THIS CIRCULAR (AS DEFINED HEREIN) IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

HANDAL

HANDAL ENERGY BERHAD
[Registration No.: 200801015549 (816839-X)]
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:

(I) PROPOSED PRIVATE PLACEMENT OF UP TO 196,950,000 ORDINARY SHARES OF HANDAL ENERGY BERHAD ("HANDAL" OR "COMPANY"), REPRESENTING APPROXIMATELY 30% OF THE EXISTING NUMBER OF ISSUED SHARES OF HANDAL (EXCLUDING ANY TREASURY SHARES) ("PROPOSED PRIVATE PLACEMENT II");

(II) PROPOSED ESTABLISHMENT OF AN EMPLOYEES SHARE OPTION SCHEME ("ESOS") FOR THE ELIGIBLE DIRECTORS AND EMPLOYEES OF HANDAL AND ITS SUBSIDIARIES (EXCLUDING ANY DORMANT SUBSIDIARIES) ("PROPOSED ESOS"); AND

(III) PROPOSED REDUCTION OF ISSUED SHARE CAPITAL OF THE COMPANY PURSUANT TO SECTION 117 OF THE ACT ("PROPOSED SHARE CAPITAL REDUCTION")

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser

TA SECURITIES
AN UNWAVERING COMMITMENT

TA SECURITIES HOLDINGS BERHAD
(Registration No.: 197301001467 (14948-M))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of Extraordinary General Meeting ("**EGM**") of the Company together with the Form of Proxy are enclosed in this Circular. The details of the EGM are as follows:

Venue of the EGM	:	Teedo Hotel's meeting hall, Level 4, Pudu Sentral, City Centre, 55100 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
Date and time of the EGM	:	Wednesday, 4 March 2026 at 11.00 a.m. or at any adjournment thereof
Last date and time for lodging the Form of Proxy	:	Monday, 2 March 2026 at 11.00 a.m.

You are entitled to attend and vote at the EGM or appoint a proxy or proxies (where applicable) to participate and vote on your behalf. The completed Form of Proxy must be deposited at the Company's Registered Office at Synergy Professionals Group Sdn Bhd, Unit No. EL-11-01, Amcorp Business Suite, Menara Melawangi, Pusat Perdagangan Amcorp, No. 18, Jalan Persiaran Barat, 46050 Petaling Jaya, Selangor not less than 48 hours before the time set for holding the EGM or at any adjournment thereof.

The Form of Proxy once deposited will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

This Circular is dated 6 February 2026

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular and the accompanying appendices:

COMPANIES:

"BSOE"	:	Borneo Seaoffshore Engineering Sdn Bhd
"Bursa Depository"	:	Bursa Malaysia Depository Berhad
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"Handal" or "Company"	:	Handal Energy Berhad
"Handal Group" or the "Group"	:	Handal and its subsidiaries, collectively
"HBRSB"	:	Handal Borneo Resources Sdn Bhd
"HDSB"	:	Handal Digital Sdn Bhd
"HESB"	:	Handal Engineering Sdn Bhd
"IMRO"	:	Handal iMRO Sdn Bhd
"PETRONAS"	:	Petroliam Nasional Berhad
"TA Securities" or "Adviser"	:	TA Securities Holdings Berhad
"Tenzin"	:	Tenzin Heavy Machinery (M) Sdn Bhd

GENERAL:

"18M-FPE"	:	18-month financial period ended
"12M-FPE"	:	12-month financial period ended
"Act"	:	Companies Act 2016
"AGM"	:	Annual general meeting of Handal
"Announcement LPD"	:	26 August 2025, being the latest practicable date prior to the announcement of the Proposals on 10 September 2025
"API 2C"	:	American Petroleum Institute Specification 2C
"BNM"	:	Bank Negara Malaysia
"Board"	:	Board of Directors of Handal
"By-Laws"	:	The rules, terms and conditions governing the Proposed ESOS as may be modified, varied and/or amended from time to time
"CIDB"	:	Construction Industry Development Board of Malaysia
"Circular"	:	This circular to shareholders dated 6 February 2026 in respect of the Proposals
"CMSA"	:	Capital Markets and Services Act 2007
"Crane Operations Business"	:	Provision of offshore crane services including the manufacturing, design and fabrication of pedestal cranes, as well as structural fabrication, operation, inspection, maintenance and repair programme for all makes of cranes and pipeline isolation services

"Constitution"	:	Constitution of the Company
"Date of Offer"	:	The date on which an Offer is made to the Eligible Person by the ESOS Committee to participate in the Proposed ESOS
"Directors"	:	Directors of the Company based on the meaning under Section 2(1) of the Act and Section 2(1) of the Capital Markets and Services Act, 2007
"DOSH"	:	Department of Occupational Safety and Health
"DOSM"	:	Department of Statistics Malaysia
"Effective Date"	:	The effective date for the implementation of the Proposed ESOS, as determined in accordance with the Listing Requirements and the By-Laws
"EGM"	:	Extraordinary general meeting of Handal
"Eligible Director(s)"	:	Director(s) of the Group (excluding dormant subsidiaries and foreign subsidiaries incorporated out of Malaysia, if any) who meet the criteria of eligibility for participation in the Proposed ESOS
"Eligible Person(s)"	:	Any employee(s) or Director(s) of Handal and its subsidiary companies which are not dormant, who fulfil the criteria for eligibility in the manner indicated in the By-Laws
"EPS"	:	Earnings per share
"ESOS"	:	Employees' share option scheme
"ESOS Committee"	:	The committee appointed by the Board to administer the Proposed ESOS comprising such persons appointed from time to time by the Board
"ESOS Option(s)"	:	Option(s) granted under the Company's ESOS
"ESOS 2019"	:	The previous ESOS which was approved by shareholders at the EGM held on 5 August 2019, that had expired on 26 December 2024
"FPE"	:	Financial period ended / ending, as the case may be
"FYE"	:	Financial year ended/ ending as the case may be
"FYK"	:	Firma Yang Kompeten
"GDP"	:	Gross Domestic Product
"General Mandate"	:	The general mandate granted by the shareholders of the Company at its 15th AGM convened on 26 November 2024, authorising the Board pursuant to Sections 75 and 76 of the Act to issue and allot new Shares at any time and from time to time, upon such terms and conditions and for such purposes and to such person(s) as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of Shares to be issued does not exceed 10% of the total number of issued Shares of the Company (excluding any treasury shares, if any) for the time being
"Government"	:	Government of Malaysia
"Grantee(s)"	:	Eligible Person who has accepted the Offer
"Handal Shares" or "Shares"	:	Ordinary shares in the Company
"Illustrative Issue Price"	:	Illustrative issue price per Placement Share assumed at RM0.0390 each
"Interested Person"	:	A director, major shareholder or chief executive of the Company or of its holding company

"Kemaman Yard"	:	A single storey crane fabrication factory building owned by IMRO, located at Lot PT7358, Kawasan Perindustrian Teluk Kalong, Mukim Teluk Kalong, 24007 Kemaman, Terengganu, Malaysia, with a gross floor area of 5,955.75 square metres
"LAT"	:	Loss after taxation
"LBT"	:	Loss before taxation
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LNG"	:	Liquefied Natural Gas
"LPD"	:	27 January 2026, being the latest practicable date prior to the printing of this Circular
"LPS"	:	Loss per share
"Management"	:	Management of Handal Group
"Maximum Limit"	:	The maximum number of new Shares which may be allotted and issued pursuant to the exercise of ESOS Options granted under the Proposed ESOS in aggregate not exceeding 15% of the total number of issued Shares (excluding any treasury shares, if any) or such other threshold as may be prescribed by Bursa Securities at any point in time during the duration of the Proposed ESOS
"Maximum Scenario"	:	The Maximum Scenario-Private Placement I and Maximum Scenario-Private Placement II, collectively
"Maximum Scenario-Private Placement I"	:	Assuming all of the outstanding Warrants B are exercised prior to the implementation of the Private Placement I
"Maximum Scenario-Private Placement II"	:	Assuming: (i) all of the outstanding Warrants B are exercised; and (ii) all of the Placement Shares I (up to 59,680,000 Shares) from the Private Placement I will be issued, prior to the implementation of the Proposed Private Placement II
"Minimum Scenario"	:	The Minimum Scenario-Private Placement I and Minimum Scenario-Private Placement II, collectively
"Minimum Scenario-Private Placement I"	:	Assuming none of the outstanding Warrants B are exercised prior to the implementation of the Private Placement I
"Minimum Scenario-Private Placement II"	:	Assuming: (i) none of the outstanding Warrants B are exercised; and (ii) none of the Placement Shares I from the Private Placement I will be issued, prior to the implementation of the Proposed Private Placement II
"MRO"	:	Maintenance, Repair and Overhaul
"NA"	:	Net assets attributable to owners of the Company
"NETR"	:	National Energy Transition Roadmap
"nFPCs"	:	Nonfinancial public corporations
"NIMP"	:	New Industrial Master Plan
"O&G"	:	Oil and gas

"OEM"	:	Original Equipment Manufacturer
"Offer Period"	:	The validity period of the Offer
"Offer"	:	A written offer made by the ESOS Committee to an Eligible Person to participate in the Proposed ESOS and in the manner indicated in the By-Laws
"OGSE"	:	Oil and Gas Services and Equipment
"PBT"	:	Profit before taxation
"Placement Shares"	:	Placement Shares I and Placement Shares II, collectively
"Placement Shares I"	:	New Shares will be issued pursuant to the Private Placement I
"Placement Shares II"	:	New Shares will be issued pursuant to the Proposed Private Placement II
"Private Placement I"	:	Private placement of up to 59,680,000 new Handal Shares representing approximately 10% of the total number of issued Handal Shares (excluding any treasury shares, if any), pursuant to the General Mandate
"Private Placement 2019"	:	The private placement of 15,968,900 new Shares (representing 9.98% of the Company's then total number of issued Shares) at an issue price of RM0.3132 each for 15,968,900 Shares and raised total gross proceeds of approximately RM5.00 million
"Private Placement 2022"	:	The private placement of 21,851,000 new Shares (representing 10.00% of the Company's then total number of issued Shares) at an issue price of RM0.2350 each for 12,265,000 Shares and RM0.1180 each for 9,586,000 Shares, with total gross proceeds raised of approximately RM4.01 million
"Private Placement 2024"	:	The private placement of 106,571,400 new Shares (representing up to 40.00% of the Company's then total number of issued Shares) at the following issue prices: RM0.0941 each for 28,650,000 Shares, RM0.0860 each for 40,800,000 Shares, RM0.0769 each for 37,121,400 Shares, with total gross proceeds raised of approximately RM9.06 million
"Proposals"	:	Proposed Private Placement II, Proposed ESOS and Proposed Share Capital Reduction, collectively
"Proposed ESOS"	:	Proposed establishment of an ESOS of up to 15% of the total number of issued Shares (excluding treasury shares, if any) at any point in time during the duration of the ESOS for the Eligible Persons
"Proposed Private Placement II"	:	Proposed private placement of up to 196,950,000 new Handal Shares representing approximately 30% of the total number of issued Handal Shares (excluding any treasury shares, if any)
"Proposed Share Capital Reduction"	:	Proposed reduction of RM28.00 million of the issued share capital of the Company pursuant to Section 117 of the Act
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"Share Capital Reduction 2023"	:	The previous Share Capital Reduction exercise for the reduction of RM90.00 million of the issued share capital of the Company pursuant to section 117 of the Act
"Termination date"	:	The effective date of termination of the Proposed ESOS
"US"	:	United States of America
"USD" and "cents"	:	US Dollars and cents, respectively

"Validity Period"	:	The period of fourteen (14) days from the Date of Offer or such longer period as may be determined by the ESOS Committee whereby an Offer made by the ESOS Committee shall be valid
"VWAP"	:	Volume weighted average market price
"Warrants B"	:	Warrants 2024/2029 expiring on 17 April 2029

All references to "the Company" in this Circular are to Handal, references to "the Group" are to the Company and its subsidiaries. All references to "we", "us", "our" and "ourselves" are to the Company, or where the context requires, our Group. All references to "you" in this Circular are references of the shareholder of the Company. Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

THIS EXECUTIVE SUMMARY SETS OUT SALIENT INFORMATION ON THE PROPOSALS. PLEASE READ THIS CIRCULAR AND ITS APPENDICES CAREFULLY FOR FURTHER DETAILS BEFORE VOTING.

The Board (save for the Eligible Directors in relation to the Proposed ESOS) recommends that shareholders of Handal to vote **in favour** of the following resolutions in relation to the Proposals to be tabled at the forthcoming EGM:

<table>
<tr><th colspan="2">PROPOSED PRIVATE PLACEMENT II</th></tr>
<tr><td>Details</td><td>The Proposed Private Placement II entails the issuance of up to 196,950,000 Placement Shares at an issue price to be determined later.

Please refer to Section 2 of this Circular for further details.</td></tr>
<tr><td>Issue price of the Placement Shares</td><td>The issue price of the Placement Shares II shall be determined and fixed by the Board at a later date, after the receipt of all requisite approvals for the Proposed Private Placement II.

Please refer to Section 2.3 of this Circular for further details.</td></tr>
<tr><td>Use of proceeds</td><td>Based on the indicative issue price of RM0.0390 per Placement Share, the proceeds from the Proposed Private Placement II are intended to be used by Handal Group in the following manner:

<table>
<tr><th>Purposes</th><th>Minimum Scenario-Private Placement II (RM’000)</th><th>Maximum Scenario-Private Placement II (RM’000)</th><th>Expected time frame for use of proceeds (from the listing date of the Placement Shares)</th></tr>
<tr><td>Working capital for the Group</td><td>2,881</td><td>4,609</td><td>Within 12 months</td></tr>
<tr><td>Payment to accrued trade creditors including outstanding balances owed to suppliers and service providers</td><td>1,920</td><td>3,072</td><td>Within 6 months</td></tr>
<tr><td>Estimated expenses for the Proposals and Private Placement I</td><td>-</td><td>-</td><td></td></tr>
<tr><td>Total proceeds</td><td>4,801</td><td>7,681</td><td></td></tr>
</table>

Please refer to Section 2.5 of this Circular for further details.</td></tr>
<tr><td>Rationale</td><td>The Proposed Private Placement II is undertaken mainly to raise funds to support the working capital requirements of the Group and payment to accrued trade creditors.

Please refer to Section 5.1 of this Circular for further details.</td></tr>
<tr><th colspan="2">PROPOSED ESOS</th></tr>
<tr><td>Details</td><td>The Proposed ESOS involves the establishment of an ESOS of up to 15% of the total number of issued Shares (excluding any treasury shares, if any) at any point in time during the duration of the ESOS for the Eligible Persons.

The Exercise Price shall be based on the 5D-VWAP of the Share immediately preceding the Date of Offer with a discount of not more than 10%, subject to any adjustments as stipulated in the By-Laws and the Listing Requirements.

Refer to Section 3 of this Circular for further details.</td></tr>
</table>

PROPOSED ESOS	
Use of proceeds	The actual amount and timing of receipt the proceeds from the Proposed ESOS will depend on, among others, the number of ESOS Options granted and exercised as well as the Exercise Price, and are therefore not determinable at this juncture. Nevertheless, the Management intends to utilise the proceeds, as and when received, for the general working capital requirements of the Group, including but not limited to payments to trade creditors, staff costs, rental costs and utilities expenses. Pending utilisation of proceeds raised as and when the ESOS Options are exercised, the proceeds will be placed in deposits with licensed financial institutions or invested in short-term money market instruments, with any interest or gains derived to accrue to the Group. Refer to **Section 3.13** of this Circular for further details.
Rationale	The Proposed ESOS is intended to achieve the following objectives: (i) to recognise the contribution of the Eligible Person whose services are valued and considered vital to the operations and continued growth of Handal Group; (ii) to align the Eligible Persons' interests to those of the shareholders of Handal to drive longer term shareholders value enhancement; (iii) to reinforce the Eligible Persons' sense of loyalty and belonging to the Handal Group by enabling them to participate directly in the equity of Handal and thereby provide incentive for the Eligible Persons to participate more actively in the operations and future growth of the Handal Group and motivate them to further contribute to the growth and success of the Handal Group; (iv) to retain high-calibre Eligible Persons as well as to attract prospective skilled and experienced personnel to the Group by making the total compensation package more attractive and competitive; and (v) to reward the Eligible Persons by allowing them to participate in the potential capital gains arising from the appreciation of the market price of Shares. Please refer to **Section 5.2** of this Circular for further details.
PROPOSED SHARE CAPITAL REDUCTION	
Details	The Company proposes to reduce the Company's issued share capital pursuant to Section 117 of the Act via the cancellation of the Company's issued share capital of RM28.00 million which will be used to set-off against the accumulated losses of the Company. Please refer to **Section 4** of this Circular for further details.
Rationale	The Proposed Share Capital Reduction will enable the Company and the Group to rationalise their financial positions by eliminating the accumulated losses and to appropriately reflect the value of the underlying assets and the financial position of the Company and the Group, which is expected to enhance the credibility of the Group with the bankers, customers, suppliers, investors and other stakeholders. The enhancement in credibility arises as the reduction of accumulated losses will strengthen the Company's balance sheet position. A lower accumulated losses indicate improved financial position and stronger future viability. This increases confidence among financiers when assessing creditworthiness, supports customers' and suppliers' willingness to enter into longer-term commercial arrangements, and enhances the Company's attractiveness and investment profile to existing and prospective shareholders. In addition, it will enhance the Company's ability to declare and pay dividends out of the retained earnings in the future, as and when appropriate, when the Company returns to profitability. Please refer to **Section 5.3** of this Circular for further details.

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HANDAL ENERGY BERHAD
[Registration No.: 200801015549 (816839-X)]
(Incorporated in Malaysia)

Registered Office:

Unit No. EL-11-01, Amcorp Business Suite
Menara Melawangi, Pusat Perdagangan Amcorp
No. 18, Jalan Persiaran Barat
46050 Petaling Jaya, Selangor

6 February 2026

Board of Directors

YB Muhamad Arafat Bin Varisai Mahamad *(Independent Non-Executive Chairman)*
Datuk Mohd Idzwan Izuddin Bin Ab Rahman (*Executive Vice Chairman*)
Vivien Xu Tiantian *(Group Executive Director)*
William H Van Vliet III *(Executive Director)*
Lee Yueh Shien *(Independent Non-Executive Director)*
Cheah Ben Lee *(Independent Non-Executive Director)*
Rahimah Shamila Binti Abdullah *(Independent Non-Executive Director)*
Zhang Yan *(Independent Non-Executive Director)*

To: Shareholders of Handal

Dear Shareholders,

(I) PROPOSED PRIVATE PLACEMENT II;
(II) PROPOSED ESOS; AND
(III) PROPOSED SHARE CAPITAL REDUCTION,

(COLLECTIVELY, THE "PROPOSALS")

---

1. INTRODUCTION

On 10 September 2025, TA Securities announced on behalf of the Board that the Company proposed to undertake, amongst others, the Proposals.

On 7 November 2025, TA Securities announced on behalf of the Board the additional information in relation to the Proposals.

On 26 January 2026, Bursa Securities had vide its letter dated 26 January 2026, approved the listing and quotation of up to 196,950,000 Placement Shares (excluding any treasury shares, if any) under the Proposed Private Placement II and new Shares (excluding any treasury shares, if any) to be issued at any point in time pursuant to the exercise of ESOS Options during the duration of the ESOS, on the Main Market of Bursa Securities, subject to the conditions as stated in **Section 12** of this Circular.

Further details of the Proposals are set out in the ensuing sections of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE SHAREHOLDERS WITH DETAILS ON THE PROPOSALS, TO SET OUT THE BOARD'S RECOMMENDATIONS AND TO SEEK SHAREHOLDERS' APPROVALS FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE PROXY FORM ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

SHAREHOLDERS ARE ADVISED TO READ AND CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN CAREFULLY BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT II

The Board intends to implement the Proposed Private Placement II first, followed by the implementation of the Proposed ESOS and thereafter, the Proposed Share Capital Reduction.

2.1 Size of placement

As at the LPD, Handal has:

(a) issued share capital of RM36,885,722 comprising 430,331,019 Handal Shares (excluding treasury shares of 310,200 Handal Shares); and

(b) 186,499,873 outstanding Warrants B which are exercisable into 186,499,873 new Shares at an exercise price of RM0.08 each. The outstanding Warrants B are currently out-of-money, as the exercise price is higher than the prevailing market price of the Shares.

On 11 November 2025, the company has obtained approval for the Private Placement I, involving the listing and quotation of up to 59,680,000 Placement Shares (excluding any treasury shares, if any) on the Main Market of Bursa Securities.

For illustrative purposes throughout this Circular, the effects of the Proposed Private Placement II shall be illustrated based on the following scenarios:

	Minimum Scenario-Private Placement II	**Maximum Scenario-Private Placement II**
Scenarios	Assuming: (i) none of the outstanding Warrants B are exercised; and (ii) none of the Placement Shares I from the Private Placement I will be issued, prior to the implementation of the Proposed Private Placement II	Assuming: (i) all of the outstanding Warrants B are exercised; and (ii) all of the Placement Shares I (up to 59,680,000 Shares) from the Private Placement I will be issued, prior to the implementation of the Proposed Private Placement II
No. of Placement Shares II to be issued	Up to 123,090,000 Placement Shares II	Up to 196,950,000 Placement Shares II

The actual number of Placement Shares II to be issued and allotted pursuant to the Proposed Private Placement II will depend on the total number of Handal Shares in issue on a date to be determined later prior to the implementation of the Proposed Private Placement II and the subscription level of the Placement Shares II pursuant to the Proposed Private Placement II.

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2.2 Placement arrangement

The Company intends to place 196,950,000 Placement Shares II pursuant to the Proposed Private Placement II to independent Third Party Investor(s) to be identified later at a future date(s), who are not any of the following:

(i) an Interested Person;

(ii) a person connected with the Interested Person; and/or

(iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

The Third Party Investor(s) shall be persons who qualify under Schedules 6 and 7 of the CMSA.

Subject to market conditions and the timing of identification of placee(s), the Proposed Private Placement II may be implemented in 1 or more tranches within 6 months from the date of approval from Bursa Securities for the Proposed Private Placement II or any extended period as may be approved by Bursa Securities. The implementation of the placement arrangement in multiple tranches would provide flexibility to the Company to procure interested investors to subscribe for the Placement Shares within the approved period.

If issued in multiple tranches, the issue price for each tranche of the Placement Shares II may be determined separately, in accordance with market-based principles. The Company will make the necessary price-fixing announcement(s) once the Board has fixed the issue price of the Placement Shares II which may be issued in tranches, in which there will be a price-fixing announcement for each tranche of Placement Shares II. In any event, the Company will ensure payment for the Placement Shares II by the placee(s) is received within 5 market days from the price-fixing date of each tranche.

2.3 Basis and justification of determining the issue price of the Placement Shares II

The issue price of the Placement Shares II shall be determined and fixed by the Board at a later date, after the receipt of all requisite approvals for the Proposed Private Placement II.

The Placement Shares II will be priced at not more than 10% discount to the 5-day VWAP of Handal Shares immediately before the price fixing date.

The indicative issue price of RM0.0390 per Placement Share represents a discount of approximately 9.51% or 0.041 to the 5-day VWAP of Handal Shares up to and including the Announcement LPD of RM0.0431 per Share.

2.4 Ranking of the Placement Shares II

Upon allotment and issuance, the Placement Shares II shall rank equally in all respects with the existing Shares, save and except that they shall not be entitled to any dividends, rights, allotments, and/or other forms of distributions, of which the entitlement date is prior to the dates of allotment and issuance of the Placement Shares II.

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2.5 Utilisation of proceeds

Based on the indicative issue price of RM0.0390 per Placement Share, the proceeds from the Proposed Private Placement II are intended to be used by Handal Group in the following manner:

Purposes	Notes	Minimum Scenario-Private Placement II (RM'000)	%	Maximum Scenario-Private Placement II (RM'000)	%	Expected time frame for use of proceeds (from the listing date of the Placement Shares)
Working capital for the Group	(1)	2,881	60.01	4,609	60.01	Within 12 months
Payment to accrued trade creditors including outstanding balances owed to suppliers and service providers	(2)	1,920	39.99	3,072	39.99	Within 6 months
Estimated expenses for the Proposals and Private Placement I	(3)	-	-	-	-	
Total proceeds		**4,801**	**100.00**	**7,681**	**100.00**	

Notes:

(1) The Group intends to allocate proceeds of up to approximately RM4.61 million to finance working capital requirements of the Group such as below:

Purposes	Minimum Scenario-Private Placement II (RM'000)	%	Maximum Scenario-Private Placement II (RM'000)	%
Staff costs of the Group (e.g. staff salary, staff allowance and statutory contribution for crane operators and engineers)[(1)]	560	19.44	922	20.00
General administrative expenses of the Group (i.e., office rental as well as rental for other service yards excluding the Kemaman Yard[(2)], and cost to upkeep office equipment, professional /consultancy fees, audit fees, legal fees, tax fees, utilities and others)	560	19.44	922	20.00
Costs associated with recertification and regulatory compliance for the reconstruction of cranes in relation to the Crane Operations Business, including fees for periodic inspection, testing and certification of production facilities, as well as application and processing costs for approvals from regulatory bodies such as the Department of Occupational Safety and Health as well as other relevant authorities	881	30.58	1,383	30.01
Operational related expenses in relation to the Crane Operations Business (including utilities expenses, rental for the crane service yard in Kemaman, and upkeep of tools and equipment)	880	30.54	1,382	29.99
Total	**2,881**	**100.00**	**4,609**	**100.00**

Notes:

(1) There will be no allocation from the working capital proceeds towards directors' salaries. The salaries of the directors of the Group will be funded entirely through the Group's internally generated funds, and not from the proceeds to be raised from the Private Placement I and Proposed Private Placement II.

(2) The Group currently operates two service yards, namely the Labuan Yard and the Kemaman Yard. The Labuan Yard is rented at RM2,189 per month, while the Kemaman Yard is owned and utilised by the Group for its operational activities. The Kemaman Yard's related expenses have been separately disclosed in the table of **Section 2.5** of this Circular. These related expenses comprising utilities expenses, rental for the crane service yard in Kemaman, and upkeep of tools and equipment.

(2) The Group intends to utilise the proceeds of up to RM3.07 million for the payments to be made to the following accrued trade creditors such as below:

Purposes	**Minimum Scenario- Private Placement II (RM'000)**	**Maximum Scenario- Private Placement II (RM'000)**
Payment to accrued trade creditors, including outstanding balances owed to suppliers and service providers for the supply of consumables, materials, subcontracted works, and other operational support services	1,920	3,072

Further details on the trade and other payables are as below:

Types of trade payables/ creditors	**Sum of trade and other payables**	**Proceeds allocated from Private Placement II with percentages**	
	(RM'000)	**(RM'000)**	**%**
Operations, Maintenance, Logistics and Transport	2,992	1,340	43.62
Hospitality and Facilities	281	244	7.94
Professional and Advisory Services	3,126	1,080	35.16
Statutory / Council	378	378	12.3
Others[(1)]	71	30	0.98
Total	**6,848**	**Up to 3,072**	**100.00**

Note:
(1) Others comprising payments for insurances, office supplies, training expenses, etc.

The ageing analysis of the outstanding trade payables are as below:

Types of trade payables/ creditors	**> 30 days (RM'000)**	**30 – 60 days (RM'000)**	**60 – 90 days (RM'000)**	**> 90 days (RM'000)**
Operations, Maintenance, Logistics and Transport	19	-	-	2,973
Hospitality and Facilities	3	1	-	277
Professional and Advisory Services	146	171	-	2,809
Statutory / Council	-	-	-	378
Others	-	-	-	71
Total	**168**	**172**	**-**	**6,508**

The Group intends to fund the balance of the outstanding trade and other payables through the utilisation of internally generated funds. The repayment will be carried out progressively, taking into account the Group's working capital requirements and cash flow position, to ensure that obligations are met in a prudent and sustainable manner.

A portion of the proceeds from the Private Placement I and Proposed Private Placement II will be utilised to settle outstanding trade payables and creditors that are currently subject to ongoing litigation, as set out below:

Types of trade payables/ creditors	Amount (RM)
Operations, Maintenance, Logistics and Transport	1,177,222
Professional and Advisory Services	93,680
Total	**1,270,902**

For the outstanding trade and other payables that have exceeded the turnover credit period pending the issuance of the Placement Shares, as well as the remaining balances that are not fully covered by the proceeds from the Private Placement I and Proposed Private Placement II, the Group plans to manage these obligations through a combination of supplier negotiation, staggered repayment supported by internal operating cash flows, and potential short-term financing measures.

As at the LPD, the Group has total trade and other payables of RM9.19 million. For information purpose, the Group's trade payable turnover period was 180 days for the unaudited 15M-FPE 30 September 2025.

(3) The estimated expenses in relation to the Proposals, including Private Placement I comprise the following:

Purposes	(RM'000)
Professional fee to the advisers in relation to the Proposals and Private Placement I	280
Other incidental expenses in relation to the Proposals and Private Placement I (e.g., fees payable to authorities, printing, expenses to convene the EGM), other ancillary expenses (e.g., out-of-pocket expenses and relevant taxes) and contingencies	180
Total	**460**

The expenses will be funded from the proceeds of Private Placement I. Any surplus or deficit of proceeds to defray the estimated expenses in relation to the Proposals will be re-allocated to or from any category of the working capital requirements of the Group.

The actual proceeds to be raised from the Proposed Private Placement II will depend on the issue price(s) of the Placement Shares II and the number of Placement Shares II issued. In the event the actual proceeds raised from the Proposed Private Placement II varies from the above estimated gross proceeds, the proceeds raised will be first utilised for the payment to accrued trade creditors including outstanding balances owed to suppliers and service providers.

In the event of a shortfall below the Minimum Scenario-Private Placement II or a variation in proceeds above the amount to be raised more than the Minimum Scenario-Private Placement II and less than the Maximum Scenario-Private Placement II, the net proceeds will be allocated in the following order of priority up to its maximum allocation under both the Minimum Scenario-Private Placement II and the Maximum Scenario-Private Placement II:

(i) payment to accrued trade creditors including outstanding balances owed to suppliers and service providers; and

(ii) working capital for the Group.

In the event of a surplus in proceeds above the amount to be raised under the Maximum Scenario-Private Placement II, the net proceeds after deducting the maximum allocation under the Maximum Scenario-Private Placement II, will be allocated for the Group's general working capital requirements (i.e., staff salary, utilities expenses, office rental expenses and cost to upkeep office equipment) of which the exact quantum of additional allocation for each component of the general working capital requirements of the Group will depend on the Group's operating requirements at the pertinent time and cannot be determined at this juncture.

Pending utilisation of the proceeds to be raised from the Proposed Private Placement II, the proceeds may be placed in deposits with financial institutions and/or short-term money market instruments. The interest derived from the deposits with financial institutions and/or any gains arising from the short-term money market instruments will be used as additional funds for the working capital requirements for the Group.

