

Empowering
**GROWTH AND
EXCELLENCE**

VELESTO
energy

INTEGRATED ANNUAL REPORT 2023



About Us

Velesto

COVER RATIONALE

EMPOWERING GROWTH AND EXCELLENCE

are at the core of our commitment. With our people as the driving force, we are pushing the boundaries of progress and achievement. We persistently drive forward, upholding excellence in service, safety, sustainability, and innovation – reinforcing our industry standing. Milestone by milestone, we are not just making an impact; we are redefining it in this new chapter of our journey.



INFORMATION

This Integrated Annual Report is also available on our website. The icons below allow you to access information easily, search for a specific section or navigate between pages and sections.

OUR ILEAP CORE VALUES

Integrity

- We do the right things at all times.
- We act with honesty & adhere to the highest standards of moral & ethical values.
- We are accountable, open & responsible in all that we do.
- We earn people's trust.

Leadership

- We aspire to be the leader in our business.
- We support & encourage our people to become a competent and recognised team in the industry.
- We embrace humility, clear communication, teamwork & respect.
- We lead by example.

Excellence

- We are passionate to do our best to exceed expectations.
- We are committed, disciplined & focused to achieve excellence in everything we do.
- We oblige safety as our utmost priority.
- We continuously identify & innovate better ways to improve our own targets & beyond what people & customers expect of us.
- We deliver value through performance, innovation & service quality.

Agility

- We are strong & committed to our objectives & are able to adapt to changes.
- We are willing to improve ourselves & our Company.
- We are proactive to create new & better ways to address challenges.
- We are resilient & committed to create value.

People-Focused

- We care for our people who are the greatest asset to our organisation.
- We respect & value the diversity of our people & their opinions.
- We recognise the efforts & achievements; appreciating & rewarding our people when they do good things & guide them to improve when they perform below expectations.
- We work as a team, respecting & supporting each other.



WHO WE ARE

Velesto Energy Berhad is a Malaysia based multinational provider of services for the upstream sector of the oil and gas industry. The Group owns and operates six premium jackup drilling rigs, which are capable of operating in water depths of up to 400 feet - ideal for the shallow waters of South East Asia. Velesto is also a provider of workover services through its fleet of hydraulic workover units. To ensure continuity and quality in the drilling sector, Velesto plays its part through Velesto Drilling Academy.

VISION

To be a leading player in the oil and gas industry, operating both domestically and globally supported by proven track records, true spirit, quality services and healthy growth potential.

MISSION

Developing a Malaysian owned company that provides quality services to the oil and gas industry and maintaining standards by matching - if not surpassing - other international companies providing similar global services.

Scan the QR code to
download our Integrated
Annual Report 2023



www.velesto.com

Table of **CONTENTS**

01.



WHO WE ARE

Our iLEAP Core Values	
Our Vision & Our Mission	
About this Report	P. 04
Our Assets	P. 06
Corporate Information	P. 10
Group Corporate Structure	P. 11
2023 Calendar of Events	P. 12

02.



LEADERSHIP STATEMENTS

Chairman's Statement	P. 14
Management Discussion & Analysis	P. 18
Statement of Value Added Distribution & Simplified Financial Statement	P. 31
Financial Review	P. 32

03.



CREATING VALUE THROUGH OUR STRATEGY

Value Creation Model	P. 34
<ul style="list-style-type: none"> • Our Value Chain • Our Assets • Matters Impacting the Business Model and Value Creation • Our Capitals 	
Business Strengths	P. 43
<ul style="list-style-type: none"> • Business Strengths and Competitive Advantages • Risks and Mitigation Strategies • Our Value Creation Model 	

04.


**EMBRACING A
SUSTAINABLE FUTURE**

About this Sustainability Statement	P. 49
TCFD – Aligned Disclosure	P. 113
Bursa Malaysia Common Material Matters Disclosures	P. 117
ESG Performance Data	P. 119
Statement of Assurance	P. 129
Indexes	P. 130

05.


**OUR
GOVERNANCE**

Board of Directors	P. 136
Profile of Directors	P. 138
Key Leaders	P. 148
Key Leaders Profile	P. 150
Corporate Governance Overview Statement	P. 154
Statement on Risk Management and Internal Control	P. 174
Board Audit Committee Report	P. 185
Additional Compliance Information	P. 190

06.








**OUR FINANCIAL
PERFORMANCE &
OTHER INFORMATION**

Financial Statement	P. 191
Property Owned by the Group	P. 265
Statistics on Shareholdings	P. 266
Statistics on Warrant Holdings	P. 270
Notice of 14 th Annual General Meeting	P. 273
Statement Accompanying Notice of Annual General Meeting	P. 278
• Proxy Form	
• Glossary	
• Administrative Guide	








ABOUT THIS REPORT

Velesto Energy Berhad ("Velesto" or the "Group") presents its Integrated Annual Report 2023 ("IAR 2023") for financial year ended 31 December 2023. The development of this Report is consistent with the Six Capitals, Seven Guiding Principles and Eight Content Elements of the Integrated Reporting Framework as prescribed by the International Financial Reporting Standard ("IFRS")¹.









SIX CAPITALS

 Financial	 Manufactured
 Intellectual	 Human
 Social	 Natural

SEVEN GUIDING PRINCIPLES

 Strategic focus and future orientation	 Connectivity of information
 Conciseness	 Reliability and completeness
 Consistency and comparability	 Materiality
 Stakeholder relationships	

EIGHT CONTENT ELEMENTS

 Organisational overview and external environment	 Governance
 Business model	 Risks and opportunities
 Strategy and resource allocation	 Performance
 Outlook	 Basis of preparation and presentation







The purpose of Integrated Reporting is to transcend past performance based financial reporting, which provides a limited view of the Group's overall business and operational performance (from financial perspectives only). The continued use of the Integrated Reporting Framework is designed to inform providers of capital and readers, on all matters, be it financial and non-financial (including environmental, social and governance or ESG) matters that ultimately impact / influence value creation.

In essence, to provide a more comprehensive and complete perspective of the Group's business model, its strategies, resource dependencies, external operating environment as well as strategic priorities and plans going forward, over the short, medium and long-term horizons.

Velesto's adoption of integrated reporting is intended to provide readers with more comprehensive and connected disclosures that address the linkages between financial and non-financial aspects of the Group's business model. These include matters related to environmental, social and governance ("ESG") performance and how these impact financial, business and operational performance.

BASIS OF PREPARATION

IAR 2023 was developed based on addressing the following strategic considerations:

-  Capitals consumed by the business model.
-  Continue to provide information material to a wide range of stakeholders including regulators, investors, shareholders, customers and others.
-  Delving beyond past financial performance to transcend silo-based limited views of Velesto. To present more integrated perspectives and to explore the relationship between multiple aspects of the Group's business
-  Exploring market trends and developments in the PESTLE environment and how do these impact the business model, business operations and strategies.
-  Bringing sustainability perspectives i.e. the impact of financial and impact materiality topics into the mainstream of the reporting narrative.
-  Forward looking information: Disclosures on the industry and Company outlook, prospects as well as strategic priorities going forward.

¹ Since August 2022, the Value Reporting Foundation ("VRF") has merged with the International Financial Reporting Standards ("IFRS") Board with the Integrated Reporting Framework now becoming a pivotal part of the effort to link sustainability disclosures with financial statements as prescribed by IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Disclosure) standard.

In addition, content for IAR 2023 has been developed to ensure compliance with the requirements of mandatory reporting frameworks:

- BURSA Sustainability Reporting Guide 3rd Edition
- Main Market Listing Requirements ("MMLR") of BURSA
- Companies Act 2016 ("Act")
- Malaysian Code on Corporate Governance 2021 ("MCCG 2021")
- Malaysian Financial Reporting Standards ("MFRS")
- International Financial Reporting Standards ("IFRS")
- ISO 31000 Risk Management Standard

Content has also been further strengthened with alignment to the recommended reporting disclosures / best practices of other frameworks as listed below:

- Global Reporting Initiative ("GRI") Sustainability Reporting Standards
- FTSE4Good Index Disclosures (FTSE Russell's ESG Data Model)
- Taskforce on Climate Change Financial Disclosures
- Sustainability Accounting Standards Board ("SASB") Disclosures

SCOPE AND BOUNDARY

Unless otherwise indicated, IAR's disclosures are time bound to the financial year of 2023 which commences from 1 January 2023 to 31 December 2023 (with some exceptions) where data / information presented stretch up to 31 March 2024. Where available, in presenting performance trends, data is presented over a 3-5 years period on a rolling basis.

Information contained in IAR 2023 has been scoped to Velesto as the holding company and listed entity as well as to all subsidiaries within the Group in which Velesto has a majority equity stake and has management control of operations. Hence, excluded from IAR2023 is Oil-Tex (Thailand) Co., Ltd.

The material scope of this Report is regulated by existing standards of relevant and accurate data collection in a consistent manner which, unless otherwise specified, currently reflects the Group's domestic business operations and undertakings.

RELATED INFORMATION

This Report is accompanied with additional online disclosures for our valued stakeholders including consolidated and quarterly financial statements, policies, corporate governance documents, and other associated data instituted since the Group's establishment. This information is referred to in this Report and additionally disclosed on Velesto's website at www.velesto.com.

The Group's latest corporate presentations and BURSA announcements can also be found under the Investor Relations online portal (see "Presentations" and "BURSA Announcement" tabs respectively) at www.velesto.com/investor-relation-presentations/.

FORWARD LOOKING STATEMENTS

In providing readers with a more informed perspective of Velesto going forward, IAR 2023 contains information on the Group's intended plans, strategies and aspirations based on industry outlook and prospects. These disclosures may be broad based or be presented in terms of specifics, including mention of performance targets, for financial and non-financial performance.

All such forward looking information were developed based on comprehensive information available as a specific point in time, including assumptions made based on external operating conditions and other prevailing trends and developments within the PESTLE environment. Readers are advised to be cognisant that such trends and developments may have changed by the time of publication of IAR 2023, including crude oil and gas prices, socio-political events, governmental policies and others.

Hence, future oriented disclosures provided in IAR 2023 may require readers to also consider changes in the PESTLE environment towards developing a more accurate understanding of the Group's outlook and prospects as well as its business plans.

Forward-looking statements are not conclusive and do not serve as guarantees of future operational or financial results or any other kind of outcome. Readers are advised to undertake their own, independent due diligence on all forward-looking statements made in IAR 2023. Management is not responsible for any undue losses incurred by readers or any party relying on information disclosed in IAR 2023 to make investments or any other decisions.

ASSURANCE

This Report covers financial data audited by Ernst & Young PLT. Adhering to their reporting standards and process, the financial data depicts a true and fair view of the Group's financial standing. The Report was prepared in accordance with Malaysian Financial Reporting Standards, IFRS and the requirements of the Companies Act 2016 in Malaysia.

Assurance of our sustainability data disclosures are undertaken through internal audit assessments, with full assurance details made available on page 129 of this Statement. Other non-financial performance data covered in this Report has not undergone formal auditing but the Senior Management has rendered an accurate and fair judgement on material matters.

FEEDBACK AND ENQUIRIES

The Group is open to receiving feedback and additional enquiries on the information presented in this Report which can be channelled towards our Investors Relations unit at:

+603 2096 8788




investor.relations@velesto.com

OUR ASSETS

JACK-UP DRILLING RIGS

NAGA 5



	NAGA 2	NAGA 3	NAGA 4
 DESIGN	GustoMSC-CJ46- X100D	GustoMSC-CJ46- X100D	Keppel FELS B Class
 DELIVERY	October 2009	September 2010	March 2013
 CONSTRUCTION YARD	PT. Drydocks World Graha, Batam, Indonesia	PT. Drydocks World Graha, Batam, Indonesia	Keppel FELS Yard, Singapore
 JACK-UP TYPE	Independent Leg Jack-Up Drilling Rig	Independent Leg Jack-Up Drilling Rig	Independent Leg Jack-Up Drilling Rig
 CLASSIFICATION	ABS	ABS	ABS
 WATER DEPTH	350 feet	350 feet	400 feet
 CLASS NOTATIONS	A1 Self-Elevating Drilling Unit	A1 Self-Elevating Drilling Unit	A1 Self-Elevating Drilling Unit

OUR ASSETS

NAGA 2**NAGA 3****NAGA 4****NAGA 6****NAGA 8****NAGA 5****NAGA 6****NAGA 8**

Keppel FELS B Class

GustoMSC-CJ46- X100D

Keppel FELS B Class

March 2014

September 2014

September 2015

Keppel FELS Yard, Singapore

China Merchants Heavy Industry
(Shenzhen) Co., Ltd. China

Keppel FELS Yard, Singapore

Independent Leg Jack-Up
Drilling RigIndependent Leg Jack-Up
Drilling RigIndependent Leg Jack-Up
Drilling Rig

ABS

ABS

ABS

400 feet

375 feet

400 feet

A1 Self-Elevating Drilling Unit

A1 Self-Elevating Drilling Unit

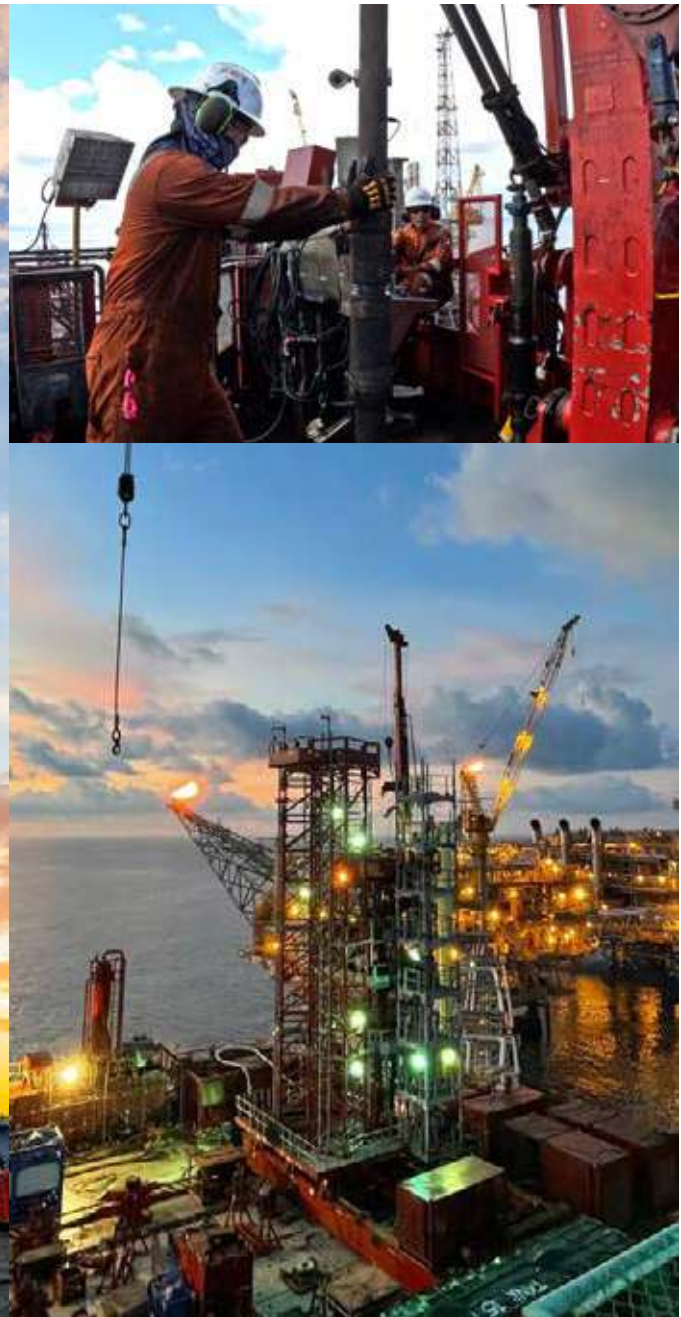
A1 Self-Elevating Drilling Unit




OUR ASSETS

HYDRAULIC WORKOVER UNITS



GAIT 6



	GAIT 1	GAIT 5	GAIT 6
 YEAR BUILT	2001	2010	2014
 MAX. PULLING CAPACITY	340,000 lbs	460,000 lbs	460,000 lbs
 MAX. SNUBBING CAPACITY	150,000 lbs	225,000 lbs	225,000 lbs

OUR ASSETS

OILFIELD SERVICES



TIANJIN, CHINA



**6 JACK-UP
DRILLING
RIGS**



**3 HYDRAULIC
WORKOVER
UNITS**



**1 OILFIELD
SERVICES**

CORPORATE INFORMATION

BOARD OF DIRECTORS

MOHD RASHID MOHD YUSOF

Chairman / Non-Independent
Non-Executive Director
Date of appointment: 23 June 2017

ROWINA GHAZALI SETH

Independent Non-Executive Director
Date of appointment: 23 June 2017

HAIDA SHENNY HAZRI

Non-Independent Non-Executive Director
Date of appointment: 23 June 2017

DATUK TONG POH KEOW

Independent Non-Executive Director
Date of appointment: 29 August 2019
Date of resignation: 30 November 2023

IR. DR. MOHD SHAHREEN ZAINOOREEN MADROS

Senior Independent Non-Executive Director
Date of appointment: 25 August 2021

MOHD IRWAN AHMAD MUSTAFA

Non-Independent Non-Executive Director
Date of appointment: 25 August 2021
Date of resignation: 1 September 2023

DATUK GEORGE LING KIEN SING

Independent Non-Executive Director
Date of appointment: 29 November 2021

IR. TS. MEGAT ZARIMAN ABDUL RAHIM

President / Executive Director
Date of appointment: 25 February 2022

AR. AHILA GANESAN

Independent Non-Executive Director
Date of appointment: 12 August 2022

FADZIHAN ABBAS MOHAMED RAMLEE

Non-Independent Non-Executive Director
Date of appointment: 1 September 2023

ALAN HAMZAH SENDUT

Independent Non-Executive Director
Date of appointment: 2 February 2024

NADZRIN ALIA MD AZIZIS

Alternate Director to Fadzhahan Abbas Mohamed Ramlee

BOARD AUDIT COMMITTEE

- Alan Hamzah Sendut (Chairman) – appointed on 2 February 2024
- Ir. Dr. Mohd Shahreen Zainooreen Madros
- Datuk George Ling Kien Sing
- Ar. Ahila Ganesan
- Datuk Tong Poh Keow – resigned on 30 November 2023

BOARD NOMINATION AND REMUNERATION COMMITTEE

- Ir. Dr. Mohd Shahreen Zainooreen Madros (Chairman)
- Rowina Ghazali Seth
- Haida Shenny Hazri
- Fadzihan Abbas Mohamed Ramlee – Appointed on 1 September 2023
- Mohd Irwan Ahmad Mustafa – resigned on 1 September 2023
- Datuk Tong Poh Keow – resigned on 30 November 2023

BOARD RISK MANAGEMENT COMMITTEE

- Rowina Ghazali Seth (Chairperson)
- Datuk George Ling Kien Sing
- Ar. Ahila Ganesan
- Fadzihan Abbas Mohamed Ramlee – appointed on 1 September 2023
- Mohd Irwan Ahmad Mustafa – resigned on 1 September 2023

BOARD WHISTLE-BLOWING COMMITTEE

- Haida Shenny Hazri (Chairperson)
- Rowina Ghazali Seth
- Ir. Dr. Mohd Shahreen Zainooreen Madros
- Alan Hamzah Sendut – appointed on 2 February 2024

COMPANY SECRETARIES

- Lee Mi Ryoung (MAICSA 7058423) (SSM PC No. 201908002222)
- Sazlyna Sapiee (MIA 19254) (SSM PC No. 202108000032)

PRINCIPAL BANKERS

- Malayan Banking Berhad Group
- CIMB Bank Berhad Group
- Affin Bank Berhad Group

REGISTRAR

Securities Services (Holdings) Sdn. Bhd.

Registration No. 197701005827 (36869-T)
Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia
Telephone : +603-2084 9000
Facsimile : +603-2094 9940

AUDITORS

Ernst & Young PLT

Registration No. 202006000003 (LLP0022760-LCA) & AF 0039
Level 23A, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490 Kuala Lumpur, Malaysia
Telephone : +603-7495 8000
Facsimile : +603-2095 5332

REGISTERED OFFICE

Level 18, Block 3A, Plaza Sentral
Jalan Stesen Sentral 5,
50470 Kuala Lumpur, Malaysia
Telephone : +603-2096 8788
Facsimile : +603-2274 7787

STOCK EXCHANGE LIST

Main Market of BURSA
Stock Name: Velesto
Stock Code: 5243

WEBSITE

www.velesto.com

E-MAIL ADDRESS

communications@velesto.com

Email to Senior Independent Director

senior.id@velesto.com

Whistleblower channels

Head, IGUC
+603-2096 8788
whistleblower@velesto.com

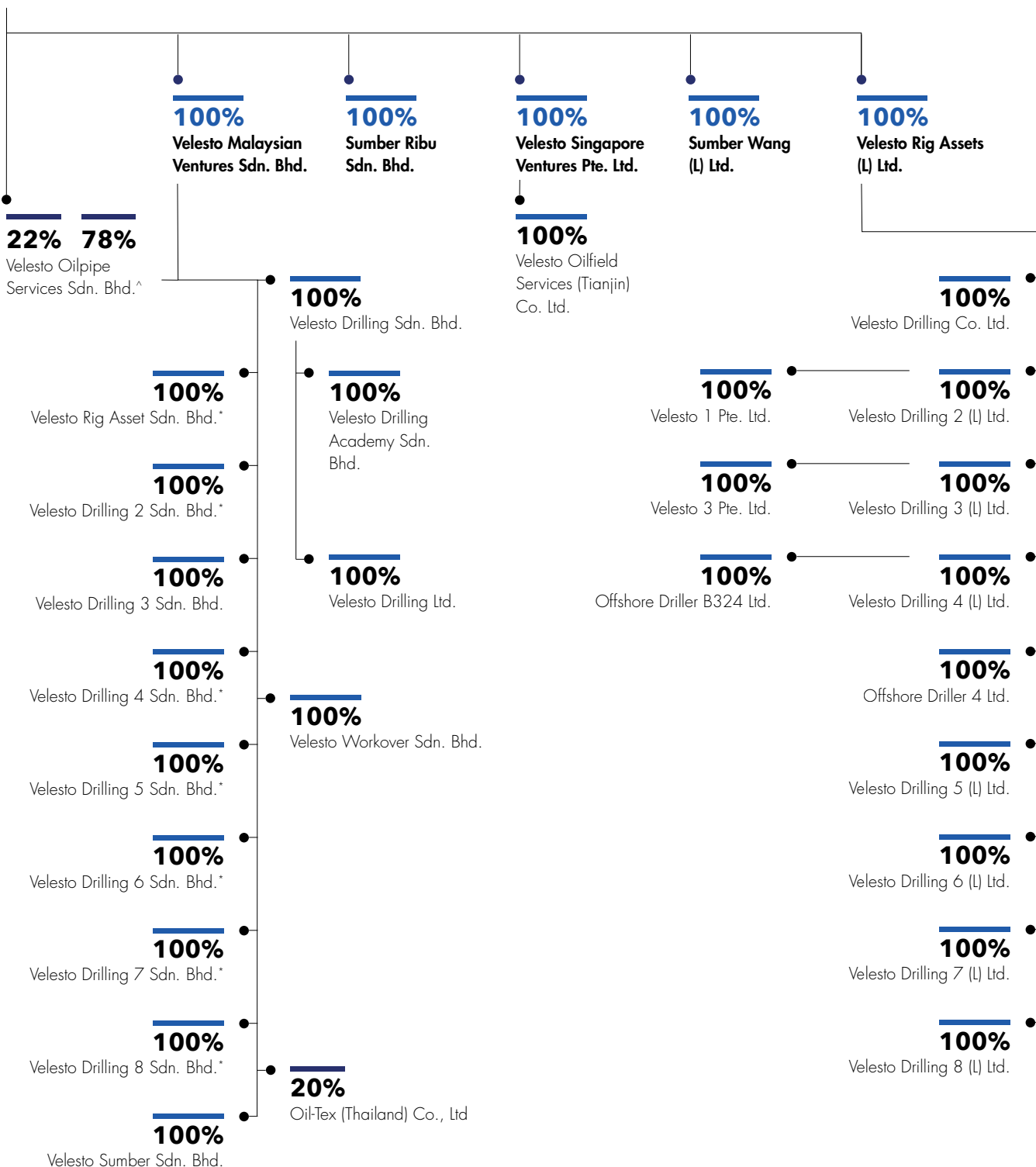
Investor Relations matters

Head, Strategic Marketing
+603-2096 8788
investor.relations@velesto.com

GROUP CORPORATE STRUCTURE

AS AT 31 MARCH 2024

VELESTO ENERGY BERHAD



^ Members Voluntary Winding Up Process

* Striking off Application

2023 CALENDAR OF EVENTS

FEBRUARY 2023



Award of Contract

for the provision of jack-up drilling rig for Roc Oil (Sarawak) Sdn. Bhd.

MAY 2023



1. 9 Years LTI Free

NAGA 5 celebrates Nine Years LTI Free.

2. Award of Contract

for the provision of jack-up drilling rigs for Petronas Carigali Sdn. Bhd.

3. Upstream Safety Silver Award

Honoured with the Silver Award for Upstream Safety by Shell Malaysia.

4. 13th Annual General Meeting (Virtual Meeting).

JUNE 2023



1. International Energy Week

in Kuching, Sarawak.

2. Letter of Award

for the provision of jack-up drilling rig for Vestigo Petroleum Sdn. Bhd.

3. Energy Asia

in Kuala Lumpur.

**Velesto
achieved
notable
milestones
in 2023.**

JULY 2023

1. Letter of Award

for the provision of jack-up drilling rig for PTTEP 2022-2023 Exploration Drilling Programmes.



NOVEMBER 2023



AUGUST 2023



1. Award of Contract

for the provision of jack-up drilling rig for East Belumut Infill Drilling.

2. Letter of Award

for the provision of one Hydraulic Workover Unit & Services for Exxonmobil Exploration and Production Malaysia Inc.

3. Zakat Wakalah Distribution

in collaboration with Pusat Pungutan Zakat - MAIWP.



OCTOBER 2023



1. Coral Reef Conservation

Phase 2 in Pulau Perhentian, Terengganu.

2. MPM Monsoon ZIZA

in Kuala Lumpur.

3. Business Partner Integrity Day

in Kuala Lumpur.

1. Extension of Contract

for the provision of jack-up drilling rig for 2020 Drilling Programme with Carigali Hess Operating Company Sdn. Bhd.

2. STAR Excellence Award

Acknowledged with the 2022 Exxonmobil STAR Excellence Award.

3. CSR Initiatives of the Year

Recipient of the CSR Initiative of the Year - Oil & Gas at the Malaysia Management Excellence Awards 2023.

4. MoU Signing with SEDC

Velesto and Sarawak Economic Development Corporation ("SEDC") officially entered into a Memorandum of Understanding ("MoU"), affirming their shared commitment in promoting education for sustainable development in Sarawak.



OUR PURPOSE IS STRONGER & CLEARER

Velesto's turnaround story in 2023 was achieved on the back of significantly improved revenues and earnings, attributed to conducive market conditions as well as Management's strategic efforts to ramp up internal capabilities.

MOHD RASHID MOHD YUSOF
Chairman

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Velesto Energy Berhad ("Velesto" or "the Group"), I am pleased to share the progress made by the Group in financial year ended 31 December 2023.

2023 has seen Velesto record a turnaround performance, delivering its most robust financial results since 2014. The Group has registered a strong return to profitability, while firmly laying the foundation for continued growth and progress going forward.

Velesto's turnaround story in 2023 was achieved on the back of significantly improved revenues and earnings, attributed to conducive market conditions as well as Management's continuous strategic efforts to ramp up internal capabilities.

In 2023, lower but stable crude oil prices provided support for a sustained level of exploration and production ("E&P") activities. This supported higher rig utilisation and daily charter rates ("DCR") and longer term contracts. In addition, Velesto's efforts to enhance technological capabilities, drive asset uptime and drive operational excellence were instrumental in positioning the Group to capitalise on the market uptrend.

Through strategic decision-making, we have capitalised on present market dynamics to sustain growth and enhance shareholder value. In 2023, we grew our order book and looked to execute all contracts in hand with precision and excellence.

Our unwavering focus on safety and service quality and environmental performance has seen us exceed clients' expectations and the various awards received in 2023 attest to our industry leading accomplishments. We have registered an impressive 97% uptime for jack-up ("JU") rigs, with some JUs recording 100% uptime performance in the second half of 2023.

We responded proactively to managing constraints and our efforts have been well rewarded through improvements in cost and operational efficiencies and productivity.

In 2023, Velesto registered an excellent track record, exemplified by a continued zero major spills, zero LTIs and zero fatalities performance.



REVENUE
RM1.2
BILLION



PROFIT BEFORE TAX
RM121
MILLION



PROFIT AFTER TAX
RM100
MILLION

In essence, in 2023, we have effectively pursued our four core aspects of safety, service quality, technology and sustainability. We embraced the challenge of staying current with a dynamic market, that sees new and more complex requirements. For example, the emergence of Integrated Rig Drilling & Completion ("i-RDC") requirements, which is a challenge, yet also an opportunity to develop competitive advantage.

Where challenges were encountered, such as on our maiden i-RDC contract, lessons learnt were quickly applied to ensure the project was back on track.

Through the i-RDC project, we have expanded our internal capabilities, gained invaluable experience as a first mover, and have firmly established ourselves as ready and capable of moving forward with clients. This strengthens the existing trust and confidence of clients in Velesto, which paves the way for future opportunities, both locally and abroad.

We are grateful and appreciative of our stakeholder partnerships, notably with clients who serve as catalysts in driving our progress towards attaining higher performance benchmarks, improved productivity and cost efficiency.

FINANCIAL AND BUSINESS HIGHLIGHTS

In 2023, Group revenue more than doubled to RM1.2 billion, 109% higher year-on-year, while pre and post-tax earnings stood at RM121 million and RM100 million respectively. In addition, continued efforts to rationalise cost through the pursuit of cost optimisation strategies have improved overall gross profit margins for the Group's Drilling and Integrated Project Management ("IPM") business segments.

The specific details and highlights of the Group's financial and operational performance are provided in the Management Discussion and Analysis section of this Report.

As at 31 March 2024, Velesto's order book stood at RM1.7 billion on the back of ongoing and new contracts secured during the financial year. This provides strong revenue and earnings visibility going forward well into FY2024 and FY2025.

CHAIRMAN'S STATEMENT



DIVIDENDS

On the back of improving performance, the Board of Directors is pleased to declare the Group's first dividend payout of 0.25 sen per share since 2014 which will be paid on 24 May 2024. This is equivalent to a payout of RM20.5 million.

Velesto has established Velesto dividend policy in August 2023.



DIVIDEND
0.25
SEN PER SHARE



DIVIDEND
POLICY

established in August 2023.

PRIORITISING SUSTAINABILITY

In 2023, Velesto achieved a comparatively high score to make a strong re-entry as a FTSE4Good Bursa Malaysia ("F4GBM") top-quartile index constituent. Velesto has been recognised for its sustainability efforts and disclosure, earning a 4-star rating in the index. Furthermore, sustainability ratings service provider, Sustainalytics rated Velesto as being a low ESG risk company.

Another notable ESG highlight was our award-winning, marine biodiversity conservation programme. Velesto's coral restoration programme has been recognised by the 2023 Malaysia Excellence Awards as the CSR Initiative of the Year.

We have continued to actively cascade our zero compromise, no-tolerance stance on corruption internally and to external stakeholders. These included our vendors and clients as we looked to bring both groups on board with our ongoing efforts.

We have made it clear that suppliers who engage in such acts will not just be prevented from participating in tenders but will also be reported to the enforcement authorities accordingly. Likewise, we have also chosen to collaborate with clients towards setting a higher standard with regard to corruption and matters pertaining to corporate integrity.

We will continue to focus on occupational safety and health, as it reduces the risk of disruptions to operational performance, which has a direct impact on our service quality and financial performance. We continue to make progress on emissions efficiency with a 28% reduction achieved in 2023 (against our 2021 baseline) based on a measurement of total emissions against number of operational days.

On the social front, in 2023, Velesto entered into a partnership with the Sarawak Economic Development Corporation to invest in learning and education programmes within the state. In addition, Velesto supported educational equality and empowerment by equipping technology and infrastructure to two "Less Students School" in Miri, Sarawak.

Our workforce is important and we have taken all measures to ensure the professional development and wellbeing of our employees. In 2023, we have continued to review and adjust the salaries and remuneration provided to our employees, notably for offshore crew.

Further details on the abovementioned sustainability matters and other material ESG topics are provided in the Sustainability Statement section of this Report.



Environment



Social



Government

CHAIRMAN'S STATEMENT

LOOKING AHEAD

Looking ahead, despite geo-political tensions and further moderation in global economic growth, market conditions are expected to remain conducive for oil and gas majors to maintain or increase their E&P activities. The PETRONAS Activity Outlook indicates a positive outlook for the upstream segment of the oil and gas value chain. Correspondingly, demand for rigs will also increase to meet rising E&P activities.

DCRs should remain or increase as marketed rig supply continues to decline even as demand ramps up. In addition, oil and gas companies are tendering for longer-term drilling contracts, signifying strong confidence in expected increase of oil and gas consumption going forward.

We continue to build a more resilient, agile and performance-driven Company that is ready to operate sustainably within a dynamic operating environment that though contains risks, also bristles with opportunities.

Our prospects are underpinned by a solid bedrock of high corporate governance standards, fiscal discipline, leading industry track record and a firm commitment to embrace sustainability as an enabler in driving operational excellence and achieving competitive advantage.

Supported by strong shareholder backing from institutional investors, Velesto can leverage its strong balance sheet to drive business growth, including optimising internally generated funds, accessing financing and the capital markets.

Our ethos of Performance Driven and Operations Focused shall continue to drive the Group forward. It demonstrates our strategic priorities towards sustaining financial and non-financial stakeholder values.

Velesto in 2024 will continue to focus on growing its order book while also continuing to pursue cost and operational efficiencies, within its operations and across supply chains.

As we ramp up business development, we intend to continue ensuring a low operating cost base, improved productivity and to maintain excellent performance in terms of set ESG KPIs and targets. These include maintaining the track record for zero LTIs, fatalities and major spills.

Indeed, we must continue to focus on acquiring technology and capabilities that will enable Velesto to achieve improvements in operational efficiency and capabilities. These necessitate investment, but the benefits will be evident, in the medium to long-term in ensuring we remain a preferred service provider of choice for our clients.

APPRECIATION AND ACKNOWLEDGEMENTS

I take this opportunity to thank my fellow Board members for their contributions and wise counsel. I wish the best of success to outgoing directors, Datuk Tong Poh Keow and Mohd Irwan Ahmad Mustafa, who have chosen to not seek re-election during the financial year. May they continue to do well in their future undertakings.

In their stead, the Board welcomes Alan Hamzah Sendut, Fadzihan Abbas Mohamed Ramlee and Nadzrin Alia Md Azizis who were appointed to the Board during the financial year. Each brings a vast range of expertise and experience which enriches the collective knowledge and capabilities of the Board and we look forward to their impactful contributions going forward.

I also wish to thank the Senior Management for their leadership, for developing and effectively helping Velesto to a positive year. And certainly, I express the deepest gratitude and appreciation to our high-calibre workforce, who have been pivotal in our continued progress and successes.

Appreciation is also expressed to our investors and shareholders, our clients, government agencies and ministries, regulatory bodies and all parties who have been instrumental in our 2023 journey.

The future is bright and promising, though not without challenges. Risks reside together with opportunities but we are ready and well placed to continue pursuing our path towards sustained value creation.



CHARTING A NEW PATH TOWARDS GROWTH

Velesto experienced consistently higher activity levels year round, achieving rig utilisation rate of 83% for FY2023 on the back of several significant contracts secured.

IR. TS. MEGAT ZARIMAN ABDUL RAHIM
President / Executive Director

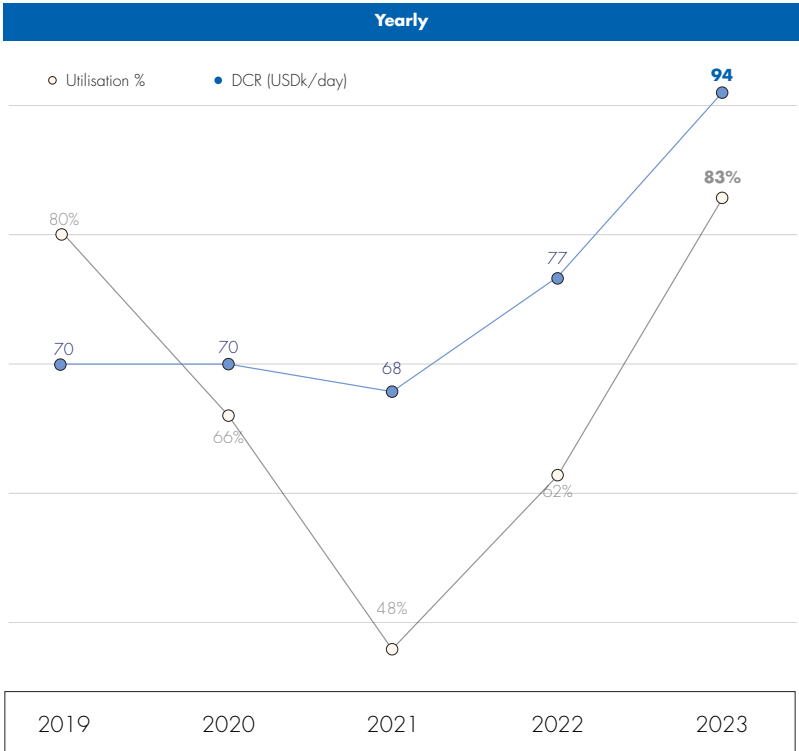
MANAGEMENT DISCUSSION & ANALYSIS

Dear Stakeholders,

In 2023, Velesto delivered its highest performance since 2014, underpinned by resounding operational excellence and achievements. The significantly improved financial and business performance, have further reaffirmed Velesto’s position as a trusted and leading oil and gas drilling services provider in the region.

Velesto’s resounding return to profitability is centred on the Group’s key focus areas of safety, service quality, technology and sustainability, encapsulated in the corporate ethos of Performance Driven, Operations Focused. The Group’s continued commitment to operational excellence and strategic agility has enabled Velesto to capitalise on a stable oil and gas market to record a robust turnaround in performance while continuing to strengthen its technological and service capabilities and ultimately, competitive positioning.

Throughout 2023, the Group continued to earn the trust and confidence of its stakeholders, namely clients by exemplifying professionalism, innovation and a constant ability to adapt in tandem with the evolving requirements of clients. Velesto’s positive results in 2023 was a direct result of the strategic initiatives implemented to effectively navigate a dynamic and improving business landscape.



THE YEAR IN REVIEW

Prevalent market conditions in 2023 were comparatively positive with crude oil prices averaging USD83 per barrel (Brent Crude) as compared to the highs of USD101 per barrel in 2022. Still, prices were comparatively less volatile as compared to 2022. On the back of stable crude oil prices, the momentum for upstream activities increased considerably in 2023.

In Malaysia, Exploration and Production (“E&P”) and drilling activities were strong, driven by significant CAPEX by Petroliaam Nasional Berhad (“PETRONAS”) and other oil and gas majors. Increased demand and continued contraction in rig supply supported higher Daily Charter Rates (“DCR”).

A notable difference in 2023 was the increased confidence of clients to award drilling contracts for longer durations of 12-24 months compared to 3-6 month contracts in previous years). Longer contracts consequently lead to higher rig utilisation, higher contract values and provide extended revenue and earnings visibility.

Cumulatively, stable crude oil prices, increasing rig scarcity, higher DCR, and increased appetite for longer contracts by clients, provided a conducive backdrop upon which, an operationally ready, cost competitive and technologically proficient Velesto outperformed in surpassing all expectations.

MANAGEMENT DISCUSSION & ANALYSIS

VELESTO IN 2023

The Group's stellar performance is underscored by its ongoing transition in terms of technological capabilities, service delivery, organisational culture and sustainability focus. This corporate mindset has been pivotal in the continued revitalisation of the Group, which has enabled Velesto to leverage on market conditions to deliver positive performance.

The Group's commitment to operational excellence, its focus on performance delivery and setting benchmark standards have remained mainstays. This has propelled Velesto to deliver outstanding financial and non-financial values. The many efforts to re-energise Velesto, included revamping organisational culture; emphasising a high-performance, meritorious culture, accountability and ownership have been instrumental in delivering the desired productivity levels and optimum performance.

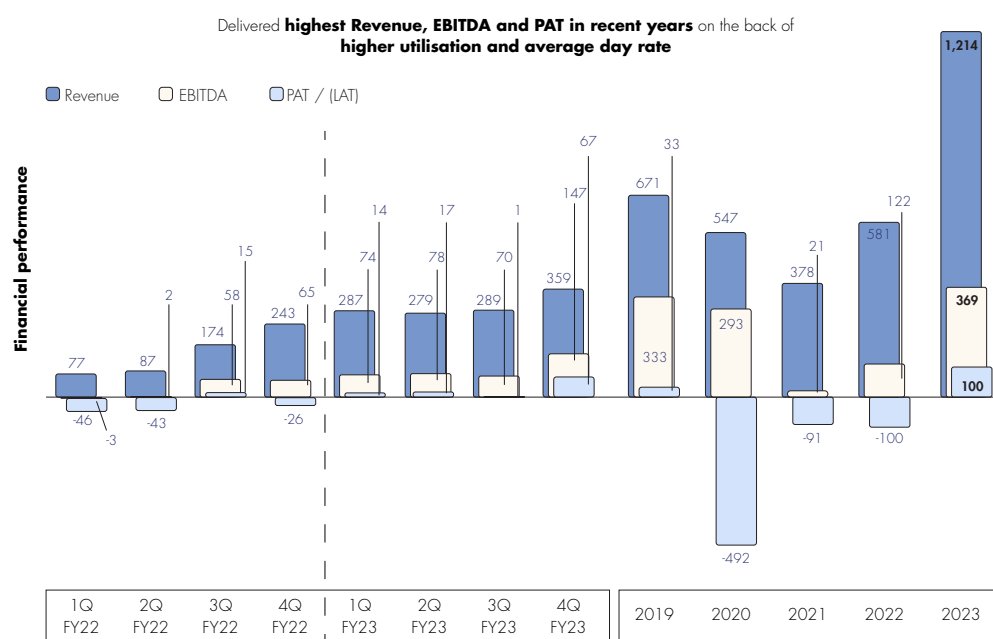
Fiscal discipline was matched by a strategic perspective on investing, where necessary to facilitate enhanced capability. Technology and asset expenditure were key focus areas during the financial year, with the investments made delivering immediate returns and to continue ensuring competitive advantage over the next 3-5 years.

GROUP FINANCIAL PERFORMANCE

REVENUE AND EARNINGS

In 2023, on the back of increased rig utilisation, higher DCR and higher revenue recognition, Velesto's revenue rose to RM1.2 billion, more than double of 2022's RM581 million. EBITDA and profit after tax ("PAT") rose by 202% and 200% year-on-year. EBITDA stood at RM369 million (FY2022: RM122 million) while profit after tax stood at RM100 million (FY2022: -RM100 million).

QUARTERLY & YEARLY PERFORMANCE



The biggest contributor to revenue and earnings was the Group's Drilling segment – delivering improved revenues of RM799 million (FY2022: RM483 million) attributed to higher average jack-up rig utilisation of 83% and a 22% increase in DCR to USD94,000/day (2022: USD77,000/day). PBT stood at RM160 million.

Velesto's Integrated Project Management ("IPM") segment also contributed higher revenues or RM402 million in 2023, a 362% increase year-on-year, on the back of increased progress of works achieved on i-RDC contracts and with two HWUs operating during the year. PBT stood at RM23 million.

In 2023, the drilling segment delivered 66% of the revenue and most of the Group's earnings, followed by the IPM segment contributing 33% and 19% to Group revenue and PBT. The 4th quarter of 2023 in particular saw the Group register its highest revenue and earnings performance for the financial year.

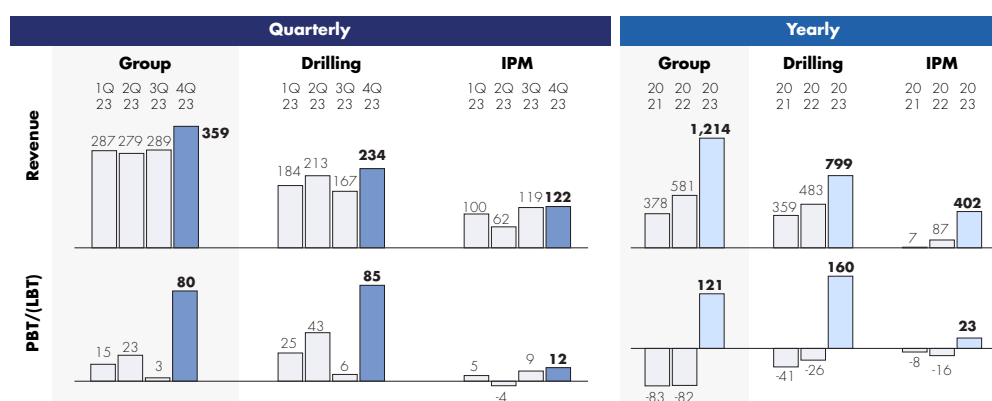
The successful progress of works achieved notably on Velesto's i-RDC and Integrated Well Services ("IWS"), notably in the second half of 2023 had a direct impact on higher Drilling Services and IPM revenues and earnings achieved. i-RDC and IWS contracts are structured on a lump-sum basis and therefore, revenues and earnings have a direct correlation with project progress. The early completion of the Tembungo IWS Contract was another key financial contributor for the IPM segment.

The notable distinction of i-RDC contracts as opposed to conventional drilling contracts is the former entails the provision of a complete solution comprising drilling rig services, equipment and, even procurement of materials to be provided by a single service or i-RDC contractor.

MANAGEMENT DISCUSSION & ANALYSIS

QUARTERLY & YEARLY SEGMENTAL PERFORMANCE

Drilling Segment recorded the highest revenue and PBT since 2014
Integrated Project Management Segment progressing on i-RDC and two working HWU units



Velesto's RM640 million Hess i-RDC services contract is Malaysia's first JU rig drilling contract awarded through an i-RDC arrangement. The scope of works entails the drilling of 14 offshore wells at Hess' North Malay Basin full field development campaign for a fixed period from November 2022 to April 2024, with a possible extension for two months. In undertaking this contract, Velesto is collaborating with Halliburton.

The Group's Oilfield Services segment ("OFS"), which mainly consists of overseas operations in Tianjin, China, contributed RM12 million (FY2022: RM10 million) in revenue and also recorded a PBT of RM3 million.

BALANCE SHEET AND CASH FLOW

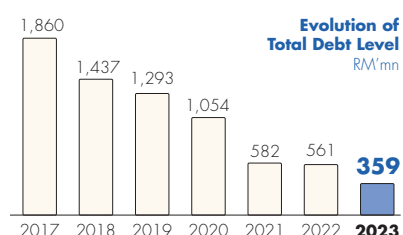
A distinguishing feature is Velesto's strong balance sheet as evident in our growing asset position and low gearing of 0.14 times. Net debt to EBITDA ratio stands at a healthy 0.61 times.

The excellent progress achieved on all contracts in hand have enabled strong revenue recognition and cashflows which has seen net cashflow generated from operating activities increase to RM376 million (FY2022: -RM3 million) and cash and cash equivalents including bank balances increased to RM132 million in 2023.

Excess cash was utilised for early repayments and as at 31 December 2023, Velesto's all-in debt has reduced to RM359 million. This is a significant 36% reduction year-on-year. Term loans have been pared down by up to 83% since 2017. On the back of repayments, Velesto's next repayment is only due in 2026.

HEALTHY LIQUIDITY POSITION AND DIVIDEND DECLARATION

Reducing total debt levels since 2017



Sustainable debt balance as at 31 December 2023

Financial ratios	0.14x Healthy gross gearing ratio	0.61x Strong net debt to EBITDA	1.34x DSCR above covenant
	0.4bn Available RC (RM)	2026 Next term loan repayment	83% Term loan pared down since 2017

First dividend declared since 2014

Declared Interim Dividend of 0.25 sen per share to be paid on 24 May 2024



REVENUE

RM1.2
BILLION
(+109%)



EBITDA

RM369
MILLION
(+202%)



PROFIT AFTER TAX

RM100
MILLION
(+200%)

MANAGEMENT DISCUSSION & ANALYSIS

ORDER BOOK AND CONTRACTS

Velesto successfully replenished its order book to RM1.7 billion as at 31 March 2024. Key contracts secured were the USD128 million PETRONAS Carigali Sdn. Bhd. ("PCSB") drilling contract, the USD74 million Carigali Hess Operating Company Sdn. Bhd., 18-month contract extension (until October 2025) and the ExxonMobil Exploration and Production Malaysia Inc for Workover and Plug & Abandonment services for 2023/2024. Recently, Velesto also received a two-year extension to our PCSB contract with higher DCR and notice of assignments worth USD265 million.

DATE	CLIENT	CONTRACT DETAILS	RIG / HWU	ESTIMATED CONTRACT VALUE
1 February 2023	Roc Oil (Sarawak) Sdn. Bhd. (" Roc Oil ")	Provision of JU drilling rig services to drill three (3) firm wells with an estimated commencement date between 25 January 2023 to 25 February 2023.	NAGA 2	USD14 million
9 May 2023	PETRONAS Carigali Sdn. Bhd. (" PCSB ")	Provision of JU drilling rigs to drill eight (8) firm wells, four (4) firm plus two (2) option wells, six (6) firm wells, four (4) firm plus one (1) option well at varying ocean depths of between 350-400 feet.	NAGA 3, NAGA 4, NAGA 6	USD128 million
1 June 2023	Vestigo Petroleum Sdn. Bhd. (" Vestigo ")	Provision of JU drilling rig to drill five (5) firm wells with works having commenced in the 4th quarter of 2023.	NAGA 2	USD10.9 million
11 July 2023	PTTEP HK Offshore Limited, PTTEP Sabah Oil Limited and PTTEP Sarawak Oil Limited (collectively be referred as " PTTEP ")	Provision of one (1) 10k JU drilling rig for PTTEP 2022-2023 exploration drilling programmes with Velesto to drill two (2) firm wells. Contract commenced in February 2023.	NAGA 3	USD13 million
16 August 2023	Jadestone Energy (Malaysia) Pte. Ltd.	Provision of JU drilling rig for East Belumut Infill Drilling contract. Contact entails drilling four (4) firm wells to facilitate Jadestone Energy's infill drilling program at their operated East Belumut field. Contract commenced in the 3rd quarter of 2023.	NAGA 2	USD6.1 million
27 November 2023	Carigali Hess	Extension of contract for an 18-month period, commencing from 19 April 2024 until 18 October 2025. The extension is for the provision of a 10K JU drilling rig for the client's 2020 Drilling Programme.	NAGA 8	USD74 million
16 August 2023	ExxonMobil Exploration and Production Malaysia Inc. (" EMEPMI ")	Provision of one (1) hydraulic workover unit and services for client's 2023/2024 Workover and Plug & Abandonment Program. Contract commenced in the 3rd quarter of 2023 with a 2-year contract duration.	GAIT 6	The value of this enabling Contract with no guarantee of call-offs shall be based upon the agreed rates and work order, if any, issued by EMEPMI within the Contract term.
22 March 2024	PETRONAS Carigali Sdn. Bhd. (" PCSB ")	Provision of JU drilling rig for PETRONAS Carigali Sdn. Bhd. contract.	NAGA 2, NAGA 4, NAGA 6	USD265 million

MANAGEMENT DISCUSSION & ANALYSIS

OPERATIONAL HIGHLIGHTS AND ACHIEVEMENTS

On the back of longer duration contracts, both JUs and HWUs posted higher utilisation rates. JU utilisation reached a nine-year high of 83% for the year and a high of 94% in the 4th quarter. This is a significant improvement from the 62% and 48% registered in 2022 and 2021 respectively.

HWU utilisation improved to 43% on the back of GAIT 5 completed work for the PCSB Tembungo P&A project in October 2023 while GAIT 6 commenced work for EMEPMI in September 2023.

The Group's commitment to operational excellence and service quality is exemplified in its 97% rig uptime achieved for the whole year. One of our rigs, namely NAGA 2, achieved 100% uptime in 2023.

After facing initial challenges, Velesto's i-RDC contract achieved excellent progress in 2023. Works were successfully expedited and completion is expected by the first half of 2024. Importantly, the Group is well placed to secure an extension to its existing i-RDC contract going forward.



UTILISATION

83%

(FY2022: 62%)

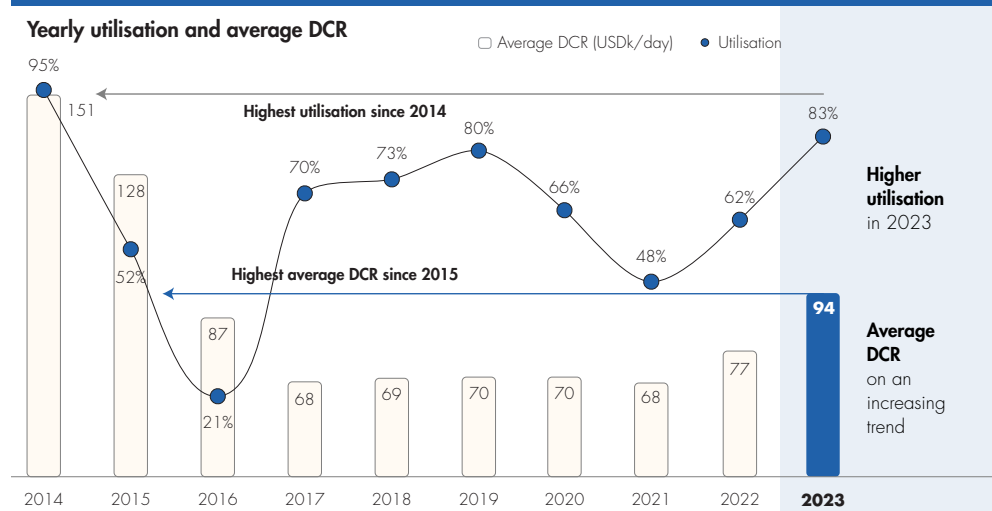


AVERAGE DAILY CHARTER RATE

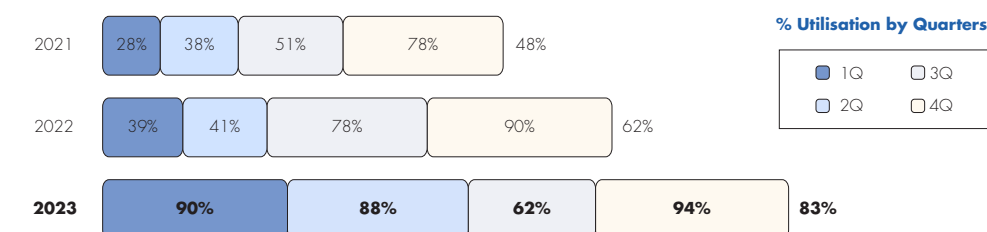
USD94K

(FY2022: USD77K)

RIG UTILISATION AND AVERAGE DAILY CHARTER RATE



2023 Higher Utilisation against previous quarters & years



Velesto's performance on its i-RDC contract reinforces the Group's distinctive competitive edge as being one of select few rig operators in the region capable of undertaking such contracts. The high-level of performance achieved firmly places Velesto as a prime choice for future i-RDC contracts, which clients are increasingly expressing a preference for.

MANAGEMENT DISCUSSION & ANALYSIS



WORKING IN CONCERTED TRUST AND PARTNERSHIP WITH CLIENTS

As clients develop new expectations (in tandem with a dynamic external operating environment), the Group continues to proactively drive interaction on all levels of management and operations.

A notable aspect of Velesto's performance in FY2023 was the emphasis on close collaboration and engagement with clients on performance, efficiency, health and safety and also on material ESG matters such as environmental and social considerations and good corporate governance and integrity.

Close engagement facilitates the exchange of best practices, industry expertise, and technological advancements and drives Velesto's greater proficiency as a drilling rig operator. Throughout 2023, constant efforts have been undertaken to maintain and enhance service quality levels as per the KPIs set by clients.

Keeping pace with our clients, Velesto in 2023 looked to make the necessary transition and upgrades to bring its JUs rigs up to par and to prepare for future requirements going forward. One specific focus area was in the adoption of new technologies such as NOVOS capabilities. Technology has emerged as a key focus area with the upgrading of assets. With the implementation of NOVOS, Velesto has achieved a 32% reduction in drilling time as opposed to conventional methods.

Together with NOVOS, JUs NAGA 4 and NAGA 8 have been fitted with Starlink Internet connection capability. This ensures the drilling rigs consistently have sufficient bandwidth and connectivity to facilitate rig operations and for crew wellbeing.

The NOVOS and Starlink upgrades are part of Velesto's continual asset refreshment exercise to upgrade existing capabilities. The Group continues to enhance its asset readiness and operational capabilities to remain capable and ready to meet clients' requirements.

In 2022, Velesto successfully upgraded two of its rigs – NAGA 5 and NAGA 6 to have offline capabilities (which has enabled the Group to undertake i-RDC contracts). Offline Capabilities technology also has culminated with a savings of 32 days of operational and project days to date (based on operations of NAGA 5 on the i-RDC contract).

MANAGEMENT DISCUSSION & ANALYSIS

DRIVING INDUSTRY TRUST AND CONFIDENCE THROUGH PERFORMANCE

The Group's continued efforts to remain abreast with clients and to deliver on, and surpass set expectations has led to strong client and industry recognition.

The awarding/renewal of the PETRONAS umbrella contract to Velesto, as well as other contract renewals or extensions are clear examples that affirm Velesto's capabilities and track record. It demonstrates the strong belief in the Group's operational capability, its track record high and the highest commitment to safe, secure and ESG compliant operations at all times.

The Group's performance has been duly recognised, by clients as well as institutions in 2023 as evidenced by the following industry accolades received during the year:

AWARD / RECOGNITION	AWARDED BY	AWARD DETAILS
Appreciation award for Tembungo A Wells P&A Campaign	PCSB	Recognition for HSE performance by GAIT 5.
Star Excellence Award – Gold (Wells Category)	EMEPMI	Recognition for excellent OSH performance achieved by Velesto's GAIT 6.
HSE Excellence Appreciation Award	Roc Oil	Recognition for achieving incident free operations.
MSOSH Award 2023 - OSH Gold (Class 1)	MSOSH	Velesto's industry leading zero LTI and zero fatality performance once again has enabled the Group to be duly recognised for exemplary OSH performance.
2023 IADC SEAC Safety Award	IADC Southeast Asia Chapter	Awarded under the Years Recordable Free for NAGA 6's exceptional OSH performance during the year.
Silver Award for Upstream Safety by Shell Malaysia	Shell Malaysia	Awarded with regards to excellent OSH performance.

These awards strengthen the Group's reputation as a capable and reliable partner to the oil and gas majors who is well aligned to their strategic requirements, and fully capable of meeting their dynamic and increasingly complex requirements going forward.

Beyond awards for operational excellence, Velesto's Coral Restoration program was selected as CSR Initiative of the Year at the 2023 Malaysia Management Excellence Awards. Now in its second year and with two nurseries established, the coral restoration programme successfully planted over 500 corals in Pulau Perhentian, off the coast of Terengganu.

Velesto is the only oil and gas services company dedicated to the restoration of vital coral reefs at this island, which are essential for the preservation and health of marine ecosystems and biodiversity within the area. Velesto's programme is a front runner for marine ecosystem restoration and continues to set the benchmark for future marine based industry-NGO collaboration programmes in the country.

Velesto has also made a strong re-entry into the FTSE4Good Bursa Malaysia ("F4GBM") Index. The re-inclusion of Velesto into the index signifies recognition and acknowledgement of transparent and comprehensive ESG related disclosures as well as the progress made in prioritising sustainability performance across all aspects of ESG.



FTSE4Good



2023

**IADC SEAC
Safety Award**



**CSR
Initiative
of the Year Award**

MANAGEMENT DISCUSSION & ANALYSIS



ESG – OUR BUSINESS ENABLER

Velesto remains abreast with the ongoing evolution in the industry. It continues to operate in a responsible manner, with consideration for potential and actual environmental and social impacts. Our commitment to sustainability extends beyond operational excellence to encompass environmental stewardship, educational advancement and robust governance practices.

Velesto continues to integrate sustainability and environmental responsibility seamlessly into its offshore drilling and hydraulic workover operations as fundamental components of its corporate strategy. Oversight by the Board and Senior Management ensures that sustainability remains a pivotal aspect of the Company's agenda.

On the back of continued vigilance, strengthening of Occupational Safety and Health ("OSH") measures at all vessels and onshore sites, the Group has continued to set the benchmark for excellence with regard to OSH. 2023 saw Velesto continues to record a zero loss time injury ("LTI") and zero fatality performance in 2023. In addition, zero major spills were recorded during the year.

The constant inculcation of a no-compromise, safety first mindset at all times has been instrumental in development of an organisational culture centred on the core attributes of precision and professionalism, and that everyone returns home safely once tasks are completed. Through the years, a strong "esprit de corps" continues to be developed based on personal and collective accountability and ownership, reporting transparency and being proactive rather than reactive at all times.

The implementation of improved safety performance on rig floors with Redzone Management is part of the preventive approach to ensuring optimal OSH performance. This addresses potential health and safety incidents well in advance through the use of leading OSH indicators such as near misses, unsafe acts, unsafe conditions and more.

Among the OSH highlights for the year were 58 management visits including joint client-Velesto visits, of which I had personally participated in 11 visits.



The number of OSH related awards and citations accorded to Velesto by oil and gas majors further attest to the Group's industry leading performance in 2023.

MANAGEMENT DISCUSSION & ANALYSIS



PRIORITISING TALENT MANAGEMENT AND PEOPLE

Velesto's 732 strong workforce has always been an integral part of the Group's ability towards maintaining operational excellence. Hence, the prioritisation of staff welfare, training and morale and satisfaction are strategic considerations in maintaining optimum productivity and driving cost and operational efficiencies and competitive ability.

Group Human Resources continued to focus on organisational culture and in ensuring competitive remuneration and rewards for staff. In 2023, consistent with the Group's improved financial performance, an ESOS grant was provided to eligible employees.

Management remains well attuned to the importance of the Group's talent pool in driving continuous improvement, innovation and in spurring further operational excellence. Hence, the emphasis on meritorious performance – embedding a mindset of personal and collective accountability and ownership among staff, especially offshore crews. This approach progressively cultivates leadership and motivation that drives competency, meticulousness and pride of work, which results in a bottom-up impetus towards productivity and quality.

In 2023, this strategy has clearly yielded positive outcomes, notably among several rig crews. The same year, our rig crews took the lead in pursuing cost and energy efficiencies and optimisation. Rig energy consumption and emissions increased by 16%. However, rig emissions intensity by operating days and revenue decreased by 28% and 62% respectively.

Another focus area was reorientating towards cross functional working practices as opposed to typical silo approaches. This emphasised teamwork, sharing of information, ideas and best practices, closer co-operation, all of which have delivered improved productivity across operations.

DEVELOPING INDUSTRY TALENT AND SUPPORTING LOCAL COMMUNITIES

Through Velesto Drilling Academy ("VDA"), in 2023, Velesto has produced 1,135 internal and external trainees, professionally trained drilling talents for the local industry.

VDA supports Velesto's talent pipeline, ensuring a steady flow of competent talent to meet the Group's business requirements while also upskilling locals and enabling access to higher-income jobs. This has a positive socio-economic impact on local communities and families while contributing to the availability of a reliable talent pool for the oil and gas industry.

TOWARDS NET ZERO EMISSION

In terms of carbon emissions, Velesto has achieved a 28% reduction in emission intensity per operating day against its 2021 baseline. The aforementioned carbon reduction surpassed the Group's internal target. Reduction was achieved by continuous efforts to reduce rig emissions as well as emissions for onshore operating bases in Labuan and Kemaman.

Other measures implemented included integration of power management systems in 50% of our rigs to reduce engine run time and improve efficiency, solar installations in both Labuan and Kemaman, use of energy-efficient LED lighting at offshore and onshore, adoption of variable frequency drive ("VFD") and efficient motor systems on all rigs, improvements in fuel management processes, leveraging big data analytics for emissions management and performance analytics, continuous staff awareness and education sessions and development of a comprehensive full-year GHG inventory.

Having inventorised Scope 1 and 2 emissions, the Management is further operationalising energy efficiency and emissions reduction initiatives through developing and implementing best practices across the JU fleet. Tactical measures include establishment of carbon emissions targets for all rigs.

Moving forward, Velesto has pledged to Net Zero Emission 2050 in FY2024 and subsequently to establish science-based decarbonisation pathway and targets by 2025. Specific information on Velesto's management approach to energy consumption and carbon emissions is detailed in the Sustainability Statement section of this Report.

MANAGEMENT DISCUSSION & ANALYSIS

OUTLOOK AND PROSPECTS

The US based Energy Information Administration expects global crude oil production to rise marginally to 102.6 mil barrels per day while global consumption relatively balanced at 102.9 million barrels per day.

Global production of liquid fuels is forecast to increase by an average 0.9 million bpd in 2024, with a possible increase of 2 million bpd in 2025. The bulk of demand will stem from non-OECD Asia, led by China and India.

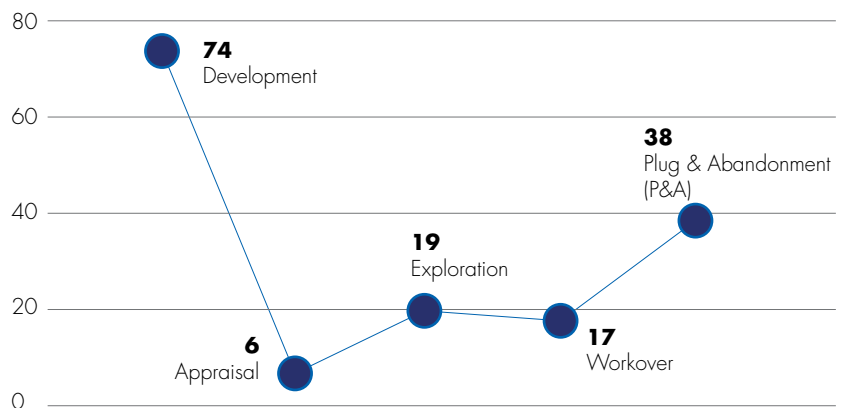
Hence barring any major unforeseen events, 2024's level of activities is expected to be comparable to 2023, extending possibly into 2025 and a possible upside in 2026. The optimism is evidenced in the continued headroom for DCR on the back of increased demand yet contracting rig supply.

Global rig demand stands at 409 rigs as opposed to global supply availability of 435 with a marketed utilisation rate of 94%. In Southeast Asia, contracted rig supply stands at 35 with Malaysia accounting for 12 contracted rigs. Given Malaysia has a 100% marketed utilisation, and the tight supply conditions in Southeast Asia and globally, it is possible that DCR could also increase in tandem with limited rig supply to USD72,000 - USD165,000 in Southeast Asia and to USD90,000 - USD145,000 in Malaysia. This robust activity forecast aligns with the PETRONAS Activity Outlook ("PAO") indicating sustained momentum in the region.

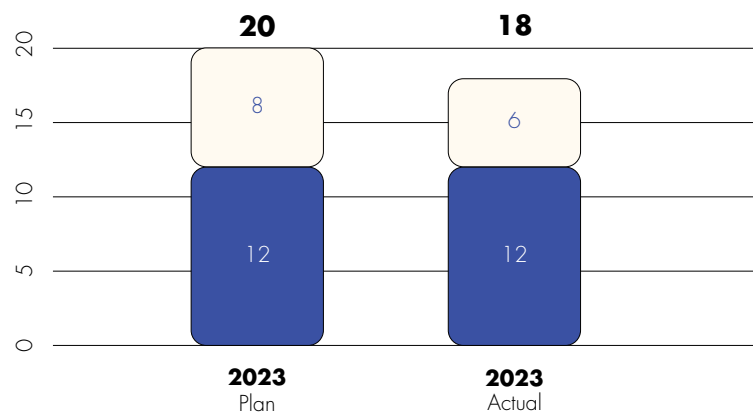
The latest PAO forecasts up to 99 wells slated for drilling under PETRONAS' development, appraisal and exploration drilling programme. Of these, 74 are for development drilling with six for appraisal and 19 for exploration. PETRONAS' long-term target is to maintain a production level of two million bpd with exploration drilling of more than 25 wells over the 2024-2036 period. This augurs well for JU rig operators.

Beyond E&P, other opportunities in the domestic oil and gas sector include decommissioning of end-of-life assets as well as plug and abandonment projects.

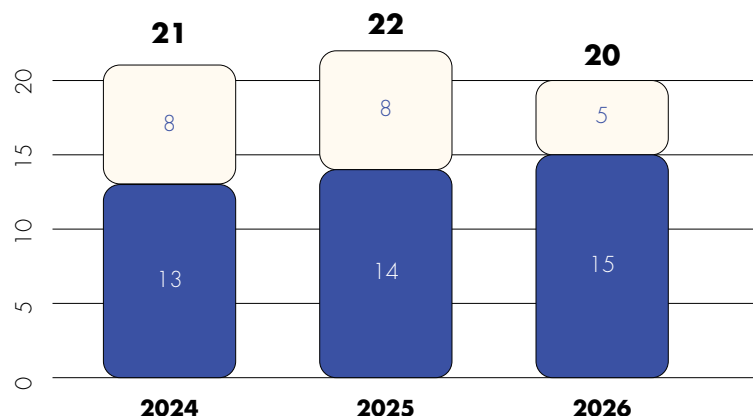
NUMBER OF WELLS IN 2024



PETRONAS ACTIVITY OUTLOOK



THREE-YEAR OUTLOOK



NUMBER OF RIGS

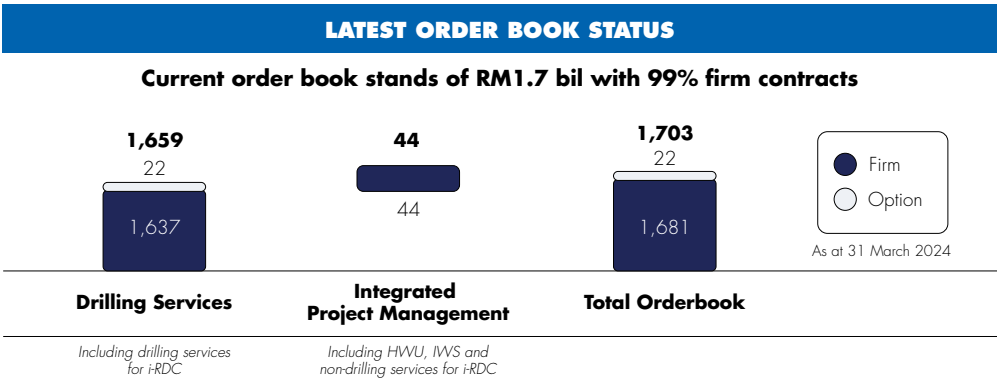
● JU ○ HWU

Source: PETRONAS Activity Outlook

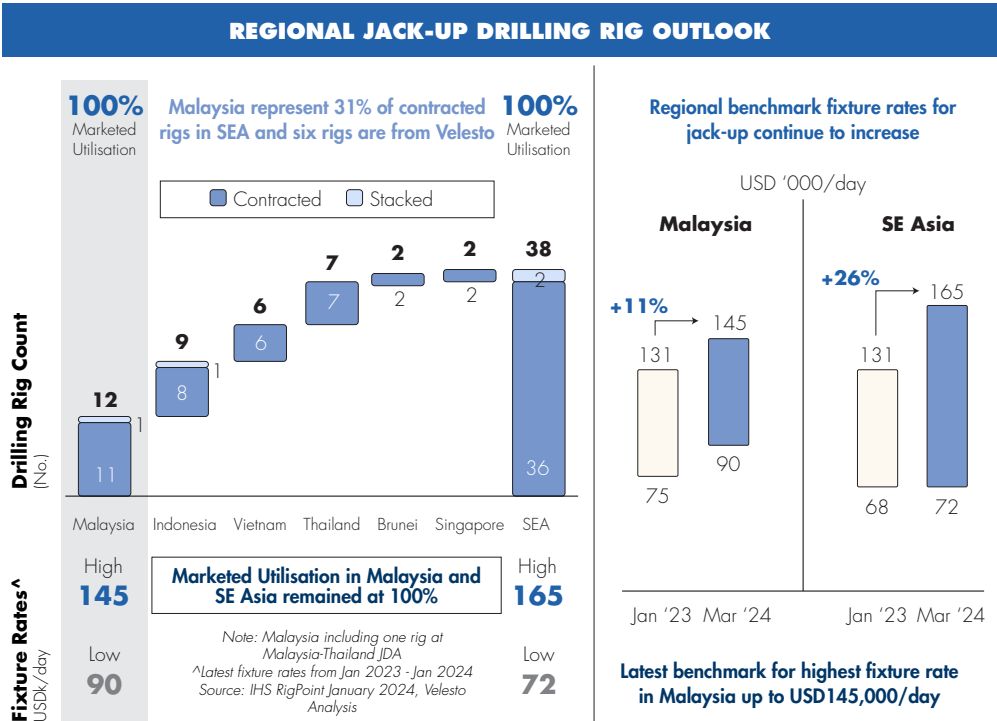
MANAGEMENT DISCUSSION & ANALYSIS

STRATEGIC PRIORITIES FOR FY2024

As at 31 March 2024, Velesto’s order book has expanded to RM1.7 billion on the back of 99% firm, long and short-term contracts. This provides the Group with revenue and earnings visibility going well into 2026.



The Group intends to leverage on the present scarcity of marketed rigs in Malaysia and the region to actively tender for projects extending into 2025 and 2026. Focus will be on securing longer-term contracts to increase our earnings visibility going forward.



At the same time, Velesto shall continue to tender for contracts for its HWUs. This indicates a proactive approach to expanding service offerings and further reducing reliance on JU based revenue streams.

Given its position as the largest local drilling rig player, a proven track record, and its expanding capabilities, including offline and other technological capabilities, the Group is well placed to meet the evolving and increasingly more complex technical requirements of oil and gas majors.



ORDER BOOK
RM1.7
BILLION
as at 31 March 2024



99%
FIRM CONTRACTS



100%
JACK-UP DRILLING RIGS
marketed utilisation in
MALAYSIA AND SOUTH EAST ASIA

MANAGEMENT DISCUSSION & ANALYSIS



Management's primary focus is to ensure asset readiness and capability through technological and operational advancements. This includes the integration of new technologies and tools. Management will continue to consider all factors including the rate of increasing demand for offline capabilities and High Pressure High Temperature ("HPHT") requirement.

In the event it is beneficial to upgrade more rigs with offline and HPHT capabilities, Velesto has the financial strength to fund the exercise by leveraging internally generated funds as well as external borrowings. The Group's low gearing levels supports access to financing if required.

Management shall continue to explore opportunities for expansion within the oil and gas sector, while also prioritising the introduction of technologically advanced products and services. Also, talent retention and development remains a core strategic priority going forward. This include equipping the workforce with the relevant competencies and to ensure future readiness amidst a rapidly evolving industry.

On a related note, Velesto will be undertaking Special Periodical Surveys ("SPS") for rigs NAGA 2, NAGA 3, NAGA 5 and NAGA 6, thus rendering those assets to be unavailable for approximately a period of 2-3 months each. However, it is imperative that these exercises be conducted towards ensuring optimal performance capabilities. These include integrated capabilities, innovative solutions, increased automation and technologically enhanced approaches.

Management wishes to reiterate that the Group has developed a clear SPS process including effective mitigation plans to ensure the Group's ability to execute contracts is not affected and that disruptions, if any are minimal.

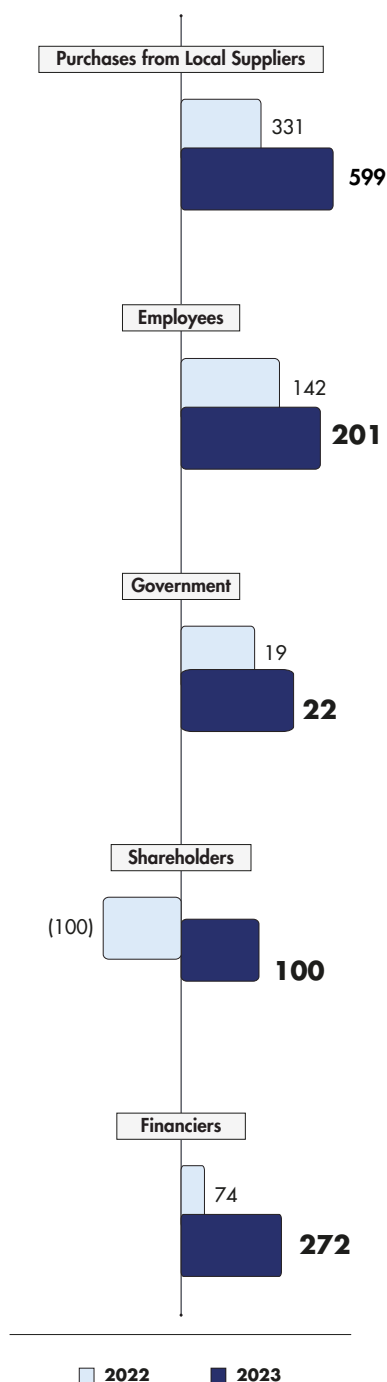
CHALLENGES AND RISKS

The upstream segment of the oil and gas sector has inherent risks and is increasingly facing new and emerging risks, notably ESG related risks. These risks include a plummet in crude oil prices due to uncontrollable external developments, escalation in operating costs, OSH incidents, manpower and project execution risks as well as risks arising from poor governance in particular environmental and social governance within the supply chain. Specific information on these risks including impacts and mitigation strategies are provided in the Creating Value Through Our Strategy section, of this Integrated Annual Report.

