

LII HEN INDUSTRIES BHD.

ANNEXURE 3-B: SUMMARY OF LIVE QUESTIONS RECEIVED VIA ONLINE QUESTIONS AND ANSWERS (“Q&A”) BOX FROM SHAREHOLDERS AND PROXIES DURING THE ANNUAL GENERAL MEETING (“AGM”) ON 13 JUNE 2024 AND THE COMPANY’S RESPONSES THERETO

Questions:

1. a) May I know, what is the company's future outlook? (Lau Chuan Hooi)

You may refer to the current year’s prospects as articulated in Note 18 to the Company’s quarterly results ended 31 March 2024 as announced on 31 May 2024.

b) Will The Board consider giving door gift such e-voucher or e-wallets for those participating in this AGM as a token of appreciation?

The Board is of the view that paying out dividends on a consistent basis based on the performance of the Company is the most beneficial way of rewarding shareholders.

2. I am a long-time shareholder, I would like to request for Touch-n-Go e-wallet as a token of appreciation for attending this meeting? (Lee Suan Bee)

The Board is of the view that paying out dividends on a consistent basis based on the performance of the Company is the most beneficial way of rewarding shareholders.

3. a) Is there any plan / method from company to manage the rising cost of raw materials? (Chow Thai Ley)

The appreciation of USD against RM has certainly improved the Group’s products profit margin, and bottom line and hence, mitigated the operating cost pressure. Other than strategizing on measures such as passing on some of these costs to our customers for certain products by increasing the selling price and close collaboration/engagement with customers to meet their demands, Management has also strived to enhance operational processes by adopting new technologies that could improve production efficiency.

b) Does the shipping cost increase due to red sea crisis? If yes, how many percentage of the shipping cost has rose?

The higher freight charges by approximately 40% were passed on to the customers which in turn, might result in lower orders received from the US market.

c) When the rubber tree plantation can start to be harvested / start to generate return to shareholders?

Please refer to the Board/Management’s response as articulated in Question 6 of the Q&A session received from the shareholders and proxies prior to the AGM.

d) What the is future prospect of the company in the next 3 years?

Please refer to the Board’s response to the Question 1(a) hereof.

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4. a) **The 1st Quarter 2024 results announced last month showed an improvement in revenue mainly from sales to the North America market. Based on the orders in hand currently, can the Company maintain the revenue as reported in 1st Quarter for the rest of 2024? (Lew Tuck Wai)**

With sluggish external demand due to the persistent high interest regime, soft housing market and prevailing economic uncertainty, incoming orders for the Group’s products seemed subdued in 2nd Quarter 2024. On the local front, sluggish demand from customers and higher operating costs continued to exert pressure on the Group’s margin. To ensure steady demands, the products developed are generally medium to low price items in view of the current market trends.

The Board of Directors, together with Management, would exercise vigilance in decision-making to sustain business viability.

- b) **The pre-tax profit margin dropped to single digit in 1st Quarter 2024. Will the Company be able to improve its profit margins for the remaining quarters of FY2024?**

The Group would engage closely with customers to explore product innovation, taking into consideration prevailing and emerging market preference, including opportunities for cost savings in design and construction methodology to remain on a competitive edge.

On the other hand, the effects of foreign exchange fluctuations would in certain extent, impact the Group’s bottom line.

5. a) **I assume the recent increase in freight cost is going to affect the company. How is it impacting revenue and net profit? Or it is only going to delay delivery. (Lim May Choon)**

Please refer to the Board’s response to the Question 3(a) & (b) hereof. The Group does not foresee any delay in delivery as experienced during the MCO period and/or post MCO period.

6. **May I know if the company would consider holding physical or hybrid AGM in the future? This is a good opportunity for new and existing shareholders to interact with the management? (Kwang Qi Cai)**

Please refer to Board/Management’s response as articulated in Question 14 of the Q&A session received from the shareholders and proxies prior to the AGM.

7. **Kindly give us RM50 Touch-n-Go e-wallet for being loyal shareholders and attending this meeting? (Lee Chong Sing)**

Please refer to the Board’s response to the Question 2 hereof.

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- 8. The tapping of trees will only be economical in scale when 70% of trees reach 6 to 8 years or with width of 8” diameter tree trunk. Can management give us a rough timeline on when will this happen? (Kwang Qi Cai)**

As mentioned in the Management Discussion and Analysis and Sustainability Statement in the annual report, only about 30% of the trees were of 8 to 9 years old but unfortunately were not in contiguous lots due to damage to trees caused by elephant attacks in previous years.

The tree tapping would only be economically viable when 70% of trees were above 6 years old with width of at least 6” diameter in 2025 or 2026 if the economics justify it. The optimum age of the cloned rubber trees that could be harvested and used as raw materials for the manufacturing of wood products would be around twentieth to twenty-fifth (25) year.