3. DETAILS OF THE PROPOSED ESOS

The Proposed ESOS involves the granting of options to the Eligible Directors and eligible employees of the Group (excluding dormant subsidiaries and foreign subsidiaries incorporated outside of Malaysia, if any) who fulfil the criteria of eligibility for participation in the Proposed ESOS to subscribe for new Shares at a subscription price payable upon exercise of the ESOS Options in accordance with the By-Laws governing the Proposed ESOS.

The Proposed ESOS will be administered by a committee to be duly authorised and appointed by the Board. The ESOS Committee shall comprise at least 3 members, with at least 1 member being a non-executive director of the Company. As at the LPD, the composition of the ESOS Committee has yet to be determined. The salient terms and conditions of the Proposed ESOS, which are governed by the By-Laws, are set out in **Section 3** of this Circular. The draft By-Laws is set out in **Appendix I** of this Circular.

3.1 Details of the ESOS 2019

The ESOS 2019 was approved by shareholders at the EGM held on 5 August 2019. The ESOS 2019 had expired on 26 December 2024.

As disclosed in the Annual Report for the 18M-FPE 30 June 2024, all outstanding options under the ESOS 2019 have been exercised as tabulated in the table below:

	No. of ESOS Options				**Total No. of ESOS Options**	
	Directors and Key Senior Management		**Other Eligible Employees**			
	Units	**%**	**Units**	**%**	**Units**	**%**
Options granted	22,398,600	60	14,932,400	40	37,331,000	100
Options exercised	22,398,600	60	14,932,400	40	37,331,000	100
Options forfeited/ expired (if any)	-	-	-	-	-	-
Outstanding options unexercised	-	-	-	-	-	-

37,331,000 ESOS options were granted and fully exercised into 37,331,000 Shares at an exercise price of RM0.0755 each and raised total gross proceeds of approximately RM2.82 million. The usage of proceeds from the exercise of the abovementioned ESOS Options were utilised for the repayment of trade payables such as statutory payment and funding of working capital for the existing projects.

3.2 Maximum number of new Shares available under the Proposed ESOS

Each ESOS Option shall be exercisable into 1 new Share, in accordance with the provisions of the By-Laws.

The maximum number of new Shares to be allotted and issued pursuant to the exercise of the ESOS Options shall not in aggregate exceed 15% of the total number of issued Shares (excluding treasury shares, if any), at any point in time during the duration of the Proposed ESOS.

3.3 Basis of allotment and maximum allowable allotment of new Shares

Subject to the Maximum Limit and any adjustments which may be made under the By-Laws, the aggregate number of ESOS Options that may be offered to an Eligible Person at any time under the Proposed ESOS shall be determined by the ESOS Committee at its sole and absolute discretion after taking into consideration, amongst others, the following conditions:

(i) the total number of new Shares made available under the Proposed ESOS shall not, in aggregate, exceed the Maximum Limit at any point in time during the duration of the ESOS;

(ii) the allocation to an Eligible Person who, either singly or collectively through persons connected with him/her (as defined under the Listing Requirements) holds 20% or more of the total number of issued Shares (excluding treasury shares, if any), shall not exceed 10% of the total number of new Shares made available under the Proposed ESOS;

(iii) not more than 80%(1) of the total number of new Shares made available under the Proposed ESOS shall be allocated, in aggregate, to the Eligible Directors and senior management(2) of the Group (excluding dormant subsidiaries and foreign subsidiaries incorporated outside of Malaysia, if any);

(iv) any allocation of ESOS Options and the related allotment and issuance of new Shares to any Eligible Person who is the Interested Person and to a person connected with any of the Interested Persons who is eligible to participate in the Proposed ESOS, shall require prior approval of the shareholders in a general meeting; and

(v) the Interested Persons and persons connected with the Interested Persons shall be abstained from voting on the resolution approving the respective allocation of ESOS Options and/or allocations to persons connected with them,

provided always that it is in accordance with the Listing Requirements or any prevailing guidelines, rules and/or regulations issued by Bursa Securities and/or any other relevant authorities, as may be amended from time to time.

Notes:

(1) The breakdown of percentage between the Eligible Directors and senior management of the Group (excluding dormant subsidiaries and foreign subsidiaries incorporated outside of Malaysia, if any) shall be determined at the discretion of the ESOS Committee. The basis in arriving at this threshold takes into account the number of Directors and senior management of the Group (excluding dormant subsidiaries and foreign subsidiaries incorporated outside of Malaysia, if any) who are eligible to participate in the Proposed ESOS and was determined after considering that the Eligible Directors and senior management of the Group (excluding dormant subsidiaries and foreign subsidiaries incorporated outside of Malaysia, if any) are the key drivers that spearhead and strategise the long term direction, performance and growth of the Group's businesses.

The allocation of not more than 80% is intended to further incentivise the Eligible Directors and senior management of the Group (excluding dormant subsidiaries and foreign subsidiaries incorporated outside of Malaysia, if any) for their future contribution towards improving the Group's overall financial performance and enhancing the total returns, including the appreciation of share price and dividend to the shareholders. As such, the Proposed ESOS aims to reward and retain the Eligible Directors and senior management of the Group (excluding dormant subsidiaries and foreign subsidiaries incorporated outside of Malaysia, if any) for their attainment of higher performance, commitment, dedication and loyalty which is expected to result in improved shareholders' value.

(2) Senior management shall refer to an employee of the Group (excluding dormant subsidiaries and foreign subsidiaries incorporated outside of Malaysia, if any) holding the position of a team leader in a department of the Group (excluding dormant subsidiaries and foreign subsidiaries incorporated outside of Malaysia, if any) and shall be subject to any other criteria to be determined by the ESOS Committee from time to time.

The decision as to whether to stagger the allocation and granting of the ESOS Options to the Eligible Persons during the duration of the ESOS will be determined by the ESOS Committee at a later date. The ESOS Committee may at its sole and absolute discretion decide whether the ESOS Options will be subject to any vesting period, and if so, to determine the vesting conditions, including but not limited to whether such vesting conditions are subject to performance target, all of which will be determined at a later date after the establishment of the ESOS and the formation of the ESOS Committee.

3.4 Eligibility

Subject to the sole and absolute discretion of the ESOS Committee, only Eligible Persons who fulfil the following criteria as at the date on which an Offer is made to the Eligible Persons by the ESOS Committee to participate in the Proposed ESOS shall be eligible to participate in the Proposed ESOS:

In respect of any employee or Director of the Group (excluding dormant subsidiaries and foreign subsidiaries incorporated out of Malaysia, if any), they must fulfil the following criteria as at the Date of Offer;

(a) such employee or Director is at least 18 years of age;

(b) such employee or Director is not an undischarged bankrupt or subject to any bankruptcy proceedings;

(c) such employee is under the payroll of any company in the Group (excluding dormant subsidiaries and foreign subsidiaries incorporated out of Malaysia, if any) and is in employment within the Group on a full-time basis and has not served a notice to resign nor received a notice of termination;

(d) such Director has been appointed as a Director of Handal or any company in the Group (excluding dormant subsidiaries and foreign subsidiaries incorporated out of Malaysia, if any); and

(e) such employee or Director fulfils such other eligibility criteria and/or falls within such grade or category as may be determined by the ESOS Committee from time to time.

Notwithstanding the above, subject to compliance with the Listing Requirements, the ESOS Committee may, in its absolute discretion, determine any other eligibility and allocation criteria and/or waive any of the conditions or criteria for eligibility for the purpose of selecting an Eligible Person any time and from time to time. The eligibility, selection and number of ESOS Options to be offered to an Eligible Person under the Proposed ESOS shall be at the sole and absolute discretion of the ESOS Committee and the decision of the ESOS Committee shall be final and binding.

Eligibility under the Proposed ESOS does not confer upon the Eligible Person a claim or right to participate in or any rights whatsoever under the Proposed ESOS and an Eligible Person does not acquire or have any rights over or in connection with the ESOS Options unless an offer has been made in writing by the ESOS Committee to the Eligible Person to participate in the Proposed ESOS in the manner as provided under the By-Laws and the Eligible Person has accepted the Offer in accordance with the provisions of the By-Laws.

3.5 Acceptance of the Offer

An Offer made by the ESOS Committee shall be valid within the Validity Period and shall be accepted by an Eligible Person within the Validity Period of the Offer by written notice to the ESOS Committee accompanied by a payment to the Company of a nominal non-refundable sum of RM1.00 only, as consideration for the grant of the ESOS Option.

If an Offer is not accepted in the prescribed manner within the Validity Period, the Offer shall automatically lapse upon the expiry of the said prescribed period and be null and void and be of no further force and effect.

3.6 Exercise Price

The price at which a Grantee shall be entitled to subscribe for each new Share upon the exercise of the ESOS Options shall be a price to be determined by the Board upon recommendation of the ESOS Committee, based on the 5-day VWAP of the Shares immediately preceding the Date of Offer with a discount of not more than 10%, subject to any adjustments as stipulated in the By-Laws and the Listing Requirements.

The Exercise Price as determined by the Board shall be final, conclusive and binding on all Eligible Persons who have accepted the Offers.

3.7 Exercise of ESOS Options

A Grantee shall exercise his/her ESOS Options by notice in writing to the Company in such form as the ESOS Committee may prescribe or approve. The procedure for the exercise of ESOS Options to be complied with by a Grantee shall be determined by the ESOS Committee from time to time. A Grantee shall exercise the ESOS Options granted to him/her in multiples of and not less than 100 new Shares or such other units of Shares constituting 1 board lot as may be determined by Bursa Securities.

If the balance of ESOS Options exercisable by the Grantee in accordance with the By-Laws into the new Shares shall be less than 100 or such other units of Shares constituting 1 board lot as may be determined by Bursa Securities, the said balance ESOS Option shall, if exercised, must be exercised in a single tranche.

3.8 Ranking of the new Shares to be allotted and issued pursuant to the exercise of the ESOS Options

The new Shares to be allotted and issued arising from the exercise of the ESOS Options shall, upon allotment and issuance, rank equally in all respects with the then existing Shares, save and except that such new Shares will not be entitled to any dividends, rights, allotments and/or any other form of distributions that may be declared, made or paid to the Company's shareholders, the entitlement date of which precedes the date of allotment and issuance of such new Shares.

3.9 Duration of the Proposed ESOS

The Proposed ESOS shall come into force on the date of full compliance with all relevant requirements of the Listing Requirements in relation to the Proposed ESOS.

The Proposed ESOS shall be in force for a period of 5 years from the Effective Date. On or before the expiry of the initial 5 year period, the Proposed ESOS may be extended at the sole and absolute discretion of the Board upon the recommendation of the ESOS Committee, provided always that the initial period and such extension of the Proposed ESOS shall not in aggregate exceed a duration of 10 years (or such other period as may be prescribed by Bursa Securities in compliance with the Listing Requirements or any other relevant authorities) from the Effective Date.

For the avoidance of doubt, no further sanction, approval or authorisation of the Company's shareholders in a general meeting is required for any such extension. In the event the Proposed ESOS is extended in accordance with the provision of the By-Laws, the ESOS Committee shall furnish a written notification to all Grantees and the Company shall make the necessary announcements to Bursa Securities prior to the proposed extension of the Proposed ESOS.

3.10 Retention period

The new Shares to be allotted and issued to the Grantees (other than the non-executive Directors of the Group) pursuant to the exercise of the ESOS Options will not be subject to any holding period or restriction on transfer, disposal and/or assignment

Notwithstanding the above, in accordance with Paragraph 8.20 of the Listing Requirements or such other provisions of the Listing Requirements, the Grantee who is a non-executive Director of the Company or any companies within the Group (excluding dormant subsidiaries, if any), must not sell, transfer or assign the Shares obtained through the exercise of the ESOS Options offered to him/her pursuant to the Proposed ESOS within 1 year from the Date of Offer of such ESOS Options.

3.11 Amendment and/or modification to the By-Laws

Subject to the compliance with the Listing Requirements and any other relevant authorities, the ESOS Committee may at any time recommend to the Board who shall have the power at any time and from time to time by resolution to amend and/or modify all or any part of the By-Laws and the Board shall have the power by resolution to add, amend or modify and/or delete all or any of the By-Laws under such recommendation.

Upon amending and/or modifying all or any of the provisions of the Scheme, the Company shall submit to Bursa Securities no later than 5 market days after the effective date of the amendment to the By-Laws, a letter confirming that the amendment and/or modification is in compliance with the provisions of the Listing Requirements pertaining to share issuance scheme and Rules of Bursa Depository.

The approval of shareholders of the Company in a general meeting shall not be required in respect of additions, amendments to and/or deletions of the By-Laws, save and except if such additions, modifications or amendments to or deletions would:

(i) prejudice any rights which would have accrued to any Grantee without the prior consent of that Grantee; or

(ii) increase the number of new Shares available under the Proposed ESOS beyond the Maximum Limit; or

(iii) alter any matter which are required to be contained in the By-Laws by virtue of Appendix 6E of the Listing Requirements to the advantage of the Eligible Person to whom an Offer is being made.

The Grantees shall be given written notices by the ESOS Committee in the event of any amendments to and/or modifications of the By-Laws within 10 market days of any of the foregoing taking effect.

3.12 Alteration of share capital and adjustment

In the event of any alteration in the capital structure of the Company during the duration of the Proposed ESOS, whether by way of a capitalisation of profits or reserves, rights issues, consolidation or subdivision of Shares or capital reduction or any other variation of capital, the Company shall cause such adjustment to be made to the number of new Shares comprised in the ESOS Options granted to each Grantee (excluding the ESOS Options already exercised) and/or Exercise Price in accordance with the provisions of the By-Laws

Further details of such adjustments are set out in **Appendix I** of this Circular.

3.13 Utilisation of proceeds

The actual amount of proceeds to be received from the Proposed ESOS will depend on, amongst others, the number of ESOS Options granted and exercised at the relevant point of time and the Exercise Price. As such, the actual amount and timing of proceeds to be received upon exercise of ESOS Options and the timeframe for utilisation of such proceeds are not determinable at this juncture.

Notwithstanding the above, the Management intends to use the proceeds arising from the exercise of the ESOS Options for the general working capital requirements of the Group, as and when the proceeds are received throughout the duration of the Proposed ESOS, as the Board may deem fit. The general working capital requirements of the Group includes, amongst others, payment to trade creditors, staff costs, rental costs and utilities expenses.

Pending utilisation of proceeds raised as and when the ESOS Options are exercised, the proceeds will be placed in deposits with licensed financial institutions or short-term money market instruments. The interests derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be similarly used for the general working capital requirements of the Group.

3.14 Termination of the Proposed ESOS

Subject to compliance with the Listing Requirements and other requirements of Bursa Securities and other relevant authorities, the Company may, if the Board deems fit and upon the recommendation of the ESOS Committee, at any time before the date of expiry of the Proposed ESOS, terminate the Proposed ESOS in accordance with the terms of the By-Laws, provided that the Company shall immediately announce to Bursa Securities on the following:

(i) the Termination Date;

(ii) the number of ESOS Options exercised under the Proposed ESOS; and

(iii) the reasons for termination of the Proposed ESOS.

In the event of termination as above, the following provisions shall apply:

(i) no further Offer shall be made by the ESOS Committee;

(ii) all ESOS Options which have yet to be accepted by the Eligible Persons shall be deemed revoked and be null and void; and

(iii) any unexercised ESOS Options shall cease to be capable of being exercised and be null and void.

Notwithstanding the above, the Company may implement more than 1 Proposed ESOS provided that the aggregate number of Shares available under all the Proposed ESOS implemented by the Company is not more than 15% of its total number of issued shares (excluding treasury shares) at any one time or such lower or higher limit in accordance with any prevailing guideline issued by Bursa Securities or any other relevant authorities amended from time to time.

3.15 Proposed specific allocation

Paragraph 6.06(1) of the Listing Requirements states that the Company must not issue any Shares or other convertible securities to Directors, major shareholders (who are employees of the Group (excluding dormant subsidiaries, if any)) or chief executive of the Company or persons connected with them who is an Eligible Person unless the shareholders of the Company have approved the specific allotment to be made to them in a general meeting. Accordingly, the Company will seek the approval of the Company's shareholders at the EGM to be convened for the proposed allocation of the ESOS Options to the following persons:

Name	Designation
YB Muhamad Arafat Bin Varisai Mahamad	Independent Non-Executive Chairman
Datuk Mohd Idzwan Izuddin Bin Ab Rahman	Executive Vice Chairman
Vivien Xu Tiantian	Group Executive Director
William H Van Vliet III	Executive Director
Lee Yueh Shien	Independent Non-Executive Director
Cheah Ben Lee	Independent Non-Executive Director
Rahimah Shamila Binti Abdullah	Independent Non-Executive Director
Zhang Yan	Independent Non-Executive Director

4. DETAILS OF THE PROPOSED SHARE CAPITAL REDUCTION

The Proposed Share Capital Reduction entails the elimination of the Company's issued share capital pursuant to Section 117 of the Act via the cancellation of the Company's issued share capital of RM28.00 million.

The corresponding credit of RM28.00 million arising from such cancellation will be used to set-off against the accumulated losses of the Company while the remaining balance will be credited to the retained earnings of the Company which shall be used in a manner to be determined by the Board at a later date and in the best interest of the Company as permitted by the relevant and applicable laws as well as the Listing Requirements.

As at LPD, Handal has:

(a) an issued share capital of RM36,885,722 comprising 430,331,019 Handal Shares (excluding treasury shares of 310,200 Handal Shares); and

(b) 186,499,873 outstanding Warrants B which are exercisable into 186,499,873 new Shares at an exercise price of RM0.08 each.

For illustrative purposes only, the Proposed Share Capital Reduction will have the following effects:

	(Audited) As at 30 June 2024		**(Unaudited) As at 30 September 2025**	
	Company level RM	**Group level RM**	**Company level RM**	**Group level RM**
Accumulated losses	(31,850,839)	(34,929,244)	(20,944,458)	(35,973,844)
Add: Credit arising from the Proposed Share Capital Reduction	28,000,000	28,000,000	28,000,000	28,000,000
Less: Estimated expenses for the Proposals(1)	(460,000)	(460,000)	(460,000)	(460,000)
Resultant retained earnings / (accumulated losses)	**(4,310,839)**	**(7,389,244)**	**6,595,542**	**(8,433,844)**

Note:

(1) The estimated expenses in relation to the Proposals, including Private Placement I comprise the following:

Purposes	**(RM'000)**
Professional fee to the advisers in relation to the Proposals and Private Placement I	280
Other incidental expenses in relation to the Proposals and Private Placement I (e.g., fees payable to authorities, printing, expenses to convene the EGM), other ancillary expenses (e.g., out-of-pocket expenses and relevant taxes) and contingencies	180
Total	**460**

The expenses will be funded from the proceeds of Private Placement I. Any surplus or deficit of proceeds to defray the estimated expenses in relation to the Proposals will be re-allocated to or from any category of the working capital requirements of the Group.

Subject to and subsequent to the approval for the Proposed Share Capital Reduction by the shareholders of the Company at the forthcoming EGM, the Proposed Share Capital Reduction will be effective when the Registrar of Companies has recorded the information lodged in the appropriate register in accordance with Section 119 of the Act. The Proposed Share Capital Reduction is permitted under Clause 72 of the Constitution, which provides that the Company may, subject to the Act and by special resolution, reduce its share capital in any manner authorised by law. An immediate announcement will be made to Bursa Securities once the Proposed Share Capital Reduction becomes effective.

For the avoidance of doubt, the Proposed Share Capital Reduction will not result in:

(a) any adjustment to the reference share price of Handal Shares;

(b) any changes in the total number of Handal Shares in issue or the number of Handal Shares held by the shareholders of Handal;

(c) any payment to the shareholders of Handal; and

(d) any cash outflow or change in the NA of the Group, save for the estimated expenses to be incurred in relation to the Proposals which will be funded from the proceeds to be raised from the Private Placement I.

4.1 Details of Share Capital Reduction 2023

On 29 April 2024, the Company completed the Share Capital Reduction 2023. The details on the Share Capital Reduction 2023 including and not limited to the accumulated losses sum, total credit arising from the exercise and the resultant retained earnings at the material time are as below:

	Audited As at 31 December 2022		**Unaudited As at 30 June 2023**	
	Company level RM '000	**Group level RM '000**	**Company level RM '000**	**Group level RM '000**
Accumulated losses	(102,563)	(77,495)	(102,563)	(68,114)
Add:				
Credit arising from the Proposed Share Capital Reduction	90,000	90,000	90,000	90,000
Less:				
Estimated expenses for the corporate exercises	(500)	(500)	(500)	(500)
Retained earnings / (accumulated losses)	**(13,063)**	**12,005**	**(13,063)**	**21,386**

The continued accumulation of losses that has prompted the Company to undertake the Proposed Share Capital Reduction after the Share Capital Reduction 2023 is primarily attributable to a combination of significant impairment losses and sustained high operating and legal expenses, as outlined below:

(i) Impairment Losses

The Group recognised substantial impairment charges in 18M-FPE 30 June 2024, amounting to approximately RM23.59 million, primarily relating to goodwill, trade receivables, and inventories, the breakdown of which are as set out in **Section 7.5** of this Circular. These impairments arose from the reassessment of asset recoverability and reflecting continued weak market demand.

In addition, in prior financial periods, the Group had also recognised additional impairment losses on intellectual property rights and other receivables amounting to approximately RM10.26 million in the 18M-FPE 31 December 2022. The cumulative effect of these impairments has materially impacted the Group's retained earnings position.

(ii) High Operating and Legal Expenses

The Group had incurred high administrative and legal expenses over recent financial periods. These included legal and professional fees associated with multiple ongoing litigation cases involving major subsidiaries of the Group, as well as compliance, advisory and restructuring-related expenses. These costs had placed additional pressure on the Group's profitability and cash flow, further contributing to the accumulation of losses.

In light of the above factors, the Proposed Share Capital Reduction is being undertaken to eliminate the accumulated losses of the Company to better reflect its current financial position and to enhance its future capital management flexibility.

5. RATIONALE FOR THE PROPOSALS

5.1 Proposed Private Placement II

The Board is of the opinion that the Proposed Private Placement II is necessary as part of the Proposals and it is the most appropriate avenue to raise funds after considering the following:

(i) it is an expeditious way of accessing the capital markets to raise the funds to satisfy the working capital requirements of the Group as opposed to other forms of fund raising such as rights issue, which is likely to take a longer time to complete;

(ii) the Proposed Private Placement II will serve as an additional source of funding for the Group's working capital for the Group without incurring interest expense as compared to borrowings or the issuance of debt instruments. This will enable the Company to preserve its future cash flow to address its short-term obligations and/or operational needs. It will also enable the Company to make payment to accrued trade creditors, including outstanding balances owed to suppliers and service providers;

(iii) the Proposed Private Placement II will not require the Company to arrange for any underwriting or to procure any undertaking from the Company's shareholders to guarantee a minimum amount of funds to be raised as would usually be required for a rights issue of shares; and

(iv) the Proposed Private Placement II will strengthen the capital base of the Group by increasing its NA and strengthening its financial position and thereby allows the Group to improve its gearing ratio as set out in **Section 10.2** of this Circular.

The Board has carefully considered various fund-raising options and, after evaluating the Group's prevailing financial and market conditions, has determined that the Private Placement I and Proposed Private Placement II are more appropriate than a rights issue at this juncture. Given the Group's current financial performance and trading volume, a rights issue at this juncture presents elevated execution risk, including potential under-subscription, underwriting costs, and longer completion timelines. In contrast, the Proposed Private Placement allows the Company to secure funding from targeted investors with confirmed interest and capacity, providing a faster and more cost-efficient method of meeting short term working capital needs.

The Board acknowledges that the Company had undertaken several fund-raising exercises in prior years, as set out in **Section 6** of this Circular. The timing and frequency of these exercises were primarily driven by the Group's cashflow liquidity requirements and the need to progressively address existing operational and financial obligations. While the proceeds from the Private Placement 2019 were intended for potential new projects, the subsequent fund-raising exercises undertaken in 2022 and 2024 (i.e., Private Placement 2022 and Private Placement 2024) were carried out mainly to meet the Group's working capital requirements and to strengthen its financial position through the settlement of trade and other creditors and the repayment of borrowings.

As disclosed in **Section 6.1** of this Circular, the proceeds from past fund-raising exercises were primarily utilised for working capital purposes, the repayment of trade and other creditors and borrowings. These included the full settlement of bankers' acceptance facilities and the progressive repayment of bank overdrafts using a combination of placement proceeds and internally generated funds. As a result of these measures, the Group's borrowings improved significantly from RM19.48 million as at 30 June 2021 to RM12.16 million as at 31 December 2022, as disclosed in **Sections 6.2 and 7.4** of this Circular. Notwithstanding these repayments, the Group continues to have outstanding trade and other creditors and bank overdrafts as at the LPD, necessitating additional funding to support its ongoing operations.

The Board emphasises that the absence of new projects does not eliminate the Group's need for further funding, as the Group continues to incur recurring operating costs and remains obligated to meet its existing liabilities as they fall due. Accordingly, the Private Placement I and Proposed Private Placement II are intended to strengthen the Group's balance sheet, provide sufficient cashflow liquidity to support existing operations, and ensure business continuity.

While the Board is mindful that multiple private placements exercises undertaken by the Company since 2019 have had a dilutive impact on existing shareholders, the Board is of the view that these fund-raising exercises were necessary to address the Group's funding requirements to support its working capital and short term obligation. Hence, the Private Placement I and Proposed Private Placement II remain the most practical and cost-effective fund-raising option to meet the Group's immediate capital requirements.

5.2 Proposed ESOS

The Proposed ESOS is intended to achieve the following objectives:

(i) to recognise the contribution of the Eligible Person whose services are valued and considered vital to the operations and continued growth of Handal Group;

(ii) to align the Eligible Persons' interests to those of the shareholders of Handal to drive longer term shareholders value enhancement;

(iii) to reinforce the Eligible Persons' sense of loyalty and belonging to the Handal Group by enabling them to participate directly in the equity of Handal and thereby provide incentive for the Eligible Persons to participate more actively in the operations and future growth of the Handal Group and motivate them to further contribute to the growth and success of the Handal Group;

(iv) to retain high-calibre Eligible Persons as well as to attract prospective skilled and experienced personnel to the Group by making the total compensation package more attractive and competitive; and

(v) to reward the Eligible Persons by allowing them to participate in the potential capital gains arising from the appreciation of the market price of Shares.

The Proposed ESOS is also extended to the non-executive Directors of the Company to recognise their contribution towards the growth and performance of the Group and to enable them to participate in the future growth of the Group. The non-executive Directors of the Company are recognised for their roles to provide insight in deliberations of the Board in matters such as corporate governance, internal controls, risk management and finance, which form the foundation to protect the interests of all stakeholders, including shareholders of the Company. Thus, their participation in the equity of the Company is not expected to impair their independent judgement or ability to act in the best interest of the Company, as the allocation and/or granting of ESOS Options to them is determined by the ESOS Committee. Furthermore, the respective non-executive Directors will abstain from deliberating on the allocation of the ESOS Options to themselves as well as to Persons Connected with them, if any.

In determining the allocation of the Offers to the non-executive Directors of the Company, the ESOS Committee will take into consideration, among other factors, the proportion of ESOS Options to be allocated to the non-executive Directors to ensure that such allocation does not comprise whether individually or collectively, a significant portion of the ESOS Options available under the Proposed ESOS, and the potential shareholdings of the non-executive Directors upon full exercise of the ESOS Options granted to them.

In addition, there will also be a retention period imposed on the non-executive Directors in which they shall not sell, transfer or assign the Shares obtained through the exercise of the ESOS Options offered to him/her within 1 year from the Date of Offers as set out in **Section 3.9** of this Circular.

Despite the Group being loss-making for the latest audited 18M-FPE 30 June 2024, the Board is of the view that it is in the interest of the Company to grant ESOS Options to the Eligible Persons to motivate and incentivise the key management and employees to drive growth and turnaround the financial performance of the Group which is aligned with the interests of the shareholders of the Company.

5.3 Proposed Share Capital Reduction

The Proposed Share Capital Reduction will enable the Company and the Group to rationalise their financial positions by reducing the accumulated losses to more appropriately reflect the value of the underlying assets and the financial position of the Company and the Group. In addition, the reduction of accumulated losses is expected to enhance the credibility of both the Company and the Group with the bankers, customers, suppliers, investors and other stakeholders. The enhancement in credibility arises as the reduction of accumulated losses will strengthen the Company's balance sheet position. A lower accumulated losses indicate improved financial position and stronger future viability. This increases confidence among financiers when assessing creditworthiness, supports customers' and suppliers' willingness to enter into longer-term commercial arrangements, and enhances the Company's attractiveness and investment profile to existing and prospective shareholders.

In addition, it will enhance the Company's ability to declare and pay dividends out of the retained earnings in the future, as and when appropriate, when the Company returns to profitability.

The sequencing of the Proposals has been carefully structured to balance the Group's immediate funding requirements, capital management objectives and alignment of stakeholder interests. It is the intention of the Company to implement the Private Placement I first, followed by the Proposed Private Placement II, then the Proposed ESOS and subsequently the Proposed Share Capital Reduction.

The Private Placement I will be implemented first as it will be undertaken pursuant to the general mandate granted by the shareholders at the 15th Annual General Meeting ("**AGM**") of the Company held on 26 November 2024 under Sections 75 and 76 of the Companies Act 2016. As such, it does not require specific shareholders' approval, thereby enabling the Company to expedite the fund-raising process and secure immediate proceeds to meet urgent working capital requirements. The implementation of the Private Placement I will be subject to the renewal of the General Mandate at the forthcoming AGM. As at the LPD, the Company has partially implemented the 1st tranche of the Private Placement I with the allotment and issuance of 20,000,000 Placement Shares at RM0.0268 each on 29 December 2025 and raised RM536,000 in proceeds as set out in **Section 6** of this Circular.

The proceeds from the Private Placement I alone are not sufficient to fully address the Group's working capital requirements and settlement of accrued trade creditors. Accordingly, the Company proposes to undertake the Proposed Private Placement II as a supplementary exercise to ensure that the Group has adequate financial resources to meet its obligations and to strengthen its liquidity position.

The Proposed ESOS is a long-term reward scheme designed to reward eligible employees or Directors of the Group, who fulfil the criteria for eligibility in the manner indicated in the By-Laws. The Proposed ESOS will not raise any immediate proceeds to the Company as options granted under the scheme will only generate proceeds upon exercise over the exercisable period. As such, the implementation of the Proposed ESOS is scheduled after the completion of the Private Placement I and Proposed Private Placement II to prioritise the Group's immediate fund-raising requirements through the Private Placement I and Proposed Private Placement II.

The Proposed Share Capital Reduction will be implemented at the last amongst the Proposals after the fund-raising exercises and ESOS as a sequence of urgency.

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6. PREVIOUS FUND-RAISING EXERCISE

Save as disclosed below, the Company did not undertake any fund-raising exercises since 2019 up to the LPD:

(I) Private Placement 2019

On 11 April 2019, the Company completed the private placement of 15,968,900 new Shares (representing 9.98% of the Company's then total number of issued Shares) at an issue price of RM0.3132 each for 15,968,900 Shares and raised total gross proceeds of approximately RM5.00 million which had been fully used as at the LPD for the following purposes:

Utilisation purposes	**RM'000**
Funding for potential new projects	4,969
Expenses for the Private Placement 2019	32
Total	**5,001**

There was no variation to the utilisation of proceeds raised from the Private Placement 2019.

