

The background image is a composite. The top half shows an offshore oil rig with a red base and yellow structures, situated in the middle of a blue sea. In the far distance, a city skyline with several tall buildings is visible on the horizon. The sky is filled with soft, colorful clouds in shades of blue, pink, and orange, suggesting a sunrise or sunset. The bottom half of the image is a dark, deep blue underwater scene. A single, vertical oil well pipe extends from the surface down into the depths, ending in a platform. The water around the pipe shows some movement and light reflections.

VELESTO
energy

Resilience.
Performance.
Returns.

Integrated Annual Report 2025

Resilience. Performance. Returns.

Velesto Energy Berhad

Annual General Meeting

The Summit 1 Ballroom, Level M1, The Vertical, Bangsar South City, No. 8, Jalan Kerinchi,
59200 Kuala Lumpur, Malaysia on Wednesday, **3 June 2026** at **2:00 p.m.**

Revenue of FY2025

RM893
million

Profit Before Tax

RM236
million

Profit After Tax

RM202
million

For further details, please refer to page 26. 

Our Guiding Principle

Performance
Driven, Operations
Focused.

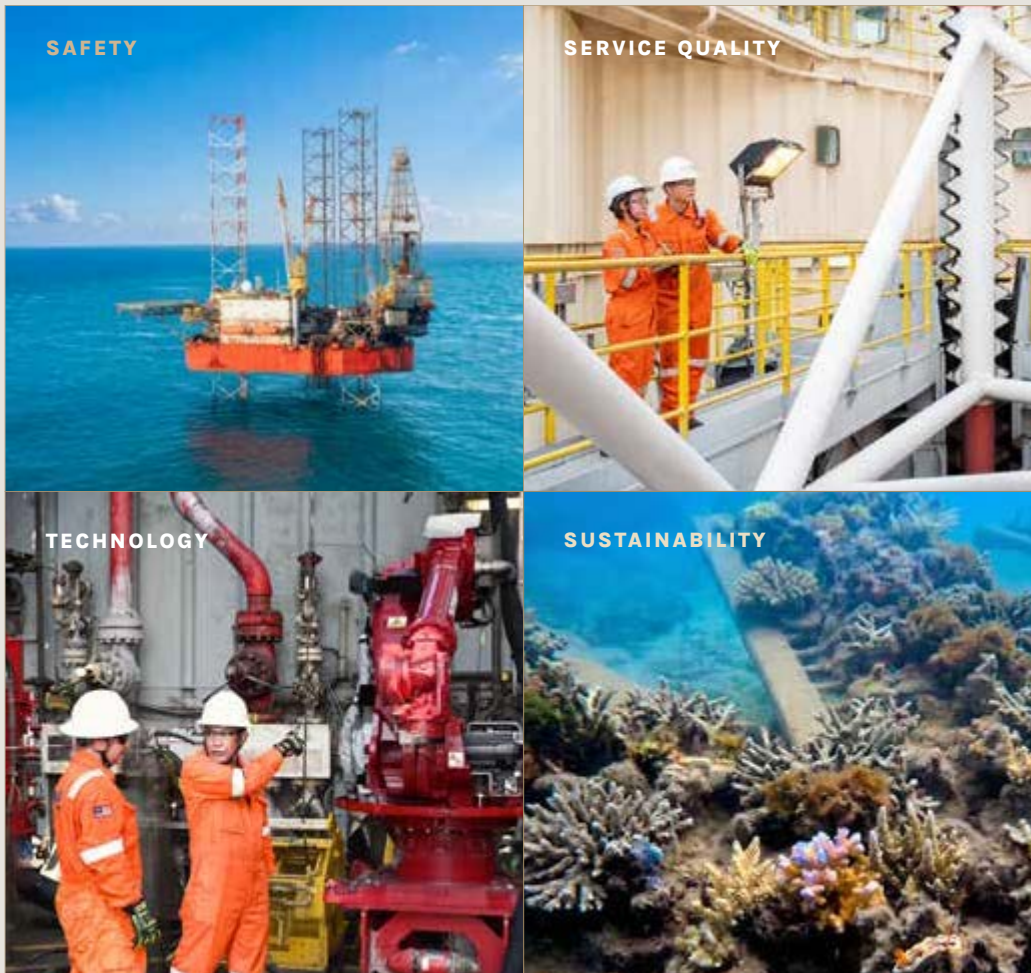
Our Statement of Purpose

We provide extraordinary
services that energise
and enrich lives.



Our iLEAP 2.0 Core Values

Integrity – I practice transparency and consistency to build trust. – I have the courage to hold myself and others to ethical behavior in all situations.	Leadership – I lead myself and others with respect, dignity and empathy. – I focus on the well-being of individuals and communities, sharing power and helping others reach their highest potential.	Excellence – I seek continuous improvement, focusing on goals and solutions. – I overcome setbacks and difficulties, and adapt to changes.	Accountability – I am trusted to make the right decisions and choices. – I own my actions and the outcomes of those actions.	Passion – I care about the quality of my work and the growth of my team. – I take pride in Velesco.
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Who we are

Velesto Energy Berhad ("Velesto" or the "Group") is a Malaysia-based multinational provider of services for the upstream oil and gas sector.

The Group owns and operates six premium jack-up drilling rigs, which are capable of operating in water depths of up to 400 feet – ideal for the shallow waters of Southeast Asia. Velesto also provides workover services through its hydraulic workover units. Through Velesto Academy ("VAD"), the Group actively supports the development of skilled drilling professionals, playing a significant role in Malaysia's human capital growth. Notably, Velesto's onshore rig within INSTEP is utilised by Universiti Teknologi PETRONAS students, providing practical training that complements academic learning. Listed on the Main Board of Bursa Malaysia, it is a constituent of the FTSE4Good Bursa Malaysia Index, a testament to its sustainability performance and ESG practices.

Chairman's Statement

Page

12

Management Discussion & Analysis

Page

16

Our Value Creation Model & Business Strength

Page

27

Sustainability. Returns. Responsibility.

Page

34

Who We Are

4	About this Report
6	Our Assets
8	2025 Calendar of Events
10	Corporate Information
11	Corporate Structure

Leadership Statements

12	Chairman's Statement
16	Management Discussion & Analysis
25	Financial Review
26	Statement of Value Added Distribution & Simplified Statement

Creating Value Through Our Strategy

27	Our Value Creation Model
	• Our Value Chain
	• Our Assets
	• Velesto Vision 2035 (V35)
	• Business Strengths & Competitive Advantages
	• Our Value Creation Model

Sustainability. Returns. Responsibility.

35	Sustainability Statement
111	ESG Performance Data
122	Bursa Malaysia Prescribed Table
129	Statement of Assurance
130	Bursa Malaysia Content Index
131	GRI Content Index
135	IFRS S2 Content Index

How We Govern

138	Board of Directors
150	Key Leaders
156	Corporate Governance Overview Statement
177	Statement on Risk Management & Internal Control
191	Board Audit Committee Report
195	Additional Compliance Information

Our Financial & Other Information

197	Financial Statements
275	Disclosure of Financial Data for Shariah Screening
276	Property Owned by the Group
277	Statistics on Shareholdings
280	Notice of 16 th Annual General Meeting
283	Statement Accompanying Notice of Annual General Meeting
	• Proxy Form
	• Glossary
	• Administrative Guide
	• Appendix A

To support sustainability efforts, we encourage you to access our Integrated Annual Report online via our website. If you prefer a printed copy, please be assured that Velesto Energy Berhad's Integrated Annual Report is produced using FSC-certified, Elementary Chlorine Free (ECF), pH-neutral, recyclable, and environmentally responsible paper.



Pulp from
Sustainable Forest



Elementary
Chlorine Free



Recyclable &
Eco Friendly Paper

About this Report

INTRODUCTION

Velesto Energy Berhad (“Velesto” or “the Group”) presents its Integrated Annual Report (“IAR2025”) for financial year ended 31 December 2025 (“FY2025”). Determination of content for inclusion in IAR2025 continues to be driven by the Main Market Listing Requirements (“MMLR”) of the regulator, Bursa Malaysia Securities Berhad (“Bursa Malaysia”) and other reporting frameworks and standards as provided below:

				
Companies Act 2016 (“Act”)	Integrated Reporting Framework	Malaysian Code on Corporate Governance (“MCCG”)	Malaysian Financial Reporting Standards (“MFRS”)	National Sustainability Reporting Framework (“NSRF”)

IAR2025 has been prepared for the Group, and should be read in conjunction with the Group’s consolidated financial statements. The consolidated financial statements are prepared in accordance with the MFRS and IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia.

GROUP STRUCTURE FOR REPORTING

For a full list of subsidiaries, associate companies, and other business entities, please refer to the Corporate Structure Section. In determining the aforementioned reporting scope and boundary, Velesto has taken into account its business model and value chain. Specific details on both are provided in the Our Business Model and Value Chain section of this Report.

MATERIALITY

Velesto applies the principle of materiality to determine the inclusion of content of the report with regards to the disclosure of risks, opportunities, and other factors for matters with potential impacts, outputs and outcomes to its business activities. The materiality principle forms the basis of judgement on our long-term strategy to ensure sustainable value creation.

AUDIT AND ASSURANCE

Financial statements provided in this Report have been audited by Messrs Ernst and Young PLT. Non-financial performance data covered in this report has not undergone formal auditing but the Company has exercised a fair and reasonable judgement on all material matters contained including the disclosure of our top-line strategic plans so as not to place Velesto at a competitive disadvantage.

About this Report



RELATED INFORMATION

This report is accompanied by additional online disclosures 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 company website under the Investor Relations online portal at <https://velesto.com/investor-relations/>.

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 <https://velesto.com/investor-relations/>. News and media press releases on the Group are also available on our corporate website at <https://velesto.com/media-centre/>.

FORWARD-LOOKING STATEMENTS

In keeping with the requirements of the Integrated Reporting Framework, which emphasises the provision of future based information, Velesto's IAR2025 provides forward-looking disclosures. These include expected market outlook and related company responses, aspirations, plans and also, where relevant, short, medium and long-term targets.

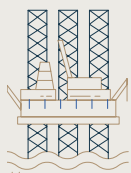
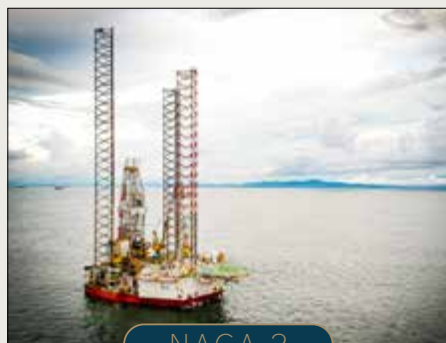
Such information has been provided based on Management's strategic perspectives developed from prevailing external trends and developments as well as market sentiments at the time of development of this report. While every care has been taken to ensure no material inconsistency or misstatement of these forward-looking disclosures, external trends and developments which may have occurred or transpired may necessitate a strategic change in management's plans, thus rendering forward looking disclosures irrelevant. This includes prevailing crude oil prices, which are prone to fluctuations based on socio-economic and geopolitical developments.

Hence, readers are advised to undertake their own due diligence and to not rely solely on forward-looking statements presented in IAR2025. Readers are advised to undertake their own, independent due diligence on all forward-looking statements made in IAR2025. Management is not responsible for any undue losses incurred by readers or any party relying on information disclosed in IAR2025 to make investments or any other decisions. Readers are advised to consult the management of Velesto if further clarification or information is required.

FEEDBACK AND INQUIRIES

Feedback, questions or requests for clarification and additional information on Velesto or IAR2025 can be channeled towards our Investor Relations unit at (Tel) +603 2096 8788 or by email at investor.relations@velesto.com.

Our Assets

Jack-Up
Drilling Rigs

NAGA 2

Design
GustoMSC-CJ46- X100D

Delivery
October 2009

Construction Yard
PT. Drydocks World Graha, Batam, Indonesia

Jack-Up Type
Independent Leg Jack-Up Drilling Rig

Class Notations
A1 Self-Elevating Drilling Unit

Classification
ABS

Water Depth
350 feet



NAGA 3*

Design
GustoMSC-CJ46- X100D

Delivery
September 2010

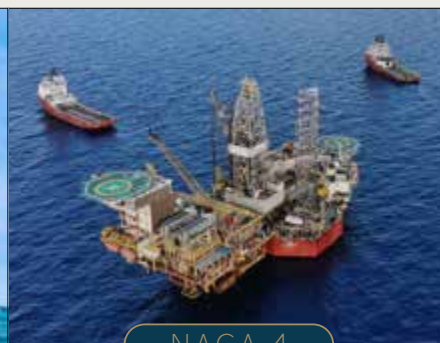
Construction Yard
PT. Drydocks World Graha, Batam, Indonesia

Jack-Up Type
Independent Leg Jack-Up Drilling Rig

Class Notations
A1 Self-Elevating Drilling Unit

Classification
ABS

Water Depth
350 feet



NAGA 4

Design
KeppelFELS B Class

Delivery
March 2013

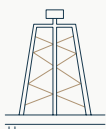
Construction Yard
Keppel FELS Yard, Singapore

Jack-Up Type
Independent Leg Jack-Up Drilling Rig

Class Notations
A1 Self-Elevating Drilling Unit

Classification
ABS

Water Depth
400 feet

Hydraulic
Workover
Units*

GAIT 5

Year Built
2010

Max. Pulling Capacity
460,000 lbs

Max. Snubbing Capacity
225,000 lbs



GAIT 6

Year Built
2014

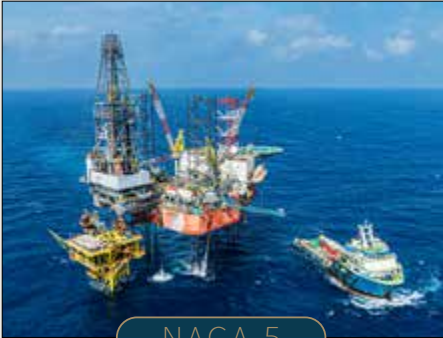
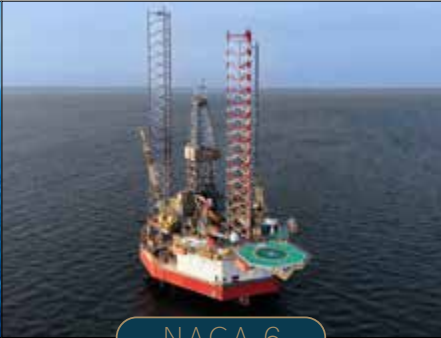
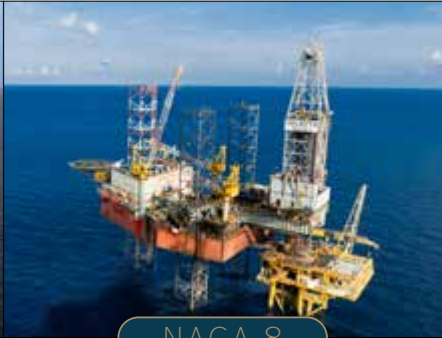
Max. Pulling Capacity
460,000 lbs

Max. Snubbing Capacity
225,000 lbs



* currently under disposal

Our Assets

					
NAGA 5		NAGA 6		NAGA 8	
Design Keppel FELS B Class		Design GustoMSC-CJ46- X100D		Design Keppel FELS B Class	
Delivery March 2014		Delivery September 2014		Delivery September 2015	
Construction Yard Keppel FELS Yard, Singapore		Construction Yard China Merchants Heavy Industry (Shenzhen) Co., Ltd. China		Construction Yard Keppel FELS Yard, Singapore	
Jack-Up Type Independent Leg Jack-Up Drilling Rig		Jack-Up Type Independent Leg Jack-Up Drilling Rig		Jack-Up Type Independent Leg Jack-Up Drilling Rig	
Class Notations A1 Self-Elevating Drilling Unit		Class Notations A1 Self-Elevating Drilling Unit		Class Notations A1 Self-Elevating Drilling Unit	
Classification ABS	Water Depth 400 feet	Classification ABS	Water Depth 375 feet	Classification ABS	Water Depth 400 feet



TIANJIN, CHINA

Oilfield
Service



VELESTO ACADEMY

Headquarter in Kuala Lumpur

Training Academy in Batu Rakit, Terengganu

Training
Academy



2025 Calendar of Events

JANUARY

Malaysian
GPM Sustainability
Awards 2024

- Special Recognition for Sustainability Leadership
- Most Outstanding Project (Coral Restoration Phase 3)



Sponsorship of Yayasan
Universiti Teknologi
PETRONAS charity
dinner

MARCH

STAR Gold Award
by EMEPMI

Third consecutive win
by GAIT 6 HWU team

RM1.20 billion capital
reduction exercise
announced

MAY

NAGA 4 (Vietnam) and NAGA 8
(Indonesia) contracts
secured

IADC SEAC
Awards
recognition,
including NAGA
6 incident-free
operations

15th Annual General
Meeting ("AGM")

First physical AGM post-pandemic



2025 Calendar of Events

JUNE

VIBES Innovation Challenge
with SEDC Sarawak at UNIMAS

Living wage
commitment for
Malaysian employees

Asia Pacific CEO Sustainability Award 2025

President - Megat Zariman,
recognised for leadership
in sustainability and ESG
practices



JULY



PTTEP Contract Award

Secured drilling contract for
NAGA 5

NOVEMBER



MPM HWU Academy
initiative through Velesto
Academy



OSH-SURE Pilot
Project with
DOSH

OCTOBER

ICON Engineering
agreement for
rig-installed
wellhead platforms
in Malaysia



DECEMBER

Divestment of
NAGA 3 and Velesto
Workover Sdn. Bhd.

(proposed disposal expected to be
completed by end of 1H2026)

Net Zero
2050
roadmap



Corporate Information

Board of Directors	Details	Appointment	Committees
Mohd Rashid Mohd Yusof	Chairman / Non-Independent Non-Executive Director	23 Jun 2017	
Rowina Ghazali Seth	Independent Non-Executive Director	23 Jun 2017	BNRC(C) / BAC
Haida Shenny Hazri	Non-Independent Non-Executive Director	23 Jun 2017	BGRC(C) / BNRC / BSC
Ir. Dr. Mohd Shahreen Zainooreen Madros	Senior Independent Non-Executive Director	25 Aug 2021	BSC(C) / BAC / BGRC
Ir. Ts. Megat Zariman Abdul Rahim	President / Executive Director	25 Feb 2022	
Ar. Ahila Ganesan	Independent Non-Executive Director	12 Aug 2022	BAC / BNRC / BGRC
Alan Hamzah Sendut	Independent Non-Executive Director	2 Feb 2024	BAC(C) / BGRC / BSC
Ainul Azhar Ainul Jamal	Independent Non-Executive Director	2 Sep 2025	BGRC / BNRC / BSC
Nadzrin Alia Md Azizis	Non-Independent Non-Executive Director	9 Apr 2026	
Datuk George Ling Kien Sing	Independent Non-Executive Director	(Appointed: 29 Nov 2021 / Resigned: 29 Aug 2025)	
Fadzihan Abbas Mohamed Ramlee	Non-Independent Non-Executive Director	(Appointed: 1 Sep 2023 / Resigned: 9 Apr 2026)	

Company Secretaries

Lee Mi Ryoung

(MAICSA 7058423)

(SSM PC No. 201908002222)

Sazlyna Sapiee

(MIA 19254)

(SSM PC No. 202108000032)

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

Principal Bankers

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

Registered Office

Level 18, Block 3A, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia

Telephone: +603-2096 8788 / Facsimile: +603-2096 8733

Stock Exchange Listing

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

Committees Legend

(C) — Chairman

BAC — Board Audit Committee

BNRC — Board Nomination &
Remuneration CommitteeBGRC — Board Governance &
Risk Committee

BSC — Board Strategic Committee

Website: **www.velesto.com**E-mail address: **communications@velesto.com**E-mail to Senior Independent Director: **senior.id@velesto.com**

Whistleblower channels

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

Investor Relations matters

Head, Investor Relations / +603-2096 8788 / investor.relations@velesto.com

Corporate Group Structure

as at 9 April 2026



^ Members Voluntary Winding Up Process



Chairman's Statement

Dear Stakeholders,

It is my pleasure to present the consolidated financial statements and Integrated Annual Report of Velesto Energy Berhad ("Velesto") for the financial year ended 31 December 2025 ("FY2025").

Mohd Rashid Mohd Yusof
Chairman

INDUSTRY OVERVIEW

2025 saw moderation in global crude oil demand amid slower-than-expected global economic growth. Supply continued to outpace demand with major crude oil producers including OPEC+, maintaining high production levels vis-vis global demand. Consequently, crude oil prices averaged lower at USD68 per barrel (Brent) in 2025 vis-à-vis USD80 per barrel in 2024.

However, the slowdown in 2025 should not be equated to a downturn. Opportunities continued to exist for oil and gas operators and service providers with robust and resilient operations—underpinned by a cost-efficient operating base, strong financial discipline and balance sheet strength, a proven track record of asset reliability, industry-leading uptime, operational excellence, and Health, Safety and Environmental ("HSE") performance.

2025 was a year for companies to demonstrate their competencies and quality by embracing market realities towards becoming more agile, innovative and less dependent on upside in industry volume to achieve sustainable operations. Velesto during the financial year, continued to focus on excellence in project execution, enhancing rig competitiveness and delivering consistent value to customers while safeguarding long-term shareholder returns.

Chairman's Statement



SUSTAINING PERFORMANCE, ENHANCING VALUE CREATION

I am happy to share that Velesto has continued to make progress despite the challenges of 2025.

Consistent with our guiding principle of being Performance Driven, Operations Focused, we had made the necessary adjustments in preparation of a possible contraction in upstream activity. The various improvements measures enabled the Group to continue strengthening its foothold in Malaysia and Southeast Asia, evidenced in the various contracts secured in 2025, both domestically and regionally.

While our rig utilisation has decreased year-on-year, in tandem with reduced drilling activities in 2025, Velesto has achieved a Profit Before Tax ("PBT") performance of RM236 million with Profit After Tax ("PAT") at RM202 million. This is comparable to 2024's earnings performance of RM267 million and RM208 million for pre- and post-tax earnings. In addition, the Group has secured an orderbook of RM1.3 billion as at 28 February 2026.



RAM Rating
Corporate
Credit Rating
AA2/Stable/P1

In terms of operational highlights, the Group achieved an uptime of 99.9% -- surpassing the industry benchmark standard of 98%. This puts Velesto's performance as being one of the best globally. Our operational excellence has been duly recognised with Velesto being selected as the best Jack-Up ("JU") operator award at the 2025 SEA International Association of Drilling Contractors ("IADC") Awards.

The Group also was placed among the top 50 companies for good corporate governance practices at the 2025 National Corporate Governance and Sustainability Awards ("NAGCSA"). NAGCSA is organised by the Minority Shareholders Watch Group ("MSWG") with companies assessed on a stringent, comprehensive criteria comprising ASEAN Corporate Governance Scorecard ("ACGS"), the Malaysian Code on Corporate Governance ("MCCG"), and a sustainability scorecard.

I am also happy to share that RAM Ratings has assigned corporate credit ratings of AA2/Stable/P1 to Velesto. This is noteworthy as the ratings attest to our robust financial fundamentals, the long-term visibility on future revenues and earnings (based on contracts secured) and the overall competitiveness of our operations.

Velesto during the financial year, continued to focus on excellence in project execution, enhancing rig competitiveness and delivering consistent value to customers while safeguarding long-term shareholder returns.

Resilience.
Performance.
Returns.

Chairman's Statement

Velesto has once again surpassed its dividend policy of returning at least 20% of annualised profit to shareholders annually.

REWARDING SHAREHOLDERS

We have always valued our shareholders, who have provided steadfast support and strategic commitment to the Group throughout our history.

In rewarding shareholders, the Board had approved two interim dividends totaling to 3.00 sen per share in respect of 2025. This brings total payout to shareholders to RM246.5 million, equivalent to 122% of 2025's PAT. Dividend yield stands at 10.7% and share price increased from 16 sen to 28 sen, resulting in a Total Shareholder Return of 89% in 2025.

We have continued to prioritise maximising shareholder returns as a cornerstone philosophy and goal. I am happy to report that in respect of 2025, Velesto has once again surpassed its dividend policy of returning at least 20% of annualised profit to shareholders annually.

PERFORMANCE DRIVEN, OPERATIONS FOCUSED

Velesto's ability to maintain its earnings is due to the continuous efforts to drive cost and operational efficiencies.

In 2025, we achieved a reduction of approximately 10% in overheads and operational expenses. The savings were derived through a meticulous and methodological approach including procurement strategies such as negotiations with key vendors, lower maintenance costs through preventive maintenance to manage offshore costs and organisation optimisation.

Throughout 2025, we have been relentless and diligent in improving up time, enhancing quality, strengthening vigilance with regard to health and safety and ensuring the continued well-being of our people. Ongoing efforts to yield greater cost and operational efficiencies were bolstered by new initiatives and programmes as above.

As we constantly reviewed our operations, we have divested limited capability assets towards unlocking value and retaining our focus on core business operations. This enables a further reduction in overheads and operating expenses.

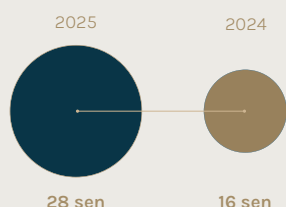
Financial discipline is a cornerstone aspect of our strategic approach as we looked to constantly optimise our balance sheet. Our strengthened balance sheet allows us to remain disciplined in capital allocation while preserving the ability to enhance shareholder returns.

Innovation and technology were a continued focal point towards driving automation and improvements across our operations while business development activities were aggressively pursued in Malaysia and Southeast Asia. Leveraging our proven industry track record and reputation, coupled with lower operating costs base, we have been proactive in submitting bids and have been successful. Our ability to secure contracts outside of Malaysia demonstrates our competitive ability, underpinned by operational excellence and innovative capabilities.

Amidst evolving market realities, we have continued to carve our own distinctive pathway, centred on safety, efficiency, high fleet utilisation, and financial discipline. We have remained relevant by keeping abreast with the fast-evolving changes within the oil and gas sector while further bolstering the resilience of our business operations.

The full details of our business and operational highlights are provided in the Management Discussion and Analysis section of this report.

Share Price Increased



Total Payout to Shareholders

RM246.5
mil



Total Shareholders Return

2025:
89%



Chairman's Statement

VELESTO IN 2026

We are cognisant that market conditions may remain uncertain. Geopolitical shocks can lead to acute disruptions in crude oil supply and demand fundamentals, while the global economic recovery is expected to continue on a sideways trajectory in 2026. However, there remains potential for stronger performance.

Irrespective of market conditions, we are ready to respond proactively - focusing on further refining our internal competencies to ensure we remain highly competitive and sustainable amidst uncertain conditions.

The Group is mitigating against client concentration by pursuing regional diversification, entering into longer-term charter contracts and continuing to pursue an asset-light strategy. We shall remain selective in the pursuit of projects that best meet our assets and more importantly, our business aspirations. This ensures expansion remains aligned with the strengths of our premium rig fleet while preserving financial discipline.

Where needed, we will continue to move forward through strategic collaboration that facilitates technology acquisition and knowledge transfer and drive improved productivity and cost efficiency. We will continue to operate safely and reliably, maintain financial discipline, remain agile in allocating resources, and ensure the business is positioned to perform through industry cycles to deliver consistent value to customers while sustaining and enhancing long-term shareholder and stakeholder value.

APPRECIATION AND ACKNOWLEDGEMENTS

On behalf of the Board of Directors of Velesto, I wish to take this opportunity to thank Datuk Ling Kien Sing and En. Fadzihan Abbas Mohamed Ramlee, who have left the Board after having served the Group with distinction and diligence for several years.

Their tenure coincided with Velesto's transformation, and their counsel, experience and skills have no doubt been instrumental in our journey of progress. The Board wishes them well in their future endeavours.

In their stead, I am pleased to welcome En. Ainul Azhar Ainul Jamal, who joined the Board on 2 September 2025 and Pn. Nadzrin Alia Md Azizis on 9 April 2026. Both of them bring a wealth of corporate and industry expertise and experience. We are privileged to have them with us as we continue to advance Velesto's growth.

I also wish to take this opportunity to thank the Group's management, employees, business partners, bankers, shareholders, the industry regulators, our clients and other stakeholders who have all been instrumental in our continued journey of sustained value creation in 2025. We have built solid fundamentals for a positive future. Let us continue to move forward together towards attaining new milestones of growth, progress and success.

Mohd Rashid Mohd Yusof

Chairman

We have
built solid
fundamentals
for a positive
future. Let us
move forward
together
towards
attaining new
milestones
of growth,
progress and
success.



Irrespective
of market
conditions, we are
ready to respond
proactively.

Management Discussion & Analysis

2025 proved to be an opportune period for companies to excel by leveraging their inherent strengths. While competition had intensified, opportunities continued to persist for efficient and cost-competitive upstream contractors, notably in Malaysia as well as Southeast Asia.

**Ir. Ts. Megat Zariman
Abdul Rahim**

President /
Executive Director



**USD68 per
barrel**

Average Brent crude oil
price in 2025

OPERATING ENVIRONMENT REVIEW

The oil and gas sector in 2025 continued to moderate amidst slower than expected global economic growth. In 2025, global Gross Domestic Product (“GDP”) growth stood at 3.0%, below the forecast range of 3.2-3.3% as major economies continued to underperform. The sector was also affected by continued high output levels from oil producing countries including OPEC+.

While geopolitical turbulence such as the Middle East conflict and the protracted Russia-Ukraine war caused several spikes in the price of crude, surplus oil production continued to place downward pressure on crude oil prices in 2025. The price of crude averaged USD68 per barrel, 18% lower than 2024’s average of USD80 per barrel.

Management Discussion & Analysis

Revenue (RM mil)	EBITDA margin	PAT margin
893	51%	23%
Utilisation	Average DCR	Uptime
72%	118 (USDk/d)	99.9%

Velesto's cost structure and operational uptime places it among the more competitive jack-up operators in the region.

The Group has remained resilient, while strengthening internal capabilities and competences to emerge stronger and more capable of operating amidst a lower crude oil price environment and more exacting requirements from clients.

Globally, Jack-Up ("JU") rig demand saw a slight contraction amidst moderating drilling activities attributed to reduced Exploration and Production ("E&P") activities, notably in the Middle East region. This was partially offset by continued strong activities from other regions, including Southeast Asia.

In essence, 2025 marked a turning point for the oil and gas sector, with a clear shift towards greater efficiency. Oil markets are going through a fundamental transformation as the drivers of global oil supply and demand shift. In 2025, revenue growth slowed, margins tightened, and performance gaps widened between resilient, contract-backed operators and those reliant on peak-cycle intensity.

The landscape continued to shift rapidly reflected in an accelerated pivot towards efficient drilling operations, technological innovation, enhanced capabilities and sustainable performance.

The conventional model of operations centred on upswing in demand momentum and high E&P activities evolve towards a more strategic model centred on operational excellence, cost optimisation and capital discipline.

In Malaysia, JU rig utilisation had dipped from around 14 rigs in 2024 to 10 rigs in 2025 as operators prioritised production optimisation, brownfield upgrades and asset integrity works. This cooling phase was not driven by weaker oil prices or declining confidence in Malaysia's upstream landscape. Instead, it was the result of a purposeful slowdown in execution as the domestic upstream segment continue to adjust to new market fundamentals in industry trends and requirements.



10 JU rigs
Demand in
Malaysia in 2025

Management Discussion & Analysis

DELIVERING PERFORMANCE AND RETURNS THROUGH RESILIENCE

2025 proved to be an opportune period for companies to excel by leveraging their inherent strengths. While competition had intensified, opportunities continued to persist for efficient and cost-competitive upstream contractors, notably in Malaysia as well as Southeast Asia.

Resilience was defined not by scale, but by discipline—cost control, execution certainty and balance sheet strength. These are areas where Velesto is structurally advantaged. As a cost-competitive and efficient operator, the Group continues to make headway in capitalising on shifting market conditions to deliver outstanding performance and create stakeholder value.

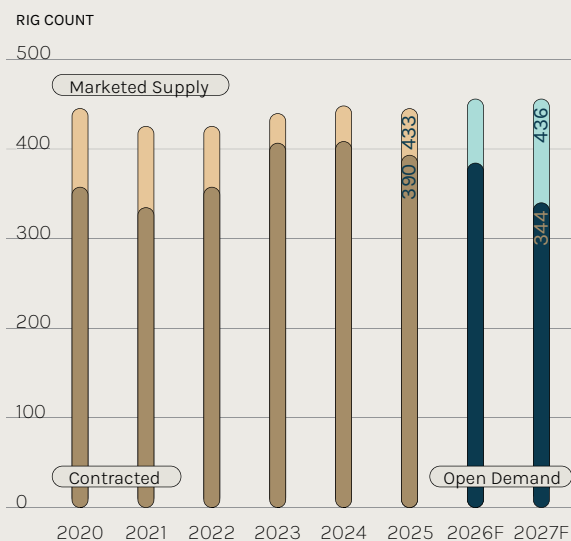
In 2025, the Group achieved above-average rig utilisation and daily charter rates and coupled with continued financial discipline and cost efficiencies, successfully maintained its earnings performance for 2025. We have strengthened our existing market positioning in the Malaysia, while further expanding our presence in the regional space. In essence, Velesto has continued to make headway against the headwinds, responding with agility, speed and strength to deliver financial and business value.

The Group has remained resilient, with strong internal capabilities and competences, emerging well-positioned to operate amidst a lower crude oil price environment and more exacting client requirements. In addition, Velesto's cost structure and operational uptime places it among the most competitive JU operators in the region.

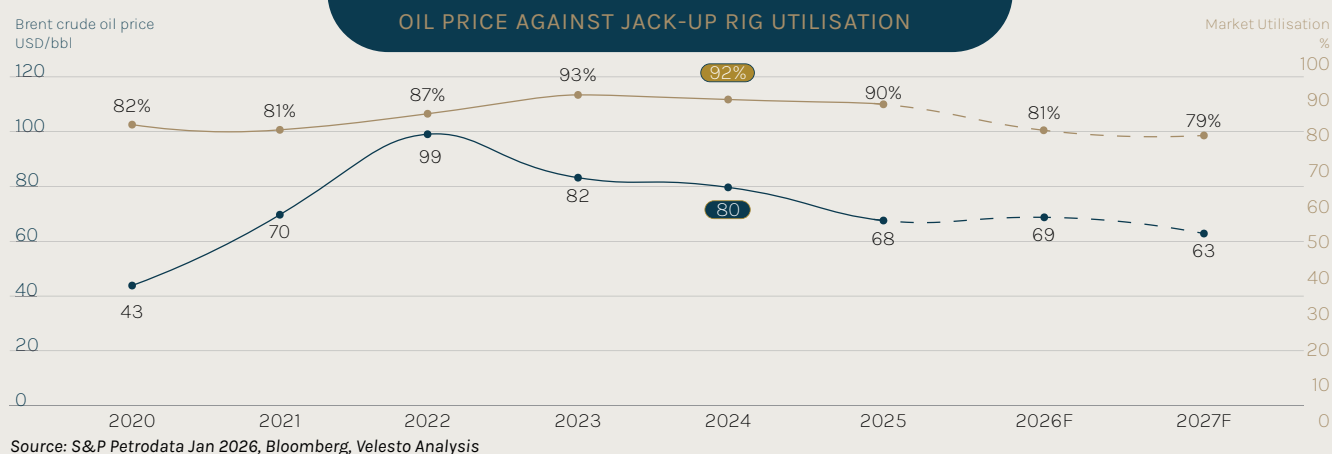
In essence, Velesto has successfully transitioned from volume-driven growth to value-driven performance. Our operating model remains anchored on safety, service quality, technology and sustainability as key value drivers. 2025 was a year where resilience translated into performance, and performance delivered returns.



JACK-UP RIG SUPPLY & DEMAND



Source: S&P Petrodata Jan 2026, Bloomberg, Velesto Analysis



Management Discussion & Analysis



In 2025, while the Group revenue declined, Velesto preserved earnings quality—demonstrating the resilience of the Group's operating model. Velesto recorded strong Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") margin and Profit After Tax ("PAT") margin of 51% and 23%, respectively. This reflects a deliberate shift from volume-driven growth to value-driven performance.

Revenue during the year stood at RM893 million, 34% lower year-on-year (2024: RM1,360 million). Revenue declined due to the completion of the iRDC contract in 2024 and lower utilisation rates with NAGA 3 remained idle during the year. In 2025, Velesto's average Day Charter Rate ("DCR") was USD118k per day, still above the industry average while rig utilisation stood at 72% (2024: 87%).

Among key revenue contributors in 2025 were projects secured in the previous and present financial year. These were NAGA 2, NAGA 4 and NAGA 6 for PCSB, NAGA 5 with PTTEP Malaysia and NAGA 8 with PC Ketapang II.

However, EBITDA and PAT margins increased to 51% (2024: 40%) and 23% (2024: 15%) respectively.

Velesto's ability to sustain profit margins amidst lower crude oil prices and moderating industry activities is primarily attributed to the Group's efficiency in operations, and continued emphasis on financial discipline. Efforts undertaken yielded a 10% reduction in OPEX and overheads. Specifically, cost optimisation was driven by renegotiation with vendors and streamlining of the Group structure and operational processes.