STATEMENT OF VALUE ADDED DISTRIBUTION & SIMPLIFIED FINANCIAL STATEMENT

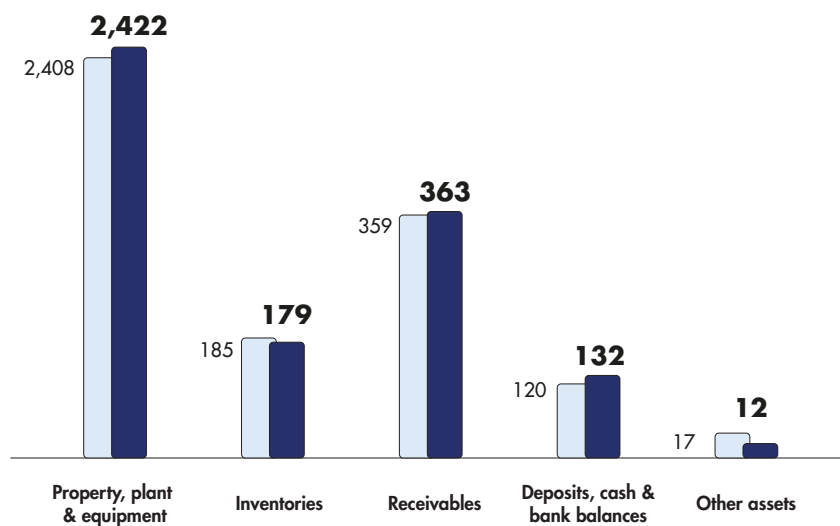
STATEMENT OF VALUE ADDED DISTRIBUTION

(RM Million)



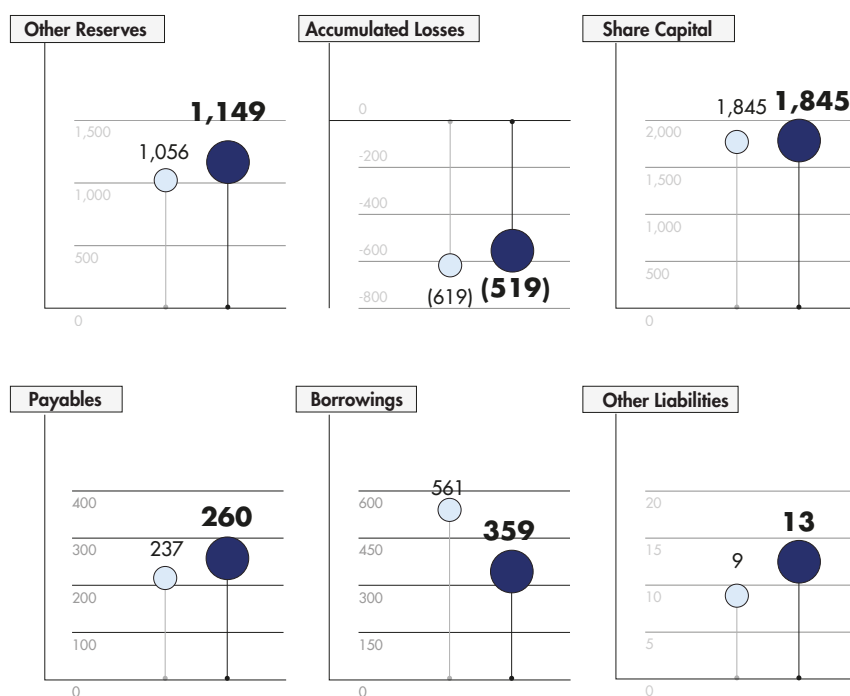
SIMPLIFIED STATEMENT OF TOTAL ASSETS

(RM Million)



SIMPLIFIED STATEMENT OF TOTAL LIABILITIES & SHAREHOLDERS' EQUITY

(RM Million)



FINANCIAL REVIEW

5-YEAR GROUP SUMMARY RESULTS

Financial Year Ended 31 December	Units	2019	2020	2021	2022	2023
Revenue	RM mil	671	547	378	581	1,214
Profit/(Loss) Before Taxation	RM mil	42	(477)	(83)	(82)	121
Profit/(Loss) Attributable to Equity Holders of The Company	RM mil	33	(492)	(91)	(100)	100
Shareholders' Funds	RM mil	2,802	2,270	2,258	2,282	2,475
Return on Shareholders' Funds	%	1	(22)	(4)	(4)	4
Return on Total Assets	%	1.0	(13.8)	(2.8)	(2.6)	3.9
Basic Earnings/(Loss) Per Share	Sen	0.4	(6.0)	(1.1)	(1.2)	1.2
Share Price At Year End	RM	0.38	0.14	0.12	0.15	0.23
Market Capitalisation At Year End	RM mil	3,122	1,150	986	1,232	1,890

SUMMARY OF GROUP RESULTS

Financial Year Ended 31 December	Units	2022	2023
Revenue	RM mil	581	1,214
Profit/(Loss) Before Taxation	RM mil	(82)	121
Profit/(Loss) After Taxation	RM mil	(100)	100
Share Capital	RM mil	1,845	1,845
Reserves	RM mil	437	631
Basic Earnings/(Loss) Per Share	Sen	(1.2)	1.2
Net Assets Per Share	Sen	27.8	30.1

FINANCIAL CALENDAR

Notice on 13 th Annual General Meeting & Issuance of Integrated Annual Report 2022	28 April 2023
13 th Annual General Meeting	29 May 2023
Financial Year Ended	31 December 2023

Approval of Quarterly Unaudited Financial Results:

Quarter 1, 2023	25 May 2023
Quarter 2, 2023	29 August 2023
Quarter 3, 2023	29 November 2023
Quarter 4, 2023	27 February 2024

FINANCIAL
REVIEW

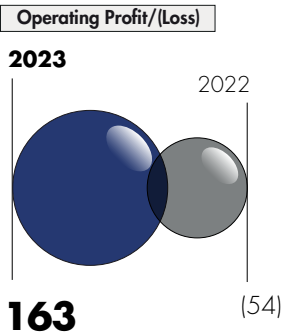
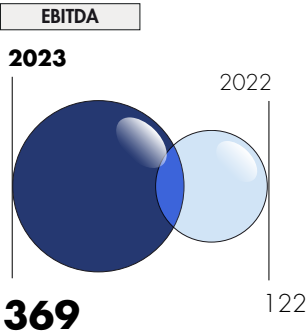
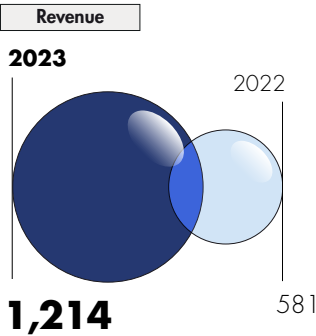
FINANCIAL PERFORMANCE HIGHLIGHTS

Utilisation
Rate **83%**

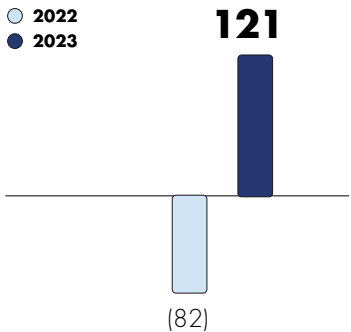
Average Daily Charter Rate
USD94K

Operating
Efficiency **97%**

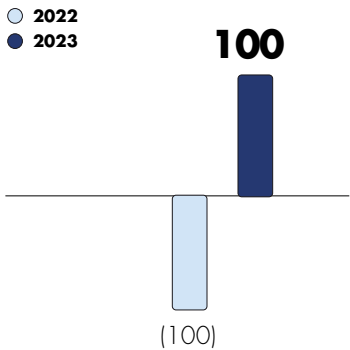
FINANCIAL
PERFORMANCE
(RM Million)



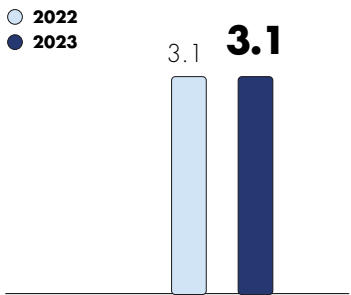
Profit/(Loss) Before Tax
(RM Million)



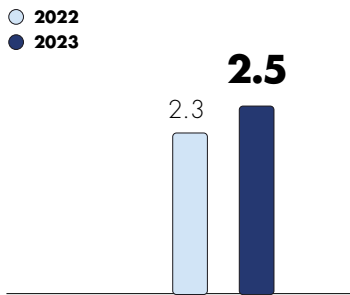
Profit/(Loss) After Tax
(RM Million)



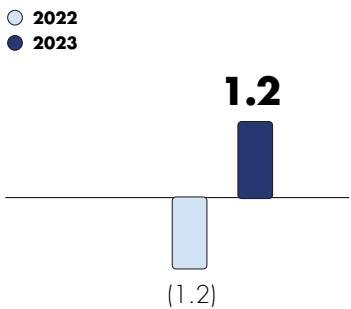
Total Assets
(RM Billion)



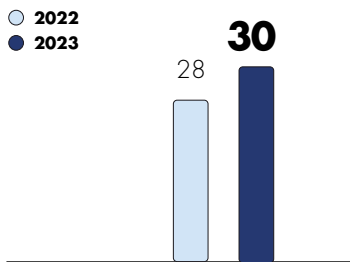
Shareholders' Fund
(RM Billion)



Earnings/(Loss) Per Share
(Sen)



Net Assets Per Share
(Sen)



OUR VALUE CHAIN

Velesto's business model is centred on the provision of drilling and hydraulic workover services for undertaking exploration and production ("E&P") activities. E&P comes under the upstream segment of the oil and gas sector. The entire oil and gas value chain can be categorised into three broad segments:

Velesto's fleet of jack-up ("JU") drilling rigs are hired on short and long-term contracts for crude oil and gas extraction. The Group's hydraulic workover units are employed for a variety of oil well related activities, such as well intervention, rejuvenation and abandonment and decommissioning activities.








OUR VALUE CHAIN

UPSTREAM BUSINESS PROCESSES	CHALLENGES & CONSIDERATIONS
Exploration: data gathering and well exploration	Exploration activities must be strategically undertaken towards ensuring the highest possibility of finding oil and gas deposits. Challenges such as the physical environment, the location of the deposits, complexity of the required drilling process and other factors may impede the success of exploration activities.
Well development facilities and commissioning	Offshore drilling is more challenging than onshore drilling due to the lack of stability (particularly for floaters), the corrosive water environment, space constraints and the need for more complex logistics and support.
Production of oil and gas	Cost effective and safe plugging of wells is essential to prevent crude oil contaminating the marine environment.
Well plugging and abandonment	Decommissioning is a requirement and must be performed in accordance with industry standards. Given Malaysia's maturing oil and gas industry, there is an increasing number of less productive or economically viable oil wells that require plugging and abandonment.

Velesto provides a start-to-end solution from well exploration to plug and abandonment

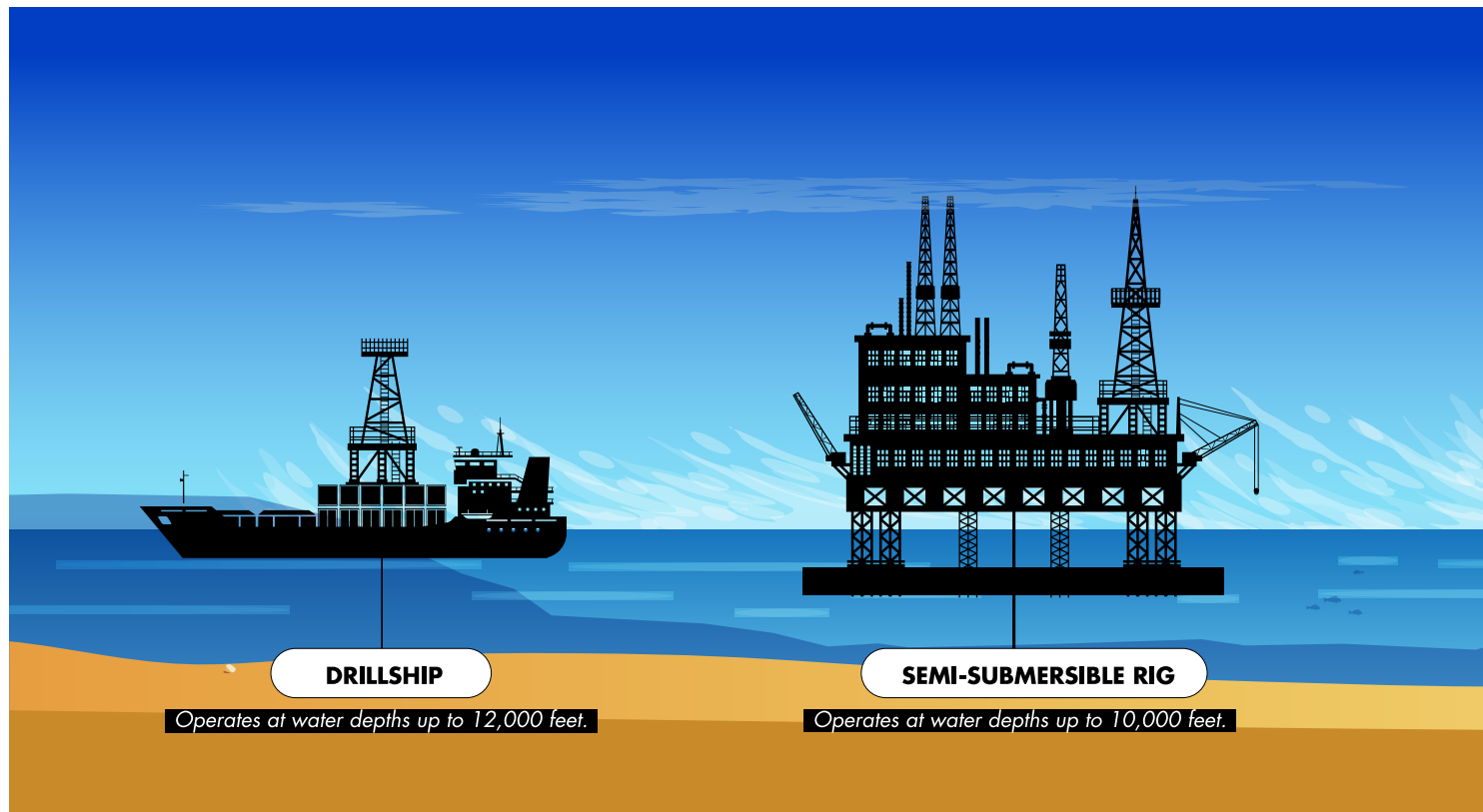
Following is the business model by key processes or phases:

	Surveying	Preliminary activities include geological surveys, gravity surveys, magnetic surveys and seismic surveys. If a location with potentially high oil and gas deposits is identified, said location is earmarked for exploration drilling.
	Exploration drilling commences	Velesto's JU rigs are towed to the exploration site/field. Exploratory wells are drilled down into the seabed to locate oil and gas deposits. Multiple oil wells may be drilled to ascertain flow rates and reservoir dynamics as well as to determine commercial viability of the site/field. The duration of the drilling process may vary, from days to weeks or months based on soil conditions, weather, equipment quality and crew competency.
	Hydrocarbons found (production drilling commences)	When exploration is successful, activities transition to the production phase. Velesto installs production equipment using its rigs to facilitate extraction of the oil and gas resources. Hydrocarbons are extracted from the seabed and are transported to an onshore refining facility through underwater pipelines.
	Further drilling to increase production	Clients leverage on data sourced from the ongoing drilling process, to refine ongoing drilling activities. More production wells may be drilled or injection wells used to undertake well rejuvenation or repair activities to improve the flow rate of crude oil or gas. This may entail the requirement of a smaller workover rig to repair wells, enhance production or provide other forms of well treatment.
	Decommissioning	Once the well has been exhausted or drilling is unproductive, at the client's instruction, Velesto plugs the well to prevent environmental impacts. The drilling rig is transported to a new exploration and / or new production location and the process is repeated.

OUR ASSETS

Out of 11 JU rigs available in Malaysia, Velesto owns and operates six premium JU rigs.

This effectively makes Velesto the owner and operator of the largest fleet of JU rigs in Malaysia.

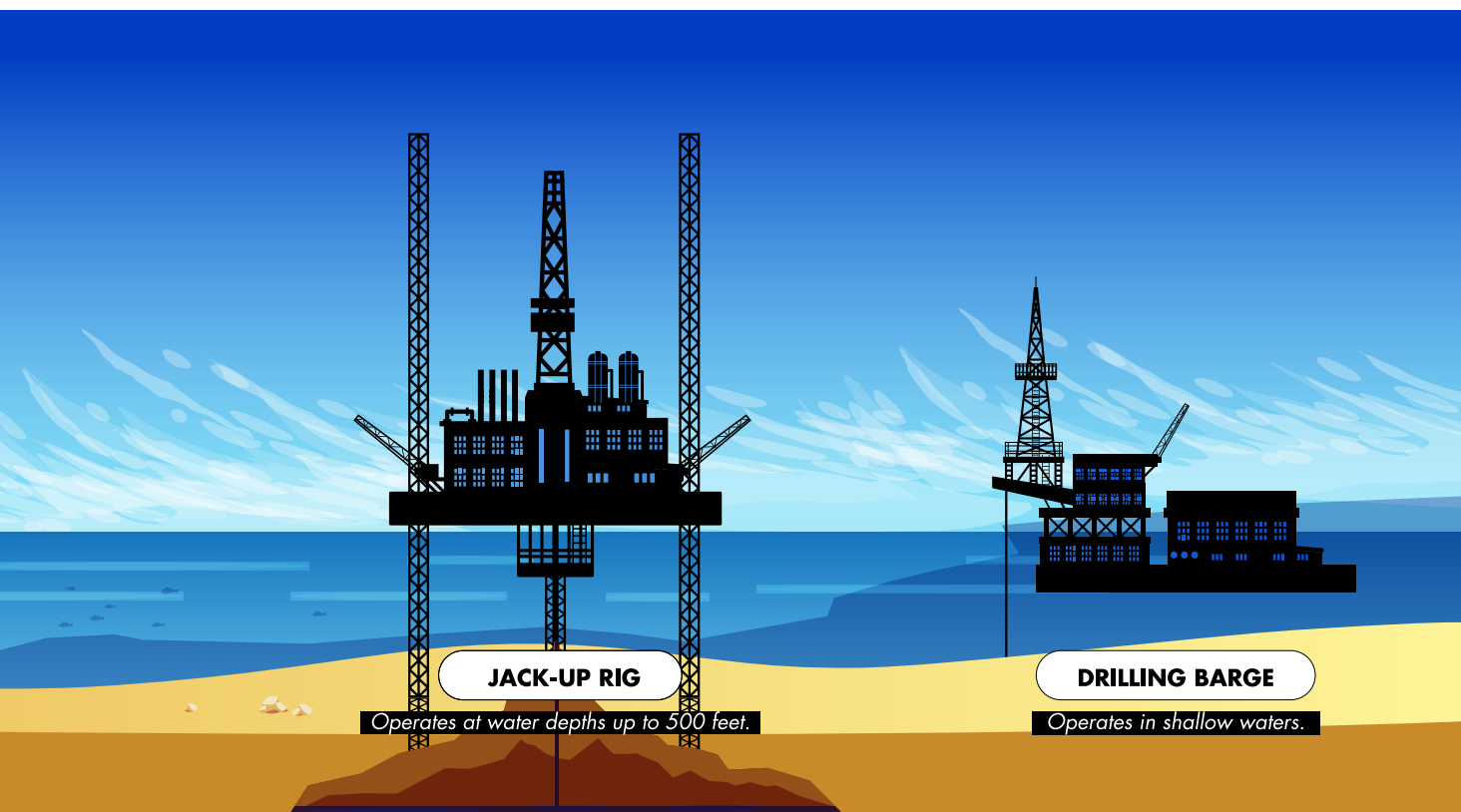


Aside from rated water depth, the different types of rigs have different characteristics in terms of drilling depth, leg length (for JUs), accommodation, lifting capacity, top drive system and other performance specifications.

JACK-UP	TENDER-ASSISTED	SEMI-SUBMERSIBLE	DRILLSHIP	HWU
ACTIVITY PHASE				
<ul style="list-style-type: none"> • Exploration • Development • Abandonment 	<ul style="list-style-type: none"> • Development • Production • Abandonment 	<ul style="list-style-type: none"> • Exploration 	<ul style="list-style-type: none"> • Exploration 	<ul style="list-style-type: none"> • Production • Abandonment
APPLICATION				
The most common type of offshore rig due to its flexibility. Typically used for drilling in shallow waters.	More common in shallow waters. Allows drilling from smaller platforms.	The most stable type of rig, typically used for drilling in deepwater and/or harsh environments.	Typically used for drilling in deepwater/ultra deepwater environments. Can also be used for well maintenance, completion and capping works.	Typically used for workover operations e.g. well casings and casing levels repair, sand cleanout, etc.
ASSOCIATED SERVICES				
Supporting vessels, Oil Country Tubular Goods ("OCTG"), third party drilling services e.g. drilling fluids, Directional Drilling ("DD")/Measurement While Drilling ("MWD")/Logging While Drilling ("LWD"), wellheads, drill bits, cementing, fishing, slickline, etc.				Supporting vessels, slickline, cementing, etc.

OUR ASSETS

Since 2022, Velesto's rigs NAGA 5 and NAGA 6 have been equipped with offline capabilities while NAGA 4 has been fitted with NOVOS automated drilling capabilities in 2023.



JU rigs are floated out to the drilling location and have retractable legs that are lowered down to the seafloor. When drilling is completed, the legs are raised out of the water, and the rig becomes a floating barge that can be towed away ('wet tow') or placed on a large transport ship ('dry tow').

THE THREE MOST COMMON TYPES OF JU RIGS ARE:



STANDARD:

These are typically older rigs that have a low hook-load capacity and rely mostly on mechanically operated drilling equipment with little automation. Standard rigs operate at water depths of less than 300 feet. However, standard rigs can do almost the same job as high-specification rigs at a much lower rate.



HIGH-SPECIFICATION RIGS:

Rigs that typically operate at depths of up to 400 feet due to their modern automation systems and drilling equipment.

Note: Velesto's current fleet of JU rigs are categorised as high-specification rigs.



HARSH-ENVIRONMENT RIGS:

Mainly used in the North Sea and is able to cope with harsh weather and rough sea conditions. Typically can drill up to 490 feet

MATTERS IMPACTING THE BUSINESS MODEL AND VALUE CREATION

Velesto has identified its financial materiality matters as per the following:

GLOBAL SUPPLY AND DEMAND DYNAMICS FOR CRUDE OIL AND GAS

The level of E&P activities is dependent on the global demand and supply dynamics for crude oil and gas. In 2023, demand for global crude oil stood at 101 million barrels per day, against a supply of 102 million barrels per day.

Crude oil prices held firm, averaging USD83 per barrel (Brent Crude) in 2023. While average prices were lower year-on-year, oil and gas majors continued to maintain an expansionary stance, ramping up E&P activities to replenish depleting inventory levels and to meet growing consumption demand.

In Malaysia, where Velesto primarily operates, there were increased tenders called for E&P projects and Velesto participated actively, securing several contracts during the financial year.

STRATEGIC MEASURES IMPLEMENTED

Velesto actively bid for contracts and continued to focus on operational excellence and cost efficiency, Velesto focused on ensuring asset readiness and mobilisation of offshore crews and personnel to ensure effective capacity to undertake secured contracts.

VALUES CREATED

On the back of contracts in hand and new projects secured during the year, Velesto's JU utilisation rate averaged 83% for 2023 with the Group's order book growing to RM1.7 billion. Group revenue doubled to RM1.2 billion, while Profit after tax stood at RM100 million.

CAPITALS CONSUMED

A wide range of capitals were utilised to power the Group's business development activities as well as in the mobilisation of assets and execution of contracts.

These capitals include human capital, outlay of funds to ensure vessel and crew readiness and also the investment in equipping NAGA 4 with NOVOS automated drilling capabilities and supporting STARLINK, satellite-based internet connection.



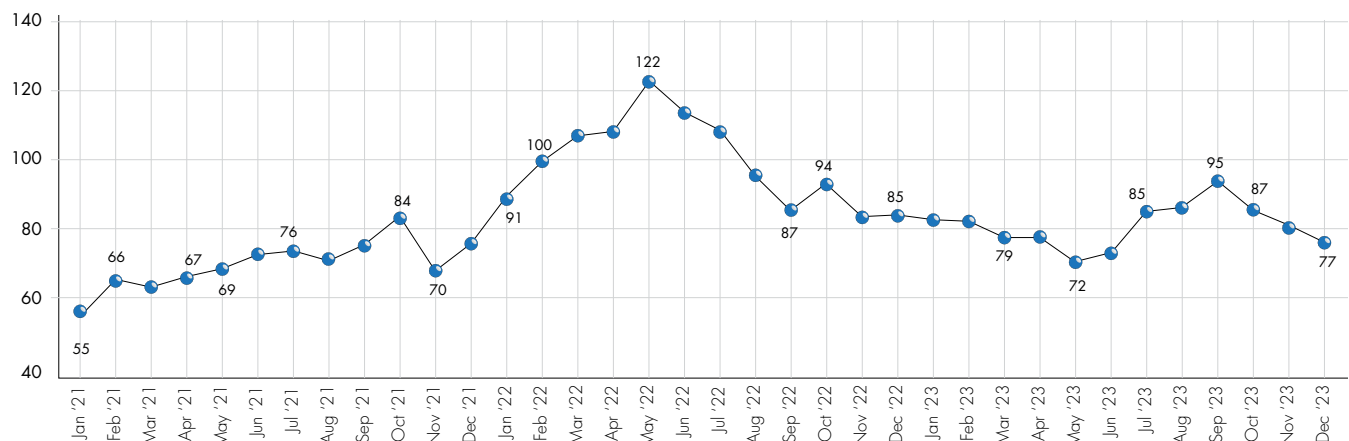
**CRUDE OIL PRICES
AVERAGED
USD83
per barrel**



**GLOBAL OIL
DEMAND
101
MILLION
barrels per day**

BRENT OIL PRICE

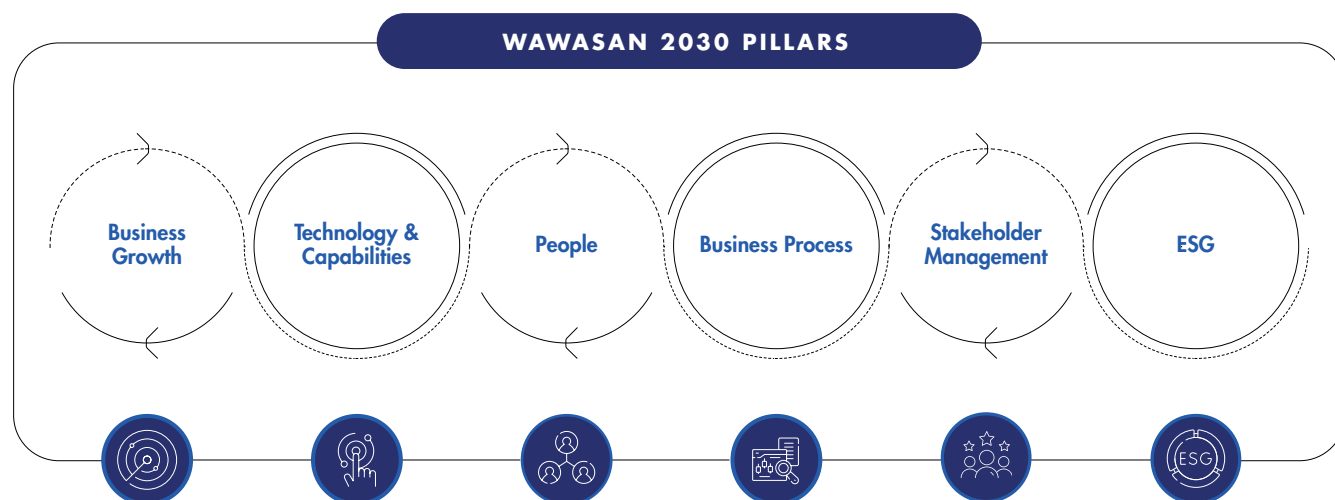
(USD/BBL)



MATTERS IMPACTING THE BUSINESS MODEL AND VALUE CREATION

WAWASAN 2030

The six identified strategic pillars under Wawasan 2030 are intended to facilitate organisational transformation in the following focus areas:



Business Growth identifies growth levers within Velesto's existing business, such as expanding our scope of services, penetration into new markets, as well as potential new business diversification that would strengthen the business model and divestment.



Technology & Capabilities focus on incorporating new technology and capabilities of our assets. These include offline capabilities, real-time drilling capabilities, semi-automatic robotic systems and red-zone management systems.



People refers to culture development, harnessing the full capability of a highly skilled, professional workforce to drive operational and cost efficiencies and to achieve optimum productivity, encompassing optimum workforce, efficiency and competitive remuneration.



Business Process further streamlining and redesigning of processes to support the business. This includes digitalisation and leveraging on technology as an enabler.



Stakeholder Management looks at being a good partner to our existing stakeholders, including Government and regulators.



ESG is vital in driving a balanced strategic focus on the pursuit of financial and non-financial values. It includes managing and reducing environmental impact, having a positive social impact, while also emphasising strong corporate governance.

MATTERS IMPACTING THE BUSINESS MODEL AND VALUE CREATION



BUSINESS GROWTH



Identifies growth levers within Velesto's existing business, such as expanding our scope of services, penetration into new markets, as well as potential new business diversification that would strengthen the business model and divestment.

CAPITAL CONSUMED:

Financial and non-financial investments.
Refer to the Octopus model section for specific capitals consumed.

VALUES CREATED:

Development of new business opportunities.
Market entry into new markets.
Potential investment opportunities.
Strategic redeployment of capital.

TECHNOLOGY & CAPABILITIES



Focus on incorporating new technology and capabilities of our assets. These include offline capabilities, real-time drilling capabilities, semi-automatic robotic systems and red-zone management systems.

CAPITAL CONSUMED:

Financial and non-financial investments.
Refer to the Octopus model section for specific capitals consumed.

VALUES CREATED:

Improved efficiency.
Better safety performance.
Service quality.
Extending asset useful life.

PEOPLE



Refers to culture development, harnessing the full capability of a highly skilled, professional workforce to drive operational and cost efficiencies and to achieve optimum productivity, encompassing optimum workforce, efficiency and competitive remuneration.

CAPITAL CONSUMED:

Competitive remuneration.
Corporate culture development.
Talent management.

VALUES CREATED:

High employee performance, improved output, strong employee satisfaction and morale, retention of talents.

MATTERS IMPACTING THE BUSINESS MODEL AND VALUE CREATION



BUSINESS PROCESSES



Further streamlining and redesigning of processes to support the business. This includes digitalisation and leveraging on technology as an enabler.

CAPITAL CONSUMED:

Financial and non-financial investments.

Review business processes.

Refer to the Octopus model section for specific capitals consumed.

VALUES CREATED:

Improved process efficiency and productivity.

STAKEHOLDER MANAGEMENT



Being a good partner to our existing stakeholders, including Government and regulators.

CAPITAL CONSUMED:

Stakeholder engagement including joint initiatives.

Refer to the Sustainability Statement section of this Integrated Annual Report for specific details.

VALUES CREATED:

Alignment with stakeholders' expectations and aspirations, improved regulatory compliance, development of effective CSR and other engagement efforts.

ESG



ESG is vital in driving a balanced strategic focus on the pursuit of financial and non-financial values. It includes managing and reducing environmental impact, having a positive social impact, while also emphasising strong corporate governance.

CAPITAL CONSUMED:

Carbon reduction and corporate governance best practices.

VALUES CREATED:

Reducing emissions intensity.

Positive social impact.

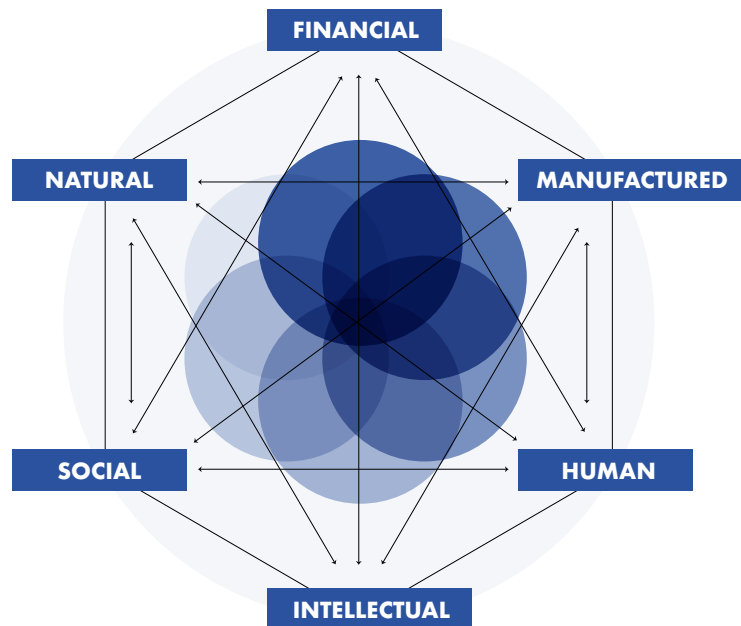
Alignment with stakeholders.

Refer to the Sustainability Statement section of this Integrated Annual Report for specific details.

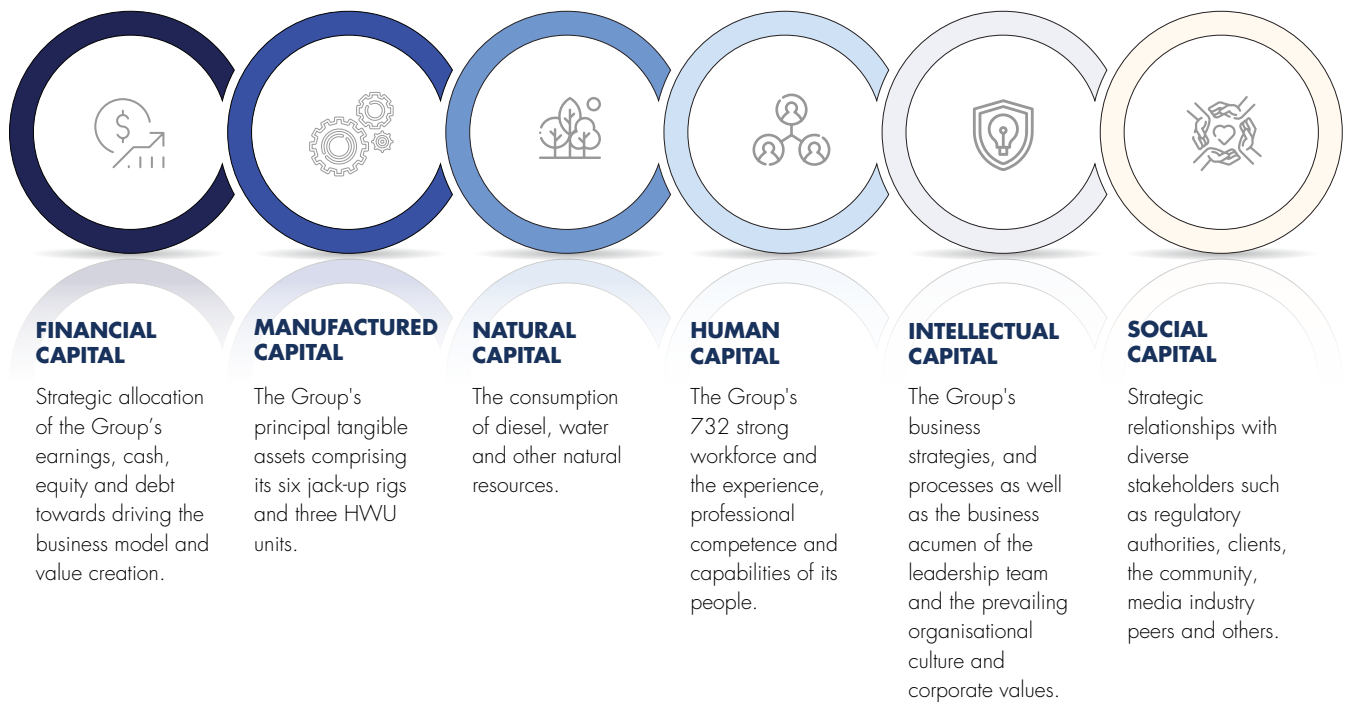
OUR CAPITALS

Velesto adopts a multi-capital perspective, with capital or resources organised into six groups.

The purpose of this is to develop a strategic view beyond financial capital and to identify and develop understanding of the linkages between financial and non-financial capitals. These include Group dependencies on capitals, and how creation or enhancement of one capital can erode another. Such trade-offs are approached based on present and future perspectives.












Following are Velesto's principal capitals utilised:



BUSINESS STRENGTHS AND COMPETITIVE ADVANTAGES

Velesto's business strengths, enable the Group to effectively execute its business model and to navigate the various challenges and opportunities that arise from the external macro environment.

BUSINESS STRENGTHS	 Outstanding order book	 Regional track record	 Strong institutional support via our major shareholders
	 Largest Malaysian-owned JU rig operator	 Efficient supply chain and strong stakeholder relationships	 Proven expertise and track record
	 Low operating cost base	 Premium jack-up rigs	 Consistent talent pipeline

The Group's choice of strategies are geared towards leveraging its inherent strengths towards optimising value creation and strengthening its business model.

BUSINESS STRENGTHS	DESCRIPTION	STRATEGIES TO LEVERAGE ON STRENGTH
Largest Malaysian-owned JU rig operator	<p>Out of 11 jack-up ("JU") rigs available in Malaysia, Velesto owns and operates six premium JU rigs.</p> <p>Given the inherent industry preference for local contractors, Velesto is well positioned to bid and secure Malaysia-based contracts.</p>	Maximise utilisation Order book growth Organic expansion Project execution
Proven expertise and track record	<p>Velesto has a proven track record for meeting contractual obligations and delivering benchmark performance.</p> <p>Beyond drilling, Velesto's drilling fleet can install Light Weight Structures and undertake well workover as well as decommissioning services.</p> <p>Thus, Velesto can provide more comprehensive solutions for clients while being able to leverage more opportunities across the upstream segment of the oil and gas value chain.</p>	
Outstanding order book	<p>Velesto has capitalised on the upswing in industry activity to shore up its order book to RM1.7 billion. This provides visibility on revenue and will keep the Group's rigs utilised into FY2024 and FY2025.</p>	

BUSINESS STRENGTHS AND COMPETITIVE ADVANTAGES

BUSINESS STRENGTHS	DESCRIPTION	STRATEGIES TO LEVERAGE ON STRENGTH
Regional Track Record	<p>Velesto has extensive experience operating in Malaysia as well as in Indonesia, Thailand, Vietnam and Philippines.</p> <p>We continue to actively bid for opportunities in Southeast Asia and beyond.</p>	<p>Order book growth</p> <p>Organic expansion</p> <p>New business development</p>
Premium JU rigs	<p>Velesto's JU rigs feature the latest in drilling rig technology. Two rigs are equipped with High Pressure High Temperature ("HPHT") capabilities, another two with Offline capabilities and one with NOVOS automated drilling capabilities.</p> <p>Velesto Drilling Academy ("VDA") provides accredited and technical training to support crew competency.</p>	<p>Maximise utilisation</p> <p>Cost containment</p> <p>Efficiency improvement</p> <p>Risk management</p> <p>Minimise additional scope and risks</p> <p>Future planning</p>
Proven track record for excellent Health, Safety and Environmental ("HSE") performance.	<p>Velesto continues to maintain an industry leading HSE track record. This includes zero fatality and zero LTI performances. Velesto's HSE performance provides the Group with a competitive advantage when bidding for contracts.</p>	
Efficient operating cost base	<p>Continued cost optimisation efforts have enabled Velesto to achieve an efficient operating cost base that facilitates greater flexibility and competitive ability when bidding for contracts.</p>	
Efficient supply chain and strong stakeholder relationships	<p>Velesto is well supported by a professional network of vendors and suppliers that enables the Group to achieve operational efficiencies and quicker market response.</p>	
Strong institutional support via our major shareholders	<p>Velesto is more than 50%-owned by institutional investors.</p> <p>The Group's relationships with regulatory bodies and government agencies have enabled it to achieve strong socio-economic compliance.</p>	<p>Stakeholder engagement strategies</p>
Strong client relationships	<p>Through its track record for operational performance and its position as the largest Malaysian owned rig operator, Velesto has developed a unique position among industry and other stakeholders.</p> <p>This enables the Group to play a leading role in advancing industry interests and creating stronger awareness for industry issues and challenges, especially issues affecting Malaysian upstream companies.</p>	
A consistent talent pipeline	<p>VDA has enabled Velesto to ensure a sufficient and well trained talent pool. Aside from supporting efficiency operational efficiency and productivity, VDA also contributes to excellence and sustainable talent pipeline strategies and succession planning.</p>	<p>Cost Containment</p> <p>Efficiency Improvement</p> <p>Risk Management</p> <p>Future Planning</p>







RISKS AND MITIGATION STRATEGIES

In managing inherent and emerging risks and opportunities, Velesto has developed a robust Enterprise Risk Management framework based on the international best practice ISO 31000 Risk Management Principles and Guidelines standard.

Through the Group's system of Enterprise Risk Management and Internal Control, significant risks are monitored and mitigated. The Group's Risk Register is updated on a quarterly basis taking into account ESG related risks such as climate change, supply chain, human rights and labour issues.





Risk ultimately comes under the purview of Velesto's Board of Directors through its Board Risk Management Committee ("BRMC"). For further details on the Group's Risk Management Framework, its processes and systems, kindly refer to Velesto's Statement of Risk Management and Internal Control section of this Integrated Annual Report.

Following are Velesto's top risks for FY2023:

Velesto Group Top Risks Overview		
 Technology & Cybersecurity Risk	 Human Capital Risk	 Execution Risk
 Process Risk	 Strategic Risk	 Sustainability Risk

Note: For details on risk responses and mitigation strategies, refer to SORMIC of this Integrated Annual Report.

OUR VALUE CREATION MODEL

CAPITAL RESOURCES	» INPUTS	» BUSINESS MODEL
FINANCIAL <p>The strategic allocation of the Group's retained profits, cash, equity and debt towards driving business development and growth.</p> <p>The focus remains on balancing short-term financial perspectives with the long-term sustainability and value creation capability of Velesto.</p> <p>This includes striving for optimum balance between rewarding shareholders while ensuring sufficient funds for capital and operational expenditure to fuel business growth.</p> <p>The impact of financial capitals is connected across all other capitals and vice versa.</p>	<ul style="list-style-type: none"> Equity: RM2.5 bil Borrowings: RM359 mil Cash and Investments: RM132 mil Assets: RM3.1 bil Share capital: RM1.8 bil Market capitalisation: RM1.9 bil 	 <h2>OUR APPROACH TO VALUE CREATION</h2> <ol style="list-style-type: none"> 1 Industry Trends, Developments and Value Chain 2 Macro Operating Environment 3 Wawasan 2030 strategies 4 Inherent business strengths and competitive advantages 5 Risks and Mitigations
MANUFACTURED <p>Ensuring optimum productivity of all physical assets towards generating optimum output while meeting clients' requirements.</p> <p>We continue to focus on strengthening optimum capability and this may result in potential trade-offs between manufactured and financial capitals.</p>	<ul style="list-style-type: none"> 6 premium JU rigs 3 HWUs 2 onshore supply bases 1 Oilfield Services plant KL Headquarter 	
NATURAL <p>Our consumption of environmental resources and impacts on air, water and land through our business activities and produced outputs.</p> <p>Velesto strives for progressive sustainability in natural resource consumption while seeking to minimise its impact on the environment.</p>	<ul style="list-style-type: none"> Diesel: 19,508 MT Water: 101,294 L 	 <h2>BUSINESS STRATEGIES</h2> <ul style="list-style-type: none"> Business Growth Technology & Capabilities People Business Processes Stakeholder Management ESG
HUMAN <p>The acquisition, retention and development of competent talent to support Group operations as well as to expand Malaysia's oil and gas talent pool, particularly in the drilling segment of the industry value chain.</p> <p>Talent remains a core business focus and may lead to short-term capital trade-offs with financial capital but support long-term financial returns to improved productivity and higher employee retention rates.</p>	<ul style="list-style-type: none"> 732-strong workforce, 75% Malaysian 66% increased in training hours RM0.8 mil training and development expenditure 52 VTS trainees Velesto Drilling Academy 	 <h2>RISK OVERVIEW</h2> <ul style="list-style-type: none"> Technology & Cybersecurity Risk Human Capital Risk Execution Risk Process Risk Strategic Risk Sustainability Risk
INTELLECTUAL <p>Our innate industry experience, technical expertise and know-how as well as systems and processes that have distinguished Velesto as Malaysia's leading drilling rig operator.</p> <p>This collective reservoir of competence, ability and knowledge provides the Group with a competitive edge when bidding for contracts and setting the industry benchmark for operational excellence in drilling activities.</p>	<ul style="list-style-type: none"> High performance organisational culture Best practice, globally recognised management systems: <ul style="list-style-type: none"> ISO 9001:2015 ISO 14001:2015 ISO 45001:2018 ISO 29001:2020 Group business model and business strategies Annual business plan Policies and procedures Vendor and local supply chain development 	
SOCIAL <p>The network of strong, strategic relationships that we have developed with key stakeholders. These include shareholders, customers, suppliers, environment, employees, government, industry affiliations and communities.</p> <p>These relationships are business focused as well as driven by Sustainability and CSR objectives.</p>	<ul style="list-style-type: none"> Investor Relations activities Stakeholder engagement Dialogue and discussion with government and regulatory bodies Proactive customer engagements Community and CSR engagements 	 <h2>ENVIRONMENT</h2> <ul style="list-style-type: none"> Energy & Emission Management Climate Risks Environmental Impact Nature & Biodiversity

» OUTPUTS

» OUTCOMES



BUSINESS MODEL

6

Jack-Up
Drilling Rigs



3

Hydraulic
Workover Units



1

Oilfield Services



FINANCIAL VALUES

Direct values: Revenue, earnings, dividend, share price and market capitalisation.

Indirect values: Shareholder dividends, repayment to financiers, payments to employees including salaries and benefits, payments to suppliers and income tax.

NON-FINANCIAL VALUES

Development of the local oil and gas sector and supporting value chains, job and entrepreneurship creation, transfer of technology and knowledge, socio-economic prosperity and nation-building.



STAKEHOLDERS' NEEDS



OUR MATERIALITY MATTERS



SOCIAL

- Health & Safety
- Human Rights
- Employment Practices
- Diversity, Equity & Inclusion
- Community Impact



GOVERNANCE

- Economic Performance*
- Governance & Ethics
- Supply Chain
- Data Privacy & Security

- Revenue: RM1.2 bil
- EBITDA: RM369 mil
- Net profit: RM100 mil
- Interest expense: RM46 mil
- Dividend: RM20.5 mil

- RM22 mil of corporate taxes to governments
- RM100 mil profit attributable to equity holders
- Earnings per share: 1.21 sen per share
- RM140 mil paid in wages and employees benefits
- RM272 mil paid to financiers in interest, repayment of term loans and revolving credit

- Available JU days: 2,190 days
- Available HWU days: 1,095 days

- Utilisation: 83%
- Average DCR: USD94k
- Operating Efficiency: 97%

- 63,469 TCO₂e emissions
- Zero major environmental spills

- 28% lower emissions intensity per operating day
- Reduced environmental impact
- Continued improvement in our Sustainability performance

- 1,135 VDA participants trained
- 3 VTS trainees employed after completion of VTS

- Excellent and improving HSE track record
- Zero fatalities
- Zero LTI
- RM599 mil local procurement spend

- Various industry recognition awards continued strengthening of track record and credibility
- 70% local procurement rate
- 71% Local Suppliers

- 2 schools as beneficiaries
- 290 sq ft corals planted
- 4 quarterly analysts briefings

- Development of stronger stakeholder relationships
- 53% increase in share price
- Realisation of CSR objectives and fulfilling of Velesco's role as a good corporate citizen

SUSTAINABILITY **AT VELESTO**

Welcome to Velesto Energy Berhad’s Sustainability Statement 2023. This Statement serves as a comprehensive guide to our sustainability approaches, objectives and strategies, alongside transparent disclosures of our performance and progress across the Environmental, Social and Governance (“ESG”) spectrum during the year.

04.



**EMBRACING A
SUSTAINABLE FUTURE**

About this Sustainability Statement	P. 49
President’s Statement	P. 51
2023 At A Glance	P. 53
Our Approach to Sustainability	P. 56
Our Stakeholders' Universe	P. 63
Our Material Matters	P. 68
Our ESG Targets Scorecard	P. 74
Our Alignment to United Nations Sustainable Development Goals	P. 76
Sustainable Value Creation	P. 77
• Respecting the Environment	
• Empowering People	
• Ethical Business	
TCFD – Aligned Disclosure	P. 113
BURSA Malaysia Common Material Matters Disclosures	P. 117
ESG Performance Data	P. 119
Statement of Assurance	P. 129
Indexes	
• Bursa Malaysia Content Index	P. 130
• GRI Content Index	P. 131
• TCFD Content Index	P. 135

ABOUT THIS SUSTAINABILITY STATEMENT

SCOPE AND BASIS OF REPORTING

Presented herein is the Sustainability Statement 2023 (“SS2023” or “Statement”) for Velesto Energy Berhad (“Velesto” or the “Group”), covering the financial period spanning 1 January 2023 to 31 December 2023. This Statement has been prepared in accordance with the GRI Standards and marks the Group’s 8th annual publication of Environmental, Social and Governance (“ESG”) disclosures in adherence with our Listing Requirements.

Our SS2023 serves as a transparent communication channel for outlining the proactive steps taken to integrate sustainable practices throughout the Group’s operations, while providing details and updates on the tangible outcomes achieved thus far in our ongoing sustainability journey. The Statement also offers a holistic measure of the positive and negative impacts of our business activities on stakeholders, the environment and the future prospects of the organisation.

Scope, Boundary and Exclusions

Adopting a “local where-we-operate” approach, the reporting scope of our SS2023 encompasses all subsidiaries of Velesto, including all primary business operations in drilling services, integrated project management services, and oilfield services. This covers data and information pertaining to the Group’s operational assets of offices, warehouses, six jack-up rigs (“JU”) and three hydraulic workover units (“HWUs”).

Where feasible, statistical data spanning three consecutive years is presented across this Statement, providing context to facilitate comparisons and highlight trends and trajectories.

As we are a drilling services contractor and do not own the resources extracted for clients, this Statement excludes ESG impacts arising from oil and gas resources discovered, produced, owned, and consumed by our clients and entities upstream of the Group’s value chain. Impacts of associate companies in which we assume no direct managerial control are also excluded from this Statement.

Linkage to Integrated Reporting

For a comprehensive perspective on the interplay between our financial and sustainability performance, we recommend reviewing this SS2023 in conjunction with Velesto’s Integrated Annual Report (“IAR2023”). The IAR2023 provides an in-depth exploration of the Company’s business strategy, external operating environment, business model and other strategic information. Together, these Statements offer a comprehensive understanding of Velesto’s overall performance and the synergies between our financial and sustainability initiatives.

Precautionary Approach

Sustainability remains intrinsic to our risk management strategy at Velesto, fortifying the Group’s business model and guiding our attention towards potential growth opportunities. Applying a precautionary approach, we seamlessly integrate risk mitigation strategies into our ESG management framework, leveraging on this proactive stance to avert Occupational Safety and Health (“OSH”) incidents while concurrently curtailing potential adverse social and environmental impacts arising from our operations.

REPORTING STANDARDS

This SS2023 has been prepared in alignment with:

	BURSA Sustainability Reporting Guide 3rd Edition
	Global Reporting Initiative (“GRI”) Standards 2021: Core Option
	Task Force on Climate-related Financial Disclosures (“TCFD”)
	FTSE4Good Bursa Malaysia (“F4GBM”) Index
	United Nations Sustainable Development Goals (“UNSDG”)

For easy reference, we have detailed BURSA, GRI, FTSE4Good and TCFD content indices at the end of this Statement.

ABOUT THIS SUSTAINABILITY STATEMENT



REPORTING RELIABILITY

The information presented in our SS2023 is sourced from official internal documents and records within Veledo. Independent third-party assurance has been obtained from our external auditors, Ernst & Young and DNV-GL, who provide assurance on our audited financial statements and HSE Management System respectively.

The internal team at Veledo, along with the Management with participation of the Board Committee, have maintained ongoing oversight in the preparation of this Report. Assurance of our sustainability data disclosures are undertaken through internal audit assessments, with full assurance details made available on page 129 of this Statement.

Where applicable, we have computed and analysed data in accordance with industry standards and widely accepted calculation methodologies, including:

- Greenhouse Gas ("GHG") Protocol
- Annexes of the International Convention for the Prevention of Pollution from Ships (MARPOL) 73/ 78
- Fleet Certification Regulations (i.e. American Bureau of Shipping)
- International Civil Aviation Organisation ("ICAO") Carbon Emissions Calculator

Veledo's SS2023 has been reviewed by the Board of Directors and was approved on 15 April 2024.

FEEDBACK CHANNEL

Veledo values stakeholder engagement as a crucial part of the Group's sustainability process. Please feel free to direct any comments or inquiries regarding this Statement and its contents to:

Veledo Energy Berhad Sustainability

Level 18, Block 3A, Plaza Sentral
Jalan Stesen Sentral 5
50470 Kuala Lumpur, Malaysia
Tel: +603-2096 8788
Email: sustainability@veledo.com

PRESIDENT'S STATEMENT

"Velesto is proud to announce our commitment towards Net Zero Emission 2050 in FY2024. We will intensify efforts to gain deeper understanding on our emission footprint and identify science-based pathway for decarbonisation. Our aim is to develop a comprehensive Net Zero roadmap by year-end."

Dear Stakeholders,

In the past twelve months, Velesto has made significant strides across the ESG spectrum, marking important milestones in our sustainability journey. By strengthening our governance, management framework and strategies, we have sharpened our focus on long-term goals and positioned ourselves favourably to tackle the challenges and seize the opportunities that are ahead.

Progressing along our sustainability journey, we acknowledge the paramount importance of sustaining our financial performance. Our strengthened revenue and profitability in FY2023 have facilitated increased distribution of shared value to stakeholders through dividends, employee pay outs and taxes thus ensuring the continued growth and stability of our organisation.

The foundation of our achievements is derived from our performance supported by an improved utilisation rate of our assets driven by heightened demand for energy supply. This is further reinforced by our dedication to fostering a 'Performance Driven, Operation Focused' ethos, resulting in outstanding quality services and operational uptime reaching 97% throughout the year. This synergy between optimised asset utilisation and a culture of exceptional performance has been instrumental in our success.

A pivotal component of our achievements is garnered in the continual integration of technology and innovation within our operations and processes. Notably in FY2023, this commitment was demonstrated through a collaborative effort with a client in the implementation of a pilot system aimed at enhancing rig operational efficiency. Beyond operation enhancements, we actively engage with our vendors to advance operational best practices and foster sustainability improvements across our supply chain.



**BURSA
ESG RATING
TOP**

25%

/4-STAR

(FY2022: 3-STAR)



**EMISSION
INTENSITY / OPS
DAY REDUCTION**

28%

(FY2022: 15%)

PRESIDENT'S STATEMENT

We are encouraged that our concerted efforts to strengthen Group-wide ESG practices have been recognised through improved independent market ratings. In FY2023, we made several significant improvements. Our FTSE4Good Index ESG score rose from 2.9 to 3.8. We were recognised by BURSA with a 4-star ESG rating positioning us among the Top 25% ESG performers among Public Listed companies and were rated as being low ESG risk company by sustainability ratings service provider, Sustainalytics. We were also honoured with multiple safety awards from clients recognising our commitment to safety and operational excellence.

Beyond our value chain, we are committed to expanding our coral restoration efforts at Perhentian Island in 2024, to contribute to the broader understanding of coral conservation methods while raising awareness among the public. Additionally, we are deepening our partnership with Sarawak Economic Development Corporate ("SEDC") to drive community impact through sustainable education initiatives. By focusing on Science, Technology, Engineering, and Math ("STEM") fields, we aim to foster innovation and awareness in learning. These efforts underscore our dedication to internal engagement, external impact on the planet and people, as we strive to build a more sustainable future for all.

"Our commitment to sustainability runs deep within every facet of our organisation. It's not just about meeting regulations; it's about ingraining sustainability into the very core of what we do."

While we are proud of our efforts and achievements, we acknowledge the sustainability challenges inherent in the dynamic energy landscape in which we operate. Notably, FY2023 marked significant milestones with the inaugural presence of oil and gas companies at COP28 and the landmark launch of the Oil and Gas Decarbonisation Charter, signalling a collective commitment by the sector to environmental stewardship.

At Velesto, our dedication to a fair energy transition remains unwavering. We have pledged to achieve a 10% reduction in emissions intensity per operating day and 30% reduction in emissions intensity in terms of revenue by 2030. As we move forward, we continue to navigate towards a sustainable future to ensure that we balance progress with responsibility.

To this end, we remain vigilant in monitoring emerging ESG regulations, including the adoption of Integrated Financial Reporting Standards ("IFRS") and the Taskforce on Nature-related Financial Disclosures ("TNFD"), alongside local regulations from regulators, clients, and investors. We are also cognizant of how Malaysia's recently launched National Energy Transition Roadmap ("NETR") will shape the future energy industry, and will seek to participate in opportunities presented by this transition.

The Group continuous efforts in nurturing ESG culture goes beyond mere compliance. It is woven into the fabric of everything we do. We understand the critical role economic performance plays in creating lasting value sustainably. That is why, we will prioritise improving our commercial model, enhancing operational excellence through technological innovation and strengthening financial prudence. These strategies will be ingrained in our workforce, empowering every individual to play their part in driving collective action. Alongside, we are investing in enhancing the competencies our people, both operational and sustainability-related, so they can contribute meaningfully to our overarching goals.

Environmental stewardship remains at the forefront of our priorities. We continuously evaluate the impact of our operations on the environment and enhancing our strategies to mitigate it. In alignment with our commitment to decarbonize our value chain, we have pledged towards achieving Net Zero Emissions by 2050 in FY2024. This year, our focus will be on thoroughly understanding our emission footprint and identifying science-based pathways to decarbonisation. By the end of the year, we aim to contribute to the development of a comprehensive Net Zero roadmap.

I want to extend my sincere appreciation to our employees, partners and stakeholders for their invaluable contributions and steadfast support. Together, we will continue our journey towards consistent and sustainable value creation, with positive social and environmental impacts resonating for generations to come.

Sincerely,

Ir. Ts. Megat Zariman Abdul Rahim
President, Velesto Energy Berhad

2023 AT A GLANCE

ABOUT VELESTO

We are a Malaysia-based multinational provider of integrated services for the upstream sector of the oil and gas industry. Our services encompass drilling, workover and other essential oilfield services. We additionally provide training support and services for the drilling industry.

3 OFFICE LOCATIONS
(HQ, Kuching & Miri)



OUR ASSETS



732
TOTAL WORKFORCE



6 Jack-Up

3 HWUs

1 Oilfield Services
Manufacturing Facility

2 Warehouse
Location (ASB & KSB)

1 Drilling
Academy

OUR OPERATIONAL PERFORMANCE

We are dedicated to delivering value to our clients through reliable operations that consistently meet their requirements and expectations.

OVERALL



53 Total wells completed
in FY2023

INTEGRATED PROJECT MANAGEMENT



21 Total Plug &
Abandonment

1 Total Workover wells
Completed

DRILLING OPERATION



31 Total wells
completed

1,856 Operating
Day

83% Utilisation
Rate

97% Efficiency /
Uptime

OUR FINANCIAL VALUE CREATION

We believe a strong financial performance is an important indicator for sustainable value creation to all stakeholders. In 2023, Velesto created value to our stakeholders in many ways through profit-making and dividend payout, as an employer, taxpayer, participant of the procurement ecosystem, and impact maker in communities.

Revenue
RM1.2
BILLION

Dividends
RM20.5
MILLION

Wages & employees' benefits
RM140
MILLION

EBITDA
RM369
MILLION

Taxes to governments
RM22
MILLION

Social investment spends
RM118,000

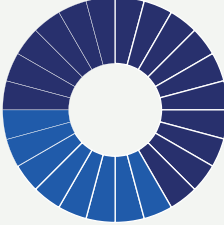









Profit After Tax
RM100
MILLION

Payment to local suppliers
RM599
MILLION

2023 AT A GLANCE

ESG HIGHLIGHTS

We are dedicated to making substantial advancements in our performance across the ESG spectrum annually. Below, we offer a glimpse of our progress and achievements across various key ESG metrics throughout 2023, along with the awards and recognitions achieved during the year.

ENVIRONMENTAL		SOCIAL
<div> <div>28%</div> <div>reduction in emissions intensity by operating days</div> </div> <div>  </div> <div> <div>62%</div> <div>reduction in emissions intensity by revenue</div> </div>		<div> <div>732</div> <div>EMPLOYEES (1.4% increase)</div>  </div> <div> <div>75% workforce</div> <div>is MALAYSIAN (2% increase)</div> </div>
 <div>ZERO Major Spills</div>	<div> <div>2.2% reduction</div> <div>in water consumption intensity by operating days</div> </div> 	<div> <div>70%</div> <div>of total procurement was spent on LOCAL SUPPLIERS (14% increase)</div> </div>
<div> <div>4 biodiversity</div> <div>assessments undertaken for new working sites</div> </div>	<div> <div>41% increase</div> <div>in investment towards biodiversity and environmental conservation</div> </div> 	<div> <div>403 days of (as of Dec 2023)</div> <div>ZERO LTI (Lost Time Incidents) FOR VELESTO EMPLOYEES</div>  </div>
GOVERNANCE		<div> <div>Women make up</div> <div>44% of our Board</div> <div>36% of our Senior Management</div> <div>51% of our Executive Employees</div>  </div>
 <div>ZERO Incident Involving data breaches</div>	<div> <div>86% our organisation was assessed for corruption risk</div>  </div>	
 <div>Launched new VELESTO ANTI-CORRUPTION PLAN ("VACP")</div>		<div>Supported educational equality and empowerment at two "Less Students Schools" in Miri, Sarawak</div>
AWARDS AND ACHIEVEMENTS		
FTSE4Good – ESG rating score of 3.8 (improved from 2.9)	BURSA ESG 4-Star ESG rating (improved from 3-Star rating in 2022)	Sustainalytics Rated – ESG Risk Rating 17.8 (Low Risk) (improved from 21.2 in 2022)
2023 CSR Initiative of the Year – Coral Restoration at Perhentian Island	MSOSH Awards 2023 – Gold Class 1 Award (2 nd Consecutive Year)	Roc Oil HSE Excellence Appreciation Award – NAGA 2
SHELL Malaysia Safety Awards – Silver Safety Award (Upstream Category)	EMEPMI STAR Excellence Award (Gold) – GAIT 6	2023 IADC SEAC Safety Award for the Years Recordable Free category – NAGA 6

2023 AT A GLANCE

SUSTAINABILITY LENSES

	Month	Programme / Event	Description
	January	Emissions Workshop with Operations team	Identified quick wins and emissions reduction initiatives for 2023, alongside implementing rig specific ESG KPIs.
	April	Released Sustainability Report 2022	Introduced new data collection template and enhanced performance data disclosures to improve BURSA compliance and TFCF alignment.
	May	IADC HSE & Sustainability Asia Pacific 2023 Conference & Exhibition	Staying abreast of the latest trends and developments in HSE practices and sustainability initiatives within the oil and gas drilling industry.
		Annual General Meeting	A formal platform for Velesto's shareholders to engage with the Company's management held on 29 May 2023.
	June	International Energy Week Energy Asia	Participated in the industry events to share on the Company capabilities and offerings, including our efforts on sustainability.
		MPM DrillTEC Focus Group (GHG Reduction)	Collaborated with Malaysian oil and gas leaders in MPM-led group supporting PETRONAS Net Zero 2050, driving industry decarbonisation.
	August	Internal Trial Data Assurance	Conducted assessment of ESG data assurance scope, process and audit checklist with Internal Audit Division.
		Supply Chain Summit	Enhance inventory management for efficiency, waste reduction, and process optimisation.
	September	Vendor Engagement Day	The inaugural event aimed to enhance integrity, procurement practices, HSE, and sustainability with our vendors and suppliers.
		Digital ESG Data management	Kicked off for the implementation of digital and centralised ESG data management platform.
		Corruption Free Pledge and Launch of Velesto Anti-Corruption Plan ("VACP")	The Board and Management team reaffirmed their commitment to integrity by taking the Corruption Free Pledge, witnessed by Malaysia Anti-Corruption Commission ("MACC") officers and launched VACP in Kuching, Sarawak.
		Coral Planting	Undertook Phase 2 of our Coral Planting programme at Perhentian Island, Terengganu.
	October	MPRC National OGSE Sustainability Roadmap ("NOS-R") Workshop	Joined industry round-tables and workshops for NOS-R development, integrating relevant sustainability practices, metrics, and targets for the Oil & Gas Services and Equipment industry.
		Zero Incident Zero Accidents ("ZIZA") Monsoon	Participated in exhibition aimed to promote safety and share best practices to prepare for the potential risks from seasonal weather elements.
		Business Partner Integrity Day	Awareness programme held to ensure compliance with MACC regulations in client and regulator interactions.
	December	MoU signing for CSR collaboration in Sarawak	Formally commenced CSR collaboration with SEDC to promote education as a driver of sustainable development in Sarawak.
		Community Investment – CSR education	Contributed teaching materials and equipment to promote equal education opportunities at 'Less Students Schools' in Miri, Sarawak.
		Business Continuity Management ("BCM") Refresher Sessions	Conducted two sessions for Management and Business Continuity leaders, covering BCM fundamentals and current threat updates.

OUR APPROACH TO SUSTAINABILITY

SUSTAINABILITY FRAMEWORK

Our aspirations for sustainable and enhanced value creation for stakeholders are steered by our Wawasan 2030 business strategy, within which ESG principles have been integrated as a fundamental pillar to drive the Group's aspirations.

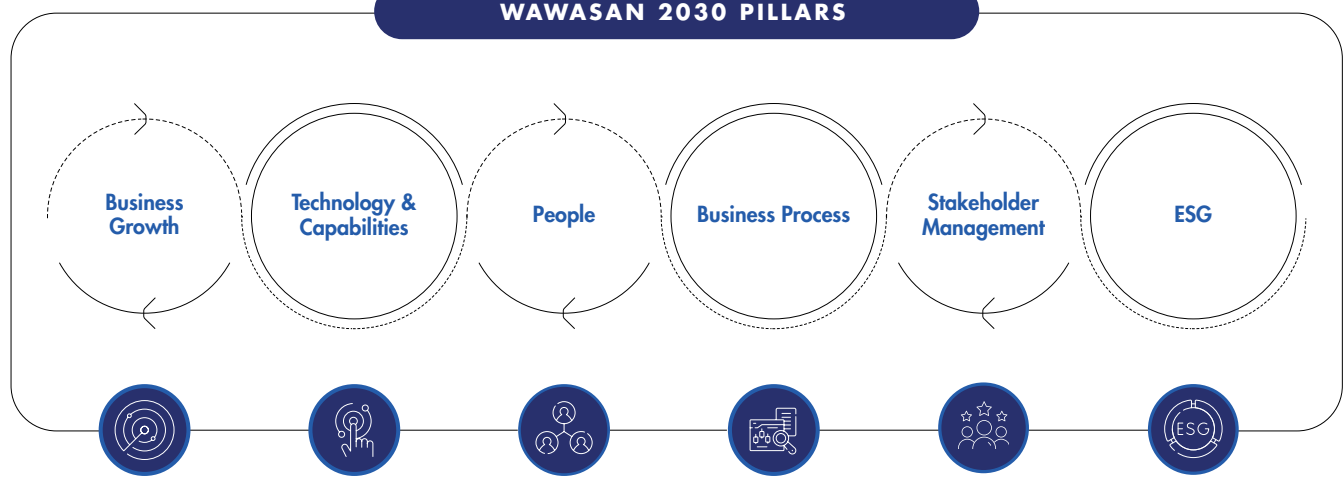
This alignment intertwines our business goals with our dedication to delivering positive social and environmental impacts. Our Sustainability Framework encapsulates this holistic approach, serving as the overarching guide to embedding sustainability deeply into our culture, decision-making, governance, systems and processes.

WAWASAN 2030

BUSINESS ASPIRATION

Ensuring a future ready and sustainable business with a mission to achieve RM2 billion in revenue and a Return on Capital Employed ("ROCE") above 10% by 2030




WAWASAN 2030 PILLARS






SUSTAINABILITY ASPIRATION

Delivering sustainable value through low carbon operations, environmental and social responsibility, robust governance and financial prudence.

PRINCIPLE

 <p>Environment</p> <p>Contribute towards environmental stewardship and low carbon operation</p>	 <p>Social</p> <p>Building ecosystem that enables our people and community to thrive</p>	 <p>Governance</p> <p>Upholding ethics, integrity and transparency in our work</p>
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OUR APPROACH TO SUSTAINABILITY

FOCUS AREAS		
Environment 	Social 	Governance 
MATERIAL Energy & Emissions STRATEGY <ul style="list-style-type: none"> Reducing Scope 1 & 2 emissions by 2030 Implement emissions reduction technology and initiatives Improve operational efficiency 	MATERIAL Health & Safety STRATEGY <ul style="list-style-type: none"> Provide a safe and healthy working environment for our people Uphold the highest levels of HSE culture and leadership within our operation 	MATERIAL Economic Performance STRATEGY <ul style="list-style-type: none"> Implement the strategies of Wawasan 2030 Ensure financial prudence and uphold responsible management of shareholder resources Inculcate a 'Performance Driven, Operation Focused' ethos
MATERIAL Climate Risk STRATEGY <ul style="list-style-type: none"> Establish climate governance and risk assessment Transition to low carbon operation Enhanced data monitoring and reporting 	MATERIAL Employment Practices STRATEGY <ul style="list-style-type: none"> Corporate culture development plan Optimum workforce and efficiency Continuous talent development Competitive remuneration and benefits 	MATERIAL Governance & Ethics STRATEGY <ul style="list-style-type: none"> Ensure sustainable governance Drive a culture of transparency and integrity beyond compliance
MATERIAL Environmental Impact STRATEGY <ul style="list-style-type: none"> Advocating for environmental protection through policies Ensure compliance to environmental regulations Adopt operational controls & new technologies aimed at avoiding, minimising, and mitigating negative impacts Minimise use of resources and reduce waste 	MATERIAL Human Rights STRATEGY <ul style="list-style-type: none"> Zero tolerance for human rights violations Employee health and wellbeing initiatives 	MATERIAL Supply Chain STRATEGY <ul style="list-style-type: none"> Responsible and fair sourcing practices Collaborate and promote ESG capabilities amongst vendors
	MATERIAL Diversity, Equity & Inclusion STRATEGY <ul style="list-style-type: none"> Promote an engaging and inclusive workplace Ensure our ability to attract and retain diverse talents 	MATERIAL Data Privacy & Security STRATEGY <ul style="list-style-type: none"> Enhance cybersecurity management through continuous risk assessment and technological improvement
MATERIAL Nature & Biodiversity STRATEGY <ul style="list-style-type: none"> Contribute to knowledge development through research collaboration Raise awareness on coral conservation and undertake coral rehabilitation 	MATERIAL Community Impact STRATEGY <ul style="list-style-type: none"> Contribute to community development through STEM education programmes 	

OUR APPROACH TO SUSTAINABILITY



SUSTAINABILITY JOURNEY

PROGRESS	ACHIEVEMENTS
2017 - 2019	
<ul style="list-style-type: none"> Established sustainability governance. Strengthened sustainability disclosures. 	<ul style="list-style-type: none"> Disclosed first Sustainability Report. Inclusion as BURSA's FTSE4Good Index constituent.
2020 - 2021	
<ul style="list-style-type: none"> Adoption of Integrated Reporting. Initiated climate risk assessment. Joined United Nations Global Compact ("UNGC"). 	<ul style="list-style-type: none"> Rated 4 star in FTSE4Good Index. Winner of the MSWG - ASEAN Corporate Governance Award 2021.
2022 - 2023	
<ul style="list-style-type: none"> Established ESG alignment as a strategic pillar for Wawasan 2030. Committed to the target of reducing emissions by 2030. Aligned sustainability disclosures with BURSA Sustainability Reporting guidelines and Task Force on Climate-Related Financial Disclosures ("TCFD"). Refined sustainability framework. 	<ul style="list-style-type: none"> MSOSH Gold Class 1 Award 2022 & 2023. Rated 4 star in FTSE4Good Index. Best CSR of the Year Award 2023 by Asian Business Review.

OUR APPROACH TO SUSTAINABILITY

SUSTAINABILITY GOVERNANCE

Our Board of Directors set the tone for steering sustainability across the Group, assuming ultimate responsibility for all ESG matters and playing a pivotal role in defining the Company's sustainability strategies and priorities. Meanwhile, our Senior Management team takes the helm in steering the Group towards its objectives, with ESG goals and targets set within their purview.

Sustainability Leadership Driven from The Top

To enshrine an overarching commitment to responsible practices, the Board and Senior Management have integrated sustainability as one of the focus pillars of the Group's Wawasan 2030 strategic roadmap. This has intrinsically linked our sustainability agenda with our business strategy, providing our workforce with a clear perspective of our sustainability priorities and their alignment with the Group's long-term value creation plans.

In crafting sustainability strategies and priorities, the Board maintains keen oversight on all matters identified as material across the Environmental, Social and Governance spectrum (see Material Matters on page 68-73).

To effectively discharge its duties, the Board is supported by various committees within our sustainability governance structure, namely the Board Risk Management Committee ("BRMC"), the Sustainability Management Committee ("SMC") and the Sustainability Working Group ("SWG"). These committees feature distinct subgroups overseeing ESG matters, with the SMC oversee Economic strategies and performance.

Velesto's President serves as the Chairman of the SMC, enabling direct guidance to Senior Management leaders in effectively operationalising the Group's sustainability strategy.

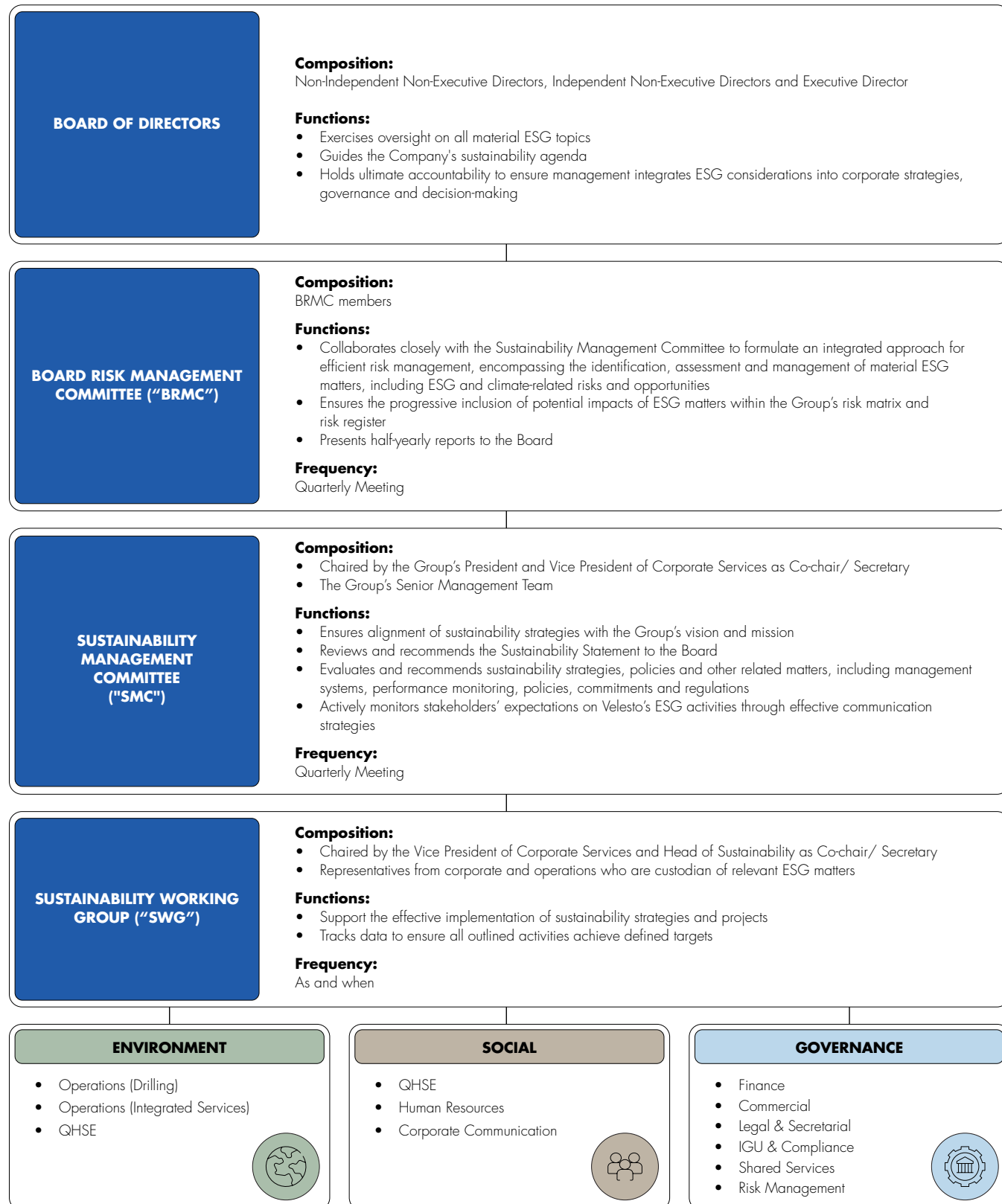
This robust and cohesive governance structure ensures our Board and Senior Management team stay well-informed on all emerging ESG matters, while fostering effective communication across organisation to convey objectives and directives, receive feedback and make realistic adjustments to strategies in tandem with our evolving capacity, capabilities and sustainability goals.

To stay abreast of the dynamic sustainability landscape, the Board and Senior Management remain committed to attending relevant sustainability training programmes, including those organised by market regulators and professional associations.



OUR APPROACH TO SUSTAINABILITY

Sustainability Governance Structure



For more details on the Board's roles and responsibilities, composition, independence and performance, please refer to Velesto's FY2023 CGOS. Velesto's adherence to Practices 4.1 to 4.5 of the MCCG 2021 on Sustainability Leadership is also detailed therein.