(II) Private Placement 2022

On 19 July 2022, the Company completed the private placement of 21,851,000 new Shares (representing 10.00% of the Company's then total number of issued Shares) at an issue price of RM0.2350 each for 12,265,000 Shares and RM0.1180 each for 9,586,000 Shares, with a total gross proceeds raised of approximately RM4.01 million which had been fully used as at the LPD for the following purposes:

Utilisation purposes	**RM'000**
Payment to suppliers and sub-contractors as part of its business operations	2,575
Repayment of bank borrowings	1,390
Expenses for the Private Placement 2022	48
Total	**4,013**

There was no variation to the utilisation of proceeds raised from the Private Placement 2022.

(III) Private Placement 2024

On 2 February 2024, the Company completed the private placement of 106,571,400 new Shares (representing up to 40.00% of the Company's then total number of issued Shares) at the following issue prices: RM0.0941 each for 28,650,000 Shares, RM0.0860 each for 40,800,000 Shares, RM0.0769 each for 37,121,400 Shares, with a total gross proceeds raised of approximately RM9.06 million which had been fully used as at the LPD for the following purposes:

Utilisation purposes	**RM'000**
Repayment of trade payables	4,688
Repayment of bank borrowing	4,240
Working capital - general overheads, employees' salaries, operating expenses and administrative expenses	131
Expenses for the Private Placement 2024	-
Total	**9,059**

The expenses for the Private Placement 2024 were funded via internally generated funds of the Group.

There was no variation to the utilisation of proceeds raised from the Private Placement 2024.

(IV) Private Placement I

On 30 December 2025, the Company completed the 1st tranche of the Private Placement I of 20,000,000 new Shares (representing 4.65% of the Company's then total number of issued Shares) at an issue price of RM0.0268 each and raised total gross proceeds of approximately RM536,000 which had been fully utilised as at the LPD for the following purposes:

Utilisation purposes	RM'000
Working capital including staff cost, general administrative expenses and operational expenses	395
Expenses for the Proposals and Private Placement I	126
Payment to accrued trade creditors including outstanding balances owed to suppliers and service providers	15
Total	**536**

There was no variation to the utilisation of proceeds raised from the 1st tranche of the Private Placement I.

6.1 Additional information on the previous fund-raising exercise

Proceeds from past fund-raising exercises were primarily channelled towards working capital requirements, settlement of trade and other creditors, and repayment of borrowings. The repayment of bank overdrafts has been conducted progressively using a combination of placement proceeds and internally generated funds, while bankers' acceptance facilities have been fully settled.

Trade and Other Creditors

A portion of the proceeds amounting to RM2.58 million and RM4.69 million was utilised for the repayment of trade and other creditors, respectively. As at the LPD, the remaining outstanding balance stood at RM9.19 million.

Borrowings

Details of the utilisation of proceeds for the settlement of borrowings, together with the original principal amounts and outstanding balances are set out below:

Type of borrowing	Proceeds utilisation (RM'000)	Principal amount (RM'000)	Remarks / Status
Bankers' acceptance	1,390	7,894 (as at 1 July 2020)	Fully repaid using proceeds from Private Placement 2022 and internal funds.
Bank overdrafts with financial institutions	4,240	10,174 (as at 1 January 2023)	Partially repaid using proceeds from Private Placement 2024 and internal funds for outstanding principal and accrued interest. Remaining outstanding balance as at 31 December 2025: RM4.53 million.

Working Capital

No.	Types of Working Capital	Further breakdown	Amount raised from each fund-raising proposal (RM'000)
aa.	Payment of general overheads, wages and salaries	Directors / Executive Directors	-
		Senior Management	-
		Other employees	98

No.	Types of Working Capital	Further breakdown	Amount raised from each fund-raising proposal (RM'000)
		Sub Total	**98**
bb.	Operating Expenses and Administrative Expenses	Such as utilities, upkeep of office and any other relevant expenses to be added here	33
		Sub Total	**33**
		Grand Total	**131**

6.2 Additional information on the previous corporate proposal and the disposals of several subsidiaries

The previous corporate proposals and the disposal of several subsidiaries undertaken during the 18M-FPE 31 December 2022 have resulted in tangible improvements to the Group's financial position, as outlined below:

(i) Lower gearing and borrowings

The Group's borrowings improved significantly during the period from RM19.48 million as at 30 June 2021 to RM12.16 million as at 31 December 2022 as disclosed in the **Section 7.4** of this Circular. This was mainly achieved through the partial repayment of bank overdrafts using proceeds raised from private placements and internally generated funds.

(ii) Disposal of subsidiary

The disposal of subsidiary, HESB for a nominal consideration of RM1.00 generated a gain on disposal of RM617,247.00, and eliminated further exposure to its accumulated losses and liabilities, thereby strengthening the Group's financial position.

(iii) Reduced Operating and Financing Costs

The Group implemented rationalisation measures to reduce operating and financing costs, which collectively helped to stabilise cash flows and maintain operational continuity during a challenging period.

Despite these improvements, the Group remained in loss-making position due to several structural and one-off factors. Notably, in 18M-FPE 30 June 2024, the Group recognised significant impairment charges on goodwill, receivables, and inventories amounting to approximately RM23.59 million, arising from reassessments of asset recoverability and weaker market conditions, as set out in **Section 7.5** of this Circular.

Additionally, the Group continued to incur high legal and professional fees in connection with ongoing litigation cases and restructuring activities. These expenses placed further pressure on profitability and cash flow, offsetting the benefits derived from earlier corporate exercises and rationalisation efforts.

7. INDUSTRY OUTLOOK AND PROSPECTS

7.1 Overview and outlook of the Malaysian economy

Malaysia's advance GDP estimates rose by 5.7% in the fourth quarter of 2025, as compared to 5.2% in the previous quarter. Economic growth was supported by the expansion across all sectors mainly services, manufacturing, construction and agriculture. Meanwhile, the mining and quarrying sector grew at a slower pace during this quarter. In terms of quarter-on-quarter performance, Malaysia's economy increased by 3.0% as compared to 5.4% in the third quarter of 2025.

Malaysia's economy for the year 2025 eased to 4.9% from 5.1% recorded in the preceding year. All main sectors registered a positive growth, led by the services sector at 5.1%, followed by the manufacturing (4.5%) and construction (12.4%) sectors. Additionally, the agriculture and mining and quarrying sectors grew at 2.2% and 0.5%, respectively.

(Source: Advance Gross Domestic Product (GDP) Estimates, Fourth Quarter 2025, DOSM)

In 2026, Malaysia's economy is projected to expand between 4% and 4.5%, supported by resilient domestic demand and a steady external sector. Growth will be anchored by private consumption, boosted by the implementation of the salary adjustment under Phase 2 of the Public Service Remuneration System (SSPA), continuation of targeted assistance programmes and robust tourism activities in conjunction with Visit Malaysia 2026. In addition, strong investment performance will be supported by higher capital expenditures, particularly in high-impact strategic sectors. The services and manufacturing will remain key drivers of growth, complemented by sustained construction and agriculture sectors.

Overall, the economy continues to be steered by the Ekonomi MADANI framework and the Government remains committed to positioning Malaysia as an attractive destination for quality investments. At the same time, ongoing improvements in the wage-setting mechanism and rising business efficiency are expected to strengthen the wage structure, thus contributing to a higher labour income share.

(Source: Economic Outlook 2026, Ministry of Finance Malaysia)

7.2 Overview and outlook of the O&G industry in Malaysia

Malaysian state-owned energy firm PETRONAS will look to boost the country's O&G output through key projects over the next three years. PETRONAS said it aims to grow and sustain the country's O&G production at 2 million barrels of oil equivalent per day between 2025 and 2027, up from 1.7 million barrels of oil equivalent in 2024.

Its target will be realised through projects such as the Kasawari gas development off Sarawak state on Borneo, and the redevelopment of the Gumusut-Kakap, Bekok, Tabu and Seligi O&G fields, among others. For the next two years, about 15 exploration wells are forecast to be drilled each year, focusing on shallow-water wells and deepwater wells.

PETRONAS said its outlook for upstream development projects remains steady for the next three years, with 69 development wells in 2025 compared to 56 in 2024. PETRONAS forecasts more than 400 wells to be drilled, and expects 39 upstream projects to be executed over the next three years, including the construction of three offshore central processing platforms, three onshore facilities, and fabrication and installation of about 900 kms (559 miles) of pipelines.

(Source: PETRONAS aims to boost O&G output over next 3 years, the Star)

Malaysia's energy sector remains heavily reliant on oil and natural gas, which continue to be the backbone of the country's supply and export activities. Natural gas plays a central role in both domestic energy consumption and export, especially in the form of LNG. Oil is primarily used in transportation and industry. Coal is mainly used for electricity generation, although its share is slowly declining due to reduced imports and growing environmental concerns.

Malaysia's vast reserves of O&G position it well as an energy exporter, especially to regional markets. As Malaysia navigates its energy future, the challenge lies in maintaining energy security and affordability while progressing toward a low-carbon economy. The focus moving forward will be on a balanced approach, leveraging existing fossil fuel strengths while accelerating the growth of renewables.

(Source: Malaysia Energy Transition Outlook, International Renewable Energy Agency)

Oil prices climbed on 25 June 2025 as investors assessed the stability of a ceasefire between Iran and Israel, while support also came from market expectations that interest rate cuts could happen soon in the US, the world's largest economy. Lower interest rates typically spur economic growth and demand for oil. A slew of US macroeconomic data released overnight including on consumer confidence showed possibly weaker than expected economic growth in the world's largest oil consumer, bolstering expectations of Federal Reserve of the US rate cuts this year. Futures point to nearly 60 basis points worth of easing by December 2025.

(Source: Oil rises as investors assess Iran-Israel ceasefire, Federal Reserve of the US outlook, the Edge)

Malaysia's petrochemical sector is largely unaffected by US trade tariffs on oil, gas, and chemical imports, analysts said. According to BMI Country Risk and Industry Analysis senior oil and gas analyst San Naing, the industry relies primarily on domestically sourced natural gas and petroleum feedstocks, reducing its dependence on US imports for production. While Malaysia's petrochemical sector remains unaffected by US tariffs, San Naing stressed that Southeast Asia's petrochemical industry is highly vulnerable to fluctuations in global oil prices, as chemical feedstock prices generally move in tandem with oil and gas prices. Southeast Asia's petrochemical producers are exposed to price volatility in chemical feedstocks, but major producers like Malaysia and Indonesia have access to domestic feedstock sources such as LPG, natural gas, and naphtha. These countries have a degree of protection from global volatility, though imports are still required in some cases.

(Source: Petrochemical sector unaffected by US trade tariffs on oil, gas, chemical imports, New Straits Times)

Malaysia's crude oil and condensate and natural gas production showed positive growth in the third quarter of 2025, reaching 45.1 million barrels and 737.0 billion cubic feet respectively. The growth was primarily driven by crude oil production in the third quarter of 2025, which rose by 7.0% (2nd quarter of 2025: -2.2%), following four consecutive quarters of contraction. Similarly, the production of Condensate also registered positive growth of 9.7% (2nd quarter of 2025: -1.2%), after three consecutive quarters of negative growth. At the same time, production of natural gas recorded double-digit growth of 11.8% (2nd quarter of 2025: -8.0%) following two consecutive quarters of contraction, bringing total production of gas to 737.0 billion cubic feet (2nd quarter of 2025: 640.9 billion cubic feet).

The export value of Crude petroleum and condensate reached RM5.3 billion in the third quarter of 2025. Thailand dominated the export of crude petroleum and condensate with RM1.8 billion, accounting for 34.6% of the total, followed by Australia (21.5%) and Japan (20.9%). Exports of refined petroleum products increased to RM23.8 billion from RM22.7 billion in the previous quarter. Singapore was the largest of destination country for petroleum products amounting to RM5.5 billion or 23.0%, followed by Indonesia (22.2%) and Australia (13.9%). Meanwhile, the export value of LNG rose to RM12.2 billion in this quarter compared to RM10.3 billion in the second quarter of 2025, with 37.7% exported to Japan, followed by China (29.6%) and the Republic of Korea (25.6%).

(Source: Mining of Petroleum and Natural Gas Statistics, Third Quarter 2025, DOSM)

The mining sector contracted by 3.9% in the first half of 2025 with subdued performance in all subsectors. The natural gas subsector declined by 5%, weighed down by lower output across all regions. The crude oil and condensate subsector fell by 3.1% stemming from supply disruptions particularly in Sabah. Meanwhile, the other mining and quarrying and supporting services subsector shrank marginally by 0.5%, mainly reflecting weaker activities in the supporting services segment. The mining sector is forecast to rebound by 6.2% in the second half of 2025, driven by higher production in the natural gas subsector. This will be contributed by a spike in production attributed to the stabilisation of operations at the Kasawari and Jerun gas fields in Sarawak.

Additionally, the crude oil and condensate subsector performance is envisaged to grow following higher output from Sabah and Sarawak. The other mining and quarrying and supporting services subsector is also anticipated to expand on the back of increased supporting services activities. The sector is estimated to grow by 1.1% for the year. In terms of price, the average Brent crude oil is expected to be around USD70 per barrel, amid greater geopolitical uncertainties.

In 2026, the mining sector is projected to contract by 1%, reflecting subdued performance across all subsectors. The natural gas subsector is projected to decline, primarily due to lower production in Peninsular Malaysia and Sabah as well as moderating demand from major importing countries such as Japan, China and the Republic of Korea. Overall, natural gas production is expected to be slower, despite the scheduled commencement of several new projects, including Rosmari and Marjoram in Sarawak as well as Irong Timur and Kurma Manis in Terengganu. Meanwhile, the crude oil and condensate subsector is projected to decline, weighed down by lower output in Sabah. In terms of price, Brent crude oil is expected to average between USD60 and USD65 per barrel.

(Source: Economic Outlook 2026, Ministry of Finance Malaysia)

7.3 Prospects and outlook of Handal Group

Handal Group is an integrated Malaysian service provider with a well-established presence in the O&G sector, particularly in the provision of offshore crane services and pipeline isolation services. Over the years, the Group has developed a strong track record and deep technical expertise in the maintenance and servicing of offshore pedestal cranes, supporting both national and international major oil companies operating in Malaysian waters. These services are vital in ensuring the safety and operational efficiency of offshore platforms, based on Handal Group's niche strength in high-risk, high-specification environments associated with the O&G industry. As part of this repositioning, the Group is prioritising the strengthening of its core business pillars, namely the offshore crane services, pipeline isolation services, as well as crane fabrication and crane manufacturing. In addition, the Group is expanding into the provision of Turbo Machinery services by leveraging its non-OEM expertise in the MRO of cranes. The Group's non-OEM service model allows it to provide technically competitive and more affordable alternatives as compared to OEM, thereby enhancing its appeal to O&G operators seeking to optimise their capital expenditure for O&G infrastructure assets while maintaining high safety and performance standards. Since June 2025, there are no existing contracts and projects due to necessary licenses for the statutory and industry certifications required for the manufacture, refurbishment and servicing of offshore pedestal cranes have not been renewed since their expiry. IMRO, a wholly-owned subsidiary of the Company, is currently inactive pending the renewal of key statutory and industry certifications, including certifications from the DOSH, API 2C and CIDB license. The Group has undertaken the relevant efforts to rectify these matters.

Notwithstanding the absence of new contracts, the Group recorded positive net cash generated from operating activities of RM3.42 million for the 15-month financial period ended 30 September 2025, mainly due to improved working capital movements. This was primarily attributable to the reduction in trade and non-trade receivables following the collection of long-outstanding balances, settlements from customers and counterparties and recovery of certain non-trade receivables. In addition, there was an increase in trade and non-trade payables arising from the deferral of payments to suppliers and service providers as part of prudent cash flow management measures undertaken by the Group. These factors contributed to positive operating cash flow despite the absence of revenue-generating contracts. However, after taking into account investing and financing activities, the Group recorded an overall decrease in cash and cash equivalents of approximately RM1.27 million for the 15-month financial period ended 30 September 2025. The Group's ongoing operating and administrative expenses were funded primarily from existing cash balances, bank borrowings and internally generated funds. For information purposes, save for part of the proceeds raised from the Private Placement I, no proceeds from previous fund-raising exercises were or are being utilised for the current operating and administrative expenses, as all such proceeds had been fully utilised in prior years, as disclosed in **Section 6** of this Circular.

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The following table summarise the status of obtaining the relevant certifications and licenses by IMRO:

Types of Certification / Licenses	Purpose	Expiry Date	Reason for the delay	Renewal Submission Target	Expected Approval Date	Validity Period
DOSH certification	Certification for manufacturing, repair, and servicing of cranes under IMRO.	• November 2024 (FYK Pedestal Crane) • December 2024 (FYK Heavy Machines Manufacturing)	Recruitment of a qualified certified personnel required under new DOSH regulations and additional competency certifications must be obtained before accreditation.	1st quarter of 2026	1st half of 2026	3 years
API 2C Certification	Compliance with technical standards for crane manufacturing.	October 2023	Difficulty in sourcing for qualified personnel who meet technical and competency standards prescribed under API 2C and renewal process requires specialised manpower.	1st half of 2026	1st half of 2027	3 years (with annual audits)
CIDB License	Includes company registration and personnel "Green Card"[1] accreditation.	November 2024	One of IMRO's directors must complete mandatory CIDB training courses before the renewal. The Group had on 8 January 2026 renewed the CIDB License.	Completed on 8 January 2026	-	2 years (expire on 7 January 2028)

Note:

(1) Green Card refers to the competency certification issued to crane operators and/or relevant technical personnel, signifying that the holder has met the minimum statutory competency requirements to operate lifting equipment safely in accordance with applicable occupational safety and health regulations.

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During this transition period, management of the Group is prioritising the resolution, compliance and administrative preparations for a compliant and sustainable resumption of operations.

The Group currently retains 15 offshore cranes (in inventory), a substantial stock of spare parts and components, and established workshop facilities. These resources are expected to support a phased relaunch of operations once the required certifications and qualifications are obtained.

Following the completion of the certification process, IMRO is expected to commence its business plan in the financial year 2026, with a focus on the following three complementary revenue streams:

(i) Crane Services and Overhauls - resumption of maintenance and refurbishment contracts for both existing and new clients;

(ii) Crane Rentals - redeployment of idle units under lease arrangements as utilisation improves; and

(iii) Parts and Component Sales - monetisation of existing inventories to support both internal and external requirements.

The operational relaunch is expected to commence progressively in the 2nd half of 2026, with revenue contributions expected upon completion of the required certifications and receipt of client approvals.

The absence of new project awards in 15M-FPE 30 September 2025 reflects management's deliberate focus on securing certification renewals, ensuring regulatory compliance, and legal restructuring. These efforts are essential to re-establish IMRO's technical and contractual credentials before participating in new tenders or securing new projects.

In the interim period, the Group plans to participate in projects as a subcontractor through collaboration with licensed partners, enabling the Group to maintain its presence in the market while meeting relevant regulatory and certification requirements. These initiatives will allow the Group to utilise its existing technical expertise, manpower, and facilities efficiently, ensuring that operational readiness is preserved during the transition period. These measures are expected to support the Group's working capital and preserve its technical capacity pending the full reactivation of IMRO's operations.

<u>Summary of Expected Milestones</u>

Period	**Key Focus**	**Expected Milestone**
1st half of 2026	Completion of DOSH and related local certifications	Final approval
1st half of 2027	Completion of API 2C certification and phased operational restart	Commencement of IMRO business plan
1st half of June 2027 onward	Gradual expansion of crane service, rentals and parts activities	Progressive revenue growth subject to market conditions

Against the backdrop of stable offshore production activities and sustained investment in offshore O&G asset maintenance and servicing pursuant to the positive outlook of the O&G industry as set out in **Section 7.2** of this Circular, the Group believes its sharpened focus on offshore crane services, pipeline isolation and crane fabrication will allow it to capitalise on rising demand for specialised services. The Board is confident that this strategic prioritisation will contribute positively to the Group's future financial performance, reinforce its competitive positioning, and support long-term value creation for its shareholders.

While the Group expects near-term financial results to remain subdued during this transition, the Board is confident that the successful re-certification and relaunch of IMRO will provide a credible foundation for long-term recovery. The pace of improvement will depend on certification completion, contract awards, and overall market conditions within the oil and gas support services sector.

The Board believes that the Proposed Private Placement II will contribute positively to the Group in view that the proceeds to be raised from the Proposed Private Placement II will be utilised mainly for the working capital requirements of the Group as well as the payment of its outstanding trade creditors as set out in **Section 2.5** of this Circular.

The Proposed ESOS would help to strengthen employee motivation and retention across the Group, while aligning the interests of eligible employees with the long-term performance of the Group, thereby supporting operational stability and enhancing income sustainability.

The Proposed Share Capital Reduction will allow the Company to eliminate its existing accumulated losses by setting off against the credit arising from the cancellation of share capital, thus assisting to rationalise the statement of financial position of the Company.

Premise on the above and the prospects of the O&G industry as set out in **Section 7.2** of this Circular, the Board (save for the Eligible Directors in relation to the Proposed ESOS) believes that the Proposals are in the best interest of Handal Group.

7.4 Financial information of Handal Group

The summary of key financial information of Handal Group's audited consolidated financial statements for the past FYE 30 June 2021, 18M-FPE 31 December 2022 and 18M-FPE 30 June 2024 as well as unaudited 15M-FPE 30 September 2025 are as follows:

	(Audited)			**(Unaudited)**
	FYE 30 June 2021 (RM'000)	**18M-FPE 31 December 2022[(4)] (RM'000)**	**18M-FPE 30 June 2024[(5)] (RM'000)**	**15M-FPE 30 September 2025[(6)] (RM'000)**
Revenue	70,481	52,837	24,670	9,505
LBT	(1,363)	(40,416)	(31,650)	(17,728)
LAT attributable to owners of the Company	(3,116)	(35,235)	(31,072)	(15,964)
Net cash generated from / (used in) operating activities	5,478	7,835	(6,285)	3,421
Share capital	103,045	104,435	35,720	35,720
Shareholders' funds / NA	75,118	36,876	15,639	34,427
No. of Shares in issue ('000)	229,991	240,677	410,641	410,641
Weighted average number of Shares in issue ('000)	221,946	229,760	347,248	410,641
NA per Share (sen)[(1)]	0.33	0.15	0.04	0.08
Basic LPS(sen)[(2)]	(1.40)	(15.34)	(8.95)	(3.89)
Current assets	54,831	27,658	31,805	42,183
Current liabilities	49,881	56,011	66,879	86,255
Current ratio (times)	1.10	0.49	0.48	0.49
Total borrowings[(7)]	19,481	12,162	14,168	13,739
Gearing ratio (times)[(3)]	0.26	0.33	0.91	0.40

Notes:

(1) Calculated as NA divided by number of number of Shares in issue.

(2) Calculated as LAT attributable to owners of the Company over weighted average number of Handal Shares for the respective financial years/periods under review.

(3) Calculated based on borrowings divided by equity attributable to the owners of the Company.
(4) The Company had on 26 October 2022 announced the change in its financial year end from 30 June to 31 December. Hence, the 18M-FPE 31 December 2022 covers the period from 1 July 2021 to 31 December 2022.
(5) The Company had on 23 February 2024 announced the change in its financial year end from 31 December to 30 June. Hence, the 18M-FPE 30 June 2024 covers the period from 1 January 2023 to 30 June 2024.
(6) The Company had on 23 October 2025 announced the change in its financial year end from 30 June to 31 December.
(7) Including lease liabilities together with loans and borrowings to reflect the Group's total financial obligations for the computation of the gearing ratio.

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As at the LPD, the Group is involved in the following business segments:

(i) Investment holding;

(ii) Integrated, maintenance, repair and overhaul services;

(iii) Pipeline engineering services;

(iv) Trading and project services; and

(v) Other segments include:

    a. Manufacturing and fabrication of new offshore pedestal cranes (“**Fabrication of cranes**”);

    b. Workover projects lifting solutions;

    c. Manpower services;

    d. Supply, fabrication and servicing industrial equipments and tank systems;

    e. Consultants in engineering project support services;

    f. Research and developing in advance composite material; and

    g. Well services

The financial results for the existing main business activities of Handal Group for the past FYE 30 June 2021, 18M-FPE 31 December 2022 and 18M-FPE 30 June 2024 as well as the unaudited 15M-FPE 30 September 2025 are as follows:

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Revenue

	Audited						Unaudited	
	FYE 30 June 2021		18M-FPE 31 December 2022[(1)]		18M-FPE 30 June 2024[(2)]		15M-FPE 30 September 2025[(5)]	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Investment holding	-	-	-	-	-	-	-	-
Integrated crane services	21,259	30.17	19,104	36.16	-	-	-	-
Fabrication of cranes	6,737	9.56	-	-	-	-	-	-
Pipeline engineering services	31,811	45.13	29,152	55.17	-	-	-	-
Trading and project services	8,522	12.09	4,021	7.61	-	-	-	-
Integrated maintenance, repair & overhaul service	-	-	-	-	22,898	92.82	9,505	100.00
Other segments[(4)]	2,152	3.05	560	1.06	2,088	8.46	-	-
Adjustments and eliminations	-	-	-	-	(316)	(1.28)	-	-
TOTAL	**70,481**	**100.00**	**52,837**	**100.00**	**24,670**	**100.00**	**9,505**	**100.00**

PBT/(LBT)

	Audited[(3)]						Unaudited[(3)]	
	FYE 30 June 2021		18M-FPE 31 December 2022[(1)]		18M-FPE 30 June 2024[(2)]		15M-FPE 30 September 2025[(5)]	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Investment holding	339	(24.87)	(2,069)	5.12	(33,201)	104.90	(4,013)	22.64
Integrated crane services	(6,960)	510.64	(8,189)	20.26	-	-	-	-
Fabrication of cranes	-	-	-	-	-	-	-	-
Pipeline engineering services	5,150	(377.84)	(31,868)	78.85	-	-	-	-
Trading and project services	69	(5.06)	600	(1.48)	-	-	-	-
Integrated maintenance, repair & overhaul service	-	-	-	-	47	(0.15)	(13,174)	74.31
Other segments[(4)]	39	(2.86)	1,110	(2.75)	1,523	(4.81)	(541)	3.05
Adjustments and eliminations	-	-	-	-	(19)	0.06	-	-
TOTAL	**(1,363)**	**100.00**	**(40,416)**	**100.00**	**(31,650)**	**100.00**	**(17,728)**	**100.00**

Notes:
(1) The Company had on 26 October 2022 announced the change in its financial year end from 30 June to 31 December.
(2) The Company had on 23 February 2024 announced the change in its financial year end from 31 December to 30 June.
(3) The Company did not record PAT/ (LAT) for each individual segment as the tax computation was performed on a consolidated basis for the Group and was not allocated to individual segments.

(4) Other segments comprised manufacturing and fabrication of new offshore pedestal cranes, workover project lifting solutions, manpower services, supply, fabrication, and servicing of industrial equipment and tank systems, consultancy in engineering project support services, research and development in advanced composite materials, and well services.

(5) The Company had on 23 October 2025 announced the change in its financial year end from 30 June to 31 December.

(6) The annualised revenue for the 18M-FPE 31 December 2022, 18M-FPE 30 June 2024 and 15M-FPE 30 September 2025 are as follows:

	Audited				**Unaudited**	
	18M-FPE 31 December 2022[(1)]		**18M-FPE 30 June 2024[(2)]**		**15M-FPE 30 September 2025[(3)]**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Investment holding	-	-	-	-	-	-
Integrated crane services	12,736	36.16	-	-	-	-
Fabrication of cranes	-	-	-	-	-	-
Pipeline engineering services	19,435	55.17	-	-	-	-
Trading and project services	2,681	7.61	-	-	-	-
Integrated maintenance, repair & overhaul service	-	-	15,265	92.82	7,604	100.00
Other segments	373	1.06	1,392	8.46	-	-
Adjustments and eliminations	-	-	(211)	(1.28)	-	-
TOTAL	**35,225**	**100.00**	**16,446**	**100.00**	**7,604**	**100.00**

Notes:

(1) The 18M-FPE 31 December 2022 covers the period from 1 July 2021 to 31 December 2022.

(2) The 18M-FPE 30 June 2024 covers the period from 1 January 2023 to 30 June 2024.

(3) The 15M-FPE 30 September 2025 covers the period from 1 July 2024 to 30 September 2025.

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(7) The annualised PBT / (LBT) for the 18M-FPE 31 December 2022, 18M-FPE 30 June 2024 and 15M-FPE 30 September 2025 are as follows:

	Audited				Unaudited	
	18M-FPE 31 December 2022[(1)]		18M-FPE 30 June 2024[(2)]		15M-FPE 30 September 2025[(3)]	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Investment holding	(1,379)	5.12	(22,134)	104.90	(3,210)	22.64
Integrated crane services	(5,459)	20.26	-	-	-	-
Fabrication of cranes	-	-	-	-	-	-
Pipeline engineering services	(21,245)	78.85	-	-	-	-
Trading and project services	400	(1.48)	-	-	-	-
Integrated maintenance, repair & overhaul service	-	-	31	(0.15)	(10,539)	74.31
Other segments	740	(2.75)	1,015	(4.81)	(433)	3.05
Adjustments and eliminations	-	-	(13)	0.06	-	-
TOTAL	**(26,943)**	**100.00**	**(21,101)**	**100.00**	**(14,182)**	**100.00**

Notes:
(1) The 18M-FPE 31 December 2022 covers the period from 1 July 2021 to 31 December 2022.
(2) The 18M-FPE 30 June 2024 covers the period from 1 January 2023 to 30 June 2024.
(3) The 15M-FPE 30 September 2025 covers the period from 1 July 2024 to 30 September 2025.

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Commentaries:

(I) Annualised 15M-FPE 30 September 2025 vs Annualised 18M-FPE 30 June 2024

Handal Group's revenue decreased significantly by approximately RM8.85 million (or 53.80%) to an annualised revenue of RM7.60 million for the 15M-FPE 30 September 2025 (annualised revenue for 18M-FPE 30 June 2024: RM16.45 million). The lower revenue was primarily due to the absence of new project secured during the financial year, resulting in lower overall business activities.

The Group did not record revenue for the integrated crane services, fabrication of cranes, pipeline engineering services, trading and project services and other segments during the 15M-FPE 30 September 2025 and 18M-FPE 30 June 2024, as the Group was waiting for regulatory permits and certifications, as set out in the **Section 7.3** of this Circular which had consequently limited the Group's ability to secure new service and trading contracts.

The Group's LBT improved from annualised LBT of approximately RM21.10 million in 18M-FPE 30 June 2024 to RM14.18 million in 15M-FPE 30 September 2025, representing a reduction of approximately RM6.92 million (or 32.80%). This improvement was mainly due to better performance from the investment holding segment, where it recorded a lower annualised LBT of RM3.21 million in 15M-FPE 30 September 2025, as compared to an annualised LBT of RM22.13 million in 18M-FPE 30 June 2024. The improvement reflected lower corporate expenses and the absence of significant impairment charges at the holding-company level during the financial year. However, the Group's performance in the integrated maintenance, repair and overhaul service segment deteriorated, resulting in an annualised LBT of RM10.54 million as compared to an annualised PBT of RM0.03 million in 18M-FPE 30 June 2024.

