**LII HEN INDUSTRIES BHD.**

**ANNEXURE 3-B: SUMMARY OF LIVE QUESTIONS RECEIVED FROM SHAREHOLDERS AND PROXIES DURING THE THIRTY-SECOND ANNUAL GENERAL MEETING ("AGM") ON 18 JUNE 2026 AND THE COMPANY'S RESPONSES THERETO**

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**Questions:**

1. **The shareholder referred to page 91 of the Annual Report 2025 and sought clarification on the following:**
   a) **The deposit written off amounting to RM120,000 in the financial year ended 31 December ("FY") 2025 and the reason(s) for the write-off.**
   b) **The significant decrease in inventories from RM110 million in FY2024 to RM71 million in FY 2025.**

   **(Mr. Yap Sin Kok)**

   **<u>Company's Response</u>:**

   Management explained that the deposit written off of RM120,000 was related to the termination of the rental of a factory.

   With regard to the decrease in inventories, Management explained that the inventory levels were closely linked to sales performance. In view of the lower revenue recorded in FY2025, the Group had adopted a more prudent inventory management approach by slowing the procurement of raw materials to align with reduced business demand and to minimise the risk of excess inventory and future write-offs.

2. a) **The shareholder noted that the bedroom set segment remained the Group's largest revenue contributor but revenue from this segment had declined in both FY 2024 and FY 2025. The shareholder sought an explanation for the consecutive decline.**
   b) **The shareholder also enquired whether the Group's customers were concentrated in the United States or included customers from Canada and Mexico, and asked about the Group's plans for diversifying into other markets, including Europe.**
   c) **The shareholder mentioned that the Company previously invested in production lines for RTA (ready-to-assemble) products. What is the current status of this business?**
   d) **The shareholder noted that the Company previously offered discounts to customers to mitigate the impact of tariffs. Since these arrangements were withdrawn while revenue continues to decline, the shareholder enquired whether is it prudent to do so?**

   **<u>Company's Response</u>:**

   Management explained that the decline in revenue from the bedroom set segment was primarily attributable to weaker demand in the United States due to a slowdown in the housing market. In addition, the appreciation of the Malaysian Ringgit against the US Dollar and intensified competition from the manufacturers in China and Vietnam had adversely affected the segment's performance.

With regard to market diversification, Management informed shareholders that, within North America, the Group had customers in Canada, although the market was significantly smaller than the United States. The Group currently did not have market presence in Mexico. However, the Group had previously served customers in South America and was in the process of re-establishing contact with these customers to expand its market presence in the region.

Management explained that panel products form part of the Company's RTA product range. However, demand for RTA products in the U.S. market has been limited due to the high labour costs associated with assembly. As a result, consumers in the U.S. generally continue to prefer fully assembled furniture. Management further noted that while companies such as IKEA operate successfully with the RTA model, manufacturers dedicated to supplying IKEA often face significant pricing pressure, which adversely affects their profitability.

In terms of the tariff, Management explained that, prior to August 2025, the Group had absorbed approximately 3% to 5% of the tariff impact through discount to the customers. However, following the implementation of a 19% tariff, the Group discontinued these arrangements. In 2026, the Group instead implemented price increases to offset higher material costs.

3. **The shareholder commented that independent directors should hold shares in the Company, as share ownership would encourage them to align their interests with those of shareholders.**

   **(Mr. Chong Cho Teng)**

   **<u>Company's Response</u>:**

   The Board explained that independent directors are permitted to hold shares in the Company, subject to applicable regulatory requirements and threshold. However, the primary duty of all directors is to act in the best interests of the Company as a whole.

   The Board further explained that excessive shareholding or other relationships with the Company may give rise to actual or perceived conflicts of interest and could affect an independent director's objectivity. As part of good corporate governance practices, some independent directors choose not to hold shares in, or provide services to, the Company in order to preserve their independence and impartiality.

4. a) **With regard to the compensation for the damage caused by elephants to the rubber trees at the Estate, why was the compensation offered by the insurance company lower than the actual impairment or loss incurred?**

   b) **As part of the Group's strategy to diversify beyond the United States market, what were the Company's plans and strategies for expanding into other international markets?**

   **(Encik Norhisam Bin Sidek – Corporate Representative of Minority Shareholders Watch Group)**

**<u>Company's Response</u>:**

Management explained that the scope of insurance coverage was determined based on the Company's risk assessment, taking into consideration both the likelihood of occurrence and the potential impact of such risk. The Company had obtained insurance coverage that was considered appropriate based on this assessment. As such, the insurance policy was not intended to indemnify the Company for the full amount of each loss incurred. Management added that the Company would remain focused on moving forward with its operations rather than being constrained by losses that were either not likely or fully recoverable under the insurance policy.

Management informed that the Company was currently developing business relationships in the Middle East market as part of the Group's market diversification strategy. As this was relatively a new market, it would take time for the Management to better understand customer preferences and market requirements. Management also noted that product offerings, such as bedroom furniture sets, might need to be adapted to suit local cultural preferences and consumer demand, which might to a certain extent differ from those in the United States market.

5. **Given that a portion of the Company's losses was attributable to foreign exchange losses, would the Company consider increasing its hedging coverage to better manage foreign exchange risk?**

**(Mr. Chong Cho Teng)**

**<u>Company's Response</u>:**

Management informed the Meeting that the Company currently has in place a foreign exchange hedging ratio. The adequacy of the hedging level would be reviewed on an ongoing basis, and the Company would continue to closely monitor foreign exchange movements and prevailing market conditions before considering any adjustments to its hedging strategy.

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