In terms of segmental breakdown, the Group's Drilling Services segment continued to deliver the bulk of revenues and earnings, accounting for RM882 million or 98% of topline performance, and RM240 million, or more than 100% of the Group Profit Before Tax ("PBT").

BALANCE SHEET RESILIENCE

Velesto's balance sheet has strengthened with clear improvements in three aspects: operational sustainability, strategic business growth and delivering consistent shareholder returns while looking to optimise capital structure and maintain strong cashflow.

The Group remains in a net cash position with net gearing of -0.06 times (2024: -0.03 times) as of end 2025. The Group's capital reduction exercise was successfully completed in 2025, unlocking RM1.2 billion in retained earnings to support ongoing efforts to optimise capital structure and enhance our ability to increase shareholder distribution.

In 2025, the Group's price-to-book ratio improved significantly to 0.95x (2024: 0.50x), based on a net asset value per share of RM0.29 (2024: 0.31).

During the year, Velesto received a AA2/Stable/P1 corporate credit rating by RAM Ratings. On 9 March 2026, Velesto completed the SC Lodgement to propose a Sukuk programme with a limit of up to RM1 billion. The proposed programme will allow Velesto to refinance existing facilities at more favourable terms and allow access to the Sukuk capital market going forward.

Management Discussion & Analysis

SHAREHOLDER RETURNS

Velesto delivered exceptional shareholder returns in 2025, with total shareholder return of 89%, driven by both capital appreciation and record dividend distribution.

The Group's strong financial performance with a return on equity of 8.4%, was reflected in the increase in our share price from 16 sen to 28 sen during the year. As such, in respect of 2025, Velesto has announced a total dividend of 3.00 sen for the year, which is the highest in Velesto's history, translating to a yield of 10.7%. This underscores the Group's ability to translate operational performance into tangible shareholder value.

CONTRACTS

Amidst a highly competitive operating environment, Velesto continued to secure contracts both within Malaysia and from abroad. The Group's orderbook (as at end February 2026) stands at RM1.3 billion, a significant 71% higher year-on-year (2024: RM0.7 billion).

These contracts attest to Velesto's expanding regional footprint and the Group's growing ability to compete and secure contracts against international industry competitors. Securing contracts outside of Malaysia expands exposure to new opportunities and potentials but also enables operational flexibility – to drive rig utilisation and capitalise on specific positive conditions across the region. Velesto's contract wins reflect not only competitiveness, but increasing recognition of Velesto as a reliable, high-performance operator in the region.

The significant highlight was Velesto's five-year contract awarded by PETRONAS Carigali ("PCSB"). This is Velesto's longest contract duration secured to date, significantly enhancing earnings visibility and underpinning our medium-term revenue stability.

DATE	CONTRACT DETAILS	RIG	CONTRACT VALUE
20 May 2025	Drilling contract by Phu Quoc Petroleum Operating Company in Vietnam to drill more than 40 firm wells.	NAGA 4	USD40 mil
23 May 2025	Drilling contract from PC Ketapang II Ltd., PC North Madura II Ltd. and PETRONAS North Ketapang Sdn. Bhd. to drill 12 firm wells and three optional wells in Indonesia.	NAGA 8	USD90 mil
1 July 2025	Drilling contract by PTTEP HK Offshore Limited and PTTEP Sarawak Oil Limited (collectively referred as 'PTTEP') to drill a firm 15 wells for the latter's 2025-2026 drilling campaign in Malaysia.	NAGA 5	USD40 mil
2 March 2026	Provision of JU drilling rig NAGA 2 for PCSB from 2026 to 2030	NAGA 2	USD157 mil

The significant highlight was Velesto's five-year contract awarded by PETRONAS Carigali Sdn. Bhd. ("PCSB").



Management Discussion & Analysis



BUSINESS AND OPERATIONAL EXCELLENCE

Velesto's operating model remains anchored on safety, service quality, technology and sustainability as key value drivers. These initiatives directly contribute to higher uptime, lower operating costs and improved margin. Velesto achieved an exceptional operational performance of 99.9% rig uptime, which surpasses the industry requirement of 98% and the regional benchmark of 98.5% set by the IADC.

Strategic collaboration with key industry players such as Schlumberger, NOV and PETRONAS have enabled Velesto to enhance its operational efficiency, strengthen asset capabilities and expand service offerings beyond traditional drilling activities. These partnerships support the Group's strategy to maximise existing assets by providing access to specialised technologies, expertise and resources, enabling the development of more cost-effective, integrated solutions while improving safety, reliability and operational performance.

Of note, through collaboration with PETRONAS, Velesto has commissioned the successful installation of a robotic arm on NAGA 6, making the rig the world's first ever JU rig with a robotic arm installation. The robotic arm enhances NAGA 6's operational capabilities, enabling the rig to further streamline critical processes, drive greater automation and achieve improved safety, efficiency and productivity in operations.

Another innovative solution is the collaboration with Icon Engineering, an Australian industry technologist firm, for the installation of Rig-Installed Wellhead Platforms ("RIWHPs") for offshore oil and gas developments in Malaysia. This strategic collaboration enables drilling and platform installation to be undertaken within a single offshore campaign. As such, it reduces costs and expedites production activities thus providing a practical and cost-efficient approach for developing shallow-water and marginal fields. The collaboration simplifies execution, enhances project assurance and builds Malaysia's capability to deliver fast, fit-for-purpose offshore developments. It also extends Velesto's rigs to undertake more than just pure-play drilling contracts.

Progressively, the Group has embarked on transitioning towards increased data-driven solutions to support preventive maintenance and operational consistency, made possible through new technologies. These have been instrumental in reducing downtime while maintaining safety and reliability. In terms of SPS activities, Velesto concluded the SPS exercise for NAGA 8 in June 2025, with the same being undertaken for NAGA 3 completed in March 2026.

STRATEGIC DISPOSAL OF ASSETS

Strategic disposal of limited capability assets form part of Velesto's disciplined approach to capital allocation and to focus on a higher-spec premium fleet.

On 16 December 2025, Velesto inked a sale and purchase agreement for NAGA 3, for a total cash consideration of USD63.0 million (equivalent to RM258.4 million). The divestment of NAGA 3, built in 2010, is in line with the Group's ongoing fleet optimisation, consistent with its position as a premium rig operator. The disposal is expected to yield an estimated gain of approximately RM1.4 million.

On 29 December 2025, Velesto entered into a Share Sale Agreement ("SSA") with Enviro Survey & Consultancy Sdn. Bhd. for the disposal of Velesto Workover Sdn. Bhd. ("VWSB"), a wholly owned subsidiary of Velesto Malaysian Ventures Sdn. Bhd., for a total cash consideration of RM16.5 million. VWSB undertakes Hydraulic Workover Unit ("HWU") services. The proposed disposal is expected to be completed by the first half of 2026 with a resulting gain disposal of RM0.4 million. The proceeds from these disposals are earmarked for working capital and distribution to shareholders.

Management Discussion & Analysis

SUSTAINABILITY AT THE CORE OF VALUE CREATION

Velesto has continued to prioritise sustainable operations as being fundamental to its value creation approach. Sustainability is not treated as a compliance requirement, but as a driver of operational reliability, cost efficiency and long-term competitiveness. As a responsible corporate citizen, Velesto remains firmly committed to creating financial values while preserving social and natural capitals. The Group views this as an entrenched position, with environmentally responsible and regulatory-compliant operations forming the bedrock for operational excellence.

Velesto has continued to achieve all benchmarks for safe, environmentally responsible and regulatory compliant operations. Highlights include a continued track record of zero fatalities and zero loss time incidents for the 3rd consecutive year. In 2025, in recognition of upholding high standards for health, safety and the environment performance, Velesto was awarded the following awards:

Award/Recognition	Awarded by
IADC Southeast Asia Chapter (SEAC) 2024 and 2025 Safety Awards. Best Recordable Incident Rate in 2024 for Offshore	IADC
2025 IADC Safety Award – Most number of Years of Recordable Incident Free for NAGA 6	
Best HSE Programme	PCSB
Recordable Incident Free “Mission: Zero Possible” Award – NAGA 6	
The MPM Wells Management 2025 Performance Excellence Recognition: Best Rig (Drilling & Completion) for NAGA 4	
Technology Pioneer Award for the Robotic Arms innovation on NAGA 6	

Other notable achievements in 2025 include the 100% implementation of a living wage for all Malaysian employees based on national benchmarks.

2025 also saw Velesto launch its net zero carbon blueprint, which lays out a clear emissions reduction pathway and ultimately, realising aspirations for net zero emissions by 2050. Specific details of the Group's blueprint and its sustainability performance information are provided in the Sustainability section of this report.

In 2025, Velesto FTSE4Good Bursa Malaysia Index (“F4GBMI”) score rose to 4.1, putting the Group among the higher scoring companies listed on Bursa Malaysia. The F4GBMI Index comprises a select group of Bursa listed companies who have been included in the index for having met a stringent level of sustainability disclosures.

HSE Performance

Zero
Fatality

Zero
Loss Time Injury

Zero
Major Spills

22%
Total Recordable
Incident Frequency
(TRIF)

67
Management Visits
(2024:57 visits)

Management Discussion & Analysis

OUTLOOK AND PROSPECTS

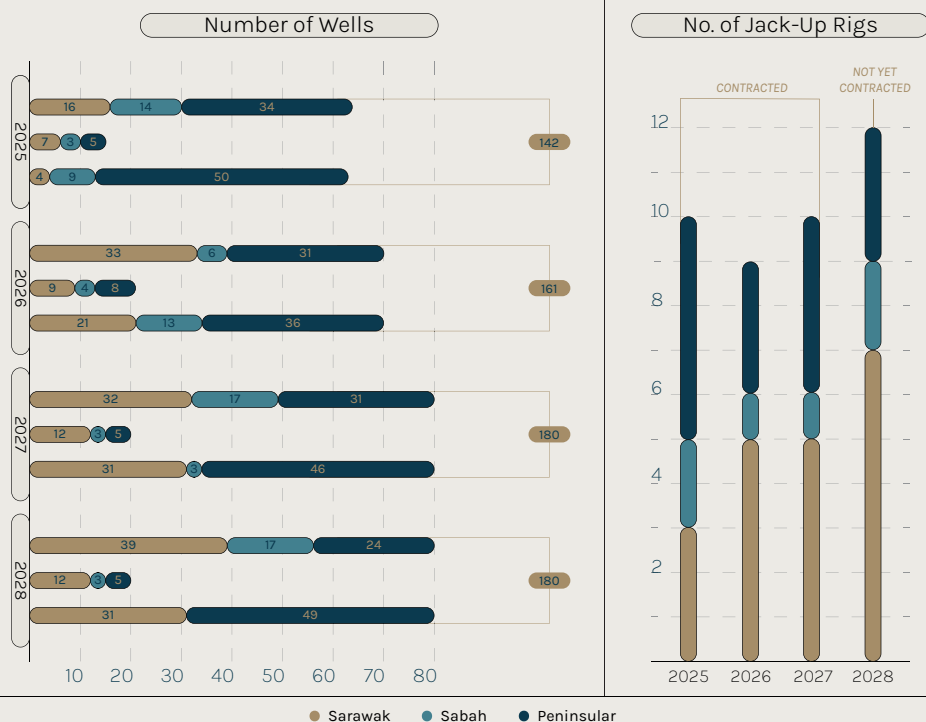
While macro conditions remain uncertain, the outlook for Velesto is underpinned by strong contract visibility, improving regional demand and a disciplined operating model.

In the midst of the on-going Middle East conflict, EIA revised its forecast for average Brent prices in 2026 to USD79 per barrel, from USD58 per barrel in March 2026. However, scenarios vary significantly based on the duration and extent of disruption due to the conflict. Although Velesto does not have any direct operational exposure to the Middle East, we continue to monitor developments.

There has been a perceptible shift in focus on energy security due to geopolitical developments, even as nations actively pursue their decarbonisation pathways.

In Malaysia, the PETRONAS Activity Outlook ("PAO") for the period 2026-2028, forecasts a steady momentum for E&P activities.

STABLE MODERATE OUTLOOK FOR DRILLING ACTIVITIES IN MALAYSIA



Source: PETRONAS Activity Outlook 2026-2028



Management Discussion & Analysis

The PAO indicates that total development and exploration wells would increase from 79 in 2025 to 91 in 2026 and possibly, 100 wells in 2027-2028. Meanwhile, the JU rig requirement for Malaysia is expected to increase from 9 rigs in 2026 to 12 rigs in 2028.

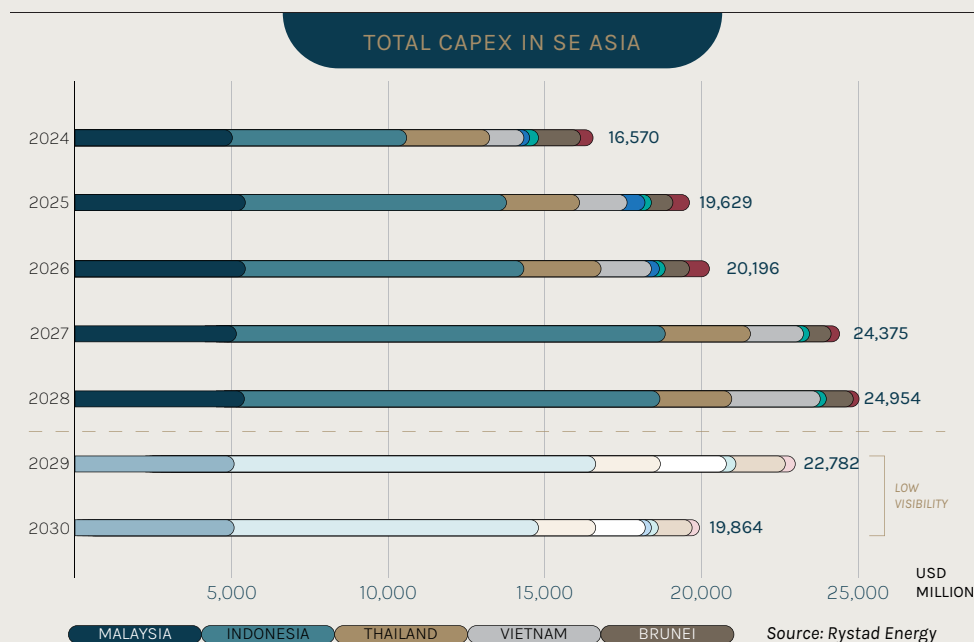
Regional expansion remains a key growth lever, particularly in Southeast Asia where demand fundamentals remain resilient, especially in gas-driven shallow-water developments across Thailand, Vietnam, and Indonesia.

Opportunities remain for cost-competitive, efficient operators who are able to continue delivering performance and efficiency.

With the latest developments, it is possible that higher oil prices improve economics for upstream spending over the medium term and an increase in CAPEX by upstream E&P players, which is required to replace the affected production capacity.

However, it is imperative that oil and gas players continue to evolve and augment their capabilities. This entails a constant focus on efficiency, technology adoption, maintaining a smaller but high-quality asset fleet, managing sustainability performance and continuing to foster collaboration across the industry and with policymakers.

In addition, financial discipline remains a priority towards further reducing the operating cost base, in managing cashflows and strategically leveraging both debt and equity to drive business developments and operational improvements.



Velesto in 2026 shall continue to be driven by our aspiration of Performance Driven, Operations Focused. Specifically, we have established three strategic pillars, which provide direction with regard to our future orientation and market positioning.

In essence, despite a moderating market, we aim to deliver sustainable return to our shareholders by maximising our core asset, unlocking upstream growth through our asset-light model, and maintaining our financial discipline while optimising our capital structure.

As at February 2026, Velesto's prospects stands at RM3.7 billion on the back of active tendering for jobs in Malaysia and Southeast Asia. Our regional growth approach remains selective, prioritising markets where demand fundamentals are resilient, premium JU capability is valued, and contract visibility supports sustainable returns.

Velesto shall continue to emphasise a capital-efficient operating model notably for contracts in Malaysia and Southeast Asia. This supports the Group's business expansion strategies while enabling a more cost-optimised and capital-efficient structure. Presently, four of the Group's five rigs are tied to long-term contracts and should the need arise, Velesto shall charter 3rd party assets to undertake jobs secured where required.

Velesto remains focused on delivering sustainable returns through disciplined execution, selective growth and continued financial strength. The Group's strategy is clear—maximise core assets, expand selectively and maintain cost leadership in a competitive market.

Financial Review

5-Year Group Summary Results

	Units	2021	2022	2023	2024	2025
Revenue	RM mil	378	581	1,214	1,360	893
(Loss)/Profit Before Taxation	RM mil	(83)	(82)	121	267	236
(Loss)/Profit attributable to Equity Holder of The Company	RM mil	(91)	(100)	100	208	202
Shareholders' Funds	RM mil	2,258	2,282	2,475	2,571	2,393
Return on Shareholders' Funds	%	(4)	(4)	4	8	8
Return on Total Assets	%	(2.8)	(2.6)	3.9	8.7	8.3
Basic (Loss)/Earnings Per Share (Sen)	Sen	(1.1)	(1.2)	1.2	2.5	2.5
Share Price at Year End (RM)	RM	0.12	0.15	0.23	0.16	0.28
Market Capitalisation At Year End	RM mil	986	1,232	1,890	1,273	2,259

Summary of Group Results

	Units	2024	2025
Revenue	RM mil	1,360	893
Profit Before Taxation	RM mil	267	236
Profit After Taxation	RM mil	208	202
Share Capital	RM mil	1,845	645
Reserves	RM mil	726	1,748
Earnings Per Share	Sen	2.5	2.5
Net Assets Per Share	Sen	31.3	29.1

Financial Calendar

Notice on 15 th Annual General Meeting & Issuance of Integrated Annual Report 2024	29 April 2025
15 th Annual General Meeting	28 May 2025
Financial Year Ended	31 December 2025

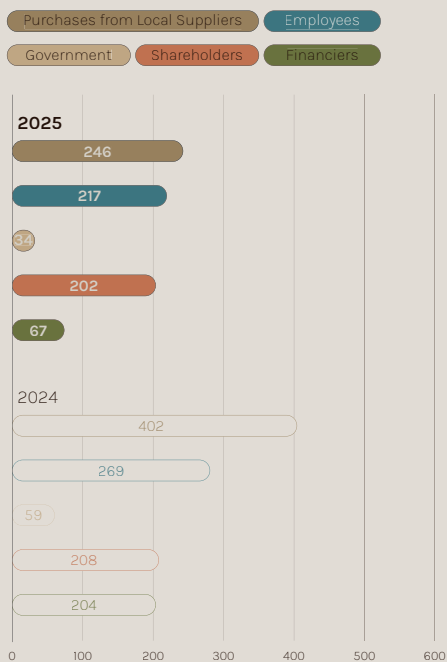
Approval of Quarterly Unaudited Financial Results:

Quarter 1, 2025	26 May 2025
Quarter 2, 2025	21 August 2025
Quarter 3, 2025	19 November 2025
Quarter 4, 2025	24 February 2026

Simplified Statement & 5-Year Group Financial Performance Highlight

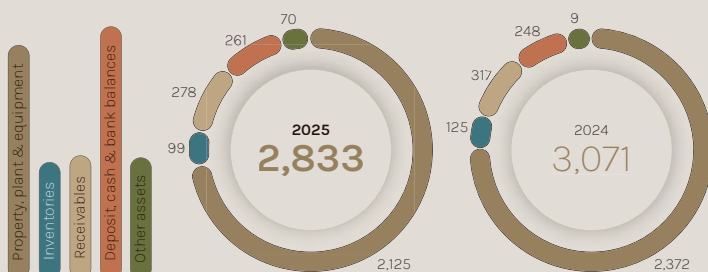
Simplified Statement of Value Added Distribution

(RM mil)



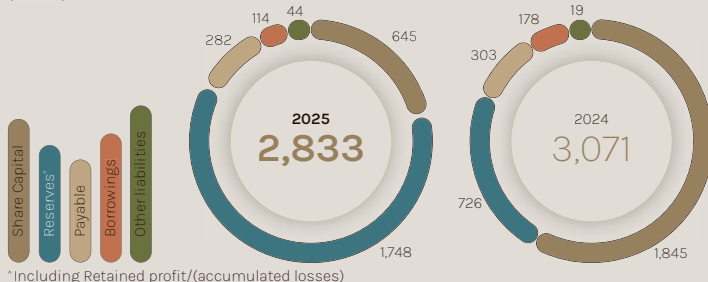
Simplified Statement of Total Assets

(RM mil)



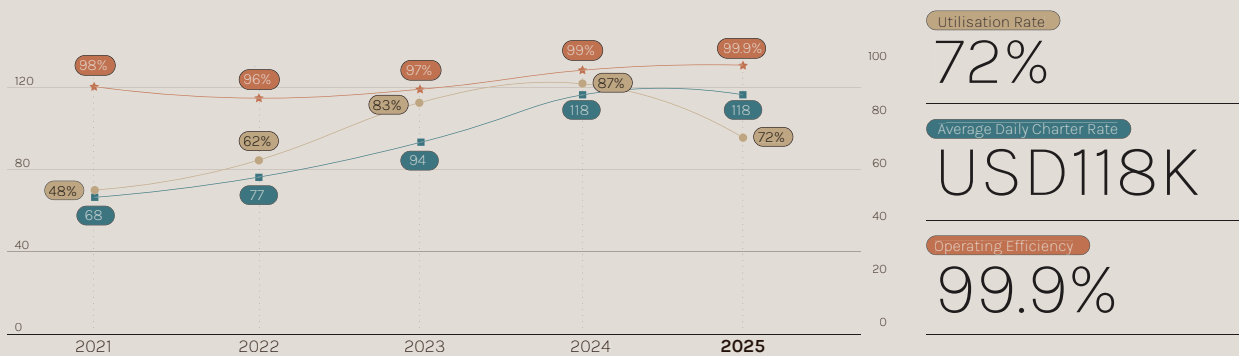
Simplified Statement of Total Liabilities & Equity

(RM mil)



* Including Retained profit/(accumulated losses)

Financial Performance Highlights



Utilisation Rate

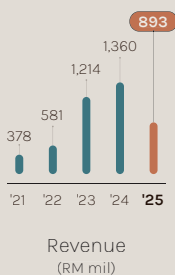
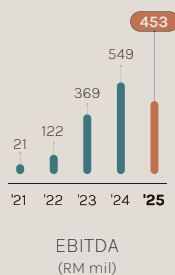
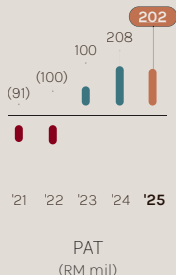
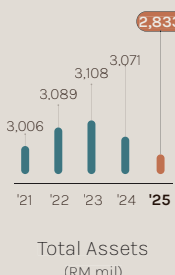
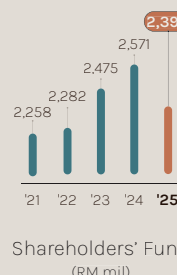
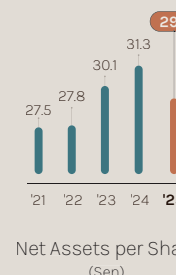
72%

Average Daily Charter Rate

USD118K

Operating Efficiency

99.9%

Revenue
(RM mil)EBITDA
(RM mil)PAT
(RM mil)Total Assets
(RM mil)Shareholders' Fund
(RM mil)Net Assets per Share
(Sen)

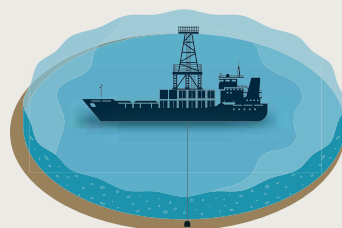
Our Business Model and Value Chain

Operating in the upstream segment of the oil and gas value chain, the Group, through its fleet of Jack-Up (“JU”) drilling rigs undertakes the drilling of offshore oil and gas wells to explore commercial viability of oilfields, to install production equipment to facilitate extraction of oil and gas resources, to drill and construct production and injection wells and to undertake extraction of crude oil and gas from production and injection wells.

Typically, Velesto is contracted by oil and gas majors, national oil companies or independent E&P operators. Contracts vary from short (less than 12 months) to long-term (1 year to 5 years) periods depending on the production requirements of clients. Aside from well drilling, Velesto undertakes well intervention, rejuvenation or repair activities, as well as abandonment and decommissioning activities.

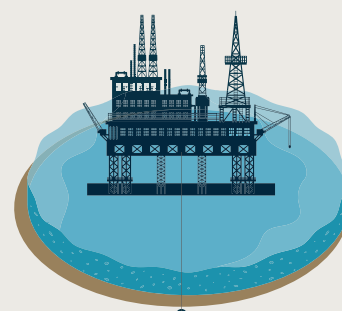
Velesto is Malaysia’s largest JU drilling rig operator, with six premium JU rigs capable of operating in water depths of up to 400 feet. These rigs have been equipped with various technologies such as offline capabilities and automated drilling capabilities.

Velesto Group currently owns and operates NAGA 2, NAGA 3 (under-going disposal), NAGA 4, NAGA 5, NAGA 6 and NAGA 8. Details on these rigs can be found on page 6.



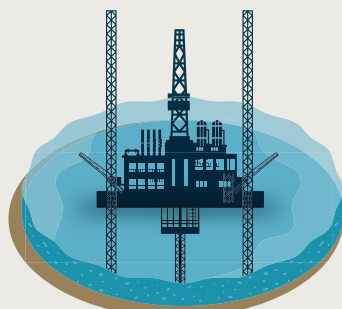
DRILLSHIP

Operates at water depths up to 12,000 feet



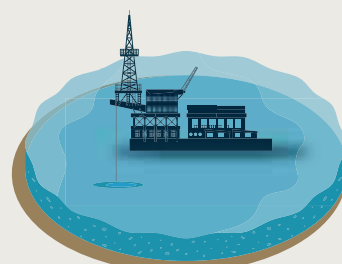
SEMI-SUBMERSIBLE RIG

Operates at water depths up to 10,000 feet



JACK-UP RIG

Operates at water depths up to 500 feet



DRILLING BARGE

Operates in shallow waters



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.

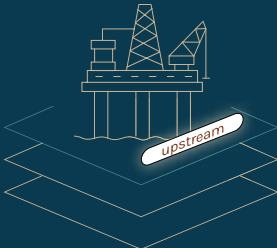
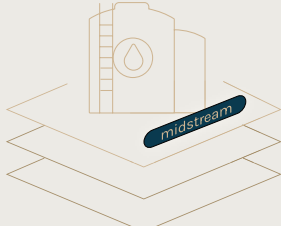
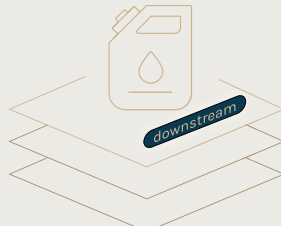
JU rigs are towed out to the drilling location and have retractable legs that are lowered down to the seafloor. When drilling is completed, the legs are raised out of the water, and the rig becomes a floating barge that can be towed away (‘wet tow’) or placed on a large transport ship (‘dry tow’).

Our Business Model and Value Chain

TYPES OF DRILLING RIGS

JACK-UP ("JU")	TENDER-ASSISTED	SEMI-SUBMERSIBLE	DRILLSHIP	HYDRAULIC WORKOVER UNIT ("HWU")
Activity Phase				
• Exploration • Development • Abandonment	• Development • Production • Abandonment	• Exploration	• Exploration	• 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 harsh environments.	Typically used for drilling in deepwater and ultra deepwater environments. Can also be used for well maintenance, completion, and capping works.	Typically used for workover operations, such as well casing and casing level repairs, sand cleanout, and other related activities.
Associated Services				
Supporting vessels, Oil Country Tubular Goods ("OCTG"), third-party drilling services such as drilling fluids, Directional Drilling ("DD"), Measurement While Drilling ("MWD"), Logging While Drilling ("LWD"), wellheads, drill bits, cementing, fishing, slickline, and other related equipment.				Supporting vessels, slickline, cementing, etc.

THE OIL AND GAS VALUE CHAIN

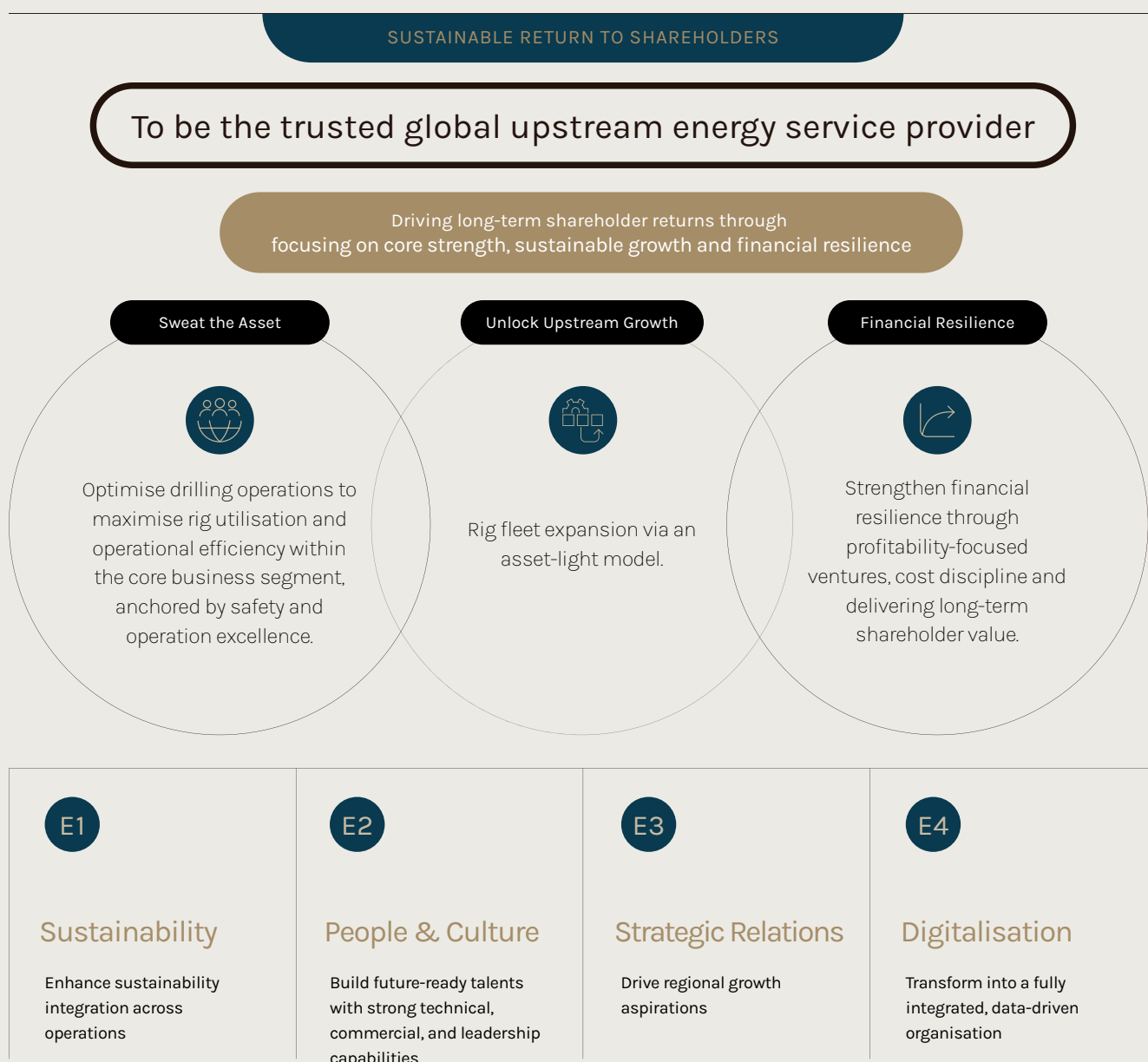
Where Velesto Operates		
UPSTREAM: Production operations and field production All activities related to the sourcing and extraction of oil and gas resources, which is performed at sea (offshore) or on land (onshore). Exploration Data gathering, well exploration Development Well development, facilities commissioning Production Production of oil and gas Decommissioning Cessation at the end of field life 	MIDSTREAM: Pipeline, Transportation, and Storage The processing and storage of crude oil and natural gas as well as transportation of the same. Storage Storage of oil and gas for trading or use Transportation Transportation of oil and gas from field to refineries, and storage areas 	DOWNSTREAM: Refining & Petrochemical Manufacturing Crude oil is developed into a wide range of commercial, industrial, or retail products such as jet or automotive fuel, petrochemicals, olefins, glycols, polymers, methanol, ammonia, and fertilisers. Refining Refining of petroleum to end products Distribution Distribution of products to end users Marketing Selling of products to end users 

Our Business Model and Value Chain

VELESTO VISION 2035 (V35)

Velesto Vision 2035 (“V35”) outlines the Group’s long-term strategy to deliver sustainable returns to shareholders while strengthening our position as a trusted global upstream energy service provider. V35 is centred on three core Strategic Pillars and underpinned by four Strategic Enablers.

These pillars are translated into targeted initiatives across the Group, while the Strategic Enablers represent the foundational capabilities that support the effective execution of Velesto’s strategic pillars.



Our Business Model and Value Chain

STRATEGIC PILLARS

1. Maximising Core Asset Utilisation

Velesto continues to focus on driving optimum asset use. This is realised by continued securing of drilling contracts and by further improving operational efficiency, service reliability and uptime, while emphasising safe operations.

In replenishing the order book, Velesto continues to secure opportunities across key markets. In parallel, the Group's 'grow beyond borders' approach focuses on expanding its regional footprint to capture long-term growth opportunities. The performance capability of Velesto's fleet of JU rigs continues to be enhanced through technology and innovation, and by pursuing continuous improvements in rig operations. These are reflected in ongoing efforts to incorporate automation, robotic systems, and High Pressure, High Temperature ("HPHT") capabilities. This ensures rigs remain competitive well aligned with clients' evolving and increasing requirements.

2. Rig Fleet Expansion via Asset-Light Model

In optimising its financial capital, business growth and market expansion will be achieved through an asset light model leveraging strategic partnerships with asset owners.

This approach enables the Group to scale its presence in the JU rig segment without significant capital commitment. An asset-light approach enhances flexibility in deploying rigs and fulfilling contractual commitments whilst effectively driving the Group's business development activities. In addition, Velesto is exploring diversification into adjacent rig segments and services, broadening its upstream offerings and strengthening its value proposition to clients. These initiatives position the Group to capture growth opportunities while mitigating capital intensity.

3. Financial Discipline and Resilience

Velesto continues to adopt a disciplined approach to cost containment to safeguard margins, while ensuring an optimal capital structure and prudent gearing levels.

The Group is also actively pursuing portfolio optimisation, including the divestment of non-core or limited capability assets, to sharpen strategic focus and improve overall profitability. These efforts are complemented by initiatives to enhance cost efficiency and maximise shareholder returns through sustainable distribution policies.

STRATEGIC ENABLERS

E1 Sustainability	E2 People & Culture	E3 Strategic Relations	E4 Digitalisation
Velesto is committed to integrating sustainability across its operations by reducing environmental impact and aligning with ESG expectations of clients, regulators, and investors. The Group strives to balance financial performance with long-term environmental and social value creation while emphasising strong corporate governance.	Velesto continues to invest in building a future-ready workforce with strong technical, commercial, and leadership capabilities. This is supported by a culture that emphasises performance, integrity, collaboration, and continuous improvement.	Velesto to strengthen relationships with key stakeholders, including clients, partners, regulators, and government agencies, to support our regional growth ambitions. Strategic partnerships remain central to unlocking new opportunities and expanding market access.	Velesto is progressing towards becoming a fully integrated, data-driven organisation, leveraging digital tools to enhance efficiency, optimise costs, improve safety, and enable smarter decision-making across the business. Digital transformation is a key driver of operational excellence.

Our Business Strength and Comprehensive Advantages

	Business Strength	Description
RESILIENCE	Largest Malaysian-owned JU rig operator	Velesto owns and operates six premium JU rigs. Given the inherent industry preference for local contractors, Velesto is well positioned to bid and secure Malaysia-based contracts.
	Regional track record	Velesto has extensive experience operating in Malaysia as well as in Indonesia, Thailand, Vietnam, and Philippines. We continue to bid for opportunities in Southeast Asia and beyond.
	Outstanding order book	Velesto has focused on longer-term contracts of up to five (5) years to shore up its order book to RM1.3 billion. This provides visibility on revenue and will keep the Group's rigs utilised into 2030.
	A consistent talent pipeline	Velesto Academy provides accredited and technical trainings to support crew competency and enables Velesto Group to maintain a sufficient and well-trained talent pool. In addition to supporting operational efficiency and productivity, it also contributes to excellence in talent pipeline strategies and sustainable succession planning.
	Efficient operating cost base	Ongoing cost optimisation efforts have enabled Velesto Group to achieve an efficient operating cost base that facilitates greater flexibility and competitive ability when bidding for contracts.
	Efficient supply chain and strong partnerships	The Group is well supported by a professional network of vendors and suppliers that enables the Group to achieve operational efficiencies and quicker market response.
	Strong institutional support	Velesto is more than 50% owned by institutional investors. The Group's relationships with regulatory bodies and government agencies have enabled it to achieve strong socio-economic compliance.
	Strong client relationships	With a strong track record in operational performance and its standing as the largest Malaysian-owned rig operator, Velesto Group holds a distinctive position among industry players and other stakeholders. The Group plays a leading role in advancing the industry.
PERFORMANCE	Proven expertise and track record	Velesto Group has a proven track record for meeting contractual obligations and delivering benchmark performance. Beyond drilling, Velesto's drilling fleet has completed Integrated Rig, Drilling and Completion ("i-RDC") services and can install Light Weight Structures and undertake well workover as well as decommissioning services. 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.
	Premium JU rigs with technology upgrades	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, four with automated drilling and one with robotic arm capabilities.
	Proven track record for excellent Health, Safety, and Environmental ("HSE") performance	Velesto maintains 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.
	Sustainability	FTSE4GOOD top-quartile company
RETURNS	Strong profit margins	Velesto achieved 51% EBITDA margin and 23% PAT margin.
	Improved return on capital	Velesto delivered Return on Equity of 8.4% through its capital discipline.
	Return to Shareholders	Velesto shareholders benefit from capital appreciation and higher dividends.