The Group recorded a lower LAT of RM12.77 million for the 15M-FPE 30 September 2025 compared to an annualised LAT of RM20.71 million in the 18M-FPE 30 June 2024, reflecting a reduction of approximately RM7.94 million (or 38.33%) mainly due to higher annualised gross profit of RM5.93 million as compared to annualised gross profit of RM1.27 million for the 18M-FPE 30 June 2024 due to the reasons stated above.

Net cash generated from operating activities was RM3.42 million after taking into account the following key working capital changes:

(a) increased in trade and other payables by RM20.43 million mainly due to the increase in the following:

(aa) trade payables decreased by RM2.24 million during the 15M-FPE 30 September 2025, primarily as a result of settlements made to suppliers in respect of prior period obligations and the completion of outstanding contractual commitments; and

(ab) non-trade trade payables by RM22.67 million arising from:

- Other payable of RM17.50 million;
- Amount owing by/to director of RM5.11 million; and
- Amount owing by/to related parties of RM0.06 million.

(b) decreased in trade and other receivables by RM9.16 million mainly due to improvement in the collection and internal billing process;

(c) interest paid amounting to RM1.65 million mainly for bankers' acceptances, finance leases, bank overdrafts and term loans;

(d) decreased in inventories by RM1.47 million mainly due to the purchase of heavy machineries component;

(e) increased in contract assets by RM0.14 million and were fully reduced to zero, as all outstanding integrated maintenance, repair and overhaul services were invoiced and recognised as receivables by 15M-FPE 30 September 2025; and

(f) tax refund amounting to RM0.05 million.

(II) Annualised 18M-FPE 30 June 2024 vs Annualised 18M-FPE 31 December 2022

Handal Group's revenue decreased significantly by approximately RM18.78 million (or 53.31%) to an annualised revenue of RM16.45 million for the 18M-FPE 30 June 2024 (annualised revenue for 18M-FPE 31 December 2022: RM35.22 million). The lower revenue was primarily caused by subdued activity levels in crane maintenance and pipeline services due to the absence of large-scale offshore, pipeline isolation and riser service projects completed during the 18M-FPE 30 June 2024, coupled with a slower pace in contract replenishment as the Group focused on internal restructuring and cost realignment on its Crane Operations Business via the disposals of several subsidiaries, as set out below:

Date of Disposal	Subsidiary	Disposal consideration (RM)	Gain from the disposal[1] (RM)
30 November 2022	HESB	1.00	617,248.00
3 March 2023	BSOE	6.10	13,863,452.00
14 July 2023	HBRSB	529,200.00	19,232.00
18 July 2023	HDSB	693,000.00	32,877.00

Note:
(1) The gain on disposal was mainly due to the offsetting of the derecognition of the subsidiary's net liabilities and accumulated losses against the disposal consideration received.

The revenue from other segments increased modestly from an annualised RM0.37 million in 18M-FPE 31 December 2022 to RM1.39 million in 18M-FPE 30 June 2024, driven by higher ancillary services. The Group did not record revenue for the investment holdings, integrated crane services, fabrication of cranes, pipeline engineering services, trading and project services segments during the 18M-FPE 30 June 2024, due to subdued activity in the crane maintenance and pipeline engineering segments following the completion and non-renewal of major contracts, the cessation of trading operations.

Consequently, revenue in 18M-FPE 30 June 2024 was predominantly derived from the integrated MRO services segment, which contributed annualised revenue of RM15.27 million (92.82% of total annualised revenue). The shift in revenue composition from a diversified portfolio in earlier periods to a single dominant segment was due to the Group's focus on consolidating its core MRO business following the streamlining of operations and disposal of loss-making subsidiaries.

These disposals aimed at reducing operating costs, improving resource allocation efficiency, and refocusing on sustainable business segments with stable cash flow potential. The financial performance of the disposed subsidiaries is summarised below:

Subsidiary	Audited	
	18M-FPE 30 June 2024	
	PAT/ (LAT) (RM)	Accumulated losses (RM)
BSOE	-	(34,132,904)
HBRSB	(26,860)	(12,489)
HDSB	(19,690)	(1,058,187)

The disposals of these underperforming entities have allowed the Group to rationalise its cost structure and channel its financial and management resources towards the recovery and growth of the MRO segment.

The Group's annualised LBT improved from approximately RM26.94 million in 18M-FPE 31 December 2022 to RM21.10 million in 18M-FPE 30 June 2024, representing a reduction of approximately RM5.84 million (or 21.68%), due to the following:

(a) the absence of LBT from pipeline engineering and integrated crane services as explained above; and

(b) the investment holding segment recorded an annualised LBT of RM22.13 million in 18M-FPE 30 June 2024, compared to an annualised LBT of RM1.38 million in 18M-FPE 31 December 2022. The widening LBT was primarily attributable to higher corporate expenses and impairment charges recorded at the holding-company level.

This was partially offset by PBT from other segments with an annualised PBT of RM1.02 million in 18M-FPE 30 June 2024, compared to RM0.74 million on an annualised basis in 18M-FPE 31 December 2022. This improvement was mainly due to better performance from ancillary operations arising from its engineering project support consultancy services with an annualised other operating income of RM9.28 million.

The Group recorded a lower annualised LAT of RM20.71 million for the 18M-FPE 30 June 2024 compared to an annualised LAT of RM23.49 million in the 18M-FPE 31 December 2022, reflecting a reduction of RM2.78 million (or 11.82%) mainly due to:

(a) higher annualised other operating income of RM9.35 million for the 18M-FPE 30 June 2024 compared to annualised other operating income of RM1.36 million for the 18M-FPE 31 December 2022 due to the gains of RM9.28 million from the disposals of several subsidiaries during the 18M-FPE 31 December 2022; and

(b) lower annualised finance costs of RM0.55 million for the 18M-FPE 30 June 2024 compared to annualised finance costs of RM1.32 million due to lower lease liabilities.

Net cash used in operating activities was RM6.29 million after taking into account the following key working capital changes:

(a) increase in trade and other payables by RM3.97 million mainly due to the increase in following:

    (aa) trade payables reduced by RM0.84 million during the 18M-FPE 30 June 2024; primarily as a result of the utilisation of RM4.69 million from the proceeds of Private Placement 2024, which were earmarked for the repayment of trade payables and

    (ab) non-trade trade payables by RM4.80 million arising from other payables and accrual,

(b) decrease in trade and other receivables by RM2.96 million mainly due to an impairment loss of RM2.59 million recognised on certain receivables, as well as a reduction in revenue during the year, which resulted in fewer new receivables being generated;

(c) increase in amount owing to directors by RM1.77 million to fund the working capital requirement of the Group;

(d) increase in contract assets by RM0.60 million as a result of the recognition of revenue in 18M-FPE 30 June 2024 for integrated maintenance, repair and overhaul services performed, for which invoices had yet to be issued;

(e) increase in inventories by RM0.25 million mainly due of the acquisition of new subsidiary, Tenzin, which resulting in additional inventory level of heavy machinery for resale;

(f) interest paid amounting to RM0.82 million mainly for bankers' acceptances, finance leases, bank overdrafts and term loans; and

(g) tax paid amounting to RM0.14 million.

(III) Annualised 18M-FPE 31 December 2022 vs FYE 30 June 2021

Handal Group's revenue decreased by approximately RM35.26 million (or 50.02%) to the annualised revenue of RM35.22 million in the 18M-FPE 31 December 2022 (FYE 30 June 2021: RM70.48 million).

This decrease was mainly attributable to the following business segments:

(i) the revenue from pipeline engineering services decreased from RM31.81 million in FYE 30 June 2021 to annualised revenue of RM19.43 million in the 18M-FPE 31 December 2022, to a reduction of RM12.38 million. The decrease was mainly due to subdued offshore isolation works and project cancellations, following several postponements of oil production activities, caused by the prolonged impact of the COVID-19 pandemic and volatile crude oil prices, which led clients to defer maintenance and engineering projects;

(ii) the revenue from integrated crane services revenue declined from RM21.26 million in FYE 30 June 2021 to annualised revenue of RM12.74 million, due to fewer secured projects during the period, caused by slower contract replenishment and weaker market demand following the deferment of several maintenance activities;

(iii) the absence of revenue from the fabrication of cranes segment in 18M-FPE 31 December 2022 (FYE 30 June 2021: RM6.74 million), due to the suspension of fabrication activities following the completion of existing projects and the absence of new fabrication orders;

(iv) the revenue from the trading and project services fell from RM8.52 million in FYE 30 June 2021 to annualised revenue of RM2.68 million in the 18M-FPE 31 December 2022, to a reduction of RM5.84 million, due to the lower number of trading-related contracts secured during the period; and

(v) the revenue from other segments decreased from RM2.15 million in FYE 30 June 2021 to annualised revenue of RM0.37 million in the 18M-FPE 31 December 2022, mainly attributable to lower contributions from ancillary services.

The Group's profitability deteriorated significantly, from a LBT of RM1.36 million in FYE 30 June 2021 to an annualised LBT of approximately RM26.94 million for the 18M-FPE 31 December 2022, mainly due to the following:

(i) investment holding segment recorded an annualised LBT of RM1.38 million in 18M-FPE 31 December 2022, compared to a PBT of RM0.34 million in FYE 30 June 2021, due to higher corporate overheads and financing costs during the period;

(ii) integrated crane services recorded an annualised LBT of RM5.46 million, compared to LBT of RM6.96 million in FYE 30 June 2021, reflecting a slight improvement in LBT due to improvement in project volumes and cost recovery; and

(iii) pipeline engineering services fell sharply from PBT of RM5.15 million in FYE 30 June 2021 to an annualised loss of RM21.25 million for the 18M-FPE 31 December 2022, primarily driven by subdued offshore isolation works and project cancellations, following multiple postponements of oil production activities.

However, the above was partially offset by:

(i) trading and project services registered an annualised PBT of RM0.40 million in 18M-FPE 31 December 2022, compared to RM0.07 million in FYE 30 June 2021, reflecting a modest increase despite lower revenue, due to more profitable project mix and lower operating costs; and

(ii) other segments posted an annualised PBT of RM0.74 million, due to contributions from other income as well as lower administrative expenses following cost rationalisation measures.

The Group's LAT increased significantly to an annualised LAT of RM23.49 million in the 18M-FPE 31 December 2022 (FYE 30 June 2021: LAT of RM3.12 million), largely due to:

(i) lower revenue as stated above;

(ii) higher annualised administrative expenses of RM26.19 million for the 18M-FPE 31 December 2022 compared to the administrative expenses of RM24.83 million due to impairment in other receivables of RM2.54 million; and

(iii) higher annualised other operating expenses of RM6.91 million for the 18M-FPE 31 December 2022 compared to the other operating expenses of RM2.45 million due to the annualised impairment of intellectual property rights in relation to the crane fabrication processes of RM4.19 million.

Net cash generated from operating activities was RM7.84 million after taking into account the following key working capital changes:

(a) increase in trade and other payables by RM14.37 million mainly due to the increase in following:

    (aa) trade payables reduced by RM0.03 million mainly due to the disposal of the subsidiary, HESB in the 18M-FPE 31 December 2022; and

    (ab) non-trade trade payables by RM14.40 million arising from other payables, accrual and provisions.

(b) decrease in trade and other receivables by RM12.30 million mainly due to an impairment on other receivables amounting to RM3.80 million and bad debts written off of RM0.18 million. The reduction was also attributable to lower sales during the period, which resulted in fewer new receivables being generated;

(c) increase in contract assets by RM5.17 million as a result of the recognition of revenue in 18M-FPE 31 December 2022 for integrated crane services and pipeline engineering services performed, for which invoices had yet to be issued;

(d) increase in inventories by RM1.85 million mainly due to the purchase of raw materials, consumables and crane components;

(e) interest received amounting to RM0.35 million from fixed deposit;

(f) interest paid amounting to RM1.99 million mainly for bankers' acceptances, finance leases, bank overdrafts and term loans; and

(g) tax paid amounting to RM0.11 million.

The Group internally generated funds had been insufficient to fully meet the Group's operational requirements over the period from FYE 30 June 2021 to 15M-FPE 30 September 2025. This was attributable to several key factors:

(i) sustained operating losses in the Group's core business segments, particularly pipeline engineering and crane services, which have weighed on overall cash generation capacity;

(ii) high administrative and finance costs incurred at the investment holding level arising mainly from professional fees such as legal fee and advisory fee, corporate exercise-related expenses, as well as costs incurred for additional investments in subsidiaries and the acquisition of a new subsidiary, which continue to consume a significant portion of available cash flow;

(iii) significant legal and professional fee expenses associated with ongoing litigation involving certain subsidiaries, which have diverted cash resources away from operations; and

(iv) a declining revenue base in recent years due to the absence of new project secured during the financial year, resulting in lower overall business activities, which has reduced operating cash inflows.

As a result of these factors, the Group's internally generated funds have not been sufficient to support its working capital and operational funding requirements. Consequently, the Group has had to rely on external fund-raising exercises, including private placements to bridge cash flow gaps and sustain ongoing operations.

7.5 Information of the Impairments, Write-offs and Receivables Ageing Analysis of the Group

7.5.1. Impairments and Write-offs

	Audited			Unaudited
	FYE 30 June 2021	18M-FPE 31 December 2022[(1)]	18M-FPE 30 June 2024[(2)]	15M-FPE 30 September 2025[(3)]
	RM'000	RM'000	RM'000	RM'000
Trade receivables	226[(4)]	-	2,593[(8)]	
Bad debts written-off	-	178[(5)]	-	
Other receivables (individually impaired)	-	3,805[(6)]	-	
Intellectual property rights	-	6,281[(7)]	-	
Goodwill	-	-	21,000[(9)]	7,452[(9)]
Total	**226**	**10,264**	**23,593**	**7,452**

Notes:
(1) The Company had on 26 October 2022 announced the change in its financial year end from 30 June to 31 December.
(2) The Company had on 23 February 2024 announced the change in its financial year end from 31 December to 30 June.
(3) The Company had on 23 October 2025 announced the change in its financial year end from 30 June to 31 December.
(4) Provision for doubtful debts was made in accordance with the requirements of MFRS 9 due to delays in payments and deteriorating credit profiles of certain customers.
(5) Represented long outstanding balances that were deemed irrecoverable due to unsuccessful recovery efforts, and lack of response from the counterparties.
(6) Related to non-trade receivables that were assessed to be non-recoverable due to the counterparties' financial difficulties and the absence of enforceable repayment arrangements.
(7) Represented the cost of acquiring the ownership of the intellectual property rights of the "SEACRANE" offshore pedestal crane product line, which was impaired as the Group was lack of the economies of scale to fabricate these cranes in light of increased logistics costs on long lead item that form an integral part of the crane fabrication process.
(8) Represented lifetime expected credit losses recognised in accordance with MFRS 9.
(9) Goodwill arising from past acquisition of subsidiary amounting to RM28,128,666 was impaired as the recoverable amounts of the related cash-generating units ("**CGUs**") were lower than their carrying amounts, due to continued losses and weak future business prospects. The subsidiary with impaired goodwill is set out in the table below:

Date of Acquisition	Name of subsidiary	Purchase Consideration (RM)	Goodwill impaired (RM)
13 August 2019	BSOE	25,500,000	28,452,400

7.5.2. Receivables Ageing Analysis

	Audited		
	FYE 30 June 2021	18M-FPE 31 December 2022[(1)]	18M-FPE 30 June 2024[(2)]
	RM'000	RM'000	RM'000
Neither past due nor impaired	7,222	2,345	2,685
Past due 1–30 days	423	111	565
Past due 31–60 days	188	39	898
Past due 61–90 days	225	1	486
Past due >90 days	2,508	145	9,294
Individually impaired	-	262	262
Lifetime expected credit loss provision	-	-	2,593
Total	**10,566**	**2,903**	**16,783**

Notes:
(1) The Company had on 26 October 2022 announced the change in its financial year end from 30 June to 31 December.
(2) The Company had on 23 February 2024 announced the change in its financial year end from 31 December to 30 June.

The Group's standard credit terms are 30 to 45 days, with exceptions approved on a case-by-case basis. However, annualised receivables past due by more than 90 days were significantly higher in 18M-FPE 30 June 2024 (RM6.20 million) compared to prior periods, reflecting project-specific collection delays.

(i) In FYE 30 June 2021, the Group recognised impairment of RM0.23 million on trade receivables under MFRS 9, primarily for amounts overdue beyond 90 days;

(ii) In 18M-FPE 31 December 2022, total impairments amounted to RM10.26 million mainly comprising RM6.28 million on the "SEACRANE" intellectual property, RM3.81 million on other receivables, and RM0.18 million in bad debts written off; and

(iii) In 18M-FPE 30 June 2024, total impairments increased to RM23.59 million, largely due to goodwill impairment of RM21.00 million and trade receivables of RM2.59 million.

Collection challenges were primarily concentrated among project-based oil and gas clients, where milestone disputes, slower project execution, and extended settlement timelines led to receivables remaining outstanding well beyond credit terms. Some receivables were also subject to protracted commercial negotiations or legal proceedings, which further delayed recovery.

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7.6 Impact and value creation of the Proposals to Handal Group and its shareholders

Presently, the Group has been relying on bank overdrafts and term loans from banks to fund its working capital requirements for the Group including the payment of its outstanding trade and other payables. As set out in **Section 2** of this Circular, the Proposed Private Placement II is expected to raise proceeds of up to RM7.68 million. The Board is of the view that the proceeds to be raised from the Proposed Private Placement II for its working capital for the Group and payment to accrued trade creditors will thereby enhance its operational effectiveness by reducing its reliance on the bank borrowings which will have the added benefits of reducing the financing cost of the Group, as well as address the Group's immediate cash flow requirements for the working capital to facilitate its operating activities. However, the Proposed Private Placement II will result to have a dilutive effect on the existing shareholders' shareholdings in Handal, as a result of the increase in the number of issued Handal Shares upon issuance of the Placement Shares II to the placee(s).

The Proposed ESOS aims to acknowledge, reward, incentivise and retain Eligible Persons whose contributions have been instrumental in fostering the growth and performance of the Group. By recognising and valuing their efforts, the Group endeavours to reinforce a sense of commitment and loyalty among these key contributors. Through the grant of ESOS Options at a predetermined Exercise Price, the Proposed ESOS incentivises the Eligible Persons to continue with their contribution to the future growth of the Group and aligns their interests with the Group's long-term strategic goals to drive shareholder value enhancement. As the business performance of the Group improves, the potential market price appreciation of Handal Shares in the long-term enables the Eligible Persons to realise higher capital returns upon exercising their ESOS Options. Premised on the foregoing, the Board is of the opinion that the Proposed ESOS will incentivise its employees to improve the financial performance of the Group and thus enhance the value of the shareholders of the Group in the long-term.

The Proposed Share Capital Reduction will allow the Company to eliminate its existing accumulated losses by setting off against the credit arising from the cancellation of share capital, thus assisting to rationalise the statement of financial position of the Company. In addition, it will enhance the Company's ability to declare and pay dividends out of the retained earnings in the future, as and when appropriate, when the Company returns to profitability.

7.7 Adequacy of the Proposals in addressing Handal Group's financial concerns

As at the LPD, Handal Group's cash and bank balances stood at approximately RM0.02 million, which the Group intends to preserve for the working capital requirements of its Crane Operations Business.

After considering all aspects of the Proposals, including their rationale, use of proceeds of the Proposed Private Placement II and the effects of the Proposals, the Board views them as appropriate measures to improve the Group's financial position. The expected benefits from these initiatives will contribute positively to the Group's overall performance. The successful implementation of the Proposals will enable the Group to improve its financial position towards enhancing its financial performance as well as its shareholders' value.

The Board will continue to evaluate the viability of other measures to ensure the sustainability of Handal Group's financial performance as well as consider various fund-raising avenues, if required, to meet its cash flow requirements in the medium to long term if the need arises. The Board has also been taking various steps to improve the Group's financial conditions, as set out in **Section 7.7** of this Circular. Premised on these efforts, the Board (save for the Eligible Directors in relation to the Proposed ESOS) is of the view that the Proposals are in the best interest of the Group after considering all of the aspects of the Proposals and the Group's current financial requirements. The Board (save for the Eligible Directors in relation to the Proposed ESOS) is of the view that the Proposals would adequately address the Group's financial concerns in the medium to long-term.

7.8 Steps taken or to be undertaken by the Handal Group to improve its financial situation

The Group has undertaken the following steps to improve its financial performance and strengthen its financial position:

(i) realigning its business focus towards core, high value service segments by broadening its service portfolio beyond offshore cranes to include a wider range of turbo machinery, thereby enabling the Group to offer end-to-end, non-OEM MRO services and positioning the Group as an integrated one-stop centre for O&G related MRO solutions;

(ii) enhancing its technical capabilities through the exploration of strategic collaborations with international O&G service providers to gain access to advanced technologies, co-develop lifecycle service solutions for its turbo machinery and cranes and strengthen the Group's ability to meet the evolving needs of Malaysian O&G operators;

(iii) investing in structured training and development programmes to upskill its workforce with relevant technical expertise in turbo machinery and offshore MRO services, thereby supporting the Group's expanded service scope and maintaining service quality standards; and

(iv) intensifying market penetration efforts by targeting underserved markets within Malaysia's upstream O&G sector, in view of rising demand for cost-efficient MRO services arising from ageing infrastructure, which is expected to provide the Group with new revenue opportunities and support recurring income streams.

The Board will continue to assess and pursue strategic opportunities that align with the core strengths and market trends. In view of the steps undertaken as abovementioned, the Board is confident that these initiatives will contribute positively to the Group's financial recovery and long-term sustainability.

8. POTENTIAL DILUTION TO THE EXISTING SHAREHOLDERS' SHAREHOLDINGS IN THE COMPANY ARISING FROM THE PRIVATE PLACEMENT I AND PROPOSED PRIVATE PLACEMENT II

The Private Placement I and Proposed Private Placement II will involve the issuance of new Handal Shares to the placees. Hence, the increase in number of new Handal Shares will result in dilution of existing shareholders' shareholdings in Handal upon the completion of the Private Placement I and Proposed Private Placement II. As a result, their proportionate entitlements to any dividends, rights, allotments and/or other distributions that the Company may declare, make or pay after completion of the Private Placement I and Proposed Private Placement II will be correspondingly diluted.

The Private Placement I and Proposed Private Placement II will result in a corresponding dilution in the percentage shareholdings of Handal's existing shareholders due to the increase in the number of Handal Shares in issue as follows:

Minimum Scenario:

Illustrative effects	As at the LPD	After the Private Placement I	After the Proposed Private Placement II
No. of issued shares of the Company	430,331,019 Shares (excluding treasury shares of 310,200 Handal Shares)	451,361,019 Shares (inclusive of remaining 21,030,000 Placement Shares I)	574,451,019 Shares (inclusive of 123,090,000 Placement Shares II)
Aggregate shareholding percentage of the Company's existing shareholders	100%	95.34% (Assuming none of the remaining Placement Shares I are issued to the Company's existing shareholders)	78.57% (Assuming none of the Placement Shares II are issued to the Company's existing shareholders)

Maximum Scenario:

Illustrative effects	As at the LPD	After full exercise of the Warrants B	After the Private Placement I	After the Proposed Private Placement II
No. of issued shares of the Company	430,331,019 Shares (excluding treasury shares of 310,200 Handal Shares)	616,830,892 Shares (excluding treasury shares of 310,200 Handal Shares)	656,510,892 Shares (inclusive of remaining 39,680,000 Placement Shares I)	853,460,892 Shares (inclusive of 196,950,000 Placement Shares II)
Aggregate shareholding percentage of the Company's existing shareholders	100%	100%	93.96% (Assuming none of the remaining Placement Shares I are issued to the Company's existing shareholders)	76.92% (Assuming none of the Placement Shares II are issued to the Company's existing shareholders)

In addition, the market price of the Company's Shares may be subject to volatility with the increased number of Placement Shares I and Placement Shares II, it may also be influenced by, amongst others, the prevailing equity market sentiments, the volatility of equity markets, the liquidity of the Shares, the outlook of the industry in which the Group's operate in and future profitability of the Group. Therefore, there can be no assurance that Company's Shares will trade at or above the current market price upon completion of the Private Placement I and Proposed Private Placement II.

Nevertheless, the Private Placement I and Proposed Private Placement II are expected to enhance Handal Group's capital base as well as to support the growth and operational needs of its existing businesses.

9. RISK FACTORS OF THE GROUP

9.1 Order Book Pipeline

As the Group did not secure any new projects during 15M-FPE 30 September 2025, the absence of new contracts obtain exposes the Group to financial performance and business sustainability risk, which may have material effects on the Group's future prospects:

(i) Financial Performance Risk

The lack of new contracts obtain may result in revenue shortfalls once existing contracts are completed, leading to potential revenue gaps in future financial periods. This situation may cause earnings volatility and reduce the Group's ability to achieve consistent financial results across reporting periods. In addition, weaker cash flow generated from operations may affect the Group's liquidity position, potentially constraining its working capital and ability to fund ongoing obligations or new project efficiently.

(ii) Business Sustainability Risk

A prolonged absence of new contracts obtain may undermine the long-term viability and competitiveness of the Group. A decreasing order book could reduce the Group's market visibility, making it more difficult to secure future contracts. Furthermore, an inconsistent order book such as irregular or unpredictable contract inflows where the Group experiences periods with limited or no new projects followed by short-term or ad-hoc jobs may impact the Group's ability to retain and attract skilled personnel.

The Group is closely monitoring these developments and is evaluating appropriate strategic and operational measures to mitigate these risks, including pursuing new project opportunities to align with prevailing market conditions.

9.2 Ongoing Material Litigations

As at the LPD, the maximum potential exposure liabilities of the Group arising from all the ongoing material litigations, as highlighted in **Section 4** of **Appendix II** of this Circular, amount to approximately RM169,000,000.00. This represents the aggregate maximum claims sought against the Group, inclusive of the claims, interests, costs and/or any other ancillary amounts, and prior to taking into account the Group's potential defences and/or counterclaims, prospects of success, and/or any possible settlement outcomes.

Notwithstanding the above, based on the advice from the litigation solicitors on the potential outcome of the material litigations against the Group as at the LPD, the Group is of the view that the potential impairment exposure is approximately RM400,000.00. This amount is derived from the Group's assessment of the estimated exposure arising from the contingent liabilities that have not yet been recognised in the financial statements, representing the aggregate potential financial impact to the Group in the event that adverse judgments are rendered and fully enforced against the Group. For clarity, this amount relates to several non-material litigation claims, each of which individually falls below the materiality threshold and are therefore not disclosed in this Circular.

Should the Group not succeed in defending these legal proceedings and the claims are required to be fully settled, the Group would be required to record the corresponding impairment losses in its financial statements, which may adversely affect the Group's financial performance and shareholders' funds in the financial year which was recorded. The actual financial impact, however, will depend on the final outcome of the legal proceedings, which remains uncertain at this juncture.

The Board has made adequate provisions for potential losses in the financial statements and does not expect further material impact beyond the amount provided. This is because the provisions are made based on the Group's assessment of the likely outcome of the ongoing material litigations, taking into consideration, among others, the advice of the Group's litigation solicitors, the merits of the respective cases, the Group's available defences and counterclaims, as well as the probability of adverse outcomes. While the aggregate maximum potential exposure liabilities amount to approximately RM169,000,000.00, this figure represents the gross claims sought by the respective plaintiffs prior to taking into account the Group's defences, prospects of success and possible settlement outcomes. Based on legal advice received, the Board is of the view that the likelihood of such maximum claims being awarded and fully enforced against the Group is remote. Accordingly, the provisions recognised are considered sufficient to reflect the Group's estimated exposure, and the Board does not expect any further material adverse impact on the Group's financial position beyond the amount provided.

The Board and management are closely monitoring the progress of these cases, and will take appropriate actions to safeguard the Group's interest.

9.3 Practice Note 17

The following table sets out the compliance status of the Group for the prescribed criteria under the paragraph 2.1 of Practice Note 17 of the Listing Requirements, based on its latest audited financial statements for the 18M-FPE 30 June 2024 and latest unaudited financial statements for the 15M-FPE 30 September 2025 as follows:

Paragraph	Prescribed Criteria	Audited As at 30 June 2024		Unaudited As at 30 September 2025	
		(RM'000)	(%)	(RM'000)	(%)
2.1 (a)	The shareholders' equity of the listed issuer on a consolidated basis is **25% or less of the share capital** (excluding treasury shares) of the listed issuer **and** such shareholders' equity **is less than RM40 million**				

Paragraph	Prescribed Criteria	Audited As at 30 June 2024 (RM'000)	(%)	Unaudited As at 30 September 2025 (RM'000)	(%)
	Shareholders' equity / Share capital	15,639 / 35,720 =	43.78	34,427 / 35,720 =	96.38

As at 30 June 2024, the shareholders' equity of Handal on a consolidated basis is 43.78% of the share capital of Handal, which is more than 25% of the share capital (excluding treasury shares) of Handal.

As at 30 September 2025, the shareholders' equity of Handal on a consolidated basis is 96.38% of the share capital of Handal, which is more than 25% of the share capital (excluding treasury shares) of Handal.

Based on the Board's current assessment of the Group's financial position, the Company does not presently trigger any prescribed criteria under the Practice Note 17 of the Listing Requirements and is not expected to trigger any prescribed criteria under the Practice Note 17 of the Listing Requirements after the implementation of the Proposals.

As at the LPD, neither the Company nor any of its major subsidiaries or major associated companies has defaulted in the payment of interest, principal sums, or both, in respect of any credit facility or debt securities pursuant to Paragraph 9.19A of the Listing Requirements.

9.4 Public Shareholding spread

As at the LPD, the public shareholding spread of the Company stood at 94.36%. Based on the illustrative minimum and maximum dilution scenarios set out in **Section 8** of this Circular, the Private Placement I and Proposed Private Placement II are expected to result in an increase in the Company's issued share capital from 430,331,019 Handal Shares as at the LPD to up to 574,451,019 Handal Shares (Minimum Scenario) or 853,460,892 Handal Shares (Maximum Scenario), assuming full issuance of all Placement Shares under both exercises.

The dilution of the existing shareholders' shareholding percentage is expected to range from approximately 4.66% after the Private Placement I to 21.43% after the Proposed Private Placement II under the Minimum Scenario. Whereas, the existing shareholders' shareholding percentage is expected to range from approximately 6.04% after the Private Placement I to 23.08% after the Proposed Private Placement II under the Maximum Scenario, as set out in **Section 8** of this Circular.

The Proposed ESOS will involve the grant of options to eligible directors and employees and will not, in itself, have any immediate impact on the public shareholding spread until the options are exercised.

Notwithstanding the dilutive impact of the Private Placement I and Proposed Private Placement II, the public shareholding spread of the Company is expected to remain well above the minimum public spread requirement of 25%.

