



利興工業有限公司

LII HEN INDUSTRIES BHD. (301361-U)

Listed on The Main Board of BURSA MALAYSIA

Minutes : 23rd Annual General Meeting

Held at : Classic 1 Ballroom, Classic Hotel
69, Jalan Ali
84000 Muar,
Johor Darul Takzim

On : 13 June 2017

At : 11.30 a.m.

Present : Mr. Lan Haw Chong @ Lau Haw Chong - Independent Chairman
Mr. Chua Yong Haup - Managing Director
Mr. Chua Lee Seng - Executive Director
Mr. Tok Heng Leong - Executive Director
Mr. Tey Ping Cheng - Independent Director
Mr. Chan Wah Chong - Independent Director
Dato' Mustapha Bin Abd Hamid - Independent Director
Mr. Chan Nyat Keong - Non-Independent &
Non-Executive Director

and 81 other members (including proxy holders) as per attendance cards

In Attendance Mr. Tan Wang Giap - Company Secretary
Ms. Lydia Sim Lee Hea - Senior Corporate Manager
Mr. K.H. Tan - Solicitor
Mr. Foo Kee Fatt - External Auditor
Mr. John Lim Wan Show - External Auditor
Ms. Khoo Poh Chen - External Auditor
Mr. Tai Yew Wong - Share Registrar
Ms. Chang Siow Voon - Independent Scrutineer

and 7 staffs as per attendance sheet

1. COMMENCEMENT

- 1.1 The Independent Chairman, Mr. Lan Haw Chong @ Lau Haw Chong took the chair and extended a warm welcome to the members present.
- 1.2 The Chairman introduced all present at the stage and the external auditors and solicitors of the Company and informed that Mr. Tan Bee Eng, an Executive Director, has extended his apology for not being able to attend this Meeting as he is on official duty in Johor Bahru to attend the briefing of Unit Perancang Ekonomik Negeri Johor (UPENJ) pertaining to the rubber wood trees cultivation project.

2. QUORUM

- 2.1 The Chairman informed that as reported by the Company Secretary, a total of 127 proxies for 95,696,304 shares were received.
- 2.2 The requisite quorum being present pursuant to the Article 63 of the Company's Articles of Association, the Chairman called the Meeting to order.

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3. NOTICE

- 3.1 The Chairman informed that the Notice of the 23rd Annual General Meeting (“AGM”) has been sent to all the shareholders in accordance with the Company’s Articles of Association.
- 3.2 The Chairman proposed that the Notice of AGM be taken as read and requested a seconder to this motion.
- 3.3 Mr. Chua Lee Wat seconded the motion.
- 3.4 As there was no objection, the notice was taken as read.

4. VOTING BY POLL

- 4.1 The Chairman informed that as mentioned in note 13 to the Notice of AGM and pursuant to paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions, No.1 to No.11, are to be put to vote by poll at this Meeting.
- 4.2 The Chairman further informed that upon registration, all members and proxy holders are given a poll slip to cast their votes for all resolutions and Quantegic Services Sdn Bhd, has been appointed as an independent scrutineer to validate the votes cast for all resolutions. He added that the polling process will be carried out after all the resolutions have been duly proposed, seconded and clarified.

5. TO RECEIVE THE AUDITED FINANCIAL STATEMENTS AND REPORTS THEREON

- 5.1 The Chairman tabled the Audited Financial Statements (“the Statements”) together with the Auditors’ and Directors’ Report (“the Reports”) of the Company for the financial year ended 31 December 2016 and informed that the Statements and Reports have been sent to shareholders in accordance with the Company’s Articles of Association and that the Statements are meant for discussion only as they do not require shareholders’ approval pursuant to Section 340(1)(a) of the Companies Act 2016.
- 5.2 The Chairman then invited questions from the floor on the audited Financial Statements.
- 5.3 Mr. Vinchel Budihardjo enquired on the history and status of rubber plantation.

The Chairman requested the Company’s solicitor, Mr. K. H. Tan, to reply as Mr. Tan has been involved in discussion and advising the Company on the Sub-Development Agreement signed between the Company and PIJ Plantation and Agriculture Sdn Bhd.

Mr. K. H. Tan informed that the Group has entered into Sub-Development Agreement with PIJ Plantation & Agriculture Sdn. Bhd. for the lease of right to use of approximately 3,473 hectares of forest land in Endau, Johor for planting rubber wood trees. The Group had planted about 1,000 acres of the land.

