

**TENTH (10<sup>TH</sup>) ANNUAL GENERAL MEETING  
OF VELESTO ENERGY BERHAD ("VELESTO" OR "COMPANY")**

MINUTES OF THE TENTH (10<sup>TH</sup>) ANNUAL GENERAL MEETING OF THE COMPANY HELD ON **MONDAY, 29 JUNE 2020 AT 2:00 P.M.** CONDUCTED ENTIRELY THROUGH LIVE STREAMING FROM THE BROADCAST VENUE AT **TRICOR LEADERSHIP ROOM, UNIT 32-01, LEVEL 32, TOWER A, VERTICAL BUSINESS SUITE, AVENUE 3, BANGSAR SOUTH, NO. 8, JALAN KERINCHI, 59200 KUALA LUMPUR, MALAYSIA**

PRESENT	:	Encik Mohd Rashid bin Mohd Yusof	Chairman / Non-Independent Non-Executive Director
		Encik Rohaizad bin Darus	President / Non-Independent Executive Director
		Dato' Ibrahim bin Marsidi	Independent Non-Executive Director
		<u>Joined virtually:</u>	
		Encik Razalee bin Amin	Independent Non-Executive Director
		Puan Rowina binti Ghazali Seth	Independent Non-Executive Director
		Puan Haida Shenny binti Hazri	Non-Independent Non-Executive Director
		Encik Rizal Rickman bin Ramli	Non-Independent Non-Executive Director
		Dato' Dayang Fatimah binti Johari	Independent Non-Executive Director
		Datuk Tong Poh Keow	Independent Non-Executive Director
IN ATTENDANCE	:	Ms. Lee Mi Ryoung	Company Secretary
		Puan Sazlyna binti Sapiee	Chief Financial Officer
		Encik Johan bin Hashim	Head, Corporate Finance (Affin Hwang Investment Bank Berhad)
		<u>Joined virtually:</u>	
		Ms. Ng Yee Yee	Messrs Ernst & Young PLT
		Ms. Tan Ming Li	Messrs Chooi & Company + Cheang & Ariff
		Tricor Investor & Issuing House Services Sdn Bhd	Poll Administrator
		Asia Securities Sdn Bhd	Scrutineers
		Corporate Representatives / Shareholders / Proxies	Appendix A

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## **CHAIRMAN**

Encik Mohd Rashid bin Mohd Yusof ("**Chairman**"), Chairman of the Board of Directors ("**Board**"), took the Chair and called the Meeting to order.

On behalf of the Board, Chairman welcomed all the shareholders, proxies, corporate representatives and invitees to the Company's 10<sup>th</sup> Annual General Meeting ("**AGM**"), held live from the broadcast venue at Tricor Leadership Room, Vertical Business Suite, Avenue 3, Bangsar South.

He shared of the honour to be elected as the Chairman of the Board of the Company, and on behalf of the Board extended gratitude to Dato' Abdul Rahman Ahmad for his leadership and contributions to Velesto Group. He then extended the Board members' and Management's appreciation and gratitude to the shareholders for their support and trust given to the Board and Management.

With the AGM conducted in a fully virtual environment, he noted that there were only 6 individuals in the meeting room apart from the AV crew. He then proceeded to introduce the following present in the room:-

- Dato' Ibrahim Marsidi, Independent Non-Executive Director;
- Encik Rohaizad Darus, President and Non-Independent Executive Director;
- Ms. Lee Mi Ryoung, the Company Secretary;
- Puan Sazlyna Sapiee, Chief Financial Officer; and
- Encik Johan Hashim, the representative from Affin Hwang Investment Bank Berhad.

The following members of the Board who joined virtually:-

- Encik Razalee Amin, Independent Non-Executive Director;
- Puan Rowina Ghazali Seth, Independent Non-Executive Director;
- Puan Haida Shenny Hazri, Non-Independent Non-Executive Director;
- Encik Rizal Rickman Ramli, Non-Independent Non-Executive Director;
- Dato' Dayang Fatimah Johari, Independent Non-Executive Director; and
- Datuk Tong Poh Keow, Independent Non-Executive Director.

The members of the Management, and representatives from the Ernst & Young PLT, Ms. Ng Yee Yee and from Chooi & Company Cheang & Ariff, Advocates & Solicitors, Ms. Tan Ming Li, who all joined virtually.

In his opening remarks, Chairman highlighted that VELESTO ended financial year ("**FY**") 2019 in a strong position, recording the Company's first full year profit in five years since the start of the oil and gas industry downturn in 2014. This significant achievement, the Company's return to profitability marked a milestone in the Velesto Group's continued journey of growth and profitability.

The turnaround was only made possible by the Board and Management having been steadfast and focused in executing the various value creation initiatives that were formulated over the past three years. The many sacrifices made, and painful measures undertaken towards writing down the Company's asset value, reducing debt, recapitalising balance sheet, delivering cost efficiencies and operational improvements - clearly beginning to yield the desired results. The FY2019 performance was clear validation of the path taken and continue to take in ensuring that VELESTO Group maintains its strategic direction towards continued growth and progress.

