

THIS CIRCULAR 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 adviser immediately.

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(Registration No. 199801012014 (468142-U))
(Incorporated in Malaysia)

- (I) **PROPOSED BONUS ISSUE OF SHARES IN XLHB ON THE BASIS OF 2 BONUS SHARES FOR EVERY 5 EXISTING XLHB SHARES HELD BY THE ENTITLED SHAREHOLDERS ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER ("PROPOSED BONUS ISSUE OF SHARES"); AND**
- (II) **PROPOSED BONUS ISSUE OF WARRANTS IN XLHB ("WARRANT(S)") ON THE BASIS OF 1 WARRANT FOR EVERY 2 EXISTING XLHB SHARES HELD BY THE ENTITLED SHAREHOLDERS ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER ("PROPOSED BONUS ISSUE OF WARRANTS")**

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser



(Registration No. 198401000672 (113193-W))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Extraordinary General Meeting ("**EGM**") of the Company will be held at Balai Tunku Abdul Rahman, The Royal Commonwealth Society No. 4, Jalan Birah, Damansara Heights, 50490 Kuala Lumpur, W.P. Kuala Lumpur on **Wednesday, 4 September 2024 at 9:00 a.m.** or at any adjournment thereof, for the purpose of considering the above Proposals, together with the Form of Proxy are enclosed in this Circular.

If you are unable to attend and vote at the EGM, you may appoint a proxy or proxies to attend and vote on your behalf. If you wish to do so, you must complete and deposit the Form of Proxy in accordance with the instructions thereon so as to arrive at the Company's registered office at A3-3-8, Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur, W.P. Kuala Lumpur or fax to 03-6413 3270 or email to infosec@wscs.com.my not less than 48 hours before the time set for holding the EGM or at any adjournment thereof. The lodgement of the Form of Proxy does not preclude you from attending and voting at the EGM should you subsequently wish to do so.

| | | |
|--|---|---|
| Last date and time for lodging the Form of Proxy | : | Monday, 2 September 2024 at 9:00 a.m. |
| Date and time of the EGM | : | Wednesday, 4 September 2024 at 9:00 a.m. |
| Venue of EGM | : | Balai Tunku Abdul Rahman, The Royal Commonwealth Society No. 4, Jalan Birah, Damansara Heights, 50490 Kuala Lumpur, W.P. Kuala Lumpur |

This Circular is dated 20 August 2024

DEFINITIONS

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

| | | |
|--------------------------------------|---|--|
| Act | : | Companies Act 2016 as amended from time to time and includes any re-enactment thereof. |
| Board | : | Board of Directors of the Company |
| Bonus Share(s) | : | Up to 124,567,920 new XLHB Shares to be issued pursuant to the Proposed Bonus Issue of Shares |
| Bonus Shares Entitlement Date | : | A date to be determined and announced later by the Board, on which the names of the shareholders of the Company must appear in the Record of Depositors of the Company as at 5.00 p.m. in order to participate in the Proposed Bonus Issue of Shares |
| Bursa Securities | : | Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W)) |
| Central Depositories Act | : | Securities Industry (Central Depositories) Act 1991, as amended from time to time and includes any re-enactment thereof |
| Circular | : | This circular to the shareholders dated 20 August 2024 in relation to the Proposals. |
| Deed Poll | : | Deed poll constituting and governing the Warrants, to be executed by the Company at a later date |
| Director(s) | : | A natural person who holds a directorship in the Company, whether in an executive or non-executive capacity, and shall have the meaning given in Section 2(1) of the Act and Section 2(1) of the Capital Markets and Services Act 2007 |
| EGM | : | Extraordinary general meeting |
| Entitled Shareholders | : | The shareholders of XLHB whose names appear in the Record of Depositors of the Company on the Bonus Shares Entitlement Date and Warrants Entitlement Date |
| EPS | : | Earnings per Share |
| FYE | : | Financial year ended/ending, as the case may be |
| GP | : | Gross profit |
| Indicative Exercise Price | : | Indicative exercise price per Warrant assumed at RM0.52 |
| Listing Requirements | : | Main Market Listing Requirements of Bursa Securities |
| LPD | : | 13 August 2024, being the latest practicable date prior to the printing of this Circular |
| LTD | : | 31 May 2024, being the last full trading day of XLHB Shares prior to the announcement dated 4 June 2024 in relation to the Proposals |
| LTIP | : | Long term incentive plan |

DEFINITIONS (Cont'd.)

| | | |
|---|------|---|
| Market Day(s) | : | Any day between Monday and Friday (inclusive of both days) on which Bursa Securities is open for trading of securities, which may include a Surprise Holiday |
| Maximum Scenario | : | Assuming all the treasury shares of 532,000 are resold prior to the implementation of the Proposed Bonus Issue of Warrants |
| Mercury Securities Principal Adviser | or : | Mercury Securities Sdn Bhd (Registration No. 198401000672 (113193-W)) |
| Minimum Scenario | : | Assuming none of the treasury shares are resold prior to the implementation of the Proposed Bonus Issue of Warrants |
| NA | : | Net assets |
| 10% Private Placement | : | Private placement of up to 10% of the total number of issued XLHB Shares which was announced on 18 December 2023 |
| 20% Private Placement | : | Private placement of up to 20% of the total number of issued XLHB Shares which was announced on 2 February 2021 |
| Proposals | : | Collectively, the Proposed Bonus Issue of Shares and Proposed Bonus Issue of Warrants |
| Proposed Bonus Issue of Shares | : | Proposed bonus issue of shares on the basis of 2 Bonus Shares for every 5 XLHB Shares held by the Entitled Shareholders on the Bonus Shares Entitlement Date |
| Proposed Bonus Issue of Warrants | : | Proposed bonus issue of the Warrants on the basis of 1 Warrant for every 2 XLHB Shares held by the Entitled Shareholders on the Warrants Entitlement Date |
| RCN | : | Redeemable convertible notes |
| Record of Depositors | : | A record of securities holders provided by Bursa Malaysia Depository Sdn Bhd under the Rules of Bursa Malaysia Depository Sdn Bhd pursuant to the Securities Industry (Central Depositories) Act, 1991 |
| RM and sen | : | Ringgit Malaysia and sen, respectively |
| Surprise Holiday | : | A day that is declared as a public holiday in the Federal Territory of Kuala Lumpur that has not been gazetted as a public holiday at the beginning of the calendar year |
| VWAP | : | Volume weighted average market price |
| Warrant(s) | : | Up to 217,993,860 new warrants in XLHB to be allotted and issued pursuant to the Proposed Bonus Issue of Warrants |
| Warrant Holder(s) | : | Holders of the Warrant(s) |
| Warrants Entitlement Date | : | The entitlement date to be determined and announced after the completion of the Proposed Bonus Issue of Shares on which the names of the shareholders of the Company must appear in the Record of Depositors of the Company as at 5.00 p.m. in order to participate in the Proposed Bonus Issue of Warrants |

DEFINITIONS (Cont'd.)

| | | |
|------------------------------|---|---|
| XLHB or Company | : | XL Holdings Berhad (Registration No. 199801012014 (468142-U)) |
| XLHB Group or Group | : | XLHB and its subsidiaries, collectively |
| XLHB Shares or Shares | : | Ordinary shares in XLHB |

All references to “**Company**” in this Circular are to XLHB, references to “**Group**” are to the Company and its subsidiaries. All references to “**we**”, “**us**”, “**our**” and “**ourselves**” in this Circular, if any, shall mean the Company or where the context requires, the Group.

References to “**you**” or “**your**” in this Circular, shall mean the shareholders of the Company, unless the context otherwise requires.

Words denoting the singular shall, where applicable, include the plural and vice versa, and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders and vice versa. Any reference to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any statute, rules, regulations or enactment is a reference to such statute, rules, regulations or enactment currently in force and as may be amended from time to time and any re-enactment thereof.

Any reference to a time of day and date in this Circular shall be a reference to Malaysian time of day and date, unless otherwise specified.

Any discrepancy in the figures included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due inquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that the Group’s plans and objectives will be achieved.

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TABLE OF CONTENTS

LETTER TO THE SHAREHOLDERS OF THE COMPANY IN RELATION TO THE PROPOSALS

| | |
|--|----|
| EXECUTIVE SUMMARY | 1 |
| 1. INTRODUCTION | 4 |
| 2. DETAILS OF THE PROPOSALS | 5 |
| 3. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSALS | 11 |
| 4. INDUSTRY OVERVIEW, OUTLOOK AND PROSPECTS | 21 |
| 5. EFFECTS OF THE PROPOSALS | 24 |
| 6. HISTORICAL SHARE PRICES | 29 |
| 7. APPROVALS REQUIRED | 29 |
| 8. CONDITIONALITY OF THE PROPOSALS | 30 |
| 9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM | 31 |
| 10. DIRECTORS' STATEMENT AND RECOMMENDATION | 31 |
| 11. ESTIMATED TIMEFRAME FOR COMPLETION | 31 |
| 12. CORPORATE EXERCISE/SCHEME ANNOUNCED BUT PENDING COMPLETION | 31 |
| 13. EGM | 32 |
| 14. FURTHER INFORMATION | 32 |

APPENDICES

| | | |
|-----------|--------------------------------------|-----------------|
| I | SALIENT TERMS OF THE WARRANTS | 33 |
| II | FURTHER INFORMATION | 36 |
| | NOTICE OF EGM | ENCLOSED |
| | FORM OF PROXY | ENCLOSED |

EXECUTIVE SUMMARY

This Executive Summary highlights the salient information of the Proposals. You are advised to read and consider carefully the entire contents of this Circular including the appendices and not to rely solely on this Executive Summary before voting on the resolution pertaining to the Proposals to be tabled at the forthcoming EGM.

| Key Information | Description | Reference to this Circular |
|------------------------------------|--|-----------------------------------|
| Summary of the Proposals | <p><u>Proposed Bonus Issue of Shares</u></p> <p>The Proposed Bonus Issue of Shares entails the issuance of up to 124,567,920 Bonus Shares on the basis of 2 Bonus Shares for every 5 existing XLHB Shares held by the Entitled Shareholders whose names appear in the Record of Depositors of the Company as at 5.00 p.m. on the Bonus Shares Entitlement Date.</p> <p>The Proposed Bonus Issue of Shares will be implemented in a single tranche and is not intended to be implemented on a staggered basis over a period of time. Fractional entitlements arising from the Proposed Bonus Issue of Shares, shall be disregarded, if any, and/or dealt with by the Board in such manner as it may in its absolute discretion deem fit of expedient and in the best interest of the Company.</p> <p><u>Proposed Bonus Issue of Warrants</u></p> <p>The Proposed Bonus Issue of Warrants entails an issuance of up to 217,993,860 Warrants, on the basis of 1 Warrant for every 2 existing XLHB Shares held by the Entitled Shareholders whose names appear in the Record of Depositors of the Company as at 5.00 p.m. on the Warrants Entitlement Date.</p> <p>Fractional entitlements of the Warrants, shall be disregarded, if any, and dealt with in such manner as the Board may in its absolute discretion deem fit and expedient, and in the best interest of the Company. The Proposed Bonus Issue of Warrants will be implemented in a single tranche and is not intended to be implemented in stages over a period of time.</p> <p>For clarity, the Bonus Shares issued pursuant to the Proposed Bonus Issue of Shares shall be entitled to the Proposed Bonus Issue of Warrants and thus, the Warrants Entitlement Date shall be set accordingly after the completion of the Proposed Bonus Issue of Shares.</p> | Section 2 |
| Rationale for the Proposals | <p><u>Proposed Bonus Issue of Shares</u></p> <p>The Proposed Bonus Issue of Shares serves to reward the existing shareholders for their loyalty and continued support to the Company by enabling them to have greater participation in the equity of the Company in terms of the number of XLHB Shares held, whilst maintaining their percentage of equity interest. This will also result to maintain the reserve and total NA of the Company as the Bonus Shares will be issued without any capitalisation of the Company's reserve.</p> | Section 3 |