OUR APPROACH TO SUSTAINABILITY

Embedding ESG Considerations into Risk Management

Our Board discussions have increasingly centered on ESG matters⁽¹⁾, reflecting a deepening understanding and appreciation of their significant impact on the Group's value creation objectives. Consequently, we have progressively integrated more ESG considerations into our business process, enhancing our ability to monitor and assess the likelihood and potential impact of these sustainability issues on our business. In doing so, we are able to identify immediate or potential opportunities as part of our risk mitigation measures. Sustainability and ESG concerns have also received heightened emphasis in shaping the strategic plans and priorities undertaken by the Board and Senior Management team. In FY2023 and onwards, Sustainability and ESG have been included as permanent agenda at the BRMC meetings.

The Group's Enterprise Risk Management⁽²⁾⁽³⁾ policy provides comprehensive guidance for systematically identifying risks that are pertinent to our operations. During our annual materiality assessments, we further enhance our risk identification process by referencing external risk management frameworks and corporate reporting standards, as detailed below, to comprehensively pinpoint the full gamut of ESG risks relevant to our business sector and operating environment.

- ISO 31000 Risk Management Standard
- Integrated Reporting Principles Based Framework
- Global Reporting Initiative ("GRI") Standards 2021
- FTSE Russell's ESG Data Model
- Task Force on Climate-related Financial Disclosures ("TCFD")

Once relevant risks are identified, designated risk owners categorise the severity and likelihood of the risks' impact and seeks oversight from the Board Risk Management Committee ("BRMC") to mitigate these risks and implement controls. The BRMC is tasked with providing guidance on the Group's risk parameters and appetites, notifying the Board if a specific ESG matter is at risk of surpassing the Group's risk tolerance. Beyond risk assessment, the Group manages the potential impacts of identified risks via its Business Continuity Management (BCM) Framework⁽⁴⁾ to ensure operational readiness, resilience, safeguarding stakeholders' interests, brand equity, and reputation. Crises arise during our business activities are also managed according to our internal Crisis Management⁽⁵⁾ Plan to minimise potential damage.

Looking ahead, the Group aims to broaden the scope of our risk management framework to encompass more ESG risk factors, while seeking to establish clear linkages between the financial and operational impacts that may arise from these sustainability matters.

⁽¹⁾ For risks and opportunities consideration of our ESG matter, please refer to Our Material Matters section on page 68-73.

⁽²⁾ For more details on how Veleso as a group manages climate-related risks, please refer to the Task Force on Climate-Related Financial Disclosure ("TCFD") alignment section of this Report on page 113-116.

⁽³⁾ For more details on how Veleso as a group manages risks, please refer to the SORMIC section of our Integrated Annual Report on page 174-184.

⁽⁴⁾ For more details on the Group's Business Continuity Management ("BCM") Framework, please refer to the SORMIC section of our Integrated Annual Report on page 180-181.

⁽⁵⁾ For more details on the Group's Crisis Management activities, please refer to the SORMIC section of our Integrated Annual Report on page 182.

Robust and Diverse Governing Policies

Veleso's sustainability governance is underpinned by a dynamic set of policies, codes, charter and Terms of References ("TOR"). These documents articulate the principles and procedures that govern various aspects of the Group's operations, providing guidance for the responsible conduct of our Board of Directors, management, employees and stakeholders.

Accessible through the Group's Governance portal on our corporate website (www.veleso.com), these documents, including the Code of Business Conduct and Ethics ("CoBE"), are subject to periodic review and revision to ensure their ongoing relevance and effectiveness.

The adherence to our governance codes and policies is monitored by Veleso's Integrity Governance Unit and Compliance, which employs a Group-wide approach to identify and investigate any instances of non-compliance.

Governance Codes and Policies

- Code of Business Conduct and Ethics
- Health, Safety and Environment Policy
- Anti-Bribery and Corruption Policy
- Human Rights and Labour Standards Policy
- Whistle-Blowing Policy
- Fit and Proper Policy
- Remuneration Policy and Procedures for Non-Executive Directors
- Quality Policy
- Marine Operations Policy
- No Smoking Policy
- Stop Work Policy
- Substance Misuse Policy
- Personal Data Protection Policy
- Gender Equality Policy
- Supply Chain Management Policy
- Sexual Harassment Policy
- Enterprise Risk Management

Charter and Terms of Reference

- Board Charter
- Constitution
- TOR BAC
- TOR BNRC
- TOR BRMC
- TOR BWBC

OUR APPROACH TO SUSTAINABILITY

Operational Site Certification and Accreditation

Across our operational sites, we reinforce sustainability governance through the attainment and upkeep of top global certifications. To this end, all of our Jack-up ("JU") rigs and HWUs, along with our Kuala Lumpur Headquarter and operating bases in Kemaman and Labuan, are certified in accordance with globally recognised management system standards. Our Quality Team is tasked with monitoring and reviewing the audit assessments for these certifications.

Adapting to regulatory advancements, we have transitioned from OHSAS 18001:2007 to the updated ISO 45001:2018 Occupational Health and Safety Management System. More recently, we upgraded our certification for quality management systems specific to the oil and gas sector, moving from ISO/TS 29001:2010 to ISO 29001:2020 following our official certification for the latter on 14 March 2022.



Note: The certificates for these accreditations can be found at www.velesto.com/quality

OUR STAKEHOLDERS' UNIVERSE

We place great emphasis on frequent and meaningful engagement with our key stakeholder groups, recognising their potential to influence or be influenced by the Group's operations, financial performance and reputation.

Through maintaining effective two-way communication, we gain essential feedback from our diverse stakeholders, subsequently leveraging these insights to ensure our strategies and business plans align with their evolving needs, expectations and concerns. We utilise various engagement channels to monitor, measure and address stakeholders' concerns, ensuring the development of an inclusive ESG sustainability agenda that remains relevant to them.

Overview of our Stakeholder Engagement in 2023		
Six Stakeholder Groups		
20+ Engagement Sessions		
 Meetings / Discussions	 Workshops / Roundtable	 Industry Events



OUR STAKEHOLDERS' UNIVERSE

STAKEHOLDER ENGAGEMENT

	1 Regulators	2 Investors
Who Are They	These are public organisations or private agencies responsible to regulate our business activities.	These are individuals, companies or institutions that own shares in Velesto.
Stakeholder Importance & Value Creation	<p>Continuous engagements build strong relationship with regulators as it is important for us to stay updated of current regulations to ensure compliance.</p> <p>We create values through:</p> <ul style="list-style-type: none"> Consistent regulatory compliance Corporate tax payments Sustainable economic development 	<p>Transparent relationship with investors is critical in ensuring responsible management of capital provided for our business growth.</p> <p>We create values through:</p> <ul style="list-style-type: none"> Strong financial and growth performance Sustainable shareholder returns
Matter Of Concern	<ul style="list-style-type: none"> Compliance to regulatory requirements Feedback on impact of policies Areas of mutual support from government initiatives ESG management and performance 	<ul style="list-style-type: none"> Overview of the performance of the Group Updates on the strength and prospects of the Group Transparent assessments of the current health of their investment Regulatory developments Updates on financial results News and updates ESG management and performance
Our Response	<ul style="list-style-type: none"> Developed clear and mutual understanding on compliance requirements and adherence Participated in regulatory initiatives and programmes Gained clarification on regulations Heightened potential for seeking appeal or concession, if required Integrating ESG into business strategy to ensure sustainable business governance 	<ul style="list-style-type: none"> Promote greater coverage by analysts and media Share price performance Ensured compliance with capital market listing requirements Integrating ESG into business strategy to ensure sustainable business governance
Mode Of Engagement	<ul style="list-style-type: none"> Annual/ periodical compliance reviews as per relevant laws and regulations including report submission Formal and informal meetings including dialogues, events or trainings Written and email communications including through website and social media 	<ul style="list-style-type: none"> Annual General Meeting Integrated Annual Report Scheduled and ad-hoc investor and analyst briefings Announcements of corporate developments to Bursa Malaysia Quarterly announcements of financial results to Bursa Malaysia One-on-one meetings Updating the Investor Relations page on our corporate website Press Releases
Frequency	Ongoing	●
	As Needed	●
	Quarterly	●
	Annually	●

OUR STAKEHOLDERS' UNIVERSE

3	4	5
Client & Industry Players	Financial Institutions	Employees
These are various companies operating in the energy sectors including strategic alliances that contribute to collective agenda. Some of our industry peers are also our clients who pay us for services delivered.	These are banker and lenders who provide us with financial capital and relevant advisory.	These are personnel who work under our payroll including permanent and contractual workers with responsibilities to deliver on our stakeholders' commitments.
<p>The industry and the clients included, are operating in collaborative nature where each organisation and companies play a role in contributing to respective development of knowledge and skills as well as business growth.</p> <p>We create values through:</p> <ul style="list-style-type: none"> Professional and high-quality services delivery Knowledge sharing and collaboration 	<p>The financial institutions are critical source of capital to fund projects and other operational needs to ensure the Group is able to focus on excellence delivery of projects for our clients.</p> <p>We create values through:</p> <ul style="list-style-type: none"> Strong financial and growth performance Disciplined payment on loans 	<p>Our employees i.e., onshore and offshore workers are pivotal to our success. We rely on high performance and motivated workforce to ensure operational delivery and drive value to stakeholders.</p> <p>We create values through:</p> <ul style="list-style-type: none"> Attractive and competitive remuneration packages Inclusive and fair employment practices Continuous development opportunities Provide safe and healthy environment to work
<ul style="list-style-type: none"> Operational excellence and safety performance Sustainability/ ESG materials management Meeting contractual obligations Areas of industry collaboration for advancement 	<ul style="list-style-type: none"> Liquidity and investment management Financial risk management Compliance to regulatory and debt covenants ESG Performance 	<ul style="list-style-type: none"> The Group financial performance Employee benefits and career development opportunities Internal processes and efficiency Emission management
<ul style="list-style-type: none"> Consistently engage for feedback to understand clients' perspectives Efficient project planning to avoid operational disruption Frequent session for updates and avenue for issues clarification Participate in industry forum, conference and exhibition to share and collect insights Continue to innovate, explore relevant technologies and new way to collaborate among clients and peers 	<ul style="list-style-type: none"> Prudent financial management Maintain strong repayment records Continuously understand financial institution ESG imperatives and address gap as part of business improvement Demonstrate strong risk management practices within business strategy 	<ul style="list-style-type: none"> Greater access to information and feedback channel e.g., frequent management visits and Q&A with Senior Management Ensure employee are continuously engaged and have fulfilment of the roles through various communication media, programmes and initiatives Introduce corporate culture development plan Improve access to trainings and development programmes Periodical review of work packages and structure Implement digitalisation to improve manual work processes
<ul style="list-style-type: none"> Management meetings Customer feedback exercises Site visits Scheduled reports and project progress meetings Workshops and dialogue Email queries Trade shows, conference and exhibitions 	<ul style="list-style-type: none"> Annual General Meeting Integrated Annual Report Scheduled and ad-hoc investor and analyst briefings Announcements of corporate developments to BURSA Quarterly announcements of financial results to BURSA One-on-one meetings Site visits 	<ul style="list-style-type: none"> Communication via intranet platforms, emails and social media Townhall sessions Focus group discussions Continuous performance and feedback sessions Employee surveys Company events e.g., employees' gatherings, sports club's activities, sports club, learning over lunch sessions with Senior Management, etc. Site visits Talent management activities Roadshows and Workshops Internal and external trainings

OUR STAKEHOLDERS' UNIVERSE












STAKEHOLDER ENGAGEMENT (CONT'D.)

	6	7
	Vendors	Communities
Who Are They	These are companies or organisations that the Group engaged to deliver and supply goods and services.	These are the people and organisations in the local jurisdiction of where we operate.
Stakeholder Importance & Value Creation	<p>Having good relationship with vendors and well-planned supplier networks help to limit the risk of operational disruptions and ensure the Group is able to tap into quality services and products.</p> <p>We create values through:</p> <ul style="list-style-type: none"> Collaborate to unlock new innovations and tap into value creating expertise Advocacy and capability building around ESG matters 	<p>Local communities including NGOs, academia groups, other public associations are important partners to understand how our business could impact their daily lives and vice versa.</p> <p>We create values through:</p> <ul style="list-style-type: none"> Operational excellence with highest standard of ESG governance Socio-economic contributions and community development programmes
Matter Of Concern	<ul style="list-style-type: none"> Project and financial performance ESG expectations Values and governance Business knowledge, expertise and industry insights Crisis management and supply chain continuity Other issues around product and service quality, price and payment 	<ul style="list-style-type: none"> Commitment towards the protection of community and environmental wellbeing Positive impact towards community development CSR and other communities' involvement
Our Response	<ul style="list-style-type: none"> Organised vendor engagement session to advocate on ESG expectation, efficient procurement process, HSE and good governance (e.g. integrity, whistleblowing processes, etc.) Supplier audit and assurance programmes Promote involvement of local vendors Constant and transparent communication between parties Vendor assessment and selection criteria to ensure product, service and capability fit of vendors to support the Group operation Ensure the Group is in strong financial and operational performance 	<ul style="list-style-type: none"> Commitment to deliver long-term programmes around STEM education development and environmental protection efforts (i.e. biodiversity through coral restoration and research) Identify local stakeholders to collaborate on programmes delivery Improved stakeholders' understanding of Velesto's commitments and contributions to the community
Mode Of Engagement	<ul style="list-style-type: none"> Management meetings Communication through website, social media and emails Dialogues and workshops Trade shows, conference and exhibitions Site visits and audits 	<ul style="list-style-type: none"> Discussions on initiatives that invest in community development Community outreach programmes Meetings and discussions with community representatives and outreach partners
Frequency	Ongoing	
	As Needed	
	Quarterly	
	Annually	

OUR STAKEHOLDERS' UNIVERSE

Membership and Associations



As a prominent player in the oil and gas sector, we recognise the value of possessing membership and actively participating in various associations and professional bodies relevant to our industry and operations. These engagements provide invaluable opportunities to stay abreast of industry developments and contribute to meaningful discussions and collaborations aimed at addressing pressing challenges. By actively participating in these forums, we not only gain insights into emerging trends but also play a proactive role in advancing sustainability practices within our industry.

Associations and Initiatives		Our Participation and Contribution
	The Malaysian Oil & Gas Services Council ("MOGSC")	We actively participate in this non-profit industry association dedicated to advancing the interests of Malaysian oilfield service providers within the country.
	Malaysian Gas Association ("MGA")	Through our regular participation in MGA activities, we lend support to MGA's efforts to foster a dynamic and sustainable gas sector that contributes to Malaysia's socio-economic advancement.
	Energy Industry Council ("EIC")	As a member of EIC, a non-profit organisation comprising over 800 companies catering to the energy sector, we access valuable insights and market intelligence on energy projects, alongside advancements and best practices within the energy industry, thus contributing to a sustainable energy future.
	International Association of Drilling Contractors ("IADC")	We collaborate with IADC, a non-profit trade association renowned globally for its accreditation programmes, conferences, advocacy efforts and industry news, to advance the drilling industry. Together with other IADC members, we strive to enhance operational safety, efficiency, reliability and environmental stewardship, ensuring a sustainable future for the industry.
	United Nations Global Compact ("UNGC")	On 2 June 2021, we joined the UNGC and pledged to uphold its 10 Principles, encompassing human rights and labour best practices, throughout our organisation.
	30% Club	We are a proud participant in the Malaysian Chapter of the 30% Club, a special interest group dedicated to enhancing the representation of women in the boards and Senior Management of public listed companies.
	Malaysia Petroleum Resources Corporation ("MPRC")	MPRC, an agency under the Ministry of Economy, is dedicated to propelling Malaysia's Oil and Gas Services and Equipment ("OGSE") sector towards cleaner and more sustainable renewable energy sources to foster new avenues for business growth.
	Universiti Teknologi Petronas ("UTP")	We take pride in our collaboration with UTP to support the academic growth of their MSc Drilling Engineering students. Through our partnership, students have the opportunity to participate in practical courses and professional training sessions at Velesto-INSTEP Drilling Academy ("VIDA"), while UTP frequently appoints our subject matter experts as visiting lecturers.
	Universiti Malaysia Terengganu ("UMT")	Since 2018, we have partnered with UMT on community investment and biodiversity initiatives.
	Universiti Malaysia Pahang ("UMP")	Velesto's President is appointed as Study Committee in the Chemical Engineering Department - UMP.
	Malaysia Petroleum Management ("MPM")	Velesto was part of the task force for the Blueprint for Decarbonisation Of Wells & Rig Operations.

OUR MATERIAL MATTERS

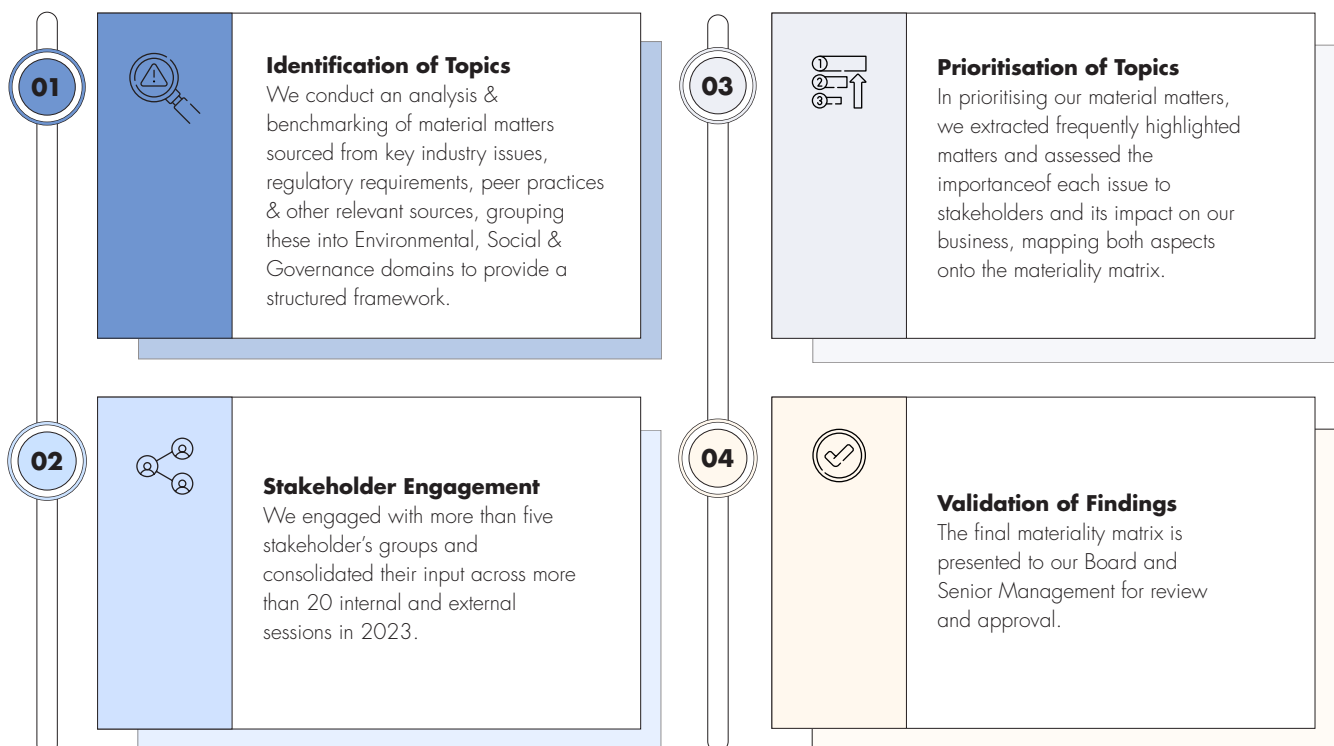
Materiality assessments form a crucial component of our sustainability and risk management approach, facilitating the identification and prioritisation of ESG topics with significant impacts on our value creation capacity, stakeholders and the environment.

By evaluating these material matters, we enhance our decision-making capabilities to collectively address stakeholder needs, concerns and expectations, as well as the risks, opportunities and emerging ESG issues in our operational landscape. This process ensures that we allocate appropriate attention and resources to the matters most critical to the ongoing sustainability of our Group.

Overview of our Materiality Assessment in 2023			
 Benchmarking		 Internal stakeholder engagement	
10	organisations cross-stakeholder's groups	5	industry peers
40	ESG topics considered and assessed	10+	townhalls and focus groups discussion
		6	material areas of concern commonly raised

Materiality Assessment Process

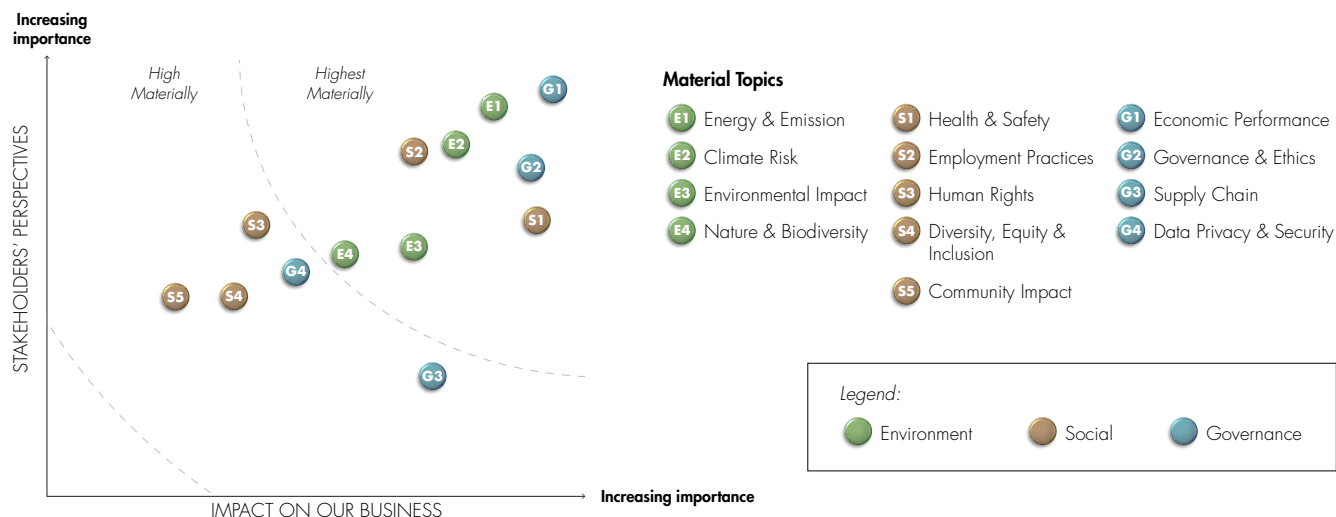
We have adopted the following four-step materiality determination process to identify, categorise and prioritise our Material Matters.



OUR MATERIAL MATTERS



Velesto's Materiality Matrix

These materials topics form the basis of our disclosures for the Sustainability Statement 2023 as we progress our journey towards robust and balanced ESG disclosures. Our material topics are reviewed annually and endorsed and recommended for Board approval by the Board Risk Management Committee.










Subsequent to our FY2023 materiality assessment, several changes were made to the categorisation of our material topics in this year's Sustainability Statement. The topics of 'Water' and 'Biodiversity' have been respectively renamed to 'Environmental Impact' and 'Nature & Biodiversity' to encompass a more holistic review of our environmental and marine conservation practices. Meanwhile, our previous disclosures categorised under 'Talent Management' have been included within an expanded 'Employment Practices' topic, while the topic of 'Anti-Bribery & Corruption' has been similarly assimilated into a new 'Governance & Ethics' disclosure, providing a more comprehensive overview of our initiatives to ensure responsible business conduct.

These adjustments to our reporting framework reflect our ongoing evolution to improve our sustainability reporting, increasing the transparency and clarity of our disclosures to provide stakeholders with greater insights into our objectives, strategies and performance. The following table provides an overview of our 13 material topics, with further details provided within each individual topic in the Sustainable Value Creation section of this Report.

Definition of Materials	Why it is Important	Risks	Opportunities
Environment			
Energy & Emission Management  			
Efficient operation while limiting the generation of GHG emissions	The Group plays a role in ensuring the industry meets the energy security demand, we continue to be responsible towards limiting our GHG emission and improving energy efficiency to ensure we transition towards low carbon operation	<ul style="list-style-type: none"> Shift of clients' commercial model demanding robust emission management Increase cost due to exposure to carbon pricing mechanism 	<ul style="list-style-type: none"> Increase business competitiveness with emission management as value proposition Improve cost saving through efficient resources (i.e. fuel and electricity) management Implementation of cutting-edge low emission technologies improves business prospects









OUR MATERIAL MATTERS

Definition of Materials	Why it is Important	Risks	Opportunities
 Environment			
Climate Risk 			
Integrating climate considerations into business strategies and risk management while contributing to the national and stakeholders' climate aspirations	Climate change is existential threats to all and in specific to business such as Velesto with exposure to its physical risks and transition risks that may impact our operating environment, reputation and business opportunity	<ul style="list-style-type: none"> Operational disruption, increasing cost of repairs and downtime, and potential loss of revenue due to increasing extreme weather events Increase in cost due to exposure to carbon tax Lack of access to funding prioritising robust climate governance 	<ul style="list-style-type: none"> Tap into new market in line with shifting client preferences Diversification of revenue including 'green' revenue Improved operational planning supported by resilience business strategies
Environmental Impacts   			
Advocacy of environmentally-friendly practices which include the management of water and effluent, waste, and pollution control	The Group operates in offshore environment involving extraction of natural resources thus requiring us to uphold highest standard of pollution mitigation and control, and regulatory compliance to ensure minimal to zero environmental impact	<ul style="list-style-type: none"> Exposure to legal ramifications and fines due to regulatory violations Reputational damage caused by poor environmental impact management Increase compliance cost due to inefficient waste and resources management 	<ul style="list-style-type: none"> Improve circularity and reduce wastage leads to cost saving Build positive reputation and ensure regulatory compliance
Nature & Biodiversity  			
Reflect the consideration of responsible operation where we operate through damage mitigation and creating positive impact to marine ecosystem	Our efforts go beyond pollution mitigation but also in ways that can create nature positive impact towards preservation of natural ecosystem and promotion of environmental awareness	<ul style="list-style-type: none"> Biodiversity loss due to operational mismanagement may result in reputational damage and financial loss Increase exposure to public litigation and negative non-governmental organisation coverage 	<ul style="list-style-type: none"> Development of robust sustainability risk management embedding nature-related considerations Contribute to knowledge development around nature and biodiversity conservation methodology Foster collaboration and environmental stewardship spirit among employees and public

OUR MATERIAL MATTERS

Definition of Materials	Why it is Important	Risks	Opportunities
Social			
Health & Safety			
Provision of secure working conditions and systems to safeguard human health and wellbeing in all operations	Our people work in a challenging and fast-paced environment requiring prioritisation of their safety and health at all times to ensure optimum operability	<ul style="list-style-type: none"> • Increase exposure to legal ramifications due to responsibility negligence • Reputational damage caused by poor safety performance and may result in loss of trust from clients • Operational disruptions due to frequent safety incidents 	<ul style="list-style-type: none"> • A safe and healthy environment promotes high performing culture • Ensure seamless operational deliveries • Strong brand values driven by health and safety performance
Employment Practices			
Continuous commitment as a responsible employer through fair employment practices, competitive programmes and maintenance of key labour principles in managing talents and developing human capital	Employees are key to successful execution of business strategies and operational excellence thus a fulfilling employment will aid continuous human capital development	<ul style="list-style-type: none"> • Lack of skilled employees results in decreasing competitiveness • Poor performance and lower productivity due to unmotivated employees • High attrition rates disrupt business succession planning and continuity • Perceived as unattractive employer 	<ul style="list-style-type: none"> • Improve branding enable the Group to attract top talent • Improved the Group effectiveness and output with highly equipped, skilled and motivated employees
Human Rights			
Compliance to relevant local and international human rights laws and standards including the promotion of fair treatment to employee and communities	The Group works collaboratively with vast supply chain to co-deliver client's project in which it is imperative to ensure all workers' rights including our own employees are respected with zero tolerance to violations such as force labours, discrimination, harassment and bigotry	<ul style="list-style-type: none"> • Reputational damage resulted from human rights violations • Potential financial losses due to litigation • Lack of trust from stakeholders or clients will cause loss of business opportunities 	Advocacy of human rights principles across value chain promotes lasting relationship and respect

OUR MATERIAL MATTERS

Definition of Materials	Why it is Important	Risks	Opportunities
<div>  Social </div>			
<div> Diversity, Equity & Inclusion    </div>			
Provision and promotion of equitable opportunities regardless of gender, age, background, beliefs and abilities	Diversity across the Group will foster innovation and growth through participative leadership and open communication	Limited organisational growth attributed to lack of diverse opinions driving innovation	<ul style="list-style-type: none"> • Larger talent pool helps to support overlooked high-potential talent • Encourage diverse ideas and perspectives contributing to innovation
<div> Community Impact   </div>			
Supporting and collaborating with communities in support of nation building agenda around education and local human capital development	As a responsible corporate citizen, the Group aims to help advance the society by creating shared values in technical education to support development of future talents which will benefit the industry in specific and nation building at large	<ul style="list-style-type: none"> • Reputational damage and being perceived as irresponsible corporate citizen • Loss of trust from policy makers and other stakeholders due to lack of support on national agenda 	<ul style="list-style-type: none"> • Meaningful corporate social responsibility ("CSR") initiatives with communities can support future talent pipeline to the Group • Increase brand visibility and business competitiveness
<div>  Governance </div>			
<div> Economic Performance  </div>			
Continuous delivery of commendable financial performance and value creation to our stakeholders through commitment to Performance Driven, Operations Focused ethos	Strong and sustainable cash flows are fundamental to funding our existing operations and driving future growth in achieving Velesto's short, medium and long-term goals	<ul style="list-style-type: none"> • Loss of investment opportunities due to poor financial returns • Loss of business opportunities due to unsustainable cash flow • High debts and high interest rates • Inability to create financial benefits to employees, shareholders and other stakeholders 	<ul style="list-style-type: none"> • Prudent cost management provide ability for flexible working capital towards growth opportunities • Increase shareholders value and attracts more investments

OUR MATERIAL MATTERS

Definition of Materials	Why it is Important	Risks	Opportunities
Governance			
Governance & Ethics			
Upholding the highest standard of integrity, fair practices and regulatory compliance, and good governance for sustainable business success	Oil and gas will remain an essential part of the energy mix in the future thus, it is crucial for the Group to build resilient and competitive business with good governance practices	<ul style="list-style-type: none"> • Reputational damage and financial losses resulted from regulatory violations and fines • Loss of stakeholders' trust and potential business opportunities • Increase incident of integrity and lack of transparency • Loss license to operate 	<ul style="list-style-type: none"> • Strong governance practices enable the effective execution of business strategy • Establishing a culture of high performance through the foundation of ethics, integrity and transparency • Establishing the Group as preferred responsible brand
Supply Chain			
Responsible management of our supply and sourcing processes, and the promotion of sustainability principles across value chain to ensure continuity of our operation	Sustainable supply chain management and long-term relationships building will remain critical to our business continuity in the face of current challenging operating landscapes e.g., geopolitical tensions, trade barriers, price inflation and emerging ESG requirements	<ul style="list-style-type: none"> • Supply constraints and delay will disrupt project delivery • Loss of revenue due to operational disruptions • High cost from price inflation attributed to poor sourcing planning 	<ul style="list-style-type: none"> • Building collaborative and long-term business relationship with suppliers and vendors • Improving the ability to negotiate competitive supplier and vendors' rates • Enhancing supply chain ESG capabilities will improve suppliers' and vendors' resilience during challenges • Sustainable financial and non-financial impact along local value chain
Data Privacy & Security			
Provision of safeguards on the Group data and systems in protection against external cyber threats	The Group ongoing efforts to modernize and digitalize its processes create higher exposure to cyber threats due to increasing dependency on digital data	Cybersecurity breaches leading to loss of confidential information may potentially cause disruption of operation and financial losses, reputational damages and decrease competitiveness	Robust data management practices will strengthen stakeholders' trust and improve operational efficiency with reliable digitalisation

OUR ESG TARGETS SCORECARD

Recognising the paramount importance of establishing targets and milestones to propel progress and monitor performance across our sustainability endeavours, we have significantly ramped up efforts throughout 2023 to track performance across a spectrum of value-creation indicators.





Within facets of our core ESG objectives, we have set baselines and introduced quantitative targets drawn from industry benchmarks and global sustainability frameworks. These targets were established through deliberative engagements between our Board, BRMC and Senior Management to ensure a balance between ambition and feasibility.

We are pleased to report commendable overall performance in 2023, achieving progress across key metric such as reduction of GHG emissions intensity, while meeting our safety targets of zero fatalities and lost time injuries, and environmental target of zero major spills. However, we fell short of our targeted Total Recordable Case Frequency ("TRCF") rate and did encounter reportable integrity incident during the year for further investigation.

Looking ahead, we remain committed to continuous evaluation of our performance to address the shortcomings while striving to set further targets within other ESG materials and expand our sustainability commitments.

2023 PROGRESS

Below is our performance progress against the target of selected ESG objectives.

Materials	Objective	Metric	Baseline	Performance FY2023	Target	Status
Emission Management	Reducing carbon emission	Emission Scope 1 & 2 <ul style="list-style-type: none"> Emission intensity reduction per operating day Emission intensity reduction per revenue 	Base year: 2021 <ul style="list-style-type: none"> 48 tCO₂e/ops day 141 tCO₂e/revenue 	<ul style="list-style-type: none"> 34 tCO₂e/ops day 53 tCO₂e/revenue 	By 2030 <ul style="list-style-type: none"> 10% emission intensity reduction/ops day 30% emission intensity reduction/revenue 	
Environmental Impact	Avoid and mitigate negative impact to the environment	Polution mitigation <ul style="list-style-type: none"> Number of major spill 	Base year: 2021 <ul style="list-style-type: none"> 1 major spill (>800 litres) 	<ul style="list-style-type: none"> Zero major spill 	Annual <ul style="list-style-type: none"> Zero major spill 	
Health & Safety	Safeguarding our employees	<ul style="list-style-type: none"> Number of Lost Time Injury Rate for Total Recordable Case Frequency 	Base year: 2021 <ul style="list-style-type: none"> 1 1.09 	<ul style="list-style-type: none"> Zero LTI 1.56 TRCF 	Annual <ul style="list-style-type: none"> Zero LTI < industry annual average (IADC - APAC Water) 	
Governance & Ethics	Upholding highest integrity practices	Incidence record <ul style="list-style-type: none"> Number of confirmed corruption⁽¹⁾⁽²⁾ case Percentage of employee trained on Anti-Bribery & Corruption ("ABC") 	Base year: 2021 <ul style="list-style-type: none"> 0 40% of employees received ABC training 	<ul style="list-style-type: none"> 1⁽³⁾ 55% employees received ABC training 	Annual <ul style="list-style-type: none"> Zero incident of corruption By 2030 <ul style="list-style-type: none"> 100% employees trained on ABC 	

Progress Tracking Legend

On Track

Partial Progress

⁽¹⁾ Velesto defines corruption case as per the definition by the Malaysian Anti-Corruption Act 2009 (MACC Act 2009) (Act 694) including other major offences stated in the Act.

⁽²⁾ Reportable corruption cases refer to confirmed case investigated and reported to MACC.





⁽³⁾ Reportable case happened in 2022 involved falsification of claims with domestic inquiry completed in 2023. The case subsequently has been reported to MACC in 2023.

OUR ESG
TARGETS SCORECARD

Linking Remuneration with ESG Performance

To further support the integration and operationalisation of ESG considerations into our business strategies, the Group has established Key Performance Indicators (“KPIs”) linked to remuneration, aligned with selected sustainability metrics.

In 2023, the following criteria for KPIs were adopted at corporate and operational level:

Domain	 Financial	 Environment	 Social	 Governance
Key Performance Indicators	<ul style="list-style-type: none">Revenue and EBITDA targets	<ul style="list-style-type: none">Emission intensity reduction per operating dayLoss of Primary Containment ("LOPC")	<ul style="list-style-type: none">Lost Time Incidents ("LTI")	<ul style="list-style-type: none">Score of customer satisfaction evaluation

Our future efforts will focus on establishing baselines to formulate additional pragmatic and measurable ESG targets and KPIs which may be integrated into the scorecards of relevant parties across the Group.

More details on remuneration can be found in Velesto's Remuneration Policy and Procedures for Non-Executive Directors available on the Group's website.










OUR ALIGNMENT TO UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

We proudly align our efforts with the UN Sustainable Development Goals (“SDGs”), viewing them as a pivotal framework for driving global sustainability objectives forward.

By synchronising our initiatives with these goals, we imbue our mission and objectives with greater significance, inspiring our employees to actively participate in the global collective effort for positive change.

OUR CONTRIBUTION TO RELEVANT UN SDGS IN 2023.

<ul style="list-style-type: none">Equipped two “Less Students School” in Miri, Sarawak with technology and infrastructure for learning.Long-term commitment through MoU with Sarawak Economic Development Corporation ("SEDC") to contributes to the development of STEM-focused programmes in Sarawak.Enhanced the employability of 52 youths through our Velesto Trainee Scheme ("VTS") <div><div>4</div><div>QUALITY EDUCATION</div><div></div></div>	<ul style="list-style-type: none">19% increase of women hired into the workforce in 2023.Participated actively in the Malaysian Chapter of the 30% Club.Women make up 44% of our Board, 36% of our Senior Management and 51% of our Executive Employees.The Velesto's President appointed as mentor into the Malaysia Chapter of 30% Club to provide guidance to future woman leaders. <div><div>5</div><div>GENDER EQUALITY</div><div></div></div>	
<ul style="list-style-type: none">Enforced codes and policies ensuring fair labour practices and secure working conditions.Practised equal pay for equal work and aimed for wages above minimum wage.Zero workplace fatalities or LTIs recorded during 2023.Facilitated employee representation on HSE committees for improved conditions.Integrated new technologies for enhanced HSE oversight. <div><div>8</div><div>DECENT WORK AND ECONOMIC GROWTH</div><div></div></div>	<ul style="list-style-type: none">Achieved a 28% reduction in emissions intensity per operating day and 62% reduction in intensity per RM1 .2bil revenue during 2023.50% of our rigs fitted with RPMS for efficient fuel consumption.Installation of solar powered lightings and rain water harvesting system at supply bases.Installation of LED lights in stages on our rigs. <div><div>13</div><div>CLIMATE ACTION</div><div></div></div>	
<ul style="list-style-type: none">Marine ecosystem impact control in accordance with requirements of EIA and other environmental regulations on project basis.More than 500 corals planted as part of our marine conservation and awareness effort at Perhentian Island. <div><div>14</div><div>LIFE BELOW WATER</div><div></div></div>	<ul style="list-style-type: none">Assessed 86% of our operations for corruption-related risks and provided anti-corruption trainings to 401 employees.Launched a new Velesto Anti-Corruption Plan ("VACP") book in 2023. <div><div>16</div><div>PEACE, JUSTICE AND STRONG INSTITUTIONS</div><div></div></div>	<ul style="list-style-type: none">Local talent development via our Velesto Drilling Academy ("VDA") in collaboration with Universiti Teknologi Petronas ("UTP") and Institut Teknologi Petroleum PETRONAS ("INSTEP").Road safety awareness campaign in collaboration with Projek Lintasan Kota Holdings Sdn Bhd ("PROLINTAS").MoU with SEDC in promoting education for sustainable development in Sarawak.Coral research and conservation programme in collaboration with the with Universiti Malaysia Terengganu ("UMT") and the Alunan Coral Project. <div><div>17</div><div>PARTNERSHIPS FOR THE GOALS</div><div></div></div>

SUSTAINABLE VALUE CREATION

RESPECTING THE ENVIRONMENT

As a rig operator in the oil and gas industry, we are dedicated to mitigating the potential environmental impact arising from our operations and actively contributing to efforts to address climate change.

With oil and gas continuing to play an important role in upholding global energy security amidst the ongoing energy transition, we remain steadfast in our commitment to proactively manage emissions, reduce our environmental footprint and protect natural ecosystems.

OUR ENVIRONMENTAL MATTERS



Climate Change including Energy & Emission Management



Managing Environmental Impact



Nature & Biodiversity



CLIMATE CHANGE INCLUDING ENERGY & EMISSION MANAGEMENT





WHY IT MATTERS

Climate change is an urgent concern for the entire energy sector, as every aspect of environmental impact, including energy usage, emissions, pollution, biodiversity, and water and waste management, contributes to advancing the goals set forth in the Paris Agreement. The collective efforts of all oil and gas industry players will be vital in curbing emissions to restrict the global temperature rise to no more than 1.5°C above pre-industrial levels.

Our climate action initiatives will additionally contribute to building a resilient business model conducive to long-term value creation. This includes factors such as meeting regulatory requirements, fulfilling evolving stakeholder priorities, maintaining asset and site accreditations, achieving cost savings through resource efficiency, and safeguarding our brand reputation and stakeholder goodwill.

SUSTAINABLE VALUE CREATION

MANAGEMENT APPROACH

Approach	Management description and initiatives
 Climate governance	<ul style="list-style-type: none"> The Board exercises diligent oversight over all climate-related aspects of our business, ensuring strict adherence to relevant standards. The Group is also considering and planning the formulation of a sustainability policy, in which climate change will be emphasised as a pivotal governance concern. In setting our commitments, we have set emission targets during FY2022 to achieve a 10% reduction in emissions intensity per operating day and 30% reduction in emissions intensity in terms of revenue by 2030. These objectives have been incorporated not only into our corporate scorecard but also into the Key Performance Indicators ("KPIs") of our operational teams. During the past year, we have also enhanced our alignment with the Task Force on Climate-related Financial Disclosures ("TCFD"), further solidifying our climate strategy and risk management framework as we pledge our commitment to Net Zero 2050 ambition in 2024 and ramp up to develop our decarbonisation strategy and roadmap. In support of the new commitment, Velesto will be revising its current emission targets to a more ambitious target aligned with the Paris Agreement. This will be finalised upon the completion of our upcoming decarbonisation roadmap. <p><i>Read more in our TCFD section on page 113 of this Statement.</i></p>
 Data monitoring & disclosure	<ul style="list-style-type: none"> We recognise the importance of accurate measurements and disclosures in driving us towards our climate ambitions. Our practices in this area, which currently extend to monitoring our Scope 1, Scope 2 and limited Scope 3 emissions, are guided by recognised international practices such as GRI, alongside local capital market requirements stipulated by BURSA Sustainability Reporting Requirements and F4GBM. Simultaneously we have adopted the GHG Protocol Corporate Standard to align our data collection and emissions calculation with international best practices. Moving forward, we will be focusing on enhancing our emission inventory across scope 1 and 2, expanding our Scope 3 disclosures and validating our emissions baseline to support the development of our Net Zero 2050 roadmap.
 Technology	<ul style="list-style-type: none"> Our primary sources of energy consumption are the diesel used to power our rigs and HWUs, and the electricity consumed by our onshore operations, which include our corporate headquarter and warehouses in Malaysia, as well as our oilfield services in Tianjin, China. To optimise energy consumption, we are actively adopting new technologies and practices that increase energy efficiency across all aspects of our operations. Our Energy and Emissions Optimisation Initiatives in 2023: <ul style="list-style-type: none"> Asset Care – piloted on one of our rigs (NAGA 4) with emission profiling module to help better understand our power consumption and efficiency level by equipment/ machinery onboard. Allow for insights to plan for emission management improvement. Digital Dashboard – to monitor our emission trend across our operational activities to provide analytics of our performance on monthly basis. Rig power management system ("RPMS") - Utilised RPMS at NAGA 4, 5 and 8, which possesses the capability to detect when rig equipment requires lower power. By autonomously adjusting the engine for more efficient energy usage during drilling operations, we can reduce engine running hours and associated emissions. Variable frequency drive ("VFD") – all top drive drilling equipment are built in with VFD for efficient energy distribution during activity. In 2023, similar approach is being piloted for other equipment such as at the accommodation AHU. Efficient lighting – implemented in stages on the rigs with focus on accommodation area. Continuous assessment and capital allocation into piloting new technology that helps with process efficiency and decarbonisation of our operation including energy storage system, greener alternative fuel, and other emerging technology.
 Stakeholder engagement & capability building	<ul style="list-style-type: none"> We persist in conducting awareness and knowledge-sharing sessions on sustainability, climate change and energy management through town halls, focus groups and other platforms. Additionally, we regularly update our emission performance to clients for project reporting and engage with key stakeholders, such as investors, to ensure transparency. In 2024, we have incorporated capability-building sessions as operational KPIs to further instill a culture of sustainability appreciation within our workforce.

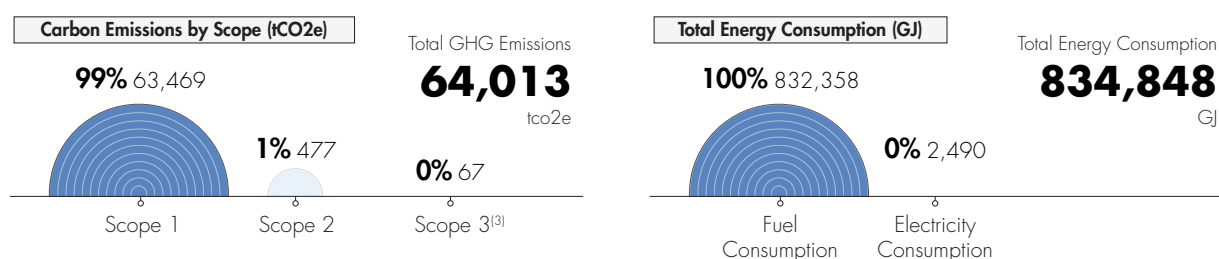
SUSTAINABLE VALUE CREATION

OUR PERFORMANCE

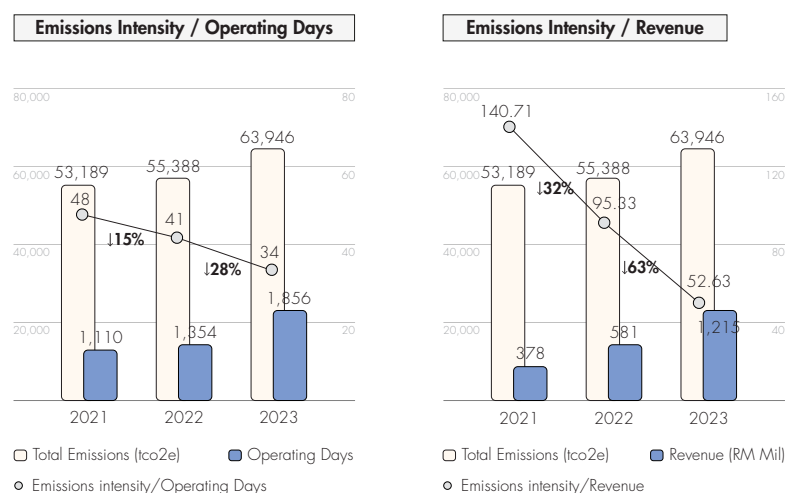
Our two primary sources of energy consumption are the diesel used to power our rigs and HWUs, as well as the electricity consumed by our onshore operations, which include our corporate headquarter and warehouses in Malaysia, as well as our oilfield services in Tianjin, China. To guide our disclosures, we adhere to the assets under control methodology, with the following list outlining the boundaries of our operational footprint.

Scope 1 (Diesel)	Scope 2 (Electricity)
Rig Operations <ul style="list-style-type: none"> NAGA 2, NAGA 3, NAGA 4, NAGA 5, NAGA 6, NAGA 8 Hydraulic Workover Units ("HWUs") <ul style="list-style-type: none"> GAIT 1, GAIT 5, GAIT 6 	<ul style="list-style-type: none"> Office (KL Headquarter) Warehouse (Kemaman and Labuan) Oilfield Services (Tianjin)⁽¹⁾⁽²⁾

2023 TOTAL GHG EMISSIONS GENERATED AND ENERGY CONSUMPTION



3-YEARS EMISSIONS INTENSITY / OPERATING DAYS AND EMISSIONS INTENSITY / REVENUE



Achieved 28% reduction
carbon intensity / operating days
VS
Target 10% reduction by 2030

Target Achieved

Achieved 62% reduction
carbon intensity / revenue
VS
Target 30% reduction by 2030

Target Achieved

While our total emissions increased in 2023 compared to the previous year, this was primarily due to a higher number of operating days and utilisation rate at our rigs, which contribute 99% of our emissions. The true success of our initiatives outlined above are highlighted within our emissions intensity results, whereby we achieved a 28% reduction in carbon intensity per operating days and a 62% reduction in carbon intensity per unit revenue.

These results already surpass our 2030 targets of achieving a 10% reduction in carbon intensity per operating days and a 30% reduction in carbon intensity per unit revenue. Moving forward, we will closely monitor our performance and undertake a reassessment of our climate targets in tandem with our ongoing results.

⁽¹⁾ For the purpose of sustainability reporting, we are currently including Tianjin oilfield services only for emission (Scope 2) data disclosure.

⁽²⁾ Velesto will continue to establish data collection and monitoring of other material matters for our oilfield services operation for future disclosure

⁽³⁾ Velesto in FY2023 has included the measurement of Business Travel (by land), in addition to Business Travel (by air) in its Scope 3 disclosure

SUSTAINABLE VALUE CREATION

MANAGING ENVIRONMENTAL IMPACT

WHY IT MATTERS

Our operations primarily revolve around resource extraction from the marine environment. This pollution sensitive ecosystem requires us to uphold the highest standards in pollution mitigation and control, as incidents like major oil spills or improper waste disposal can affect marine ecosystems and coastal communities. Therefore, we place great emphasis on preventing spills during the use of drilling fluid or fuel, and responsibly managing hazardous waste and effluents generated from our operations and water consumption to ensure minimal to no environmental impact.

OUR APPROACH

Approach	Management Description and Initiatives
Robust Governance of Environmental Matters	<ul style="list-style-type: none"> The Board, through the BRMC, maintains vigilant oversight on all matters pertaining to our environmental impact, receiving quarterly updates on initiatives and performance during scheduled BRMC meetings. The Group's commitment to environmental excellence is underscored by the attainment of ISO 14001:2015 certification across all subsidiaries, with annual audits conducted to affirm our adherence to globally recognised standards. We have established specific objectives and targets to drive awareness and concerted action across our operations, with our primary goal within the realm of environmental management being to maintain an impeccable track record of zero major spills. Moving forward, we aim to conduct a more in-depth analysis of our performance parameters and explore the feasibility of setting targets for addressing additional environmental impacts. Concurrently, we are committed to continuously advancing our efforts in responsibly managing resources such as water and minimising the waste generated by our operations.
Advocating Policy and Regulatory Adherence	<ul style="list-style-type: none"> Our environmental management practices are subject to stringent regulations, ensuring that our operations align with the commitments outlined in our various environmental policies and procedures (refer to page 61 for details on our Velesto Group policies). All our offshore rig designs are certified according to American Bureau of Shipping ("ABS") and Det Norske Veritas ("DNV") classifications, with our waste management plans adhering strictly to the requirements of the Annexes of the International Convention for the Prevention of Pollution from Ships (MARPOL 73/78), covering aspects such as waste management, spill containment, effluent management and more. Certain types of waste generated from both our offshore and onshore operations require specialised handling procedures. These wastes are transferred to shore and managed in an environmentally responsible manner, adhering to the standards set by the Malaysia Department of Environment's ("DOE") Environmental Quality (Scheduled Waste) Regulation 2005.
Robust Monitoring and Disclosure	<ul style="list-style-type: none"> Our measurement and disclosure of environmental metrics pertaining to water, waste and pollution adhere to recognised international practices such as GRI, alongside local regulations outlined by Bursa Malaysia and F4GBM. These metrics, detailed in the ESG performance table on page 119-128 of this report, undergo periodic monitoring and are regularly updated to management for analysis of performance and areas of improvement.
Implementing Controls and Technologies	<ul style="list-style-type: none"> We consistently integrate a range of technologies, systems and processes to uphold responsible environmental practices and mitigate environmental risks throughout our operations and ongoing projects. Our waste management practices involve meticulous segregation of waste into categories such as general waste, scheduled waste and recyclable waste. To comply with regulations, we maintain sufficient storage capacity for waste and have installed dedicated Sewage Treatment Systems onboard each rig. These systems treat our sewage in accordance with best practices, ensuring no adverse environmental impacts upon discharge into the sea. In terms of water usage, our offshore operations primarily utilise seawater for rig activities, with the majority of seawater withdrawn for drilling and cleaning purposes. The remaining seawater undergoes filtration and distillation via reverse osmosis to ensure it meets potable standards for consumption by the crew. Regarding effluents, we adhere to a strict zero discharge policy within our offshore operations to prevent pollution in the surrounding marine environment. Moreover, our rigs are equipped with spill containment systems certified by regulatory bodies like ABS and DNV, demonstrating our comprehensive approach to preventing direct environmental pollution.

SUSTAINABLE
VALUE CREATION

Approach	Management Description and Initiatives
Enhancing Competencies and Engagement	<ul style="list-style-type: none">To ensure our workforce and crew receive adequate trainings in managing scheduled wastes and maintain full compliance with legal requirements, a number of our employees undergo the Certified Environmental Professional in Scheduled Waste Management ("CePSWAM") training. This training programme is offered by the Environment Institute of Malaysia ("EiMAS") under the auspices of the DOE.We have also established a Waste Management Task Force to enhance waste management across our operations and implement improvements to our waste management framework. Additionally, we regularly update our clients on our performance and initiatives to ensure alignment with their guidelines and expectations.

OUR PERFORMANCE

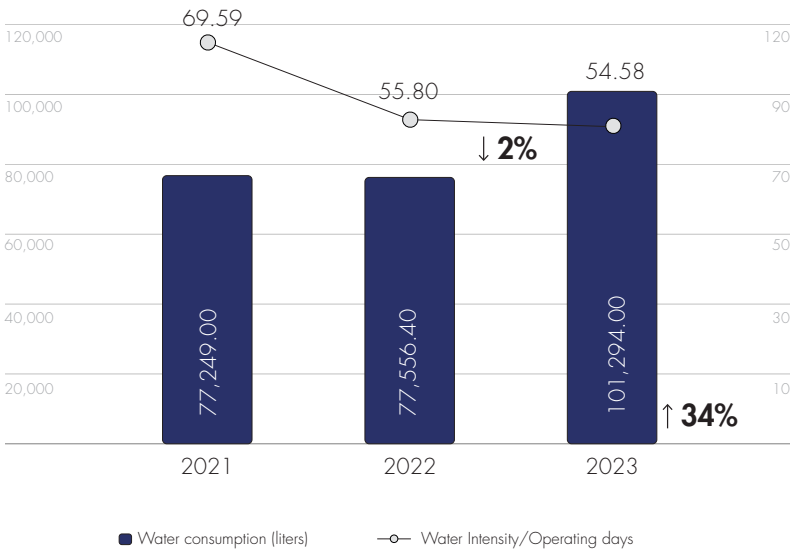
In FY2023, we maintained our record of zero environmental non-compliance or major spills while further reducing water consumption intensity per operational day. Only one minor spill was recorded during the year.

We remain vigilant to the environmental risks attributed to our increase operational activity, with higher rig utilisation over the past year contributing to 34% rise in our water consumption and 62% increase in scheduled waste generation. However, we have continued to ensure that none of our water requirements rely on water extracted from water stressed areas.

While we view this a commendable performance, we recognise that more can be done.

Moving forward, we are committed to enhancing waste circularity through comprehensive assessments and a deeper understanding of our overall waste streams.

3-YEARS WATER CONSUMPTION AND INTENSITY/
OPERATING DAYS (LITERS)



Environment
non-compliance
ZERO



Major Spill
ZERO

SUSTAINABLE VALUE CREATION

NATURE & BIODIVERSITY

WHY IT MATTERS

With the majority of our operations taking place in natural marine environments, we understand the importance of conducting offshore activities in a manner that preserves natural oceanic ecosystems, minimising and preventing any negative impacts on marine life and biodiversity resulting from our business activities. Furthermore, as responsible corporate citizens, we are committed to conservation efforts aimed at preserving nature and biodiversity. Through outreach initiatives and engagement with local communities, we strive to raise awareness and promote collective action towards this shared goal.

OUR APPROACH

Approach	Management Description and Initiatives
Stringent Guidelines to Ensure Responsible Operations	<ul style="list-style-type: none"> To ensure effective governance and oversight on nature and biodiversity impacts, we have established a Marine Operations Policy that outlines the stringent measures our operational teams should adopt to safeguard the surrounding environment during our offshore operations. This policy ensures that thorough due diligence is conducted before initiating new projects. This includes ensuring that projects are not undertaken in biodiverse areas and requiring clients to conduct comprehensive Environmental Impact Assessments ("EIAs") to assess biodiversity risks at each site. Additionally, we collaborate closely with our clients to avoid areas with significant biodiversity value or habitats for rare and endangered species listed on the IUCN Red List.
Adopting Operational Controls to Prevent Impact	<ul style="list-style-type: none"> Various practices have been adopted as standard operating procedures ("SOPs") to ensure minimal impact on natural ecosystems during our offshore activities. A direct approach to preserving marine ecosystems is our utilising the seabed survey reports from client EIAs to strategically position our rigs to minimise interference with aquatic habitats, fish populations and migratory routes. Indirectly, our collective efforts to embed accident prevention, pollution avoidance and carbon footprint mitigation practices in our operations also contributes to a net positive impact towards safeguarding marine biodiversity. Additionally, we pay close attention to minimising environmental impact during decommissioning activities. This includes preventing potential oil spillages that could pollute marine environments, avoiding physical disturbance to the seabed and surrounding ecosystems, and mitigating the risk of introducing invasive or diseased species to new rig sites if marine organisms are still attached to the rig structure. All plug and abandonment projects are conducted in full compliance with local and international regulatory frameworks, including the ASCOPE Decommissioning Guidelines for Oil and Gas Facilities and the DOE Environmental Impact Assessment Guidelines for Petroleum Industries.
Stakeholder and Community Engagement	<ul style="list-style-type: none"> Through ongoing engagement with regulators, government agencies, and industry peers, we stay informed about regulatory changes and best practices to ensure that our drilling and decommissioning processes minimise biodiversity loss. We also collaborate closely with our contractors to ensure that their practices meet robust environmental standards consistent with our commitment to environmental responsibility. Simultaneously, we engage with the broader community to actively participate in biodiversity conservation projects. Since FY2022, we have partnered with the Faculty of Science and Marine Environment of Universiti Malaysia Terengganu ("UMT") and Alunan Coral Project to support coral reef restoration efforts at Perhentian Island in Terengganu. Over the past two years, we have completed two phases of the programme, planting more than 500 new coral fragments across two coral nurseries. In addition to our restoration efforts, we conduct educational activities to raise awareness of coral preservation among local populations, and have undertaken a survey of fish diversity to gain a deeper understanding of the surrounding aquatic communities.

SUSTAINABLE VALUE CREATION

OUR PERFORMANCE

Prior to every drilling campaign, we will review the EIA assessments conducted by the clients and reassessed our HSE case to ensure mitigation and control processes in place in avoiding potential damage to surrounding marine ecosystem. These were reviewed in reference to guideline from global and local frameworks like the International Union for Conservation of Nature ("IUCN") and DOE Environmental Impact Assessment Guidelines for Petroleum Industries of which we found that none of our operational areas were adjacent to sites classified as rich in biodiversity.

Beyond operational control of our projects, Velesto continues to commit to conservation efforts in particular our coral restoration site in Pulau Perhentian. In FY2023, we spent a total of RM63,357 on this initiative, a 41% increase compared to the year prior. In recent analysis of coral growth, we identified that four different species of the corals we planted in 2022 have already begun to grow, indicating that our efforts are on the right track.

We have also advanced public awareness and awareness on our coral planting project, while adopting technology to increase accessibility to these corals. Through the use of virtual reality, we provide an opportunity for those who are unable to enter the ocean, such as young children, the elderly and the physically challenged, to obtain an immersive educational experience through remote learning.

Our commitment to supporting marine biodiversity drew industry recognition over the past year, with our coral nursery project being awarded the CSR Initiative of the Year for the Oil and Gas sector at the 2023 Malaysia Excellence Awards presented by Asian Business Review Magazine. As the only oil and gas company engaged in coral reef restoration in Perhentian Island, we are dedicated to continuing this conservation programme in the years ahead.



Number of
biodiversity assessment
undertaken on new site

4

VS 1 FY2022



ZERO
OPERATIONS

within or adjacent to
**SITES DEEMED RICH
IN BIODIVERSITY**



Budget spend on
**biodiversity and
conservation effort**

RM63,357

**41% INCREASE COMPARED
TO YEAR 2022**

SUSTAINABLE

VALUE CREATION

EMPOWERING PEOPLE



We are committed to addressing the needs and expectations of our workforce and the local communities where we operate.

We recognise our employees as integral to our value creation aspirations, and as such, we prioritise building a diverse workforce that is well-supported in terms of their well-being and development. Additionally, we acknowledge our responsibility to the broader society and undertake various initiatives aimed at driving positive outcomes for local communities.

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SAFETY & HEALTH

WHY IT MATTERS

Ensuring the safety and health of our workforce is paramount at Velesto, particularly in terms of safeguarding employees from occupational hazards during offshore oil and gas operations. Our robust safety practices not only mitigate potential impacts to our operations but also drive speed, reliability, productivity and morale among employees. Maintaining a strong safety track record further enhances our reputation, protects our licenses and gives us a competitive edge in contract bids. We thus take all necessary precautions to protect employees and have inculcated safety awareness as an integral part of our business culture.

SUSTAINABLE VALUE CREATION

OUR APPROACH

Approach	Management Description and Initiatives
Stringent Leadership and Oversight	<ul style="list-style-type: none"> To ensure effective leadership and oversight of all safety and health matters, we have established a dedicated corporate HSE Committee that is chaired by Velesto's President, who serves as the Group's primary advocate for all HSE matters. In discharging his duties, our President is further supported by the Board and the Senior Management team. At the highest level, OSH matters are discussed during full Board meetings and quarterly meetings of the Board Risk Management Committee ("BRMC"). Our HSE Division and HSE Committees report to the Board Risk Management Committee, and are responsible for monitoring and enhancing overall HSE performance across our business operations. To ensure leadership personnel remain informed about relevant OSH issues and are able to monitor ongoing performance, the HSE Division conducts monthly HSE Operations Meetings, which are led by our Vice President of Operations and attended by Rig Managers, HSE Heads and HSE Managers. The President and Senior Management team also participate in regular site visits to emphasise their commitment to employee safety and well-being, including those working offshore. These visits serve to foster a strong safety culture and boost employees' morale. In 2023, a total of 57 Management HSE visits were conducted, with our President attending 11 of these excursions.
OSH Policies and Scorecard KPIs	<ul style="list-style-type: none"> To foster a safety-conscious culture, we have implemented a robust HSE Policy and an OSH Policy that meets all regulatory requirements, including the Malaysian Occupational Safety and Health Act. This is supported by a comprehensive OSH Management System that was developed in accordance with global best practices and certified to ISO 45001, ISO 14001 and ISO 29001 standards. To underscore our commitment to driving OSH excellence and establish clear performance expectations, KPIs related to safety and health have been incorporated into the scorecards of HSE leadership and management teams. We benchmark our safety performance against industry standards and internal performance targets, which include parameters such as achieving zero Lost Time Incidents ("LTI").
Identifying and Mitigating OSH Risks	<ul style="list-style-type: none"> We adopt a vigilant approach to identifying potential health and safety risks across our worksites and value chain, deploying the use of Hazard Identification, Risk Assessment and Risk Control ("HIRARC") and taking into account a wide range of factors such as exposure to chemical health risks, noise pollution, near miss incidents and potential hazards, amongst others. Prior to the commencement of projects or rig operations at a new site, we carry out OSH risk assessments to uncover risks unique to a particular location or task. Once risks are identified, HSE Heads and Managers play a key role in facilitating the analysis and evaluation of risks, along with proposing appropriate action plans and mitigation strategies to prevent potential incidents from occurring. Further to this, we may periodically reassess risks at existing operations as and when required, such as in the event of weather changes, process variations or occurrence of OSH incidents. We also ensure that our HSE Committees comprise a mix of management and employee representatives. This diverse composition enables our leadership teams to better understand the challenges faced by on-ground crew members, facilitating continuous improvement in risk mitigation and precautionary practices. All significant OSH risks are thoroughly discussed and addressed in quarterly meetings of the HSE Committee.
Initiatives to Drive a Robust HSE Culture	<ul style="list-style-type: none"> We prioritise employee safety and health through comprehensive measures, with preventative maintenance being a key strategy to prevent OSH incidents caused by equipment malfunction. We adopt industry recommended practices, alongside API and OEM guidelines, when conducting regular maintenance on our assets, and seek input from independent consultants and clients to ensure our equipment meets required standards. Additionally, we conduct annual internal audits of our facilities and provide trainings for auditing staff to ensure a thorough understanding of safety standards and their application. Details of internal audits conducted during FY2023 are outlined in the accompanying table.

SUSTAINABLE VALUE CREATION

Approach	Management Description and Initiatives
Implemented a Stop Work Policy	<ul style="list-style-type: none"> Stop Work Policy to empower employees to halt work in the face of a potentially unsafe situation. This policy serves to enhance accountability amongst employees while enabling a prompt response to prevent escalation of potentially catastrophic OSH incidents. In 2023, a total of 33,000 Time Out For Safety ("TOFS") stop-work orders were issued. In the event of HSE emergencies, we rely on our Emergency Control Centre ("ECC") at Plaza Sentral and conduct regular mock simulations and drills to ensure preparedness for major disruptions. Weekly emergency drills are conducted on rigs, and annual fire drills are carried out at other facilities. Additionally, we have developed an Emergency Response Plan ("ERP") for all Velesto facilities and established an Emergency Response Team ("ERT") to swiftly respond to incidents.
Leveraging Technology to Enhance Safety	<ul style="list-style-type: none"> We allocate significant resources to maintain and enhance our practices and infrastructure, including investing in cutting-edge innovations such as the Synergi Life's QHSE software. In 2023, we initiated the implementation of the Synergi Life ESG module to further strengthen our capabilities in managing ESG-related data. To improve our incident investigation capabilities, we have implemented an Investigation Management System Procedure that utilises incident investigation software such as Tripod Beta and Systematic Cost Analysis Technique. These tools provide detailed insights into incidents, enabling our investigation team to identify causation paths and weaknesses in current safety measures, propelling the development of improvement plans.
Driving HSE Engagement Amongst Employees	<ul style="list-style-type: none"> To enhance safety and health awareness among our workforce, we utilise various communication platforms such as briefing sessions, HSE meetings, posters, notice boards, bulletins, emails, memos and videos to disseminate information about our OSH Policies, standards and practices. Additionally, our HSE training programme offers a wide range of industry-specific trainings to equip employees with the necessary competencies for safe and effective job performance, with the following topics covered during FY2023.
Employee Representation on HSE Committees	<ul style="list-style-type: none"> In our belief that employees should play a meaningful role in OSH management, we have established a HSE Committee that comprises a mix of management and employee representatives from both the Operations and Corporate Divisions. Through these quarterly HSE Committee meetings, we empower employees to contribute directly to their working conditions and leverage the informed insights and suggestions of frontline workers who face the most significant OSH risks. This two-way engagement enables employees to take ownership of their work environment, and promotes a culture of accountability and compliance guided by established systems, processes and procedures. In addressing any HSE issues raised by employees, the HSE Committee is sanctioned to proactively determine and implement the necessary measures to uphold safety and security across our working sites. We are pleased to have retained 100% employee representation on our HSE Committee during FY2023.



In 2023, our President attended
11 HSE site visits
to engage with offshore and onshore workers



In 2023, we retained
100% employee
representation on our HSE Committee

FY2023 Internal audit assessment

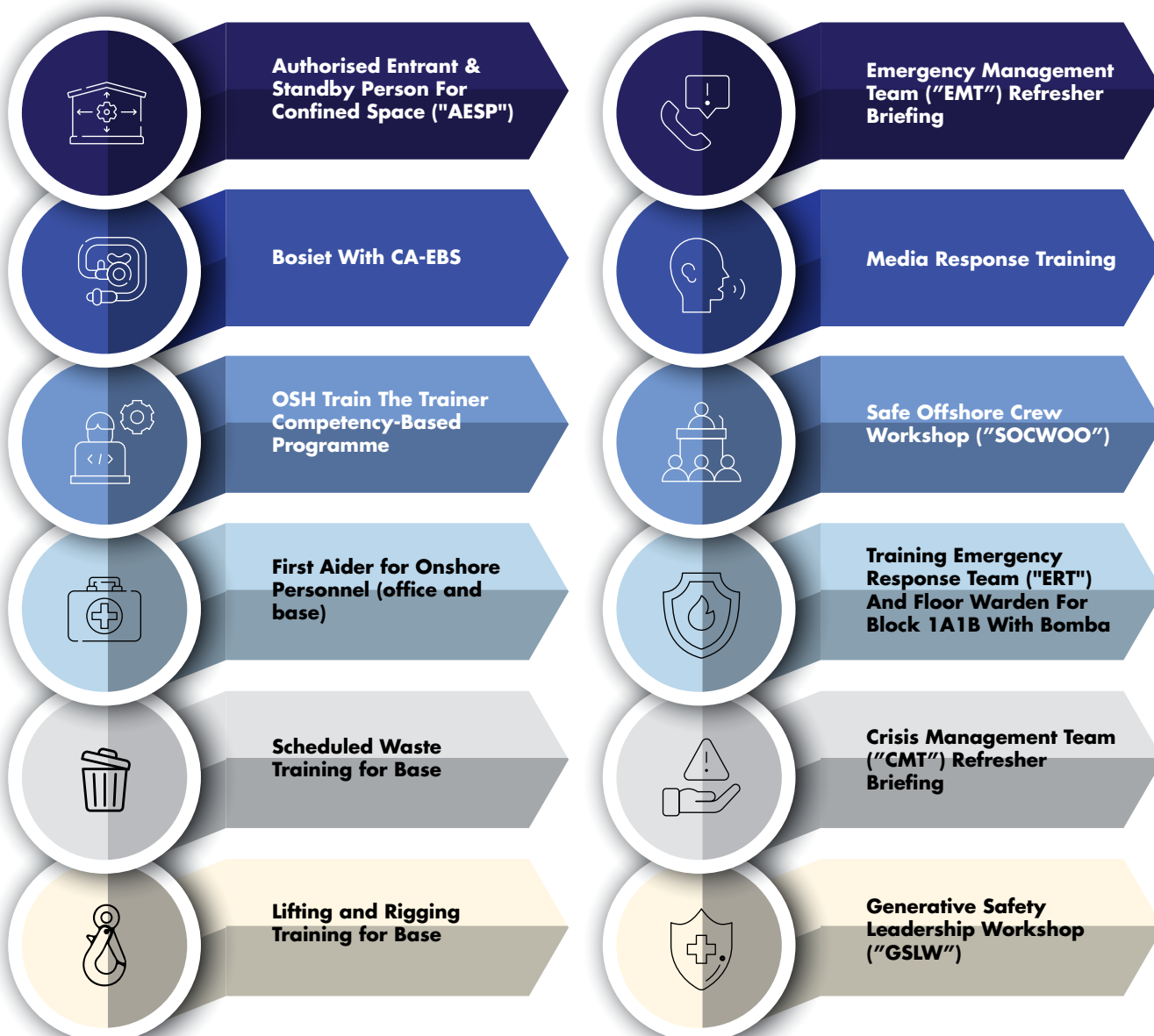
Date	Asset / Operational Site	Type Of Audit
7 – 9 March	KSB	Physical Audit
27 – 29 March	NAGA 2	Remote Audit
9 – 10 May	GAIT 6	Physical Audit
17 – 19 July	NAGA 4	Physical Audit
14 – 18 August	NAGA 5	Physical Audit
12 – 15 September	GAIT 5	Remote Audit
25 – 27 September	ASB	Physical Audit
6 – 9 November	NAGA 3	Remote Audit

SUSTAINABLE VALUE CREATION

HSE Initiatives and programme




At the ground level, we promote safety awareness and responsibility on a daily basis, during toolbox meetings, shift change meetings and other scheduled engagements. Leadership involvement and guidance on HSE matters are facilitated through townhall meetings, committee engagements and messages in our newsletter. We also disseminate periodic HSE Alerts to share lessons learned from past incidents and retain these advisories on the HSE Bulletin Board for reference.

Additionally, our HSE training programme offers a wide range of industry-specific trainings to equip employees with the necessary competencies for safe and effective job performance, with the following topics covered during FY2023:



SUSTAINABLE VALUE CREATION

Aside from these core initiatives, the following programmes were also undertaken during 2023 to further reinforce awareness, provide updates on latest developments and promote learning through friendly competition:

HSE Initiative	Description and Objectives
 Generative Safety Leadership Workshop	<ul style="list-style-type: none"> A two-day workshop that featured the involvement of top management and client representatives, aiming to foster a safety culture within Velesto where every employee takes ownership and contributes to enhancing safety. A total of six sessions were conducted with 195 crew members.
 Safe Offshore Crew Workshop	<ul style="list-style-type: none"> A knowledge sharing and leadership coaching initiative that served to remind employees of our expectations on HSE matters while inculcating a collective and united spirit towards achieving our HSE targets. The full-day event was attended by all offshore crew as well as client representatives.
 Behaviour in Focus ("BIF")	<ul style="list-style-type: none"> The BIF Programme remains a core strategy for maturing our HSE culture, seeking to drive progress by identifying undesired behaviours and reinforcing the correct safety behaviours. Employees are encouraged to send in their HSE suggestions, with the best monthly BIF being selected and rewarded each quarter.

OUR PERFORMANCE

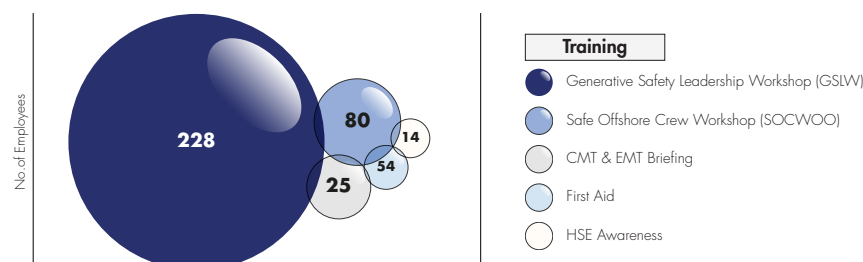
Despite recording 2.5 million manhours worked during FY2023, we are pleased to report that our various initiatives and practices have successfully enabled us to achieve our targets of zero fatalities and zero LTIs recorded during the year. However, we marked a slight increase in recordable work-related injuries due to three medical treatment cases and one first aid case.

We have also stepped up our employee training efforts, with a total of 401 employees trained on various HSE matters throughout the year. Moving forward, we will continue to seek new and innovative solutions to enhance workplace safety and health, while further embedding a culture of safety, responsibility and accountability across our workforce.

Our HSE Targets and FY2023 Results

Annual HSE Target	FY2023 Performance
Zero fatalities	Zero fatalities Achieved
Zero LTI	Zero LTI Achieved
TRCF below 1.0	TRCF Rate 1.56 Not achieved

No. of employees trained on health and safety standards



Lost Time Injury & Fatalities

ZERO

Target Achieved



Total Manhours Worked

2.5 MIL

Increased 27% compared to FY2022



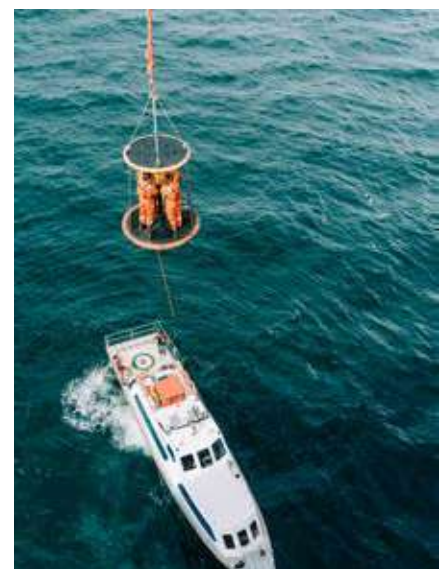
Lost Time Injury Frequency ("LTIF")

ZERO



Number of employees trained on HSE standard

401



SUSTAINABLE VALUE CREATION

FAIR EMPLOYMENT PRACTICES

WHY IT MATTERS

Recognising the pivotal role of our people in our success and sustainability, we prioritise providing them with a supportive and engaging environment to unleash their full potential. Through learning programmes, career development pathways, competitive compensation, comprehensive benefits and wellbeing initiatives, we empower our workforce to grow alongside the organisation and cultivate a culture of excellence and innovation. These initiatives also enhance our ability to attract and retain top industry talent, crucial for achieving our overarching ambitions.

OUR APPROACH

Approach	Management Description and Initiatives
Robust Governance and Policies	<ul style="list-style-type: none"> The Board of Directors through BNRC assumes a fundamental role in overseeing our talent retention and development strategies, ensuring that our human resources policies align with our business objectives and monitoring Key Performance Indicators ("KPIs") relating to employee engagement, retention and development. To support the Board in these efforts, we established the Velesto Talent Council ("VTC") in FY2021, through which Senior Management personnel collaborate with Group Human Resources Division to set overarching goals and strategies for addressing talent gaps and challenges within the organisation. Evaluation of our talent management framework centres on metrics such as employee productivity and business performance. Monthly reports on employment data covering areas like hiring, attrition, trainings and diversity indicators serve as key insights for refining our talent management strategies. To ensure Group-wide adherence to fair employment practices, we have established various overarching Group policies, most notably our Code of Business Conduct and Ethics ("CoBE"), Policy Statement on Human Rights and Labour Standards, and our Policy Statement on Recruitment Management System Procedures.
Recruitment and Onboarding Practices	<ul style="list-style-type: none"> We maintain fair and non-discriminatory practices throughout our recruitment process, with the exception of prioritising local candidates for job vacancies if they meet the necessary requirements. Successful hires receive detailed contracts outlining their roles, responsibilities and remuneration, promoting transparency and fairness. New hires undergo a thorough induction process covering their rights and entitlements as per local laws and Group policies, including those related to human rights, corruption and ethical conduct. Additionally, compulsory HSE induction sessions acquaint all new employees with safety protocols and procedures. This comprehensive induction procedure aids new hires in adapting to our organisational processes, communication channels and corporate culture, facilitating their adjustment to the work environment and ensuring a positive experience at Velesto.
Competitive Remuneration and Benefits	<ul style="list-style-type: none"> To foster a high-performance culture, we implement merit-based compensation systems evaluated against individual, team and Group KPIs, alongside considerations of seniority and qualifications. Regular assessments ensure the competitiveness of our compensation and benefits packages in line with industry standards, with adjustments made as needed subject to financial feasibility. We offer a wide array of benefits to fulltime employees, encompassing both mandatory benefits as stipulated by Malaysia's Employment Act 1955 and additional perks provided at the Company's discretion. These supplementary benefits are strategically offered to uphold our ability to attract and retain top industry talent. ESOS options were granted to eligible employees. <p><i>Example of benefits offered to our employees are outlined in the section below.</i></p>
Training, Development and Appraisals	<ul style="list-style-type: none"> We invest significantly in employee training to equip our staff with the essential knowledge and skills that align with our long-term aspirations. Courses and programmes are predominantly delivered through various electronic communication platforms, and are customised to address individual requirements. During the annual appraisal process, we assess competency gaps and collaboratively devise a comprehensive personal development plan for each employee with input from Human Resources, the individual and their supervisors. Subsequently, we establish training KPIs for employees to fulfil before their next annual appraisals. Our appraisal process is constructive and two-way, empowering employees to provide insights on their performance or challenge results through our formal grievance mechanism. This feedback loop also helps evaluate the effectiveness of our training programmes, with feedback solicited from employees through Training Evaluation Forms and utilised to pinpoint areas for enhancement and ensure our training initiatives meet the evolving needs of our workforce.