Our Value Creation Model

Capital Resources

Inputs

Business Model

FINANCIAL

The strategic allocation of the Group's retained profits, cash, equity, and debt is aimed at driving business development and growth.

The focus is on balancing short-term financial perspectives with the long-term sustainability and value creation capabilities of Veleso.

This includes striving for optimum balance between rewarding shareholders while ensuring sufficient funds for capital and operational expenditure to fuel business growth.

The impact of financial capitals is connected across all other capitals, and vice versa.

- Equity: RM2.4 bil
- Borrowings: RM114 mil
- Cash and Investments: RM261 mil
- Assets: RM2.8 bil
- Share capital: RM0.6 bil
- Market capitalisation: RM2.3 bil

MANUFACTURED

Ensuring optimum productivity of all physical assets in order to generate optimum output while meeting clients' requirements.

We continue to focus on strengthening optimum capability and this may result in potential trade-offs between manufactured and financial capitals.

- 6 premium JU rigs
- 2 onshore supply bases
- 1 Training Academy
- 1 Oilfield Services plant
- Kuala Lumpur Headquarters

NATURAL

Our business activities and outputs contribute to the consumption of environmental resources and have an impact on air, water, and land.

Veleso strives for progressive sustainability in natural resource consumption while seeking to minimise its impact on the environment.

- Diesel: 17,377 MT
- Water: 81,857 m³

HUMAN

The acquisition, retention, and development of competent talents 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.

Talent remains a core business focus. While it may involve short-term trade-offs with financial capital, it supports long-term returns through improved productivity and higher employee retention.

- 536-strong workforce, 77% Malaysian
- 8,649 training hours
- RM1.1 mil training and development expenditure
- 41 VTS trainees
- Veleso Academy

INTELLECTUAL

Our innate industry experience, technical expertise and know-how, as well as systems and processes that have distinguished Veleso as Malaysia's leading drilling rig operator.

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.

- High performance organisational culture
- Best practice, globally recognised management systems:
 - ISO 9001:2015
 - ISO 14001:2015
 - ISO 45001:2018
 - ISO 29001:2020
 - ISO 37001:2016
- Group business model and business strategies
- Annual business plan
- Policies and procedures
- Vendor and local supply chain development

SOCIAL

We have developed a strong network of strategic relationships with key stakeholders. These include shareholders, customers, suppliers, environment, employees, government, industry affiliations, and communities.

These relationships are business focused as well as driven by Sustainability and CSR objectives.

- Investor Relations activities
- Stakeholder engagement
- Dialogue and discussion with government and regulatory bodies
- Proactive customer engagements
- Community and CSR engagements

BUSINESS
MODEL

6

Jack-Up
Drilling Rigs

1

Training Academy



1

Oilfield Services



Business Strategies



Sweat the Asset



Unlock Upstream Growth



Financial Resilience

Supported by Enablers:

Sustainability, People and Culture, Strategic Relations, Digitalisation

Risk Overview

Geopolitical Risk



Technology and Cybersecurity Risk



Market Risk



Execution Risk



Supply Chain Risk



Environment

- Energy & Emission Management
- Climate Risks
- Environmental Impact
- Nature & Biodiversity

Our Value Creation Model

		Outputs	Outcomes												
 Our Approach to Value Creation <table> <tr> <td>Industry Trends, Developments and Value Chain</td><td></td><td>Inherent business strengths and competitive advantages</td><td></td></tr> <tr> <td>Macro Operating Environment</td><td></td><td>Risks and Mitigations</td><td></td></tr> <tr> <td>V35 Strategies</td><td></td><td></td><td></td></tr> </table>		Industry Trends, Developments and Value Chain		Inherent business strengths and competitive advantages		Macro Operating Environment		Risks and Mitigations		V35 Strategies				- Revenue: RM893 mil - EBITDA: RM453 mil - Net profit: RM202 mil - Interest expense: RM9 mil - Dividend: RM246 mil	- RM34 mil of corporate taxes to governments - RM202 mil profit attributable to equity holders - Earnings per share: 2.46 sen per share - RM192 mil paid in wages and employees benefits - RM67 mil paid to financiers in interest, repayment of term loans and revolving credit
Industry Trends, Developments and Value Chain		Inherent business strengths and competitive advantages													
Macro Operating Environment		Risks and Mitigations													
V35 Strategies															
FINANCIAL VALUES <table> <tr> <td> Direct values: Revenue, earnings, dividend, share price and market capitalisation. </td><td> Indirect values: Shareholder dividends, repayment to financiers, payments to employees including salaries and benefits, payments to suppliers and income tax. </td></tr> </table>		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.	Available JU days: 2,196 days	- Utilisation: 72% - Average DCR: USD118k - Operating Efficiency: 99.9%										
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.		56,041 tCO₂e emissions - Zero major environmental spills	27% lower emissions intensity per operating day compared to 2021 baseline (Scope 1 & 2 only) - Reduced environmental impact - Continued improvement in our Sustainability performance												
Stakeholders' Needs 															
Our Materiality Matters <table> <tr> <td> Social - Health & Safety - Human Rights - Employment Practices - Diversity, Equity & Inclusion - Community Impact </td><td> Governance - Economic Performance - Governance & Ethics - Supply Chain - Data Privacy & Security </td></tr> </table>		Social - Health & Safety - Human Rights - Employment Practices - Diversity, Equity & Inclusion - Community Impact	Governance - Economic Performance - Governance & Ethics - Supply Chain - Data Privacy & Security	- A strong and continually improving HSE track record - Zero fatalities - Zero LTI - RM250 mil local procurement spend	- Various industry recognition awards - Continued strengthening of track record - Enhanced credibility 54% local procurement rate 67% local suppliers										
Social - Health & Safety - Human Rights - Employment Practices - Diversity, Equity & Inclusion - Community Impact	Governance - Economic Performance - Governance & Ethics - Supply Chain - Data Privacy & Security														
		- RM0.8 mil in scholarship disbursements 1,420 sqft corals planted - Four quarterly analyst briefings													

Sustainability. Returns. Responsibility.

At Velesto, sustainability is more than a commitment—it is the foundation of how we create value, drive progress, and shape a better future.

35	About this Sustainability Statement
38	President Statement
42	2025 At a Glance
43	ESG Highlights
44	Sustainability Lenses
45	Our Approach to Sustainability
51	Our Stakeholder Universe
56	Our Material Matters
61	Our ESG Target Scorecard
64	Our Alignment to United Nation Sustainable Development Goals (“UNSDGs”)
65	Sustainable Value Creation
	• Environment
	• Empowering People
	• Ethical Business
115	ESG Performance Data
122	Bursa Malaysia Prescribed Table
129	Statement of Assurance
130	Bursa Malaysia Content Index
131	GRI Content Index
135	IFRS S2 Content Index

About this Sustainability Statement

Velesto Energy Berhad (“Velesto” or “the Group”) presents our Sustainability Statement 2025 (“SS2025” or “the Statement”), which outlines our Environmental, Social and Governance (“ESG”) performance for the financial year ended 31 December 2025.

This Statement highlights key developments, performance outcomes and strategic initiatives undertaken during the year in response to an evolving energy landscape and rising stakeholder expectations.

Sustainability remains firmly embedded within our core business framework. It informs how we operate, allocate capital and pursue growth with recognition that responsible resource development, disciplined governance and long-term value creation are fundamentally interconnected. By providing a transparent and accountable overview of our ESG performance, we aim to give stakeholders clear visibility on the positive and negative impacts of our activities on people, communities and the environment, as well as the actions taken to minimise harm, maximise shared value and advance a more resilient and sustainable future.

BASIS OF PREPARATION AND REPORTING

This Statement presents detailed and quantifiable data on our sustainability activities and performance for the period from 1 January 2025 to 31 December 2025. Where applicable, comparative historical data is also provided. The data and outcomes presented are derived from closely monitored performance indicators and are disclosed to the best possible.

Marking the tenth edition of our sustainability reporting, our SS2025 has been prepared in accordance with the Global Reporting Initiative (“GRI”) Standards 2021 and in compliance with sustainability reporting requirements under Bursa Malaysia’s Listing Requirements.

OTHER REPORTING GUIDELINES, FRAMEWORKS, STANDARDS AND SUSTAINABILITY-RELATED INDICES

This SS2025 has also referenced the following frameworks and guidelines:

- Bursa Malaysia Sustainability Reporting Guide
- Global Reporting Initiative (“GRI”) Standards 2021
- International Financial Reporting Standards (“IFRS”)
- Sustainability Accounting Standards Board (“SASB”) standards
- United Nations Sustainable Development Goals (“UNSDG”)
- Additional industry best practices where relevant

We also align our reporting with the standards set by the following indices:

- FTSE4Good Bursa Malaysia (“F4GBM”) Index

For ease of reference, Bursa Malaysia, GRI, and IFRS S2 Climate-related content indices are included at the end of this Statement.

About this Sustainability Statement

**REPORTING TRANSITION TO IFRS SUSTAINABILITY DISCLOSURE STANDARDS**

For selected sections of our SS2025, we have commenced making limited reference to the IFRS Standards for the first time. The transition is undertaken to comply with the National Sustainability Reporting Framework (“NSRF”) and Bursa Malaysia’s Listing Requirements for public-listed companies.

As a Group 2 entity under the NSRF, Velesto is eligible for transition reliefs prior to full adoption by the financial year ending 31 December 2028. Accordingly, for the preparation of SS2025, our limited reference has focused on IFRS S2 Climate-related Disclosures.

SCOPE, BOUNDARY AND EXCLUSIONS

This Statement covers all subsidiaries within the Velesto Group, including our principal operations in drilling services, integrated project management and oilfield services. Disclosures include performance data from our operational sites, corporate offices, warehouses, six Jack-Up (“JU”) rigs and two Hydraulic Workover Units (“HWU”).

To provide context and enable meaningful performance assessment, indicators are presented with five-year comparative data where available, allowing stakeholders to evaluate trends and year-on-year progress.

As a drilling services contractor, Velesto does not own the oil and gas resources extracted by our clients. Accordingly, this Statement does not extend to ESG impacts arising from the exploration, production, ownership or end-use of hydrocarbons managed by our clients or other entities beyond our operational boundary. ESG matters relating to associate company where Velesto does not exercise operational control are likewise excluded from this disclosure.

LINKAGE TO INTEGRATED REPORTING

For a more complete understanding of the Group’s overall performance, this Sustainability Statement should be read together with Velesto’s Integrated Annual Report 2025 (“IAR2025”).

While this Statement focuses on our ESG priorities, performance and initiatives, IAR2025 provides a detailed review of the Group’s financial results, strategic direction and the broader external environment in which we operate. Together, these reports present a balanced and integrated view of how Velesto creates and sustains long-term value.

PRECAUTIONARY APPROACH

Sustainability considerations are embedded within Velesto’s enterprise risk management framework, shaping how we safeguard our operations and position the business for durable growth. By aligning ESG priorities with risk oversight processes, we strengthen resilience while reinforcing the integrity of our operating model.

Particular emphasis is placed on averting Occupational Safety and Health (“OSH”) incidents and mitigating potential environmental and community impacts associated with our activities. This forward-looking approach enables us to anticipate risks, implement early interventions and uphold responsible operational standards across our portfolio.

About this Sustainability Statement



REPORTING RELIABILITY

The data and insights presented in SS2025 are derived from Velesito's internal records and operational documentation.

Independent verification has been conducted by external assurance providers to strengthen the credibility of our disclosures. Ernst & Young performed the audit of our financial statements, while DNV Malaysia Sdn. Bhd. reviewed and assessed our Health, Safety, and Environment ("HSE") Management System.

In preparing this report, we have referenced established industry methodologies, where relevant, to calculate and evaluate performance data. These include:

- The Greenhouse Gas ("GHG") Protocol
- Annexes of the International Convention for the Prevention of Pollution from Ships ("MARPOL 73/78")
- Applicable fleet certification regulations, including standards issued by the American Bureau of Shipping
- The International Civil Aviation Organisation ("ICAO") Carbon Emissions Calculator
- The Department for Environment, Food and Rural Affairs ("DEFRA") greenhouse gas reporting conversion factors (2024 edition)

Preparation of this Statement has been overseen by the Company. Internal review and verification processes are conducted to enhance data integrity, strengthen accountability and support the consistency and providing true and fair view of the information presented.

ASSURANCE

This Sustainability Statement has undergone an internal assurance review conducted by Velesito's Internal Audit Department.

The review was performed in alignment with the Global Internal Audit Standards ("GIAS") issued by the International Internal Audit Standards Board ("IIASB") and assessed the Statement's compliance with Bursa Malaysia Main Market Listing Requirements and its accompanying sustainability reporting guidelines.

Further details on our scope of internal assurance are available on page 129 of this Statement.

ASSURANCE APPROACH

To strengthen confidence in the integrity of the sustainability information presented, a structured verification process was undertaken. The review procedures included:

- Conducting interviews with personnel responsible for data compilation and reporting to assess governance arrangements, internal controls, and reporting workflows;
- Performing sample-based testing to substantiate the completeness and reliability of selected data points; and
- Reassessing key calculations to confirm their alignment with the stated methodologies and reporting standards.

This SS2025 was presented to Velesito's Board of Directors for review and was approved on 25 March 2026.

Feedback

We welcome feedback and enquiries regarding this Sustainability Statement, which can be directed to:
Tel: +603 2096 8788
Email: sustainability@velesto.com

President's Statement

CREATING SUSTAINABLE VALUE THROUGH DISCIPLINE AND PROGRESS

DEAR STAKEHOLDERS,

Resilience enables performance, and performance delivers returns. At Velesto, sustainability is increasingly embedded in the way we operate – from strengthening operational efficiency and reducing emissions intensity to enhancing transparency through internationally aligned reporting and supporting the well-being of our people.

Collective, these efforts reinforce our commitment to creating long-term value for our clients, shareholders and the wider stakeholder community.



NAVIGATING A COMPLEX ENERGY LANDSCAPE

The year 2025 was marked by continued complexity across the global energy landscape. While oil and gas demand remained resilient, supported by economic growth particularly across Asia, market conditions were shaped by persistent geopolitical tensions, evolving trade dynamics and ongoing supply chain constraints. At the same time, the global energy transition continued to progress, albeit unevenly, with increasing emphasis on balancing decarbonisation ambitions with the need for energy security and affordability.

The importance of striking this balance within the energy trilemma is particularly pronounced in Southeast Asia, where energy demand continues to rise, driven by the region's industrial growth and urbanisation. Upstream investments are expected to strengthen over the coming years, with capital expenditure projected to increase and peak around 2027-2028, led by key markets such as Malaysia, Indonesia and Thailand. Within this broader regional outlook, Malaysia's drilling activity is expected to remain stable in the near term, with further growth anticipated as development programmes expand.

Against this backdrop, Velesto remains firmly positioned as a key drilling contractor supporting the region's energy ecosystem. We recognise that the energy transition is not a binary shift, but a long-term structural evolution. Offshore oil and gas will continue to play an essential role in meeting global energy needs, and our responsibility is to enable this safely, efficiently, and with progressively lower emissions.

At the same time, expectations on sustainability performance and transparency are intensifying. The introduction of IFRS Sustainability Disclosure Standards (IFRS S1 and S2), alongside evolving Bursa Malaysia requirements, signals a shift towards more rigorous and decision-relevant disclosures. For Velesto, this reinforces our focus on strengthening governance, enhancing climate-related risk management and improving the quality and consistency of our sustainability reporting.

Looking ahead to 2026 and beyond, we are mindful of the uncertainties that may shape the operating environment, from geopolitical volatility and inflationary pressures to fluctuations in commodity prices and evolving regulatory expectations. In response, we will continue to strengthen Velesto's resilience in navigating uncertainty and capturing opportunities by ingraining sustainability more deeply across our business, from securing long-term earnings visibility and optimising utilisation of our core assets to operating responsibly and progressively reducing our environmental footprint.

18.5

2025 Low

ESG Risk rated by
Sustainalytics

4.1

2025

FTSE4Good
Rating

STRENGTHENING FOUNDATIONS FOR LONG-TERM RESILIENCE

Resilience is not built in a single year. It is the outcome of deliberate strategy, disciplined execution and a clear understanding of where long-term value lies.

Guided by our Vision 2035 ("V35"), we continue to strengthen our business model and governance foundations to ensure sustained competitiveness in a changing industry. Our strategic focus is centered on maximising our core drilling business, enhancing operational efficiency and positioning the Group for sustainable growth.



A key priority has been the acceleration of technology adoption across both corporate and operational levels. From streamlining internal processes to enhancing rig performance, digitalisation plays an increasingly important role in improving efficiency, reliability and decision-making. To date, most of our processes have been digitalised, supporting greater operational visibility and performance optimisation.

At the same time, we are advancing a more capital-efficient and asset-light approach to growth. The strategic divestment of limited capability assets, including the planned disposal of NAGA 3 and Velesto Workover Sdn. Bhd. ("VWSB"), reflects our commitment to optimising capital allocation and strengthening financial flexibility. This allows us to concentrate on leveraging our technically competitive assets to expand our presence across regional markets.

Financial discipline remains central to our resilience. In 2025, Velesto maintained a strong financial position through prudent cost management, reduced borrowings and improved earnings quality. Despite a moderating market environment, we delivered commendable financial performance while strengthening our balance sheet.

Sustainability continues to be a key enabler of our long-term strategy. In 2025, we advanced our Net Zero commitment by publishing our Net Zero Emissions 2050 Roadmap, which outlines a pragmatic and operationally grounded pathway towards decarbonisation. Our approach reflects the realities of the offshore drilling sector, focusing on efficiency improvements, operational optimisation and collaboration across the value chain.

On the social front, we strengthened our commitment to our people through the successful implementation of a Living Wage policy across all Malaysian employees, achieving 100% coverage in 2025. This reflects our belief that resilience is built not only through systems and strategies, but through a workforce that is supported, valued and empowered.

Equally important is the culture we are embedding across the organisation. Through our iLEAP 2.0 initiative, we continue to strengthen values and behaviours that drive accountability, innovation and performance, ensuring our people remain at the heart of our long-term success.

Our progress in sustainability and governance is reflected in our recognition as a top-rated ESG company. In 2025, Velesto achieved a 4.1 FTSE4Good rating, placing us among the top tier of Bursa Malaysia PLCs, while maintaining a low ESG risk rating by Sustainalytics. These recognitions are not endpoints, but indicators that our efforts to embed sustainability across our operations are steadily strengthening our resilience and supporting sustained performance.

President's Statement

DELIVERING PERFORMANCE AND CREATING SUSTAINABLE RETURNS

Our 2025 performance was defined by operational discipline and strong value delivery. Velesto recorded revenue of approximately RM893 million, with an EBITDA margin of 51% and a Profit After Tax ("PAT") margin of 23%, reflecting the effectiveness of our operational and financial strategies.

Uptime performance remained strong at 99.9% despite lower utilisation at 72% in 2025, highlighting our commitment to operational reliability and efficiency.

Our order book remained robust at RM1.3 billion, with a further RM3.7 billion in prospects providing clear visibility on future income and reinforcing client confidence in our capabilities.

Safety performance remained exemplary, with zero fatalities, zero Lost Time Injuries ("LTI"), zero major spills and zero Total Recordable Injury Frequency ("TRIF") recorded during the year. This reflects the strength of our safety culture and our unwavering commitment to protecting our people and operations.

Importantly, this performance translated into tangible returns for shareholders. In 2025, Velesto delivered its highest Total Shareholder Return ("TSR") of 89%, alongside a dividend yield of 10.7% and total dividends of 3.00 sen per share, underscoring our commitment to delivering consistent and meaningful value.

Our ESG performance aligns closely with these outcomes. Improvements in operational efficiency, such as fuel optimisation and reduced downtime, contributed not only to emissions intensity reduction of 27% per operating day against our baseline, but also to enhanced cost efficiency and operational reliability. Strong governance and risk management remain key drivers of our stable performance, while continued investments in our people and culture play a vital role in supporting sustained productivity.



During the year, Velesto was honoured with several recognitions, including:

- **The Asia Pacific CEO Sustainability Award** – Champion, reflecting leadership commitment to sustainability
- **The National Corporate Governance and Sustainability Awards ("NACGSA")**, where we ranked 32nd among Top 50 Malaysian PLCs
- Multiple operational and safety awards from clients and industry bodies
- Recognition under **Anugerah Integriti, Governans & Antirasuah**, validating our commitment to ethical business practices.

These recognitions affirm that sustainability, governance and performance are not separate pursuits but mutually reinforcing drivers of long-term value creation.

I would like to take this opportunity to express my sincere appreciation to our employees, whose dedication and professionalism have enabled these achievements, as well as to our clients and partners for their continued trust and collaboration.



Top 5% PLCs
2025 NACGSA
Excellence Award

We will
continue to
build a stronger
Velesto, defined
by resilience,
driven by
performance
and focused
on long-term
returns

LOOKING AHEAD WITH CONFIDENCE AND RESPONSIBILITY

As we look ahead, we recognise that the path forward will continue to be shaped by uncertainty. Geopolitical volatility, fluctuating commodity prices and the evolving pace of the energy transition will present both challenges and opportunities.

Velesto is well-positioned to navigate these dynamics. Our focus on operational discipline, financial resilience and strategic clarity provides a strong foundation to withstand market volatility. At the same time, our continued progress in sustainability, through enhanced disclosures, improved emissions management and responsible practices, strengthens our ability to operate in an increasingly complex and regulated environment.

To sustain our momentum into 2026 and beyond, we will continue to:

- Advance digitalisation and technology adoption to enhance operational excellence
- Uphold uncompromising safety standards and strong governance practices
- Strengthen financial discipline while pursuing strategic growth opportunities
- Deepen our sustainability practices, including progress towards our Net Zero ambition
- Deliver consistent returns and long-term value to our stakeholders.

Ultimately, our role extends beyond delivering drilling services. We are part of a broader energy system that powers economies and supports societal progress. As such, we remain committed to delivering our services responsibly, balancing operational excellence with environmental stewardship, social responsibility and transparent governance.

On behalf of the Board and Management, I would like to extend my sincere appreciation to our shareholders, customers, partners, vendors, employees and the communities we serve for their continued support and trust.

Together, we will continue to build a stronger Velesto, defined by resilience, driven by performance and focused on long-term returns.

Megat Zariman Abdul Rahim

President / Executive Director
Velesto Energy Berhad

2025 at a Glance

ABOUT VELESTO

Headquartered in Malaysia, we are a multinational company delivering comprehensive solutions to the upstream oil and gas sector. Our services include drilling operations, well services and a wide range of essential oilfield support. In addition, we extend specialised training and support services tailored for the drilling industry.

Office Locations



TOTAL
WORKFORCE **536**

Our Assets

2
Hydraulic Workover
Units ("HWU"s)

6
Jack-Up ("JU")
Drilling Rigs

1
Velesto Academy
("VAD")

2
Warehouse
(ASB & KSB)

1
Oilfield
Services

OUR OPERATIONAL PERFORMANCE

We strive to deliver consistent value to our clients through operations that are reliable, efficient and tailored to their expectations.

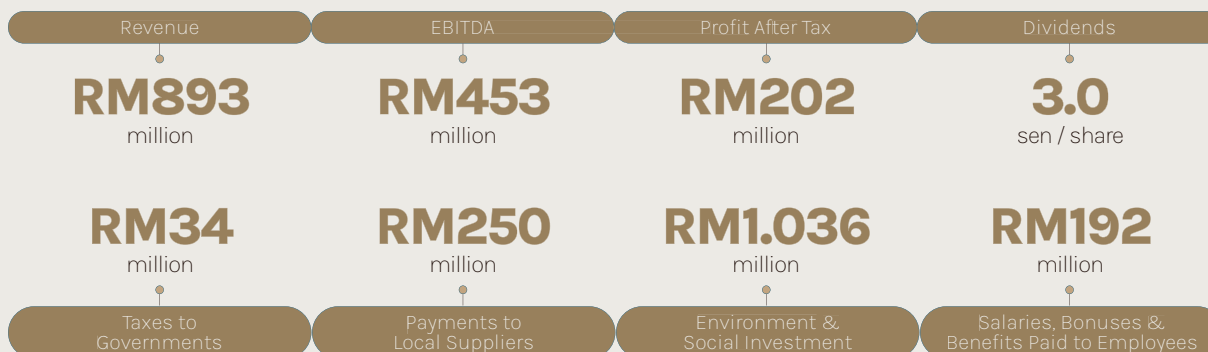
Operating
Day **1,609**

Utilisation
Rate **72%**

Efficiency /
Uptime **99.9%**

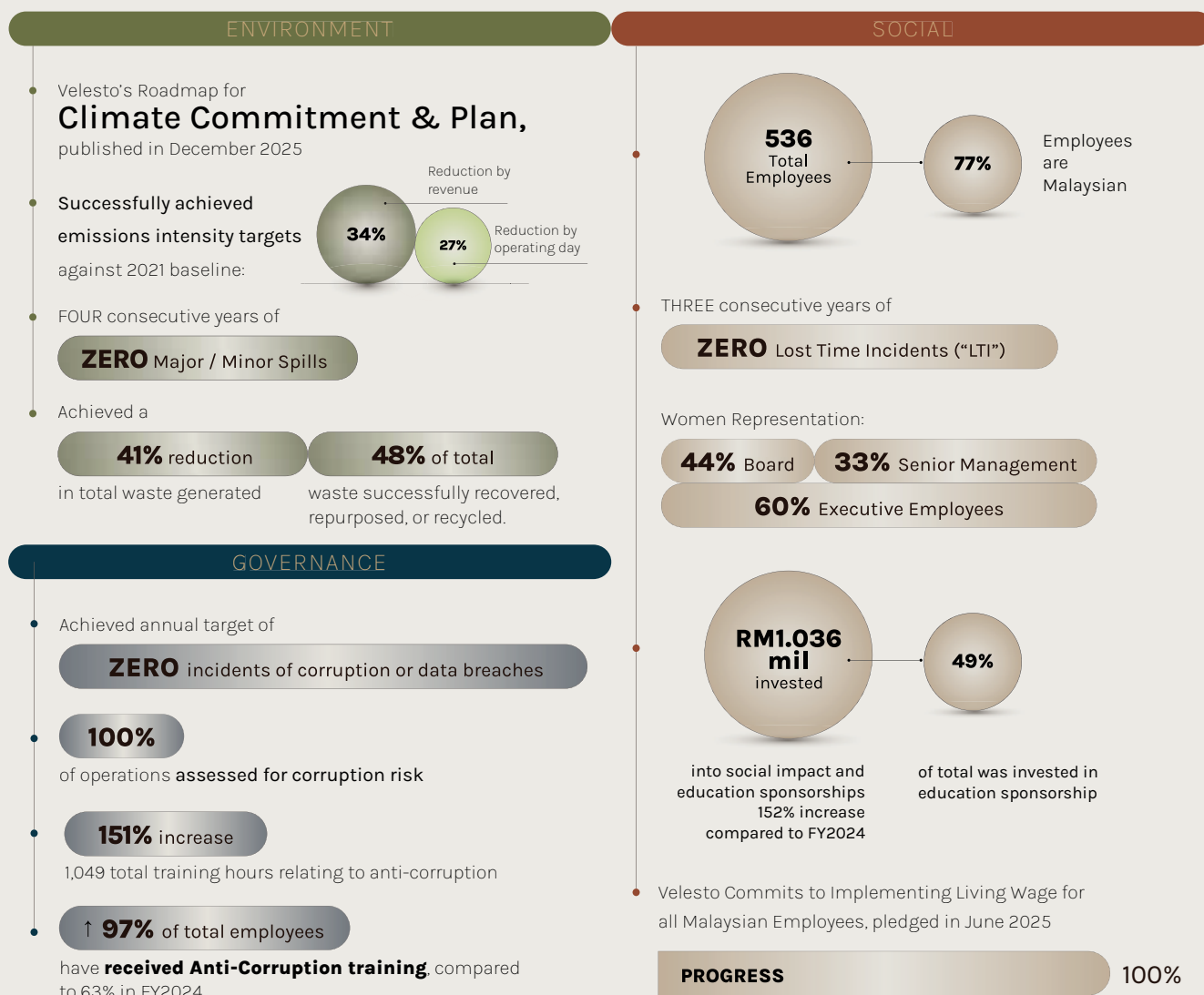
OUR FINANCIAL VALUE CREATION

Strong financial performance is an important measure of our ability to create lasting value for all stakeholders. In 2025, Velesto continued to deliver profits and dividend payouts, act responsibly as an employer and taxpayer, and participate actively in the procurement ecosystem to contribute positively to the communities where we operate.



ESG Highlights

Each year, we aim to strengthen our performance across the ESG spectrum. The following highlights our progress and accomplishments, along with the awards and recognitions we earned during the year.



Awards and Achievements		
FTSE4GOOD ESG rating score of 4.1 3 rd Consecutive Year of Improvement	Bursa Malaysia 4-STAR ESG Rating Maintained Highest Band Rating	Anugerah Integriti, Governans dan Antirasuah ("AIGA") 2025 Qualifier for Governance Excellence
Low ESG Risk Rating by Sustainalytics Remained among the lowest ESG risk drilling contractors globally	National Annual Corporate Reporting Award 2025 ("NACRA") Finalist	National Corporate Governance & Sustainability Award ("NACGSA") 2025 Ranked No.32 amongst Top 50 Malaysian PLCs for overall excellence
Asia Pacific CEO Sustainability Awards 2025 by SustNET Champion	Multiple recognitions for Health & Safety excellence 7 awards from clients & industry groups	IADC Southeast Asia Chapter Awards Best recordable Incident Rate in 2024 & Most number of years Recordable Incident Free (NAGA 6)

Sustainability Lenses

January



Monthly Operations Awareness Session

Promoting sustainability across environment, social and governance pillars.

Ongoing Skill Development and Collaborative Learning via Vel-Being and Byte Size Insights Programme

Vel-Being programme promotes a positive work environment focused on health, collaboration, and holistic development. Meanwhile, regular Byte Size Insights webinars help build a knowledgeable, ethical, and sustainability-driven workforce.

March

Internal Data Assurance

Assessed ESG data assurance scope, process and audit checklists by the Internal Audit Department.

April

Sustainability Report 2024

Published Velesto's Sustainability Report 2024.

May

VIBES Innovation Challenge 2025 at UNIMAS

Supported STEM excellence via industry-driven collaboration and innovative programme delivery beyond the tradition classroom concept.



IADC APAC HSE & Sustainability Conference

Participated in two panel sessions and presented two papers, including Velesto's Net Zero and decarbonisation strategy.

SusNet Asia Pacific CEO Sustainability Award 2025

Recognised as a Sustainability Champion, the highest-tier award across APAC company nominations.

June

Launching of Sekolah Angkat MADANI Programme

Kicked off the collaboration and identified the six schools to be adopted.

July

Maintenance of Velesto Coral Nursery at Pulau Perhentian

Carried out maintenance dives to replant new corals nubbins and collect data on the species and quantity of planted corals.

October

Ignite Sustainability 2025

An internal event to increase employee sustainability awareness and knowledge.

Coral Growth survey at Velesto Coral Nursery

Conducted a survey to monitor our coral growth and development.

November

IGUC Integrity Day 2025

Our annual event focused on promoting and upholding strong integrity and governance values amongst employees.

IFRS Sharing & Climate Risk Introductory Workshop

A sharing session to prepare our teams to comply with emerging stringent sustainability reporting requirements.

Launching of OSH-SURE

To strengthen safety readiness across the oil and gas industry's contractor and vendor ecosystem. Velesto was also recognised for our contribution to the OSHWA Self-Assessment Manual, while VAD accredited as an OSH-Coordinator training centre.



December

Published Velesto's Climate Commitment & Plan

Outlining our overall climate strategy and emission management plans for achieving Net Zero by 2050.

ESG Maturity Survey for Vendors

Rolled out the survey via Bursa Malaysia's CSI Platform and conducted two briefing sessions for our vendors.

Delivery of Contributions to all adopted schools under Sekolah Angkat MADANI

Delivered contributions to six adopted schools, benefiting students and supporting educational development.



Our Approach to Sustainability

BUILDING LONG-TERM VALUE THROUGH SUSTAINABILITY

Sustainability guides everything we do, with ESG principles acting as a core driver for creating long-term value for our stakeholders. We integrate these principles into our business goals, ensuring that social and environmental considerations are part of our culture, decision-making, and governance. This allows us to actively embed sustainable practices throughout our operations, systems and processes.

SUSTAINABILITY ASPIRATION

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

FOCUS AREAS		
ENVIRONMENT Contribute towards environmental stewardship and low carbon operation.	SOCIAL Building ecosystem that enables our people and community to thrive.	GOVERNANCE Upholding ethics, integrity and transparency in our work.
Strategies		
ENERGY & EMISSIONS - Reducing Scope 1 and 2 emissions by 2030 and achieve Net Zero by 2050 - Implement emissions reduction technologies and initiatives - Improve operational efficiency	HEALTH & SAFETY - Provide a safe and healthy working environment for our people - Uphold the highest levels of HSE culture and leadership within our operations	ECONOMIC PERFORMANCE - Implement the strategies of V35 - Ensure financial prudence and uphold responsible management of resources - Inculcate a 'Performance Driven, Operations Focused' guiding principle
CLIMATE RISK - Establish climate governance and risk assessment - Transition to low carbon operations - Enhanced data monitoring and reporting	EMPLOYMENT PRACTICES - Corporate culture development plan - Optimum workforce and efficiency - Continuous talent development - Competitive remuneration and benefits	GOVERNANCE & ETHICS - Ensure sustainable governance - Drive culture of transparency & integrity beyond compliance
ENVIRONMENTAL IMPACT - Advocate for environmental protection through policies - Ensure compliance to environmental regulations - Adopt operational controls and new technologies aimed at avoiding, minimising, and mitigating negative impacts - Minimise use of resources and reduce wastes	HUMAN RIGHTS - Zero tolerance for human rights violations - Employee health and wellbeing initiatives	SUPPLY CHAIN - Responsible and fair sourcing practices - Collaborate and promote ESG capabilities amongst vendors
NATURE & BIODIVERSITY - Contribute to knowledge development through research collaboration - Raise awareness on coral conservation and undertake coral rehabilitation	DIVERSITY, EQUITY & INCLUSION - Promote an engaging and inclusive workplace - Ensure our ability to attract and retain diverse talents COMMUNITY IMPACT - Contribute to community development through STEM education programmes	DATA PRIVACY & SECURITY Enhance cybersecurity management through continuous risk assessment and technological improvement
In Alignment to the UNSDGs:		



Our Approach to Sustainability

OUR SUSTAINABILITY JOURNEY

PROGRESS	ACHIEVEMENTS
2017 TO 2019	
- Established sustainability governance - Strengthened sustainability disclosures	- Disclosed first Sustainability Report - Included as Bursa Malaysia's FTSE4Good Index constituent
2020 TO 2021	
- Adopted Integrated Reporting - Commenced climate risk assessment - Became a member to the United Nations Global Compact ("UNGC")	- Achieved 4-star FTSE4Good Index rating - Winner of the MSWG-ASEAN Corporate Governance Award 2021
2022 TO 2023	
- Established ESG alignment as a strategic pillar for company business strategy - Committed to the target of reducing emissions by 2030 - Aligned sustainability disclosures with Bursa Malaysia Sustainability Reporting guidelines and TCFD - Refined sustainability framework	- Recipient of MSOSH Gold Class 1 Award 2022 & 2023 - Maintained 4-Star rating in FTSE4Good Index - Awarded Best CSR of the Year 2023 by Asian Business Review
2024	
- Committed to achieving Net Zero emissions by 2050 - Strengthened governance practices and implementation of ISO 37001 Anti-Bribery Management System	- Improved FTSE4Good score to 4.0 (from 3.8) - Sustainalytics ESG Risk Rating of 18.5 (Low Risk) - Received Special Recognition for Sustainability Leadership and Most Outstanding Project Award at the Malaysia GPM Sustainability Awards 2024
2025	
- Net Zero Emissions by 2050 Roadmap published in Dec 2025, outlining our climate commitment and transition plan - Living Wage commitment published in June 2025, with 100% implementation achieved for all Malaysian employees	- Velesto was named Champion in the Asia Pacific CEO Sustainability Awards 2025 by SustNET - In the National Corporate Governance & Sustainability Award ("NACGSA") 2025, Velesto was ranked No.32 amongst the Top 50 Malaysian PLCs for overall excellence - Velesto was a finalist in the National Annual Corporate Reporting Award 2025 ("NACRA")

SUSTAINABILITY GOVERNANCE

The Group's sustainability direction is set by our Board of Directors, which holds ultimate accountability for all ESG matters and defines the Group's priorities and strategies. Senior Management leads implementation across the organisation, ensuring initiatives remain aligned with business objectives and that progress against ESG targets is monitored and reported in a structured manner.