The transformation undertaken by VELESTO Group were crucial. The COVID-19 pandemic has severely affected the global economy, which together with the earlier dispute between OPEC and major oil producing nations on production cuts, has led to a rapid collapse in crude oil prices in the first quarter of 2020. However, the Board and the Management of VELESTO recognise the significant uncertainties and challenges that the entire industry will face in the immediate future.

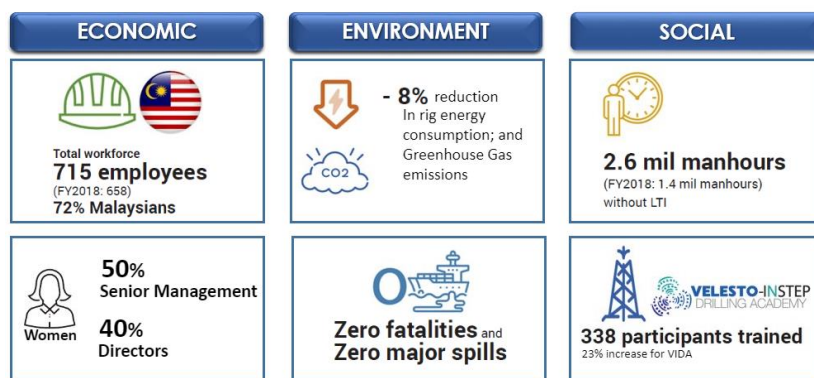
VELESTO, as a resilient entity will strive together to sustain with its inherent strength and capabilities that remain intact irrespective of the on-going crises. The VELESTO Group is also intrinsically better equipped to withstand and navigate the coming global economic challenges and industry turbulence.

### **PRESENTATION BY THE PRESIDENT**

The Chairman then invited Encik Rohaizad bin Darus ("**Encik Rohaizad**"), the President of the Company to present an overview of VELESTO Group's operations and its performance.

Encik Rohaizad, upon thanking the shareholders, proceeded with his presentation which included the overview of VELESTO Group, industry update, financial and operational highlights of the financial year ended 2019.

Testament to the Group's continued efforts, the Company's achieved Tier 1 (Setting the Pace) for the Group's sustainability disclosures by Bursa Malaysia and included in FTSE4Good Bursa Malaysia Index. Progressing in sustainability aspiration in 2019, the Group saw the following advancements in Economic, Environment and Social factors:-



Driven by VELESTO Group's iLEAP values, various CSR activities were held in the year based on the focal themes of safety, education and environment. Staff activities were highlighted where talents being the assets of the Group were able to inculcate synergistic togetherness that encourage collaboration and drive excellence.

In these unprecedented times of global disruptions, the slowdown in global economy led to low demand in oil and gas, which subsequently saw low oil prices despite higher production cut by OPEC+. With global exploration and production companies reducing capital expenditures significantly, the industry reeled with reduced drilling activities globally and domestically. These translated into potential slowdown in drilling business for the remaining year.

During these times of turbulence and adversity, VELESTO will continue to take all the necessary actions required to ensure the Group is able to navigate these challenges and sustain business performance. The Board and Management are fully committed to take all necessary actions to ensure that VELESTO not only prevails during this uncertain and difficult period but is also well positioned to capitalise on the industry recovery once these crises pass. The Group will continue to negotiate for options of existing contract, actively tender in regional and global markets while focussing on developing new capabilities and expanding asset work-scope whilst enhancing cost cutting measures and continue to improve operational and financial efficiencies. Together, VELESTO Group will 'Strive Together.'

Thereafter, Encik Rohaizad invited the Company Secretary to share the issues raised by the Minority Shareholders' Watch Group ("MSWG") in their letter dated 9 June 2020 and the Company's written responses dated 27 June 2020, copies of the same are attached hereto and marked as "Appendix 1" and "Appendix 2", respectively.

#### **PRESENTATION BY AFFIN HWANG INVESTMENT BERHAD**

Moving on to the Proposed Share Capital Reduction, which entails the reduction and cancellation of RM2,210,000,000 of the issued share capital of the Company pursuant to Section 116 of the Companies Act 2016, the Chairman referred to the Circular to shareholders which were prepared by Affin Hwang Investment Bank Berhad and Messrs Chooi & Company Cheang and Ariff. Encik Johan Hashim, Head of Corporate Finance from Affin Hwang Investment Bank Berhad then presented an overview of the Proposed Share Capital Reduction.

#### **QUORUM AND PROXIES**

The Company Secretary confirmed that there was a quorum present and that as at 2:00 p.m. on Monday, 29 June 2020, the Company had received 136 valid Proxy Forms/Corporate Representatives representing 938 million ordinary shares (11.42% of the total issued and paid-up capital of the Company) within the stipulated prescribed period of forty-eight (48) hours before the time for convening the Meeting.

Upon confirming the presence of the requisite quorum by the Company Secretary, the Chairman commenced the formal proceedings of the Meeting.

