

**ELEVENTH (11<sup>TH</sup>) ANNUAL GENERAL MEETING**  
**OF VELESTO ENERGY BERHAD ("VELESTO" OR "COMPANY")**

MINUTES OF THE ELEVENTH (11<sup>TH</sup>) ANNUAL GENERAL MEETING OF THE COMPANY HELD ON **MONDAY, 28 JUNE 2021 AT 2:00 P.M.** CONDUCTED ON A FULLY VIRTUAL BASIS USING THE ONLINE MEETING PLATFORM OF SECURITIES SERVICES e-PORTAL ACCESSIBLE VIA ITS WEBSITE AT <https://sshsb.net.my/>

PRESENT	:	Encik Mohd Rashid bin Mohd Yusof	Chairman / Non-Independent Non-Executive Director
		Encik Razalee bin Amin	Senior Independent Non-Executive Director
		Dato' Ibrahim bin Marsidi	Independent Non-Executive Director
		Encik Rizal Rickman bin Ramli	Non-Independent Non-Executive Director
		Puan Haida Shenny binti Hazri	Non-Independent Non-Executive Director
		Puan Rowina binti Ghazali Seth	Independent Non-Executive Director
		Dato' Dayang Fatimah binti Johari	Independent Non-Executive Director
		Datuk Tong Poh Keow	Independent Non-Executive Director
		Encik Rohaizad bin Darus	President / Non-Independent Executive Director
IN ATTENDANCE	:	Encik Abdul Hadi bin Abdul Bari	Chief Commercial Officer
		Puan Sazlyna binti Sapiee	Chief Financial Officer
		Encik Adrin Shafil bin Ahmad Nasir	Chief Operating Officer
		Ms. Lee Mi Ryoung	Head, Legal & Secretarial and Company Secretary
		Puan Noor Ashiah binti Yang	Head, Human Resources
		Puan Maryam Salwaana Kamal binti Mohd Kamal	Head, Strategic Communications
		Ms. Ng Yee Yee	Messrs Ernst & Young PLT
		SS E Solutions Sdn Bhd	Poll Administrator
		Commercial Quest Sdn Bhd	Scrutineer
		Shareholders present	454 representing 7,640,175 ordinary shares
		Corporate Representatives / Proxies present	83 representing 5,210,428,805 ordinary shares including the Chairman who has been nominated as a proxy in respect of 729,507,008 ordinary shares

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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 11<sup>th</sup> Annual General Meeting ("**AGM**"). The 11<sup>th</sup> AGM conducted as fully virtual meeting through Remote Participation and Voting facilities via Securities Services ePortal's platform at sshsb.net.my where the domain has been registered with MYNIC. With the extension of full movement control order by the Government of Malaysia to 28 June 2021, and the Securities Commission's requirement that meetings during this period to be online, and with priority to the health and safety of the Company's shareholders, proxyholders and invitees, the Company's AGM is conducted in a fully virtual setting.

He then proceeded to introduce the members of the Board, the Company Secretary, the Chief Financial Officer, the members of Management and the Partner from Messrs. Ernst & Young PLT to all attendees, who all joined virtually.

In his opening remarks, Chairman highlighted that financial year 2020 ("**FY2020**") had initially begun on a positive note as crude oil prices were comparatively stable at USD65 per barrel (Brent) and the domestic oil and gas sector remained active, underpinned by strong momentum in exploration and production ("**E&P**") activities. VELESTO made a strong start to FY2020 on the back of drilling contracts and high rig utilisation rates. At the start of the financial year, VELESTO reached a four-year record high for rig utilisation, posting 84%. The Group posted its first full year of profits in four years having successfully rode out the previous long-spell oil and gas downturn from 2015-2018. The turnaround was only made possible by the Board and Management having been steadfast and focused in executing the various value creation initiatives formulated over the past four years.

The Group was operating efficiently, with a low-cost operating base and high productivity as the many hard-won efficiencies and lessons learnt during the previous downturn enabled VELESTO to be competitive, robust and to deliver excellent operational performance. However, as the COVID-19 pandemic began to spread globally as well as in Malaysia, the ensuing effects curtailed the usual flow of trade, commerce and economic activity. On the back of declining rig utilisation, weaker day charter rates and deferred and renegotiated contracts, the Group's financial performance was also impacted.

