maximum set out in Section 2.4.2 of this Circular; or
- (iii) alter any matter which is required to be contained in the By-laws by virtue of the Listing Requirements to the advantage of the Eligible Person and/or Grantee.

3. UTILISATION OF PROCEEDS

3.1 Proposed Rights Issue with Warrants

Based on an illustrative issue price of RM0.20 per Rights Share, the gross proceeds to be raised from the Proposed Rights Issue with Warrants are intended to be utilised in the following manner:

Utilisation of proceeds		Expected timeframe for utilisation from completion of the Proposed Rights Issue with Warrants	⁽¹⁾Minimum Scenario (RM'000)	⁽¹⁾Maximum Scenario (RM'000)
(i)	Expansion of the Pharmacy Business	Within 24 months	3,900	57,196
(ii)	Estimated expenses for the Proposals ⁽²⁾	Immediate	1,100	1,100
Total			5,000	58,296

Notes:

- (1) Any additional proceeds raised in excess of the RM5.00 million under the Minimum Scenario will be allocated up to its respective maximum allocation under the Maximum Scenario in the following order:

- (i) estimated expenses for the Proposals; and
- (ii) expansion of the Pharmacy Business.

- (2) If the actual expenses incurred are higher than the allocated amount, the deficit will be funded via the proceeds allocated for expansion of the Pharmacy Business. Conversely, any surplus of funds following payment of expenses will be utilised in the order as set out in Note (1) above.

Pending the utilisation of the proceeds from the Proposed Rights Issue with Warrants, the unutilised proceeds shall be placed in interest-bearing deposits and/or money market financial instruments of licenced financial institutions. The interests derived from the deposits with financial institutions or any gains arising from money market financial instruments will be used for the working capital requirements of the Group, such as utilities, rental costs, transportation costs and insurance. The exact breakdown of such utilisation cannot be determined at this juncture as it would depend on the actual requirements of the Group at the relevant time.

(i) Expansion of the Pharmacy Business

As disclosed in Section 2.2.1 of this Circular, Aluxcare Wellness (a wholly-owned subsidiary of LKL) launched the Group's first pharmacy outlet in Solaris Dutamas, Kuala Lumpur under the "Pharmacy" brand name on 23 March 2022. The said outlet is the Group's pilot project in undertaking the Pharmacy Business.

Moving forward, the Group is looking to open 20 to 30 pharmacy outlets within 2 years from the Proposed Rights Issue with Warrants. The primary focus of the Group's expansion plan is within the Klang Valley area, followed by other states in Malaysia. In this regard, the Group may acquire or rent the shop lot / property of the new pharmacy outlets depending on the location of these outlets as well as the actual proceeds raised from the Proposed Rights Issue with Warrants.

Aside from the acquisition cost of a retail shop lot, the Group estimates to incur approximately RM2.00 million to set-up a pharmacy outlet. However, the estimated set-up cost varies depending on the location, size and layout of the outlet as well as the estimated rental deposit (for rented retail location), cost of fixtures and fittings, renovation works and initial stocks placed at each new outlet.

Following the above, the Group intends to allocate proceeds of RM3.90 million under the Minimum Scenario (to set up 2 new pharmacy outlets) and RM57.20 million under the Maximum Scenario (to set up 20 – 30 new pharmacy outlets) for the expansion of the Pharmacy Business, as follows:

	Minimum Scenario	Maximum Scenario
	(RM'000)	(RM'000)
Inventories	1,500	22,500
Property, plant and equipment ⁽¹⁾	1,600	24,500
Marketing expenses ⁽²⁾	200	3,000
Working capital ⁽³⁾	600	7,196
Total	3,900	57,196

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Notes:

- (1) The Group intends to utilise up to RM24.50 million of the total proceeds from the Proposed Rights Issue with Warrants as initial set-up cost of the new pharmacy outlets as follows:

Purpose	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)
Renovation	600	9,000
Fixtures and fittings	1,000	15,500
Total	1,600	24,500

- (2) The Group intends to allocate up to RM3.00 million for marketing activities to be carried out by the Group, in order to promote the Group's corporate presence and products in the market. This will include amongst others, the following:

Marketing activities	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)
Digital marketing Advertising through various online channels such as Facebook, Instagram, Twitter and YouTube as well as carrying out online promotional campaigns to attract potential audience / customers	30	100
Lifestyle / social media influencers Engaging lifestyle / social media influencers to events organised by the Group	-	2,100
Local sponsorships and marketing campaigns Including event sponsorships, giveaways and discounts	170	800
Total	200	3,000

- (3) The Group intends to utilise up to RM7.20 million of the total proceeds from the Proposed Rights Issue with Warrants to fund its working capital in the following manner:

Working capital	Percentage allocation %	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)
Operating and administrative expenses such as utilities, rental costs, transportation costs and insurance	50	300	3,598
Payment of staff salaries	50	300	3,598
		600	7,196

The actual breakdown of the operating and administrative expenses cannot be determined at this juncture as it will depend on the actual administrative requirements of the Group at the relevant time.

Any shortfall between the actual total costs and the funds available will be funded via the Group's existing cash and bank balances, bank borrowings and/or future fund-raising exercises to be undertaken by the Group (if required).

(ii) Estimated expenses for the Proposals

The breakdown of the estimated expenses for the Proposals is illustrated below:

Estimated expenses	Amount (RM'000)
Professional fees ⁽¹⁾	910
Fees to relevant authorities	72
Printing, despatch and advertising expenses	30
Miscellaneous expenses and contingencies	88
	1,100

Note:

- (1) These include advisory fees payable to the Principal Adviser and other professional fees payable to the company secretary, share registrar, solicitors, reporting accountants and IMR in relation to the Proposals.

The actual gross proceeds to be raised from the Proposed Rights Issue with Warrants will depend on the actual number of Rights Shares that will be issued as well as the issue price of the Rights Shares, which shall be determined in due course.

The exact quantum of proceeds that may be raised by the Company from the exercise of the Warrants would depend on the actual number of Warrants exercised as well as the exercise price of the Warrants, which shall be determined by the Board at a later date. The proceeds from the exercise of the Warrants will be received on an "as and when basis" over the tenure of the Warrants.

For illustrative purposes, based on the illustrative exercise price of RM0.20 per Warrant, the Company will raise gross proceeds of up to RM38.86 million upon full exercise of the Warrants under the Maximum Scenario. Any proceeds arising from the exercise of the Warrants in the future will be used to finance the future working capital requirements of the Group including the payment of staff salaries, operating expenses and administrative expenses such as utilities, rental costs and purchase of inventories and payment to creditors (e.g. marketing agencies, and external information technology service providers). The exact breakdown of utilisation cannot be determined at this juncture as it would depend on the actual requirements of the Group at the relevant time.

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3.2 Proposed SIS

The proceeds arising from the exercise of the SIS Options will depend on, amongst others, the number of SIS Options granted and exercised at the relevant point in time as well as the Exercise Price. As such, the actual amount of proceeds arising from the exercise of the SIS Options could not be determined at this juncture.

Nevertheless, the Company intends to utilise the proceeds arising from the exercise of the SIS Options, if any, for the working capital of the Group within 12 months from the date when such proceeds are received. The proceeds to be utilised for working capital include, amongst others, purchase of raw materials and general administrative expenses (i.e. staff costs, utilities, professional fees and office-related expenditures). The proceeds to be utilised for each component of working capital are subject to the operating requirements at the time of utilisation.

Pending utilisation of the proceeds to be raised as and when the SIS Options are exercised, the proceeds may be placed in deposits with financial institutions and/or short-term money market instruments. The interest derived from the deposits with financial institutions and/or any gains arising from the short-term money market instruments will be used as additional funds for the working capital requirements of the Group. The exact breakdown of such utilisation cannot be determined at this juncture as it would depend on the actual requirements of the Group at the relevant time.

3.3 Details of fund-raising exercises undertaken by the Company in the past 5 years

Save as disclosed below, the Company has not undertaken any fund-raising exercises in the past 5 years up to the LPD:

20% Private Placement

On 17 July 2020, the Company announced the 20% Private Placement, which was completed on 12 April 2021. The 20% Private Placement involved the issuance of 85,760,000 new Shares and raised proceeds of RM62.84 million. The said proceeds have been utilised as follows:

Utilisation of proceeds	Actual proceeds raised (RM'000)	Actual utilisation as at the LPD (RM'000)	Deviation (RM'000)	Balance unutilised (RM'000)	Estimated timeframe for utilisation from the completion of 20% Private Placement
Capital expenditure and expansion ⁽¹⁾	26,500	11,980	-	14,520	Within 24 months
Future investments or projects	6,000	6,000	-	-	Within 24 months
Repayment of bank borrowings	5,561	5,561	-	-	Within 6 months
Working capital	23,779	23,896	(117)	-	Within 12 months
Expenses for the 20% Private Placement	1,000	883	117	-	Within 1 month
Total	62,840	48,320	-	14,520	

Note:

- (1) As at the LPD, the Group has utilised RM11.98 million, with RM14.52 million yet to be utilised. Details as follows:

Purpose	Utilised RM'000	Balance unutilised RM'000
Purchase and setting up of 2 units of adjoining new factory buildings ⁽ⁱ⁾	11,403	1,597
Expansion of current factory buildings and installation of a conveyor line ⁽ⁱⁱ⁾	247	9,253
Purchase of machinery ⁽ⁱⁱⁱ⁾	330	3,670
Total	11,980	14,520

Notes:

- (i) LKLAM had on 17 December 2020 entered into a sale and purchase agreement for the acquisition of 2 pieces of adjoining freehold land together with 2 units of adjoining new 3-storey semi-detached factory buildings to be erected thereon located at Kawasan Perindustrian Bukit Serdang, Seksyen 7, 43300 Seri Kembangan, Selangor for a total cash consideration of approximately RM12.00 million.

The 2 pieces of adjoining freehold land have a total land area of approximately 20,860 square feet ("sq ft"). The 2 units of adjoining new 3-storey semi-detached factory buildings to be erected thereon are expected to have a total built-up area of 21,600 sq ft. The factory buildings will be used for, among others, manufacturing and assembly of medical / healthcare beds, peripherals and accessories, production office as well as warehouse for finished goods.

As at the LPD, the Company has paid approximately RM11.40 million as progress payment for the acquisition. The construction of the semi-detached factory buildings was previously anticipated to complete in second half of 2021 but has since experienced delays due to the containment measures to address the ongoing COVID-19 pandemic as well as global shortage of cable supply. The construction is expected to be completed by fourth quarter of 2022 and commence operations by first half of 2023 as the Company is pending the contractor and architect's final test check before issuance of the certificate of practical completion.

The remaining progress payment for the aforesaid acquisition of RM0.60 million (being the difference between total consideration of approximately RM12.00 million and total payment made as at the LPD of approximately RM11.40 million) is expected to be utilised by third quarter of 2022 which aligned with the completion of the construction. Further to the balance progress payment of RM0.60 million, the Group expects to utilise approximately RM1.00 million for other construction-related expenses such as renovation works and mobilisation costs.

- (ii) As at the LPD, the Company has paid RM0.25 million for the renovation work to accommodate the construction of a 3-storey steel structure extension across its existing factory buildings located in Kawasan Perindustrian Bukit Serdang, Seri Kembangan, Selangor ("**Three-storey Extension**") as well as purchase of 28 units of equipment and accessories for a conveyor line.

The Group had put on hold the construction of the Three-storey Extension in 2021 to focus on fulfilling its backlog orders throughout the year. Subsequently, the construction of the Three-storey Extension was anticipated to commence by second quarter of 2022 and complete by fourth quarter of 2022 but was subsequently delayed as the Group has decided to review the design and building plans for the Three-storey Extension, considering the increase in building raw material prices since end 2020 / early 2021.

Since second quarter of 2022, the Group has started the preparation works in relation to the construction of the Three-storey Extension and is reviewing the relevant design and building plan. The Group intends to submit the revised design and building plan to the relevant authorities by end September 2022. The Company anticipates a longer approval period as the design plan will require up to 6 months to be approved and this is followed by up to 6 months for the building plan to be approved.

Currently, the construction of the Three-storey Extension is expected to commence by first half of 2023 (assuming the aforesaid approvals is obtained in first half of 2023) and complete by first half of 2024.

Thereafter, the additional equipment and accessories to be purchased will be installed and the Group expects to commence production by second half of 2024. In this respect, the Group intends to utilise approximately RM7.86 million from the remaining proceeds for construction of the Three-storey Extension and another RM1.40 million for purchases of additional equipment and accessories for the conveyor line.

- (iii) As at the LPD, the Company has paid RM0.33 million to purchase a robotic welding machine for its manufacturing division. In order to support the Group's existing manufacturing operations, the Group had installed and started operating the aforesaid machine since January 2022 at its existing factory buildings located in Seri Kembangan, Selangor.

The Group has yet to utilise the funds for purchase of new machinery amounting to RM3.67 million. The Group intends to purchase these machineries closer to completion of the construction works as set out in Note (ii) above. The details of the machinery to be purchased are as follows:

Machinery to be purchased	Description	Number of unit
Laser cutting machine	High speed special plate cutting	1
Computer numerical control lathe machine	Fully automated components cutting	1
Computer numerical control shaft bending machine	High speed wire and shaft bending	1
Tools grinding machine	Fully automated grinding and polishing	1
Total		4

30% Private Placement

On 10 May 2021, the Company announced the 30% Private Placement, which was completed on 16 November 2021. The 30% Private Placement involved the issuance of 177,523,200 new Shares and raised proceeds of RM35.55 million. The said proceeds have been utilised as follows:

Utilisation of proceeds	Actual proceeds raised (RM'000)	Actual utilisation as at the LPD (RM'000)	Deviation (RM'000)	Balance unutilised (RM'000)	Estimated timeframe for utilisation from the completion of 30% Private Placement
Trading of rubber gloves and PPE ⁽¹⁾	32,953	29,981	86	3,058	Within 24 months
Setting up new storage facilities ⁽²⁾	2,000	196	-	1,804	Within 24 months
Expenses for the 30% Private Placement and proposed diversification	600	514	(86)	-	Immediate
Total	35,553	30,691	-	(2)4,862	

Notes:

- (1) The balance unutilised is earmarked for purchase of latex and nitrile gloves, marketing and distribution expenses as well as transportation costs, as set out below:

Utilisation of proceeds	Amount (RM'000)
Purchase of nitrile gloves ⁽ⁱ⁾	2,150
Marketing and distribution expenses	418
Transportation costs from manufacturer	490
Total	3,058

Note:

- (i) The balance proceeds earmarked for the purchase of nitrile gloves will be used to fulfil future orders.
- (2) As at the LPD, the Company has paid RM0.20 million for rental of an industrial unit in Seri Kembangan, which is being used as the Group's storage facility. The balance unutilised of RM1.80 million is earmarked for rental costs, staff salaries and equipment.

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19% Private Placement

On 23 November 2021, the Company announced the 19% Private Placement, which was completed on 13 January 2022. The 19% Private Placement involved the issuance of 150,000,000 new Shares and raised proceeds of RM10.70 million. The said proceeds have been utilised as follows:

Utilisation of proceeds	Actual proceeds raised (RM'000)	Actual utilisation as at the LPD (RM'000)	Deviation (RM'000)	Balance unutilised (RM'000)	Estimated timeframe for utilisation from the completion of 19% Private Placement
Purchase of raw materials and ancillary goods ⁽¹⁾	10,545	10,560	⁽²⁾ 15	-	Within 18 months
Expenses for the 19% Private Placement	150	135	⁽²⁾ (15)	-	Immediate
Total	10,695	10,695	-	-	

Notes:

- (1) The Group has utilised the proceeds to purchase stainless steel, electrical components, hydraulic pumps, gas spring, wheel, mattress as well as head and foot board, which were mainly used in the Group's manufacturing division to produce, amongst others, medical beds, medical carts, examination tables, instrument trolleys and overbed tables. Apart from that, the Group has also utilised the proceeds to purchase ancillary goods for its trading business such as COVID-19 test kit, medical chair and medical cart.
- (2) In view that the actual listing expenses were lesser than estimated, the surplus has been re-allocated for purchase of raw materials and ancillary goods.

4. RATIONALE FOR THE PROPOSALS

4.1 Proposed Share Consolidation

As at the LPD, the last traded price of the Shares is RM0.04 and the Company has 971,600,600 Shares in issue. Following the completion of the Proposed Share Consolidation, the theoretical market price of each Share will increase by 10 times and the total number of Shares in issue will be reduced by the corresponding ratio.

The reduction in the number of Shares available in the market may reduce the volatility of the trading price for the Shares. Further, the higher share price resulting from the Proposed Share Consolidation provides the Company with more flexibility in fixing the issue price of the Rights Shares.

Notwithstanding this, Shareholders should note that the Proposed Share Consolidation is not expected to alter the total value of the Consolidated Shares held by them.

4.2 Proposed Diversification

As set out in Section 2.2.1 of this Circular, the Proposed Diversification allows the Group to undertake the Pharmacy Business on a bigger scale. Moreover, the Proposed Diversification will provide an additional revenue stream to the Group, which is expected to contribute positively to the Group's financial performance.

4.3 Proposed Rights Issue with Warrants

The Proposed Rights Issue with Warrants will enable the Company to raise funds and channel them towards the proposed utilisation as set out in Section 3.1 of this Circular.

After due consideration of the various options available, the Board is of the opinion that the Proposed Rights Issue with Warrants is the most suitable means of fund raising for the Company for the following reasons:

- (i) it will involve the issuance of new LKL Shares without diluting the Entitled Shareholders' shareholdings provided that they subscribe in full for their respective entitlements under the Proposed Rights Issue with Warrants and exercise their Warrants subsequently;
- (ii) it provides an opportunity for the Entitled Shareholders to participate in the equity offering of the Company on a pro-rata basis; and
- (iii) it will enable the Company to raise the requisite funds without incurring additional interest expense from bank borrowings, thereby minimising any potential cash outflow in respect of interest servicing costs.

The free Warrants which are attached to the Rights Shares are intended to provide an added incentive to the Entitled Shareholders to subscribe for the Rights Shares. In addition, the free Warrants will provide the Entitled Shareholders with an opportunity to increase their equity participation in the Company at a pre-determined exercise price during the tenure of the Warrants and will allow the Entitled Shareholders to further participate in the future growth of the Company as and when the Warrants are exercised.

The exercise of the Warrants in the future will allow the Company to obtain additional funds without incurring additional interest expenses from borrowings. Furthermore, should the Company increase its borrowings in the future, the exercise of Warrants will increase Shareholders' funds and lower the Company's gearing, thereby providing the Company with flexibility in terms of the options available to meet its funding requirements.

4.4 Proposed SIS

The Proposed SIS is established to achieve the following objectives:

- (i) to drive and motivate the Eligible Persons to work towards achieving the Group's goals and objectives;
- (ii) to reward the Eligible Persons in recognition of their contribution to the operations and continued growth of the Group;
- (iii) to retain the Eligible Persons by giving them a sense of ownership, loyalty and belonging to the Group by enabling them to participate directly in the equity of the Company;
- (iv) to align the interests of the Eligible Persons with the interests of the Shareholders by providing an incentive for the Eligible Persons to participate in the future growth of the Group and motivating them towards achieving better performance; and
- (v) to attract and retain high-calibre Eligible Persons.

The non-executive Directors are also eligible to participate in the SIS. This is to recognise their contribution and effort as they play an important role in the business performance of the Group. Their participation in the equity of the Company is expected to enhance their level of commitment and contribution as well as to enable the Company to attract and retain capable individuals to act as non-executive Directors, who will assist in the overall strategic decisions and directions of the Group.

Further, any proceeds to be received by the Company pursuant to the exercise of the SIS Options (which will depend on, amongst others, the number of SIS Options granted and exercised at the relevant point in time and the Exercise Price) will be utilised for the Company's working capital purposes.

5. INDUSTRY OUTLOOK AND FUTURE PROSPECTS

5.1 Malaysian economy

After experiencing significant supply and demand shocks triggered by the COVID-19 pandemic in 2020, the Malaysian economy improved moderately in 2021 to 3.1% and is anticipated to further expand between 5.3% and 6.3% in 2022.

The services sector is projected to register a higher growth of 6.9% in 2022 (2021: 1.9%), led by the consumer and tourism-related subsectors. The improvement is expected to be supported by lifting of nationwide containment measures and re-opening of international borders for tourism. Business-related services, mainly in the logistics and professional services, will continue to remain supportive of growth. The information and communication subsectors are also expected to provide further lift to the services sector. This will be driven by demand for data services, mainly for e-commerce and e-payment activities.

Growth in the manufacturing sector is projected to increase at a more moderate pace of 5.2% in 2022 (2021: 9.5%). Malaysia's electrical and electronics cluster, which is highly integrated in global value chains, will benefit from continued demand for these products globally. Demand for refined petroleum products is expected increase in line with higher mobility and economic activity, while continued health and hygiene awareness will support demand for rubber and chemical products. Meanwhile, production in the construction-related manufacturing cluster is also expected to grow following the resumption of construction projects. In addition, growth in the consumer-related manufacturing cluster is projected to improve, in tandem with the recovery in consumption activity.