#### **PROCEDURES ON VOTING**

The Chairman informed the shareholders that all resolutions set out in the Notice of the AGM would be voted by poll via electronic means in accordance with Paragraph 8.29A of Bursa Malaysia Securities Berhad's Main Market Listing Requirements. The Company had appointed Tricor Investor & Issuing House Services Sdn Bhd as Poll Administrator and Asia Securities Sdn Bhd as Scrutineers to verify polling results. The poll would be conducted upon completion of the deliberations on all resolutions indicated in the Notice of the AGM dated 19 May 2020.

## **NOTICE OF MEETING**

The Chairman informed the attendees that the Notice of AGM was advertised in The Star on Tuesday, 19 May 2020 and announced to Bursa Malaysia Securities Berhad on Monday, 18 May 2020.

With the consent of the shareholders, the Notice convening AGM having been circulated within the prescribed period was, with the permission of the Meeting, taken as read.

The Chairman then highlighted that Ms. Margaret Tan Wee Ching, and Ms Eunise Tee Lay Hong, who are the employees the Company and also the Shareholders of Velesto Energy Berhad, have offered to be the proposer and seconder for all the eight (8) proposed resolutions in the agenda of this Meeting.

### **AGENDA 1      TO RECEIVE THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 AND THE REPORTS OF THE DIRECTORS AND AUDITORS THEREON**

The Chairman proceeded with the first item on the Agenda, which was to receive the Audited Financial Statements for the year ended 31 December 2019, together with the Reports of the Directors and the Auditors thereon, which had been circulated to shareholders within the prescribed period.

The Chairman then invited the Company Secretary to read out the questions received from the shareholders and for Encik Rohaizad to answer the questions:

Question 1	<b>As Malaysia is part of OPEC+, Malaysia's crude oil production are being impacted. How and what action will be taken by VELESTO to maintain its utilization rate?</b>
Answer 1	We will continue to keep close contacts with our clients both in Malaysia and regionally and continue to bid for tenders and contracts that are available. At the same time, we are exploring to market outside the region for any potential jobs whilst improving current performance.
Question 2	<b>With the current economic situation, how can the Company attract and secure contracts? What will be VELESTO's selling point?</b>
Answer 2	Our selling point would be our good track record and also leveraging on our position as a local service provider. We have experienced people to connect with client overseas in the hope of getting additional contract.
Question 3	<b>What are the areas that generated the most cost savings and going forward, in which areas does the Board foresee deriving further savings?</b>

Answer 3	<p>Most cost savings are generated from efficient supply chain management by continuously driving down the cost on rigs supplies and regular repairs and maintenance.</p> <p>Other areas that the Board foresees that can contribute to a significant amount of cost savings would be from deferring non-critical capital expenditures and increase in localisation of supply chain and human resource.</p>
Question 4	<b>Is the Company going through any major revamp in view of lower global oil price?</b>
Answer 4	We are currently reviewing a number of internal restructuring to address the current downturn as well as to prepare the Company for the future new normal. We are also continuously exploring additional initiatives and efforts to ensure lower oil price are managed in good manner to ensure Company's survival in difficult times.
Question 5	<b>Will Velesto Share price go back up?</b>
Answer 5	We are unable to control the movement of share price, which is controlled by the market participants, sentiments and other events which outside our control. However, we will continue to focus on improving our business fundamentals in areas which are within our control i.e. (i) Negotiate and bid for new contracts and (ii) Cost control to improve bottom line. So that investors would be interested in our Company and believe that would improve the share price of the Company.
Question 6	<b>This is a relatively simple business model. Why do the Company need so many Directors?</b>
Answer 6	As we are operating in a high-risk and high-reward business, many facets and factors are involved in this business, so we need to have directors that have different expertise in different areas to uniquely strengthen our board's capabilities and governance. With the recent departure of the previous Chairman, there is a reduction in the number of directors, and we are reviewing whether the vacancy needs to be filled.
Question 7	<b>Would the Company consider giving vouchers/door gift for shareholders attending the AGM remotely?</b>
Answer 7	Management appreciates the shareholders' understanding that there will be no e-vouchers or door gifts for this year. The kind suggestion by shareholders for this matter will be deliberated and considered for next year's AGM.