Guiding Sustainable Growth

Velesto's Board of Directors provides strategic oversight of sustainability and all our material matters

By embedding ESG performance and targets into the Group's strategic business roadmap, we align the Company behind shared priorities and strengthen collective execution towards long-term value creation.

The Board is supported by dedicated governance structures, including the Board Governance & Risk Committee ("BGRC"), the Sustainability Management Committee ("SMC") and the Sustainability Working Group ("SWG"). These committees, together with support from specialised sub-groups, oversee and coordinate key ESG areas across the Group, with the SMC also providing direction on economic strategies and priorities. The SMC is chaired by Velesto's President, ensuring top leadership guidance is provided to the Company in translating strategy into disciplined execution.

This governance framework ensures leadership remains informed of both current and emerging ESG issues, strengthens accountability and enables clear escalation and communication across the organisation. To maintain relevance and sharpen oversight capabilities, the Board and Senior Management also participate regularly in training programmes facilitated by regulators, professional bodies and industry practitioners.



Our Approach to Sustainability

SUSTAINABILITY GOVERNANCE STRUCTURE

COMPOSITION	FUNCTIONS	FREQUENCY
Board of Directors		
- Non-Independent Non-Executive Directors - Independent Non-Executive Directors - Executive Director	- Exercises oversight on all material ESG topics - Guides the company's sustainability agenda - Holds ultimate accountability for integrating ESG considerations into corporate strategies, governance and decision making	As and when
Board Governance & Risk Committee ("BGRC")		
BGRC members	- Collaborates closely with the Sustainability Management Committee to formulate an integrated approach for efficient risk management, encompassing the identification, assessment and management of material ESG matters, including ESG and climate-related risks and opportunities - Ensure the progressive inclusion of potential impact of ESG matters within the Group's risk matrix and risk register - Presents half-yearly reports to the Board	Quarterly Meeting
Sustainability Management Committee ("SMC")		
- Chaired by the Group's President and Senior Vice President (Strategic Marketing) as Co-chair/ Secretary - The Group's Senior Management Team	- Ensures alignment of sustainability strategies with the Group's vision and mission - Reviews and recommends the Sustainability Statement to the Board - Evaluates and recommends sustainability strategies, policies and other related matters, including management systems, performance monitoring, policies, commitments and regulations - Actively monitors stakeholders' expectations on Velesto's ESG activities through effective communication strategies	As and when
Sustainability Working Group ("SWG")		
- Chaired by the Senior Vice President (Strategic Marketing) and Head of Sustainability as Co-Chair / Secretary - Representatives from corporate and operational departments responsible for key ESG matters	- Support the effective implementation of sustainability strategies and projects - Tracks data to ensure all outlined activities achieve defined targets	As and when
ENVIRONMENT - Operations - QHSE SOCIAL - QHSE - Human Resources - Corporate Communications GOVERNANCE - Finance - Commercial - Legal & Secretarial - IGUC - Procurement		

¹ For further information on the Board's roles, composition, independence and performance, please refer to the Company's FY2025 Corporate Governance Overview Statement ("CGOS"). Details on adherence to Practices 4.1 to 4.5 of the MCCG 2021 in relation to sustainability leadership are also disclosed therein.

Our Approach to Sustainability

COMPREHENSIVE GOVERNING POLICIES

A structured system of policies, codes, charters and Terms of Reference (“TOR”) underlines Velesto’s approach to sustainability governance.

Together, these instruments define the standards, responsibilities and operating procedures that guide practices throughout the organisation. These governance instruments apply across all levels of the Group, shaping conduct and decision-making from the Board of Directors and management to employees and external stakeholders. They serve as the foundation for responsible and consistent business practices.

All governance-related documents are publicly accessible via the Governance portal on the Group’s corporate website at www.velesto.com. Key references, including the Code of Business Conduct and Ethics (“CoBE”), are periodically reviewed to ensure continued alignment with evolving regulatory expectations and industry developments.

Oversight of compliance is undertaken by the Integrity Governance Unit and Compliance (“IGUC”) function, which monitors adherence across the Group and investigates potential breaches to reinforce accountability.

Governance Codes and Policies	Charters and Terms of Reference
• Code of Business Conduct and Ethics	• Board Charter
• Health, Safety and Environment Policy	• Constitution
• Anti-Bribery and Corruption Policy	• TOR BNRC
• Human Rights and Labour Standards Policy	• TOR BGRC
• Whistleblowing Policy	• TOR BSC
• Fit and Proper Policy	• TOR BAC
• 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	

INTEGRATING ESG CONSIDERATIONS TO STRENGTHEN RISK MANAGEMENT

Sustainability considerations have taken on greater prominence in Board deliberations, underscoring their importance to the Group’s long-term value creation.

As a result, ESG matters¹ are increasingly embedded within our operational and decision-making processes, reinforcing our capacity to evaluate and address sustainability-related risks and their potential impacts.

This forward-looking perspective enhances our ability to manage risk while uncovering both near-term and longer-term opportunities. ESG has also become more central to strategic discussions at both Board and Senior Management levels. Since 2023, ESG has been formalised as a standing agenda item at BGRC meetings, previously overseen under the Board Risk Management Committee (“BRMC”).

Risk oversight is guided by the Group’s Enterprise Risk Management^{2,3} policy, which establishes a systematic approach to identifying and assessing risks across our operations. The process is further strengthened through annual materiality assessments that incorporate external risk management frameworks and corporate reporting standards. This ensures a comprehensive review of ESG risks within the context of our industry and operating landscape. These frameworks include:

- ISO 31000 Risk Management Standard
- Integrated Reporting Principles-Based Framework
- Global Reporting Initiative (“GRI”) Standards 2021
- FTSE Russell’s ESG Data Model
- International Financial Reporting Standards (“IFRS”)

Our Approach to Sustainability

Following the identification of ESG risks, appointed risk owners evaluate their potential impact and probability of occurrence. The BGRC oversees this process, providing direction on mitigation actions and internal controls. It also defines the Group's risk appetite and thresholds and escalates matters to the Board when an ESG risk nears the established tolerance limits.

In addition to risk evaluation, the Group strengthens resilience through its Business Continuity Management ("BCM") Framework⁴, which supports uninterrupted operations, protects stakeholder interests and safeguards the Company's reputation. An internal Crisis Management Plan is also in place to address incidents arising from business activities, enabling timely and coordinated responses during crises to minimise disruption.

Moving forward, the Group intends to continue broadening our risk management scope to capture a wider spectrum of ESG risks, while enhancing our understanding of the financial and operational implications linked to material sustainability matters.

1. Refer to Our Material Matters section on page 58 for ESG risks and opportunities considerations.
2. Further details on Velesto's climate-related risk management can be found in the IFRS S2 aligned disclosures on page 66.
3. For a comprehensive overview of the Group's risk management practices, refer to the SORMIC section on pages 177 - 190.
4. More details on the Business Continuity Management ("BCM") Framework are available in the SORMIC section on page 188.

OPERATIONAL SITE CERTIFICATION AND ACCREDITATION

Globally recognised certifications underpin our governance standards and reinforce best practices in Health, Safety, Environmental ("HSE") management and quality across all operational sites.



Our Jack-Up ("JU") rigs, Hydraulic Workover Units ("HWUs"), Kuala Lumpur Headquarters and operating bases in Kemaman and Labuan comply with international management system standards. Our Quality team oversees audit assessments and certification requirements to ensure sustained compliance and continuous improvement.

Reflecting regulatory developments, Velesto has fully transitioned from OHSAS 18001:2007 to ISO 45001:2018 for Occupational Health and Safety Management. The Group also strengthened its oil and gas quality management system by upgrading from ISO/TS 29001:2010 to ISO 29001:2020, achieving certification under the revised standard on 14 March 2022.

Certifications/ Accreditations	Assets/Locations	Scope
ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, ISO 29001:2020	Velesto Energy Berhad: Kuala Lumpur Headquarters	Provision of Offshore Drilling and Hydraulic Workover Services for the Oil & Gas Industry
	Labuan Warehouse Velesto Drilling: (NAGA 2, NAGA 3, NAGA 4, NAGA 5, NAGA 6 and NAGA 8)	Provision of Offshore Drilling Services for the Oil & Gas Industry
	Velesto Workover: Kemaman Warehouse	Provision of Hydraulic Workover Services for the Oil & Gas Industry

**100% of our operations and assets have
achieved ISO certification**

For more details, visit <https://velesto.com/about-us/corporate-overview> to access the certificates for these accreditations.

Our Stakeholder Universe

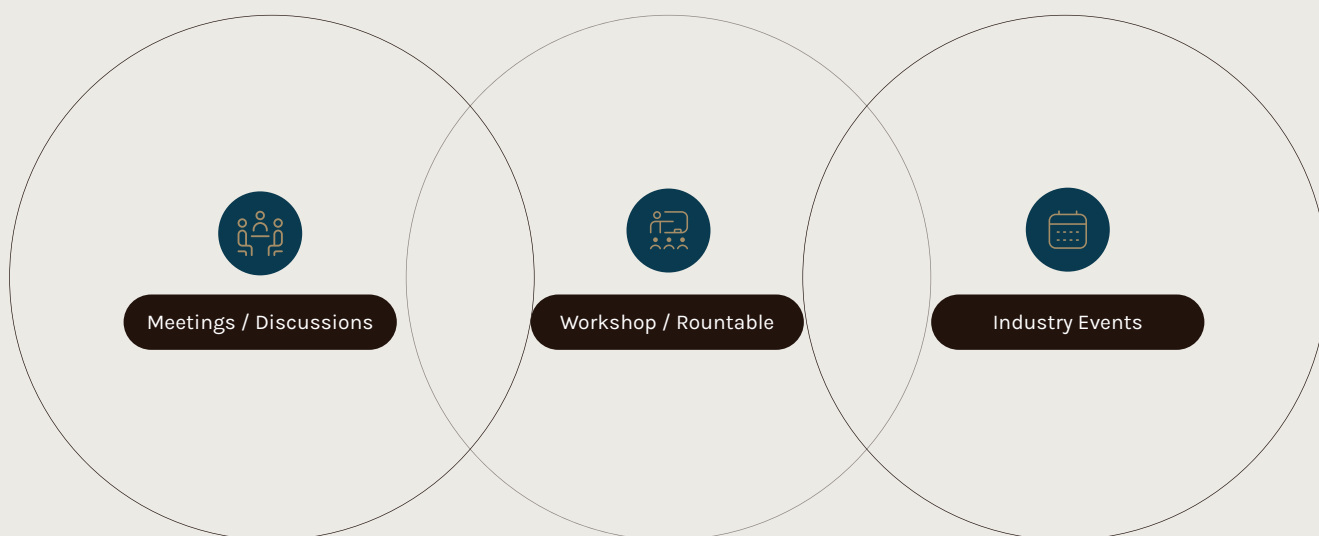
Ongoing and purposeful engagement with our key stakeholder groups remains a priority, recognising that they both influence and are impacted by the Group's operations, financial outcomes and reputation.

We encourage transparent and constructive dialogue to better understand stakeholder perspectives and emerging concerns. These insights inform the refinement of our strategies and business priorities, ensuring they remain responsive to changing expectations. Through multiple engagement platforms, we continuously gather feedback, evaluate stakeholder interests and take appropriate action to keep our sustainability approach relevant and inclusive.

OVERVIEW OF OUR STAKEHOLDER ENGAGEMENT IN 2025

8 STAKEHOLDER GROUPS

20+ ENGAGEMENT SESSIONS



Key issues covered include evolving stakeholder expectations
and discussions surrounding our

13 MATERIAL MATTERS

Our Stakeholder Universe

STAKEHOLDER ENGAGEMENT

		REGULATORS	INVESTORS
Stakeholder Description		Public organisations or agencies responsible for regulating our business activities.	Individuals, companies, or institutions holding shares in Veledo.
Stakeholder Importance & Value Creation		Ongoing engagement with regulators ensures we stay updated on compliance requirements and evolving regulations. We create value through: - Ensuring consistent regulatory compliance - Meeting corporate tax obligations - Supporting sustainable economic development	Transparent communication with investors is key to ensuring responsible management of capital to support business growth. We create value through: - Strong financial performance and growth - Sustainable shareholder returns
Matters of Concern		- Compliance with regulatory requirements - Feedback on policy impacts - Collaboration on government initiatives - ESG performance and management	- Financial and operational performance updates - Updates on the Group's business and growth prospects - Transparent investment health assessments - Market and regulatory developments - ESG management and performance
Our Response		- Strengthening mutual understanding of compliance obligations and gaining clarification on regulatory expectations - Participating in regulatory initiatives and programmes - Preserving a robust compliance record to enhance our potential for seeking appeals or concessions when required - Integrating ESG into business strategy to uphold sustainable governance standards	- Providing updates on the Group's business and growth prospects - Conducting transparent investment health assessments - Ensuring strategies are aligned with market and regulatory developments - Enhancing management of ESG matters to drive improved performance
Mode of Engagement		- Annual/ periodical compliance reviews as per relevant laws and regulations, including during report submission - Formal and informal meetings, including dialogues, events or training programmes - Written and email communications including through website and social media	- Annual General Meeting - Integrated Annual Report - Scheduled and ad hoc investor and analyst briefings - Announcements of corporate developments to Bursa Malaysia - Quarterly financial result announcements to Bursa Malaysia - One-on-one investor meetings - Updating the Investor Relations page on our corporate website - Press releases
Frequency	Ongoing	●	
	As Needed	●	●
	Quarterly		●
	Annually		●

Our Stakeholder Universe

CLIENT & INDUSTRY PLAYERS		FINANCIAL INSTITUTIONS	VENDORS
	Energy sector companies, including strategic alliances, service clients, and industry peers.	Banks and lenders providing capital and advisory services.	Companies or organisations supplying goods and services supporting our business operations.
	Collaboration within the industry enhances competencies, innovation and service delivery, contributing to greater sustainability and potential for business growth. We create value through: - Professional and high-quality service delivery - Knowledge-sharing and industry collaboration	Financial institutions serve as a vital source of capital, enabling the Group to fund projects and meet operational needs while maintaining a strong focus on delivering excellence for our clients. We create value through: - Strong financial performance and growth - Disciplined loan repayments	Maintaining strong relationships with vendors and establishing well-structured supplier networks help mitigate operational disruptions while enabling the Group to access high-quality services and products. We create value through: - Collaboration to drive innovation and value creation - Advocacy and capability-building in ESG practices
	- Operational and safety performance - ESG and sustainability considerations - Contractual obligations - Driving advancement through industry collaboration	- Liquidity and investment management - Financial risk management - Compliance with regulatory and debt obligation - ESG progress and performance	- Open and transparent two-way communication - Rigorous vendor assessment and selection criteria that ensures alignment with product, service, and capability requirements - The Group's financial and operational stability
	- Ensuring efficient project planning - Undertaking periodic engagements and discussions - Participating in industry forums, conferences and exhibitions - Innovating through collaboration with clients and peers	- Preserving prudent financial management - Integrating financial risk management into business strategy - Maintaining an optimal repayment track record - Aligning business strategies with ESG imperatives of financial institutions	- Conducting vendor engagement sessions to advocate ESG expectations, efficient procurement processes, HSE compliance, and good governance, including integrity and whistleblowing practices - Implementing supplier audit and assurance programmes - Encouraging greater participation from local vendors
	- Management meetings - Customer feedback exercises - Site visits - Scheduled reports and project progress meetings - Workshops and dialogues - Email queries - Trade shows, conferences, and exhibitions	- Annual General Meeting - Integrated Annual Report - Scheduled and ad hoc investor and analyst briefings - Announcements of corporate developments to Bursa Malaysia - Quarterly financial result announcements to Bursa Malaysia - One-on-one meetings - Site visits	- Management meetings - Communication through website, social media and emails - Dialogues and workshops - Trade shows, conferences and exhibitions - Site visits and audits
	●		●
	●	●	●
	●	●	
	●	●	

Our Stakeholder Universe

STAKEHOLDER ENGAGEMENT

EMPLOYEES		COMMUNITIES
Stakeholder Description	Permanent and contractual personnel working under Velessto's payroll.	The individuals and organisations within the local communities where we operate.
Stakeholder Importance & Value Creation	A skilled, engaged, and high-performing workforce is key to upholding operational excellence and maintaining our competitiveness. We create value through: - Competitive remuneration and benefits - Inclusive employment practices - Continuous development opportunities - A safe and healthy work environment	Local communities, including NGOs, academic institutions, and other public associations, are key partners in understanding the mutual impact between our business operations and their daily lives. We create value through: - Operational excellence with high ESG standards - Socioeconomic contributions and community programmes
Matters of Concern	- The Group's financial performance - Employee benefits and career progression - Internal efficiency and process improvement - Emission management and environmental impact	- Community and environmental well-being and protection - Delivery of a positive social impact on community development - Corporate Social Responsibility ("CSR") initiatives and community engagement
Our Response	- Enhancing access to information and feedback channels, including regular management visits and Q&A sessions with Senior Management - Ensuring continuous employee engagement and role fulfilment through diverse communication platforms, programmes, and initiatives - Executing corporate culture development plans - Expanding access to training and development programmes - Conducting periodic reviews of remuneration packages and structure - Implementing digitalisation to streamline manual work processes	- Committing to deliver long-term STEM education and environmental programmes - Identifying and collaborating with local stakeholders on community programmes - Enhancing community awareness of Velessto's contributions and commitments to the community
Mode of Engagement	- Communication via intranet platforms, emails, and social media - Townhall sessions - Focus group discussions - Continuous performance and feedback sessions - Employee surveys - Community events (e.g. employees' gatherings, sports club and learning over lunch sessions with Senior Management, amongst others) - Site visits - Talent management activities - Roadshows and workshops - Internal and external training	- Community outreach programmes - Meetings and discussions with local representatives and outreach partners - Public discussions on community investment initiatives
Frequency	Ongoing	●
	As Needed	●
	Quarterly	●
	Annually	●

MEMBERSHIPS AND ASSOCIATIONS

We maintain active participation in industry associations and professional organisations aligned with our areas of operation. Through these platforms, we keep abreast of emerging trends and regulatory developments, share perspectives with peers, and work collectively to address common industry issues.

Our involvement also enables us to play a constructive role in elevating sector standards, supporting the adoption of leading practices, and driving broader sustainability progress across industry.

ASSOCIATIONS & INITIATIVES		OUR PARTICIPATION & CONTRIBUTIONS
	The Malaysian Oil & Gas Services Council ("MOGSC")	We actively participate in this non-profit industry body, which advocates for the interests and advancement of Malaysian oilfield service providers nationwide.
	Malaysian Gas Association ("MGA")	Through consistent involvement in MGA programmes and activities, we support efforts that strengthen a dynamic and sustainable gas industry, contributing to Malaysia's socioeconomic development.
	Energy Industry Council ("EIC")	As a member of EIC, a non-profit organisation representing over 800 energy companies globally, we benefit from access to project insights, market intelligence, and industry best practices that support a more sustainable energy sector.
	International Association of Drilling Contractors ("IADC")	We work closely with IADC, a globally recognised trade association known for its accreditation programmes and industry advocacy. Together with fellow members, we promote improvements in safety, operational efficiency, and environmental responsibility across the drilling industry.
	United Nations Global Compact ("UNGC")	Since becoming a signatory on 2 June 2021, we have committed to upholding the UNGC's Ten Principles, covering human rights, labour standards, environmental stewardship, and anti-corruption practices throughout our operations.
	30% Club	We actively support the Malaysian Chapter of the 30% Club, which aims to increase female representation in boardrooms and senior leadership positions within public-listed companies.
	Malaysia Petroleum Resources Corporation ("MPRC")	We collaborate with MPRC, an agency under the Ministry of Economy, to support initiatives that advance the Oil and Gas Services and Equipment ("OGSE") sector towards cleaner and more sustainable energy pathways.
	Universiti Teknologi PETRONAS ("UTP")	We collaborate with UTP to support the academic development of MSc Drilling Engineering students. Through this partnership, students gain practical exposure, industry-based training at the Velesto-INSTEP Drilling Academy ("VIDA"), and guest lectures delivered by our subject matter experts. We also serve on UTP's Industry Advisory Panel, sharing a common goal of equipping students with the skills and knowledge required by the industry.
	Universiti Malaysia Pahang ("UMP")	Velesto's President has been appointed to the Study Committee of the Chemical Engineering Department at UMP.
	Malaysia Petroleum Management ("MPM")	We contributed to the task force responsible for developing the Blueprint for Decarbonisation of Wells and Rig Operations.

Our Material Matters

Assessing material topics forms a core component of our sustainability framework and enterprise risk approach. Through our structured evaluation process, we systematically determine the matters, alongside their respective Sustainability Risks and Opportunities (“SROs”), that are most relevant to our long-term value creation, stakeholder interests, and environmental responsibilities.

In doing so, we strengthen our ability to make informed, forward-looking decisions that reflect evolving stakeholder expectations and market dynamics. It also helps us anticipate emerging SROs, navigate operational challenges, and identify opportunities that support business resilience and growth. By concentrating our efforts and resources on the issues that matter most, we reinforce the Group’s capacity to deliver sustainable performance over the long term.

The key processes involved in identifying our material matters and SROs are:

STAKEHOLDER PRIORITISATION	MATERIALITY ASSESSMENT
This involves understanding the need to engage and collaborate with our stakeholders, as well as the extent of the Group’s dependence on each stakeholder group. This helps determine the appropriate engagement approach and the level of influence each stakeholder group has on Velesto.	This involves identifying and evaluating environmental, social and governance matters arising from our operations, as well as issues that may affect business performance. Assessing and prioritising the most material issues is critical to guiding the Group’s strategy, decision-making and long-term value creation.

STAKEHOLDER PRIORITISATION

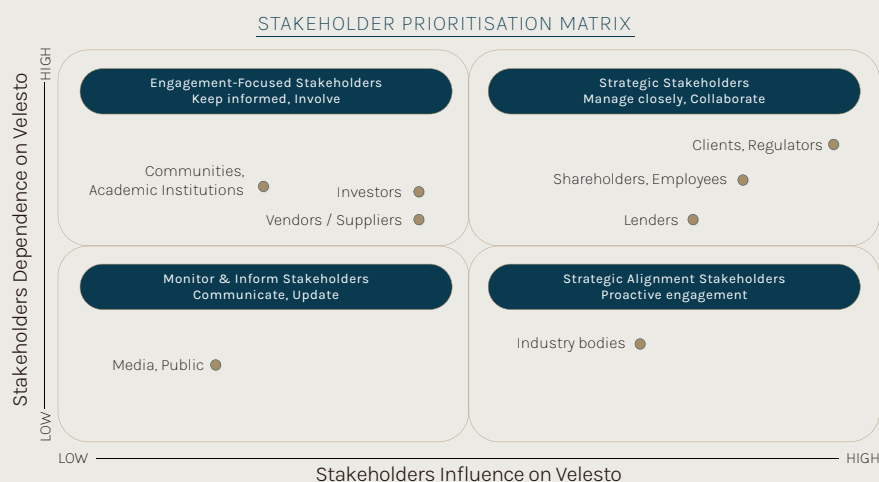
We recognise that meaningful engagement with stakeholders is fundamental to managing business risks and enabling the delivery of sustainable value.

Our stakeholders comprise groups and individuals who influence, or are impacted by, our operations, encompassing clients, regulators, investors, employees, suppliers, communities and industry bodies. In prioritising our stakeholders, we adopt a structured approach based on influence and level of interest, aligned with Bursa Malaysia’s sustainability toolkits and global best practices. This enables the Group to focus engagement efforts on stakeholders with the greatest impact on business performance and sustainability outcomes, while ensuring inclusive and transparent communication across all stakeholder groups.



Stakeholders are assessed across multiple criteria, including their ability to influence business outcomes, exposure to our operations, and relevance to our sustainability priorities. The results of this assessment are presented in the Stakeholder Prioritisation Matrix on the left.

Refer to Our Stakeholder Universe on page 51 for details of how we collaborated with our stakeholders.



Our Material Matters

MATERIALITY ASSESSMENT PROCESS

In FY2025, we conducted an internal review of our materiality topics and reaffirmed that the 13 material matters previously identified continue to be applicable and significant to the Group.

Our established materiality determination process applies a structured four-step approach to identify and prioritise material topics in a systematic and consistent manner.

1 Identification of Topics

We review and benchmark potential material matters against industry developments, regulatory expectations, peer disclosures, and other relevant references. These topics are organised under the Environmental, Social, and Governance ("ESG") pillars to provide a clear and coherent framework for evaluation.

2 Stakeholder Engagement

We assess records of engagements with various stakeholder groups, drawing from both internal and external interactions to understand their perspectives, concerns, and evolving expectations.

3 Prioritisation of Topics

Material matters are prioritised by analysing issues most frequently raised, evaluating their importance to stakeholders, and assessing their potential impact on our business. These dimensions are then plotted onto a materiality matrix to determine relative significance.

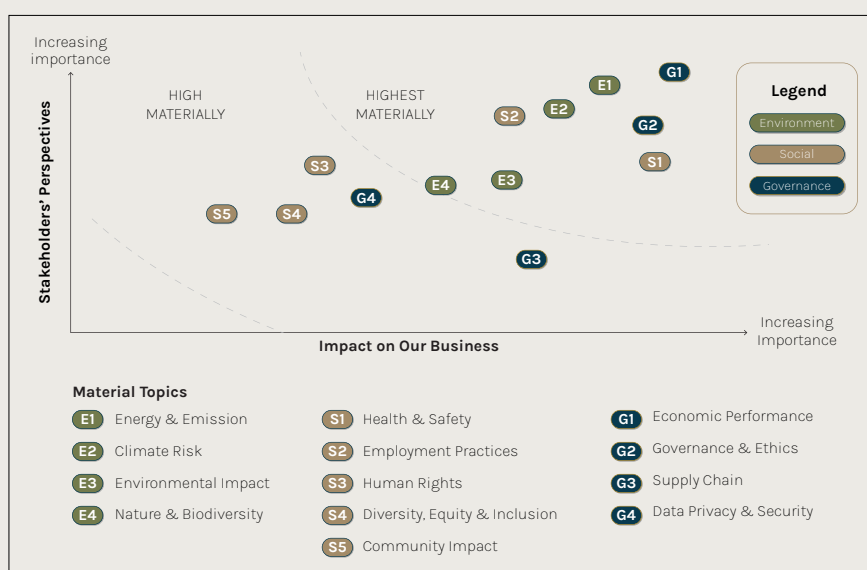
4 Validation of Findings

The resulting materiality matrix is presented to and endorsed by the Board, BGRC, and Senior Management to ensure alignment with the Group's strategic direction and governance oversight.

OUR MATERIALITY MATRIX

The materiality matrix illustrates the outcomes of our most recent assessment, reflecting the relative importance of identified ESG topics to our business performance and our stakeholders. It provides a clear visual summary of the issues that matter most to both the Group and those we engage with.

These material matters are reviewed on an annual basis and submitted to the Board Governance and Risk Committee for consideration and recommendation prior to formal approval by the Board. The endorsed topics form the basis of the disclosures presented in this Sustainability Statement.



Looking ahead, we aim to transition to a double materiality assessment process when undertaking our next full materiality assessment in FY2026.

Our Material Matters

KEY SUSTAINABILITY RISKS & OPPORTUNITIES

Velesto operates within a complex energy landscape characterised by rapid shifts in market dynamics, global economic volatility, the energy transition trilemma, and growing stakeholder expectations for responsible operations. As part of the Group's Enterprise Risk Management framework, we have qualitatively considered SROs across each of our material matters, as set out in the table below. At this stage, the financial impacts of these SROs on the Group's prospects have not yet been reasonably assessed. As part of our continuous improvement efforts and transition towards full adoption of IFRS standards, financial risk assessments and scenarios analysis will be incorporated into our upcoming double materiality assessment from FY2026 onwards.

DEFINITION OF MATERIALS	WHY IT IS IMPORTANT	RISKS	OPPORTUNITIES
Environment			
Energy & Emission Management   			
Ensuring operational efficiency while reducing greenhouse gas (GHG) emissions.	As we continue supporting industry energy security, we recognise the responsibility to lower GHG emissions and improve energy performance to enable the transition towards lower-carbon operations.	- Changes in clients' commercial models requiring more stringent emission management. - Higher operating costs arising from exposure to carbon pricing mechanisms.	- Enhance competitiveness by positioning strong emission management as a strategic value proposition. - Achieve cost efficiencies through improved energy management. - Leverage advanced low-emission technologies to strengthen business prospects.
Climate Risk 			
Integrating climate considerations into strategy and risk management in alignment with national and stakeholder climate ambitions.	Climate change poses significant physical and transition risks that may affect operations, reputation, and long-term business viability.	- Operational disruptions, increased repair expenses, downtime, and potential revenue losses due to extreme weather events. - Higher costs from carbon tax exposure. - Restricted access to funding without strong climate governance practices.	- Access emerging markets aligned with evolving client sustainability preferences. - Diversify revenue streams, including opportunities linked to green initiatives. - Strengthen operational planning through resilience-focused strategies.
Environmental Impacts   			
Promoting environmentally responsible practices, including prudent management of water, effluents, waste, and pollution control.	Operating in offshore environments requires stringent pollution prevention, mitigation measures, and regulatory compliance to minimise environmental footprint.	- Legal penalties and fines resulting from regulatory non-compliance. - Reputational damage stemming from poor environmental management. - Increased compliance costs due to inefficient resources and waste management.	- Drive circularity and waste reduction initiatives that deliver cost efficiencies and build stronger stakeholder confidence. - Maintain a solid record of regulatory compliance.
Nature & Biodiversity  			
Prioritising responsible operations that minimise ecological damage and contribute positively to marine ecosystems.	Beyond pollution control, we support ecosystem preservation and foster environmental awareness through responsible practices.	- Biodiversity degradation from operational mismanagement leads to financial and reputational consequences. - Increased litigation risk and adverse NGO scrutiny.	- Strengthen sustainability risk management by incorporating nature-based considerations. - Expand knowledge and awareness relating to biodiversity conservation. - Encourage greater environmental stewardship among employees and stakeholders.

Our Material Matters

DEFINITION OF MATERIALS	WHY IT IS IMPORTANT	RISKS	OPPORTUNITIES
Social			
Health & Safety 			
Ensuring safe working environments and robust systems to protect employees health, safety and overall well-being.	Our people operate in demanding and dynamic settings where safeguarding their health and safety is essential to sustaining operational reliability, efficiency, and performance.	- Greater exposure to legal liabilities arising from negligence. - Reputational damage stemming from poor safety performance, potentially eroding client confidence. - Operational interruptions caused by recurring safety incidents.	- A strong safety culture supports high-performing and resilient workplaces. - Smooth and reliable operational delivery. - Strengthened brand reputation anchored in health and safety excellence.
Employment Practices  			
Maintaining responsible employment standards, equitable opportunities, and continuous talent development.	Employees are central to delivering business strategy and operational success, making fair and progressive employment practices critical to sustainable human capital development.	- Shortage of skilled talent reducing competitiveness. - Lower productivity due to disengaged or unmotivated employees. - High attrition disrupts business continuity and succession planning. - Perception as an unattractive employer.	- Stronger ability to attract and retain high-caliber talent. - Improved operational performance driven by a capable, engaged workforce.
Human Rights   			
Upholding compliance with international and local human rights standards while promoting fair and ethical treatment across the value chain.	Through collaboration with supply chain partners, we protect workers' rights and uphold zero tolerance for discrimination, harassment, and forced labour.	- Reputational harm resulting from human rights breaches. - Financial penalties and litigation exposure. - Loss of stakeholders and client trust, creating broader business risks.	Enhanced stakeholder confidence and stronger relationships through responsible human rights practices across the value chain.
Diversity & Inclusion   			
Advancing equitable access to opportunities regardless of gender, age, background, beliefs, or abilities.	An inclusive and diverse workforce drives innovation, strengthens organisational performance, and delivers sustainable business growth through inclusive leadership and collaboration.	Constrained organisational growth due to limited diversity of perspectives and reduced innovation.	- Broader talent pool that enables access to high-potential individuals from underrepresented communities. - Richer diversity of perspectives that stimulates innovation and performance
Community Impact  			
Building meaningful engagement with communities through education and human capital initiatives that contribute to national development priorities.	As a responsible corporate citizen, the Group supports social progress by investing in technical education and skills development to cultivate future talent.	- Reputational risk and perception as an irresponsible corporate actor. - Erosion of trust among policymakers and key stakeholders due to weak community engagement.	- CSR initiatives that strengthen community relationships and help build a sustainable talent pipeline. - Increased brand visibility and enhanced competitive positioning.

Our Material Matters

DEFINITION OF MATERIALS	WHY IT IS IMPORTANT	RISKS	OPPORTUNITIES
Governance			
Economic Performance 			
Delivering consistent financial performance and sustainable value creation for stakeholders in line with our "Performance Driven, Operations Focused" guiding principle.	Stable and sustainable cash flows are fundamental to funding operations and achieving short, medium and long-term growth ambitions.	• Missed investment opportunities due to weak financial returns. • Reduced business prospects arising from unstable cash flow. • Elevated debt levels and interest obligations. • Diminished financial returns for employees, shareholders, and stakeholders.	• Disciplined cost management enables agile capital allocation to support growth. • Enhanced shareholder value and stronger investment appeal.
Governance & Ethics 			
Upholding integrity, ethical conduct, and regulatory compliance to ensure long-term business sustainability.	As oil and gas continue to play a key role in the energy mix, robust governance and ethical business conduct are essential to maintaining resilience, competitiveness, and stakeholder confidence.	• Reputational harm and financial penalties resulting from regulatory breaches. • Erosion of stakeholder trust and missed commercial opportunities. • Increased instances of unethical conduct and lack of transparency. • Potential loss of operating licences.	• Strong governance frameworks reinforce effective business execution. • Cultivation of a high-performance culture grounded in ethics and integrity. • Enhanced corporate reputation as a responsible and trustworthy organisation.
Supply Chain 			
Managing supply chain and procurement processes responsibly while embedding sustainability considerations.	Sustainable supply chain practices and long-term supplier partnerships are critical to strengthening business resilience amid geopolitical, economic, and regulatory uncertainties.	• Supply shortages and delays disrupting project timelines. • Revenue losses arising from operational interruptions. • Increased costs driven by ineffective sourcing strategies.	• Stronger supplier partnerships that enable long-term collaboration. • Greater cost efficiency through competitive and strategic sourcing. • Improved supplier ESG capabilities that enhance collective resilience. • Stronger governance of financial and non-financial impacts across the local value chain.
Data Privacy & Security 			
Safeguarding the Group's data assets and IT infrastructure against evolving cyber threats.	As digital transformation accelerates, heightened exposure to cyber risks necessitates robust, proactive, and continuously updated security controls.	• Cybersecurity incidents leading to data breaches, operational downtime, financial losses and reputational damage.	• Strengthened data governance practices that build stakeholder confidence. • Robust cybersecurity enabling secure digital adoption and improved operational efficiency.

Our ESG Targets and Scorecard

We have defined clear milestones across our priority ESG areas to translate commitments into measurable outcomes and reinforce accountability throughout the organisation. These targets provide direction and enable us to track performance in a structured and transparent manner.



Anchored to a baseline set in 2021, our annual and longer-term targets are aligned with relevant industry references and global sustainability frameworks. The targets were formulated through joint deliberations between the BGRC and Senior Management, ensuring they reflect both strategic ambition and operational practicality.

In 2025, we delivered commendable performance by achieving all targets set under our ESG scorecard. Additionally, during the year, we also formalised three (3) additional targets that had previously been monitored as existing internal performance metrics. These additions further strengthen our commitment to advancing our Net Zero ambition and upholding socially responsible employment practices.



15%
ESG-linked
Corporate KPIs
in 2025



3
additional
targets
formalised
into 2025 ESG
Scorecard

ADDITIONS TO THE ESG SCORECARD IN 2025

Emissions Management	Employment Practices	Human Rights
TARGET		
15% absolute emission reduction (Scope 1 & 2) by 2030	ZERO cases of confirmed labour rights violations	ZERO cases of confirmed human rights violations

We will continue to identify opportunities to strengthen future performance, while reviewing and expanding our targets to further elevate our sustainability outcomes.