- 9. a) The 436 hectares of plantation with cloned rubber trees have trees aged between 5 to 9 years old and tapping will only be economical when 70% of trees reach 6 to 8 years old. When does management expect the trees to commence based on the current planted age? (Lew Tuck Wai)**

Please refer to Board/Management’s response as articulated in Question 6 of the Q&A session received from the shareholders and proxies prior to the AGM and the Board’s response to the Question 8 hereof.

- b) How old will the cloned rubber trees to be for it to be harvested for the Group's manufacturing use?**

Please refer to Board/Management’s response as articulated in Question 6 of the Q&A session received from the shareholders and proxies prior to the AGM and the Board’s response to the Question 8 hereof.

- 10. Manufacturers are expanding to lower cost countries like Vietnam. Can the Management elaborate on plans to stay cost competitive and is there a plan to engage foreign sub-contractors? (Kwang Qi Cai)**

Please refer to Board/Management’s response as articulated in Question 2 of the Q&A session received from the shareholders and proxies prior to the AGM.

- 11. We minority shareholders do hope that the Board will be generous and provide some door gifts to us. Times are hard. There are not many of us minority shareholders so it would not cost the company much. (Loke Kok Yuen)**

Please refer to the Board’s response to the Question 2 hereof.

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12. a) What are the specific reasons for the wood / panel shortage? How significant is the expected impact, and for how long? (Ooi Ai Ying)

The raw materials used by the Group were mainly rubber-wood sawn timber, MDF, chipboard, plywood & others. The shortage experienced was mainly due to supply factor from time to time. Having said that, the Group was able to source the wood steadily from suppliers who obtained the Forest Stewardship Council certification which assured that every company in the entire chain of custody of a product operated in an environmentally responsible way.

b) Is the increase in overtime pay due to the need for additional manpower to fulfill increased orders? What are the reasons for the increase in staff numbers?

The number of head-count was in line with the current sales level. Currently, the workforce has reduced to 2,500 workers. To meet fluctuating demand, Management has taken key measures such as increasing production efficiency of the workforce, work on more shifts; and also sourcing for more sub-contractors to outsource certain non-core functions, taking into consideration their reliability and reputation in the marketplace.

The Board would consider the possibility of purchasing certain equipment, with the view of automating identified processes to reduce dependencies on labour from time to time.

c) With the sluggish demand in the United States, does the company have any other strategies?

U.S market would continue to be the main/major market for the Group. The Group would continue to strengthen our market position by introducing new products and engage closely with customers to explore product innovation.

d) Are there any new expansion plans?

The Company has no plans for expansion currently apart from what has been committed given that the coming years were expected to be challenging.

e) Apart from export markets, are there any plans to expand the local market?

The Company has no plans for expansion currently apart from what has been committed.

13. In the latest Q1FY24 Report, you had stated that sluggish demand from customers and higher operating costs continue to exert pressure on the Group’s margin. However, another furniture manufacturer exposed to the US market had stated that the US furniture market is on slow recovery trajectory with importers and retailers clearing their excess inventories. They have received more orders since recent months. Why is there a divergence of opinion about the US Market? What are your expectations regarding excess inventory problem amongst your customers moving forward this year? (Rajkumar A/L Periannan)

Sluggish demand and slow recovery trajectory were generally the same impact arising due to the persistent high interest regime, soft housing market and prevailing economic uncertainty.

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- 14. What is the cost in distribute the dividend? Any cost saving if LIIHEN distribute dividend in one time instead of 4 to 5 times a year? (Gan Kok Seng)**

The cost in dividend distribution was minimal. The rationale of having several tranches of distribution per year was to ensure the Group remains solvent after each distribution, having assessing the sufficiency of profits and cash flows as the Board was cognizant of the need to maintain financial stability to weather the storm in these tough times.

- 15. The US inflation rate has stayed consistently high in 2023 and up to May 2024. Has Lii Hen's able to increase the prices of its products to keep up with the increased prices in US. If Yes, what was the average price increase in FY2023 and for the 1st 5 months in FY2024? (Lew Tuck Wai)**

We had managed to pass on some of these costs to our customers for certain products by increasing the selling price marginally.

- 16. Please give shareholder door gift as token of appreciation? (Loo Yeo Ming)**

Please refer to the Board's response to the Question 2 hereof.

- 17. a) Cross-Border E-commerce Strategy? "Considering the success of Synergy House Furniture Bhd in cross-border e-commerce, does the company have any plans to expand into this market directly? If so, could you share some details about the strategies and timelines involved?" (Ong Woei Hann)**

Having considered the customer base in US market at large, it was rather a big move to move away from the prevailing business model to the cross-border e-commerce. Having said that, cross-border e-commerce was inevitably one of the future trends in US furniture market and the Management was in the midst of exploring opportunities and assessing the feasibility thereof as part of the market expansion initiatives.

b) Impact of the sturdy Act on Export.