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10. EFFECTS OF THE PROPOSALS

The Proposed ESOS is not expected to have any immediate effect on the issued share capital of the Company, NA, NA per Share and gearing of the Group until such time when Shares are issued pursuant to the Proposed ESOS. In this regard, any potential effects on the issued share capital of the Company, NA, NA per Share and gearing of the Group will depend on the actual number of Shares to be issued upon the exercise of the ESOS Options granted under the Proposed ESOS and the Exercise Price.

For illustrative purposes, the pro forma effects of the Proposals on Handal's issued share capital, NA, NA per share, gearing, EPS/LPS and the substantial shareholders' shareholdings are set out below:

10.1 Issued share capital

The pro forma effects of the Private Placement I, Proposed Private Placement II, Proposed ESOS and Proposed Share Capital Reduction on the share capital of Handal are as follows:

	Minimum Scenario		**Maximum Scenario**	
	No. of Shares	**RM**	**No. of Shares**	**RM**
As at the LPD	430,641,219	36,957,766	430,641,219	36,957,766
Less: Treasury shares	(310,200)	(72,044)	(310,200)	(72,044)
Share capital as at the LPD (excluding treasury shares)	430,331,019	36,885,722	430,331,019	36,885,722
Assuming all Warrants B are exercised	-	-	186,499,873	14,919,990[(1)]
	430,331,019	36,885,722	616,830,892	51,805,712
Shares to be issued pursuant to the Private Placement I	21,030,000	820,170[(2)]	39,680,000	1,547,520[(2)]
After the Private Placement I	451,361,019	37,705,892	656,510,892	53,353,232
Shares to be issued pursuant to the Proposed Private Placement II	123,090,000	4,800,510[(3)]	196,950,000	7,681,050[(3)]
After the Proposed Private Placement II	574,451,019	42,506,402	853,460,892	61,034,282
To be issued pursuant to the Proposed ESOS Options	86,167,600	3,360,536[(4)]	128,019,100	4,992,745[(4)]
After the Proposed ESOS	660,618,619	45,866,938	981,479,992	66,027,027
To be cancelled pursuant to the Proposed Share Capital Reduction	-	(28,000,000)[(5)]	-	(28,000,000)[(5)]
Enlarged Share Capital after the Proposals	**660,618,619**	**17,866,938**	**981,479,992**	**38,027,027**

Notes:

(1) Based on the exercise price of RM0.08 per Warrant B.
(2) Based on the indicative issue price of RM0.0390 per Placement Share I.
(3) Based on the indicative issue price of RM0.0390 per Placement Share II.
(4) Based on an illustrative Exercise Price of RM0.0390 per ESOS Option.
(5) After setting off RM28.00 million from the Company's accumulated losses due to the cancellation of the Company's issued share capital in relation to the Proposed Share Capital Reduction.

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10.2 NA and gearing

Based on the latest audited consolidated statements of financial position of the Group as at 30 June 2024, the pro forma effects of the Proposals on the NA, NA per Share and gearing of the Group are set out as follows:

Minimum Scenario

	(Audited)	**(I)**	**(II)**	**(III)**	**(IV)**	**(V)**
	As at 30 June 2024	**After subsequent event and up to the LPD**	**After (I) and the Private Placement I**	**After (II) and the Proposed Private Placement II**	**After (III) and the exercise of all ESOS Options**	**After (IV) and the Proposed Share Capital Reduction**
	RM	**RM**	**RM**	**RM**	**RM**	**RM**
Share capital	35,720,081#	36,256,081(1)	37,076,251(2)	41,876,761(4)	45,237,297(5)	17,237,297(6)
Treasury shares	(72,044)	(72,044)	(72,044)	(72,044)	(72,044)	(72,044)
Warrants B reserves	14,920,000	14,920,000	14,920,000	14,920,000	14,920,000	14,920,000
Accumulated losses	(34,929,244)	(34,929,244)	(35,389,244)(3)	(35,389,244)	(35,389,244)	(7,389,244)(6)
Shareholders' funds / NA	**15,638,793**	**16,174,793**	**16,534,963**	**21,335,473**	**24,696,009**	**24,696,009**
No. of Shares in issue	410,331,019	430,331,019	451,361,019	574,451,019	660,618,619	660,618,619
NA per Share (RM)	0.04	0.04	0.04	0.04	0.04	0.04
Total borrowings*	14,168,190	14,168,190	14,168,190	14,168,190	14,168,190	14,168,190
Gearing (times)	0.91	0.88	0.86	0.66	0.57	0.57

Notes:

\# Based on the latest audited consolidated statements of financial position of the Group as at 30 June 2024.

* Including lease liabilities.

(1) After taking into consideration the allotment and issuance of 20,000,000 Placement Shares I at RM0.0268 each which was completed on 29 December 2025.

(2) Based on the indicative issue price of RM0.0390 per Placement Share I.

(3) After deducting estimated expenses of RM0.46 million for the Proposals.

(4) Based on the indicative issue price of RM0.0390 per Placement Share II.

(5) Based on an illustrative Exercise Price of RM0.0390 per ESOS Option.

(6) After setting off RM28.00 million from the Company's accumulated losses due to the cancellation of the Company's issued share capital in relation to the Proposed Share Capital Reduction.

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Maximum Scenario

	(Audited)	(I)	(II)	(III)	(IV)	(V)	(VI)
	As at 30 June 2024 RM	After subsequent event and up to the LPD RM	After (I) and assuming full exercise of the Warrants B RM	After (II) and the Private Placement I RM	After (III) and the Proposed Private Placement II RM	After (IV) and the exercise of all ESOS Options RM	After (V) and the Proposed Share Capital Reduction RM
Share capital	35,720,081[#]	36,256,081[(1)]	51,176,071[(2)]	52,723,591[(3)]	60,404,641[(5)]	65,397,386[(6)]	37,397,386[(7)]
Treasury shares	(72,044)	(72,044)	(72,044)	(72,044)	(72,044)	(72,044)	(72,044)
Warrants B reserves	14,920,000	14,920,000	-	-	-	-	-
Accumulated losses	(34,929,244)	(34,929,244)	(34,929,234)	(35,389,234)[(4)]	(35,389,234)	(35,389,234)	(7,389,234)[(7)]
Shareholders' funds / NA	**15,638,793**	**16,174,793**	**16,174,793**	**17,262,313**	**24,943,363**	**29,936,108**	**29,936,108**
No. of Shares in issue	410,331,019	430,331,019	616,830,892	656,510,892	853,460,892	981,479,992	981,479,992
NA per Share (RM)	0.04	0.04	0.03	0.03	0.03	0.03	0.03
Total borrowings*	14,168,190	14,168,190	14,168,190	14,168,190	14,168,190	14,168,190	14,168,190
Gearing (times)	0.91	0.88	0.88	0.82	0.57	0.47	0.47

Notes:
Based on the latest audited consolidated statements of financial position of the Group as at 30 June 2024.
* Including lease liabilities.
(1) After taking into consideration the allotment and issuance of 20,000,000 Placement Shares I at RM0.0268 each which was completed on 29 December 2025.
(2) Assuming all outstanding 186,499,873 Warrants B are exercised into 186,499,873 new Handal Shares at the exercise price of RM0.08 for each new Handal Share.
(3) Based on the indicative issue price of RM0.0390 per Placement Share I.
(4) After deducting estimated expenses of RM0.46 million for the Proposals.
(5) Based on the indicative issue price of RM0.0390 per Placement Share II.
(6) Based on an illustrative Exercise Price of RM0.0390 per ESOS Option.
(7) After setting off RM28.00 million from the Company's accumulated losses due to the cancellation of the Company's issued share capital in relation to the Proposed Share Capital Reduction.

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10.3 Substantial shareholders' shareholdings

The Proposed Share Capital Reduction will not have any effects on the substantial shareholders' shareholdings of Handal as they do not involve the issuance of any new Handal Shares. The effects of the Private Placement I, Proposed Private Placement II and the Proposed ESOS on the substantial shareholders' shareholdings in Handal as at the LPD are as follows:

Minimum Scenario

Name	As at the LPD				(I) After the Private Placement I			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Datuk Mohd Idzwan Izuddin Bin Ab Rahman	24,265,150	5.64	-	-	24,265,150	5.38	-	-
Placees	-	-	-	-	21,030,000	4.66	-	-

Name	(II) After the Proposed Private Placement II				(III) After the Proposed ESOS			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Datuk Mohd Idzwan Izuddin Bin Ab Rahman	24,265,150	4.22	-	-	24,265,150	3.67	-	-
Placees	144,120,000	25.09	-	-	144,120,000	21.82	-	-

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Maximum Scenario

Name	As at the LPD				(I) Assuming all Warrants B are exercised			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Datuk Mohd Idzwan Izuddin Bin Ab Rahman	24,265,150	5.64	-	-	24,265,150	3.93	-	-
Placees	-	-	-	-	-	-	-	-

Name	(II) After the Private Placement I				(III) After the Proposed Private Placement II			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Datuk Mohd Idzwan Izuddin Bin Ab Rahman	24,265,150	3.70	-	-	24,265,150	2.84	-	-
Placees	39,680,000	6.04	-	-	236,630,000	27.73	-	-

Name	(IV) After the Proposed ESOS			
	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Datuk Mohd Idzwan Izuddin Bin Ab Rahman	24,265,150	2.47	-	-
Placees	236,630,000	24.11	-	-

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10.4 Earnings and EPS/LPS

(i) Proposed Private Placement II

The Proposed Private Placement II is not expected to have any material effect on the earnings of Handal Group for the FYE 31 December 2026 as the Proposed Private Placement II shall be completed within 6 months from the date of approval from Bursa Securities or any other extended period as may be approved by Bursa Securities whilst the proceeds to be raised are expected to be utilised within 12 months from the completion of the Proposed Private Placement II. Nevertheless, the Proposed Private Placement II is expected to contribute positively to the future earnings of the Group via the utilisation of the proceeds as set out in **Section 2.5** of this Circular.

Subsequent to the completion of the Proposed Private Placement II, the EPS/LPS will be correspondingly diluted due to the increase in the number of Shares pursuant to the Proposed Private Placement II. However, the Proposed Private Placement II is expected to contribute positively to the future earnings and EPS/LPS of the Group when the economic and financial benefits from the use of proceeds are realised.

(ii) Proposed ESOS

The Proposed ESOS is not expected to have any material effect on the earnings/losses of the Group, save for the possible impact of the MFRS 2 upon granting of the ESOS Options. However, any potential effect on the EPS/LPS of the Group in the future would depend on the impact of MFRS 2, the number and Exercise Price of the ESOS Options exercised as well as the utilisation of the proceeds arising therefrom.

Under the MFRS 2, the potential cost arising from the issuance of the ESOS Options, which is measured by the fair value of the ESOS Options after taking into account, inter-alia, the number of ESOS Options granted and vested and the Exercise Price, will need to be measured at the grant date and to be recognised as an expense over the vesting period and therefrom may affect the future earnings of the Group, the quantum of which can only be determined at the grant date. However, the estimated cost does not represent a cash outflow by the Company as it is merely an accounting treatment.

Nonetheless, the Group has taken note of the potential impact of the MFRS 2 on the Group’s future earnings and shall take into consideration such impact in the allocation and granting of ESOS Options to the Eligible Persons.

Notwithstanding the above, the EPS/LPS of the Group will be diluted due to the Company’s enlarged issued share capital arising from the issuance of new Handal Shares if and when the ESOS Options are exercised in the future. The effects of any exercise of the ESOS Options on the EPS/LPS of the Group would depend on the returns to be generated by the Group from the utilisation of proceeds from the exercise of the ESOS Options.

(iii) Proposed Share Capital Reduction

The Proposed Capital Reduction is not expected to have any immediate material effect on the earnings of Handal Group for the FYE 31 December 2026.

10.5 Convertible securities

As at the LPD, the Company does not have any outstanding convertible securities or options save for the existing Warrants B.

The Proposals will not result in any adjustment to the exercise price and/or number of the Warrants B.

11. HISTORICAL PRICES OF HANDAL SHARES

The monthly highest and lowest transacted market prices of Handal Shares for the past 12 months are as follows:

	Highest (RM)	Lowest (RM)
2025		
February	0.065	0.050
March	0.060	0.045
April	0.055	0.040
May	0.050	0.040
June	0.050	0.040
July	0.055	0.040
August	0.050	0.035
September	0.045	0.035
October	0.040	0.030
November	0.040	0.030
December	0.035	0.025
2026		
January	0.035	0.025

The last transacted market price of the Shares on 26 August 2025 (being the trading day prior to the Announcement) was RM0.04 each.

The last transacted market price of the Shares on the LPD was RM0.03 each.

(Source: Bloomberg Finance L.P.)

12. APPROVALS REQUIRED

The Proposals are subject to approvals being obtained from the following:

(i) Bursa Securities for the listing and quotation of:

(a) up to 196,950,000 Placement Shares II on the Main Market of Bursa Securities pursuant to the Proposed Private Placement II; and

(b) for such number of Handal Shares, representing up to 15% of the Company's total number of issued Shares (excluding treasury shares, if any), to be issued on the Main Market of Bursa Securities pursuant to the Proposed ESOS.

(ii) the shareholders of Handal at the EGM to be convened, for the Proposed Private Placement II, Proposed ESOS and Proposed Share Capital Reduction.

13. CONDITIONALITY OF THE PROPOSALS

The Private Placement I, Proposed Private Placement II, Proposed ESOS and the Proposed Share Capital Reduction are not inter-conditional with each other. It is the intention of the Company to implement the Private Placement I first, followed by the Proposed Private Placement II, then the Proposed ESOS and subsequently the Proposed Share Capital Reduction.

Save as disclosed, the Proposals are not conditional upon any other corporate proposal undertaken or to be undertaken by the Company.

14. CORPORATE PROPOSAL ANNOUNCED BUT PENDING COMPLETION

The Board confirms that there is no corporate proposal which the Company has announced but not yet completed prior to the printing of this Circular, other than the Proposals and Private Placement I.

15. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND PERSONS CONNECTED

15.1 Proposed Private Placement II

None of the other Directors, major shareholders and chief executive of the Company and persons connected with them have any interest, direct or indirect, in the Proposed Private Placement II in view that the Placement Shares II arising from the Proposed Private Placement II will not be issued to them.

15.2 Proposed ESOS

Save as disclosed below, none of the other Directors, major shareholders and chief executive of the Company and persons connected with them have any interest, direct or indirect, in the Proposed ESOS.

Nevertheless, all Directors of the Company are eligible to participate in the Proposed ESOS and are therefore deemed interested to the extent of their respective proposed allocations and the proposed allocations to persons connected with them, if any, under the Proposed ESOS. Notwithstanding this, the Board has deliberated on the Proposed ESOS as a whole and have agreed to present the Proposed ESOS to the shareholders for their consideration and approval at the EGM to be convened.

Accordingly, all Directors of the Company have and will continue to abstain from all Board deliberations, voting expressing an opinion and making recommendations at the relevant Board meetings in respect of their respective proposed allocations of ESOS Options and the proposed allocations of ESOS Options of persons connected with them under the Proposed ESOS, if any, at the relevant Board meetings.

The Directors who are deemed persons connected with Eligible Persons under the Proposed ESOS, if any, have and will continue to abstain from all Board deliberations and voting in respect of the proposed allocations to persons connected with them under the Proposed ESOS, if any, at the relevant Board meetings.

The Eligible Directors will also abstain from voting in respect of their respective direct and/or indirect shareholdings in the Company on the ordinary resolutions pertaining to the Proposed ESOS, proposed allocations to them and the proposed allocations to persons connected with them, if any, under the Proposed ESOS, to be tabled at the EGM to be convened. They will also undertake to ensure that persons connected with them, if any, will abstain from voting in respect of their direct and/or indirect shareholdings in the Company on the ordinary resolutions pertaining to the Proposed ESOS, proposed allocations to themselves and persons connected with them, if any, under the Proposed ESOS, to be tabled at the EGM to be convened.

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The details of shareholdings of the Directors and major shareholder of the Company as at the LPD are as follows:

	Direct		Indirect	
	No. of Shares	**%**	**No. of Shares**	**%**
<u>Director and major shareholder</u>				
Datuk Mohd Idzwan Izuddin Bin Ab Rahman	24,265,150	5.64	-	-
<u>Directors</u>				
YB Muhamad Arafat Bin Varisai Mahamad	-	-	-	-
Vivien Xu Tiantian	-	-	-	-
William H Van Vliet III	-	-	-	-
Lee Yueh Shien	-	-	-	-
Cheah Ben Lee	-	-	-	-
Rahimah Shamila Binti Abdullah	-	-	-	-
Zhang Yan	-	-	-	-

15.3 Proposed Share Capital Reduction

None of the Company's Directors, major shareholder, chief executive and persons connected with them have any interest, direct or indirect, in the Proposed Share Capital Reduction.

16. RECOMMENDATION AND BASIS OF RECOMMENDATION

16.1 Proposed Private Placement II

The Board, after having considered all aspects of the Proposed Private Placement II (including but not limited to the utilisation of proceeds, rationale and effects of the Proposed Private Placement II), is of the opinion that the Proposed Private Placement II is in the best interest of the Company and accordingly recommends the shareholder to vote **in favour** of the resolution in respect of the Proposed Private Placement II to be tabled at the forthcoming EGM.

16.2 Proposed ESOS

As disclosed in **Section 15** of this Circular, all Directors of the Company are eligible to participate in the Proposed ESOS and are therefore deemed interested in the Proposed ESOS to the extent of their respective proposed allocations of ESOS Options as well as the proposed allocations of ESOS Options to persons connected with them, if any, under the Proposed ESOS. Notwithstanding this, the Board has deliberated on the Proposed ESOS as a whole and have agreed to present the Proposed ESOS to the shareholders for their consideration and approval at the EGM to be convened.

Accordingly, all Directors of the Company have and will continue to abstain from all Board deliberations, voting, expressing an opinion and making recommendations at the relevant Board meetings in respect of their respective proposed allocations of ESOS Options and the proposed allocations of ESOS Options to Persons Connected with them under the Proposed ESOS, if any, at the relevant Board meetings.

16.3 Proposed Share Capital Reduction

The Board, after having considered all aspects of the Proposed Share Capital Reduction, including but not limited to the rationale and effects of the Proposed Share Capital Reduction, is of the opinion that the Proposed Share Capital Reduction is in the best interests of the Company.

Accordingly, the Board recommends the shareholders to vote **in favour** of the resolution pertaining to the Proposed Share Capital Reduction to be tabled at the forthcoming EGM.

17. TIMEFRAME FOR COMPLETION / IMPLEMENTATION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Board expects the Proposals to be completed within 6 months from the date of approval from Bursa Securities or any extended period as may be approved by Bursa Securities.

The tentative timeline for the implementation of the Proposals is as follow:

Tentative date	Events
4 March 2026	EGM
2nd quarter of 2026	Implementation and completion of the Proposed Private Placement II
3rd quarter of 2026	Implementation and completion of the Proposed ESOS
3rd quarter of 2026	Lodgement of documents to the Registrar of Companies for the Proposed Share Capital Reduction
4th quarter of 2026	Effective date of the Proposed Share Capital Reduction

18. ADVISER

TA Securities has been appointed as the Adviser for the Proposals and the Placement Agent for the Proposed Private Placement II.

19. EGM

The notice convening the EGM and the Form of Proxy are enclosed in this Circular. The EGM will be held at Teedo Hotel's meeting hall, Level 4, Pudu Sentral, City Centre, 55100 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur on Wednesday, 4 March 2026 at 11.00 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without any modifications, the resolutions pertaining to the Proposal.

You are entitled to attend and vote at the EGM or appoint a proxy or proxies (where applicable) to participate and vote on your behalf. The completed Form of Proxy must be deposited at the Company's Registered Office at Synergy Professionals Group Sdn Bhd, Unit No. EL-11-01, Amcorp Business Suite, Menara Melawangi, Pusat Perdagangan Amcorp, No. 18, Jalan Persiaran Barat, 46050 Petaling Jaya, Selangor not less than 48 hours before the time set for holding the EGM or at any adjournment thereof.

The Form of Proxy once deposited will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

20. FURTHER INFORMATION

Shareholders are advised to refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board
HANDAL ENERGY BERHAD

WILLIAM H VAN VLIET III
Executive Director

HANDAL ENERGY BERHAD
BY-LAWS FOR THE
ESTABLISHMENT OF EMPLOYEES' SHARE OPTION SCHEME

1. NAME OF THE SCHEME

This scheme shall be called the "**Handal Energy Berhad's Employee Share Option Scheme**" and for purposes of these By-Laws, it shall be referred to as the "**Scheme**".

2. OBJECTIVE OF THE SCHEME

The establishment of this Scheme is :-

(a) to recognise the contribution of the Eligible Person whose services are valued and considered vital to the operations and continued growth of Handal Group;

(b) to align the Eligible Persons' interests to those of the shareholders of Handal to drive longer term shareholders value enhancement;

(c) to reinforce the Eligible Persons' sense of loyalty and belonging to the Handal Group by enabling them to participate directly in the equity of Handal and thereby provide incentive for the Eligible Persons to participate more actively in the operations and future growth of the Handal Group and motivate them to further contribute to the growth and success of the Handal Group;

(d) to retain high-calibre Eligible Persons as well as to attract prospective skilled and experienced personnel to the Group by making the total compensation package more attractive and competitive; and

(e) to reward the Eligible Persons by allowing them to participate in the potential capital gains arising from the appreciation of the market price of Shares.

The Scheme is also extended to the Directors of Handal and its Subsidiaries, as they discharge important functions, and their services and contributions are valued by the Handal Group.

3. DEFINITIONS AND INTERPRETATIONS

3.1. In these By-Laws, unless otherwise specified, the following definitions shall, where the context so admits, be deemed to have the following meanings:

"Act"	:	means Companies Act 2016, as amended from time to time, and any re-enactment thereof;
"Adviser"	:	means a person who is permitted to carry on the regulated activity of advising corporate finance under the Capital Markets and Services Act 2007 to act as a Principal Adviser as defined in the Securities Commission Malaysia's Principal Adviser Guidelines;

"Auditor"	:	means an approved company auditor as defined in Section 263 of the Act, of the Company for the time being or such other external auditors as may be nominated by the Board;
"Board"	:	means the Board of Directors of the Company;
"Bursa Depository"	:	means Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W));
"Bursa Securities"	:	means Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W));
"By-Laws"	:	means the terms and conditions of the Scheme (as may be amended from time to time and to be adopted pursuant to By-Law 19);
"CDS"	:	means a Central Depository System governed under the Central Depositories Act;
"CDS Account"	:	means an account established by Bursa Depository for a depositor for the recording of deposit of securities and dealings in such securities by that depositor of securities;
"Central Depositories Act"	:	means Securities Industry (Central Depositories) Act, 1991;
"Company" or "Handal"	:	means Handal Energy Berhad (Registration No. 200801015549 (816839-X));
"Constitution"	:	means the constitution of the Company, as amended from time to time;
"**Date of Expiry**"	:	means the last day of an Option Period;
"Date of Offer"	:	means the date of the Offer Letter, as described in By-Law 7.3, being the date on which a Selected Person is deemed to have been notified of an Offer by the ESOS Committee;
"Director"	:	means a natural person who holds a directorship in an executive or non-executive capacity in the Group;
"Disciplinary Proceedings"	:	means proceedings instituted against a Selected Person for any alleged negligence, misbehavior, misconduct, fraud, financial misstatement, reputational damage and/or any other act of the Selected Person deemed to be unacceptable by the Handal or any of its subsidiaries in the course of that Selected Person's employment, whether or not such proceedings may give rise to a dismissal or termination of the contract of service of such Selected Person;
"Duration of the Scheme"	:	means the duration of the Scheme as defined in By-Law 23 and includes any extension or renewal thereof;

"Effective Date"	:	means the date of commencement of the Scheme being the date of full compliance with all relevant requirements as stated in By-Law 23;
"Eligible Person"	:	means any Employee or Director of Handal Group satisfying the conditions stipulated in By-Law 5;
"Employee"	:	means any person who is employed by any corporation of the Group and is on the payroll of the Group including any Executive Director of the Handal Group;
"Entitlement Date"	:	means the date as of the close of business on which, shareholders whose names must appear in the record of depositors of the Company maintained at Bursa Depository in order to participate in any dividend, right, allotment or other distribution;
"ESOS Committee"	:	means the committee consisting of such persons as shall be duly appointed and authorised by the Board, to administer the Scheme in accordance with the provisions of By-Law 18;
"ESOS Option(s)"	:	means the right of a Grantee to subscribe for new Shares at the Exercise Price and where the context so requires, means any part of the ESOS Option(s) as shall remain unexercised;
"Executive Director"	:	means a natural person who is a Director in a full-time executive capacity who is involved in the day-to-day management and on the payroll of any company within the Group;
"Exercise Price"	:	means the price at which the Grantee shall be entitled to subscribe for a new Share as set out in By-Law 9;
"Grantee"	:	means a Selected Person who has accepted the Offer in accordance with the provisions of By-Law 8;
"Group" or "Handal Group"	:	means the Company and its subsidiaries incorporated in Malaysia as defined in Section 4 of the Act (excluding subsidiaries which are dormant) and any subsidiary incorporated or acquired at any time during the Duration of the Scheme and where the context so requires, any one of them;
"Listing Requirements"	:	means Main Market Listing Requirements of Bursa Securities;
"Market Day"	:	means any day between Monday and Friday, both days inclusive, which is a trading day on Bursa Securities;

"Maximum Allowable Allotment"	:	Shall have the same meaning as ascribed to it in By-Law 6.1
"Non-Executive Director"	:	means a natural person who is a Director of the Group holding a non-executive capacity who does not engage in the day-to-day management of the Group;
"Notice of Exercise"	:	Shall have the same meaning as ascribed to it in By-Law 11.5;
"Offer"	:	means an offer made by the ESOS Committee as set out in By-Law 7 to a Selected Person;
"Offer Letter"	:	Shall have the same meaning as ascribed to it in By-Law 7.3
"Offeror"	:	Shall have the same meaning as ascribed to it in By-Law 15(a)
"Option Period"	:	means the period during which a ESOS Option may be exercised commencing from the Date of Offer and expiring at the end of the five (5) calendar years from the Effective Date or such other period as may be specifically stated in the Offer provided that no option period shall extend beyond the duration referred to under By-Law 20 or in the event of a termination of the Scheme, the date of termination of the Scheme;
"Persons Connected"	:	Has the same meaning as that assigned to "Person Connected" in paragraph 1.01 of the Listing Requirements
"Rules of Bursa Depository"	:	means the rules of Bursa Depository, as issued pursuant to the Central Depositories Act;
"Scheme"	:	means Handal's Employees' Share Option Scheme established by the By-Laws hereto for the grant of ESOS Options to Selected Persons to subscribe for new Shares;
"Selected Person"	:	means an Eligible Person to whom an Offer is being made pursuant to By-Law 7;
"Share(s)" or "Handal Share(s)"	:	means Ordinary share(s) of the Company; and
"Subsidiaries"	:	means the subsidiary companies of Handal.

3.2. In these By-Laws-

(a) any reference to a statutory provision shall include any subordinate legislation made from time to time under that provision and any Listing Requirements, policies and/or guidelines of Bursa Securities and/or other relevant authorities respectively (in each case, whether or not having the force of law but, if not having the force of law, the compliance with which is in accordance with the reasonable commercial practice of persons to whom such requirements, policies and/or guidelines are addressed to by Bursa Securities and/or other relevant authorities);

(b) any reference to a statutory provision shall include that provision as from time to time modified or re-enacted whether before or after the date of these By-Laws so far as such modification or re-enactment applies or is capable of applying to any ESOS Options offered and accepted prior to the Date of Expiry and shall include also any past statutory provision (as from time to time modified or re-enacted) which such provision has directly or indirectly replaced;

(c) words importing the singular meaning where the context so admits include the plural meaning and vice versa;

(d) words of the masculine gender include the feminine gender and all such words shall be construed interchangeably in that manner;

(e) any liberty or power which may be exercised or any determination which may be made hereunder by the Board or the ESOS Committee may be exercised at the Board's or ESOS Committee's discretion;

(f) if an event is to occur on a stipulated day which is not a Market Day, then the stipulated day will be taken to be the first Market Day after that day; and

(g) headings in these By-Laws are for convenience only and shall not be taken into account in the interpretation of these By-Laws.

4. MAXIMUM NUMBER OF NEW SHARES AVAILABLE UNDER THE SCHEME

4.1. Subject to By-Law 4.2, the maximum number of new Shares to be allotted and/or issued pursuant to the exercise of the ESOS Options that may be granted under the Scheme shall not exceed in aggregate fifteen percent (15%) of the total number of issued shares of the Company (excluding treasury shares, if any) or any limit prescribed by any guidelines, rules and regulations of the relevant authorities, at any point in time when an Offer is made throughout the Duration of the Scheme.

4.2. Notwithstanding the provisions of By-Law 4.1 or any other provision herein contained, in the event the maximum number of new Shares comprised in the ESOS Options granted under the Scheme exceeds the aggregate of fifteen percent (15%) of the total number of issued shares of the Company (excluding treasury shares) as a result of the Company purchasing, cancelling or reducing its own Shares in accordance with the provisions of Section 127 of the Act or any other corporate proposal and thereby diminishing its total number of issued shares, then such ESOS Options granted prior to the adjustment of the total number of issued shares of the Company shall remain valid and exercisable in accordance with the provisions of the Scheme. However, in such a situation, the Company shall not make any more new Offers until the total number of Shares under the subsisting

ESOS Options including Shares that have been issued under the Scheme falls below fifteen percent (15%) of the Company's total number of issued shares (excluding treasury shares).

4.3. The Company will, during the duration of the Scheme make available sufficient number of unissued Shares in the capital of the Company to satisfy all outstanding ESOS Options which may be exercisable from time to time.

4.4. Each ESOS Option shall be exercisable into one (1) new Share, in accordance with the provisions of this By-Laws.

5. ELIGIBILITY

5.1. Any Director or Employee of the Handal Group shall be eligible to participate in the Scheme and qualify for selection by the ESOS Committee, if, as at the Date of Offer (where applicable):-

(a) such Employee or Director has attained the age of eighteen (18) years;

(b) such Employee or Director is not an undischarged bankrupt or subject to any bankruptcy proceedings;

(c) such Employee is an employee under the payroll of any company in Handal Group (excluding any dormant subsidiary) and is in employment within Handal Group on a full-time basis and has not served a notice to resign nor received a notice of termination;

(d) such Director has been appointed as a Director of Handal or any company in the Handal Group (excluding any dormant subsidiary);

(e) such Employee or Director has fulfilled any other eligibility criteria and/or falls within such grade/category as may be determined by the ESOS Committee at its sole discretion from time to time,

provided that nothing herein shall invalidate any selection of any Eligible Person which may have been made by the Board on or prior to the Effective Date. For the avoidance of doubt, the ESOS Committee may determine any other eligibility criteria and/or waive any of the conditions of eligibility as set out in this By-Law 5.1, for purposes of selecting an Eligible Person at any time and from time to time, in the ESOS Committee's discretion.