SUSTAINABLE VALUE CREATION

Approach	Management Description and Initiatives
Robust Employee Engagement	<ul style="list-style-type: none"> Valuing transparent and timely communication with our staff, we maintain regular engagement through both physical and virtual channels. A new initiative launched in FY2023 was the 'Learning Over Lunch with President' programme, which leverages direct interaction with leadership to motivate and inspire our workforce, while fostering transparency and building rapport. Additionally, quarterly town hall meetings remain a cornerstone of our communication strategy, providing a platform for Senior Management to engage with all employees. We have also continued to embrace new digital tools to enhance employee engagement, with our Velesto Inspires Me ("VIME") digital magazine covering topics such as self-management, culture and sustainability to educate employees and provide them with a central space to connect and engage. As part of our commitment to employee engagement, we conduct a biennial Employee Engagement Survey, achieving a score of 79% in our last survey. In response to feedback from previous surveys, we have implemented initiatives to address key issues and enhance employees' satisfaction. Moreover, we continually implement a variety of initiatives and incentives to demonstrate appreciation for our employees' dedication, while rewarding top performers for their invaluable contributions to our success.
Adopting Two-Way Evaluations	<ul style="list-style-type: none"> Our formal appraisal practices for all employees are pivotal for identifying individual training needs and determining annual compensation packages, which include staff bonuses. Designed to be a constructive, two-way process, our performance-driven approach to appraisals enables employees to provide their own insights on their performance. Employees retain the right to accept or contest their appraisal results, and those who disagree with their review scores can address their grievances with HR through our formal employee grievance mechanism. At the same time, we gauge the effectiveness of each training programme by soliciting feedback from employees through Training Evaluation Forms distributed at the conclusion of each session. These forms assess various facets of the training, such as employee satisfaction, attainment of learning objectives and the ability to apply newfound knowledge and skills to their role. By systematically evaluating the efficacy of our training programmes, we can pinpoint areas for enhancement and ensure that our training initiatives meet the evolving needs of our workforce.
Other Internship and Development Programmes	<ul style="list-style-type: none"> We remain committed to enhancing youth employability through our Velesto Trainee Scheme ("VTS") and internship programmes, which offer selected graduates 12-month appointments to gain practical experience. These initiatives are particularly beneficial for unemployed youths, especially local undergraduates, providing them with valuable exposure to their chosen fields of study and bolstering their future employability, directly supporting the government's efforts to enhance the job prospects of unemployed graduates in Malaysia. Participants in the VTS who demonstrate promise and aptitude may be offered full-time employment opportunities with Velesto, further underscoring our commitment to nurturing talent and investing in our workforce. The VTS programme also serves as a cornerstone of our Community Investment initiatives, reflecting our dedication to promoting youth employment and supporting local communities. As part of our Velesto Wawasan 2030 initiative, we have extended the reach of the VTS to Sarawak, thereby expanding business functions and creating job opportunities for B40 Malaysians in the region. Additionally, we have initiated an Offshore Development Programme encompassing the Velesto Drilling Engineer ("VDE") and Velesto Electronic Engineer ("VEE") programmes. These initiatives are designed to cultivate local talent within the oil and gas industry, focusing on equipping young graduates with the technical expertise and skills required for success. By providing hands-on experience and comprehensive trainings, these programmes prepare participants to excel in various aspects of the industry, thus contributing to their professional development and the growth of the sector as a whole.

Velesto provides **competitive leave entitlement** in compliance with relevant labor regulations and corporate best practices.

SUSTAINABLE VALUE CREATION

Benefit and perks

16% EPF Contribution By Company	Overtime Payments (Where Applicable)	Group Personal Accident ("GPA")
Employee's New Born Benefits	Group Term Life ("GTL") insurance for all employees	Employee's Bereavement Wreath
Group Hospitalisation & Surgical	Employee Education Assistance Programme	Long Service Award & Recognition
Annual medical check-up for all employees aged 40 years and above	<p>Statutory sick pay leave without hospitalisation ranging from 14 days to 28 days depending on the employee's job grade and period of service. A period of up to 60 days is granted if hospitalisation is necessary.</p> <p>Company supported/ subsidised health/ medical insurance plan for offshore crew</p>	

Highlights of our training and programmes undertaken during 2023 include:

	Design Thinking	A strategic initiative, undertaken over two sessions to foster innovation, problem-solving, and customer-centricity.
	Introduction to Drilling for Non-Drillers	A new programme that enhances cross-functional understanding, raises safety and environmental awareness, fosters inclusivity and encourages ESG considerations.
	Behavioural Interview for Managers	A programme for hiring managers and interviewers to enhance recruitment practices, enabling the recognising and proactively addressing of challenges while embedding ESG considerations.
	Byte Sized Insights	An online knowledge-sharing programme to promote the exchange of information, ideas and expertise across Velesto, with Legal, QHSE and IPM teams participating.
	IWM and ERP Trainings	A series of training programmes for both employees and management to guide best practices in inventory and warehouse management and provide refreshers on our ERP systems.



7

SESSIONS

of Learning over
Lunch with President



**EMPOWERING
YOUTH
EMPLOYABILITY**

through VTS and
Internship

SUSTAINABLE VALUE CREATION



Contributed
RM140
MILLION
Employee Benefits

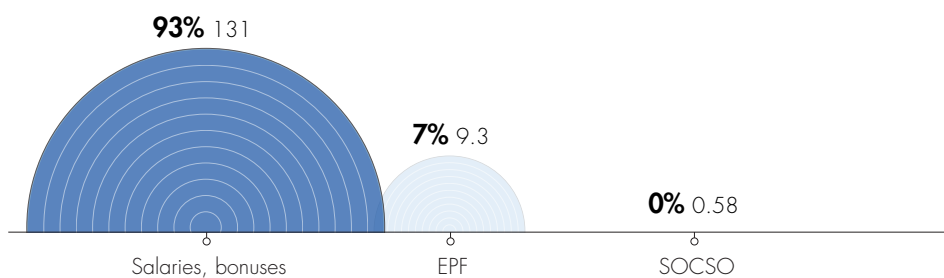


Total training hours
7,653
Increase
66% from FY2022

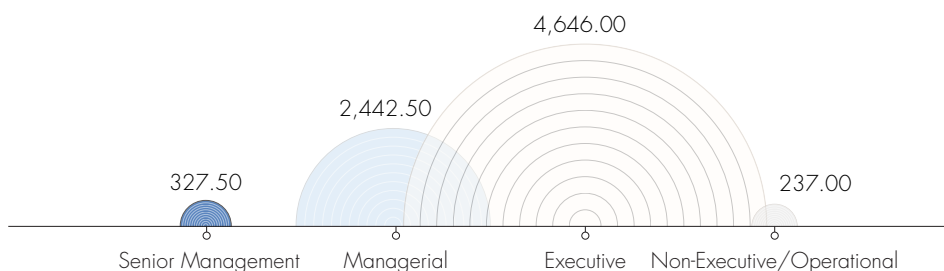
OUR PERFORMANCE

In FY2023, we contributed RM140 million towards employee benefits and remuneration including EPF and SOCSO while maintaining a clean compliance record with labour laws. Our commitment to employee development was evident as our combined training hours surged to 7,653 a substantial increase from the 4,612 (66%) hours in FY2022. Moving forward, we will remain vigilant in assessing employee needs, aiming to expand our trainings and development initiatives to support their advancement in tandem with our growth aspirations.

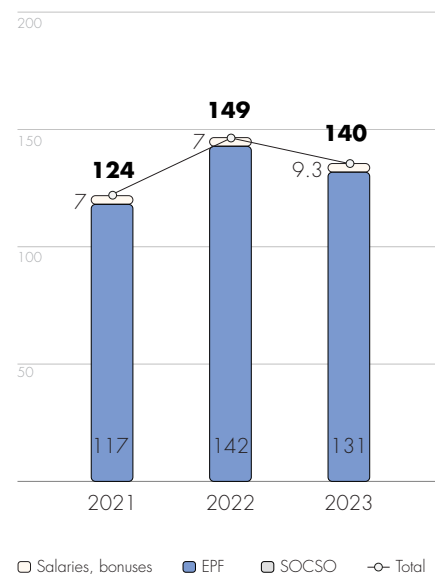
2023 Benefit & Remuneration paid (RM Mil)



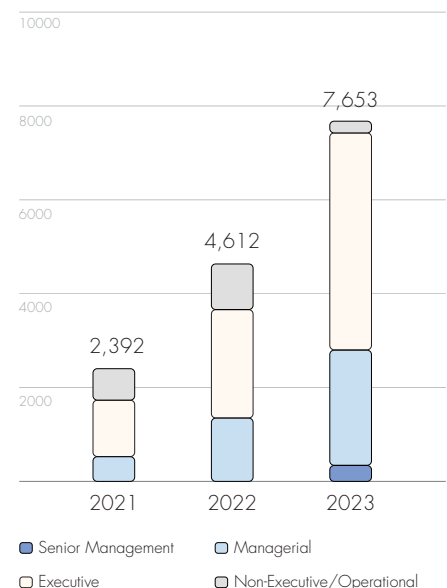
2023 Training Hours by Employment Category



3 years Total Benefit & Remuneration



3 years Total Training Hours



SUSTAINABLE VALUE CREATION

PROTECTING HUMAN RIGHTS

WHY IT MATTERS

Responsible protection of human rights is crucial, not just from an ethical standpoint but also to ensure the sustainability of our business operations. By upholding ethical labour practices internally and throughout our supply chain, we ensure compliance with regulations and create workplaces where employees are valued, respected and empowered. This is essential for safeguarding our business interests and maintaining stakeholder trust and confidence in Veleso.

OUR APPROACH

Approach	Management Description and Initiatives
Our Policies and Commitments	<ul style="list-style-type: none"> Our human rights commitments are overseen by the Board and embedded within various overarching Group policies, which were crafted in alignment with relevant Malaysian labour laws, including the Malaysian Employment Act 1955 and Minimum Wages Act, as well as other applicable laws in the regions where we operate. In addition to our CoBE and Policy Statement on Human Rights and Labour Standards, we have implemented a Policy Statement on Recruitment Management System Procedure to provide controls for due diligence when engaging suppliers and vendors.
Our Practices and Processes	<ul style="list-style-type: none"> We have established numerous business practices and processes that underscore our respect for our employee rights. These include practicing flexible working hours and fatigue management to prevent excessive work hours, providing fair warning of operational and policy changes, offering wages that exceed minimum wage requirements, and implementing formal and confidential grievance channels. Our practices are further supported by the guidelines and stipulations of other related policies, such as those pertaining to non-discrimination, diversity and the creation of an equal opportunity workplace (see Diversity and Inclusion on page 95-97). We are continually reviewing our approach and practices to ensure relevance and ongoing compliance amidst an evolving operational landscape.
Supply Chain Due Diligence	<ul style="list-style-type: none"> Veleso is deeply committed to upholding human rights across our operations and supply chain, leaving no room for violations. Our procurement, contract and human resources teams lead the charge in collectively managing the day-to-day responsibilities of preventing and monitoring human rights risks within our Group. We expect all suppliers and vendors, including those employed by third-party contractors, to ensure their workforce is treated with dignity and operates in safe conditions. They are required to affirm their compliance with Malaysian laws on human and labour rights, worker welfare, child labour and human trafficking. Failure to affirm their compliance or meet these standards would result in serious consequences, including termination of services and legal action. Our proactive stance on this matter includes continuous assessment of labour risk issues and human rights impacts as part of our core business processes, with quick action undertaken to prevent and address any suspected or identified instances of exploitation or forced labour.
Employee Engagement and Feedback Channels	<ul style="list-style-type: none"> The Group periodically undertakes educational campaigns to drive compliance to our policies, with one such example being anti-sexual harassment roadshows to create greater awareness of our Policy on Sexual Harassment. We have also established communication channels to empower our employees and stakeholders to be the eyes and ears of leadership teams in overseeing human rights matters. Both internal and external stakeholders can utilise feedback mechanisms outlined within our Whistle-Blowing Policy and Grievance Procedures to raise grievances and issues pertaining to misconduct, harassment, human rights exploitation or other incidents of non-compliance. Individuals may raise these concerns anonymously and without fear of retaliation, either directly to their managers and human resources representatives, or through our confidential whistle-blowing channel, which is made accessible within our internal NEST network for internal stakeholders and our corporate website for external stakeholders. All grievances and concerns raised are investigated promptly by relevant management and leadership teams, ensuring timely remediation for affected parties and taking appropriate action to prevent recurrences.

SUSTAINABLE VALUE CREATION

Further to this, the Group has adopted a comprehensive array of commitments to drive fair labour practices and protection of human rights across our operational footprint. These include, but are not limited to, the following:

Ensuring equal opportunity and non-discrimination of Race, Religion, Gender, Age, and Marital Status	Upholding employees' right to freedom of association	Recognition of children's rights and prohibition and prevention of child labour	Respecting workers' rights to be treated with dignity at work
Respecting workers' right to undertake collective bargaining	Supporting employees' right to wellness and mental health	Supporting a harassment-free and violence-free workplace	Ensuring compliance with Minimum Wages Order 2022 and laws governing working hours and fair compensation
Prohibiting retaliation or any form of physical and mental disciplinary practice	Respecting people's right to their own culture, to practice their religion and to speak their language	Prohibition and prevention of forced labour, debt bondage, human trafficking and all forms of modern slavery	Upholding the right to safe working conditions

OUR PERFORMANCE

In FY2023, we successfully maintained our impeccable track record, with no reported incidents of non-compliance with labour standards or human rights violations. There were also no instances of child labour, human trafficking or forced labour reported. It remains a matter of pride that we have never been involved in any breaches of human rights concerning the rights of indigenous peoples throughout our history.

Additionally, no complaints were received with regard to operational changes during FY2023.



Complaint received regarding operational changes FY2023

ZERO



SUSTAINABLE VALUE CREATION

DIVERSITY, EQUITY & INCLUSION

WHY IT MATTERS

Velesto remains committed to promoting diversity, equal opportunity and meritocracy throughout the Group, fostering a sense of belonging and inclusivity among our employees. Embracing diversity enriches our workforce by bringing together a range of expertise, experiences and perspectives, which in turn fuels innovative thinking, enhances our decision-making processes. Moreover, by instilling a culture driven by merit-based achievements, we enhance our ability to attract and retain top performing talents.

OUR APPROACH

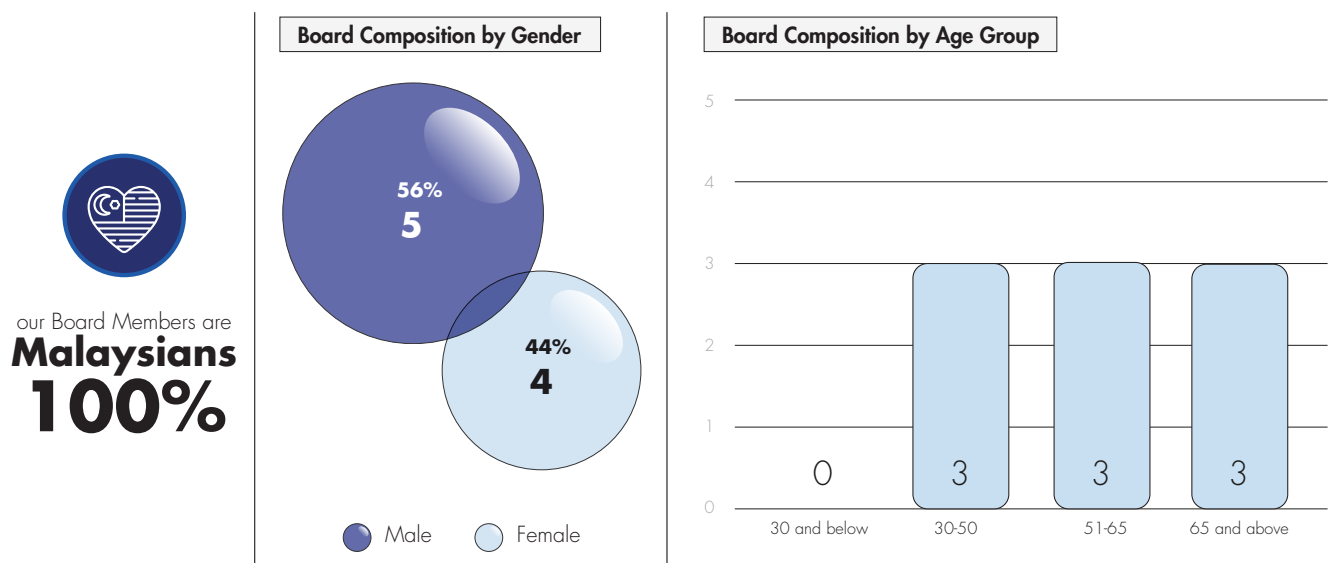
Approach	Management Description and Initiatives
Guiding Policies and Oversight	<ul style="list-style-type: none"> The Human Resources Department takes a leading and proactive role in championing diversity and inclusion initiatives throughout the Group, guided in their approach by the various policies the Group has established to facilitate the implementation of inclusive practices. Alongside our Policy Statement on Human Rights and Labour Standards, we have also instituted a Gender Equality Policy Statement, Disciplinary Procedures and Policy on Consequence Management that outline our expectations from employees and management personnel. Through these policies and measures, we unequivocally prohibit any form of discrimination based on factors such as race, gender, religion or socio-cultural background. To ensure ongoing oversight and drive continuous improvement, we have integrated diversity and inclusion Key Performance Indicators ("KPIs") into the scorecards of our leaders and managers, encouraging consistency and enhancement of our practices across the Group.
Upholding a Fair and Inclusive Culture	<ul style="list-style-type: none"> All employees and candidates for employment, promotion and development are assessed based on merit, including their qualifications, experience and professional contributions. The sole exception to this merit-based approach is our preference for hiring local talent, as part of our commitment to supporting local communities and safeguarding business sustainability. Recognising the rich tapestry of backgrounds within our workforce, we strive to accommodate and respect their individual dispositions, which can significantly enhance their experience and behaviour in the workplace. To this end, employees are encouraged to freely practice their respective cultures and religions without fear of discrimination or harassment. Through regular employee engagement activities, we further facilitate the cultivation of shared values and mutual respect, fostering a positive and respectful workplace culture that values diversity and inclusivity.
Gender Equality	<ul style="list-style-type: none"> Through our Gender Equality Policy, we have formalised our commitment to offering equal opportunities for both male and female employees to access employment benefits and participate at all levels of the company. We actively work to overcome gender-related barriers, creating an inclusive environment that welcomes women interested in pursuing careers at Velesto, even in traditionally male-dominated technical, offshore or field-related roles. Our efforts have resulted in a significant presence of talented women within our organisation, particularly in executive and leadership positions. As of December 2023, women constitute 51% of executive employees and 44% of the directors serving on our Board, surpassing the BURSA target of 30% women directorship in public listed companies.
Parental Leave Entitlement	<ul style="list-style-type: none"> We understand that welcoming a new addition to the family is a significant milestone, and we support our employees through this transition by providing ample time for parental leave. As of 2023, our parental leave entitlement stands at 98 days for new mothers and 7 days for new fathers, in adherence to regulatory standards. By offering opportunities for both mothers and fathers to take time off to care for their newborn, we aim to promote gender equality, encourage shared parenting responsibilities and ultimately create a more inclusive and supportive workplace culture.

SUSTAINABLE VALUE CREATION

Approach	Management Description and Initiatives
Promoting Greater Inclusiveness	<ul style="list-style-type: none"> While our recruitment strategy prioritises meritocracy, we acknowledge the importance of empowering underrepresented and vulnerable groups to enlist in our workforce. These groups encompass minorities, persons with disabilities, asylum seekers and refugees, long-term unemployed individuals, and those facing socioeconomic disadvantages. To address this, we conduct targeted recruitment drives aimed at candidates from the B40 Income Group to fill available positions. Additionally, we have introduced a new diversity indicator to monitor the representation of staff with disabilities across the Group.
Engagement and Advocacy	<ul style="list-style-type: none"> Our diversity and inclusion principles are communicated during employee onboarding and reinforced through engagement sessions and notices, ensuring the objectives of our policies are understood and employees are made aware of our Whistle-Blowing Policy and Grievance Procedures, which provides guidelines for reporting any instances of harassment. Additionally, we provide training to managers to raise awareness of the importance of gender equality in driving the success of our organisation. In our continuous efforts to enhance our culture and practices, we leverage on insights gained through periodic employee surveys and focus group discussions to identify and address gaps. Furthermore, we actively promote gender diversity in leadership roles through our involvement in the Malaysian Chapter of the 30% Club. This advocacy group focuses on increasing the representation of women in the boards and Senior Management of publicly listed companies. Our management actively participates in various initiatives led by the 30% Club, underscoring our commitment to fostering greater diversity and inclusivity within Corporate Malaysia and the oil and gas sector.

OUR PERFORMANCE

In accordance with our commitments and stakeholder expectations, Velesto has maintained a healthy representation of both men and women in our workforce, highlighted by our Board comprising of 44% women directors. We have also maintained a favourable mix of gender and age groups within our executive and managerial teams. The Group will continue to assess and analyse our policies, procedures and practices to ensure our commitments in this regard are upheld and enhanced where possible.

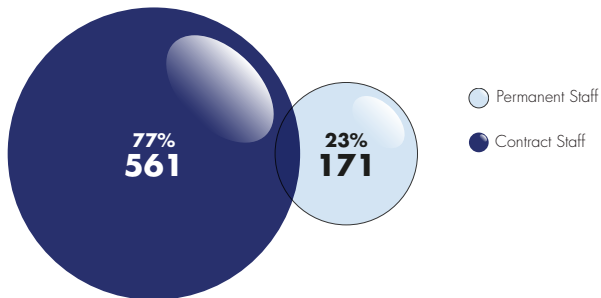


For data related to Board Composition, please refer to the CGOS section of this Integrated Annual Report on page 154 for details of Boards' appointments and resignation in FY2023.

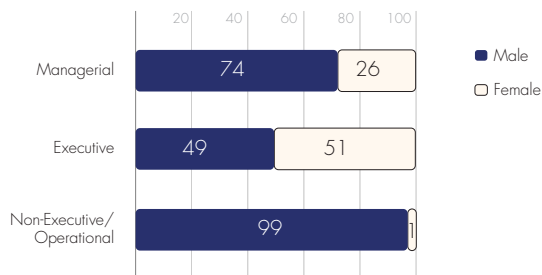
SUSTAINABLE VALUE CREATION

Workforce Diversity

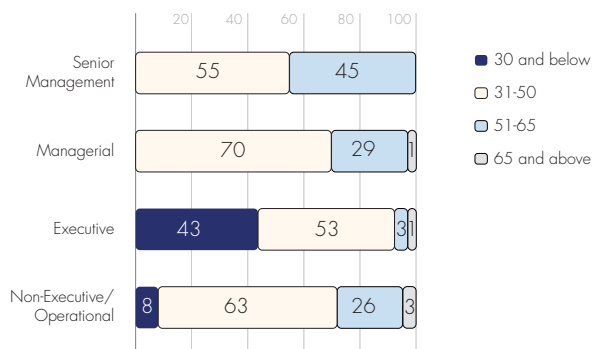
Permanent vs Contract Staff



% Employee by Gender & Category

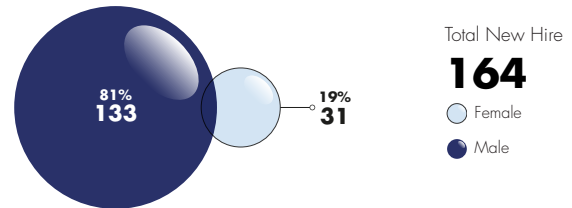


% Employee by Category by Age Group

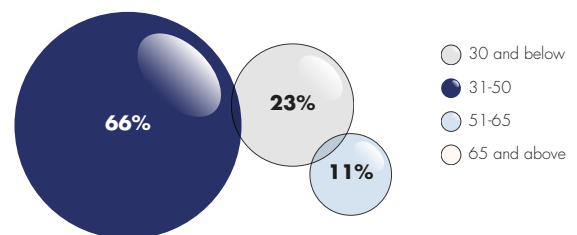


Hiring & Attrition Performance

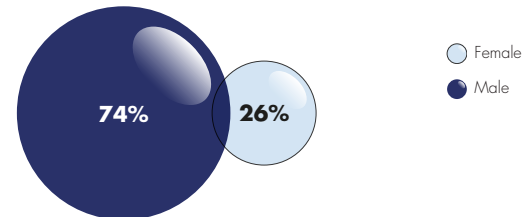
Total New Hire by Gender



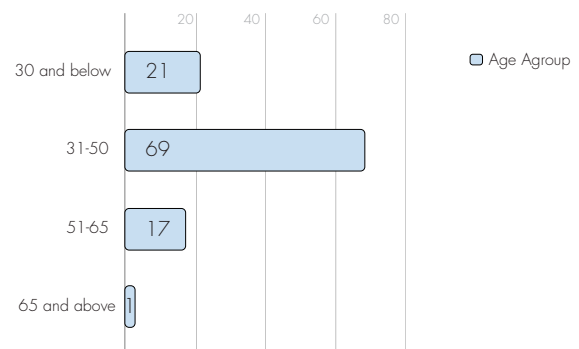
Total New Hire by Age



Total Turnover



Turnover by Age Group



Violation cases and non-compliance to labour laws

ZERO

SUSTAINABLE VALUE CREATION

COMMUNITY IMPACT

WHY IT MATTERS

As a responsible corporate entity, we acknowledge our duty to share the value we create with local communities and leave a lasting positive impact. Through activities related to our business and industry sector, alongside targeted outreach programmes, we aim to actively contribute towards economic growth and social progress. We also leverage on partnerships with NGOs and industry peers to deliver initiatives that support underprivileged individuals while simultaneously supporting progress within the local oil and gas fraternity.

OUR APPROACH

Approach	Management Description and Initiatives
Holistically Delivering Community Benefits	<ul style="list-style-type: none"> Our commitment to positive community impact is led by our Sustainability and Corporate Communications department which oversees the organisation of various initiatives and programmes that benefit local communities. To ensure coherence and purpose in our actions, we have identified the four pillars of 'Education', 'Environment', 'Community Safety' and 'Community Uplift' to guide our efforts. We also leverage our business operations and presence in the oil and gas sector to offer vocational support and drive socio-economic growth in our operational regions. In both East and West Malaysia, we take pride in fostering business growth and employment opportunities through our prioritisation of local candidates for job vacancies and when sourcing contractors and vendors for goods and services (read more in 'Supply Chain' topic on page 106-109). Additionally, through initiatives like the Velesto Drilling Academy ("VDA"), Velesto Trainee Scheme ("VTS") and other development programmes, we actively contribute to the development of local infrastructure and the nurturing of talents within the oil and gas sector.
Community Engagement and Outreach	<ul style="list-style-type: none"> During 2023, we continued to engage with and support local communities through targeted programmes delivered to communities surrounding our operational jurisdictions. We actively encourage our employees to participate in these social initiatives, considering employee volunteerism time spent as a significant measure of both employee and community engagement. In FY2023, our employees collectively volunteered 256 hours for community engagement and outreach programmes, exemplifying the Group's collective commitment to making a positive impact beyond our business operations.
Social Economic and Human Capital Development	<ul style="list-style-type: none"> Through our VTS and internship programmes, we offer local graduates and unemployed youth 12-month appointments to gain practical experience within our organisation. By providing them with valuable industry exposure that bolsters their future employability, we directly support the government's efforts to enhance the job prospects of unemployed graduates in Malaysia. As part of our Velesto Wawasan 2030 initiative, we have extended the reach of the VTS to Sarawak, thereby expanding business functions and creating job opportunities for B40 Malaysians in the region.
Velesto Drilling Academy ("VDA")	<ul style="list-style-type: none"> VDA not only offers courses to our internal staff for skill enhancement but also extends its offerings to external students from other companies including educational institutions like Universiti Teknologi PETRONAS ("UTP") and Institut Teknologi Petroleum PETRONAS ("INSTEP"). This industry-led initiative has successfully contributed to talent development in the oil and gas drilling sector, aligning with national goals for cultivating a highly skilled workforce. VDA collaborates with INSTEP through the Velesto-INSTEP Drilling Academy ("VIDA"), which operates a land rig facility at the Batu Rakit, Terengganu campus, offering practical, hands-on training opportunities. VDA also has collaboration agreement with UTP to assist practical and industrial exposure to relevant students of UTP. We also have initiated the involvement of internal Subject Matter Experts from within the Group to deliver training at VDA, leveraging our experience to address prevalent gaps within the industry and enhancing the overall quality of education provided to industry talents.

SUSTAINABLE VALUE CREATION

The following are highlights from our community engagement and outreach initiatives undertaken during the year:



Coral Planting at Perhentian Island, Terengganu

Our Coral Restoration Program has successfully brought together our employees and community members to plant over 500 corals at Perhentian Island, while also undertaking awareness and education efforts to instil greater responsibility in preserving marine life. This initiative was recognised as the CSR Initiative of the Year for Oil & Gas at the 2023 Malaysia Management Excellence Awards.



Sahabat Maritim sponsorship

This collaborative effort, undertaken together with PETRONAS and the Malaysian Maritime Enforcement Agency – Kelantan ("MMEA") since 2015, aims to benefit the Kelantan fishing communities near our operational zones, in areas such as Kuala Besar, Tok Bali and Tumpat. The program increases awareness of safety at sea and mitigates unauthorised access to restricted areas, including drilling rigs and oil fields.



Supporting Miri Education

In a continuation of last year's initiative to enhance educational access and equality in rural Sarawakian communities, we provided essential resources and modern teaching tools such as laptops and Smart TVs to two institutions categorised as 'Sekolah Kurang Murid' or 'Schools with Less Students'. Through our support, we have enhanced the learning experience for students at SK Sungai Biar and SK Sungai Kelabit in Miri, Sarawak.



OUR PERFORMANCE

Over the past year, the Group invested a total of RM95,000 (FY2022) and RM55,000 (FY2023) on community programmes. Moving forward, we will continue to seek opportunities for meaningful community investment. In this regard, we look forward to delivering positive outcomes from our recently signed MOU with the Sarawak Economic Development Corporation ("SEDC"). Via this collaboration, we aim to promote education as a core driver of sustainable development in Sarawak, specifically through innovative learning initiatives within the fields of Science, Technology, Engineering and Math ("STEM").

SUSTAINABLE VALUE CREATION

ETHICAL BUSINESS

In our pursuit of growth and excellence, we recognise the pivotal importance of upholding responsible business practices for maintaining the trust of our stakeholders and building a sustainable business. We are committed to upholding ethical conduct, both internally and across our supply chain, while leading continuous enhancements to our infrastructure and capabilities to ensure high levels of quality, customer satisfaction and digital security are preserved.

 <p>Economic Performance</p>	 <p>Governance & Ethics</p>	 <p>Supply Chain</p>	 <p>Data Privacy & Security</p>	 <p>Continuous Innovation & Technology</p>
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ECONOMIC PERFORMANCE

WHY IT MATTERS

As a publicly listed entity, we acknowledge our responsibility to generate returns for shareholders while also ensuring that the value we create is shared among our diverse stakeholder groups. By fulfilling these commitments, we cultivate trust and loyalty among shareholders, regulatory bodies, our workforce, and our partners. This positions the Group favourably to nurture and expand these relationships, thereby enhancing the long-term prospects of our business.

OUR APPROACH

Approach	Management Description and Initiatives
Embedding Economic Goals in our Guiding Frameworks	<ul style="list-style-type: none"> Our commitment to consistently increase the economic value we generate is deeply ingrained in both our business and sustainability objectives. Through this commitment, we inspire collective effort across the Group towards a common goal of achieving RM2 billion in revenue and a ROCE above 10% by 2030, all while upholding sustainability and responsibility. Guided by a robust governance structure and comprehensive risk management practices, we consider all pertinent factors when formulating our operational and growth strategies to ensure stability and maintain a strong financial position (for more details, refer to 'Sustainability Governance' on page 59-61). In doing so, we strike a balanced approach between meeting our fiduciary obligations, including loan repayments and providing returns on shareholders' equity, and retaining sufficient funds to sustain and expand the business over the long-term.

SUSTAINABLE VALUE CREATION

Approach	Management Description and Initiatives
Socio-Economic Contributions	<ul style="list-style-type: none"> At the fundamental level, we are committed to contributing to socio-economic development in our regions of operations, through the taxes we pay, the salaries and benefits provided to employees, and returns we provide our shareholders and investors. In addition to these contributions, we actively engage in community development projects and support local businesses, thereby fostering economic growth and sustainability in the regions where we operate. Furthermore, our commitment to environmental stewardship and sustainable practices contributes to the preservation of natural resources that supports the livelihoods of surrounding communities.
Driving Quality and Customer Satisfaction	<ul style="list-style-type: none"> Acknowledging quality and customer satisfaction as cornerstones of our sustainable value creation, we have instituted robust policies to maintain quality standards and ensure customer contentment while mitigating potential negative impacts. These policies, encompassing our Quality Policy, HSE Policy, Human Rights and Labor Standards Policy, are bolstered by our ISO9001:2015 and ISO 29001:2020 certifications, affirming our adherence to global benchmarks. Our collaborative approach to quality control involves close monitoring of adherence to standards, policies and key performance indicators, while facilitating continuous improvement through feedback mechanisms and leveraging technological advancements to enhance processes. Proactive risk management strategies, including contingency planning, further reinforce our commitment to delivering high-quality services while minimising adverse effects. KPIs have been integrated into the scorecards of the Operations Division, which oversees customer satisfaction efforts. Regular customer surveys are conducted via forms disseminated to customers, gathering vital feedback to gain insights on our ongoing performance.

OUR PERFORMANCE

Despite facing operational challenges, we have preserved in generating significant economic value for our business and stakeholders. More details on our financial performance can be refer to Financial Statements section on page 192-210 and ESG Performance Table on page 119-128.



SUSTAINABLE VALUE CREATION

GOVERNANCE & ETHICS

WHY IT MATTERS

A robust corporate governance framework and stringent ethical standards are important for cultivating stakeholder trust and safeguarding our business interests. These principles not only ensure compliance with relevant laws and regulations but also nurture a culture of fairness, integrity and accountability throughout the organisation. Consequently, this bolsters our attractiveness to customers and investors, establishing a solid foundation for long-term sustainable value generation.

OUR APPROACH

Approach	Management Description and Initiatives
Stringent Board and Management Oversight	<ul style="list-style-type: none"> Our Board and Senior Management sets the tone for good corporate governance and ethical conduct by leading by example. To maintain vigilance and proactivity in these areas, the Board has established the Board Whistle-Blowing Committee ("BWBC") and the independent Integrity Governance Unit & Compliance ("IGUC"). In addition to taking ownership of whistle-blowing matters, the BWBC is responsible for overseeing the IGUC, which is tasked with managing and reporting on all matters related to anti-corruption, bribery and ethical behaviour. The IGUC operates under the administrative oversight of the President's Office and possesses the authority to directly report any suspected or actual incidents of corruption or corporate misconduct to the Malaysian Anti-Corruption Commission ("MACC"). To ensure accountability and effectiveness for its members in promoting integrity and compliance within the organisation, KPIs for IGUC members are regularly evaluated based on agreed plans and initiatives. The Board periodically reviews our internal policies to ensure they remain updated with evolving regulatory requirements and is responsible for deliberating whistle-blowing reports that have been reviewed by the BWBC to ensure that they are thoroughly investigated and addressed.
Enterprise Risk Management and Business Continuity Management	<ul style="list-style-type: none"> Velesto's ERM Framework, which provides a structured and systematic approach to risk management, plays a crucial role in the Group's value-creation efforts. It incorporates consistent assessment methodologies and standards across the Group's processes and operations, ensuring comprehensive identification, evaluation, mitigation, and monitoring of both inherent and emerging risks. Velesto's commitment to maintaining operational readiness in the face of evolving risks forms the basis of its BCM initiatives, conducted throughout each financial year. The Group's BCM Framework is a comprehensive approach that empowers Management to pinpoint potential threats and assess their impact on business operations, thereby crafting a robust strategy to mitigate these risks. This ensures the Group's resilience, safeguarding stakeholder interests, brand equity, and reputation. <p><i>For more details, please refer to please refer to the SORMIC section of our Integrated Annual Report on page 174-184.</i></p>
Policies and Procedures to Uphold Integrity	<ul style="list-style-type: none"> In addition to leveraging our CoBE to ensure responsible business conduct (see 'Fair Employment Practices' on page 89 and 'Protecting Human Rights' on page 93 for more), the Group has established an Anti-Bribery and Corruption Policy ("ABC Policy") to reinforce a zero-tolerance approach towards bribery and corruption across all business operations. Developed in alignment with Section 17A of the MACC Act, this policy prohibits corrupt practices within the organisation and in dealings with external parties, including all activities undertaken by the Board, Management and staff. The Policy covers various forms of bribery and corruption, such as unofficial payments, gifts, entertainment, political contributions, gratifications and charitable support, while outlining clear punitive measures for individuals found engaging in corrupt acts, ranging from fines, suspensions, dismissal and reporting to enforcement authorities. To ensure transparency and accessibility, the ABC Policy has been published on the company's website, allowing stakeholders to easily access and understand the organisation's stance on bribery and corruption.

SUSTAINABLE VALUE CREATION

Approach	Management Description and Initiatives
Assessment of Corruption Risks	<ul style="list-style-type: none"> We conduct quarterly assessments to pinpoint corruption risks within specific departments or units, employing an approved risk rating matrix that evaluates the likelihood and impact of each risk, categorising them into varying levels such as extreme, high, medium and low. The results of these assessments undergo quarterly review by the IGUC and are presented to the BWBC. Any identified or potential risks are closely monitored and addressed through the implementation of Risk Action Plans ("RAPs") by the IGUC. Areas of our operations deemed at the highest risk of corruption are identified based on the potential for collusion with third parties, notably through the giving or receiving of bribes that impacts the impartiality of the tender process.
Safeguards to Promote Anti-Corruption, Transparency and Regulatory Compliance	<ul style="list-style-type: none"> In alignment with the Group's ABC Policy and risk assessment protocols, we implement several measures to deter corrupt practices and ensure compliance within our organisation and supply chain. The Boards and management team reaffirmed their commitment to integrity by taking and signing the Corruption Free Pledge, witnessed by MACC in FY2023. A Tender Committee has been established, with approval power limits set according to hierarchical authority levels. Additionally, we utilise our Enterprise Resource Planning ("ERP") system to enhance transparency throughout the tender process. To reinforce ethical conduct, awareness sessions and regular reminders are conducted, accompanied by mandatory ABC training for all employees. Furthermore, our Commercial Division has implemented a Know Your Counterpart ("KYC") process to bolster understanding of third-party entities. Anti-corruption clauses are clearly outlined in our Supplier CoBE and integrated into purchase orders and contracts, while being further emphasised during vendor awareness programmes. Should our employees or third parties' suspect incidents of non-compliance, they are encouraged to file confidential reports as per the mechanisms provided within our Whistle-Blowing Policy. Developed in accordance with Section 7(1)(c) of the Whistle Blowers Protection Act 2010, the policy enables internal or external stakeholders to submit reports directly to the Head of the IGUC, where they are initially investigated before being escalated to the BWBC for further review and deliberation by an investigation team. If substantiated, appropriate actions are taken against the implicated party, ranging from warnings and dismissals to contract termination, or reporting to enforcement authorities such as the MACC or the police. As part of our commitment to regulatory compliance, we ensure timely publication of our financial performance, corporate announcements and governance-related disclosures on our website, meeting listing requirements and fostering transparency. Moreover, we uphold principles of fair competition and refrain from engaging in any anti-competitive practices, with our policies prohibiting collusion, price-fixing, bid coordination, or any actions that restrict market access. We have also consistently maintained a strict apolitical stance, barring any association with or endorsement for any political parties or organisations. We firmly abstain from making donations to political parties, but may engage in events organised by the government or its agencies as part of charitable initiatives or nation-building efforts.

Driving Responsible Business Practices

 Code of Business Conduct and Ethics	 Anti-Bribery & Corruption Policy	 Whistle-Blowing Policy	 Supplier Code of Business Conduct and Ethics
 Whistle-Blowing Procedure	 Corporate Gifts, Gifts, Entertainment & Hospitality Procedure	 Anti-Bribery Management System Manual (ABMS)	 Compliance Administration

SUSTAINABLE VALUE CREATION

Anti-Corruption Engagement Programmes and Activities

We consistently communicate a zero-tolerance stance towards corruption and bribery through various channels, including electronic mediums, virtual town halls, newsletters and more. These communication efforts also reinforce our core values and promote a culture of integrity and ethical behaviour among all employees.

The following are highlights from our activities and initiatives undertaken during FY2023:

Quarterly Newsletters Communicated to All Staff	<ul style="list-style-type: none"> Communicates awareness to all staff regarding integrity, governance and corruption related matters Topics for the year included: <ul style="list-style-type: none"> Q1- "Extortion" Q2- "Handling of Confidential Information" Q3- "Embezzlement" Q4- "Integrity"
Hari Raya Aidilfitri 2023 Awareness Video on Safety and Integrity	<ul style="list-style-type: none"> A special video released during the festive season to educate all staff on safety and integrity.
Integrity Awareness Campaign for Offshore Crew and Divisions	<ul style="list-style-type: none"> A campaign to educate both offshore and onshore crew and staff on our ABC Policy and other procedures, enhancing compliance with Section 17 (A) of the Malaysian Anti-Corruption Act 2009 (MACC Act 2009) (Act 694).
Velesto Assurance Review ("VAR") of Asian Supply Base	<ul style="list-style-type: none"> Reviewed activities to ensure all practices are being carried out in compliance with internal policy and procedures.
Corruption-Free Pledge and Launching of VACP 2023-2027	<ul style="list-style-type: none"> In accordance with Number 6.2.1. of the National Anti-Corruption Plan ("NACP"), we have crafted our own Velesto Anti-Corruption Plan ("VACP").
2023 Fit & Proper and Conflict of Interest Declaration	<ul style="list-style-type: none"> This declaration ensures all Board of Directors and Senior Management and onshore staff have the appropriate experience, integrity and competence to effectively discharge their roles and responsibilities.
Integrity Assessment for all Onshore Staff	<ul style="list-style-type: none"> Conducted assessments to gauge the level of understanding regarding integrity practices including conflict of interest and heightened awareness regarding governance and corruption-related matters.

Regulatory Compliance and Political Disassociation

We recognise the critical importance of regulatory compliance to the sustainability of our operations, understanding that adherence to regulations is fundamental to maintaining our license to operate. Compliance issues, including corruption, pollution, modern slavery, and data privacy, among others, could jeopardise our ability to operate sustainably. As part of our commitment, we ensure timely publication of our financial performance, corporate announcements, and governance-related disclosures on our website, meeting listing requirements and fostering transparency.

Moreover, we uphold principles of fair competition and refrain from engaging in any anti-competitive practices or abusing our market position. Our strict policies prohibit collusion, price-fixing, bid coordination, or any actions that restrict market access. Continuously monitoring changes in the regulatory landscape forms part of our Enterprise Risk Management and Internal Control framework, ensuring ongoing compliance with applicable laws and industry regulation.

We have also consistently maintained a strict apolitical stance, barring any association with or endorsement for any political parties or organisations. Our firm policy prohibits making donations to political parties. However, we may engage in events organised by the government or its agencies as part of charitable initiatives or nation-building efforts.

SUSTAINABLE VALUE CREATION

Driving Quality and Customer Satisfaction

In line with our dedication to responsible business conduct, we have established robust policies to uphold quality standards and ensure customer satisfaction while mitigating potential negative impacts. These policies, including our Quality Policy, HSE Policy, and Human Rights and Labour Standards Policy, are supported by our ISO9001:2015 and ISO 29001:2020 certifications, affirming our commitment to sustainable and equitable practices.

Our collaborative approach to quality control involves close monitoring of adherence to standards, policies and key performance indicators, while facilitating continuous improvement through feedback mechanisms and leveraging technological advancements to enhance processes. Proactive risk management strategies, including contingency planning, further reinforce our commitment to delivering high-quality services while minimising adverse effects.

KPIs have been integrated into the scorecards of the Operations Division, which oversees customer satisfaction efforts. Regular customer surveys are conducted via forms disseminated to customers, gathering vital feedback to gain insights on our ongoing performance.

OUR PERFORMANCE

Compliance Performance

	2021	2022	2023
Total incident of corporate/ governance non compliance	N/A	5	0
Total monetary value of paid fines for corporate /governance non-compliance (RM'000)	N/A	24	0
Confirmed incidents of corruption ⁽¹⁾⁽²⁾	0	0	1 ⁽³⁾

Anti-corruption Training Performance

	2021	2022	2023
Numbers of Managerial staff who have received training on anti-corruption	19	13	66
Numbers of Executive Employees who have received training on anti-corruption	43	39	122
Numbers of Non-Executive Employees who have received training on anti-corruption	174	132	239
Number of training hours relating to anti-corruption for Managerial Staff	38	26	135
Number of training hours relating to anti-corruption for Executives Employees	86	78	142.5
Number of training hours relating to anti-corruption Non-Executive Employees	348	264	313.5
Total training hours relating to anti-corruption	472	368	591

Communication and Assessments

	2021	2022	2023
Percentage of business partner that the organisation's anti-corruption policies and procedure have been communicated to	13%	20%	100%
Percentage of operations assessed for corruption-related risks	100%	100%	86%

Customer Satisfaction Scores



⁽¹⁾ Velesto defines corruption case as per the definition by the Malaysian Anti-Corruption Act 2009 (MACC Act 2009) (Act 694) including other major offences stated in the Act.

⁽²⁾ Reportable corruption cases refer to confirmed case investigated and reported to MACC.

⁽³⁾ Reportable case happened in 2022 involved falsification of claims with domestic inquiry completed in 2023. The case subsequently has been reported to MACC in 2023.

In FY2023, we strengthened our commitment to service quality by improving our customer satisfaction survey process from end of project survey to monthly surveys. In doing so, we are able to understand better our customer imperatives and subsequently able to implement targeted initiatives to enhance future performance.

SUSTAINABLE VALUE CREATION

SUPPLY CHAIN

WHY IT MATTERS

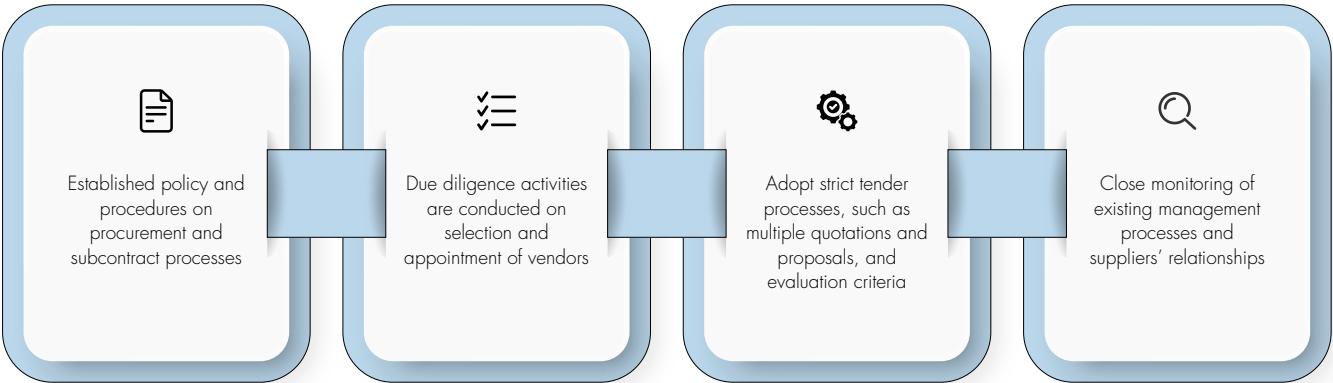
Ensuring the sustainability and responsibility of our operations rely heavily on effective supply chain management and oversight. By preserving our organisation's values and principles across the supply chain, we protect our business stability and mitigate the risks of inefficiencies or irresponsible practices. Additionally, we prioritise the engagement of local suppliers to improve the long-term sustainability of our industry, while actively engaging with entities in our supply chain to deepen relationships and bolster their competence, compliance and sustainability performance.

OUR APPROACH

Approach	Management Description and Initiatives
Ensuring Compliance and Enhancing Oversight	<ul style="list-style-type: none"> Our foremost priority is ensuring adherence to our policies across the supply chain, with clauses embedded in our tender and contract documents mandating vendors' compliance with our supplier CoBE, ABC Policy and other relevant policies concerning environmental and social practices. Failure to comply may lead to service termination or regulatory reporting. We afford suppliers falling short of desired quality scores sufficient time to address any deficiencies; however, failure to rectify them may result in removal from our vendor procurement list. Notably, in FY2023, no supplier terminations were reported for non-compliance. Vendor assessments are a crucial aspect of our efforts to bolster oversight over our supply chain, with evaluations regularly conducted on our vendors' policies and practices concerning corruption, occupational health and safety, human rights, environmental performance and labour rights. In 2023, we identified a total of 33 companies for the Critical Supplier Audit exercise. We also maintain vigilant oversight of our internal supply management practices, highlighted in 2023 by a comprehensive Velesto Assurance Review ("VAR") undertaken for all vendor management teams across all divisions and departments. Through these VARs, we are enabled to strengthen our internal practices, ensuring the activities carried out within each division or department comply with relevant policies and procedures.
Responsible Procurement	<ul style="list-style-type: none"> Our commitment to responsible procurement is facilitated through our vendor procurement guidelines and ERP systems. Through these transparent processes, we ensure equal opportunities for all qualified vendors and are empowered to award contracts based on merit, considering factors such as cost, quality, regulatory compliance and OSH track record. Aligned with our Local First policy, we prioritise local suppliers for goods and services, unless local options are unavailable or do not meet our requirements for price, functionality and quality. As part of our commitment to bolstering local supply chains, we are an anchor partner of the PETRONAS Vendor Development Programme ("VDPx"). Through VDPx, we focus on developing local suppliers in key areas such as Topsides Medic Support Services, Logistics & Forwarding Services, Offshore Catering Services, and Offshore Manpower Services, aligning with our business requirements and supporting the growth of the local industry.
Promoting Sustainability Across our Value Chain	We aim to extend our sustainability goals and values across our supply chain in order to have a greater impact on the environment and society. To be eligible for contract bidding with Velesto, suppliers must adhere to certain general principles.
Supply Chain Engagement	In pursuit of our rigorous supply management objectives, we engage in numerous initiatives with our pool of vendors each year, strengthening these relationships and developing more robust collaborations. These events and engagements also provide a platform for providing updates on our policies or practices, and clarifying concerns and expectations with our partners.

SUSTAINABLE VALUE CREATION

Our Procurement Practices and Processes



Promoting Sustainability Across our Value Chain

To be eligible for contract bidding with Veleso, suppliers must adhere to certain general principles, which include:



Respect for laws and human rights

We expect our suppliers to abide by all laws. Any supplier resorting to forced or child/ underage labour, intimidation or harassment, threats or coercion will be disqualified and prohibited from future procurement processes.



Respect for freedom of association & collective bargaining

Suppliers must at all times, allow workers to bargain collectively for their rights and compensation packages.



Respect for diversity

Suppliers are to adopt formal or informal non-discriminatory practices based on age, gender, language, marital status, religion, union affiliation, race, colour, ethnic or national origin, family status, disability or other distinguishing characteristics.



Respect for health and safety

Employees of our suppliers are to be provided with safe working conditions that do not impact their health. Where the job or work area presents health and safety risks, workers must at all times be provided with the necessary training, equipment and safeguards. Suppliers must adopt a recognised HSE system and strive for zero loss of life.



Respect for the environment

Suppliers must remain committed to protecting the environment and preventing pollution.

SUSTAINABLE VALUE CREATION

FY2023 Supply Chain Management Engagements

In pursuit of our rigorous supply management objectives, we engage in numerous initiatives with our pool of vendors each year, strengthening these relationships and developing more robust collaborations. These events and engagements also provide a platform for providing updates on our policies or practices, and clarifying concerns and expectations with our partners.



Supply Chain Summit 2023

A two-day event held at Aloft Kuala Lumpur Sentral, featuring 98 participants made up of our Senior Management team, rig managers, Shared Services team, Operations team, warehouse personnel, materials man and some offshore crew. The event served to improve understanding on inventory management principles to optimise inventory processes, reduce wastage and enhance operational efficiency. Inventory management related topics were presented by an appointed Inventory Consultant, Mr Raj Subramanian.



Integrity Awareness For Vendors Located Within Labuan and Kemaman

Special awareness initiatives to educate Labuan and Kemaman Vendors on our ABC Policy and compliance expectations. Through these events, we aim heighten awareness and drive greater integrity within our supply chain for these two bases.



Vendor Engagement Day

This inaugural event, hosted at Aloft Kuala Lumpur Sentral, brought together our vendors with key stakeholders from Integrity, QHSE and Sustainability domains to discuss matters pertaining to integrity. The event also witnessed participation from the Royal Military Police-Integrity & Standard Compliant Department, enhancing its significance and outreach.



Velesto Business Partner Integrity Day

A special event to foster closer alignment with MACC guidelines and procedures, featuring participation from MACC representatives, Senior Management and top clients.

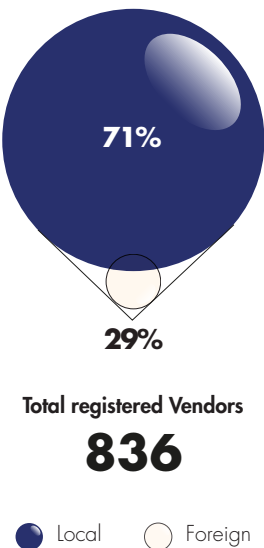


SUSTAINABLE VALUE CREATION

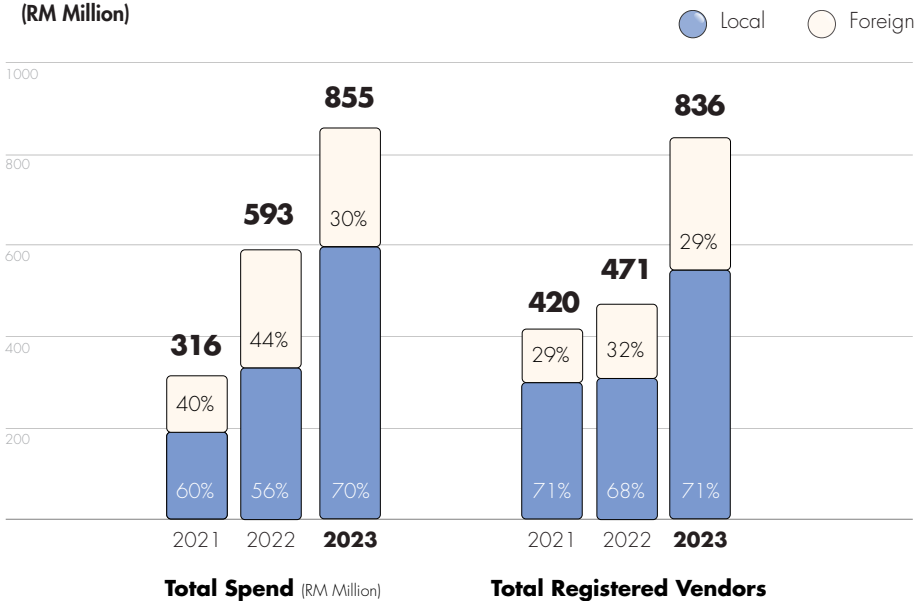
OUR PERFORMANCE

Velesto has continued to uphold robust supply chain management practices in FY2023. We are pleased to report that out of 33 vendors audited during the year, 64% achieved a favourable result, with only one vendor receiving a poor assessment. We have also continued to support local vendors meaningfully, contributing 70% of our total procurement spend of RM855 million towards locally sources suppliers. The Group remains committed to enhancing our performance in this area, and recognises the importance of increasing the availability of local suppliers that meet the necessary standards within the oil and gas sector.

2023 Total Registered Vendors



Total Registered Vendors & Total Spend (RM Million)

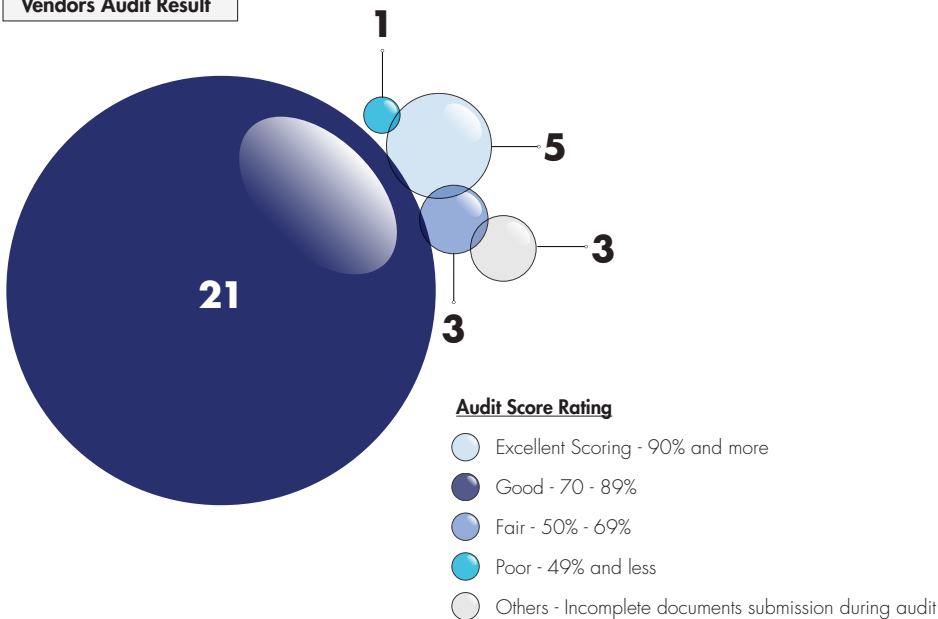


Total Vendors
Audited
33



64%
Have a Good
Audit Result

Vendors Audit Result



SUSTAINABLE VALUE CREATION

DATA PRIVACY & SECURITY

WHY IT MATTERS

In an advancing digital age, the significance of data privacy and cybersecurity is escalating. Protecting our systems and databases containing sensitive information from potential cyber threats and privacy breaches is essential for maintaining the stability of our business. At the same time, it ensures our adherence to evolving regulations like data protection laws and mitigates legal and reputational risks, while fostering trust among stakeholders

OUR APPROACH

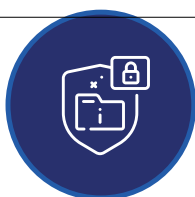
Approach	Management Description and Initiatives
Ensuring Compliance and Access Controls	<ul style="list-style-type: none"> Our commitment to ensure data privacy and security across the organisation is overseen by IT Operations department. Our primary objective is to ensure full and complete compliance with all relevant regulations applicable to our business most notably towards upholding the standards outlined in the Personal Data Protection Act ("PDPA"). To this end, we have appointed a dedicated data protection officer from the IGUC to implement best practices for handling personal data securely. In addition to compliance with the PDPA, we employ a robust array of ICT-based systems to safeguard the storage of data. This includes the implementation of firewalls and other protective measures to prioritise data integrity and confidentiality. Access to data is strictly controlled with restricted levels of access, and all file transfers are encrypted to ensure maximum security.
Enhancing Email Security	<ul style="list-style-type: none"> In 2023, a core focus of our ongoing efforts was to bolster our security posture against both external and internal threats, notably within our Group email solution. During the year, we deployed a new email gateway that effectively filters all incoming data, ensuring that it is legitimate and free from any malicious intent. Additionally, we conducted a comprehensive analysis across crucial security facets, encompassing spam prevention, phishing detection and mitigation, defence against malicious URLs and protection from viruses and vulnerable attachments. Based on our assessment, which unearthed notable insights across various metrics, our forthcoming initiatives will aim to further fortify our security protocols and refine our email handling procedures to address any identified gaps.

Through our efforts, we have identified the following key observations across various metrics, which will inform our future initiatives aimed at further enhancing our security protocols and email handling procedures.

- **Anti-Virus and Anti-Phishing Detection:** Both Anti-Virus and Anti-Phishing detections show fluctuations throughout the year, with significant spikes observed in November for Anti-Virus detections and in October for Anti-Phishing attempts.
- **Anti-Spam Detection:** Anti-Spam detections also fluctuate, reaching the highest point in October and the lowest in March.
- **Authentication Violations:** Authentication violations show a relatively stable trend throughout the year, with occasional fluctuations.
- **Content Filtering:** Content filtering remains relatively consistent with minor fluctuations each month.
- **Clean and Unprocessed Emails:** The number of clean emails fluctuates throughout the year, while the number of unprocessed emails remains relatively stable.
- **Total Email Volume:** Total email volume fluctuates throughout the year, with significant increases observed in March and October.

OUR PERFORMANCE

During the year, we recorded zero substantiated complaints concerning breaches of customer privacy or losses of customer data. Moving forward, we will continuously seek innovative solutions to further enhance the security of our digital systems and ensure all confidential data is effectively protected.



Number of substantiated complaints concerning breaches of customer privacy and losses of customer data

ZERO

Velesto is pleased to report that there were no documented cases of data breaches during FY2023. Our proactive measures and vigilant monitoring systems have effectively safeguarded our organisation's data assets against unauthorised access and malicious activities.

SUSTAINABLE VALUE CREATION

INNOVATION AND TECHNOLOGY

WHY IT MATTERS

In an era marked by rapid technological advancements, we acknowledge the significance of innovation and the adoption of cutting-edge technology to uphold our operational excellence and fortify our resilience for the future. By prioritising the continual integration of new digital tools and technologies for enhancing our monitoring, communication and operational performance, we can elevate our efficiencies and maintain our competitive edge, positioning Velesto as a forward-thinking leader in the oil and gas sector.

OUR APPROACH

Approach	Management Description and Initiatives
Embracing Technology to Unlock Efficiencies	<ul style="list-style-type: none">• We are dedicated to embracing the latest technological advancements and harnessing innovative digital tools, services and work methodologies to improve the speed and efficiency of our operations. This commitment has been cemented in our WAVVASAN 2030 business strategy, under which 'Technology & Capabilities' has been identified as one of six core pillars to drive the Group towards its aspirations.• Recent initiatives include the digitalisation of online vendor registration via our website, which has streamlined the application process for new vendors and enhanced the transparency and simplicity of our vendor management processes. To facilitate the shift to digital registration, we have eliminated the manual Supplier Request Form ("SREF") previously used for new vendor registration.• Additionally, we have adopted NEST, an internal online knowledge bank consolidating essential communication and knowledge-sharing activities into a user-friendly platform. Leveraging NEST and other digital tools, we have been able to seamlessly adopt hybrid work models for our corporate headquarters staff. This move aligns with our commitment to improving efficiency and sustainability, as remote work and flexible scheduling reduce commuting time for employees, while also serving to lower fuel consumption and emissions associated with transportation
Greater Adoption of Digital Management Tools	<ul style="list-style-type: none">• We acknowledge the substantial benefits that the adoption of new software and digital applications can bring to our internal systems. Through the strategic use of these tools, we aim to elevate efficiency and oversight throughout our organisation and unlock internal synergies via software integration.• As described in our 'Climate Change, Energy and Emissions' topic on page 77, we have installed Rig Power Management Systems ("RPMS") on three of our jack-up drilling rigs to enhance energy efficiency, while also utilising Variable Frequency Drives ("VFD") on the fan motors of our air handling units to reduce energy consumption.• Over the past year, we have also continuously explored innovative solutions to enhance various facets of our operations, including our HR systems, data analysis capabilities, asset management practices, and reporting and monitoring processes.



SUSTAINABLE VALUE CREATION



Key Digital Programmes

Initiative	Description
HR Avenue v15	We have developed and set up new version module for our current HR and Payroll systems, which now features enhanced convenience and functionality, including online announcements, e-claims and e-overtime, digital travel requests and a new mobile application.
QHSE Synergi Life	We are implementing the Synergi Life QHSE System to digitalise QHSE management within our operations, providing a standardised single platform to increase efficiency, enhance data management and enable effective data analysis consisting of installed modules on Incident Management and Audit Management, and future modules on Risk Management, Compliance, ESG and Management of Change.
Maximo Rollout for VWO	We have expanded the utilisation of the Maximo application, previously employed by Velesto Drilling Sdn Bhd ("VED"), to include Velesto Workover Sdn Bhd ("VWO"). This extension allows us to standardize asset management and preventive maintenance activities across both VED and VWO.
Microsoft Dynamic 365 (D365) Report Enhancement	We have continued to expand and advance our D365 business reporting framework across the organisation, with the software now successfully deployed for Finance, Procurement and Inventory Reporting.
Microsoft Power BI	We have utilised our existing Power BI tools to develop enhanced dashboards for reporting across functions in the Company i.e., Operations, Finance, Legal, Secretarial & Risk Management, Supply Chain, etc. to improve performance tracking and reporting, as well as data driven insights.

OUR PERFORMANCE

Over the past year, the Group has made significant headway in implementing new digital tools and solutions across our operations. Having established 'Technology & Capabilities' as a key pillar under our Wawasan 2030 business strategy, we will continue to seek out new and innovative technologies with the potential to further enhance our efficiency, competencies and overall performance.

TCFD – ALIGNED DISCLOSURE

Mindful of evolving stakeholder expectations regarding climate action, the Group is dedicated to intensifying our endeavours to mitigate climate change. We have aligned our approach with the recommendations put forth by the Task Force on Climate-Related Financial Disclosures ("TCFD"), ensuring that our actions are strategic and impactful in addressing climate-related risks and opportunities.

The past years, Velesto has taken the steps to integrate climate considerations into business decision-making as part of the overall sustainability governance by the Board and Senior Management. In 2023, we have initiated the qualitative assessment of risks and opportunities on the management of climate-related issues. However, a more comprehensive scenarios analysis into the impact of climate change on the business will be conducted in 2024 as part of the Group progress towards developing its Net Zero 2050 roadmap.

We will continue to take measures to reduce our exposure to the impacts of climate change and as such, the climate assessment will be conducted on an annual basis, taking into account changes in policy, technology, and the structure of markets. The progress and update on our management of climate-related issues will be consistently disclosed in our annual Sustainability Statement. This year, we are releasing a specific summary section of our alignment to TCFD which is structured to cover the four (4) core elements of the recommendations: Governance, Strategy, Risk Management, and Metrics & Targets.

CLIMATE GOVERNANCE

Velesto has a sound governance structure to guide and manage climate related risks as part of our existing corporate governance. In specific, our Board Risk Management Committees ("BRMC") oversees and manages sustainability-related issues including climate-related matters. The BRMC is supported by the Senior Management through the Sustainability Management Committee ("SMC") on day-to-day decision-making strategy advisory on sustainability-related matters including climate change and risks.

Some examples of climate-related topics discussed and reviewed in 2023 include:

- Emerging climate-related disclosure requirements and stakeholders' demands
- The Group performance on key ESG metrics and targets concerning climate change i.e., emission management, energy and water consumption, waste generation, and more
- Plan for commitment to Net Zero 2050 and decarbonisation strategy

For more details on Velesto sustainability governance structure and approach, please refer to Section on Our Approach to Sustainability on page 56-62.

CLIMATE STRATEGY

Velesto Commitment to a Sustainable Future

As a prominent service provider in the oil and gas sector, we are deeply committed to mitigating the environmental impacts of our operations, particularly concerning carbon emissions stemming from the diesel engines utilised on our rigs. In addition to addressing these Scope 1 emissions, alongside Scope 2 emissions from grid-sourced electricity powering our facilities, we are actively identifying and quantifying limited indirect emission sources from our operations and third-party contributors within our value chain.

In further strengthening our effort towards decarbonisation of our value chain, we are committing to Net Zero 2050 in FY2024. Looking ahead, the Group will be conducting comprehensive assessment on its climate risks and opportunities, and business strategies as part of the Net Zero 2050 roadmap development. The progress will be monitored and disclosed consistently in our annual Sustainability Statement.

Understanding Our Climate-Related Risks and Opportunities

Velesto is still in the early stage of establishing a comprehensive climate risks assessment methodology. In 2023, climate risks and opportunities are assessed by our internal sustainability team to provide overview of the matter and advisory for future improvement as part of the Group's enterprise risk management exercise on overall sustainability and ESG management.

As part of our continuous improvement, we will be conducting scenario analysis in consideration of time horizons for physical climate risks and the transition to a low-carbon economy risks and opportunities. The scenarios analysis will be adopting scenarios based on the IEA and The Sixth Assessment Report of the United Nations Intergovernmental Panel on Climate Change (IPCC AR6).

TCFD – ALIGNED DISCLOSURE

The following tables below explain our scenario considerations for future assessment of climate risks and opportunities:

Time horizons to be considered in Velesto's Scenario Analysis

	Period	Rationale
Short	Up to 5 or 6 years	Aligns with our existing business strategy planning, client's activity outlook and incorporating near-term policy implementation
Medium	Between 2030 and 2040	Considerations to reflect changes driven by transition and acute physical climate events
Long	Beyond 2040	Considerations to reflect changes driven by chronic physical climate events

Indicative scenarios selected for Velesto's Scenario Analysis

	International Energy Agency ("IEA")		Intergovernmental Panel on Climate Change ("IPCC")
Scenarios	Stated Policies Scenario ("STEPS")	Sustainable Development Scenarios ("SDS")	Representative Concentration Pathways ("RCP")*
Descriptions	<p>Defines a future based on existing policies that are employed worldwide towards lowering GHG emissions:</p> <ul style="list-style-type: none"> Fossil fuel remains as major energy source Unable to achieve Paris Agreement goal to limit global warming to well below 2 °C by 2050 (delayed decarbonisation efforts) 	<p>Defines a future where ambitious climate policies and targets are embraced by all countries, with corresponding changes in the energy system:</p> <ul style="list-style-type: none"> Most advanced economies to meet Net Zero 2050 target Global carbon emissions on course to meet Net Zero after 2050 	<p>Define physical risk impact with assumption that emission continue to rise as business as usual ("BAU") or with mitigation effort in place to limit emission align to Paris Agreement target</p>
Use Case	Transition risks		Physical risks

* The specific RCP scenarios as well as the reference to Shared Socioeconomic Pathways to be determined in upcoming assessment in 2024.

Operationalising Emission Management

In addressing climate risks and unlocking relevant opportunities, Velesto has taken measures to operationalize its emission management through emission reduction activities leveraging on technological implementation, process efficiency, awareness and capabilities building of its people.

For more details on Velesto management approach for climate-related matters including energy and emission management, please refer to Section on Respecting the Environment – Climate Change, Energy and Emission Management on page 77-83.

Track and Monitor Our Performance Indicators

Velesto on annual basis benchmarks its ESG performance internally around metrics related to climate change such as emission intensity, water consumption, waste generation and more. These performance metrics are monitored and updated to the BRMC every quarter and reported annually to the public.

The metrics are discussed further in subsequent sub-section of this TCFD-aligned summary below.

For more details on Velesto performance on climate-related metrics, please refer to Section on Respecting the Environment – Climate Change, Energy and Emission Management on page 77-83 and our ESG Performance Table on page 119-128.

In general, we will continue to review and improve our strategy on managing climate-related matters annually in considerations of changes in policy, technology, and the structure of markets.

TCFD – ALIGNED DISCLOSURE

CLIMATE RISK MANAGEMENT

The Board, via the BRMC, upholds vigilant oversight of climate change risks as part of the broader sustainability risks within the Group's enterprise risk management framework. The risk assessed using our internal risk identification matrix (Risk Register) and outcomes are presented to BRMC on quarterly basis. These considerations are actively integrated into our strategic planning, particularly concerning future capital expenditures, including investments in new businesses, technology and systems adoption.

Velesto will be providing updates on the outcomes of the comprehensive scenarios analysis in upcoming reporting cycles based on the consideration sets in previous sub-section on climate strategy. In principle, the following risks category will be reviewed and enhanced from the existing ESG Risk Register:

Risk Category	Velesto Context	Assessment Conclusion
Policy Risks	<p>Refers to potential implementation of policies around:</p> <ul style="list-style-type: none"> • Policy for mitigating actions on climate change • Policy for promoting adaptation <p>Examples may include implementation of carbon pricing mechanism, renewable energy incentives, adoption of green technologies, and more.</p>	Risk and Opportunity
Legal Risks	<p>Refers to litigation risk which may apply to inadequacy in responding and managing climate-related matter such as:</p> <ul style="list-style-type: none"> • Insufficient disclosure and lack of performance monitoring • Failure in impact mitigation arise from operation • Absent of adaptation strategies <p>The risk is also interlinked to value of loss and damage from climate change.</p>	Risk
Technology Risks	<p>Technology presents both risk and opportunity in which it may impact the Group's market competitiveness, cost management, and operational efficiency. These are typically influenced by:</p> <ul style="list-style-type: none"> • Availability and maturity of emerging technologies at specific time horizon e.g., carbon capture, utilisation, and storage ("CCUS"), energy storage system, renewable energy technologies, etc. • Cost of implementation • Market opportunity 	Risk and Opportunity
Market Risks	<p>The biggest influence to the Group will be the shifting demand and supply away from fossil fuel by consumer as well as clients transition into new energy market.</p> <p>However, a more comprehensive review of the risk will require planning into the long-term business strategy which could also present opportunities.</p>	Risk and Opportunity
Reputation Risks	<p>Public perceptions including policy makers and investors on oil and gas as a polluting industry will continue to intensify. As such, it is important for the Group to communicate its continued efforts to transition towards low carbon operation.</p>	Risk and Opportunity
Physical Risks	<p>This risk category may have financial implications to the Group business due to asset damage and potential supply chain disruption.</p> <p>The risk assessment considers physical risks as:</p> <ul style="list-style-type: none"> • Acute risks which are event-driven including increased severity of extreme weather such as cyclones, hurricanes and floods. 	Risk

TCFD – ALIGNED DISCLOSURE



CLIMATE METRICS AND TARGETS

We are measuring and monitoring the following metrics and currently have set limited targets on certain metrics.

Metric	Target
GHG Emissions Intensity	<ul style="list-style-type: none"> • 10% emission intensity reduction per operating days by 2030 • 30% emission intensity reduction per revenue by 2030

Other Climate-Related Metrics Tracked

- Total GHG emissions (Scope 1, 2 & limited Scope 3)
- Electricity consumption
- Water consumption and intensity per operating days
- Waste generation

Looking ahead, we remain committed to continuous evaluation of our performance to address any shortcomings while striving to set other relevant climate-related matter targets.

For more details on how Velesto measures and monitors its climate metrics performance, please refer to Section on Respecting the Environment – Climate Change, Energy and Emission Management on page 77-83 and Our ESG Scorecards on page 74.

BURSA MALAYSIA COMMON MATERIAL MATTERS DISCLOSURES

Indicator	Measurement Unit	2023
Bursa (Energy management)		
Bursa C4(a) Total energy consumption	Megawatt	231,904.08
Bursa (Emissions management)		
Bursa C11(a) Scope 1 emissions in tonnes of CO ₂ e	Metric tonnes	63,469.00
Bursa C11(b) Scope 2 emissions in tonnes of CO ₂ e	Metric tonnes	477.00
Bursa C11(c) Scope 3 emissions in tonnes of CO ₂ e (at least for the categories of business travel and employee commuting)	Metric tonnes	67.00
Bursa (Water)		
Bursa C9(a) Total volume of water used	Megalitres	0.101295
Bursa (Health and safety)		
Bursa C5(a) Number of work-related fatalities	Number	0
Bursa C5(b) Lost time incident rate ("LTIR")	Rate	0.00
Bursa C5(c) Number of employees trained on health and safety standards	Number	401
Bursa (Labour practices and standards)		
Bursa C6(a) Total hours of training by employee category		
Management	Hours	2,443
Executive	Hours	4,646
Non-executive/Technical Staff	Hours	237
Senior Management	Hours	328
Bursa C6(b) Percentage of employees that are contractors or temporary staff	Percentage	77.00
Bursa C6(c) Total number of employee turnover by employee category		
Management	Number	30
Executive	Number	27
Non-executive/Technical Staff	Number	51
Senior Management	Number	0
Bursa C6(d) Number of substantiated complaints concerning human rights violations	Number	0
Bursa (Diversity)		
Bursa C3(a) Percentage of employees by gender and age group, for each employee category		
Age Group by Employee Category		
Management 30 and below	Percentage	0.00
Management 31-50	Percentage	70.00
Management 51-65	Percentage	29.00
Management 65 and above	Percentage	1.00
Executive 30 and below	Percentage	43.00
Executive 31-50	Percentage	53.00
Executive 51-65	Percentage	3.00
Executive 65 and above	Percentage	1.00
Non-executive/Technical Staff 30 and below	Percentage	8.00
Non-executive/Technical Staff 31-50	Percentage	63.00
Non-executive/Technical Staff 51-65	Percentage	26.00
Non-executive/Technical Staff 65 and above	Percentage	3.00
Senior Management 30 and below	Percentage	0.00
Senior Management 31-50	Percentage	55.00
Senior Management 51-65	Percentage	45.00
Senior Management 65 and above	Percentage	0.00
Gender Group by Employee Category		
Management Male	Percentage	74.00
Management Female	Percentage	26.00
Executive Male	Percentage	49.00
Executive Female	Percentage	51.00
Non-executive/Technical Staff Male	Percentage	99.00
Non-executive/Technical Staff Female	Percentage	1.00
Senior Management Male	Percentage	64.00
Senior Management Female	Percentage	36.00

Internal assurance External assurance No assurance

(*) Restated

BURSA MALAYSIA COMMON MATERIAL MATTERS DISCLOSURES

Indicator	Measurement Unit	2023
Bursa C3(b) Percentage of directors by gender and age group		
Male	Percentage	56.00
Female	Percentage	44.00
30 and below	Percentage	0.00
31-50	Percentage	33.33
51-65	Percentage	33.33
65 and above	Percentage	33.33
Bursa (Community/Society)		
Bursa C2(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer	MYR	55,000.00
Bursa C2(b) Total number of beneficiaries of the investment in communities	Number	3
Bursa (Anti-corruption)		
Bursa C1(a) Percentage of employees who have received training on anti-corruption by employee category		
Management	Percentage	88.00
Executive	Percentage	83.00
Non-executive/Technical Staff	Percentage	51.00
Senior Management	Percentage	60.00
Bursa C1(b) Percentage of operations assessed for corruption-related risks	Percentage	86.00
Bursa C1(c) Confirmed incidents of corruption and action taken	Number	1 *
Bursa (Supply chain management)		
Bursa C7(a) Proportion of spending on local suppliers	Percentage	70.00
Bursa (Data privacy and security)		
Bursa C8(a) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Number	0

For full disclosure of Velesto's three (3) financial years ESG Performance Data (including disclosure on other material matters), please refer to ESG Performance Data table of this statement on page 119-128.