EXECUTIVE SUMMARY (Cont'd)

| | | |
|---------------------------|---|-----------|
| | <p>Moreover, the completion of the Proposed Bonus Issue of Shares may potentially improve the trading liquidity of XLHB Shares on Bursa Securities.</p> <p><u>Proposed Bonus Issue of Warrants</u></p> <p>(a) To reward the shareholders of XLHB for their continuous support by enabling them to participate in convertible equity securities of the Company, which are separately tradable on the Main Market of Bursa Securities, without incurring any cost;</p> <p>(b) To provide the shareholders of XLHB with an opportunity to increase their equity participation in the Company at a pre-determined price over the tenure of the Warrants</p> <p>(c) To allow the shareholders of XLHB to benefit from any potential capital appreciation of the Warrants and further participate in the future growth of the Company when the Warrants are exercised; and</p> <p>(d) To provide the Company with additional funds as and when the Warrants are exercised without the need of incurring interest costs as compared to bank borrowings.</p> | |
| Approvals required | <p>The Proposals are subject to the approvals being obtained from the following: -</p> <p>(a) Bursa Securities vide its letter dated 5 August 2024 for the: -</p> <p>(i) listing of and quotation of up to 124,567,920 Bonus Shares pursuant to the Proposed Bonus Issue of Shares;</p> <p>(ii) admission of the new series of Warrants to the Official List of Bursa Securities; and</p> <p>(iii) listing of and quotation for up to 217,993,860 new series of Warrants and up to 217,993,860 new XLHB Shares to be issued upon exercise of the Warrants on the Main Market Bursa Securities;</p> <p>(b) shareholders of XLHB at the EGM to be convened; and</p> <p>(c) any other relevant parties and/or authorities, if required.</p> | Section 7 |

EXECUTIVE SUMMARY (Cont'd)

| | | |
|---|---|------------|
| Conditionality of the Proposals | <p>The Proposed Bonus Issue of Warrants is conditional upon the Proposed Bonus Issue of Shares but not vice versa.</p> <p>The Proposed Bonus Issue of Warrants will be implemented after the completion of the Proposed Bonus Issue of Shares.</p> <p>The Proposals are not conditional upon other proposals undertaken or to be undertaken by the Company.</p> | Section 8 |
| Interests of Directors, major shareholders, chief executive and/or persons connected with them | None of the Directors, major shareholders and/or chief executive of XLHB and/or persons connected with them has any interest, whether direct or indirect, in the Proposals, save for their respective entitlements (if any) as shareholders of the Company under the Proposals, which is also available to all other Entitled Shareholders on a pro-rata basis. | Section 9 |
| Directors' statement and recommendation | The Board recommends that you vote in favour of the resolution pertaining to the Proposals to be tabled at the forthcoming EGM. | Section 10 |

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XL Holdings Berhad

(Registration No. 199801012014 (468142-U))
(Incorporated in Malaysia)

Registered Office:

A3-3-8, Solaris Dutamas
No. 1, Jalan Dutamas 1
50480 Kuala Lumpur
W.P. Kuala Lumpur
Malaysia

20 August 2024

Board of Directors

Ng Min Lin (Executive Chairman)
Kuan Kai Seng (Executive Director/ Chief Executive Officer)
Dato' Ng Jet Heong (Executive Director)
Jason Fong Jian Sheng (Senior Independent Non-Executive Director)
Rithauddin Hussein Jamalattiff bin Jamaluddin (Independent Non-Executive Director)
Ng Fun Kim (Independent Non-Executive Director)
Wong Jo Ann (Non-Independent Non-Executive Director)

To: The shareholders of XL Holdings Berhad

Dear Sir/Madam,

- (I) PROPOSED BONUS ISSUE OF SHARES; AND**
- (II) PROPOSED BONUS ISSUE OF WARRANTS**

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

1. INTRODUCTION

On 4 June 2024, Mercury Securities had, on behalf of the Board, announced that the Company proposes to undertake the Proposals.

On 12 June 2024 and 29 July 2024, Mercury Securities had, on behalf of the Board, announced the amendments to the basis of determining the exercise price of the Warrants.

On 5 August 2024, Mercury Securities had, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 5 August 2024, resolved to approve the following: -

- (i) listing and quotation for Bonus Shares up to 124,567,920 new ordinary shares in XLHB Pursuant to the Proposed Bonus Issue of Shares;
- (ii) admission of the Warrants to the Official List of Bursa Securities pursuant to the Proposed Bonus Issue of Warrants; and
- (iii) listing and quotation of up to 217,993,860 Warrants and up to 217,993,860 Shares to be issued upon exercise of the Warrants.

on the Main Market of Bursa Securities,

subject to the conditions as set out in Section 7 of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSALS AND TO SET OUT THE RECOMMENDATION OF THE BOARD AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSALS

2.1 Proposed Bonus Issue of Shares

2.1.1 Basis and number of Bonus Shares to be issued

The Proposed Bonus Issue of Shares entails the issuance of up to 124,567,920 Bonus Shares on the basis of 2 Bonus Shares for every 5 existing XLHB Shares held by the Entitled Shareholders whose names appear in the Record of Depositors of the Company as at 5.00 p.m. on the Bonus Shares Entitlement Date.

The basis of the Bonus Shares to be issued was determined after taking into consideration, amongst others, the following: -

- (i) potential adjustments to the share price of XLHB Shares arising from the Proposed Bonus Issue of Shares;
- (ii) enlarged number of XLHB Shares in issue after the Proposed Bonus Issue of Shares; and
- (iii) compliance with Paragraph 6.30(1A) of the Listing Requirements which requires the Company's share price adjusted for the Proposed Bonus Issue of Shares is not less than RM0.50 based on the daily VWAP during the 3 months period before the application date.

As at LPD, the Company has the following: -

- (i) Issued share capital of RM215,104,362.71 comprising 311,419,800 Shares of which 380,000 Shares are held as treasury shares;
- (ii) Existing LTIP of which there has been no outstanding employees' share option scheme ("**ESOS**") options which have been granted and not exercised; and
- (iii) Existing RCN programme of which there has been no outstanding RCN that has been issued by the Company and not converted into XLHB Shares. The RCN programme will expire on 27 September 2024.

To facilitate the Proposals, the Board has confirmed that the Company will not award any shares or ESOS Options pursuant to the LTIP and/ or issue any shares or RCN pursuant to the RCN programme until the completion of the Proposals.

The actual number of Bonus Shares to be issued pursuant to the Proposed Bonus Issue of Shares will depend on the total number of issued Shares of the Company held by the Entitled Shareholders, on the Bonus Shares Entitlement Date which in turn will be determined by the Board and announce after the receipt of all the relevant approvals as set out at Section 7 of this Circular. For the avoidance of doubt, the treasury shares held by the Company on the Bonus Shares Entitlement Date will be entitled to the Bonus Shares as permitted under Section 127(11) of the Act and such allotted Bonus Shares will be treated as treasury shares held by the Company.

Therefore, based on the total issued Shares of XLHB of 311,419,800 Shares (including 380,000 treasury shares), the Proposed Bonus Issue of Shares entails the issuance of up to 124,567,920 Bonus Shares on the basis of 2 Bonus Shares for every 5 existing XLHB Shares is held by the shareholders of XLHB on the Bonus Shares Entitlement Date. The Bonus Shares Entitlement Date will be determined and announced at a later date after all the relevant approvals for the Proposals have been obtained.

The Proposed Bonus Issue of Shares will be implemented in a single tranche and is not intended to be implemented on a staggered basis over a period of time. Fractional entitlements arising from the Proposed Bonus Issue of Shares, shall be disregarded, if any, and/or dealt with by the Board in such manner as it may in its absolute discretion deem fit of expedient and in the best interest of the Company.

2.1.2 Adjustment to share price of XLHB Shares

There will be an adjustment to the market price of XLHB Shares listed and quoted on the Main Market of Bursa Securities pursuant to the Proposed Bonus Issue of Shares. For illustrative purposes, the theoretical ex-bonus share price of XLHB Shares based on the 5-day VWAP and the lowest past 3-month daily VWAP of XLHB up to and including up to 12 June 2024, being the date before the application date, are as follows: -

| | VWAP before the Proposed Bonus Issue of Shares | Theoretical ex-bonus share price after the Proposed Bonus Issue of Shares |
|--|---|--|
| 5-day VWAP up to and including the LPD | RM0.7966 | RM0.5690 |
| Lowest past 3-months daily VWAP up to and including up to 12 June 2024, being the date before the application date | RM0.7255 | RM0.5182 |

Based on the above, the Proposed Bonus Issue of Shares is in compliance with Paragraph 6.30(1A) of the Listing Requirements.

2.1.3 No capitalisation of reserves

The Bonus Shares will be issued as fully paid with no consideration and without capitalisation of the Company's reserves.

For avoidance of doubt, the Proposed Bonus Issue of Shares will increase the number of XLHB Shares but will not increase the value of the share capital of the Company as illustrated in the table below: -

| Issued Share Capital | No. of XLHB Shares | RM |
|--|---------------------------|-------------|
| As at the LPD | 311,419,800 | 215,104,363 |
| After the Proposed Bonus Issue of Shares | 435,987,720 | 215,104,363 |

2.1.4 Ranking of the Bonus Shares

The Bonus Shares shall, upon allotment and issuance, will carry the same rights with the existing XLHB Shares, save as the Bonus Shares will not be entitled to any dividends, rights, allotments and/or other forms of distribution that may be declared, made or paid before the Bonus Shares Entitlement Date.

As XLHB Shares are prescribed securities under Section 14(5) of the Security Industry (Central Depositories) Act 1991, the Bonus Shares will be credited directly into the respective central depository system accounts of the Entitled Shareholders and no physical share certificates will be issued.

2.1.5 Listing of and quotation for the Bonus Shares

Bursa Securities had, vide its letter dated 5 August 2024, approved for the listing of and quotation of the Bonus Shares to be issued pursuant to the Proposed Bonus Issue of Shares on the Main Market of Bursa Securities, subject to the conditions as set out in Section 7 of this Circular.

The Bonus Shares will be listed and quoted on the Main Market of Bursa Securities on the next Market Day after the Bonus Shares Entitlement Date upon obtaining all the necessary approvals as set at Section 7 of the Circular. The notice of allotment for the Bonus Shares will be issued and dispatched to the Entitled Shareholders no later than 4 Market Days after the date of listing and quotation for the Bonus Shares, or such other period as may be prescribed by Bursa Securities.

2.2 Proposed Bonus Issue of Warrants

2.2.1 Basis and number of Warrants

The Proposed Bonus Issue of Warrants entails an issuance of up to 217,993,860 Warrants, on the basis of 1 Warrant for every 2 existing XLHB Shares held by the Entitled Shareholders of XLHB whose names appear in the Record of Depositors of the Company as at 5.00 p.m. on the Warrants Entitlement Date.

