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LII HEN INDUSTRIES BERHAD

31st Annual General Meeting

(199401015681/301361-U)

Question & Answer Session

**Questions from Minority Shareholders
Watch Group (“MSWG”)**



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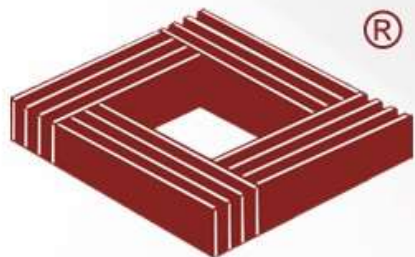
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Questions from Minority Shareholders Watch Group (“MSWG”)

(199401015681/301361-U)

OPERATIONAL & FINANCIAL MATTERS

1. On 19 February 2025, a routine visit was conducted to assess the feasibility of rubber tree tapping. During the visit, Management noticed that a significant planted area of the Estate had suffered physical damage. Having noted a discrepancy between the latest estate report and the physical condition of the planted trees, immediate action was taken to deploy drones for a full-scale aerial survey of the plantation. Based on the preliminary survey, an estimated 80% of the planted Estate was damaged. Accordingly, an amount of RM4.5 million was provided as impairment on the carrying value of the biological assets in the current financial year (Page 3 of the Annual Report (AR) 2024).



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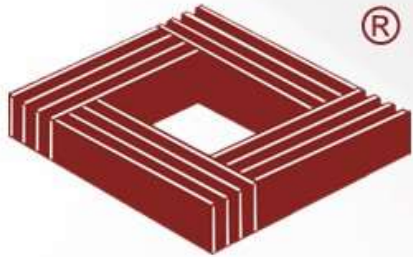
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a) Given that an estimated 80% of the Estate was damaged, how was it not detected earlier?

How often were routine checks and physical visits conducted on the Estate before the discovery of the damage on 19 February 2025? Were these inspections documented?

Who was responsible for conducting and verifying them?



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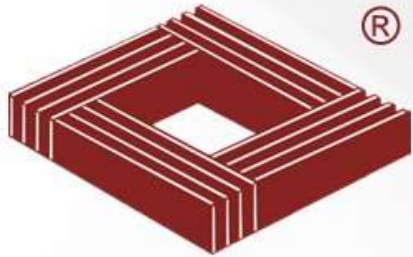
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Management's Response

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Based on the Company's established operational procedures, the Estate Manager is responsible for onsite inspection and monitoring of the Estate on a regular basis and submit a monthly report to Management for review. A routine physical visit is conducted once a year by Management on rotation basis on the 15 plots of the planted area to ensure accuracy of the Estate Manager's reports.

The last physical visit was conducted on 27 May 2024, and no abnormalities were noted during the inspection. Management conducted another routine visit on 19 February 2025 to assess the feasibility of rubber tree tapping, and it was then the damage to the sizeable, planted area was discovered.



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b) In relation to the discrepancy noted between the latest estate report and the physical condition of the planted trees, were there signs of falsified or outdated reporting?

Management's Response

The plantation reports received on a monthly basis did not show any obvious discrepancies. However, on the 19 February visit, the damage was noted. Management lodged a police report on 20 February 2025 and on 10 March 2025 to the Muar and Endau police stations respectively, pending further investigation into whether there was possible falsification or outdated reporting.



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c) The insurance company has been notified to assess the extent of the damage and appropriate actions will be carried out to investigate the matter, including the causes thereof (Page 3 of AR 2024).

i. Please brief shareholders on the status of the investigation and the cause of the physical damage to the rubber trees.

Management's Response

The insurer has issued a preliminary report (letter) to the Company on its visit and concurred with the Management's initial findings of wildlife that caused the substantial damage to the Estate.



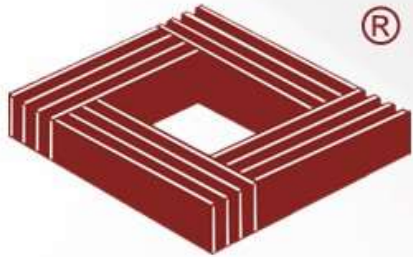
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Management's Response [cont'd]

As requested by the insurer, on 21 May 2025, Management conducted the surviving tree counting with Block and numbering to assess the extent of damage more accurately. However, the Estate Manager reported seeing tiger's footprints while conducting the tree census (photograph enclosed). To safeguard workers' safety, the census count was temporarily halted. Management has lodged a report to PERHILITAN of the incident of sighting of tiger's footprints (letter attached).