The anticipated expansion in the agriculture sector of 1.5% in 2022 (2021: -0.2%) will be driven primarily by higher oil palm production. Heavier rainfall in the early part of the year is also expected to improve soil moisture and increase oil palm yields in the latter part of the year. In addition, the recovery in domestic demand is expected to support the continued strong expansion in livestock and other agriculture subsectors.

The mining sector is projected to register a higher growth of 2.5% in 2022 (2021: 0.7%). This reflects the continued increase in crude oil and natural gas production, due to both the operationalisation of new facilities and higher production in existing oil and gas facilities.

Growth in the construction sector is expected to rebound in 2022 to 6.1% (2021: -5.2%) due to ongoing construction activity in large infrastructure projects and the implementation of small-scale projects. Meanwhile, the residential subsector will benefit from the expected recovery in demand as both income and employment prospects improve. Growth in the non-residential subsector is expected to be lifted by both existing and new commercial and industrial projects.

(Source: IMR Report)

5.2 Overview and outlook of the pharmacy retail industry in Malaysia

Pharmacy is the science of preparing and dispensing drugs for preventing, diagnosing or treating diseases or disorders in humans. In this respect, pharmacists are healthcare professionals who prepare and dispense prescriptions, ensure medicines and doses are correct, prevent harmful drug interactions and counsel patients on the safe and appropriate use of their medications.

Presently, pharmacy retail stores (also known as community pharmacies) delivers health solutions to the general population and is central to the prescription drug market. Pharmacies are where many patients receive prescription drugs and over-the-counter drugs. They provide convenient services to the general population in the neighbourhood through setting up stores in commercial districts and shopping malls.

While some pharmacy retail stores are independent stores, others are national or regional chains. The variety of a pharmacy's merchandise varies from one store to another. Generally, a larger chain of pharmacy stores carries a wider variety of merchandise compared to independent stores.

In addition, these chain pharmacy stores use a franchise model which provides corporate branding, management support, training, distribution channels and marketing support to individual owners who franchises the said pharmacy stores, in exchange for a fee. In contrast, independent stores may face challenges such as lower purchasing power, limited promotional budgets and less merchandise inventory relative to a larger chain of pharmacy.

Most community pharmacies combine a pharmacy section with a general retail store dealing in products such as, amongst others, dietary supplements, medical equipment, medical devices, and cosmetics and personal care consumables. Besides retailing, community pharmacies are also involved in dispensing and providing consultation on minor ailments or general health matters to the general public. Over the years, the role of community pharmacists has evolved from merely focusing on the retail of pharmaceutical drugs to more patient-centric and have become an integral part of the community.

Over-the-counter pharmaceuticals are drug products sold in a retail store or pharmacy which do not require a prescription or the approval of a medical or pharmacy professional. Both over-the-counter drugs and prescription drugs comprise patented and generic drugs. When a pharmaceutical drug is first released into the market by a pharmaceutical drug company, it is protected by patents until it expires. On the other hand, a generic drug is equivalent to a brand name drug in terms of dosage, safety, strength, quality and efficacy.

Demand for dietary supplements such as vitamins, minerals and herbs, are expected to remain steady, as consumers who are health conscious tend to take measures to maintain their health by taking these supplements. With increased health awareness and better access to pharmacies, more people are taking dietary supplements in addition to regular consumption of nutritious food and beverages.

Medical equipment retailed in community pharmacies include, amongst others, crutches, walking aids, wheelchairs, and medical cabinets, while medical devices such as blood glucose meters, thermometers, pulse oximeters, diagnostic test kits and rubber examination gloves are also sold.

Cosmetics and personal care consumables such as deodorants, hair care, skin care, dental care, facial wipes, face masks and hand sanitisers are also available in community pharmacies for the convenience of consumers. These are fast moving consumer goods that are used in daily routines and consumers usually purchase them on impulse when shopping for pharmaceutical drugs, dietary supplements, medical equipment and medical devices in the community pharmacies.

Since 2020, the COVID-19 pandemic and various iterations of the MCO has reduced the number of operating hours of pharmacy retail stores in Malaysia and caused a reduction in foot traffic. In contrast, the MCO has led to an increase in sales through online platforms as consumers stocked up on dietary supplements, masks, hand sanitisers and over-the-counter pharmaceutical drugs online rather than visiting a community pharmacy. However, the Malaysian government re-opened all its economic sectors on 15 May 2022 as the country progresses into the endemic stage.

Consumers utilise online pharmacies for its convenience (as consumers no longer need to travel to a physical store to purchase products) and lower costs (as online retailers do not need to incur rental expenses and may be able to pass on these savings to consumers). Furthermore, the breadth of products offered online may at times surpass that of physical stores. Suitable products supplied from community pharmacies to consumers through the e-commerce platforms include medical equipment, medical devices, and cosmetics and personal care consumables.

The market size for the pharmacy retail industry in Malaysia expanded by 6.9% in 2021 to attain RM7.54 billion, from RM7.05 billion in 2020. It is expected to increase to RM8.03 billion in 2022 and RM8.51 billion in 2023, representing increases of 6.5% and 6.1%, respectively.

The pharmacy retailing industry is expected to continue its expansion due to the rising population, aging population and increasing urbanisation in Malaysia, as well as the Government's efforts to improve the health and wellbeing of its citizens. An aging population is defined as a population where those aged 65 years and above make up at least 15.0% of the total population. Malaysia is currently facing the prospect of an aging population and this is expected to happen by 2030, up from 7.0% in 2020.

An aging population is more vulnerable due to decreased resistance towards illnesses and the onset of health problems associated with old age. Health conditions that are expected to be a challenge to the health care system with an aging population include cancer, heart disease, obesity, diabetes, Parkinson's disease, Alzheimer's disease and orthopaedic conditions.

The COVID-19 pandemic has also caused an increase in demand for certain medications, medical equipment and medical devices. This is anticipated to continue over the foreseeable future with the emergence of new viral variants due to mutations. For instance, community pharmacies are currently allowed to supply medical devices such as COVID-19 self-test kits to the public. This has an impact on the growth and expansion of the pharmacy retail industry in Malaysia.

In Malaysia, the national or regional retail chains are expected to further expand organically or via the acquisition or merger with smaller pharmacy retail chains and independent stores. This will enable the larger entities to benefit from competitive advantages such as higher bargaining power when it comes to purchasing supplies from suppliers and enjoying volume discounts, marketing activities such as in advertising and promotions, and economies of scales in operations. The national or regional retail chains may also purchase their pharmaceutical drugs directly from manufacturers, bypassing the wholesaler markup in the supply chain.

Due to the onset of the COVID-19 pandemic, the retail industry has also been adversely affected as shoppers were reluctant to visit physical pharmacy stores and this has resulted in a decline in the overall occupancy rate of shop houses and malls. Unlike food and beverage concerns which need to change their business models to address the challenges of the pandemic (such as offering food through takeaways or using delivery apps like Grab and Foodpanda), certain businesses like community pharmacies, grocers and hardware stores may benefit with a physical retail presence. Further, community pharmacies in mature commercial areas that are strategically located will continue to gain high visibility and attract foot traffic.

The COVID-19 pandemic is expected to lead to increased health awareness amongst the general population. As such, the public is likely to take more initiatives in terms of preventive healthcare and this will bolster the sale of medical devices (eg. COVID-19 self-test kits, pulse oximeters and thermometers) and dietary supplements as well as other consumables (eg. face masks and hand sanitisers). These preventive healthcare measures by the general public are the key in reducing transmission of the COVID-19 virus. All these factors will bode well for the prospect of the pharmacy retail industry in Malaysia.

Moving forward, along with rising adoption of digital payments, vending machines incorporating artificial intelligence and digital displays are expected to be adopted by community pharmacies for self-service experiences by consumers. Technological advancements in artificial intelligence and robotics will enable vending machines to pack, store, counsel, dispense and respond to requests from consumers. The vending machines will also be able to perform these tasks in a more efficient and accurate manner.

Vending machines are becoming better, smarter and can deliver more engaging consumer experiences such as digital payments in a seamless fashion. In addition, there has been increased reliance on digitalisation (such as the use of digital payments) due to the COVID-19 pandemic by the general public to limit close physical contact. Digital payments enable consumers to transact in a secure and seamless environment as they become more particular about physical hygiene and social distancing.

Premised on the above, Infobusiness believes that the pharmacy retail industry in Malaysia is expected to grow as the impact of the COVID-19 pandemic subsides.

(Source: IMR Report)

5.3 Prospects and future plans of the Group

LKL Group is currently involved in the manufacturing of medical / healthcare beds, medical peripherals and accessories as well as the trading of medical furniture, medical devices, medical peripherals and accessories, gloves and PPE.

In view of the improvement in personal and public health awareness after the outbreak of COVID-19 pandemic, the Proposed Diversification represents a timely opportunity for the Group to venture into the Pharmacy Business and generate an additional source of income. Premised on the prospects of the pharmacy retail industry in Malaysia as mentioned in Section 5.2 of this Circular, LKL expects the demand for pharmaceutical, healthcare and personal care products to remain high even after the recovery of COVID-19 pandemic.

Further, the Malaysian government has re-opened all economic sectors on 15 May 2022 as the country progresses into the endemic stage. Following this, economic activities across various sectors are expected to recover gradually in the months to come. In this respect, it is expected to see a resumption in demand and improving traffic for retail pharmacies. Recognising this opportunity, the Proposed Rights Issue with Warrants is undertaken to raise funds mainly for venturing into the Pharmacy Business.

Moving forward, the Group will focus on improving its business strategy by streamlining its operations and continued monitoring of its existing business. In respect of the Pharmacy Business, the Group will assess the demand for pharmaceutical, healthcare and personal care products from time to time. The Group intends to increase the number of pharmacy stores in the future if prospects for the Pharmacy Business continue to be favourable.

Premised on the above as well as the outlook and prospects of the pharmacy retail industry in Malaysia set out in Section 5.2 of this Circular, the management is cautiously optimistic about the Group's future prospects.

5.4 Steps undertaken to improve the financial condition of the Group

Historically, LKL Group is principally involved in the manufacturing of medical / healthcare beds, medical peripherals and accessories as well as the trading of medical furniture, medical devices, medical peripherals and accessories. In addition, the Group had on 19 July 2021 obtained Shareholders' approval to diversify its existing business to include trading of rubber gloves and PPE.

In recent years, the Group has undertaken several initiatives to improve its financial condition. This entailed, amongst others, the diversification of the Group's business to include trading of rubber gloves and PPE, as set out below:

- (i) On 6 November 2020, LKLAM entered into a distributorship agreement with AGESB to market, sell and distribute AGESB's natural rubber latex gloves and nitrile gloves for a period of 1 year, commencing 6 November 2020. Subsequently, the agreement has been renewed by both parties on 2 November 2021 for a period of 1 year.

The Group had purchased RM28.00 million worth of rubber gloves from AGESB. Such purchase was made in 2021 for the Group to have a ready supply in anticipation of more future orders and to address the potential shortage of gloves or delay in shipment due to shipping congestion globally. Out of the RM28.00 million payment made to AGESB, an impairment of RM13.00 million has been made in the 17-month FPE 30 September 2021 as the gloves have yet to be delivered as at 30 September 2021 and the management has not requested for delivery of the gloves from AGESB due to space constraint in LKLAM's warehouse. The Group intends to have the gloves delivered to its warehouse as and when there is available space to store the gloves.

The unsold rubber gloves are being stored at AGESB's warehouse. Once an order is received, the rubber gloves will be delivered directly to the Group's customers or to the Group's warehouse for onward forwarding to the Group's customers. Every new batch of gloves produced will have approximately 3 years to its date of expiry.

Nonetheless, due to the decrease in average selling price and demand on gloves, the Group had only managed to generate RM0.11 million from sales of nitrile gloves during the past 2 years to medical supply distributors in Malaysia and Brunei. On 28 July 2022, the Group secured another order for nitrile gloves amounting to USD0.70 million (approximately RM3.13 million based on BNM's exchange rate of USD1:RM4.4765 as at the LPD).

The Group will continue to develop new business opportunities and expand its customer base for its glove business by tapping into its existing networks within the healthcare industry as well as gaining further product exposure via various healthcare exhibitions. The Group endeavours to distribute the remaining unsold rubber gloves prior to its date of expiry through the aforementioned avenues;

- (ii) On 16 December 2020, LKLAM had entered into a distributorship agreement with Komark Mask (M) Sdn Bhd for LKLAM to market, sell and distribute Komark Mask (M) Sdn Bhd's 3-ply disposable medical grade face masks, KN95 protective 5-layer face masks and 3-layer protective face masks. The distributorship agreement will be valid for a period of 1 year, commencing 16 December 2020. Subsequently, the agreement has been renewed by both parties on 22 November 2021 for a period of 1 year. The Group had purchased RM0.02 million worth of face masks from Komark Mask (M) Sdn Bhd and had then fully distributed to medical supply distributors in Malaysia;
- (iii) On 12 April 2021, LKL completed the 20% Private Placement, raising total proceeds of RM62.84 million, further details of which are set out in Section 3.3 of this Circular. The capital expenditure is expected to improve the efficiency of the Group's production processes, increase the production capacity of its manufacturing plant and provide more storage space to fulfil larger volume of orders whereas the repayment of bank borrowings is expected to result in interest saving;
- (iv) On 19 July 2021, the Group obtained Shareholders' approval to diversify its existing business to include trading of rubber gloves and PPE;
- (v) On 16 November 2021, LKL completed the 30% Private Placement, raising total proceeds of RM35.55 million, further details of which are set out in Section 3.3 of this Circular. The diversification as set out in Section 5.4(iv) above and the 30% Private Placement were undertaken as the Company expected the demand for rubber gloves and PPE to remain high in view of the ongoing COVID-19 pandemic at that point in time; and

- (vi) On 13 January 2022, LKL completed the 19% Private Placement, raising total proceeds of RM10.70 million, further details of which are set out in Section 3.3 of this Circular. The 19% Private Placement was undertaken to reduce the Group's backlog orders mainly for manufacturing of medical beds and generate revenue from fulfilling these orders. After fulfilling these backlog orders, the Group may continue to secure new orders and this is expected to contribute positively to its financial performance.

The Group has resolved to undertake the 19% Private Placement for the above purpose in view that the cash and bank balances of the Group have been earmarked for specific purposes (i.e. pledged for banking facilities, to meet the remaining funding requirement for its respective fund-raising exercises, as well as cash buffer to sustain the Group's ongoing operations). Further details on the usage of the Group's cash and bank balances are set out in the announcement dated 29 December 2021.

Further, the Group will continue to develop new business opportunities for its manufacturing and trading divisions, capitalising on the increased demand of medical equipment, devices, peripherals and accessories since the emergence of COVID-19 pandemic. To this end, the Group aims to tap on its existing network within the healthcare industry to operate the Pharmacy Business as well as to expand its customer base.

5.5 Impact of the Proposed Rights Issue with Warrants and value creation to the Group and its Shareholders

The Proposed Rights Issue with Warrants will enable the Group to raise funds without incurring additional interest expense, thereby minimising cash flows commitment in respect of interest servicing which will preserve the Group's cash flows.

Notwithstanding the above, the consolidated EPS / LPS of the Group is expected to be diluted as a result of the increased number of Shares in issue following the issuance of the Rights Shares. The effects of the Proposed Rights Issue with Warrants on the NA and gearing as well as the earnings and EPS of the Group are set out in Section 7 of this Circular.

With the injection of new funds, the Company will be able to finance the proposed utilisation set out in Section 3 of this Circular, without having to incur interest costs or service principal repayments as compared to bank borrowings. In turn, this allows the Company to preserve its cash flow.

Further, the proceeds from the Proposed Rights Issue with Warrants will provide the Group with the necessary funds for the expansion of the Pharmacy Business.

5.6 Adequacy of the Proposed Rights Issue with Warrants in addressing the Group's financial requirements

Premised on Sections 5.4 and 5.5 above as well as the effects of the Proposals as set out in Section 7 of this Circular, the Board is of the view that the Proposed Rights Issue with Warrants is adequate to address the Group's financial requirements at this juncture.

In addition, the proceeds from the Proposed Rights Issue with Warrants which are intended to be used for the expansion of the Pharmacy Business are expected to contribute positively to the Group's financial performance in the future.

6. RISK FACTORS

Pursuant to the Proposed Diversification, the Group will be exposed to new risks inherent in the pharmacy retail industry in Malaysia, which include, but are not limited to, the following:

6.1 Business diversification risk

The Proposed Diversification may expose the Group to new business risks inherent to the Pharmacy Business that could have a material adverse effect on its financial performance, including the following:

- (i) changes in economic and social conditions and consumer preferences and spending patterns. Negative changes which may impact consumer spending include unemployment levels, level of interest rate, levels of personal disposable income, availability of debts, tax rates, etc.; and
- (ii) changes in the Government's legislation and policies (including those relating to environment, fiscal and taxation) governing the Pharmacy Business.

In order to mitigate such risks, the management of the Group endeavours to keep abreast with the latest market conditions relating to the Pharmacy Business and maintaining close working relationships with suppliers, distributors as well as government agencies. The Group also seeks to mitigate these risks by conducting periodical reviews of its business performance and adopting prudent financial management. However, there can be no assurance that any changes to the abovementioned factors, which are beyond the control of the Board, will not adversely affect the Pharmacy Business.

6.2 Competition risks

The Group faces competition from other market players as well as new market entrants in the pharmacy retail industry in Malaysia in terms of competency and reliability of services. Some of the competitors may have greater financial resources, more extensive networks and exposure to potential business opportunities, and have a more comprehensive range of services than the Group.

In addition, the Group may not be able to provide comparable services at lower prices or respond faster to market trends, compared to competitors who have larger economies of scale and established networks. Intensified competition may result in lower profit margins, which may adversely affect the Group's financial performance.

Although the management will take proactive measures to remain competitive in the pharmacy retail industry in Malaysia by ensuring costs are effectively managed, products are priced competitively, location of new stores are cautiously reviewed and keeping abreast with the latest market development, there can be no assurance that the Group will be able to compete effectively against its competitors.

6.3 No prior experience in the Pharmacy Business

The Group does not have any prior experience specifically in the operation of pharmacies. In particular, the marketing and operating strategies that may be required for the success of the Pharmacy Business may be relatively distinct from the Group's existing business.

Notwithstanding the above, the Group's background in the healthcare industry puts it in an advantageous position to embark on the Pharmacy Business as the Group can capitalise on its existing business networks for the Pharmacy Business. Nevertheless, there is no assurance that the Group will be able to derive sufficient revenue to offset the start-up costs and operating costs arising from the Pharmacy Business.

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7. EFFECTS OF THE PROPOSALS

7.1 Share capital

The Proposed Diversification will not have any effect on the Group's issued share capital as the Proposed Diversification does not involve any issuance of new LKL Shares.

The Proposed SIS is not expected to have an immediate effect on the Company's share capital until such time when the SIS Options are granted and exercised. The Company's share capital will increase progressively depending on the number of new Shares which are issued pursuant to the exercise of the SIS Options and the Exercise Price.

For illustration, assuming the Proposed SIS is implemented after the Proposed Share Consolidation and Proposed Rights Issue with Warrants, the pro-forma effects of the Proposals (excluding the Proposed Diversification) on the issued share capital of the Company as at the LPD is as follows:

	Minimum Scenario		Maximum Scenario	
	No. of Shares	Share capital (RM)	No. of Shares	Share capital (RM)
Issued share capital as at the LPD	971,600,600	193,765,957	971,600,600	193,765,957
After the Proposed Share Consolidation	97,160,060	193,765,957	97,160,060	193,765,957
New Shares to be issued pursuant to the Proposed Rights Issue with Warrants	25,000,000	⁽¹⁾ 2,296,667	291,480,180	⁽¹⁾ 26,777,313
New Shares to be issued assuming full exercise of the Warrants	16,666,666	⁽²⁾ 6,036,666	194,320,120	⁽²⁾ 70,382,747
Enlarged issued share capital after the Proposed Rights Issue with Warrants	138,826,726	202,099,290	582,960,360	290,926,017
To be issued assuming full exercise of SIS Options	41,648,000	⁽³⁾ 8,995,968	174,888,100	⁽³⁾ 37,775,830
Enlarged share capital after the Proposals	180,474,726	211,095,258	757,848,460	328,701,847

Notes:

- (1) Based on the illustrative issue price of RM0.20 per Rights Share.
(2) Based on the illustrative exercise price of RM0.20 per Warrant and after accounting for the reversal of warrant reserve.
(3) Assuming all the SIS Options are exercised into new LKL Shares at the illustrative exercise price of RM0.216, representing a discount of 9.81% to the TEAP of LKL Shares of RM0.2395, calculated based on the 5-day VWAP of LKL Shares up to and including the LPD of RM0.0437 and after adjusting for the effects of the Proposed Share Consolidation as well as assuming an illustrative exercise price of RM0.20 per Warrant.