Question 8	<b>Does the Company benefit from high fuel price?</b>
Answer 8	The Company will benefit from the improvement in demand of rigs due to increase in contracts but not directly in increase of fuel price.
Question 9	<b>During MCO, did the full-time workers were changed to contract workers?</b>
Answer 8	The Company attended to various measures operationally to better manage resources during MCO. The Company did not change full time workers to contract workers.
Question 10	<b>Will the Company's dividend policy apply every year?</b>
Answer 10	The Company does not have a dividend policy. However, The Company will continue to strive hard to be in a sustainable profitable position and to have sufficient funds for payment of dividends.
Question 11	<b>Will the Company implement early action plan since the Company had experienced previous financial crisis?</b>
Answer 11	As the Company resiliently sustain through the previous financial crisis, we believe that Velesto is in better footing to withstand the headwinds as compared to other competitors. We plan to focus on costs reduction, cash conservation, while aggressively looking for higher utilisation.
Question 12	<b>Is Velesto still strong and growing constantly?</b>
Answer 12	<p>The Company has gone through financial restructuring which enabled the Company to operate in a more efficient manner and is in a better position now, than from the previous downturn of the oil and gas industry.</p> <p>At the moment our strategic focus will be as follows:-</p> <ul style="list-style-type: none"> <li>(i) Cost reduction;</li> <li>(ii) Increasing efficiency;</li> <li>(iii) Cashflow preservation; and</li> <li>(iv) Increasing utilisation.</li> </ul>
Question 13	<b>In view of the Pandemic and since the company has been badly affected by the MCO, in which earnings are expected to be depressed, is the BOD going to lay off staff and/or cut salaries?</b>
Answer 13	With the current economic situation, the Company may consider manpower reduction. However, at the moment, the Company is trying its best to find solution in other areas i.e. reduction of non-critical operating expenditures and implement aggressive cost control. As at now, hiring freeze for office and base recruitment has been implemented. If the

	current business situation continues, there is possibility that the Company may have to consider manpower reduction.
Question 14	<b>What are the Company's plans for year 2021 onward in term of tendering for projects?</b>
Answer 14	<p>We will continue to work together with our regular clients both in Malaysia and regionally and will continue to bid for tenders and contracts that are available. At the same time, we are exploring the market outside the region for any potential jobs.</p> <p>Due to current business environment, we are focusing more on Malaysia and South East Asia.</p>
Question 15	<b>Is there a possibility that the Company's borrowings, especially those that are due in 2020, can be refinanced at lower rates of interest and thus reduce your borrowing costs?</b>
Answer 15	<p>We have already made comparisons against the current market rates and we are already getting competitive rates.</p> <p>Based on quarter 1 of FY2020 average borrowing rate is approximately 5%. FY2019 was at average of 6.2%. Although we are currently getting lower rates due to LIBOR, the full effect has yet to be reflected in our financial results.</p>
Question 16	<b>Please explain in more detail with regards to share capital reduction, what is the impact to minority shareholders?</b>
Answer 16	<p>The mechanism of a share capital reduction would help to eliminate the accumulated losses of RM2.17 billion and RM2.15 billion at Company and Group level, respectively, by reducing RM2.21 billion of VELESTO's share capital. The remaining balance would be credited to the retained earnings of the Company. There will be no impact to the shareholders as:</p> <ul style="list-style-type: none"> <li>• There will be no adjustment in the share price of the Company or changes in the number of the Company's shares.</li> <li>• There will not be any payment made to shareholders of the Company.</li> <li>• There will not be any outflow of cash or change in the net asset of the Group, save for the expenses to be incurred in undertaking the exercise.</li> </ul>

Thereafter, the Audited Financial Statements for the year ended 31 December 2019 together with the Reports of the Directors and the Auditors thereon were received.

The Chairman thanked all the shareholders for their questions and proceeded to the next agenda. On further questions posted by the shareholders, the Management shall be responding to the questions, accordingly.



**AGENDA 2**

**ORDINARY RESOLUTION     RE-ELECTION OF ENCIK MOHD RASHID BIN MOHD YUSOF IN ACCORDANCE WITH ARTICLE 96 OF THE COMPANY'S CONSTITUTION**

**1**

In view that the Chairman was an interested party to this resolution, he temporarily handed over the chairmanship of the meeting to Dato' Ibrahim bin Marsidi ("**Dato' Ibrahim**"), Independent Non-Executive Director.

Dato' Ibrahim informed that the current composition and size of the Board of Directors complied with Paragraph 15.02 of the Main Listing Requirements of Bursa Malaysia and the Malaysian Code on Corporate Governance ("**MCCG**") 2017. In addition, the Company fulfilled the requirement under Practice 4.5 of the MCCG 2017 on having at least 30% women directors. He further added that the current mix of the Executive Director, Non-Executive Directors and Independent Directors reflected the commitment to the shareholders that the Company is managed and governed by skilled, knowledgeable and credible board members who are governed by a strong Board Charter.

The Board had agreed with the Board Nomination & Remuneration Committee's recommendation that Encik Mohd Rashid bin Mohd Yusof was eligible to stand for re-election based on the results of his individual assessment.

The following resolution was put for a vote:

**"THAT Encik Mohd Rashid bin Mohd Yusof, a Director who retires in accordance with Article 96 of the Company's Constitution and who being eligible, offer himself for re-election be approved."**

The resolution was put to the Meeting for voting by e-polling, which would be conducted upon conclusion of the tabling of all resolutions. The chairmanship was handed back to Encik Mohd Rashid bin Mohd Yusof.

**ORDINARY RESOLUTION     RE-ELECTION OF PUAN ROWINA BINTI GHAZALI SETH IN ACCORDANCE WITH ARTICLE 96 OF THE COMPANY'S CONSTITUTION**

**2**

The Chairman informed the Meeting that Puan Rowina binti Ghazali Seth who retires in accordance with Article 96 of the Company's Constitution, and being eligible, offered herself for re-election.