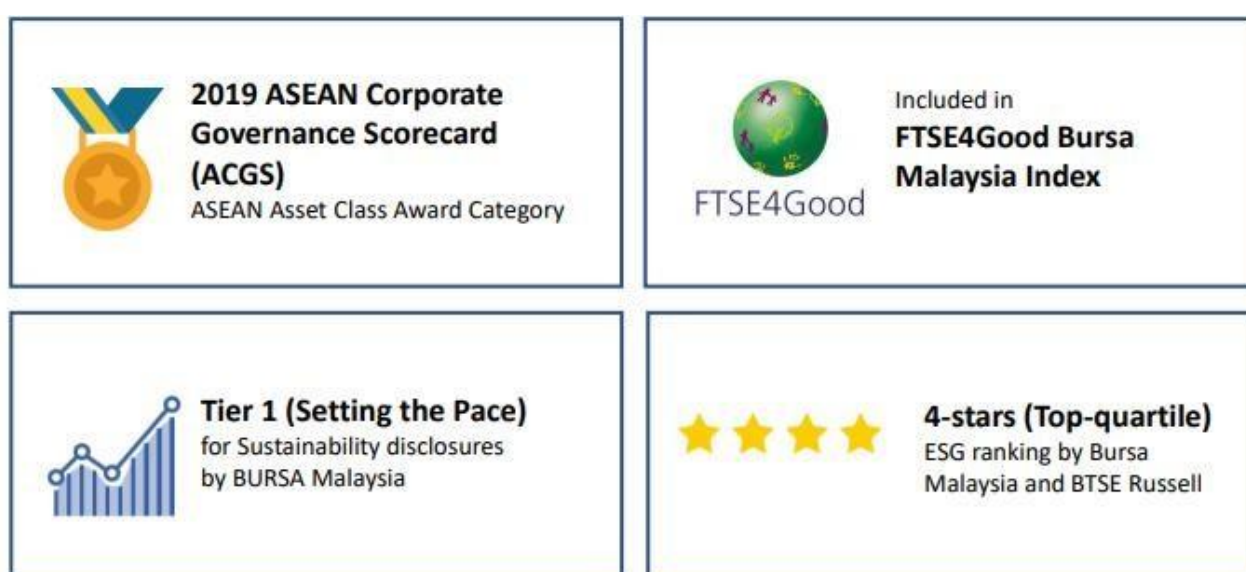
Nevertheless, the Board and the Management chose to face FY2020 with measured responses that reflected the Group's strong business and operational fundamentals. Having weathered a four-year downturn prior to the FY2020 pandemic year, VELESTO was in the best possible position to once again adapt to the drastic changes in the operating environment. While COVID-19 continues to persist, the availability of vaccines which are progressively being distributed across the world and continued adaption to the new norm serve as catalysts to support businesses towards the end of 2021. The future is immensely challenging yet offers plenty of potential, promise and prospects. VELESTO will continue to be resilient and stands ready to face the many challenges, whilst grasping the opportunities towards continued value creation for all stakeholders in financial year 2021 ("**FY2021**").

## **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 year, sustainability, NAGA 7 updates, current status and future prospect of the Group as well as the outlook for the FY2021.

In embracing the challenges to navigate into the unprecedented pandemic, the Group had proved its tenets in achieving the 2020 sustainability achievements as follows:



In relation to NAGA 7 update, Encik Rohaizad informed that Management has been in communication with the insurance broker, the underwriters for hull & machinery (“**H&M**”) and protection & indemnity (“**P&I**”) insurances, and the insurance claims are progressing.

Thereafter, the Chairman invited the Company Secretary to share the issues raised by the Minority Shareholders’ Watch Group (“**MSWG**”) in their letter dated 15 June 2021 and the Company’s written responses dated 25 June 2021, copies of the same are attached hereto and marked as “**Appendix 1**” and “**Appendix 2**”, respectively.

## **QUORUM AND COMMENCEMENT OF MEETING**

The Company Secretary confirmed that in accordance with Article 14 of the Company’s Constitution on the presence of the requisite quorum, 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 SS E Solutions Sdn Bhd as Poll Administrator and Commercial Quest 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 28 May 2021.

## **NOTICE OF MEETING**

The Chairman informed the attendees that the Notice of AGM was announced to Bursa Malaysia Securities Berhad on Thursday, 27 May 2021, advertised in The Star on Friday, 28 May 2021, the Notification to all Shareholders on the change in venue of the AGM from Broadcast Venue to an Online Meeting Platform was released to Bursa Malaysia on 22 June 2021 and was advertised in The Star on 23 June 2021. The Notification was also uploaded on VELESTO's website on 23 June 2021.

