



LKL INTERNATIONAL BERHAD

201501014673 (1140005-V)
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE TENTH ANNUAL GENERAL MEETING (“10TH AGM” OR “MEETING”) OF LKL INTERNATIONAL BERHAD HELD AT LOT 4.1, 4TH FLOOR, MENARA LIEN HOE, NO. 8, PERSIARAN TROPICANA, TROPICANA GOLF & COUNTRY RESORT, 47410 PETALING JAYA, SELANGOR DARUL EHSAN ON THURSDAY, 29 MAY 2025 AT 10:00 A.M.

REPLY TO QUESTIONS FROM THE MINORITY SHAREHOLDERS WATCH GROUP (“MSWG”) PRIOR TO THE MEETING

Dato’ Haji Mohd Yazid Bin Haji Mustafa, the Independent Non-Executive Chairman, presented to the Shareholders, the questions received from MSWG along with the replies from the Board, as summarised follows:-

Operational & Financial Matters

Q1. The manufacturing segment contributed RM28.97 million or 60.87% of the Group’s total revenue in FYE2024, compared to RM29.60 million (66.39%) in FYE2023. Within this segment, revenue from medical/healthcare beds grew to RM11.28 million (23.70% of total revenue) from RM9.39 million (21.06%) in FYE2023, demonstrating steady demand growth. However, revenue from peripherals and accessories declined to RM17.99 million (37.82%) from RM20.21 million (45.33%), reflecting a shift in product mix as the Group selectively refined its offerings in line with changing market requirements. (Source: Page 24 of AR 2024)

- a) Following the change in product mix, how has the Group adjusted its inventory practices to maintain healthy turnover rates and minimise stock excess?**

While some raw materials like steel sheets, rods and bars are used across both hospital beds, and peripheral and accessories, we manage our inventory according to quarterly sales forecasts for each product category and aligning procurement plans accordingly. We maintain a reasonable buffer stock to quickly respond to demand fluctuations, ensuring healthy turnover and minimising excess inventory.

- b) Given the shift in product offerings and changing market demand, what are the Group’s expectations for the performance of the manufacturing segment in the future?**

Even with the change in product mix, we continue to see steady demand for both hospital beds and peripheral and accessories items, as they remain essential in any healthcare set up. These products are not only critical for equipping hospitals but also play a key role in improving patient care. We are optimistic about the outlook for our manufacturing segment. With ongoing efforts to refine our product offerings and stay aligned with market needs, we believe we’re well-positioned to support future growth both locally and in export markets.

Other Investments:

Q2. Other investments:

- a) Fair value loss on other investments increased significantly to RM20.58 million (FYE2023: RM2.31 million), while acquisition of other investments amounted to RM4.0 million (FYE2023: RM20.82 million) (Source: Pages 116 & 117 of AR 2024)**

- i) Which quoted shares contributed to the significant fair value loss of RM20.58 million?**

The fair value losses in FYE2024 were mainly driven by Parlo Berhad and Vizione Holding Berhad, which together registered approximately RM16.2 million, or over 78% of the total fair value loss for the year.

- ii) What were the quoted shares of RM4.0 million that the Group purchased? Given that the Group continues to incur huge amounts of fair value loss on other investments, i.e. quoted shares, what is the rationale for the additional purchase of quoted shares during the year?**

The quoted shares purchased were in D'nonce Technology Berhad, worth RM2.0 million and Symphony Life Berhad (Warrants) worth RM2.0 million.

Despite the fair value losses, the Group believes these investments have strong potential for recovery and long-term value, and will continue to monitor the portfolio carefully.

- b) Proceeds from disposal of other investments amounted to RM5.26 million (FYE2023: Nil) (Source: Page 117 of AR 2024), what were the quoted shares disposed by the Group during the year? How long was the holding period for the said quoted shares? Was the disposal of other investments at a gain or loss?**

Disposal of other investments amounted to RM5.26 million was related to the interest-bearing money market instruments during the financial year 2024. There was no gain or loss recorded due to interest bearing instruments in nature.

Q3. Impairment loss on trade receivables increased significantly to RM2.56 million (FYE2023: RM0.32 million), while impairment loss on other receivables was RM2.0 million (FYE2023: Nil). (Source: Page 116 of AR 2024)

- a) What are the major items comprising trade receivables and other receivables that have been impaired?**

The major impairment of trade receivables was mainly related to glove sales. Other receivable impairment was mainly related to deposit paid to the supplier of machinery.

- b) What actions have been taken to recover the said impairment loss on trade receivables and other receivables?**

We have sent letter of demand and subsequently taken necessary legal actions to recover the impaired receivables.

- c) To date, how much of the impairment loss on trade receivables and other receivables has been recovered?**

No recoveries have been received to date.

- Q4. The Group wrote off RM24.93 million (FYE2023: RM7.59 million) of impairment loss on other receivables during the financial year 2024. (Source: Page 146 of AR 2024).**

What were the reasons for the significant increase in write off on other receivables for FYE2024 as compared to FYE2023? What were the measures taken to recover the said amount prior to being written off?

The impairment losses were mainly on amount due from Crecom Burj Gloves Sdn. Bhd. (RM12.45 million) and Genesis Gateway Sdn. Bhd. (RM12.48 million). As stated in the quarterly results announcements and annual reports, the necessary legal actions have been taken to recover the losses.