Our ESG Targets and Scorecard

2025 PERFORMANCE PROGRESS

Objective	Metric	Baseline (2021)	2025 Performance	Target	Status
Emission Management					
Reducing Carbon Emissions	Emission Scope 1 & 2 - Emission intensity reduction per operating day - Emission intensity reduction per revenue	48 tCO₂e/ops day 41 tCO₂e/revenue	27% emission intensity reduction/ops day 34% emission intensity reduction/revenue	By 2030 10% emission intensity reduction/ops day 30% emission intensity reduction/revenue	Achieved
	Absolute emission reduction (Scope 1 & 2)	53,189 tCO ₂ e	56,646 tCO ₂ e	By 2030 15% emission reduction	Ongoing (Addition in 2025)
Environmental Impact					
Avoid and Mitigate Negative Environmental Impacts	Polution Mitigation Number of major spills	1 major spills (>800 litres)	Zero major spills	Annual Zero major spills	Achieved
Health & Safety					
Safeguarding our Employees	Fatalities and Injuries - No. of Fatalities - Total Lost Time Injuries ("LTI") - Total Recordable Case Frequency ("TRCF")	- Zero Fatalities 1 LTI 1.09 TRCF	- Zero Fatalities - Zero LTI 0 TRCF	Annual - Zero Fatalities - Zero LTI - TCRF below industry annual average (IADC - APAC Water)	Achieved
Employment Practices					
Upholding Social Responsibility	Incidence Record No. of confirmed labour rights violation cases	Zero confirmed labour rights violation cases	Zero confirmed labour rights violation cases	Annual Zero Case	Achieved (Addition in 2025)
Human Rights					
Respecting Human Rights	Incidence Record No. of confirmed human rights violation cases	Zero confirmed human rights violation cases	Zero confirmed human rights violation cases	Annual Zero Case	Achieved (Addition in 2025)
Governance & Ethics					
Upholding Integrity	Incidence Record - Number of confirmed corruption cases - Percentage of employees trained on Anti-Bribery & Corruption ("ABC")	- Zero corruption cases 40% of employees received ABC training	- Zero incidents of corruption 96% of employees received ABC training	Annual Zero incident of corruption	Achieved
				By 2030 100% employees received ABC training	Ongoing

Our ESG Targets and Scorecard

LINKING REMUNERATION WITH ESG PERFORMANCE

To strengthen accountability and align performance with the Group's ESG objectives, selected sustainability-related Key Performance Indicators ("KPIs") have been incorporated into corporate-level performance scorecards, as well as those of designated personnel, including senior leadership.

In FY2025, ESG initiatives and performance accounted for 15% of corporate-level KPIs, including areas such as the development of the Group's Net Zero roadmap, safety performance, and living wage implementation.

Additionally, the following represent the primary KPIs that have been integrated into selected employee scorecards:

DOMAIN			
 Financial	 Environment	 Social	 Governance
Key Performance Indicators			
Revenue and EBITDA Targets	- Emission intensity reduction per operating day - Zero Loss of Primary Containment ("LOPC")	Zero Lost Time Incidents ("LTI")	Score of customer satisfaction evaluation

We will continue to assess the need to introduce additional measurable ESG targets and KPIs, progressively integrating them into the performance scorecards of relevant stakeholders across the Group to strengthen accountability and alignment. Further details on our approach to remuneration are set out in Velesto's Remuneration Policy and Procedures for Non-Executive Directors, which are available on the Group's website.



11

formalised
targets in ESG
Scorecards



2025

Outcomes

Positive progress
on all targets



Committed
to Implement
Living Wage
across
Malaysian
employees in
2025

Our Contribution to Relevant UNSDGs in 2025

ALIGNMENT AND CONTRIBUTION TO UNSDGs

Our sustainability initiatives are guided by the United Nations Sustainable Development Goals ("UNSDGs"), providing a globally recognised reference point for our efforts to contribute meaningfully to sustainable development.

The UNSDGs serve as a unifying framework that shapes how we pursue social, environmental and economic progress. By embedding these goals into our strategic priorities, we reinforce our commitments, sharpen our focus, and encourage our employees to play an active role in advancing responsible and inclusive growth.



- Progressed our long-term commitment with Sarawak Economic Development Corporation ("SEDC") to support STEM-focused education initiatives, with the highlight of 2025 being the VIBES Innovation challenge held at University of Malaysia, Sarawak ("UNIMAS").
- Provided youths with practical industry exposure through the Velesto Trainee Scheme ("VTS"), with 41 active trainees as of FY2025 and 1 trainee successfully absorbed as permanent staff.
- Continued our sponsorship of students through Yayasan Universiti Teknologi PETRONAS ("YUTP"), with a total commitment of RM957,420 helping five deserving students pursue study in Petroleum, Mechanical, Electrical, or Chemical degrees at Universiti Teknologi PETRONAS ("UTP") up until 2029.
- Sponsored 6 schools under Program Sekolah Angkat MADANI, helping address educational disparities, nurture talent for future industry needs, and contribute to national development by providing inclusive and equitable learning opportunities.



- Maintained robust female workforce participation, with women representation at 44% on the Board, 33% in Senior Management and 60% among Executive Employees.
- Continued our active involvement in the Malaysian Chapter of the 30% Club, with Velesto's President maintaining a mentoring role to support the development of future women leaders.



- Reinforced labour standards and internal policies to uphold fair, safe and responsible working conditions.
- Continued to uphold equal pay for equal work, with wages exceeding minimum wage requirements.
- Maintained zero workplace fatalities and recorded zero Lost Time Incidents ("LTI") in 2025.
- Strengthened employee participation through HSE committees to continuously improve workplace conditions.
- Expanded the use of advanced technologies to enhance HSE oversight and strengthen operational safety.



- Recorded a 27% reduction in emissions intensity per operating day and a 34% reduction in revenue emissions intensity, against our 2021 baseline.
- Equipped 50% of rigs (NAGA 4, NAGA 5, NAGA 8) with Rig Power Management System ("RPMS") to improve fuel efficiency and reduce emissions.
- Implemented practical energy and resource efficiency measures at supply bases, including solar-powered lighting and rainwater harvesting systems.
- Continued the phased installation of LED lighting across rigs to reduce energy consumption.



- Continued to manage marine ecosystem impacts in accordance with EIA requirements and environmental regulations.
- Planted over 2,551 corals across Phase I to III (from 2022-2024) under our marine conservation and awareness initiative at Pulau Perhentian.



- Assessed 100% of operations for corruption-related risks and delivered anti-corruption training to 515 employees.
- Retained ISO 37001:2016 Anti-Bribery Management System ("ABMS") certification from SIRIM QAS International, reinforcing our commitment to ethical conduct, regulatory compliance and a corruption-free workplace.



- Continued to strengthen local talent development through the VAD in partnership with Universiti Teknologi PETRONAS ("UTP") and Institut Teknologi Petroleum PETRONAS ("INSTEP").
- Maintained our conservation programmes in collaboration with Alunan Coral Project
- Collaborated with Universiti Malaysia Sarawak ("UNIMAS") as the programme partner for the VIBES Innovation Challenge.

Sustainable Value Creation

ENVIRONMENT

PROTECTING OUR NATURAL ENVIRONMENT

As a drilling services provider working within a transforming energy system, we recognise both our responsibility to minimise the footprint of our operations and our role in supporting a more carbon-efficient future. As oil and gas continues to underpin energy security, we are committed to reducing emissions intensity, optimising fuel and resource use, and strengthening environmental oversight across our operations.

By expanding real-time emissions monitoring, leveraging technology and automation to enhance efficiency, and continually exploring lower-carbon solutions, we are steadily improving the environmental sustainability of our operations. Aligned with national transition priorities and global decarbonisation ambitions, we remain focused on delivering results that are responsible and resilient, without losing sight of what matters most: supporting the industry's transition while safeguarding the ecosystems connected to our operations.

Topics in this Section

Climate Change including Energy & Emission Management



Managing Environmental Impact



Nature & Biodiversity



Climate Change, Energy and Emissions Management

WHY IT MATTERS

The impacts of climate change present significant considerations for the oil and gas industry, and we recognise our role in balancing reliable energy supply with responsible climate action.

Our risk landscape includes physical threats such as extreme weather events that may disrupt operations, as well as transition-related risks arising from regulatory developments and shifting stakeholder expectations that could influence our competitiveness and reputation.

In response, we prioritise the effective management of Greenhouse Gas ("GHG") emissions and continuous improvements in energy efficiency. These efforts support our progression toward lower-carbon operations while maintaining operational resilience and long-term business sustainability.

Sustainable Value Creation

ENVIRONMENT

Climate Change, Energy and Emissions Management

Our Management Approach and Strategies

To address these risks and unlock relevant opportunities, we are integrating climate considerations into our strategic decision-making processes. This section outlines our governance, risk management processes, strategies and performance in fulfilling our short, medium, and long term decarbonisation ambitions.

Advancing Our Net Zero Ambition and IFRS S2 Readiness

Velesto is committed to strengthening our climate response as global expectations around climate action continue to evolve. In safeguarding the environment and supporting long-term value creation, we align our efforts with the decarbonisation aspirations of global and national agendas, as well as those of key stakeholders, including investors and clients, in support of a more sustainable energy future.

Following our Net Zero by 2050 commitment announced in 2024, we launched Velesto's Climate Commitment & Plan in 2025, setting out a structured roadmap towards decarbonisation underpinned by robust emissions management, disciplined governance and long-term strategic alignment.

Additionally, this climate-related disclosures have been prepared in reference to IFRS S2 and with transition reliefs in an effort to keep pace with evolving regulatory requirements and global best practices.

Climate Governance

Velesto maintains a structured governance framework to oversee climate-related risks and opportunities. The Board, through the Board Governance and Risk Committee ("BGRC"), provides oversight of climate-related matters as part of the Group's broader sustainability and risk management framework.

The BGRC is supported by the Sustainability Management Committee ("SMC"), which is responsible for providing management-level guidance and driving the implementation of sustainability and climate-related initiatives.

Key areas deliberated by the Board during the year included:

Emerging climate disclosure requirements and stakeholder expectations	The Group's ESG performance on key environmental metrics
Decarbonisation strategies for achieving Net Zero by 2050	Implementation of Velesto's Climate Commitment & Plan

For further details on our sustainability governance structure and approach, please refer to 'Our Approach to Sustainability' on pages 47 - 50.



Climate Risk Management

Climate-related risks and opportunities are assessed using Velesto's internal risk identification matrix, with findings presented to the BGRC on a quarterly basis. These risk considerations are integrated into strategic planning, including capital allocation and investment decisions in capturing new opportunities, technologies, and systems.

Velesto will continue to update stakeholders on the outcomes of its scenario analysis reviews in future reporting cycles, as and when more data become available. In principle, the following climate-related risk categories are reviewed and refined based on our existing ESG Risk Register:

Risk Category	Velesto Context	Assessment Conclusion
 Policy Risks	This risk assessment considers the potential implementation of climate-related policies, including mitigation actions for climate change and the promotion of adaptation efforts. Examples include carbon pricing mechanisms, renewable energy incentives, adoption of green technologies and other regulatory measures that could affect operations and competitiveness.	Risk and Opportunity
 Legal Risks	Refers to litigation risks arising from inadequate response to or mismanagement of climate-related matters, such as insufficient disclosure and performance monitoring, or failure to implement effective mitigation measures. These risks may also be linked to loss and damage resulting from climate change.	Risk
 Technology Risks	Technology presents both risks and opportunities that may affect market competitiveness, cost management and operational efficiency. Influencing factors include the availability and maturity of emerging technologies such as CCUS, energy storage and renewables, as well as implementation cost and market adoption potential.	Risk and Opportunity
 Market Risks	The Group may be significantly affected by the global shift in demand and supply away from fossil fuels, as consumers and clients increasingly transition towards new energy markets. While this presents risks to traditional operations, it also creates opportunities that may be integrated into our long-term business strategy.	Risk and Opportunity
 Reputation Risks	Increasing public scrutiny and stakeholder expectations surrounding the oil and gas sector's environmental impact may affect the Group's reputation. It is therefore critical to communicate our efforts towards low-carbon operations and sustainable practices to build trust and maintain our licence to operate.	Risk and Opportunity
 Physical Risks	Physical climate risks may result in asset damage or supply chain disruptions. These include acute risks from event-driven occurrences such as extreme weather (e.g. cyclones, hurricanes and floods), as well as chronic risks from long-term shifts in climate patterns that may lead to rising sea levels or prolonged heatwaves.	Risk

For further details on our sustainability risk management approach and the Group's Enterprise Risk Management framework, please refer to the Sustainability Governance section on pages 47 - 50 and the Statement on Risk Management & Internal Control on pages 177 - 190.

Sustainable Value Creation

ENVIRONMENT

Climate Change, Energy and Emissions Management

Climate Risk Management

A CLIMATE STRATEGY
ANCHORED ON
RESPONSIBILITY

Climate change is a strategic priority for Velesto, given its implications on operations, market dynamics and long-term value creation. As a key offshore energy service provider, we are cognisant of the continued role of oil and gas in ensuring global energy security and recognises our responsibility to operate with accountability - integrating emissions reduction strategies, enhancing resource efficiency, and implementing best practices to safeguard natural ecosystems.

To accelerate our decarbonisation journey, we commissioned a feasibility study in 2024 and subsequently published our Net Zero 2050 roadmap in 2025. This includes evaluating climate-related risks and opportunities, decarbonisation strategies, and business model adaptation. The roadmap development is a crucial step in shaping our long-term response to climate change.

To read more on our Net Zero 2050 roadmap, please refer to Velesto's Climate Commitment & Plan document available on our website.

For more details on Velesto sustainability risk management approach and the Group's Enterprise Risk Management framework, please refer to the Sustainability Governance section on page 47 and Statement on Risk Management & Internal Control on page 177, respectively.

UNDERSTANDING OUR CLIMATE-RELATED RISKS AND OPPORTUNITIES

To support disclosure of climate-related risks and opportunities, Velesto has undertaken scenario analyses covering both transition and physical climate risks across short-, medium- and long-term horizons.

These assessments form part of the Group's broader enterprise risk management framework, supporting our overall ESG strategy and laying the groundwork for alignment with the IFRS S2 disclosure. For the purpose of scenario analysis, globally recognised frameworks considered include scenarios from the International Energy Agency ("IEA") and the Sixth Assessment Report ("AR6") of the Intergovernmental Panel on Climate Change ("IPCC").

The following tables details our scenario considerations of climate risks and opportunities:

Table 1: Time horizons considered for scenario analysis

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

Table 2: 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	Defines a future based on existing policies that are employed worldwide towards lowering GHG emissions: - Fossil fuel remains as a major energy source - Unable to achieve Paris Agreement goal to limit global warming to well below 2°C by 2050 (delayed decarbonisation efforts)	Defines a future where ambitious climate policies and targets are embraced by all countries, with corresponding changes in the energy system: - Most advanced economies to meet Net Zero 2050 target - Global carbon emissions on course to meet Net Zero after 2050	Defines physical risk impacts with the assumption that emissions continue to rise or with mitigation efforts in place to limit emissions in alignment with the Paris Agreement target
Use Case	Transition risks		Physical risks

As we continue advancing our IFRS S2 alignment towards more comprehensive scenario analysis, we will keep stakeholders appraised of the assessment outcomes in future reporting cycles.

Pathway to Net Zero

COMMITMENT AND TARGETS

Velesto has committed to Net Zero by 2050 with progress tracked against the following medium-term targets (by 2030):

10%
emission intensity
reduction
per operating day

30%
emission intensity
reduction
per revenue

15%
absolute emission
reduction
(Scope 1 & 2)

EMISSION PATHWAYS

The current emissions pathways and decarbonisation roadmap have been developed based on Scope 1 and Scope 2 emissions only, as Velesto continues to strengthen its Scope 3 emissions baseline.

The following outlines our emissions profile through to 2050, based on reasonable assumptions relating to our business-as-usual operations, to the best of our knowledge at the time of publication.

The roadmap has been developed with consideration of our current and future business strategies, operating environment and market trends across the short, medium and long term.



Achieved
27%

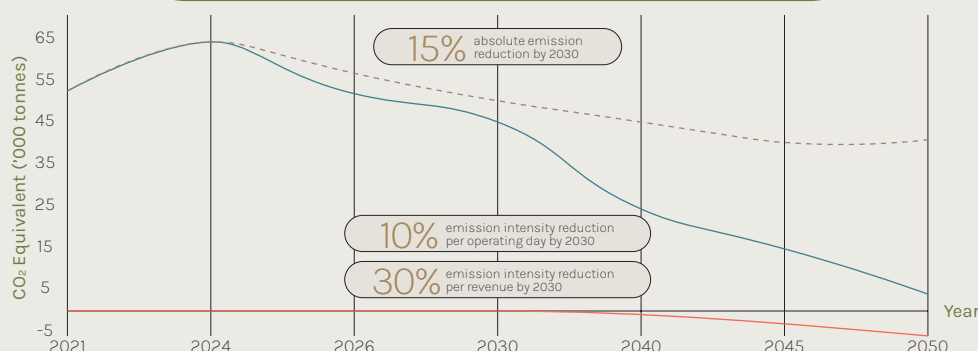
reduction of emission
intensity / operating
day in 2025



Achieved
34%

reduction of emission
intensity / revenue
in 2025

VELESTO NET ZERO 2050 EMISSION PATHWAY



Business-as-Usual Pathway

Reduced Emission Pathway

Compensation Pathway

Note: The current roadmap only accounts for Scope 1 & 2. Velesto intended to built in Scope 3 emissions in near future once baselining exercise completed

The basis of our Net Zero pathways is based on projected rig utilisation and future energy mix, with emission peaked in 2024 and reaching Net Zero with decarbonisation strategy.

Sustainable Value Creation

ENVIRONMENT

Climate Change, Energy and Emissions Management

We shall prioritise scalable solutions today, while preparing for future technologies.



CO₂

99%
Owned
emission from
fuel consumption
by rigs

The three (3) projected pathways have considered the following scenarios:

Business-as-Usual

Scenarios where Velesto remain provider of offshore oil and gas drilling beyond 2050 with a number of assets still dependent on diesel-powered technology.

Reduced Emission

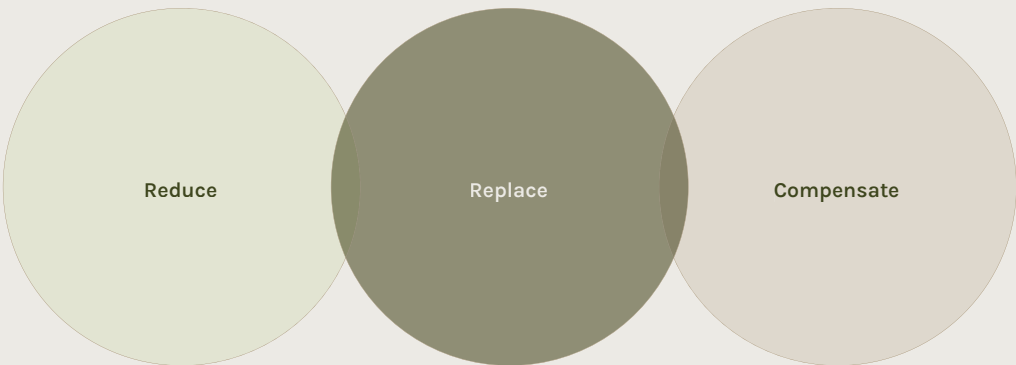
Scenarios where decarbonisation strategies deployed within Velesto operations in phases to achieve at least ~90% absolute emission reduction from baseline.

Compensation

Application of carbon market mechanism to offset residual and hard-to-abate emissions.

Our Three (3) Principles of Decarbonisation

As outlined in Velesto's Climate Commitment & Plan, our decarbonisation approach encompasses wide-ranging strategies and is structured around three core principles:



> 90%
Reduction in
Scope 1, 2, and 3
in 2050

Reducing emissions through:

- Operational optimisation
- Process efficiencies
- Emission reducing technologies

Transitioning towards lower-carbon operations through:

- Strategic asset realignment
- Exploration of green asset concepts
- Cleaner fuels and alternative energy sources

Offsetting residual emissions through:

- High integrity carbon offset projects that contribute to verifiable climate impact

PHASED TRANSITION

Over the coming decades on our journey to Net Zero, Velesto will progressively deploy a broader range of solutions to manage, reduce and offset our emissions in a structured and phased manner, along the following strategic focuses:

Time Horizon	Strategic Focus
Short-term (2025-2030)	Setting the pace Strengthening emissions measurement, governance and operational efficiencies
Medium-term (2031-2040)	Transformation Deploying low-carbon technologies and exploring alternative fuels
Long-term (2041-2050)	Net Zero realisation Accelerating the transition to next-generation low-carbon or zero-emission fleet

In the **short-term (2025 - 2030)**, the focus of our climate strategy is to **strengthen our climate governance** through robust emissions measurement and verification. We will continue to assess our Net Zero possibilities to be able to deploy a comprehensive decarbonisation plan.

In the **medium-term (2031 - 2040)**, **technology adoption and innovation** will be critical to allow transition into lower carbon operations. A specific focus will be exploring alternatives fuel to replace diesel, hybrid power systems and potential carbon capture solutions, while exploring the development of green rig concepts and nature-based initiatives.

In the **final decade towards 2050**, if the conditions are favorable shall accelerate our fleet-wide decarbonisation via **next-gen zero emission drilling technology**.

We remain committed to decarbonize our operations and reducing our exposure to the impacts of climate change. Our climate assessment and its impact on our business will be reviewed on an ongoing basis considering relevant changes in policies, technology, and market conditions.

For further details on our Net Zero Emission 2050 strategy, please refer to Velesto's Climate Commitment & Plan document available on our website.

INVESTING IN DECARBONISATION

On a case-by-case basis, and subject to financial feasibility, Velesto will continue to assess and allocate capital towards piloting new technologies that support process efficiency and the decarbonisation of our operations.

OPERATIONALISING EMISSION MANAGEMENT

In addressing climate-related risks and seizing emerging opportunities, Velesto has taken concrete steps to operationalise emission management through targeted reduction initiatives centered on lowering emissions from diesel engines powering our rigs (Scope 1), reducing indirect emissions from electricity consumption (Scope 2), and progressively identifying Scope 3 emissions across our value chain. These efforts are driven by the adoption of innovative technologies, improvements in process efficiency, and ongoing awareness and capability-building among our workforces.

Velesto's
Climate
Commitment
& Plan,
published on
our website
in December
2025 provide
details of our
Net Zero 2050
roadmap.



Scope 3

Extensive
baselining in
2025

Sustainable Value Creation

ENVIRONMENT

Climate Change, Energy and Emissions Management

Approach

Climate Governance



- Climate oversight sits with our Board, which closely monitors climate-related risks, opportunities and regulatory developments, and ensures alignment with national and global sustainability expectations. We are in the midst of developing a Sustainability Policy to further prioritise climate change in strategic decision-making.
- We formalised our Net Zero by 2050 pledge in 2024 and published our Climate Commitment & Plan in 2025. Climate-related targets have been embedded into performance scorecards, including those of the President, Senior Management and operational teams, to drive disciplined execution.
- We are also progressing from TCFD-aligned reporting towards readiness for IFRS S1 and S2, which will enhance our cognisance of the financial impacts of sustainability risks and opportunities.

Details of our Climate Commitment & Plan, alongside further climate-related disclosures for IFRS readiness, are presented from page 66 of this report.

Approach

Data Monitoring & Disclosure



- Diesel remains the main source of energy for our operations, fuelling our rigs and Hydraulic Workover Units ("HWUs"). Electricity consumption supports our onshore activities, including our Kuala Lumpur headquarters, Malaysian warehouses and oilfield services operations in Tianjin, China.
- Robust tracking of energy consumption and transparent emissions reporting underpin our climate strategy. We currently account for Scope 1, Scope 2, and selected Scope 3 emissions, guided by recognised frameworks such as GRI Standards, Bursa Malaysia Sustainability Reporting Requirements, and F4GBM. Our methodology aligns with the GHG Protocol Corporate Standard to maintain consistency with internationally accepted practices.
- In advancing towards our 2030 and 2050 targets, we will continue strengthening our emissions inventory across all three scopes, while progressively broadening the coverage of Scope 3 disclosures.

Approach

Technology & Process



- Improving energy efficiency and reducing emissions across our operations remains a core priority. We are progressively integrating advanced technologies and operational enhancements designed to optimise energy consumption while strengthening emissions monitoring and performance analysis. Recent initiatives include:
 - AssetCare - Piloted on NAGA 4, this system incorporates an emissions profiling feature that improves visibility into power usage and equipment performance, enabling more precise and data-driven emission reduction measures.
 - Digital Dashboard - Provides monthly analytics and tracks emissions trends, supporting informed decision-making and ongoing operational optimisation.
 - Rig Power Management System ("RPMS") - Deployed on NAGA 4, NAGA 5, and NAGA 8, RPMS identifies periods where lower power demand is required and automatically adjusts engine output to reduce fuel consumption and lower overall emissions.
 - Variable Frequency Drive ("VFD") - Installed across all top drive drilling systems to improve energy efficiency, with a pilot programme currently assessing its application for air handling units within accommodation areas.
 - Efficient Lighting Systems - Being progressively rolled out on rigs, particularly within living quarters, to enhance overall energy savings.
 - NOVOS - Advanced drilling automation platform designed to optimise drilling processes and reduce human intervention in repetitive tasks.
 - Robotic Arm (NAGA 6) - Automated pipe handling on the rig floor
 - Schaeffler Optime - Predictive Maintenance (NAGA 8). Wireless condition monitoring solution focused on predictive maintenance.
 - Gekko - Rig Performance Reporting & Monitoring (All operating rig). Digital platform for real-time rig performance monitoring and reporting.
 - Generator Under-Loading - Monitoring daily generator load and Engine Log <40% under-load (New Rig Performance KPI)
- Ongoing investments continue to be directed toward energy storage technologies, cleaner fuel options and emerging decarbonisation innovations to further minimise operational environmental impacts.

Approach

Stakeholder Engagement & Capability Building



- We reinforce a climate conscious-culture through ongoing engagement and knowledge-sharing initiatives, including town halls, focus groups and industry platforms.
- We uphold transparency and stakeholder trust through regular emissions performance updates provided to key stakeholders, including clients and investors.
- Sustainability KPIs continue to be integrated into workforce development programmes to strengthen internal capabilities, reinforce accountability and drive action in alignment with the Group's climate ambitions.

CLIMATE-RELATED METRICS AND TARGETS

We track a suite of climate-related metrics and have set key emission reduction targets:

Metric	Target
GHG Absolute Emissions Reduction	15% absolute emission reduction by 2030 - Net Zero emission by 2050
GHG Emissions Intensity	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 and limited Scope 3)
- Electricity consumption
- Water consumption and intensity per operating days
- Waste generation

For more details on Velesto's performance on Water and Waste, please refer to the section on Managing Environmental Impact on page 76.

EMISSIONS BOUNDARY AND INCLUSION

Velesto's emissions are predominantly driven by fuel consumption from drilling operations, particularly diesel-powered rigs, which account for the majority of Scope 1 emissions. The emissions sources captured in our baseline year for Scope 1 and 2 comprise:

- Fuel consumption from jack-up rig operations
- Fuel consumption from hydraulic workover unit operations
- Purchased electricity for offices and warehouses
- Purchased electricity for oilfield services facilities

We started disclosing our limited Scope 3 performance in recent years and in 2025, we have expanded to include the followings:

Year Disclosed	Category
2023	Category 6: Limited Business travel
2024	- Category 6: Business travel (by air and land) - Category 7: Employee Commuting
2025	- Category 1: Purchased Goods & Services - Category 2: Capital Goods - Category 4: Upstream Transportation and Distribution - Category 5: Waste Generated in Operations

FY2025 marked the first year we undertook an expanded assessment of our value chain as part of efforts to establish a baseline for Scope 3 emissions across all relevant categories. In this context, Scope 3 refers to indirect emissions arising from our business activities that are not owned or controlled by Velesto.

Scope 3 categories inclusion was determined in consideration of criticality of the suppliers to the business, assessed for emission contribution, data availability and reliability, and our ability to collaborate and influence reduction. We will continue to assess the other categories on materiality to Velesto as we continue to improve disclosure transparency.

Screening our value chain has been a significant step forward in understanding and managing our full emission footprint. We acknowledge the complexity in quantifying and managing the reduction and as such we will continue to improve on data visibility by engaging our suppliers and building their capability to perform accounting of actual emission associated with the activities they have with Velesto.

TARGET COVERAGE

In terms of target coverage, our medium-term target of a 15% reduction in absolute emissions by 2030 applies to Scope 1 and 2 emissions only. However, achieving our Net Zero by 2050 ambition will require us to progressively address emissions across all three scopes.

GHG METHODOLOGY

Velesto accounts for and reports our Scopes 1, 2, and 3 GHG emissions in accordance with internationally recognised standards, including:

- Greenhouse Gas ("GHG") Protocol
- International Civil Aviation Organisation ("ICAO") Carbon Emissions Calculator
- UK Department for Environment, Food and Rural Affairs ("DEFRA"): Greenhouse Gas reporting: conversion factors 2024

Our carbon accounting is based on the conversion of source data using relevant emissions factors. For Scope 1, emissions are calculated based on diesel consumption volumes, while for Scope 2, emissions are derived from electricity consumption. For Scope 3, emissions are estimated based on company spend data with specific suppliers, as well as distance travelled for commuting-related activities.

Sustainable Value Creation

ENVIRONMENT

Climate Change, Energy and Emissions Management

VERIFICATION AND ASSURANCE

To ensure consistency and reliability, our GHG accounting methodology, emissions data and key sustainability performance targets are subject to internal assurance reviews. Velesto also maintains a comprehensive inventory of its principal emissions sources based on the following basis:

Organisational boundary in carbon footprint calculation

We account for 100% of GHG emissions where Velesto has operational control

Independent verification of operational GHG data

Internal Assurance is undertaken by our Internal Audit Department in accordance with Global Internal Audit Standards ("GIAS") by the International Internal Audit Standards Board ("IIASB")

4

New Scope
3 Categories
disclosed

OUR PERFORMANCE

In FY2025, our total emissions is 491,497 tCO₂e, reflecting the first year of expanded Scope 3 disclosure across six (6) categories. The significant increase in our total emissions is due to the expansion of Scope 3 category disclosures from two categories (Category 6 – Business Travel and Category 7 – Employee Commuting) to six categories. This marks an important step in enhancing transparency and data availability.

The expansion of Scope 3 reporting provides an opportunity for Velesto to revalidate its GHG accounting boundary and underlying data. With a stronger understanding of our emissions profile, we will be better positioned to refine our baseline and scenario assumptions by incorporating recent and anticipated changes in business strategy.

For total absolute emissions (Scope 1 and Scope 2), we recorded a 10% reduction in FY2025, from 62,873 tCO₂e to 56,646 tCO₂e. This was partly driven by a 16% lower utilisation rate compared with the previous year, alongside the continued adoption of new technologies, automation, and fuel efficiency measures.



10%

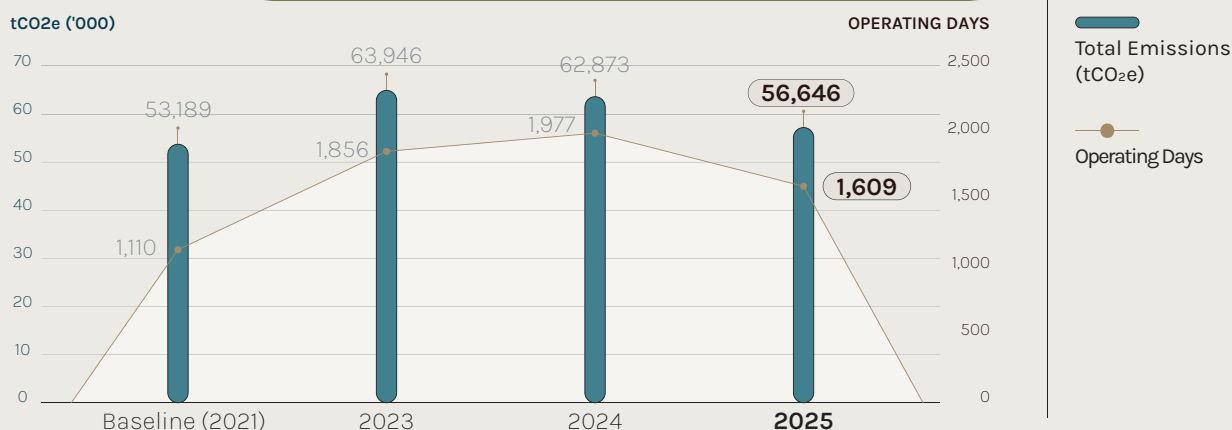
Year-on-year
absolute emission
reductions
(Scope 1 & 2)

Total Emissions (tCO ₂ e)	2023	2024	2025
Scope 1 (from fuel)	63,469	62,264	56,041
Scope 2 (from electricity)	477	609	605
Total Absolute Emissions (Scope 1 & Scope 2)	63,946	62,873	56,646
Scope 3			
• Category 1: Purchased Goods & Services	N/A	N/A	418,999
• Category 2: Capital Goods	N/A	N/A	8,297
• Category 4: Upstream Transportation and Distribution	N/A	N/A	3,565
• Category 5: Waste Generated in Operations	N/A	N/A	2,903
• Category 6: Business Travel	67	889	891
• Category 7: Employee Commuting	N/A	232	197
Total Scope 3	67	1,121	434,851
Total Emissions (tCO₂e)	64,013	63,994	491,497

Emissions Intensity / Operating Days and Emissions Intensity / Revenue (3-Year Data)

	2023	2024	2025
Total Scope 1 and 2 Emissions (tCO₂e)	63,946	62,873	56,646
Operating Days	1,856	1,977	1,609
Revenue (RM mil)	1,214	1,360	893
Emissions Intensity/ Operating days	34	32	35
Emissions Intensity/ Revenue	53	46	63

EMISSIONS TREND FY2023 - 2025



Refer to the ESG Performance Table on page 111 for additional data disclosures.

PERFORMANCE AGAINST TARGETS

In 2025, we remained ahead of our 2030 emissions intensity reduction target against the 2021 baseline. However, we will continue ongoing efforts to achieve our 2030 absolute emissions reduction target, with total emissions increasing by 6% in 2025 compared with the baseline year.

2025 Performance	Target	Status
Recorded 27% reduction in carbon intensity/operating day (Scope 1 & 2)	10% reduction by 2030	Target achieved
Recorded 34% reduction in carbon intensity/revenue (Scope 1 & 2)	30% reduction by 2030	Target achieved
Recorded 6% increase in total absolute emissions for Scope 1 & 2	15% emission reduction by 2030	Ongoing

Velesto will continue to enhance its climate strategy and disclosures in line with evolving regulatory expectations, including further alignment with IFRS S1 and S2. In the near term, we will look into improving emission visibility by strengthening emissions data quality and assurance, and advancing scenario analysis and financial impact assessments. At the same time, we will explore viability of decarbonisation initiatives in alignment with our Net Zero roadmap.

We remain committed to managing climate-related risks with discipline while positioning the Group to capture emerging opportunities, ensuring long-term resilience and sustainable value creation.

Sustainable Value Creation

ENVIRONMENT

Managing Environmental Impact

WHY IT MATTERS

Environmental stewardship is fundamental to how Velesto operates and sustains value. As an offshore drilling contractor, we work within marine environments that are inherently sensitive and ecologically significant. This demands a disciplined approach to preventing pollution, protecting biodiversity and minimising disruption to surrounding communities.

The risks associated with spills, improper waste handling or unmanaged effluents carry both environmental and operational consequences. We therefore prioritise robust preventive controls, stringent waste management practices and strict regulatory compliance to safeguard marine ecosystems while maintaining the long-term integrity and resilience of our operations.