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. Eunise Tee Lay Hong and Encik Ferouk Effendy bin Yang Safri, who are employees the Company and also shareholders of Velesto Energy Berhad, have offered to be the proposer and seconder for all the four (4) proposed resolutions in the agenda of this meeting.

## **AGENDA 1      TO RECEIVE THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 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 2020, 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 Ms. Ng Yee Yee, partner from Messrs Ernst & Young PLT ("EY") to present the Auditors' Report.

Ms. Ng Yee Yee highlighted that EY have audited the Financial Statements of Velesto Energy Berhad for financial year ended 31 December 2020 which comprise the Statements of Financial Position of the Group and the Company, Statements of Profit or Loss and Other Comprehensive Income, Statements of Changes of Equity and Statements of Cash Flows of the Group and the Company and Notes to the Financial Statements, including a summary of significant accounting policies.

She further highlighted that EY have conducted its audit in accordance with approved standards on auditing in Malaysia and international standards on auditing. EY is independent of Velesto Group within the meaning of the by-laws on professional ethics,

conduct and practice of the Malaysian Institute of Accountants and have fulfilled other responsibilities under those ethical requirements. In EY's opinion, the accompanying Financial Statements gave a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and of their financial performances, their cashflows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act 2016 in Malaysia.

Thereafter, the Audited Financial Statements for the year ended 31 December 2020 together with the Reports of the Directors and the Auditors thereon were received.

**AGENDA 2**  
**ORDINARY**  
**RESOLUTION**  
**1**

**RE-ELECTION OF ENCIK RAZALEE BIN AMIN IN ACCORDANCE WITH ARTICLE 96 OF THE COMPANY'S CONSTITUTION**

The Chairman informed the Meeting that Encik Razalee bin Amin who retires in accordance with Article 96 of the Company's Constitution, and being eligible, offered himself for re-election.

The Chairman 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 Razalee bin Amin 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 Razalee bin Amin, 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.

**NOTATION ON THE RETIREMENT OF DATO' IBRAHIM BIN MARSIDI AND ENCIK RIZAL RICKMAN BIN RAMLI IN ACCORDANCE WITH ARTICLE 96 OF THE COMPANY'S CONSTITUTION**

The Chairman stated this was to take note the retirement of Dato' Ibrahim bin Marsidi and Encik Rizal Rickman bin Ramli in accordance with Article 96 of the Company's Constitution. Dato' Ibrahim bin Marsidi and Encik Rizal Rickman bin Ramli informed the Board of their intention for not seeking re-election and they will be retiring after the conclusion of this AGM.

On behalf of the Board, the Chairman recorded the Board's appreciation to Dato' Ibrahim bin Marsidi and Encik Rizal Rickman bin Ramli for their utmost commitment and contribution to the Company and the Group during their tenure of service as the Board members since 2013 and 2018 respectively.

**AGENDA 3**

**ORDINARY**

**RESOLUTION 2**

**PAYMENT OF DIRECTORS' FEES FOR NON-EXECUTIVE DIRECTORS OF THE COMPANY, WITH EFFECT FROM THIS 11<sup>TH</sup> AGM UNTIL THE NEXT AGM OF THE COMPANY TO BE HELD IN YEAR 2022**

The Chairman stated that the second item on the Agenda was to consider and approve Ordinary Resolutions 2 and 3 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 in voting on Resolutions 2 and 3.

Ordinary Resolution 2 was to approve the payment of Director's Fees for Non-Executive Directors of the Company, with effect from this 11<sup>th</sup> AGM until the next AGM of the Company to be held in 2021 being as follows:

Directors Fees	Non-Executive Chairman	Non-Executive Directors
	Ringgit Malaysia / per annum	
Board of Directors	120,000	80,000
Board Audit Committee	15,000	10,000
Board Nomination & Remuneration Committee	15,000	10,000
Board Risk Management Committee	15,000	10,000
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 to the Non-Executive Directors of the Company, with effect from this 11<sup>th</sup> AGM until the next AGM of the Company to be held in 2022, 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 3 BENEFITS PAYABLE TO THE NON-EXECUTIVE CHAIRMAN AND NON-EXECUTIVE DIRECTORS COMPRISE OF ALLOWANCES, BENEFITS-IN-KIND AND OTHER EMOLUMENTS WITH EFFECT FROM THIS 11<sup>TH</sup> AGM TO THE NEXT AGM OF THE COMPANY IN 2022**