*For more details on reported incidents of corruption, please refer to Governance & Ethics section of the Sustainability Statement and the disclosure in the full ESG Performance Data of this statement on page 119-128.

ESG PERFORMANCE DATA

DISCLOSURES	UNIT OF MEASUREMENT	FY2021	FY2022	FY2023
Energy				
Total fuel consumption (diesel, petrol, etc.)	GJ	713,028	738,952	832,358
Total electricity consumption	GJ	1,137	2,359	2,490
Total energy consumption	GJ	714,165	741,311	834,848
GHG Emissions				
Total Scope 1 Emission (from fuel)	tonnes of CO ₂ e	53,008	54,936	63,469
Total Scope 2 Emissions (from electricity)	tonnes of CO ₂ e	181	452	477
Scope 3 Emissions for business travel	tonnes of CO ₂ e		33 ⁽¹⁾	67 ⁽²⁾
Total Scope 1&2 Emission intensity/Operating Days	Ratio	48	41	34
Total Scope 1&2 Emission intensity/Revenue	Ratio	141	95	53
Variance scope 1&2 Emission intensity / operating day (compared to basis year)	%		-15	-28
Variance scope 1&2 Emission intensity / Revenue (compared to basis year)	%		-32	-63
Air Quality				
CO emissions	tCO ₂ e	52,835	52,911	62,357
NO _x emissions	CO ₂ e	113.37	113.53	132.34
NH ₄ emissions	CO ₂ e	59.89	59.98	69.92
Water Consumption				
Total Volume of Water Use	litres	77,249.00	75,556.40	101,294.10
Water intensity /Operating Days	Ratio	69.59	55.8	54.58
Water intensity/ Revenue (RM mil)	Ratio	204.36	130.05	83.37
Waste and effluent				
Total Waste Generated ⁽³⁾	tonnes	193.7	137.78	223.72
No. of minor environmental spills	Number	0	0	1
No. of major environmental spills	Number	1	0	0
Total volume of environmental spills	litres	1	0	0

⁽¹⁾ In 2022, our Scope 3 disclosure on Business Travel include data for travel by air only

⁽²⁾ In 2023, our Scope 3 disclosure on Business Travel include data for travel by air and land

⁽³⁾ Number of scheduled waste generated

ESG PERFORMANCE DATA

DISCLOSURES	UNIT OF MEASUREMENT	FY2021	FY2022	FY2023
Biodiversity				
Number of biodiversity assessments undertaken on new sites	Number	0	0	4 ⁽¹⁾
Number of biodiversity audits undertaken on existing sites	Number	Based on EIA assessment by client		
Percentage of existing operations or projects assessed for biodiversity risks	%			100% (Based on EIA assessment by client)
Number of Operations within or adjacent to sites deemed rich in biodiversity (Based on RAMSAR, IUCN, etc.)	Number	0	0	0
Budget spent on Biodiversity and conservation efforts / programmes / initiatives	RM	N/A	45,000	63,358
Size and location of all habitat areas protected or restored	Acres / sqft(Location)			~290 sqft (Coral planting at Perhentian Island, Terengganu)
Supply Chain Management				
Total procurement spend	RM mil	315.57	593.27	854.77
Total procurement spend on local suppliers	RM mil	190.65	331.02	599
Total procurement spend on foreign suppliers	RM mil	124.92	262.25	254.59
Proportion of spending on local suppliers	%	60	56	70
Total number of registered vendors	Number	420	471	836
Number of registered local vendors	Number	300	320	591
Percentage of registered local vendors	%	71	68	71
Number of suppliers removed from procurement list or cautioned for poor ESG performance	Number	0	0	0
No.of suppliers endorsed anti-bribery anti-corruption policies/ VIP Pledge	Number/ %	N/A	464	541 (65%)
Percentage of suppliers endorsed anti-bribery anti-corruption policies	%	N/A	99	59%
Workforce Diversity				
Total workforce	Number	624	722	732
Malaysian employees	%	75	73	75

ESG PERFORMANCE DATA

DISCLOSURES	UNIT OF MEASUREMENT	FY2021	FY2022	FY2023
Workforce Diversity (cont'd.)				
Non-Malaysian employees	%	25	27	25
Permanent employees	%	38	28	23
Employees that are contractors or temporary staff	%	62	72	77%
Male Managerial Staff	%	55	71	74
Female Managerial Staff	%	45	29	26
Male Executive Employees	%	62	49	49
Female Executive Employees	%	38	51	51
Male Non-Executive Employees	%	97	98	99
Female Non-Executive Employee	%	3	2	1
Senior Management Staff Age 30 and below	%			0
Senior Management Staff Age 31-50	%			55
Senior Management Staff Age 51-65	%			45
Senior Management Staff Age 65 and above	%			0
Managerial Staff Aged 30 and below	%	6	1	0
Managerial Staff Aged 31-50	%	76	71	70
Managerial Staff Aged 51-65	%	18	27	29
Managerial Staff Aged 65 Years and Above	%	0	1	1
Executive Employees Aged 30 and below	%	72	45	43
Executive Employees Aged 31-50	%	26	52	53
Executive Employees Aged 51-65	%	1	2	3
Executive Employees Aged 65 Years and Above	%	1	1	1
Non-Executives Aged 30 and below	%	8	10	8
Non-Executives Aged 31-50	%	66	64	63
Non-Executives Aged 51-65	%	25	25	26
Non-Executives Aged 65 Years and Above	%	1	1	3
Senior Management staff with Malay ethnicity	%			82

ESG PERFORMANCE DATA

DISCLOSURES	UNIT OF MEASUREMENT	FY2021	FY2022	FY2023
Workforce Diversity (cont'd.)				
Senior Management staff with Chinese ethnicity	%			9
Senior Management staff with Indian ethnicity	%			0
Senior Management staff with Others ethnicity	%			9
Malay Managerial Staff	%	69	64	62
Chinese Managerial Staff	%	11	18	14
Indian Managerial Staff	%	6	9	11
Managerial Staff of Other Ethnicities	%	13	10	14
Malay Executive Staff	%	90	86	86
Chinese Executive Staff	%	1	5	3
Indian Executive Staff	%	3	3	2
Executive Staff of Other Ethnicities	%	7	7	9
Malay Non-Executive Staff	%	33	35	34
Chinese Non-Executive Staff	%	3	9	3
Indian Non-Executive Staff	%	4	6	7
Non-Executive Staff of Other Ethnicities	%	59	50	55
Number / percentage of disabled managerial staff	Number / %	0	0	0
Number / percentage of disabled executive staff	Number / %	0	0	0
Number / percentage of disabled non-executive staff	Number / %	0	0	0
Total number / percentage of staff with disabilities	Number / %	0	0	0
Hiring and Attrition				
Total New Hires	Number	104	216	164
New Hires (Male)	%	68	85	81
New Hires (Female)	%	32	15	19
New Hires aged 30 and below	Number	25	23	34
New Hires aged 31-50	Number	63	66	107
New Hires aged 51-65	Number	11	11	22

ESG PERFORMANCE DATA

DISCLOSURES	UNIT OF MEASUREMENT	FY2021	FY2022	FY2023
Hiring and Attrition (cont'd.)				
New Hires aged 65 and above	Number	1	0	1
New Hires with disabilities, or from underprivileged groups	%	0	0	0
Total Turnover(including resignation, termination, death or retirement)	Number			108
Turnover of Managerial Staff	%			28
Turnover of Executives	%			25%
Turnover of Non-Executives	%			47
Full-Time Staff Voluntary Turnover Rate (%)	%			0
Turnover (Male)	Number			80
Turnover (Female)	Number			28
Turnover aged 30 and below	Number			21
Turnover aged 31-50	Number			69
Turnover aged 51-65	Number			17
Turnover aged 65 and above	Number			1
Turnover of staff with disabilities, or from underprivileged groups	%			0
Number of substantiated complaints concerning human rights violations	Number		0	0
Staff Training				
Total training spend as a company	RM '000	46	246	752
Total training hours as a company	Number	2,391.5	4,612	7,653
Total training hours Senior Management	Number			327.5
Total training hours for Managerial Staff	Number	514.5	1321	2,442.5
Total training hours for Executive Staff	Number	1235	2310	4,646.0
Total training hours for Non-Executive Staff	Number	642	981	237.0
Average training hours senior management	Number			9.63
Average Training Hours Per Employee (Management Staff)	Number	4.67	9.57	
Average Training Hours Per Employee (Executives)	Number	5.97	11.27	13.87

ESG PERFORMANCE DATA

DISCLOSURES	UNIT OF MEASUREMENT	FY2021	FY2022	FY2023
Staff Training (cont'd.)				
Average Training Hours Per Employee (Non-Executives)	Number	3.36	7.32	6.58
Total male employees attended training	Number	271	264	300
Total female employees attended training	Number	316	287	272
Average Training Hours Per Employee (Male)	Hours	8.82	17.47	25.51
Average Training Hours Per Employee (Female)	Hours	7.56	16.07	28.13
Employee Benefit and Remuneration				
Percentage of staff receiving a performance appraisal	%	74.1	68.13	54
Total payments made to employees in terms of salaries, bonuses and benefits	RM Mil	117	142	131
Total statutory payments made for employees' retirement benefits (EPF)	RM Mil	7	7	9.3
Total payments to SOCSO for employees' medical insurance	RM Mil	0.32	0.41	0.58
No. of Employees Entitled for Maternity and Paternity Leave	Number	67	95	179
No. of Employees Who Took Paternity Leave	Number	0	0	4
No. of Employees Who Took Maternity Leave	Number	2	5	8
Male Employees Return to Work Rates (return to work after parental leave period)	%	100	100	100
Female Employees Return to Work Rates (return to work after parental leave period)	%	100	100	88
Male Employees Retention Rates (remain with the organisation for 12 months or more post parental leave)	%		100	100
Female Employees Retention Rates (remain with the organisation for 12 months or more post parental leave)	%		100	88
Employee Engagement				
Total spend on Employee Engagement activities	RM			3,061.60
Number of Employee Engagement Activities	Number			17
Employee Satisfaction Level	%	79	Survey not done	Survey not done

ESG PERFORMANCE DATA

DISCLOSURES	UNIT OF MEASUREMENT	FY2021	FY2022	FY2023
Community Engagement				
Total amount invested in the community where the target beneficiaries are external to the listed issuer	RM'000		95	55
Total number of beneficiaries of the investment in communities	Number		4 secondary school, 3 primary school, 89 teachers	2 secondary schools- Less student category & few communities in Kelantan
Number of Community Engagement Activities	Number	4	2	2
Total number of employee volunteer hours	Manhours	N/A	60	256
HSE Performance				
Total manhours worked	Hours	1,839,629	2,002,687	2,556,556
Number of work-related fatalities	Number	0	0	0
Number of work-related fatalities: Employees	Number	0	0	0
Number of work-related fatalities: Contractors	Number	0	0	0
Fatality Rate	Rate	0	0	0
No. of recordable work-related injuries	Number	2	1	4
Injury Rate (including fatalities)	Rate	0	0.5	1.56
Total no. of lost days / LTIs	Number	7	7	0
Lost Day Rate	Rate	1.92	1.92	0
No. of LTIs	Number	1	1	0
Lost time incident rate	Rate	0.54	0.5	0
No. of Unsafe Act Unsafe Condition ("UAUC")	Number	44,953	40,773	63,100
Occupational diseases rate	Rate	0	0	0
Absenteeism Rate - Days	Rate	0.05	0.05	0
Absenteeism Rate - Headcount	Rate	0.1	0.1	0
Number of employees trained on health and safety standards	Number			401

ESG PERFORMANCE DATA

DISCLOSURES	UNIT OF MEASUREMENT	FY2021	FY2022	FY2023
Corporate Governance				
Number of Board of Directors	Number	9	9	9
Number of Independent Directors on the Board	Number	5	5	5
Number of women on the Board	Number	3	4	4
AGM Notice Filing Date	DD-MM	29-Apr	28-Apr	30-Apr
AGM Date	DD-MM	28-Jun	29-May	30-May
Number of days between the date of notice and date of meeting	Number	More than 28 days	More than 28 days	More than 28 days
Malay Directors	%	89	67	67
Chinese Directors	%	11	22	22
Indian Directors	%	0	11	11.11
Directors of Other Ethnicities	%	0	0	0
Malaysian Directors	%	100	100	100
Non-Malaysian Directors	%	0	0	0
Number / percentage of Directors with disabilities	%	0	0	0
Male Directors	%	67	56	56
Female Directors	%	33	44	44
Directors Aged 30 and below	%	0	0	0
Directors Aged 31-50	%	22	33	33.33
Directors Aged 51-65	%	22	11	33.33
Directors Aged 65 Years and Above	%	56	56	33.33
Risk Management & Regulatory Compliance				
Has the company and / or subsidiaries been fined or censured for any environmental non-compliance?	Y/N		No	No
Cost of fines for environmental non-compliance	RM		No	No
Has the company and / or subsidiaries been fined or censured for any socioeconomic non-compliance?	Y/N		No	No
Incident of Environmental Regulatory Non-Compliance	Y/N		No	No
Incident of Social Regulatory Non-Compliance	Y/N		NO	No

ESG PERFORMANCE DATA

DISCLOSURES	UNIT OF MEASUREMENT	FY2021	FY2022	FY2023
Risk Management & Regulatory Compliance (cont'd.)				
Incident of Corporate/ Governance Non-Compliance	Y/N		Yes	0
Total incident of corporate/ governance non compliance	Y/N		5	0
Cost of fines for socioeconomic non-compliance	RM			0
Incidents of non-compliance with regulations resulting in a fine or penalty	Number			0
Incidents of non-compliance with regulations resulting in a warning	Number			0
Incidents of non-compliance with voluntary codes	Number			0
Total monetary value of paid fines for corporate /governance non-compliance	RM'000		24	0
Total number of non-monetary sanctions	Number			0
Number of legal actions pending or completed during the reporting period regarding anti-competitive behaviour and violations of anti-trust and monopoly legislation in which the organisation has been identified as a participant	Number		0	0
Cases brought through dispute resolution mechanisms	Number		0	0
Cases of corporate misconduct reported through the Whistleblowing channel	Number		0	0
Anti-Corruption				
Number of training hours relating to anti-corruption Directors	Number	N/A	N/A	0
Number of training hours relating to anti-corruption Managerial Staff	Number	38	26	135
Number of training hours relating to anti-corruption Executives	Number	86	78	142.5
Number of training hours relating to anti-corruption Non-Executives	Number	348	264	313.5
Number of training hours relating to anti-corruption Total	Number	472	368	591
Percentage of business partner that the organisation's anti-corruption policies and procedure have been communicated to	%	13	20	100
- Nature of confirmed incidents of corruption	Qualitative	N/A	N/A	N/A
- Cost of fines, penalties or settlements in relation to corruption	RM	0	0	0

ESG PERFORMANCE DATA

DISCLOSURES	UNIT OF MEASUREMENT	FY2021	FY2022	FY2023
Anti-Corruption (cont'd.)				
Number of employees who have received training on anti-corruption by employee category: Senior Management	Number	N/A	N/A	6
Number of employees who have received training on anti-corruption by employee category: Managerial Staff	Number / percentage	19	13	66
Number of employees who have received training on anti-corruption by employee category: Executives	Number / percentage	43	39	122
Number of employees who have received training on anti-corruption by employee category: Non Executives / operational	Number / percentage	174	132	239
Number of employees who have received training on anti-corruption by employee category: Total	Number / percentage	236	184	433
Percentage of operations assessed for corruption-related risks	%	100	100	86
Confirmed incidents of corruption ⁽¹⁾⁽²⁾	Number	0	0	1 ⁽³⁾
- Action taken	Qualitative	N/A	N/A	Domestic Inquiry and Reported to MACC
<p>⁽¹⁾ Velesto defines corruption case as per the definition by the Malaysian Anti-Corruption Act 2009 (MACC Act 2009) (Act 694) including other major offences stated in the Act.</p> <p>⁽²⁾ Reportable corruption cases refer to confirmed case investigated and reported to MACC.</p> <p>⁽³⁾ Reportable case happened in 2022 involved falsification of claims with domestic inquiry completed in 2023. The case subsequently has been reported to MACC in 2023.</p>				
Data Privacy and Security				
Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Number		0	0

STATEMENT OF ASSURANCE

In strengthening the credibility of our reporting, selected parts of this Sustainability Statement have been subjected to an internal review by the Company's internal auditors.

Type of Assurance	Material Matters	Subject Matter	Scope
Internal Review	Energy management	Total energy consumption	Operation assessed: Malaysia
	Emissions management	Scope 1 emission in tonnes CO2e (Diesel)	
		Scope 2 emission in tonnes CO2e (Electricity)	
	Health and safety	Number of work-related fatalities	
		Lost time incident rate	
		Number of employees trained on health and safety standards	
	Labour practices and standards	Total hours of training by employee category	
		Percentage of employees that are contractors or temporary staff	
		Total number of employee turnover by employee category	
		Number of substantiated complaints concerning human rights violations	
	Anti-corruption	Percentage of employees who have received training on anti-corruption by employee category	
		Percentage of operations assessed for corruption-related risk	
		Confirmed incidents of corruption and action taken	
	Supply chain management	Proportion of spending on local suppliers	

We will continue to improve on our data accuracy and quality to strengthen our disclosures moving forward with plan for independent assurance in the future.

BURSA MALAYSIA CONTENT INDEX

COMMON INDICATORS

No.	Common Sustainability Matters	Code	Indicators	Page
1.	Anti-corruption	C1 (a)	Percentage of employees who have received training on anticorruption by employee category	Page 105
		C1 (b)	Percentage of operations assessed for corruption-related risks	
		C1 (c)	Confirmed incidents of corruption and action taken	
2.	Community/ Society	C2 (a)	Total amount invested in the community where the target beneficiaries are external to the listed issuer	Page 99
		C2 (b)	Total number of beneficiaries of the investment in communities	Page 125
3.	Diversity	C3 (a)	Percentage of employees by gender and age group, for each employee category	Page 96-97
		C3 (b)	Percentage of directors by gender and age group	
4.	Energy management	C4 (a)	Total energy consumption	Page 79
5.	Health and safety	C5 (a)	Number of work-related fatalities	Page 88
		C5 (b)	Lost time incident rate	
		C5 (c)	Number of employees trained on health and safety standards	
6.	Labour practices and standards	C6(a)	Total hours of training by employee category	Page 92
		C6 (b)	Percentage of employees that are contractors or temporary staff	Page 121
		C6 (c)	Total number of employee turnover by employee category	Page 97, 123
		C6 (d)	Number of substantiated complaints concerning human rights violations	Page 94, 97
7.	Supply chain management	C7 (a)	Proportion of spending on local suppliers	Page 109
8.	Data privacy and security	C8 (a)	Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Page 110
9.	Water	C9 (a)	Total volume of water used	Page 81
10.	Waste management	C10 (a)	Total waste generated, and a breakdown of the following: (i) total waste diverted from disposal (ii) total waste directed to disposal	Page 119
11.	Emissions management	C11 (a)	Scope 1 emissions in tonnes of CO ₂ e	Page 79
		C11 (b)	Scope 2 emissions in tonnes of CO ₂ e	
		C11 (c)	Scope 3 emissions in tonnes of CO ₂ e (at least for the categories of business travel and employee commuting)	

SECTOR-SPECIFIC INDICATORS: ENERGY

Common Sustainability Matters	Code	Indicators	Page
Biodiversity	S1 (a)	Percentage of existing operations or projects assessed for biodiversity risks	Page 81-83
	S1 (b)	Size and location of all habitat areas protected or restored	
	S1 (c)	Total number of International Union for Conservation of Nature ("IUCN") Red List of Threatened Species and national conservation list species with habitats in areas affected by the operations of the company	
Emissions -Air Quality/ Pollution	S4 (a)	Amount of air emissions of pollutants and particulate matter	Page 119
Materials	S5 (a)	Total weight or volume of materials that are used to produce and package products and services	N/A
Effluents	S8 (a)	Total volume of water (effluent) discharge over the reporting period	Page 119

GRI CONTENT INDEX

GRI Standard	Code	Disclosure	Location	Page
GRI 2: General Disclosures 2021	2-1	Organisational details	Corporate Information	2,3 and 10,11
	2-2	Entities included in the organisation’s sustainability reporting	Corporate Structure Scope, Boundary and Exclusions	49
	2-3	Reporting period, frequency and contact point	About This Report	49-50
	2-4	Restatements of information	N/A	
	2-5	External assurance	Reporting Reliability	50
	2-6	Activities, value chain and other business relationships	Sustainability Lenses	55, 63-67
	2-7	Employees	Workforce Diversity Data	97
	2-8	Workers who are not employees	Workforce Diversity Data	N/A
	2-9	Governance structure and composition	Corporate Governance Overview Statement	154-173
	2-10	Nomination and selection of the highest governance body		
	2-11	Chair of the highest governance body		
	2-12	Role of the highest governance body in overseeing the management of impacts		
	2-13	Delegation of responsibility for managing impacts		
	2-14	Role of the highest governance body in sustainability reporting	Sustainability Governance at Velesto Governing Sustainability	59-61
	2-15	Conflicts of interest	Assessment of Independence Additional Compliance Information Statistics on Shareholding	104,164,188
	2-16	Communication of critical concerns	Grievance Mechanism	89,90,102-103
	2-17	Collective knowledge of the highest governance body	Board Skills Matrix	102-103
	2-18	Evaluation of the performance of the highest governance body	Board Effectiveness Evaluation	164
	2-19	Remuneration policies	Remuneration Policy and Procedures & TOR BNRC at www.velesto.com	
	2-20	Process to determine remuneration		
	2-21	Annual total compensation ratio	Directors' Benefits	171
	2-22	Statement on sustainable development strategy	SS2022 Message from the Group President	51-52, 56-57
	2-23	Policy commitments	Diverse Policies for Good Governance	60-61
	2-24	Embedding policy commitments		
	2-25	Processes to remediate negative impacts	Grievance Mechanism	50,61,102-105
	2-26	Mechanisms for seeking advice and raising concerns	Feedback Channel	61-62,104-105
	2-27	Compliance with laws and regulations	Regulatory Compliance	106-107
	2-28	Membership associations	Industry Association Membership and External Initiatives	67
	2-29	Approach to stakeholder engagement	Stakeholder Engagement	63-66
	2-30	Collective bargaining agreements	Labour Practices and Human Rights Supply Chain Management	93-94
GRI 3: Material Topics 2021	3-1	Process to determine material topics	Determining Materiality	68-73
	3-2	List of material topics		
	3-3	Management of material topics	Throughout the Report	

GRI CONTENT INDEX

GRI Standard	Code	Disclosure	Location	Page
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	Local Community Impact	92, 100-101, 191-264
	201-2	Financial implications and other risks and opportunities due to climate change	Addressing Weather Conditions and the Effects of Climate Change Energy Consumption and Emissions	113-115
	201-3	Defined benefit plan obligations and other retirement plans	Competitive Remuneration and Benefits	89-94
	201-4	Financial assistance received from government	N/A	
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	N/A	
	202-2	Proportion of Senior Management hired from the local community	Key Leaders	150-153
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	Local Community Impact	98-99
	203-2	Significant indirect economic impacts		
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	Prioritising Local Procurement Supply Chain Management Data	109, 120
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	Corporate Governance & Anti-Corruption Anti-Corruption Performance Data	105, 128
	205-2	Communication and training about anti-corruption policies and procedures		
	205-3	Confirmed incidents of corruption and actions taken		
GRI 302: Energy 2016	302-1	Energy consumption within the organisation	Energy Consumption and Emissions Energy and GHG Emissions Data	79, 119
	302-2	Energy consumption outside of the organisation		
	302-3	Energy intensity		
	302-4	Reduction of energy consumption		
	302-5	Reductions in energy requirements of products and services		
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	Pollution and Waste Management Water Consumption and Waste and Effluent Data	81-82, 119
	303-2	Management of water discharge-related impacts		
	303-3	Water withdrawal		
	303-4	Water discharge		
	303-5	Water consumption		
GRI 304: Biodiversity 2016	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Marine Biodiversity Biodiversity Data	82-83, 120
	304-2	Significant impacts of activities, products and services on biodiversity		
	304-3	Habitats protected or restored		
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations		

GRI CONTENT INDEX

GRI Standard	Code	Disclosure	Location	Page
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	Energy Consumption and Emissions Energy, GHG Emissions and Air Quality Data	79-80, 119
	305-2	Energy indirect (Scope 2) GHG emissions		
	305-3	Other indirect (Scope 3) GHG emissions		
	305-4	GHG emissions intensity		
	305-5	Reduction of GHG emissions		
	305-6	Emissions of ozone-depleting substances (ODS)		
	305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions		
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	Pollution and Waste Management	80-81
	306-2	Management of significant waste-related impacts	Waste and Effluent Data	119
	306-3	Waste generated		
	306-4	Waste diverted from disposal		
	306-5	Waste directed to disposal		
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	Supply Chain Management	106-109
	308-2	Negative environmental impacts in the supply chain and actions taken		
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	Talent Retention and Development Hiring and Attrition and Employee Benefits and Remuneration Data	89-94, 123
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		
	401-3	Parental leave		
GRI 403: Occupational Health and Safety 2018	402-1	Minimum notice periods regarding operational changes	Occupational Safety and Health HSE Performance Data	84-88, 125
	403-1	Occupational health and safety management system		
	403-2	Hazard identification, risk assessment, and incident investigation		
	403-3	Occupational health services		
	403-4	Worker participation, consultation, and communication on occupational health and safety		
	403-5	Worker training on occupational health and safety		
	403-6	Promotion of worker health		
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		
	403-8	Workers covered by an occupational health and safety management system		
	403-9	Work-related injuries		
	403-10	Work-related ill health		
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	Talent Retention and Development Staff Training Data	89-91, 123-124
	404-2	Programmes for upgrading employee skills and transition assistance programmes		
	404-3	Percentage of employees receiving regular performance and career development reviews		

GRI CONTENT INDEX

GRI Standard	Code	Disclosure	Location	Page
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	Commitment to Diversity and Equal Opportunity	96-97, 121-122, 126
	405-2	Ratio of basic salary and remuneration of women to men	Governance Body Composition and Workforce Diversity Data	N/A
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	Labour Practices and Human Rights	99
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Labour Practices and Human Rights	107
GRI 408: Child Labour 2016	408-1	Operations and suppliers at significant risk for incidents of child labour	Labour Practices and Human Rights	93-94
GRI 409: Forced or Compulsory Labour 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Labour Practices and Human Rights	93-94
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programmes	Local Community Impact	98-99, 125
	413-2	Operations with significant actual and potential negative impacts on local communities	Community Engagement Data	82-83
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	Labour Practices and Human Rights Supply Chain Management Data	106-109, 120
	414-2	Negative social impacts in the supply chain and actions taken		
GRI 415: Public Policy 2016	415-1	Political contributions	Political Views and Contributions	102-104
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer Data Privacy and Protection Data Privacy and Security Data	110

TCFD CONTENT INDEX

TCFD Pillars & Thematic Areas	TCFD Recommended Disclosures	Page Reference
Governance Disclose the organisation's governance around climate-related risks and opportunities.	a) Describe the board's oversight of climate related risks and opportunities.	Sustainability Governance, Page 59-61 Climate Change, page 70, 77-78 TCFD - Aligned Disclosure, page 113-116
	b) Describe management's role in assessing and managing climate related risks and opportunities.	Sustainability Governance, Page 59-61 TCFD - Aligned Disclosure, Page 113-116
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material.	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term.	Climate Change, page 70, 77-78 TCFD - Aligned Disclosure, Page 113-116
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Climate Change, Page 70, 77-78 TCFD - Aligned Disclosure, Page 113-116
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	TCFD - Aligned Disclosure, Page 113-116
Risk Management Disclose how the organisation identifies, assesses and manages climate-related risks.	a) Describe the organisation's processes for identifying and assessing climate related risk.	Climate Change, Page 70, 77-79 TCFD - Aligned Disclosure, Page 113-116
	b) Describe the organisation's processes for managing climate related risks.	Climate Change, Page 70, 77-79 TCFD - Aligned Disclosure, Page 113-116
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities, where such information is material.	a) Disclose the metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process	Climate Change, Page 78-79, 119 TCFD - Aligned Disclosure, Page 113-116
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Energy and Emissions Management, Page 79, 119 TCFD - Aligned Disclosure, Page 113-116
	c) Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets.	TCFD - Aligned Disclosure, Page 113-116

BOARD OF DIRECTORS

1 MOHD RASHID MOHD YUSOF
Chairman / Non-Independent
Non-Executive Director

**2 IR. TS. MEGAT ZARIMAN
ABDUL RAHIM**
President / Executive Director

**3 IR. DR. MOHD SHAHREEN
ZAINOOREEN MADROS**
Senior Independent Non-Executive Director

4 ROWINA GHAZALI SETH
Independent Non-Executive Director



5 HAIDA SHENNY HAZRI
Non-Independent Non-Executive Director

7 AR. AHILA GANESAN
Independent Non-Executive Director

9 ALAN HAMZAH SENDUT
Independent Non-Executive Director

6 DATUK GEORGE LING KIEN SING
Independent Non-Executive Director

8 FADZIHAN ABBAS MOHAMED RAMLEE
Non-Independent Non-Executive Director

10 NADZRIN ALIA MD AZIZIS
Alternate Director to Fadzihan Abbas
Mohamed Ramlee



PROFILE OF DIRECTORS

MOHD RASHID MOHD YUSOF

Age 68, Malaysian, Male
Chairman, Non-Independent Non-Executive Director



Date Appointed to the Board
23 June 2017



Years of Directorship
6 years and 9 months



Board Meetings Attended
12 / 12

Qualifications:

- Fellow of Association of Chartered Certified Accountants (ACCA), Chartered Association of Certified Accountants, UK
- Advanced Management Program, Wharton Business School, Pennsylvania, USA

Committee Membership:

- None

Membership of Associations

- Member of Chartered Association of Certified Accountants ("UK")
- Member of Malaysian Institute of Accountants ("MIA")

Directorships in Other Companies

Listed Entity

None

Other Public Companies

- Standard Chartered Bank Malaysia Berhad
- SIRIM Berhad
- Worldwide Holdings Berhad

Working Experience:

Mohd Rashid Mohd Yusof ("Mohd Rashid") commenced his career with PETRONAS in 1980 and has held various financial positions in PETRONAS such as Head of Group Accounting, Head of Group Treasury and Head of Group Internal Audit.

He was also appointed as Financial Director of Engen Limited ("Engen"), before assuming Senior Management positions as Chief Executive Officer of Malaysian International Trading Corp ("MITCO") and later as Managing Director/Chief Executive Officer of Engen in South Africa and Vice President of Supply Chain & Risk Management at PETRONAS.

Previous directorships held include Putrajaya Holdings Sdn. Bhd., KLCC (Holdings) Sdn. Bhd., Media Prima Berhad and Scicom (MSC) Berhad.

Declarations:

- No conflict of interest or any family relationship with any Director and/or major shareholder of the Company.
- Other than traffic offences, I have never been convicted for any offences for the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during FY2023.

PROFILE OF DIRECTORS

ROWINA GHAZALI SETH

Age 63, Malaysian, Female
Independent Non-Executive Director



Date Appointed to the Board
23 June 2017



Years of Directorship
6 years and 9 months



Board Meetings Attended
12 / 12

Qualification:

- Bachelor of Science Degree in Computer Science, Northern Illinois University, USA

Committee Membership:

- Chairperson of Board Risk Management Committee
- Member of Board Nomination & Remuneration Committee
- Member of Board Whistle-Blowing Committee

Membership of Associations

- None

Directorships in Other Companies Listed Entity

- UEM Edgenta Berhad

Other Public Companies

- Hong Leong Islamic Bank Berhad

Working Experience:

Rowina Ghazali Seth ("Rowina") began her 33-year career in SHELL in the Information Technology Division in 1985.

She thereafter assumed various local and global positions in SHELL's upstream, downstream and business operations, including as Director of SHELL Business Services Sdn. Bhd.

Rowina was SHELL Malaysia's first female General Manager of Corporate Affairs. Her last position at SHELL was Director, Government Affairs, building the function from inception and pioneering the lead role. She has extensive experience in strategic government relations, reputational and crisis management, strategic CSRs, and people and change management programmes.

During the course of her career, Rowina also served as Chairman of the SHELL Sustainable Development Fund, Deputy President of the SHELL Women's Action Network, and Trustee of the SHELL Scholarship Fund. She was also Vice President of the Business Council for Sustainable Development Malaysia ("BCSDM"), and an active mentor in the Young Corporate Malaysia program.

Declarations:

- No conflict of interest or any family relationship with any Director and/or major shareholder of the Company.
- I am independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of Veleso Energy Berhad and its Group.
- Other than traffic offences, I have never been convicted for any offences for the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during FY2023.

PROFILE OF DIRECTORS

HAIDA SHENNY HAZRI

Age 50, Malaysian, Female
Non-Independent Non-Executive Director



Date Appointed to the Board
23 June 2017



Years of Directorship
6 years and 9 months



Board Meetings Attended
12 / 12

Qualifications:

- LLB and BComm (Accounting & Finance), University of Melbourne, Australia
- LLM, University of Malaya, Malaysia

Committee Membership:

- Chairperson of Board Whistle-Blowing Committee
- Member of Board Nomination & Remuneration Committee

Membership of Associations

- None

Directorships in Other Companies Listed Entity

- Privasia Technology Berhad

Other Public Companies

- Keyfield International Berhad

Working Experience:

Haida Shenny Hazri ("Haida") has more than 20 years of experience in the oil and gas industry.

Haida commenced her career with PETRONAS and she undertook legal and commercial roles in PETRONAS E&P, LNG and Technology businesses. Her last post in PETRONAS was Chief Executive Officer ("CEO"), Petronas Technology Ventures Sdn. Bhd. She also served as a Board member of a few PETRONAS entities such as PETRONAS Technical Solutions Sdn. Bhd., PETROSAINS Sdn. Bhd. as well as being a board member of the technology entity where PETRONAS is a shareholder. Whilst in PETRONAS, she was part of various Corporate Strategic studies, including representing PETRONAS at the National Key Economic Areas Lab conducted by PEMANDU.

In Sapura Energy ("Sapura"), she held the position of Vice President of Strategy and New Ventures E&P and was involved in the building up of the E&P business for Sapura.

She was the CEO of Matrix Reservoir Sdn. Bhd., the owner and operator of Tok Bali Supply Base, the third supply base in Malaysia. She led the startup and operationalisation as well as the successful sale of the majority interest of the company. Post the divestment, she joined Bintulu Supply Base Sdn. Bhd. to build another supply base in Bintulu. She served as CEO Bintulu Supply Base Sdn. Bhd. until 2019.

Since 2018 and 2019 respectively, she has served as an Independent Non-Executive Director of Privasia Technology Berhad and Non-Independent Non-Executive Director of Matrix Reservoir Sdn. Bhd., a subsidiary of Ahmad Zaki Resources Berhad. She also now serves as an Independent Non-Executive Chairperson of the Keyfield International Berhad.

Declarations:

- No conflict of interest or any family relationship with any Director and/or major shareholder of the Company.
- Other than traffic offences, I have never been convicted for any offences for the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during FY2023.

PROFILE OF DIRECTORS

IR. DR. MOHD SHAHREEN ZAINOOREEN MADROS

Age 61, Malaysian, Male
Senior Independent Non-Executive Director



Date Appointed to the Board
25 August 2021



Years of Directorship
2 years and 7 months



Board Meetings Attended
12 / 12

Qualifications:

- Doctorate in Structural Engineering, University of Cambridge, UK
- 1st Class Honours Degree in Civil Engineering, University of London, UK

Committee Membership:

- Chairman of Board Nomination & Remuneration Committee
- Member of Board Audit Committee
- Member of Board Whistle-Blowing Committee

Membership of Associations

- Board of Engineers, Malaysia

Directorships in Other Companies Listed Entity

- E.A. Technique (M) Berhad

Other Public Companies

- Time Dotcom Berhad

Working Experience:

Ir. Dr. Mohd Shahreen Zainooreen Madros ("Ir. Dr. Shahreen") has over 30 years of working experience in various capacities.

His work experience includes as a lecturer in Engineering Faculty in Universiti Kebangsaan Malaysia, over 20 years in the oil and gas industry, and almost 10 years in the government agencies.

He was appointed as the Chief Executive Officer ("CEO") of MATRADE in early 2017 and served until February 2019. He has worked with many industries beyond oil and gas and formulating strategic directions in growing and promoting trade. In addition, Ir. Dr. Shahreen has represented Malaysia in many international trade missions and involved in various industry dialogue working with the Ministry of International Trade and Industry. He aims to forge strategic partnerships with all relevant stakeholders in both private and public sectors at various levels within ministries, agencies, trade associations, chambers of commerce and business councils, to ensure Malaysia remains competitive globally.

Ir. Dr. Shahreen is also a certified coach, and an Adjunct Professor with Universiti Kebangsaan Malaysia ("UKM") Graduate School of Business.

Declarations:

- No conflict of interest or any family relationship with any Director and/or major shareholder of the Company.
- I am independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of Velesto Energy Berhad and its Group.
- Other than traffic offences, I have never been convicted for any offences for the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during FY2023.

PROFILE OF DIRECTORS

DATUK GEORGE LING KIEN SING

Age 68, Malaysian, Male
Independent Non-Executive Director



Date Appointed to the Board
29 November 2021



Years of Directorship
2 years and 4 months



Board Meetings Attended
12 / 12

Qualification:

- Bachelor of Engineering, McMaster University, Hamilton, Ontario, Canada

Committee Membership:

- Member of Board Risk Management Committee
- Member of Board Audit Committee

Membership of Associations

- None

Directorships in Other Companies

Listed Entity

None

Other Public Companies

None

Working Experience:

Datuk George Ling Kien Sing ("Datuk George") graduated as a chemical engineer from McMaster University, Canada and joined SHELL Malaysia Exploration Production in 1980.

He recorded almost 32 years of working experiences in SHELL worldwide, and 5 years in PETRONAS from 2011 until his retirement in 2016. In the course of his career, Datuk George progressed through the ranks in technical, operational and managerial positions as Petroleum Engineer, Operations Engineer, Rig Superintendent, Head of Drilling, Well Engineering General Manager and Asset Management General Manager.

Datuk George introduced and developed the first ever 'All Rounded Drilling Training Programme' for PETRONAS. In 2013, he was involved in managing the construction of the 1st PETRONAS Integrated Oil and Gas Training Centre in Kuala Terengganu. He was a key member in PETRONAS Upstream for Technical Global People Development Committee and Upstream Field Development Plan Committee. After his retirement, Datuk George is currently active in freelance consultancy works.

Declarations:

- No conflict of interest or any family relationship with any Director and/or major shareholder of the Company.
- I am independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of Velesto Energy Berhad and its Group.
- Other than traffic offences, I have never been convicted for any offences for the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during FY2023.

PROFILE OF DIRECTORS

IR. TS. MEGAT ZARIMAN ABDUL RAHIM

Age 56, Malaysian, Male
President, Executive Director



Date Appointed to the Board
25 February 2022



Years of Directorship
2 years and 2 months



Board Meetings Attended
12 / 12

Qualification:

- Bachelor of Science (Electrical Engineering) – Worcester Polytechnic Institute, USA

Committee Membership:

- None

Membership of Associations

- Board of Engineers Malaysia
- Institute of Engineers Malaysia
- Malaysia Board of Technologist
- Society of Petroleum Engineers

Directorships in Other Companies

Listed Entity

- None

Other Public Companies

- None

Working Experience:

Ir. Ts. Megat Zariman Abdul Rahim commenced his career with Esso Production Malaysia Inc. in 1990.

He later joined SLB until 2013. During his 21 years with SLB, he held various technical, commercial, and management roles globally.

Subsequently, he joined Bumi Armada Berhad ("Bumi Armada") until early 2022. During his stint in Bumi Armada he was responsible for Corporate External Relations and Sustainability agenda. He had held various positions within Bumi Armada for the last 8 years including managing the Offshore Marine Services Business between 2018 to 2021.

He is a certified Professional Engineer by the Malaysian Board of Engineers since 1997, and Professional Technologist from Malaysian Board of Technologies since 2018.

Declarations:

- No conflict of interest or any family relationship with any Director and/or major shareholder of the Company.
- Other than traffic offences, I have never been convicted for any offences for the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during FY2023.

PROFILE OF DIRECTORS

AR. AHILA GANESAN

Age 49, Malaysian, Female
Independent Non-Executive Director



Date Appointed to the Board
12 August 2022



Years of Directorship
1 year and 7 months



Board Meetings Attended
12 / 12

Qualifications:

- Masters of Business Administration, Monash University, Australia
- Bachelor of Architecture, University of Melbourne, Australia
- Bachelor of Science, Architecture, University Science Malaysia, Malaysia

Committee Membership:

- Member of Board Risk Management Committee
- Member of Board Audit Committee

Membership of Associations

- Malaysian Board of Architects (IAM)
- Malaysian Institute of Architects (PAM)

Directorships in Other Companies

Listed Entity

None

Other Public Companies

None

Working Experience:

Ar. Ahila Ganesan ("Ahila"), a professional architect with the Board of Architects Malaysia, has over 20 years of experience in the built environment. As a consultant architect she was involved in award winning Malaysian and international projects. In 2012, she transitioned successfully into property development and helmed the regional offices for some of the most prominent property developers in Malaysia, i.e. Sunway Property and Mah Sing Property.

She subsequently served as the Senior Director at Think City, Khazanah Nasional Berhad, an organisation that focuses on various facets of nation building in the context of sustainable urbanism and resilience in cities. Currently, she serves as a Senior Advisor to Think City.

Ahila is a Certified Sustainability Professional and a regular speaker at national and international forums. She is also the Founder of Future LinQ, an ESG focused consultancy. She also serves as a Special Advisor to ESG Foundation, a global entity located in London.

Formerly she served as Independent Non-Executive Director for UM Holdings, the commercial and investment arm of Universiti Malaya and UM Plantations, a subsidiary of UM Holdings.

Declarations:

- No conflict of interest or any family relationship with any Director and/or major shareholder of the Company.
- I am independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of Velesto Energy Berhad and its Group.
- Other than traffic offences, I have never been convicted for any offences for the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during FY2023.

PROFILE OF DIRECTORS

FADZIHAN ABBAS MOHAMED RAMLEE

Age 41, Malaysian, Male
Non-Independent Non-Executive Director



Date Appointed to the Board
1 September 2023



Years of Directorship
6 months



Board Meetings Attended
3 / 3

Qualifications:

- Bachelor of Engineering (Hons) in Electrical & Electronic Engineering, University of Nottingham, United Kingdom
- Palladium Kaplan – Norton Balanced Scorecard Certified, Palladium Kaplan - Norton

Committee Membership:

- Member of Board Risk Management Committee
- Member of Board Nomination & Remuneration Committee

Membership of Associations

- None

Directorships in Other Companies

Listed Entity

None

Other Public Companies

None

Working Experience:

Fadzihan Abbas Mohamed Ramlee ("Abbas") is Chief Strategy Officer of Permodalan Nasional Berhad ("PNB"), responsible for the broad strategic planning for PNB, as well as coordinating and monitoring all initiatives under PNB's long-term Strategic Plan.

Prior to his current position, Abbas has served various departments within PNB throughout his 17 years of working experiences in the organisation. He started as a Real Estate analyst and subsequently joined Research Division as a Macro-Economy analyst. He has held various positions in PNB, including Senior Manager of the Office of the President & GCEO and Senior Vice President of Corporate Planning & Strategy.

Declarations:

- No conflict of interest or any family relationship with any Director and/or major shareholder of the Company.
- Other than traffic offences, I have never been convicted for any offences for the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during FY2023.

PROFILE OF DIRECTORS

ALAN HAMZAH SENDUT

Age 64, Malaysian, Male
Independent Non-Executive Director



Date Appointed to the Board
2 February 2024



Years of Directorship
2 months



Board Meeting Attended
0 / 0

Qualifications:

- Bachelor of Science Hons (Accountancy and Computer Science), University of Wales, Aberystwyth, United Kingdom
- Chartered Accountant, Institute of Chartered Accountants England and Wales (ICAEW)

Committee Membership:

- Chairman of Board Audit Committee
- Member of Board Whistle-Blowing Committee

Membership of Associations

- Chartered Audit Committee Director, Institute of Internal Auditors Malaysia
- Member of the Malaysian Institute of Accountants
- Fellow of the Institute of Corporate Directors Malaysia
- Qualified Risk Director, Institute of Enterprise Risk Practitioner

Directorships in Other Companies Listed Entity

- Hengyuan Refining Company Berhad

Other Public Companies

- Hong Leong Islamic Bank Berhad
- Khyra Legacy Berhad

Working Experience:

Alan Hamzah Sendut ("Alan") has over 35 years of finance and business experience across multiple industries, approximately 25 years of which were at C-suite and Senior Manager roles. He has served in companies involved in the motor and heavy equipment distribution, manufacturing, plantations, corporate services, corporate strategy and business development.

Alan began his career in 1982 with Price Waterhouse London. On his return to Malaysia in 1986, he worked for Shell Companies in Malaysia and Carnaud/Metalbox Malaysia. He later joined the Sime Darby Group in 1996 where he worked in senior roles at Tractors Malaysia (Holdings) Berhad, Sime Plantations (Consolidated Plantations Berhad), the Northern Corridor project and Group Global Shared Services. In 2009 Alan joined BHP Billiton as Global Head, Payment Services. In 2010, Alan returned to Sime Darby Berhad as the Executive Vice President for Group Strategy, Innovation and Investor Relations. Alan was the Managing Director for the Energy and Utilities (Non China) Division in 2015 until he retired in 2016.

Alan served as an Independent Non-executive director in Tradewinds Plantation Berhad (2021 to 2023). He currently serves as an Independent Non-executive Director of Hong Leong Islamic Bank Berhad (2016 to date) and as an Independent Non-Executive Director of Hengyuan Refining Company Berhad (2017 to date). He has been a Trustee for Cancer Research Malaysia since 2011.

Declarations:

- No conflict of interest or any family relationship with any Director and/or major shareholder of the Company.
- I am independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of Velesto Energy Berhad and its Group.
- Other than traffic offences, I have never been convicted for any offences for the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during FY2023.

PROFILE OF DIRECTORS

NADZRIN ALIA MD AZIZIS

Age 35, Malaysian, Female
Alternate Director to Fadzihan Abbas
Mohamed Ramlee



Date Appointed to the Board
1 September 2023



Years of Directorship
6 months



Board Meetings Attended
3 / 3

Qualification:

- Bachelor of Engineering (Hons) in Engineering Business Management, University of Warwick

Committee Membership:

- None

Membership of Associations

- None

Directorships in Other Companies Listed Entity

None

Other Public Companies

None

Working Experience:

Nadzrin Alia Md Azizis started her career at Permodalan Nasional Berhad ("PNB") as an Executive in Corporate Services in 2012, where she began her training as an investment analyst. She had then held various positions within the Strategic Investments Division of PNB, including as a Senior Analyst in Public Equity Department, and was subsequently promoted to become a Manager and a Team Lead to monitor the strategic and core investee companies of PNB specifically under the financial sector. She is currently serving as an Assistant Vice President in Strategic Investments since April 2023, focusing on value creation opportunities for the investment portfolio of PNB.

Declarations:

- No conflict of interest or any family relationship with any Director and/or major shareholder of the Company.
- Other than traffic offences, I have never been convicted for any offences for the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during FY2023.

KEY LEADERS

**1 IR. TS. MEGAT ZARIMAN
ABDUL RAHIM**
President

2 SAZLYNA SAPIEE
Chief Financial Officer

3 ABDUL HADI ABDUL BARI
Chief Commercial Officer

4 NORZAIDI MOHD ZAHIDIN
Vice President, Operations

5 CHONG EU JIN
Vice President, Integrated Project
Management

6 SHAHRUL NIZAR AHMAD
Vice President, Corporate Services



7 ZULFA ASHIDA ZULKIFLI
Vice President, Human Resources

9 LEE MI RYOUNG
General Counsel, Legal & Secretarial

11 MOHAMMAD HAFIZ SAPARANI
Head, Integrity Governance Unit
and Compliance

8 SHAHAR HASHIM
Vice President, Quality, Health, Safety &
Environment

10 NORZALIZAH ALIAS
Head, Internal Audit



KEY LEADERS PROFILE

IR. TS. MEGAT ZARIMAN ABDUL RAHIM

President

 Gender & Age **Male, 56**

 Nationality **Malaysian**

For details of the President's profile, please refer to Board of Directors' Profile of this Integrated Annual Report.

SAZLYNA SAPIEE


Chief Financial Officer

 Gender & Age **Female, 58**

 Nationality **Malaysian**

 Date of appointed to the Current Position: **01 June 2020**

-  Qualifications:
- Fellow of Association of Chartered Certified Accountants ("FCCA")
 - Certified Internal Auditors ("CIA")
 - Certified Risk Management Assurance ("CRMA")
 - Distinction Holder of Diploma in Management - Malaysian Institute of Management
 - Certified HRDF Trainer

-  Past Employment:
- Sapura Energy Berhad
 - Scomi Group Berhad
 - Faber Group Berhad

-  Membership of Associations:
- Association of Chartered Certified Accountants ("ACCA")
 - Malaysian Institute of Accountants ("MIA")
 - Institute of Internal Auditors ("IIA")
 - Institute of Corporate Directors Malaysia

-  Others:
- Industry Advisory Panel Member, Asia Pacific University of Technology and Innovation
 - Audit & Risk Management Committee of Yayasan Wilayah Persekutuan

ABDUL HADI ABDUL BARI


Chief Commercial Officer


 Gender & Age **Male, 48**

 Nationality **Malaysian**

 Date of appointed to the Current Position: **01 December 2018**

-  Qualifications:
- Post Graduate Diploma in Applied Finance & Investment – Securities Institute of Australia, Australia
 - Bachelor of Business Administration (Honours) in Finance, Multimedia University, Malaysia
 - Diploma in Investment Analysis, Universiti Teknologi MARA, Malaysia

-  Past Employment:
- Innosabah Securities Sdn. Bhd.
 - Permodalan Nasional Berhad
 - TL Geosciences Sdn. Bhd. (a wholly owned subsidiary of SapuraCrest Petroleum Berhad)
 - MISC Berhad
 - Asian Geos Sdn. Bhd. (a Gardline Geosciences UK Company)

 Membership of Associations: **Nil**

KEY LEADERS PROFILE

NORZAIDI MOHD ZAHIDIN

Vice President, Operations



Gender & Age **Male, 50**



Nationality **Malaysian**



Date of appointed to the Current Position:
01 September 2022



Qualification:

- Bachelor (Hons) of Naval Architecture & Ocean Engineering - University of Glasgow, Scotland



Past Employment:

- Sapura Drilling
- Seadrill
- Transocean
- Sedco Forex Schlumberger



Membership of Associations:

- SPE Professional Membership

CHONG EU JIN

*Vice President,
Integrated Project Management*



Gender & Age **Male, 47**



Nationality **Malaysian**



Date of appointed to the Current Position:
15 April 2020



Qualification:

- Bachelor of Engineering (Honours) - University of Lincolnshire and Humberside, UK



Past Employment:

- Destini Berhad
- Aquaterra Energy Asia Pacific Sdn. Bhd.
- Cameron International Malaysia Sdn. Bhd.



Membership of Associations:

- SPE Professional Membership

SHAHRL NIZAR AHMAD

Vice President, Corporate Services



Gender & Age **Male, 48**



Nationality **Malaysian**



Date of appointed to the Current Position:
01 November 2022



Qualification:

- Bachelor Degree in Mechanical Engineering - The University of Manchester, UK



Past Employment:

- SLB
- Dunham Bush









Membership of Associations:

- Board of Engineers Malaysia

KEY LEADERS PROFILE







ZULFA ASHIDA ZULKIFLI

Vice President, Human Resources

	Gender & Age	Female, 54
	Nationality	Malaysian
	Date of appointed to the Current Position:	02 February 2023
	Qualifications:	<ul style="list-style-type: none"> • Bachelor of Business Administration - Universiti Utara Malaysia • MSc. Organisational Behaviour - University of London
	Past Employment:	<ul style="list-style-type: none"> • UEM Sunrise • Bursa Malaysia • Airasia Berhad • Shell People Services Asia • Shell International BV • Shell Exploration and Production Company • Shell International Sdn. Bhd. • BP Asia Pacific Malaysia Sdn. Bhd. • BP Malaysia Sdn. Bhd. • BP Asia Limited • Amoco Chemical Malaysia Sdn. Bhd.
	Membership of Associations:	Nil





SHAHAR HASHIM

Vice President,
Quality, Health, Safety & Environment

	Gender & Age	Male, 56
	Nationality	Malaysian
	Date of appointed to the Current Position:	19 June 2023
	Qualifications:	<ul style="list-style-type: none"> • Bachelor of Science of Electrical Engineering (BSEE) Univ. of Texas at El Paso, 1989 • Master of Business Administration (MBA), Heriot-Watt University, 2016
	Past Employment:	<ul style="list-style-type: none"> • Sapura Energy • Subsea 7 • Aker Solutions • SapuraAcergy • Schlumberger
	Membership of Associations:	<ul style="list-style-type: none"> • SPE Professional Membership

LEE MI RYOUNG

General Counsel, Legal & Secretarial

	Gender & Age	Female, 47
	Nationality	Malaysian Permanent Resident
	Date of appointed to the Current Position:	15 July 2019
	Qualifications:	<ul style="list-style-type: none"> • Certificate in Business Sustainability Management - University of Cambridge • Company Secretary, Fellow MAICSA - Malaysian Institute of Chartered Secretaries and Administrators • Chartered Governance Professional • Barrister at Law, Inns of Court School of Law • LL.B Bachelor in Law - University College, London, UK • Post Graduate Diploma in International Commercial Arbitration - The Chartered Institute of Arbitrators, London, UK • Post Graduate Diploma in Professional Legal Skills - City University, London, UK
	Past Employment:	<ul style="list-style-type: none"> • British American Tobacco (Malaysia) Berhad • Petroliam Nasional Berhad (PETRONAS) and Malaysian LNG Group of Companies • Shell Malaysia Trading Sdn. Bhd. and Shell Refining Company (FOM) Berhad • Yeng Chong Realty Berhad • Shook Lin & Bok LLP
	Membership of Associations:	<ul style="list-style-type: none"> • Malaysian Institute of Chartered Secretaries and Administrators • Chartered Institute of Arbitrators • Honourable Society of Gray's Inn, London, UK • Malaysia Association of Risk and Insurance Management • Institute of Corporate Directors Malaysia • Inns of Court Malaysia

KEY LEADERS PROFILE







NORZALIZAH ALIAS

Head, Internal Audit

	Gender & Age	Female, 50
	Nationality	Malaysian
	Date of appointed to the Current Position:	01 March 2018
	Qualification:	<ul style="list-style-type: none"> • Bachelor of Accountancy (Honours) – Universiti Teknologi MARA
	Past Employment:	<ul style="list-style-type: none"> • PricewaterhouseCoopers • JF Apex Securities Berhad • AFTAAS • KPMG • Export-Import Bank of Malaysia Bhd • SapuraKencana Petroleum Berhad • Ranhill Capital Sdn. Bhd.
	Membership of Associations:	<ul style="list-style-type: none"> • Malaysian Institute of Accountants • The Institute of Internal Auditors Malaysia

MOHAMMAD HAFIZ SAPARANI

Head, Integrity Governance Unit and Compliance

	Gender & Age	Male, 46
	Nationality	Malaysian
	Date of appointed to the Current Position:	01 January 2020
	Qualifications:	<ul style="list-style-type: none"> • Bachelor of Accountancy (Honours) - Universiti Teknologi MARA • Certified Integrity Officer, Malaysian Anti-Corruption Academy
	Past Employment:	<ul style="list-style-type: none"> • MISC Haulage Services Sdn. Bhd. • MAA Assurance Berhad • MAA Holdings Berhad • SapuraCrest Petroleum Berhad • SapuraKencana Petroleum Berhad • UMW Corporation Sdn. Bhd.
	Membership of Associations:	<ul style="list-style-type: none"> • Malaysian Institute of Accountants ("MIA") • The Institute of Internal Auditors Malaysia

Declaration

- Not holding any directorship in public companies and listed issuers.
- No family relationship with any Director and/or major shareholder of the Company.
- No conflict of interest with the Company and never been convicted for any offence for the past five years.
- Other than traffic offences, never been convicted for any offences for the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during FY2023.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Corporate Governance ("CG") stands as the bedrock of the Group's ongoing business sustainability, adaptability, and accountability. Anchored in principles of ethical conduct and integrity, it serves as the framework upon which our internal control systems are built, ensuring steadfast and resilient practices. These measures are instrumental in propelling value creation aligned with our vision towards Wawasan 2030.

The stewardship of Velesto Group's Corporate Governance is deeply rooted in the guiding principles outlined within the Malaysian Code of Corporate Governance 2021 ("MCCG 2021"). Our approach adheres to the three core CG principles: Leadership and Effectiveness (Principle A), Effective Audit and Risk Management (Principle B), and Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders (Principle C). This commitment to upholding the highest standards of CG is exemplified by Velesto's FTSE4Good score for 2023, which attained an impressive rating of 5.0 in the "Governance" segment, testament to our dedication to excellence in governance practices.

BOARD OF DIRECTORS AT A GLANCE

FY2023

Mohd Rashid Mohd Yusof
(Chairman)

Rowina Ghazali Seth

Haida Shenny Hazri

Ir. Dr. Mohd Shahreen Zainooreen Madros

Mohd Irwan Ahmad Mustafa
(Resigned on 1 September 2023)

Datuk Tong Poh Keow
(Resigned on 30 November 2023)

Datuk George Ling Kien Sing

Ir. Ts. Megat Zariman Abdul Rahim

Ar. Ahila Ganesan

Fadzihan Abbas Mohamed Ramlee
(Appointed on 1 September 2023)

Nadzrin Alia Md Azizis
(Appointed as Alternate Director to Fadzihan Abbas Mohamed Ramlee on 1 September 2023)

As at 31 March 2024

Mohd Rashid Mohd Yusof
(Chairman)

Rowina Ghazali Seth

Haida Shenny Hazri

Ir. Dr. Mohd Shahreen Zainooreen Madros

Datuk George Ling Kien Sing

Ir. Ts. Megat Zariman Abdul Rahim

Ar. Ahila Ganesan

Fadzihan Abbas Mohamed Ramlee

Nadzrin Alia Md Azizis
(Alternate Director to Fadzihan Abbas Mohamed Ramlee)

Alan Hamzah Sendut
(Appointed on 2 February 2024)

“
CG Report
published in
the Company's
corporate
website at
www.velesto.com.
”

CORPORATE GOVERNANCE OVERVIEW STATEMENT

BOARD COMMITTEES AT A GLANCE

BOARD AUDIT COMMITTEE ("BAC")		BOARD NOMINATION & REMUNERATION COMMITTEE ("BNRC")	
FY2023	As at 31 March 2024	FY2023	As at 31 March 2024
Datuk Tong Poh Keow (Chairperson)	Alan Hamzah Sendut (Chairman)	Ir. Dr. Mohd Shahreen Zainooreen Madros (Chairman)	Ir. Dr. Mohd Shahreen Zainooreen Madros (Chairman)
Ir. Dr. Mohd Shahreen Zainooreen Madros	Ir. Dr. Mohd Shahreen Zainooreen Madros	Rowina Ghazali Seth	Rowina Ghazali Seth
Datuk George Ling Kien Sing	Datuk George Ling Kien Sing	Datuk Tong Poh Keow	Fadzihan Abbas Mohamed Ramlee
Ar. Ahila Ganesan	Ar. Ahila Ganesan	Mohd Irwan Ahmad Mustafa	Haida Shenny Hazri
		Haida Shenny Hazri	
BOARD RISK MANAGEMENT COMMITTEE ("BRMC")		BOARD WHISTLE-BLOWING COMMITTEE ("BWBC")	
FY2023	As at 31 March 2024	FY2023	As at 31 March 2024
Rowina Ghazali Seth (Chairperson)	Rowina Ghazali Seth (Chairperson)	Haida Shenny Hazri (Chairperson)	Haida Shenny Hazri (Chairperson)
Mohd Irwan Ahmad Mustafa	Fadzihan Abbas Mohamed Ramlee	Rowina Ghazali Seth	Rowina Ghazali Seth
Datuk George Ling Kien Sing	Datuk George Ling Kien Sing	Ir. Dr. Mohd Shahreen Zainooreen Madros	Ir. Dr. Mohd Shahreen Zainooreen Madros
Ar. Ahila Ganesan	Ar. Ahila Ganesan		Alan Hamzah Sendut

NAME AND DESIGNATION	MEETING ATTENDANCE IN FY2023				
	BOARD	BAC	BWBC	BRMC	BNRC
Mohd Rashid Mohd Yusof Chairman/ Non-Independent Non-Executive Director ("NINED")	12/12	-	-	-	-
Rowina Ghazali Seth Independent Non-Executive Director ("INED")	12/12	-	3/3	5/5	7/7
Haida Shenny Hazri NINED	12/12	-	3/3	-	7/7
Ir. Dr. Mohd Shahreen Zainooreen Madros Senior INED	12/12	6/6	3/3	-	7/7
Mohd Irwan Ahmad Mustafa NINED (Resigned on 1 September 2023)	9/9	-	-	4/4	5/5
Datuk Tong Poh Keow INED (Resigned on 30 November 2023)	11/11	6/6	-	-	7/7
Datuk George Ling Kien Sing INED	12/12	6/6	-	5/5	-
Ir. Ts. Megat Zariman Abdul Rahim President/ Executive Director ("ED")	12/12	-	-	-	-
Ar. Ahila Ganesan INED	12/12	6/6	-	5/5	-
Fadzihan Abbas Mohamed Ramlee NINED (Appointed on 1 September 2023)	3/3	-	-	1/1	2/2
Nadzrin Alia Md Azizis (Alternate Director to Fadzihan Abbas Mohamed Ramlee)	3/3	-	-	1/1	2/2

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: LEADERSHIP AND EFFECTIVENESS

OUR GOVERNANCE STRUCTURE

Velesto's iLEAP: The Core of our Governance Practices

Velesto's dedication to upholding the highest standards of corporate governance is evident in our Corporate Governance Framework. This framework seamlessly integrates governance and robust internal control systems, presenting a unified strategy to cultivate a culture of integrity and compliance throughout the organisation.

Our Velesto Code of Business Conduct and Ethics ("CoBE") serves as a cornerstone, reinforcing our corporate vision and mission, while embodying our iLEAP core values. It provides clear guidance across all facets of our operations with the understanding that effective governance is paramount to achieving sustainable long-term performance, optimising returns for our stakeholders, and propelling the sustained economic value and growth of the organisation.

Outlined below is an overview of our governance structure, showcasing both the Board Committees and Management Committees:



CORPORATE GOVERNANCE OVERVIEW STATEMENT

DEMARICATION OF RESPONSIBILITIES AT THE BOARD LEVEL - HOW THE BOARD OPERATES

The Board Charter

The effectiveness of the Board in fulfilling its duties is guided by the principles outlined in its Board Charter, a dynamic document continually updated to reflect evolving standards and regulatory requirements. Reviewed and refreshed on 29 November 2023, to align with the latest Main Market Listing Requirement ("MMLR") of BURSA and regulatory changes, including those mandated by MCGG 2021, the Board Charter remains our foundation of governance.

Regular reassessment of responsibilities across the Board, Board Committees, individual Directors, and Management ensures the organisation's adaptability in response to shifting business landscapes, economic factors, and market dynamics. This flexible approach encourages innovation, value creation, and growth while increasing operational efficiencies and resource allocation.

Embedded within the Board Charter is a comprehensive framework defining the Group's governance structure, including the authority and Terms of Reference ("TOR") of its Board Committees, roles, and responsibilities. It serves as a guide for fostering commitment and guiding decision-making processes. Available on the Company's corporate website, www.velesto.com, alongside the TORs of all Board Committees, the Board Charter promotes transparency and accountability. While specific authorities are delegated to various Board Committees, the Board remains informed through regular reports and the review of Committee minutes, ensuring thorough oversight and alignment with organisational priorities.

Principal Roles and Responsibilities of the Board

As custodians entrusted with advancing the Group's success, the Board assumes the pivotal role of directing and overseeing the Group's operations with diligence and effectiveness. Individually, each Director bears the responsibility to act in the Company's best interests and with utmost good faith. Within this framework, the Board's key functions and responsibilities, outlined in the Board Charter, include:

- The Board provides guidance on the corporate strategic direction, governance, challenges assumptions, priorities, and options as proposed by Management in the strategic plan, while concurrently reviewing the Group's philosophy;
- It scrutinises the business plan and budget, establishing targets for Management to integrate sustainability considerations into its Environmental, Social, and Governance ("ESG") agendas;
- Together with Management, it assumes responsibility for governing sustainability within the Company, setting sustainability strategies, priorities, and targets;
- The Board reviews, approves, and offers feedback on corporate Key Performance Indicators ("KPIs") and targets, evaluating results quarterly, discussing significant variances, and ensuring corrective actions if necessary;
- Additionally, it selects and plans the President's succession proactively, evaluating the President's performance;
- The Board supports the promotion and instillation of good ethical practices and CG within the Group and among vendors, suppliers, service providers, and other business partners of Velesto Group;
- It establishes the Company's risk parameters, comprehends major risk exposures, ensures appropriate risk mitigation approaches, and considers risk factors in all major decisions;
- The Board balances and manages the economic impact of stakeholders' interests on shareholders' values, supporting Management in managing key stakeholders;
- It ensures that the Company's sustainability strategies, priorities, targets, and performance against these targets are effectively communicated to internal and external stakeholders;
- The Board takes proactive measures to remain informed and well-versed in sustainability matters pertinent to the Group and its operations, encompassing climate-related risks and opportunities; and
- Ensures that shareholders are provided with comprehensive information necessary for making informed decisions regarding the reappointment of a director. This encompasses disclosure of any interests, positions, or relationships that could potentially influence, or reasonably be perceived to influence, their ability to exercise independent judgment on Board matters and to act in the Company's best interests.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

THE BOARD'S 2023 KEY FOCUS AREAS & PRIORITIES

Throughout 2023, the Board concentrated its efforts on a spectrum of targeted areas aligned with the Group's core objectives and strategic priorities:



Sustainability

- Monitored the economic & industry outlook, reviewed industry trends, market dynamics and evolving environments
- Review and recommend the operationalisation of sustainability strategies & activities
- Oversight on sustainability gaps and management of compliance of relevant requirements
- Recommend the assessment and management of climate-related matters



Strategic

- Wawasan 2030 strategies & priorities and long-term goals
- Considering emerging opportunities & value creation



Performance

- Enhanced business plan, set KPIs and reviewed the performances of President & Senior Management Team
- Oversight over the performance of core businesses covering Drilling Services (including drilling services for iRDC) & Integrated Project Management (including HWU, IWS and non-drilling services for iRDC)
- Oversight and governance on Quality, Health, Safety & Environmental ("QHSE") performances
- Performance monitoring of the Enterprise Resources Planning
- Digitalisation & enhancement of operational efficiencies
- Tax management & monitoring



Governance

- Oversight over regulatory compliance & governance (i.e. CA2016, MCCG 2021, MMLR and other regulatory changes)
- Refreshment of Board & Board Committees Succession Planning and Emoluments as well as monitoring the independence of Director's independence
- Comprehensive review of CG Framework
- Reinforcement of sound framework of Enterprise Risk Management and Internal Control
- Conflict of Interest monitoring
- Promotion of culture of integrity and compliance



Financial Results

- Comprehensive overview of the business landscapes, market projections and trending
- Oversight of financial reporting
- Effectiveness of internal controls over financial reporting
- Refreshment of authority levels

Throughout the year, in preparation for the Board meetings, the Directors receive meeting materials well in advance, following the approved schedule set by the Board. All proceedings during the Board sessions are documented and shared with Directors for review before the minutes are officially confirmed. These records, maintained by the Company Secretaries, capture key discussions, inquiries raised, corresponding responses, suggestions, decisions, and the rationale behind them.

Any outstanding matters are subsequently addressed at subsequent meetings, with decisions or requests promptly communicated to Management for necessary follow-up actions.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

BOARD COMMITTEES

The Board delegates specific responsibilities to its Committee, each operating within its defined TOR. These TORs undergo regular review and updates to ensure relevance and alignment with evolving needs.

Following the conclusion of Committee meetings, the respective Chairpersons provide the Board with summaries of the discussions and decisions made. Subsequently, the minutes of these Committee meetings are promptly shared with Committee members and tabled to the full board.

BAC

The Integrated Annual Report provides a thorough overview of the activities carried out by the BAC in fulfilling its responsibilities during FY2023, as outlined in the dedicated BAC Report section. Furthermore, comprehensive information regarding the composition and attendance of BAC Meetings convened throughout the fiscal year is available in the "Board & Board Committees at a Glance" section of the Corporate Governance Overview Statement.

For deeper understanding of the responsibilities and scope of the BAC, reference is made to the TOR via the Group's corporate website at www.velesto.com.

BNRC

For FY2023			
Exclusively Non-Executive Director			
Majority Independent Directors			
TOR			
Authority	Selection & assessment of Directors	Duties	Available at website

Throughout the reviewed period, the BNRC played an important oversight role, focusing particularly on guiding succession planning, evaluating Director and Senior Management performance, setting and assessing KPIs, monitoring Employees' Share Options Scheme ("ESOS"), and establishing organisation-wide remuneration frameworks, all in accordance within its TOR.

Details regarding the composition and attendance of BNRC meetings held during FY2023 are available in the "Board & Board Committees at a Glance" section of the Corporate Governance Overview Statement.

For the FY2023, the composition of the BNRC adheres to the stipulations outlined in Paragraph 15.08A (1) of the MMLR. This requirement mandates that the BNRC consist exclusively of Non-Executive Directors ("NED"), the majority of whom must be independent directors.

DIRECTOR FY2023	DESIGNATION
Ir. Dr. Mohd Shahreen Zainooreen Madros	Chairman (Senior INED)
Rowina Ghazali Seth	Member (INED)
Datuk Tong Poh Keow <i>(Resigned on 30 November 2023)</i>	Member (INED)
Mohd Irwan Ahmad Mustafa <i>(Resigned on 1 September 2023)</i>	Member (NINED)
Fadzihan Abbas Mohamed Ramlee <i>(Appointed on 1 September 2023)</i>	
Haida Shenny Hazri	Member (NINED)

The Chairman of the BNRC is Ir. Dr. Mohd Shahreen Zainooreen Madros, who also serves as the Senior Independent Director, aligning with Practice 5.8 of MCCG 2021. Consistent with Practice 1.4 of MCCG 2021, the Chairman of the Board does not hold membership within the BNRC.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Summary of BNRC's activities

Throughout the fiscal year 2023, the BNRC considered a range of subjects and subsequently made recommendations for approval by the Board. Provided updates and reporting on its priorities and activities aligned with its responsibilities.

The BNRC operates under its TOR, delineating its duties and obligations. Interested parties can access the BNRC's TOR on Velesto's corporate website at www.velesto.com.

	Performance	<ul style="list-style-type: none"> Setting KPIs for the President Assessment of the performance of the President and his direct reports with Job Grade 20 and above For FY2023, the performance-based compensation of President and annual salary increment guidelines for employees Extension of contract of service for senior executive positions
	Board Effectiveness	<ul style="list-style-type: none"> Proposal on Revised Questionnaires on Board Evaluation for Board, Board Committees, and President Conducted an evaluation of the effectiveness of the Board as a whole, Board Committees, and the contributions of the President
	Board Succession Planning and Appointments	<ul style="list-style-type: none"> Succession planning for Directors Directors retiring by rotation and re-election to the Board Directors composition on Board and revision to the composition of Board Committees refreshed periodically as recommended under Practice 5.1 of MCGG 2021 Appointment of Directors on the boards of companies outside and within the Velesto Group
	Governance	<ul style="list-style-type: none"> Provided oversight of the ESOS options granted under it, subject to the By-Laws Reviewed and updated its TOR with Conflicts of Interest Management
	People Strategy	<ul style="list-style-type: none"> Oversight on People Strategies, encompassing the broad spectrum of policies and practices related to human resource management

BRMC

The BRMC operates under its TOR, delineating its duties and responsibilities. The TOR of the BRMC can be accessed on Velesto's corporate website at www.velesto.com.

With oversight responsibilities spanning enterprise-wide risks and the mandate to evaluate, monitor, and advise on the efficacy of Velesto Group's Enterprise Risk Management and Business Continuity Plan, the BRMC has, during the reviewed period, ensured the Group implemented measures to integrate risk management and business continuity practices across key processes and operations.

During the year under review, the BRMC conducted the following activities:

	Enterprise Risk Management	<ul style="list-style-type: none"> Assessed and reviewed the Velesto Group's Top Risks and Risk Action plans for each quarter in FY2023; Endorsed the revision to the Risk Rating Matrix. Guided on the communication and awareness, refresher sessions on Enterprise Risk Management and Business Continuity Management conducted by Risk Management Department for employees of Velesto Group. Reviewed the Sustainability Statement and the Statement on Risk Management and Internal Control ("SORMIC") for inclusion into the Integrated Annual Report 2023.
	Health, Safety and Environment ("HSE")	<ul style="list-style-type: none"> Received the quarterly progress report on QHSE. Reviewed the Emergency and Crisis Management of the Group. Endorsed the simulation scenarios for Business Continuity Management exercises for the year 2023.
	Sustainability	<ul style="list-style-type: none"> Received the quarterly progress report on sustainability. Updated the sustainability plan and progress FY2023.

Additional information regarding the BRMC's activities in during the year under review can be found in the SORMIC section, within this Integrated Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

BWBC

The BWBC operates under its TOR, which delineates its duties and responsibilities. The BWBC is tasked with overseeing the cultivation of a robust culture of integrity, compliance, and the promotion of ethical practices within the Group.

Interested parties can access a copy of the BWBC's TOR on Velesto's corporate website at www.velesto.com.

THE MANAGEMENT

The President serves as the vital link between the Board and Management, ensuring that management operations uphold the utmost standards of integrity and transparency. Facilitating the stewardship of the Group within their defined terms of reference, the following Management Committees serve as platforms for leadership, reporting, monitoring, planning, supervision, and decision-making across the diverse operations and businesses of the Group:

- Management Committee
- Management Tender Committee
- Risk Management Committee
- Management Audit Committee
- Management HSE Committee
- Sustainability Management Committee

These platforms offer a direct line of sight into the Group's operations and businesses, fostering effective communication channels for engagement, task delegation, and monitoring of activities, projects, and businesses. Chaired by the President, the weekly Management Committee Meetings oversee the overall management of the Group, featuring Safety Moments and reports from various divisions including Finance and Accounts, Commercial, Operations, Corporate Services, Integrated Project Management ("IPM"), Human Resources, Legal & Secretarial and QHSE.

Additionally, other Management Sub-Committees convene regularly or periodically to fulfil their functions in alignment with the demands of the Group's activities and operations.

BOARD BALANCE AND COMPOSITION

As at the date of this Statement, the following provides an overview of Velesto's Board Composition:

9 DIRECTORS	5 INED	3 NNED	1 ED	30% Women
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On 1 September 2023, Fadzihan Abbas Mohamed Ramlee and his alternate Nadzrin Alia Md Azizis were appointed, following the resignation of Mohd Irwan Ahmad Mustafa on the same date. Additionally, on 30 November 2023, Datuk Tong Poh Keow resigned as an independent director of the Company after more than four years of dedicated service and leadership. Subsequently on 2 February 2024, Alan Hamzah Sendut appointed as an INED of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Assessment of Independence

The BNRC is responsible for assessing the independence of the INED annually. This assessment is based on the independent and constructive views, deliberations and contributions put forward by the INED during the Board meetings. This process is conducted through the Assessment of Independence of INED as part of the annual Board Evaluation. The criteria for assessing independence, as developed by the BNRC, are applied upon admission, annually and when any new interest or appointment develops.

In determining independence, the Independent Director must demonstrate the ability to provide objective challenge to Management, being prepared to advocate for their viewpoints in the interest of the Group, and ensuring no business or other interest exist that could influence, or appear to influence, their judgment.

During the Board Effectiveness Evaluation ("BEE") for the year 2023, INEDs conducted a self-assessment of their independence. This assessment was based on criteria outlined by regulatory provisions and encompassed emerging and leading practices, including the concept of "independence in thought and mind" as per Guidance to Practice 5.3 of MCCG, 2021.