The actual number of Warrants to be issued pursuant to the Proposed Bonus Issue of Warrants is illustrated based on the following scenarios: -

| | Minimum Scenario | Maximum Scenario |
|---|---|--|
| No. of Shares after the issuance of Bonus Shares | Up to 435,455,720 Shares (assuming none of the 532,000 treasury shares are resold in the open market) | Up to 435,987,720 Shares (assuming all of the 532,000 treasury shares are resold in the open market) |
| No. of Warrants to be issued | 217,727,860 Warrants | 217,993,860 Warrants |

Pursuant thereto, a total of up to 217,993,860 XLHB Shares may be issued assuming the maximum number of 217,993,860 Warrants are issued and exercised pursuant to the Proposed Bonus Issue of Warrants under the Maximum Scenario. Notwithstanding the foregoing, the actual number of Warrants to be issued under the Proposed Bonus Issue of Warrants will depend on the number of XLHB Shares in issue on the Warrants Entitlement Date.

The basis of the Proposed Bonus Issue of Warrants will be determined after taking into consideration the following: -

- (i) dilutive effects arising from the full exercise of the Warrants on the consolidated EPS if the Warrants are exercised;
- (ii) compliance with Paragraph 6.50 of the Listing Requirements, which states that the number of new XLHB Shares that will arise from the exercise of all outstanding convertible equity securities, does not exceed 50% of the total number of issued Shares (excluding treasury shares and before the exercise of the convertible equity securities) at all times; and
- (iii) amount of proceeds the Company could potentially raise as and when the Warrants are exercised during the exercise period of the Warrants.

Fractional entitlements of the Warrants, shall be disregarded, if any, and dealt with in such manner as the Board may in its absolute discretion deem fit and expedient, and in the best interest of the Company. The Proposed Bonus Issue of Warrants will be implemented in a single tranche and is not intended to be implemented in stages over a period of time.

The actual number of Warrants to be issued will depend on the total number of issued Shares held by the Entitled Shareholders on the Warrants Entitlement Date.

For clarity, the Bonus Shares issued pursuant to the Proposed Bonus Issue of Shares shall be entitled to the Proposed Bonus Issue of Warrants and thus, the Warrants Entitlement Date shall be set accordingly after the completion of the Proposed Bonus Issue of Shares.

2.2.2 Basis of determining the exercise price of the Warrants

The Warrants will be issued at no cost to the Entitled Shareholders based on their respective shareholdings. The exercise price of the Warrants will be determined by the Board at a later date, after the receipt of all relevant approvals but before the announcement of the Warrants Entitlement Date, after taking into consideration, amongst others, the following: -

- (i) the historical price movement of XLHB Shares;
- (ii) the theoretical ex-bonus price of XLHB Shares;
- (iii) a discount or premium of up to 10.00% to the 5-day VWAP of XLHB Shares, immediately prior to the price-fixing date to be determined and announced later;
- (iv) the prevailing market conditions; and
- (v) the future funding requirements of the XLHB Group.

For clarity, the intention of determining the actual exercise price of the Warrants closer to the implementation of the Proposed Bonus Issue of Warrants serves to provide the Board with greater flexibility to determine the exercise price of the Warrants based on the foregoing basis and allow the exercise price to be more reflective of the prevailing market price of XLHB Shares at that point in time.

The discount or premium of up to 10.00% to the 5-day VWAP was determined after taking into consideration, amongst others, the following: -

- (i) the historical price movement of XLHB Shares and the prevailing market conditions;
- (ii) the potential future earnings of the XLHB and its subsidiaries; and
- (iii) the Warrants being exercisable at any time within a 3-year period from the date of issue of the Warrants;

An announcement will be made by our Board at a later date, after the receipt of all relevant approvals but before the announcement of the Warrants Entitlement Date, on the basis of arriving at the exercise price of the Warrants and justification for the quantum of the discount applied. For illustrative purposes only, the Indicative Exercise Price represents a discount of 8.61% to the theoretical ex-bonus share price of RM0.5690 calculated based on the 5-day VWAP of XLHB Shares up to and including the LPD of RM0.7966.

The Board wishes to emphasise that the Indicative Exercise Price should not be taken as an indication of or reference to the actual exercise price of the Warrants as it will only be determined and announced at a later date and dependent on the abovementioned factors.

2.2.3 Ranking of the new XLHB Shares to be issued arising from the exercise of the Warrants

The Warrant Holders shall not be entitled to any voting rights or right to participate in any form of distribution and/or offer of further securities in XLHB until and unless such Warrant Holders exercise their Warrants into new XLHB Shares in accordance with the provisions set out in the Deed Poll governing the Warrants to be executed by the Company and such new XLHB Shares have been allotted and issued.

The new XLHB Shares to be issued arising from the exercise of the Warrants will, upon allotment and issuance, rank equally in all respects with the then existing XLHB Shares, save and except that the holders of the new XLHB Shares will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid to the shareholders of XLHB, where the entitlement date precedes the date of allotment and issuance.

2.2.4 Listing of and quotation for the Warrants and the new XLHB Shares to be issued arising from the exercise of the Warrants

Bursa Securities had, vide its letter dated 5 August 2024, approved for the admission of the Warrants to the Official List of Bursa Securities as well as for the listing of and quotation for the Warrants and the new XLHB Shares to be issued arising from the exercise of the Warrants on the Main Market of Bursa Securities, subject to the conditions as set out in Section 7 of this Circular.

2.2.5 Indicative salient terms of the Warrants

The Warrants will be traded on the Main Market of Bursa Securities separately from the existing XLHB Shares and issued in a registered form and constituted by the Deed Poll.

The indicative salient terms of Warrants are set out in **Appendix I** of this Circular.

2.2.6 Utilisation of Proceeds

The Proposed Bonus Issue of Warrants will not raise any immediate proceeds for the Company until such time the Warrant Holders exercise their Warrants.

The proceeds to be raised by the Company from the exercise of the Warrants would depend on the actual number of Warrants exercised during the 3 years tenure of the Warrants. Therefore, the exact quantum of proceeds and the timeframe for utilisation of the proceeds to be raised by the Company pursuant to the Proposed Bonus Issue of Warrants cannot be determined at this juncture.

For illustrative purposes, the gross proceeds to be raised assuming all the Warrants are exercised at the Indicative Exercise Price are set out below: -

| | No. of Warrants to be issued and exercised | Gross proceeds raised (RM) |
|------------------|---|-----------------------------------|
| Minimum scenario | 217,727,860 | 113,218,487 |
| Maximum scenario | 217,993,860 | 113,356,807 |

The Board anticipates that any proceeds to be raised from the exercise of the Warrants will be utilised by the Group within 24 months from the date of receipt of such proceeds.

The proceeds received are expected to be used for the Company's working capital requirements to support the ongoing business operations. Such general working capital expenses include, amongst others, payment to suppliers, staff related expenses as well as administrative expenses. The proceeds to be utilised for each component of working capital are subject to the operating requirements of the Group at the relevant time and therefore, have not been determined at this juncture. Nevertheless, the Group will utilise the proceeds for the working capital requirements in the following priority order as detailed below:

| No. | Details | Indicative allocation (%) |
|------------|-------------------------|----------------------------------|
| 1. | Payment to suppliers | 40.00 |
| 2. | Staff related expenses | 20.00 |
| 3. | Administrative expenses | 40.00 |

Notwithstanding the above, the allocation as disclosed above is an indicative and based on the management's best estimate only. The exact breakdown of the proceeds to be used for each component of the working capital is subject to change based on the parameters to be agreed upon on the terms, contracts and/or agreement with the relevant parties.

Pending the utilisation of the proceeds raised as and when the Warrants are exercised, such proceeds will be placed in interest-bearing deposits with licensed financial institution(s) and/or short-term money market instruments as the Board deems fit. The interest derived from the deposits placed with the licensed financial institution(s) and/or any gain arising from the short-term money market instruments will be used for the general working capital of the Company. Any interest income earned therefrom will be used for the Company's working capital, with the details and breakdown yet to be determined at this juncture.

3. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSALS

3.1 Proposed Bonus Issue of Shares

The Board is in view the Proposed Bonus Issue of Shares serves to reward the existing shareholders for their loyalty and continued support to the Company by enabling them to have greater participation in the equity of the Company in terms of the number of XLHB Shares held, whilst maintaining their percentage of equity interest. This will also result to maintain the reserve and total NA of the Company as the Bonus Shares will be issued without any capitalisation of the Company's reserve.

Moreover, the completion of the Proposed Bonus Issue of Shares may potentially improve the trading liquidity of XLHB Shares on Bursa Securities.

3.2 Proposed Bonus Issue of Warrants

The Proposed Bonus Issue of Warrants is intended to reward the existing shareholders of the Company after taking into consideration, amongst others, the following factors: -

- (i) to reward the shareholders of XLHB for their continuous support by enabling them to participate in convertible equity securities of the Company, which are separately tradable on the Main Market of Bursa Securities, without incurring any cost;
- (ii) to provide the shareholders of XLHB with an opportunity to increase their equity participation in the Company at a pre-determined price over the tenure of the Warrants;
- (iii) allow the shareholders of XLHB to benefit from any potential capital appreciation of the Warrants and further participate in the future growth of the Company when the Warrants are exercised; and
- (iv) to provide the Company with additional funds as and when the Warrants are exercised without the need of incurring interest costs as compared to bank borrowings.

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3.3 Other fundraising in the past 5 years

Save as disclosed below, XLHB has not conducted any fund-raising exercise for the past 5 years up to date of the announcement of the Proposals.

3.3.1 RCN

On 1 September 2021, the XLHB Shareholders approved the RCN programme, convertible into a maximum of 191,000,000 new ordinary shares with minimum conversion price at RM0.50 each in XLHB with an aggregate principal amount of up to RM200.00 million, representing approximately 66.58% of the enlarged issued share capital.

Details of the RCN with an aggregate principal amount of RM107.50 million which have been converted into 188,697,594 XLHB shares are as follows:

| Date of listing | No. of RCN converted into XLHB Shares | Issue price per share (RM) | Principal amount of RCN issued (RM) |
|------------------|---------------------------------------|----------------------------|-------------------------------------|
| 4 October 2021 | 16,592,001 | 0.6027 | 9,999,999 |
| 13 October 2021 | 6,514,051 | 0.5373 | 3,500,000 |
| 1 December 2021 | 7,518,796 | 0.5320 | 3,999,999 |
| 6 December 2021 | 6,578,947 | 0.5320 | 3,500,000 |
| 19 January 2022 | 8,415,933 | 0.5347 | 4,499,999 |
| 24 February 2022 | 18,248,174 | 0.5480 | 9,999,999 |
| 2 March 2022 | 18,248,175 | 0.5480 | 10,000,000 |
| 24 March 2022 | 17,565,431 | 0.5693 | 10,000,000 |
| 31 March 2022 | 8,782,715 | 0.5693 | 5,000,000 |
| 12 April 2022 | 3,488,574 | 0.5733 | 1,999,999 |
| 15 April 2022 | 10,368,066 | 0.5787 | 6,000,000 |
| 18 October 2022 | 942,151 | 0.5307 | 500,000 |
| 1 November 2022 | 4,734,848 | 0.5280 | 2,500,000 |
| 3 November 2022 | 11,363,636 | 0.5280 | 6,000,000 |
| 7 February 2023 | 3,448,275 | 0.5800 | 2,000,000 |
| 20 July 2023 | 410,306 | 0.6093 | 249,999 |
| 28 July 2023 | 4,513,372 | 0.6093 | 2,749,998 |
| 18 August 2023 | 2,414,292 | 0.6213 | 1,500,000 |
| 7 September 2023 | 1,609,528 | 0.6213 | 1,000,000 |
| 19 October 2023 | 4,601,226 | 0.6520 | 2,999,999 |
| 30 November 2023 | 2,324,499 | 0.6453 | 1,499,999 |
| 1 December 2023 | 774,833 | 0.6453 | 500,000 |
| 16 February 2024 | 8,814,102 | 0.6240 | 5,500,000 |

| Date of listing | No. of RCN converted into XLHB Shares | Issue price per share (RM) | Principal amount of RCN issued (RM) |
|-----------------|---------------------------------------|----------------------------|-------------------------------------|
| 26 March 2024 | 5,000,000 | 0.6000 | 3,000,000 |
| 13 May 2024 | 3,418,803 | 0.5850 | 2,000,000 |
| 24 May 2024 | 12,006,860 | 0.5830 | 6,999,999 |
| Total | 188,697,594 | | 107,499,989 |

The details and the status of utilisation of proceeds raised from RCN are as follows as at the LPD: -

| Details of utilisation | Proposed utilisation based on actual amount raised (RM'000) | Actual utilisation as at the LPD (RM'000) | Balance unutilised as at the LPD (RM'000) | Intended timeframe ⁽¹⁾ |
|---|---|---|---|-----------------------------------|
| Venture into the food processing ⁽²⁾ | 7,500 | 7,098 | 402 | Within 2 years |
| Venture into hatchery related business ⁽³⁾ | 25,000 | 25,000 | - | Within 3 years |
| Venture into fruits and vegetables planting business ⁽⁴⁾ | 53,000 | 53,000 | - | Within 3 years |
| Working capital for existing business and new business venture ⁽⁵⁾ | 15,000 | 15,000 | - | Within 3 years |
| Estimated expenses in relation to the RCN | 7,000 | 7,000 | - | Within 3 years |
| Total | 107,500 | 107,098 | 402 | |

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Notes:

(1) From the listing date of the respective tranche of the new RCN issued pursuant to the RCN programme.