7.2

NA and gearing

The Proposed Diversification is not expected to have any immediate material effect on the NA or NA per share, and gearing level of the Group. However, the future NA and/or gearing level of the Group will depend on the manner of funding chosen for the Pharmacy Business and the financial contribution from the Pharmacy Business. The pro forma effects of the Proposed Share Consolidation and Proposed Rights Issue with Warrants on the NA and gearing of the Group are as follows:

Minimum Scenario

	Audited as at 30 September 2021 (RM'000)	(I) After subsequent events ⁽¹⁾ (RM'000)	(II) After (I) and the Proposed Share Consolidation ⁽²⁾ (RM'000)	(III) After (I) and the Proposed Rights Issue with Warrants ⁽³⁾⁽⁴⁾ (RM'000)	(IV) After (II) and assuming full exercise of Warrants ⁽⁵⁾ (RM'000)
Share capital	179,167	193,766	193,766	196,063	202,099
Merger deficit	(29,580)	(29,580)	(29,580)	(29,580)	(29,580)
Warrants reserve	-	-	-	2,703	-
Accumulated losses	(13,702)	(14,119)	(14,119)	(15,219)	(15,219)
Shareholders' equity / NA	135,885	150,067	150,067	153,967	157,300
Non-controlling interest	(562)	(562)	(562)	(562)	(562)
Total equity	135,323	149,505	149,505	153,405	156,738
No. of Shares in issue ('000)	773,111	971,601	97,160	122,160	138,827
NA per Share (RM)	0.18	0.15	1.54	1.26	1.13
Total borrowings (RM'000)	8,233	8,233	8,233	8,233	8,233
Gearing (times)	0.06	0.06	0.06	0.05	0.05

Notes:

(1) After accounting for the following:

- (a) issuance of 7,490,000 new Shares at an issue price of RM0.0930 each pursuant to the 30% Private Placement on 16 November 2021;
 - (b) deducting actual expenses incurred in relation to the 30% Private Placement of approximately RM0.01 million;
 - (c) granting and issuance of 28,000,000 and 13,000,000 new Shares arising from the exercise of Existing ESOS Options at the exercise price of RM0.0711 and RM0.0716 respectively, on 10 January 2022 and 6 April 2022;
 - (d) issuance of 150,000,000 new Shares at an issue price of RM0.0713 each pursuant to the 19% Private Placement on 13 January 2022; and
 - (e) deducting actual expenses incurred in relation to the 19% Private Placement of approximately RM0.12 million;
- (2) After adjusting for the consolidation of every 10 LKL Shares into 1 Consolidated Share pursuant to the Proposed Share Consolidation.
- (3) Based on the issuance of 25,000,000 Rights Shares at an illustrative issue price of RM0.20 each together with 16,666,666 Warrants and after deducting estimated expenses for the Proposed Rights Issue with Warrants of RM1.10 million.
- (4) After accounting for the creation of warrant reserve based on the issuance of 16,666,666 Warrants at an allocated fair value of RM0.1622 per Warrant (computed based on the Trinomial option pricing model with data sourced from Bloomberg).
- (5) Based on the illustrative exercise price of RM0.20 per Warrant and after accounting for the reversal of warrant reserve.

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Maximum Scenario

	Audited as at 30 September 2021 (RM'000)	(I) After subsequent events ⁽¹⁾ (RM'000)	(II) After (I) and the Proposed Share Consolidation ⁽²⁾ (RM'000)	(III) After (I) and the Proposed Rights Issue with Warrants ⁽³⁾⁽⁴⁾ (RM'000)	(IV) After (II) and assuming full exercise of Warrants ⁽⁵⁾ (RM'000)
Share capital	179,167	193,766	193,766	220,543	290,926
Merger deficit	(29,580)	(29,580)	(29,580)	(29,580)	(29,580)
Warrants reserve	-	-	-	31,519	-
Accumulated losses	(13,702)	(14,119)	(14,119)	(15,219)	(15,219)
Shareholders' equity / NA	135,885	150,067	150,067	207,263	246,127
Non-controlling interest	(562)	(562)	(562)	(562)	(562)
Total equity	135,323	149,505	149,505	206,701	245,565
No. of Shares in issue ('000)	773,111	971,601	97,160	388,640	582,960
NA per Share (RM)	0.18	0.15	1.54	0.53	0.42
Total borrowings (RM'000)	8,233	8,233	8,233	8,233	8,233
Gearing (times)	0.06	0.06	0.06	0.04	0.03

Notes:

(1) After accounting for the following:

- (a) issuance of 7,490,000 new Shares at an issue price of RM0.0930 each pursuant to the 30% Private Placement on 16 November 2021;
 - (b) deducting actual expenses incurred in relation to the 30% Private Placement of approximately RM0.01 million;
 - (c) granting and issuance of 28,000,000 and 13,000,000 new Shares arising from the exercise of Existing ESOS Options at the exercise price of RM0.0711 and RM0.0716 respectively, on 10 January 2022 and 6 April 2022;
 - (d) issuance of 150,000,000 new Shares at an issue price of RM0.0713 each pursuant to the 19% Private Placement on 13 January 2022; and
 - (e) deducting actual expenses incurred in relation to the 19% Private Placement of approximately RM0.12 million;
- (2) After adjusting for the consolidation of every 10 LKL Shares into 1 Consolidated Share pursuant to the Proposed Share Consolidation.
- (3) Based on the issuance of 291,480,180 Rights Shares at an illustrative issue price of RM0.20 each together with 194,320,120 Warrants and after deducting estimated expenses for the Proposed Rights Issue with Warrants of RM1.10 million.

- (4) After accounting for the creation of warrant reserve based on the issuance of 194,320,120 Warrants at an allocated fair value of RM0.1622 per Warrant (computed based on the Trinomial option pricing model with data sourced from Bloomberg).
- (5) Based on the illustrative exercise price of RM0.20 per Warrant and after accounting for the reversal of warrant reserve.

The Proposed SIS is not expected to have an immediate effect on the NA and gearing of the Group until such time when the SIS Options granted under the SIS are exercised. Any potential effects on the NA and gearing of the Group will depend on the number of new Shares to be issued upon the exercise of the SIS Options granted under the SIS and the Exercise Price.

For illustrative purposes, upon exercise of the SIS Options, the NA per Share is expected to:

- (i) increase if the Exercise Price is higher than the NA per Share; or
- (ii) decrease if the Exercise Price is lower than the NA per Share,

at the point of the SIS Options being exercised.

Any potential effect on the NA and gearing of the Group in the future will depend on the number of SIS Options granted and exercised, the Exercise Price and the non-cash expenses arising from the granting of the SIS Options under Malaysian Financial Reporting Standards 2 ("MFRS 2"). The quantum of such impact cannot be determined at this juncture as it will be measured at the date of granting the SIS Options. Further information on this is set out in Section 7.4.4 of this Circular.

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7.3 Substantial Shareholders' shareholdings

The Proposed Diversification will not have any effect on the substantial shareholders' shareholdings of the Company as the Proposed Diversification does not involve any issuance of new LKL Shares.

The proforma effects of the Proposed Share Consolidation and Proposed Rights Issue with Warrants on the substantial Shareholders' shareholding in the Company based on the Record of Depositors as at the LPD are as follows:

Minimum Scenario

Substantial Shareholders	As at the LPD			(I) After the Proposed Share Consolidation		
	Direct		Indirect	Direct		Indirect
	No. of shares	(1)%		No. of Shares	(2)%	No. of Shares (2)%
Datuk Chong Loong Men	100,000	0.01	-	10,000	0.01	-
Focus Dynamics Centre Sdn Bhd	167,536,800	17.24	-	16,753,680	17.24	-
Focus Dynamics Group Berhad	-	-	(5)17.24	-	-	(5)17.24
Ang Kian You	88,776,800	9.14	-	8,877,680	9.14	-

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Substantial Shareholders	(II) After (I) and the Proposed Rights Issue with Warrants			(III) After (II) and assuming full exercise of the Warrants			
	Direct		Indirect	Direct		Indirect	
	No. of shares	(3)%	No. of shares	(3)%	No. of Shares	(4)%	No. of Shares (4)%
Datuk Chong Loong Men	25,010,000	20.47	-	-	41,676,667	30.02	-
Focus Dynamics Centre Sdn Bhd	16,753,680	13.71	-	-	16,753,680	12.07	-
Focus Dynamics Group Berhad	-	-	16,753,680	(5)13.71	-	-	(5)12.07
Ang Kian You	8,877,680	7.27	-	-	8,877,680	6.39	-

Notes:

- (1) Based on 971,600,600 LKL Shares as at the LPD.
- (2) Based on the consolidated number of 97,160,060 Shares after the Proposed Share Consolidation.
- (3) Based on the enlarged number of 122,160,060 LKL Shares after the Proposed Rights Issue with Warrants.
- (4) Based on the enlarged number of 138,826,726 LKL Shares assuming full exercise of the Warrants.
- (5) Deemed interested in the shares held by Focus Dynamics Centre Sdn Bhd pursuant to Section 8 of the Act.

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Maximum Scenario

Substantial Shareholders	As at the LPD				(I) After the Proposed Share Consolidation			
	Direct		Indirect		Direct		Indirect	
	No. of shares	(1)%	No. of shares	(1)%	No. of Shares	(2)%	No. of Shares	(2)%
Focus Dynamics Centre Sdn Bhd	167,536,800	17.24	-	-	16,753,680	17.24	-	-
Focus Dynamics Group Berhad	-	-	167,536,800	(5)17.24	-	-	16,753,680	(5)17.24
Ang Kian You	88,776,800	9.14	-	-	8,877,680	9.14	-	-

Substantial Shareholders	(II) After (I) and the Proposed Rights Issue with Warrants				(III) After (II) and assuming full exercise of the Warrants			
	Direct		Indirect		Direct		Indirect	
	No. of shares	(3)%	No. of shares	(3)%	No. of Shares	(4)%	No. of Shares	(4)%
Focus Dynamics Centre Sdn Bhd	67,014,720	17.24	-	-	100,522,080	17.24	-	-
Focus Dynamics Group Berhad	-	-	67,014,720	(5)17.24	-	-	100,522,080	(5)17.24
Ang Kian You	35,510,720	9.14	-	-	53,266,080	9.14	-	-

Notes:

- (1) Based on 971,600,600 LKL Shares as at the LPD.
- (2) Based on the consolidated number of 97,160,060 Shares after the Proposed Share Consolidation.
- (3) Based on the enlarged number of 388,640,240 LKL Shares after the Proposed Rights Issue with Warrants.
- (4) Based on the enlarged number of 582,960,360 LKL Shares assuming full exercise of the Warrants.
- (5) Deemed interested in the shares held by Focus Dynamics Centre Sdn Bhd pursuant to Section 8 of the Act.

The Proposed SIS is not expected to have any immediate effect on the substantial Shareholders' shareholdings in the Company until and unless new Shares are issued pursuant to the exercise of the SIS Options. Any potential effect on the substantial Shareholders' shareholdings in the Company would depend on the number of new Shares to be issued at the relevant point in time.

7.4 Earnings and EPS

7.4.1 Proposed Share Consolidation

The Proposed Share Consolidation will not have any effect on the consolidated earnings of the Company. Upon completion of the Proposed Share Consolidation, the lower number of Shares in issue will result in a corresponding increase in the EPS of the Company.

7.4.2 Proposed Diversification

Barring any unforeseen circumstances, the Proposed Diversification is expected to contribute positively to the future earnings of the Group as and when the benefits therefrom are realised.

7.4.3 Proposed Rights Issue with Warrants

The effects of the Proposed Rights Issue with Warrants on the consolidated earnings and EPS of the Company for the 15-month FPE 31 December 2022 will depend on, amongst others, the number of Rights Shares to be issued and the level of returns generated from the utilisation of the proceeds to be raised from the Proposed Rights Issue with Warrants.

However, assuming that the consolidated earnings of the Company remain unchanged, the EPS of the Company will be diluted as a result of the increase in the number of Shares in issue following the issuance of the Rights Shares and the new Shares arising from the exercise of the Warrants.

7.4.4 Proposed SIS

The Proposed SIS is not expected to have any immediate material effect on the earnings and EPS of the Group until such time when the SIS Options are granted and exercised. Any potential effect on the EPS of the Group in the future will depend on the number of SIS Options granted and exercised, the Exercise Price and the non-cash expenses arising from the granting of the SIS Options under MFRS 2.

The quantum of such impact cannot be determined at this juncture as it will be measured at the date of granting the SIS Options based on, amongst others, the share price volatility, risk-free interest rate and pricing model. The fair value of the SIS Options will be recognised as an expense in the profit or loss account of the Group over the vesting period of the SIS Options. However, it should be noted that the estimated cost does not represent a cash outflow by the Group as it is merely an accounting treatment.

The Board takes note of the potential impact of MFRS 2 on the Group's future earnings and shall take into consideration such impact in the allocation and granting of SIS Options to the Eligible Persons.

7.5 Convertible securities

As at the LPD, the Company does not have any convertible securities.

8. APPROVALS REQUIRED AND CONDITIONALITY

The Proposals are subject to the following approvals being obtained:

- (i) Bursa Securities for the following:
 - (a) Proposed Share Consolidation;
 - (b) admission of the Warrants to the Official List;
 - (c) listing and quotation of the Rights Shares and Warrants;
 - (d) listing and quotation of the new Shares to be issued pursuant to the exercise of the Warrants; and
 - (e) listing and quotation of up to 30% of the total number of issued Shares (excluding treasury shares, if any) to be issued pursuant to the exercise of the SIS Options under the Proposed SIS.

The approval by Bursa Securities for the above was obtained via its letter dated 18 August 2022, subject to, amongst others, the following conditions:

Conditions		Status of compliance
(a)	LKL and TA Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Share Consolidation and Proposed Rights Issue with Warrants;	To be complied
(b)	LKL and TA Securities to inform Bursa Securities upon the completion of the Proposed Share Consolidation and Proposed Rights Issue with Warrants; and	To be complied
(c)	LKL to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Share Consolidation and Proposed Rights Issue with Warrants are completed.	To be complied

- (ii) the approval of Shareholders at the forthcoming EGM; and
- (iii) the approvals / consents of any other relevant authorities and/or parties, if required.

The Proposed Share Consolidation, Proposed Diversification and Proposed Rights Issue with Warrants are inter-conditional, only in so far as Shareholders' approval is required. The Proposed Share Consolidation will not be implemented if Shareholders' approval for the Proposed Diversification and Proposed Rights Issue with Warrants is not obtained (and the same rule applies to the other constituents of the Proposals). For the avoidance of doubt, the Proposed Share Consolidation is intended to be implemented prior to the implementation of the Proposed Rights Issue with Warrants and Proposed SIS.

The Proposed SIS and the aforementioned 3 proposals are not inter-conditional.

Save for the above, the Proposals are not conditional upon any other proposals undertaken or to be undertaken by the Company.

9. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

There are no other corporate exercises / schemes which have been announced by the Company but are pending completion as at the date of this Circular.

10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

Save for the Proposed SIS, none of the directors, major shareholders, chief executive of the Company and/or persons connected with them are deemed interested, direct or indirect, in the Proposals.

All the Directors of LKL are entitled to participate in the Proposed SIS and are therefore deemed interested in the Proposed SIS by virtue of their eligibility for the Proposed SIS in their capacity as Directors and in respect of their allocations, if any, as well as allocations to persons connected with them (if any) under the Proposed SIS ("**Interested Directors**").

Accordingly, the Interested Directors have abstained and will continue to abstain from all deliberations and voting in respect of the specific allocation of the SIS to themselves as well as the specific allocations to any persons connected with them (if any) at the relevant Board meetings of the Company.

Further, the Interested Directors will also abstain and have undertaken to ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in LKL on the resolutions pertaining to any specific allocations of the SIS to themselves, as well as the specific allocations to any persons connected with them under the Proposed SIS at the forthcoming EGM.

11. BOARD'S RECOMMENDATION

The Board having considered all aspects of the Proposals, including but not limited to the rationale and effects of the Proposals, is of the opinion that the Proposals are in the best interest of the Company and its shareholders.

However, in view that all the Directors of the Company are eligible to participate in the Proposed SIS, they have abstained from deliberating, forming any opinion and making any recommendations at all relevant Board meetings in relation to their respective allocations as well as allocations to persons connected with them, if any, under the Proposed SIS. They will also abstain and ensure that persons connected with them, if any, abstain from voting in respect of their direct and/or indirect interests in the Company, on the resolutions pertaining to their respective allocations as well as allocations to persons connected with them, if any, under the Proposed SIS at the forthcoming EGM.

Accordingly, the Board (save for the Interested Directors who have abstained from forming any opinion and making any recommendations relating to their respective allocations as well as allocations to persons connected with them, if any) pursuant to the Proposed SIS, recommends that you vote in favour of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

12. ESTIMATED TIMEFRAME FOR COMPLETION

Subject to all relevant approvals being obtained, the Proposals are expected to be completed by the fourth quarter of 2022.

The tentative timeline for the implementation of the Proposals is as follows:

Date	Events
20 September 2022	EGM for the Proposals
October 2022	- Announcement of Books Closure Date (Proposed Share Consolidation) - Books Closure Date (Proposed Share Consolidation) - Completion of the Proposed Share Consolidation
November 2022	- Announcement of the Entitlement Date - Entitlement Date - Despatch of abridged prospectus, notices of provisional allotment and rights subscription form - Closing date for acceptance and application for the Rights Shares and Warrants
December 2022	- Last day for payment and acceptance of the Rights Shares and Warrants - Listing and quotation of the Rights Shares and Warrants - Completion of the Proposed Rights Issue with Warrants
January 2023	Announcement of Effective Date

Barring any unforeseen circumstances, the Proposed Diversification will take immediate effect upon obtaining the approval from the Shareholders at the forthcoming EGM.

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13. EGM

The Notice of EGM together with the Administrative Notes are available on the Company's website at <https://www.lklbeds.com>. The EGM will be held on a fully virtual basis and entirely via remote participation and electronic voting via an online meeting platform at <https://rebrand.ly/LKL-EGM> operated by Mlabs Research Sdn Bhd from the Main Venue at Lot 4.1, 4th Floor, Menara Lien Hoe, No. 8, Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 20 September 2022 at 11:00 a.m., or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the ordinary resolutions pertaining to the Proposals as described herein.

If you are unable to participate at the EGM and wish to appoint proxy(ies) instead, the appointment of proxy(ies) may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof at which the person named in the appointment proposes to vote:

(i) In hard copy form

In the case of an appointment made in hard copy form, the Form of Proxy must be deposited at the office of the Poll Administrator, Workshire Share Registration Sdn Bhd at A1-2-2, Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur, Wilayah Persekutuan (KL).

(ii) By electronic form

The Form of Proxy can be electronically lodged by email to infosr@wscs.com.my. Kindly refer to the Administrative Notes on the procedures for electronic lodgement of Form of Proxy.

The lodging of Form of Proxy does not preclude you from attending and voting in person should you subsequently decide to do so.

Shareholders are advised to refer to the Administrative Notes for the EGM on the registration and voting process for the EGM.

14. FURTHER INFORMATION

You are advised to refer to Appendix I of this Circular for further information.

Yours faithfully,
For and on behalf of the Board of
LKL INTERNATIONAL BERHAD

DATUK CHONG LOONG MEN
Executive Director

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board and the Directors, collectively and individually, accept full responsibility for the completeness and accuracy of the information contained in this Circular. They confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or information contained in this Circular, or other facts, the omission of which would make any statement in this Circular false or misleading.

2. CONSENT AND CONFLICT OF INTEREST**2.1. TA Securities**

TA Securities, being the Principal Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which it appears in this Circular.

TA Securities has confirmed that there is no conflict of interest that exists or any circumstances which would or is likely to give rise to a possible conflict of interests in relation to its role as the Principal Adviser for the Proposals.

2.2 Infobusiness

Infobusiness, being the independent market researcher, has given and has not subsequently withdrawn its written consent to the inclusion of its name and extracts of its IMR Report referred to in Sections 2.2.1 and 5 of this Circular in the form and context in which it appears in this Circular.

Infobusiness has confirmed that there is no conflict of interest that exists or any circumstances which would or is likely to give rise to a possible conflict of interests in relation to its role as the independent market researcher.