- 5.4 Mr. James Hey enquired the validity and rationale of planting rubber trees and position of the balance of land.

Mr. K.H. Tan replied that the Group has obtained approval from the Environmental Department (EIA) and the Forestry Department for the project and the Executive Director, Mr. Tan Bee Eng is now attending the briefing of UPENJ pertaining to the balance of land.

Mr. Chan Wah Chong added that the venture in rubber tree plantation is in line with the Group’s strategy of enhancing the stable supply of rubber woods for the Group’s furniture manufacturing. He informed that rubber wood is still a major factor though it is not that critical now.

5. TO RECEIVE THE AUDITED FINANCIAL STATEMENTS AND REPORTS THEREON
- Cont'd

- 5.5 Mr. James Hey enquired whether the Group will look for non-core business for expansion in view of its huge cash in banks.

Mr. Chan Wah Chong replied that so much so the Group will look into products differentiation and would rather to grow horizontally instead of growing vertically.

- 5.6 Mr. James Hey commented on the proposed acquisition of Domain Partners Sdn. Bhd.

The Chairman replied that it is in response to call by shareholders in the past AGMs to reduce the amount of the Related Party Transactions and it is good time to buy over the rented factories as the Group has sufficient amount of cash. He further informed that the Group has reduced substantially the related party transactions in recent years.

- 5.7 Mr. Tan Kwan Sin commented on the "America first" policy and enquired whether this would affect the Company's export to US.

The Chairman replied that while the US is the main market of the Company, the Company's export of furniture to US is insignificant in relation to the huge US market.

- 5.8 Mr. Chan Wah Chong replied to Mr. Vinchel Budihardjo's enquiry on the Company presentation of the business development that by moving forward, there was one presentation in April and hopefully to have a second presentation after half year results are released, most likely in September to update the stakeholders of the Company. He also informed that upon certain shareholders' request, there is a site visit in this afternoon.

Mr. Chan further explained the Group's business plan by highlighting that the focus of the Group is still in US where it has below 1% market share in USD of 6 billion and has only supplied selective items of furniture, i.e. dining and bed room sets. Hence, there is ample opportunity for horizontal growth in US for the Group to go in. The Board is actively look into area to expand the US business and with the network familiar with and the customers the Group is comfortable with, the Board is confident of good collection and steady return to the shareholders.

- 5.9 Mr. James Hey asked whether Bank Negara ruling on foreign currency will result Group to invest in overseas.

Mr. Chan Wah Chong replied that the as far as currency is concerned, it is good to the Group as it is one sided whereby the sales are mostly in USD and purchases are Ringgit Malaysia (RM). The Group will remain in Malaysia though there are some shareholders suggested to invest in Vietnam or China. It is because the operating cost in these countries is currently high.

Ms. Lydia Sim added that the Group has complied with the Bank Negara ruling by converting 70% of the export proceeds received to RM.

- 5.10 Mr Koon Yew Yin commented on the insignificant volume of the Company's shares traded and since the Company is having a huge sum of cash balance, the Board should take steps to diversify or to invest in companies like JAKS Resources Berhad.

The Chairman replied that the Group will continue to focus in its core business of furniture production to create long-term shareholder value and to reward the shareholders by distribution of more dividends.

Mr. James Hey commented that he disagreed to venture into power station and added that the Group would rather focus to those you know best.

5. TO RECEIVE THE AUDITED FINANCIAL STATEMENTS AND REPORTS THEREON
- Cont'd

- 5.10 Mr. Chan Wah Chong informed that Hong Leong Investment analyst has been assigned by Bursa Malaysia to cover the Company under the Mid & Small Cap research scheme and the Company has started an Investment Day with the Analysts in April 2017. This serves as an engagement with the Company's stakeholders and can help to enhance publicity information. Moving forward, the Company is more open and to engage with more fund managers, at minimum two fund managers. The Board believes that fund manager is the key promoter of the Company.

The Chairman informed that as part of the engagement and communication with the stakeholders, a site visit is to be conducted after the AGM as mentioned earlier by Mr. Chan Wah Chong.

- 5.11 Mr. Lau How Siong complimented the Board for the remarkable results thus far and suggested that as the Group has cash deposits of more than RM130 million, the Board should consider share buy-back to create value as he is of the opinion that the share price is much below its value. The Company should also think of bonus issue as its reserve is two times its share capital so as to attract more investors.

Mr. Lau How Siong's comment was duly noted by the Directors.

- 5.12 Mr. Vinchel Budihardjo enquired on operations risk of the Group's business and levy.