(2) Details of the utilisation of proceeds for the venture into the food processing business are as follows:

| Details | Proposed utilisation based on actual amount raised (RM'000) | Actual utilisation as at the LPD (RM'000) | Balance unutilised as at the LPD (RM'000) |
|---|--|--|--|
| (a) Setting up of new food processing line (includes amongst others the purchase of machineries such as, but not limited to, food processing machines, washing machines, mixers and food packaging machines, rental of factories and renovation of the factories) | 1,500 | 1,500 | - |
| (b) Working capital: - | | | |
| - Staff costs | 4,500 | 4,240 | 260 |
| - General administrative and operating expenses such as electricity, telephone and sundry expenses | 1,500 | 1,358 | 142 |
| Total | 7,500 | 7,098 | 402 |

XLHB intends to utilise the remaining balance proceeds of RM0.40 million for the working capital, mainly for the staff costs as well as the general administrative and operating expenses and is expected to be fully utilised by the second quarter of 2025.

(3) Details of the utilisation of proceeds for the venture into hatchery related business are as follows:

| Details | Proposed utilisation based on actual amount raised (RM'000) | Actual utilisation as at the LPD (RM'000) | Balance unutilised as at the LPD (RM'000) |
|---|--|--|--|
| (a) Rental of land, plant hatchery centre and building | 6,375 | 6,375 | - |
| (b) Equipment, lab and research and development equipment | 9,125 | 9,125 | - |
| (c) Working capital: - | | | |
| - Staff costs | 3,000 | 3,000 | - |
| - General administrative and operating expenses | 6,500 | 6,500 | - |
| Total | 25,000 | 25,000 | - |

(4) Details of the utilisation of proceeds for the venture into fruits and vegetables planting business are as follows:

| Details | Proposed utilisation based on actual amount raised (RM'000) | Actual utilisation as at the LPD (RM'000) | Balance unutilised as at the LPD (RM'000) |
|--|--|--|--|
| (a) Acquisition of a fruits and vegetables planting business | 37,920 | 37,920 | - |
| (b) Clearance and preparation of land | 9,972 | 9,972 | - |
| (c) Planting of new sucker and seedling | 974 | 974 | - |
| (d) Working capital: - | | | |
| - Staff costs | 2,500 | 2,500 | - |
| - General administrative and operating expenses | 1,634 | 1,634 | - |
| Total | 53,000 | 53,000 | - |

XLHB had completed the acquisition of 100% equity interest in Ergobumi Sdn Bhd ("Ergobumi") on 22 March 2022 and commenced its operation on the same day, which is principally involved in the business of pineapple planting.

(5) Details of the utilisation of proceeds for the working capital for existing business is as follows:

| Details | Proposed utilisation based on actual amount raised (RM'000) | Actual utilisation as at the LPD (RM'000) | Balance unutilised as at the LPD (RM'000) |
|--|--|--|--|
| Purchase raw materials which include amongst others, post larvae | 15,000 | 15,000 | - |
| Total | 15,000 | 15,000 | - |

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3.3.2 Private Placement

- (i) XLHB had on 2 February 2021 announced the 20% Private Placement via general mandate, which was completed on 19 February 2021. The details of the new XLHB Shares issued under the 20% Private Placement are as follows: -

| Listing Date | No. of new XLHB Shares issued | Issue price per new XLHB Share (RM) | Gross proceeds raised (RM) |
|------------------|-------------------------------|-------------------------------------|----------------------------|
| 19 February 2021 | 15,911,300 | 0.8000 | 12,729,040 |
| Total | 15,911,300 | | 12,729,040 |

The details and status of utilisation of proceeds raised from the 20% Private Placement are as follows:

| Details of utilisation | Proposed utilisation (RM'000) | Amount utilised (RM'000) |
|---|-------------------------------|--------------------------|
| (i) Future acquisitions or investments of new businesses ⁽¹⁾ | 7,500 | 7,500 |
| (ii) Working capital requirements ⁽²⁾ | 5,069 | 5,069 |
| (iii) Defrayment of the expense's incidental to the 20% Private Placement | 160 | 160 |
| Total | 12,729 | 12,729 |

Notes:

- (1) Future acquisitions or investments of new business

The future acquisitions or investments of new businesses consist of the food processing business, hatchery business and fruits and vegetables planting business which were described in Notes 2, 3 and 4 under Section 3.3.1 above and as illustrated in the breakdown below:

| Details | Amount utilised (RM'000) |
|---|--------------------------|
| (a) Investment in food processing business | 3,000 |
| (b) Investment in hatchery related business | 2,000 |
| (c) Investment in fruits and vegetables planting business | 2,500 |
| Total | 7,500 |

(2) Working capital requirements

The breakdown of the working capital requirements is in the following manner:

| Details | Proposed utilisation (RM'000) | Amount utilised (RM'000) |
|--|----------------------------------|-----------------------------|
| (a) Staff salaries | 2,000 | 2,000 |
| (b) Administrative and other operating expenses | 2,500 | 2,500 |
| (c) Sales and marketing activities and other working capital requirement | 569 | 569 |
| Total | 5,069 | 5,069 |

- (ii) XLHB had on 18 December 2023 announced the 10% Private Placement via general mandate, which was completed on 1 July 2024. The details of the new XLHB Shares issued under the 10% Private Placement are as follows: -

| Listing Date | No. of new XLHB Shares issued | Issue price per new XLHB Share (RM) | Gross proceeds raised (RM) |
|--------------|----------------------------------|---|----------------------------------|
| 9 April 2024 | 12,764,706 | 0.6800 | 8,680,000 |
| 21 May 2024 | 5,250,000 | 0.6800 | 3,570,000 |
| 23 May 2024 | 2,000,000 | 0.6800 | 1,360,000 |
| 10 June 2024 | 3,000,000 | 0.6800 | 2,040,000 |
| 1 July 2024 | 3,859,300 | 0.6800 | 2,624,324 |
| Total | 26,874,006 | | 18,274,324 |

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As at the LPD, the details and the status of utilisation of proceeds raised from the 10% Private Placement are as follows: -

| Details of utilisation | Proposed utilisation (RM'000) | Re-allocation (RM'000) | Amount utilised as at the LPD (RM'000) | Balance unutilised as at the LPD (RM'000) | Intended time frame ⁽¹⁾ |
|---|-------------------------------|------------------------|--|---|--|
| (i) The acquisition of 25% equity interest in Samajutera Sdn Bhd ("SSB") ("SSB Acquisition") ⁽²⁾ | 8,789 | (8,789) ⁽³⁾ | - | - | Within 12 months from receipt of funds |
| (ii) Working capital requirements ⁽³⁾ | 9,347 | 8,789 ⁽³⁾ | 16,724 | 1,412 | Within 24 months from receipt of funds |
| (iii) Estimated expenses for the 10% Private Placement | 138 | - | 138 | - | Upon completion of the 10% Private Placement |
| Total | 18,274 | - | 16,862 | 1,412 | |

Notes:

(1) From the listing date of the 1st tranche of new XLHB Shares issued pursuant to the 10% Private Placement i.e. 9 April 2024.

(2) The Company intends to utilise the RM15.00 million of the proceeds to fund the SSB Acquisition for the purpose of engaging in seaweed cultivation activities through SSB's 70% owned subsidiary, WAF Holding Sdn Bhd ("WHSB") to acquire 25% equity interest in SSB from Encik Ahmad Marzuki Bin Hj Nasir @ Abdul Salam and Mr. Wong Kiong Lien (collectively referred to as the "**Vendors**") for the total cash consideration of RM15,000,000 as announced in the announcement dated 18 December 2023.

Subsequently, XLHB had on 4 March 2024 announced that the Company entered into 2 agreements as stated below: -

(i) Project joint venture agreement with WHSB ("**PJVA**") and

Pending the completion of the SSB Acquisition, XLHB and WHSB have agreed to enter into a joint venture for the business of seaweed farming by establishing seaweed farms at the project sites measuring 1,000 acres located within WHSB's lands and to cultivate, farm, process, trade and sell seaweeds grown from the seaweed farms for commercial purpose, as well as trading of seaweeds from all other sources.

(ii) Share purchase agreement with Vendors dated 4 March 2024 ("SPA")

In respect of the proposed investment by the Company for the SSB Acquisition, XLHB had on 5 March 2024 announced that the Company entered into shareholders agreement with the Vendors for the purpose of setting out their agreed rights, duties, liabilities and obligations vis-à-vis one another in relation to the operation and management of SSB. Pursuant to that, XLHB has utilised RM1.50 million of the proceeds raised from the 20% Private Placement as deposit, 10.00% of the purchase price of the 25% equity interest in SSB on 25 April 2024 ("Deposit").

Following from the above event, XLHB had on 2 August 2024 announced that the SPA has been terminated by mutual consent between the parties involved with effect from 2 August 2024 due to non-fulfilment of the conditions precedent of the SPA. Accordingly, the Deposit was refunded to XLHB and the shareholder agreement dated 5 March 2024, which is conditional upon the completion of the SPA will be automatically terminated as well. Therefore, the proceeds earmarked for the SSB Acquisition have been reallocated and utilised for the working capital requirements. Notwithstanding the termination of the SPA, the PUVA remain subsisting and ongoing.