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**Material commitments**

Save as disclosed below, as at the LPD, the Board confirmed that there are no material commitments incurred or known to be incurred by the Group that have not been provided for, which upon becoming due or enforceable, may have a material impact on the financial results or position of the Group:

Capital expenditure in respect of purchase of freehold lands with factory buildings	RM'000
Contracted but not provided for	600

Contingent liabilities

Saved as disclosed below, as at the LPD, the Board confirmed that there are no contingent liabilities incurred or known to be incurred by the Group which, upon becoming due or enforceable, may have a material impact on the financial results or position of the Group:

Description	RM'000
Performance bonds issued to third party customers for projects granted to LKLAM	700
Bank guarantee issued to Tenaga Nasional Berhad for supply of electricity to LKLAM	84
Total	784

4. MATERIAL LITIGATION

Save as disclosed below, LKL Group is not involved in any material litigation, claims or arbitration and the Board confirmed that there are no proceedings pending or threatened involving the LKL Group, or of any facts likely to give rise to any such proceedings as at the LPD:

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

On 16 December 2020, LKL's wholly-owned subsidiary, LKLAM ("**Plaintiff**"), had filed an Originating Summons ("**OS**") in the High Court in Kuala Lumpur to seek for an injunction against Crecom Burj Gloves Sdn Bhd ("**Defendant**"). The High Court had on 5 March 2021 granted a Mareva injunction to freeze the Defendant's assets up to the amount of RM12,542,783.60 after hearing all parties involved. On 9 April 2021, the Defendant filed an affidavit to declare and list out all the necessary details of its assets and current locations of the same. The Defendant had filed an appeal bearing appeal no. W-02(NCC)(A)-719-04/2021 to the Court of Appeal, Putrajaya to appeal against the injunction granted by the High Court in Kuala Lumpur to the Plaintiff. However, the Defendant has withdrawn its appeal No. W-02(NCC)(A)-719-04/2021 at the Court of Appeal on 9 September 2021.

In line with the OS, the Plaintiff had also filed a Notice of Arbitration dated 11 January 2021 ("**Arbitration**") against the Defendant. The Plaintiff claims against the Defendant for breach of the Purchase Agreement dated 2 October 2020 which was entered into by both parties for the purchase of gloves from the Defendant. In the Arbitration, the Plaintiff is seeking from the Defendant the sum of RM12,542,783.60, general damages, interest, costs and any further relief that the arbitral tribunal thinks fit and just. The Defendant filed a Response to the Arbitration dated 16 February 2021 counterclaiming for the sum of RM20,374,500.00 for the purported balance amount due to the Defendant. The Arbitration is pending appointment of arbitrator by the director of Asian International Arbitration Centre.

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

On 24 May 2021, LKL 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.

LKL 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.

On 19 August 2021, the Edge has filed a striking out application to strike out LKL'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.

The lawyers for LKL are of the opinion that LKL has a reasonably good chance in their claim.

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

On 26 July 2021, LKL's wholly-owned subsidiary, LKLAM ("**Plaintiff**"), had through its solicitors, Messrs Chong + Kheng Hoe, filed a Writ and Statement of Claim in the High Court in Kuala Lumpur 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 ("**Defendants**").

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

The lawyers for LKLAM are of the opinion that LKLAM has a fair chance in their claim against the Defendants.

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

On 8 November 2021, LKL's wholly owned subsidiary, LKLAM ("**Petitioner**") had through its solicitors, Messrs Chong + Kheng Hoe, presented a Winding Up Petition at the Kuala Lumpur High Court 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. Pursuant to a winding up order dated 13 July 2022, the Court has ordered the Respondent to be wound up and a cost of RM5,000 is to be paid up from the assets of the Respondent to the Petitioner. The Court has also appointed a liquidator of the Respondent and Petitioner is in the midst of filing their proof of debt to the liquidator.

The lawyers for LKLAM are of the opinion that LKLAM has a fair chance of recovery of their debt from the Respondent.

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5. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of LKL Shares as traded on Bursa Securities for the past 12 months preceding the date of this Circular are as follows:

	High RM	Low RM
<u>2021</u>		
August	0.280	0.240
September	0.250	0.200
October	0.205	0.120
November	0.135	0.090
December	0.095	0.050
<u>2022</u>		
January	0.100	0.060
February	0.095	0.070
March	0.095	0.060
April	0.085	0.070
May	0.080	0.060
June	0.075	0.035
July	0.050	0.040
Last transacted market price on 16 June 2022, being the last Market Day immediately prior to the announcement of the Proposals	0.060	
Last transacted market price on the LPD	0.040	

(Source: Bloomberg)

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APPENDIX I – FURTHER INFORMATION (CONT'D)
6. HISTORICAL FINANCIAL INFORMATION OF LKL GROUP

	Audited			Unaudited
	FYE 30 April 2019	FYE 30 April 2020	17-month FPE 30 September 2021	9-month FPE 30 June 2022 ⁽¹⁾
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue	37,180	54,951	75,505	75,275
Cost of sales	(26,590)	(35,160)	(58,339)	(64,676)
GP	10,590	19,791	17,166	10,599
Other income	472	676	1,365	1,992
Administrative expenses	(9,821)	(11,549)	(24,599)	(11,419)
Selling and distribution expenses	(2,481)	(2,161)	(2,332)	(1,513)
Other expenses	(861)	(934)	(2,310)	(805)
Finance costs	(387)	(406)	(571)	(191)
Net Impairment gain / (loss) on financial assets	(397)	188	(40,667)	1,425
Shares of losses of equity accounted joint venture	-	(36)	-	-
Share of losses in an associate	-	-	(74)	(43)
PBT / (LBT)	(2,885)	5,569	(52,022)	45
Income tax refund / (income tax expense)	28	(1,020)	(128)	(474)
PAT / (LAT)	(2,857)	4,549	(52,150)	(429)
PAT / (LAT) attributable to:				
- owners of the Company	(2,497)	4,298	(51,630)	(370)
- non-controlling interests	(360)	251	(520)	(59)
GP margin (%)	28.48	36.02	22.73	14.08
PAT / (LAT) margin (%)	(7.68)	8.28	(69.07)	(0.57)
Weighted average no. of Shares in issue ('000)	428,800	428,800	496,974	894,287
Basic EPS / (LPS) (sen)	(0.58)	1.00	(10.39)	(0.04)
NA (RM'000)	56,183	60,480	135,885	150,114
NA per Share (RM) ⁽²⁾	0.13	0.14	0.18	0.15
Current ratio (times) ⁽³⁾	5.00	3.41	8.85	8.47
Total borrowings (including lease liabilities)	6,773	11,300	8,233	10,545
Gearing (times) ⁽⁴⁾	0.12	0.19	0.06	0.07

APPENDIX I – FURTHER INFORMATION (CONT'D)

Notes:

- (1) The Company has changed its financial year end from 30 April 2021 to 30 September 2021 and subsequently to 31 December 2022. As such, there were no comparative financial information available for the 9-month FPE 30 June 2022. The next audited financial statements of the Company will be for a period of 15 months from 1 October 2021 to 31 December 2022.
- (2) Calculated based on the number of ordinary shares in issue of 971,600,600 Shares as at 30 June 2022, 773,110,600 Shares as at 30 September 2021, 428,800,000 Shares as at 30 April 2020 and 428,800,000 Shares as at 30 April 2019.
- (3) Calculated based on current assets over current liabilities.
- (4) Calculated based on total borrowings (including lease liabilities) over total equity.

Financial commentary**(a) 9-month FPE 30 June 2022**

The Group recorded a revenue of RM75.28 million for the 9-month FPE 30 June 2022. This was mainly contributed by its manufacturing and trading of medical peripherals and accessories amounting to RM68.05 million, which represents 90.40% of the total revenue. In addition, the newly established retail segment with the Group's first pharmaceutical outlet launched in March 2022 contributed RM0.18 million, which represents 0.24% of total revenue.

The Group recorded a GP of RM10.60 million (GP margin of 14.08%) for the 9-month FPE 30 June 2022. As compared to the past 3 financial years, the GP margin has reached its new low. This was mainly due to sales of COVID-19 test kits which has a relatively lower gross profit margin of 1.59%. The sales of COVID-19 test kits had contributed RM45.09 million or 59.90% of the revenue for the 9-month FPE 30 June 2022.

The Group recorded a LAT of RM0.43 million for the 9-month FPE 30 June 2022. The LAT recorded was mainly due to the following:

- (i) lower GP margin as compared to the past 3 financial years / period;
- (ii) administrative expenses incurred amounting to RM11.42 million which mainly comprise of staff costs; and
- (iii) incurring an income tax expense of RM0.47 million which carried an effective tax rate higher than the corporate tax rate in Malaysia of 24% mainly due to provision for tax expenses in profitable subsidiaries.

(b) 17-month FPE 30 September 2021 compared to FYE 30 April 2020

The Group's revenue for the 17-month FPE 30 September 2021 increased by 37.40% to RM75.51 million as compared to the previous financial year (the annualised revenue for the 17-month FPE 30 September 2021 was RM53.30 million, representing a decrease by 3.01% on an annualised basis). This was mainly due to the annualised revenue from the Group's manufacturing division decreasing by RM1.24 million to RM32.73 million (FYE 30 April 2020: RM33.97 million). The decrease in annualised revenue from manufacturing division is mainly due to disruptions in the Group's operations during the MCO period as well as shortage of raw materials.

The Group recorded a lower GP of RM17.17 million (GP margin of 22.73%) for the 17-month FPE 30 September 2021 as compared to a GP of RM19.79 million (GP margin of 36.02%) in the previous financial year. The decrease in GP and GP margin was mainly due to the following:

- (i) less favourable product mix; and
- (ii) net write down of inventories of RM5.97 million (FYE 30 April 2020: reversal of inventories of RM0.11 million).

APPENDIX I – FURTHER INFORMATION (CONT'D)

The Group recorded a LAT of RM52.15 million for the 17-month FPE 30 September 2021 as compared to a PAT of RM4.55 million in the previous financial year (the annualised LAT for the 17-month FPE 30 September 2021 was RM36.81 million). This was mainly due to:

- (i) lower GP as set out above;
- (ii) impairment loss on non-trade receivables of RM38.63 million (FYE 30 April 2020: nil) as a result of the material litigations with Crecom and Genesis Gateway Sdn Bhd; and
- (iii) professional fees of RM4.18 million (FYE 30 April 2020: RM1.16 million) which was mainly pertaining to listing expenses.

(c) FYE 30 April 2020 compared to FYE 30 April 2019

The Group's revenue for the FYE 30 April 2020 increased by 47.80% to RM54.95 million as compared to the previous financial year. This was mainly due to:

- (i) the revenue from manufacturing and trading of medical peripherals and accessories increased by RM14.02 million to RM35.22 million (FYE 30 April 2019: RM21.20 million), which was mainly due to surge in demand arising from the COVID-19 outbreak; and
- (ii) the revenue from manufacturing of medical / healthcare beds increased by RM3.18 million (FYE 30 April 2019: RM11.44 million), which was mainly due to surge in demand arising from the COVID-19 outbreak.

The Group recorded a higher GP of RM19.79 million (GP margin of 36.02%) for the FYE 30 April 2020 as compared to a GP of RM10.59 million (GP margin of 28.48%) in the previous financial year. The higher GP is in line with the higher revenue as set out above as well as favourable product mix.

The Group recorded a PAT of RM4.55 million as compared to a LAT of RM2.86 million in the previous financial year. The PAT recorded was mainly due to:

- (i) higher GP as set out above; and
- (ii) net impairment gain on financial asset of RM0.19 million (FYE 30 April 2019: net impairment loss of RM0.40 million) which was mainly due to better collection of trade receivables.

However, the PAT was partially offset by increase in staff costs by RM1.84 million to RM6.78 million (FYE 30 April 2019: RM4.94 million) as a result of expansion of workforce in the Group's wholly-owned subsidiaries.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at Third Floor, No. 77, 79 & 81, Jalan SS 21/60, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan during normal business hours from Monday to Friday (except public holidays) for the period from the date of this Circular up to and including the date of the EGM:

- (i) Constitution of the Company;
- (ii) audited consolidated financial statements of the Company for the FYE 30 April 2020 and 17-month FPE 30 September 2021 as well as the unaudited consolidated financial statements of the Company for the 9-month FPE 30 June 2022;
- (iii) draft Deed Poll;

APPENDIX I – FURTHER INFORMATION (CONT'D)

- (iv) draft By-laws as set out in Appendix II of this Circular;
- (v) the letters of consent referred to in Section 2 of this Appendix I;
- (vi) the IMR Report referred to in Section 4 of this Circular; and
- (vii) the relevant cause papers in respect of the material litigation as set out in Section 4 of Appendix I above.

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1. NAME OF SCHEME

This Scheme shall be called the “LKL Share Issuance Scheme”.

1A. RATIONALE OF THE SCHEME

The rationale of the Scheme is as follows:

- (i) to drive and motivate the Eligible Persons to work towards achieving the Group’s goals and objectives;
- (ii) to reward the Eligible Persons in recognition of their contribution to the operations and continued growth of the Group;
- (iii) to retain the Eligible Persons by giving the Eligible Persons a sense of ownership, loyalty and belonging to the Group by enabling them to participate directly in the equity of the Company;
- (iv) to align the interests of the Eligible Persons with the interests of the shareholders of LKL by providing an incentive for the Eligible Persons to participate in the future growth of the Group and motivating them towards better performance; and
- (v) to attract and retain high-calibre Eligible Persons.

The SIS is also extended to the eligible non-executive Directors of the LKL Group (excluding dormant subsidiaries) for the following reasons:

- (i) to recognise the contributions and efforts made by the non-executive Directors as they play an important role in the business performance of the Group; and
- (ii) their participation in the equity of the Company is expected to enhance their level of commitment and contribution as well as to enable the Company to attract and retain capable individuals to act as non-executive Directors of the Company, who will assist in the overall strategic decisions and directions of the Group.

2. DEFINITIONS AND INTERPRETATION

2.1 In these By-Laws, except where the context otherwise requires, the following terms and expressions shall have the following meanings:

Act	: The Companies Act 2016 as amended from time to time and including all regulations made thereunder and any re-enactment thereof
Adviser	: A person who is eligible to act as a principal adviser under the Guidelines on Submission of Corporate and Capital Market Product Proposals and the Licensing Handbook issued by the Securities Commission Malaysia, including any amendments thereto that may be made from time to time
Board	: The Board of Directors of LKL
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
Bursa Securities	: Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))

APPENDIX II – DRAFT BY-LAWS (CONT'D)

By-Laws	: The rules, terms and conditions of the Scheme (as may be modified, varied and/or amended from time to time in accordance with By-Law 21)
CDS	: Central Depository System
CDS Account	: A securities account established by Bursa Depository for a depositor for the recording of deposits and withdrawals of securities and for dealings in such securities by the depositor
Constitution	: The Constitution of the Company, including any amendments thereto that may be made from time to time
Date of Expiry	: Last day of the Duration of the Scheme as defined in By-Law 19.2
Date of Offer	: The date on which an Offer is made by the SIS Committee to an Eligible Person in the manner provided in By-Law 6
Director	: Either an executive director or a non-executive director of the LKL Group within the meaning of Section 2 of the Act
Duration of the Scheme	: Period of five (5) years or such period as extended by the Board in accordance with By-Law 19.3 from the Effective Date, as the case may be
Effective Date	: The date on which the Scheme comes into force as provided in By Law 19.1
EGM	: Extraordinary General Meeting
Eligible Person(s)	: A Director or Employee of the LKL Group who meets the criteria of eligibility for participation in the SIS as stipulated in By-Law 4
Employee	: A natural person who is employed by and on the payroll of any company in the Group
Entitlement Date	: The date as at the close of business on which shareholders' names must appear on LKL's Record of Depositors and/or Register of Members in order to be entitled to any dividends, rights, allotments or other distributions
Exercise Price	: The subscription price at which a Grantee shall be entitled to subscribe for each new Share upon the exercise of the SIS Option, as initially determined in the Offer and as may be adjusted pursuant thereto in accordance with the provisions of By-Law 10
Grantee	: Any Eligible Person who has accepted an Offer in the manner provided in By-Law 7
Listing Requirements	: The ACE Market Listing Requirements of Bursa Securities including any amendments thereto that may be made from time to time

LKL or the Company	:	LKL International Berhad (Registration No. 201501014673 (1140005-V))
LKL Group or the Group	:	The Company and its subsidiary company(ies) (including foreign subsidiaries) as defined in Section 4 of the Act, which are not dormant. Subject to the foregoing, subsidiaries include subsidiaries which are existing as at the Effective Date and subsidiaries which are incorporated or acquired at any time during the Duration of the Scheme but exclude subsidiaries which have been divested in the manner provided in By-Law 17
Market Day(s)	:	A day on which Bursa Securities is open for trading in securities
Maximum Allowable Allotment	:	The maximum number of new Shares that may be offered and allotted to an Eligible Person under the Scheme in the manner provided in By-Law 5
Offer	:	A written offer made by the SIS Committee from time to time to an Eligible Person to participate in the Scheme in the manner provided in By-Law 6
Offer Period	:	The period stipulated in By-Law 6.5
Option Certificate	:	The certificate issued by the SIS Committee confirming the grant of the SIS Option to an Eligible Person and the Exercise Price together with the number of Shares comprised in the SIS Option
RM and sen	:	Ringgit Malaysia and sen respectively
Share(s)	:	Ordinary share(s) in the Company
SIS or Scheme	:	The scheme for the grant of SIS Option(s) to Eligible Persons to subscribe for new Shares according to the terms set out herein known as the “LKL Share Issuance Scheme”
SIS Committee	:	The committee duly authorised and appointed by the Board to administer the Scheme, comprising such persons appointed from time to time by the Board
SIS Option(s)	:	The right of a Grantee to subscribe for new Shares pursuant to the contract constituted by the acceptance of an Offer by an Eligible Person in the manner provided in By-Law 7
SIS Option Period	:	The period commencing from the date an Offer is accepted by a Grantee and expiring on the Date of Expiry or such other date as may be stipulated by the SIS Committee in the Offer or upon the date of termination of the Scheme as provided in By-Law 19, whichever is the earlier
Vesting Conditions	:	The conditions determined by the SIS Committee which must be fulfilled for the SIS Options to be vested in the Grantee.

2.2 Headings are for ease of reference only and do not affect the meaning of a By-Law.

- 2.3 Any reference to statutory provisions shall include:
- (a) any subordinate legislation made from time to time under that provision and any Listing Requirements, policies, practice notes and/or guidelines of Bursa Securities and/or other relevant authorities (in each case, whether or not having the force of law but, if not having the force of law, the compliance with which is in accordance with the reasonable commercial practice of persons to whom such requirements, policies, practice notes and/or guidelines are addressed to by Bursa Securities and/or the relevant authorities); and
 - (b) that provision as from time to time modified or re-enacted whether before or after the date of these By-Laws so far as such modification or re-enactment applies or is capable of applying to any SIS Option(s) offered and accepted prior to the Date of Expiry and shall include also any past statutory provision (as from time to time modified or re-enacted) which such provision has directly or indirectly replaced.
- 2.4 Words importing the masculine gender shall include the feminine and neuter genders.
- 2.5 Words importing the singular number shall include the plural number and vice versa.
- 2.6 If an event is to occur on a stipulated day which is not a Market Day, then the stipulated day will be taken to be the first Market Day after that day, save and except if the Date of Expiry falls on a stipulated day that is not a Market Day, the Date of Expiry shall be taken to be the Market Day prior to the stipulated day.
- 2.7 A “Day” or “Month” shall mean a calendar day or a calendar month.
- 2.8 Any liberty or power which may be exercised or any decision or determination which may be made hereunder by the SIS Committee shall be exercised in the SIS Committee’s absolute and unfettered discretion and the SIS Committee shall not be under any obligation to give any reasons therefore, except as may be required by the relevant authorities.

3. MAXIMUM NUMBER OF NEW SHARES AVAILABLE UNDER THE SCHEME

- 3.1 The maximum number of new Shares which may be issued and allotted pursuant to the exercise of the SIS Options which may be granted under the Scheme shall not in aggregate exceed thirty per centum (30%) of the total number of issued shares of the Company (excluding treasury shares, if any) at any point of time during the Duration of the Scheme as provided in By-Law 19.2.
- 3.2 Notwithstanding the provision of By-Law 3.1 and any other provision contained in these By-Laws, in the event the number of new Shares to be issued pursuant to the exercise of SIS Options under the Scheme exceeds thirty centum (30%) of the total number of issued shares of the Company (excluding treasury shares, if any) as a result of the Company purchasing, cancelling and/or reducing its Shares in accordance with the provisions of the Act or the Company undertaking any corporate proposal and thereby diminishing the total number of issued shares of the Company, then such SIS Options granted prior to the adjustment of the total number of issued shares of the Company (excluding treasury shares, if any) shall remain valid and exercisable in accordance with the provisions of these By-Laws. However, in such a situation, the SIS Committee shall not make any further Offer until the total number of Shares under the subsisting SIS Options, including those Shares that have been issued under the Scheme falls below thirty per centum (30%) of the total number of issued shares of the Company (excluding treasury shares, if any) at any point of time during the Duration of the Scheme as provided in By-Law 19.2.

- 3.3 Each SIS Option shall be exercisable into one (1) new Share, in accordance with the provisions of these By-laws.