Chairman proceeded with Ordinary Resolution 3 on the payment of Meeting Allowances and other benefits payable to the Non-Executive Directors of the Company, with effect from this 11<sup>th</sup> AGM to the next AGM of the Company in 2022 being as follows:

	<b>Non-Executive Chairman (Board and Board Committee)</b>	<b>Non-Executive Directors and Members of Board Committee</b>
	<b>Ringgit Malaysia</b>	
Meeting Allowance (per meeting attendance)	1,500	1,000
Other benefits including provision of allowances for car inclusive of petrol and car maintenance expenses, with driver provided (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 benefits payable to the Non-Executive Chairman and Non-Executive Directors of the Company, with effect from this 11<sup>th</sup> AGM to the next AGM of the Company in 2022, 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 4**

**ORDINARY RESOLUTION 4**      **TO RE-APPOINT MESSRS. ERNST & YOUNG PLT AS AUDITORS OF THE COMPANY FOR THE YEAR ENDING 31 DECEMBER 2021 AND TO AUTHORISE THE DIRECTORS TO DETERMINE THEIR REMUNERATION**

The Chairman then proceeded with Ordinary Resolution 4 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 5**      **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.

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

No.	Questions and Answers
Q1	Hope the Management will consider giving door gift or e-Voucher for this virtual AGM.
A1	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.
Q2	1) On the rig sinking, how much is the insurance claim? Is it based on book value, replacement cost or replacement value? 2) Does it cover consequential loss? 3) Is the client going to claim LAD or breach of contract? 4) Status of adjuster report? 5) Is the sinking due to negligence? 6) On a scale of 10 what are the chances that insurance claim will be disallowed?



No.	Questions and Answers
A2	<ol style="list-style-type: none"> <li>1) The H&amp;M insurance claim is USD135.2 million based on insured value of NAGA 7.</li> <li>2) In the insurance policy, consequential loss to third party is covered.</li> <li>3) The Company is in discussion with ConocoPhillips on the way forward of the drilling contract and at present, we are unable to comment on this as it may affect the ongoing discussion.</li> <li>4) The insurance claim is progressing and status of adjuster report is not available to the Company.</li> <li>5) As announced, NAGA 7 experienced rapid penetration and submerged.</li> <li>6) Based on the advice from the insurance broker, the insurance claim is expected to be recovered by this year.</li> </ol>
Q3	What are the strategies taken by the Management to improve the Company's business and share price?
A3	<p>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"> <li>• Bid and negotiate for new contracts.</li> <li>• Improve operational and financial efficiencies.</li> <li>• Controlling cost to improve the bottom line.</li> </ul> <p>We are unable to control the movement of share price, which is determined by the market participants.</p>
Q4	Since this is 2 <sup>nd</sup> virtual AGM, I humbly request the Board to give e-vouchers via eWallet credit to minority shareholders as a token of appreciation.
A4	As earlier responded, 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.
Q5	On 26 March 2021, the Company announced contract from ConocoPhillips and the Group being awarded contract worth USD8 million for Jack-up drilling services to which the Company assigned NAGA 7 for the job. On 4 May 2021, the Company announced operating NAGA 7 had an incident and evacuated. Later announced that NAGA 7 had submerged and sunk. What will happen to this contract? Will Velesto be able to fulfil this contract and if not what is the penalty and impact? How much is the value of NAGA 7 & what is covered by insurance? Refloat costs?
A5	<ol style="list-style-type: none"> <li>1) The Company is in discussion with ConocoPhillips on the way forward of the drilling contract and at present, we are unable to comment on this as it may affect the ongoing discussion.</li> <li>2) The insured value of NAGA 7 is USD135.2 million.</li> <li>3) On the query on the refloat cost, we are unable at present to provide the expected salvage and repair cost.</li> </ol>
Q6	Does the Company consider competitive bids for tender for scrap materials from Naga rigs?
A6	The Company invites vendors under its approved Supplier List to participate in competitive bids for tender for scrap materials from Naga rigs.
Q7	Would this year increase Dividend or special Dividend? Is cost saving planning really work to minimise operational cost?