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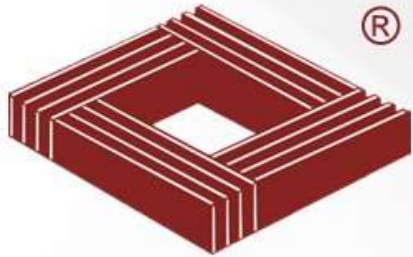
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ii. To date, has the insurance company completed its assessments? Are there any preliminary findings or feedback from the insurer regarding liability or claim eligibility?

Management's Response

The insurer has completed its initial assessment. Due to the temporary suspension of the counting and marking of trees, and awaiting clearance from PERHILITAN, the trees tagging and counting could not be conducted, causing a delay to the comprehensive assessment.



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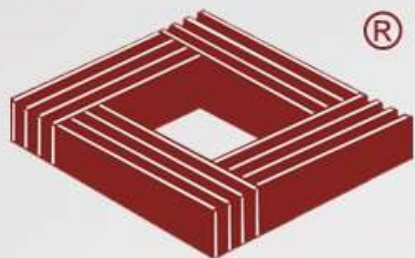
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iii. What is the total insured value of the affected biological assets? What is the expected timeline for receiving any insurance compensation?

Management's Response

The total sum insured for the biological assets is at RM3.3 million. Due to the suspension of tree counting, we are unable to determine with certainty the expected timeline for receiving the compensation. Management is following up closely with PERHILITAN for feedback before resumption of the census tree counting.



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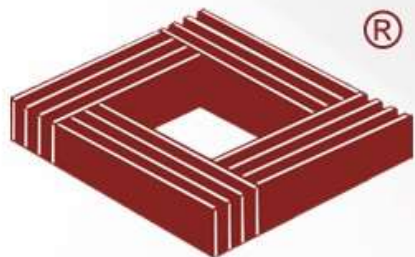
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d) What is the economic impact, such as disruption in the supply chain, long-term profitability, etc., on the business?

Management's Response

As announced to Bursa in February 2025, following the discovery of severe damage to the trees, there is no significant impact on the supply chain or the business activities of the Group, apart from the provision for fair value loss of RM4.5 million on the carrying amount of biological assets for the financial year ended 31 December 2024.



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2. Given that shipping costs have gone up astronomically, even with orders book in hand at spot levels, rollovers of shipments were common, particularly with the exorbitant shipping costs, which prompted certain buyers of the Group to defer shipments (Page 4 of AR 2024). To what extent have the previously deferred shipments, due to high shipping costs, been successfully shipped in 2025?



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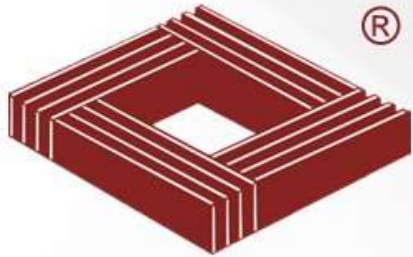
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Management's Response

Since the beginning of 2025, global shipping rates have gradually stabilized. At end of May 2025, about 80% of the orders that were previously delayed due to high freight costs have been successfully shipped. The remaining orders have been confirmed by customers and are expected to be delivered in Quarter 3, 2025.

The Group maintains a close rapport in communication with customers to ensure that the remaining orders are executed as scheduled, while continuously optimizing logistics arrangements to improve overall delivery efficiency.



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3. Profitability Margins

a) As a result of the lower revenue generated and higher operating costs, especially in production overheads, the Group's gross profit margin dropped from 20% in 2023 to 14.65% in the current year (Page 6 of AR 2024).

How does the Group intend to address the depleting GPM? What is the outlook for the GPM in 2025?



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Management's Response

The outlook for the GPM in 2025 is challenging due to the following:

1. Prevailing uncertainties in the global business landscape, especially with the imposition of the reciprocal tariff by the US Government;
2. Sluggish demand from the Group's traditional market;
3. Volatility of USD against RM, especially the recent weakening of USD; and
4. Escalation of the operating costs, especially on labour.