The Board had agreed with the Board Nomination & Remuneration Committee's recommendation that Puan Rowina binti Ghazali Seth was eligible to stand for re-election based on the results of her individual assessment.

The following resolution was put for a vote:

**“THAT Puan Rowina binti Ghazali Seth, a Director who retires in accordance with Article 96 of the Company’s Constitution and who being eligible, offer herself for re-election be approved.”**

The resolution was put to the Meeting for voting by e-polling, which would be conducted upon conclusion of the tabling of all resolutions.

**ORDINARY RESOLUTION 3**      **RE-ELECTION OF PUAN HAIDA SHENNY BINTI HAZRI IN ACCORDANCE WITH ARTICLE 96 OF THE COMPANY’S CONSTITUTION**

The Chairman informed the Meeting that Puan Haida Shenny binti Hazri who retires in accordance with Article 96 of the Company’s Constitution, and being eligible, offered herself for re-election.

The Board had agreed with the Board Nomination & Remuneration Committee’s recommendation that Puan Haida Shenny binti Hazri was eligible to stand for re-election based on the results of her individual assessment.

The following resolution was put for a vote:

**“THAT Puan Haida Shenny binti Hazri, a Director who retires in accordance with Article 96 of the Company’s Constitution and who being eligible, offer herself for re-election be approved.”**

The resolution was put to the Meeting for voting by e-polling, which would be conducted upon conclusion of the tabling of all resolutions.

**AGENDA 3**  
**ORDINARY RESOLUTION 4**      **RE-ELECTION OF DATUK TONG POH KEOW IN ACCORDANCE WITH ARTICLE 103 OF THE COMPANY’S CONSTITUTION**

The Chairman proceeded with the Ordinary Resolution 4, which was the re-election of Datuk Tong Poh Keow who retires in accordance with Article 103 of the Constitution, and being eligible, offered herself for re-election.

Datuk Tong Poh Keow has provided her annual declaration of independence and the Board had agreed with the Board Nomination & Remuneration Committee’s recommendation that Datuk Tong Poh Keow was eligible to stand for re-election based on the results of her individual assessment.

The following resolution was put for a vote:

**“THAT Datuk Tong Poh Keow, a Director who retires in accordance with Article 103 of the Company’s Constitution and who being eligible, offer herself for re-election be approved.”**

The resolution was put to the Meeting for voting by e-polling, which would be conducted upon conclusion of the tabling of all resolutions.

#### **AGENDA 4**

#### **ORDINARY RESOLUTION 5**

#### **PAYMENT OF DIRECTORS' FEES IN ACCORDANCE WITH THE REMUNERATION POLICY AND PROCEDURES FOR NON-EXECUTIVE DIRECTORS OF THE COMPANY, WITH EFFECT FROM THIS 10<sup>TH</sup> AGM UNTIL THE NEXT AGM**

The Chairman stated that the fifth item on the Agenda was to consider and approve Ordinary Resolutions 5 and 6 on the payment of Directors' fees as well as meeting allowances and other benefits. Section 230(1) of the Companies Act, 2016 requires the fees of directors and any benefits payable to directors of a listed company and its subsidiaries be approved at a general meeting.

The Chairman further informed that all Non-Executive Directors having shares in the Company would abstain from voting on Resolutions 5 and 6.

Ordinary Resolution 5 was to approve the payment of Director's Fees in accordance with the Remuneration Policy and Procedures for Non-Executive Directors of the Company, with effect from this 10<sup>th</sup> AGM until the next 11<sup>th</sup> AGM in 2021 being as follows:

	Non-Executive Chairman	Non-Executive Directors
	Ringgit Malaysia / per annum	
Directors Fees	120,000	80,000
Directors Fees for Board Audit Committee	15,000	10,000
Directors Fees for Board Nomination & Remuneration Committee	15,000	10,000
Directors Fees for Board Risk Management Committee	15,000	10,000
Directors Fees for Board Whistle-Blowing Committee	7,500	5,000

(each of the foregoing payments being exclusive of the other).

The following resolution was put for a vote:

**“That the payment of Director's Fees in accordance with the Remuneration Policy and Procedures for Non-Executive Directors of the Company, with effect from this 10<sup>th</sup> AGM until the next 11<sup>th</sup> AGM in 2021, payable monthly be approved.”**

The resolution was put to the Meeting for voting by e-polling, which would be conducted upon conclusion of the tabling of all resolutions.