No.	Questions and Answers
A7	1) The Company will continue to strive to be in a position to pay dividends. 2) Cost savings has contributed to our operation sustainability.
Q8	Would Velesto be able to sustain financially and strive for new contracts with improved order book for better quarter? Pandemic was able to be overcome by effort of the board, please bring better result in 2022.
A8	- As of now, all rigs have secured contracts except NAGA 3 (6 out of 7). - Meanwhile, Petronas maintained a significant level of jobs, even during this challenging time and based on our tender activities we foresee a positive outlook in 2022.
Q9	In Chairman's statement, the Company had tendered for RM2.7 billion in contracts. How much of this tendered amount were won by the Company? What new contracts are available for the Company to tender and secure going forward? What is the expected value? Chairman said that FY2020 posted a capacity utilisation of 84%, and revenue was RM176 million; so, if our capacity utilisation for this financial year is 100%, then what would be our expected revenue? What is the impact of the loss of NAGA 7 on revenues? Any NAGA 7 replacement?
A9	As at April 2021, the Group expects to secure around 50% of the bidded local contracts. International market remains challenging in the current environment. However, the Group is continuously looking to expand geographical operational base towards securing more drilling contracts. We are not able to provide forward looking statement with regards to our forecast revenue. However, shareholders are advised to refer to our historical trend for reference.  On the query on impact of the revenue loss due to submerged NAGA 7, the estimated loss of revenue is approximately USD8 million.
Q10	Query is made on expertise of the Board to address accounting issues and experiences of the Board in solving addressing issue by external auditor, including challenges for the year and managing debts.
A10	The Board of Director of the Company comprises of experienced and credible members with substantial experiences in financial matters, both on accounting and debt management. Shareholders may refer to their credentials in the Annual Report in pages 94 to 102.
Q11	Any cost restructuring plan in the company?
A11	Cost restructuring have been implemented since 2017 and the Group will continue to focus on cost restructuring to maintain cost competitiveness. In FY2020, costs were reduced by RM31 million from various internal initiatives. The following are the Group's strategic focus: - (i) Increasing utilisation; (ii) Cost reduction; (iii) Increasing efficiency; and (iv) Cashflow preservation.
Q12	Possible to update on NAGA 7 incident on 3 May 2021.
A12	Incident involving NAGA 7 drilling rig occurred due to rapid penetration of one of its leg into the soil formation whilst jacking up at Salam-3 well off the coast of Sarawak for ConocoPhillips Sarawak. The rig tilted and subsequently on 4 May 2021, it submerged at the location.

No.	Questions and Answers
Q13	Velesto current and previous two quarterly report showed significant losses despite business restructuring and initiatives; how long more will the company continue to show losses and will new initiatives be introduced? How will the Board assess if its initiatives are working as hoped, and what should the expected results be to show success and justify the Board's high remunerations and perks since it appears that only the environment of higher oil prices contributing to our better results?
A13	Low utilisation were seen in prior quarters partially due to COVID-19 pandemic, low oil prices and lower CAPEX by clients, resulting in contracts not starting as scheduled and options not being extended. In view of continued uncertainty in global economy, including the COVID impact, the Group believes that the FY2021's performance will continue to be challenging, although the Group is doing its best to improve utilisation and compete effectively. At the same time, the Group will continue to optimise cost, maintain operation efficiency and widened the market.
Q14	How do you foresee the oil price for the next year?
A14	We have updated the outlook in our presentation. We continue to hope that the outlook improves.
Q15	Oil price has been in record high and our share price is at record low as share price determine the strength of our company. Kindly explain on what is happening to our company? When can the Company return to profit? When will the company start to pay dividend?
A15	In view of the continued uncertainty in the global economy and the demand for oil and gas, the Group believes that the financial performance for the year 2021 will remain challenging. Unfortunately, we are unable to provide forecasted information. You can refer to the past result and analyse. We will continue to do our best to be in position to pay dividend.
Q16	<p>My questions:</p> <ol style="list-style-type: none"> <li>1. Looks like global oil price is making recovery and is in a way a good sign for Velesto. Should the oil price surpass USD80/barrel mark, what is our profit estimation?</li> <li>2. What is the dividend pay-out % opportunity if the above happens?</li> </ol>
A16	<ol style="list-style-type: none"> <li>1) Our financial performance is not directly linked to oil price. It depends on drilling activities by oil companies, which is correlated to oil price, but there is sometimes a time lag.</li> <li>2) We are unable to provide forecasted information. You can refer to the past result and analyse.</li> <li>3) We will continue to do our best to be in position to pay dividend.</li> </ol>
Q17	Despite there are 8 jack-up rig demand in Malaysia, Velesto lost 3 jack-up rig contracts to competitor. Why were these contracts not awarded to Velesto?
A17	<p>The reasons for the contracts not awarded for our rig were due to:</p> <ol style="list-style-type: none"> <li>1) Availability of rigs at the required time.</li> <li>2) Special technical requirement required by the Clients.</li> </ol>
Q18	Can you post the presentation and question and answer on your website?