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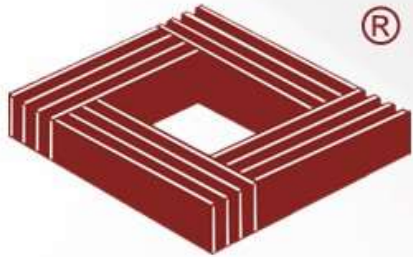
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Management's Response [cont'd]

To mitigate the GPM situation, the Group has implemented the following measures to stabilize and enhance profitability:

1. Accelerate automation and intelligent manufacturing system to reduce reliance on manpower and improve efficiency;
2. Optimize deployment and scheduling of foreign workers to increase per capita productivity and reduce the proportion of labour cost in production;
3. Conduct comprehensive cost audits to identify inefficient operations and optimize resource allocation;



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Management's Response [cont'd]

4. Establish a more refined cost control mechanism to ensure that Management can respond quickly to cost fluctuation; and
5. Introduce new products & models with higher margins, in the Group's engagement with key customers.



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b) To what extent will the multi-tier levy mechanism, and the proposed contribution to the Employees' Provident Fund by foreign workers, planned for implementation in 2025, inevitably affect the Group's profit margins if the costs cannot be passed on to customers (Page 9 of AR 2024)?

Management's Response

Based on current foreign workforce, the additional cost from the 2% contribution to EPF is estimated at RM1.2m to RM1.3m. As there is no announcement yet on the multi-tier levy mechanism, we are unable to assess with precision the impact on the Group's profit margin. Nonetheless, it has been Management's practice to engage with customers on the possibility of passing on increased overheads arising from legislation changes.



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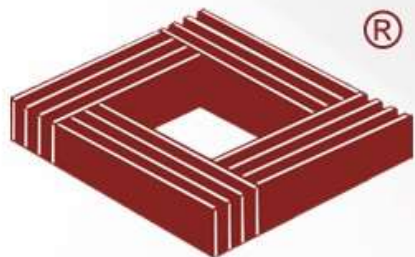
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4. The Group suffered losses due to the insolvency of two (2) long standing major customers, namely, Customer X and Customer Y, which had debts owing to the Group amounting to RM7 million and RM1.4 million, respectively of which these debts had been impaired (Page 4 of AR 2024), what is the chance of recovering some of these debts?

Management's Response

The possibility to recover these debts is remote, given that the Group is an unsecured creditor. Nonetheless, proof of debts and the relevant documents have been submitted accordingly to expedite the Group's claims for payment.



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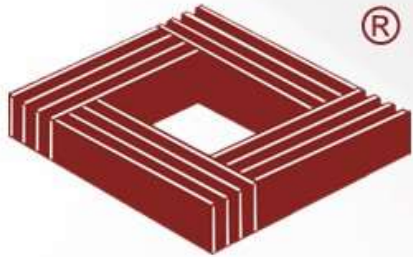
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5. The US Government's recent announcement of new tariffs, including a 90-day pause for many countries, has created significant uncertainty in international trade. As the Group exports its products to the US market, to what extent could the new tariffs impact the Group's business?

Management's Response

The new tariff has resulted in a significant impact on the Group's business. Due to the cost increase from the 10% tariff, some buyers have requested the Group to share 3% to 5% of the tariff by providing trade discounts. The prevailing uncertainty has caused some buyers to on-hold their orders, pending clearer outcome from the engagement dialogue between the Malaysian and U.S. authorities.



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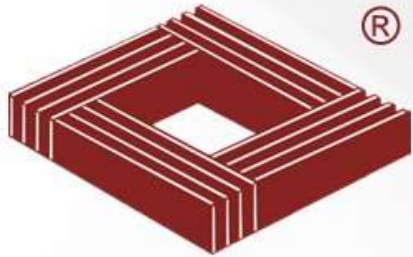
Sustainability Matters

6. Damages to Rubber Plantation

a) How does this incident affect LHIB's sustainability focus?

Management's Response

The Group will review the plantation division by doing a full cost-benefit analysis, considering the remaining 15 years of the concession and the fact that the state government is a minority shareholder. This review would include sustainability issues like the risks from human-wildlife conflicts and extreme weather. Based on this, the Group will decide whether to continue, exit the plantation, or shift to activities like reforestation or carbon offset project, with the approval of the minority state government shareholder.



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b) How will the Company ensure future resilience against such damages?

Management's Response

If the Group decides to continue with the plantation venture, it will focus on planting weather-resistant trees, improving measures to prevent wildlife damage, and protecting the land from extreme weather effects. The Company will work closely with the government minority shareholder to manage such risks, amongst others, and set up early warning systems, together with adequate insurance coverage as a mitigation. These steps should help make the plantation to be more resilient and sustainable in the future.