The Chairman replied that besides currency fluctuation, the biggest challenge is on manpower issue. The Group is looking into automation to mitigate this operation risk. The Chairman further informed that the Group has ventured into in upholstery furniture to broaden the product range and as to the foreign labour levy from 2018 to be fixed by the Government, the levy will be factored into the cost of production. More foreign workers are needed to cope with production to meet clients' orders and this depends much on the Government approval.

6. TO SANCTION THE PAYMENT OF A FINAL SINGLE TIER DIVIDEND

- 6.1 The Chairman proceeded to the next item on the agenda which is to seek members' approval to sanction the payment of a final single tier dividend of 4 sen per share for the financial year ended 31 December 2016.
- 6.2 The Chairman requested for a proposer and a seconder for Ordinary Resolution 1.
- 6.3 Mr. Koon Yew Yin proposed the Ordinary Resolution 1 and was seconded by Mr. Looi Bian Cheong.
- 6.4 The Chairman invited questions from the floor.
- 6.5 There being no question raised, the Chairman informed that the voting for Resolution 1 is to be carried out by poll later.

7. ORDINARY RESOLUTION 2 to 5
TO RE-ELECT DIRECTORS RETIRING PURSUANT TO COMPANY'S ARTICLES OF ASSOCIATION

- 7.1 The Chairman announced that there are four (4) directors retiring and standing for re-election. As the Ordinary Resolution 2 is to re-elect him, retiring under Article 83 of the Company's Articles of Association, he is deemed interested. As such, he handed over the Chair to the Director, Mr. Tey Ping Cheng to continue the proceeding.

Mr. Tey Ping Cheng then asked for a proposer and a seconder for Ordinary Resolution 2.

Mr. Koon Yew Yin proposed the Ordinary Resolution 2 and was seconded by Mr. Poh Lee Hong.

There being no question raised, Mr. Tey Ping Cheng informed that the voting for Resolution 2 is to be carried out by poll later and then handed the Chair back to Mr. Lau Haw Chong.

**7. ORDINARY RESOLUTION 2 to 5
TO RE-ELECT DIRECTORS RETIRING PURSUANT TO COMPANY'S ARTICLES OF
ASSOCIATION – Cont'd**

- 7.2 The Chairman informed that the next resolution is to re-elect Mr. Chua Yong Haup, a Director retiring under Article 83 of the Company's Articles of Association and requested for a proposer and a seconder for the Ordinary Resolution 3.

Mr. Koon Yew Yin proposed the Ordinary Resolution 3 and was seconded by Mr. Chua Kok Seang.

The Chairman invited questions from the floor.

There being no question raised, the Chairman informed that the voting for Resolution 3 is to be carried out by poll later.

- 7.3 The Chairman informed that the Ordinary Resolution 4 is to re-elect Mr. Chan Wah Chong, a Director retiring under Article 83 of the Company's Articles of Association and requested for a proposer and a seconder.

Mr. Looi Bian Cheong proposed the Ordinary Resolution 4 and was seconded by Mr. Poh Lee Hong.

The Chairman invited questions from the floor.

There being no question raised, the Chairman informed that the voting for Ordinary Resolution 4 is to be carried out by poll later.

- 7.4 The Chairman informed that the Ordinary Resolution 5 is to re-elect Dato' Mustapha Bin Abd Hamid who is retiring under Article 90 of the Company's Articles of Association and requested for a proposer and a seconder.

Mr. Looi Bian Cheong proposed the Ordinary Resolution 5 and was seconded by Mr. Philip Ting.

The Chairman invited questions from the floor.

There being no question raised, the Chairman informed that the voting for Resolution 5 is to be carried out by poll later.

**8. ORDINARY RESOLUTION 6 & 7
TO APPROVE DIRECTORS' FEE AND NON-EXECUTIVE DIRECTORS' REMUNERATION**

- 8.1 The Chairman highlighted to the Meeting that Section 231(1) of the Companies Act 2016 provides amongst others, that the fees of the directors and any benefits available to the directors of a public or listed company shall be approved at a general meeting. Hence, the Board wishes to seek shareholders' approval for the payments to directors at this Meeting under two separate resolutions, Resolution 6 and 7.

- 8.2 The Chairman proceeded to Ordinary Resolution 6 which is to approve directors' fee of RM45,000 in respect of the financial year ended 31 December 2016 and requested for a proposer and a seconder.

Ms. Anny Chia proposed the Resolution 6 and was seconded by Mr. Looi Bian Cheong.