No.	Questions and Answers
A18	As AGM is for shareholders, we will check and consider whether we can upload the Presentation to website. The Q&A will be uploaded together with AGM minutes in the Company's website.
Q19	Why the day-rate is lower than the competitor's day rate?
A19	The day-rate that you are referring to is for the contract secured in 2019, in which all of our jack-up rigs were not available due to the long-term contract that had been secured prior to that. Since there was a shortage in jack-up that met the specific requirement in the region at that particular time, the competitor managed to secure higher day rate.
Q20	<ol style="list-style-type: none"> <li>1) What is the outlook for O&amp;G industry for next 5 years?</li> <li>2) Are you going to venture into non-oil industries to improve the market value of the company?</li> <li>3) Please reward your loyal shareholders for participating in this AGM.</li> </ol>
A20	<ol style="list-style-type: none"> <li>1) Gradual recovery as more upstream projects being sanctioned and more drilling activities taking place globally.</li> <li>2) The Company is currently reviewing additional line of business that is more resilient to the cyclical nature of the industry.</li> <li>3) 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.</li> </ol>
Q21	<ol style="list-style-type: none"> <li>1) Although the demand and supply situation of Jack-up rigs look quite positive, but can the board kindly elaborate on the demand and supply of other type of drilling fleet, e.g. semisubmersibles and tenders rigs in Malaysia and in this region?</li> <li>2) Are the 10 rigs activities next years confine only to Jack-up rigs, or including other drilling fleet?</li> <li>3) What are the reasons of only 20+% utilisation rate in 1Q2021 and low chartered rate? Is it due to MCO restriction? Can the board kindly explain?</li> </ol>
A21	<ol style="list-style-type: none"> <li>1) Please refer to Petronas Activity Outlook 2021-2023.</li> <li>2) The forecast for 10 rigs is only for Jack-up Rigs.</li> <li>3) This is because the low oil prices lead to lower CAPEX, resulting in contracts options not being exercised and contracts starting date being delayed.</li> </ol>
Q22	<ol style="list-style-type: none"> <li>1) What is the outlook of the average chartered rate? Can the board give a ballpark figure?</li> <li>2) Does the group have any plan to diversify or offer more services in the future?</li> <li>3) What is the major cost component of the raw material and consumables use?</li> <li>4) Can the board elaborate what is the "Purchase of property, plant and equipment" spent in 2019 and 2020 of RM112.3 million and RM58.7 million respectively (PG 154 of AR)?</li> </ol>
A22	<ol style="list-style-type: none"> <li>1) Daily Charter Rate outlook is expected to be around USD60,000-70,000.</li> <li>2) We are open to exploring new businesses that allows us to diversify from the cyclical nature of the oil and gas industry.</li> <li>3) Spare parts on rigs.</li> <li>4) Mostly to do with Special Periodic Survey for NAGA 3, 6, 7 and 8.</li> </ol>
Q23	Is there any plan to restructure directors/senior management fees in 2021 due to ongoing pandemic?