**ORDINARY RESOLUTION 6** **MEETING ALLOWANCES AND OTHER BENEFITS IN ACCORDANCE WITH THE REMUNERATION POLICY AND PROCEDURES FOR NON-EXECUTIVE DIRECTORS OF THE COMPANY, WITH EFFECT FROM THIS 10<sup>TH</sup> AGM UNTIL THE NEXT AGM**

Dato' Chairman proceeded with Ordinary Resolution 6 on the payment of meeting allowances and other benefits in accordance with the Remuneration Policy and Procedures for Non-Executive Directors of the Company, with effect from this 10<sup>th</sup> AGM until the next 11<sup>th</sup> AGM in 2021 being as follows:

	Non-Executive Chairman (Board and Board Committee)	Non-Executive Directors and members of Board Committee
	Ringgit Malaysia	
Meeting allowance (per meeting attendance)	1,500	1,000
Other benefits including provision of company car and driver (for Chairman of the Board only), provision of mobile phone charges, medical, hospitalisation and dental coverage, Directors & Officers Liability Insurance coverage, per diem and other claimable reimbursable expenses.		

The following resolution was put for a vote:

**“That the payment of Meeting Allowances and other benefits in accordance with the Remuneration Policy and Procedures for Non-Executive Directors of the Company, with effect from this 10<sup>th</sup> AGM until the next 11<sup>th</sup> AGM in 2021, payable monthly be approved.”**

The resolution was put to the Meeting for voting by e-polling, which would be conducted upon conclusion of the tabling of all resolutions.

**AGENDA 5**

**ORDINARY RESOLUTION 7** **TO RE-APPOINT MESSRS. ERNST & YOUNG PLT AS AUDITORS OF THE COMPANY FOR THE YEAR ENDING 31 DECEMBER 2020 AND TO AUTHORISE THE DIRECTORS TO DETERMINE THEIR REMUNERATION**

The Chairman then proceeded with Ordinary Resolution 7 of the Agenda, which was on re-appointment of Messrs. Ernst & Young PLT (“EY”) as Auditors for the ensuing financial year and to determine the Auditor’s remuneration. EY had expressed its willingness to continue in office for the ensuing year.

The following resolution was put for a vote:

**“THAT Messrs. Ernst & Young PLT, the retiring Auditors, be re-appointed as Auditors of the Company, to hold such office from the date hereof to the conclusion of the next**

**Annual General Meeting and at a remuneration to be determined by the Directors be approved.”**

The resolution was put to the Meeting for voting by e-polling, which would be conducted upon conclusion of the tabling of all resolutions.

**AGENDA 6      ANY OTHER BUSINESS**

The Company Secretary then informed that the Company had not received any notice for transactions of any other business at the Meeting.

**AGENDA 7**

**SPECIAL      PROPOSED REDUCTION OF THE ISSUED SHARE CAPITAL OF THE COMPANY PURSUANT  
RESOLUTION   TO SECTION 116 OF THE COMPANIES ACT, 2016 (“ACT”) (“PROPOSED SHARE CAPITAL  
REDUCTION”)**

The following resolution was put for a vote:

**“THAT subject to all approvals being obtained from the relevant authorities and/or parties, if applicable, and the confirmation by the High Court of Malaya pursuant to Section 116 of the Act, approval be and is hereby given for the Board of Directors of the Company (“Board”) to implement the Proposed Share Capital Reduction and reduce the share capital of the Company via the cancellation of RM2,210,000,000 of the issued share capital of the Company and that the credit arising from such share capital reduction shall be used to eliminate the accumulated losses of the Company;**

**THAT the remaining balance after the elimination of the accumulated losses of the Company pursuant to the Proposed Share Capital Reduction, if any, shall be credited to the retained earnings account of the Company, which may be utilised in such manner as the Board deems fit and in the best interest of the Company, as permitted by the relevant and applicable laws as well as the constitution of the Company;**

**AND THAT the Board be and is hereby authorised to approve, sign and execute all documents, do all things and acts as the Board may consider necessary or expedient to implement, finalise and give full effect to the Proposed Share Capital Reduction in the best interest of the Company with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required by any relevant authorities, the relevant and applicable laws or deemed necessary or desirable by the Board.”**

The resolution was put to the Meeting for voting by e-polling, which would be conducted upon conclusion of the tabling of all resolutions.

## **GUIDE ON ELECTRONIC VOTING PROCEDURE**

The Chairman then announced that the Meeting would proceed to conduct the poll voting and the video on the Guide on Electronic Voting was played at the Meeting.

The Meeting was adjourned at 3:40 p.m. for the poll voting to commence and re-convened at 4:05 p.m. for the announcement of the polling results.

## **DECLARATION OF POLL RESULTS**

The Chairman informed the Meeting that he had received the results of the electronic polling from the Poll Administrator and the results had been verified by the Independent Scrutineers.

The Chairman highlighted that the lead scrutineers, Cik Nadiah Ili binti Adnan ("**Cik Nadiah**") had advised on the poll results, which was concurrently displayed to the Meeting.