- (3) As a consequence of the termination of the SPA, XLHB had reallocated the proceeds of RM8.79 million from the proceeds raised from the 10% Private Placement mainly for its existing activities and its seaweed cultivation activities under WHSB. Notwithstanding that, on the best estimate basis, the allocation of the proceeds to be utilised for each component of the working capital are as follows: -

| Details | Proposed utilisation based on actual amount (RM'000) | Re-allocation (RM'000) | Actual utilisation as at the LPD (RM'000) | Balance unutilised as at the LPD (RM'000) |
|---|--|------------------------|---|---|
| (a) Procurement of raw materials such as seedlings, fish fry and food related materials and culture lines | 2,881 | 3,381 | 5,474 | 788 |
| (b) Payment to suppliers or utilities | 2,825 | 3,449 | 5,856 | 418 |
| (c) Staff-related costs | 564 | 236 | 728 | 72 |
| (d) General administrative expenses | 3,077 | 1,723 | 4,666 | 134 |
| Total | 9,347 | 8,789 | 16,724 | 1,412 |

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Further details on the actual utilisation for the respective business ventures are as follows:

| Details | Actual utilisation as at the LPD | | | | Total (RM'000) |
|---|---------------------------------------|---|---|--|-------------------|
| | Venture into food processing (RM'000) | Venture into hatchery related business (RM'000) | Venture into fruits and vegetables planting business (RM'000) | Venture into seaweed cultivation activities (RM'000) | |
| (a) Procurement of raw materials such as seedlings, fish fry and food related materials and culture lines | 1,386 | 2,043 | 627 | 1,418 | 5,474 |
| (b) Payment to suppliers or utilities | 522 | 1,287 | 2,406 | 1,641 | 5,856 |
| (c) Staff-related costs | 207 | 134 | 291 | 96 | 728 |
| (d) General administrative expenses | 915 | 1,182 | 1,480 | 1,089 | 4,666 |
| Total | 3,030 | 4,646 | 4,804 | 4,244 | 16,724 |

3.3.3 Warrants

XLHB had on 3 March 2021 announced to undertake a free warrants issue ("**Warrant(s) A**") on the basis of 1 Warrant A for every 2 existing XLHB shares ("**Free Warrants Issue**") of which 47,734,099 Warrants A were issued and allotted on 19 May 2021. On 10 May 2024, all of the 47,734,099 Warrants A had expired and there were no proceeds raised from the Free Warrants Issue.

The Group's investment for the new business ventures includes amongst others working capital requirement such as payment to suppliers or utilities, staff related costs and general administrative expenses incurred in the Group's day-to-day operation. As at LPD, the total amount utilised for each of the new business ventures are as follows:

| Details of utilisation | Actual utilisation as at the LPD ⁽¹⁾ (RM'000) |
|--|---|
| Venture into the food processing | 13,128 |
| Venture into hatchery related business | 31,646 |
| Venture into fruits and vegetables planting business | 60,304 |
| Venture into seaweed cultivation activities | 4,244 |
| Total | 109,322 |

Note:

- (1) Aggregate amount from the RCN programme, 20% Private Placement and 10% Private Placement above.

4. INDUSTRY OVERVIEW, OUTLOOK AND PROSPECTS

4.1 Overview and outlook of the Malaysian economy

Malaysia's economy expanded by 4.2% in the first quarter of 2024. On the demand side, growth was driven by sustained domestic demand, contributed by private and public sector expenditure. The Private consumption rose by 4.7%, primarily contributed by household spending in furnishings, household equipment and routine household maintenance; restaurants and hotels; and housing, water, electricity, gas and other fuels segments. Private investment increased by 9.2%, underpinned by capital spending related to structure; machinery and equipment; and other assets. Meanwhile, the public consumption grew by 7.3%, supported by spending on supplies and services. The public investment expanded by 11.5%, mainly due to capital spending by public corporations, especially in the utility, telecommunication, and oil and gas sectors.

Total trade expanded by 7.1% to record RM690.6 billion, following higher external demand from major trading partners, particularly Taiwan, Province of China, the US, Vietnam, India and the UAE. Furthermore, the growth was supported by an increase in export volume for major commodities, namely liquefied natural gas, crude petroleum and natural rubber. However, continuous downcycles in semiconductor products and lower commodity prices, compounded by escalating geopolitical uncertainties, continued to impede growth. Gross exports grew by 2.2% to RM362.4 billion attributed to higher demand for manufactured and mining goods from major markets. Similarly, gross imports surged by 13.1% to RM328.2 billion following higher imports of intermediate, capital and consumption goods. Trade surplus stood at RM34.2 billion during the period.

The headline inflation, as measured by the Consumer Price Index (CPI), stood at 1.7% in the first quarter of 2024 (Q1 2023: 3.6%), mainly attributed to the restaurant and accommodation services (3%), following the increase in the main subgroup of beverage preparation services. Likewise, the housing, water, electricity, gas and other fuels group increased by 2.6% due to the readjustment of water tariffs for the domestic category in Peninsular Malaysia and the Federal Territory of Labuan in the beginning of February 2024. Other groups that recorded an increase exceeding headline inflation were personal care, social protection and miscellaneous goods and services (2.5%), health (2.3%) and food and beverages (1.9%). However, these have been offset by decreases in information & communication (-2.4%), clothing & footwear (-0.2%), and insurance & financial services (-0.1%).

The Producer Price Index (PPI) for local production increased by 0.4% in the first quarter of 2024 (Q1 2023: -0.8%) contributed by agriculture, forestry and fishing (4.9%), mining (4%) and water supply (3.4%) sectors. Conversely, the manufacturing and electricity and gas supply declined marginally by 0.3% and 0.2%, respectively. Meanwhile, the item under PPI for local production by stage of processing was mainly contributed by crude materials for further processing (5.1%) and finished goods (1.1%). On the contrary, intermediate materials, supplies and components recorded a decrease of 1.3%.

(Source: Malaysia Economy, First Quarter 2024, Ministry of Finance Malaysia)

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4.2 Overview and outlook of the agriculture industry in Malaysia

The agriculture sector increased by 1.6% with all subsectors recording positive growth except forestry and logging. The oil palm subsector gained 2.5% following higher output of crude palm oil in Peninsular Malaysia and Sarawak. The livestock subsector expanded by 4.5% underpinned by better production in poultry and egg segments. Other subsectors, namely rubber, fishing and other agriculture grew by 3.6%, 3.5% and 0.3%, respectively, while forestry and logging shrank by 10.5%.

(Source: Malaysia Economy, First Quarter 2024, Ministry of Finance Malaysia)

The agriculture sector declined by 0.1% in the first half of 2023 as all subsectors recorded lackluster performance, except for other agriculture. The oil palm subsector, the major contributor in the agriculture sector, shrank during the period on the back of lower production of crude palm oil from Peninsular Malaysia. This production was affected by slow manuring activities in the previous year, shorter working period following a series of festivities as well as hot weather condition. Likewise, the decrease in natural rubber output has led to a contraction in the rubber subsector. The rubber production from the smallholdings segment, which accounted about 86% of total production, waned by 9%, while output from the estates segment decreased by 2.7%. In addition, other subsectors recorded negative growth during the period, partly due to unfavourable weather condition.

For the second half of the year, the sector is forecast to expand by 1.1% mainly supported by the oil palm, other agriculture and livestock subsectors. The oil palm subsector is projected to increase on account of higher fresh fruit bunches production, following peak harvest season and further improvement in labour supply. Other agriculture and livestock subsectors are forecast to record positive growth, underpinned by better production on the back of growing demand from domestic market. Overall, agriculture sector is estimated to grow marginally by 0.6% in 2023.

(Source: Economy Outlook, 2024, Ministry of Finance Malaysia)

4.3 Prospects of the Company

Amidst the marginal growth of the agriculture industry, XLHB has been focusing on mitigation the impact through diversification of the Company's principal activities. The Company achieves its long-term objectives by pursuing high-value opportunities, such as the acquisition of businesses that complement its primary operations and strategic business portfolio expansions to increase revenue and diversify the business holdings.

XLHB is currently involved in the (i) foods segment; (ii) fish farming segment; (iii) merchandise segment; (iv) growing crop segment; and (v) other segment as follows: -

(i) Foods Segment

The Company's food segment encompasses the manufacturing and trading of edible foods, focusing on ready-to-serve meals through its wholly-owned subsidiary, XL Foods Sdn. Bhd. This subsidiary plays a pivotal role in producing and distributing a variety of ready-to-serve meals, catering to consumer convenience and culinary preferences in the market.

(ii) Fish Farming Segment

The fish farming segment of XLHB focuses on the commercial captive breeding of several species including the Asian Arowana, Stingray, and various other tropical fish. Currently, the Group operates four fish farms located in Parit Sulong, Kangkar Senangar, Sungai Suluh, and Kluang, Johor Darul Takzim.

The fish farming activities include captive-breeding of the Asian Arowana and Stingray, breeding and holding of the other popular ornamental fishes such as Japanese Carps, Cichlids, Anabantids and Goldfishes and breeding of other tropical fishes such as Anabantid, Catfish, Angel Fish and trading of aquaculture products.

(iii) Merchandise Segment

The principal activities of this segment involve the trading of ornamental fishes and aquarium accessories, as well as the supply of pet food. This includes the sale of a diverse array of tropical fishes such as Goldfish, Japanese Carps, Barbs, Cichlids, and Anabantids.

XLHB positions itself as a comprehensive one-stop centre offering a wide range of ornamental fish and related facilities. The ornamental fish trading centre situated in Batu Pahat, Johor, specialises in retailing aquarium fish alongside a variety of associated products. These include aquariums and accessories, fish feed, and medications, catering to the needs of aquarium enthusiasts and pet owners alike.

(iv) Growing Crop Segment

The Group commenced its agriculture activities in pineapple farming on an established plantation starting from 22 March 2022. This initiative followed the acquisition of Ergobumi, which specialises in pineapple farming, as well as the purchase, trading, processing, and distribution of pineapple products.

The pineapple plantation typically undergoes a processing period of 15-18 months before the fruits reach maturity. This timeframe allows for the cultivation and development of pineapple crops to ensure optimal quality and yield.

(v) Other Segment

The other segment of XLHB encompasses two key activities i.e. the trading and distribution of edible bird's nests, and logistic services. This segment focuses on sourcing and distributing edible bird's nests, catering to the demand for this prized commodity. Additionally, the segment provides logistic services, supporting the efficient movement and distribution of goods within and beyond XLHBs' operational scope.

The Company has undertaken various steps to improve the agriculture business, with its recent development by entering into the business of seaweed farming. The Company had on 4 March 2024, started a joint venture project to collaborate and to undertake the business of seaweed farming by establishing seaweed farms to cultivate, farm, process, trade and sell seaweeds grown from the seaweed farms for commercial purpose, as well as trading of seaweeds from all other sources. Despite the termination of the SPA as set out in Note (2) (ii) under Section 3.3.2 (ii), the joint venture remains subsisting and ongoing. In this regard, the Company intends to seek further opportunities that is complementary to the Company's business nature and to generate additional income stream.

Premised on the above, and the outlook of the agriculture industry as set out in Section 4.2 of this Circular, the Board remains optimistic in the Company's ability to increase its operations and financial performance in a sustainable manner.

Moving forward, XLHB is looking to expand into downstream activities such as setting up seaweed processing plant for the purpose of cultivation activities as mentioned above in order to create additional products with value-added which yield a higher margin for the group in the long run. The Company intends to collaborate with education institutions in its effort to conduct research and development on the advancement of its cultivation and planting method of seaweed cultivation.

(Source: Management of XLHB)

5. EFFECTS OF THE PROPOSALS

5.1 Issued share capital

The pro forma effects of the Proposals on the issued share capital of the Company are set out below: -

| | <u>Minimum Scenario</u> | | <u>Maximum Scenario</u> | |
|--|---|----------------------------|---------------------------|----------------------------|
| | <u>No. of XLHB Shares</u> | <u>RM</u> | <u>No. of XLHB Shares</u> | <u>RM</u> |
| As at the LPD (including treasury shares) | 311,419,800 | 215,104,363 | 311,419,800 | 215,104,363 |
| Bonus Shares to be issued pursuant to Proposed Bonus Issue of Shares | 124,567,920 ⁽¹⁾ | - | 124,567,920 | - |
| | <u>435,987,720</u> | <u>215,104,363</u> | <u>435,987,720</u> | <u>215,104,363</u> |
| Shares to be issued pursuant to the full exercise of the Warrants | 217,727,860 | 113,218,487 ⁽²⁾ | 217,993,860 | 113,356,807 ⁽²⁾ |
| Enlarged issued share capital | <u>653,715,580⁽³⁾</u> | <u>328,322,850</u> | <u>653,981,580</u> | <u>328,461,170</u> |

Notes:

(1) Including 152,000 Bonus Shares, which will be in the form of treasury shares.