5.2. Notwithstanding anything set out in these By-Laws and subject to the Listing Requirements, no Offers may be granted to any person who is a Director, a major shareholder, chief executive of the Company, or a Person Connected with a Director, major shareholder or chief executive of the Company, unless the specific grant of that Offer to that person shall have previously been approved by the shareholders of the Company in a general meeting.

5.3. In the meeting to obtain shareholders' approval in respect of the grant of the Offer, any person who is a Director, and/or major shareholder (whom is also Director and/or Employee, if any) chief executive of the Company, or a Person Connected with any of them must abstain from voting on the resolution approving their respective allocation and allotment as well as the allocation and allotment to persons connected with them.

5.4. Eligibility, however, does not confer on an Eligible Person a claim or right to participate in the Scheme and the Eligible Person does not acquire or have any rights over or in connection with the ESOS Options unless an Offer has been made in writing by the ESOS Committee to the Eligible Person under By-Law 7 and the Eligible Person has accepted the Offer in accordance with the terms of the Offer and the Scheme.

5.5. The eligibility and number of ESOS Options to be offered to an Eligible Person under the Scheme shall be at the sole and absolute discretion of the ESOS Committee and the decision of the ESOS Committee shall be final and binding. In the event an Eligible Person is a member of the ESOS Committee, such Eligible Person shall abstain and refrain from participating in the deliberation or discussion of his/her own allocation of the ESOS Options.

5.6. The ESOS Committee may in its discretion revoke or suspend the nomination of any Eligible Person at any time and from time to time, whereupon such Eligible Person shall henceforth cease to be eligible for any Offers under this Scheme.

5.7. The ESOS Committee shall have the sole and absolute discretion not to make further Offers regardless of the amount of the ESOS Options available.

5.8. The allocation of the ESOS Options shall be verified by the audit committee at the end of each financial year and an audit committee statement on the verification of the allocation shall be included in the annual report of the Company where relevant pursuant to the requirements of the Listing Requirements.

6. MAXIMUM ALLOWABLE ALLOTMENT OF SHARES AND BASIS OF ALLOTMENT

6.1. Subject to any adjustments which may be made under By-Law 16, the total number of new Shares comprised in the ESOS Options to be offered to an Eligible Person in accordance with the Scheme shall be determined at the sole and absolute discretion of the ESOS Committee after taking into consideration, amongst other factors:

(a) that the number of ESOS Options made available under the Scheme shall not exceed the amount stipulated in By-Law 4.1;

(b) not more than eighty per cent (80%) of the total number of Shares available under the Scheme will be allocated in aggregate to the Directors (including non-executive Directors and/or independent Directors) and senior management of the Group (excluding dormant subsidiaries);

(c) the allocation to an Selected Person who, either singly or collectively through Persons Connected to the Selected Person, holds twenty per cent (20%) or more in the total number of issued shares of the Company (excluding treasury shares, if any) does not exceed ten percent (10%) of the Shares available under the Scheme at any point in time when an Offer is made ("**Maximum Allowable Allotment**"); and

(d) the Directors and senior management of the Group (excluding dormant subsidiaries) do not participate in the deliberation or discussion of their own allocation of ESOS Options as well as allocation of ESOS Options to persons connected with them under the Scheme,

provided always that it is in compliance with the Listing Requirements, any prevailing guidelines, rules, regulations or requirements as amended from time to time issued by any other relevant regulatory authorities.

6.2. At the time the Offer is made in accordance with By-Law 7, the ESOS Committee shall set out, among others, the basis of allocation, identifying the category or grade of the Employee and the Maximum Allowable Allotment for the Eligible Person.

6.3. Any Selected Person who holds more than one position within the Group and by holding such positions such Selected Person is in more than one category, such Selected Person shall only be entitled to the Maximum Allowable Allotment of any one category. The ESOS Committee shall be entitled at its discretion to determine the applicable category.

6.4. In the event that a Selected Person is promoted, the Maximum Allowable Allotment corresponding to the category of Employee which such Selected Person falls within as at the Date of Offer, subject always to the maximum number of Shares as stipulated under By-Law 4.1.

6.5. The ESOS Committee shall also have the discretion to determine, amongst others:

(i) whether the ESOS Options are subject to any vesting period and if so, the vesting conditions and whether such vesting is subject to achieving a performance target;

(ii) whether or not to stagger the allocation of the ESOS Options over the duration of the Scheme; and

(iii) such other terms and conditions it shall deem fit and appropriate to be imposed for participation in the Scheme.

Subject to these By-Laws, there are no performance targets to be achieved by the Eligible Persons or vesting period for the ESOS Options, unless otherwise stated in the Offer as determined by the ESOS Committee from time to time.

7. OFFER

7.1. An Offer shall be made in writing and in any manner as the ESOS Committee shall determine and may be made upon such terms and conditions as the ESOS Committee may decide from time to time. Nothing herein shall require any Offer made to be the same as or similar to other Offers previously or subsequently made whether to the same or a different Selected Person.

7.2. The actual number of new Shares which may be offered to a Selected Person shall be at the discretion of the ESOS Committee but shall not be more than the Maximum Allowable Allotment as set out in By-Law 6.

7.3. The ESOS Committee will in its offer document ("**Offer Letter**") to a Selected Person state, inter alia, the number of Shares that can be subscribed under the Offer, the Exercise Price determined in accordance with the provisions of By-Law 9, the closing date for acceptance of the Offer and the manner and conditions of exercise of the ESOS Options. The Offer shall automatically lapse and thereafter be rendered null and void in the event of the death of the Selected Person or the Selected Person ceasing to be an Eligible Person for any reason whatsoever prior to the acceptance of the Offer by the Selected Person in the manner set out in By-Law 8 hereof.

7.4. Nothing herein shall prevent the ESOS Committee from making more than one Offer during the Duration of the Scheme to a Selected Person provided always that the total aggregate number of ESOS Options offered to any Selected Person including ESOS Options which have been exercised, if any, shall not exceed the Maximum Allowable Allotment. Each Offer made to any Selected Person by the ESOS Committee shall be separate and independent from any previous or later Offer made by the ESOS Committee to that Selected Person.

7.5. The Company shall keep and maintain at its expense a register of Grantees as required under Section 129 of the Act.

7.6. The Company shall, on the date of the Offer, announce the following to Bursa Securities upon the ESOS Options offered under the Scheme:

(a) Date of Offer;

(b) Exercise Price;

(c) number of ESOS Options offered;

(d) market price of its securities on the date of the Offer;

(e) the Validity Period as mentioned in By-Law 8.1;

(f) the closing date for acceptance of the Offer;

(g) the manner of exercise of the ESOS Options;

(h) vesting period of the ESOS Options offered; and

(i) any other information deemed necessary by the ESOS Committee.

7.7. An Offer shall be made in writing and in any manner as the ESOS Committee shall determine and may be made upon such terms and conditions as the ESOS Committee may decide from time to time. Nothing herein shall require any Offer made to be the same as or similar to other Offers previously or subsequently made whether to the same or a different Selected Person.

7.8. The actual number of Shares under the ESOS Options which may be offered to an Eligible Person shall be at the sole and absolute discretion of the ESOS Committee and shall not be less than one hundred (100) Shares nor more than the maximum allowable allocation of such Eligible Person and shall be in the multiples of one hundred (100) Shares (or in any other denomination as may be prescribed by Bursa Securities as a board lot).

7.9. Each Offer shall be made in writing and is personal to the Eligible Person and is non-assignable, non-transferable, non-chargeable and non-disposable in any manner whatsoever.

8. ACCEPTANCE OF OFFER

8.1. An Offer made by the ESOS Committee under By-Law 7 shall be valid for a period of fourteen (14) days from the Date of Offer or such longer period as may be determined by the ESOS Committee ("**Validity Period**"), and may be accepted within this prescribed period by the Selected Person to whom the Offer is made by a notice (in a format to be prescribed by the ESOS Committee) to the ESOS Committee of such acceptance accompanied by a payment to the Company of a nominal non-refundable sum of Ringgit Malaysia One (RM1.00) as consideration for the grant of the ESOS Option.

8.2. If the Offer is not accepted in the manner aforesaid within the prescribed period of fourteen (14) days from the Date of Offer or such longer period as may be determined by the ESOS Committee, such Offer shall upon the expiry of the said prescribed period, automatically lapse and be null and void and be of no further force and effect, and the new Shares comprised in the ESOS Options may at the discretion of the ESOS Committee be re-offered to Eligible Persons.

8.3. The ESOS Committee shall within thirty (30) days of acceptance by the Offer by the Eligible Person issue to the Grantee a certificate of the ESOS Option in such form as may be determined by the ESOS Committee from time to time stating, amongst other matters, the number of Shares granted under the ESOS Option, the Exercise Price and the Option Period.

8.4. If an Offer is not accepted in the manner aforesaid, the Offer shall automatically lapse upon the expiry of the Validity Period. The number of ESOS Options offered in the lapsed offer shall be deducted from the Maximum Allowable Allocation or the balance of the Maximum Allowable Allocation of the Eligible Person, and the Eligible Person shall not be entitled to be offered in the lapsed offer and/or any offers to be made in the future. However, any ESOS Options not taken up resulting from the non-acceptance of offer made within the Validity Period shall thereafter form part of the balance of ESOS Options available under the Scheme for future offers.

9. EXERCISE PRICE

9.1. Subject to any adjustments made under these By-Laws and pursuant to the Listing Requirements, the Exercise Price shall be based on the five (5) day weighted average market price of the Handal Shares immediately preceding the Date of Offer of the ESOS Option, with a discount of not more than ten percent (10%) or other percentage of discount in accordance with any prevailing guidelines, rules or regulations issued by Bursa Securities or any other relevant authorities as may be amended from time to time during the Duration of the Scheme.

9.2. The Exercise Price as determined by the Board shall be final, conclusive and binding on the Grantees.

10. NON-ASSIGNABLE

An ESOS Option is personal to the Grantee. Save and except as provided in By-Law 20.4, an ESOS Option cannot be assigned, encumbered, transferred or otherwise disposed of in any manner whatsoever.

11. EXERCISE OF ESOS OPTION

11.1. An ESOS Option granted to a Grantee under the Scheme, subject to the provisions of By-Law 20, is exercisable by that Grantee during:-

(a) his employment with Handal Group; and

(b) within the Option Period,

during the normal business hours of the Company on the last Market Day of every calendar week, or such other period of time as the ESOS Committee may in its discretion allow, provided that no ESOS Option shall be exercised beyond the Date of Expiry. All unexercised ESOS Options shall become null and void after the Date of Expiry.

11.2. Upon acceptance of an Offer, the Grantee may during the Option Period exercise his ESOS Options at such time and in such manner and subject to such conditions as stipulated in the Offer Letter. The ESOS Option may be exercised in full or in part provided that such exercise of the ESOS Option shall be in multiples of 100 Shares or such other multiples as the ESOS Committee may in its discretion allow. Partial exercise of the ESOS Option shall not preclude the Grantee from exercising the ESOS Option as to the balance thereof at any time in the future but within the Option Period.

11.3. ESOS Options which are exercisable in a particular year but are not exercised may be carried forward to subsequent years subject to the Option Period and any other impositions which are or may be determined by the ESOS Committee. Any ESOS Options which remain unexercised at the expiry of the Option Period shall be automatically terminated.

11.4. The ESOS Committee may, at any time and from time to time, before or after an ESOS Option is granted, limit the exercise of the ESOS Options to a maximum number of new Shares and/or such percentage of the total new Shares comprised in the ESOS Options during such periods within the Option Period and impose any other terms and/or conditions deemed appropriate by the ESOS Committee in its discretion including amending/varying any terms and conditions imposed earlier.

11.5. The Grantee shall notify the Company of his intention to exercise an ESOS Option in such form and manner as the ESOS Committee may prescribe or approve ("**Notice of Exercise**"). The Notice of Exercise (which shall state the Grantee's CDS Account number and number of Shares to be subscribed) shall be accompanied by a remittance in Ringgit Malaysia made out in favour of the Company, in the form of bankers draft or cashiers' order, for the full amount of the subscription monies for the new Shares in respect of which the Notice of Exercise is given.

11.6. The Grantee shall provide all information as required in the Notice of Exercise and the Company shall within eight (8) Market Days or such period as Bursa Securities may prescribe after the receipt of a valid Notice of Exercise and remittance from the Grantee allot and despatch the notice of allotment for the relevant number of Shares to the Grantee upon and subject to the provisions of the Constitution, the Central Depositories Act and the Rules of Bursa Depository. No physical share certificates will be delivered to the Grantee.

11.7. The Company, the Board and the ESOS Committee shall not under any circumstances be held liable to any person for any costs, losses, expenses, damages or liabilities whatsoever due to or arising from the decision of the ESOS Committee to terminate, suspend or otherwise imposed conditions on the rights of the Grantee to exercise his ESOS Option.

11.8. Any failure to comply with the foregoing provisions and/or to provide all information as required in the Notice of Exercise or inaccuracy in the information provided shall result in the Notice of Exercise being rejected. The ESOS Committee shall inform the Grantee of the rejection of the Notice of Exercise and the Grantee shall then be deemed not to have exercised his ESOS Options.

11.9. Notwithstanding anything to the contrary herein contained in these By-Laws, the ESOS Committee shall have the right at its discretion by notice to that effect:-

(a) to suspend the right of any Grantee who is found to have contravened the written policies and guidelines of the Group and/or the terms and conditions of the Grantee's employment (whether or not such contravention may give rise to a Disciplinary Proceeding being instituted) to exercise his ESOS Option. In addition to this right of suspension, the ESOS Committee may impose such terms and conditions as the ESOS Committee shall deem appropriate in its discretion, on the right of exercise of his ESOS Option having regard to the nature of the contravention provided always that in the event such contravention results in the dismissal or termination of service of such Grantee, the ESOS Option shall immediately cease and become null and void without notice, upon pronouncement of the dismissal or termination of service of such Grantee; or

(b) to suspend the right of any Grantee who is being subjected to Disciplinary Proceedings (whether or not such Disciplinary Proceedings may give rise to a dismissal or termination of service of such Grantee) to exercise his ESOS Option pending the outcome of such Disciplinary Proceedings. In addition to this right of suspension, the ESOS Committee may impose such terms and conditions as the ESOS Committee shall deem appropriate in its discretion, on the right of exercise of his ESOS Option having regard to the nature of the charges made or brought against such Grantee, provided always that:-

(i) in the event such Grantee is found not guilty of the charges which gave rise to such Disciplinary Proceedings, the ESOS Committee shall reinstate the right of such Grantee to exercise his ESOS Option; or

(ii) in the event such Grantee is found guilty resulting in the dismissal or termination of service of such Grantee, the ESOS Option shall immediately cease and become null and void without notice, upon pronouncement of the dismissal or termination of service of such Grantee; or

(iii) in the event such Grantee is found guilty but no dismissal or termination of service is recommended, the ESOS Committee shall have the right to determine at its discretion whether or not the Grantee may continue to exercise his ESOS Option and if so, to impose such terms and conditions or make such downward adjustment to the number of as it deems appropriate, on such exercise.

Nothing herein shall prevent the ESOS Committee (but the ESOS Committee shall not be obliged to do so) from making a fresh Offer to such Selected Person in the event that such disciplinary actions are not found against him or if such disciplinary actions are withdrawn.

11.10. Each ESOS Option shall be subject to the condition that no new Shares shall be issued to the Grantee pursuant to the exercise of the ESOS Option if such issue shall be contrary to any laws, rules and/or regulations of any regulatory body or authorities which may be in force during the Option Period.

12. RIGHTS OF A GRANTEE

12.1. The ESOS Options shall not carry any right to vote at any general meeting of the Company.

12.2. A Grantee shall not be entitled to any dividends, right or other entitlement on his unexercised ESOS Options unless and until the Grantee exercises the ESOS Options granted to him/her and the new Shares pursuant to the exercise of the ESOS Options have been allotted and issued to the Grantee.

13. RANKING AND LISTING AND QUOTATION FOR THE SHARES

13.1. The new Shares to be allotted and issued upon any exercise of the ESOS Options shall upon such allotment and issuance, rank *pari passu* in all respects with the then existing issued Shares except that the new Shares so issued will not be entitled to any dividends, rights, allotments and/or other distributions, the Entitlement Date of which is prior to the date of which the new Shares are credited into the CDS Accounts of the Grantees.

13.2. The Grantees will not be entitled to any dividends, rights, allotments and/or other distributions until and unless such Grantees exercise their ESOS Options into new Shares and such new Shares are credited into the Grantees' respective CDS Accounts.

13.3. The new Shares allotted and credited into the CDS Accounts would also carry rights to vote at any general meeting of the Company provided that the shareholder is registered on the Entitlement Date as at the close of business to be entitled to attend and vote at the general meeting.

13.4. The new Shares shall be subjected to all the provisions of the Constitution of the Company in relation to their issuance and allotment, transfer, transmission or otherwise.

14. RETENTION PERIOD

14.1. The new Shares to be allotted and issued to a Grantee (other than the Non-Executive Directors of the Group) pursuant to the exercise of an ESOS Option will not be subject to any holding period or restriction on transfer, disposal and/or assignment.

14.2. A Grantee who is a Non-Executive Director of the Company must not sell, transfer or assign the Shares obtained through the exercise of the ESOS Options offered to him pursuant to the Scheme within one (1) year from the Date of Offer of such ESOS Options.

15. TAKEOVER AND COMPULSORY ACQUISITION

In the event of:-

(a) a takeover offer being made for the Company through a general offer to acquire the whole of the issued share capital of the Company (or such part thereof not at the time owned by the person making the general offer ("**Offeror**") or any persons acting in concert with the Offeror); or

(b) the Offeror becoming entitled or bound to exercise the right of compulsory acquisition of new Shares under the provisions of any statutes, rules and/or regulations applicable at that point of time and gives notice to the Company that it intends to exercise such right on a specific date,

the ESOS Committee may at its discretion to the extent permitted by law allow the exercise of any unexercised ESOS Options (or any part thereof) by the Grantee at any time subject to such terms and conditions as may be prescribed notwithstanding that:-

(aa) the date on which the Grantee becomes entitled to exercise the ESOS Options or any part thereof is not due or has not occurred; and/or

(bb) the Option Period has not commenced; and/or

(cc) other terms and conditions set out in the Offer have not been fulfilled/satisfied.

16. ALTERATION OF SHARE CAPITAL AND ADJUSTMENTS

16.1. In the event of any alteration in the capital structure of the Company during the Option Period, whether by way of capitalisation of profits or reserves, rights issues, subdivision or consolidation of shares or capital reduction or any other variation of capital:-

(a) the number of new Shares which a Grantee shall be entitled to subscribe for upon the exercise of each ESOS Option (excluding ESOS Options already exercised); and/or

(b) the Exercise Price,

shall be adjusted, provided always that:-

(i) on any such adjustment the resultant Exercise Price, if not an integral multiple of one (1) sen shall be rounded up to the nearest one (1) sen and in no event shall any adjustment (otherwise than upon the consolidation of Shares) involve an increase in the Exercise Price or reduce the number of ESOS Options that a Grantee is already entitled to;

(ii) upon any adjustment being made pursuant to these By-Laws, the ESOS Committee shall within thirty (30) days of the effective date of the alteration in the capital structure of the Company notify the Grantee (or his legal or personal representatives where applicable) in writing informing him of the adjusted Exercise Price thereafter in effect and/or the revised number of new Shares thereafter to be issued on the exercise of the ESOS Option; and

(iii) in determining a Grantee's entitlement to subscribe for new Shares, any fractional entitlement will be dealt with by the ESOS Committee at its sole and absolute discretion.

Any adjustments to the Exercise Price and/or the number of new Shares comprised in the ESOS Options so far as unexercised other than bonus issue, must be confirmed in writing by the external auditors of the Company or the Company's Adviser.

Should there be other circumstances which give rise to a consideration for adjustments to the Exercise Price or the number of new Shares in favour of all Grantees, but it is decided that no adjustments will be made, such decision must be made known to all the Grantees via a timely notice, within fourteen (14) days from the date such decision has been finalised, subject to compliance with the Listing Requirements.

16.2. In addition to By-Law 16.1 and not in derogation thereof, the Exercise Price and the number of new Shares relating to the ESOS Options so far as unexercised shall from time to time be adjusted in accordance with the following relevant provisions in consultation with an Auditor and/or Adviser of the Company:

(i) if and whenever a Share by reason of any consolidation or subdivision or conversion shall have a different value, the Exercise Price and/or the additional number of new Shares under the ESOS Options so far as unexercised ("**Additional Shares under ESOS Options**") shall be adjusted, calculated or determined in the following manner:

$$\text{New Exercise Price} = \frac{O \times Q}{P}$$

For consolidation of Shares

$$\text{New number of Shares under ESOS Options} = \frac{R \times P}{Q}$$

For subdivision of Shares

$$\text{New number of Shares under ESOS Options} = \left[\frac{R \times P}{Q}\right] - R$$

where:-

O = Existing Exercise Price;

P = the aggregate number of total issued Shares immediately after such consolidation, subdivision or conversion;

Q = the aggregate number of total issued Shares immediately before such consolidation or subdivision or conversion;

R = Existing number of Shares comprised in the ESOS Options in respect of the rights to subscribe for new Shares so far as unexercised.

Each such adjustment will be effective from the close of business of the Market Day next following the date on which the consolidation or subdivision or conversion becomes effective (being the date on which the Shares are traded on Bursa Securities after such consolidation or subdivision or conversion) or such other date as may be prescribed by Bursa Securities.

(ii) If and whenever the Company shall make any issue of Shares to shareholders, by way of capitalization of profits or reserves (including any capital redemption reserve fund, if applicable), the Exercise Price shall be adjusted by multiplying it by the following fraction:-

$$\frac{A}{A+B}$$

and the number of ESOS Options shall be adjusted by multiplying the existing number of ESOS Options held by the following fraction:-

$$\text{Number of additional ESOS Options} = \frac{T \times (A+B)}{A} - T$$

where:-

A = the aggregate number of total issued Shares immediately before such capitalisation issue;

B = the aggregate number of Shares to be issued pursuant to any allotment to shareholders by way of capitalisation of profits or reserves (including any capital redemption reserve fund, if applicable);

T= the existing number of Shares relating to the ESOS Option.

Each such adjustment will be effective (if appropriate retroactively) from the commencement of the day next following the date on which shareholders must be registered in the Record of Depositors for such issue ("**Record Date").**

(iii) If and whenever the Company shall make:

(a) Capital Distribution (as defined below) to shareholders whether on a reduction of capital or otherwise (save and except any capital reduction involving the cancellation of capital which is lost or unrepresented by available assets);

(b) any offer or invitation to shareholders whereunder they may acquire or subscribe for Shares by way of rights; or

(c) any offer or invitation to shareholders by way of rights whereunder they may acquire or subscribe for securities convertible into Shares or rights to acquire or subscribe for Shares, then and in respect of each such case, the Exercise Price shall be adjusted by multiplying it by the following fraction:

$$\frac{C-D}{C}$$

and in respect of the case referred to in By-Law 16.2(b)(2) hereof, the number of additional ESOS Options to be issued shall be calculated as follows:

$$\text{Number of additional ESOS Options} = T \times \frac{(C)}{(C - D^*)} - T$$

where:

T = as defined in By-Law 16.2(ii) above;

C = the market price of each Share as shall be determined in accordance with any guideline or rule issued by the relevant authorities from time to time, if any, or if there is none, the current market price of each Share on the Market Day immediately preceding the date on which the Capital Distribution or, as the case may be, the offer or invitation is publicly announced to Bursa Securities or (failing any such announcement), immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation;

And

D= (aa) in the case of any offer or invitation to acquire or subscribe for Shares by way of rights or for securities convertible into Shares under this Paragraph (iii)(b) and Paragraph (iii)(c) the value of rights attributable to one (1) Shares (as defined below); or

(bb) in the case of any other transaction falling within this Paragraph (iii) hereof, the fair market value (with the concurrence of the Auditors), of that portion of the Capital Distribution attributable to one (1) Share.

For the purpose of Paragraph (aa) of D above, the "value of the rights attributable to one (1) Share" shall be calculated in accordance with the formula:

$$\frac{C-E}{F+1}$$

where:

C = as defined in By-Law 16.2(iii)(c) above;

E= the option consideration for one (1) additional Share under the terms of such offer or invitation or Exercise Price of one (1) additional Share upon conversion of the convertible securities or exercise of such rights to acquire or subscribe for one (1) Share under the offer or invitation;

F= the number of Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share or security convertible into rights to acquire or subscribe for one (1) additional Share; and

D*= the value of rights attributable to one (1) existing Shares (as defined below)

and in respect of the case referred to in Paragraph (iii)(b) hereof, the number of ESOS Options shall be adjusted by multiplying the existing number of ESOS Options held by the following fraction:

$$\frac{C}{C - D^*}$$

where:

C = as C above; and

D*= the value of rights attributable to one (1) Share (as defined below);

For the purpose of definition D* above, the "value of the rights attributable to one (1) Share" shall be calculated in accordance with the formula:-

$$\frac{C - E^*}{F^* + 1}$$

where:

C = as C above; and

E*= the option consideration for one (1) additional Share under the terms of such offer or invitation; and

F*= the number of Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share.

For the purposes of By-Law 16.1 of the Scheme and Paragraph (iii) hereof, "Capital Distribution" shall (without prejudice to the generality of that expression) include distributions in cash or specie or by way of issue of Shares (not failing under Paragraph (ii) hereof) or other securities credited by way of capitalisation of profits or reserves (including any capital redemption reserve fund, if applicable). Any dividend charged or provided for in the accounts pertaining to any period shall (whenever paid and howsoever described) be deemed to be a Capital Distribution unless it is paid out of the aggregate of the net profits attributable to the shareholders for any period after as shown in the audited consolidated profit and loss accounts of the Company.

Each such adjustment will be effective (if appropriate retroactively) from the commencement of the day next following the Record Date for such transactions.

(iv) If and whenever the Company makes any allotment to its shareholders as provided in Paragraph (ii) above and also makes any offer or invitation to its shareholders as provided in Paragraph (iii)(b) or Paragraph (iii)(c) and the Record Date for the purposes of the allotment is also the Record Date for the purpose of the offer or invitation, the Exercise Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H \times I)}{G + H + B) \times C}$$

And in respect of each case referred to in Paragraph (ii) above and Paragraph (iii)(b) above, the additional ESOS Options shall be calculated in the following manner:

$$\frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)}$$

where:

B = as B above;

C = as C above;

G = the aggregate number of total issued Shares in issue on the record date

H = the aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights or under an offer or invitation by way of rights to acquire or subscribe for securities convertible into Shares or rights to acquire or subscribe for Shares, as the case may be;

H*= the aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights;

I = the option consideration of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares or the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share, as the case may be; and

I*= the option consideration of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares.

Each such adjustment will be effective (if appropriate retroactively) from the commencement of the date next following the Record Date for the above transactions.

(v) If and whenever the Company makes any offer or invitation to its shareholders to acquire or subscribe for Shares as provided in Paragraph (iii)(b) above together with an offer or invitation to acquire or subscribe for securities convertible into or rights to acquire or subscribe for Shares as provided in Paragraph (iii)(c), the Exercise Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(GXC)+ (HXI)+(JXK)}{(G+H+ J) X C}$$

and the number of ESOS Options held by each Grantee shall be adjusted by multiplying the existing number of ESOS Options by the following fraction:

$$\frac{(G+H^*) X C}{(GXC) + (H^* X I^*)}$$

where:

C= as C above;

G= as G above;

H= as H above;

H*= as H* above;

I= as I above;

I*= as I* above;

J= the aggregate number of Share to be issued to its shareholders upon conversion of such securities or exercise of such right to subscribe for Shares by the shareholders; and

K= the exercise price on the conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share.

Each such adjustment will be effective (if appropriate retroactively) from the commencement of the date next following the Record Date for the above transactions.

(vi) If and whenever the Company makes an allotment to its shareholders as provided in Paragraph (ii) above and also makes an offer or invitation to acquire or subscribe for Share to its shareholders as provided in Paragraph (iii)(b), together with rights to acquire or subscribe for securities convertible into or with rights to acquire or subscribe for Shares as provided in Paragraph (iii)(c), and the Record Date for the purpose of allotment is also the Record Date for the purpose of the offer or invitation, the Exercise Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(GxC)+(HxI)+(JxK)}{(G+H+J+B) \times C}$$

and the number of ESOS Options held by each Grantee shall be adjusted by multiplying the existing number of ESOS Options held by the following fraction:

$$\frac{(G + H^{*} + B) \times C}{(GxC) + (H^{*} X I^{*})}$$

where:

B= as B above;

C= as C above;

G= as G above;

H= as H above;

H*= as H* above;

I= as I above;

I*= as I* above;

J= as J above;

K= as K above;

Each such adjustment will be effective (if appropriate retroactively) from the commencement of the date next following the Record Date for the above transactions.

16.3. The provisions of this By-Law shall not apply where the alteration in the capital structure of the Company arises from:-

(a) the issue of securities as consideration for an acquisition;

(b) a special issue of new Shares to Bumiputera parties approved by the Ministry of Investment, Trade and Industry and/or other Government authorities to comply with the Government policy on Bumiputera capital participation;

(c) a special issue, private placement or restricted issue of new Shares by the Company;

(d) a share buy-back arrangement by the Company and the cancellation of all or a portion of the Shares pursuant to the relevant provision of the Act;

(e) an issue of new Shares arising from the exercise of any conversion rights attached to securities convertible to new Shares or upon exercise of any other rights including warrants (if any) issued by the Company;

(f) an issue of new Shares upon the exercise of ESOS Options pursuant to the Scheme;

(g) an issue by the Company of Shares or of securities convertible into Shares or securities with rights to acquire or subscribe for Shares to its officers, including Directors, or Employees of the Company or any of its subsidiaries pursuant to purchase or option schemes approved by the Shareholders in general meeting; and

(h) any issue of Shares by the Company (other than bonus and rights issue) pursuant to a dividend reinvestment scheme undertaken in accordance with the Listing Requirements or for any purpose whatsoever where the aggregate issues of which in any twelve (12) months do not exceed ten percent (10%) of the total number of issued Shares of the Company.

16.4. Upon any adjustment being made, the ESOS Committee shall give notice in writing within fourteen (14) days from the date of adjustment to the Grantee, or his legal or personal representatives where the Grantee is deceased, to inform him of the adjustment and the event giving rise thereto.

16.5. The decision of the ESOS Committee as to whether any adjustment shall be made or not made to the Exercise Price and/or the number of new Shares comprised in the ESOS Option or any portion thereof pursuant to this By-Law 16 is final, binding and conclusive.

17. LISTING AND QUOTATION OF NEW SHARES

17.1. The new Shares to be allotted to the Grantee will not be listed or quoted on Bursa Securities until the ESOS Option is exercised in accordance with the provisions of By-Law 11 whereupon the Company shall:-

(a) issue and/or allot the Shares;

(b) despatch a notice of allotment to the Grantee; and

(c) apply for the quotation of such Shares;

within eight (8) Market Days after the receipt of the Notice of Exercise and remittance from the Grantee.