The Chairman thanked Cik Nadiah and declared that all Ordinary Resolutions 1 to 6 and Special Resolution were carried and duly passed as follows:

<b>10<sup>TH</sup> AGM of the Company</b>	<b>FOR</b>		<b>AGAINST</b>	
	<b>NUMBER OF SHARES</b>	<b>%</b>	<b>NUMBER OF SHARES</b>	<b>%</b>
<b><u>Ordinary Resolution 1</u></b>				
Re-election of Encik Mohd Rashid bin Mohd Yusof as director of the Company	5,545,106,417	99.6954	16,943,403	0.3046
<b><u>Ordinary Resolution 2</u></b>				
Re-election of Puan Rowina binti Ghazali Seth as director of the Company	5,623,764,973	99.9927	410,747	0.0073
<b><u>Ordinary Resolution 3</u></b>				
Re-election of Puan Haida Shenny binti Hazri as director of the Company	5,623,346,472	99.9853	824,248	0.0147
<b><u>Ordinary Resolution 4</u></b>				
Re-election of Datuk Tong Poh Keow as director of the Company	5,623,804,860	99.9934	370,860	0.0066
<b><u>Ordinary Resolution 5</u></b>				
Approval for the Directors Fees with effect from this 10 <sup>th</sup> AGM until the next AGM	5,623,184,744	99.9922	439,379	0.0078
<b><u>Ordinary Resolution 6</u></b>				
Approval for the Meeting allowances and other benefits with effect from this 10 <sup>th</sup> AGM until the next AGM	5,623,193,024	99.9924	425,979	0.0076

<b><u>Ordinary Resolution 7</u></b>				
Re-appointment of Messrs. Ernst & Young PLT as the Company's Auditors for the year ending 31 December 2020	5,623,826,412	99.9951	273,308	0.0049
<b><u>Special Resolution</u></b>				
Approval for the Proposed Share Capital Reduction for the Company to reduce the issued share capital of the Company, via the cancellation of the share capital which is lost or unrepresented by available assets of RM2,210,000,000.	5,623,662,979	99.9935	365,931	0.0065

### **CLOSURE**

There being no other business for which due notice has been given, the proceedings of the 10<sup>th</sup> AGM ended at 4:10 p.m. with a vote of thanks to the Chair.



**MINORITY SHAREHOLDERS WATCH GROUP**  
Shareholder Activism and Protection of Minority Interest

9 June 2020

**BY FAX/HAND**  
(Fax No. +603-2274 7787)

The Board of Directors  
**VELESTO ENERGY BERHAD**  
Level 18, Block 3A,  
Plaza Sentral  
Jalan Stesen Sentral 5  
50470 Kuala Lumpur,

**Attention: Lee Mi Ryoung / Rafiza Ghazali**  
Company Secretaries

Dear Directors,

**Re: 10<sup>th</sup> Annual General Meeting (AGM) of VELESTO ENERGY BERHAD ("the "Group" or "the Company") to be held on Monday, 29 June 2020**

In the interest of minority shareholders and all other stakeholders of the Group, we would like to raise the following:

**Strategic and Financial Matters**

1. The exploration and drilling contracts are based on number of well basis or number of days duration with agreed day charter rates with clients, which are constant regardless of whether oil and gas deposits are found or extracted. (page 39 of Annual Report)
  - (a) What is the impact of low crude oil prices on the exploration and drilling contracts?
  - (b) What is the normal contract period of an exploration and drilling contract?
  - (c) Do the seven premium jack-up drilling rigs have secured contracts? If no, how many of the drilling rigs are without contracts?
  - (d) What is the average age of the seven jack-up drilling rigs?

**BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD**

(Incorporated in Malaysia . Company No:524989-M)

TINGKAT 11, BANGUNAN KWSP, NO.3, CHANGKAT RAJA CHULAN, OFF JALAN RAJA CHULAN,  
50200 KUALA LUMPUR. TEL: (603)20709090 FAX: (603)20709107

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**MINORITY SHAREHOLDERS WATCH GROUP**  
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(e) What are the current drilling rigs utilisation rates (as compared to 80% utilisation rate in FY2019)?

(f) Who are the major oil drilling rig players in Malaysia?

(g) What is the outlook of the oil drilling rig charter rates in FY2020?

2. The emergence of renewable energy on the agenda of most governments has led to an increasing shift from fossil fuels, oil and gas. The emphasis is now on solar, hydro, wind, offshore thermal energy and bio-diesel. (page 41 of Annual Report)

What is the Group's future strategic business direction in view of the emergence of renewable energy's importance as the Group's current business is centered on fossil fuels?

3. It was stated in the Chairman's Statement that the Company must prepare for another possible period of sharp downturn in upstream activities and consequently, demand for the Company's services.

Please explain the necessary actions the Company will undertake, not only to prevail during this uncertain and difficult period, to be well-positioned to capitalise on the imminent industry recovery once the crisis passes.

4. The Company has achieved cost savings of RM25.1 million from the various internal initiatives in FY 2019 as mentioned in the Management Discussion and Analysis Statement.

(a) Please outlined the internal initiatives that the Group has undertaken and the expected savings from each initiative in FY 2019?

(b) Are there any internal initiatives identified for cost saving in FY 2020 and if so, what are the expected savings?

We would appreciate if the Board could present the points raised here, and their related answers, for the shareholders present at the AGM. At the same time, we await a written reply as soon as possible for our records.