(2) Assuming that the Warrants are exercised at the Indicative Exercise Price.

(3) Including 532,000 treasury shares.

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5.2 NA per Share and gearing

The pro forma effects of the Proposals on the NA per Share and gearing of the XLHB based on the latest audited consolidated statements of financial position of the Group as at 30 April 2023 are set out as follows: -

Minimum Scenario

| | Audited as at 30 April 2023 | (I) After the subsequent events up to the LPD ⁽¹⁾ | (II) After (I) and the Proposed Bonus Issue of Shares | (III) After (II) and the Proposed Bonus Issue of Warrants | (IV) After (III) and assuming full exercise of the Warrants ⁽²⁾ |
|--|-----------------------------|---|--|---|--|
| | (RM'000) | (RM'000) | (RM'000) | (RM'000) | (RM'000) |
| Share capital | 163,573 | 215,104 | 215,104 | 215,104 | 328,323 |
| Treasury shares | (279) | (279) | (279) | (279) | (279) |
| RCN | 5,000 | - | - | - | - |
| (Accumulated losses) | (23,436) | (23,436) | (23,736) ⁽³⁾ | (23,736) | (23,736) |
| NA attributable to the owners of the Company | 144,858 | 191,389 | 191,089 | 191,089 | 304,308 |
| Non-controlling interest | (179) | (179) | (179) | (179) | (179) |
| Total Equity | 144,679 | 191,210 | 190,910 | 190,910 | 304,129 |
| Number of Shares in issue (excluding treasury shares) ('000) | 238,278 | 311,040 | 435,456 ⁽⁴⁾ | 435,456 | 653,184 |
| NA per Share (RM) | 0.61 | 0.62 | 0.44 | 0.44 | 0.47 |
| Total borrowings (RM'000) | - | - | - | - | - |
| Gearing level (times) | - | - | - | - | - |

Notes:

- (1) After taking into consideration the following: -
- (a) Issuance of 45,887,821 XLHB Shares arising from the conversion of RCN; and
- (b) Issuance of 26,874,006 XLHB Shares pursuant to the 10% Private Placement.
- (2) Assuming all 217,727,860 Warrants are exercised at the Indicative Exercise Price.

(3) After deducting the estimated expenses of RM0.30 million in relation to the Proposals.

(4) After accounting for the issuance of 124,567,920 Bonus Shares pursuant to the Proposed Bonus Issue of Shares and excluding 532,000 treasury shares.

Maximum Scenario

| | Audited as at 30 April 2023 | (I) After the subsequent events up to the LPD ⁽¹⁾ | (II) After (I) and the Proposed Bonus Issue of Shares | (III) After (II) and the Proposed Bonus Issue of Warrants | (IV) After (IV) and assuming full exercise of the Warrants ⁽²⁾ |
|--|-----------------------------|---|--|--|--|
| | (RM'000) | (RM'000) | (RM'000) | (RM'000) | (RM'000) |
| Share capital | 163,573 | 215,104 | 215,104 | 215,104 | 328,461 |
| Treasury shares | (279) | (279) | - | - | - |
| RCN | 5,000 | - | - | - | - |
| (Accumulated losses) | (23,436) | (23,436) | (23,736) ⁽³⁾ | (23,736) | (23,736) |
| NA attributable to the owners of the Company | 144,858 | 191,389 | 191,368 | 191,368 | 304,725 |
| Non-controlling interest | (179) | (179) | (179) | (179) | (179) |
| Total Equity | 144,679 | 191,210 | 191,189 | 191,189 | 304,546 |
| Number of Shares in issue (excluding treasury shares) ('000) | 238,278 | 311,040 | 435,988 ⁽⁴⁾ | 435,988 | 653,982 |
| NA per Share (RM) | 0.61 | 0.62 | 0.44 | 0.44 | 0.47 |
| Total borrowings (RM'000) | - | - | - | - | - |
| Gearing level (times) | - | - | - | - | - |

Notes:

- (1) After taking into consideration the following: -
- (a) Issuance of 45,887,821 XLHB Shares arising from the conversion of RCN; and
- (b) Issuance of 26,874,006 XLHB Shares pursuant to the 10% Private Placement.
- (2) Assuming all 217,993,860 Warrants are exercised at the Indicative Exercise Price.

(3) After deducting the estimated expenses of RM0.30 million in relation to the Proposals.

(4) After accounting for the issuance of 124,567,920 Bonus Shares pursuant to the Proposed Bonus Issue of Shares.

5.3 Substantial shareholder' shareholdings

The Proposed Bonus Issue of Shares will not have any effect on the percentage of shareholdings of the substantial shareholder of the Company as the Bonus Shares will be allotted on a pro-rata basis to all shareholders of the Company. However, the number of XLHB Shares held by each substantial shareholder will increase proportionately as a result of the Proposed Bonus Issue of Shares.

The Proposed Bonus Issue of Warrants is not expected to have any immediate effect on the substantial shareholder' shareholdings in the Company until new XLHB Shares are issued pursuant to the exercise of the Warrants on a pro-rata basis. The actual quantum of effect on the substantial shareholder' shareholdings in the Company would depend on the number of new XLHB Shares issued at the relevant point in time. For illustrative purposes, based on the Company's register of substantial shareholder as at the LPD, the pro forma effects of the Proposals on the shareholdings of the substantial shareholder of the Company are as follows: -

Minimum Scenario

| Name | (I) As at the LPD | | (II) After (I) and the Proposed Bonus Issue of Shares | |
|------------|--|--|--|--|
| | Direct | Indirect | Direct | Indirect |
| | No. of Shares ('000) % ⁽¹⁾ | No. of Shares ('000) % ⁽¹⁾ | No. of Shares ('000) % ⁽²⁾ | No. of Shares ('000) % ⁽²⁾ |
| Ng Min Lin | 77,307 24.85 | - | 108,229 24.85 | - |
| | | | | |
| Name | (III) After (II) and the Proposed Bonus Issue of Warrants | | (IV) After (III) and assuming full exercise of the Warrants | |
| | Direct | Indirect | Direct | Indirect |
| | No. of Shares ('000) % ⁽²⁾ | No. of Shares ('000) % ⁽²⁾ | No. of Shares ('000) % ⁽³⁾ | No. of Shares ('000) % ⁽³⁾ |
| Ng Min Lin | 108,229 24.85 | - | 162,344 24.85 | - |

Notes:

- (1) Based on the total issued Shares of 311,039,800 (excluding treasury shares) as at the LPD.
- (2) Based on the total issued Shares of 435,455,720 (excluding treasury shares) after the Proposed Bonus Issue of Shares.
- (3) Based on the total issued Shares of 653,183,580 (excluding treasury shares) after the Proposed Bonus Issue of Warrants and assuming full exercise of the Warrants.

Maximum Scenario

| Name | (I) As at the LPD | | (II) After (I) and the Proposed Bonus Issue of Shares | |
|------------|---|---|--|---|
| | Direct | Indirect | Direct | Indirect |
| | No. of Shares (^{'000}) | No. of Shares (^{'000}) | No. of Shares (^{'000}) | No. of Shares (^{'000}) |
| | % ⁽¹⁾ | % ⁽¹⁾ | % ⁽²⁾ | % ⁽²⁾ |
| Ng Min Lin | 77,307 | - | 108,229 | - |
| | 24.85 | - | 24.82 | - |

| Name | (III) After (II) and the Proposed Bonus Issue of Warrants | | (IV) After (III) and assuming full exercise of the Warrants | |
|------------|--|---|--|---|
| | Direct | Indirect | Direct | Indirect |
| | No. of Shares (^{'000}) | No. of Shares (^{'000}) | No. of Shares (^{'000}) | No. of Shares (^{'000}) |
| | % ⁽²⁾ | % ⁽²⁾ | % ⁽³⁾ | % ⁽³⁾ |
| Ng Min Lin | 108,229 | - | 162,344 | - |
| | 24.82 | - | 24.82 | - |

Notes:

- (1) Based on the total issued Shares of 311,039,800 (excluding treasury shares) as at the LPD.
- (2) Based on the total issued Shares of 435,987,720 (excluding treasury shares) after the Proposed Bonus Issue of Shares.
- (3) Based on the total issued Shares of 653,981,580 (excluding treasury shares) after the Proposed Bonus Issue of Warrants and assuming full exercise of the Warrants.

5.4 Earnings and EPS

The Proposals are not expected to have any material effect on the earnings of XLHB Group for the financial year ending 30 April 2024. However, there will be dilution in the EPS of the Company as a result of the increase in the total number of issued XLHB Shares pursuant to the Proposed Bonus Issue of Shares and new XLHB Shares to be issued as and when the Warrants are exercised.

The potential effects of the exercise of the Warrants on the future earnings and EPS of the Company will depend upon, amongst others, the number of Warrants exercised at any point in time and the benefits to be accrued to the Company from the utilisation of proceeds raised from the exercise of the Warrants.

5.5 Convertible equity securities

The Company does not have any other outstanding convertible equity securities as at the LPD.

6. HISTORICAL SHARE PRICES

The monthly high and low transacted prices of XLHB Shares for the past 12 months are as follows: -

| | Highest (RM) | Lowest (RM) |
|---|-----------------|----------------|
| 2023 | | |
| August | 0.865 | 0.780 |
| September | 0.895 | 0.815 |
| October | 0.870 | 0.780 |
| November | 0.900 | 0.785 |
| December | 0.860 | 0.760 |
| 2024 | | |
| January | 0.805 | 0.730 |
| February | 0.850 | 0.730 |
| March | 0.820 | 0.720 |
| April | 0.770 | 0.720 |
| May | 0.750 | 0.720 |
| June | 0.760 | 0.725 |
| July | 0.805 | 0.745 |
| Last transacted market price on the LTD (RM) | | 0.730 |
| Last transacted market price as at the LPD (RM) | | 0.790 |

7. APPROVALS REQUIRED

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

- (i) Bursa Securities for the following:
 - (a) approval of Bursa Securities for the listing of and quotation of up to 124,567,920 Bonus Shares pursuant to the Proposed Bonus Issue of Shares on the Main Market of Bursa Securities;
 - (b) approval of Bursa Securities for the admission of the Warrants to the Official List of Bursa Securities;

- (c) listing of and quotation of up to 217,993,860 Warrants and up to 217,993,860 new XLHB Shares to be issued upon exercise of the Warrants;

which was obtained vide its letter dated 5 August 2024, subject to the following conditions:

| No. | Conditions | Status of compliance |
|-----|---|----------------------|
| 1. | XLHB and Mercury Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposals; | To be complied |
| 2. | XLHB / Mercury Securities is required to furnish Bursa Securities with a certified true copy of the resolutions passed by shareholders in general meeting approving the Proposals prior to the listing and quotation of the Bonus Shares; | To be complied |
| 3. | XLHB and Mercury Securities are required to make the relevant announcements pursuant to paragraphs 6.35(2) and 6.35(3) of the Listing Requirements in relation to the Proposed Bonus Issue of Shares; | To be complied |
| 4. | XLHB and Mercury Securities are required to provide a written confirmation that the terms of the Warrants are in compliance with paragraph 6.54(3) of the Listing Requirements; | To be complied |
| 5. | XLHB and Mercury Securities are required to inform Bursa Securities upon completion of the Proposals; | To be complied |
| 6. | XLHB is required to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposals are completed; and | To be complied |
| 7. | XLHB is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of Warrants as at the end of each quarter together with a detailed computation of listing fees payable. | To be complied |

- (ii) approval of the shareholders of XLHB for the Proposals at an EGM to be convened; and
- (iii) any other relevant authorities and/or parties, if required.

