

ADDITIONAL QUESTIONS AND ANSWERS
10TH AGM (29 JUNE 2020)

Question 1	Would the capital reduction increase the tax expense due to removal of retained losses?
Answer 1	There would not be any changes to the tax expenses of Velesto Energy Berhad (“ VELESTO ” or “ Company ”) due to capital reduction.
Question 2	Will the capital reduction reduce the par value of shares from current 50 cents?
Answer 2	VELESTO Shares no longer have par value. The par value regime has been abolished under the Companies Act, 2016.
Question 3	If I hold warrant, is there any impact to my holdings and its share price?
Answer 3	The Proposed Share Capital Reduction will not result in any adjustments to the number of warrants held, the exercise price and warrants market price.
Question 4	Are there any other options to reduce VELESTO losses instead on impacting the Share Capital which severely impact share value?
Answer 4	The Proposed Share Capital Reduction will not result in any changes to the total Shareholder’s Equity, the Net Asset per share or the shareholder’s value as the total number of VELESTO shares remain the same. Further, it does not affect the market price and trading liquidity of VELESTO shares.
Question 5	How do you see Velesto in the next 10 years?
Answer 5	We endeavor to improve further to be more competitive in drilling business both domestically and regionally. In addition to our existing business, the company is exploring additional line of business that is resilient to the cyclical nature of the industry.
Question 6	What is the breakeven Brent oil price for VELESTO? Can VELESTO survive with oil prices below USD20/bbl?
Answer 6	Due to sensitivity of the data, we are unable to provide the information on the breakeven Brent oil price. However, reference may be made from the previous years’ financial results.
Question 7	Has the client cut back on booking for jack-up rigs? Has client tried to renegotiate rates?
Answer 7	Yes, for both. Nonetheless, we will continue to bid aggressively, both in domestic and regionally.
Question 8	How much profit is expected from the RM1.3 million order book?
Answer 8	Due to sensitivity of the data, we are unable to provide the information. At a group level, profitability is driven by utilisation and average daily charter rates during the period.

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Question 9	Will the gearing ratio for FY2021 be higher or lower than the current level?
Answer 9	We are unable to disclose any forward-looking estimates.
Question 10	Is there any plan for rights issue in the near term?
Answer 10	There is no plan for rights issue in the near term.
Question 11	To promote cost reduction, will the Board and Senior Management be taking pay/allowance/emoluments cuts?
Answer 11	At present there is no plan for any reduction in remuneration for Board, Senior Management and Staff. There has been no or minimum increment for the last few years. However, we are closely monitoring the current economic situation, and we may need to implement reduction in remuneration, if required.
Question 12	What is the amount of cost savings from having a virtual AGM?
Answer 12	The virtual AGM costs has resulted in significant savings of 60% compared to physical AGM.
Question 13	Please explain the applicable law on the registration on online portal of Tricor forty-eight (48) hours before AGM date.
Answer 13	<p>Reference is made to VELESTO's Constitution wherein Clause 65 of Constitution allows the holding of the fully virtual general meeting and Clause 89 states that the appointment of proxy should be submitted to the Registrar not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting.</p> <p>Pursuant to Paragraph 2.13(b) of the Guidance and FAQs on the Conduct of General Meetings for Listed Issuers issued by Securities Commission on 18 April 2020 subsequently revised on 24 June 2020, listed issuers are required to provide guidance to shareholders on the requirements and methods of participating in the general meeting.</p>
Question 14	What will be the target price of VELESTO share price after recovery?
Answer 14	<p>We do not have a target share price, as we are unable to control the movement of share price. However, we will continue to focus on improving our business fundamentals in areas which are within our control including:</p> <ul style="list-style-type: none"> • Bid and negotiate for new contracts. • Improve operational and financial efficiencies. • Controlling cost to improve the bottom line.

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Question 15	<p>If the Company is still in loss making position, would suggest for the Group to quickly diversify its business and maybe venture into technology, e.g. handphone, fruit plantation, infrastructure construction, glove and mask production.</p> <p>Company could also cut wastage i.e. reduced consumption of water and electricity. Workers to submit report what work they done every day or assign work for them every day.</p>
Answer 15	<p>While the Company is continuously improving efficiency and cost management to be more competitive in drilling business and return to profitability, we are also exploring additional line of business that is more resilient to compensate for cyclical nature of oil & gas industry.</p> <p>We have an aggressive cost reduction programme annually which include wastage elimination and efficiency improvement. In the year 2019, we managed to reduce cost by RM25.1 million from various internal initiatives.</p>