Our Management Approach and Strategies

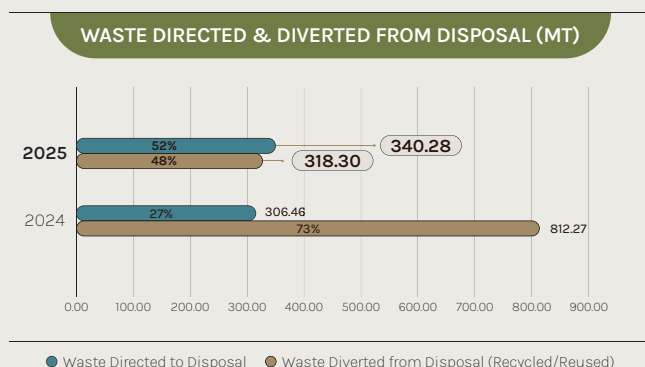
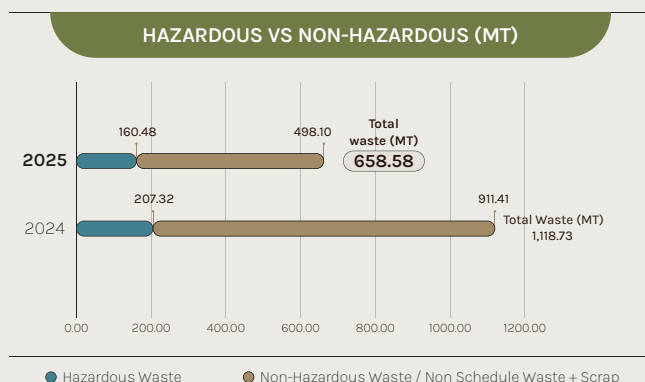
Robust Governance of Environmental Matters	- The Board, via the BGRC, provides active oversight of our environmental performance, reviewing updates at quarterly BGRC meetings. - Our dedication to environmental excellence is supported by ISO 14001:2015 certification across all subsidiaries, with annual audits confirming adherence to global standards. - We have established clear environmental goals to promote awareness and accountability throughout our operations, with particular emphasis on sustaining a 'zero major spills' record. - In parallel, we are strengthening performance evaluations, considering additional environmental targets and continuing efforts to enhance resource management and minimise waste.
Advocating Policy and Regulatory Adherence	- Our environmental management practices adhere to strict regulations, aligning with internal policies and procedures (see page 49 for details on our environmental policies) and meeting leading industry standards. - All offshore rig designs are certified by the American Bureau of Shipping ("ABS") and Det Norske Veritas ("DNV"), while waste management plans comply with MARPOL 73/78 requirements for spill containment, effluent management, and pollution control. - The handling of specific offshore and onshore waste follows specialised procedures, ensuring proper storage and disposal in accordance with the Malaysia Department of Environment ("DOE") Environmental Quality (Scheduled Waste) Regulation 2005.
Robust Monitoring and Disclosure	- Velesto applies internationally recognised standards and practices, including GRI, Bursa Malaysia, and F4GBM, to assess and report on environmental performance, covering areas such as waste, water and pollution management. - These metrics are presented in our ESG performance table (available on page 111 onwards of this report) and are regularly monitored and reported to management, supporting continuous analysis and improvement of our performance.
Implementing Controls and Technologies	- Velesto leverages advanced technologies, systems, and processes to maintain responsible environmental practices and effectively manage risks. - Waste Management – Waste is carefully categorised into general, scheduled, and recyclable streams. Compliance is ensured through sufficient storage facilities and the installation of dedicated Sewage Treatment Systems on all rigs. These systems treat sewage according to best practices, preventing environmental harm upon discharge. - Water Management – Offshore operations primarily use seawater for rig activities, with the majority employed in drilling and cleaning. Remaining seawater is filtered and purified through reverse osmosis to produce potable water for crew consumption. - Effluent Control – A strict zero-discharge policy is enforced in offshore operations to protect marine environments. Our rigs feature spill containment systems certified by ABS and DNV, ensuring adherence to best practices in pollution prevention.
Enhancing Competencies and Engagement	- To maintain compliance and preserve internal scheduled waste management expertise, selected employees are required to undergo Certified Environmental Professional in Scheduled Waste Management ("CePSWAM") training, provided by the Environment Institute of Malaysia ("EiMAS") under the DOE. - A Waste Management Task Force has also been established to drive operational improvements and strengthen our waste management strategies. We engage regularly with clients and stakeholders to ensure our initiatives align with regulatory requirements and sustainability expectations.

Our Performance

WASTE MANAGEMENT

Following the establishment of a robust baseline of our waste generation streams in 2024, we continued to strengthen waste management controls and reporting processes in 2025. Total waste generated during the year amounted to 658.58 MT, representing a significant 41% reduction compared to the prior year. The improvement was primarily driven by lower activity; 16% lower rig utilisation rate and better operation planning that contributed to wastage control.

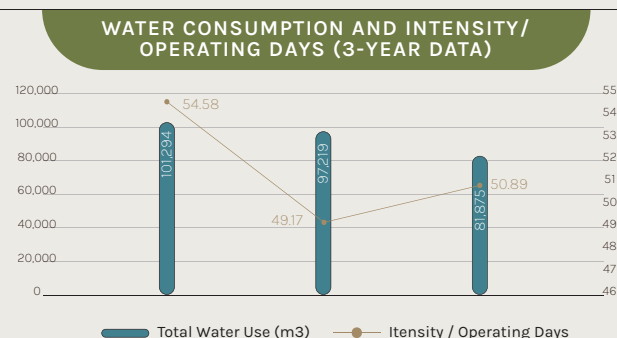
Subsequently, this has also reduced the amount of hazardous waste generated of which the management will be diverted from landfill into the recovery market. Thus, the decreased in % of waste diverted from landfill compare to 2024.



WATER MANAGEMENT

Over the past year, we achieved a significant 15.8% reduction in total water consumption, while maintaining water intensity per operating day at broadly the same level as in 2024. We continue to strengthen responsible water use practices across our operations, supported by consistent monitoring and practical efficiency measures. Importantly, none of our water requirements are met through extraction from water-stressed areas.

Water Consumption and Intensity/ Operating Days (3-Year Data)



EFFLUENT CONTROL

In 2025, we once again achieved our target of zero major spills. We also recorded zero minor spills and zero instances of environmental non-compliance, reflecting our ongoing commitment to stringently controlling effluent management across our operations.

3-CONSECUTIVE YEARS

ZERO
Major spills

TARGET ACHIEVED

ZERO
Environment
non-compliance



Sustainable Value Creation

ENVIRONMENT

Nature and Biodiversity

WHY IT MATTERS

Operating in marine environments, our offshore activities demand careful attention to safeguarding ocean ecosystems and minimising impacts on marine life and biodiversity. In addition to risk mitigation, we collaborate with local communities to promote biodiversity conservation, raising awareness and encouraging joint efforts to protect natural habitats.

Our Management Approach and Strategies

Stringent Guidelines to Ensure Responsible Operations

- Velesto has implemented a Marine Operations Policy to provide governance and oversight of biodiversity risks, guiding operational teams in protecting marine environments during offshore activities.
- Prior to project commencement, thorough due diligence is carried out to ensure operations do not affect biodiverse areas, while clients are required to conduct Environmental Impact Assessments ("EIAs") to evaluate biodiversity risks at each location.
- We work closely with clients to avoid areas of high biodiversity value or habitats for rare and endangered species listed on the IUCN Red List.

Operational Controls to Prevent Impact

- We adopt stringent standard operating procedures ("SOPs") to minimise ecological impact. Seabed survey reports from client EIAs guide the strategic positioning of rigs, helping to minimise disruption to aquatic habitats, fish populations, and migration paths. In addition, our emphasis on accident prevention, pollution control and carbon footprint reduction supports a net positive effect on marine biodiversity.
- During decommissioning, strict spill prevention protocols are enforced, physical seabed disturbance is minimised and the risk of transferring invasive species is mitigated by responsibly managing marine organisms attached to rig structures.
- All plug and abandonment operations adhere to both international and national environmental standards, including the ASCOPE Decommissioning Guidelines and the DOE Environmental Impact Assessment Guidelines for Petroleum industries.

Stakeholder and Community Engagement

- Velesto works closely with contractors to ensure their operations meet strict environmental standards and reflect our commitment to responsible practices.
- We engage with regulators, government bodies, and industry partners to remain updated on regulatory developments and implement best practices in drilling and decommissioning. Concurrently, we collaborate with local communities to advance biodiversity conservation initiatives.
- Since FY2022, we have partnered with the Alunan Coral Project to advance coral restoration efforts at Perhentian Island, Terengganu. To date, more than 2,551 coral fragments have been cultivated within our nurseries since the initiative began.
- Over the past year, the programme has progressed into a dedicated maintenance and monitoring phase, focused on strengthening coral survival rates and promoting healthy reef development. In parallel, we continue to support research initiatives aimed at enhancing long-term coral resilience and contributing to broader marine conservation outcomes.

Further information on our coral conservation activities is provided on page 79.

Our Performance

Before every drilling campaign, we examine client-prepared Environmental Impact Assessments ("EIAs") and review our Health, Safety, and Environment ("HSE") case to ensure strong mitigation and control measures are in place to protect marine ecosystems.

These evaluations follow both international and local frameworks, including the International Union for Conservation of Nature ("IUCN") and the DOE Environmental Impact Assessment Guidelines for Petroleum Industries. Our reviews have verified that none of our operational sites are located near areas with a high biodiversity classification.

100%

of our existing
operations and projects
have been assessed for
biodiversity risks

Coral Restoration at Pulau Perhentian:

SAFEGUARDING MALAYSIA'S UNDERWATER HERITAGE

In an industry intrinsically connected to the ocean, protecting marine biodiversity is not optional – it is a responsibility we carry with conviction. At Pulau Perhentian, where vibrant reef systems support marine life, fisheries and local livelihoods, Velesto continues to play an active role in safeguarding one of Malaysia's most treasured underwater ecosystems.

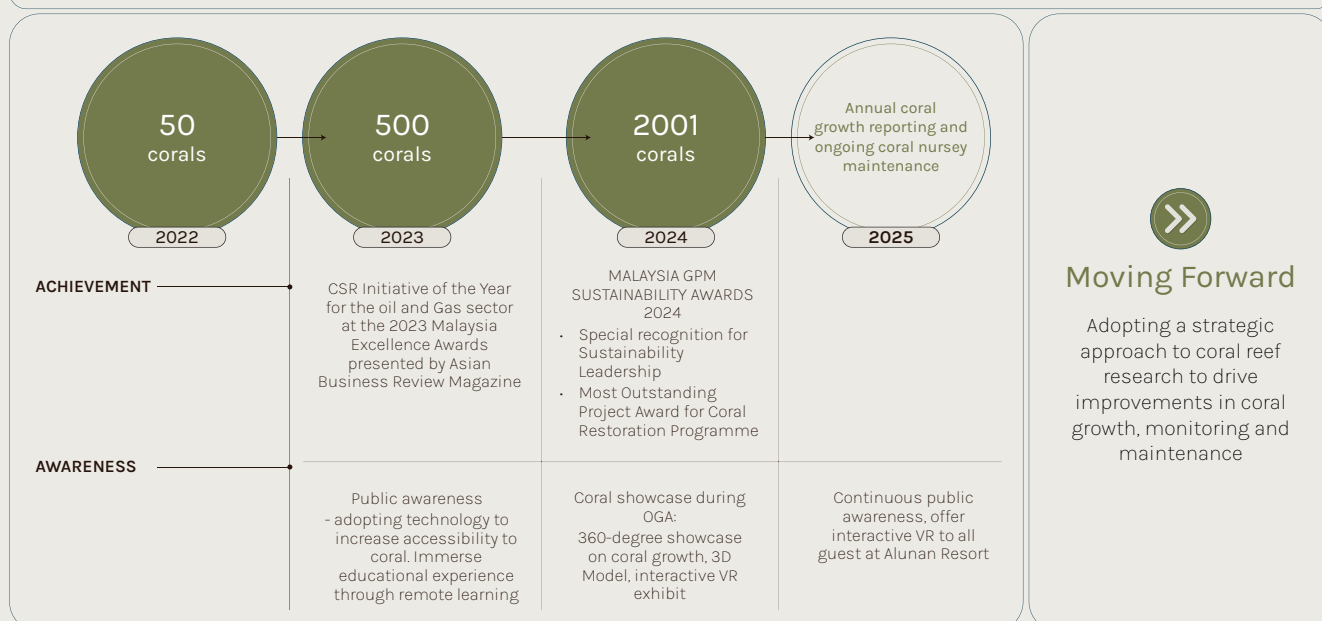
In collaboration with the Alunan Coral Project, our flagship coral restoration initiative is focused on rehabilitating fragile reef habitats and strengthening long-term ecosystem resilience. Since its inception in 2022, the programme has incubated more than 2,551 coral fragments within carefully designed nurseries, contributing meaningfully to habitat recovery and reinforcing responsible environmental stewardship in areas connected to our operations.

Coral reefs are often described as the "rainforests of the sea" – natural storm barriers that shelter coastlines, sustain marine biodiversity and underpin fisheries and ecotourism. Beyond restoration, our initiative fosters deeper community engagement. By working alongside local youth, marine biologists and conservation partners, we create educational exposure, economic participation and stronger community ties to the ocean.

Having completed our initial large-scale coral planting phases, the programme transitioned into a dedicated maintenance and monitoring stage in 2025 on the back of mass coral bleaching due to rising sea temperature. This next chapter focuses on sustaining the established nurseries, conducting ecological assessments to track coral survival and growth rates, and collaborating with academic and conservation partners to refine restoration techniques and identify priority rehabilitation sites. Through this more science-led approach, we aim not only to restore reefs, but to enhance long-term restoration effectiveness and ecosystem resilience.

Through collaboration, science-led monitoring and sustained community partnership, we remain committed to protecting the marine ecosystems that sustain livelihoods and biodiversity – translating long-term stewardship into measurable, lasting outcomes for Malaysia's oceans and the communities connected to them.

Beyond responsible operations, we demonstrate our commitment to marine biodiversity conservation through our Pulau Perhentian Coral Restoration Programme



Sustainable Value Creation

EMPOWERING PEOPLE



At Velesto, our ability to deliver safely, reliably and responsibly begins with our people. Strong performance depends on a workforce that is competent, engaged and guided by shared values. We therefore invest in capability development and leadership strength to ensure our teams remain resilient in a demanding industry.

Our responsibility extends beyond our workforce to the communities connected to our operations. Through focused and structured initiatives, we aim to create lasting, positive impact while supporting sustainable development where we operate.

Topics in this Section

Safety & Health



Fair Employment Practices



Protecting Human Rights



Diversity & Inclusion



Community Impact



Safety and Health

WHY IT MATTERS

In an offshore operating environment, safety is fundamental to how we protect our people and sustain performance.

The nature of our work demands disciplined risk management, rigorous controls and a culture where every individual takes ownership of safe practices. Safeguarding our workforce is therefore not only a moral responsibility, but a business imperative.

A strong safety culture strengthens operational reliability, reduces disruption and reinforces trust among clients, regulators and partners. By maintaining high safety standards, we protect our reputation, uphold compliance and strengthen our competitive edge as a dependable and responsible drilling contractor.

Safety and Health

Our Management Approach and Strategies

Strong Leadership and Oversight	- To maintain robust leadership and governance over safety and health, we have established a corporate HSE Committee chaired by Velesto's President, who serves as the Group's principal HSE champion. He is supported by the Board and Senior Management, reinforcing a clear top-down commitment to safety across the organisation. - At the governance level, safety and health performance is reviewed at Board meetings as well as during quarterly Board Governance & Risk Committee ("BGRC") sessions. The HSE Division, together with the HSE Committees reporting to the BGRC, monitors HSE outcomes across all operations. In addition, monthly HSE Operations Meetings, led by the Vice President of Operations and attended by Rig Managers, Heads of HSE and HSE Managers, provide a structured platform for leadership to review performance trends and address priority matters. - Senior leaders further demonstrate their commitment through routine site engagements, including offshore visits, to strengthen safety culture and boost workforce morale. In 2025, a total of 60 HSE leadership visits were carried out, 7 of which were attended by the President, enabling direct interaction with frontline teams.
Identifying and Mitigating Health and Safety Risks	- We adopt a forward-looking approach to managing health and safety exposures throughout our worksites and across the value chain. Through Hazard Identification, Risk Assessment and Risk Control ("HIRARC"), we systematically evaluate potential risks such as chemical exposure, excessive noise, near-miss events and other operational hazards to minimise the likelihood and impact of incidents. - Prior to the commencement of any new project or rig deployment, comprehensive OSH risk assessments are carried out to determine site-specific hazards. Upon identification, HSE Heads and Managers spearhead detailed evaluations and implement targeted action plans and control measures. For ongoing operations, reassessments are conducted periodically – particularly when there are changes in weather conditions, operational processes or following any OSH-related incidents – to ensure risks remain effectively managed. - Our HSE Committees include representation from both management and employees, creating a structured platform for frontline perspectives to be elevated to leadership. This inclusive governance model strengthens preventive practices and supports continuous improvement in risk management. Key occupational safety and health risks are formally reviewed during quarterly HSE Committee meetings to ensure sustained oversight and accountability.
Building a Strong HSE Culture	- We place strong emphasis on safeguarding employee health and safety through structured preventive measures. A central component of this approach is preventive maintenance, which reduces the likelihood of OSH incidents arising from equipment failure. Our maintenance programmes are aligned with recognised industry standards, including API and OEM requirements, and are further informed by recommendations from independent consultants and clients to ensure equipment integrity and compliance with applicable safety benchmarks. - To uphold adherence to these standards, we undertake annual internal audits across all facilities. We also equip our audit personnel with dedicated trainings to enhance their competency in interpreting and applying safety requirements effectively. The details of our FY2025 internal audits are outlined below: 6 IMS Audits conducted at NAGA 4, NAGA 5, Kemaman Supply Base, Asian Supply Base, and our Finance and HR Talent & Learning departments. 1 Contractor SSHE Audit conducted at NAGA 5 3 Contractor Supplier Audits conducted
Stop Work Policy and Emergency Preparedness	- Our Stop Work Policy gives every employee the authority to immediately suspend operations if unsafe conditions are observed. This reinforces shared accountability and enables prompt intervention to avert potential OSH incidents. In 2025, a total of 34,415 Time Out for Safety ("TOFS") stop-work interventions were recorded, underscoring the vigilance and proactive mindset embedded in our safety culture. - In managing HSE-related emergencies, our Emergency Control Centre ("ECC") at Plaza Sentral serves as the central coordination point. Preparedness is maintained through structured drills and simulation exercises, including weekly emergency drills on rigs and annual fire drills conducted across all facilities to ensure readiness for significant disruptions. - To enhance our response capabilities further, a comprehensive Emergency Response Plan ("ERP") has been rolled out across all Velesto facilities. This is supported by a dedicated Emergency Response Team ("ERT"), established to deliver timely, coordinated and effective incident management when required.

Sustainable Value Creation

EMPOWERING PEOPLE

Safety and Health

Leveraging Technology for Safety	• We continue to allocate substantial resources toward strengthening our safety systems and infrastructure, leveraging advanced technologies to elevate risk management practices. Among these is Synergi Life's QHSE software, which enhances the way we monitor, manage and report safety performance. • To reinforce the quality and consistency of incident investigations, we have formalised an Investigation Management System Procedure. This framework incorporates structured methodologies and tools such as Tripod Beta and the Systematic Cost Analysis Technique, enabling deeper analysis of incidents. By identifying underlying root causes and systemic gaps, these tools support targeted corrective actions and ongoing improvements in our safety performance.
Employee HSE Engagement and Representation	• To elevate safety and health awareness across the organisation, we utilise a wide range of communication channels, including toolbox briefings, HSE meetings, posters, notice boards, bulletins, emails, memoranda and video messages. These platforms enable the consistent and timely dissemination of OSH policies, standards and best practices to employees at all levels. • We are committed to ensuring that employees play an active and meaningful role in OSH governance. Our HSE Committee comprises representatives from both management and frontline personnel across the Operations and Corporate functions, providing balanced participation in safety oversight. In FY2025, we maintained 100% employee representation on the HSE Committee. • Quarterly HSE Committee meetings serve as a formal avenue for employees to share practical insights and recommendations drawn from their direct experience with workplace risks. This collaborative approach strengthens accountability, reinforces compliance and promotes shared ownership of safety outcomes, supported by well-established systems, processes and procedures. • The HSE Committee is also empowered to deliberate on and resolve safety concerns raised by employees, taking proactive steps to implement appropriate controls and ensure that all worksites remain safe and secure.

We retained
100% employee representation
in our HSE Committees

HSE TRAINING PROGRAMMES

At Velesto, safety begins with knowledge and awareness. We ensure every employee receives comprehensive trainings on our HSE standards, while daily operations reinforce awareness and personal responsibility through toolbox talks, shift handovers and other routine briefings.

526
employees

trained on HSE Standard
(compared 25 employees in FY2024)

Guidance from leadership is integrated across multiple touchpoints, including townhall meetings, committee interactions, and regular updates in our internal newsletter. We also circulate HSE Alerts to share insights from past incidents, maintaining these advisories on the HSE Bulletin Board as a reference for ongoing learning.

Our formal HSE training programme covers a wide spectrum of industry-specific topics, equipping employees with the skills and expertise required to carry out their roles safely and effectively.

The following key activities were undertaken in 2025:

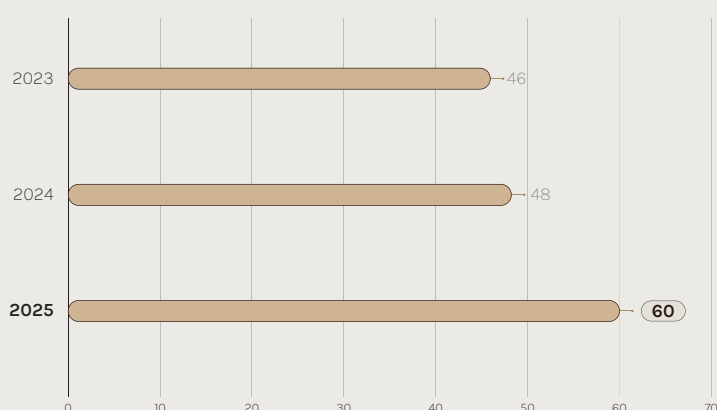
Training Initiative	Objective
Generative Safety Leadership Workshop 2.0	This workshop has been conducted 6 times. This workshop was designed to strengthen leadership behaviours and reinforce a generative safety culture among supervisors and managers. It focuses on aligning participants with leadership excellence by revisiting the fundamentals of the Company's HSE management system and integrating industry best practices. Through interactive methods such as role plays, group discussions, and coaching sessions tailored to Velesto's specific culture, values, policies, and safety expectations, participants gained practical insights into fostering a proactive safety mindset and applying these principles effectively in the workplace.
OSHA Assessment	To equip participants with the skills to conduct OSHA Workplace Assessments in line with DOSH requirements.
Velesto Move Smart (VMS)	To promote safety body control techniques while performing activities to reduce strain and stress at work. As of Dec 2025, this initiative have been done 3 times to all crew at NAGA 2, 3, 4, 5, and 8.
OSH-SURE Model for OSHA	OSH-SURE is a structured model designed to strengthen the effectiveness of OSHA implementation at the workplace. Velesto is honoured to play a leading role in delivering this modul to industries nationwide.

OUR PERFORMANCE

President conducted
7 HSE Site Visits in
2025

FY2025 retained 100%
employee representation in
our HSE committee

NO. OF HSE SITE VISIT BY KEY LEADERS



SAFETY PERFORMANCE

In 2025, our commitment to workplace safety remained steadfast. Across 2,677,491 manhours worked, we successfully achieved our key HSE targets, recording zero fatalities, zero LTIs and a TCRF less than 1.0.

Annual HSE Target	Performance Status
Zero fatalities	Achieved
Zero LTI	Achieved
TRCF <1.0	Achieved

CONTRACTORS HSE PERFORMANCE

	2025	2024	2023
Total number of contractors	119,563	139,516	94,432
Total fatalities contractors	0	0	0
Total LTI Contractors	0	0	0

Note: A Lost Time Incident (LTI) is defined as any work-related injury or illness that prevents an individual from returning to their next scheduled work shift, based on assessment by a licensed healthcare professional (excluding delays due to access to medical treatment). A fatality refers to a death resulting from a work-related injury or illness and is included in the calculation of both the LTI count and frequency rate. For a detailed view of our LTI and HSE performance over the past three years, please refer to the ESG Performance Data Table on pages 117 - 118.



25%

Increased in management
HSE visits in 2025

Sustainable Value Creation

EMPOWERING PEOPLE

Safety and Health

Action taken, in cases of accidents or incidents leading to injuries or fatalities

	Action	Method
Step 1	Immediate notification	Notify the respective Rig Manager and HSE Manager immediately via any available communication mode (i.e. phone call/ Teams/ Whatsapp/ satellite phone)
Step 2	Incident Registration	Register the incident in the into Synergi system, included the following information; 1. Brief description of event 2. Location (i.e Cantilever deck, rig floor) 3. Date and Time of incident 4. Indication of any injured person(s), including 3rd party 5. Job title of the injured 6. Initial injuries and treatment given 7. Situation of any injured people at time of report 8. Brief description of assets, environmental, information or reputation loss, if any
Step 3	Incident Notification	Share the case via Synergi and notify staff via email. Synergi will automatically generate template email to all recipient. User will only need to share case
Step 4	Incident investigation	Conduct the incident investigation, including all information related to case: 1. Consequences 2. Loss Potential 3. Causes 4. Actions 5. Attachments 6. Comments

HSE AWARDS

Throughout the year, our dedication to robust safety practices was recognised with multiple industry awards. These honors underscore our ongoing commitment to safety excellence and inspire us to further strengthen workplace standards.

We remain focused on nurturing a culture where safety, responsibility, and accountability are embedded across every level of our workforce, ensuring that safe operations continue to be our top priority.

No.	Award Name	Awarded by
1.	Safety Guardian Award - Velesto Assistant Operator	PETRONAS
2.	Best Rig (Drilling & Completion) for NAGA 4	PETRONAS
3.	Technology Pioneer Award for the Robotic Arms Innovation on NAGA 6	PETRONAS
4.	MPM Wells Management 2024 Performance Focused Recognition Special Award - Best Rig for Drilling	MPM
5.	2023 and 1H2024 STAR Gold Award from EXXON (GAIT 6)	Exxonmobil
6.	Best Recordable Incident Rate for Offshore Drilling Company in SEA	IADC
7.	Recognition for Number of Years Recordable Incident Free by an Offshore Drilling Rig in SEA (NAGA 6)	IADC
8.	PCSB Award: Best Performing Rig for Malaysia Operations in Q1 2024 (NAGA 3)	PCSB
9.	HSSE Partners' Excellence-Zero Recordable Incidents	Vestigo
10.	Recordable Incident Free "Mission: Zero Possible" Award - NAGA 6	PCSB
11.	Best HSE Programmes	PCSB
12.	Initiative awards from DOSH Malaysia (Velesto Energy Berhad)	DOSH Malaysia



Fair Employment Practices

WHY IT MATTERS

A fair and inclusive work environment is the foundation for empowering our people to perform at their best and contribute meaningfully to both our business and sustainability objectives. By taking a holistic approach to workforce development, we promote professional growth, encourage innovation and uphold high standards of excellence. These efforts in turn, help us attract, nurture and retain top industry talent.

Our Management Approach and Strategies

Approach Robust Governance and Policies



- The Board of Directors, through the BNRC, provides oversight on talent retention and development initiatives, ensuring that human resources policies remain aligned with business objectives. It also monitors Key Performance Indicators ("KPIs") related to employee engagement, retention, and professional growth.
- Our talent management framework is assessed through a combination of employee productivity and business performance metrics. Monthly employment reports, covering recruitment, attrition, training, and diversity data, are used to track progress and refine workforce strategies.
- To maintain fair employment practices across the Group, we adhere to key governance policies, including the Code of Business Conduct and Ethics ("CoBE"), the Policy Statement on Human Rights and Labour Standards, and the Policy Statement on Recruitment Management System Procedures.

Approach Recruitment and Onboarding Practices



- We maintain fair and non-discriminatory recruitment practices, while giving priority to local candidates when they meet the necessary qualifications.
- All new employees receive detailed employment contracts that clearly outline their roles, responsibilities and remuneration, ensuring transparency and fairness. They also participate in a comprehensive induction programme covering their rights and entitlements under local laws as well as Group policies, including human rights, anti-corruption and ethical standards.
- To support a safe working environment, all new hires attend compulsory HSE induction sessions to become familiar with safety procedures and protocols. This structured onboarding process helps employees integrate smoothly into organisational systems, communication channels and corporate culture, ensuring a positive and confident start at Velesto.

Approach Competitive Remuneration and Benefits



- We cultivate a high-performance culture through merit-based compensation, assessing employees against individual, team, and Group KPIs, while also taking into account employee seniority and qualifications.
- Our employees are offered a comprehensive benefits package that includes mandatory entitlements under Malaysia's Employment Act 1955, such as competitive leave provisions aligned with labour regulations and corporate best practices. Discretionary benefits are also provided to attract and retain top industry talent, with eligible employees granted ESOS options as part of our long-term incentive programme. A detailed overview of our benefits is presented in the section below.
- We regularly review our compensation and benefits framework to ensure it remains competitive within the industry, making adjustments as appropriate while considering financial sustainability.

Sustainable Value Creation

EMPOWERING PEOPLE

Fair Employment Practices

Approach Training, Development and Appraisals



- We make substantial investments in employee trainings to ensure our workforce is equipped with the knowledge and skills required to support our long-term business objectives. Training Programmes are tailored to individual needs and delivered primarily through digital platforms, providing accessibility and efficiency across the organisation.
- As part of the annual performance appraisal, competency gaps are identified and addressed collaboratively with Human Resources, employees, and supervisors through personalised development plans. Training KPIs are established to help employees achieve measurable progress ahead of their next appraisal cycle.
- Our appraisal process is designed to be constructive and participatory, giving employees the opportunity to provide feedback on their performance or formally raise concerns through the grievance mechanism. This two-way approach also enables us to assess the effectiveness of training Programmes, using insights from Training Evaluation Forms to continuously refine learning initiatives and respond to evolving workforce needs.

Approach Meaningful Employee Engagement



- We place strong emphasis on transparent and timely communication, engaging employees regularly through both physical and virtual channels. Quarterly town hall meetings remain a cornerstone of our engagement approach, providing Senior Management with an opportunity to connect directly with employees. Special engagement sessions with the President further foster meaningful interaction, enhancing transparency, motivation, and rapport across the workforce.
- Digital platforms also play a key role in engagement. HR@nest developed to continuous engage with employees. HR also have launched e-learning Management System ("e-LMS") to manage, deliver, track, and improve learning or training activities digitally. It is widely used to organize learning in a structured and efficient way.
- To better understand employee sentiment, we conduct a biennial Employee Engagement Survey. The most recent survey, the Velesto Energy People @Work Index, recorded an overall score of 68%. This was derived from the average of the Psychosocial Risk score of 28% (-9%), the Psychosocial Well-being score of 71% (+11%) and the Psychological Safety score of 62% (-2%). Insights from the survey are used to identify areas for improvement, address concerns, and guide initiatives that enhance overall employee satisfaction.
- Reflecting our commitment to recognising excellence, we provide a range of incentives and recognition Programmes to reward top performers for their contributions to Velesto's success.

Approach Leveraging Two-Way Evaluations



- Our two-way, constructive appraisal process is central to identifying individual training needs and determining annual compensation packages, including staff bonuses. This performance-driven framework allows employees to share insights into their performance while actively participating in their professional development.
- Employees have the right to accept or formally challenge their appraisal outcomes. If they disagree with their review scores, concerns can be escalated through our HR-managed grievance mechanism, ensuring transparency and fairness.
- To evaluate the effectiveness of training initiatives, we systematically collect feedback through Training Evaluation Forms at the conclusion of each session. These assessments measure employee satisfaction, the achievement of learning objectives, and the practical application of skills. By continuously reviewing these outcomes, we identify areas for enhancement and refine Programmes to meet the evolving needs of our workforce.

Approach Internship and Development Programmes



- We are dedicated to improving youth employability through the Velesto Trainee Scheme ("VTS") and internship Programmes, which offer 12-month placements for selected graduates to gain practical, hands-on experience. These initiatives provide unemployed youths and local undergraduates with valuable exposure to their fields of study, enhancing their future career prospects.
- High-potential VTS participants may be offered full-time employment at Velesto, reflecting our commitment to developing talent and supporting Malaysia's national agenda to expand graduate employment opportunities.
- The VTS programme is also a central part of our Community Investment efforts, promoting youth employment and economic empowerment. As part of Velesto's strategic business initiatives, we have extended VTS placements to Sarawak, broadening our educational reach and creating opportunities for B40 Malaysians in the region.
- In addition, we have introduced Offshore Development Programmes, including the Velesto Drilling Engineer ("VDE") and Velesto Electronic Engineer ("VEE") initiatives. These structured programmes focus on developing local talent in the oil and gas industry, providing graduates with specialised technical skills and practical experience. Through comprehensive training and exposure, participants are equipped to succeed in their careers while contributing to the growth of the industry.

OUR SUITE OF BENEFITS AND PERKS

We comply fully with all statutory benefit requirements under Malaysian law and complement these with additional benefits aimed at promoting the well-being and satisfaction of our employees.

These benefits are designed to safeguard employees' financial security, support their health, and foster career growth, while also enhancing overall well-being, job satisfaction and workplace productivity.

Our Special Benefits Include:

- 16% EPF contribution by the Company, which is above the statutory mandatory requirement
- Group hospitalisation and surgical insurance
- Employee Education and Assistance Programme
- Long Service Award and Recognition
- Annual medical check-up for employees aged 40 and above

TRAINING PROGRAMMES

The key training programmes delivered in 2025 ensured our employees remain equipped with the technical knowledge, analytical capabilities and professional skills necessary to achieve operational excellence, while also strengthening emerging and future-ready competencies.

Programme	Objective
Crucial Conversation For Mastering Dialogue	Crucial Conversations for Mastering Dialogue is a two-day workshop designed to equip participants with the skills to handle high-stakes conversations with confidence, clarity, and empathy. The programme guides participants through a structured process starting with self-awareness and emotional management ("Work on Me First"), moving into effective dialogue techniques that promote mutual understanding ("My Meaning & Your Meaning"), and concluding with clear action planning and accountability ("Move to Action"). By learning how to stay focused on what matters most and create psychological safety, participants will be better prepared to navigate difficult conversations and drive positive outcomes in both professional and personal settings.
Unleash Your Team's Potential Through Coaching	Unleash Your Team's Potential Through Coaching is a one-day workshop designed to empower leaders with practical coaching skills that drive performance and engagement. Participants will learn how to coach for results, develop their direct reports, navigate difficult conversations, and foster stronger connections with their teams. By applying coaching techniques in real-world scenarios, leaders will be better equipped to support growth, improve communication, and unlock the full potential of their talent.
Level 1: Core & Leadership Competencies	Core & Leadership Competencies Level 1 is a foundational leadership development programme tailored for non-executives to executives, designed to build confidence, clarity, and capability in emerging leaders. Through interactive sessions, participants will gain essential leadership tools, enhance self-awareness, and learn to align personal and team goals with the organisation's vision. The course emphasises strategic thinking, effective communication, coaching, and self-reflection, empowering participants to lead with purpose, become role models in their teams, and contribute to shaping a forward-thinking leadership culture.
Level 2: Core And Leadership Competencies	Core & Leadership Competencies Level 2 is a comprehensive four-day programme designed specifically for Senior Executive to Assistant Managers to strengthen their leadership capabilities and bridge the gap between strategy and execution. Through interactive workshops, real-world case studies, and practical exercises, participants will develop key competencies such as stakeholder engagement, team collaboration, strategic thinking, and driving change. The programme also emphasises personal mastery, innovation, and operational excellence, equipping emerging leaders to influence outcomes, deliver results, and contribute meaningfully to organisational success.

Sustainable Value Creation

EMPOWERING PEOPLE

Fair Employment Practices

Programme	Objective
Level 3: Core And Leadership Competencies	Core & Leadership Competencies Level 3 focuses on equipping leaders with the advanced skills necessary to drive individual, team, and organisational excellence. This level emphasises strategic thinking, emotional intelligence, and operational leadership, enabling managers to transition from self-leadership to leading others with influence and purpose. Through a structured four-day development programme, participants deepen their self-awareness, learn to apply trust-based leadership and cultivate high-performing teams. The competencies taught also include mastering stakeholder engagement, leading through change, and creating a values-driven culture.
Unconscious Bias	Unconscious Bias is a one-day workshop that helps participants recognise and address the hidden biases that can influence decisions, behaviors, and interactions in the workplace. Through engaging discussions and practical activities, participants will learn to identify bias, cultivate genuine connections, and choose courageous actions that promote a more inclusive and collaborative culture. This training empowers individuals to contribute to a respectful and equitable work environment where everyone can thrive.
Inclusive Leadership	Inclusive Leadership is a one-day workshop designed to equip leaders with the mindset and skills to foster a diverse, equitable, and inclusive team environment. Participants will learn to connect to understand diverse perspectives, create opportunities that empower all team members, and cultivate team inclusion through intentional actions and behaviors. This training helps leaders build trust, enhance collaboration, and drive performance by embracing the power of inclusion.
Storytelling Through PowerPoint Presentation	Storytelling Through PowerPoint Presentation equips participants with a structured approach to crafting and delivering impactful presentations that drive action and inspire change. Based on the Presentation Advantage process, the training emphasises the importance of connecting with the message, oneself, and the audience. Participants discovered how to develop a compelling narrative, design engaging visuals, and deliver presentations with confidence and clarity. This holistic approach ensures presenters not only communicate effectively but also leave a lasting impression.
Microsoft Excel Advanced	Microsoft Excel Advanced (Course: SAEX16A-2) is a 2-day programme designed for individuals who already possess intermediate Excel skills and wish to deepen their expertise in data analysis and advanced spreadsheet functions. This hands-on course equipped our participants to work confidently with nested formulas, perform powerful "What-If" analyses (using Goal Seek, Solver, Input Tables, and Scenarios), create and analyse data with PivotTables, consolidate data from multiple sources, and use advanced lookup, automation and function techniques.
EQ@Work: The Language of Human-Centered Teams - From Conflict to Connection	EQ@Work: The Language of Human-Centered Teams is a 1-day interactive workshop using Emotional Intelligence and the Enneagram to enhance self-awareness, empathy, and collaboration. Participants learnt to understand personality types, manage conflict, give effective feedback, and build trust. HR conducted 3 sessions focused on the Finance Division, while the remaining sessions were open to participants from all other departments.

ENGAGEMENT PROGRAMMES

In 2025, we implemented a range of engagement initiatives aimed at building a connected, well-informed and motivated workforce. These activities promoted employee well-being, reinforced a positive workplace culture, and strengthened alignment with the organisation's goals.