" In the annual report, it was mentioned that dressers constitute 40% of the company's exports, and their sales were significantly impacted by the Stop Tip-overs of Unstable Risky Dressers on Youth (STURDY) Act. Has the company identified a solution to address the compliance issues with this regulation? What steps are being taken to recover and potentially grow this segment of the company's exports?"

We have already encoded this requirement in our standard operating procedures.

- 18. Is the company business in FY2024Q2 better than FY2024Q1? Does the company introduce any new products or explore any new markets in 2024? (Siah Kim Meng)**

We certainly hope to excel but this would highly depend on the global economic conditions and market trend.

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- 19. Performance in the US Market and Expansion to Other Regions.**
"It was noted that the US market did not perform well during YA2023 for the company. However, Synergy House Furniture Bhd is doing well in the same market and is planning to expand to other regions such as the Middle East. How does the company plan to respond to these challenges? Are there any plans to diversify into new markets or adopt new strategies to improve performance?" (Ong Woei Hann)
The Board would take note of this and continuously look into new strategies and fine-tuning those in place for business sustainability. Nothing significant nor material has been firmed up so far.
- 20. Noticed that there are multiple bursa announcements regarding provision of financial assistance to Lii hen's subsidiaries.**
a) any reason for the financial assistance? (Ooi Ai Ying)
The financial assistance comprising mainly corporate guarantees, was provided as securities for the banking facilities granted to the subsidiaries from time to time. Hence, they were deemed advances for working capital requirement.

b) Is it a one-off full provision or several quarters?
The financial assistance would be provided with some degree of frequency and arise from time to time, if needed.

c) would that impact Lii hen's profit?
We did not foresee any so far.
- 21. Really disappointed! The same lame excuse about rewarding with dividends! WE ARE MINORITY shareholders. You guys are holding millions of shares. Give us a little bit also use lame old excuse. (Loke Kok Yuen)**
We would take note of your suggestion.
- 22. any plan to increase the business thru ecommerce? (Ooi Ai Ying)**
Please refer to the Board's response to the Question 17(a) hereof.
- 23. When ocean freight rates increase, will impact companies' profit? (Cheng Chin Soon)**
Please refer to the Board's response to the Question 3(b) hereof.

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- 24. a) The current monthly capacity has reduced from about RM100 million a year ago to RM85 million as you've just revealed in the Q&A. I suppose this is due to market prices and product composition changes, despite USD getting stronger. But can you provide more insight on these changes? (Ee Yih Chin)**

To harness competitiveness against other countries and manufacturers, the Company has regularly introduced new products, services or processes and invested in R&D to meet market demand and customers' preferences. Not only that, portfolio of high-quality products and services were maintained with operations being streamlined for better production efficiency and cost savings.

- b) What is the management expected profit before tax margin in 2024?**

Given the challenging business environment, we would focus on consolidating internal resources for more effective management, in addition to rationalizing spendings to cope with the sluggish market and sustain profitability.

- 25. Thank you for the effort and dedication of board and management to keep the company sustainable during this difficult time facing numerous global issues. I wish to ask whether the company will consider resuming physical AGM or hybrid mode? This will allow the long-term investors to have better physical interaction with the board. (Lim Seng Chor)**

Please refer to Board/Management's response as articulated in Question 14 of the Q&A session received from the shareholders and proxies prior to the AGM.

- 26. A peer of Lii Hen's has mentioned that Malaysia chipboard have quality issues. What is your experience on raw material supply quality and reliability in general? (Ee Yih Chin)**

The Group has not foreseen or encounter any issue in quality and reliability of chipboard supply.

- 27. a) Considering the success of Synergy House Furniture Bhd in cross-border e-commerce, does the company have any plans to expand into this market directly? If so, could you share some details about the strategies and timelines involved? (Ong Woei Hann)**

Please refer to the Board's response to the Question 19 hereof.

- b) In the annual report, it was mentioned that dressers constitute 40% of the company's exports, and their sales were significantly impacted by the Stop Tip-overs of Unstable Risky Dressers on Youth (STURDY) Act. Has the company identified a solution to address the compliance issues with this regulation? What steps are being taken to recover and potentially grow this segment of the company's exports?**

Please refer to the Board's response to the Question 17(b) hereof.

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- 28. What are the specific reasons for the wood / panel shortage? How significant is the expected impact, and for how long? (Ooi Ai Ying)**

Please refer to the Board’s response to the Question 12(a) hereof.

- 29. a) Currently what is the percentage contribution of RTA products to the Group's revenue? (Ee Yih Chin)**

The RTA products contributed approximately 20% of the Group’s revenue.

- b) Is it right that RTA products can be more easily automated? With increase in RTA demand, does it mean greater automation investment needed?**

The business strategies of the Group were largely customer driven, with customers comprising major US furniture importers, wholesalers and retailers. Albeit there were higher margins for RTA products, the Group did not foresee the immediate benefit in expanding its product range given the stiff competition.

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