Based on the results of the BEE 2023, all INEDs affirmed their independence from Management and declared freedom from any business or other interests that might compromise their ability to exercise independent judgment or act in the best interests of the Group. These assessment outcomes were subsequently presented to the Board as part of the BEE results for FY2023.

The BNRC and the Board have, upon their assessment, concluded that the INEDs continue to demonstrate conduct and behaviour that are essential indicators of independence and their ability to act in the best interests of the Company. It has determined that they continue to fulfil the definition of independence, as set out in the MMLR.

In addition to the annual assessment, INEDs are required to disclose any conflicts or situations throughout the year that could potentially impact their independence.

Tenure of Independent Director

The Board Charter stipulates a maximum tenure of up to 9 years for its INEDs. For FY2023, none of the INEDs have exceeded this tenure limit, adhering to the Charter's regulations and aligned with Practice 5.4 of MCCG 2021.

Appointment of a Director & Senior Management

The appointment of a new Director is subject to deliberation and decision by the Board, based on recommendations forwarded by the BNRC. When making these recommendations, the BNRC takes into account the following factors:

- Objective criteria, merit and with due regard for diversity in skills, qualifications, experiences, core competencies, other qualities, ethnicity, age, cultural background, gender and years of directorship experiences;
- Expertise in strategy development, business model innovation and growth, corporate and industry level transformation, international business experiences and alternative domain expertise (as example renewable energy and green industry);
- Consideration of the current composition and the tenure of each director on the board to achieve the Board balance and the composition as required by the Company;
- Composition of skill matrix in order to strengthen board leadership and oversight of sustainability;
- Conflict of Interest and Potential Conflict of Interest;
- Time availability and commitment to serve the board effectively;
- His/her existing board positions and Fit & Proper assessment based on the Fit & Proper Policy of the Group; and
- Information on his/her integrity and governance practices.

Appointment of Directors

Following the guidelines outlined in the Board Charter, the appointment process for Directors adheres to the following steps:

1. Identification of skills/gaps.
2. Approval on the parameters of search for the potential candidates.
3. Identification candidates from existing pool of candidates, recommendations from Board, Management, major shareholder or independent sources externally.
4. Shortlisted candidates referred to BNRC for consideration and recommendation to Board.
5. BNRC decides on appropriate means for review and approval of individual candidates.
6. BNRC will consider findings of evaluation process & current composition, attributes and qualifications that should represent at the Board.
7. Board's Approval.

Aligned with the Board Charter, potential candidates may be proposed by current Board members, Management, or major shareholders. Furthermore, the BNRC has the option to enlist an independent entity or third-party sources to identify suitable candidates. Should the selection process exclusively rely on recommendations from existing Board members, Management, or major shareholders, the BNRC is required to provide reasoning for not exploring other sources.

During FY2023, the BNRC conducted a review of the Company's succession plan for Board membership, which included review of the size and composition, with diversity and independence elements that meet the Company's objectives and strategic goals. The results of this review were tabled for the Board's consideration and recorded for future candidate sourcing of the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Appointments to Board Committees

Reviewing the composition of the Board committees is an integral component of the Company's BEE. The BNRC considers various factors when determining candidates for appointment to the Board Committees, including (but not limited to) the following:

- The needs of the particular Board Committees;
- The results of the BEE for the Board Committees;
- Time commitment and availability;
- Regulatory requirements; and
- Best practices or governance practices.

Directors' Re-election and Re-appointment

In assessing the Director's eligibility for re-election, the BNRC considers his/her competencies, commitment, contribution, performance based on the BEE, fit and proper assessment, conflict of interest declaration and their ability to act in the best interest of the Company. The Board at its meeting held on 27 February 2024 endorsed the recommendation of the BNRC for the following Directors to be considered for re-election pursuant to the following relevant Articles of Veleso's Constitution at the Company's forthcoming 14th Annual General Meeting ("AGM").

The following Directors are due for retirement and being eligible have offered themselves for re-election:

Article 96 Constitution	Article 103 of Constitution
Ir. Dr. Mohd Shahreen Zainooreen Madros	Fadzihan Abbas Mohamed Ramlee
Datuk George Ling Kien Sing	Alan Hamzah Sendut

Appointments of Senior Management

The Human Resources Division oversees the selection and appointment process for Senior Management positions, aligning candidates with criteria that closely fit the requirements of the role. Following this, selected candidates undergo interviews conducted by the President, alongside the Vice President of Human Resources. Subsequently, their nominations are presented to the BNRC for thorough deliberation and recommendation to the Board for final consideration and approval. These selection criteria encompass various aspects such as attributes, capabilities, qualifications, skills, and experiences.

Commitment

All Directors are expected to attend both scheduled Board meetings and those of the Board Committees they serve on. To facilitate this, the dates for these meetings throughout FY2023 were arranged and circulated to Board members during Q3 FY2022, allowing them ample time to manage their other commitments.

In instances where Directors are unable to attend a meeting due to exceptional circumstances, they still have access to meeting materials and relevant information. This enables them to engage with the relevant Chair,

President, Senior Management, or Company Secretary on any matters they wish to address and subsequently follow up on decisions made during the meeting. Accessibility is maintained, with the Chairman, President, Senior Management, and Company Secretary readily available to discuss meeting-related issues or other matters with the Directors.

For FY2023, the Board was content that each Non-Executive Director ("NED") was able to commit sufficient time to their role within the Company. Furthermore, in accordance with Paragraph 15.06(1) of the MMLR, none of the Board members holds more than five directorships in listed companies. Before accepting additional directorship appointments in other listed companies, Directors are required to notify the Company Secretary. Subsequently, such appointments are presented to the BNRC and the Board to address any conflicts of interest or potential conflicts of interest. These measures are implemented to ensure that such appointments do not impede their commitments or responsibilities to the Board. Additionally, there is no substitutes appointment for 8 Directors, while Fadzihan Abbas Mohamed Ramlee has an alternate director appointed on 1 September 2023, namely Nadzrin Alia Md Azizis.

Board Skills Matrix

The Board comprises members with diverse skills and extensive experiences that complement each other effectively. This diverse mix of skills and experiences ensures that the Board is well-prepared to provide strategic guidance and direction for Veleso, positioning the company for success in the future and ultimately, enhancing shareholder value.

The Company's assessment is based on the following Board Skills Matrix.

	Oil & Gas / Energy Knowledge
	Strategic Growth
	Governance & Compliance
	Digitalisation
	Stakeholder Management
	International & Regional Business Exposures
	Leadership Experiences
	Finance & Accounting
	Human Resource Experiences
	Sustainability

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Gender Diversity

In conformance with the requirements of Practice 5.9 MCCG 2021, the Group's Board Charter has a policy on gender diversity that strives to have at least 30% women Directors on the Board. With 3 female Directors, the Board of Directors at Velesto has met the requirement of 30% women Directors.

Velesto does not discriminate on the grounds of gender, age and ethnicity/ cultural background. All appointments to the Board and to the Senior Management Team are based on merit.

- The BNRC is responsible for regularly reviewing the structure, size and composition of the Board, with due regard to skills, knowledge, experience and diversity. Leading the process for Board appointments, re-election and succession of Directors, BNRC makes recommendations to the Board, including the composition and skills of the Board and proposed changes to the Board. Candidates are identified based on their corporate leadership, skills, knowledge, competencies, experiences and expertise to complement the Board. Diversity of experiences in business, professionalism, corporate industry standing, integrity as well as academic background, are also considered by the Board, prior to appointing any new Director.
- For the appointment of Senior Management positions, candidates are considered based on merit, which include considerations but not limited to their qualifications, experiences and professional contributions and achievements.

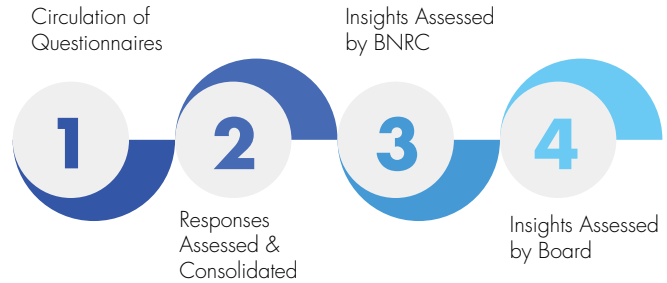
Velesto prioritises an equitable talent recruitment process that affords qualified candidates an equal chance to pursue employment opportunities. The Company has established a gender diversity target of 30% for its Leadership positions. In FY2023, Velesto takes pride in achieving a leadership team composition where 40% are women.

	
10 Senior Leadership	40% Women

Board Effectiveness Evaluation

The BNRC oversees the annual assessment and evaluation process, examining the effectiveness of the entire Board and its Committees, as well as the performance and contributions of the Chairman and President of the Company. This process aims to pinpoint areas for enhancement.

In FY2023, an internal BEE exercise was conducted, with all Directors completing online questionnaires. The results were consolidated, and insights and findings were collectively reviewed by the BNRC before being presented for discussion by the Board.



The scope of BEE covered the effectiveness of the Board, Board Committees, Chairman and Executive Director, in the following areas:-

BEE SCOPE		
Performance of the Board	Directors' Skill Matrix	Fit & Proper Assessment
Independence Assessment by INED	Performance of BAC, BNRC, BRMC, BWBC	Performance of Executive Director

The Performance of the Board of Directors

The Board Assessment evaluated the effectiveness of the Board as a whole. The Board Assessment Form contained five sections which comprised of the following areas:

- Board composition and size, which covered the sufficient size of the Board.
- Chairman's role in promoting healthy discussions and consideration on accessibility of the Chairman.
- Quality of information and decision-making, which involved assessment of conduct of meetings and access to information.
- Boardroom activities with assessment of discussion on strategic planning, infusing ESG considerations into key decision making.
- Effectiveness in working relations between the Chairman and the President.

The findings of BEE 2023 were that the Board composition and size are appropriate based on structure, business complexity and the Group's businesses. Strong performances were recorded for the meetings administration, the Board's strategic leadership and for placing sustainability at the heart of the Group's operations and businesses. There were deliveries of exceptional performances from the respective Board Committees based on the assessment criteria. The President's performance was assessed as exceptional for maintaining high quality of service and exhibiting strong performances in variety of areas of leadership and operational performance.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Skills Matrix Assessment

The Board Skills Matrix Assessment was devised to evaluate the extent to which Board members meet the requisite "Fit and Proper" criteria, possessing the skills, knowledge, competence, and experiences necessary to fulfil the requirements of Velesto. This assessment was crafted by considering regulatory provisions along with emerging and best practices, enabling a self-assessment of the Board of Directors' alignment with the current and anticipated Board Skills Matrix.

Fit and Proper Assessment

The fit and proper assessment evaluates Board members, Senior Management, and Group employees based on the following criteria:

 Character & Integrity	 Experience & Competence	 Time & Commitment
<ul style="list-style-type: none"> • Probity • Personal Integrity • Financial Integrity • Reputation 	<ul style="list-style-type: none"> • Qualifications, Training & Skills • Relevant Experience & Expertise • Relevant Past Performance & Track Record 	<ul style="list-style-type: none"> • Ability to Discharge Role in light of Time Commitment • Participation and Contribution in the Board or Track Record

A copy of the Group's Fit and Proper policy can be found on the Company's website at www.velesto.com.

Independence Assessment on Independent Directors

Following the receipt of responses, INEDs have affirmed compliance with all assessment criteria pertaining to background, economic relationships, family ties, and tenure. The Board is content with the demonstrated level of independence among the INEDs and their capacity to prioritise the Company's best interests.

Board Leadership – Separation of Roles of Chairman, President and Senior Independent Director

Chairman of the Board

Mohd Rashid Mohd Yusof, a NINED, serves as the Chairman of the Board. His role encompasses leading and ensuring the effectiveness of the Board. He facilitates the contributions of Board members, leveraging their individual talents and energies. As Chairman, he presides over Board meetings, guiding discussions to ensure productive use of allocated time. Additionally, he acts as a conciliatory force in resolving differences among Board members and maintains effective communication with shareholders and stakeholders.

President

Ir. Ts. Megat Zariman Abdul Rahim, serving as the President and also holding a seat on the Board as the Company's Executive Director, holds pivotal responsibilities within the organisation. Entrusted with executive leadership, he leads the development of strategic plans and oversees day-to-day management of the Group. His role ensures the execution of Board-endorsed business strategies, aligning with the Group's risk appetite and business plan. He guides initiatives to seize opportunities, innovates operations, and responds to the diverse demands and expectations of local and global markets. With a keen eye on emerging industry trends and global developments, he steers the business towards achieving targets. By prioritising safety and service quality, he expands the Group's market presence for both local and international opportunities. Maintaining a focus on efficiency and cost optimisation, he cultivates a collaborative growth-oriented environment. As the iLEAP champion, he actively promotes the Group's iLEAP culture, advocates for high standards of ethical corporate governance and integrity, and drives forward sustainability programmes. He is aiming to transform the culture of Velesto to be "Performance Driven, Operations Focused" leading the Group towards "Wawasan 2030" which entails "Empowering Growth & Excellence".

The delineation of powers and responsibilities between the Chairman and the President is clearly outlined in the Board Charter.

Senior INED

Ir. Dr. Mohd Shahreen Zainooreen Madros assumed the position of Senior Independent Non-Executive Director ("INED") on 25 May 2022. In this capacity, he serves as a conduit between the INEDs and the Chairman, facilitating discussions on sensitive matters and engaging with other NEDs. He advocates for the expression of independent directors' perspectives and encourages the active participation of independent directors in discussions and meetings.

Furthermore, he has been designated as a primary point of contact for shareholders to address concerns or queries, providing an alternative avenue to the formal shareholder communication channel. The Senior INED can be contacted via email at senior.id@velesto.com.

NED

NEDs bear the responsibility of offering insightful judgments and impartial perspectives during the Board's discussions and decision-making processes. Additionally, they undertake a crucial role in providing constructive challenges and overseeing Management's execution of strategies within the framework of the Board's risk and governance structure.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

BOARD ADMINISTRATION

Company Secretaries

The Company Secretaries, Lee Mi Ryoung and Sazlyna Sapiee, fulfill important roles in supporting the Board by offering guidance on corporate governance, ensuring compliance with regulations and procedures, and promoting good corporate governance practices. Acting as a vital link, they facilitate information exchange among the Board, its Board Committees, and the Management, while fostering effective communication with shareholders and stakeholders. Board members have full access to the Company Secretaries. More information about them can be found in the "Key Leaders Profile" section of this Integrated Annual Report.

Access To Information

Facilitating effective communication among the Board, its Board Committees, and the Management, all Directors have direct access to the President and Senior Management.

Ahead of each Board meeting, agendas and relevant Board papers are distributed to all Directors at least five business days prior to the meeting, or on such period as approved. Urgent papers may be presented at meetings with endorsement from the President and approval from the Chairman.

Management presentations and briefings, as well as insights from external advisors where applicable, are shared at the Board and Committee meetings. These presentations provide relevant information included in the board papers, allowing for clarifications to aid decision-making. Directors also have access to guidance from Company Secretaries and, when necessary, can seek independent professional advice at the Company's expense.

To streamline the distribution of meeting papers, Directors are provided access to Board and Committee papers through a secure online software platform. This software simplifies the process of disseminating meeting materials to members.

Commitment to Good business conduct and corporate culture – Velesto's approach to compliance

Velesto is committed to maintaining robust business ethics and nurturing a favourable corporate culture. Through an extensive array of Codes and Policies, the Group consistently fosters a culture centred on integrity and compliance.

Code of Business Conduct and Ethics

All employees are expected to maintain the Group's brand, which serves as Velesto's identity and image. This brand should be evident in their conduct within the workplace and in interactions with others, be it among colleagues or the public.

Directors and employees of Velesto are obligated to exhibit ethical and professional behaviour on behalf of the Group and adhere to the CoBE. The CoBE outlines measures to address:

- Actual or potential conflicts of interest;
- Corrupt practices, including the offering and acceptance of gifts or other benefits;
- Reporting of unlawful or unethical behaviour;
- Proper use of the Company's assets;
- Compliance with laws, rules, and regulations.

The CoBE can be accessed on Velesto's corporate website at www.velesto.com.

Whistle-Blowing Policy

To foster the highest standards of professionalism and ethics within the operations of the Velesto Group, the Whistle-Blowing Policy facilitates the reporting of any suspected wrongdoings. These may encompass mismanagement, malpractices, corrupt practices, fraud, conflicts of interest, money laundering, abuse of authority, or violations of laws and regulations by staff and management.

The Policy establishes a formal channel through which employees and other individuals can raise concerns in a responsible and timely manner. The Integrity Governance Unit & Compliance (IGUC) is tasked with upholding integrity and promoting the highest standards of compliance within the Velesto Group. IGUC operates under the governance of the BWBC and adheres to its TOR and Integrity Framework, which have been approved by the Board.

Anti-Bribery and Corruption ("ABC") Policy

The Group maintains an ABC Policy to uphold ethical business practices and ensure compliance with relevant laws, including the Malaysian Anti-Corruption Commission Act ("MACC") 2009 and its amendments. This commitment extends to any subsequent revisions enacted by the relevant authorities.

The ABC Policy outlines principles, guidelines, and requirements for addressing corrupt and bribery practices that may arise during daily business operations within the Group. All personnel working for the Group are obligated to adhere to anti-corruption and anti-bribery laws.

Furthermore, the Policy offers information and guidance to personnel on identifying and addressing corruption and bribery issues. The ABC Policy can be accessed on Velesto's corporate website at www.velesto.com.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Disclosure Channel

Whistle-Blowers may lodge a report on any suspected wrongdoings, via the following channel:

Attention to:

HEAD OF IGUC

+603-2096 8788

whistleblower@velesto.com

The Whistle-Blowing Policy is available for viewing at the Velesto's corporate website at www.velesto.com. Read more on Velesto's compliance and integrity culture in the SORMIC section of this Integrated Annual Report.

Governing Sustainability

The Board is dedicated to incorporating sustainability into Velesto's strategic vision and operations. Working in tandem with the BRMC, they maintain a governance framework for sustainability throughout the Group. The BRMC oversees the Group's sustainability strategies, priorities, targets, and performance.

For more information on Velesto's sustainability initiatives and progress, please refer to our Sustainability Statement 2023.

Onboarding and Continuing Development Programmes for Directors

Newly appointed Directors undergo a comprehensive and tailored induction programme, organised by the Company Secretaries. This programme includes the Mandatory Accreditation Training Program prescribed by the BURSA, as well as visits to the Group's businesses, rigs, offices and engagements with the Senior Management. Its purpose is to familiarise Directors with the Group, key business drivers, the role of the Board and its Committees, corporate governance practices and procedures, system of internal control and provide training and guidance on their duties and responsibilities, as directors of listed company.

In accordance with Paragraph 15.08 of the MMLR, Directors recognise the importance of attending conferences, trainings, and seminars to stay updated on industry developments and changes in statutory and regulatory requirements. Additionally, all members of the BAC fulfil the requirement of Practice 9.5 of the MCCG 2021 by attending relevant seminars on accounting and auditing standards.

During the FY2023, the following directors have participated in the following continuing education programmes:

Director	Training	Organiser
Mohd Rashid Mohd Yusof	MIA Conference 2023	Malaysian Institute of Accountants
	Leadership for Banks in a Post Pandemic World	Judge Business School, University of Cambridge
	ESG Designation Programme (6 sessions)	Competent Boards
	People, Planet & Profit: Can Corporations Achieve It All by Operationalising Sustainability?	ERM
	Net Zero Target Briefing	Earth Finance
Rowina Ghazali Seth	CEO Action Network Closed-Door Luncheon 2023	CIMB
	The Cooler Earth Sustainability Summit	CIMB
	Sustainability in the Digital Age	Asia School of Business
	Khazanah Megatrends Forum 2023	Khazanah Nasional Berhad
	Board Oversight of Climate Risks and Opportunities	Asia School of Business
	Pre-Board Convergence 2023: Delivery and Execution Anchored on Quality	UEM Edgenta Berhad
	Sustainability Leadership Programme for Financial Institutions	IBFIM & CISL

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Director	Training	Organiser
Rowina Ghazali Seth (Cont'd.)	Management of Cyber Risk	BURSA
	ESG and Islamic Finance: Implications for Boards and Corporate Governance	Iclif Executive Education Centre
	Mandatory Accreditation Programme Part II: Leading for Impact (LIP)	ICDM
Haida Shenny Hazri	GCC BDI'Ask the Expert' Series: Board Oversight of Climate Change	GCC Board of Directors Institute
	Global Marketing Trends By Deloitte Digital Middle East	Dubai Business Women Council
	GCC Board Directors Institute Membership Chapter Event	GCC Board of Directors Institute
	ICDM Power Talks - Advancing Cyber Resilience - Board's Top 3 Must Know	ICDM
	GCC Board of Directors Workshop - Strategic Thinking	GCC Board of Directors Institute
	Energy Asia Exhibition	PETRONAS
	GCC Board Directors Institute Expert series - Leadership Through Transformation	GCC Board of Directors Institute
	GasTech Singapore	DMG Events
	Preparing for an IPO	GCC BDI
	ADIPEC	ADPEC Abu Dhabi
	13th National Dialogue for Climate Ambition (NDCA)	The Dubai Chambers
	Modern AI - How can Small Countries compete in Big Tech	INSEAD
	theNewsySTEM: Reshaping the Tech Landscape with AWS	Dubai Women Business Council
	Dubai Business Forum	The Dubai Chambers
	Mandatory Accreditation Programme Part II: Leading for Impact (LIP)	ICDM
	PNB Knowledge Forum - Education Reimagined	PNB
	GCC BDI UAE Membership Chapter	GCC BDI
	Navigating ESG – International Sustainability Standards, Compliance & Risk	COP28
	Sunway's Leaders Conference	Sunway
	Global Gas Outlook 2023 and Impact on Malaysia	MGA – Malaysia Gas Association
Datuk Tong Poh Keow (Resigned on 30 November 2023)	Digital Evolution – Paving the Way Forward	MIA
	TCFD 101 – Climate Related Financial Reporting	CPD
	TCFD 102 – Build Experience in Climate Related Financial Reporting	CPD
	Digital Accountant: Digital Skills in a Transformed World	MIA
	A Dialogue with BURSA – FTSE4GOOD ESD Ratings	ICDM
	MPRC Industry Engagement Series – OGSE Industry Outlook	MPRC
	PLCT# Digital4ESG Forum – Exploring the Intersection of Digitalisation and ESG	Bursa
	MIA Townhall	MIA
	16th ACCA Asia Pacific Thought Leadership Forum – Accounting for Society Values	ACCA
	MPRC – Industry Engagement Series – Energy Transition in Asia	MPRC
	Generative AI - An Opportunity or Risk	ICDM
	Mandatory Accreditation Programme Part II: Leading for Impact (LIP)	ICDM

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Director	Training	Organiser
Datuk Tong Poh Keow (Cont'd.)	SIDC BFF 2023 - Convergence of Transformative with Revolutionary Impact	SIDC
	BURSA – Advocacy Session	Bursa
	ACCA Technical Symposium 2023	ACCA
	Financial Planning – Millennials Key to Wealth	ACCA
Ir. Dr. Mohd Shahreen Zainooreen Madros	Mandatory Accreditation Programme Part II: Leading for Impact (LIP)	ICDM
Mohd Irwan Ahmad Mustafa (Resigned on 1 September 2023)	PNB A Conversation with YB Tuan Nik Nazmi Nik Ahmad, Minister of Natural Resources, Environment and Climate Change (MNRECC)	PNB
	ONLINE TRAINING : Understanding Sustainable and Responsible Investment (SRI) (10 CPE)	Securities Commission
	Senior Leaders Forum : My Experience at the COP 27 Climate Change Conference	PNB
	E-Learning : Introduction to Financial Crime and Anti - Money Laundering	PNB
	PNB Tea Talk Series #4-2023-A Conversation with Tan Sri Shahril Ridza Ridzuan, Chairman of AXIATA Group	PNB
	Sharing Session on Cultural Changes in Organisation (ESG Transformation)	McKinsey & Company, Inc. (Malaysia)
	PNB Tea Talk Series #5 2023 - Up Close and Personal with Datin Norazah Mohamed Razali	PNB
	PIF Private Sector Forum, Riyadh, Arab Saudi	Public Investment Fund
	Global Venture Investment Summit Seoul, South Korea	Association of Korean VC Industry and Seoul Metropolitan Government.
	SuperReturn International 2023 - Berlin	Informa Connect Limited
	PNB Knowledge Forum 1 2023 - Harnessing Innovation and Technology for Sustainable Business	PNB
	Leadership Team (LT) Offsite 2023	PNB
	E-Learning: Assessment - Compliance Roadshow 2023	PNB
	PNB Spokesperson Training	PublicT Intellectasia
	Leadership Team (LT) Offsite - MSAM	PNB
	Project Viridis For Board of Directors Workshop	McKinsey & Company, Inc. (Malaysia)
	Leadership Team (LT) - Management Offsite 2023	PNB
	EPF Private Markets Summit 2023	Kumpulan Wang Simpanan Pekerja
	PNB Cyber Day 2023	PNB
	PNB Tea Talk Series # 21 : PNB's Iron (Men and Women)	PNB
	PNB AND ASNB JOINT BOARD OFFSITE	PNB
Datuk George Ling Kien Sing	Mandatory Accreditation Programme Part II: Leading for Impact (LIP)	ICDM

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Director	Training	Organiser
Ir. Ts. Megat Zariman Abdul Rahim	LPS HSE Training	XOM
	EY C Suite Forum	EY
	SHELL HSE Forum	SHELL
	IADC HSE Conference	IADC
	Energy Asia Conference	PETRONAS
	Crisis Management Refresher Training	Velesto
	OGSE Partners Day	PETRONAS
	Exploration Contractor HSE Forum	PETRONAS
	Business Partner Integrity Seminar	Velesto
	Crisis Communication Training	Velesto
	GLIC Integrity Talk	PNB
	Mandatory Accreditation Programme Part II: Leading for Impact (LIP)	ICDM
Ar. Ahila Ganesan	Finance Essentials For Non-finance Directors	ICDM
	Khazanah Megatrends Forum	Khazanah Nasional Berhad
	United Nations Framework Convention on Climate	Securities Commission Malaysia
	Mandatory Accreditation Programme Part II: Leading for Impact (LIP)	ICDM
	29th Conference of Parties (COP 28 - UAE)	United Nations Framework Convention on Climate Change (UNFCCC)
Fadzihan Abbas Bin Mohamed Ramlee (Appointed on 1 September 2023)	BURSA Mandatory Accreditation Programme (MAP)	ICDM
Alan Hamzah Sendut (Appointed on 2 February 2024)	Environmental, Social and Governance Briefing	HLB
	Can America Stop China's Rise? Will ASEAN Be Damaged?	FIDE Forum
	Seminar on Forensic Audit and Fraud Examination	MICG
	Briefing on Environmental, Social and Governance	PricewaterhouseCoopers PLT
	2023 Institute of Internal Auditors Malaysia (IIAM) Membership Physical Networking Session: Cyber Threats & Best Practices	IIA Malaysia
	FIDE Elective Program: Understanding the Cybersecurity Landscape	ICLIF
	PowerTalk Series: Generative AI - An Opportunity or Risk?	ICDM
	"Sustainability in The Digital Age" by Georg Kell, Chairman of the Board of Arabesque and Carolina Minio Paluella, CEO of Arabesque AI	ICLIF
	Mandatory Accreditation Programme Part II: Leading for Impact (LIP)	ICDM
Nadzrin Alia Md Azizis (Alternate Director to Fadzihan Abbas Bin Mohamed Ramlee) (Appointed on 1 September 2023)	BURSA Mandatory Accreditation Programme ("MAP")	ICDM

CORPORATE GOVERNANCE OVERVIEW STATEMENT

REMUNERATION

The Board acknowledges the significance of equitable compensation for its directors in attracting, retaining, and incentivising qualified and seasoned individuals essential for managing the Company's affairs.

The BNRC's responsibilities encompass defining remuneration and reward structures outlined in its TOR. As such, BNRC is tasked with advising the Board on the fees and remuneration for NEDs including expenses incurred during discharge of their duties, subject to approval by Velesto's shareholders. The Remuneration Policy and Procedures for Non-Executive Directors are accessible on the Group's website at www.velesto.com.

Remuneration of Directors

The detailed breakdown of Board remuneration for the fiscal year 2023 can be accessed via the Corporate Governance Report 2023 ("CG Report 2023"), which is available for review on the Group's website at www.velesto.com. Alternatively, this breakdown can be found in the Notes to the Financial Statements section of the Integrated Annual Report.

Information regarding the proposed payment of Directors' fees and benefits from the 14th AGM until the subsequent AGM will be presented for approval at the upcoming 14th AGM. For further details, shareholders are encouraged to consult the "Other Information" section of this Integrated Annual Report, specifically under the Notice of the 14th AGM.

Remuneration of Top 5 Senior Management

The remuneration component and emoluments of the top 5 Senior Management is not disclosed due to confidentiality and in consideration of retention priorities of the Group. In lieu thereof, the collective remuneration of the Senior Management, excluding the President for FY2023, is RM4.6 million.

Further details on this can be found in the CG Report, accessible on the Group's website at www.velesto.com. Additionally, the CG Report 2023 has been uploaded alongside this Report under the "Company Announcement" section on the BURSA website.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

ACCOUNTABILITY AND AUDIT

Effective and Independent BAC

The main goal of the BAC is to support the Board in meeting its fiduciary duties concerning financial and accounting practices, aligning with accounting standards and upholding a robust internal control framework for the Group.

For comprehensive insights into the composition, functions, and activities of the BAC throughout FY2023, interested parties can refer to the "Our Governance" section, specifically the BAC Report, within this Integrated Annual Report.

Financial Reporting

The Board is dedicated to delivering an equitable and impartial evaluation of the Group's financial status in its quarterly financial updates, annual financial statements, Integrated Annual Report, and all other communications to shareholders, investors, and pertinent regulatory bodies.

The Board's declaration regarding its responsibilities for preparing the financial statements is delineated in the Audited Financial Statements for 31 December 2023, of the Company.

Risk Management and Internal Control

The Board holds responsibility for overseeing the Enterprise Risk Management ("ERM") Framework and the internal control system within the Group, ensuring their effectiveness. This oversight is facilitated by the BRMC and the BAC, which review risk management processes and internal control procedures to maintain a robust system. This system is vital in protecting shareholders' investments and the Company's assets.

The ERM Framework and internal control system within the Velesto Group serve to identify and evaluate the Group's key risks, aligning with its needs and exposures. While designed to manage risks, it is important to note that this system does not completely eliminate risks due to inherent limitations. Regular reviews conducted by the BAC, BRMC, and the Board ensure the ongoing effectiveness of the Group's internal control system.

The Group's approach to risk management, including how risk profiles are identified and the key features of its ERM and internal control framework, are detailed in the SORMIC and the BAC Report, both found within the "Our Governance" section of this Integrated Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C: INTEGRITY IN REPORTING & MEANINGFUL RELATIONSHIPS WITH STAKEHOLDERS

INTEGRATED ANNUAL REPORT 2023

The Integrated Annual Report serves as a detailed account of the Group's performance throughout the focal year, offering shareholders and stakeholders comprehensive insights. Its development is meticulously coordinated, running parallel to the formal audit process conducted by the External Auditors. The content undergoes thorough review and approval by the relevant Board and Board Committees.

COMMUNICATING EFFECTIVELY WITH STAKEHOLDERS AND INVESTORS

Velesto places significant emphasis on transparent communication and proactive engagement with stakeholders to ensure the sustainable growth of its business. The Group is committed to maintaining open and transparent communication channels with all stakeholders.

The President and Senior Management play crucial roles in Velesto's investor relations initiatives, overseen by the Commercial Division. Throughout the year, the Group organised dialogues with key institutional shareholders, fund managers, and analysts. Investors receive regular updates on significant business activities, decisions, and announcements through various channels, including releases to BURSA, the company's website, press releases, briefings, press conferences, one-on-one meetings, and the annual general meeting.

Velesto's website serves as a central hub for information on the Group, providing access to financial reports, presentations, and other operational details. For a comprehensive overview of stakeholder engagement efforts undertaken by the Group during FY2023, please refer to the Sustainability Statement section of this Integrated Annual Report.

A dedicated "Investor Relations Contact" section is available on the Group's website for easy access to relevant information and inquiries.

For any queries on Investor Relations matters, please contact the following:

Attention : **Head, Strategic Marketing**

Contact : +603-2096 8788

Email : investor.relations@velesto.com

CONDUCT OF GENERAL MEETING

The Company ensured shareholders were notified of the AGM with at least 28 days' notice before the event. The notice for the 13th AGM, held on 29 May 2023 was distributed to shareholders on 27 April 2023.

Shareholders were informed of the AGM's virtual format via the Remote Participation and Voting Facilities ("RPV") application, accessible through the Securities Services ePortal platform at <https://sshsb.net.my>. Detailed instructions were provided in the Administrative Guide. This notification was also disseminated through announcements on BURSA and the Company's corporate website.

The 13th AGM featured remote participation from registered shareholders and proxyholders. It included presentations of the financial statements for FY2022, insights into the Group's performance by the President, and responses to queries submitted in advance by the Minority Shareholders Watch Group.

Following presentations, a Questions and Answers session addressed inquiries raised by shareholders or proxyholders before and during the meeting. Consistent with the Malaysian Code on Corporate Governance's requirement for poll voting on all resolutions, the 13th AGM conducted electronic polling for all proposed resolutions.

The minutes of the 13th AGM were promptly uploaded to the Company's website within at least 30 business days following the conclusion of the meeting, in adherence to Practice 13.6 of MCCG 2021.

The Notice of the 14th AGM of the Company, scheduled for 30 May 2024, has been distributed to shareholders on 30 April 2024, ensuring a minimum notice period of 28 days prior to the event.

CONCLUSION

This Statement on the Company's corporate governance practices is made in compliance with the MMLR. Having reviewed and deliberated this Statement, the Board is satisfied that, to the best of its knowledge, for the financial year under review the Company is substantially in compliance with the principles and practices set out in the MCCG 2021, as well as the relevant paragraphs under the MMLR. This statement has been presented and approved by the Board at its meeting held on 25 March 2024.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

This Statement on Risk Management and Internal Control ("SORMIC") has been developed in alignment with Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of BURSA, adhering to the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers as endorsed by BURSA, and in compliance with the stipulations of the Malaysian Code of Corporate Governance 2021 ("MCCG 2021"). The Board of Directors of Velesto Energy Berhad ("Velesto" or "the Group") is pleased to present this statement, which defines the comprehensive nature and scope of risk management and internal controls within the Group for the financial year 2023.

Leveraging on an enhanced Enterprise Risk Management ("ERM") Framework, the Group is navigating the dynamic risk landscape and emerging trends, thereby ensuring effective and adequate implementation of risk mitigation strategies and continuous monitoring. This ERM Framework is complemented by a comprehensive system of internal controls, which includes governance, compliance, operational, financial, strategic and technological controls.

ROLES AND RESPONSIBILITIES

A. THE BOARD AND BOARD COMMITTEES

Within Velesto, the Board and specific Board Committees manage a spectrum of risk-related roles and responsibilities, ensuring a cohesive and comprehensive approach to risk oversight, governance, and strategic risk management across the organisation.

Board of Directors ("The Board")

Velesto's Board of Directors upholds its responsibility for the governance of the Group's risk management and internal control systems, as set out in the Board Charter. It is committed to the establishment and continual refinement of these systems to protect shareholders' investments and the Group's assets effectively. By setting a clear governance tone and exercising oversight function, the Board, in concert with Management, ensures the integration of risk management and internal controls within the Group's operational processes and organisational structure. The Board acknowledges that these systems provide reasonable assurance and not absolute assurance in managing significant risks that could affect the Group's objectives and strategic direction.

To support its oversight of risk management and internal controls, the Board has delegated specific responsibilities to the following committees, each possessing distinct yet complementary roles:

Board Risk Management Committee ("BRMC")

The BRMC plays a pivotal role in fortifying Velesto's ERM activities by guiding the implementation of the Group's comprehensive ERM Framework, governed by the ERM Policy and ERM Framework Procedures. This committee is instrumental in advancing the Group's Risk Management, Business Continuity Management ("BCM"), and Environmental, Social, and Governance ("ESG") risk management, alongside overseeing Health, Safety, and Environmental concerns.

Board Audit Committee ("BAC")

The BAC is entrusted with the task of scrutinising the effectiveness of the Group's internal control frameworks, thereby aiding the Board in its responsibilities related to financial reporting and accounting practices. This includes ensuring adherence to established accounting standards, maintaining a robust internal control system and management information systems, as well as complying with relevant legal and regulatory requirements.

The BAC's remit also extends to the examination of potential conflicts of interest and related party transactions, ensuring they align with the Group's best interests and are conducted fairly, transparently, and without prejudice to minority shareholders. The committee oversees the internal and external audit processes, evaluating the internal control system's adequacy and effectiveness. Further insights into the BAC's activities are provided in the BAC Report within this Integrated Annual Report.

Board Whistle-Blowing Committee ("BWBC")





The BWBC is integral to fostering a culture of integrity, compliance, and ethical conduct within the Group. It is responsible for reviewing and investigating allegations against employees and other stakeholders, ensuring that Velesto upholds the highest standards of ethical behaviour and corporate governance.

The TOR of BRMC, BAC and BWBC are available on the Group's website at www.velesto.com

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

B. THE MANAGEMENT

Velesto's Management is entrusted with the role of executing the Board's directives on risk management and internal controls. Their responsibilities, which encompass a wide range of activities essential for maintaining the Group's strategic and operational stability, are set out below:

 Risk Oversight	 System Implementation and Effectiveness	 Continuous Evaluation	 Leadership and Culture
Identify, evaluate and monitor risks that may affect the Group's goals and strategies, ensuring a comprehensive understanding of potential internal and external challenges.	Formulate and enact effective risk management strategies and internal control measures, tailored to mitigate identified risks and enhance the Group's resilience.	Undertake regular assessments of the risk management and internal control frameworks to ensure their continued relevance and effectiveness in the face of evolving risks and organisational objectives.	Promote the Group's core values of iLEAP – Integrity, Leadership, Excellence, Agility, and People-Focussed – by fostering an organisational culture that prioritises ethical conduct and good governance.

Through these focused efforts, the Management ensures the integrity of the Group's risk management and internal control systems.

C. INTERNAL AUDIT DIVISION ("IAD")

The IAD serves as a vital component of Velesto's governance structure, executing a pivotal internal audit role that extends beyond conventional checks and balances. It delivers impartial and objective assurance concerning the robustness and efficacy of the Group's internal control systems. The Head of IAD maintains a dual reporting line: functionally to the BAC, and administratively to the President, ensuring a high degree of independence from the Group's operational and corporate entities.

Empowered with autonomy, the IAD formulates its audit scope, conducts thorough investigations, and communicates its findings directly to the BAC. This autonomy is crucial for maintaining the integrity and objectivity of the audit process.

The division's activities are strategically aligned with the Group's risk profile and operational priorities, as outlined in the annual internal audit plan endorsed by the BAC. Through its comprehensive reviews of internal controls, operational processes, and critical functions, the IAD plays an instrumental role in enhancing Velesto's operational excellence and efficiency.

Committed to the highest standards of professional practice, the IAD adheres to the International Professional Practices Framework ("IPPF") established by the Institute of Internal Auditors ("IIA"). This adherence emphasises the IAD's dedication to excellence, integrity, and continuous improvement, ultimately contributing to Velesto's strategic objectives and value creation.

IAD Highlights 2023

In 2023, the IAD conducted 10 reviews, along with targeted audit visits to the Group's supply bases and rigs. The reviews focused on reinforcing controls over risk areas including inventory management, project management, sustainability, and financial processes. Audit reports containing audit findings,

recommendations for improvement, and management action plans in the areas with significant risks and internal control deficiencies, were deliberated during the BAC meetings. These were also monitored regularly by the Management Audit Committee and reported to the BAC to ensure proper closure.

The IAD plays an active role in identifying areas for improvement in business processes, enhancing operational efficiency, and ensuring the achievement of Velesto's business objectives. The division also carries out its mandate of continuously creating awareness within the organisation on relevant audit topics, including risk management, compliance requirements, and internal control best practices, by issuing the quarterly IAD Newsletter.

In line with its responsibility to continuously improve the Group's audit processes, the IAD completed three key digitalisation initiatives, namely the online Audit Evaluation Survey, the Audit Self-Assessment Checklist, and the IAD Portal.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

D. RISK MANAGEMENT DEPARTMENT ("RMD")

The RMD oversees the risk management functions for the Group at the enterprise level. Guided by the Group's ERM Policy and Framework, the RMD's efforts are in alignment with directives from the RMC and the BRMC.

The RMD evaluates and refines Velesto's risk processes ensuring they adhere to industry best practices. The department continuously engages and communicates with our employees to enhance and embed a culture of risk awareness and collective risk understanding within the organisation through targeted workshops, training and awareness initiatives.







Central to the RMD's approach is the identification, assessment, and monitoring of key risks, ensuring a comprehensive evaluation process. This includes quarterly risk assessments and discussions with risk owners and risk representatives (who serve as the focal persons from the respective departments and divisions), to finetune control and mitigation strategies, ensuring these remain relevant to the changing business environment to minimise potential impacts on the Group's operations and projects.

The Group continues to monitor emerging ESG developments and regulations, identifying elements of risk related to ESG that need to be addressed and mitigated including climate⁽¹⁾ change considerations to enhance business resilience and sustainability.

⁽¹⁾ For more details discussion on climate related considerations, please refer to the TCFD-aligned Disclosure section of the Sustainability Statement of this IAR on page 113.

RMD Highlights 2023

In 2023, the RMD worked on refining Velesto's ERM approach to better align with the Group's key objectives and risk overview involving six areas and their potential impact on the Group:

 <p>Safety & Health</p>	 <p>Financial</p>	 <p>Reputation</p>
 <p>Assets</p>	 <p>Environment</p>	 <p>Sustainability</p>

Using the ERM framework, the Group's risk registers including existing key controls and Risk Action Plans were reviewed and evaluated with risk owners. Quarterly engagement sessions were convened with risk owners and risks rated as "high" based on an approved matrix were escalated to the RMC and BRMC for thorough deliberation. To ensure these risks were monitored and managed effectively, dedicated risk owners assigned to each critical risk participated in discussions during the RMC and BRMC meetings, where they were challenged regarding the appropriate response and mitigation plans.

In FY2023, developmental work to digitalise the risk management process commenced to improve its efficiency. The RMD intranet, unveiled in December, and ongoing updates on other internal social networking platforms, provided avenues for communication and knowledge sharing. A video of the President was produced and launched to communicate the importance of an effective risk culture, setting the tone from the top on the significance of integrating risk management in daily operations and the decision-making process.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

E. INTEGRITY & GOVERNANCE UNIT AND COMPLIANCE ("IGUC")

The IGUC plays an essential role in fostering a culture of ethical conduct, integrity, and compliance within Velesto, actively combating corruption, abuse of power, and malpractice. It is mandated to report biannually on its activities and initiatives to the Malaysian Anti-Corruption Commission ("MACC") through the Agency Integrity Management Division which is also known as Badan Pengurusan Integriti Agensi ("BPIA").

The IGUC's fundamental responsibilities encompass:

 Good Governance	Championing the adoption and execution of exemplary corporate governance practices.
 Integrity Enhancement	Cultivating, embedding, and actualising integrity principles across the organisation.
 Detection and Verification	Identifying and confirming instances of criminal misconduct and ethical breaches, ensuring corrective measures are enacted and reporting such misconduct to relevant authorities.
 Complaints Management	Addressing all reports and concerns related to criminal activities, code of conduct breaches, and ethical violations.
 Compliance	Guaranteeing adherence to all organisational policies and procedures.

IGUC Highlights 2023

In 2023, the IGUC led a robust agenda to bolster integrity, governance, and compliance across the organisation. The year's initiatives began with the Declaration of Fit & Proper and Conflict of Interest for Senior Management and onshore staff on 27 March, ensuring the team's alignment with Velesto's ethical standards.

Throughout the year, the IGUC issued quarterly newsletters, addressing critical themes such as "Extortion," "Handling of Confidential Information," "Embezzlement," and "Integrity," to enhance awareness and communication on integrity matters.

Corruption Risks Assessments were conducted quarterly, identifying potential risks and reinforcing the Group's anti-corruption stance. The Velesto Assurance Review ("VAR") further ensured compliance with internal policies and procedures through targeted reviews of selected departments and business units.

A series of integrity awareness sessions were rolled out for offshore crews, vendors, and staff across various divisions, emphasising Anti-Bribery & Corruption ("ABAC") principles. Notable events included the launch of the Velesto Anti-Corruption Plan 2023-2027 ("VACP 2023-2027") on 7 September, in line with National Anti-Corruption Plan ("NACP") recommendations to develop a documented organisational anti-corruption strategy.

To enhance the comprehension of integrity and promote good governance among staff, the IGUC implemented a mandatory online Integrity Assessment exercise for all onshore personnel. Additionally, the IGUC spearheaded joint integrity events aimed at fostering stakeholder engagement. Notably, the Vendor Engagement Day, held on 27 September, brought together key vendors, while the Velesto Business Partner Integrity Day, held on 25 October, facilitated dialogue with clients, further solidifying the Group's commitment to championing integrity across all its partnerships.

The IGUC's comprehensive approach in 2023, from educational initiatives to rigorous assessments and stakeholder engagement, significantly advanced Velesto's commitment to maintaining a culture of integrity and ethical business practices.

INTEGRITY GOVERNANCE FRAMEWORK

The Group's Integrity Governance Framework stands as the cornerstone of Velesto's commitment to ethical conduct. Serving as a strategic blueprint for the integration of robust internal control systems across the Group, it underpins Velesto's dedication to upholding integrity and stringent compliance.

Under the stewardship of the IGUC, Velesto undertakes a holistic suite of programmes, activities, and initiatives designed to cultivate and perpetually refine a culture infused with integrity and governed by the highest standards of corporate governance. This commitment permeates every facet of the organisation's operations, ensuring ethical practices are not only encouraged but deeply ingrained at every level.

Central to these efforts is the adherence to the principles encapsulated in the acronym "T.R.U.S.T.", a foundational element of Velesto's defence strategy against the Corporate Liability Provision as stipulated in Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018). These principles guide Velesto's proactive approach to ethical governance, fortifying the organisation's defences against corruption.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

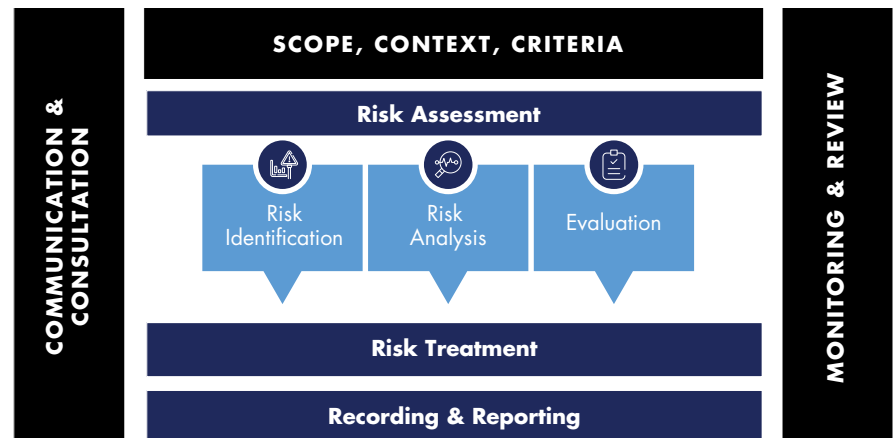
ENTERPRISE RISK MANAGEMENT (“ERM”)

A. ERM FRAMEWORK

Velesto's ERM Framework, which provides a structured and systematic approach to risk management, plays a crucial role in the Group's value-creation efforts. It incorporates consistent assessment methodologies and standards across the Group's processes and operations, ensuring comprehensive identification, evaluation, mitigation, and monitoring of both inherent and emerging risks.

The Group's commitment to the ISO 31000 Risk Management – Guidelines Standard and continuous enhancements in practices and operations have significantly strengthened Velesto's ERM Framework over time.

The diagram below portrays the Group's ERM Framework:

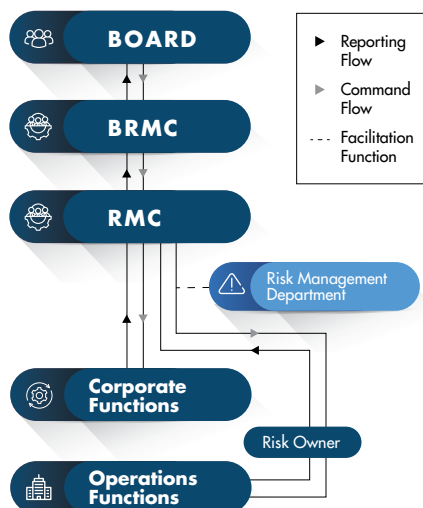


B. RISK REPORTING STRUCTURE AND RISK OVERSIGHT FUNCTIONS

Velesto's clear reporting structure and comprehensive risk oversight functions are essential for effective communication and information dissemination about risk management processes throughout the Group. This ensures that risk management is integral to decision-making at all levels.

The following diagram depicts the Group's Reporting Structure while the roles and responsibilities for Risk Oversight are spelled out thereafter.

Reporting Structure



OVERSIGHT STRUCTURE	
THE BOARD	The Board of Directors is the ultimate authority on risk management, setting the strategic direction and governance tone for the Group. It commits adequate resources to ensure the risk management function's effectiveness.
BRMC	The BRMC oversees the uniformity and effectiveness of risk management across Velesto, endorsing risk parameters, appetites, and strategies. It provides quarterly updates to the Board, ensuring accountability in risk oversight.
RMC	The RMC monitors the ERM Framework and Policy implementation, focusing on robust risk identification, assessment, and mitigation. It advises on risk treatment strategies and reports quarterly to the BRMC, supporting a cohesive risk management approach.
RMD	The RMD aids the RMC in implementing risk management and business continuity frameworks and initiatives. It offers independent risk assessments and timely reports to the RMC, BRMC, and the Board, contributing to an informed risk management environment.

Through this structured approach, Velesto integrates risk management into its operational and strategic framework, enhancing resilience and navigational capacity in a dynamic business landscape.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL




Three Lines of Defence Model

Velesto actively incorporates the Three Lines of Defence Model into its risk management framework to bolster its operational integrity and strategic resilience. This model delineates clear roles and responsibilities across three distinct layers within the organisation, ensuring a comprehensive approach to risk management.




BOARD OF DIRECTORS		
BRMC, BAC & BWBC		
LINES OF DEFENCE		
1st Line: Risk-Taking Units	2nd Line: Risk-Control Units	3rd Line: Assurance Units
Divisions & Departments	RMC & RMD	Internal Audit & IGUC
Own and manage risks that exist in day-to-day business operations diligently within the established risk strategies, frameworks, policies and procedures.	Provide risk oversight and guidance over effective operation of the risk management framework, policies and procedures.	Provides assurance via independent assessment and validation that: <ul style="list-style-type: none"> The risk management framework, policies and tools are sufficiently robust and consistent, as well as in full compliance with regulatory standards; and The controls in place to mitigate risks are adequate.

C. VELESTO GROUP TOP RISKS OVERVIEW

In 2023, Velesto Group addressed its top risks through comprehensive action plans and initiatives as follows:

Risk Overview	Response
 Technology & Cybersecurity Risk (For further details, please refer to page 111)	<p>The continued focus on digitalising the business processes increases the risk of cybersecurity threats, including phishing, malware, ransomware, and data breaches. These vulnerabilities may result in operational disruptions, financial losses and reputational damage.</p> <p>In response, Velesto has strengthened its cybersecurity defences, by implementing various detective and protective cyber security measures through a dedicated information security team. The Group has also conducted annual testing and independent assessments to further safeguard its IT system and network.</p>
 Human Capital Risk (For further details, please refer to page 90-91)	<p>Increased competition and challenges in attracting and retaining high-performing and high-potential employees are key industry concerns. The inability to attract and retain the right skilled talent would influence operational efficiencies.</p> <p>For FY2023, the Group continued to ensure competitive overall rewards for the employees, including awarding Employee Share Option Scheme ("ESOS") benefits to employees who are in critical positions, are high performers and have high potential. Additionally, a structured training and development programme was developed focusing on various professional aspects. The culture transformation programme was launched to align employees with the Velesto way of working.</p>
 Execution Risk	<p>Three Special Periodic Surveys ("SPS") projects are planned for 2024 in line with the classification certification requirements. Any delay or setback could affect operational efficiency and result in missed opportunities for revenue generation.</p> <p>The Group has implemented measures to mitigate execution risk in rig maintenance processes at the shipyards through the execution of pre-shipyard preparatory work, identifying equipment maintenance requirements and spares, and leveraging on third party project management expertise to pre-empt potential issues prior to commencing the shipyard phase.</p> <p>Integrated projects such as the iRDC, could expose Velesto to operational disruptions caused by its service partners and impact service delivery.</p> <p>To address this risk, the Group continuously engages with its clients and partners to enhance project performance and negotiate improved terms and conditions for additional wells. It also systematically monitors and analyses performance across every section of each well to identify areas for improvement.</p>

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL





Risk Overview	Response
 <p>Process Risk (For further details, please refer to page 84-89)</p>	<p>The escalation of activities on Velesto's rigs increases the potential of risks and hazards in the workplace, requiring increased monitoring and adherence to safety regulations and standards to uphold customer expectations for high-quality services.</p> <p>Velesto is proactively reinforcing accountability and applying rigorous consequence management for all HSE incidents. The Group is also promoting Management HSE Visits to offshore sites, emphasising the obligation and authority of personnel to stop work when necessary. Moreover, Velesto is enforcing stringent and transparent Personal Protective Equipment ("PPE") policies and regulations, and providing robust medical support at the worksites to safeguard its workforce and maintain operational excellence.</p>
 <p>Strategic Risk (For further details, please refer to page 41)</p>	<p>The strategic risk from external or internal headwinds could impact Velesto's earnings, reputation, operations and market position.</p> <p>To address potential strategic risks and safeguard the long-term outlook of Velesto's Wawasan 2030 ("Vision 2030"), the Group is continuously assessing geopolitical impacts, adapting to technological trends and advancements through the installation of NOVOS on NAGA 4, and engaging with clients to better understand their needs and requirements.</p>
 <p>Sustainability Risk (For further details, please refer to page 63)</p>	<p>The dynamic sustainability landscape exposes Velesto to risk as sustainability is no longer merely a 'nice-to-have' narrative but a 'license-to-operate' imperative. Inadequate sustainability governance will expose Velesto to potential risks such as losing business opportunities, reputational damage, diminished economic performance and other ESG liabilities.</p> <p>In response, Velesto has embedded sustainability into its decision-making process and integrated ESG as its core business strategy. For 2023, the Group focused on ensuring regulatory compliance, operationalising emission reduction initiatives, initiating climate-related risk considerations, and building the capacity of its people in relation to sustainable practices.</p>

The initiatives outlined above underscore Velesto's strategy in addressing and mitigating its key risks, including technology and cybersecurity, human capital, execution, process efficiency, strategic considerations and ESG risks. The Group is committed to reducing its risk exposure, thereby minimising its influence on operational outcomes. This focus ensures that Velesto remains resilient and adaptable, laying a solid foundation for sustained value creation and long-term sustainability.

BUSINESS CONTINUITY MANAGEMENT ("BCM")

Velesto's commitment to maintaining operational readiness in the face of evolving risks forms the basis of its BCM initiatives conducted throughout each financial year. The Group's BCM Framework is a comprehensive approach that empowers Management to pinpoint potential threats and assess their impact on business operations, thereby crafting a robust strategy to mitigate these risks. This ensures the Group's resilience, safeguarding stakeholder interests, brand equity, and reputation.

The BCM Framework is built on four essential components:

 <p>Business Continuity Policy</p>	<p>This policy sets forth the foundational principles, priorities, and governance for the Group's business continuity efforts.</p>
 <p>Business Continuity Oversight Structure</p>	<p>This structure delineates clear accountability, roles, and responsibilities for the implementation and updates to the BCM Framework.</p>
 <p>BCM Methodology</p>	<p>This outlines the strategic approach for developing effective strategies and the corresponding Business Continuity Plan or BCP.</p>
 <p>BCM Programme</p>	<p>This programme outlines critical milestones and timelines to bolster the Group's business continuity capabilities.</p>

Velesto has to date embraced the ISO 22301:2019 Business Continuity Management System Standard, reinforcing its commitment to best practices in BCM.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

A. BCM FRAMEWORK

The Group's BCM Framework is depicted in the diagram below. This framework serves as a detailed guide to bolster Veleso's resilience.

B. BUSINESS RECOVERY STRATEGIES



Veleso proactively designs and refines its recovery strategies to ensure seamless business continuity. The development of these strategies is grounded in eight strategic pillars, as outlined below.

Strategic Pillars	Abridged Recovery Strategies
People	Critical manpower prioritisation, team rotations and outsourcing
Information and Data	Web-based document management system and hardcopy storage
Premises	Work From Home ("WFH") initiative and physical alternate sites
Equipment and Consumables	Emergency procurement arrangement and services
Information and Communication Technology ("ICT") Systems	Cloud backups and data replication
Transportation and Logistics	Emergency logistical arrangements
Finance	Sufficient standby banking facilities, security of accounting system and insurance coverage
Partners and Suppliers	Emergency service level agreements

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

C. CRISIS MANAGEMENT

Crisis Management at Velesto is a holistic process which entails responding to and managing crises effectively to protect People, Environment, Assets, and Reputation ("PEAR") while minimising potential damage to the Group's reputation, operational viability, and financial performance.

In 2023, the Crisis Management Team ("CMT") and Emergency Management Team ("EMT") underwent refresher briefing sessions on 24 and 25 July. These sessions aimed to reaffirm their understanding of the CMT organisational structure, crisis roles, operational procedures, tools and checklists, insights derived from Exercise Delta 2022, and the subsequent actions required.

INTERNAL CONTROL SYSTEMS

Velesto's Board has established internal control systems that provide direction, effective governance and oversight of internal controls. They comprise the following key elements:

A. ORGANISATION STRUCTURE

The Board has established an organisational structure with clearly defined lines of responsibilities, accountability and limits of authority, that are aligned to the corporate and operational requirements.

The Management Committee facilitates the decision-making process as well as ensures effective supervision of day-to-day business conduct and accountability. The Management Committee comprises Senior Management and is chaired by the President.

The Tender Committee reviews and recommends the tender plans and awards for all procurement activities in accordance with limits of authority. As at the date of this Report, this committee comprises selected senior division heads and is chaired by the Vice President, Corporate Services.

The Management Audit Committee assesses the adequacy and effectiveness of internal controls as well as implementation of action plans. This committee comprises of the CFO as the chairperson and selected senior division heads.

The organisation structure and delegation of responsibilities are communicated throughout the Group which sets out amongst other things, authorisation levels, segregation of duties and other risk and control procedures.

B. ANNUAL BUSINESS PLAN AND BUDGET

A business planning and budgetary exercise is conducted annually, which includes industry and market studies, formulation of business strategies, and the establishment of KPIs. These are then presented for the Board's deliberation and approval prior to implementation.

The budgets prepared by the operating units and corporate divisions are regularly compared with the actual results and the explanations on variances are then incorporated in management reports which are prepared for the Board on a quarterly basis.

C. CORE VALUES AND CODE OF BUSINESS CONDUCT AND ETHICS

The Group's iLEAP core values of "Integrity, Leadership, Excellence, Agility and People-Focused" and the Code of Business Conduct and Ethics ("CoBE"), are the essential guiding principles to drive behavioural ethics. iLEAP is embedded in employees' assessments to cultivate the values embraced by the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

D. POLICIES AND MANAGEMENT SYSTEM PROCEDURES

Internal policies and Management System Procedures are developed to achieve efficiency, quality of services/output and standardisation of processes through the relevant charter, terms of reference, organisational structures and appropriate authority limits.

The Management System Procedures are developed and implemented based on the applicable standard and are certified under the following:

- a. ISO 9001:2015 – Quality Management System;
- b. ISO 14001:2015 – Environmental Management System;
- c. ISO 45001:2018 – Occupational Health and Safety (“OSH”) Management System; and
- d. ISO 29001:2010 – Petroleum, Petrochemical and Natural Gas Industries – Sector Specific Quality Management System.

The policies and procedures are communicated throughout the Group via the Velesto intranet for implementation and compliance. The policies are approved by the Board and regularly updated to reflect changing business requirements.

The key supporting policies and procedures in place are as follows:

- **Limits of Authority:** This serves as a reference to identify the appropriate approving authority at various Management levels including matters that require the Board’s approval. It provides employees with clear guidelines on the requirements for exercising financial and non-financial limits of authority and the procedures to be complied with.
- **Anti-Bribery & Corruption or ABAC Policy:** This policy prohibits employees and the Board of Velesto from committing corrupt acts. It outlines the Velesto Group’s commitment to conducting its business in accordance with all applicable laws, rules and regulations with the highest ethical standards. This commitment is also embodied in the Group’s CoBE. It iterates Velesto’s commitment to fully upholding and complying with the MACC Act 2009 and similar Acts in relation to countering instances of bribery and corruption.
- **Whistle-Blowing Policy:** This policy addresses the Group’s commitment towards achieving the highest ethical standards in all of its practices as well as to ensure transparency, integrity and accountability. This policy also covers situations where an individual as the whistle-blower, raises a concern on risk, malpractice or wrongdoing that affects others such as clients, suppliers, staff, company and the public. It also addresses the protection accorded to whistleblowers as gazetted in the Whistleblower Protection Act 2010.
- **Health, Safety and Environment Policy:** The policy sets out the Group’s commitment to safeguarding the interests and protection of people, assets and the environment, as well as affirms the Group’s adoption of industry-accepted best practices and its dedication to continually improving its HSE performance. This policy further ensures that employees of the Group will implement effective risk control measures when undertaking their daily business activities.
- **Human Resources Procedures and Guidelines:** The procedures and guidelines on Human Resources govern all aspects of human resource management from talent acquisition, development and retention, performance and consequence management to cessation of employment. Disciplinary procedures are established to ensure that structured disciplinary actions are taken fairly, consistently and in line with the prevailing labour laws and employment regulations.
- **Corporate Gifts, Gifts, Entertainment and Hospitality Procedures (“CGGEH”):** The CGGEH procedures set out the standard of conduct and procedures to guide the Group’s employees and members of the Board when dealing with such matters. Covering legal, ethical and cultural considerations involved when dealing with CGGEH-related matters, it establishes a framework to ensure Velesto Group’s employees and members of the Board promote high integrity and adhere to legal requirements and ethical standards while performing their daily business activities.
- **Procurement Procedures:** Procurement procedures state the principles and procedures required in the procurement of goods and services within the Group. Authority to approve any requisition against budgeted or unbudgeted expenditure shall be in accordance with the relevant policies of the approving authority.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

ASSURANCE TO THE BOARD

In adherence to established guidelines, the Board has received assurance from the President and the CFO of Velesto that the Group's risk management and internal control systems have operated adequately and effectively, in all material aspects, throughout FY2023 up to the issuance of this Statement, save for certain control weaknesses that were identified and subsequently rectified during the year.

The Board is of the view that there is a continuous process for the identification, evaluation, monitoring, and management of significant risks. Throughout the financial year in review, no significant weakness were observed in the risk management and internal control systems which had resulted in material losses, contingencies, or uncertainties requiring disclosure in the Integrated Annual Report.

The Board is satisfied that the existing risk management and internal control systems within the Group are sound and sufficient to safeguard shareholders' investments and the Group's assets throughout the financial year under review and up to the release of the Integrated Annual Report, save for some control weaknesses that were identified and remedied during the year.

The Board remains committed to the continuous enhancement and strengthening of Velesto's risk management and internal control systems, so that shareholders' investments and the Group's assets are consistently safeguarded.

REVIEW OF THIS STATEMENT

The External Auditors, Messrs. Ernst & Young PLT ("EY"), have conducted limited assurance procedures on this Statement in line with the Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information', and Audit and Assurance Practice Guide 3, 'Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control'.

EY has informed the Board that their review did not reveal any issues that would suggest the Statement in the Integrated Annual Report deviates from the required disclosures set forth by the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers, or contains any factual inaccuracies.

This Statement is made in accordance with the resolution of the Board dated 15 April 2024.

BOARD AUDIT COMMITTEE REPORT

The Board Audit Committee ("BAC") Report offers a comprehensive overview of how the BAC fulfilled its duties for the Group throughout the FY2023.

OVERVIEW OF BAC

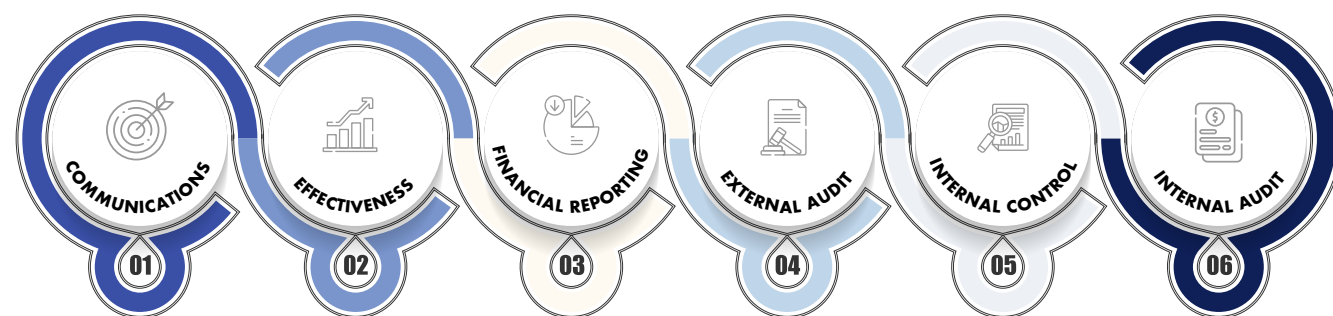
4 ALL INDEPENDENT NON-EXECUTIVE DIRECTORS	1 MIA MEMBERSHIP	 INDEPENDENT CHAIRPERSON	0 ALTERNATE DIRECTOR	 GOVERNED BY BAC TORs
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COMPOSITION

BOARD AUDIT COMMITTEE ("BAC")	
FY2023	As at 31 March 2024
Datuk Tong Poh Keow (Chairperson)	Alan Hamzah Sendut (Chairman)
Ir. Dr. Mohd Shahreen Zainooreen Madros	Ir. Dr. Mohd Shahreen Zainooreen Madros
Datuk George Ling Kien Sing	Datuk George Ling Kien Sing
Ar. Ahila Ganesan	Ar. Ahila Ganesan

As of the issuance of this report, the BAC consists of four (4) members, all of whom are Independent Non-Executive Directors ("INEDs"), thereby ensuring full adherence to the stipulations outlined in paragraph 15.09(1)(a) and (b) of the Bursa Malaysia Securities Berhad's ("BURSA") Main Market Listing Requirements ("MMLR") and Practice 9.4 under Principle B of the Malaysian Code on Corporate Governance 2021 ("MCCG 2021").

BOARD AUDIT COMMITTEE



COMMUNICATIONS <ul style="list-style-type: none"> • Deep engagements with the Management • Updates & recommendations to Board • Oversight on reports to Board & shareholders • Close interactions with other Committees 	EFFECTIVENESS <ul style="list-style-type: none"> • Review the adequacy & effectiveness of financial reporting & internal control systems 	FINANCIAL REPORTING <ul style="list-style-type: none"> • Compliance with accounting policies, accounting standards & statutory requirements • Assess financial position and reporting
External Audit <ul style="list-style-type: none"> • Appointment and remuneration • Scope of work • Audit findings and recommendations • Review performance of external auditors • Independence assessment 	INTERNAL CONTROL <ul style="list-style-type: none"> • Conflict of interest management & Related Party Transactions review • Access internal control environment • Limits of Authority • Findings of Internal and External Audit 	INTERNAL AUDIT <ul style="list-style-type: none"> • Evaluates & access effectiveness of Internal Audit ("IA") Process • Scope of work • Sets KPI of IA and KPI results • Determines the scope of IA work

BOARD AUDIT COMMITTEE REPORT

The BAC operates across six distinct yet interrelated focus areas, harmoniously reinforcing one another to uphold the Group's fiduciary duties concerning financial reporting and a robust internal control framework, thereby serving as a cornerstone of the Group's corporate governance structure.

All INEDs meet the criteria for independence as outlined in BURSA's MMLR, and no Independent Director has appointed alternate directors. Currently, the Chairman of the BAC, Alan Hamzah Sendut who was appointed on 2 February 2024 to replace Datuk Tong Poh Keow, is a member of the Malaysian Institute of Accountants. Consequently, the BAC adheres to the stipulation of paragraph 15.09(1)(c)(i) of the MMLR.

The Board Nomination & Remuneration Committee ("BNRC") conducted the annual performance evaluation of the BAC and its members for FY2023, with the report thereof being reviewed by the Board. Mindful of the BAC's need for diverse skills and attributes, the evaluation encompassed factors such as requisite knowledge, expertise, and commitment of time. The Board is content that throughout FY2023, the BAC and its members had discharged their functions, duties, and responsibilities in accordance with the BAC's Terms of Reference ("TOR"). Further details on Board Effectiveness Evaluation ("BEE") results for FY2023 are provided in the Corporate Governance Overview Statement of this Integrated Annual Report.

As a committee of the Board, the BAC operates under delegated authority and empowerment as outlined in its TOR. It serves as a crucial link between the Board, Management, Internal Auditor, and External Auditors, facilitating effective communication and oversight.

TOR

The TOR governing the BAC delineate various facets, including objectives, functions, authority, duties, and responsibilities, encompassing the aforementioned focus areas of the BAC. Within this framework are specifications regarding the size and composition prerequisites, along with administrative protocols crucial for the effective execution of its responsibilities.

The TOR of the BAC is publicly accessible on Velesto's website at www.velesto.com.

COMPOSITION

In the FY2023, the BAC was composed of four members, all holding positions as Non-Executive Directors ("NEDs"). As of 31 December 2023, the entire membership of the BAC consists of INEDs, thereby ensuring complete adherence to the stipulations outlined in paragraph 15.09(1)(a) and (b) of MMLR, as well as Principle B of the MCCG 2021.

MEETINGS AND ATTENDANCE

Throughout FY2023, the BAC convened six (6) meetings, with detailed attendance records provided in the Corporate Governance Overview Statement of this Integrated Annual Report. These gatherings were scheduled during FY2022, affording ample notices to BAC members for effective planning and integration into their respective calendars. Preceding each meeting, reminders were disseminated to ensure members were well-prepared.

Key stakeholders, including the President, Chief Financial Officer, General Counsel Legal & Secretarial and Company Secretary, Head of Internal Audit, and External Auditors, were invited to BAC sessions to offer presentations, facilitate discussions, and furnish essential information and clarifications pertinent to the agenda items.

Under the guidance of the Chairman/Chairperson, the agenda setting for BAC meetings were structured to maximise operational efficiency. Approved agendas provided succinct and transparent guidance, aiding BAC members in navigating discussions. The Chairman/Chairperson managed interactions during sessions, fostering a conducive environment for productive dialogue. Agenda and relevant meeting papers were securely distributed to BAC members via electronic platforms no later than five days before each meeting, ensuring timely access to pertinent materials.

The Company Secretary, also serving as the General Counsel Legal & Secretarial, acts as the secretary to the BAC, documenting the proceedings of each meeting as a formal record of its activities. Following each session, the Chairperson reports back to the Board, with approved meeting minutes subsequently presented for information. Significant matters discussed within the BAC are further deliberated upon during Board meetings, ensuring robust oversight and alignment with corporate objectives.

CONTINUOUS TRAINING

The members of the BAC recognise the importance of ongoing educational development. In the period under assessment, all BAC members participated in training sessions consistent with Practice 9.5 of the MCCG 2021. Details of the training programmes attended can be found in the Corporate Governance Overview Statement of this Integrated Annual Report.

BOARD AUDIT COMMITTEE REPORT

ROLES AND RESPONSIBILITIES

The Board entrusted the BAC with the task of overseeing governance and ensuring transparent financial reporting within the Group, guided by the TOR governing the BAC. During BAC meetings, members deliberate on a range of reports, including summaries of Internal Audit Reports and External Auditors' Reports, covering financial, operational, compliance, governance, risk management, and control matters. Updates on the findings and progress of preventive and corrective actions stemming from these discussions are regularly provided to the BAC to ensure that appropriate measures are taken and effectively monitored.

SUMMARY OF BAC'S WORK

During the year under review, the BAC in the discharge of its duties and functions, carried out the following activities:

Financial Reporting

During the following meetings, the BAC conducted thorough reviews of both quarterly financial results and annual audited financial statements for both the Company and the Group. Subsequently, the BAC made recommendations to the Board for their consideration and approval before releasing them to BURSA:

- On 21 February 2023 - Unaudited fourth quarter financial results of fiscal year 2022;
- On 18 May 2023 - Unaudited first quarter financial results of fiscal year 2023;
- On 23 August 2023 – Unaudited second quarter financial results of fiscal year 2023;
- On 23 November 2023 – Unaudited third financial results of fiscal year 2023;
- On 22 February 2024 – Unaudited fourth quarter financial results of fiscal year 2023;

Additionally, on 11 April 2023, the BAC conducted a review of the Audited Financial Statements for fiscal year 2022, before they were approved by the Board on 14 April 2023.

All quarterly financial results for fiscal year 2023 were prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") and paragraph 9.22, including Appendix 9B of the MMLR.

Other Financial Reporting & Other Matters

- Update on Enterprise Resource Planning ("ERP") related to Finance;
- Update in Financial Statutory Requirements;
- Update on Inventory Management;
- The appointment of Tax Consultant for Transfer Pricing Document Review and Benchmarking for YA2021 and YA2022;
- Recommendation on Banking Signatories and Corporate Card;
- Reviewed and assessed the proposed assets written-off;
- Update on Inventory Management;
- Reviewed the Audit Transparency Report 2023;
- Update on Taxation Matters and National Budget 2024;
- Update on Appointment of Tax Consultant for YA2021 to YA2023;
- Update on Appointment of Consultants for Group Restructuring for FY2024 onwards;
- Reviewed the Proposed Audit Plan by External Auditor for FY2023;
- Reviewed and assessed the Annual Performance of Head of Internal Auditor Division ("IAD");
- Reviewed and assessed the performance and independence of the External Auditors for FY2023;
- Update on Loan Covenants of the Group in quarterly basis;
- Update by Management Audit Committee on Internal Audit Findings in quarterly basis;
- Reviewed and deliberated on related party transactions and recurrent related party transactions for FY2023 for each quarter in accordance with Velesto Management System Procedure on Related Party Transactions and Recurrent Related Party Transactions;
- Reviewed Finance Policies for Dividend and Economic Sanctions;
- Reviewed revision to Limits of Authority;
- Reviewed the proposal for Striking-off entities;
- Reviewed Velesto Group Entities Rationalisation Plan;
- Novation and Capitalisation of Intercompany Amount Due;
- Update on 2023 Non-Audit Fees;
- Revision to the BAC's Terms of Reference on Conflict of Interest; and
- Discussed and reviewed any arising agenda/matters affecting the operations of the Group, as well as the necessary actions and thereafter reported the same to the Board.

BOARD AUDIT COMMITTEE REPORT

Annual Reporting

On 22 March 2023, the BAC conducted a review and approved the Statement on Risk Management & Internal Control ("SORMIC"), BAC Report, and Additional Compliance Information to be included in the Integrated Annual Report 2022. On 11 April 2023, the BAC revisited SORMIC pertaining to the reviewed fiscal year. The endorsed SORMIC was presented to the Board for final approval and subsequent inclusion in the Integrated Annual Report 2022.

On 25 March 2024, the BAC reviewed and endorsed the SORMIC, BAC Report, and Additional Compliance Information to be included in the Integrated Annual Report 2023.

Internal Control

The BAC actively oversees Conflict of Interest management as outlined in its TOR. It reviews any instances of conflicts of interest within the Company or the Group, including transactions, procedures, or behaviors that raise concerns regarding management integrity. The BAC assesses the effectiveness of internal controls based on findings from both Internal and External Audit reports.

During its meeting on 21 March 2024, the BAC evaluated conflict of interest situations, procedures, and measures implemented during the fiscal year ending 2023. Additionally, the BAC received information regarding the Conflict of Interest assessment conducted by BNRC and agreed to present this information to the Board for acknowledgment.

External Audit

On 11 April 2023, the BAC conducted a review of the External Auditors' Report on the Audited Financial Statements for the fiscal year 2022. During this session, Mimie Joanna Johar, the lead audit engagement partner from EY, affirmed EY's independence throughout the audit process, complying with professional and regulatory requirements, including the By-Laws of the Malaysian Institute of Accountants. The BAC was briefed on key audit matters outlined in the report.

During its meeting on 22 March 2023, the BAC performed an annual evaluation of the External Auditors' performance, assessing their suitability, objectivity, and independence. The BAC expressed satisfaction with EY's overall performance for the Group.

The BAC held two private meetings with the External Auditors on 21 February 2023, and 11 April 2023, excluding Management. During these sessions, the BAC inquired about the audit progress, cooperation from the Group, and adequacy of resources allocated. The External Auditors presented their findings and significant audit matters for the BAC's consideration. The BAC discussed recommendations and Management's responses, ensuring follow-up actions were taken. The Chairperson of the BAC urged the External Auditors to collaborate with Management for audit efficiency.

On 23 November 2023, the BAC reviewed and sanctioned the External Auditors' Audit Plan Memorandum for the fiscal year 2024. This document outlined the scope of work, audit strategy, engagement team details, areas of emphasis, audit timeline, and focus on key audit matters. Additionally, the BAC evaluated and recommended the audit fees payable to the External Auditors for approval by the Board.

INTERNAL AUDIT

On 21 February 2023, the BAC reviewed and approved the Annual IA Plan for the fiscal year 2023.

Similarly, the 2024 Annual IA Plan underwent review and approval on 23 November 2023. The BAC ensured that the plan adequately identified principal risks, key entities, and functions. Additionally, the BAC assessed the IAD's manpower plan and budget for fiscal year 2024 to guarantee sufficient resources, competencies, and coverage of audit areas.