There being no question raised, the Chairman informed that the voting for Resolution 6 is to be carried out by poll later.

**8. ORDINARY RESOLUTION 6 & 7
TO APPROVE DIRECTORS' FEE AND NON-EXECUTIVE DIRECTORS' REMUNERATION
– Cont'd**

8.3 The Chairman informed that Ordinary Resolution 7 is to approve directors' remuneration (excluding fee) for Non-Executive Directors up to an amount of RM375,000 for the period from 1 January 2017 until the conclusion of the next AGM of the Company.

Mr. Philip Ting proposed the Ordinary Resolution 7 and was seconded by Mr. Looi Bian Cheong.

Mr. James Hey enquired on the reason for the increase of the remuneration.

Mr. Tay Ping Cheng replied that it is due to an additional one Non-Executive Director, Dato' Mustapha and also the amount sought for shareholders' approval is for period from 1 January 2017 until the next AGM.

There being no further question raised, the Chairman informed that the voting for Resolution 7 is to be carried out by poll later.

9. ORDINARY RESOLUTION 8 - AUDITORS

9.1 The Chairman proceeded to Agenda 5 which was to re-appoint Messrs. John Lim & Associates as auditors and to authorise the directors to fix their remuneration.

9.2 The Chairman informed that the Audit Committee and the Board have considered the re-appointment of John Lim & Associates (JLA) as auditors of the Company and reviewed the suitability, independence and resources of JLA. He also reported that the retiring auditors, JLA have expressed their willingness to continue office, and as there were no other nominations for appointment of auditors, he requested for a proposer and a seconder for the resolution that Messrs. John Lim & Associates be re-appointed as auditors of the Company and to authorise the directors to fix their remuneration.

9.3 Mr. Koon Yew Yin proposed the Ordinary Resolution 8 and was seconded by Mr. Poh Lee Hong.

9.4 Mr. James Hey enquired on the number of years the auditor has been appointed to which Mr. Foo Kee Fatt, the engagement partner of JLA, replied that they are the auditors of the Company since IPO.

9.5 Mr. James Hey requested the Audit Committee to look into the JLA's long service period of 16 years with the Company.

9.6 There being no further question raised, the Chairman informed that voting for Resolution 8 is to be carried out by poll later.

**10. ORDINARY RESOLUTION 9
PROPOSED RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR**

10.1 The Chairman informed that Agenda 6 is to consider and if thought fit, to pass the Ordinary Resolution 10 as follows

"THAT Mr. Tey Ping Cheng who has served as an independent non- executive director for the Company for a cumulative term of more than nine years, be continued to act as an independent non-executive director of the Company in accordance with the Malaysian Code on Governance 2012 until the conclusion of the next Annual General Meeting."

**10. ORDINARY RESOLUTION 9
PROPOSED RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR – Cont'd**

- 10.2 The Chairman explained that the Ordinary Resolution 9, if passed, will allow Mr. Tey Ping Cheng who has served as Independent non-executive director of the Company for a cumulative term of more than nine years, to be retained and continue acting as independent director until the conclusion of the next AGM.

The Chairman further said that in line with the Malaysian Code on Corporate Governance 2012, the Bursa Malaysia Main Market Listing Requirements, and the Board concluded that Mr. Tey has remained independent. In fact, he remains objective and independent in expressing his view and is actively participating in deliberations and decision making process of the Board and Board Committees. In addition, he has devoted sufficient time and attention to the duties and responsibilities as independent non-executive director of the Company. To that, the Board recommends Mr. Tey Ping Cheng to continue his office as independent non-executive director once he is re-elected according to this Resolution.

- 10.3 The Chairman requested a proposer and a seconder for the Ordinary Resolution 9.
- 10.4 Mr. Philip Ting proposed the Ordinary Resolution 9 and was seconded by Mr. Looi Bian Cheong.
- 10.5 The Chairman invited question from the floor.
- 10.6 There being no question raised, the Chairman informed that the voting for Resolution 9 is to be carried out by poll later.