No.	Questions and Answers
A23	For Board fees, we will continue to evaluate and benchmark against the market. As of today, we are not considering salary cut for Senior Management. We are closely monitoring the current economic situation and considering our options where applicable.
Q24	How management foresee shares market in near term? Any support from main funds manager as TP by Investment Bank are all above RM0.20?
A24	<p>We are unable to control the movement of share price, which is determined by the market participants.</p> <p>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"> <li>• Bid and negotiate for new contracts.</li> <li>• Improve operational and financial efficiencies.</li> <li>• Controlling cost to improve the bottom line.</li> </ul>
Q25	<ol style="list-style-type: none"> <li>1) What is the average age of fleet?</li> <li>2) Who are the direct competitors of our company?</li> <li>3) What is our company competitive advantage?</li> </ol>
A25	<ol style="list-style-type: none"> <li>1) The fleet average age is 9 years old.</li> <li>2) The direct competitors are: <ul style="list-style-type: none"> <li>• Icon Offshore Berhad</li> <li>• Borr Drilling Malaysia Sdn Bhd</li> <li>• Petrovietnam Drilling and Well Service Corporation</li> <li>• Seadrill Limited</li> <li>• Aban Offshore Ltd</li> <li>• Vantage Drilling International</li> <li>• And few others</li> </ul> </li> <li>3) Our competitive advantages are: <ul style="list-style-type: none"> <li>- Good operational and HSE track record as well as leveraging our position as a local service provider.</li> <li>- Enhance Asset Capabilities by offering Offline capabilities- With this offering, Velesto is able to offer cost efficient and effective rig to clients.</li> <li>- Widen the Product Offering: Integrated Rig Drilling Services &amp; Completion (IRDC) and Integrated Workover Services (IWS).</li> </ul> </li> </ol>
Q26	What do you see our company in the next 3 years?
A26	<ol style="list-style-type: none"> <li>1) Maintain our competitiveness in our Core business: <ul style="list-style-type: none"> <li>• Enhance Asset Capabilities by offering Offline capabilities.</li> <li>• Continue to bid actively domestically and regionally.</li> <li>• Maintain cost competitiveness.</li> </ul> </li> <li>2) Widen the Product Offering: Integrated Rig Drilling Services &amp; Completion (IRDC) and Integrated Workover Services (IWS).</li> </ol>
Q27	Will cost cutting such as smaller board size and staff force help in turning the company around? Also, please reduce the benefits and allowances given, as shareholders are the genuine lot that suffer from the not so favourable bottom line.

No.	Questions and Answers
A27	<ol style="list-style-type: none"> <li>1) We have done significant cost cutting, including personnel cost since 2017.</li> <li>2) We have to balance the cost reduction with the need to sustain the capabilities in our team.</li> <li>3) As of today, we are not considering salary, allowances or benefit cuts for senior management and staff. However, we are closely monitoring the current economic situation and consider our options where applicable.</li> </ol>
Q28	I wish to highlight to President few Oil & Gas companies are starting to make profit. Please comment.
A28	<ol style="list-style-type: none"> <li>1) Each Oil &amp; Gas services company operates in their respective segments. Those companies that you have mentioned are operating in Floating Production Storage and Offloading (FPSO) sector which have long term contracts at reasonable margin. While we are jack-up rig operators in a strongly competitive market, where the margin is squeezed and insufficient to cover the cost of idling rigs.</li> <li>2) We are doing our best to improve our fundamentals. We aim to capitalise when it is our turn to benefit from the potential up-cycle.</li> </ol>
Q29	Any overseas project the company is bidding?
A29	International market remains challenging in the current environment. At present there are not many opportunities from the International Clients outside Malaysia (other than Thailand) due to priority given to their local contractors and also limited number of works being offered. However, we are continuously looking to expand geographical operational base towards securing more drilling contracts. For Hydraulic Workover Unit, we are looking into opportunities in Vietnam.
Q30	Not a question but some suggestion: Hope the board can continue to conduct Virtual AGM next year as reducing carbon footprint and benefit shareholder that cannot travel long distant. Also, the board can consolidate similar questions to ensure time efficiency of the meeting and all participants Thank you very much.
A30	Thank you for your suggestion and as requested consolidation of questions can be considered for future AGM.
Q31	Does Velesto participate in industry vaccination program offered by government? If yes, how much per dose spend on each worker?
A31	Yes, we are trying to procure vaccines for our crew and employees that have not received their vaccination. But the details i.e. timeline and price have not been confirmed.
Q32	Given that the market has started to turn its attention to renewable energy. Do you think the company should be worried about this? If yes, then is there any action done or to be performed to deal with this issue.
A32	<ol style="list-style-type: none"> <li>1) We believe demand for oil and gas will continue to be required in the immediate future, both as part of the energy mix and as a raw material for manufacturing. New oil and gas reserves still need to be discovered in order to maintain production. As such, drilling activities will still be required.</li> <li>2) Looking at the energy mix shifting into renewable, we recognise there is a long-term trend, and do not discount the possibility of diversifying in the future.</li> </ol>

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 by posting on its website.