Our Ref : JHB060625<AHZMY>
Your Ref : Please advise

Date : 28 May 2025

PPL Plantations Sdn Bhd
PLO 43 & 44
Bukit Pasir Industrial Estate
84300 Muar
Johor Darul Takzim

Attention: Mr Tan

Dear Sir,

Policy Number : M/24/FC00/779666/MLK-71 (Crop Insurance Policy)
Insurer : Lonpac Insurance Bhd
Details of loss : Damage to rubber trees reportedly due wild animal (elephants) attack
Date of loss : Wednesday, 19 February 2025
Location : Pelot 3 Mukim Sembrong Daerah Mersing, 86800 Johor Darul Takzim

MSM International Adjusters (Malaysia) Sdn. Bhd. (14645-T)
Suite 18-01, 18th Floor, Menara Zurich,
No. 15, Jalan Dato' Abdullah Tahir,
80300 Johor Bahru, Johor, Malaysia.
Tel : +607 332 8633
Fax: +607 332 8699
Email: Johor.Bahru@MSMadjusters.com

By Email:
tanueijye@liihenfurniture.com

We refer to the abovementioned matter and our recent telephone conversation.

As you are aware, we conducted an initial site inspection on 28 February 2025 at the abovementioned location. During the inspection, our adjusters observed that the rubber trees in most blocks, except for Blocks 6, 8, and 9 were dead, damaged, or destroyed. Many trees were found broken, fallen to the ground, or lifeless.

Our adjusters also noted the presence of numerous elephant dung deposits throughout the plantation, along with visible damage to several sections of the electric wire fencing. En. Sahdan Bin Saat (Assistant Manager), who is the caretaker of the plantation, shared photographs showing sightings of wild elephants within the plantation during nighttime.

Based on the observations and information provided, it appears that the damage to the rubber trees is likely due to wild elephant activity. To facilitate our verification process, we have requested that all remaining unaffected and/or partially affected rubber trees be tagged for easier identification and counting.

Kindly advise when the tagging exercise will be completed so that our adjusters may return to the site to verify the tagged trees.

In the meantime, please also inform us of your plans for managing the remaining rubber trees. Thank you for your attention.

In the meantime, should you have any queries regarding any aspect of this claim or if we can assist further, please do not hesitate to contact us.

JHB060625<AHZMY> PPL Plantations Sdn Bhd

Yours faithfully,

MSM International Adjusters (Malaysia) Sdn Bhd


Ali Zohaiman
BBA (Hons) Risk Management and Insurance
Unit Head
011-10099502
Ali.Zohaiman@MSMadjusters.com


Ramizi Bajuri
ANZIIF (Snr. Assoc), CIP, DipLA
Manager
012-7945759
Ramizi.Bajuri@MSMadjusters.com

CC: 1. Mr Theh Jack Win / Ms Wendy Chiew
Lonpac Insurance Bhd – Kuala Lumpur
Claim Ref: 24/25/25/FC00/078111

2. Ms Loh Mei Ling
Lonpac Insurance Bhd – Melaka



PPL PLANTATIONS SDN. BHD. (864070-K)

Lampiran 1

Gambar Tapak Hidupan Liar

Pegawai,
Pejabat PERHILITAN Daerah Mersing,
86800, Jemaluang, Mersing,
Johor Darul Takzim.

30hb Mei 2025

Tuan,
PER.: MEMOHON PENGESAHAN TAPAK HIDUPAN LIAR DI KAWASAN LADANG

Merujuk kepada perkara di atas, saya Sahdam Bin Saat wakil daripada Ladang PPL Plantation Sdn Bhd ingin memohon kerjasama dan bantuan daripada pihak PERHILITAN untuk membuat pengesahan tapak hidupan liar yang ditemui di dalam kawasan ladang.

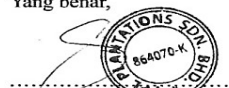
2. Untuk makluman pihak tuan, pada 21hb Mei 2025 semasa pekerja sedang menjalankan kerja mengira pokok getah, saya telah menemui beberapa kesan tapak kaki hidupan liar menyerupai tapak harimau (*seperti di lampiran*) di dalam kawasan Plot 3 (1,076ekar) di Blok 6.

3. Sehubungan dengan itu, Pihak PPL Plantation ingin memohon kerjasama dan bantuan dari pihak PERHILITAN untuk mengesahkan tapak yang dijumpai adalah tapak harimau atau bukan. Sekiranya betul tapak harimau, pihak ladang ingin memohon tindakan lanjut dari pihak PERHILITAN.