17.2. The Company and the ESOS Committee shall not under any circumstances be held liable for any costs, losses and damages whatsoever and however relating to the delay on the part of the Company in allotting and issuing the Shares or in procuring the Bursa Securities to list the Shares for which the Grantee is entitled to subscribe.

18. ADMINISTRATION OF THE SCHEME

18.1. The ESOS Committee shall implement and administer the Scheme in such manner as it shall in its discretion deem fit. The ESOS Committee shall comprise such persons appointed by the Board from time to time and shall be vested with such powers and duties as are conferred upon it by the Board including but not limited to the powers to:-

(a) subject to the provisions of the Scheme, do all such acts and things and enter into and/or cause the Company to enter into any transactions, agreements, deeds and documents, arrangements or undertakings construe and interpret the Scheme and ESOS Options granted under it, to define the terms therein and to recommend to the Board to establish, amend and revoke guidelines, rules and regulations or impose or waive any terms and conditions for the implementation and administration of the Scheme and to give effect to the provisions of the Scheme and/or to enhance the benefit of the Offers to the Selected Persons as the ESOS Committee in its discretion deems fit, necessary and/or expedient for the implementation and administration of the Scheme. The ESOS Committee in the exercise of this power may correct any defect, supply any omission, or reconcile any inconsistency in the Scheme or in any agreement providing for an ESOS Option in a manner and to the extent it shall deem necessary to expedite and make the Scheme fully effective; and

(b) determine all questions of policy and expediency that may arise in the administration of the Scheme and generally exercise such powers and perform such acts as are deemed necessary or expedient to promote the best interests of the Company.

18.2. The Board shall have power from time to time to:-

(a) rescind the appointment of any person in the ESOS Committee and appoint his replacement where the Board deems fit;

(b) assume and/or exercise or execute any of the powers and authorities conferred upon the ESOS Committee pursuant to these By-Laws; and

(c) amend, modify or vary the terms of reference of the ESOS Committee.

19. AMENDMENT AND/OR MODIFICATION TO THE BY-LAWS

19.1. Subject to the compliance with the Listing Requirements and any other relevant authorities, the ESOS Committee may at any time recommend to the Board who shall have the power at any time and from time to time by resolution to amend and/or modify all or any part of the By-Laws and the Board shall have the power by resolution to add, amend or modify and/or delete all or any of the By-Laws under such recommendation.

19.2. The approval of the shareholders of the Company in a general meeting shall not be required in respect of additions, amendments to, or deletions of these By-Laws except that subject to any applicable laws, no addition, amendment or deletion shall be made to these By-Laws without the prior approval of the Company's shareholders in a general meeting which would:-

(a) prejudice any rights which have accrued to any Grantee without his prior consent; or

(b) increase the number of new Shares available under the Scheme beyond the maximum imposed by By-Law 4.1; or

(c) alter any matter which are required to be contained in the By-Laws by virtue of Appendix 6E of the Listing Requirements to the advantage of the Selected Persons.

The ESOS Committee shall within ten (10) Market Days of any modification and/or amendment made pursuant to this By-Law notify the Grantee in writing of any modification and/or amendment made pursuant to this By-Law.

19.3. Upon amending and/or modifying all or any of the provisions of the Scheme, the Company shall submit to Bursa Securities no later than five (5) Market Days after the effective date of the amendment to the By-Laws, a letter confirming that the said amendment and/or modification complies with the Listing Requirements and Rules of Bursa Depository.

20. TERMINATION OF ESOS OPTIONS

20.1. In the event of cessation or termination of employment or appointment of a Grantee with the Group for whatever reason, including but not limited to the receipt of a letter of termination or serving of a notice of resignation by the Grantees, prior to the exercise of his ESOS Options or prior to full exercise of his ESOS Options, as the case may be, such ESOS Option shall cease immediately and become null and void on the date of such cessation or termination without any claim against the Company provided always that, subject to the approval of the ESOS Committee in its discretion, where the Grantee ceases his employment or appointment with the Group by reason of:-

(a) his retirement at or after attaining normal retirement age under the Group's retirement policy; or

(b) retirement before attaining the normal retirement age and with the consent of its employer, being a company within the Group; or

(c) ill-health, injury, physical or mental disability; or

(d) redundancy or retrenchment, pursuant to the acceptance by that Grantee of a voluntary separation scheme offered by the Group; or

(e) non-renewal of fixed term contract, not due to a breach of contract on the part of the Grantee; or

(f) transfer of employees to any company outside the Group at the direction of the Company; and/or

(g) any other reasons which are acceptable to the ESOS Committee,

a Grantee may exercise his unexercised ESOS Options for such period as may be determined by the ESOS Committee within the relevant Option Period provided always that such exercise shall always be subject to any restriction in the Offer Letter on the maximum percentage of the Grantee's ESOS Options that may be exercisable within each year of the Scheme (unless otherwise approved by the ESOS Committee). All unexercised or partially exercised ESOS Options of such Grantee shall become null and void after the expiry of such period.

20.2. If a Grantee ceases his employment or appointment with the Group by reason of his resignation, his remaining unexercised ESOS Options shall cease with immediate effect and become null and void on the effective date of such cessation. For the avoidance of any doubt, the date of acceptance of a Grantee's resignation by the Group, shall be deemed to be the effective date when a Grantee ceases his employment or appointment with the Group.

20.3. An ESOS Option shall immediately become void and be of no further force and effect upon the Grantee being adjudicated a bankrupt.

20.4. In the event where a Grantee dies before the expiration of the Option Period and at the time of his death held unexercised ESOS Options, such unexercised ESOS Options may be exercised by the legal or personal representative(s) of the Grantee after the date of his death within the Option Period subject to approval of the ESOS Committee. The proportion exercisable is at the discretion of the ESOS Committee.

20.5. Upon termination of the ESOS Options pursuant to the above, the Grantee shall have no right to compensation or damages or any claim against the Company from any loss of any right or benefit or prospective right or benefit under the Scheme which he might otherwise have enjoyed, whether for wrongful dismissal or breach of contract or loss of office or otherwise howsoever arising from his ceasing to hold office or employment or from the suspension of his right to exercise his ESOS Options or his ESOS Options ceasing to be valid.

20.6. Any ESOS Option that has lapsed and become null and void pursuant to this By-Law 20 shall at the discretion of the ESOS Committee be re-allocated to other Eligible Person.

21. LIQUIDATION OF THE COMPANY

21.1. Upon the receipt of a court order of the winding-up of the Company or resolution is passed for the liquidation of the Company, all Offers shall be deemed revoked and be null and void and all unexercised or partially exercised ESOS Options shall lapse and be null and void and of no further force and effect, and this Scheme shall terminate on the date of liquidation or winding-up, that date being:-

(a) in the case of voluntarily winding-up, the earlier of:-

(i) the date on which a provisional liquidator is appointed by the Company; or

(ii) the date of which the shareholders of the Company passed a resolution to voluntarily wind-up the Company; or

(b) in the case of an involuntarily winding-up, the date on which a petition for winding-up is served on the Company.

21.2. Notwithstanding the above, the ESOS Committee will consider, to the extent permitted by law, whether or not to allow exercise of any unexercised or partially exercised ESOS Options subject to such terms and conditions as may be prescribed and will take into account all circumstances on case-to-case basis, including (but not limited to) the contributions of the Selected Persons.

22. DIVESTMENT FROM THE GROUP

22.1. In the event that a company within the Group shall be divested from the Group, a Grantee who is employed by such company:

(a) shall be entitled to continue to hold and to exercise all the ESOS Options held by him on the date of completion of such divestment within a period of one (1) month from the date of completion of such divestment or the Option Period, whichever expires first, and in accordance with the provisions of By-Law 11. In the event that the Grantee does not so exercise some or all of such Options, the unexercised ESOS Options shall be automatically terminated upon the expiry of the relevant period; and

(b) shall no longer be eligible to participate for further Options under the Scheme as from the date of completion of such divestment.

22.2. For the purposes of By-Law 22.1, a company shall be deemed to be divested from the Group in the event that such company would no longer be a subsidiary of the Company pursuant to Section 4 of the Act.

23. DURATION OF THE SCHEME

The Scheme shall be in force for a period of five (5) years commencing from the effective date of the implementation of the Scheme, which shall be the date of full compliance with all relevant requirements including the following:-

(i) submission of the final copy of the By-Laws to Bursa Securities;

(ii) receipt of approval-in-principle for the issuance, and listing of and quotation for the Shares to be issued under the Scheme from Bursa Securities;

(iii) procurement of shareholders' approval for the Scheme;

(iv) receipt of approval of any other relevant authorities, where applicable; and

(v) fulfilment of all conditions attached to the above approvals, if any.

On or before the expiry of the Scheme, the Board shall have the absolute discretion, without having to obtain sanction, approval or authorisation of the Company's shareholders in a general meeting, to extend the duration of the Scheme upon recommendation of the ESOS Committee provided that the initial period of the Scheme and such extension of the Scheme made pursuant to this By-Law shall not in aggregate exceed the duration of ten (10) years from the Effective Date or such longer period as may be allowed by the relevant authorities. In the event the Scheme is extended in accordance with this provision, the ESOS Committee shall furnish a written notification to all Grantees and the Company shall make necessary announcements to Bursa Securities prior to the proposed extension of the Scheme. No further Offer shall be made upon the expiration of the initial scheme period or upon expiry of such extension thereof. All unexercised ESOS Options shall lapse on the date of expiry of the Scheme.

The Adviser shall submit a confirmation letter to Bursa Securities of full compliance with the relevant requirements of the Listing Requirements stating the Effective Date together with a certified true copy of a resolution passed by the shareholders of the Company in general meeting approving the Scheme. The confirmation letter shall be submitted to Bursa Securities no later than five (5) Market Days after the Effective Date.

24. TERMINATION OF THE SCHEME

24.1. The Company may at its sole discretion and at any time during the duration of the Scheme terminate the Scheme without obtaining the approvals from the Grantees or its shareholders and shall immediately announce to Bursa Securities upon termination of the Scheme the:-

(a) effective date of termination of the Scheme ("**Termination Date**");

(b) number of ESOS Options exercised or Shares vested; and

(c) reasons for termination of the Scheme,

whereupon no further Offers shall be made by the ESOS Committee, all Offers which have yet to be accepted shall be deemed revoked and be null and void, and any unexercised ESOS Options shall be deemed to cease to be capable of being exercised and be null and void.

24.2 Notwithstanding the above, the Company may implement more than one (1) Scheme provided that the aggregate number of Shares available under all the Schemes implemented by the Company is not more than fifteen percent (15%) of its total number of issued shares (excluding treasury shares) at any one time or such lower or higher limit in accordance with any prevailing guideline issued by Bursa Securities or any other relevant authorities amended from time to time.

25. DISPUTES OR DIFFERENCES

In case any dispute or difference shall arise between the Board and/or ESOS Committee, and an Eligible Person, Selected Person and/or Grantee as to any provisions contained in these By-Laws, the Board and/or the ESOS Committee shall determine such dispute or difference by a decision given to the Eligible Person, Selected Person and/or Grantee. The said decision shall be final and binding on the parties unless the Eligible Person, Selected Person and/or Grantee within fourteen (14) calendar days of the receipt thereof by a notice to the Board and/or the ESOS Committee, disputes the same in which case such dispute or difference shall be referred to the decision of the Adviser and/or Auditor (as selected by the Board and/or ESOS Committee at its absolute discretion) (acting as experts and not as arbitrators) whose decision shall be final and binding in all respects. The Board and/or ESOS Committee and the Eligible Person, Selected Person and/or Grantee as the case may be, shall keep all matters relating to the Scheme in strict confidence and shall not refer to, discuss with, publicise or in any other manner reveal any particulars or details thereof to any third party. The Board and the ESOS Committee shall not be required to furnish any reasons for any decision or determination made by it except as may be required by the relevant authorities.

26. COST AND EXPENSES

All fees, costs and expenses incurred in relation to preparation and/or operation of the Scheme including but not limited to the fees, costs and expenses relating to the allotment and issue of new Shares pursuant to the exercise of any ESOS Option shall be borne by the Company.

27. SCHEME OF ARRANGEMENT, AMALGAMATION, RECONSTRUCTION, ETC.

Notwithstanding the maximum percentage of the Grantee's ESOS Options that may be exercisable within each year of the Scheme as set out in the Offer Letter and subject to the discretion of the ESOS Committee, in the event of the court sanctioning a compromise or arrangement between Handal and its members proposed for the purpose of, or in connection with, a scheme of arrangement and reconstruction of Handal under Section 366 of the Act or its amalgamation with any other company or companies under Section 370 of the Act or the Company decides to merge with other company or companies, a Grantee may exercise in full or in part any ESOS Option to which the Grantee is entitled commencing from the date upon which the compromise or arrangement is sanctioned by the court and ending with the date upon which it becomes effective provided always that no ESOS Option shall be exercised after the expiry of the Option Period.

Upon the compromise or arrangement becoming effective, all ESOS Options remaining unexercised thereafter shall automatically lapse and become null and void.

28. SCHEME NOT A TERM OF EMPLOYMENT

This Scheme does not form part of or constitute or shall in any way to be construed as a term or condition of employment of any employee within the Group. This Scheme shall not confer or be construed to confer on any employee within the Group any special right or privilege over and above the employee's terms and conditions of employment under which the employee is employed nor any rights in addition to compensation or damages that the employee may be normally entitled to arising from the cessation of such employment for any reason whatsoever.

29. NO COMPENSATION

29.1. Notwithstanding any provisions of these By-Laws:-

(a) this Scheme shall not form part of any contract of employment between any company of the Group and any Employee or Director of the Group and the rights of any Grantee under the terms of his office and employment with the Company or any company of the Group shall not be affected by his participation in the Scheme or afford such Grantee any additional rights to compensation or damages in consequence of the termination of such office or employment for any reason;

(b) this Scheme shall not confer on any person any legal or equitable rights (other than those constituting the ESOS Option themselves) against the Company or any company of the Group or any members of the ESOS Committee directly or indirectly or give rise to any cause of action at law or in equity against the Company or the Group; and

(c) a Grantee who ceases to hold office or employment shall not be entitled to any compensation for the loss of any right or benefit or prospective right or benefit under the Scheme which he might otherwise have enjoyed whether such compensation is claimed by way of damages for wrongful dismissal, breach of contract or by way of compensation for loss of office.

(d) the sole right of a Grantee or representative pursuant to any valid claim hereunder shall be limited to the right of the Grantee or his representative to be reinstated to his position had the breach not occurred and any company within the Group, the ESOS Committee or any other party shall in no event be liable to the Grantee or representative or any other person or entity for any third party claim, loss of profits, loss of opportunity, loss of savings or any punitive, incidental or consequential damage, including without limitation on lost profits or savings, directly or indirectly arising from the breach or performance of these By-Laws or any loss suffered by reason of any change in the price of the Shares or from any other clause whatsoever whether known or unknown, contingent, absolute or otherwise, whether based in contract, tort, equity, indemnity, breach of warranty or otherwise and whether pursuant to common law, statute, equity or otherwise, even if any company of the Group, the ESOS Committee or any other party has been advised of the possibility of such damage and even if the limited remedy provided for is found to fail of essential purpose.

29.2. No Employees and Directors (including Eligible Person, Selected Person or Grantee) or their legal or personal representatives shall bring any claim, action or proceedings against the Board, the Company or the ESOS Committee or any party for compensation, loss or damages whatsoever and howsoever arising including but not limited to the suspension of their rights to exercise their ESOS Options or their ESOS Options ceasing to be valid pursuant to the provisions of these By-Laws.

30. CONSTITUTION OF THE COMPANY

Notwithstanding the terms and conditions contained herein, if a situation of conflict should arise between the Scheme and the Constitution, the provisions of the Constitution shall at all times prevail save and except where such provisions of the By-Laws are included pursuant to the Listing Requirements.

31. TAXES

For the avoidance of doubt, all other costs, fees, levies, charges and/or taxes (including without limitation income tax) that are incurred by an Grantee of the Shares, pursuant or relating to the grant of the Offers and exercise of the ESOS Options, and any holding or dealing of such ESOS Options (such as (but not limited to) brokerage commissions and stamp duty) shall be borne by that the Grantee for his own account, and the Company shall not be liable for any one or more of such costs, fees, levies, charges and/or taxes.

32. SEVERABILITY

Any term, condition, stipulation or provision in these By-Laws which is illegal, void, prohibited or unenforceable shall be ineffective to the extent of such illegality, voidness, prohibition or unenforceability without invalidating the remaining provisions hereof, and any such illegality, voidness, prohibition or unenforceability shall not invalidate or render illegal, void or unenforceable any other term, condition, stipulation and provision herein contained.

33. GOVERNING LAW AND JURISDICTION

33.1. The Scheme, these By-Laws, all Offers made and ESOS Options granted and actions taken under the Scheme shall be governed by and construed in accordance with the laws of Malaysia. The Grantee, by accepting the ESOS Options in accordance with the By-Laws and terms of the Scheme, irrevocably submits to the exclusive jurisdiction of the courts of Malaysia.

33.2. In order to facilitate the making of any Offer under this Scheme, the ESOS Committee may provide for such special terms to the Selected Persons who are employed by any corporation in the Group in a particular jurisdiction or who are nationals of any particular jurisdiction, that is outside Malaysia, as the ESOS Committee may consider necessary or appropriate for the purposes of complying with differences in local law, tax, policy or custom of that jurisdiction. The ESOS Committee may further approve such supplements to or amendments, restatements or alternative versions of the Scheme as it may consider necessary or appropriate for such purposes without thereby affecting the terms of the Scheme as in effect for any other purpose, and the appropriate officer of the Company may certify any such document as having been approved and adopted in the same manner as the Scheme. No such special terms, supplements, amendments or restatements, however, shall include any provisions that are inconsistent with the terms of this Scheme, as then in effect, unless this Scheme has been amended to eliminate such inconsistency. Notwithstanding the above, any Offer made to such Selected Persons pursuant to the Scheme shall be valid strictly in Malaysia only unless specifically mentioned otherwise by the ESOS Committee in the Offer.

33.3. No action has been or will be taken by the Company to make the Offer valid in any country or jurisdiction other than Malaysia or to ensure compliance of the Offer with all applicable laws and regulations in any other country or jurisdiction other than Malaysia. No action has or will be taken also by the Company to ensure compliance by the Selected Persons to whom the Offer is granted, with all applicable laws and regulations in such other country or jurisdiction in which they will be granted the Offers.

33.4. Any Selected Person to whom the Offer is granted is required to ensure that they comply with all applicable laws and regulations in each country or jurisdiction in or from which they are granted the Offers. By participating in the Scheme, each Selected Person has represented, warranted and agreed that they have and will continue to observe all applicable laws and regulations in the jurisdiction in which they will be granted the Offers.

34. INSPECTION OF THE AUDITED ACCOUNTS

To the extent permitted by the Listing Requirements and prevailing laws and guidelines issued by the relevant authorities, all Grantees shall be entitled to inspect a copy of the latest audited financial statements of the Company, which shall be made available on the Bursa Securities' website as well as the Company's website.

35. NOTICE

35.1. Any notice or request which under the Scheme is required to be given or served upon an Eligible Person, Selected Person or Grantee pursuant to the Scheme shall be in writing and be deemed to be sufficiently given:

(a) if it is sent by ordinary post by the Company to the Eligible Person, Selected Person or the Grantee at the last address known by the Company as being his address, such notice or request shall be deemed to have been received three (3) Market Days after posting;

(b) if it is given by hand to the Eligible Person, Selected Person or the Grantee, such notice or request shall be deemed to have been received on the date of delivery; or

(c) if it is sent by electronic media, including but not limited to electronic mail, to the Eligible Person, Selected Person or the Grantee, such notice or request shall be deemed to have been received upon confirmation or notification received after the sending of notice or request by the Company.

Any change of address of the Eligible Person, Selected Person or the Grantee shall be communicated in writing to the Company and the ESOS Committee.

35.2. Where any notice which the Company or the ESOS Committee is required to give, or may desire to give, in relation to the matters which may affect all the Eligible Person, Selected Person or the Grantee (as the case may be) pursuant to the Scheme, the Company or the ESOS Committee may give such notice through an announcement to all Employees of the Group to be made in such manner deemed appropriate by the ESOS Committee (including via electronic media).

36. ERRORS AND OMMISSIONS

36.1. If in consequences of an error or omission, the ESOS Committee discovers or determines that:

(a) an Eligible Person who was selected as a Selected Person has not been given the opportunity to participate in the Scheme on any occasion;

(b) an Eligible Person was erroneously selected as a Selected Person; or

(c) the number of ESOS Options granted to any Selected Person or Shares allotted to any Grantee on any occasion is found to be incorrect;

and such error or omission cannot be corrected, the ESOS Committee may do all such acts and things to rectify such error or omission including, but not limited to, all acts and things to ensure that the Eligible Person is given the opportunity to participate in the Scheme and/or to withdraw the Offer given to the Employee or Director who was erroneously selected as a Selected Person and/or to ensure that the Selected Person is given the correct number of ESOS Options or credited with the correct number of Shares to which he is entitled to.

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FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries to the best of their knowledge and belief, opinions expressed in this Circular have been arrived at after due and careful consideration and there are no false or misleading statements or information contained in this Circular, or other facts and information the omission of which would make any statement in this Circular false or misleading.

2. CONSENT AND DECLARATIONS OF CONFLICT OF INTERESTS

TA Securities, as the Adviser for the Proposals and Placement Agent for the Proposed Private Placement II, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

TA Securities has confirmed that there is no conflict of interest which exists or is likely to exist in its role as the Adviser for the Proposals and Placement Agent for the Proposed Private Placement II.

3. MATERIAL CONTRACTS

As at the LPD, save as disclosed below, the Group has not entered into into any other material contract (not being contracts entered into the ordinary course of business of Handal Group) during the 2 years immediately preceding the date of this Circular:

(a) Joint venture agreement dated 16 January 2024 entered into between Handal Floaters Sdn Bhd and Hadid Oil & Gas LLP in relation to the incorporation of a limited liability partnership to participate in the operation of the early oil production field development program as per phase 1 of Nipineftegas field development plan. The said joint venture agreement was terminated on 25 November 2024 as one of the conditions precedent stated in the said joint venture agreement was not fulfilled.

(b) Memorandum of understanding dated 1 February 2024 entered into between Qhazanah Technology Sdn Bhd and Handal Energy Services Sdn Bhd for the purpose of setting out the indicative principal terms in relation to conducting feasibility studies and development of the hydropower plants located at the Sungai Kuamut and Sungai Pensiangan, Sabah. The said memorandum of understanding was terminated on 2 August 2024.

(c) Joint venture agreement dated 2 February 2024 entered into between Handal Energy Solutions Sdn Bhd and DS Agriculture Plantation Sdn Bhd, wherein both parties are collaborating to form an unincorporated joint venture to continue works for cultivating agricultural crops and transforming development lands into tourism attraction through agro-tourism projects. As at the LPD, the said joint venture agreement remains valid and subsisting.

(d) Memorandum of agreement dated 4 March 2024 entered into between Ch'ng Chong Teck, Tee Beek Geok, and Handal pursuant to which the parties agreed to negotiate in good faith the terms and conditions of a definitive agreement for the proposed acquisition of the entire (100%) issued paid up share capital of Tenzin. The parties subsequently entered into a definitive share sale and purchase agreement on 11 June 2024, which replaced and superseded the memorandum of agreement.

(e) Share sale and purchase agreement dated 11 June 2024 entered into between the vendors, namely Tee Beek Geok and KSP Vista Sdn Bhd with the purchaser, namely Handal for the sale and purchase of 600,000 ordinary shares of Tenzin, representing 30% of the total issued share capital of Tenzin at a purchase price of RM8,000,000.00. The said share sale and purchase agreement has been completed on 30 July 2024.

(f) Bridging loan agreement dated 21 June 2024 entered into between Valuevest Ventures Sdn Bhd and Handal, pursuant to which Valuevest Ventures Sdn Bhd granted to Handal a bridging loan of RM5,200,000.00. As at the LPD, the said bridging loan agreement remains valid and subsisting.

(g) Memorandum of agreement dated 3 March 2025 entered into between Handal Hospitality Sdn Bhd and Hartanah Azzahrah Sdn Bhd wherein both parties are collaborating with each other to venture into the business of healthcare services whereby Handal Hospitality Sdn Bhd shall act as a liaison to procure a purchaser for the acquisition of the target assets, being Hospital Islam Az-Zahrah Bangi and Hospital Az-Zahrah BTHO, and sub-lease the said target assets. As at the LPD, the said memorandum of agreement remains valid and subsisting.

4. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

As at the LPD, save as disclosed below, neither the Company nor its subsidiaries are engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which has a material effect on the financial position of the Company and the Group and the Board confirms that there is no proceedings pending or threatened, or of any facts likely to give rise to any proceedings, which might materially and adversely affect the business or financial position of the Group:

(a) Sessions Court of Kuala Lumpur Civil Suit No. WA-B52NCvC-371-10/2020
Tenzin (Plaintiff) v. Sinohydro Corporation (M) Sdn Bhd (Defendant)

(i) On 16 October 2020, the plaintiff, Tenzin has filed a civil suit against the defendant, Sinohydro Corporation (M) Sdn Bhd, claiming that during the term of the rental agreement entered between both parties, the defendant has failed to make full payment of the rental charges to the plaintiff. The plaintiff is claiming from the defendant, amongst others, total arrears of RM657,757.37 owed by the defendant to the plaintiff.

(ii) The trial of this case was held from 25 November 2025 to 27 November 2025 and from 17 December 2025 to 18 December 2025. Both parties are required to file their written submissions on 10 February 2026 and 3 March 2026. The case management for this case is fixed on 4 March 2026.

(iii) Tenzin's solicitor, Messrs. Arthur Wang, Lian & Associates, have estimated that Tenzin's maximum exposure of liabilities from this suit, based on the defendant's counterclaims, is approximately RM1,260,000.00 plus interests and party-and-party costs of approximately RM60,000.00.

(iv) Messrs. Arthur Wang, Lian & Associates have further opined that Tenzin's claim is reasonably arguable and supported by the available evidence, including the defendant's admission of rental sums owed, through the ultimate outcome will depend on the court's assessment on the credibility of witnesses and the sustainability of the counterclaim.

(v) Based on the opinion of the solicitors, the Board is of the view that Tenzin have a reasonably good prospect in supporting the claim and defending the counterclaims from the defendant and will ensure that the necessary resources are allocated to pursue the case and to safeguard the interests of the Group.

(b) Sessions Court of Kuala Lumpur Writ No. WA-B52NCvC-187-05/2023
Aazri Bin Shamsuddin and 9 Ors (Plaintiff) v. IMRO (Defendant)

(i) On 2 May 2023, 10 employees of IMRO, namely Aazri Bin Shamsuddin, Laily Nadia Binti Razali, Chin Zhao Han, Melvin Khoo Chze How, Wan Shariz Nuruddin Bin Mohamed Zain, Mohammad Danial Bin Mohammad Suhaimi, Chong Soon Lee, Shobana Mohanasundram, Bahrul Hisham Bin Bahauddin and Yip Pui Mun, which are the plaintiffs, has filed a civil suit against IMRO as the defendant on the basis that the defendant has failed to pay the arrears of salary, EPF contributions, pro-rata annual leave entitlements, and the plaintiffs' claims despite the plaintiffs' employment with the defendant having long since ended. The plaintiffs therefore claim, amongst others, from the defendant the outstanding payments due to all the plaintiffs, amounting to RM735,413.89.

(ii) Both parties are currently in discussions to reach a settlement. The court has fixed 20 February 2026 for the parties to update the court on the status of these discussions.

(iii) IMRO's solicitor, Messrs. Au & Partners, have estimated that IMRO's maximum exposure of liabilities from this suit is approximately RM850,000.00, comprising the claim sum of RM735,413.89 together with statutory contributions, interest, and costs.

(iv) Messrs. Au & Partners have further opined that the plaintiffs' claims are generally favoured, creating a high risk of the plaintiffs' claims being allowed.

(v) Considering the opinion of the solicitors, the Board will ensure that the necessary resources are allocated to defend the case and to safeguard the interests of the Group.

(c) High Court of Sabah & Sarawak at Kota Kinabalu Civil Suit No. BKI-22NCvC-56-4/2024(HC1)
Davina Markus (Plaintiff) v. Handal and 2 Ors (Defendants)

(i) On 4 June 2024, Davina Markus as the plaintiff filed a counterclaim against Handal, Sunildeep Singh Dhaliwal, and HBRSB, the defendants. The plaintiff alleged that in 2022, the defendants represented that she would hold 51% in a joint venture via Handal Borneo Resources Sdn Bhd, which is the 3rd defendant, for a marine sand extraction business in Sabah. Relying on this, she entered into a shareholders' agreement, was appointed director, and the 3rd defendant executed an operation and management agreement on 19 December 2022.

(ii) The plaintiff claims that the defendants later sidelined her by denying access to company records, excluding her from management, withholding remuneration, and failing to provide the shareholders' agreement. The 1st defendant allegedly breached the operation and management agreement, unilaterally terminated it, and disposed of 529,200 shares in the 3rd defendant to an entity linked to the 2nd defendant without her consent.

(iii) The plaintiff asserts breaches of the shareholders' agreement, operation and management agreement, fiduciary duties, and misrepresentation, and denies the 3rd defendant's claim as unauthorised and invalid. By counterclaim, she seeks amongst others, RM132,600,000.00 (or damages to be assessed) against all 3 defendants jointly and severally.

(iv) The trial of this case is fixed from 4 May 2026 to 8 May 2026.

(v) Handal's solicitor, Messrs. Chin Roxana & Partners, have estimated that Handal's maximum exposure of liabilities from this suit is approximately RM132,700,000.00, comprising the claim sum of RM132,600,000.00 together with interest and costs of approximately RM100,000.00.

(vi) Messrs. Chin Roxana & Partners have further opined that Handal has a moderate chance of success in defending the counterclaim given that there are no particulars in the pleading or documents shown to substantiate the alleged damages of RM132,600,000.00 claimed by the plaintiff.

(vii) Based on the opinion of the solicitors, the Board is of the view that Handal have a reasonably good prospect in defending the claim from the plaintiff and will ensure that the necessary resources are allocated to defend the case and to safeguard the interests of the Group.

(d) High Court of Kuala Lumpur Civil Suit No. WA-22NCvC-510-07/2024
Seaoffshore Shared Sdn Bhd (Plaintiff) v. Handal (Defendant)

(i) On 31 July 2024, Seaoffshore Shared Sdn Bhd as the plaintiff has filed a civil suit against Handal, the defendant, to which the plaintiff avers that the defendant engaged the plaintiff under a management services agreement dated 10 August 2023 to provide corporate management, business operations, marketing, sales, financial, procurement, accounting, treasury, tax services, human resources, governance and compliance, information technology, legal services, and company secretarial services to IMRO, a wholly-owned subsidiary of the defendant. The plaintiff pleads that the defendant has failed, refused and/or neglected to pay the plaintiff for the services rendered and claim for, amongst others, the sum of RM9,584,586.70 being the outstanding sum as at 30 June 2024 and the sum of RM170,368.83 being the outstanding sum pursuant to the invoice issued in July 2024.