Initiative	Objective
Byte Size Insights	The Byte Size Insights webinar series helps cultivate a knowledgeable, ethical and sustainability-driven workforce. By addressing critical topics such as financial management, governance and environmental responsibility, these sessions empower employees to adopt responsible practices and make informed decisions. In doing so, they enhance both individual and organisational performance, while supporting Velesto's commitment to creating a positive and lasting impact on the environment and society. A total of 13 sessions were conducted in 2025.
Vel-Being	At Velesto Energy, we believe our people are our greatest asset, and their well-being is central to everything we do. Our Vel-Being Programme is designed to nurture a culture of health, happiness and personal growth, enabling every employee to thrive both personally and professionally. It reflects our commitment to fostering a positive work environment that champions health, collaboration and holistic development. A total of 10 sessions were conducted in 2025.
Talent Engagement Session with President Part 1	A Talent Engagement Session was held at the Boardroom, Centrum, Level 18, Block 3A, led by the President of Velesto and Vice President of HR. The session brought together selected Rig and HSE Engineers for an open dialogue with leadership, focusing on employee experience, career journeys, operational challenges, workplace culture and communication. Held just before Hari Raya, the session concluded on a festive note with the distribution of Raya cookies as tokens of appreciation to all participants.
HR Engagement – Benefits, HR Update & Others	An HR Engagement Session was held at the ASB Office. Attended by staff and crew members based in ASB, the session aimed to share key updates and initiatives from the Talent & Learning Department, including HR policies, learning opportunities and employee support programmes. The session fostered open communication and encouraged feedback to strengthen HR-staff collaboration.
Talent Engagement Session with President Part 2	The second instalment of our Talent Engagement Session with the President of Velesto and Vice President of HR held during 2025.
iLEAP 2.0 Treasure Hunt 2025	The iLEAP 2.0 Treasure Hunt, organised by HR, VSRC, HSE, and Corporate Communications, offered a fun and engaging day of outdoor and indoor activities. Participants explored KL city through a treasure hunt, enjoyed indoor mini-carnival games like darts, and participated in an online Kahoot quiz. The event combined learning and team bonding, reinforcing Velesto's core values while promoting problem-solving, collaboration, and employee engagement in a lively and memorable manner.
Year-End 2025 Onsite Health Screening	The Year-End 2025 Onsite Health Screening, organised with e-MAS, provided employees with convenient access to comprehensive preventive care services. Participants moved through eight stations, including registration, general screening, blood taking, vaccination, dietician consultation, rehab, physio, and the iBreast examination, a non-invasive, radiation-free screening for early breast health assessment. The programme emphasised personal health ownership, offering guidance and check-ups to promote well-being before year-end.

Sustainable Value Creation

EMPOWERING PEOPLE

Fair Employment Practices

SHAPING THE FUTURE OF ENERGY THROUGH EDUCATION

At Velesto, we believe that investing in education is one of the most meaningful ways to shape the future of our industry. This belief is reflected in our partnership with Yayasan Universiti Teknologi PETRONAS ("YUTP") through the YUTP-Velesto Scholarship Programme, launched in 2024 to support high-potential students pursuing degrees in Petroleum, Mechanical, Electrical and Chemical Engineering at Universiti Teknologi PETRONAS ("UTP").

The scholarship goes beyond financial assistance. It opens doors to professional growth through structured industry exposure, internships and engagement with energy sector practitioners, allowing students to complement academic learning with real-world insight. For many, it represents not only access to higher education, but a clear pathway towards long-term career development in Malaysia's offshore energy sector.

As of 2025, five scholars have been fully onboarded under the programme and will be supported through to the completion of their degrees in duration 4-5 years subject to sponsored student's programme with total sponsorship amounting to RM868,172.

Breakdown of sponsorship allocation:

Student 1	Student 2	Student 3	Student 4	Student 5
RM146,860	RM191,484	RM191,484	RM191,484	RM146,860
4-year sponsorship	5-year sponsorship	5-year sponsorship	5-year sponsorship	4-year sponsorship

Velesto was recognised as a YUTP sponsor at the annual Tapestry of Colours Charity Dinner where we were recognised for our total sponsorship of RM957,420. The YUTP-Velesto Scholarship Programme remains a flagship programme that reflects our long-term commitment to nurturing emerging talent, strengthening the national skills pipeline and contributing to a resilient and future-ready energy workforce.

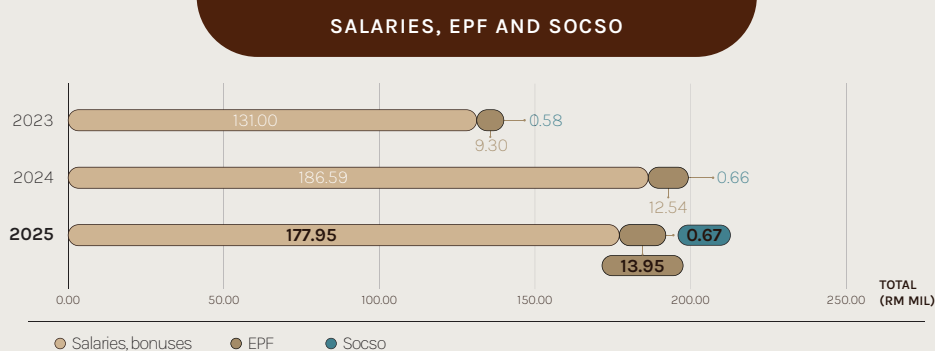
Scope of the YUTP-Velesto Scholarship Programme:

 Full tuition and accommodation fees	 Computer allowance	 Additional internship allowance	 Professional development courses
 Monthly allowance	 Maintenance allowance for books and thesis	 Flight support for Sabahan and Sarawakian students	 Allowance and ticket support for programme-related requirements

Our Performance

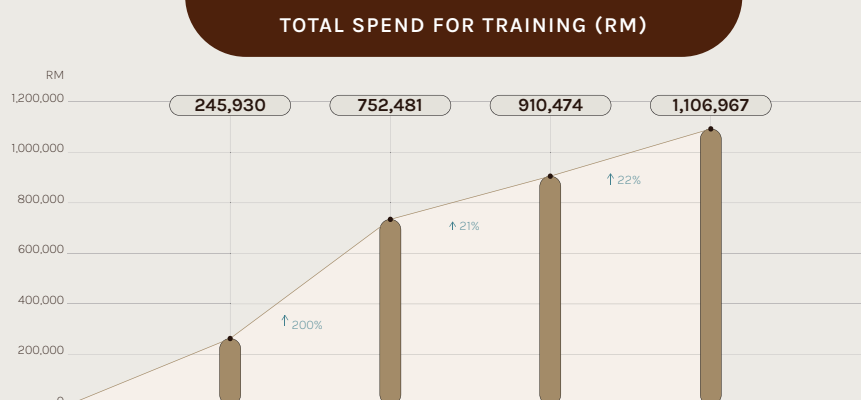
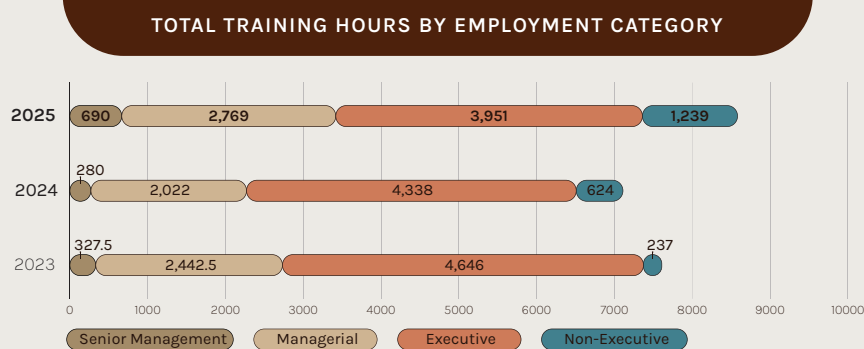
Our total contributions to employees were RM192.57 million in 2025, covering salaries, bonuses, EPF and SOCSO contributions.

BENEFITS AND REMUNERATION PAID



We also reinforced our commitment to employee development, increasing our training investment by 21.6% to RM1,106,967, with a total of 8,649 training hours delivered throughout the year.

TRAINING HOURS BY EMPLOYMENT CATEGORY



Year-on-year improvement in training hours and spend in 2025

We remain focus in building ecosystem that enables our people to thrive, including future talents



iLEAP 2.0

Integrity, Leadership,
Excellence, Accountability,
Passion

Sustainable Value Creation

EMPOWERING PEOPLE

Protecting Human Rights

WHY IT MATTERS

Respecting human rights and upholding ethical labour practices are fundamental to how we operate. By embedding these principles across our workforce and supply chain, we strengthen regulatory compliance, promote fair and dignified working conditions, and build a culture grounded in respect and accountability. This commitment reinforces stakeholder confidence, protects our licence to operate and supports the long-term sustainability of our business, while upholding Velesto's standing as a responsible corporate citizen.

Our Management Approach and Strategies

Initiative	Objective
Policies and Commitments	• The Board provides oversight of our human rights commitments, which are integrated into Group policies in line with Malaysian labour laws, including the Employment Act 1955 and the Minimum Wages Act, as well as other relevant regulations in the regions where we operate. • In addition to our Code of Business Conduct and Ethics ("CoBE") and the Policy Statement on Human Rights and Labour Standards, we have implemented a Policy Statement on Recruitment Management System Procedures to ensure proper due diligence when engaging suppliers and vendors.
Our Practices and Processes	• Key practices that protect employee rights include flexible working hours, fatigue management to prevent excessive workloads, advance notice of operational or policy changes, wages above statutory minimums, and formal, confidential grievance mechanisms. • These measures are supported by policies promoting non-discrimination, diversity, and equal opportunity (see Diversity and Inclusion, pages 95 - 96). Our approach is regularly reviewed to ensure ongoing relevance, effectiveness, and compliance.
Supply Chain Due Diligence	• Velesto maintains a strict commitment to human rights across all operations and within our supply chain, with zero tolerance for violations. Our procurement, contracting, and human resources teams work together to identify, prevent, and monitor potential human rights risks throughout the Group. • All suppliers and vendors, including third-party contractors, are required to respect worker dignity and maintain safe working conditions. Adherence to Malaysian laws on human and labour rights, worker welfare, child labour, and human trafficking is mandatory. Non-compliance can result in serious consequences, including termination of contracts and legal action. • Our proactive approach involves regular assessments of labour risks and human rights impacts, enabling timely interventions to prevent and address any suspected or confirmed cases of exploitation or forced labour.
Employee Engagement and Feedback Channels	• The Group actively promotes policy compliance through regular educational campaigns, including initiatives such as anti-sexual harassment roadshows designed to raise awareness of our Policy on Sexual Harassment. • We have established clear communication channels that enable employees and stakeholders to support human rights oversight. Both internal and external parties can report grievances or concerns related to misconduct, harassment, human rights violations, or other forms of non-compliance via the feedback mechanisms described in our Whistle-Blowing Policy and Grievance Procedures. • Reports can be submitted anonymously and without fear of retaliation, either directly to managers and HR representatives or through our confidential whistle-blowing channels, accessible via the internal NEST network for employees and the corporate website for external stakeholders. All submissions are promptly reviewed and investigated by management and leadership teams, ensuring timely resolution and preventive action to avoid recurrence.

OUR COMMITMENTS

We are dedicated to upholding the following labour practices and human rights commitments to safeguard the dignity and well-being of every employee across our operations.



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



Promoting 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



Prohibiting and preventing forced labour, debt bondage, human trafficking, and all forms of modern slavery



Upholding the right to safe working conditions



Sustainable Value Creation

EMPOWERING PEOPLE

Protecting Human Rights

Human Resources Initiatives in 2025:

Our Human Resources team takes a hands-on approach to advancing employee well-being, promoting fair pay, and encouraging a balanced work-life environment. In 2025, the following initiatives were maintained or introduced to support our people:

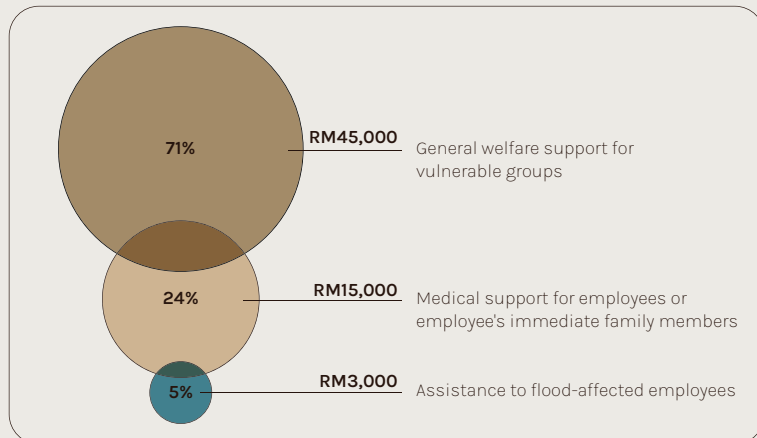
1. Salary Adjustment

In line with national minimum wage requirements and evolving market conditions, salary adjustments were implemented to ensure fair and competitive compensation. This initiative supports employees' financial well-being while reinforcing our commitment to equitable and responsible employment practices.

2. Zakat Wakalah

Through the Zakat Wakalah initiative, zakat contributions are channelled to eligible employees earning below the living wage threshold, as well as those impacted by unforeseen circumstances such as floods or medical emergencies. In accordance with Majlis Agama Islam Wilayah Persekutuan ("MAIWP") guidelines, distributions are managed responsibly to ensure meaningful and targeted support.

Total Zakat Distribution in 2025:



3. Transportation Allowance

Employees in job grades below JG-17 continue to receive a transportation allowance to help ease commuting costs. The allowance remains set at RM150 per employee per month, supporting financial relief while enhancing employee well-being.

4. Hybrid Work Arrangements

To support work-life integration and operational efficiency, we continue to implement a hybrid work model for eligible roles. By enabling employees to alternate between remote and office-based work, we enhance flexibility while also contributing to reduced commuting frequency and associated emissions.

Collectively, these initiatives strengthen employee satisfaction, reinforce inclusive workplace practices and support our long-term commitment to being a responsible and caring employer.

OUR PERFORMANCE

In 2025, we maintained our strong record, with no reported cases of non-compliance with labour standards or human rights requirements.

There were no instances of child labour, human trafficking or forced labour, reflecting our continued commitment to ethical employment practices. We also remain proud of our history of never being implicated in any violations of indigenous rights.

ZERO complaints regarding operational changes were lodged in 2025

2025 Performance

Employment practices:

Zero number of confirmed labour rights violation case

Target:

ZERO Case



Status:

Target Achieved

Human Rights:

Zero number of confirmed human rights violation case

Target:

ZERO Case



Status:

Target Achieved



Diversity And Inclusion

WHY IT MATTERS

A diverse and inclusive workplace strengthens our ability to innovate and make sound decisions. By bringing together individuals with varied backgrounds, experiences and perspectives, we broaden our thinking and enhance problem-solving across the organisation.

At the same time, upholding a culture grounded in merit, fairness and equal opportunity strengthens our ability to attract, develop and retain high-quality talent. This enables us to sustain a dynamic, high-performing organisation that reflects the communities and markets in which we operate.

Our Management Approach and Strategies

Initiative	Objective
Guiding Policies and Oversight	- Our Human Resources Department spearheads diversity and inclusion efforts across Velesto, guided by core policies including the Policy Statement on Human Rights and Labour Standards, Gender Equality Policy Statement, and the Policy on Consequence Management and Disciplinary Procedures. - These frameworks reinforce fair and responsible practices, explicitly prohibiting discrimination of any kind—whether based on race, gender, religion, or socio-cultural background—and aligning with the Group's core values. - To ensure accountability and continuous progress, diversity and inclusion Key Performance Indicators ("KPIs") are integrated into leadership scorecards, promoting consistent oversight and measurable advancement throughout the organisation.
Upholding a Fair and Inclusive Culture	- Employment decisions, including recruitment, promotions, and career development—are based on merit, with candidates evaluated on their qualifications, experience, and professional achievements. The only exception is our deliberate preference for hiring local talent when qualifications align. - Our workforce represents a rich diversity of backgrounds, and employees are encouraged to openly express their cultural and religious identities in a safe and respectful environment. Ongoing engagement initiatives help reinforce a workplace culture grounded in inclusivity, mutual respect, and shared values.
Gender Equality	- Through our Gender Equality Policy, we actively promote equal opportunities for all employees, ensuring fair access to benefits and career advancement across every level of the organisation. We work to remove gender-related barriers, fostering an inclusive environment that encourages women to pursue roles at Velesto—including in traditionally male-dominated technical, offshore, and field positions. - These efforts have contributed to strong representation of women in leadership. As of December 2025, women comprise 60% of our executive workforce and 33% of our Board of Directors, surpassing BURSA Malaysia's 30% target for women in public-listed companies.
Parental Leave Entitlement	- Velesto provides robust parental support, offering 98 days of leave for new mothers and 7 days for fathers, in line with regulatory requirements as of 2024. - By supporting both parents in sharing early caregiving responsibilities, we foster gender equality and strengthen an inclusive workplace culture.
Promoting Greater Inclusiveness	- Merit remains central to our recruitment approach, yet we actively create pathways for underrepresented and vulnerable groups, including people with disabilities, refugees, asylum seekers, and individuals facing socioeconomic challenges. - To support this commitment, we run targeted hiring initiatives for candidates from the B40 income group and track representation through a diversity indicator focused on employees with disabilities across the Group.
Engagement and Advocacy	- Diversity and inclusion are embedded from the start, with onboarding programmes, engagement sessions, and internal communications highlighting these principles. Employees are informed about the Whistle-Blowing Policy and Grievance Procedures, providing clear channels to report harassment or discrimination. - Managers receive targeted training on gender equality to strengthen awareness of inclusive practices and their impact on long-term organisational success. We also use employee surveys and focus groups to evaluate workplace culture and address areas for improvement. - Our leadership actively supports gender diversity through participation in the Malaysian Chapter of the 30% Club, promoting greater female representation in corporate leadership. By engaging in the Club's initiatives, we reinforce our commitment to diversity and inclusion across Corporate Malaysia and the oil and gas sector.

Sustainable Value Creation

EMPOWERING PEOPLE

Diversity and Inclusion

OUR PERFORMANCE

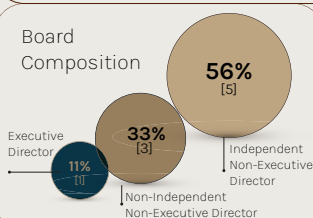
While many operational roles remain male-dominated due to the nature of our business, we have achieved strong female representation across our Board, executive and managerial leadership. We remain committed to advancing workforce diversity and to strengthening an inclusive, supportive culture where people can contribute and progress based on merit.

BOARD COMPOSITION

9 Total number of Board of Directors

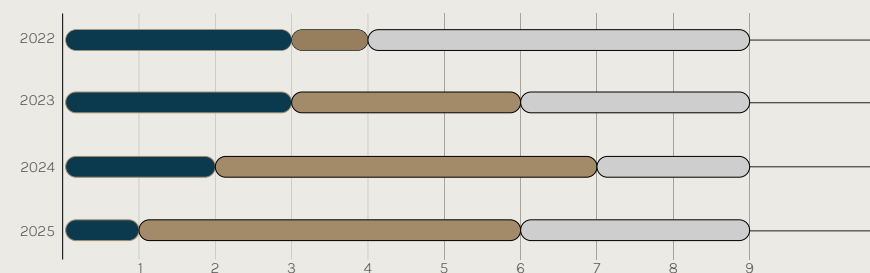
100% of our board members are Malaysian

Board Composition

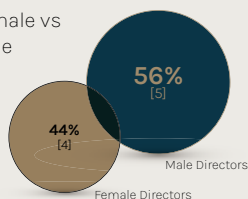


Number of Directors Composition by Age Category

● Age 31-50 ● Age 51-65 ● Age 65 and above

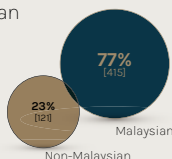


Female vs Male

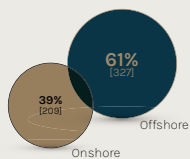


WORKFORCE DIVERSITY

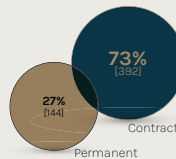
Malaysian vs Non-Malaysian Employees



Offshore vs Onshore



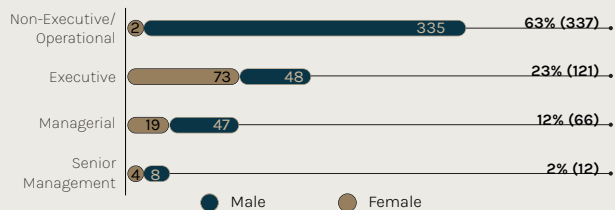
Permanent vs Contract



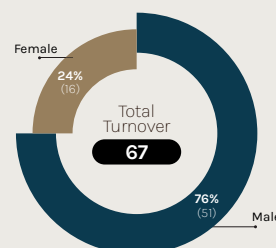
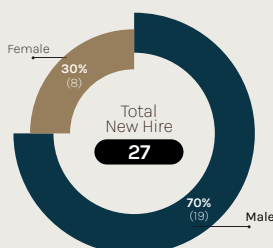
536

Total Workforce
FY2025

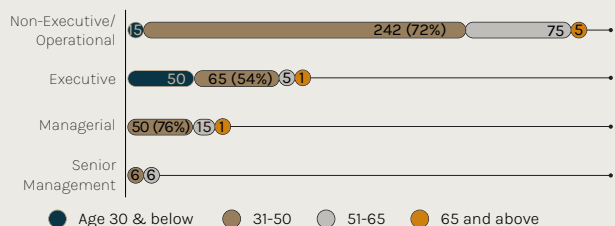
EMPLOYEES BY GENDER AND CATEGORY



HIRING AND ATTRITION PERFORMANCE



EMPLOYEES BY AGE AND CATEGORY



ZERO

labour laws were
violated in 2025

Community Impact

WHY IT MATTERS

We recognise that the value we create should extend beyond our operations to the communities connected to our business.

Through industry-focused programmes, strategic collaborations and community outreach efforts, we support underprivileged groups, strengthen socioeconomic development and contribute to the broader advancement of the energy sector.



Our Management Approach and Strategies

Approach Holistically Delivering Community Benefits



- Velesto's Sustainability and Corporate Communications departments spearhead initiatives designed to create tangible benefits for local communities. Our efforts are structured around four key pillars: Education, Environment, Community Safety, and Community Uplift.
- Across our operations in East and West Malaysia, we prioritise engaging local talent and sourcing from regional contractors and vendors. This approach supports vocational training opportunities and contributes to the economic development of the communities where we operate.
- Through programmes like the Velesto Academy ("VAD") and the Velesto Trainee Scheme ("VTS"), we actively invest in local workforce development and contribute to building the skills and talent needed to strengthen the oil and gas sector.

Approach Community Engagement and Outreach



- Velesto maintains ongoing engagement with communities near our operations, delivering targeted programmes that address local needs. Employee participation is strongly encouraged, with volunteerism recognised as a key contributor to both engagement and community impact.
- In FY2025, our employees contributed a total of 107 hours towards community outreach and engagement activities, reflecting a shared commitment to creating positive change beyond the scope of our business operations.

Approach Socioeconomic and Human Capital Development



- Through the Velesto Trainee Scheme ("VTS") and internship programmes, we offer 12-month placements for local graduates and unemployed youth, providing hands-on industry experience to enhance their employability. These initiatives align with national efforts to improve career opportunities for Malaysia's unemployed graduates.
- As part of Velesto's strategic business initiatives, the VTS programme was expanded to Sarawak, creating employment opportunities for B40 Malaysians while simultaneously strengthening our operational presence in the region.

Approach Velesto Academy ("VAD")



- The VAD develops workforce capabilities by offering training to both internal employees and students from institutions such as Universiti Teknologi PETRONAS ("UTP") and Institut Teknologi Petroleum PETRONAS ("INSTEP"). This programme plays a key role in nurturing talent for the oil and gas drilling sector, supporting national objectives for a skilled workforce.
- VAD works closely with INSTEP through the Velesto-INSTEP Drilling Academy ("VIDA"), which operates a land rig facility in Batu Rakit, Terengganu, providing practical, hands-on training for industry professionals. In parallel, we collaborate with UTP to give students valuable exposure to real-world industry practices.
- To further enhance learning, internal Subject Matter Experts deliver specialised training at VAD, leveraging Velesto's industry expertise to bridge skills gaps and improve the quality of education for the next generation of oil and gas professionals.

Sustainable Value Creation

EMPOWERING PEOPLE

Community Impact

COMMUNITY ENGAGEMENT AND OUTREACH INITIATIVES IN 2025



Coral Restoration Programme

In collaboration with the Alunan Coral Project, Velesto continues to support coral restoration efforts at Pulau Perhentian, Terengganu to strengthen marine biodiversity and reef resilience. Since 2022, more than 2,551 coral fragments have been cultivated through carefully incubated nurseries. In 2025, the programme progressed into a maintenance and monitoring phase focused on sustaining the nursery, tracking coral survival and growth, and refining restoration approaches with zero monetary invested. Moving forward will move into a research-driven phase in collaboration with the Alunan Coral Project and academic partners.

Yayasan UTP (YUTP-Velesto Scholarship Programme)

Velesto continues to support talent development through the YUTP-Velesto Scholarship Programme, launched in 2024 to assist high-potential students pursuing engineering degrees at Universiti Teknologi PETRONAS ("UTP"). As of 2025, five scholars have been fully onboarded and with a total sponsorship of RM868,172, covering their tuition, accommodation and allowances through to degree completion in 2029.

Sekolah Angkat Malaysia MADANI ("SAM")

In support of the national Malaysia MADANI framework, Velesto has adopted six schools, located near our operational areas in Terengganu, Sabah and Sarawak to promote digital learning and STEM education while upgrading school infrastructure to create inclusive, safe and conducive learning environments. Assessments will be conducted to determine each school's priorities and finalise contributions in collaboration with relevant education authorities.

VIBES Innovation Challenge 2025

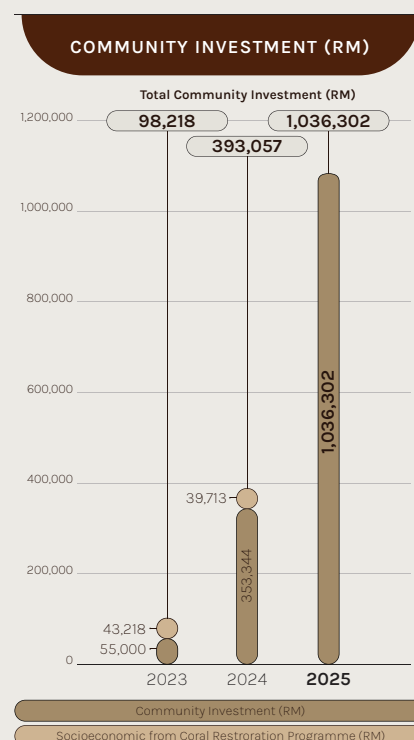
In collaboration with the Sarawak Economic Development Corporation ("SEDC"), Velesto launched the VIBES Innovation Challenge@UNIMAS ("Universiti Malaysia Sarawak") in 2025 as a hackathon-style platform designed to nurture innovation, technical capability and real-world problem-solving skills among university students. The challenge ran from March to May 2025, attracting 35 proposals, with the finals attracting more than 200 students, four media groups and seven guests of honour, including Datuk Dr Malcolm Mussen Lamoh, the Deputy Minister for International Trade, Industry and Investment Sarawak. Velesto and SEDC plan to expand the VIBES platform in the coming years through new programmes that further strengthen innovation, entrepreneurial thinking and STEM capabilities across Sarawak.

OUR PERFORMANCE

Our annual investment in community programmes continued to grow in 2025, with a total of RM1,036,302 invested during the year, representing an increase of 164% compared to 2024. This investment was channelled primarily towards the programmes outlined in this page.

Looking ahead, we remain committed to expanding our initiatives, strengthening meaningful community engagement and delivering long-term, positive outcomes across the communities connected to our operational areas.

Total Community Investment



ETHICAL BUSINESS

Our sustainable growth depends not only on operational strength but also on integrity, transparency and responsible decision making. At Velesto, we embed these principles across our business to safeguard stakeholder trust, ensure regulatory compliance, and drive long-term resilience in a complex and dynamic industry.

This commitment spans our financial performance, corporate governance and ethical conduct, as well as how we engage with suppliers, protect sensitive data, and leverage technology to operate safely and efficiently. By upholding high standards across our value chain, we create sustainable economic, social and operational impact while reinforcing our reputation as a trusted and responsible leader in the oil and gas sector.

Topics in this Section

Economic Performance



Governance and Ethics



Supply Chain



Data Privacy and Security



Innovation and Technology



Economic Performance

WHY IT MATTERS

Sustained financial strength is fundamental to our ability to operate responsibly and create long-term value. As a publicly listed company, we focus on generating stable financial returns while ensuring that the value we produce is shared meaningfully among our diverse stakeholders.

By honoring these commitments, we reinforce confidence among shareholders, regulators, employees and business partners. This trust forms the foundation of enduring relationships and supports our resilience in an evolving industry landscape.

Sustainable Value Creation

ETHICAL BUSINESS

Economic Performance

Our Management Approach and Strategies

Approach Embedding Economic Goals in Our Guiding Frameworks



- We are committed to driving sustainable economic value and work collectively across the Group to maximise revenue, ROCE growth and stakeholder value creation.
- Backed by robust governance and risk management frameworks (see Sustainability Governance, pages 47 - 50), we maintain financial stability while carefully balancing fiduciary responsibilities, debt obligations, shareholder returns and reinvestment to support long-term growth.

Approach Socio-Economic Contributions



- Our operations contribute directly to socio-economic development through the taxes we pay, the salaries and benefits we provide and the returns we deliver to shareholders.
- Beyond these contributions, we actively support local businesses and community initiatives, helping to strengthen economic resilience in the regions where we operate.
- Concurrently, our dedication to environmental stewardship safeguards natural resources and supports the sustainability of local livelihoods.

Approach Driving Quality and Customer Satisfaction



- Ensuring quality and customer satisfaction are central to Velesto's long-term success. We uphold this commitment through robust policies, including our Quality Policy, HSE Policy, and Human Rights and Labour Standards Policy, all of which align with international standards such as ISO 9001:2015 and ISO 29001:2020.
- Our integrated approach to quality management combines strict compliance monitoring, real-time feedback, and continuous process improvement, supported by technology to drive efficiency. Proactive risk management and contingency planning further reinforce our dedication to operational excellence.
- To maintain a customer-centric focus, we embed customer satisfaction KPIs within our Operational Division scorecards and conduct regular surveys to gather insights, assess performance, and identify areas for improvement.

OUR PERFORMANCE

Amid ongoing industry shifts, we have leveraged disciplined execution, operational strength, and strategic responsiveness to deliver sustainable value for both our business and stakeholders.

A comprehensive review of our financial results is available in our Financial Statements from page 197 onwards.

Maintaining high service standards remains a priority. We conduct regular customer satisfaction surveys, including post-project evaluations and monthly performance reviews, to ensure we remain aligned with client expectations and continuously refine our delivery. We have continued to maintain strong satisfaction scores in 2025.



Governance and Ethics

WHY IT MATTERS

Strong corporate governance and consistent ethical conduct are essential to safeguarding stakeholder trust and protecting the long-term interests of our business.

Clear oversight, sound decision-making and disciplined risk management underpin our ability to operate a responsible and resilient business in a complex and evolving environment. By upholding transparency, integrity and accountability at every level of the organisation, we strengthen compliance, manage risk proactively and reinforce confidence among investors, clients and partners.

Our Management Approach and Strategies

Approach

Stringent Board and Management Oversight



- Our Board and Senior Management set the tone for responsible governance and ethical conduct across Velesto. To maintain vigilance and ensure proactive oversight, we have established the replace with: Board Governance & Risk Committee ("BGRC") alongside the independent Integrity Governance Unit & Compliance ("IGUC"). The BGRC supervises the IGUC, which handles all reports related to anti-corruption, bribery, and other ethical concerns.
- Operating under the President's Office, the IGUC possesses authority to escalate cases of misconduct to the Malaysian Anti-Corruption Commission ("MACC"). Accountability is reinforced through performance evaluations of IGUC members, measured against clearly defined KPIs linked to planned initiatives and objectives.
- The Board regularly reviews internal policies to keep pace with regulatory changes and carefully considers whistle-blowing reports, ensuring that investigations are thorough and resolutions are effectively implemented.

Approach

Enterprise Risk Management and Business Continuity Management



- Velesto's Enterprise Risk Management ("ERM") Framework provides a structured methodology for identifying, assessing, mitigating, and monitoring both emerging and inherent risks, drawing on globally recognised assessment practices.
- Complementing this, our Business Continuity Management ("BCM") Framework strengthens operational resilience by equipping management to anticipate potential risks and threats, evaluate their impact, and implement proactive mitigation measures. These frameworks safeguard our business operations, uphold stakeholder confidence, and protect the integrity of our brand.

For more information refer to the SORMIC section of our Integrated Annual Report (pages 177 - 190).

Approach

Policies and Procedures to Uphold Integrity



- Our expectations for ethical business practices are communicated and reinforced through our Code of Business Ethics ("CoBE") and Anti-Bribery and Corruption Policy ("ABC Policy"), which is aligned with Section 17A of the MACC Act.
- The ABC Policy reflects a zero-tolerance approach to bribery and corruption across all levels of the organisation, prohibiting improper conduct by the Board, management, and employees. It addresses areas such as gifts, political contributions, and undue advantages, and specifies clear consequences for violations, including fines, suspensions, and legal action.
- To ensure transparency and accessibility, the policy is publicly available on our website, providing stakeholders with a clear understanding of our stance and commitments.

Sustainable Value Creation

ETHICAL BUSINESS

Governance & Ethics

Approach

Assessment of Corruption Risks



- We conduct quarterly assessments to identify corruption risks across specific departments or units, utilising a risk matrix that categorises risks from low to extreme. Findings are reviewed quarterly by the IGUC and reported to the BGRC.
- Identified and potential risks are proactively monitored and mitigated through the implementation of Risk Action Plans (“RAPs”) by the IGUC. High-risk areas within our operations are assessed based on their susceptibility to third-party collusion, particularly instances of bribery that could compromise the integrity of the tender process.

Approach

Safeguards to Promote Anti-Corruption, Transparency, and Regulatory Compliance



- In alignment with our ABC Policy and risk frameworks, we have implemented several measures to prevent corruption and strengthen transparency. Our leadership reaffirmed this commitment by signing the Corruption-Free Pledge, witnessed by MACC in FY2023.
- A Tender Committee has been established with approval limits based on hierarchical authority levels, while our Enterprise Resource Planning (“ERP”) system enhances transparency in procurement. Additionally, our Commercial Division has implemented a Know Your Counterpart (“KYC”) process to enhance due diligence on third-party entities. Anti-corruption clauses are explicitly outlined in our Supplier CoBE and embedded within purchase orders and contracts, reinforced through vendor awareness programmes to ensure compliance and ethical business practices.
- To uphold ethical conduct, we conduct regular awareness sessions and mandatory ABC training. Employees and third parties can confidentially report non-compliance via our Whistle-Blowing Policy, which is aligned with Section 7(1)(c) of the Whistle Blowers Protection Act 2010. Reports are directly submitted to the Head of IGUC and undergo initial investigation before escalation to the BGRC for further review. If substantiated, appropriate actions range from warnings and dismissals to contract termination or reporting to authorities such as the MACC or police.
- We uphold regulatory compliance by ensuring timely publication of financial performance, corporate updates, and governance disclosures, meeting listing requirements and enhancing transparency. Committed to fair competition, our policies prohibit collusion, price-fixing, bid coordination, and any anti-competitive practices that limit market access.
- We also maintain a strict apolitical stance, avoiding endorsements or affiliations with political parties. While we do not donate to political parties, we may participate in government-led events for charitable or nation-building initiatives.

CODES AND PROCEDURES TO DRIVE RESPONSIBLE BUSINESS PRACTICES

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



PROMOTING INTEGRITY AND ANTI-CORRUPTION AWARENESS

Throughout the year, we advanced our commitment to ethical business conduct through a range of education and compliance initiatives across three themes. These efforts were delivered across multiple platforms such as in-person sessions, digital communications, virtual town halls and internal newsletters, supporting broad engagement across the organisation.

Increasing Understanding & Knowledge	Enhancing Compliance & Creating Awareness	Strengthening Integrity
We delivered training sessions, knowledge-sharing forums, and awareness initiatives to strengthen employees' and stakeholders' understanding of anti-bribery policies and whistle-blowing procedures.	These initiatives aimed to reinforce compliance, ensure alignment with anti-bribery regulations, and promote consistent adherence to corporate policies.	We partnered with industry stakeholders, engaged our vendors, and facilitated discussions to foster transparency and encourage ethical decision-making throughout our operations and supply chain.
INITIATIVES		
- Integrity Awareness - Topic: Upholding Integrity - Integrity Awareness- Topic: Falsification of Documents - Integrity Roadshow -ABAC Training at Kemaman - Integrity Roadshow - ABAC Training at NAGA 3 - Integrity Assessment - Integrity Brain Blitz ("IBB") - Topic: Red flags should never be ignored - Integrity Awareness - Topic: Misuse of company funds - Fire Safety & Governance	- Anti-Money Laundering ("AML") Due Diligence & Anti-Bribery and Anti-Corruption ("ABC") Training - Know-Your-Customer Workshop - Corruption Risk Assessment (CRA) Workshop - ISO 37001 ABMS Internal Audit Training	- Sharing session on KYC Procedure - PDPA Talk - Velesto Integrity Day

REGULATORY COMPLIANCE AND POLITICAL DISASSOCIATION

Velesto recognises that strict adherence to regulations is essential for the sustainability and legitimacy of our operations. Non-compliance, including issues related to corruption, pollution, modern slavery, or data privacy, could undermine our ability to operate responsibly and sustainably.