Throughout the year, the Head of IAD presented IAD reports at each BAC meeting. Quarterly reviews of the Annual Audit Plan included discussions on:

- Progress of the annual internal audit plan, special reviews, and key initiatives.
- Sufficiency of Management's responses to audit findings and recommendations.
- Adequacy of IAD resources, training, and development.

During quarterly meetings, the BAC considered major findings, recommendations, and Management's responses regarding internal audit issues. All audit findings were reported to the BAC, Senior Management, and relevant entities' Management.

Accountability for addressing audit issues and implementing action plans lies with the Management of the audited entities. Timely handling and implementation of action plans are imperative. IAD, along with the Management Audit Committee, follows up on actions taken by audited operating units and updates their status in subsequent audits.

BOARD AUDIT COMMITTEE REPORT

INTERNAL AUDIT FUNCTION

The IAD plays an integral role in bolstering the assurance framework of the Group. Its core mandate is to furnish independent and judicious assurance concerning the adequacy and effectiveness of the Group's overarching system of internal control, risk management, and governance processes.

In supporting the BAC's governance obligations as outlined in its TOR, the BAC is aided by an in-house internal audit function, namely the IAD. Norzalizah Alias, the Head of IAD, directly reports to the BAC on functional matters and to the President on administrative affairs. Regular updates on IAD activities and key control issues identified by internal auditors are provided to the BAC.

The Internal Audit Charter delineates the purpose, authority, and responsibilities of the IAD. To uphold its independence and objectivity, the IAD maintains no operational jurisdiction over auditees' activities.

As of 31 December 2023, the IAD comprised five (5) staff members. Resource allocation for the internal audit function totalled RM1.15 million (FY2022: RM0.87 million), covering primarily personnel expenses and incidental costs such as travel and training. The IAD adopts a risk-centric approach to audit planning and execution, prioritising significant identified risks and evaluating the efficacy of risk mitigation controls.

Adherence to the Institute of Internal Auditors' International Professional Practices Framework ("IPPF"), encompassing the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing, guides the IAD in its audit engagements.

Further details regarding the Internal Control Oversight Structure, including the role of the IAD, are elaborated upon in the SORMIC section of this Integrated Annual Report.

RELATED PARTY TRANSACTIONS ("RPT") & RECURRENT RPT ("RRPT")

The Company has implemented a Management System Procedure ("MSP RPT") concerning RPT and RRPT, outlining guidelines and procedures for identifying, reviewing, tracking, and reporting RPT and RRPT by personnel in relevant departments and divisions responsible for executing the procedure.

Throughout the period under review, the RPT Secretariat, established under the MSP RPT, played a pivotal role in coordinating and overseeing RPT/RRPT compliance across the Group. All RPTs and RRPTs were duly reported to the BAC and subsequently to the Board on a quarterly basis.

The IAD conducted quarterly reviews of all RPT/RRPTs undertaken by the Group during the period under review and is satisfied that these transactions were conducted at arm's length and in a manner not detrimental to the interests of Group and its minority shareholders.

This BAC Report has been presented and approved by the BAC and the Board at their meeting held on 21 March 2024 and 25 March 2024 respectively.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

There was no corporate proposal exercise during the financial year.

2. AUDIT AND NON-AUDIT FEES

Details of statutory audit, audit-related and non-audit fees paid/payable in the FY2023 to Ernst & Young PLT and its affiliates are as follows:-

Type of Fees	Company (RM'000)	Group (RM'000)
Messrs. Ernst & Young PLT, Malaysia:		
Audit fees	190	714
Non-audit fees	124	167
Total	314	881

4. MATERIAL CONTRACTS

There were no material contracts entered into by the Group involving the interest of Directors or Major Shareholders, either still subsisting at the end of the FY2023 or entered into since the end of the previous financial year.

5. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

The Company did not seek any mandate from its shareholders on any recurrent related party transactions of a revenue or trading nature as there is no mandate required for FY2023.

6. INSIDER TRADING

There was no insider trading reported for FY2023.

7. EMPLOYEES SHARES OPTION SCHEME ("ESOS")

The ESOS for the eligible employees (including Executive Director) of the Company and its subsidiaries (excluding subsidiaries which are dormant) was approved by the shareholders at the Extraordinary General Meeting held on 31 October 2019 and launched on 1 November 2019.

The ESOS is governed by the By-Laws and administered by the Board Nomination & Remuneration Committee, which also acts as the ESOS Committee.

The details of the first ESOS granted on 1 November 2019 and 6 November 2023 are summarised below:-

ESOS Grant	Year	Option Price per share	No. of ESOS Granted	No. of ESOS Accepted	No. of ESOS Vested	No. of ESOS Exercise
ESOS Granted to eligible employees of the Group						
1 st ESOS Grant	2019	RM 0.33	130,330,000	109,660,000	0*	0
2 nd ESOS Grant	2023	RM 0.23	118,880,000	111,720,000	0	0
ESOS Granted to Executive Director of the Company						
1 st ESOS Grant	2019	RM 0.33	11,400,000 (maximum number of ESOS)	11,400,000	0*	0
2 nd ESOS Grant	2023	RM 0.23	11,400,000 (maximum number of ESOS)	11,400,000	0*	0
ESOS Granted to Senior Management (including Executive Director of the Company)						
1 st ESOS Grant	2019	RM 0.33	35,450,000	35,450,000	0*	0
2 nd ESOS Grant	2023	RM 0.23	47,400,000	47,400,000		

* Subject to vesting condition at the discretion of the ESOS Committee.

Note: The Non-Executive Directors are not eligible to participate in the ESOS.

The 1st ESOS Grant has a 3 year vesting period (subject to earlier vesting date at the discretion of the ESOS Committee), whereby eligible employees can exercise their ESOS after the vesting period. The Company may recommend, upon obtaining approval from the Board of Directors, to extend the ESOS period for another 5 years of up to a maximum of 5 years in aggregate. The maximum number of shares of the Company which may be made available under the ESOS, shall not in aggregate exceed 7.5% of the total number of issued shares of Velesto (excluding treasury shares, if any) at any point in time over the duration of the ESOS.

The 2nd ESOS Grant has a 3-year vesting period of equal vesting within the 3 years (subject to earlier vesting date at the discretion of the ESOS Committee), whereby eligible employees can exercise their ESOS after the vesting period. The Company may recommend, upon obtaining approval from the Board of Directors, to extend the ESOS period for another 5 years of up to a maximum of 5 years in aggregate. The maximum number of shares of the Company which may be made available under the ESOS, shall not in aggregate exceed 7.5% of the total number of issued shares of Velesto (excluding treasury shares, if any) at any point in time over the duration of the ESOS.



FINANCIAL STATEMENTS

192	—	DIRECTORS' REPORT
196	—	STATEMENT BY DIRECTORS
196	—	STATUTORY DECLARATION
197	—	INDEPENDENT AUDITORS' REPORT
201	—	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
202	—	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
203	—	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
204	—	CONSOLIDATED STATEMENT OF CASH FLOWS
206	—	STATEMENT OF FINANCIAL POSITION
207	—	STATEMENT OF COMPREHENSIVE INCOME
208	—	STATEMENT OF CHANGES IN EQUITY
209	—	STATEMENT OF CASH FLOWS
210	—	NOTES TO THE FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to carry on the business of an investment holding company and to provide full corporate management, administrative and professional services as well as financial support to its subsidiary companies. The principal activities of the subsidiaries and associate are described in Notes 30 and Note 6 to the financial statements, respectively.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

The results of the Group and of the Company for the financial year ended 31 December 2023 are as follows:

	Group RM'000	Company RM'000
Profit for the year	99,525	111,735
Attributable to: Equity holders of the Company	99,525	111,735

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than as disclosed in the financial statements.

DIVIDENDS

The amount of dividend payable by the Company since 31 December 2022 was as follows:

	RM'000
In respect of the financial year ended 31 December 2023:	
Interim dividend of 0.25 sen per share on 8,215,600,000 shares, declared on 27 February 2024 and will be paid on 24 May 2024.	20,539

The financial statements for the current financial year do not reflect this interim dividend which will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2024.

DIRECTORS OF THE COMPANY

The names of the Directors of the Company in office since the beginning of the financial year to the date of this report are:

Mohd Rashid Mohd Yusof
 Rowina Ghazali Seth
 Haida Shenny Hazri
 Datuk Tong Poh Keow (resigned on 30 November 2023)
 Ir. Dr. Mohd Shahreen Zainooreen Madros
 Mohd Irwan Ahmad Mustafa @ Mustafa (resigned on 1 September 2023)
 Datuk Ling Kien Sing
 Megat Zariman Abdul Rahim #
 Ar. Ahila Ganesan
 Fadzihan Abbas Mohamed Ramlee (appointed on 1 September 2023)
 Alan Hamzah Sendut (appointed on 2 February 2024)
 Nadzrin Alia Md Azizis (appointed on 1 September 2023 - alternate director to Fadzihan Abbas Mohamed Ramlee)

Director of the Company and certain of its subsidiaries.

DIRECTORS' REPORT

DIRECTORS OF THE COMPANY'S SUBSIDIARIES

The names of the Directors of the Company's subsidiaries since the beginning of the financial year to the date of this report, excluding those who are already the Directors of the Company, are:

Abdul Hadi Abdul Bari
 Sazlyna Sapiee
 Chong Eu Jin
 Lee Mi Ryoung
 Kok Chong Mun
 Thum Sook Fun
 Aw Fook Keong (appointed on 1 October 2023)
 Ong Kok Eng (ceased on 15 June 2023)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the Employees' Share Option Scheme ("ESOS").

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company or a related corporation as shown below) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

The directors' benefits are as follows:

	Group and Company RM'000
Salaries and other emoluments	1,497
Fees	849
Bonus	164
Pension costs - defined contribution plan	243
Share options granted under ESOS *	100
Benefits-in-kind	344
Insurance effected to indemnify directors	54
	3,251

* Eligible to exercise ESOS from 6 November 2023 (subject to Board of Director's approval).

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares and options over shares in the Company and its related corporations during the financial year were as follows:

	1 January 2023	Bought	Sold	31 December 2023
The Company				
Direct interest				
Datuk Ling Kien Sing	1,499,700	2,880,000	2,009,700	2,370,000

None of the other Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' REPORT

EMPLOYEES' SHARE OPTION SCHEME

The ESOS is governed by the By-Laws and administered by the Board Nomination and Remuneration Committee.

The salient features and other terms of the ESOS are disclosed in Note 17(b) to the financial statements.

In the financial year ended 31 December 2019, the Company granted 130,330,000 share options under the ESOS (Tranche 1). These options are exercisable subject to the vesting conditions determined at the discretion of the Board Nomination and Remuneration Committee.

Subsequently, in the financial year ended 31 December 2023, the Company granted 118,880,000 share options under the ESOS (Tranche 2). These options are exercisable subject to the vesting conditions determined at the discretion of the Board Nomination and Remuneration Committee.

Details of all the options to subscribe for the ordinary shares of the Company pursuant to the ESOS as at 31 December 2023 are as follows:

Expiry date	Exercise price (RM)	Number of options
31 October 2024	0.33	130,330,000
6 November 2028	0.23	118,880,000

Details of options granted to Directors are disclosed in the section on Directors' Interests in this report.

DIRECTORS' AND OFFICERS' INDEMNITY

The Company maintained a Directors' and Officers' Liability Insurance for the purpose of Section 289 of the Companies Act 2016 in Malaysia, throughout the year, which provide appropriate insurance cover for Directors and officers of the Company. The amount of insurance premium effected for the Directors and officers of the Company during the financial year was RM123,892, and the portion related to Directors was only RM54,357. The Directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

OTHER STATUTORY INFORMATION

- (a) Before the statements of financial position and statements of comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for impairment on receivables and satisfied themselves that no known bad debts had been written off and that adequate allowance for impairment on receivables had been made; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
 - (i) it necessary to write off any bad debts or the amount of the allowance for impairment on receivables in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

DIRECTORS' REPORT**OTHER STATUTORY INFORMATION (CONT'D.)**

(e) At the date of this report, there does not exist:

- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the Directors:

- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

AUDITORS

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

Auditors' remuneration is as follows:

	Group RM'000	Company RM'000
Statutory audit		
- Ernst & Young PLT	714	190
- Other auditors	35	-
Other services		
- Ernst & Young Tax Consultants Sdn Bhd	167	124

Signed on behalf of the Board in accordance with a resolution of the directors dated 15 April 2024.

MOHD RASHID MOHD YUSOF**MEGAT ZARIMAN ABDUL RAHIM**

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, MOHD RASHID MOHD YUSOF and MEGAT ZARIMAN ABDUL RAHIM, being two of the directors of VELESTO ENERGY BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 201 to 264 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 15 April 2024.

MOHD RASHID MOHD YUSOF

MEGAT ZARIMAN ABDUL RAHIM

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, SAZLYNA SAPIEE, being the officer primarily responsible for the financial management of VELESTO ENERGY BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 201 to 264 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed SAZLYNA SAPIEE
at Kuala Lumpur in the Federal Territory
on 15 April 2024

SAZLYNA SAPIEE
MIA Membership No. 19254

Before me,

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF VELESTO ENERGY BERHAD (INCORPORATED IN MALAYSIA)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Velesto Energy Berhad, which comprise the statements of financial position as at 31 December 2023 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 201 to 264.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023, and of their financial performance and their cash flows 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.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Impairment of property, plant and equipment and rights of use assets: drilling services and hydraulic workover asset

As disclosed in Note 4 and 8 to the financial statements, included in the carrying amount of the property, plant and equipment and rights of use assets of the Group as at 31 December 2023 are assets related to the drilling services segment and hydraulic workover operation ("drilling services and hydraulic workover assets") of RM2,389.9 million and RM3.9 million respectively, which collectively represents 77% of the Group's total assets. The accumulated impairment loss on drilling services and hydraulic workover assets as at 31 December 2023 is RM2,119.8 million. The Group did not recognise any impairment loss on the property, plant and equipment during the financial year.

The Group is required to assess at each reporting period whether there is any indication that a cash generating unit ("CGU") may be impaired. If any such indication exists, the Group shall estimate the recoverable amount of the CGU(s).

Due to the uncertainties of the demand and supply in the oil and gas industry and the volatile oil prices, the Group has determined that there are indications that the assets of drilling services and hydraulic workover assets may be impaired. Accordingly, the Group estimated the recoverable amount of the respective cash generating units ("CGU"s) based on their fair value less cost to sell or their respective value-in-use ("VIU"), whichever is higher.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF VELESTO ENERGY BERHAD (INCORPORATED IN MALAYSIA)

Key audit matters (cont'd.)

Impairment of property, plant and equipment and rights of use assets: drilling services and hydraulic workover asset (cont'd.)

Estimating the recoverable amounts based on VIU involved estimates made by management relating to the future cash inflows and outflows that will be derived from the CGU and discounting them at the appropriate rate. The cash flow forecasts included a number of significant judgements and estimates such as the expected operating day rates and utilisation rate of the rigs/hydraulic workover units, estimated terminal value of the assets and the discount rates.

Given the significance of the drilling services and hydraulic workover assets to the Group and the significant judgements and estimates involved in the assessment of the recoverable amounts, we have identified the above impairment assessments as an area of focus to our audit.

Our procedures in reviewing the significant judgements and estimates applied in arriving at the recoverable amount for the impairment assessment as at 31 December 2023, include interalia the following:

- Obtained an understanding of the relevant processes and internal controls over the estimating the recoverable amount of the CGUs;
- Evaluated the appropriateness of the methodology and approach applied;
- Evaluated the key assumptions used by management in the cash flow projections on whether they are reasonable by comparing to past actual information and by corroborating with industry analysts' views, management's plans, existing contracts and upcoming bidding opportunities, where applicable;
- Evaluated the discount rates and the methodology used in deriving the present value of the cash flows, with the support of our internal valuation specialists;
- We have performed sensitivity analysis on the key inputs to understand the impact that alternative assumptions would have had on the recoverable amounts; and
- Assessed the adequacy of the disclosures made in the financial statements.

Impairment assessment of investments in subsidiaries

As at 31 December 2023, the carrying amount of the investment in subsidiaries companies of the Company amounted to RM1,012.3 million, representing 44% of the Company's total assets. The accumulated impairment loss on cost of investments in subsidiaries as at 31 December 2023 is RM2,559.6 million.

As disclosed in Note 5 to the financial statements, during the financial year, certain subsidiaries with a carrying amount of RM989.4 million have reported continuing operating losses and/or depleting shareholders' funds which indicate that the investments in these subsidiaries may be impaired. The Company estimated the recoverable amount of the subsidiaries using value in use based on discounted future cash flows and compared the carrying amount of the investments in subsidiaries with their respective recoverable amounts.

Given the significance of investment in subsidiaries to the Company and the significant judgements and estimates involved in the assessment of the recoverable amount, we have identified the above impairment assessment as an area of focus to our audit.

In addressing the matter above, we have performed amongst others the following audit procedures:

- Obtained an understanding of the relevant processes and internal controls over the estimation of present value of estimated future cash flows;
- Evaluated the appropriateness of the methodology and approach applied;
- Evaluated the key assumptions used in determination of the present value of estimated future cash flows such as expected operating day rates, utilisation rates, inflation rate, bareboat chartered rates, estimated terminal value by comparing to past actual outcomes, management's plans, existing contracts and upcoming bidding opportunities, where applicable;
- Evaluated the discount rates used in used in deriving the present value of the cash flows; and
- Assessed the adequacy of the disclosures made in the financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF VELESTO ENERGY BERHAD (INCORPORATED IN MALAYSIA)

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the Group's annual report and the Directors' Report for the financial year ended 31 December 2023, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report. The Group's 2023 Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
-

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF VELESTO ENERGY BERHAD (INCORPORATED IN MALAYSIA)

Auditors' responsibilities for the audit of the financial statements (cont'd.)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 30 to the financial statements.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Kuala Lumpur, Malaysia
15 April 2024

Mimie Joanna Binti Johar
No. 03592/09/2025 J
Chartered Accountant

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	2023 RM'000	2022 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	2,421,587	2,408,145
Investment in an associate	6	1,329	1,236
Right-of-use assets	8	8,430	7,950
		2,431,346	2,417,331
Current assets			
Inventories	9	178,709	185,196
Trade and other receivables	10	363,490	359,148
Tax recoverable		1,885	7,659
Deposits, cash and bank balances	12	132,215	120,028
		676,299	672,031
TOTAL ASSETS		3,107,645	3,089,362
EQUITY AND LIABILITIES			
Non-current liabilities			
Long term borrowings	13	244,326	306,277
Lease liabilities	8	3,386	4,067
		247,712	310,344
Current liabilities			
Short term borrowings	14	114,288	254,950
Lease liabilities	8	4,097	2,915
Trade and other payables	15	260,202	237,412
Tax payable		5,938	2,076
		384,525	497,353
Total liabilities		632,237	807,697
EQUITY			
Equity attributable to equity holders of the Company			
Ordinary share capital	16	1,844,817	1,844,817
Other reserves	17	1,149,448	1,056,244
Accumulated losses		(518,857)	(619,396)
Total equity		2,475,408	2,281,665
TOTAL EQUITY AND LIABILITIES		3,107,645	3,089,362

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	2023 RM'000	2022 RM'000
Revenue	18	1,213,822	580,853
Other operating income	19	3,107	9,216
Materials and spares used		(447,896)	(123,686)
Employee benefits	20	(200,537)	(141,574)
Depreciation and amortisation		(201,939)	(167,928)
Reversal of/(allowance for) impairment losses	21	709	(2,729)
Other operating expenses	22	(204,223)	(207,688)
Profit/(loss) from operations		163,043	(53,536)
Finance costs	23	(46,040)	(31,836)
Investment income	24	4,132	3,447
Share of results of associate		93	155
Profit/(loss) before tax		121,228	(81,770)
Income tax expense	25	(21,703)	(18,632)
Profit/(loss) net of tax for the year		99,525	(100,402)
Other comprehensive income:			
Foreign currency translation		93,426	124,846
Other comprehensive income that may be reclassified to profit or loss in subsequent periods, net of tax:		93,426	124,846
Total comprehensive income for the year		192,951	24,444
Profit/(loss) attributable to:			
Equity holders of the Company		99,525	(100,402)
Total comprehensive income attributable to:			
Equity holders of the Company		192,951	24,444
Earnings/(loss) per share attributable to equity holders of the Company (sen per share)			
- Basic	26	1.21	(1.22)
- Diluted	26	1.21	(1.22)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Non-distributable			Distributable				
	Ordinary share capital RM'000 (Note 16)	Warrant reserve RM'000 (Note 17(a))	Share options reserve RM'000 (Note 17(b))	Capital reserve RM'000 (Note 17(c))	Gain on derecognition of financial liabilities RM'000 (Note 17(d))	Foreign currency translation reserve RM'000 (Note 17(e))	Accumulated (losses)/profit RM'000	Total equity RM'000
At 1 January 2023	1,844,817	211,876	9,961	698	78,145	755,564	(619,396)	2,281,665
Transactions with owners								
Share options granted/(lapsed) under ESOS (Note 17)	-	-	(222)	-	-	-	1,014	792
Total transactions with owners	-	-	(222)	-	-	-	1,014	792
Profit for the year	-	-	-	-	-	-	99,525	99,525
Other comprehensive income for the year	-	-	-	-	-	93,426	-	93,426
Total comprehensive income for the year	-	-	-	-	-	93,426	99,525	192,951
At 31 December 2023	1,844,817	211,876	9,739	698	78,145	848,990	(518,857)	2,475,408
At 1 January 2022	1,844,817	211,876	10,842	698	78,145	630,718	(518,994)	2,258,102
Transactions with owners								
Share options lapsed under ESOS (Note 17)	-	-	(881)	-	-	-	-	(881)
Total transactions with owners	-	-	(881)	-	-	-	-	(881)
Loss for the year	-	-	-	-	-	-	(100,402)	(100,402)
Other comprehensive income for the year	-	-	-	-	-	124,846	-	124,846
Total comprehensive income/ (loss) for the year	-	-	-	-	-	124,846	(100,402)	24,444
At 31 December 2022	1,844,817	211,876	9,961	698	78,145	755,564	(619,396)	2,281,665

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	2023 RM'000	2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	121,228	(81,770)
Adjustments for:		
Depreciation and amortisation	201,939	167,928
Reversal of impairment loss on property, plant and equipment	-	(745)
Property, plant and equipment written off	928	1,224
Interest expense	46,040	31,836
Investment income (Note 24)	(4,132)	(3,447)
Net loss on disposal of property, plant and equipment	24	-
(Reversal)/provision for unutilised leave	(498)	477
Share of results of associate	(93)	(155)
Share options granted/(lapsed) under ESOS	792	(881)
Net unrealised foreign exchange gain (Note 19)	(2,315)	(8,503)
(Reversal of)/allowance for impairment losses of trade receivables	(709)	3,474
Provision for stock obsolescence	26,546	24,693
Operating profit before working capital changes	389,750	134,131
Decrease/(increase) in trade and other receivables	9,781	(143,121)
Increase in inventories	(12,945)	(27,283)
Increase in trade and other payables	1,667	47,632
Net cash generated from operations	388,253	11,359
Taxes paid	(12,067)	(14,615)
Net cash generated from/(used in) operating activities	376,186	(3,256)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income from deposits with licensed banks	4,014	3,438
Distribution income from money market fund	118	9
Purchase of property, plant and equipment	(109,847)	(147,391)
(Placement)/withdrawal of investments in money market fund	(6,640)	22,540
Dividend received from an associate	115	-
Proceeds from disposal of property, plant and equipment	2,842	-
Withdrawal of deposit with maturity of more than 3 months	-	46,076
Net cash used in investing activities	(109,398)	(75,328)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	2023	2022
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term borrowings	(75,916)	(13,853)
Net movement in short term borrowings	(149,818)	(37,131)
Interest paid	(46,496)	(23,303)
Net movement of restricted cash deposits in licensed banks	939	(3,769)
Payment of lease liabilities	(4,292)	(4,007)
Net cash used in financing activities	(275,583)	(82,063)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,795)	(160,647)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	113,323	244,500
EFFECTS OF EXCHANGE RATE CHANGES	15,281	29,470
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (NOTE 12)	119,809	113,323

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	2023 RM'000	2022 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	13,777	15,472
Investments in subsidiaries	5	1,012,327	1,012,327
Due from subsidiaries	11	774,300	1,136,900
Right-of-use assets	8	2,821	1,398
		1,803,225	2,166,097
Current assets			
Other receivables	10	1,011	2,502
Tax recoverable		-	5,779
Due from subsidiaries	11	484,677	175,262
Deposits, cash and bank balances	12	33,003	30,933
		518,691	214,476
TOTAL ASSETS		2,321,916	2,380,573
EQUITY AND LIABILITIES			
Non-current liabilities			
Due to subsidiaries	11	263,475	322,554
Lease liabilities	8	-	5
		263,475	322,559
Current liabilities			
Other payables	15	21,671	12,143
Due to subsidiaries	11	1,186	124,198
Lease liabilities	8	2,791	1,414
Tax payable		7	-
		25,655	137,755
Total liabilities		289,130	460,314
EQUITY			
Equity attributable to equity holders of the Company			
Ordinary share capital	16	1,844,817	1,844,817
Other reserves	17	296,573	296,795
Accumulated losses		(108,604)	(221,353)
Total equity		2,032,786	1,920,259
TOTAL EQUITY AND LIABILITIES		2,321,916	2,380,573

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	2023 RM'000	2022 RM'000
Revenue	18	28,221	15,308
Other operating income	19	60,929	70,973
Employee benefits	20	(34,499)	(24,409)
Depreciation and amortisation		(8,116)	(5,108)
Other operating expenses	22	(23,418)	(9,657)
Profit from operations		23,117	47,107
Finance costs	23	(85)	(96)
Investment income	24	88,754	43,722
Profit before tax		111,786	90,733
Income tax expense	25	(51)	(25)
Profit for the year, representing total comprehensive income for the year		111,735	90,708

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Non-distributable				Distributable	
	Ordinary share capital RM'000 (Note 16)	Warrant reserve RM'000 (Note 17(a))	Share options reserve RM'000 (Note 17(b))	Gain on derecognition of financial liabilities RM'000 (Note 17(d))	(Accumulated losses)/profit RM'000	Total equity RM'000
At 1 January 2023	1,844,817	211,876	6,774	78,145	(221,353)	1,920,259
Transactions with owners						
Share options granted/(lapsed) under ESOS (Note 17)	-	-	(222)	-	1,014	792
Total transactions with owners	-	-	(222)	-	1,014	792
Total comprehensive income for the year					111,735	111,735
At 31 December 2023	1,844,817	211,876	6,552	78,145	(108,604)	2,032,786
At 1 January 2022	1,844,817	211,876	7,655	78,145	(312,061)	1,830,432
Transactions with owners						
Share options granted under ESOS (Note 17)	-	-	(881)	-	-	(881)
Total transactions with owners	-	-	(881)	-	-	(881)
Total comprehensive income for the year	-	-	-	-	90,708	90,708
At 31 December 2022	1,844,817	211,876	6,774	78,145	(221,353)	1,920,259

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	2023 RM'000	2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	111,786	90,733
Adjustments for:		
Depreciation and amortisation	8,116	5,108
Interest expense	85	96
Investment income (Note 24)	(88,754)	(43,722)
Net unrealised foreign exchange gain (Note 19)	(58,546)	(69,277)
Share options granted/(lapsed) under ESOS	792	(881)
Property, plant and equipment written off	-	971
(Reversal of)/provision for unutilised leave	(318)	233
Operating loss before working capital changes	(26,839)	(16,739)
Decrease/(Increase) in other receivables	5,473	(1,838)
Increase in other payables	9,839	6,152
Net changes in related companies' balances	8,050	1,971
Net cash used in operations	(3,477)	(10,454)
Tax refund	5,735	2,071
Net cash generated from/(used in) operating activities	2,258	(8,383)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income from deposits with licensed banks	859	1,084
Distribution income from money market fund	3	-
Purchase of plant and equipment	(3,936)	(6,454)
Withdrawal of deposits with maturity of more than 3 months	-	46,076
Placement of investments in money market fund	(1,532)	-
Dividend received from subsidiaries	5,507	-
Net cash generated from investing activities	901	40,706
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities, representing net cash used in financing activities	(2,621)	(2,464)
NET INCREASE IN CASH AND CASH EQUIVALENTS	538	29,859
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	30,933	1,074
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (NOTE 12)	31,471	30,933

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Velesto Energy Berhad ("Velesto") is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The registered office of Velesto is located at Level 18, Block 3A, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur.

The principal activity of the Company is to carry on the business of an investment holding company and to provide full corporate management, administrative and professional services as well as financial support to its subsidiary companies. The principal activities of the subsidiaries and associate are described in Notes 30 and Note 6 to the financial statements, respectively.

The Group is principally engaged in:

- (a) the provision of drilling services for exploration, development and production wells and workover services to the upstream sector of the oil and gas industry;
- (b) the provision of integrated services includes workover operations for the oil and gas industry; and
- (c) the provision of threading, inspection and repair services for Oil Country Tubular Goods ("OCTG") in overseas, with a focus on premium connections used in high-end and complex wells.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 15 April 2024.

2. MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Basis of preparation

The financial statements of the Group and of the Company comply with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

On 1 January 2023, the Group and the Company adopted the new and amended MFRSs and IC Interpretation (collectively referred to as "pronouncements") issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for the financial periods beginning on or after 1 January 2023 as described fully in Note 2.3.

MASB has also issued new and revised MFRSs which are not yet effective for the Group and the Company and therefore, have not been implemented by the Group and the Company in these financial statements as set out in Note 2.4.

The financial statements of the Group and of the Company have been prepared on a historical cost basis unless otherwise indicated in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

The preparation of financial statements in conformity with the provisions of the Companies Act 2016 and MFRSs in Malaysia, requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported year. Actual results could differ from those estimates. There are no areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are material to the financial statements other than as disclosed in Note 3.

NOTES TO THE FINANCIAL STATEMENT

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D.)

2.2 Summary of material accounting policies (cont'd.)

(a) Basis of consolidation, subsidiaries and associate

(i) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the Company and its subsidiaries used in the preparation of the consolidated financial statements are prepared as of the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its investment with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated from the effective date of acquisition, being a date on which the Group obtains control, and continue to be consolidated until the date that such control ceases, being the effective date of disposal.

Intragroup transactions, balances and resulting unrealised gains are eliminated in full on consolidation. The consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless the cost cannot be recovered.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

Loss of control

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets and liabilities of the subsidiary and any goodwill outstanding (net of any non-controlling interest) at the date the Group loses control, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of an investment in an associate.

NOTES TO THE FINANCIAL STATEMENT

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D.)

2.2 Summary of material accounting policies (cont'd.)

(a) Basis of consolidation, subsidiaries and associate (cont'd.)

(i) Basis of consolidation (cont'd.)

Business combinations

Business combinations, other than business combinations under common control, are accounted for using the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition-date fair value and the amount of any non-controlling interest in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. For business combinations after 1 January 2011, acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments is measured at fair value with the changes in fair value recognised in profit or loss in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Business combinations under common control

Business combinations under common control are accounted for in the consolidated financial statements retrospectively from the date the Group obtains the ownership interest. Assets and liabilities are recognised upon consolidation at their carrying amounts in the consolidated financial statements. Any difference between the fair value of the consideration paid and the amounts at which the assets and liabilities are recorded is recognised directly in equity.

(ii) Subsidiaries

A subsidiary is an entity over which the Group has all the following:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its investment with the investee; and
- The ability to use its power over the investee to affect its returns.

(iii) Associate

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those decisions. Investment in associate is accounted for in the consolidated financial statements using the equity method of accounting as described in Note 2.2(a)(iv).

NOTES TO THE FINANCIAL STATEMENT

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D.)

2.2 Summary of material accounting policies (cont'd.)

(a) Basis of consolidation, subsidiaries and associate (cont'd.)

(iv) Equity method of accounting

Under the equity method, the investments in associate are carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss. An associate is equity accounted for from the date on which the investee becomes an associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the year in which the investment is acquired.

When the Group's share of losses in the associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associate are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting year of the Group. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

(v) Separate financial statements

In the separate financial statements of the Company, investments in subsidiaries and associate are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(b) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment (including spare parts and standby-equipment) is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to initial recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively.

Periodic survey and drydocking costs are incurred in connection with obtaining regulatory certification to operate the rigs on an ongoing basis. Costs associated with the certification are deferred and amortised on a straight-line basis over the period between surveys and drydocking. All other repair and maintenance costs are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENT

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D.)

2.2 Summary of material accounting policies (cont'd.)

(b) Property, plant and equipment (cont'd.)

Assets-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use. Depreciation of other property, plant and equipment is provided for on a straight-line basis over the estimated useful lives of the assets as follows:

Rigs and hydraulic workover units ("HVUs")	10 - 30 years
Drilling equipment	1 - 30 years
Buildings	10 - 20 years
Plant and machinery	2 - 30 years
Office equipment, computer software, furniture and fittings	3 - 12 years
Motor vehicles	5 years
Renovation and improvements	5 years

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the period the asset is derecognised.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(p).

(c) Financial assets

The Group and the Company applied MFRS 9 Financial Instruments as disclosed below:

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at either amortised cost, fair value through other comprehensive income or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under MFRS 15 Revenue from Contracts with Customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income ("OCI"), it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. The assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

NOTES TO THE FINANCIAL STATEMENT

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D.)

2.2 Summary of material accounting policies (cont'd.)

(c) Financial assets (cont'd.)

Subsequent measurement

For the purpose of subsequent measurement, financial assets of the Group are classified in two categories:

(i) Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost include trade receivables, other receivables (other than prepayments), amounts due from subsidiaries and deposits, cash and bank balances.

(ii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with the net changes in fair value recognised in the statements of profit or loss.

The Group's and the Company's financial assets at fair value through profit or loss include investment in money market fund.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO THE FINANCIAL STATEMENT

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D.)

2.2 Summary of material accounting policies (cont'd.)

(c) Financial assets (cont'd.)

Derecognition (cont'd.)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(d) Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

(e) Cash and cash equivalents

Cash and cash equivalents include cash and bank balances and deposits at call with licensed banks with a tenure of three months or less that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. In arriving at net realisable value, due allowance has been made for obsolete and slow-moving items.

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

Materials and spares used	- Weighted average
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Cost of finished goods, raw materials, spares and consumables represents cost of purchase.

NOTES TO THE FINANCIAL STATEMENT

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D.)

2.2 Summary of material accounting policies (cont'd.)

(g) Foreign currencies

(i) Functional and presentation currency

The financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RM, which is also the Company's functional currency.

(ii) Foreign currency transactions

Transactions in currencies other than the Company's and its subsidiaries' functional currency ("foreign currencies") are initially converted into functional currency at rates of exchange ruling at the transaction dates.

Non-monetary items

At each reporting date, foreign currency non-monetary items which are carried at historical cost are translated using the historical rate as of the date of the initial transaction and non-monetary items which are carried at fair value are translated using the exchange rate as of the date when the fair values were determined.

Monetary items

At each reporting date, monetary items denominated in foreign currencies are translated into functional currency at exchange rates ruling at that date.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation are taken directly to the foreign currency translation reserve within other comprehensive income until the disposal of the foreign operation, at which time they are recognised in profit or loss.

(iii) Foreign operations

The financial statements of foreign operations which are consolidated are translated at year-end exchange rates with respect to the assets and liabilities, and at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions with respect to profit or loss. All resulting translation differences are included in the foreign currency translation reserve within other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operation and are recorded in the functional currency of the foreign operation and translated at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign operation before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the exchange rate ruling at the date of the transaction.

NOTES TO THE FINANCIAL STATEMENT

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D.)

2.2 Summary of material accounting policies (cont'd.)

(h) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or amortised cost as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities at amortised cost, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade and other payables (other than provisions), loans and borrowings, lease liabilities and amounts due to subsidiaries.

Subsequent measurement

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statements of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statements of profit or loss.

(i) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(i) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENT

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D.)

2.2 Summary of material accounting policies (cont'd.)

(k) Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

(l) Income taxes

Income tax in the profit or loss for the period comprises current tax and deferred tax. Current tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of taxable temporary differences associated with investments in subsidiaries and associate, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except in respect of deductible temporary differences associated with investments in subsidiaries and associate, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENT

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D.)

2.2 Summary of material accounting policies (cont'd.)

(m) Revenue and other income recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when or as it transfers control over a good or service to the customer. An asset is transferred when (or as) the customer obtains control of the asset.

An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time in accordance with the above criteria, an entity satisfies the performance obligation and recognises revenue at a point in time.

(i) Revenue from provision of drilling and workover services and related expenses

Revenue from provision of drilling and workover services includes minimum lease payments from customers under day-rate based contracts and other services. Revenue generated from day-rate based contracts, which are classified as operating lease by the Group, are recognised over time over the contract period.

Day-rate based contracts may include fees for mobilisation and demobilisation which are recognised based on the policies stated in Note 2.2(m)(ii) and (iii) for workover services contracts, whereas as a percentage of the operating day rate for drilling services contracts. Fees received from customers under contract for upgrade to the rig are deferred and recognised over the contract term.

Additional payments for meeting or exceeding certain performance targets are recognised at the point in time at which the service is performed.

(ii) Lump sum mobilisation fees received

Lump sum mobilisation fees received on workover services contracts are deferred and recognised on a straight-line basis over the period that the related drilling and workover services are performed.

Mobilisation costs incurred as part of a contract are deferred and recognised as an expense over the contract period. The costs of relocating drilling rigs that are not under a contract are expensed as incurred.

(iii) Demobilisation fees received

Demobilisation costs are costs related to the transfer of a drilling rig to a safe harbour or different geographical area and are expensed as incurred.

Demobilisation fees on drilling and workover services contracts are recognised at the point in time when it becomes known and certain that demobilisation fee can be charged to the customer.

(iv) Sale of goods

Revenue from sale of goods is recognised at the point in time when the control of the asset is transferred to the customer. Revenue is recorded at net handling fee on basis that the Group have no ability to direct use of goods purchased.

NOTES TO THE FINANCIAL STATEMENT

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D.)

2.2 Summary of material accounting policies (cont'd.)

(m) Revenue and other income recognition (cont'd.)

(v) Rendering of services

Revenue from services rendered is recognised net of service tax over time because the customer simultaneously receives and consumes the benefits provided to them.

(vi) Rental income

Rental income from operating leases are accounted for on a straight-line basis over the lease terms.

(vii) Interest income

Interest income is recognised using the effective interest method.

(viii) Management fees

Management fees are recognised when services are rendered.

(ix) Dividend income

Dividend income is recognised when the shareholders' rights to receive payment is established.

(n) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Short-term leasehold land	50 years
Office premises	2 - 3 years
Motor vehicles	2 - 3 years
Warehouses	2 - 9 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment, and the policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(p).

NOTES TO THE FINANCIAL STATEMENT

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D.)

2.2 Summary of material accounting policies (cont'd.)

(n) Leases (cont'd.)

Group as a lessee (cont'd.)

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low-value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other operating income in the statements of profit or loss due to its nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as income in the period in which they are earned.

(o) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund. Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes. The contributions are recognised as an expense in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENT

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D.)

2.2 Summary of material accounting policies (cont'd.)

(p) Impairment of non-financial assets

The carrying amounts of assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss, if any.

For the purpose of impairment assessment of these assets, the recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

An asset's recoverable amount is the higher of the asset's or CGU's fair value less costs to sell and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

(q) Segment reporting

For management purposes, the Group is organised into operating segments based on nature of services which are managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the Executive Director who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 29, including the factors used to identify the reportable segments and the measurement basis of segment information.

(r) Fair value measurement

MFRS 13 Fair Value Measurement prescribed that fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

Financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of the reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

NOTES TO THE FINANCIAL STATEMENT

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D.)

2.2 Summary of material accounting policies (cont'd.)

(s) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(t) Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 17(b).

That cost is recognised in employee benefits expense (Note 20), together with a corresponding increase in equity (share options reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statements of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 26).

NOTES TO THE FINANCIAL STATEMENT

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D.)

2.3 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2023, the Group and the Company adopted the following new and amended MFRSs and IC Interpretations (collectively referred to as "pronouncements") mandatory for annual financial periods beginning on or after 1 January 2023.

Description	Effective date
Amendments to MFRS 101 Presentation of Financial Statements (Disclosure of Accounting Policies)	1 January 2023
Amendments to MFRS 101 Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)	1 January 2023
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)	1 January 2023
Amendments to MFRS 112 Income Taxes (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)	1 January 2023

The adoption of the above new and amended standards did not have any material effect on the financial performance or position of the Group and of the Company.

2.4 Standards issued but not yet effective

The pronouncements that are issued but not yet effective up to the date of issuance of the Group's and of the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendment to MFRS 16 Leases (Lease Liability in a Sale and Leaseback)	1 January 2024
Amendments to MFRS 101 Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 107 Statement of Cash Flows (Disclosure: Supplier Finance Arrangements)	1 January 2024
Amendments to MFRS 121 The Effects of Changes in Foreign Exchange Rates (Lack of Exchangeability)	1 January 2024
Amendments to MFRS 10 Consolidated Financial Statements (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)	Deferred

The directors expect that the adoption of the pronouncements above will have no material impact on the financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENT

3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Deferred tax assets

Deferred tax assets are recognised for all unutilised tax losses, unabsorbed capital allowances and unabsorbed reinvestment allowances to the extent that it is probable that taxable profit will be available against which the losses, capital allowances and reinvestment allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies. The amount of recognised and unrecognised tax losses, capital allowances and reinvestment allowances of the Group are as disclosed in Note 7.

(ii) Impairment of property, plant and equipment, right-of-use assets and investment in subsidiaries

In the previous financial year, the Group has recognised reversal of impairment losses in respect of property, plant and equipment.

The Group carried out the impairment assessment based on value-in-use and fair value less costs to sell of the CGU to which the assets are allocated.

Estimating the value-in-use requires the management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Fair value is obtained from valuation reports performed by independent professional valuers based on best information available. Significant estimate is involved in deriving the fair value as there are possible variations in the basis and assumptions used by the valuers. Further details of the impairment losses recognised are as disclosed in Note 4 and Note 5.

(iii) Useful lives and residual value of plant and equipment

The cost of plant and equipment is depreciated on a straight-line basis over their estimated economic useful lives after allowing for residual values. Management estimates the useful lives and residual values by applying assumptions and estimates that reflect both historical experience and expectations regarding future operations, rig utilisation and asset performance, and also based on the common life expectancies applied in the respective industries. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's plant and equipment at the reporting date is disclosed in Note 4.

(iv) Provision for expected credit losses ("ECLs") of trade receivables

The Group uses simplified approach to calculate ECLs for trade receivables. The provision rates are based on various customer's historical observed default rates.

The Group considers and assesses the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e. gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the oil and gas sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 10.

NOTES TO THE FINANCIAL STATEMENT

4. PROPERTY, PLANT AND EQUIPMENT

	Buildings RM'000	Rigs, HWUs and drilling equipment RM'000	Plant and machinery RM'000	Assets- in- progress RM'000	**Other assets RM'000	Total RM'000
Group						
Cost						
At 1 January 2022	22,363	5,824,563	24,815	41,101	39,439	5,952,281
Exchange differences	(690)	331,523	(345)	1,712	1,182	333,382
Additions	-	133,501	-	12,176	1,714	147,391
Write-offs	-	(1,305)	-	-	(1,674)	(2,979)
Reclassification	-	28,429	-	(44,059)	15,630	-
At 31 December 2022/1 January 2023	21,673	6,316,711	24,470	10,930	56,291	6,430,075
Exchange differences	446	261,211	113	245	900	262,915
Additions	-	102,604	2	2,922	4,319	109,847
Write-offs	-	(1,217)	-	-	-	(1,217)
Disposals	-	(7,252)	-	-	-	(7,252)
Reclassification	-	6,908	-	(7,359)	451	-
At 31 December 2023	22,119	6,678,965	24,585	6,738	61,961	6,794,368
Accumulated depreciation						
At 1 January 2022	3,349	1,660,859	11,345	-	34,523	1,710,076
Exchange differences	(99)	92,012	(278)	-	1,135	92,770
Depreciation charge for the year	414	160,091	235	-	3,292	164,032
Write-offs	-	(628)	-	-	(703)	(1,331)
At 31 December 2022/1 January 2023	3,664	1,912,334	11,302	-	38,247	1,965,547
Exchange differences	79	74,260	177	-	907	75,423
Depreciation charge for the year	364	190,816	285	-	6,481	197,946
Write-offs	-	(289)	-	-	-	(289)
Disposals	-	(4,386)	-	-	-	(4,386)
At 31 December 2023	4,107	2,172,735	11,764	-	45,635	2,234,241
Accumulated impairment losses						
At 1 January 2022	6,637	1,928,412	10,863	-	1,974	1,947,886
Exchange differences	-	109,656	-	-	10	109,666
Reversal of impairment loss	(745)	-	-	-	-	(745)
Write-offs	-	(424)	-	-	-	(424)
At 31 December 2022/1 January 2023	5,892	2,037,644	10,863	-	1,984	2,056,383
Exchange differences	-	82,149	-	-	8	82,157
At 31 December 2023	5,892	2,119,793	10,863	-	1,992	2,138,540
Net carrying amount						
At 31 December 2023	12,120	2,386,437	1,958	6,738	14,334	2,421,587
At 31 December 2022	12,117	2,366,733	2,305	10,930	16,060	2,408,145

NOTES TO THE FINANCIAL STATEMENT

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	**Other assets RM'000	Assets-in- progress RM'000	Total RM'000
Company			
Cost			
At 1 January 2022	8,367	10,902	19,269
Additions	474	5,980	6,454
Write-offs	(1,674)	-	(1,674)
Reclassification	15,630	(15,630)	-
At 31 December 2022/1 January 2023	22,797	1,252	24,049
Additions	1,743	2,193	3,936
Reclassification	219	(219)	-
At 31 December 2023	24,759	3,226	27,985
Accumulated depreciation			
At 1 January 2022	6,601	-	6,601
Depreciation charge for the year	2,679	-	2,679
Write-offs	(703)	-	(703)
At 31 December 2022/1 January 2023	8,577	-	8,577
Depreciation charge for the year	5,631	-	5,631
At 31 December 2023	14,208	-	14,208
Net carrying amount			
At 31 December 2023	10,551	3,226	13,777
At 31 December 2022	14,220	1,252	15,472

* * Included in the other assets are office equipment, computer software, furniture and fittings, renovation, improvements and motor vehicles.

Whilst crude oil price has improved compared to the end of the previous financial year, the oil companies continue to be prudent with capital expenditure. During the financial year, certain subsidiaries of the Group within the drilling services segment, hydraulic workover operation and oilfield services segment carried out a review of the recoverable amounts of impairment of their property, plant and equipment.

Recoverable amount determined based on value-in-use

Included in the carrying amount of the property, plant and equipment is RM2,389.9 million (2022: RM2,376.4 million) relating to drilling services segment and hydraulic workover operations, of which was impaired in prior years. The recoverable amount of these assets are based on the value-in-use of each asset, based on their respective cash flow projections discounted at 10.13%. No impairment loss were recorded in both financial year ended 31 December 2023 and 31 December 2022 respectively.

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. Adjustments to the discount rates are made to factor in the specific amount and timing of the future cash flows in order to reflect a pre-tax discount rate.

The calculation of value-in-use is most sensitive to the utilisation rates, time charter rates and discount rate assumptions. Any adverse change in the key assumptions used in value-in-use calculations would result in further impairment.

NOTES TO THE FINANCIAL STATEMENT

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Recoverable amount determined based on fair value less costs to sell

The fair value of certain building was determined based on the valuation performed by an independent valuer using the comparable approach. The fair value measurement is derived from inputs based on Level 3 of the fair value hierarchy. Further details of the fair value hierarchy are disclosed in Note 32.

Sensitivity to changes in assumptions

The only CGU where a reasonably possible change to certain key assumptions would cause the recoverable amount to be equal to its carrying amount are the drilling rigs and HWUs CGU.

The following changes in the key assumptions, in isolation, would lead to the sensitivity of the recoverable amount of the drilling rigs and HWUs.

		Effect on recoverable amount Increase/(decrease) RM'000
Drilling rigs		
Discount rate	- Increase by 0.1%	(19,468)
	- Decrease by 0.1%	19,468
HWUs		
Discount rate	- Increase by 0.5%	(256)
	- Decrease by 0.5%	256

In relation to the recoverable amount determined based on fair value less costs to sell of certain building, if the fair value increase by 5%, the recoverable amount will increase by RM703,000.

5. INVESTMENTS IN SUBSIDIARIES

	Company	
	2023 RM'000	2022 RM'000
Unquoted shares, at cost		
In Malaysia	3,087,009	3,087,009
Outside Malaysia	22,902	22,902
Capitalisation of amounts due from subsidiaries	462,030	462,030
	3,571,941	3,571,941
Less: Allowance for impairment losses	(2,559,614)	(2,559,614)
	1,012,327	1,012,327

The Company performed an impairment review of its investments in certain subsidiaries, where the carrying amount of investments exceeded its recoverable amount in the respective subsidiaries at the reporting date. The review did not give rise to the recognition of allowance for impairment loss of investment in subsidiaries for the financial year ended 31 December 2023 and 31 December 2022.

Details of the subsidiaries are set out in Note 30.

If recoverable amount increase of 5%, this will result in RM49,486,000 (2022: RM49,401,000) decrease in allowance for impairment loss of investment in subsidiaries.

NOTES TO THE FINANCIAL STATEMENT

6. INVESTMENT IN AN ASSOCIATE

	Group	
	2023 RM'000	2022 RM'000
Unquoted shares, at cost	1,090	1,090
Share of postacquisition reserves	239	146
	1,329	1,236

Details of the associate are as follows:

Name of company	Country of incorporation	Principal activities	Proportion of ownership interest	
			2023 %	2022 %
Oil-Tex (Thailand) Company Limited*	Thailand	Provision of logistic services for the oil and gas industry.	20	20

* Audited by a firm other than Ernst & Young PLT.

Financial year end of Oil-Tex (Thailand) Company Limited is 31 March.

The financial statements of the associate are not coterminous with that of the Group as its financial year end is 31 March. For the purpose of applying the equity method of accounting, the management accounts for the 12-month period ended 31 December 2023 and 2022 of the associate have been used.

The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	2023 RM'000	2022 RM'000
Assets and liabilities:		
Current assets	6,735	6,666
Non-current assets	218	179
Total assets	6,953	6,845
Current liabilities, representing total liabilities	2,372	2,333
Results		
Revenue	10,525	9,376
Profit for the year	465	777
Total comprehensive income/(loss)	184	(637)

NOTES TO THE FINANCIAL STATEMENT

6. INVESTMENT IN AN ASSOCIATE (CONT'D.)

Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associate is as follows:

	2023 RM'000	2022 RM'000
Net assets at 1 January	4,512	5,149
Profit for the year	465	777
Dividend paid	(115)	-
Other comprehensive loss	(281)	(1,414)
Net assets at 31 December	4,581	4,512
Share of net assets	916	902
Goodwill	413	334
Carrying value of the Group's interest in associate	1,329	1,236

7. DEFERRED TAXATION

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	3,074	1,550	1,342	-
Deferred tax assets	(3,074)	(1,550)	(1,342)	-
	-	-	-	-

The components and movements of deferred tax liabilities and assets during the financial year, prior to offsetting are as follows:

Deferred tax liabilities:

	Group RM'000	Company RM'000
Accelerated capital allowances		
At 1 January 2022	2,306	647
Recognised in profit or loss	(756)	(647)
At 31 December 2022/1 January 2023	1,550	-
Recognised in profit or loss	1,524	1,342
At 31 December 2023	3,074	1,342

NOTES TO THE FINANCIAL STATEMENT

7. DEFERRED TAXATION (CONT'D.)

Deferred tax assets:

	Group		
	Unabsorbed capital allowances RM'000	Unutilised tax losses RM'000	Total RM'000
At 1 January 2022	(1,581)	(725)	(2,306)
Recognised in profit or loss	109	647	756
At 31 December 2022/ 1 January 2023	(1,472)	(78)	(1,550)
Recognised in profit or loss	(1,524)	-	(1,524)
At 31 December 2023	(2,996)	(78)	(3,074)

	Company		
	Unabsorbed capital allowances RM'000	Unutilised tax losses RM'000	Total RM'000
At 1 January 2022	-	647	647
Recognised in profit or loss	-	647	647
At 1 January 2023	-	-	-
Recognised in profit or loss	(1,342)	-	(1,342)
At 31 December 2023	(1,342)	-	(1,342)

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Unutilised tax losses	123,602	190,739	84,142	79,966
Unabsorbed capital and reinvestment allowances	36,859	41,028	2,080	1,620
Others	165,852	166,929	12,369	4,830
	326,313	398,696	98,591	86,416

Year of expiry of unutilised tax losses is analysed as follows:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Expired by 2028	70,259	70,259	57,876	57,876
Expired by 2029	614	614	-	-
Expired by 2030	12,974	12,974	5,540	5,540
Expired by 2031	12,366	93,269	8,186	8,186
Expired by 2032	21,829	13,623	8,365	8,364
Expired by 2033	5,560	-	4,175	-
	123,602	190,739	84,142	79,966

The unutilised tax losses, unabsorbed capital and reinvestment allowances of the Group are available for offsetting against future taxable profits of the respective subsidiaries within the Group, subject to no substantial changes in the shareholding of these subsidiaries under the Income Tax Act, 1967. The Ministry of Finance via the Budget 2022 announced that the Government will limit the carrying forward of unutilised business losses and unabsorbed investment tax allowances up to a maximum of ten consecutive years of assessment, retrospectively from year of assessment in 2019. Deferred tax assets have not been recognised in respect of these items because there is uncertainty as to when the companies that have recent history of losses will be profitable and therefore, it is not probable that future taxable profits of the applicable Group entities will be sufficient to allow the benefits to be realised.

NOTES TO THE FINANCIAL STATEMENT

8. LEASES

Right-of-use assets

	Group				
	Short-term leasehold land RM'000	Office premises and equipment RM'000	Motor vehicles RM'000	Warehouses RM'000	Total RM'000
Cost					
At 1 January 2022	2,841	9,699	437	9,064	22,041
Addition	-	-	-	666	666
Lease modification	-	1,864	-	426	2,290
Derecognition	-	-	(437)	(481)	(918)
Exchange differences	(9)	-	-	-	(9)
At 31 December 2022/ 1 January 2023	2,832	11,563	-	9,675	24,070
Addition	-	-	-	119	119
Lease modification	-	4,142	-	220	4,362
Exchange differences	(8)	-	-	-	(8)
At 31 December 2023	2,824	15,705	-	10,014	28,543
Accumulated depreciation					
At 1 January 2022	580	7,191	437	4,131	12,339
Depreciation	57	2,646	-	1,193	3,896
Derecognition	-	-	(437)	(481)	(918)
At 31 December 2022/ 1 January 2023	637	9,837	-	4,843	15,317
Depreciation	57	2,692	-	1,244	3,993
At 31 December 2023	694	12,529	-	6,087	19,310
Accumulated impairment					
At 1 January 2022/ 31 December 2022/ 1 January 2023/ 31 December 2023	803	-	-	-	803
Net carrying amount					
At 31 December 2023	1,327	3,176	-	3,927	8,430
At 31 December 2022	1,392	1,726	-	4,832	7,950

Included in the right-of-use assets are RM3,927,000 (2022:RM4,832,000) relating to warehouses which is under drilling services segment.

NOTES TO THE FINANCIAL STATEMENT

8. LEASES (CONT'D.)

Right-of-use assets (cont'd.)

	Company		
	Office premises and equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost			
At 1 January 2022	8,863	395	9,258
Lease modification	1,714	-	1,714
Derecognition	-	(395)	(395)
At 31 December 2022/1 January 2023	10,577	-	10,577
Lease modification	3,908	-	3,908
At 31 December 2023	14,485	-	14,485
Accumulated depreciation			
At 1 January 2022	6,750	395	7,145
Depreciation	2,429	-	2,429
Derecognition	-	(395)	(395)
At 31 December 2022/1 January 2023	9,179	-	9,179
Depreciation	2,485	-	2,485
At 31 December 2023	11,664	-	11,664
Net carrying amount			
At 31 December 2023	2,821	-	2,821
At 31 December 2022	1,398	-	1,398

Lease liabilities

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At 1 January	6,982	7,670	1,419	2,073
Accretion of interest (Note 23)	312	363	85	96
Additions	119	666	-	-
Lease modification	4,362	2,290	3,908	1,714
Payments	(4,292)	(4,007)	(2,621)	(2,464)
At 31 December	7,483	6,982	2,791	1,419
Current	4,097	2,915	2,791	1,414
Non-current	3,386	4,067	-	5
Total	7,483	6,982	2,791	1,419

NOTES TO THE FINANCIAL STATEMENT

8. LEASES (CONT'D.)

Lease liabilities (cont'd.)

The maturity analysis of lease liabilities are disclosed in Note 34(d).

The following are the amounts recognised in profit or loss:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Depreciation expense of right-of-use assets	3,993	3,896	2,485	2,429
Interest expense on lease liabilities (Note 23)	312	363	85	96
Rental of leases of low-value assets and short-term leases (Note 22)	143	-	-	-
Total amount recognised in profit or loss	4,448	4,259	2,570	2,525

Amount recognised in statement of cash flow

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Total cash outflow for leases	4,292	4,007	2,621	2,464

9. INVENTORIES

	Group	
	2023 RM'000	2022 RM'000
At cost:		
Materials and spares	178,709	185,196
Recognised in the profit or loss:		
- Inventories recognised as cost of revenue	421,350	98,993
- Provision for stock obsolescences	26,546	24,693
	447,896	123,686

NOTES TO THE FINANCIAL STATEMENT

10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Trade receivables (Note (a))	335,189	339,286	-	-
Other receivables (Note (b))	28,301	19,862	1,011	2,502
Total trade and other receivables	363,490	359,148	1,011	2,502
 Total trade and other receivables	 363,490	 359,148	 1,011	 2,502
Less:				
Accrued income (Note (a))	(239,986)	(233,294)	-	-
Prepayments (Note (b))	(25,992)	(17,931)	(667)	(2,058)
	97,512	107,923	344	444
Add:				
Deposits, cash and bank balances (Note 12)	132,215	120,028	33,003	30,933
Due from subsidiaries -				
Non-current (Note 11)	-	-	774,300	1,136,900
Current (Note 11)	-	-	484,677	175,262
Total financial assets at amortised cost	229,727	227,951	1,292,324	1,343,539

(a) Trade receivables

	Group	
	2023 RM'000	2022 RM'000
Third parties	99,100	110,375
Allowance for impairment losses (Note (i))	(3,897)	(4,383)
	95,203	105,992
Accrued income	239,986	233,294
	335,189	339,286

The Group's normal trade credit terms for the financial year ended 31 December 2023 range from 30 days to 60 days (2022: 30 days to 60 days). Other credit terms are assessed and approved on a case-by-case basis. Trade receivables are non-interest bearing and are recognised at their original invoiced amounts which represent their fair values on initial recognition. Included in the accrued income for the financial year ended 31 December 2023 is of RM50,484,000 in relation to the i-RDC contract which is recorded based on percentage of completion recognition method.

The Group has concentration of credit risk in the form of outstanding balances due from 6 (2022: 9) debtors representing 98% (2022: 94%) of the total net trade receivables.

NOTES TO THE FINANCIAL STATEMENT

10. TRADE AND OTHER RECEIVABLES (CONT'D.)

(a) Trade receivables (cont'd.)

(i) Receivables that are impaired

	Group	
	2023 RM'000	2022 RM'000
Individually impaired		
Trade receivables	3,897	4,383
Less: Allowance for impairment losses	(3,897)	(4,383)
	-	-
Movement in allowance for impairment losses		
At 1 January	4,383	836
Exchange differences	223	73
(Reversal)/charged for the year (Note 21)	(709)	3,474
At 31 December	3,897	4,383

Trade receivables that are individually determined to be impaired at the reporting date relate to trade disputes. These receivables are not secured by any collateral or bank guarantee. The information about the credit exposures are disclosed in Note 34(c).

(b) Other receivables

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Deposits	1,256	1,126	285	285
Prepayments (Note (i))	25,992	17,931	667	2,058
Sundry receivables	1,053	805	59	159
	28,301	19,862	1,011	2,502

(i) Prepayments mainly comprise insurance premium and advance payments to vendors in respect of certain services.

NOTES TO THE FINANCIAL STATEMENT

11. DUE FROM/(TO) SUBSIDIARIES

	Company	
	2023 RM'000	2022 RM'000
Non-current:		
Due from subsidiaries		
- interest bearing at 7.54% to 7.95% (2022: 2.80% to 5.53%) per annum	837,239	1,166,245
Less: Allowance for impairment losses (Note (i))	(62,939)	(29,345)
	774,300	1,136,900
Current:		
Due from subsidiaries		
- interest bearing at 5.81% to 7.95% (2022: 2.80% to 5.53%) per annum	512,360	180,463
- non-interest bearing	155,245	211,321
	667,605	391,784
Less: Allowance for impairment losses (Note (i))	(182,928)	(216,522)
	484,677	175,262
Total amount due from subsidiaries	1,258,977	1,312,162
Non-current:		
Due to subsidiaries		
- non-interest bearing	(263,475)	(322,554)
Current:		
Due to subsidiaries		
- non-interest bearing	(1,186)	(124,198)
Total amount due to subsidiaries	(264,661)	(446,752)

Amounts due from subsidiaries that are not expected to be realised within twelve months after the reporting period are classified as non-current.

(i) Amount due from subsidiaries that are impaired

	Company	
	2023 RM'000	2022 RM'000
Movement in allowance for impairment losses		
At 1 January/ 31 December	245,867	245,867

NOTES TO THE FINANCIAL STATEMENT

12. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Current:				
Deposits with licensed banks	98,381	47,279	30,560	28,550
Investment in money market fund	6,640	-	1,532	-
Cash and bank balances	27,194	72,749	911	2,383
	132,215	120,028	33,003	30,933
Less: Restricted cash	(5,766)	(6,705)	-	-
Less: Investment in money market fund	(6,640)	-	(1,532)	-
Cash and cash equivalents	119,809	113,323	31,471	30,933

Cash and bank balances amounting to RM5,766,000 (2022: RM6,705,000) are not available for general use by the Group due to restrictions by the lender in respect of the term loan of USD54,000,000 (2022: USD70,500,000) obtained by the Group as disclosed in Note 13.

The range of interest rates per annum and maturities of deposits as at the reporting date were as follows:

	Group		Company	
	2023	2022	2023	2022
Interest rate (%)	2.85 - 5.60	2.30 - 4.90	2.85 - 3.90	2.30 - 2.85
Maturity (days)	5 - 89	3 - 46	15 - 53	3 - 26

13. LONG TERM BORROWINGS

	Group	
	2023 RM'000	2022 RM'000
Secured (Floating rate)		
Term loan	248,616	311,610
Less: Unamortised transaction costs	(4,290)	(5,333)
Total long term borrowings	244,326	306,277

On 21 November 2017, the Group raised USD365,000,000 of term loans, classified as Term Loan A (USD145,000,000) and Term Loan B (USD220,000,000). Term Loan A was fully repaid in 2021, while Term Loan B will be fully settled in May 2027 and is secured by a charge over all existing and future assets of the Group.

NOTES TO THE FINANCIAL STATEMENT

13. LONG TERM BORROWINGS (CONT'D.)

The maturity of the Group's total long term and short term borrowings excluding transaction costs as at the respective reporting dates are as follows:

	Within 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Total RM'000
31 December 2023				
Secured				
- Revolving credit (Note 14)	114,288	-	-	114,288
- Term loan	-	15,193	233,423	248,616
31 December 2022				
Secured				
- Revolving credit (Note 14)	254,950	-	-	254,950
- Term loan	-	-	311,610	311,610

Changes in liabilities arising from financing activities:

	Group		
	Revolving credit RM'000	Secured term loan RM'000	Total RM'000
At 1 January 2022	279,916	302,110	582,026
Repayment	(37,131)	(13,853)	(50,984)
Amortisation of transaction costs	-	746	746
Effect of changes in foreign exchange rate	12,165	17,274	29,439
At 31 December 2022/1 January 2023	254,950	306,277	561,227
Repayment	(270,199)	(75,916)	(346,115)
Drawdown	120,380	-	120,380
Amortisation of transaction costs	-	1,043	1,043
Effect of changes in foreign exchange rate	9,157	12,922	22,079
At 31 December 2023	114,288	244,326	358,614

The range of weighted average effective interest rates per annum at the reporting date for secured short term borrowings are disclosed in Note 14.

NOTES TO THE FINANCIAL STATEMENT

14. SHORT TERM BORROWINGS

	Group	
	2023 RM'000	2022 RM'000
Secured (Floating rate)		
Revolving credits	114,288	254,950

The range of weighted average effective interest rates per annum at the reporting date for borrowings were as follows:

	Group	
	2023 % per annum	2022 % per annum
Term loan	8.98	8.12
Revolving credits	5.87 - 7.87	5.74 - 7.48

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Trade payables:				
Third parties	47,997	57,169	-	-
Accruals	101,675	113,569	-	-
	149,672	170,738	-	-
Other payables:				
Accruals	97,941	60,838	18,085	9,067
Provision for unutilised leave	1,335	1,814	683	1,001
Sundry payables	11,254	4,022	2,903	2,075
	110,530	66,674	21,671	12,143
Total trade and other payables	260,202	237,412	21,671	12,143
Total trade and other payables	260,202	237,412	21,671	12,143
Less:				
Provision for unutilised leave	(1,335)	(1,814)	(683)	(1,001)
Add:				
Lease liabilities (Note 8)	7,483	6,982	2,791	1,419
Long term borrowings (Note 13)	244,326	306,277	-	-
Short term borrowings (Note 14)	114,288	254,950	-	-
Due to subsidiaries (Note 11)	-	-	264,661	446,752
Total financial liabilities carried at amortised cost	624,964	803,807	288,440	459,313

Trade payables are non-interest bearing and are normally settled within 30 days to 60 days (2022: 30 days to 60 days).

Included in other payables are sundry payables which are non-interest bearing and are normally settled within 30 days to 90 days (2022: 30 days to 90 days).

NOTES TO THE FINANCIAL STATEMENT

16. ORDINARY SHARE CAPITAL

	Group and Company	
	Number of ordinary shares '000	Share capital RM'000
At 1 January 2022/31 December 2022/1 January 2023/31 December 2023	8,215,600	1,844,817

17. OTHER RESERVES

(a) Warrant reserve

On 25 October 2017, the Company allotted and issued 1,209,181,678 free warrants on the basis of 1 warrant for every 4 rights shares subscribed and 304,218,076 free warrants on the basis of 1 warrant for every 4 RCPS-i subscribed.

The warrants are valid for exercise for a period of 7 years from its issue date and will expire on 18 October 2024. During this period, each warrant entitled the registered holder to subscribe for 1 new ordinary share/RCPS-i in the Company at any time on or after 25 October 2017 to 18 October 2024, at an exercise price of RM0.395 per warrant. Any warrant not exercised by its expiry date will lapse thereafter and cease to be valid for all purposes. During the financial year, no warrants for rights issue and RCPS-i were exercised. As at the reporting date, 1,209,181,678 warrants for rights issue and 304,218,076 warrants for RCPS-i remained unexercised.

The value allocated to 1 warrant was based on the proportion of the fair value of 1 warrant, being the fair value of the warrant on the first day of its listing, over the combined fair value of 4 rights shares/RCPS-i and 1 warrant to the issue price of the right shares of RM0.30 each.

(b) Share options reserve

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Charged/(credited) to income statement				
ESOS (Tranche 2)	792	(881)	792	(881)
Movement in reserve				
At 1 January	9,961	10,842	6,774	7,655
ESOS (Tranche 1)	(1,014)	(881)	(1,014)	(881)
ESOS (Tranche 2)	792	-	792	-
At 31 December	9,739	9,961	6,552	6,774

Share options reserve represents the equity-settled share options:

- (i) Granted by the former ultimate holding company to the employees of the Group; and
- (ii) Granted by the Company to eligible senior executives and employees of the Company under the ESOS.

The Company has an Employees' Share Option Scheme ("ESOS") under which options to subscribe for the Company's ordinary shares have been granted to employees of the Group.

NOTES TO THE FINANCIAL STATEMENT

17. OTHER RESERVES (CONT'D.)

(b) Share options reserve (cont'd.)

At an Extraordinary General Meeting held on 31 October 2019, shareholders approved the ESOS for the granting of non-transferable options to eligible senior executives and employees respectively. The ESOS has been implemented effective from 1 November 2019 and subsequently on 6 November 2023. Options are granted to the eligible employees employed on a full time basis at the discretion of the ESOS Committee. The key features of the ESOS are as follows:

- (i) The maximum number of new ordinary shares of the Company which may be allotted and issued pursuant to the options that may be granted under the ESOS shall not in aggregate exceed seven point five percent (7.5%) of the total number of issued ordinary shares of the Company;
- (ii) The maximum number of options that may be granted under the ESOS to any one eligible person shall be at the sole and absolute discretion of the ESOS Committee after taking into consideration the position and performance of the eligible person in the Group, or such other factors which the ESOS Committee may in its absolute discretion deem fit, subject to the following:
 - the eligible senior executives and other eligible employees do not participate in the deliberation or discussion in respect of his/her own allocation; and
 - the total number of Shares of the Company shall be allocated to any eligible person who, either individually or collectively through persons connected with such eligible person, holds twenty percent (20%) or more of the total number issued ordinary shares of the Company (excluding treasury shares, if any), does not exceed more than ten percent (10%) of the total number of Shares of the Company to be issued under the Scheme.
- (iii) The option exercise price shall be determined by the Board upon recommendation of the ESOS Committee to be the five (5) days weighted average market price of the ordinary shares of the Company, as quoted on Bursa Securities, immediately preceding the date of offer or with a premium or discount. In the event of a discount, the discount shall not be more than ten percent (10%) or such other percentage of discount as may be permitted by Bursa Securities or any other relevant authorities from time to time during the duration of the ESOS;
- (iv) The ESOS shall be in force for a duration of five (5) years from the effective date of implementation of the ESOS. The ESOS Committee may terminate the ESOS at any time before the Date of Expiry without obtaining the approvals from the Grantees who have yet to exercise their Options or the Company's shareholders provided that the Company releases an announcement to Bursa Securities on the following:
 - the effective date of termination ("Termination Date");
 - the number of Options exercised or Shares vested; and
 - the reasons and justification for termination.
- (v) The ESOS is exercisable upon fulfilment of the vesting period of three (3) years, or earlier at the discretion of the ESOS Committee.

NOTES TO THE FINANCIAL STATEMENT

17. OTHER RESERVES (CONT'D.)

(b) Share options reserve (cont'd.)

Movement of share options during the financial year

The number and exercise price of, and movements in, share options during the financial year are as follows:

	Group and Company	
	Exercise price RM	Number ('000)
Tranche 1 (Effective from 1 November 2019)		
Outstanding at 1 January 2022	0.33	82,630
Adjusted *	-	(23,030)
Outstanding at 31 December 2022/1 January 2023	0.33	59,600
Adjusted *	-	(10,130)
Outstanding at 31 December 2023	0.33	49,470

The remaining contractual life for these options outstanding as at 31 December 2023 was 2 years with an expiry date of 31 October 2024.

* Adjustment on termination of employment.

	Group and Company	
	Exercise price RM	Number ('000)
Tranche 2 (Effective from 6 November 2023)		
Outstanding at 1 January 2023	-	-
Granted during the year	0.23	111,720
Outstanding at 31 December 2023	0.23	111,720

The remaining contractual life for these options outstanding as at 31 December 2023 was 5 years with an expiry date of 6 November 2028.

NOTES TO THE FINANCIAL STATEMENT

17. OTHER RESERVES (CONT'D.)

(b) Share options reserve (cont'd.)

Fair value of share options granted

The fair value of the share options granted under the ESOS is estimated at the grant date using a Black-Scholes-Merton option pricing model, taking into account the terms and conditions upon which the instruments were granted.

The following table lists the inputs to the option pricing model are as follows:

	Group and Company
Tranche 1 (Effective from 1 November 2019)	
Fair value at the measurement date	RM0.18
Expected volatility	50.67%
Risk-free interest rate	3.28% per annum
Expected life of option	5 years
Share price	RM0.33
Tranche 2 (Effective from 6 November 2023)	
Fair value at the measurement date	RM0.16
Expected volatility	69.59%
Risk-free interest rate	3.52% per annum
Expected life of option	5 years
Share price	RM0.23

The expected life of the options is based on the ESOS duration and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

(c) Capital reserve

Capital reserve relates to statutory reserves of an overseas subsidiary.

(d) Gain on derecognition of financial liabilities

The gain on derecognition of financial liabilities arose as part of the settlement of liabilities due to the former ultimate holding company pursuant to a past internal reorganisation.

(e) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group's presentation currency.

NOTES TO THE FINANCIAL STATEMENT

18. REVENUE

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Revenue from lease contracts:				
Leasing of drilling rigs and hydraulic workover units	935,693	333,078	-	-
Revenue from contracts with customers:				
Drilling and workover services	221,025	183,518	-	-
Sale of goods	5,252	25,970	-	-
Rendering of services	51,852	38,287	-	-
Revenue from other sources:				
Management fees from subsidiaries	-	-	28,221	15,308
	1,213,822	580,853	28,221	15,308

Timing of recognition

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Goods and services transferred at a point in time	5,252	25,970	-	-
Services transferred over time	1,208,570	554,883	28,221	15,308
	1,213,822	580,853	28,221	15,308

19. OTHER OPERATING INCOME

Included in other operating income are:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Rental income	409	334	745	748
Net realised foreign exchange gain	-	-	1,630	886
Net unrealised foreign exchange gain	2,315	8,503	58,546	69,277

NOTES TO THE FINANCIAL STATEMENT

20. EMPLOYEE BENEFITS

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Wages and salaries	145,628	103,720	24,945	19,933
Social security costs	492	698	159	113
(Reversal of)/provision for unutilised leave	(498)	477	(318)	233
Pension costs - defined contribution plan	11,334	8,372	3,527	3,079
Share options granted/(lapsed) under ESOS	792	(881)	792	(881)
Other employee related expenses	42,789	29,188	5,394	1,932
	200,537	141,574	34,499	24,409

Included in employee benefits is executive directors' remuneration as follows:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Salaries and other emoluments	1,449	1,383	1,449	1,383
Pension costs - defined contribution plan	243	267	243	267
Share options granted under ESOS	100	-	100	-
Benefits-in-kind	218	395	218	395

21. (REVERSAL OF)/ALLOWANCE FOR IMPAIRMENT LOSSES

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Property, plant and equipment (Note 4)	-	(745)	-	-
Trade receivables (Note 10)	(709)	3,474	-	-
	(709)	2,729	-	-

NOTES TO THE FINANCIAL STATEMENT

22. OTHER OPERATING EXPENSES

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Included in other operating expenses are:				
Non-executive directors' remuneration:				
- fees	849	811	849	811
- meeting allowances	212	240	212	240
- other emoluments	126	128	126	128
Rental of premises	364	525	-	35
Rental of leases of low-value assets and short-term leases (Note 8)	143	-	-	-
Rental of equipment, barge and rig	26,359	18,484	218	124
Repair and maintenance of equipment and rigs	40,168	43,844	324	14
Insurance of equipment and rigs	17,665	19,022	-	-
Auditors' remuneration:				
Statutory audit				
- auditors of the Company	714	669	190	190
- other auditors	35	55	-	-
Other services				
- auditors of the Company	167	1,155	124	1,114
Property, plant and equipment written off	928	1,224	-	971
Net realised foreign exchange loss	3,271	13,423	-	-
Service charges	35,854	21,199	-	-
Catering expenses	20,765	19,361	-	-
Mobilisation and demobilisation costs	4,268	11,304	-	-
Loss on disposal of property, plant and equipment	24	-	-	-

	Directors' fees		*Other emoluments	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000

Group and Company

Non-executive directors:

Mohd Rashid Mohd Yusof	120	120	119	127
Ir. Dr. Mohd Shahreen Zainooreen Madros	110	107	37	42
Rowina Ghazali Seth	110	107	35	37
Datuk Tong Poh Keow	105	107	33	43
Haida Shenny Hazri	98	98	29	35
Mohd Irwan Ahmad Mustafa @ Mustafa***	71	99	21	31
Datuk Ling Kien Sing	100	97	28	28
Ar. Ahila Ganesan	100	38	29	11
Fadzihan Abbas Mohamed Ramlee***	35	-	7	-
Razalee Amin	-	38	-	14
	849	811	338	368

NOTES TO THE FINANCIAL STATEMENT

22. OTHER OPERATING EXPENSES (CONT'D.)

	Directors' fees		**Other emoluments	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Group and Company				
Executive directors:				
Megat Zariman Abdul Rahim	-	-	1,911	1,431
Rohaizad Darus	-	-	-	613

* Included in the other emoluments are meeting allowances, per diem allowance, telephone expenses and car (for Chairman of the Board only).

** Included in the other emoluments are salary, gratuity, employer's statutory contribution, car and petrol, leave passage, allowances, telephone expenses and club subscriptions.