4. ELIGIBILITY

- 4.1 Only Eligible Persons who fulfil the following conditions shall be eligible to participate in the Scheme:

- (a) In respect of an Employee, the Employee must fulfil the following criteria as at the Date of Offer:
 - (i) is at least eighteen (18) years of age;
 - (ii) is not an undischarged bankrupt or subject to any bankruptcy proceedings;
 - (iii) is an employee:
 - (aa) on full time basis and is on the payroll of any company within the Group (which is not dormant), whose employment has been confirmed by the relevant company within the Group (which are not dormant) on the Date of Offer; or
 - (bb) under an employment contract for fixed duration and has been in the employment of any company in the Group (which is not dormant) for such period as may be determined by the SIS Committee;
 - (iv) fulfils any other criteria and/or falls within such category as may be determined by the SIS Committee from time to time.
- (b) In respect of a Director, the Director must fulfil the following criteria as at the Date of Offer:
 - (i) is at least eighteen (18) years of age;
 - (ii) is not an undischarged bankrupt or subject to any bankruptcy proceedings;
 - (iii) is a Director of the Company or any company in the Group, which is not dormant; and
 - (iv) fulfils any other criteria and/or falls within such category as may be determined by the SIS Committee from time to time.

A set of criteria on eligibility and allocation as determined by the SIS Committee from time to time shall be made available to the Eligible Persons. Notwithstanding the above, the SIS Committee may, in its absolute discretion, waive any of the conditions of eligibility as set out in this By-Law 4.1. The eligibility and number of SIS Options to be offered to an Eligible Person under the Scheme shall be at the sole and absolute discretion of the SIS Committee and the decision of the SIS Committee shall be final and binding.

- 4.2 Notwithstanding By-Law 4.1, the specific allotment to be made to any person, who is a director or major shareholder or the chief executive of LKL or holding company of LKL or person connected to any of them (as defined in the Listing Requirements), shall also be approved by the shareholders of the Company in general meeting.

- 4.3 Any Eligible Person who holds more than one (1) position within the LKL Group and by holding such positions, the Eligible Person is in more than one category, shall only be entitled to the Maximum Allowable Allotment of any one of those categories. The SIS Committee shall be entitled at its discretion to determine the applicable category of such Eligible Person.
- 4.4 An Employee or Director of a dormant company within the Group is not eligible to participate in the Scheme.
- 4.5 An Employee or Director who during the Duration of the Scheme becomes an Eligible Person may, at the discretion of the SIS Committee, be eligible to participate in the Scheme, subject to the Maximum Allowable Allotment.
- 4.6 Eligibility under the Scheme does not confer upon the Eligible Person a claim or right to participate in or any other rights whatsoever under the Scheme and an Eligible Person does not acquire or have any rights over or in connection with the SIS Options or the Shares comprised herein unless an Offer has been made by the SIS Committee to the Eligible Person and the Eligible Person has accepted the Offer in accordance with By-Law 7 hereof.

5. BASIS OF ALLOTMENT AND MAXIMUM ALLOWABLE ALLOTMENT

- 5.1 Subject to By-Law 3 and any adjustment which may be made under By-Law 15, the number of SIS Options to be allocated to an Eligible Person at any time in each Offer made pursuant to the Scheme shall be determined at the sole and absolute discretion of the SIS Committee after taking into consideration, *inter alia*, the Eligible Person's designation, length of service, work performance and/or such other factors as the SIS Committee deems relevant, and subject to the following conditions:
 - (a) the total number of new Shares made available under the Scheme shall not exceed the amount stipulated in By-Law 3.1;
 - (b) not more than ten per centum (10%) (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) of the total Shares made available under the Scheme shall be allocated to any Eligible Person who, either singly or collectively through persons connected with the Eligible Person (as defined in the Listing Requirements), holds twenty per centum (20%) (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) or more of the total number of issued shares of the Company (excluding treasury shares, if any);
 - (c) the number of new Shares allocated, in aggregate, to the Directors and senior management personnel of the Group (excluding LKL's subsidiaries which are dormant) shall not exceed 70% of the total number of new LKL Shares to be issued under the SIS; and
 - (d) the Directors and senior management of LKL do not participate in the deliberation or discussion of their respective allocation,provided always that it is in accordance with any prevailing guidelines issued by Bursa Securities, the Listing Requirements or any other relevant authorities as amended from time to time.
- 5.2 The SIS Committee shall be entitled to determine the Maximum Allowable Allotment in relation to each class or grade of Employees and Directors from time to time, and the decision of the SIS Committee shall be final and binding. To the extent possible and subject always to By-Law 5.1, the SIS Committee will ensure that there should be equitable allocation to various grades or classes of Eligible Persons.

- 5.3 In the event that an Eligible Person is promoted, the Maximum Allowable Allotment applicable to such Eligible Person shall be the Maximum Allowable Allotment corresponding to the new category of Employee, subject always to the maximum number of Shares available under the Scheme as stipulated under By-Law 3.1.
- 5.4 The Company shall ensure that allocation of SIS Options pursuant to the Scheme is verified by the Audit and Risk Management Committee of LKL at the end of each financial year as being in compliance with the criteria for allocation of SIS Options which have been disclosed to the Employees and Directors of the Group.
- 5.5 The decision as to whether to stagger the allocation of the SIS Options to Eligible Persons over the Duration of the Scheme will be determined by the SIS Committee at a later date.
- 5.6 The SIS Committee (subject to necessary approvals being obtained if required) have the discretion to make the necessary adjustments so that the number of new LKL Shares comprised in an SIS Option that may be offered to any one of the Eligible Persons shall be in accordance with the provisions of the Listing Requirements prevailing during the period commencing from the Date of Offer for each Eligible Person and expiring on a date which the SIS Committee may at its discretion decide, provided that no SIS Option Period shall extend beyond the duration of the SIS.

6. OFFER

- 6.1 During the Duration of the Scheme, the SIS Committee may at its discretion at any time and from time to time make an Offer to an Eligible Person, subject to the Eligible Person's Maximum Allowable Allotment and in accordance with the terms of this Scheme. Each Offer shall be in a multiple of not less than one hundred (100) units of Shares constituting one (1) board lot or such other units of Shares as may be determined by the SIS Committee. The SIS Options shall only be accepted in multiples of one hundred (100) Shares or such other units of Shares constituting one (1) board lot as may be determined by the SIS Committee.
- 6.2 The SIS Committee shall have the sole and absolute discretion in determining whether the SIS Options under the Scheme are to be offered to the Eligible Persons via:
 - (a) one (1) single Offer at a time determined by the SIS Committee; or
 - (b) several Offers, where the vesting of the SIS Options comprised in those Offers is staggered or made in several tranches at such times and on such terms and conditions as may be determined by the SIS Committee,

PROVIDED ALWAYS that the aggregate number of Shares in respect of the Offers granted to any Eligible Persons (inclusive of Shares already offered under previous Offer(s), if any) during the Duration of the Scheme shall not exceed the Maximum Allowable Allotment of such Eligible Person and shall not exceed amount stipulated in By-Law 3.1 and By-Law 5.1(b). In deciding between (a) and (b) above, the SIS Committee shall consider, amongst others, whether it wishes to provide a one-off reward for the relevant Grantee's contribution to the Group to incentivise the Grantee's continued employment with the Group, or to motivate the relevant Grantee to achieve certain milestones throughout the course of the Grantee's career progression with the Group moving forward.

- 6.3 The SIS Committee also has the discretion to determine the following:
 - (a) whether or not to stagger the Offer over the duration of the SIS for which each Offer shall be separate and independent from the others;

- (b) the maximum allocation of the Offer for each financial year in the event the Offer is staggered over the duration of the SIS.
- 6.3 An Offer may be made upon such terms and conditions as the SIS Committee may decide from time to time. Each Offer shall be made in writing and is personal to the Eligible Person to whom the Offer is made, and is non-assignable, non-transferable, non-chargeable and non-disposable in any manner whatsoever. The SIS Committee may, give notice in writing to the Eligible Person, vary or waive the terms of any Vesting Condition, performance targets, vesting period or other conditions.
- 6.4 The SIS Committee shall state the following particulars in the letter of Offer:
 - (a) the number of SIS Options that are being offered to the Eligible Person;
 - (b) the number of new Shares which the Eligible Person shall be entitled to subscribe for upon the exercise of the SIS Options being offered;
 - (c) the SIS Option Period;
 - (d) the Exercise Price;
 - (e) the Offer Period;
 - (f) the closing date for acceptance of the Offer;
 - (g) vesting period, Vesting Conditions and performance targets (if any);
 - (h) the manner of exercise of the SIS Options; and
 - (i) any other information deemed necessary by the SIS Committee,
- 6.5 An Offer shall be valid for acceptance for a period of thirty (30) days from the Date of Offer or such other period as may be determined by the SIS Committee on a case-by-case basis at its sole and absolute discretion, and specified in the Offer.
- 6.6 No Offer shall be made to any director, major shareholder and/or chief executive of the Company or its holding company or persons connected with them who are Eligible Persons unless such Offer and the related allotment of new Shares have previously been approved by the shareholders of the Company in a general meeting. For the purpose of these By-Laws, “persons connected with a director, major shareholder and/or chief executive” shall have the meaning given in relation to persons connected with a director or major shareholder as defined in Rule 1.01 of the Listing Requirements.
- 6.7 Nothing herein shall prevent the SIS Committee from making more than one (1) Offer to an Eligible Person PROVIDED THAT the total aggregate number of SIS Options offered to such Eligible Person (inclusive of Shares already offered under previous Offers, if any) during the Duration of the Scheme shall not exceed the Maximum Allowable Allotment of such Eligible Person.
- 6.8 Where it involves a grant of SIS Options to Eligible Persons who are members of the SIS Committee, such grant of SIS Options shall be decided by the Board. No Eligible Person shall participate in the deliberation and/or discussion of their own respective allocations under the Scheme and any persons connected with them.
- 6.9 The SIS Options offered to an Eligible Person may, subject to the compliance or fulfilment by the Eligible Person of the Vesting Conditions, be vested in the Eligible Person in such number of tranche or tranches and in such number of SIS Options in each tranche as shall be determined by the SIS Committee.

- 6.10 In the event of an error on the part of the Company or the SIS Committee in stating any of the particulars referred to in By-Law 6.4, the following provisions shall apply:
- (a) Within thirty (30) days after discovery of the error, the Company or SIS Committee shall issue a supplemental letter of Offer, stating the correct particulars of the Offer referred to in By-Law 6.4;
 - (b) In the event that the error relates to particulars other than the Exercise Price, the Exercise Price applicable in the supplemental letter of Offer shall remain as the Exercise Price as per the original letter of Offer; and
 - (c) In the event that the error relates to the Exercise Price, the Exercise Price applicable in the supplemental letter of Offer shall be the Exercise Price applicable as at the date of the original letter of Offer, save and except with respect to any SIS Options which have already been exercised as at the date of issue of the supplemental letter of Offer.

7. ACCEPTANCE

- 7.1 An Offer shall be accepted by an Eligible Person within the Offer Period by written notice to the Company or in such manner as may be prescribed by the SIS Committee from time to time accompanied by a payment to the Company of a nominal non-refundable consideration of Ringgit Malaysia One (RM1.00) only for the acceptance of the Offer.
- 7.2 If an Offer is not accepted in the manner aforesaid within the Offer Period, the Offer shall automatically lapse upon the expiry of the Offer Period and be null and void and be of no further force and effect.
- 7.3 SIS Options not taken up resulting from the non-acceptance of Offers within the Offer Period may, at the discretion of the SIS Committee, thereafter form part of the balance of the SIS Options available under the Scheme for future Offers.
- 7.4 Any Offer shall automatically lapse and be null and void on the day the Eligible Person's employer accepts his/her notice of resignation or the Eligible Person's employer notifies the Eligible Person of termination of his/her employment or on the day the Eligible Person notifies his/her employer of his/her resignation or on the Eligible Person's last day of employment, whichever is the earlier.
- 7.5 The Company shall within thirty (30) days of the acceptance of the Offer by the Eligible Person, issue to the Eligible Person an Option Certificate in such form as may be determined by the SIS Committee.
- 7.6 The Company shall keep and maintain a register of Grantees at its expense and shall enter in that register the names and addresses of the Grantees and such information as may be prescribed by the SIS Committee.
- 7.7 The SIS Committee shall have full discretion to determine whether any Vesting Condition has been satisfied, whether fully or partially, or exceeded and in making any such determination, the SIS Committee shall have the right to make reference to, amongst others, the audited financial results of the Company or the Group, as the case may be, and to take into account such factors as the SIS Committee may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, the right to amend and/or waive any Vesting Condition.

8. NON-TRANSFERABILITY

- 8.1 An SIS Option is personal to the Grantee and subject to the provisions of By-Laws 14.2 to 14.6, is exercisable only by the Grantee personally during his/her lifetime whilst he/she is in the employment of any company in the Group and within the SIS Option Period.
- 8.2 An SIS Option prior to the allotment and/or transfer to the Grantee of the Shares to which the SIS Option relates, shall not be transferred save and except in the event of the death of the Grantee as provided under By-Law 14.6, charged, assigned, pledged or otherwise disposed of in whole or in part, except with the prior approval of the SIS Committee and if a Grantee shall do, suffer or permit any such act or thing as a result of which he would or might be deprived of any rights under an SIS Option without the prior approval of the SIS Committee, that SIS Option shall immediately lapse and be null and void.
- 8.3 Unless permitted under these By-Laws, an SIS Option shall not be transferred, assigned, disposed of or subject to any encumbrances by the Grantee. Any attempt to transfer, assign, dispose or encumber any SIS Option shall result in the automatic cancellation of the SIS Option.
- 8.4 In the event a Grantee is transferred to another company within the Group which has its own share issuance scheme, the Grantee shall be entitled to the SIS Option previously granted under this Scheme, in accordance with these By-Laws, but such Grantee shall not upon such transfer taking effect be eligible to participate in further SIS Option under the Scheme.

9. EXERCISE OF SIS OPTIONS

- 9.1 An SIS Option granted to a Grantee under the Scheme is, subject to the provisions of By-Laws 9.12, 14.1, 16 and 17, exercisable only by that Grantee during his/her lifetime and whilst he/she is in the employment of the Group and within the SIS Option Period.
- 9.2 The SIS Committee may with its power under By-Law 20, at any time and from time to time, before and after an SIS Option is granted, impose terms and/or conditions deemed appropriate by the SIS Committee in its sole discretion.
- 9.3 Unless otherwise stated in the Offer in the manner set out in By-Law 6, there are no performance targets to be achieved by the Grantee before the SIS Options can be granted and/or exercised and the new Shares arising from the Scheme can be issued and allotted.
- 9.4 Where an SIS Option is exercised only in part, the Option Certificate shall be endorsed by the SIS Committee stating, *inter alia*, the number of new Shares which remain capable of being exercised.
- 9.5 A Grantee shall exercise the SIS Options granted to him/her in multiples of and not less than one hundred (100) new Shares or such other units of Shares constituting one (1) board lot as may be determined by Bursa Securities save and except where a Grantee's balance of SIS Options exercisable in accordance with these By-Laws shall be less than one hundred (100) new Shares or such other units of Shares constituting one (1) board lot as may be determined by Bursa Securities, in which case the said balance shall, if exercised, be exercised in a single tranche. Such partial exercise of an SIS Option shall not preclude the Grantee from exercising the SIS Option as to the balance of any new SIS Option, if any, which he is entitled to subscribe under the Scheme.

- 9.6 SIS Options which are exercisable in a particular year but are not exercised may be carried forward to subsequent years subject to the SIS Option Period and any other impositions which is or may be determined by the SIS Committee. Any SIS Option which remains unexercised at the expiry of the SIS Option Period shall be automatically terminated and lapse without any claim against the Company.
- 9.7 Subject to the discretion of the SIS Committee, where a Grantee is serving under an employment contract, he/she may exercise any remaining unexercised SIS Options within sixty (60) days before the expiry of the employment contract if the remaining duration of the employment contract from the date on which the SIS Options are granted is less than the SIS Option Period.
- 9.8 A Grantee shall exercise his/her SIS Options by notice in writing to the Company in such form as the SIS Committee may prescribe or approve ("Notice of Exercise"). The procedure for the exercise of SIS Options to be complied with by a Grantee shall be determined by the SIS Committee from time to time.
- 9.9 Every Notice of Exercise shall state the number of new Shares an Eligible Person intends to subscribe and the Grantee's CDS Account and shall be accompanied by the relevant Option Certificate and a remittance in Ringgit Malaysia in the form of a banker's draft, cashier's order or any other mode of payment acceptable to the SIS Committee, drawn and payable for the full amount of the subscription monies in respect thereof PROVIDED THAT the number of new Shares stated therein shall not exceed the amount exercisable by such Eligible Person.
- 9.10 Within eight (8) Market Days (or such other period as may be prescribed by Bursa Securities and subject to the Constitution) after the receipt of the complete and valid Notice of Exercise together with the remittance from the Grantee, the Company shall allot and/or issue the relevant number of Shares, despatch a notice of allotment to the Grantee and then make an application for the listing of and quotation for the Shares, upon and subject to the provisions of the Listing Requirements, Constitution, Securities Industry (Central Depositories) Act 1991 and the Rules of Bursa Depository. The said Shares will be credited directly into the CDS Account of the Grantee. No physical certificates will be issued. For Grantees who do not have CDS Account, such Grantees are required to open a CDS Account at their own expense before they can exercise their SIS Options.
- 9.11 Any failure to comply with the procedures specified by the SIS Committee or to provide information as required by the Company in the Notice of Exercise or inaccuracy in the CDS Account number provided shall result in the Notice of Exercise being rejected at the discretion of the SIS Committee. The SIS Committee shall inform the Grantee of the rejection of the Notice of Exercise within ten (10) Market Days from the date of rejection and the Grantee shall then be deemed not to have exercised his/her SIS Option.
- 9.12 Notwithstanding anything contrary herein contained in these By-Laws, the SIS Committee shall have the right, at its absolute discretion by notice in writing to that effect, to suspend the right of any Grantee who is being subjected to disciplinary proceedings (whether or not such disciplinary proceedings may give rise to a dismissal or termination of service of such Grantee or are found to have had no basis or justification) to exercise his/her SIS Options pending the outcome of such disciplinary proceedings. In addition to this right of suspension, the SIS Committee may impose such terms and conditions as the SIS Committee shall deem appropriate at its sole and absolute discretion, on the Grantee's right to exercise his/her SIS Options having regard to the nature of the charges made or brought against such Grantee, PROVIDED ALWAYS that:
- (a) in the event such Grantee is found not guilty of the charges which gave rise to such disciplinary proceedings, the SIS Committee shall reinstate the right of such Grantee to exercise his/her SIS Options;

- (b) in the event the disciplinary proceedings result in a recommendation for the dismissal or termination of service of such Grantee, all unexercised and partially exercised SIS Options of the Grantee shall immediately lapse and be null and void and of no further force and effect, without notice to the Grantee, upon pronouncement of the dismissal or termination of service of such Grantee notwithstanding that such recommendation, dismissal and/or termination of service may be subsequently challenged or disputed by the Grantee in any other forum;
 - (c) in the event the Grantee is found guilty but no dismissal or termination of service is recommended, the SIS Committee shall have the right to determine at its absolute discretion whether or not the Grantee may continue to exercise his/her SIS Options or any part thereof and if so, to impose such terms and conditions as it deems appropriate, on such exercise rights; and
 - (d) in the event that no decision is made and/or disciplinary proceedings are not concluded prior to the expiry of the SIS Option Period, the SIS Option of such Grantee shall immediately lapse on the expiry of the SIS Option Period without notice.
- 9.13 The Company, the Board and the SIS Committee shall not under any circumstances be held liable to any person for any costs, losses, expenses, damages or liabilities howsoever arising in the event of any delay on the part of the Company in allotting and issuing the Shares, or in procuring Bursa Securities to list and quote the Shares subscribed for by a Grantee, or any delay in receipt or non-receipt by the Company of the Notice of Exercise, or for any errors in any Offer.
- 9.14 Every SIS Option shall be subjected to the condition that no new Shares shall be issued pursuant to the exercise of an SIS Option if such issue would be contrary to any law, enactment, rule and/or regulation of any legislative or non-legislative body which may be in force during the SIS Option Period or such period as may be extended.
- 9.15 The Grantee shall be solely responsible for filing the necessary form/notice to the Company, Bursa Securities and the Securities Commission Malaysia within the prescribed timeframe pursuant to Section 137 and/or Section 219 of the Act and Securities Industry (Reporting of Substantial Shareholding) Regulations, 1998 who as a result of allotment and issuance of new Shares from the exercise his/her SIS Option(s), become a shareholder and/or substantial shareholder of the Company.
- 9.16 The Grantee shall be solely responsible to observe the Rules on Take-overs, Mergers and Compulsory Acquisition issued by the Securities Commission Malaysia and the Capital Markets and Services Act, 2007 relating to potential take-over obligations as prescribed therein, when exercising the SIS Options.