11. ORDINARY RESOLUTION 10 - AUTHORITY TO ISSUE SHARE

- 11.1 The Chairman informed that Ordinary Resolution 10 is to seek a general mandate, which if passed would empower the Directors to allot and issue shares not exceeding 10% of the issued share capital of the Company pursuant to Section 76 of the Companies Act 2016, and that he would take the text of the Resolution in the notice as having been read.
- 11.2 The Chairman further explained that this authority will, unless revoked or varied by the Company in general meeting, expire at the next AGM of the Company. He further informed that the previous mandate was not utilised and accordingly no proceeds were raised. The proposed renewed mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to placing of shares for purpose of funding future investment project(s), working capital and/or acquisitions.
- 11.3 He then asked for a proposer and a seconder for the motion.
- 11.4 Mr. Chua Lee Wat proposed the Ordinary Resolution 10 and was seconded by Mdm. Soo Tee Heng.
- 11.5 The Chairman invited questions from the floor on the authority to issue shares.
- 11.6 Mr. Lau How Siong opined that rewarding Company shares to employees for their service is not a good proposal.

The Chairman replied that it is not an ESOS and that this mandate will provide flexibility to the Company for any possible fund raising activities.

- 11.7 There being no further question raised, the Chairman informed that the voting for Resolution 10 is to be carried out by poll later.

**12. ORDINARY RESOLUTION 11
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT
RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

- 12.1 The Chairman informed that Ordinary Resolution 11 is for shareholders to consider and, if thought fit, to pass the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature pursuant to paragraph 10.09 of the Bursa Securities Main Market Listing Requirements.

The Chairman explained that if the Ordinary Resolution 11 is passed, it will authorise the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for day-to-day operations of the Company and/or its subsidiaries, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company.

The Chairman further informed that the detailed information and explanation are set out in the Circular to Shareholders dated 27 April 2017 which had been sent to shareholders together with the Annual Report 2016. And with the consent from the floor, he would not read the full text of the resolution.

- 12.2 The Chairman then requested for a proposer and a seconder to for Ordinary Resolution 11.

- 12.3 Mr. Poh Lee Hong proposed the above motion and was seconded by Mr. Teo Kok Hooi.

- 12.4 The Chairman invited questions from the floor.

- 12.5 There being no question raised, the Chairman informed that the voting for Resolution 11 is to be carried out by poll later.

13. OTHER BUSINESS

The Chairman informed the Meeting that the Company Secretary has not received any notice to transact any other business of which due notice shall have been given in accordance with the Companies Act, 2016 and the Company's Articles of Association.

14. VOTING

- 14.1 The Meeting proceeded to cast votes at 12.30 noon while the Chairman informed that Ms. Cheang Siow Voon of Quantegic Services Sdn Bhd would scrutinize the checking and counting of the votes cast. The Chairman then adjourned the Meeting for the purpose of counting and preparation of voting result summary which would take about thirty minutes.

14. VOTING - Cont'd

14.2 The Chairman resumed the Meeting at 1.15 p.m. and declared the result of poll as follows:

	FOR		AGAINST		ABSTAINED	
	NUMBER OF SHARES	%	NUMBER OF SHARES	%	NUMBER OF SHARES	%
Resolution 1 - To sanction a final single tier dividend	95,696,304	100	0	0	0	0
Resolution 2 - To re-elect Lan Haw Chong @ Lau Haw Chong as director	95,601,004	99.92	75,700	0.08	19,600	0
Resolution 3 - To re-elect Chua Yong Haup as director	95,196,204	99.50	480,500	0.50	19,600	0
Resolution 4 - To re-elect Chan Wah Chong as director	95,567,604	99.92	77,600	0.08	51,100	0
Resolution 5 - To re-elect Dato' Mustapha Bin Abd Hamid as director	95,643,204	100	2,000	0	51,100	0
Resolution 6 - To approve Directors' fee	95,696,304	100	0	0	0	0
Resolution 7 - To approve Non- Executive Directors' Remuneration	95,364,404	99.65	331,600	0.35	300	0
Resolution 8 - To re-appoint John Lim & Associates as auditors	95,377,004	99.70	287,800	0.30	31,500	0
Resolution 9 - To retain Tey Ping Cheng as Independent & Non- Executive Director	95,527,004	99.88	117,900	0.12	51,400	0
Resolution 10 - Authority to issue share	95,542,104	99.84	154,200	0.16	0	0
Resolution 11 - Renewal of Shareholders' Mandate for RRPT	17,331,300	100	400	0	78,364,604	0

14.3 The Chairman declared that all the Resolutions from 1 to 11 were passed by poll voting.

15. ADJOURNMENT OF MEETING

There being no other matters, the Chairman declared the Meeting closed at 1.25 p.m. with an expression of thanks to all the shareholders present.

CONFIRMED BY

Lan Haw Chong @ Lau Haw Chong
Independent Non-Executive Chairman