*** Fees as nominee Director paid to Permodalan Nasional Berhad.

23. FINANCE COSTS

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Interest expenses				
- Bank borrowings	44,951	30,621	-	-
- Lease liabilities (Note 8)	312	363	85	96
- Others	777	852	-	-
	46,040	31,836	85	96

24. INVESTMENT INCOME

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Distribution income from:				
- Money market fund	118	9	3	-
- Subsidiaries	-	-	5,507	-
Interest income from:				
- Deposits with licensed banks	4,014	3,438	859	1,084
- Subsidiaries	-	-	82,385	42,638
	4,132	3,447	88,754	43,722

NOTES TO THE FINANCIAL STATEMENT

25. INCOME TAX EXPENSE

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Income tax:				
Malaysian income taxes	16,022	1,139	-	-
Foreign income taxes	6,883	4,181	51	25
	22,905	5,320	51	25
(Over)/under provision in prior years:				
Malaysian income taxes	(1,202)	13,312	-	-
Total income tax expense	21,703	18,632	51	25

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2022: 24%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Reconciliations between tax expense and the accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 31 December 2023 and 2022 are as follows:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit/(loss) before tax	121,228	(81,770)	111,786	90,733
Taxation at Malaysian statutory rate of 24% (2022: 24%)	29,095	(19,625)	26,829	21,776
Effect of different tax rates in other jurisdictions	1,341	10,699	-	-
Income not subject to tax	(62,024)	(40,009)	(42,806)	(26,555)
Expenses not deductible for tax purposes	71,887	32,183	13,106	1,751
Deferred tax assets not recognised	1,554	22,109	2,922	3,053
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(18,926)	-	-	-
(Over)/under provision of income	(1,202)	13,312	-	-
tax in prior years	(22)	(37)	-	-
Tax expense for the year	21,703	18,632	51	25

NOTES TO THE FINANCIAL STATEMENT

26. EARNINGS/(LOSS) PER SHARE

	Group	
	2023	2022
Net profit/(loss) attributable to equity holders (RM'000)	99,525	(100,402)
Weighted average number of ordinary shares in issue ('000)		
- Basic/diluted	8,215,600	8,215,600
Earnings/(loss) per share (sen):		
- Basic	1.21	(1.22)
- Diluted	1.21	(1.22)

Basic/diluted earnings/(loss) per share are calculated by dividing the net profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

1,513,399,754 (2022: 1,513,399,754) warrants have not been included in the calculation of diluted earnings/(loss) per share because the current market price is lower than the exercise price and they are anti-dilutive.

ESOS have not been included in the calculation of diluted earnings/(loss) per share in the current year because the current market price is lower than the exercise price and they are anti-dilutive.

27. DIVIDEND

	Group and Company	
	2023 RM'000	2022 RM'000
Proposed but not recognised as a liability as at 31 December		
Interim dividends on shares:		
In respect of the financial year ended 31 December 2023		
Interim dividend of 0.25 sen per share on 8,215,600,000 shares, declared on 27 February 2024 and will be paid on 24 May 2024.	20,539	-

The financial statements for the current financial year do not reflect the interim dividends in respect of the financial year ended 31 December 2023 which will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2024.

NOTES TO THE FINANCIAL STATEMENT

28. COMMITMENTS

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Approved and contracted for:				
- equipment, plant and machinery	25,150	146,024	-	-
- others	5,707	9,377	5,453	9,355
	30,857	155,401	5,453	9,355
Approved but not contracted for:				
- land and buildings	15,784	7,500	15,784	7,500
- equipment, plant and machinery	40,365	51,839	3,267	-
- others	16,402	5,080	6,400	4,127
	72,551	64,419	25,451	11,627
Total capital commitments	103,408	219,820	30,904	20,982

29. SEGMENT REPORTING

For management purposes, the Group is organised into business segments based on the nature of services and has 4 operating segments as follows:

- (i) The drilling services segment is principally involved in the provision of drilling services to the upstream oil and gas sector. This segment owns and operates several drilling rigs. The rigs are chartered out to oil majors for their exploration, development and production activities;
- (ii) The integrated services segment principally provide hydraulic workover operation. The hydraulic workover operation own HWUs and acts as an agent for two providers of specialised equipment and service. The HWUs service offshore wells that involve the use of HWUs and its ancillary equipment to complete the removal and replacement of well equipment to restore the operation of suspended or under-performing wells;
- (iii) The oilfield services segment principally provide premium OCTG threading, repair and inspection services; and
- (iv) The others segment is involved in investment holding, provision of support services, management and corporate services which do not generate significant external revenue.

Transfer prices between operating segments are at terms agreed between the parties.

With effect from 1 January 2022, the Group has segregated Workover Services and Oilfield Services as separate segment. Workover services was previously reported under the Oilfield Services segment. The Group has also introduced Integrated Services (now referred to as Integrated Project Management) segment which comprises Workover Services and Integrated Rig Drilling Completion ("i-RDC") Services.

NOTES TO THE FINANCIAL STATEMENT

29. SEGMENT REPORTING (CONT'D.)

(a) Business segments

31 December 2023

	Drilling services RM'000	Integrated Project Management RM'000	Oilfield services RM'000	Others RM'000	Eliminations RM'000	Note	Per consolidated financial statements RM'000
Revenue:							
External customers	798,679	401,827	12,009	1,307	-		1,213,822
Inter-segment	-	-	-	1,430	(1,430)	i	-
Total revenue	798,679	401,827	12,009	2,737	(1,430)		1,213,822
Results:							
Depreciation and amortisation	(190,474)	(2,348)	(771)	(8,346)	-		(201,939)
Reversal of impairment losses	709	-	-	-	-		709
Finance costs	(45,868)	(78)	-	(94)	-		(46,040)
Investment income	2,046	214	245	1,627	-		4,132
Share of results of associate	-	-	-	93	-		93
Other material non-cash items	(3,575)	33	-	4,137	-	ii	595
Segment profit/(loss) before tax	159,767	22,535	2,955	(64,029)	-		121,228
Income tax expense	(19,531)	(632)	(743)	(797)	-		(21,703)
Segment profit/(loss) after tax	140,236	21,903	2,212	(64,826)	-		99,525
Assets:							
Investment in an associate	-	-	-	1,329	-		1,329
Additions to property, plant and equipment	95,182	8,481	216	5,354	614		109,847
Segment assets	2,934,877	66,965	34,882	70,921	-		3,107,645
Liabilities:							
Segment liabilities	568,450	30,208	2,327	31,252	-		632,237

NOTES TO THE FINANCIAL STATEMENT

29. SEGMENT REPORTING (CONT'D.)

(a) Business segments (cont'd.)

31 December 2022

	Drilling services RM'000	Integrated Project Management RM'000	Oilfield services RM'000	Others RM'000	Eliminations RM'000	Note	Per consolidated financial statements RM'000
Revenue:							
External customers	483,111	86,695	10,073	974	-		580,853
Inter-segment	-	-	-	1,717	(1,717)	i	-
Total revenue	483,111	86,695	10,073	2,691	(1,717)		580,853
Results:							
Depreciation and amortisation	(160,277)	(1,659)	(794)	(5,198)	-		(167,928)
(Allowance for)/reversal of impairment losses	(3,474)	-	745	-	-		(2,729)
Finance costs	(31,681)	(155)	-	-	-		(31,836)
Investment income	1,261	240	617	1,329	-		3,447
Share of results of associate	-	-	-	155	-		155
Other material non-cash items	13,139	370	-	(5,349)	-	ii	8,160
Segment profit/(loss) before tax	(26,082)	(16,008)	2,751	(42,431)	-		(81,770)
Income tax expense	(18,002)	(135)	(473)	(22)	-		(18,632)
Segment profit/(loss) after tax	(44,084)	(16,143)	2,278	(42,453)	-		(100,402)
Assets:							
Investment in an associate	-	-	-	1,236	-		1,236
Additions to property, plant and equipment	123,424	-	-	23,327	640		147,391
Segment assets	2,922,004	54,203	38,171	74,984	-		3,089,362
Liabilities:							
Segment liabilities	760,876	27,142	3,016	16,663	-		807,697

NOTES TO THE FINANCIAL STATEMENT

29. SEGMENT REPORTING (CONT'D.)

(a) Business segments (cont'd.)

The following are the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:

- i. Inter-segment revenue are eliminated on consolidation.
- ii. Other material non-cash income/(expenses) consist of the following items as presented in the respective notes to the consolidated financial statements:

	Note	2023 RM'000	2022 RM'000
Net unrealised foreign exchange gain	19	2,315	8,503
Property, plant and equipment written off	22	(928)	(1,224)
Share options (granted)/lapsed under ESOS	20	(792)	881
		595	8,160

(b) Geographical segments

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Malaysia RM'000	Others RM'000	Total RM'000
31 December 2023			
Revenue from external customers	1,201,813	12,009	1,213,822
Non-current assets	2,414,031	15,986	2,430,017
31 December 2022			
Revenue from external customers	534,211	46,642	580,853
Non-current assets	2,400,604	15,491	2,416,095

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:

	2023 RM'000	2022 RM'000
Property, plant and equipment	2,421,587	2,408,145
Right-of-use assets	8,430	7,950
	2,430,017	2,416,095

NOTES TO THE FINANCIAL STATEMENT

30. SUBSIDIARIES

Name of company	Country of incorporation	Principal activities	Proportion of ownership interest	
			2023 %	2022 %
Subsidiaries of the Company:				
Velesto Malaysian Ventures Sdn. Bhd.	Malaysia	Investment holding	100	100
Velesto Singapore Ventures Pte. Ltd.	Singapore	Investment holding	100	100
Velesto Rig Asset (I) Ltd.	Malaysia	Investment holding	100	100
Sumber Ribu Sdn. Bhd.	Malaysia	Provision for treasury management services	100	100
Sumber Wang (I) Ltd.	Malaysia	Provision for treasury management services	100	100
Subsidiaries of:				
Velesto Malaysian Ventures Sdn. Bhd.				
Velesto Singapore Ventures Pte. Ltd.				
Velesto Rig Asset (I) Ltd.				
Velesto Workover Sdn. Bhd.	Malaysia	Provision of workover operations for the oil and gas industry	100	100
Velesto Drilling Sdn. Bhd.	Malaysia	Contract offshore drilling business and operations and other engineering services for oil and gas exploration, development and production in Malaysia and overseas	100	100
Velesto Drilling Co. Ltd.	Malaysia	Ownership and leasing of rig	100	100
Velesto Drilling 2 (I) Ltd.	Malaysia	Ownership and leasing of rig	100	100
Velesto Drilling 3 (I) Ltd.	Malaysia	Ownership and leasing of rig	100	100
Velesto Drilling 4 (I) Ltd.	Malaysia	Ownership and leasing of rig	100	100
Velesto Drilling 5 (I) Ltd.	Malaysia	Ownership and leasing of rig	100	100
Velesto Drilling 6 (I) Ltd.	Malaysia	Ownership and leasing of rig	100	100
Velesto Drilling 7 (I) Ltd.	Malaysia	Ownership and leasing of rig	100	100
Velesto Drilling 8 (I) Ltd.	Malaysia	Ownership and leasing of rig	100	100
Velesto Drilling Academy Sdn. Bhd.	Malaysia	Provision of training and courses in relation to oil and gas drilling activities	100	100
Velesto 1 Pte. Ltd.	Singapore	Ownership and leasing of rig	100	100
Velesto 3 Pte. Ltd.	Singapore	Dormant	100	100
Velesto Drilling Ltd.	Cayman Islands	Contract drilling operations and other engineering services for oil and gas exploration, development and production	100	100
Offshore Driller B324 Ltd.	Cayman Islands	Dormant	100	100
Offshore Driller 4 Ltd.	Cayman Islands	Dormant	100	100
^ Velesto Oilpipe Services Sdn. Bhd.	Malaysia	Provision of threading, inspection, repair and maintenance services for OCTG	100	100
* Velesto Oilfield Services (Tianjin) Co., Limited	People's Republic of China	Provision of threading, inspection, repair and maintenance services for OCTG	100	100
~ Velesto Rig Asset Sdn. Bhd.	Malaysia	Ownership and leasing of rig	100	100
Velesto Sumber Sdn. Bhd.	Malaysia	Investment holding	100	100

NOTES TO THE FINANCIAL STATEMENT

30. SUBSIDIARIES (CONT'D.)

			Proportion of ownership interest	
Name of company	Country of incorporation	Principal activities	2023 %	2022 %
Subsidiaries of: (cont'd.)				
Velesto Malaysian Ventures Sdn. Bhd.				
Velesto Singapore Ventures Pte. Ltd.				
Velesto Rig Asset (L) Ltd.				
~ Velesto Drilling 2 Sdn. Bhd.	Malaysia	Ownership and leasing of rig	100	100
Velesto Drilling 3 Sdn. Bhd.	Malaysia	Ownership and leasing of rig	100	100
~ Velesto Drilling 4 Sdn. Bhd.	Malaysia	Ownership and leasing of rig	100	100
~ Velesto Drilling 5 Sdn. Bhd.	Malaysia	Ownership and leasing of rig	100	100
~ Velesto Drilling 6 Sdn. Bhd.	Malaysia	Ownership and leasing of rig	100	100
~ Velesto Drilling 7 Sdn. Bhd.	Malaysia	Ownership and leasing of rig	100	100
~ Velesto Drilling 8 Sdn. Bhd.	Malaysia	Ownership and leasing of rig	100	100

* Audited by firms other than Ernst & Young PLT.

^ Winding Up Process

~ Striking-off Application

31. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) In addition to the related party transaction information disclosed elsewhere, transactions by the Company with its subsidiaries are as follows:

	Company	
	2023 RM'000	2022 RM'000
Management fees income	28,221	15,308
Interest income	82,385	42,638
Rental income	745	748
Services rendered income	-	56

(b) Compensation of key management personnel

The aggregate compensation of key management personnel, including the executive director of the Company is as follows:

	Company	
	2023 RM'000	2022 RM'000
Salaries and wages	8,651	5,681
Social security cost	12	9
Pension costs - defined contribution plan	1,267	914
Share options granted under ESOS	418	717
Other staff related costs	214	642
	10,562	7,963

NOTES TO THE FINANCIAL STATEMENT

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair values

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value:

	Note
Receivables	
- Trade and other receivables	10
- Due from subsidiaries	11
Deposits, cash and bank balances	12
Lease liabilities	8
Borrowings	
- Floating rate borrowings (non-current)	13
- Floating rate borrowings (current)	14
Payables	
- Trade and other payables	15
- Due to subsidiaries	11

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the current portion of loans and borrowings are reasonable approximation of fair value due to the insignificant impact of discounting.

The fair values of non-current loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

(a)	Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
(b)	Level 2	Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
(c)	Level 3	Input for the asset or liability that are not based on observable market data (unobservable input).

	Level 1	
	2023 RM'000	2022 RM'000
Assets		
Investment in money market fund (Note 12)	6,640	-

The Group does not have any financial instruments classified as Level 2 and Level 3 as at the reporting date. There were no material transfers between Level 1, Level 2 and Level 3 during the financial year.

NOTES TO THE FINANCIAL STATEMENT

33. CAPITAL MANAGEMENT

Capital management is defined as the process of managing the composition of the Group's debt and equity to achieve and maintain an optimal capital structure and ensuring availability of funds to support its business and maximise its shareholder value.

The Group defines total capital as total equity and net debt of the Group and manages its capital structure using a gearing ratio which is net debt divided by total equity plus net debt. For this purpose, borrowings from former holding company and other investments, which consist of investments in money market fund, are included in deriving net debt of the Group. The Group endeavours to maintain a gearing ratio to that optimises the usage of capital.

	Group	
	2023 RM'000	2022 RM'000
Loans and borrowings	358,614	561,227
Lease liabilities	7,483	6,982
Less:		
Deposits, cash and bank balances	(132,215)	(120,028)
Net debt	233,882	448,181
Total equity	2,475,408	2,281,665
Total capital	2,709,290	2,729,846
Gearing ratio (times)	0.09	0.16

34. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks. The financial risk management practices of the Group seek to ensure that adequate financial resources are available for the development of the Group's business while managing credit, liquidity, interest rate and foreign currency risks. The principal aim of the Group's financial risk management practices is to identify, evaluate and manage financial risks with an objective to minimise potential adverse effects on the financial performance of the Group.

The Group's risk governance structure comprise the following:

- (i) a Board Risk Management Committee; and
- (ii) a Risk Management Committee.

Responsibilities of the Board of Directors include:

- (i) to define appropriate risk governance structure;
- (ii) to conduct overall review and endorsement on the risk parameters, risk appetite, risk profiles, risk treatment options, risk action plans and key risk indicators; and
- (iii) to provide overall guidance and advice on appropriateness of risk treatment option selected and risk action plans development.

NOTES TO THE FINANCIAL STATEMENT

34. FINANCIAL RISK MANAGEMENT (CONT'D.)

Responsibilities of the Board Risk Management Committee include:

- (i) to monitor the consistent enforcement of Enterprise Risk Management ("ERM") policy across the Group;
- (ii) to review and endorse the risk parameters, risk appetite, risk profiles, risk treatment options, risk action plans and key risk indicators;
- (iii) to provide guidance and advice on appropriateness of risk treatment option selected and risk action plans development; and
- (iv) to provide half yearly reports to the Board on ERM.

The Risk Management Committee is made up of members of the Group's senior management. This committee will be responsible to identify and assess risks and make recommendations on risk management to the Board Risk Management Committee and the Board of Directors.

Financial risk management objectives of the Group are as follows:

- (i) to minimise exposure to all financial risks including interest, credit, liquidity and foreign currency exchange risks;
- (ii) to accept certain level of financial risks including price risk and credit risk that commensurate with the expected returns on the underlying operations and activities; and
- (iii) to minimise liquidity risk by proper cash flow planning, management and control.

The Group's financial risk management strategies include using:

- (i) credit controls that include evaluation, acceptance, monitoring and feedback to ensure that only reasonably creditworthy customers are accepted; and
- (ii) money market instruments, short term deposits and bank borrowings to manage liquidity risks.

The Group's strategies and practices in dealing with its major financial risks are set out below:

(a) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The functional currency of a majority of the companies within the Group is United States Dollar ("USD"). The Group relies primarily on the natural hedge between its USD-denominated revenue and USD-denominated borrowings and other liabilities to minimise its exposures to foreign currency risk.

The Group's exposures to foreign currency risk primarily consist of trade receivables, trade payables, loans and borrowings, and deposits, cash and bank balances, as a result of transactions entered into in currencies other than the functional currencies.

As at 31 December 2023, approximately 1.7% (2022: 1.6%) of the Group's trade receivables and approximately 11.5% (2022: 8.4%) of the Group's trade payables are denominated in currencies other than the functional currency of the relevant companies in the Group.

The Group also holds deposits, cash and bank balances denominated in currencies other than functional currencies for working capital purposes. As at 31 December 2023, the Group has such balances amounting to RM9,309,027 (2022: RM19,731,252).

Material foreign currency exposures are hedged via foreign exchange contracts by using foreign exchange facilities maintained with leading banks. The foreign exchange contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into foreign contracts until a firm commitment is in place.

NOTES TO THE FINANCIAL STATEMENT

34. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Foreign currency risk (cont'd.)

The table below demonstrates the sensitivity of the Group's and of the Company's profit/(loss) after taxation as at year end to a reasonable possible change in the US Dollar exchange rates against RM with all other variables held constant:

	Group		Company	
	Effect on profit/ (loss) after taxation		Effect on profit/ (loss) after taxation	
	(Decrease)/increase		(Decrease)/increase	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
US Dollar/RM				
- strengthened 5% (2022: 5%)	(734)	1,640	(60,755)	(60,758)
- weakened 5% (2022: 5%)	734	(1,640)	60,755	60,758

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk in respect of its placements with financial institutions and bank borrowings at floating rates. Its policy is to:

- (i) have an optimal mixture of short term deposits or placements; and
- (ii) manage its interest cost using a combination of fixed and floating rate debts.

The Group monitors interest rates prior to making deposits and bank borrowings to ensure that the applicable rates are established at acceptable levels. Interest rate swaps may be used to hedge against fluctuation in interest rate where appropriate.

Sensitivity analysis for interest rate risk

The table below demonstrates the sensitivity of the Group's and the Company's profit/(loss) after taxation, to possible reasonable changes in interest rates with all other variables held constant, through impact on interest income from placement of surplus funds and interest expense on floating rate borrowings.

	Basis points	Group		Company	
		Effect on profit/ (loss) after taxation		Effect on profit/ (loss) after taxation	
		(Decrease)/increase		(Decrease)/increase	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Secured Overnight Financing Rate:	+ 50	(1,243)	1,558	-	-
	- 50	1,243	(1,558)	-	-
Cost of funds of lenders	+ 50	(571)	1,275	(5,379)	(5,213)
	- 50	571	(1,275)	5,379	5,213

NOTES TO THE FINANCIAL STATEMENT

34. FINANCIAL RISK MANAGEMENT (CONT'D.)

(c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligation. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including deposits, cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

Credit risk of the Group is managed during the tendering stage where the credit worthiness of a potential customer or the payment records of an existing customer is evaluated prior to participating in a tender. The Group's customers are mainly local and overseas national oil companies, subsidiaries of credit-worthy international oil and gas companies or established international companies. For less established companies, credit risk is managed by obtaining advance payment and/or a collateral in the form of a bank guarantee.

Set out below is the information about the credit risk exposure on the Company's trade receivables and accrued income:

	Group	
	2023 RM'000	2022 RM'000
Accrued income	239,986	233,294
Trade receivables:		
Neither past due nor impaired	80,853	69,645
1 to 30 days past due not impaired	7,389	21,136
31 to 60 days past due not impaired	1,399	10,608
61 to 90 days past due not impaired	865	747
More than 90 days past due not impaired	4,697	3,856
	95,203	105,992
Impaired	3,897	4,383
	339,086	343,669

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 10.

(d) Liquidity risk

Liquidity risk is the risk that the Group and the Company is unable to meet financial obligations when due, as a result of shortage of funds including arising from mismatch of maturities of financial assets and liabilities.

To ensure a healthy liquidity position, it is the Group's and the Company's policy to:

- (i) have the right mixture of liquid assets in its portfolio;
- (ii) maintain a healthy gearing ratio;
- (iii) finance long term assets with long term loans; and
- (iv) maintain a balance between flexible and structured financing options to finance its operations and investments.

NOTES TO THE FINANCIAL STATEMENT

34. FINANCIAL RISK MANAGEMENT (CONT'D.)

(d) Liquidity risk (cont'd.)

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

Group	31 December 2023			Total RM'000
	On demand or within one year RM'000	More than one year and less than two years RM'000	More than two years and less than five years RM'000	
Financial liabilities:				
Trade and other payables (exclude provisions)	258,867	-	-	258,867
Borrowings	138,460	37,825	252,026	428,311
Lease liabilities	4,358	1,175	2,390	7,923
Total undiscounted financial liabilities	401,685	39,000	254,416	695,101

Group	31 December 2022			Total RM'000
	On demand or within one year RM'000	More than one year and less than two years RM'000	More than two years and less than five years RM'000	
Financial liabilities:				
Trade and other payables (exclude provisions)	235,598	-	-	235,598
Borrowings	285,221	25,738	353,721	664,680
Lease liabilities	2,851	1,259	2,942	7,052
Total undiscounted financial liabilities	523,670	26,997	356,663	907,330

NOTES TO THE FINANCIAL STATEMENT

34. FINANCIAL RISK MANAGEMENT (CONT'D.)

(d) Liquidity risk (cont'd.)

Company	31 December 2023			
	On demand or within one year RM'000	More than one year and less than two years RM'000	More than two years and less than five years RM'000	Total RM'000
Financial liabilities:				
Other payables (exclude provisions)	20,988	-	-	20,988
Due to subsidiaries	264,661	-	-	264,661
Lease liabilities	2,879	-	-	2,879
Total undiscounted financial liabilities	288,528	-	-	288,528

Company	31 December 2022			
	On demand or within one year RM'000	More than one year and less than two years RM'000	More than two years and less than five years RM'000	Total RM'000
Financial liabilities:				
Other payables (exclude provisions)	11,142	-	-	11,142
Due to subsidiaries	446,752	-	-	446,752
Lease liabilities	1,072	5	-	1,077
Total undiscounted financial liabilities	458,966	5	-	458,971

There have been no material changes to the Group's and the Company's exposure to the above financial risks or the manner in which it manages and measures the risks for the financial years ended 31 December 2023 and 31 December 2022.

PROPERTY OWNED BY THE GROUP

AS AT 29 MARCH 2024

The details of land and buildings owned by the Group are set out below:

Location	Description	Existing Use	Date of issuance of CCC (1) or equivalent	Built-up area/Land area (Sq. Metres)	Restriction in interest	Net Book Value	Revaluation date
<p>Velesto Oilfield Services (Tianjin) Co. Limited ("VOS-TJ")</p> <p>Jin Kai (Gua) No. 2010010, West Zone of Tianjin Development Zone, to the north of South Street and Greenbelt, to the south of Zhongnan fourth Street, to the east of Planning Use Land, and to the west of Xiaqing Road and Greenbelt, People's Republic of China</p> <p>No. 101, Central South Fourth Street, Tianjin Economic-Technological Development Area West Zone, 300462 Tianjin, People's Republic of China</p> <p>Leasehold for a period of 50 years, expiring on 2061</p>	<p>Industrial land comprising a detached factory (including warehouse, workshop, administration office and restroom), a guard house and a 3-storey research and development building (including canteen, exhibition room, meeting room, research room and office)</p>	Currently used as the operating base for VOS-TJ's business	25 June 2013 Refer to note ⁽²⁾	6,564/13,909	Nil	<p>RMB2,032,463 (RM1,316,426) (Land)</p> <p>RMB18,434,142 (RM11,939,794) (Building)</p> <p>Refer to note ⁽³⁾</p>	28 December 2018

NOTES:

- (1) Certificate of completion and compliance or certificate of fitness for occupation issued by the local authorities.
- (2) Property Ownership and Land Use Right Certificate ("POLUR Certificate") dated 25 June 2013 issued by the Tianjin Municipal People's Government and the Land Resources and Property Administration Bureau of Tianjin to VOS-TJ.
- (3) Based on the rate of RMB1 = RM0.6477 as at 31 December 2023.

STATISTICS ON SHAREHOLDINGS

AS AT 29 MARCH 2024

Issued Shares of the Company : 8,215,600,000
 Class of Shares : Ordinary Shares
 Voting Rights : One (1) vote per ordinary share on a poll
 Number of Shareholders : 29,185

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders		Total No. of Shareholders		No. of Issued Shares		Total No. of Issued Shares	
	Malaysian	Foreigner	No.	%	Malaysian	Foreigner	No.	%
Less than 100	1,004	33	1,037	3.55	25,337	784	26,121	0.00
100 - 1,000	3,801	64	3,865	13.24	2,302,236	32,175	2,334,411	0.03
1,001 - 10,000	12,187	150	12,337	42.27	63,270,698	677,079	63,947,777	0.78
10,001 - 100,000	9,671	170	9,841	33.72	351,857,418	5,847,142	357,704,560	4.35
100,001 to less than 5% of issued shares	1,967	136	2,103	7.21	3,235,218,540	1,127,386,126	4,362,604,666	53.10
5% and above of issued shares	2	0	2	0.01	3,428,982,465	0	3,428,982,465	41.74
Total	28,632	553	29,185	100	7,081,656,694	1,133,943,306	8,215,600,000	100

CATEGORY OF SHAREHOLDERS

Category	No. of Shareholders			No. of Issued Shares			% of Issued Shares		
	Bumiputra	Non-Bumiputra	Foreign	Bumiputra	Non-Bumiputra	Foreign	Bumiputra	Non-Bumiputra	Foreign
Individual	5,236	17,345	286	110,641,925	675,108,507	20,833,078	1.35	8.22	0.25
Body Corporate									
A) Banks / Finance Companies	30	5	1	4,347,726,175	15,555,114	162,000	52.92	0.19	0.00
B) Investments Trusts / Charities	6	2	0	47,639	102,231	0	0.00	0.00	0.00
C) Industrial and Commercial Companies	39	110	6	5,584,011	15,099,920	27,533,966	0.07	0.18	0.34
Government Agencies / Institutions	1	0	0	13,407	0	0	0.00	0.00	0.00
Nominees	3,863	1,992	260	756,466,804	1,155,295,982	1,085,414,262	9.21	14.06	13.21
Others	0	3	0	0	14,979	0	0.00	0.00	0.00
Total	9,175	19,457	553	5,220,479,961	1,861,176,733	1,133,943,306	63.54	22.65	13.80

STATISTICS ON SHAREHOLDINGS

AS AT 29 MARCH 2024

30 LARGEST SHAREHOLDERS

(Without aggregating securities from different securities accounts belonging to the same person)

No.	Holders	No. of Shares	%
1.	AMANAHRAYA TRUSTEES BERHAD AMANAHA SAHAM BUMIPUTERA	2,844,917,970	34.63
2.	PERMODALAN NASIONAL BERHAD	584,064,495	7.11
3.	AMANAHRAYA TRUSTEES BERHAD AMANAHA SAHAM MALAYSIA	323,000,000	3.93
4.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN. BHD. (1)	251,428,680	3.06
5.	AMANAHRAYA TRUSTEES BERHAD AMANAHA SAHAM MALAYSIA 2 - WAWASAN	234,000,000	2.85
6.	AMANAHRAYA TRUSTEES BERHAD AMANAHA SAHAM BUMIPUTERA 3 - DIDIK	151,856,503	1.85
7.	HSBC NOMINEES (ASING) SDN BHD J.P. MORGAN SECURITIES PLC	133,922,977	1.63
8.	CARTABAN NOMINEES (ASING) SDN BHD BBH (LUX) SCA FOR FIDELITY FUNDS PACIFIC	94,672,500	1.15
9.	CITIGROUP NOMINEES (ASING) SDN BHD UBS AG	81,675,272	0.99
10.	AMANAHRAYA TRUSTEES BERHAD AMANAHA SAHAM BUMIPUTERA 2	71,500,000	0.87
11.	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	65,831,112	0.80
12.	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	60,415,127	0.74
13.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD.	59,578,600	0.73
14.	CARTABAN NOMINEES (ASING) SDN BHD BBH (LUX) SCA FOR FIDELITY ASIAN SMALLER COMPANIES POOL (FIDELITY FUNDS)	58,082,700	0.71
15.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MANULIFE INVESTMENT SHARIAH PROGRESS FUND	56,355,300	0.69
16.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ABERDEEN)	51,648,400	0.63
17.	CARTABAN NOMINEES (ASING) SDN BHD BBH (LUX) SCA FOR FIDELITY FUNDS ASEAN	43,722,600	0.53
18.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR PERTUBUHAN KESELAMATAN SOSIAL (AFF HWG6939-403)	41,382,600	0.50
19.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LEEF)	41,081,000	0.50

STATISTICS ON SHAREHOLDINGS

AS AT 29 MARCH 2024

No.	Holders	No. of Shares	%
20.	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR MANULIFE INVESTMENT - HW FLEXI FUND (270519)	39,096,100	0.48
21.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHOW CHEE KEONG	36,800,000	0.45
22.	AMANAHRAYA TRUSTEES BERHAD PMB SHARIAH GROWTH FUND	36,000,000	0.44
23.	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD CIMB ISLAMIC TRUSTEE BERHAD - KENANGA SYARIAH GROWTH FUND	34,565,400	0.42
24.	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD FIDUCIARY TRUST COMPANY INSTITUTIONAL TOTAL INTERNATIONAL STOCK MARKET INDEX TRUST II	33,167,900	0.40
25.	MAYBANK NOMINEES (TEMPATAN) SDN BHD NATIONAL TRUST FUND (IFM AHAM) (410195)	32,868,400	0.40
26.	HSBC NOMINEES (ASING) SDN BHD MORGAN STANLEY & CO. INTERNATIONAL PLC (FIRM A/C)	32,861,633	0.40
27.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CACEIS BANK (LUX BR-UCITSCLT)	32,834,000	0.40
28.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN. BHD. (AHAM AM 2)	32,640,900	0.40
29.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PETROLIAM NASIONAL BERHAD (ACF-KENANGA-EQ)	31,195,000	0.38
30.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR AHAM SELECT BALANCED FUND	30,637,300	0.37
Total		5,621,802,469	68.43

STATISTICS ON
SHAREHOLDINGS

AS AT 29 MARCH 2024

SUBSTANTIAL SHAREHOLDERS

As per the register of substantial shareholders

Substantial Shareholder	No. of Shares Held			
	Direct Interest	%	Indirect /Deemed Interest	%
Amanahraya Trustees Berhad Amanah Saham Bumiputera	2,844,917,970	34.63		
Permodalanan Nasional Berhad	584,064,495	7.11		
Yayasan Pelaburan Bumiputra*			584,064,495	7.11

* Yayasan Pelaburan Bumiputra is deemed to have indirect interests through its shareholding of 100% less one share of Permodalan Nasional Berhad by virtue of Section 8(4) of the Companies Act 2016

DIRECTORS' INTERESTS

As at 29 March 2024, the shareholdings of the Directors (both direct and indirect) in the Company are shown below:

No.	Directors	No. of Shares Held			
		Direct Interest	%	Deemed Interest	%
1.	Mohd Rashid Mohd Yusof	0	0.00	0	0.00
2.	Rowina Ghazali Seth	0	0.00	0	0.00
3.	Haida Shenny Hazri	0	0.00	0	0.00
4.	Ir. Dr. Mohd Shahreen Zainoreen Madros	0	0.00	0	0.00
5.	Datuk George Ling Kien Sing	2,370,000	0.03	0	0.00
6.	Ir. Ts. Megat Zariman Abdul Rahim	0	0.00	0	0.00
7.	Ar Ahila Ganesan	0	0.00	0	0.00
8.	Fadzihan Abbas Mohamed Ramlee	0	0.00	0	0.00
9.	Alan Hamzah Sendut	0	0.00	0	0.00
10.	Nadzrin Alia Md Azizis (Alternate Director to Fadzihan Abbas Mohamed Ramlee)	0	0.00	0	0.00

The above information was extracted from Record of Depositories on 29 March 2024.

STATISTICS ON WARRANT HOLDINGS

AS AT 29 MARCH 2024

Issued Warrants of the Company : 1,513,399,754

ANALYSIS BY SIZE OF HOLDINGS

Size of Warrant Holdings	No. of Warrant Holders		Total No. of Warrant Holders		No. of Issued Warrants		Total No. of Issued Warrants	
	Malaysian	Foreigner	No.	%	Malaysian	Foreigner	No.	%
Less than 100	175	9	184	3.89	8,461	321	8,782	0.00
100 - 1,000	409	5	414	8.75	225,760	2,283	228,043	0.02
1,001 - 10,000	1,555	21	1,576	33.30	7,845,973	73,268	7,919,241	0.52
10,001 - 100,000	1,734	22	1,756	37.11	74,171,478	987,907	75,159,385	4.97
100,001 to less than 5% of issued warrants	790	10	800	16.91	451,185,028	38,802,416	489,987,444	32.38
5% and above of issued warrants	2	0	2	0.04	940,096,859	0	940,096,859	62.11
Total	4,665	67	4,732	100	1,473,533,559	39,866,195	1,513,399,754	100

CATEGORY OF WARRANT HOLDERS

Category	No. of Warrant Holders			No. of Issued Warrants			% of Issued Warrants		
	Bumiputra	Non-Bumiputra	Foreign	Bumiputra	Non-Bumiputra	Foreign	Bumiputra	Non-Bumiputra	Foreign
Individual	1,402	2,147	36	130,439,297	259,949,245	1,461,918	8.62	17.18	0.10
Body Corporate									
A) Banks / Finance Companies	8	1	0	943,170,959	4,350,300	0	62.32	0.29	0.00
B) Investments Trusts / Foundations / Charities	1	0	0	3,500	0	0	0.00	0.00	0.00
C) Industrial and Commercial Companies	6	24	0	211,250	1,757,996	0	0.01	0.12	0.00
Government Agencies / Institutions	0	0	0	0	0	0	0.00	0.00	0.00
Nominees	727	349	31	86,572,245	47,078,767	38,404,277	5.72	3.11	2.54
Others	0	0	0	0	0	0	0.00	0.00	0.00
Total	2,144	2,521	67	1,160,397,251	313,136,308	39,866,195	76.67	20.69	2.63

STATISTICS ON WARRANT HOLDINGS

AS AT 29 MARCH 2024

30 LARGEST HOLDERS

(Without aggregating securities from different securities accounts belonging to the same person)

No.	Holders	No. of Warrants	%
1.	AMANAHRAYA TRUSTEES BERHAD AMANAHA SAHAM BUMIPUTERA	652,687,400	43.13
2.	PERMODALAN NASIONAL BERHAD	287,409,459	18.99
3.	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	20,487,189	1.35
4.	WONG TOW FOCK	20,000,000	1.32
5.	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	12,999,819	0.86
6.	MAYBANK NOMINEES (TEMPATAN) SDN BHD MOHD ISA BIN OTHMAN	9,000,000	0.59
7.	CHOO WING KONG	8,000,000	0.53
8.	WONG WAI HONG	6,751,700	0.45
9.	LOH SIEW HOOI	6,700,000	0.44
10.	MOHD SAFIRAN BIN SAID	6,480,000	0.43
11.	LEE YIH LEANG	6,000,000	0.40
12.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEE CHEN WAH	5,500,000	0.36
13.	KOK HON SENG	4,400,000	0.29
14.	CGS INTERNATIONAL SECURITIES MALAYSIA SDN BHD IVT (CZR) LIM CHEE YEE	4,350,300	0.29
15.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOK KAH HOONG (E-SJA)	4,070,000	0.27
16.	ABU BAKAR BIN FAKHRURRAZI	3,830,000	0.25
17.	SEE SOON BENG	3,821,000	0.25
18.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEO ENG TEE	3,761,800	0.25
19.	CGS INTERNATIONAL NOMINEES MALAYSIA (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YOONG SIN KUEN (MY1568)	3,525,000	0.23
20.	MUHAMMAD SYAFIQ BIN ISHAK	3,515,600	0.23
21.	CHONG SEE YOONG	3,500,000	0.23
22.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEO SEE HUEY	3,500,000	0.23
23.	SOO KOK AIK	3,420,000	0.23
24.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KAH ING (E-KLG/TSK)	3,300,000	0.22
25.	JANNAH BINTI SALEHUN	3,050,000	0.20
26.	HENG SUE CHIN	3,000,000	0.20
27.	WONG AH YONG	3,000,000	0.20
28.	KAISAWAN A/L LACHIPI	2,850,000	0.19
29.	SYAKIRAH BINTI MUCHLISH	2,850,000	0.19
30.	WAN AHMAD RAFIUDDIN BIN WAN MOHAMMAD	2,800,000	0.19
Total		1,104,559,267	72.99

STATISTICS ON WARRANT HOLDINGS

AS AT 29 MARCH 2024

SUBSTANTIAL HOLDERS

As per the register of substantial Warrant Holders

Substantial Holders	No. of Warrants Held			
	Direct Interest	%	Indirect /Deemed Interest	%
Amanahraya Trustees Berhad Amanah Saham Bumiputera	652,687,400	43.13		
Permodalanan Nasional Berhad	287,409,459	18.99		

DIRECTORS' INTERESTS

As at 29 March 2024, the warrants of the Directors (both direct and indirect) in the Company are shown below:

No.	Directors	No. of Warrants Held			
		Direct Interest	%	Deemed Interest	%
1.	Mohd Rashid Mohd Yusof	0	0.00	0	0.00
2.	Rowina Ghazali Seth	0	0.00	0	0.00
3.	Haida Shenny Hazri	0	0.00	0	0.00
4.	Ir. Dr. Mohd Shahreen Zainoreen Madros	0	0.00	0	0.00
5.	Datuk George Ling Kien Sing	0	0.00	0	0.00
6.	Ir. Ts. Megat Zariman Abdul Rahim	0	0.00	0	0.00
7.	Ar. Ahila Ganesan	0	0.00	0	0.00
8.	Fadzihan Abbas Mohamed Ramlee	0	0.00	0	0.00
9.	Alan Hamzah Sendut	0	0.00	0	0.00
10.	Nadzrin Alia Md Azizis (Alternate Director to Fadzihan Abbas Mohamed Ramlee)	0	0.00	0	0.00

The above information was extracted from Record of Depositories on 29 March 2024.

NOTICE OF 14TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 14th Annual General Meeting ("**AGM**") of Velesto Energy Berhad (the "**Company**") will be conducted entirely through live streaming from the broadcast venue at Ballroom, Level 2, Aloft KL Sentral, 5, Jalan Stesen Sentral, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia on Thursday, 30 May 2024 at 2.00 p.m. for the following business:

AS ORDINARY BUSINESS

- To receive the Audited Financial Statements for the financial year ended 31 December 2023 and the Reports of the Directors and Auditors thereon.
(Please refer to Explanatory Note A).

- To re-elect the following Directors retiring by rotation in accordance with Clause 96 of the Company's Constitution and being eligible, have offered themselves for re-election:
 - Ir. Dr. Mohd Shahreen Zainooreen Madros
 - Datuk George Ling Kien Sing
 (Please refer to Explanatory Note B).

Ordinary Resolution 1
Ordinary Resolution 2

- To re-elect the following Directors retiring in accordance with Clause 103 of the Company's Constitution and being eligible, have offered themselves for re-election:
 - Fadzihan Abbas Mohamed Ramlee
 - Alan Hamzah Sendut
 (Please refer to Explanatory Note B).

Ordinary Resolution 3
Ordinary Resolution 4

- To approve the Directors Fees in accordance with the Remuneration Policy and Procedures for Non-Executive Directors of the Company, with effect from this 14th AGM until the conclusion of the next AGM of the Company in 2025:

Ordinary Resolution 5

	Non-Executive Chairman	Non-Executive Directors
	Ringgit Malaysia/per annum	
Directors' Fees	185,000	132,500
Directors' Fees for Board Audit Committee	18,000	12,000
Directors' Fees for Board Nomination & Remuneration Committee	18,000	12,000
Directors' Fees for Board Risk Management Committee (*which is to be reconstituted as Board Governance & Risk Committee)	18,000	12,000
Directors' Fees for Board Whistle-Blowing Committee up to the date of the committee retirement	18,000	12,000
Directors' Fees for the new committee overseeing Wawasan 2030	18,000	12,000

(each of the foregoing payments being exclusive of the other)
(Please refer to Explanatory Note C).

- To approve the benefits payable to the Non-Executive Chairman and Non-Executive Directors of an amount up to RM680,000 comprising of allowances, benefits-in-kind and other emoluments payable to them, from this 14th AGM until the conclusion of the next AGM of the Company in 2025:

Ordinary Resolution 6

	Non-Executive Chairman (Board)	Non-Executive Chairman (Board Committee)	Non-Executive Directors of the Board & Members of Board Committee
	Ringgit Malaysia/ per meeting attendance		
Meeting Allowances	2,000	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, personal accident insurance coverage, per diem and other claimable reimbursable expenses.

(Please refer to Explanatory Note D).

NOTICE OF 14TH ANNUAL GENERAL MEETING

5. To re-appoint Messrs. Ernst & Young PLT as Auditors of the Company for the year ending 31 December 2024 and to authorise the Board of Directors to determine their remuneration.
(Please refer to Explanatory Note E).
6. To transact any other ordinary business for which due notice has been given in accordance with provisions in the Company's Constitution.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a Member who shall be entitled to participate through live streaming this 14th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Clause 69 of the Company's Constitution and section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 23 May 2024. Only a depositor whose name appears in the General Meeting Record of Depositors as at 23 May 2024 shall be entitled to participate in this AGM or appoint a proxy to participate through live streaming and/or vote in his/her stead.

By Order of the Board,

LEE MI RYOUNG (MAICSA 7058423) SSM PC No. 201908002222

SAZLYNA SAPIEE (MIA19254) SSM PC No. 202108000032

Company Secretaries

Kuala Lumpur

30 April 2024

NOTES:

1. IMPORTANT NOTICE

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairperson of the meeting to be present at the main venue of the 14th AGM.

The Members/proxies WILL NOT BE ALLOWED to attend the 14th AGM in person at the Broadcast Venue on the day of the meeting. Therefore, shareholders are strongly advised to participate and vote remotely at the 14th AGM through live streaming and online remote voting using the Remote Participation and Voting ("RPV") facilities.

Members, proxies, attorneys or authorised representatives will have to register to participate (including posing questions to the Board via real time submission of typed texts) and vote in the 14th AGM remotely by using the RPV facilities provided by SSE Solutions Sdn. Bhd. via Securities Services ePortal's platform at <https://sshsb.net.my>. Please follow the Procedures for RPV in the 14th AGM Administrative Guide and take note of procedure in order to participate remotely via RPV.

2. A member of the Company entitled to participate through live streaming and vote remotely at this 14th AGM may appoint a proxy or proxies to attend through live streaming and vote remotely in his/her stead. A proxy may but need not be a member of the Company. Where there is more than one proxy, the member shall specify the proportion of his/her holdings to be represented by each proxy, failing which the appointment shall be invalid.
3. Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (Omnibus Account), there is no limit to the number of proxies which the said nominee may appoint in respect of each omnibus account it holds.
4. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), he/she may appoint a proxy in respect of each securities account he/she holds with ordinary shares of the Company standing to the credit of the said securities account. Every appointment submitted by an authorised nominee as defined under the SICDA, must specify the CDS Account Number. The instrument appointing a proxy must be in writing under the hands of the appointer or his/her attorney duly authorised in writing or, if such appointer is a corporation, under its common seal or that of an officer or attorney duly authorised. If the Proxy Form is signed by the officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received". If the Proxy Form is signed by the attorney duly authorised, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A certified true copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with the Proxy Form. Failure to comply with the above requirement would result in the Proxy Form to be invalid.

NOTICE OF 14TH ANNUAL GENERAL MEETING

5. The Proxy Form together with the duly registered Power of Attorney referred to in Note 4 above, if any, in hardcopy form or by electronic means must be received by the Share Registrar no later than Tuesday, 28 May 2024 at 2.00 pm or at any adjournment thereof:
 - In Hardcopy Form
The Proxy Form shall be deposited at the Share Registrar's office, Securities Services (Holdings) Sdn Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, Malaysia.
 - By Electronic Means
The Proxy Form shall be electronically lodged via Securities Services ePortal's platform at <https://sshsb.net.my/> or by fax to +603-2094 9940 or by email to eservices@sshsb.com.my.
6. For the purpose of determining a member who shall be entitled to participate in this 14th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Clause 69 of the Company's Constitution and section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 23 May 2024. Only a depositor whose name appears in the General Meeting Record of Depositors as at 23 May 2024 shall be entitled to participate in the 14th AGM or appoint a proxy to attend and/or vote in his/her stead.
7. The resolutions set out in the Notice of the 14th AGM will be put to vote by poll in accordance with Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities.

EXPLANATORY NOTES TO THE RESOLUTIONS:

Explanatory Note A

This agenda item is intended for discussion only as section 340(1) (a) of the Act does not require a formal approval of the Shareholders for the Audited Financial Statements of the Company. Hence, this agenda is not put forward for voting.

Explanatory Note B

Clause 96 of the Company's Constitution expressly states that one-third (1/3) of the Directors for the time being or the number nearest to one-third with a minimum of one, shall retire from office at all AGM, PROVIDED ALWAYS all Directors shall retire from office at least once in every three (3) years. A retiring Directors shall be eligible to seek re-election.

Ir. Dr. Mohd Shahreen Zainooreen Madros and Datuk George Ling Kien Sing who are retiring by rotation in accordance with Clause 96 of the Company's Constitution and being eligible, have offered themselves for re-election at the 14th AGM.

Clause 103 of the Company's Constitution provides that any Director appointed during the year, shall hold office only until the next AGM and may seek for re-election. The Director shall not be taken into account in determining the Director retiring by rotation. Fadzihan Abbas Mohamed Ramlee and Alan Hamzah Sendut who both were appointed on 1 September 2023 and 2 February 2024 respectively, are standing for re-election as Directors and being eligible, have offered themselves for re-election at the 14th AGM.

Recommendation for Re-Election of Retiring Directors

For the financial year under review, the Board undertook a formal and objective annual evaluation to determine the effectiveness of the Board, its Board Committees as well as each of the individual director.

The Board Nomination and Remuneration Committee (BNRC) and the Board were satisfied that all the retiring directors have contributed positively to the overall performance of the Board and that in consideration of the wealth of experience which the retiring directors possess, they will continue to bring sound advice and valuable contributions to the Board deliberations through active participation and decision making by the Board.

All retiring directors, have abstained from deliberations and decisions on their own eligibility to stand for re-election at BNRC and Board (whichever is applicable) and will also abstain from deliberation and decision on re-election at this 14th AGM.

Both the BNRC and the Board recommended the re-election of Ir. Dr. Mohd Shahreen Zainooreen Madros, Datuk George Ling Kien Sing, Fadzihan Abbas Mohamed Ramlee and Alan Hamzah Sendut as the Directors of the Company, at this 14th AGM. In addition, Ir. Dr. Mohd Shahreen Zainooreen Madros, Datuk George Ling Kien Sing and Alan Hamzah Sendut, being the Independent Non-Executive Directors, have provided their annual declarations of independence to the Company.

NOTICE OF 14TH ANNUAL GENERAL MEETING

Explanatory Note C

Clause 105 of the Company's Constitution provides that the Directors' remuneration shall be determined by a fixed sum by an ordinary resolution of the Company in general meeting.

Section 230 (1) of the Act provides that the fees of directors and any benefits payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting.

The BNRC has appointed an independent firm of consultant ("Consultants") to conduct a Board Remuneration Review ("BRR") exercise in 2024 to review the remuneration framework of the existing Non-Executive Directors and its sufficiency to attract, incentivize and retain talents with optimum mixture of competencies, experiences and skills to serve on the Board and the Board Committees. The scope of the BRR carried out by the Consultants was based on the market analysis overview of top 150 listed entities based on market capitalization and sectorial analysis overview benchmarking against the Company's local peers in the energy sector. Pursuant to the findings of the BRR exercise, recommendation is made for the remuneration of the Non-Executive Directors be revised as follows:-

	Current Fees (per annum) (RM)		Revised Fees (per annum) (RM)	
	Chairman	Non-Executive Directors	Chairman	Non-Executive Directors
Directors' Fees	120,000	80,000	185,000	132,500
Directors' Fees for Board Audit Committee	15,000	10,000	18,000	12,000
Directors' Fees for Board Nomination and Remuneration Committee	15,000	10,000	18,000	12,000
Directors' Fees for Board Risk Management Committee (*which is to be reconstituted as Board Governance & Risk Committee)	15,000	10,000	18,000	12,000
* Directors' Fees for Board Whistle-Blowing Committee up to the date of the committee retirement	7,500	5,000	18,000	12,000
* Directors' Fees for the new committee overseeing Wawasan 2030	-	-	18,000	12,000

- * The Board had approved the establishment of a new Board Committee, to provide oversight over the projects and activities for Wawasan 2030, subject to its terms of reference, which would be named and approved by the Board after the 14th AGM of the Company. With the review of the Board Committees' responsibilities of the Company, Board Risk Management Committee would be reconstituted as 'Board Governance & Risk Committee' and in addition to its existing duties and responsibilities would take over the authority, duties and responsibilities of the Board Whistle-Blowing Committee subject to the revision of its terms of reference and the Board Whistle-Blowing Committee would be retired after the 14th AGM of the Company, subject to the date to be set by the Board.

NOTICE OF 14TH ANNUAL GENERAL MEETING

Explanatory Note D

With reference to the benefits payable to Non-Executive Chairman and Non-Executive Directors comprising meeting allowances are recommended to be revised as follows:-

Ringgit Malaysia Per Meeting Attendance	Current		Revised		
	Non-Executive Chairman of the Board and Committee	Non-Executive Directors of the Board & Members of the Board Committee	Non-Executive Chairman (Board)	Non-Executive Chairman (Board Committee)	Non-Executive Directors of the Board & Members of Board Committee
Meeting Allowances	1,500	1,000	2,000	1,500	1,000

For guidance on estimated amount of meeting allowances paid to the Non-Executive Chairman and other Non-Executive Directors for Board and Board Committee meetings held in the financial year ended 31 December 2023 are disclosed under the "Financial Statement" section of the Annual Report.

The benefits payable to Non-Executive Chairman and Non-Executive Directors from the 14th AGM until the conclusion of the next AGM in 2025 will be based on the Remuneration Policy & Procedures for Non-Executive Directors, and taking into account various factors including the number of scheduled meetings for Board and Board Committees, the number of Directors involved are based on consideration that they remain in office; and the changes with the establishment of a new Board Committee and changes in the scope of the Board Governance & Risk Committee ("BGRC") together with the proposed retirement of the Board Whistle-Blowing Committee, with its roles to be undertaken by BGRC. Other benefits-in-kind and other emoluments details are as provided in the ordinary resolution 6.

Any Non-Executive Directors who are shareholders of the Company will abstain from voting resolutions 5 and 6 concerning remuneration to the Non-Executive Directors at the 14th AGM.

A copy of the Remuneration Policy and Procedures for Non-Executive Directors is available at the Company's corporate website www.velesto.com.

Explanatory Note E

Pursuant to Section 271(4)(a) of the Act, the Shareholders are required to approve the re-appointment of Auditors who shall hold office until the conclusion of the next AGM and to authorise the Board of Directors' to determine their remuneration thereof. The present Auditors, Messrs. Ernst & Young PLT has indicated their willingness to continue its services for another year.

The Board Audit Committee and the Board have considered the re-appointment of Messrs. Ernst & Young PLT as Auditors of the Company, having undertaken an annual assessment of the suitability and independence of the external Auditors, have collectively agreed that Messrs. Ernst & Young PLT has met the relevant criteria prescribed by Paragraph 15.21 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Messrs. Ernst & Young PLT's re-appointment is subject to the approval of the Shareholders at the forthcoming AGM. If their appointment is approved, they shall hold office until the conclusion of the next AGM of the Company.

Annual Report 2023

The Annual Report 2023 is available under "Reports & Presentations" of the "Investor Relations" page on the Company's website at www.velesto.com and also on Bursa Malaysia's website at www.bursamalaysia.com under "Company Announcements" of the Listed Companies tab.

Any request for printed Annual Report 2023 will be sent to the requestor soonest possible from the date of receipt of request.

STATEMENT ACCOMPANYING NOTICE OF 14TH ANNUAL GENERAL MEETING

(PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD)

The details of the Directors' seeking re-election as per Agenda 2 and 3 of the Notice of the 14th Annual General Meeting is set out under Our Governance (Board of Directors) section of this Annual Report. The Directors' interests in the securities of the Company are disclosed under statistics on shareholdings and warrant holdings in pages 266 and 270 of this annual report.

Directors who are standing for re-election / re-appointment	
Ir. Dr. Mohd Shahreen Zainooreen Madros	<ul style="list-style-type: none"> No conflict of interest or potential conflict of interest or any family relationship with any Director and/or major shareholder of the Company. Has never been convicted for any offences for the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during FY2023. Ir. Dr. Mohd Shahreen Zainooreen Madros, Datuk George Ling Kien Sing and Alan Hamzah Sendut, being the Company's Independent Non-Executive Directors have provided their annual declaration of independence to the Company.
Datuk George Ling Kien Sing	
Fadzihan Abbas Mohamed Ramlee	
Alan Hamzah Sendut	

The Annual Report 2023 is available under "AGM/EGM Reports" of the "Investor Relations" page on the Company's website at www.velesto.com and on BURSA's website at www.bursamalaysia.com under "Company Announcements" of the Listed Companies tab.

PROXY FORM



I/We _____
(Name as per NRIC / Passport / Certificate of incorporation in capital letters)

with (New NRIC/Old NRIC/Passport/Company No.) _____ of _____

_____ (full address in capital letters)
being a member of **VELESTO ENERGY BERHAD (Registration No. 200901035667(878786-H))** (Company), do hereby appoint

* ☐ _____
(Name as per NRIC / Passport in capital letters)

with (New NRIC/Old NRIC/Passport/Company No.) _____ of _____

_____ (full address in capital letters)

or failing him/her,

* ☐ _____
(Name as per NRIC / Passport in capital letters)

with (New NRIC/Old NRIC/Passport/Company No.) _____ of _____

_____ (full address in capital letters)

or failing him/her,

* ☐ Chairman of the Meeting,

(* Please tick one (1) box only)

as my/our proxy to vote for me/us and on my/our behalf at the 14th Annual General Meeting ("AGM") of the Company which will be conducted entirely through live streaming from the **broadcast venue Ballroom, Level 2, Aloft KL Sentral, 5, Jalan Stesen Sentral, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia on Thursday, 30 May 2024 at 2.00 p.m.** or at any adjournment thereof.

My/Our proxy is to vote as indicated below:

(Please indicate with an "X" in the appropriate box against each resolution how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote at his/her discretion.)

ORDINARY RESOLUTIONS	FOR	AGAINST
To re-elect Ir. Dr. Mohd Shahreen Zainooreen Madros, whom retires in accordance with Clause 96 of the Company's Constitution and being eligible, offer himself for re-election. Ordinary resolution 1		
To re-elect Datuk George Ling Kien Sing, whom retires in accordance with Clause 96 of the Company's Constitution and being eligible, offer himself for re-election. Ordinary resolution 2		
To re-elect Fadzihan Abbas Mohamed Ramlee, whom retires in accordance with Clause 103 of the Company's Constitution and being eligible, offer himself for re-election. Ordinary resolution 3		
To re-elect Alan Hamzah Sendut, whom retires in accordance with Clause 103 of the Company's Constitution and being eligible, offer himself for re-election. Ordinary resolution 4		
To approve the payment of fees to the Non-Executive Chairman and Non-Executive Directors with effect from this 14 th AGM until the next AGM of the Company to be held in year 2025. Ordinary resolution 5		
To approve the benefits payable to the Non-Executive Chairman and Non-Executive Directors comprise of allowances, benefits-in-kind and other emoluments payable to them, from the 14 th AGM to the next AGM of the Company in 2025. Ordinary resolution 6		
To re-appoint Messrs. Ernst & Young PLT as Auditors of the Company for the financial year ending 31 December 2024 and to authorise the Board of Directors to determine their remuneration. Ordinary resolution 7		

Dated this ____ day of _____ 2024

Name of Member

(If the appointor is an attorney or a corporation please see Note 4 below)

Signature of Member(s) / Common Seal

CDS Account No.

Total number of ordinary shares held

Number of shares to be represented by each proxy

Proxy 1

Proxy 2

Notes:

1. The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting. Members WILL NOT BE ALLOWED to attend the 14th AGM in person at the Broadcast Venue on the day of the meeting. Members are to attend, participate (including posing questions to the Board) and vote remotely at the 14th AGM via the Remote Participation and Voting ("RPV") facilities provided by SS E Solutions Sdn. Bhd. via Securities Services ePortal's platform at <https://sshsb.net.my>. Please follow the procedures provided in the Administrative Guide for the AGM in order to register, participate and vote remotely via the RPV facilities.
2. A member of the Company entitled to participate through live streaming and vote remotely at this 14th AGM may appoint a proxy or proxies to attend through live streaming and vote remotely in his/her stead. A proxy may but need not be a member of the Company. Where there is more than one proxy, the member shall specify the proportion of his/her holdings to be represented by each proxy, failing which the appointment shall be invalid.
3. Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (Omnibus Account), there is no limit to the number of proxies which the said nominee may appoint in respect of each omnibus account it holds.
4. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 (SICDA), he/she may appoint a proxy in respect of each securities account he/she holds with ordinary shares of the Company standing to the credit of the said securities account. Every appointment submitted by an authorised nominee as defined under the SICDA, must specify the CDS Account Number. The instrument appointing a proxy must be in writing under the hands of the appointer or his/her attorney duly authorised in writing or, if such appointer is a corporation, under its common seal or that of an officer or attorney duly authorised. If the Proxy Form is signed by the officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received". If the Proxy Form is signed by the attorney duly authorised, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A certified true copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with the Proxy Form. Failure to comply with the above requirement would result in the Proxy Form to be invalid.

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THE REGISTRAR OF
VELESTO ENERGY BERHAD
Company No.: 200901035667 (878786-H)

AFFIX
STAMP
HERE

SECURITIES SERVICES (HOLDINGS) SDN. BHD.

Level 7, Menara Milenium Jalan Damanlela,
Pusat Bandar Damansara, Damansara Heights,
50490 Kuala Lumpur, Malaysia

2nd fold here

5. The Proxy Form together with the duly registered Power of Attorney referred to in Note 4 above, if any, in hardcopy form or by electronic means must be received by the Share Registrar no later than Tuesday, 28 May 2024 at 2.00 pm or at any adjournment thereof:
 - **In Hardcopy Form**
The Proxy Form shall be deposited at the Share Registrar's office, Securities Services (Holdings) Sdn Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, Malaysia.
 - **By Electronic Means**
The Proxy Form shall be electronically lodged via Securities Services ePortal's platform at <https://sshsb.net.my/> or by fax to +603-2094 9940 or by email to eservices@sshsb.com.my.
6. For the purpose of determining a member who shall be entitled to participate in this 14th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Clause 69 of the Company's Constitution and section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 23 May 2024. Only a depositor whose name appears in the General Meeting Record of Depositors as at 23 May 2024 shall be entitled to participate in the 14th AGM or appoint a proxy to attend and/or vote in his/her stead.
7. The resolutions set out in the Notice of the 14th AGM will be put to vote by poll in accordance with Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities.

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GLOSSARY

In this Annual Report the following words and abbreviations, unless stated otherwise, shall have the meanings ascribed below:

"Act" or "CA 2016"	Companies Act 2016 and shall include any amendments there to that may be made from time to time. The word "Act" and "CA 2016" may be used interchangeably
"ABC Policy"	Anti-Bribery and Corruption Policy
"AGM"	Annual General Meeting of the Company
"BAC"	Board Audit Committee
"BCM"	Business Continuity Management
"BCP"	Business Continuity Plan
"BEE"	Board Effectiveness Evaluation
"BNRC"	Board Nomination & Remuneration Committee
"Board Committee(s)"	Board Committee established by the Board
"Board" or "Board of Directors"	Board of Directors of the Company
"BRMC"	Board Risk Management Committee
"BURSA"	Bursa Malaysia Securities Berhad
"BWBC"	Board Whistle-Blowing Committee
"CCO"	Chief Commercial Officer
"CFO"	Chief Financial Officer
"CGGEH"	Corporate Gifts, Gifts, Entertainment and Hospitality
"CoBE"	Code of Business Conduct and Ethics
"Constitution"	Constitution of the Company
"CRM"	Corruption Risk Management
"CRR"	Corruption Risk Registers
"CSR"	Corporate Social Responsibility
"DCR"	Daily Charter Rate
"DD"	Directional Drilling
"Director"	Refers to individual director who is a member of the Board
"EBITDA"	Earnings Before Interest, Tax, Depreciation and Amortisation
"EES"	Employees Engagement Survey
"ERM"	Enterprise Risk Management
"EIA"	Environmental Impact Assessment
"ESOS"	Employees' Share Option Scheme
"ESG"	Environmental, Social and Governance
"EY"	Messrs Ernst & Young PLT
"E&P"	Exploration and Production
"FY"	Financial Year Ended
"F4GBM"	FTSE4Good Bursa Malaysia Index

GLOSSARY

"FY2023"	Financial year ended 31 December 2023
"GDP"	Gross Domestic Product
"GHG"	Greenhouse Gas
"GRI"	Global Reporting Initiative
"Government"	Government of Malaysia
"HiPots"	Velesto's High Potential Programme
"HOC"	HSE Observation Card
"HPHT"	High Pressure High Temperature
"HSE"	Health, Safety and Environment
"HWU"	Hydraulic Workover Unit
"IAD"	Internal Audit Division
"IADC"	International Association of Drilling Contractors
"IAR 2023"	Integrated Annual Report 2023
"ICAO"	International Civil Aviation Organisation
"ICDM"	Institute of Corporate Directors Malaysia
"IGU"	Integrity & Governance Unit
"INSTEP"	Institut Teknologi Petroleum PETRONAS
"INED"	Independent Non-Executive Directors
"IFRS"	International Financial Reporting Standards
"IR"	Investor Relations
"i-RDC"	Integrated Rig Drilling Services & Completion
"<IIRC>"	International Integrated Reporting Council
"<IR>"	Integrated Reporting
"JU"	Jack-Up Rig
"KPI"	Key Performance Indicators
"LTI"	Loss Time Incidents
"LWD"	Logging While Drilling
"MAC"	Management Audit Committee
"MACC"	Malaysian Anti-Corruption Commission
"Management"	Management of Velesto Group
"MCCG 2021"	Malaysian Code on Corporate Governance, published by Securities Commission on April 2021
"MD&A"	Management Discussion and Analysis
"MFRS"	Malaysian Financial Reporting Standards
"MMLR"	Main Market Listing Requirements issued by Bursa Malaysia Securities Berhad, and shall include any amendments thereto that may be made from time to time

GLOSSARY

"MIA"	Malaysian Institute of Accountants
"MOU"	Memorandum of Understanding
"MWD"	Measurement While Drilling
"NED"	Non-Executive Directors
"NETR"	National Energy Transition Roadmap
"NINED"	Non-Independent Non-Executive Directors
"Notice"	Notice of this AGM
"OCTG"	Oil Country Tubular Goods
"OFS"	Oilfield Services
"OPEC"	Organization of the Petroleum Exporting Countries
"OPEC+"	Organization of the Petroleum Exporting Countries Plus
"OSH"	Occupational Safety and Health
"P&A"	Plug and Abandonment
"PAO"	PETRONAS Activity Outlook
"PCSB"	PETRONAS Carigali Sdn Bhd
"PPE"	Personal Protective Equipment
"QHSE"	Quality, Health, Safety and Environmental
"RAP"	Risk Action Plan
"RE"	Renewable Energy
"RMC"	Risk Management Committee
"RPMS"	Rig Power Management System
"RPV"	Remote Participation and Voting Facilities
"SASB"	Sustainability Accounting Standards Board
"SC"	Securities Commission Malaysia
"SEA"	South East Asia
"SEDC"	Sarawak Economic Development Corporation
"Senior Management"	Senior officers of Velesto Group who are members of the Management Committee
"SLP"	Safety Leadership Programme
"SOP"	Standard Operating Procedures
"SORMIC"	Statement on Risk Management and Internal Control
"SS2023"	Sustainability Statement 2023
"SMC"	Sustainability Management Committee
"SSM"	Suruhanjaya Syarikat Malaysia
"STEM"	Science, Technology, Engineering and Maths
"SWG"	Sustainability Working Group

GLOSSARY

"TC"	Tender Committee
"TCFD"	Task Force on Climate-related Financial Disclosures
"TDS"	Top Drive System
"TJ"	Terajoules
"TOR"	Terms of Reference
"TRCF"	Total Recordable Case Frequency
"UNSDGs"	United Nations Sustainability Development Goals
"VACP"	Velesto Anti-Corruption Plan
"VDA"	Velesto Drilling Academy
"VDPx"	Vendor Development Programme
"Velesto Group" or "the Group"	Collectively, Velesto and its subsidiaries
"Velesto" or "Company"	Velesto Energy Berhad, Registration No. 200901035667 (878786-H) a company incorporated in Malaysia and having its registered office at Level 18, Block 3A, Plaza Sentral, Jalan Stesen Sentral 5, 50470, Kuala Lumpur. The word "Velesto" and "Company" may be used interchangeably
"VIDA"	Velesto-INSTEP Drilling Academy (A collaboration between Velesto Drilling Academy Sdn Bhd and Institut Teknologi Petroleum PETRONAS)
"VRF"	Value Reporting Foundation
"VTC"	Velesto Talent Council
"VTS"	Velesto Trainee Scheme
"WFH"	Work From Home

In this Annual Report, words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter gender and vice versa. Reference to persons shall include corporation, unless stated otherwise.

ADMINISTRATIVE GUIDE

14TH ANNUAL GENERAL MEETING (AGM) OF VELESTO ENERGY BERHAD (the Company)

VELESTO
energy

VELESTO ENERGY BERHAD

Registration No.: 200901035667 (878786-H)

Date : Thursday, 30 May 2024

Time : 2:00 p.m.

Broadcast Venue : Ballroom, Level 2, Aloft KL Sentral, 5, Jalan Stesen Sentral, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia

VIRTUAL MEETING

The 14th AGM of the Company will be conducted entirely through live streaming from the Broadcast Venue.

As the Broadcast Venue is for the purpose of complying with Section 327(2) of the Companies Act, 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting. Shareholders/proxies **WILL NOT BE ALLOWED** to attend the 14th AGM in person at the Broadcast Venue on the day of the meeting.

As no Shareholders should be physically present at the Broadcast Venue, we request Shareholders to attend and vote at the 14th AGM remotely via the RPV facilities, provided by SS E Solutions Sdn. Bhd. via Securities Services ePortal's platform at <https://sshsb.net.my/>

PROCEDURES FOR RPV

Shareholders, proxies, corporate/authorised representatives or attorneys who wish to participate the AGM remotely using the RPV facilities are to follow the requirements and procedures as summarized below:-

BEFORE THE MEETING

(A) Sign up for a user account at Securities Services e-Portal

Only if you are not an existing registered user

(B) Register for Remote Participation

Where you wish to participate remotely at the meeting

or

(C) Submit e-Proxy Form

Where you wish to appoint proxy(ies) to participate remotely on your behalf (you may also submit the hard copy Proxy Form)

ON THE DAY OF THE MEETING

(A) Sign up for a user account at Securities Services e-Portal

Only if you are not an existing registered user

(D) Join the LIVE Stream Meeting (eLive)

and

(E) Vote Online Remotely during the Meeting (eVoting)

BEFORE THE MEETING

(A) Sign up for a user account at Securities Services e-Portal

- Step 1 : Visit <https://sshsb.net.my/>
 Step 2 : Sign up for a user account
 Step 3 : Wait for our notification email that will be sent within one (1) working day
 Step 4 : Verify your user account within seven (7) days of the notification email and log in

- We require 1 working day to process all user sign-ups. If you do not have a user account with the e-Portal, you will need to sign up for a user account by the deadlines stipulated below.
- Your registered email address is your User ID.

To register for the meeting under (B) and to submit e-Proxy Form under (C) below, please sign up for a user account by 26 MAY 2024, failing which you may only be able to submit the hard copy proxy form. This is a ONE-TIME sign up only. If you already have a user account, please proceed to either (B) or (C) below.

(B) Register for Remote Participation at the Meeting

- Log in to <https://sshsb.net.my/> with your registered email and password.
- Look for **Velesto Energy Berhad** under Company Name and **14th AGM on 30 May 2024 at 2:00 p.m. – Registration for Remote Participation** under Event and click ">" to register for remote participation at the meeting.

Step 1 Check if you are attending as –

- Individual shareholder
- Corporate or authorised representative of a body corporate

For body corporates, the appointed corporate / authorised representative has to upload the evidence of authority (e.g. Certificate of Appointment of Corporate Representative, Power of Attorney, letter of authority or other documents proving authority). All documents that are not in English or Bahasa Malaysia have to be accompanied by a certified translation in English in 1 file. The original evidence of authority and translation thereof, if required, have to be submitted at the Office of Share Registrar, Securities Services (Holdings) Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan for verification before the registration closing date and time above.

Step 2 Submit your registration.

- All shareholders must register for remote participation at the meeting and are highly encouraged to register as early as possible and before the elive access date and time [see (D) below] in order to ensure timely access to the meeting. Access shall be granted only to eligible shareholders in accordance with the General Meeting Record of Depositors as at 23 May 2024.
- A copy of your e-Registration for remote participation can be accessed via **My Records** (refer to the left navigation panel).
- Your registration will apply to all **the CDS account(s)** of each individual shareholder / body corporate shareholder that you represent. If you are both an individual shareholder and representative of body corporate(s), you need to register as an individual and also as a representative for each body corporate.
- As the meeting will be conducted on a virtual basis, we highly encourage all shareholders to remotely participate and vote at the meeting, failing which, please appoint the Chairman of the meeting as proxy or your own proxy(ies) to represent you.

(C) Submit e-Proxy Form

Meeting Date and Time	Proxy Form Submission Closing Date and Time
Thursday, 30 May 2024 at 2:00 p.m.	Tuesday, 28 May 2024 at 2:00 p.m.

- Log in to <https://sshb.net.my/> with your registered email and password.
- Look for Velesto Energy Berhad under Company Name and 14th AGM on 30 May 2024 at 2:00 p.m. – Submission of Proxy Form under Event and click ">" to submit your proxy forms online for the meeting by the submission closing date and time above.

Step 1 Check if you are submitting the proxy form as –

- Individual shareholder
- Corporate or authorised representative of a body corporate:

For body corporates, the appointed corporate / authorised representative is to upload the evidence of authority (e.g. Certificate of Appointment of Corporate Representative, Power of Attorney, letter of authority or other documents proving authority). All documents that are not in English or Bahasa Malaysia have to be accompanied by a certified translation in English in 1 file. The original evidence of authority and translation thereof, if required, have to be submitted at the Office of Share Registrar, Securities Services (Holdings) Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damansara, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan for verification before the proxy form submission closing date and time above.

Step 2 Enter your CDS account number or the body corporate's CDS account number. Then enter the information of your proxy(ies) and the proportion of your securities to be represented by your proxy(ies).

You may appoint the Chairman of the meeting as your proxy where you are not able to participate remotely.

Step 3 Proceed to indicate how your votes are to be casted against each resolution.

Step 4 Review and confirm your proxy form details before submission.

- A copy of your submitted e-Proxy Form can be accessed via My Records (refer to the left navigation panel).
- You need to submit your e-Proxy Form for every CDS account(s) you have or represent.

PROXIES

All appointed proxies need not register for remote participation under (B) above but if they are not registered users of the e-Portal, they will need to sign up as users of the e-Portal under (A) above by 26 May 2024. PLEASE NOTIFY YOUR PROXY(IES) ACCORDINGLY. Upon processing the proxy forms, we will grant the proxy access to remote participation at the meeting to which he/she is appointed for instead of the shareholder, provided the proxy must be a registered user of the e-Portal, failing which, the proxy will not be able to participate at the meeting as the meeting will be conducted on a virtual basis.

ON THE DAY OF THE MEETING

Log in to <https://sshb.net.my/> with your registered email and password

(D) Join the Live Stream Meeting (eLive)

Meeting Date and Time	eLive Access Date and Time
Thursday, 30 May 2024 at 2:00 p.m.	Thursday, 30 May 2024 at 1:00 p.m.

- Look for **Velesto Energy Berhad** under Company Name and **14th AGM on 30 May 2024 at 2:00 p.m. – Live Stream Meeting** under Event and click ">" to join the meeting.
- The access to the live stream meeting will open on the abovementioned date and time.
- If you have any questions to raise, you may use the text box to transmit your question. The Chairman / Board / Management / relevant adviser(s) will endeavour to broadcast your question and their answer during the meeting. Do take note that the quality of the live streaming is dependent on the stability of the internet connection at the location of the user.

(E) Vote Online Remotely during the Meeting (eVoting)

Meeting Date and Time	eVoting Access Date and Time
Thursday, 30 May 2024 at 2:00 p.m.	Thursday, 30 May 2024 at 2:00 p.m.

- If you are already accessing the Live Stream Meeting, click Proceed to Vote under the live stream player.
OR
- If you are not accessing from the Live Stream Meeting and have just logged in to the e-Portal, look for **Velesto Energy Berhad** under Company Name and **14th AGM on 30 May 2024 at 2:00 p.m. – Remote Voting** under Event and click ">" to remotely cast and submit the votes online for the resolutions tabled at the meeting.

Step 1 Cast your votes by clicking on the radio buttons against each resolution.

Step 2 Review your casted votes and confirm and submit the votes.

- The access to eVoting will open on the abovementioned date and time.
- Your votes casted will apply throughout all the CDS accounts you represent as an individual shareholder, corporate / authorised representative and proxy. Where you are attending as a proxy, and the shareholder who appointed you has indicated how the votes are to be casted, we will take the shareholder's indicated votes in the proxy form.
- The access to eVoting will close as directed by the Chairman of the meeting.
- A copy of your submitted e-Voting can be accessed via **My Records** (refer to the left navigation panel).

APPOINTMENT OF PROXY

1. If a shareholder is unable to participate at the AGM via the RPV facilities, he/she may appoint not more than two (2) proxies to participate, speak and vote on his/her behalf. He/she may also appoint the Chairman of the Meeting as his/her proxy and indicate the voting instructions in the proxy form.
2. If you wish to participate at the AGM yourself, please do not submit any proxy form. A shareholder will not be allowed to participate at the AGM together with his/her proxy/proxies.
3. The Proxy Form together with the duly registered Power of Attorney, if any, in hardcopy form or by electronic means is to be deposited/lodged in the following manner and must be received by the Company no later than Tuesday, 28 May 2024 at 2:00 pm or at any adjournment thereof:

(i) In Hardcopy Form

The proxy form shall be deposited at the Share Registrar's office, Securities Services (Holdings) Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, Malaysia.

(ii) By Electronic Means

The proxy form shall be electronically lodged via Securities Services ePortal's platform at <https://sshsb.net.my/> or by fax to +603-2094 9940 or by email to eservices@sshsb.com.my.

4. If you have submitted your proxy form and subsequently decide to appoint another person or wish to participate personally in the AGM, please write in to eservices@sshsb.com.my no later than Tuesday, 28 May 2024 at 2:00 p.m. to revoke the earlier appointed proxy.

PRE-MEETING SUBMISSION OF QUESTION TO THE BOARD OF DIRECTORS

1. Shareholders that wish to post questions can email their questions to eservices@sshsb.com.my no later than Tuesday, 28 May 2024 at 2:00 p.m.
2. Shareholders may also submit their questions via the real time submission of typed texts through a text box within Securities Services e-Portal's platform before the start or during the live streaming of the AGM.
3. The questions will be endeavoured to be responded during the AGM or uploaded onto the Company's website after the AGM.

GENERAL MEETING RECORD OF DEPOSITORS

Only depositors whose **names appear in the General Meeting Record of Depositors as at Thursday, 23 May 2024 will be entitled to attend the AGM via RPV facilities.**

ANNUAL REPORT 2023

The Annual Report 2023 is available under "Financial Reports" of the "Investor Relations" page on the Company's website at www.velesto.com and also on Bursa Malaysia's website at www.bursamalaysia.com under "Company Announcements" of the Listed Companies tab.

In support of paperless reports, we encourage Shareholders to access online version of the Annual Report 2023. Should you require a printed copy of the Annual Report 2023, please submit the completed online request form at <https://www.sshsb.com.my> by selecting "Request for Annual Report" under "Our Services" and type "VELESTO ENERGY BERHAD" under "Company Name". Any request for printed Annual Report 2023 will be sent to the requestor soonest possible from the date of receipt of request.

NO DOOR GIFTS

There will be no door gifts and no vouchers for attending the virtual AGM.

ENQUIRY

For assistance, clarification or any further information on the 14th AGM, please contact our Share Registrar, Securities Services during office hours (Monday to Friday from 8:30 a.m. to 12:15 p.m. and 1:15 p.m. to 5:30 p.m., excluding public holidays):

Contact Person:	Tel	Email
Mr. Wong Piang Yoong	+603 2084 9168	eservices@sshsb.com.my
Pn. Lily	+603 2084 9163	
En. Saiful	+603 2084 9164	
Ms. Rachel Ou	+603 2084 9161	
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