4. Kerjasama daripada pihak tuan dan pasukan PERHILITAN saya dahului dengan ucapan ribuan terima kasih.

Sekian, terima kasih.

Yang benar,


Sahdam Bin Saat
Penolong Pengurus
PPL Plantation Sdn. Bhd.

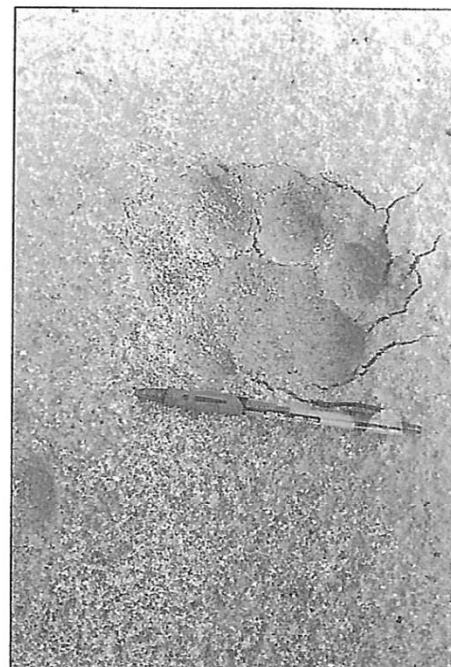


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84300 Muar, Johor, Malaysia.

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URL : www.liihenfurniture.com
Email : lhib@liihenfurniture.com

Fax : 606-985 8270 (FIN)
606-985 7818 (ADM)

A SUBSIDIARY OF LII HEN INDUSTRIES BHD.





Minggu 17 Februari 2024, 11:50am
Waktu Solat Kuala Lumpur

Can-Lake Times



Perhilitan Johor terima lebih 1,500 aduan setiap tahun

Izz Laili Hussein
ah@hmetro.com.my



LING Tian Soon (tengah) turut nama dalam Ops Translokasi yang diadakan Jabatan Perhilitan Johor bagi memindahkan dua ekor gajah selepas menerima aduan kehadiran haiwan liar itu di Jalan Kluang - Renggam, Kluang. FOTO Facebook Ah Soon

Johor Bahru: Jabatan Perlindungan Hidupan Liar dan Taman Negara (Perhilitan) Johor menerima lebih daripada 1,500 aduan setiap tahun sejak 2020 hingga tahun lalu.

Pengerusi Jawatankuasa Kesihatan dan Alam Sekitar negeri, Ling Tian Soon berkata, jumlah aduan itu merangkumi 65 peratus berkaitan dengan gangguan monyet liar, diikuti 11 peratus gangguan babi hutan selain 10 peratus gangguan gajah.

Beliau berkata, baru-baru ini terdapat aduan berkaitan gangguan gajah yang mana Jabatan Perhilitan Johor menubuhkan pasukan khas untuk menangani aduan berkaitan.

"Bercakap mengenai gangguan gajah, ingin dijelaskan bahawa Jabatan Perhilitan Johor menubuhkan satu pasukan khas yang khusus untuk menangani aduan berkaitan gajah yang mana mereka dilatih untuk mengusir dan menangkap gajah.

"Kita mempunyai kira-kira 110 pegawai daripada pelbagai peringkat, yang bertanggungjawab untuk pentadbiran, penguatkuasaan undang-undang, perlindungan, dan penangkapan haiwan.

"Menurut statistik, terdapat kira-kira 120 hingga 150 ekor gajah di seluruh negeri ini terutamanya di sekitar Kota Tinggi, Kluang, Segamat dan Mersing," katanya menerusi kenyataan di Facebook rasminya, semalam.

Tian Soon berkata, Perhilitan turut membina Pusat Perlindungan Gajah seluas kira-kira 29.5 hektar di Kota Tinggi, dengan harapan untuk menempatkan beberapa gajah di pusat berkenaan.

Terdahulu, Tian Soon turut sama dalam Ops Translokasi yang diadakan Jabatan Perhilitan Johor bagi memindahkan dua ekor gajah selepas menerima aduan kehadiran haiwan liar itu di Jalan Kluang - Renggam, Kluang.

"Kita menerima aduan terdapat gajah yang merosakkan tanaman pertanian di kawasan berdekatan kilang jubin dekat sini yang mana kawasan itu terletak di laluan penghijrahan gajah berkenaan.



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**WE HAVE COMPLETED THE Q&A
SESSION FOR QUESTIONS RECEIVED
BEFORE THIS AGM**