10. EXERCISE PRICE

Subject to any adjustments in accordance with By-Law 15 and pursuant to the Listing Requirements, the Exercise Price shall be fixed based on a price to be determined by the Board upon recommendation of the SIS Committee based on the volume weighted average market price of the Shares for the five (5) Market Days immediately preceding the Date of Offer with a discount to the volume weighted average market price of the Shares of not more than ten per centum (10%) or such other percentage of discount as may be permitted by Bursa Securities or any other relevant authorities from time to time during the Duration of the Scheme. The Exercise Price as determined by the SIS Committee shall be conclusive and binding on the Grantees.

11. RIGHTS OF A GRANTEE

- 11.1 The SIS Options shall not carry any right to vote at any general meeting of the Company.
- 11.2 A Grantee shall not be entitled to any dividends, rights and/or other distributions on his/her unexercised SIS Options.

12. RIGHTS ATTACHING TO NEW SHARES

The new Shares to be allotted and issued upon the exercise of any SIS Options granted under the Scheme will, upon allotment and issuance, rank *pari passu* in all respects with the then existing issued Shares of the Company, save and except that the new Shares so allotted and issued will not be entitled to any dividends, rights, allotments or any other distributions, which may be declared, made or paid, the Entitlement Date of which precedes the date of allotment and issuance of such new Shares. The new Shares will be subject to the provisions of the Constitution relating to voting rights, transfer, transmission and otherwise of the Shares.

13. RETENTION PERIOD

- 13.1 The SIS Committee shall be entitled to prescribe or impose, in relation to any Offer, any condition relating to any retention period or restriction on sale, transfer, assign or otherwise dispose of as it deems fit. Grantees are encouraged to hold the new Shares allotted and issued to them pursuant to the exercise of the SIS Options as investments rather than for any speculative purposes and/or for the realisation of any immediate gain.
- 13.2 Notwithstanding By-Law 13.1, a Grantee who is a non-executive director of the Company must not sell, transfer or assign or otherwise dispose of any new Shares obtained through the exercise of SIS Options offered to him under the Scheme within one (1) year from the Date of Offer or such other period as may be prescribed by Bursa Securities.

14. TERMINATION OF SIS OPTIONS

- 14.1 Any SIS Option which has not been vested in or exercised by a Grantee shall be automatically terminated and be of no further force or effect in the following circumstances:
- (a) Termination or cessation of employment of the Grantee with the Group for any reason whatsoever, in which event the SIS Option shall be automatically terminated on the day the Grantee's employer accepts his/her notice of resignation or the Grantee's employer notifies the Grantee of termination of his/her employment or on the day the Grantee notifies his/her employer of his/her resignation or on the Grantee's last day of employment, whichever is the earlier; or
 - (b) Bankruptcy of the Grantee, in which event the SIS Option shall be automatically terminated on the date a receiving order is made against the Grantee by a court of competent jurisdiction; or
 - (c) Winding up or liquidation of the Company, in which event the SIS Option shall be automatically terminated on the following date:
 - (i) In the case of a voluntary winding up, the date on which a provisional liquidator is appointed by the Company; or

- (ii) In the case of an involuntary winding up, the date on which a petition for winding up is served on the Company;
- (d) Termination of the Scheme pursuant to By-Law 19.7; or
- (e) Any other circumstances acceptable to the SIS Committee in its exercise of discretion;

whichever shall be applicable.

Upon the termination of the SIS Options pursuant this By-Law 14.1, the Grantee shall have no right to compensation or damages or any claim against the Company from any loss of any right or benefit or prospective right or benefit under the Scheme which he/she might otherwise have enjoyed, whether for wrongful dismissal or breach of contract or loss of office or otherwise howsoever arising from his/her ceasing to hold office or employment or from the suspension of his/her right to exercise his/her SIS Options or his/her SIS Options ceasing to be valid.

14.2 Notwithstanding By-Law 14.1 above, a Grantee may apply in writing to the SIS Committee to be allowed to continue to hold and to exercise any SIS Option held by him/ her upon termination of employment with the Group in the following circumstances:

- (a) Retirement upon or after attaining the age in accordance with the Company's retirement policy; or
- (b) Retirement before the age specified under the above said retirement policy, with the consent of his/her employer; or
- (c) Ill-health, injury, physical or mental disability; or
- (d) Redundancy, retrenchment or voluntary separation scheme; or
- (e) Transfer to any company outside the Group at the direction of the Company; or
- (f) Any other circumstance as may be deemed as acceptable to the SIS Committee.

14.3 Applications under By-Law 14.2 shall be made:

- (a) in a case where By-Law 14.2(a), (b) or (f) is applicable, before the Grantee's last day of employment. The Grantee may exercise his/her SIS Options at any time before his/her last day of employment subject to the provisions of By-Law 9. In the event that no application is received by the SIS Committee before the Grantee's last day of employment, any SIS Option held by the Grantee on his/her last day of employment shall be automatically terminated;
- (b) in a case where By-Law 14.2(c) is applicable, within one (1) month after the Grantee notifies his/her employer of his/her resignation due to ill health, injury, physical or mental disability. The Grantee may exercise his/her SIS Options within the said period of one (1) month subject to the provisions of By-Law 9. In the event that no application is received by the SIS Committee within the said period, any SIS Option held by the Grantee at the expiry of the said period shall be automatically terminated;

- (c) in a case where By-Law 14.2(d) is applicable, within one (1) month after the Grantee is notified that he/she will be retrenched or, where he/she is given an offer by his/her employer as to whether he/she wishes to accept retrenchment upon certain terms, within one (1) month after he/she accepts such offer. The Grantee may exercise his/her SIS Options within the said period of one (1) month subject to the provisions of By-Law 9. In the event that no application is received by the SIS Committee within the said period, any SIS Option held by the Grantee at the expiry of the said period shall be automatically terminated; and
 - (d) in a case where By-Law 14.2(e) is applicable, within one (1) month after the Grantee is notified that he/she will be transferred to a company outside the Group. The Grantee may exercise his/her SIS Options within the said period of one (1) month subject to the provisions of By-Law 9. In the event that no application is received by the SIS Committee within the said period, any SIS Option held by the Grantee at the expiry of the said period shall be automatically terminated.
- 14.4 The SIS Committee shall consider applications under By-Law 14.2 on a case-by-case basis and may at its discretion approve or reject any application in whole or in part without giving any reasons thereof and may impose any terms and conditions in granting an approval. The decision of the SIS Committee shall be final and binding. In the event that the SIS Committee approves an application in whole or in part, the Grantee may exercise the SIS Options which are the subject of the approval within the period so approved by the SIS Committee and subject to the provisions of By-Law 9. Any SIS Options in respect of which an application is rejected shall be automatically terminated on the date of termination stipulated in the relevant paragraph of By-Law 14.3 or on the date of the SIS Committee's decision, whichever is the later.
- 14.5 In the event that the SIS Committee receives an application under By-Law 14.2 after the expiry of the relevant period under By-Law 14.3, the SIS Committee shall take into account the reasons given by the Grantee for the delay in making the application, in exercising the SIS Committee's discretion and powers under By-Law 14.4.

In the event that the SIS Committee approves the application in whole or in part, the Company shall make an Offer in respect of the unexercised SIS Options which are the subject of approval to the Grantee and such SIS Options offered, if accepted by the Grantee shall be exercisable:

 - (a) only within the SIS Option Period of those SIS Options which were terminated due to the Grantee's delay in making the application;
 - (b) in accordance with the provisions of By-Law 9 as applicable in respect of such terminated SIS Options; and
 - (c) at the Exercise Price applicable in respect of such terminated SIS Options.
- 14.6 In the event a Grantee dies before the expiration of the SIS Option Period and at the time of his/her death held unexercised SIS Options, such unexercised SIS Options may be exercised by the legal or personal representative(s) or heirs (as the case may be) of the deceased Grantee ("Representative") after the date of his/her death provided that such exercise shall be made within the SIS Option Period subject to the approval of the SIS Committee. For the avoidance of doubt, in the event the Representative exercises such unexercised SIS Options, the provisions in the By-Laws shall apply *mutatis mutandis* to the Representative.

15. ALTERATION OF SHARE CAPITAL

15.1 Subject to By-Law 15.5 hereof, in the event of any alteration in the capital structure of the Company during the SIS Option Period, whether by way of a rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of Shares or reduction of capital or otherwise howsoever, the Company shall cause such adjustment to be made to:

- (a) the Exercise Price; and/or
- (b) the number of SIS Options granted to each Grantee (excluding the SIS Options already exercised),

for purposes of ensuring that the capital outlay to be incurred by a Grantee in subscribing for the same proportion of the issued share capital of the Company as that to which he/she was entitled prior to the event giving rise to such adjustment (i.e. not taking into account SIS Options already exercised) shall remain unaffected.

Any adjustment (other than an adjustment pursuant to a bonus issue, subdivision or consolidation of shares) must be confirmed in writing by the external auditors or the Adviser of the Company.

15.2 The following provisions shall apply in relation to an adjustment which is made pursuant to By-Law 15.1:

- (a) Any adjustment to the Exercise Price shall be rounded up to the nearest one (1) sen; and
- (b) In determining a Grantee's entitlement to subscribe for new Shares, any fractional entitlements shall be rounded down to the nearest whole number.

15.3 Subject to By-Law 15.2, the Exercise Price and/or the number of SIS Options granted to each Grantee so far unexercised shall from time to time be adjusted, calculated and determined by the SIS Committee in accordance with the following relevant provisions in consultation with the external auditors or the Adviser of the Company:

- (a) If and whenever a Share by reason of any consolidation or subdivision or conversion shall have a different total number of issued Shares, the Exercise Price and/or the additional number of SIS Options to be issued shall be adjusted, calculated or determined in the following manner:

$$(i) \quad \text{New Exercise Price} = EP \times \frac{FT}{RT}$$

$$(ii) \quad \text{Additional number of SIS Options} = T \times \left(\frac{RT}{FT} \right) - T$$

Where:

EP = Existing Exercise Price;

FT = Former number of total issued Shares;

RT = Revised number of total issued Shares; and

T = existing number of SIS Options held.

Such adjustment will be effective from the close of business on the Market Day immediately preceding the date on which the consolidation or subdivision or conversion becomes effective (being the date when the Shares are traded on Bursa Securities at the new value), or such other period as may be prescribed by Bursa Securities.

- (b) If and whenever the Company shall make any issue of new Shares to ordinary shareholders, by way of bonus issue or capitalisation of profits or reserves of the Company (whether of a capital or income nature including any capital redemption reserve fund), the Exercise Price shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{A+B}$$

and the additional number of SIS Options to be issued shall be calculated as follows:

$$\text{Additional number of SIS Options} = T \times \left(\frac{A+B}{A} \right) - T$$

Where:

A = the aggregate number of issued Shares on the Entitlement Date;

B = the aggregate number of new Shares to be issued pursuant to any allotment to ordinary shareholders of the Company by way of bonus issue or capitalisation of profits or reserves of the Company (whether of a capital or income nature and including any capital redemption reserve fund); and

T = T as in By-Law 15.3(a) above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day immediately following the Entitlement Date for such issue.

- (c) If and whenever the Company shall make:
- (i) a Capital Distribution (as defined below) to ordinary shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets); or
 - (ii) any offer or invitation to ordinary shareholders whereunder they may acquire or subscribe new Shares by way of rights; or
 - (iii) any offer or invitation to ordinary shareholders by way of rights whereunder they may acquire or subscribe for securities convertible into new Shares or securities with rights to acquire or subscribe for new Shares attached thereto,

then and in respect of each such case, the Exercise Price shall be adjusted by multiplying it by the following fraction:

$$\frac{C - D}{C}$$

and in respect of the case referred to in By-Law 15.3(c)(ii) hereof, the number of additional SIS Options to be issued shall be calculated as follows:

$$\text{Additional number of SIS Options} = T \times \left(\frac{C}{C - D^*} \right) - T$$

Where:

- T = T as in By-Law 15.3(a) above;
- C = the Current Market Price (as defined in paragraph (g) below) of one (1) Share on the Market Day immediately preceding the date on which the Capital Distribution or, as the case may be, the offer or invitation is publicly announced to Bursa Securities or (failing any such announcement) immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation; and
- D = (aa) in the case of an offer or invitation to acquire or subscribe for new Shares under By-Law 15.3(c)(ii) above or for securities convertible into Shares or securities with rights to acquire or subscribe for new Shares under By-Law 15.3(c)(iii) above, the value of rights attributable to one (1) existing Share (as defined below); or
- (bb) in the case of any other transaction falling within By-Law 15.3(c) hereof, the fair market value as determined by the external auditor or the Adviser of the Company of that portion of the Capital Distribution attributable to one (1) existing Share; and
- D* = The “value of rights attributable to one (1) existing Share” (as defined below).

For the purpose of definition (aa) of “D” above, the “value of rights attributable to one (1) existing Share” shall be calculated in accordance with the formula:

$$\frac{C - E}{F + 1}$$

Where:

- C = C as in By-Law 15.3(c) above;
- E = the subscription price for one (1) additional Share under the terms of such offer or invitation or one (1) additional security convertible into Shares or one (1) additional security with rights to acquire or subscribe for Shares; and

F = the number of existing Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share or security convertible into Shares or one (1) additional security with rights to acquire or subscribe for Shares.

For the purpose of definition D* above, the “value of the rights attributable to one (1) existing Share” shall be calculated in accordance with the formula:

$$\frac{C - E^*}{F^* + 1}$$

Where:

C = C as in By-Law 15.3(c) above;

E* = the subscription price for one (1) additional Share under the terms of such offer or invitation to acquire or subscribe for Shares; and

F* = the number of existing Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share.

T = T as in By-Law 15.3(a) above.

For the purpose of By-Law 15.3(c) hereof, “Capital Distribution” shall (without prejudice to the generality of that expression) include distributions in cash or specie or by way of issue of new Shares (not falling under By-Law 15.3(b) hereof) or other securities by way of capitalisation of profits or reserves of the Company (whether of a capital or income nature and including any capital redemption reserve fund).

Any dividend charged or provided for in the audited accounts of the Company for any period shall (whenever paid and howsoever described) be deemed to be a Capital Distribution unless it is paid out of the aggregate of the net profits attributable to the ordinary shareholders as shown in the audited statement of comprehensive income of the Company for any period as shown in the audited statement of comprehensive income of the Company.

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day immediately following the Entitlement Date for such issue.

- (d) If and whenever the Company makes any allotment to its ordinary shareholders as provided in By-Law 15.3(b) above and also makes any offer or invitation to its ordinary shareholders as provided in By-Law 15.3(c)(ii) or (iii) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the Exercise Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H \times I)}{(G + H + B) \times C}$$

and where the Company makes any allotment to its ordinary shareholders as provided in By-Law 15.3(b) above and also makes any offer or invitation to its ordinary shareholders as provided in By-Law 15.3(c)(ii) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the number of additional SIS Options to be issued shall be calculated as follows:

$$\text{Additional number of SIS Options} = T \times \left(\frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} \right) - T$$

Where:

B = B as in By-Law 15.3(b) above;

C = C as in By-Law 15.3(c) above;

G = the aggregate number of issued Shares on the Entitlement Date;

H = the aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights or under an offer or invitation by way of rights to acquire or subscribe for securities convertible into Shares or rights to acquire or subscribe for Shares, as the case may be;

H* = the aggregate number of Shares under an offer or invitation to acquire or subscribe for Shares by way of rights;

I = the subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares or the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share, as the case may be;

I* = the subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares; and

T = T as in By-Law 15.3(a) above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day immediately following the Entitlement Date for such issue.

- (e) If and whenever the Company makes any offer or invitation to its ordinary shareholders to acquire or subscribe for Shares as provided in By-Law 15.3(c)(ii) above together with an offer or invitation to acquire or subscribe for securities convertible into new Shares or securities with rights to acquire or subscribe for Shares as provided in By-Law 15.3(c)(iii) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the Exercise Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H \times I) + (J \times K)}{(G + H + J) \times C}$$

and the number of additional SIS Options to be issued shall be calculated as follows:

$$\text{Additional number of SIS Options} = T \times \left(\frac{(G + H^*) \times C}{(G \times C) + (H^* \times I^*)} \right) - T$$

Where:

C = C as in By-Law 15.3(c) above;

G = G as in By-Law 15.3(d) above;

H = H as in By-Law 15.3(d) above;

H* = H* as in By-Law 15.3(d) above;

- I = I as in By-Law 15.3(d) above;
- I* = I* as in By-Law 15.3(d) above;
- J = the aggregate number of Shares to be issued to its ordinary shareholders upon conversion of such securities or exercise of such rights to subscribe for Shares by the ordinary shareholders;
- K = the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share; and
- T = T as in By-Law 15.3(a) above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day immediately following the Entitlement Date for the above transactions.

- (f) If and whenever the Company makes an allotment to its ordinary shareholders as provided in By-Law 15.3(b) above and also makes an offer or invitation to acquire or subscribe for Shares to its ordinary shareholders as provided in By-Law 15.3(c)(ii) above, together with rights to acquire or subscribe for securities convertible into new Shares or with rights to acquire or subscribe for Shares as provided in By-Law 15.3(c)(iii) above, and the Entitlement Date for the purpose of allotment is also the Entitlement Date for the purpose of the offer or invitation, the Exercise Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H \times I) + (J \times K)}{(G + H + J + B) \times C}$$

and the number of additional SIS Options to be issued shall be calculated as follows:

$$\text{Additional number of SIS Options} = T \times \left(\frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} \right) - T$$

Where:

- B = B as in By-Law 15.3(b) above;
- C = C as in By-Law 15.3(c) above;
- G = G as in By-Law 15.3(d) above;
- H = H as in By-Law 15.3(d) above;
- H* = H* as in By-Law 15.3(d) above
- I = I as in By-Law 15.3(d) above;
- I* = I* as in By-Law 15.3(d) above
- J = J as in By-Law 15.3(e) above;
- K = K as in By-Law 15.3(e) above; and
- T = T as in By-Law 15.3(a) above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day immediately following the Entitlement Date for the above transactions.

- (g) For the purpose of By-Laws 15.3(c), (d), (e) and (f), the Current Market Price in relation to one (1) existing Share for any relevant day shall be the volume weighted average of the last traded prices for the five (5) consecutive Market Days before such date or during such other period as may be determined in accordance with any guidelines issued, from time to time, by the relevant authorities.

Such adjustments must be confirmed in writing by the external auditors of the Company for the time being or the Adviser (acting as experts and not as arbitrators), upon reference to them by the SIS Committee, to be in their opinion, fair and reasonable, PROVIDED ALWAYS THAT:

- (i) any adjustment to the Exercise Price shall be rounded up to the nearest one (1) sen;
- (ii) in the event that a fraction of a new Share arising from the adjustment referred to in these By-Laws would otherwise be required to be issued upon the exercise of an SIS Option by the Grantee, the Grantee's entitlement shall be rounded down to the nearest whole number;
- (iii) upon any adjustment being made pursuant to these By-Laws, the SIS Committee shall, within thirty (30) calendar days of the effective date of the alteration in the capital structure of the Company, notify the Grantee (or his/her Representative where applicable) in writing informing him of the adjusted Exercise Price thereafter in effect and/or the revised number of SIS Options to be issued; and
- (iv) any adjustments made must be in compliance with the provisions for adjustment as provided in these By-Laws.

Notwithstanding the foregoing, any adjustments to the Exercise Price and/or the number of SIS Options to be issued so far as unexercised arising from bonus issues, need not be confirmed in writing by the external auditors of the Company or the Adviser.

- 15.4 Save as expressly provided for herein, the external auditors or the Adviser must confirm in writing that the adjustments are in their opinion fair and reasonable. The opinion of the external auditors or the Adviser shall be final, binding and conclusive.
- 15.5 The provisions of this By-Law 15 shall not be applicable where an alteration in the capital structure of the Company arises from any of the following:
- (a) An issue of Shares pursuant to the exercise of SIS Options under the Scheme or any further issue of Shares or other securities of the Company or rights to acquire or subscribe for Shares to officers, including Directors or employees of the Company or any of its subsidiaries pursuant to purchase schemes or option schemes approved by the Shareholders in a general meeting; or
 - (b) An issue of Shares or other securities convertible into Shares or securities with rights to acquire or subscribe for Shares or other securities, in any such case in consideration or part consideration for or in connection with the acquisition of any other securities, assets or business; or
 - (c) An issue of Shares or other securities convertible into Shares or other securities with rights to acquire or subscribe for Shares or other securities to Bumiputra investors pursuant to a special issue approved and required by the relevant authorities; or

- (d) An issue of Shares or other securities convertible into Shares or other securities with rights to acquire or subscribe for Shares pursuant to a private placement or restricted issue or special issue; or
- (e) An issue of Shares arising from the exercise of any conversion rights attached to securities convertible to Shares or upon exercise of any other rights including warrants and/or convertible loan stocks (if any) issued by the Company; or
- (f) A purchase by the Company of its own Shares and cancellation or sale of all or a portion of such Shares purchased, pursuant to Section 127 of the Act; or
- (g) An issue of further SIS Options to Eligible Persons under these By-Laws of the Scheme; or
- (h) An issue of Shares pursuant to a dividend reinvestment scheme undertaken in accordance with the Listing Requirements.