Thank you.

Yours faithfully,

**DEVANESAN EVANSON**  
Chief Executive Officer

**BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD**

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Ref: VEB/LS/SEC/2020/06-02-L

Date: 27 June 2020

**MINORITY SHAREHOLDER WATCH GROUP**

Tingkat 11, Bangunan KWSP  
No. 3, Changkat Raja Chulan  
Off Jalan Raja Chulan  
50200 Kuala Lumpur

Dear Sir/Madam,

**10<sup>TH</sup> ANNUAL GENERAL MEETING OF VELESTO ENERGY BERHAD**

We refer to your letter dated 9 June 2020, and appended below are the responses to your queries.

**Strategic & Financial Matters**

NO.	DETAILS
1	<p><b><u>Question:</u></b></p> <p>The exploration and drilling contracts are based on number of well basis or number of days duration with agreed day charter rates with clients, which are constant regardless of whether oil and gas deposits are found or extracted. (page 39 of Annual Report)</p> <p>a. What is the impact of low crude oil prices on the exploration and drilling contracts? The low crude oil prices would result in reduction in exploration activities, resulting in reduction in drilling contracts.</p> <p>b. What is the normal contract period of an exploration and drilling contract? The normal contract period depends on number of wells to be drilled per programme. Each well will normally take between 1-2 months to drill.</p> <p>c. Do the seven-premium jack-up drilling rigs have secured contracts? If no, how many of the drilling rigs are without contracts? At present, 4 out of 7 rigs are under contracts and the remaining are without contract.</p> <p>d. What is the average age of the seven jack-up drilling rigs? The average age of the seven jack-up drilling rigs is 7.1 years old.</p> <p>e. What are the current drilling rigs utilisation rates (as compared to 80% utilisation rate in FY2019)? For 1Q 2020, the utilisation rate is 86%.</p> <p>f. Who are the major oil drilling rig players in Malaysia? The other offshore drilling rig players in Malaysia are Perisai Petroleum, Petrovietnam Drilling, Borr Drilling, Aban Offshore, Seadrill, Vantage Drilling and Sapura Drilling.</p>

	<p>g. What is the outlook of the oil drilling rig charter rates in FY2020?</p> <p>According to IHS World Rig Forecast: Short Term Trends, as of May 2020, the estimated market rates for jack-up drilling rigs similar to ours in Southeast Asia are in the range of USD60-85k.</p>
2	<p><b><u>Question:</u></b></p> <p>The emergence of renewable energy on the agenda of most governments has led to an increasing shift from fossil fuels, oil and gas. The emphasis is now on solar, hydro, wind, offshore thermal energy and bio-diesel. (page 41 of Annual Report).</p> <p>What is the Group's future strategic business direction in view of the emergence of renewable energy's importance as the Group's current business is centred on fossil fuels?</p> <p>The Company is exploring additional line of business that is more resilient to the cyclical nature of the industry. We do not discount the possibility of the Company venturing into green or renewable energy.</p>
3	<p><b><u>Question:</u></b></p> <p>It was stated in the Chairman's Statement that the Company must prepare for another possible period of sharp downturn in upstream activities and consequently, demand for the Company's services.</p> <p>Please explain the necessary actions the Company will undertake, not only to prevail during this uncertain and difficult period, to be well-positioned to capitalise on the imminent industry recovery once the crisis passes.</p> <p>At the moment our strategic focus will be as follows:-</p> <ol style="list-style-type: none"> <li>1) Cost reduction;</li> <li>2) Increasing efficiency;</li> <li>3) Cashflow preservation; and</li> <li>4) Aggressive marketing.</li> </ol>
4	<p><b><u>Question:</u></b></p> <p>The Company has achieved cost savings of RM25.1 million from the various internal initiatives in FY 2019 as mentioned in the Management Discussion and Analysis Statement.</p> <p>a. Please outline the internal initiatives that the Group has undertaken and the expected savings from each initiative in FY 2019?</p> <ol style="list-style-type: none"> <li>1) Optimisation of Repair &amp; Maintenance programs – RM12 million;</li> <li>2) Procurement Strategies i.e. Discounts, Renegotiation, Price Agreements – RM9 million;</li> <li>3) Early repayment of loans – RM2 million; and</li> </ol>

	<p>4) Others – RM2 million.</p>
b.	<p>Are there any internal initiatives identified for cost saving in FY 2020 and if so, what are the expected savings?</p> <p>1) Procurement Strategies such as discounts, contract re-negotiation, long term price agreements – RM10 million;</p> <p>2) Personnel cost management – RM4 million;</p> <p>3) Deferred CAPEX (lower Depreciation) – RM3 million;</p> <p>4) Early repayment of loans – RM1 million; and</p> <p>5) Others – RM3 million.</p>

We hope our responses above answer your queries.

Thank you.

Yours faithfully,

For and on behalf of Velesto Energy Berhad

  
**LEE MI YOUNG**  
Company Secretary

/snza