(ii) The plaintiff has filed an application for summary judgment, to which the defendant has subsequently responded by filing an application under Order 14A of the Rules of Court 2012. Both parties are required to file their submission in reply and chronology of events on 21 November 2025. The hearing of this case is fixed on 15 May 2026.

(iii) Handal's solicitor, Messrs. Au & Partners, have estimated that Handal's maximum exposure of liabilities from this suit is approximately RM10,500,000.00, comprising RM9,754,955.53 plus interest and costs.

(iv) Messrs. Au & Partners have further opined that Handal has a reasonably strong case with arguable legal and factual defences. While summary judgment poses litigation risk, the existence of triable issues may warrant the matter proceeding to full trial.

(v) Based on the opinion of the solicitors, the Board is of the view that Handal have a reasonably good prospect in defending the claim from the plaintiff and will ensure that the necessary resources are allocated to defend the case and to safeguard the interests of the Group.

(e) Sessions Court of Kuala Lumpur Suit No. WA-B52NCvC-418-10/2024
IMRO and Anor (Plaintiffs) v. Seaoffshore Shared Sdn Bhd and Anor (Defendants)

(i) On 12 August 2024, IMRO ("**1st plaintiff**") and Handal ("**2nd plaintiff**"), have filed a civil suit against Seaoffshore Shared Sdn Bhd ("**1st defendant**") and Sunildeep Singh Dhaliwal ("**2nd defendant**"). The 1st plaintiff is the owner of and operates from Lot PT 7358, Kawasan Perindustrian Telok Kalong, 24007 Kemaman, Terengganu ("**Property**"). In July 2024, the plaintiffs discovered that by way of a tenancy agreement dated 1 August 2023, the entire Property has been leased out by the 2nd plaintiff to the 1st defendant. The tenancy agreement was purportedly executed by Vivien Xu Tiantian on behalf of the 2nd plaintiff and the 2nd defendant as director of the 1st defendant. However, it is the plaintiffs' contention that the tenancy agreement dated 1 August 2023 is of no effect, null and void as Vivien Xu Tiantian's signature is a forgery and that 2nd defendant is a common director of the plaintiffs and the 1st defendant. The plaintiffs seek, amongst others, a declaration that the tenancy agreement is void, and an order for damages to be assessed from the date of the tenancy agreement up to the declaration of it being void.

(ii) The trial of this case is fixed from 16 February 2027 to 18 February 2027.

(iii) As Handal and IMRO are the plaintiffs in the suit and no counterclaim has been filed by the defendants, the maximum exposure of liabilities to the plaintiffs is limited to the costs incurred in pursuing the suit.

(iv) IMRO and Handal's solicitor, Messrs. Au & Partners, have opined that the plaintiffs have a strong case supported by corporate governance breaches, lack of proper approvals, and serious allegations of illegality and forgery. However, the matter is heavily contested in trial.

(v) Based on the opinion of the solicitors, the Board is of the view that Handal and IMRO have a reasonably good prospect in supporting the case and will ensure that the necessary resources are allocated to pursue the case and to safeguard the interests of the Group.

(f) Sessions Court in Sabah and Sarawak at Kota Kinabalu Suit No. BKI-A52NCvC-122-8/2024
Unity Force Sdn Bhd (Plaintiff) v. IMRO (Defendant)

(i) On 20 August 2024, Unity Force Sdn Bhd as the plaintiff has filed a civil suit against IMRO, the defendant for a sum of RM233,811.25 for alleged security guard services provided by the plaintiff to the defendant. On 20 February 2025, the plaintiff obtained an amended judgment in default of appearance against the defendant.

(ii) The defendant has filed an application to strike out the plaintiff's re-amended statement of claim on 8 January 2026 whilst the plaintiff has filed for summary judgment on 22 January 2026. The case is fixed for mention on 9 February 2026.

(iii) IMRO's solicitor, Messrs. A.M & Co, have estimated that IMRO's maximum exposure of liabilities from this suit, based on the statement of claim to be as follows:

a. the sum of RM233,811.25;

b. interest of 5% from 26 September 2023 until full and final payment;

c. filing fee of writ of summons RM208.00;

d. fixed costs of RM2,050.00;

e. advertisement costs of RM162.00; and

f. costs pursuant to Order 59 of the Rules of Court 2012.

(iv) Messrs. A.M & Co have further opined that there is a good chance for the court to dismiss Unity Force Sdn Bhd's claim against IMRO as there is no evidence of a security guard services agreement between IMRO and Unity Force Sdn Bhd and there are other evidence showing that the security guard services were provided to another company.

(v) Based on the opinion of the solicitors, the Board is of the view that IMRO have a reasonably good prospect in defending the claim from the plaintiff and will ensure that the necessary resources are allocated to defend the case and to safeguard the interests of the Group.

(g) High Court of Shah Alam Civil Suit No. BA-22NCvC-228-06/2025
Seaoffshore Capital Sdn Bhd (Plaintiff) v. Handal (Defendant)

(i) On 11 June 2025, Seaoffshore Capital Sdn Bhd as the plaintiff has filed a civil suit against Handal, the defendant, to which the plaintiff avers that the plaintiff had provided a loan to the defendant via bank transfer for the purpose of supporting and financing the defendant's group working and operating capital. The plaintiff claims that the defendant failed and/or neglected to make any repayment towards the outstanding sum to the plaintiff and is seeking for, amongst others, the sum of RM3,101,300.00 being the outstanding sum as at 30 May 2025 and interest at the rate of 5% per annum on the damages awarded pursuant to the outstanding sum owing from the date of judgment until full and final settlement.

(ii) The defendant filed a counterclaim against the plaintiff, alleging fraud, breach of fiduciary duty, and abuse of corporate structure, and seeks to pierce the corporate veil of the plaintiff and hold the two directors personally liable for damages. Both parties shall file their written submissions on 27 February 2026. The hearing of this case is fixed on 30 March 2026.

(iii) Handal's solicitor, Messrs. Au & Partners, have estimated that Handal's maximum exposure of liabilities from this suit is approximately RM3,700,000.00, comprising the claim sum of RM3,101,300.00 together with the interest and costs.

(iv) Messrs. Au & Partners have further opined that the suit is contested and that the matter carries real litigation risk.

(v) Considering the opinion of the solicitors, the Board will ensure that the necessary resources are allocated to defend the case and to safeguard the interests of the Group.

(h) Sessions Court of Kuala Lumpur Originating Summons No. WA-A54-119-06/2025
Handal (Plaintiff) v. Handal Energy Borneo Sdn Bhd (Defendant)

(i) On 25 June 2025, Handal as the plaintiff, has filed an originating summons against Handal Energy Borneo Sdn Bhd, a 90.1% subsidiary of Seaoffshore Capital Sdn Bhd, the defendant. On 14 July 2023, the plaintiff and the defendant had entered into a share sale agreement whereby the plaintiff agreed to sell and the defendant had agreed to purchase 529,200 units of ordinary shares of HBRSB, comprising of 49% of the total equity interest of HBRSB at the purchase price of RM529,200.00. The plaintiff avers that the defendant had failed, refused and/or omitted to pay the purchase price but has since transferred the shares to the defendant.

(ii) The plaintiff is seeking for, amongst others, a declaratory order that the defendant has failed to remit the purchase price of RM529,200.00 pursuant to share sale agreement dated 14 July 2023 entered into between both parties, a declaratory order that the share sale agreement is to be lawfully rescinded and/or terminated with immediate effect and an order that the defendant be directed to return and re-transfer to the plaintiff all shares of HBRSB in respect of the share sale agreement, being the 529,200 units of ordinary shares within 7 days from the date of the order.

(iii) The defendant has applied to convert the case from an originating summons to a writ action. The plaintiff is required to file the writ and statement of claim on 27 February 2026. The case is fixed for case management on 31 March 2026.

(iv) Handal's solicitor, Messrs. Au & Partners, has opined that the plaintiff has a strong case and the factual matrix and documentary trail support the plaintiff's position, although the final outcome remains subject to the court's determination.

(v) Based on the opinion of the solicitors, the Board is of the view that Handal have a reasonably good prospect in supporting the case and will ensure that the necessary resources are allocated to pursue the case and to safeguard the interests of the Group.

(i) High Court of Shah Alam Civil Suit No. BA-22NCvC-257-07/2025
Deepetro Offshore Brokers Pte Ltd (Plaintiff) v. Handal & Anor (Defendants)

(i) On 2 July 2025, Deepetro Offshore Brokers Pte Ltd as the plaintiff, has filed a civil suit against Handal, the 1st defendant and IMRO, the 2nd defendant, to which the plaintiff avers that they had entered into an asset sale agreement dated 25 July 2023 with the 2nd defendant for the purchase of various cranes for the purchase price of RM674,028.00. The 2nd defendant is contractually obliged to deliver, or procure delivery or make available the cranes within 30 days to the plaintiff pursuant to the asset sale agreement. The plaintiff claims that the 2nd defendant has failed, refused and/or neglected to deliver and/or make available the cranes to the plaintiff and seeks delivery of cranes or refund of RM674,028.00, RM18,000,000.00 in damages, and other reliefs including injunction and costs.

(ii) The defendant has filed an application for security of costs. The plaintiff is required to file the affidavit in reply on 30 January 2026. Both parties are to exchange their written submissions on 6 March 2026. The court will deliver its decision or conduct case management on 10 April 2026.

(iii) Handal and IMRO's solicitor, Messrs. Au & Partners, have estimated that Handal and IMRO's maximum exposure of liabilities from this suit is approximately RM19,000,000.00, comprising the refund of RM674,028.00, loss of profit of RM18,000,000.00, together with costs.

(iv) Messrs. Au & Partners have further opined that the defendants have a reasonably strong defence based on the surrounding circumstances of the transaction and the issues relating to delivery, performance, and causation of the alleged losses. While the plaintiff's claims are substantial, there are material factual and legal issues that may require full trial determination.

(v) Based on the opinion of the solicitors, the Board is of the view that Handal and IMRO have a reasonably good prospect in defending the claim from the plaintiff and will ensure that the necessary resources are allocated to defend the case and to safeguard the interests of the Group.

(j) Sessions Court of Petaling Jaya Civil Suit No. BB-B52NCC-105-08/2025
Fes Equipment Services Sdn Bhd (Plaintiff) v. IMRO (Defendant)

(i) On 4 August 2025, Fes Equipment Services Sdn Bhd as the plaintiff, has filed a civil suit against IMRO, the defendant, to which the plaintiff avers that the defendant has failed, refused and/or neglected to pay the outstanding sum from the invoices issued by the plaintiffs for the purchase of crane spare parts totalling RM378,013.20.

The plaintiffs seek, amongst others, for the defendants to pay the abovementioned outstanding sum amounting to RM378,013.20 and late payment interest at the rate of 1.5% per month amounting to RM112,310.69.

(ii) The plaintiff filed for a summary judgment, which the court allowed in favour of the plaintiff. The defendant has since filed an appeal against the summary judgment and an application for a stay of execution pending the appeal. The case management has been fixed on 11 February 2026 and 20 February 2026.

(iii) IMRO's solicitor, Messrs. Au & Partners, have estimated that IMRO's maximum exposure of liabilities from this suit is approximately RM500,000.00, comprising the claim sum of RM378,013.20 together with the late payment interest of RM112,310.69.

(iv) Messrs. Au & Partners have further opined that given that the defence remains unclear, there is risk of Handal being ordered to pay the claim if the invoices are substantiated by the plaintiff.

(v) Considering the opinion of the solicitors, the Board will ensure that the necessary resources are allocated to defend the case and to safeguard the interests of the Group.

(k) Industrial Court of Malaysia Case No. 4/4-270/24
Tuan Noor Azlina Binti Tuan Mat (Claimant) v. IMRO (Respondent)

Industrial Court of Malaysia Case No. 1/1-932/25
Tuan Noor Azlina Binti Tuan Mat (Claimant) v. IMRO (Respondent)

High Court of Kuala Lumpur Civil Appeal No. WA-16A-35-05/2025
IMRO (Appellant) v. Tuan Noor Azlina Binti Tuan Mat (Respondent)

(i) On 18 April 2024, Tuan Noor Azlina Binti Tuan Mat, the claimant, has filed a claim against IMRO, the respondent, claiming that she was dismissed by the respondent without just cause and excuse and prays to be reinstated to her former position with any loss of wages and other benefits.

(ii) Vide the award no. 588 of 2025 dated 23 April 2025, the court ruled that the claimant was dismissed without just cause or excuse and has ordered the respondent to pay the claimant a sum of RM261,000.00 only less statutory deduction within 30 days from the date of the award.

(iii) On 2 May 2025, the respondent has filed an appeal to the High Court of Kuala Lumpur against the award.

(iv) On 27 May 2025, the claimant has filed a claim against the respondent to execute award no. 588 of 2025 dated 23 April 2025, pursuant to Industrial Court of Malaysia Case No. 4/4-270/24.

(v) Pursuant to the respondent filing of an appeal to the High Court of Kuala Lumpur against the award, the respondent has filed an application to stay the execution of the award pending the determination of the appeal on 30 September 2025.

(vi) The hearing date for this appeal is fixed on 29 September 2026.

(vii) IMRO's solicitor, Messrs. Au & Partners, have estimated that IMRO's maximum exposure of liabilities from this suit is approximately RM300,000.00, comprising the claim sum of RM261,000.00 together with the interests and costs.

(viii) Messrs. Au & Partners have further opined that the suit is pending appeal, and although Messrs. Au & Partners have raised arguable grounds in support of the appeal, there remains a real risk that the appellate court may decline to interfere with the Industrial Court's decision, which was reached after a full evidentiary trial.

(ix) Considering the opinion of the solicitors, the Board will ensure that the necessary resources are allocated to defend the case and to safeguard the interests of the Group.

5. MATERIAL COMMITMENT

As at the LPD, the Board confirms that there is no material commitment incurred or known to be incurred by the Company or the Group, which upon becoming enforceable, may have material impact on the financial position of the Group.

6. CONTINGENT LIABILITIES

Save as disclosed in **Section 9.1** of this Circular, as at the LPD, the Board confirms that there is no contingent liability incurred or known to be incurred by the Company or the Group, which upon becoming enforceable, may have a material impact on the financial position of the Company and/or the Group.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are at the Registered Office of the Company at Unit No. EL-11-01, Amcorp Business Suite, Menara Melawangi, Pusat Perdagangan Amcorp, No. 18, Jalan Persiaran Barat, 46050 Petaling Jaya, Selangor during normal business hours from 8.30 a.m. to 5.30 p.m. from Monday to Friday (excluding public holidays) for the period commencing from the date of this Circular up to and including the date of the Company's forthcoming EGM:

(i) The Constitution;

(ii) The audited consolidated financial statements for the audited 18M-FPE 31 December 2022 and 18M-FPE 30 June 2024 as well as unaudited 15M-FPE 30 September 2025;

(iii) the draft By-Laws;

(iv) the letter of consent and declaration of conflict of interests as referred to in **Section 2** of this **Appendix II**;

(v) the relevant cause papers in respect of material litigation referred to in **Section 4** of this **Appendix II**; and

(vi) the material contracts referred to in **Section 3** of this **Appendix II**.

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HANDAL ENERGY BERHAD
[Registration No.: 200801015549 (816839-X)]
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting ("**EGM**") of Handal Energy Berhad ("**Handal**" or "**Company**") will be held at the Teedo Hotel's meeting hall, Level 4, Pudu Sentral, City Centre, 55100 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur on Wednesday, 4 March 2026 at 11.00 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications, the following resolutions:

ORDINARY RESOLUTION 1

PROPOSED PRIVATE PLACEMENT OF UP TO 196,950,000 ORDINARY SHARES OF HANDAL ("HANDAL SHARES" OR "SHARES"), REPRESENTING APPROXIMATELY 30% OF THE EXISTING NUMBER OF ISSUED SHARES OF HANDAL (EXCLUDING ANY TREASURY SHARES) ("PROPOSED PRIVATE PLACEMENT II")

"**THAT** subject to and conditional upon the approvals being obtained from all the relevant authorities and/or parties (if any), approval be and is hereby given to Handal to issue and allot up to 196,950,000 Placement Shares to the placees as set out in **Section 2.2** of the circular to the shareholders of the Company dated 6 February 2026 in relation to amongst others, the Proposed Private Placement II ("**Circular**");

THAT the issue price of the Placement Shares shall be fixed by the Board of Directors of the Company ("**Board**") at a later date after obtaining the relevant approvals and with a discount of not more than 10% to the 5-day volume weighted average price of Handal Shares immediately preceding the price fixing date(s) for such purpose and use of proceeds as set out in **Section 2.5** of the Circular;

THAT the Placement Shares shall, upon allotment and issuance, rank equally in all respects with the then existing Shares;

AND THAT the Board be and is hereby authorised to do all such acts and things that are necessary to give full effect to the Proposed Private Placement II with full powers to assent to any conditions, modifications, variations and/or amendments deemed necessary or expedient in the best interest of the Company and/or as may be required by the relevant authorities and to take all steps and actions they consider necessary or as may be required to give full effect to and complete the Proposed Private Placement II."

ORDINARY RESOLUTION 2

PROPOSED ESTABLISHMENT OF AN EMPLOYEES SHARE OPTION SCHEME ("ESOS") FOR THE ELIGIBLE DIRECTORS AND EMPLOYEES OF HANDAL AND ITS SUBSIDIARIES (EXCLUDING ANY DORMANT SUBSIDIARIES) ("PROPOSED ESOS")

"**THAT** subject to the approvals of all relevant authorities and/or parties being obtained, where required, approval be and is hereby given to the Board to:

(i) establish and administer the Proposed ESOS which involves the granting of options ("**ESOS Options**") to the eligible directors (excluding non-executive directors) and eligible employees of the Group (excluding dormant subsidiaries and foreign subsidiaries incorporated outside of Malaysia, if any), who fulfil the criteria of eligibility for participation in the Proposed ESOS ("**Eligible Persons**"), to subscribe for new Shares at a subscription price payable upon exercise of the ESOS Options in accordance with the by-laws governing the Proposed ESOS ("**By-Laws**"), a draft of which is set out in **Appendix I** of the Circular;

(ii) establish a committee, comprising at least 3 members with at least 1 member being a non-executive director of the Company ("**ESOS Committee**"), to administer the Proposed ESOS in accordance with the By-Laws;

(iii) allot and issue such number of new Shares to the Eligible Persons from time to time as may be required in connection with the implementation of the Proposed ESOS, provided that the aggregate number of new Shares to be allotted and issued under the Proposed ESOS shall not in aggregate exceed 15% of the total number of issued Shares (excluding any treasury shares, if any), or such other threshold as may be prescribed by Bursa Malaysia Securities Berhad ("**Bursa Securities**") at any point in time during the duration of the Proposed ESOS;

(iv) make necessary applications to Bursa Securities for the listing and quotation for the new Shares that may be allotted and issued from time to time pursuant to the exercise of ESOS Options and that such new Shares to be issued shall, upon allotment and issuance, rank equally in all respects with the then existing Shares in issue, save and except that the new Shares will not be entitled to any dividends, rights, allotments and/or other forms of distribution that may be declared, made or paid to the shareholders of the Company, the entitlement date of which precedes the date of allotment and issuance of such new Shares. The new Shares will be subject to all the provisions of the Constitution of the Company and such amendments thereafter, if any;

(v) add, amend, modify and/or delete all or any of the terms in the By-Laws from time to time as may be required or permitted by the authorities or deemed necessary by the authorities or the Board, provided that such additions, amendments, modifications and/or deletions are permitted and effected in accordance with the provisions of the By-Laws relating to modifications and/or amendments, deed or undertakings and to deliver and/or impose such terms and conditions and/or delegate part of its powers as may be necessary or expedient in order to implement, finalise and give full effect to the Proposed ESOS; and

(vi) extend the duration of the Proposed ESOS for a further period of up to 5 years (or such other period as may be prescribed by Bursa Securities in compliance with the Main Market Listing Requirements of Bursa Securities ("**Listing Requirements**") or any other relevant authorities) on or before the expiry of the initial 5-year period of the Proposed ESOS, at the Board's sole and absolute discretion upon the recommendation of the ESOS Committee, provided that the initial period and such extension of the Proposed ESOS is made in accordance with the provisions of the By-Laws and shall not in aggregate exceed a duration of 10 years (or such other period as may be prescribed by Bursa Securities in compliance with the Listing Requirements or any other relevant authorities) from the effective date of implementation of the Proposed ESOS;

AND THAT the Board be and is hereby empowered and authorised to do all acts, deeds and things and to execute, sign, deliver and cause to be delivered on behalf of the Company all such documents and/or arrangements (including without limitations, the affixation of the Company's Common Seal in accordance with the Company's Constitution) as may be necessary or expedient in order to implement, finalise, give effect and complete the Proposed ESOS and the terms of the By-Laws with full powers to assent to any conditions, modifications, variations and/or amendments in any manner as may be required or imposed by the relevant authorities or as the Board may deem necessary or expedient and in the best interest of the Company."

ORDINARY RESOLUTION 3 TO 10

PROPOSED GRANTING OF ESOS OPTIONS TO THE ELIGIBLE DIRECTORS OF THE GROUP (EXCLUDING DORMANT SUBSIDIARIES AND FOREIGN SUBSIDIARIES INCORPORATED OUTSIDE OF MALAYSIA, IF ANY) AND PERSONS CONNECTED WITH THEM ("PROPOSED ALLOCATIONS")

"**THAT** subject to the passing of Ordinary Resolution 2 and the requisite approvals of the relevant authorities being obtained for the Proposed ESOS, and for so long such approvals remain in force, approval be and is hereby given to the Board to authorise the ESOS Committee, at any time and from time to time during the duration of the Proposed ESOS, to offer and grant such number of ESOS Options under the Proposed ESOS (as may be adjusted or modified from time to time pursuant to the By-Laws) to the following Eligible Persons:

No.	Name of the Directors	Ordinary Resolution
1.	YB Muhamad Arafat Bin Varisai Mahamad, an Independent Non-Executive Chairman of the Company	3
2.	Datuk Mohd Idzwan Izuddin Bin Ab Rahman, an Executive Vice Chairman of the Company	4
3.	Vivien Xu Tiantian, a Group Executive Director of the Company	5
4.	William H Van Vliet III, an Executive Director of the Company	6
5.	Lee Yueh Shien, an Independent Non-Executive Director of the Company	7
6.	Cheah Ben Lee, an Independent Non-Executive Director of the Company	8
7.	Rahimah Shamila Binti Abdullah, an Independent Non-Executive Director of the Company	9
8.	Zhang Yan, an Independent Non-Executive Director of the Company	10

provided always that:

(i) he/she must not participate in the deliberation or discussion of his/her own allocation of ESOS Options as well as allocation of ESOS Options to persons connected with him (if any) (as defined in the Listing Requirements);

(ii) at any point in time during the duration of the Proposed ESOS, not more than 80% of the total number of Shares available to be issued under the Proposed ESOS shall be allocated, in aggregate, to the eligible directors and senior management of the Group (excluding dormant subsidiaries and foreign subsidiaries incorporated outside of Malaysia, if any) who are eligible to participate in the Proposed ESOS;

(iii) the allocation to an Eligible Person who, either singly or collectively through persons connected with him (as defined under the Listing Requirements) holds 20% or more of the total number of issued Shares (excluding treasury shares, if any), shall not exceed 10% of the total number of new Shares made available under the Proposed ESOS; and

(iv) the allocation of ESOS Options to him/her shall be subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the By-Laws and any prevailing guidelines, rules or regulations issued by Bursa Securities or any other relevant authorities, as amended from time to time;

THAT the Board be and is hereby authorised to allot and issue the corresponding number of new Shares arising from the exercise of the ESOS Options that may be granted to any of the abovementioned Eligible Persons under the Proposed ESOS;

AND THAT the Board be further empowered and authorised to do all such acts and things (including executing such documents as may be required) in the said connection and to delegate all or any of the powers herein vested in them to any Director(s) or any officer(s) of the Company to give effect to the proposed allocations, with full power to assent to and to adopt and implement any condition, variation, modification and/or amendment as may be necessary or expedient and/or imposed by and/or agreed with the relevant authorities."

SPECIAL RESOLUTION

PROPOSED REDUCTION OF ISSUED SHARE CAPITAL OF THE COMPANY PURSUANT TO SECTION 117 OF THE COMPANIES ACT 2016 ("ACT") ("PROPOSED SHARE CAPITAL REDUCTION")

"**THAT** subject to the approvals being obtained from all relevant parties and/or authorities (where applicable) pursuant to Section 117 of the Act, the Board be and is hereby given the authority and approval to reduce the share capital of the Company via the cancellation of the issued share capital by RM28.00 million and for the credit arising from such cancellation to be used to set-off against the accumulated losses of the Company, while the remaining balance, will be credited to the retained earnings of the Company which shall be used in a manner to be determined by the Board at a later date and in the best interest of the Company, as permitted by the Company's constitution, the relevant and applicable laws as well as the Listing Requirements;

AND THAT the Board be and is hereby empowered and authorised to take all such steps and do all acts, deeds and things to enter into any arrangements, transactions, agreements and/or undertakings and to execute, sign and deliver on behalf of the Company, all such documents as may be necessary, expedient and/or appropriate to implement and give full effect to the Proposed Share Capital Reduction, with full powers to assent to any conditions, modifications, variations and/or amendments as the Board may in its absolute discretion deem fit, necessary, expedient, appropriate and/or as may be imposed or permitted by any relevant authorities in connection with the Proposed Share Capital Reduction and to do all such things as the Board may consider necessary or expedient in the best interest of the Company."

By Order of The Board
WONG YOUN KIM
(MAICSA 7018778)
(SSM PC No. 201908000410)
Company Secretary

Kuala Lumpur
Date: 6 February 2026

Notes:

1. A member entitled to participate and vote at this EGM is entitled to appoint a proxy/proxies to participate and vote instead of him/her. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to participate and vote at the EGM shall have the same rights as the member to speak at the EGM.
2. Where a member appoints more than one proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
3. The Form of Proxy, in the case of an individual, shall be signed by the appointer or his/her attorney, and in the case of a corporation, shall be executed under its Common Seal or under the hand of its attorney of the corporation duly authorised.
4. Where a member of the Company is an exempt authorised nominee as defined under the Central Depositories Act ("**Exempt Authorised Nominee**") which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**Omnibus Account**"), there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
5. For the purpose of determining a member who shall be entitled to participate in the EGM, the Company shall request Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 25 February 2026. Only a depositor whose name appears on the Record of Depositors as at 25 February 2026 shall be entitled to participate in the EGM or appoint proxies to participate and/or vote on his/her behalf.
6. The instrument appointing a proxy duly completed and signed must be deposited at the Company's Registered Office at Synergy Professionals Group Sdn Bhd, Unit No. EL-11-01, Amcorp Business Suite, Menara Melawangi, Pusat Perdagangan Amcorp, No. 18, Jalan Persiaran Barat, 46050 Petaling Jaya, Selangor, not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.
7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

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HANDAL

HANDAL ENERGY BERHAD
[Registration No.: 200801015549 (816839-X)]
(Incorporated in Malaysia)

PROXY FORM

CDS Account No.

No. of shares held

I/We,
……..
[Full name in block letters and NRIC No. / Passport No./ Company Registration No.]

Tel. No.: ……………………………………………………… E-mail Address: …………………………………………………………

of ………
[Address]

being a member/members of Handal Energy Berhad, hereby appoint:-

Full Name (in block letters):	**NRIC No. /Passport No.:**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address: **Tel No.:** **E-mail Address:**			

and/or (delete as appropriate)

Full Name (in block letters):	**NRIC No. /Passport No.:**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address: **Tel No.:** **E-mail Address:**			

or failing him/her, the Chairman of the meeting as my/our proxy to attend and to vote for me/us on my/our behalf at the Extraordinary General Meeting ("**EGM**") of the Company to be held at the Teedo Hotel's meeting hall, Level 4, Pudu Sentral, City Centre, 55100 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur on Wednesday, 4 March 2026 at 11.00 a.m. or any adjournment thereof and to vote as indicated below:-

Item	Resolutions	Agenda	FOR	AGAINST
1.	Ordinary Resolution 1	Proposed Private Placement II		
2.	Ordinary Resolution 2	Proposed ESOS		
3.	Ordinary Resolution 3	Proposed Allocation of ESOS Options to YB Muhamad Arafat Bin Varisai Mahamad		
4.	Ordinary Resolution 4	Proposed Allocation of ESOS Options to Datuk Mohd Idzwan Izuddin Bin Ab Rahman		
5.	Ordinary Resolution 5	Proposed Allocation of ESOS Options to Vivien Xu Tiantian		
6.	Ordinary Resolution 6	Proposed Allocation of ESOS Options to William H Van Vliet III		
7.	Ordinary Resolution 7	Proposed Allocation of ESOS Options to Lee Yueh Shien		
8.	Ordinary Resolution 8	Proposed Allocation of ESOS Options to Cheah Ben Lee		
9.	Ordinary Resolution 9	Proposed Allocation of ESOS Options to Rahimah Shamila Binti Abdullah		
10.	Ordinary Resolution 10	Proposed Allocation of ESOS Options to Zhang Yan		
11.	Special Resolution	Proposed Share Capital Reduction		

Please indicate with an '✓' or 'X' in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific direction, your proxy may vote or abstain as he/she thinks fit.

Signed this…………………day of …………………, 2026

……………………………………………………………………
Signature of Shareholder(s)/Common Seal

Notes:

1. A member entitled to participate and vote at this EGM is entitled to appoint a proxy/proxies to participate and vote instead of him/her. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to participate and vote at the EGM shall have the same rights as the member to speak at the EGM.
2. Where a member appoints more than one proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
3. The Form of Proxy, in the case of an individual, shall be signed by the appointer or his/her attorney, and in the case of a corporation, shall be executed under its Common Seal or under the hand of its attorney of the corporation duly authorised.
4. Where a member of the Company is an exempt authorised nominee as defined under the Central Depositories Act ("**Exempt Authorised Nominee**") which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**Omnibus Account**"), there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
5. For the purpose of determining a member who shall be entitled to participate in the EGM, the Company shall request Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 25 February 2026. Only a depositor whose name appears on the Record of Depositors as at 25 February 2026 shall be entitled to participate in the EGM or appoint proxies to participate and/or vote on his/her behalf.
6. The instrument appointing a proxy duly completed and signed must be deposited at the Company's Registered Office at Synergy Professionals Group Sdn Bhd, Unit No. EL-11-01, Amcorp Business Suite, Menara Melawangi, Pusat Perdagangan Amcorp, No. 18, Jalan Persiaran Barat, 46050 Petaling Jaya, Selangor, not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.

Fold this flap for sealing

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AFFIX
STAMP

The Registered Office of
HANDAL ENERGY BERHAD
c/o Synergy Professionals Group Sdn Bhd
Unit No. EL-11-01, Amcorp Business Suite, Menara
Melawangi, Pusat Perdagangan Amcorp, No. 18, Jalan
Persiaran Barat, 46050 Petaling Jaya, Selangor

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