15.6 In the event that the Company enters into any scheme of arrangement or reconstruction pursuant to Subdivision 2 of Division 7 of Part III of the Act, By-Law 15.1 shall be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company, but By-Law 15.1 shall not be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company to which By-Law 15.1 is not applicable as described in By-Law 15.5.

15.7 An adjustment pursuant to By-Law 15.1 shall be made according to the following terms:

- (a) In the case of a rights issue, bonus issue or other capitalisation issue, on the next Market Day immediately following the Entitlement Date in respect of such issue; or
- (b) In the case of a consolidation or subdivision of Shares or reduction of capital, on the close of business on the Market Day immediately preceding the date on which the consolidation or subdivision or capital reduction becomes effective (being the date when the sub-divided or consolidated or reduced number of Shares, as the case may be are traded on Bursa Securities), or such period as may be prescribed by Bursa Securities.

Upon any adjustment being made, the SIS Committee shall give notice in writing within thirty (30) days from the date of adjustment to the Grantee, or his/her Representative where the Grantee is deceased, to inform him/her of the adjustment and the event giving rise thereto.

15.8 Notwithstanding the provisions referred to in this By-Law, the SIS Committee may exercise its discretion to determine whether any adjustments to the Exercise Price and/or the number of SIS Options be calculated on a different basis or date or should take effect on a different date or that such adjustments be made to the Exercise Price and/or the number of SIS Options notwithstanding that no such adjustment formula has been explicitly set out in this By-Law in consultation with the Adviser and certified by the external auditors when the adjustment is made.

16. TAKE-OVERS AND MERGERS, SCHEMES OF ARRANGEMENT, AMALGAMATIONS AND RECONSTRUCTIONS

16.1 In the event of:

- (a) A take-over offer being made for, under the Rules on Take-Overs, Mergers and Compulsory Acquisitions (or any replacement thereof), to acquire the whole of the issued ordinary share capital of the Company (or such part thereof not at the time held by the person making the take-over offer ("Offeror") or any persons acting in concert with the Offeror), a Grantee will be entitled within such period to be determined by the SIS Committee, to exercise all or any part of his/her SIS Options and the Board shall use their best endeavours to procure that such a general offer be extended to the new Shares that may be issued pursuant to the exercise of the SIS Options under this By-Law; or
- (b) The Offeror becoming entitled or bound to exercise the right of compulsory acquisition of new Shares under the provisions of any applicable statutes, rules and/or regulations and gives notice to the Grantee that it intends to exercise such rights on a specific date ("Specified Date"), the Grantee will be entitled to exercise all or any part of his/her SIS Options from the date of service of the said notice to the Grantee until the expiry of the Specified Date.

In the foregoing circumstances, if the Grantee fails to exercise his/her SIS Options or elects to exercise only in respect of a portion of such Shares, then any SIS Options to the extent unexercised by the expiry of the periods stipulated in the aforesaid circumstances shall automatically lapse and be null and void.

- 16.2 Notwithstanding the provisions of By-Law 9 and subject to the discretion of the SIS Committee, in the event of the court sanctioning a compromise or arrangement between the Company and its creditors and members proposed for the purpose of, or in connection with, a scheme of arrangement and reconstruction of the Company under Section 366 of the Act or its amalgamation with any other company or companies under Section 370 or any other provisions of the Act or the Company decided to merge with other company or companies, a Grantee may be entitled to exercise all or any part of his/her SIS Options which remain unexercised at any time commencing from the date upon which the compromise or arrangement is sanctioned by the court until the date upon which such compromise or arrangement becomes effective **PROVIDED ALWAYS THAT** no SIS Option shall be exercised after the expiry of the SIS Option Period. Upon the compromise or arrangement becoming effective, all unexercised SIS Options shall automatically lapse and become null and void and of no further force and effect.

17. DIVESTMENT FROM AND TRANSFER TO/FROM THE GROUP

- 17.1 If a Grantee is in the employment of a company within the Group and such company is subsequently divested, wholly or in part, from the Group, then the SIS Committee will have the right to determine at its discretion whether or not the Grantee:

- (a) will be entitled to continue to hold and to exercise all the unexercised or partially exercised SIS Options which were granted to him/her under the Scheme within a period which will be decided by the SIS Committee, failing which the right of such Grantee to subscribe for that number of new Shares or any part thereof granted under such unexercised or partially exercised SIS Option(s) shall automatically lapse and be null and void and of no further force and effect upon the expiry of the relevant period; and
- (b) shall be eligible to participate for further SIS Options under the Scheme.

17.2 For the purposes of By-Law 17.1, a company shall be deemed to be divested from the Group or disposed of from the Group in the event that the effective interest of the Company in such company is reduced from above fifty per centum (50%) to fifty per centum (50%) or below so that such company would no longer be a subsidiary of the Company pursuant to Section 4 of the Act.

17.3 In the event that:

- (a) an employee who was employed in a company which is related to the Company pursuant to Section 7 of the Act (that is to say, a company which does not fall within the definition of “the Group”) and is subsequently transferred from such company to any company within the Group; or
- (b) an employee who was in the employment of a company which subsequently becomes a member of the Group as a result of a restructuring or acquisition exercise or otherwise involving the Company and/or any company within the Group with any of the first mentioned company stated in (a) above;

(the first abovementioned company in (a) and (b) herein referred to as the “Previous Company”), such an employee of the Previous Company will be eligible to participate in this Scheme prior to the Date of Expiry, if the affected employee becomes an “Eligible Person” within the meaning under these By-Laws.

For the avoidance of doubt, in the event of any acquisition or incorporation of any company into the Group pursuant to part (b) above as a subsidiary as defined in Section 4 of the Act or any other statutory regulation in place thereof during the Duration of the Scheme, the Scheme shall apply to the employees of such company on the date of such company becomes a subsidiary of the Group (provided that such subsidiary is not dormant) falling within the meaning of the expression of “Eligible Person” under By-Law 2.1 and the provisions of the By-Laws shall apply.

18. WINDING-UP

All outstanding SIS Options shall be automatically terminated and be of no further force and effect in the event that a resolution is passed or a court order is made for the winding-up of the Company commencing from the date of such resolution or the date of the court order. In the event a petition is presented in court for the winding-up or liquidation of the Company, all rights to exercise the SIS Options shall automatically be suspended from the date of the presentation of the petition. Conversely, if the petition for winding-up is dismissed by the court, the right to exercise the SIS Options shall accordingly be reinstated.

19. DURATION, TERMINATION AND EXTENSION OF SCHEME

19.1 The Effective Date for the implementation of the Scheme shall be the date of full compliance with all relevant requirements in the Listing Requirements, including the following:

- (a) Submission of the final copy of the By-Laws to Bursa Securities together with a letter of compliance pursuant to Rule 2.12 of the Listing Requirements and a checklist showing compliance with Appendix 6E of the Listing Requirements;
- (b) Receipt of the approval or approval-in-principle from Bursa Securities, as the case may be, for the listing of and quotation for the total number of new Shares to be issued pursuant to the exercise of SIS Options granted under the Scheme;

- (c) Procurement of the approval of the shareholders of the Company for the Scheme in a general meeting;
- (d) Receipt of the approval of any other relevant authorities whose approvals are necessary in respect of the Scheme; and
- (e) Fulfilment of all conditions attached to any of the abovementioned approvals, if any.

The Adviser of the Company shall submit a confirmation letter to Bursa Securities of full compliance with the relevant requirements of Bursa Securities stating the Effective Date of implementation of the Scheme together with a certified true copy of the relevant resolution passed by the shareholders of the Company in the general meeting. The confirmation letter shall be submitted to Bursa Securities no later than five (5) Market Days after the Effective Date.

- 19.2 The Scheme shall be in force for a duration of five (5) years from the Effective Date subject however to any extension of the Scheme as provided under By-Law 19.3 below.
- 19.3 The Scheme may be extended at the sole and absolute discretion of the Board upon the recommendation of the SIS Committee, provided always that the initial Scheme period stipulated above and such extension of the Scheme made pursuant to these By-laws shall not in aggregate exceed a duration of ten (10) years or such other period as may be prescribed by Bursa Securities or any other relevant authorities from the Effective Date. For the avoidance of doubt, no further sanction, approval or authorisation of the shareholders of the Company in a general meeting is required for any such extension or renewal (as the case may be).
- 19.4 Any extended Scheme under this provision shall be implemented in accordance with the terms of these By-Laws, subject however to any revisions and/or changes to the relevant laws and/or regulations then in force. Unless otherwise required by the relevant authorities, no further approvals shall be required for the extension of the Scheme PROVIDED THAT the Company shall serve appropriate notices on each Grantee and make any announcements to Bursa Securities (if required).
- 19.5 An Offer can only be made during the Duration of the Scheme before 5.00p.m. on the Date of Expiry.
- 19.6 Notwithstanding anything to the contrary, all unexercised or partially exercised SIS Options shall lapse at 5.00p.m. on the Date of Expiry.
- 19.7 The Scheme may be terminated by the SIS Committee at any time before the Date of Expiry PROVIDED THAT the Company makes an announcement immediately to Bursa Securities. The announcement shall include:
 - (a) the effective date of termination ("Termination Date");
 - (b) the number of SIS Options exercised or Shares vested under the Scheme; and
 - (c) the reasons for termination.
- 19.8 In the event of termination as stipulated in By-Law 19.7 above, the following provisions shall apply:
 - (a) No further Offer shall be made by the SIS Committee from the Termination Date;
 - (b) All Offers which have yet to be accepted by Eligible Persons shall automatically lapse on the Termination Date; and

- (c) All outstanding SIS Options which have yet to be exercised by Grantees and/or vested (if applicable) shall be automatically terminated on the Termination Date.

19.9 Approval or consent of the shareholders of the Company by way of a resolution in an EGM and written consent of Grantees who have yet to exercise their SIS Options are not required to effect a termination of the Scheme unless otherwise required by the Listing Requirements and/or other applicable laws.

20. ADMINISTRATION

20.1 The Scheme shall subject to these By-Laws be administered by the SIS Committee. The SIS Committee shall, subject to these By-Laws, administer the Scheme in such manner as it shall think fit and with such powers and duties as are conferred upon it by the Board. The decision of the SIS Committee shall be final and binding.

20.2 Without limiting the generality of By-Law 20.1, the SIS Committee may, for the purpose of administering the Scheme, do all acts and things, execute all documents and delegate any of its powers and duties relating to the Scheme as it may at its discretion consider to be necessary or desirable for giving effect to the Scheme including the powers to:

- (a) subject to the provisions of the Scheme, construe and interpret the Scheme and SIS Options granted under it, to define the terms therein and to recommend to the Board to establish, amend and revoke rules and regulations relating to the Scheme and its administration. The SIS Committee in the exercise of these power may correct any defect, supply any omission, or reconcile any inconsistency in the Scheme or in any agreement providing for an SIS Option in a manner and to the extent it deems necessary to expedite and make the Scheme fully effective; and
- (b) determine all questions of policy and expediency that may arise in the administration of the Scheme and generally exercise such powers and perform such acts as are deemed necessary or expedient to promote the best interests of the Company.

20.3 The Board shall have power at any time and from time to time to approve, rescind and/or revoke the appointment of any person in the SIS Committee as it shall deem fit.

21. MODIFICATION, VARIATION AND/OR AMENDMENT TO THE SCHEME

21.1 Subject to By-Law 21.2, the SIS Committee may at any time and from time to time recommend to the Board any additions, modifications or amendments to or deletions of these By-Laws as it shall at its discretion think fit, subject to the provisions of any guidelines on share issuance schemes stipulated under the Listing Requirements and/or any other relevant regulatory authority in relation to a share issuance scheme, and the Board shall have the power at any time and from time to time by resolution to add to, amend, modify and/or delete all or any of these By-Laws upon such recommendation by the SIS Committee subject to the Company submitting the amended By-Laws and a confirmation letter to Bursa Securities each time an amendment and/or modification is made, stating that the amendment and/or modification is in compliance with the provisions of the Listing Requirements pertaining to share issuance scheme and the Rules of Bursa Depository.

21.2 The approval of the shareholders of the Company in general meeting shall not be required in respect of additions, modifications or amendments to or deletions of these By-Laws PROVIDED THAT no additions, modifications or amendments to or deletions of these By-Laws shall be made which would:

- (a) prejudice any rights which would have accrued to any Grantee without the prior consent or sanction of that Grantee;
- (b) increase the number of Shares available under the Scheme beyond the maximum imposed under By-Law 3.1; or
- (c) alter any matter which are required to be contained in the By-laws by virtue of the Listing Requirements to the advantage of the Eligible Person and/or Grantee.

21.3 The Grantees shall be given written notices in the term prescribed by the SIS Committee from time to time in the event of any conditions, amendments to and/or modifications of these By-Laws within fourteen (14) Market Days of any of the foregoing taking effect.

22. INSPECTION OF ACCOUNTS

All Grantees are entitled to inspect the latest audited financial statements of the Company at the registered office of the Company during normal business hours on any working day of the registered office.

23. SCHEME NOT A TERM OF EMPLOYMENT

This Scheme shall not confer or be construed to confer on an Eligible Person any special rights or privileges over the Eligible Person's terms and conditions of employment in the Group under which the Eligible Person is employed nor any rights additional to any compensation or damages that the Eligible Person may be normally entitled to arising from the cessation of such employment. The Scheme shall not form part of or constitute or be in any way construed as a term or condition of employment of any Eligible Person.

24. NO COMPENSATION FOR TERMINATION

No Eligible Persons shall be entitled to any compensation for damages arising from the termination of any SIS Options or this Scheme pursuant to the provisions of these By-Laws. Notwithstanding any provisions of these By-Laws:

- (a) this Scheme shall not form part of any contract of employment between the Company or any company within the Group and any Eligible Person of any company of the Group. The rights of any Eligible Person under the terms of his/her office and/or employment with any company within the Group shall not be affected by his/her participation in the Scheme, nor shall such participation or the Offer or consideration for the Offer afford such Eligible Person any additional rights to compensation or damages in consequence of the termination of such office or employment for any reason whatsoever;
- (b) this Scheme shall not confer on any person any legal or equitable right or other rights under any other theory of law (other than those constituting the SIS Options) against the Company or any company of the Group, directly or indirectly, or give rise to any course of action in law or in equity or under any other theory of law against any company within the Group;

- (c) no Grantee or his/her Representative shall bring any claim, action or proceeding against any company of the Group, the SIS Committee or any other party for compensation, loss or damages whatsoever and howsoever arising from the suspension/cancellation of his/her rights/exercise of his/her SIS Options or his/her rights/ SIS Options ceasing to be valid pursuant to the provisions of these By-Laws; and
- (d) the Company, the Board or the SIS Committee shall in no event be liable to the Grantee or his/her Representative or any other person or entity for any third party claim, loss of profits, loss of opportunity, loss of savings or any punitive, incidental or consequential damage, including without limitation lost profits or savings, directly or indirectly arising from the breach or non-performance of these By-Laws or any loss suffered by reason of any change in the price of the Shares or from any other cause whatsoever whether known or unknown, contingent, absolute or otherwise, whether based in contract, tort, equity, indemnity, breach of warranty or otherwise and whether pursuant to common law, statute, equity or otherwise, even if any company of the Group, the Board or the SIS Committee has been advised of the possibility of such damage.

25. DISPUTES

- 25.1 In case any dispute or difference shall arise between the SIS Committee and an Eligible Person or a Grantee or in the event of an appeal by an Eligible Person, as the case may be, as to any matter of any nature arising hereunder, such dispute or appeal must have been referred to and received by the SIS Committee during the Duration of the Scheme, then the SIS Committee shall determine such dispute or difference by a written decision (without the obligation to give any reason thereof) given to the Eligible Person and/or Grantee, as the case may be PROVIDED THAT where the dispute or difference is raised by a member of the SIS Committee, the said member shall abstain from voting in respect of the decision of the SIS Committee in that instance. In the event the Eligible Person or Grantee, as the case may be, shall dispute the same by written notice to the SIS Committee within fourteen (14) days of the receipt of the written decision, then such dispute or difference shall be referred to the Board, whose decision shall be final and binding in all respects, provided that any Director of the Company who is also in the SIS Committee shall abstain from voting and no person shall be entitled to dispute any decision or certification which is stated to be final and binding under these By-Laws. Notwithstanding anything herein to the contrary, any costs and expenses incurred in relation to any dispute or difference or appeal brought by any party to the SIS Committee shall be borne by such party.
- 25.2 Notwithstanding the foregoing provisions of By-Law 25.1 above, matters concerning adjustments made pursuant to By-Law 15 shall be referred to external auditors of the Company or the Adviser who shall act as experts and not as arbitrators and whose decision shall be final and binding in all respects.

26. COSTS AND EXPENSES

Unless otherwise stipulated by the Company in the Offers, all fees, costs and expenses incurred in relation to the Scheme including but not limited to the fees, costs and expenses relating to the issue and allotment and/or transfer of the Shares pursuant to the exercise of SIS Options, shall be borne by the Company. Notwithstanding this, the Grantee shall bear any fees, costs and expenses incurred in relation to his/her acceptance of the Offers and exercise of the SIS Options under the Scheme.

27. CONSTITUTION

In the event of a conflict between any of the provisions of these By-Laws and the Constitution, the Constitution shall at all times prevail.

28. TAXES

All taxes (including income tax), if any, arising from the exercise of any SIS Options, including the transfer, issuance and allotment of Shares under the Scheme shall be borne by the Grantee.

29. LISTING OF AND QUOTATION FOR NEW SHARES

29.1 Upon the exercise of any SIS Options in accordance with By-Law 9, the Company shall, subject to it having obtained the prior written approval of Bursa Securities and/or other relevant authorities, and making applications to Bursa Securities for the listing of and quotation for such new Shares, use its best endeavours to obtain permission for the dealing of such new Shares.

29.2 The Company and the SIS Committee shall not under any circumstances be held liable for any costs, losses and damages whatsoever and however relating to the delay on the part of the Company in allotting and issuing the Shares or in procuring Bursa Securities to list the Shares for which the Grantee is entitled to subscribe.

30. NOTICE

30.1 Any notice under the Scheme required to be given to or served upon the SIS Committee by an Eligible Person or Grantee or any correspondence to be made between an Eligible Person or Grantee to the SIS Committee shall be given or made in writing and either delivered by hand or sent to the SIS Committee or the Company by facsimile or ordinary post. Notwithstanding the foregoing, proof of posting shall not be evidence of receipt of the letter.

30.2 Any notice or request which the Company is required to give, or may desire to give, to any Eligible Person or the Grantee pursuant to the Scheme shall be in writing and shall be deemed to be sufficiently given:

- (a) if it is sent by ordinary post by the Company to the Eligible Person or the Grantee at the last address known to the Company as being his/her address, such notice or request shall be deemed to have been received three (3) Market Days after posting;
- (b) if it is delivered by hand to the Eligible Person or the Grantee, such notice or request shall be deemed to have been received on the date of delivery; and
- (c) if it is sent by electronic media, including but not limited to electronic mail, to the Eligible Person or the Grantee, such notice or request shall be deemed to have been received upon confirmation or notification received after the sending of notice or request by the Company.

Any change of address of the Eligible Person or the Grantee shall be communicated in writing to the Company.

30.3 Where any notice which the Company or the SIS Committee is required to give, or may desire to give, in relation to matters which may affect all the Eligible Persons or the Grantees (as the case may be) pursuant to the Scheme, the Company or the SIS Committee may give such notice through an announcement to all employees of the Group to be made in such manner deemed appropriate by the SIS Committee (including via electronic media). Upon the making of such an announcement, the notice to be made under By-Law 30.2 shall be deemed to be sufficiently given, served or made to all affected Eligible Persons or Grantees, as the case may be.

31. SEVERABILITY

Any term, condition, stipulation or provision in these By-Laws which is or becomes illegal, void, prohibited or unenforceable shall be ineffective to the extent of such illegality, voidness, prohibition or unenforceability without invalidating the remaining provisions hereof, and any such illegality, voidness, prohibition or unenforceability shall not invalidate or render illegal, void or unenforceable any other term, condition, stipulation or provision herein contained.

32. DISCLOSURES IN ANNUAL REPORT

The Company will make such disclosures pertaining to the Scheme in its annual report from time to time if required by the Listing Requirements.

33. SUBSEQUENT SHARE ISSUANCE SCHEME

Subject to the approval of Bursa Securities and any other relevant authorities, the Company may implement more than one (1) scheme provided that the aggregate number of Shares available under all the schemes does not breach the maximum limit prescribed in the prevailing guidelines issued by Bursa Securities, the Listing Requirements and any other relevant authorities as amended from time to time.