- Q5. During FYE2024, the wholly-owned subsidiary of the Company, Aluxcare Wellness Sdn. Bhd. had entered into a Sale and Purchase Agreement with Mediconstant Pharmacy (Ampang) Sdn. Bhd. to acquire the business of three (3) pharmacy outlets, including assets and inventories for a total purchase consideration of RM4.8 million. Upon completion of the acquisition, liabilities in relation to the cost incurred on certain expenses amounted to RM0.60 million, resulting in a reduction of purchase consideration from RM4.8 million to RM4.2 million. (Source: Page 141 of AR 2024)**

As a result of impairment assessment, the Group recognised an impairment loss of RM2.4 million (2023: Nil) for goodwill relating to acquisition of business during the financial year. (Source: Page 127 of AR 2024)

With goodwill accounting for 57% of the purchase consideration, what was the rationale for paying a significant premium for the three (3) pharmacy outlets, with such a high portion of the purchase consideration to goodwill and then followed by impairing the goodwill? Were there any identifiable intangible assets that were acquired as part of the transaction?

The valuation of the acquisition of the pharmacies business was mainly based on an independent Fairness Opinion Report prepared by Asia Equity Research Sdn. Bhd., a licensed corporate finance advisory firm. According to the report, the value attached, amongst others, is related to the financial performance of the outlets, market comparables such as listed pharmacy chains, and prevailing economic conditions. The valuation took into account tangible assets such as inventories, renovations, and fittings, as well as intangibles like the established customer base and strategic locations of the three pharmacy outlets.

The pharmacy business is a new segment of businesses within the Group, and it seems to be normal for new business to incur losses at the initial stage until we reach the optimum number of outlets. Nevertheless, the goodwill was written off due to the losses incurred.

Q6. The Group's inventories written off amounted to RM1.51 million (FYE2023: Nil). (Source: Page 116 of AR 2024)

- a) What were the main reasons for writing off such a significant value of inventories? What type of inventories have been written off? Why are these inventories unable to be sold to other customers or used for other projects?**

The write-off was mainly due to the expiry of the goods. These included gloves worth RM1.25 million, test kits worth RM0.24 million, and rechargeable batteries worth RM0.02 million.

- b) What are the measures to be taken by the Group to improve inventory management and reduce the amount of inventory written off in the future?**

For the business, we maintain surplus stock to meet market demand and deliver orders on schedule. We actively monitor the stock levels and supplier lead times to reduce excess inventory and associated costs.

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

Questions and comments were raised by the representative of MSWG and the Shareholders during the Meeting. These were duly addressed by En. Zulkarnin Bin Ariffin, the Executive Director of the Company. The relevant questions and answers (Q&A) are summarised below:-

- Q1. What is the realistic timeline and roadmap for the Group to return to profitability? Can we expect a breakeven at the very least for the financial year ending 31 December 2025 ("FYE 2025"), considering that the loss after tax last year was mainly due to fair value adjustments and impairments?**

For FYE 2025, the Group anticipates improved results based on the current incoming orders. Positive orders have been received from overseas, and once concluded, these are expected to contribute positively to the Group's overall performance in FYE 2025.

- Q2. With regard to the impairment and write-downs, are the impaired and written-down assets still in use, idle, or intended for disposal? What is the rationale behind the impairment of these assets?**

The impairment of assets was assessed and reviewed by both Management and the External Auditors. With the Board's approval, the impairment was recognised based on several factors, including the assets' level of usage, availability and in some cases, the expiry of the assets.

- Q3. The pharmacy business is currently operating at a loss, contributing to the weaker gross margin as noted in the Management Discussion and Analysis. Could the Board quantify the extent of these losses and clarify whether there is a clear turnaround plan for the pharmacy business?**

The pharmacy business is a new segment for the Group, which currently operates nine (9) outlets. For context, other pharmacy chains typically require a larger number of outlets to achieve economies of scale. Therefore, should the Group decide to pursue this business further, it would need to expand the number of outlets to improve operational efficiency and potentially turn the business around.

- Q4. With regard to the Group's performance for the first quarter ended 31 March 2025, where does the Group currently stand? What is the order book outlook for FYE 2025?**

The first quarter results have not been announced to Bursa Securities at this point, and as such, cannot be disclosed. However, Management believes that the results for the first quarter will be better than those recorded in the corresponding quarter of the previous year.

- Q5. Currently, the Company appears to be focused on the domestic market. Is there any plan to expand into global markets, especially considering that the local market may be nearing saturation? While being mindful of global uncertainties such as tariff wars, is the Company exploring international opportunities?**

At present, the local market contributes approximately 80% to 90% of the Group's total business. However, the Group has recently secured encouraging orders from overseas markets. These orders are expected to strengthen the Group's presence internationally and contribute positively to the Group's overall performance and bottom line.

Comment:

A Shareholder raised a concern regarding the Directors' fees, highlighting that they appeared high in light of the Company's current loss-making position. He suggested that the Board consider a reduction in Directors' fees and, where feasible, a review of executive salaries.

In response, the Board acknowledged the comment and assured that the matter would be given due consideration in the context of the Company's financial position and ongoing cost management efforts.