#### **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 4:05 p.m. for the poll voting to commence and re-convened at 4:25 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, Puan Nurhayati binti Sapian (“**Puan Nurhayati**”) had advised on the poll results, which was concurrently displayed on the screen, to the Meeting.

The Chairman thanked Puan Nurhayati and declared that all Ordinary Resolutions 1 to 4 were carried and duly passed as follows:

<b>11<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 Razalee bin Amin as director of the Company	5,216,998,223	99.9885	599,081	0.0115
<b><u>Ordinary Resolution 2</u></b>				
Approval for the Directors Fees with effect from this 11 <sup>th</sup> AGM until the next AGM in 2022	5,216,115,024	99.9743	1,342,379	0.0257
<b><u>Ordinary Resolution 3</u></b>				
Approval for the Meeting Allowances and Other Benefits with effect from this 11 <sup>th</sup> AGM until the next AGM in 2022	5,215,967,583	99.9716	1,479,820	0.0284

***Eleventh (11<sup>th</sup>) Annual General Meeting of Velesto Energy Berhad held on 28 June 2021***

11 <sup>TH</sup> AGM OF THE COMPANY	FOR		AGAINST	
	NUMBER OF SHARES	%	NUMBER OF SHARES	%
<b><u>Ordinary Resolution 4</u></b>				
Re-Appointment of Messrs. Ernst & Young PLT as the Company's Auditors for the year ending 31 December 2021	5,216,938,628	99.9893	558,694	0.0107

**CLOSURE**

There being no other business for which due notice has been given, the proceedings of the 11<sup>th</sup> AGM ended at 4:35 p.m. with a vote of thanks to the Chair.





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

15 June 2021

**BY FAX/HAND**

(Fax: 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 / Sazlyna Sapiee**  
*Company Secretaries*

**Dear Sirs,**

**Re: 11th Annual General Meeting (AGM) of VELESTO ENERGY BERHAD ("the Group" or "the Company") to be held on 28 June 2021**

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

**Operational/Financial Matters**

- 1) The Group recorded impairment of assets and accelerated depreciation of RM462 million and RM23 million respectively in FY2020. (Page 15 of IAR).
  - (a) Please provide a breakdown of the impaired assets amounting to RM462 million by asset type like Rigs, HWUs and Drilling Equipment.
  - (b) Will there be further impairment losses on assets in FY2021? IF yes, what is the estimated amount (as at March 2021)?
- 2) The Group has submitted RM2.7 billion in tender bids, of which 46% are local with the remainder being international contracts. (Page 17 of IAR)
  - (a) What is the success rate of the tender bids as at April 2021 according to local and international contracts won?
  - (b) The Group also mentioned that it has submitted tender bids amounting to RM3.1 billion comprising both domestic and international bids. (Page 29 of IAR)

Please explain why two different figures are quoted.

- 3) On 3 May 2021, an incident involving NAGA 7 drilling rig occurred due to the penetration of one of its leg into the soil formation whilst jacking up at Salam-3

**BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD**

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

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

well off the coast of Sarawak for ConocoPhillips Sarawak. The rig tilted and subsequently on 4 May 2021, it submerged at the location. (Page 223 of IAR).

- (a) Has the Company completed the investigation of the accident? If yes, please share the findings of the investigation report.
  - (b) What mitigating measures has the Group taken to minimise the occurrence of such incidents?
  - (c) Does the Company have to pay compensation to ConocoPhillips as Naga 7 is no longer in operation? If yes, what is the expected compensation to be paid?
  - (d) What is the loss of revenue from Naga 7 as it is not in operation?
  - (e) Can NAGA 7 drilling rig be salvaged or repaired? If yes, what is the expected salvage cost and repair cost of this rig to restore it to its pre accident condition?
- 4) The Group's remaining order book stood at RM732 million as at April 2021. This comprised RM540 million in fixed contracts and RM192 million in renewal options. (Page 24 of IAR). How long will the order book of RM732 million last?
- 5) How many of the oil rigs are idle? What is the latest average utilisation rate and charter rate of the oil rigs as at March 2021?

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 for our record.

Thank you.

Yours sincerely

**DEVANESAN EVANSON**  
Chief Executive Officer

**BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD**

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

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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 RYOUNG**  
Company Secretary

/snza