34. ERRORS AND OMISSIONS

34.1 If in consequence of an error or omission, the SIS Committee discovers/determines that:

- (a) an Eligible Person who was selected by the SIS Committee/Company has not been given the opportunity to participate in the Scheme on any occasion; or
- (b) the number of Shares allotted and issued and/or transferred to any Eligible Person (including those allotted and issued and/or transferred pursuant to an exercise of SIS Option) on any occasion is found to be incorrect;

and such error or omission cannot be corrected within the relevant period specified in the Scheme, the SIS Committee may do all such acts and things to rectify such error or omission and ensure that the Eligible Person is given the opportunity to participate in the Scheme and/or the aggregate number of Shares to which the Eligible Person is correctly entitled to.

35. GOVERNING LAW AND JURISDICTION

The Scheme, these By-Laws, all Offers made and SIS Options granted and actions taken under the Scheme shall be governed by and construed in accordance with the laws of Malaysia. The Eligible Persons, by accepting the Offer in accordance with the By-Laws and terms of the Scheme and the Constitution, irrevocably submit to the exclusive jurisdiction of the courts in Malaysia.



LKL INTERNATIONAL BERHAD
(Registration No. 201501014673 (1140005-V))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting (“EGM” or “Meeting”) of LKL International Berhad (“LKL” or the “Company”) will be held on a fully virtual basis and entirely via remote participation and electronic voting via an online meeting platform at <https://rebrand.ly/LKL-EGM> operated by Mlabs Research Sdn Bhd from the Main Venue at Lot 4.1, 4th Floor, Menara Lien Hoe, No. 8, Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 20 September 2022 at 11:00 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the following ordinary resolutions with or without any modifications:

ORDINARY RESOLUTION 1

PROPOSED CONSOLIDATION OF EVERY 10 ORDINARY SHARES IN LKL (“LKL SHARES” OR “SHARES”) INTO 1 LKL SHARE (“CONSOLIDATED SHARE”) (“PROPOSED SHARE CONSOLIDATION”)

“THAT subject to the passing of Ordinary Resolutions 2 and 3 and the necessary approvals of the relevant authorities and parties (if required) being obtained, approval be and is hereby given to the Company to give effect to the consolidation of every 10 Shares into 1 Consolidated Share;

THAT the Consolidated Shares shall, upon allotment and issuance, rank equally in all respects with one another AND THAT the fractional entitlements arising from the Proposed Share Consolidation shall be disregarded and dealt with by the Board of Directors of the Company (“Board”) in such manner at its absolute discretion as it may deem fit or expedient and in the best interest of the Company;

AND THAT the Board be and is hereby authorised with full power to do all such acts, deeds and things and to execute and deliver on behalf of the Company all such documents and/or agreements as the Board may deem fit, necessary or expedient or appropriate in the best interest of the Company, in order to finalise, implement and/or give effect to the Proposed Share Consolidation with full power to assent to any terms, conditions, modifications, variations and/or amendments as may be imposed or required by the relevant authorities.”

ORDINARY RESOLUTION 2

PROPOSED DIVERSIFICATION OF THE PRINCIPAL ACTIVITIES OF LKL AND ITS SUBSIDIARIES (“THE GROUP”) TO INCLUDE THE OPERATION OF PHARMACIES INCLUDING RETAILING OF PHARMACEUTICAL, HEALTHCARE AND PERSONAL CARE PRODUCTS (“PROPOSED DIVERSIFICATION”)

“THAT subject to the passing of Ordinary Resolutions 1 and 3 and the necessary approvals of the relevant authorities and parties (if required) being obtained, approval be and is hereby given to the Board to implement the diversification of the existing business of the Group to include the operation of pharmacies including retailing of pharmaceutical, healthcare and personal care products;

AND THAT the Board be and is hereby empowered and authorised to do all acts, deeds and things and to execute, sign and deliver or caused to be delivered for and on behalf of the Company, all such documents as it may consider necessary and/or expedient in the best interest of the Company in order to give full effect to the Proposed Diversification with full power to assent to any terms, conditions, modifications, variations and/or amendments in any manner as the Board may deem necessary and/or expedient in the best interest of the Company.”

ORDINARY RESOLUTION 3

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 291,480,180 LKL SHARES ("RIGHTS SHARES") TOGETHER WITH UP TO 194,320,120 FREE DETACHABLE WARRANTS IN LKL ("WARRANTS") ON THE BASIS OF 3 RIGHTS SHARES TOGETHER WITH 2 FREE WARRANTS FOR EVERY 1 CONSOLIDATED SHARE HELD BY THE ENTITLED SHAREHOLDERS OF LKL ON AN ENTITLEMENT DATE TO BE DETERMINED ("PROPOSED RIGHTS ISSUE WITH WARRANTS")

"THAT subject to the passing of Ordinary Resolutions 1 and 2 and the approvals of all relevant authorities or parties being obtained (if required), including but not limited to the approval of Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the listing and quotation of the Rights Shares and Warrants to be issued hereunder and the new Shares to be issued pursuant to the exercise of the Warrants, the Board be and is hereby authorised to undertake the Proposed Rights Issue with Warrants as follows:

- (i) to provisionally allot and issue by way of a renounceable rights issue of up to 291,480,180 Rights Shares together with up to 194,320,120 Warrants to the shareholders of LKL ("**Entitled Shareholders**") whose names appear in the Record of Depositors of the Company at the close of business on an entitlement date to be determined by the Board ("**Entitlement Date**") and/or their renouncee(s), on the basis of 3 Rights Shares together with 2 free Warrants for every 1 Consolidated Share held on the Entitlement Date at a final issue price to be determined by the Board and on such terms and conditions and in such manner as the Board may determine;
- (ii) to enter into and execute the deed poll constituting the Warrants ("**Deed Poll**") and to do all acts, deeds and things as the Board may deem fit or expedient in order to implement, finalise and give effect to the Deed Poll (including, without limitation, the affixing of the Company's common seal, where necessary);
- (iii) to allot and issue the Warrants in registered form to the Entitled Shareholders (and/or their renouncee(s), as the case may be) and the Excess Applicants (as defined below), if any, who subscribe for and are allotted Rights Shares, each Warrant conferring the right to subscribe for 1 new Share at an exercise price to be determined by the Board at a later date, subject to any provisions for adjustment to the subscription rights attached to the Warrants in accordance with the provisions of the Deed Poll;
- (iv) to allot and issue such number of new Shares to the holders of the Warrants upon their exercise of the relevant Warrants to subscribe for new Shares during the tenure of the Warrants;

THAT any Rights Shares which are not validly taken up or which are not allotted for any reason whatsoever to the Entitled Shareholders and/or their renouncee(s) shall be made available for excess applications in such manner and to such persons ("**Excess Applicants**") as the Board shall determine at its absolute discretion;

THAT the Rights Shares, Warrants and the new Shares to be issued pursuant to the exercise of the Warrants shall be listed on the ACE Market of Bursa Securities;

THAT the proceeds of the Proposed Rights Issue with Warrants be utilised for the purposes as set out in Section 3.1 of the Circular to Shareholders dated 2 September 2022 and the Board be and is hereby authorised with full powers to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Board may deem fit, necessary and/or expedient or in the best interests of the Company, subject (where required) to the approval of the relevant authorities;

THAT the Board be and is hereby empowered and authorised to do all acts, deeds and things, and to execute, enter into, sign, deliver and cause to be delivered for and on behalf of the Company all such transactions, arrangements, agreements and/or documents as it may consider necessary or expedient in order to implement, give full effect to and complete the Proposed Rights Issue with Warrants, with full powers to assent to and accept any condition, modification, variation, arrangement and/or amendment to the terms of the Proposed Rights Issue with Warrants as the Board may deem fit, necessary and/or expedient in the best interests of the Company or as may be imposed by any relevant authority or consequent upon the implementation of the aforesaid conditions, modifications, variations, arrangements and/or amendments and to take all steps as it considers necessary in connection with the Proposed Rights Issue with Warrants in order to implement and give full effect to the Proposed Rights Issue with Warrants;

THAT the Rights Shares shall, upon allotment, issuance and full payment of the issue price of the Rights Shares, rank pari passu in all respects with the then existing issued Shares, save and except that the holders of such Rights Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to Shareholders, the entitlement date of which is prior to the date of allotment of the Rights Shares;

THAT the new Shares to be issued pursuant to the exercise of the Warrants shall, upon allotment, issuance and full payment of the exercise price of the Warrants, rank pari passu in all respects with the then existing issued Shares, save and except that the holders of such new Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to shareholders, the entitlement date of which is prior to the date of allotment of such new Shares to be issued pursuant to the exercise of the Warrants;

THAT the Board be and is hereby entitled to deal with all or any of the fractional entitlements of the Rights Shares and the Warrants arising from the Proposed Rights Issue with Warrants, which are not validly taken up or which are not allotted for any reason whatsoever, in such manner and to such persons as the Board may in its absolute discretion deem fit and in the best interest of the Company (including without limitation to disregard such fractional entitlements altogether);

AND THAT this Ordinary Resolution constitutes specific approval for the issuance of securities in the Company contemplated herein which is made pursuant to an offer, agreement or option and shall continue in full force and effect until all Rights Shares, Warrants and new Shares to be issued pursuant to or in connection with the Proposed Rights Issue with Warrants have been duly allotted and issued in accordance with the terms of the Proposed Rights Issue with Warrants."

ORDINARY RESOLUTION 4

PROPOSED ESTABLISHMENT OF A SHARE ISSUANCE SCHEME ("SIS") 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 THE GROUP ("PROPOSED SIS")

"THAT subject to the approvals of all relevant regulatory authorities or parties having been obtained, approval be and is hereby given to the Board to:

- (i) establish, implement and administer the Proposed SIS for the benefit of eligible directors and eligible employees of the Group ("**Eligible Persons**"), excluding the subsidiaries which are dormant in accordance with the by-laws governing the SIS ("**By-laws**"), a draft of which is set out in Appendix II of the Circular, and to give full effect to the SIS with full powers to assent to any conditions, variations, modifications and/or amendments as may be deemed fit or expedient and/or imposed or required by the relevant regulatory authorities or as may be deemed fit or necessary by the Board at its discretion;
- (ii) make the necessary applications to Bursa Securities and do all the things necessary at the appropriate time or times for the listing and quotation of the new Shares which may from time to time be allotted and issued pursuant to the Proposed SIS;

- (iii) allot and issue and/or procure from time to time such number of new Shares as may be required to be issued pursuant to the exercise of the SIS Options under the Proposed SIS provided that the aggregate number of new Shares to be offered under the Proposed SIS shall not exceed in aggregate of 30% of the total number of issued shares of the Company (excluding treasury shares, if any) at any time during the duration of the SIS;
- (iv) add, delete, modify and/or amend all or any part of the terms and conditions as set out in the By-laws governing the Proposed SIS from time to time as may be required or permitted by the authorities or deemed necessary by the authorities or the Board or any committee of the Proposed SIS established or appointed by it provided that such modifications and/or amendments are effected and permitted in accordance with the provisions of the By-laws relating to modifications and/or amendments and to do all such acts, deeds and things and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to such modifications and/or amendments of the SIS;
- (v) extend the duration of the SIS, provided always that such extension of the SIS made pursuant to the By-laws shall not in aggregate exceed a duration of 10 years from the date on which the SIS shall take effect following full compliance of all relevant requirements or such longer period as may be permitted by Bursa Securities or any other relevant regulatory authorities from time to time without having to obtain any further sanction, approval, consent or authorisation of the shareholders of the Company in a general meeting; and
- (vi) do all such acts and things, to execute all such documents and to enter into all such transactions, arrangements and agreements, deeds or undertakings and to make such rules or regulations, or impose such terms and conditions or delegate its power as may be necessary or expedient in order to give full effect to the Proposed SIS and terms of the By-laws;

THAT pursuant to Section 85 of the Act read together with Clause 54 of the Company's Constitution, approval be given to waive the statutory pre-emptive rights conferred upon the shareholders of LKL AND THAT the Board is exempted from the obligation to offer such new LKL Shares first to the existing shareholders of LKL in respect of the allotment and issuance of new LKL Shares to the Eligible Persons pursuant to the Proposed SIS.

AND THAT the Board be and is hereby authorised to give effect to the Proposed SIS with full powers to consent to and to adopt and implement such conditions, modifications, variations and/or amendments as may be required or imposed by the relevant regulatory authorities or as the Board may deem fit or necessary at its absolute discretion."

ORDINARY RESOLUTION 5 - 10

PROPOSED ALLOCATION OF SIS OPTIONS TO DIRECTORS ("PROPOSED ALLOCATION")

"THAT, subject to the passing of Ordinary Resolutions 1 and 4 and the approvals of all relevant regulatory authorities (where required) having been obtained, approval be and is hereby given to the Board to authorise the committee appointed and authorised by the Board from time to time to administer the SIS in accordance with the By-laws, to offer and grant, from time to time throughout the duration of the SIS, to each of the Directors as named therein below respectively, such number of Shares in the Company which will be vested to the Directors at a future date and to allot and issue such number of options, Shares and/or the equivalent cash value or combinations thereof comprised in the Proposed SIS granted to the Directors from time to time, provided always that not more than 10% of the total LKL Shares available under the SIS, individually and collectively, shall be allocated to each of the Directors if they, either singly or collectively through persons connected with them, hold 20% or more of the total number of issued share of the Company (excluding treasury shares, if any), subject always to such terms and conditions of the By-laws and the ACE Market Listing Requirements of Bursa Securities, or any prevailing guidelines issued by Bursa Securities or any other relevant authorities, as amended from time to time.

THAT pursuant to Section 85 of the Act read together with Clause 54 of the Company's Constitution, approval be given to waive the statutory pre-emptive rights conferred upon the shareholders of LKL AND THAT the Board is exempted from the obligation to offer such new LKL Shares first to the existing shareholders of LKL in respect of the allotment and issuance of new LKL Shares to the Eligible Persons pursuant to the Proposed SIS.

THAT the Directors must not participate in the deliberation or discussion of their own allocation, as well as that of the persons connected with them, if any, under the Proposed SIS.

AND THAT subject always to such terms and conditions and/or any adjustments which may be made in accordance with the By-laws, the Board be and is hereby authorised to take such steps as necessary or expedient to implement, finalise or to give full effect to the Proposed Allocation above with full power to assent to any terms, conditions, modifications, variations and/or amendments as may be imposed and/or permitted by the relevant authorities or otherwise thought fit by the Board to be in the best interest of the Company; to execute, sign and deliver on behalf of the Company all such agreements, arrangements and documents as may be necessary to give full effect to, complete and implement the Proposed Allocation as above as well as to deal with all matters relating thereto and/or to do all such acts and things as the Board may deem fit and expedient in the best interest of the Company."

ORDINARY RESOLUTION 5

Datuk Chong Loong Men, Executive Director

ORDINARY RESOLUTION 6

Lim Ming Chang, Non-Independent Non-Executive Director

ORDINARY RESOLUTION 7

Zulkarnin Bin Ariffin, Executive Director

ORDINARY RESOLUTION 8

Ling Chi Hoong, Independent Non-Executive Director

ORDINARY RESOLUTION 9

Ng Fun Kim, Independent Non-Executive Director

ORDINARY RESOLUTION 10

Chan Jee Peng, Independent Non-Executive Director

BY ORDER OF THE BOARD

TEA SOR HUA (MACS 01324) (SSM PC NO.: 201908001272)

Company Secretary

Petaling Jaya, Selangor Darul Ehsan

Date: 2 September 2022

Notes:

- (a) A member who is entitled to attend and vote at the EGM shall be entitled to appoint more than one (1) proxy to attend and vote at the EGM in his/her stead. Where a member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.
- (b) A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at the EGM shall have the same rights as the member to speak at the EGM.
- (c) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised.
- (d) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- (e) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. The appointment of multiple proxies shall not be valid unless the proportion of its shareholdings represented by each proxy is specified.
- (f) For the purpose of determining a member who shall be entitled to attend the EGM, the Company will be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 63(b) of the Company's Constitution to issue the General Meeting Record of Depositors as at 13 September 2022. Only members whose names appear in the General Meeting Record of Depositors as at 13 September 2022 shall be regarded as members and entitled to attend, speak and vote at the EGM.
- (g) To be valid, the instrument appointing a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time for holding the EGM:
 - (i) In hard copy form
In the case of an appointment made in hard copy form, the Form of Proxy must be deposited at the office of the Poll Administrator, Workshire Share Registration Sdn Bhd at A1-2-2, Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur, Wilayah Persekutuan (KL).
 - (ii) By electronic form
The Form of Proxy can be electronically lodged by email to infosr@wscs.com.my. Kindly refer to the Administrative Notes on the procedures for electronic lodgement of Form of Proxy.
- (h) All the resolutions set out in the Notice of the EGM will be put to vote by poll.
- (i) The members are advised to refer to the Administrative Notes on the registration and voting process for the EGM.
- (j) Given the constantly evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our EGM at short notice. Kindly check Bursa Securities' website and the Company's website at <https://www.lklbeds.com> for the latest updates on the status of the EGM.



LKL INTERNATIONAL BERHAD
(Registration No. 201501014673 (1140005-V))
(Incorporated in Malaysia)

FORM OF PROXY

CDS Account No.
No. of Shares held

I/We, Tel. No.:
(Full name as NRIC/Passport and NRIC No. / Registration No.)

of
(Address)

being a member of LKL INTERNATIONAL BERHAD, hereby appoint(s):

Full Name as per NRIC/Passport	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address	Email address		

and / or*

Full Name as per NRIC/Passport	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address	Email address		

or failing him/her*, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company ("EGM" or "Meeting") to be held on a fully virtual basis and entirely via remote participation and electronic voting via an online meeting platform at <https://rebrand.ly/LKL-EGM> operated by Mlabs Research Sdn Bhd from the Main Venue at Lot 4.1, 4th Floor, Menara Lien Hoe, No. 8, Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 20 September 2022 at 11:00 a.m. or at any adjournment thereof, and to vote as indicated below:

Item	Agenda	Resolution	FOR	AGAINST
1.	Proposed Share Consolidation	Ordinary Resolution 1		
2.	Proposed Diversification	Ordinary Resolution 2		
3.	Proposed Rights Issue with Warrants	Ordinary Resolution 3		
4.	Proposed SIS	Ordinary Resolution 4		
5.	Proposed Allocation of SIS Options to Datuk Chong Loong Men	Ordinary Resolution 5		
6.	Proposed Allocation of SIS Options to Lim Ming Chang	Ordinary Resolution 6		
7.	Proposed Allocation of SIS Options to Zulkarnin Bin Ariffin	Ordinary Resolution 7		
8.	Proposed Allocation of SIS Options to Ling Chi Hoong	Ordinary Resolution 8		
9.	Proposed Allocation of SIS Options to Ng Fun Kim	Ordinary Resolution 9		
10.	Proposed Allocation of SIS Options to Chan Jee Peng	Ordinary Resolution 10		

Please indicate with an 'X' in the space provided whether you wish your votes to be cast for or against the resolution. In the absence of specific direction, your proxy may vote or abstain as he thinks fit.

Signed this _____ day of _____ 2022

Signature^
Member

* Delete whichever is not applicable

^ Manner of execution:

- (a) If you are an individual member, please sign where indicated.
- (b) If you are a corporate member which has a common seal, this Form of Proxy should be executed under seal in accordance with the constitution of your corporation.
- (c) If you are a corporate member which does not have a common seal, this Form of Proxy should be affixed with the rubber stamp of your company (if any) and executed by:



- (i) at least two (2) authorised officers, of whom one shall be a director; or
- (ii) any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.

Notes:

- (a) A member who is entitled to attend and vote at the EGM shall be entitled to appoint more than one (1) proxy to attend and vote at the EGM in his/her stead. Where a member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.
- (b) A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at the EGM shall have the same rights as the member to speak at the EGM.
- (c) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised.
- (d) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- (e) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. The appointment of multiple proxies shall not be valid unless the proportion of its shareholdings represented by each proxy is specified.
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- (g) To be valid, the instrument appointing a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time for holding the EGM:
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In the case of an appointment made in hard copy form, the Form of Proxy must be deposited at the office of the Poll Administrator, Workshire Share Registration Sdn Bhd at A1-2-2, Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur, Wilayah Persekutuan (KL).
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- (j) Given the constantly evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our EGM at short notice. Kindly check Bursa Securities' website and the Company's website at <https://www.lklbeds.com> for the latest updates on the status of the EGM.

Fold this flap for sealing

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AFFIX
STAMP

The Poll Administrator

Workshire Share Registration Sdn Bhd

A1-2-2, Solaris Dutamas
No. 1, Jalan Dutamas 1
50480 Kuala Lumpur
Wilayah Persekutuan (KL)
Malaysia

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