8. CONDITIONALITY OF THE PROPOSALS

The Proposed Bonus Issue of Warrants is conditional upon the Proposed Bonus Issue of Shares but not vice versa. The Proposed Bonus Issue of Warrants will be implemented after the completion of the Proposed Bonus Issue of Shares.

The Proposals are not conditional upon other proposals undertaken or to be undertaken by the Company.

9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

None of the Directors, major shareholders and/or chief executive of XLHB and/or persons connected with them has any interest, whether direct or indirect, in the Proposals, save for their respective entitlements (if any) as shareholders of the Company under the Proposals, which is also available to all other Entitled Shareholders on a pro-rata basis.

10. DIRECTORS' STATEMENT AND RECOMMENDATION

After having considered all aspects of the Proposals, including, amongst others, the rationale and effects of the Proposals, the Board is of the opinion that the Proposals are in the best interest of XLHB.

Accordingly, the Board recommends that you vote in favour of the resolution pertaining to the Proposals to be tabled at the forthcoming EGM.

11. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to the approvals required for the Proposals as set out in Section 7 of this Circular being obtained, the Proposals are expected to be completed by the fourth quarter of 2024.

The tentative timeline for the implementation of the Proposals are as follows: -

| Tentative timing | Event |
|-------------------------|---|
| 4 September 2024 | <ul style="list-style-type: none">• EGM for the Proposals |
| Early September 2024 | <ul style="list-style-type: none">• Announcement on the Bonus Shares Entitlement Date |
| Mid September 2024 | <ul style="list-style-type: none">• Bonus Shares Entitlement Date• Listing of and quotation of the Bonus Shares• Completion of the Proposed Bonus Issue of Shares• Announcement on the Warrants Entitlement Date |
| Early October 2024 | <ul style="list-style-type: none">• Warrants Entitlement Date |
| Mid October 2024 | <ul style="list-style-type: none">• Listing of and quotation of the Warrants• Completion of the Proposed Bonus Issue of Warrants |

12. CORPORATE EXERCISE/SCHEME ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals, the Board is not aware of any other outstanding corporate proposal which has been announced but pending completion as at the LPD.

13. EGM

The notice convening the EGM and the Form of Proxy are enclosed in this Circular. The EGM will be held at Balai Tunku Abdul Rahman, The Royal Commonwealth Society No. 4, Jalan Birah, Damansara Heights, 50490 Kuala Lumpur, W.P. Kuala Lumpur on **Wednesday, 4 September 2024 at 9:00 a.m.** or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the resolution to give effect to the Proposals.

If you are unable to attend and vote at the EGM, you may appoint a proxy or proxies to attend and vote on your behalf. If you wish to do so, you must complete and deposit the Form of Proxy in accordance with the instructions thereon so as to arrive at the Company's registered office at A3-3-8, Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur, W.P. Kuala Lumpur or fax to 03-6413 3270 or email to infosec@wscs.com.my, not less than 48 hours before the time set for holding the EGM or at any adjournment thereof.

The lodgement of the Form of Proxy does not preclude you from attending and voting at the EGM should you subsequently wish to do so.

14. FURTHER INFORMATION

Please refer to the appendices of this Circular for further information.

Yours faithfully,
For and on behalf of the Board of
XL HOLDINGS BERHAD

Ng Min Lin
Executive Chairman

APPENDIX I – SALIENT TERMS OF WARRANTS

The indicative salient terms of the Warrants are as follows:

| Terms | Details |
|---|---|
| Issue size | : Up to 217,993,860 Warrants |
| Form and denomination | : The Warrants will be issued in registered form and will be constituted by the Deed Poll. |
| Tenure | : Three (3) years commencing from and including the date on which the Warrants are allotted and issued and ending at 5.00 p.m. on the expiry date. |
| Exercise period | : The period commencing on, and inclusive of, the date on which the Warrants are allotted and issued and ending at 5.00 p.m. on the date preceding the third (3) anniversary of the date on which the Warrants are allotted and issued, or if such date is not a Market Day, then it shall be the Market Day immediately preceding the said non-Market Day. Any Warrants not exercised at the expiry of the exercise period will lapse and become null and void. |
| Exercise price | : The exercise price of the Warrants will be determined by the Board at a later date, after the receipt of all relevant approvals but before the announcement of the Entitlement Date. |
| Expiry date | : The close of business at 5.00 p.m. in Malaysia on the date immediately preceding the third (3) anniversary of the date on which the Warrants are allotted and issued, or if such date is not a Market Day, then it shall be the Market Day immediately preceding the said non-Market Day. |
| Exercise rights | : Each Warrant shall entitle the Warrant Holder to subscribe for 1 new XLHB Share at any time during the exercise period at the exercise price, subject to adjustments and the conditions in accordance with the provisions of the Deed Poll. |
| Mode of exercise | : A Warrant Holder must complete and sign the exercise form and deliver the duly completed and executed exercise form to the Company's registrar together with remittance of the exercise monies (including the payment of costs, fees and stamp duty, if any) by way of banker's draft or cashier's order or money order or postal order drawn on a bank or issued by post office operating in Malaysia or by way of internet bank transfer into the Company's bank account, in accordance with the provisions of the Deed Poll. |
| Board lot | : For the purposes of trading and transfer on the Main Market of Bursa Securities, a board lot for the Warrants shall be 100 units of Warrants or multiples thereof or in such other number as Bursa Securities may from time to time approve. |
| Adjustments to the exercise price and/or number of unexercised Warrants | : The exercise price and/or number of Warrants shall from time to time be adjusted subject to adjustments under certain circumstances in accordance with the provisions of the Deed Poll by the Board in consultation with the approved adviser appointed by XLHB and certified by the auditors of XLHB. |

APPENDIX I – SALIENT TERMS OF WARRANTS (Cont'd)

- Transferability : Upon listing and quotation of the Warrants on the Main Market of Bursa Securities, the Warrants may be traded and transferred in accordance with the Securities Industry (Central Depositories) Act 1991 and the Rules of Bursa Malaysia Depository in board lots of 100 units of Warrants or multiples thereof or in such other number as Bursa Securities may from time to time approve.
- Subject to the provisions of the Securities Industry (Central Depositories) Act 1991 and the Rules of Bursa Malaysia Depository, no person shall be recognised by the Company as having title to the Warrants entitling the holder thereof to subscribe for a fractional part of a new XLHB Share or otherwise than as the sole holder of the entirety of such new XLHB Share. For avoidance of doubt, save as provided under the terms of the Deed Poll, the Warrants shall not be transferred prior to the listing and quotation of the Warrants on the Main Market of Bursa Securities.
- Ranking of new XLHB Shares arising from the exercise of the Warrants : The new XLHB Shares to be issued pursuant to the exercise of the exercise rights shall, upon allotment and issue, be fully paid and shall rank *pari passu* in all respects with the then existing XLHB Shares including any entitlement to any dividends, rights, allotments or other distributions save and except that such Warrant Holders of the new XLHB Shares shall not be entitled to participate in any dividends, rights, allotments and/ or other distributions, the entitlement date of which precedes the relevant date of allotment and issuance of the new XLHB Shares,
- Participating rights of the Warrant Holders in any distribution and/or offer of further securities : The Warrant Holders shall not be entitled to voting rights until and unless such Warrant Holders are issued with new XLHB Shares arising from the exercise of their exercise rights. Additionally, the Warrant Holders shall not be entitled to participate in any dividend rights, allotments and/or other distributions that may be declared, made or paid including any voting right in any general meeting of the Company or to participate in any form of distribution and/or offer of further securities in the Company until and unless such Warrant Holders exercise their Warrants into new XLHB Shares.
- Modification of rights of Warrant Holders : XLHB may, from time to time, without the consent or sanction of the Warrant Holders but in accordance with the Deed Poll, modify the Warrants or the Deed Poll, if such modification made does not materially prejudice the interests of the Warrant Holders or is made to correct a manifest error or to comply with prevailing laws of Malaysia, Rules of Bursa Malaysia Depository, Securities Industry (Central Depositories) Act 1991 and/or the Main Market Listing Requirements of Bursa Securities.
- Save as provided above, any other modification, alteration or abrogation of the covenants or provisions contained in the Deed Poll proposed or agreed by the Company, shall be subject to the approval of Bursa Securities and/or any relevant authority as required under the law in Malaysia and the approval of the Warrant Holders sanctioned by special resolution and must be effected only by the Deed Poll and expressed to be supplemental and comply with the requirements of the Deed Poll. Following any such modification, amendment, deletion or addition, the Company shall forthwith promptly notify Bursa Securities of the same. Any of such modification shall however be subject to the approval of Bursa Securities and/or any relevant authority (if required).
- Rights in the event of winding-up, liquidation, compromise and/or arrangement : If a resolution is passed for a members' voluntary winding-up of the Company or there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one (1) or more companies,

APPENDIX I – SALIENT TERMS OF WARRANTS (Cont'd)

- (i) for the purposes of such winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the Warrant Holders, or some persons designated by them for such purposes by special resolution shall be a party, the terms of such winding up, compromise and arrangement shall be binding on all the Warrant Holders; and
- (ii) in any other case, every Warrant Holder shall be entitled (upon and subject to the terms and conditions of the Deed Poll) at any time within 6 weeks after the passing of such resolution for a members' voluntary winding-up of the Company or within 6 weeks from the granting of the court order approving the winding up, compromise or arrangement, by irrevocably submitting to the Company the duly completed exercise form authorising the debiting of the Warrants in its CDS Account: together with payment of the exercise monies, elect to be treated as if he had immediately prior to the commencement of such winding-up, compromise or arrangement exercised the exercise rights represented by such Warrant to the extent specified in the exercise form and be entitled to receive out of the assets of the Company which would be available in liquidation as if he had on such date been the holder of the new XLHB Shares to which he would have become entitled pursuant to such exercise and the liquidator of the Company shall give effect to such election accordingly.

Subject to the foregoing, if the Company is wound up or an order has been granted for such compromise or arrangement, all exercise rights which have not been exercised within six (6) weeks of the passing of the resolution or the court order shall lapse and the Warrants will cease to be valid for any purpose.

- Listing status : The Warrants will be listed and traded on the Main Market of Bursa Securities.
- Governing law : The Warrants and the Deed Poll shall be governed by the laws of Malaysia.

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APPENDIX II – 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 contained in this Circular and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Circular misleading.

2. CONSENT AND CONFLICT OF INTEREST

Mercury Securities, being the Principal Adviser to the Company for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

Mercury Securities has confirmed that it is not aware of any conflict of interest that exists or is likely to exist in relation to its role as the Principal Adviser to the Company for the Proposals.

3. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

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 Board confirms that there are no proceedings pending or threatened, or of any facts likely to give rise to any proceedings, which might materially and adversely affect the financial position and/or business of the Group.

4. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**4.1 Material commitments**

As at the LPD, the Board is not aware of any material commitments incurred or known to be incurred by the Group which may have a material impact on the profits or NA of the Group.

4.2 Contingent liabilities

As at the LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred by the Group, which upon becoming enforceable, may have a material impact on the profits or NA of the Group.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's registered office at A3-3-8, Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur, W.P. Kuala Lumpur, Malaysia, during normal business hours (i.e. from 9.00 a.m. to 5.00 p.m.) from Monday to Friday (except public holidays) from the date of this Circular up to and including the date of the forthcoming EGM: -

- (i) the constitutions of the Company;
- (ii) the audited consolidated financial statements of the Group for the past 2 FYEs 31 January 2022 and 30 April 2023, and the latest unaudited consolidated financial statements of the Group for the 12-month financial period ended 30 April 2024;
- (iii) the draft Deed Poll; and
- (iv) the letter of consent and conflict of interest as referred to in Section 2 of Appendix II of this Circular.



XL Holdings Berhad

(Registration No. 199801012014 (468142-U))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting ("**EGM**") of XL Holdings Berhad ("**XLHB**" or "**Company**") will be held at Balai Tunku Abdul Rahman, The Royal Commonwealth Society No. 4, Jalan Birah, Damansara Heights, 50490 Kuala Lumpur, W.P. Kuala Lumpur on **Wednesday, 4 September 2024 at 9:00 a.m.** or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the following resolutions with or without modifications:

ORDINARY RESOLUTION 1

PROPOSED BONUS ISSUE OF SHARES IN XLHB ON THE BASIS OF 2 BONUS SHARES FOR EVERY 5 EXISTING XLHB SHARES HELD BY THE ENTITLED SHAREHOLDERS ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER ("PROPOSED BONUS ISSUE OF SHARES")

"THAT subject to the approvals of all relevant authorities and/or parties (where applicable) including the approval from Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the listing and quotation of the Bonus Shares on the Main Market of Bursa Securities, authority be and is hereby given to the Board of Directors of the Company ("**Board**") to issue up to 124,567,920 Bonus Shares on the basis of 2 Bonus Share for every 5 existing XLHB Shares held by the entitled shareholders of the Company whose names appear in the Record of Depositors of the Company as at 5.00 p.m. on the entitlement date to be determined and announced later by the Board;

THAT the Bonus Shares in respect of the Proposed Bonus Issue of Shares shall be issued as fully paid, at nil consideration and without capitalisation of the Company's reserves;

THAT the Bonus Shares shall, upon allotment and issuance, rank equally in all respects with the then existing XLHB Shares, save and except that the Bonus Shares will not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid to the shareholders, the Entitlement Date of which precedes the date of allotment and issuance of the Bonus Shares;

THAT the Board be and is hereby authorised to deal with fractional entitlements (if any), including disregarding any fractional entitlements, under the Proposed Bonus Issue of Shares, in such manner at its absolute discretion as the Board may deem fit and expedient, and in the best interests of the Company;

AND THAT the Board be and is hereby authorised to sign and execute all documents and to take all such necessary steps to give effect to the Proposed Bonus Issue of Shares with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all such acts and things in any manner as the Board may deem necessary or expedient to implement, finalise and give full effect to the Proposed Bonus Issue of Shares."

ORDINARY RESOLUTION 2

PROPOSED BONUS ISSUE OF WARRANTS IN XLHB ("WARRANT(S)") ON THE BASIS OF 1 WARRANT FOR EVERY 2 EXISTING XLHB SHARES HELD BY THE ENTITLED SHAREHOLDERS ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER ("PROPOSED BONUS ISSUE OF WARRANTS")

"THAT subject to the approvals of all relevant authorities and/or parties (where applicable) being obtained for the Proposed Bonus Issue of Warrants, authority be and is hereby given to the Board to

issue and allot up to 217,993,860 Warrants on the basis of 1 Warrant for every 2 existing XLHB Shares held by the Entitled Shareholders of XLHB whose names appear in the Record of Depositors of the Company as at 5.00 p.m. on the entitlement date to be determined and announced later by the Board;

THAT the Board be and is hereby authorised to enter into and execute a deed poll constituting the Warrants ("**Deed Poll**"), with full powers to assent to any condition, modification, variation and/or amendment in any manner as may be required or imposed by the relevant authorities or as the Board may deem necessary or expedient in the best interest of the Company, subject always to the provisions contained in the Deed Poll, and with full powers for the Board to implement, finalise and give full effect to the Deed Poll;

THAT the Board be and is hereby authorised to fix the exercise price of the Warrants at a later date **AND THAT** the Board be and is hereby authorised to issue and allot such appropriate number of Warrants in the registered form in accordance with the provisions of the Deed Poll and where required, to adjust the exercise price and/or the number of Warrants to be issued (including, without limitation, any additional Warrants as may be required or permitted to be issued) in consequence of the adjustments pursuant to the provisions of the Deed Poll;

THAT the Board be and is hereby authorised to issue and allot such appropriate number of new XLHB Shares pursuant to the exercise of the Warrants by the holders of the Warrants in accordance with the provisions of the Deed Poll, including such appropriate number of new XLHB Shares arising from the exercise of subscription rights represented by the additional Warrants **AND THAT** the new XLHB Shares to be issued pursuant to the exercise of the Warrants or arising from the exercise of subscription rights represented by the additional Warrants will, upon allotment and issuance, rank equally in all respects with the then existing XLHB Shares, save and except that the new XLHB Shares will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid to the shareholders of XLHB, where the entitlement date precedes the date of allotment and issuance of such new XLHB Shares;

THAT the Board be and is hereby authorised to disregard and deal with any fractional entitlements from the Proposed Bonus Issue of Warrants, if any (including disregarding and/or dealt with any fractional entitlements, under Proposed Bonus Issue of Warrants), in such a manner in its absolute discretion as the Board may deem fit and expedient, and in the best interest of the Company;

THAT the Board be and is hereby authorised to utilise the proceeds to be raised from the exercise of the Warrants for such purposes and in such manner as set out in the circular to the shareholders of the Company dated 20 August 2024, and the Board be authorised with full powers to vary the manner and/or purpose of the utilisation of such proceeds in such manner as the Board may deem fit, necessary and/or expedient and in the best interest of the Company, subject to the approval of the relevant authorities (where required);

AND THAT the Board be and is hereby authorised to sign and execute all documents, do all acts, deeds and things as may be required to give effect and complete the Proposed Bonus Issue of Warrants (including without limitations, the affixation of the Company's Common Seal in accordance with the Company's Constitution) with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts, deeds and things for and on behalf of the Company in any manner as the Board may deem fit or necessary or expedient to implement, finalise and give full effect to the Proposed Bonus Issue of Warrants."

By order of the Board
XL HOLDINGS BERHAD

WONG YUET CHYN (MAICSA 7047163)
(SSM PC No. 202008002451)
Company Secretary
Kuala Lumpur
20 August 2024

Notes:

1. *In respect of deposited securities, only members whose names appear in the Company's Record of Depositors as at 26 August 2024 shall be eligible to attend, participate, speak and vote at this meeting or appoint proxy(ies) to attend, speak and vote on his/her behalf.*
2. *A member of the Company who is entitled to attend, participate, speak and vote at this meeting is entitled to appoint not more than two (2) proxies, and in the case of a corporation, a duly authorised representative to attend, speak and vote in its stead.*
3. *A proxy may but need not be a member of the Company, an advocate, an approved company auditor or a person approved by the Registrar. Where a member appoints more than one (1) proxy, he shall specify the proportions of his shareholdings to be represented by each proxy.*
4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
5. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hand of an officer or an attorney duly authorised in writing.*
6. *The original instrument appointing a proxy must be deposited at the registered office of the Company situated at A3-3-8, Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur, W.P. Kuala Lumpur or fax to 03-6413 3270 or email to infosec@wscs.com.my not less than forty-eight (48) hours before the time set for holding this meeting or at any adjournment thereof.*
7. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, the resolutions set out in this Notice shall be put to vote by poll.*
8. *Personal Data Privacy*

*By registering for the meeting via remote participation and electronic voting and/or submitting an instrument appointing proxy(ies) and/or representatives to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company: (i) consents to the processing of the member's personal data by the Company (or its agents): (a) for processing and administration of proxies and representatives appointed for the EGM; (b) for preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (which includes any adjournments thereof); and (c) for the Company's (or its agents') compliance with any applicable laws, listing rules, regulations and/or guidelines (collectively "**the Purpose**"); (ii) warrants that he/she has obtained such proxy(ies)' and/or representative(s)' prior consent for the Company's (or its agents') processing of such proxy(ies)' and/or representative(s)' personal data for the Purposes; and (iii) agrees that the member will indemnify the Company for any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty. Note: The term "processing" and "personal data" shall have the meaning as defined in the Personal Data Protection Act, 2010.*



XL Holdings Berhad

XL HOLDINGS BERHAD
(Registration No. 199801012014 (468142-U))
(Incorporated in Malaysia)

| | | | | | | | | | | | | | | |
|--------------------|--|--|--|---|--|--|--|---|--|--|--|--|--|--|
| CDS Account No. | | | | - | | | | - | | | | | | |
| No. of Shares held | | | | | | | | | | | | | | |

FORM OF PROXY

I/We
(FULL NAME IN BLOCK LETTERS)

(NRIC No./Passport No./Company Registration No.....)
of.....
(FULL ADDRESS)

being a *member/members of **XL Holdings Berhad** ("Company") hereby appoint

| | | |
|----------------------|------------------------------|--|
| Name of Proxy | NRIC No./Passport No. | % of Shareholding to be Represented |
| Address | | |
| Email Address | Contact No. | |

and/or failing him/her

| | | |
|----------------------|------------------------------|--|
| Name of Proxy | NRIC No./Passport No. | % of Shareholding to be Represented |
| Address | | |
| Email Address | Contact No. | |

or failing him/her, the **CHAIRMAN OF THE MEETING** as my/our proxy to attend and vote for me/us and on my/our behalf, at the Extraordinary General Meeting ("**EGM**") of the Company will be held at Balai Tunku Abdul Rahman, The Royal Commonwealth Society No. 4, Jalan Birah, Damansara Heights, 50490 Kuala Lumpur, W.P. Kuala Lumpur on **Wednesday, 4 September 2024 at 9:00 a.m.** or at any adjournment thereof, in the manner indicated below:

| No. | Ordinary Resolutions | For | Against |
|-----|----------------------------------|-----|---------|
| 1. | Proposed Bonus Issue of Shares | | |
| 2. | Proposed Bonus Issue of Warrants | | |

(Please indicate with an "X" in the space provided on how you wish to cast your vote. If you do not do so, the proxy will vote or abstain from voting at his discretion.)

Signed thisday of2024.

.....
Signature of Member(s)



Notes:

1. *In respect of deposited securities, only members whose names appear in the Company's Record of Depositors as at 26 August 2024 shall be eligible to attend, participate, speak and vote at this meeting or appoint proxy(ies) to attend, speak and vote on his/her behalf.*
2. *A member of the Company who is entitled to attend, participate, speak and vote at this meeting is entitled to appoint not more than two (2) proxies, and in the case of a corporation, a duly authorised representative to attend, speak and vote in its stead.*
3. *A proxy may but need not be a member of the Company, an advocate, an approved Company auditor or a person approved by the Registrar. Where a member appoints more than one (1) proxy, he shall specify the proportions of his shareholdings to be represented by each proxy.*
4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
5. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hand of an officer or an attorney duly authorised in writing.*
6. *The original instrument appointing a proxy must be deposited at the registered office of the Company situated at A3-3-8, Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur, W.P. Kuala Lumpur or fax to 03-6413 3270 or email to infosec@wscs.com.my not less than forty-eight (48) hours before the time set for holding this meeting or at any adjournment thereof.*
7. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, the resolutions set out in this Notice shall be put to vote by poll.*
8. *Personal Data Privacy*

By submitting an instrument appointing proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 20 August 2024.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretary
XL HOLDINGS BERHAD
(Registration No. 199801012014 (468142-U))
A3-3-8, Solaris Dutamas
No. 1, Jalan Dutamas 1
50480 Kuala Lumpur
W.P. Kuala Lumpur
Malaysia

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