To uphold transparency, we ensure timely publication of financial results, corporate announcements and governance disclosures on our website, meeting all listing requirements. We maintain a strong commitment to fair competition, avoiding any anti-competitive practices or abuse of market position.

Our policies strictly prohibit collusion, price-fixing, bid coordination or any actions that could restrict market access. Ongoing monitoring of regulatory developments is embedded within our Enterprise Risk Management and Internal Control framework, allowing us to stay aligned with applicable laws and industry standards.

In addition, Velesto maintains a firm apolitical stance: we do not affiliate with political parties and donations to political organisations are strictly prohibited. Engagements with the government or its agencies are limited to charitable or nation-building activities.

Sustainable Value Creation

ETHICAL BUSINESS

Governance & Ethics

OUR PERFORMANCE

We continue to uphold a strong record of ethical business conduct and were honoured to be recognised as a qualifier for governance excellence at the Anugerah Integriti, Governans dan Antirasuah (AIGA) 2025, reflecting our sustained commitment to integrity and accountability.

Compliance Performance

3 CONSECUTIVE YEARS

Zero incident of corporate/governance non-compliance

&

Zero monetary value of paid fines for corporate/governance non-compliance



Anti-Corruption Performance

	2023	2024	2025
Confirmed incidents of corruption ⁽¹⁾⁽²⁾⁽³⁾	1	0	0
Action taken for confirmed corruption incidents	Domestic inquiry and reported to MACC	NIL	NIL
Cost of fines, penalties or settlements in relation to corruption (RM)	0	0	0

(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.

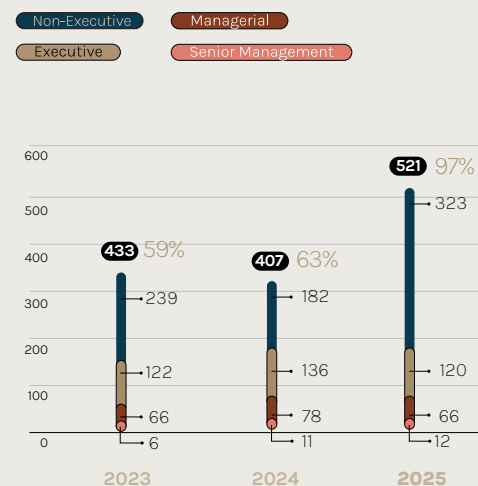
(2) Reportable corruption cases refer to any confirmed case investigated and reported to MACC.

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

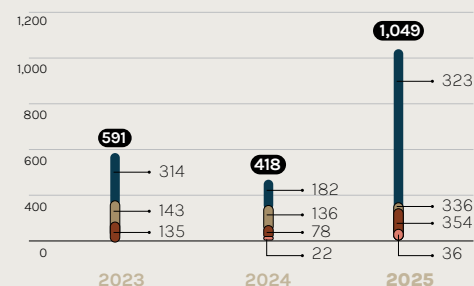
Communication and Assessments

	2023	2024	2025
Percentage of business partners to whom the organisation's anti-corruption policies and procedure have been communicated	100%	100%	100%
Percentage of operations assessed for corruption-related risks	86%	100%	100%

Number of Staff That Received Anti-Corruption Training



Total Training Hours Relating to Anti-Corruption



Supply Chain

WHY IT MATTERS

A resilient and responsible supply chain is essential to sustaining our operations and upholding our standards. By embedding ethical and sustainable practices across our supplier network, prioritising capable local partners and maintaining active engagement throughout our value chain, we reduce exposure to supply disruptions and unethical practices, while supporting long-term value creation and business stability.

Our Management Approach and Strategies

Approach Ensuring Compliance and Enhancing Oversight



- We emphasise strict adherence to policies throughout our supply chain, embedding compliance requirements into all tender and contract documents. Vendors are required to align with our Supplier CoBE, ABC Policy, and other relevant environmental and social standards, as well as commit to a Vendor Integrity Pledge ("VIP"). In 2025, 100% of all active vendors completed the VIP.
- Suppliers who fall short of required quality standards are given an opportunity to address deficiencies. Continued non-compliance may result in service termination, removal from our vendor list, or reporting to regulators. In FY2025, zero suppliers were terminated for non-compliance.
- To strengthen oversight, we carry out regular vendor assessments covering areas such as corruption, health and safety, human rights, environmental performance, and labour standards. In 2025, 8 vendors were included in the Critical Supplier Audit exercise, with 9 non-compliance issues identified and subsequently achieved 100% audit closure.
- Additionally, our Velesto Assurance Review ("VAR") reinforces internal supply management by ensuring policy compliance across all divisions and departments.

Approach Responsible Procurement



- Our procurement approach prioritises transparency and fair competition, guided by vendor protocols and supported by our ERP systems. Contracts are awarded based on merit, taking into account cost, quality, compliance, and OSH performance.
- In line with our Local First policy, we give preference to local suppliers when they meet our requirements for price, functionality, and quality. As a key partner of the PETRONAS Vendor Development Programme ("VDPx"), we contribute to the growth of local suppliers in critical areas such as Topside Medic Support Services, Logistics & Forwarding, Offshore Catering, and Offshore Manpower Services. This approach not only aligns with our operational needs but also strengthens regional supply chains.

Approach Promoting Sustainability Across Our Value Chain



- We are dedicated to applying our sustainability principles throughout the supply chain to amplify positive environmental and social outcomes. Our supplier screening process ensures that only those meetings clearly defined criteria are eligible to participate in contract bidding with Velesto. Further details of these requirements are provided below.

Approach Supply Chain Engagement



- To strengthen supplier relationships and foster effective collaboration, we regularly engage with our vendor network through dedicated initiatives. These interactions provide a platform to share policy updates, address concerns, and align expectations with our partners.

Sustainable Value Creation

ETHICAL BUSINESS

Supply Chain

OUR PROCUREMENT PRACTICES AND PROCESSES

We maintain a structured and transparent procurement framework to uphold fairness, regulatory compliance and operational efficiency across our supply chain. Our approach is anchored by:

Clear Policies & Procedures	Rigorous Due Diligence	Strict Tendering Process	Ongoing Supplier Monitoring
Clear procurement and subcontracting guidelines are established to maintain consistency and ensure compliance with regulations.	Comprehensive vendor screening and assessment are conducted during the selection and appointment process.	We implement structured evaluation criteria, obtain multiple quotations, and conduct competitive bidding to ensure fairness and maintain high-quality standards.	Ongoing monitoring of supplier relationships and management processes ensures sustained compliance and consistent performance.

ADVANCING SUSTAINABILITY IN OUR SUPPLY CHAIN

Suppliers seeking to participate in Velesto's contract bidding processes are required to comply with the following ESG principles:

Respect for Laws and Human Rights	Suppliers are required to comply with all applicable laws and regulations. Any engagement in forced or child labour, harassment, threats, or coercion will lead to disqualification from future procurement opportunities.
Respect for Freedom of Association & Collective Bargaining	Suppliers must consistently respect workers' rights to engage in collective bargaining regarding their compensation and working conditions.
Respect for Diversity	Suppliers are expected to implement inclusive, non-discriminatory practices, guaranteeing fair treatment for all individuals regardless of age, gender, language, marital status, religion, union membership, race, ethnicity, family status, disability, or any other distinguishing factors.
Respect for Health and Safety	Suppliers are required to maintain safe working conditions, implement recognised HSE systems and provide workers with appropriate training, equipment, and safeguards to protect health, reduce risks, and prevent injuries or fatalities.
Respect for the Environment	Suppliers are expected to actively commit to environmental protection and the prevention of pollution.



FY2025 SUPPLY CHAIN MANAGEMENT ENGAGEMENTS

We maintain active engagement with our vendors through a range of initiatives designed to build strong partnerships and encourage collaboration.

These interactions provide opportunities to communicate policy updates, share best practices and clarify our operational and sustainability expectations.

• Pelancaran Programme Rintis OSH-SURE

HSE collaborated with the Department of Occupational Safety and Health ("DOSH"/"JKKP") to launch the OSH-SURE Pilot Programme on 27 November 2025 at Zenith Hotel, Putrajaya. A total of 41 representatives from 25 strategic vendors participated in the event. Participants were actively engaged throughout the session, with the presence of our Senior Management Team underscoring a strong commitment to safety-related matters and keen interest in the programme.

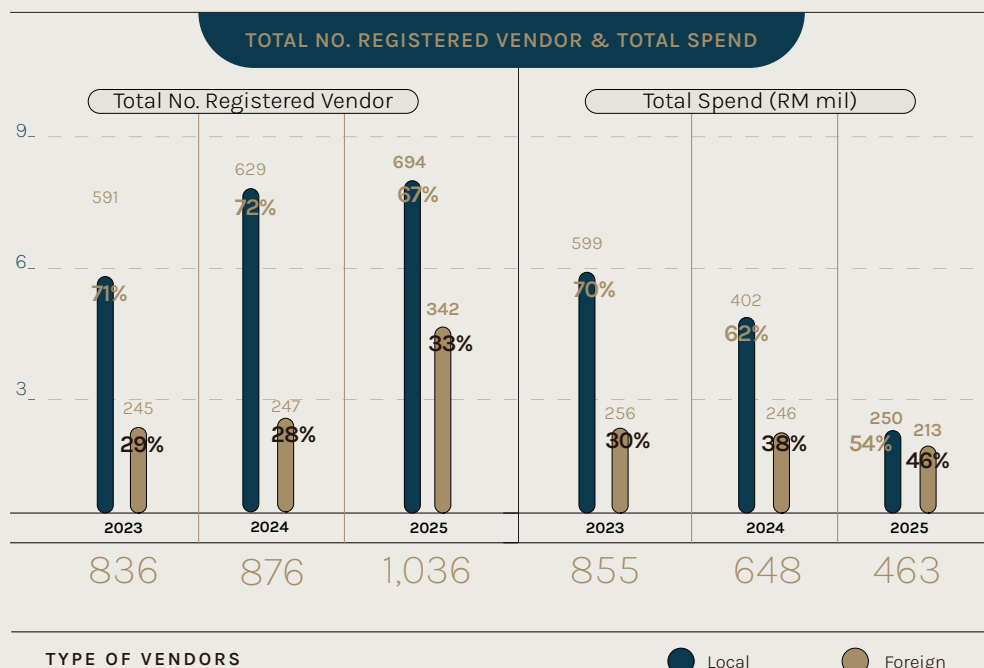
• Velesto Vendors ESG Engagement Survey & Briefing Session

The Sustainability Department collaborated with Bursa Malaysia to conduct a briefing and launch of the Centralised Sustainability Intelligence ("CSI") platform, aimed at advancing ESG practices among Malaysian companies. A total of 61 participants representing 37 strategic vendors attended the session online. To further promote awareness and encourage broader participation, a follow-up briefing session was scheduled and conducted on 13 January 2026.

OUR PERFORMANCE

In our commitment to upholding robust supply chain management practices, we audited a total of 8 vendors in 2025. A total of 9 non-compliance issues were identified, of which 100% have been resolved to date.

100% of active vendors have endorsed the Velesto Integrity Pledge ("VIP")



Sustainable Value Creation

ETHICAL BUSINESS

Data Privacy and Security

WHY IT MATTERS

As technology becomes increasingly central to our operations, protecting digital systems and sensitive information from cyber threats is essential for business continuity. By taking proactive measures to enhance cybersecurity and safeguard data privacy, we ensure compliance with evolving regulations and maintain the trust of our stakeholders, both of which are key to sustaining long-term business resilience.

Our Management Approach and Strategies

Approach Governance, Compliance and Access Controls



- Our IT Operations team manages data privacy and security, ensuring full compliance with applicable regulations, including the Personal Data Protection Act ("PDPA"). We also monitor emerging legislation, such as the Cybersecurity Act 2024, effective from 26 August 2024, and are actively preparing to meet its requirements.
- The Board of Directors plays a key role in overseeing cybersecurity risks and guiding strategies to strengthen resilience against evolving threats. Within the independent Integrity Governance Unit & Compliance ("IGUC"), which reports to the Board, a dedicated Data Protection Officer has been appointed to enforce best practices in secure data handling.
- We also deploy robust ICT security measures, including firewalls and encryption, to protect data integrity and confidentiality. Access to data is tightly controlled through restricted permission levels, and all file transfers are encrypted to maintain maximum security.

Approach Risk Mitigation and Response Plans



- To protect our information systems, data, and operations, cybersecurity risk assessments are integrated into our Business Continuity Plan and Disaster Recovery Plan, enabling the identification, evaluation, and mitigation of potential threats.
- Our multi-layered approach to cybersecurity risk management combines technology adoption, employee training, and incident response planning. Through rigorous policy enforcement, phishing simulations, targeted cybersecurity training, and detailed response plans, we strengthen protection, readiness, and resilience against emerging threats.
- We also conduct annual security audits to evaluate the effectiveness of our cybersecurity measures. As of 2025 86% of our 700 digital systems are safeguarded, with both internal and external audits carried out to ensure ongoing resilience and regulatory compliance.

Approach Strategies



Advanced Technology & Automation

- Zero Trust Architecture ("ZTA") - Enforce continuous verification of all users, devices, and network flows.
- Deception Technology (honeypots & honeytokens) - Detect lateral movement by attackers.
- Extended Detection & Response ("XDR") - Unified monitoring across endpoints, networks, cloud, and email.

Enhanced Employee Awareness & Governance

- Targeted Role-Based Training - Specific modules for IT admins, finance teams, and executives.
- Cybersecurity Gamification & Continuous Learning - Ongoing engagement beyond basic training
- Third-Party Vendor Risk Management - Assess and monitor supply chain security risks.

Approach Upskilling Employee Competencies



- Key staff are chosen to participate in comprehensive training programmes, ensuring our workforce remains skilled in managing and overseeing critical systems.
- In 2025, 1 employee completed 6 hours of Security Risks: Planning for Security Risk Management training.

CYBERSECURITY AWARENESS AND SOCIAL ENGINEERING ASSESSMENT

In January 2025, Velesto Energy conducted a social engineering exercise to evaluate employee awareness and resilience against cybersecurity threats. The assessment included phishing email simulations targeting both onshore and offshore employees, as well as a USB drop attack scenario to test vigilance in handling unknown removable devices.

The exercise assessed employees' susceptibility to phishing links, malicious macro execution and unauthorised USB usage across operational locations. While overall awareness levels were encouraging, the results indicated that exposure to social engineering risks remains, highlighting the need for continuous improvement in cybersecurity awareness and preventive controls.

Following the exercise, a risk assessment was conducted to identify gaps and strengthen the organisation's cybersecurity posture within its Business Continuity Management ("BCM") preparedness and resilience framework.

To address the identified risks, the Company has outlined several improvement measures, including enforcing Multi-Factor Authentication ("MFA"), enhancing email security filtering and restricting macro execution, implementing stricter controls on removable media such as USB devices, strengthening employee cybersecurity training and awareness programmes, and conducting periodic testing and simulations to monitor improvements in user vigilance.

OUR PERFORMANCE

In 2025, we recorded zero substantiated complaints regarding customer privacy breaches or data loss.

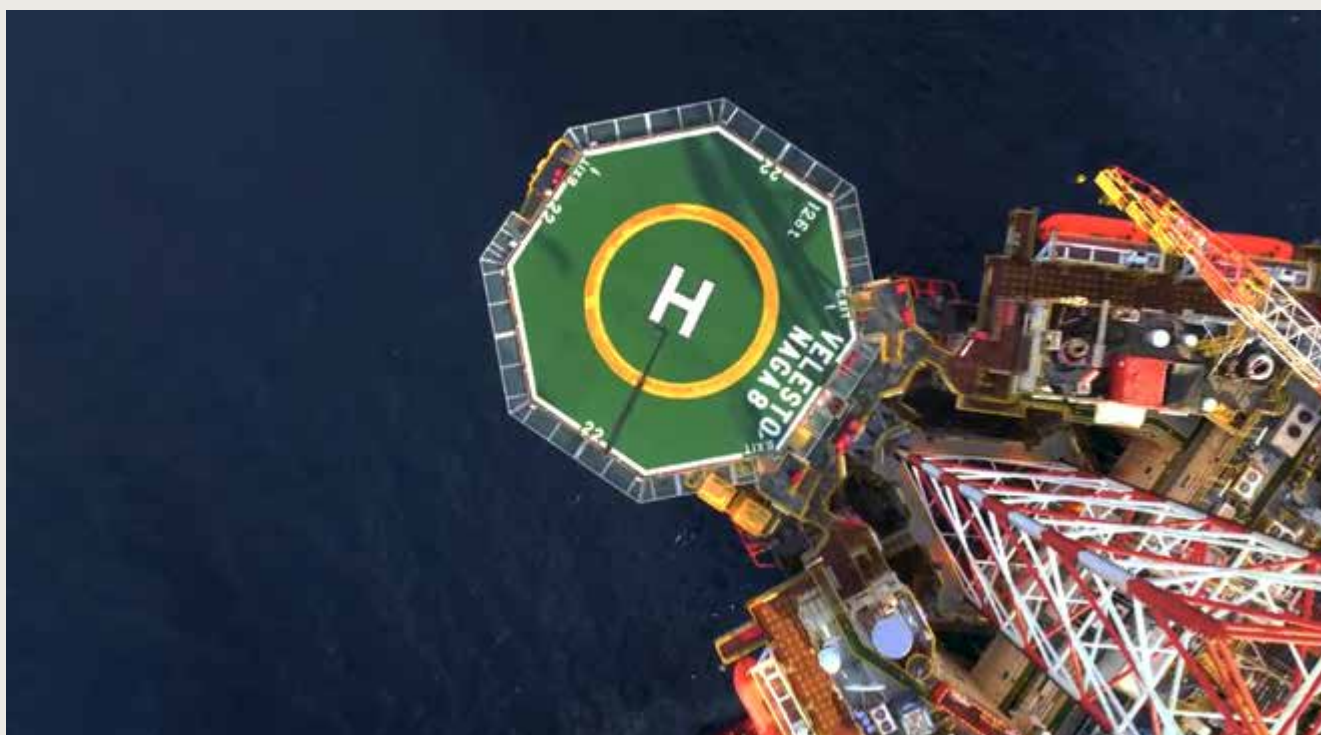


6 HOURS

of cybersecurity training conducted in 2025



ZERO substantiated complaints regarding customer privacy breaches or data loss



Sustainable Value Creation

ETHICAL BUSINESS

Innovation and Technology

WHY IT MATTERS

In today's fast-changing digital environment, innovation and advanced technology are essential to maintaining operational excellence and building future resilience. By consistently adopting state-of-the-art digital tools to improve monitoring, communication and operational performance and efficiency, we enhance productivity, boost competitiveness and reinforce our reputation as a future-ready player in the oil and gas sector.

Our Management Approach and Strategies

Approach Embracing Technology to Unlock Efficiencies



- Under our business strategy, "Technology & Capabilities" stands as one of six foundational pillars, guiding our focus on advanced digital solutions and innovative approaches to improve operational efficiency and responsiveness.
- Among our key digital initiatives is the transformation of the vendor registration process. By moving applications online and removing manual forms, we have increased transparency and simplified interactions for our partners.
- We have also rolled out NEST, an internal knowledge-sharing platform that unifies communication and enables flexible hybrid working. This approach aligns with our sustainability commitments, reducing commuting, lowering fuel consumption, and helping to cut emissions across the organisation.

Approach Greater Adoption of Digital Management Tools



- The adoption of digital technologies continues to drive operational excellence, safety, and service quality, contributing to 99.9% operational uptime and zero Loss Time Injuries ("LTI") in 2025. By integrating autonomous drilling and predictive maintenance on selected rigs, we optimise performance, reduce downtime, and consistently meet or exceed client expectations.
- In addition to operational enhancements, we have advanced our HR systems, data analytics, asset management, and reporting processes, fostering ongoing innovation and efficiency across the organisation.

KEY DIGITALISATION INITIATIVES IN 2025

Rig Automation and Robotics Collaboration with PETRONAS

We have signed a Memorandum of Understanding ("MOU") with Petroliaam Nasional Berhad ("PETRONAS") and National Oilwell Varco ("NOV") to implement mechanised rig automation and integrate robotics technologies on our drilling rigs.

This partnership aims to improve operational performance, enhance safety, reduce emissions and increase efficiency through advanced automation and digitalisation technologies. Under the MOU, Velesto will lead integration efforts, while PETRONAS and NOV provide guidance and technical support, including training and knowledge transfer.

OUR PERFORMANCE

During the year, we continued to deepen the integration of digital tools and AI-enabled solutions across our operations to enhance efficiency, safety and performance oversight.

Our collaboration with PETRONAS and NOV on rig automation and robotics represents a key milestone, positioning Velesto at the forefront of technology adoption within the offshore drilling segment.

Looking ahead, we will build on our core drilling expertise and digital capabilities to support emerging opportunities such as carbon capture initiatives, aiming to accelerate emissions reduction while reinforcing our role in supporting a responsible energy transition.

ESG Performance Data Table (5-years data)

Disclosures	Unit of Measurement	FY2021	FY2022	FY2023	FY2024	FY2025	Target
Energy							
Total fuel consumption (diesel, petrol, etc.)	GJ	713,028	738,952	832,358	849,573	753,819	
Total electricity consumption	GJ	1,137	2,359	2,490	2,709	2,910	
Total energy consumption	GJ	714,165	741,311	834,848	852,363	756,729	
GHG Emissions							
Total Scope 1 Emission (from fuel)	tCO ₂ e	53,008	54,936	63,469	62,264	56,041	
Total Scope 2 Emission (from electricity)	tCO ₂ e	181	452	477	609	605	
Scope 3 Emission, Category 1: Purchased goods and services	tCO ₂ e	N/A	N/A	N/A	N/A	418,999	
Scope 3 Emission, Category 2 : Capital goods	tCO ₂ e	N/A	N/A	N/A	N/A	8,297	
Scope 3 Emission, Category 4 : Upstream transportation and distribution	tCO ₂ e	N/A	N/A	N/A	N/A	3,565	
Scope 3 Emission, Category 5 : Waste generated in operations	tCO ₂ e	N/A	N/A	N/A	N/A	2,903	
Scope 3 Emission, Category 6 : Business travel	tCO ₂ e	N/A	33	67	889	891	
Scope 3 Emission, Category 7: Employee commuting	tCO ₂ e	N/A	N/A	N/A	232	197	
Total Scope 3 emisison	tCO ₂ e	N/A	33	67	1,121	434,851	
Total Absolute emission (Scope 1 + Scope 2)	tCO ₂ e	53,189	55,388	63,946	62,873	56,646	By 2030: 15% emission reduction
Total Emission	tCO ₂ e	53,189	55,421	64,013	63,994	491,497	
Total Scope 1 & 2 Emission intensity/Operating Days	Ratio	48	41	34	32	35	
Total Scope 1 & 2 Emission intensity/Revenue	Ratio	141	95	53	46	63	
Variance Scope 1 & 2 Emission intensity/ operating day (compared to basis year) <i>Negative values indicate a reduction.</i>	%	N/A	-15%	-28%	-34%	-27%	By 2030: 10% emission intensity reduction/ operating days
Variance scope 1&2 Emission intensity/ Revenue (compared to basis year) <i>Negative values indicate a reduction.</i>	%	N/A	-32%	-63%	-67%	-34%	By 2030: 30% emission intensity reduction/ revenue
Air Quality							
CO emissions	tCO ₂ e	52,835	52,911	62,357	58,875	111,166	
NO ^x emissions	CO ₂ e	113.37	113.53	132.34	126.33	238.53	
NH ₄ emissions	CO ₂ e	59.89	59.98	69.92	66.74	126.02	
Water Consumption							
Total Volume of Water Use	m ³	77,249.00	75,556.40	101,294.10	97,218.90	81,875.31	
Water intensity /Operating Days	Ratio	69.59	55.8	54.58	49.17	50.89	
Water intensity/ Revenue (RM mil)	Ratio	204.36	130.05	83.37	71.48	91.07	

ESG Performance Data Table (5-years data)

Disclosures	Unit of Measurement	FY2021	FY2022	FY2023	FY2024	FY2025	Target
Waste and effluent							
Total Waste Generated	tonnes	193.7	137.78	223.72	1,118.73	658.58	
- Hazardous Waste	tonnes	N/A	N/A	N/A	207.32	160.48	
- Non-Hazardous Waste / Non-Scheduled Waste	tonnes	N/A	N/A	N/A	911.41	498.10	
Waste Diverted from Disposal (recycled/reused)	tonnes	N/A	N/A	N/A	812.27	318.30	
- Re-used waste	tonnes	N/A	N/A	N/A	N/A	74.79	
- Recycled waste	tonnes	N/A	N/A	N/A	N/A	243.52	
- Percentage of recycled wastes	%	N/A	N/A	N/A	72%	48%	
Waste Directed to Disposal	tonnes	N/A	N/A	N/A	306.46	340.28	
- Incineration	tonnes	N/A	N/A	N/A	N/A	6.601	
- Landfill	tonnes	N/A	N/A	N/A	306.46	261.27	
- Other Methods of Disposal	tonnes	N/A	N/A	N/A	N/A	72.40	
Total volume of effluent discharged	m3	N/A	N/A	N/A	N/A	2,487.70	
No. of minor environmental spills	Number	0	0	1	2	0	
No. of major environmental spills	Number	1	0	0	0	0	Annual: Zero major spills
Total volume of environmental spills	litres	N/A	0	0	830-850	0	
Biodiversity							
Number of biodiversity audits undertaken on existing sites	Number	0	0	0	0	0	
Percentage of existing operations or projects assessed for biodiversity risks	%	N/A	N/A	clients to conduct thorough Environmental Impact Assessments (EIAs) 100%			
Number of Operations within or adjacent to sites deemed rich in biodiversity (Based on RAMSAR, IUCN, etc.)	Number	0	0	0	0	0	
Budget spent on Biodiversity and conservation efforts / programmes / initiatives	RM	N/A	15,000	20,140	39,517	0	
Size and location of all habitat areas protected or restored	Acres / sqft (Location)	N/A	N/A	Coral reef/ planting at Pulau Perhentian, Terengganu			
				~290 sqft of area size	~1,420 sqft of area size	~1,420 sqft of area size	
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	Number	N/A	0	0	0	0	

ESG Performance Data Table (5-years data)

Disclosures	Unit of Measurement	FY2021	FY2022	FY2023	FY2024	FY2025	Target
Supply Chain Management							
Total procurement spend	RM Mil	315.57	593.27	854.77	648.00	463.15	
Total procurement spend on local suppliers	RM Mil	190.65	331.02	599.00	402.00	249.61	
Total procurement spend on foreign suppliers	RM Mil	124.92	262.25	256.00	246.00	213.54	
Proportion of spending on local suppliers	%	60%	56%	70%	62%	54%	
Total number of registered vendors	Number	420	471	836	876	1,036	
Number of registered local vendors	Number	300	320	591	629	694	
Percentage of registered local vendors	%	71%	68%	71%	72%	67%	
Number of suppliers removed from procurement list or cautioned for poor ESG performance	Number	0	0	0	0	0	
No.of suppliers endorsed anti-bribery anti-corruption policies/ VIP Pledge (based on number of active vendors only)	Number	N/A	464	541	531	689	
Percentage of suppliers endorsed anti-bribery anti-corruption policies	%	N/A	99%	59%	92%	100%	
Workforce Diversity							
Total workforce	Number	624	722	732	647	536	
Malaysian employees	%	75%	73%	75%	77%	77%	
Non-Malaysian employees	%	25%	27%	25%	23%	23%	
Permanent employees	%	38%	28%	23%	26%	27%	
Employees that are contractors or temporary staff	%	62%	72%	77%	74%	73%	
Total number Senior Management Employee	Number %	N/A	N/A	N/A	11 2%	12 2%	
Total number Managerial Employee	Number %	N/A	N/A	N/A	80 12%	66 12%	
Total number Executive Employee	Number %	N/A	N/A	N/A	143 22%	121 23%	
Total number Non-Executive Employee	Number %	N/A	N/A	N/A	413 64%	337 63%	
Male Managerial Staff	%	55%	71%	74%	75%	71%	
Female Managerial Staff	%	45%	29%	26%	25%	29%	
Male Executive Employees	%	62%	49%	49%	41%	40%	
Female Executive Employees	%	38%	51%	51%	59%	60%	
Male Non-Executive Employees	%	97%	98%	99%	99%	99%	
Female Non-Executive Employee	%	2%	2%	1%	1%	1%	
Senior Management Staff Age 30 and below	%	N/A	N/A	0%	0%	0%	

ESG Performance Data Table (5-years data)

Disclosures	Unit of Measurement	FY2021	FY2022	FY2023	FY2024	FY2025	Target
Workforce Diversity (cont'd.)							
Senior Management Staff Age 31-50	%	N/A	N/A	55%	45%	50%	
Senior Management Staff Age 51-65	%	N/A	N/A	45%	55%	50%	
Senior Management Staff Age 65 and above	%	N/A	N/A	0%	0%	0%	
Managerial Staff Aged 30 and below	%	6%	1%	0%	0%	0%	
Managerial Staff Aged 31-50	%	76%	71%	70%	73%	76%	
Managerial Staff Aged 51-65	%	18%	27%	29%	26%	23%	
Managerial Staff Aged 65 Years and Above	%	0%	1%	1%	1%	1%	
Executive Employees Aged 30 and below	%	72%	45%	43%	39%	41%	
Executive Employees Aged 31-50	%	26%	52%	53%	55%	54%	
Executive Employees Aged 51-65	%	1%	2%	3%	5%	4%	
Executive Employees Aged 65 Years and Above	%	1%	1%	1%	1%	1%	
Non-Executives Aged 30 and below	%	8%	10%	8%	6%	4%	
Non-Executives Aged 31-50	%	66%	64%	63%	68%	72%	
Non-Executives Aged 51-65	%	25%	25%	26%	24%	22%	
Non-Executives Aged 65 Years and Above	%	1%	1%	3%	2%	1%	
Senior Management staff with Malay ethnicity	%	N/A	N/A	82%	82%	83%	
Senior Management staff with Chinese ethnicity	%	N/A	N/A	9%	9%	8%	
Senior Management staff with Indian ethnicity	%	N/A	N/A	0%	0%	0%	
Senior Management staff with Others ethnicity	%	N/A	N/A	9%	9%	8%	
Malay Managerial Staff	%	69%	64%	62%	65%	64%	
Chinese Managerial Staff	%	11%	18%	14%	14%	11%	
Indian Managerial Staff	%	6%	9%	11%	9%	12%	
Managerial Staff of Other Ethnicities	%	13%	10%	14%	13%	14%	
Malay Executive Staff	%	90%	86%	86%	85%	85%	
Chinese Executive Staff	%	1%	5%	3%	3%	2%	
Indian Executive Staff	%	3%	3%	2%	1%	2%	
Executive Staff of Other Ethnicities	%	7%	7%	9%	10%	11%	
Malay Non-Executive Staff	%	33%	35%	34%	36%	35%	
Chinese Non-Executive Staff	%	3%	9%	3%	4%	5%	
Indian Non-Executive Staff	%	4%	6%	7%	8%	8%	
Non-Executive Staff of Other Ethnicities	%	59%	50%	55%	52%	52%	
Total number of staff with disabilities	Number	0	0	0	0	0	

ESG Performance Data Table (5-years data)

Disclosures	Unit of Measurement	FY2021	FY2022	FY2023	FY2024	FY2025	Target
Workforce Diversity (cont'd.)							
Disabled senior management staff	%	N/A	N/A	N/A	0%	0%	
Disabled managerial staff	%	0%	0%	0%	0%	0%	
Disabled executive staff	%	0%	0%	0%	0%	0%	
Disabled non-executive staff	%	0%	0%	0%	0%	0%	
Total percentage of staff with disabilities	%	0%	0%	0%	0%	0%	
Hiring and Attrition							
Total New Hires	Number	104	216	164	73	27	
New Hires (Male)	%	68%	85%	81%	79%	70%	
New Hires (Female)	%	32%	15%	19%	21%	30%	
New Hires aged 30 and below	Number	25	23	34	20	3	
New Hires aged 31-50	Number	63	66	107	45	20	
New Hires aged 51-65	Number	11	11	22	8	4	
New Hires aged 65 and above	Number	1	0	1	0	0	
New Hires with disabilities, or from underprivileged groups	%	0%	0%	0%	0%	0%	
Total Turnover (including resignation, termination, death or retirement)	Number	N/A	N/A	108	151	67	
Turnover of Managerial Staff	Number %	N/A	N/A	28%	11%	12 18%	
Turnover of Executives	Number %	N/A	N/A	25%	20%	18 27%	
Turnover of Non-Executives	Number %	N/A	N/A	47%	69%	37 55%	
Full-Time Staff Voluntary Turnover Rate (%)	%	N/A	N/A	0%	0%	0%	
Turnover (Male)	Number	N/A	N/A	80	132	50	
Turnover (Female)	Number	N/A	N/A	28	19	17	
Turnover aged 30 and below	Number	N/A	N/A	21	31	9	
Turnover aged 31-50	Number	N/A	N/A	69	84	43	
Turnover aged 51-65	Number	N/A	N/A	17	33	13	
Turnover aged 65 and above	Number	N/A	N/A	1	3	2	
Turnover of staff with disabilities, or from underprivileged groups	%	N/A	N/A	0%	0%	0%	
Number of substantiated complaints concerning human rights violations/ case	Number	N/A	0	0	0	0	Annual: Zero case

ESG Performance Data Table (5-years data)

Disclosures	Unit of Measurement	FY2021	FY2022	FY2023	FY2024	FY2025	Target
Employee Benefit and Remuneration							
Percentage of staff receiving a performance appraisal	%	74.10%	68.13%	54.00%	73.36%	80.99%	
Total payments made to employees in terms of salaries, bonuses and benefits	RM Mil	117	142	131	187	178	
Total statutory payments made for employees' retirement benefits (EPF)	RM Mil	7	7	9	13	14	
Total payments to SOCSO for employees' medical insurance	RM Mil	0.32	0.41	0.58	0.66	0.67	
No. of Employees Entitled for Maternity and Paternity Leave	Number	67	95	179	183	158	
No. of Employees Who Took Paternity Leave	Number	0	0	4	3	8	
No. of Employees Who Took Maternity Leave	Number	2	5	8	10	9	
Male Employees Return to Work Rates (return to work after parental leave period)	%	100%	100%	100%	100%	100%	
Female Employees Return to Work Rates (return to work after parental leave period)	%	100%	100%	88%	100%	78%	
Male Employees Retention Rates (remain with the organisation for 12 months or more post parental leave)	%	N/A	100%	100%	67%	100%	
Female Employees Retention Rates (remain with the organisation for 12 months or more post parental leave)	%	N/A	100%	88%	90%	89%	
Staff Training							
Total training spend as a company	RM	46,157	245,930	752,481	910,474	1,106,967	
Total training hours as a company	Hours	2,391.5	4,612	7,653	7,264	8,649	
Total training hours Senior Management	Hours	N/A	N/A	327.5	280	690	
Total training hours for Managerial Staff	Hours	514.5	1,321.0	2,442.5	2,022.0	2,769.0	
Total training hours for Executive Staff	Hours	1,235	2,310	4,646	4,338	3,951	
Total training hours for Non-Executive Staff	Hours	642	981	237	624	1,239	
Average training hours senior management	Hours	N/A	N/A	9.63	8.75	15.68	
Average Training Hours Per Employee (Management Staff)	Hours	4.67	9.57	14.63	13.76	12.53	
Average Training Hours Per Employee (Executives)	Hours	5.97	11.27	13.87	1.00	12.31	
Average Training Hours Per Employee (Non-Executives)	Number	3.36	7.32	6.58	13.87	13.62	
Total male employees attended training	Number	271	264	300	292	677	
Total female employees attended training	Number	316	287	272	274	291	
Average Training Hours Per Employee (Male)	Hours	8.82	17.47	25.51	13.44	6.90	
Average Training Hours Per Employee (Female)	Hours	7.56	16.07	28.13	12.48	13.68	

ESG Performance Data Table (5-years data)

Disclosures	Unit of Measurement	FY2021	FY2022	FY2023	FY2024	FY2025	Target
Employee Engagement							
Total spend on Employee Engagement activities	RM	N/A	N/A	3,061.60	9,427.96	74,392.90	
Number of Employee Engagement Activities	Number	N/A	N/A	17	19	28	
Employee Satisfaction Level	%	79	ESS done biennially	ESS is not done in 2023	ESS is not done in 2024	68% , This is derived by averaging Psychosocial Risk score of (28%, -9%) with Psychosocial Well-being score of (71%, +11%) and Psychological Safety score of (62%, -2%)	
Disclosure: Number of confirmed labour rights violation case	Number	N/A	N/A	N/A	0	0	Annual: Zero case
Community Engagement							
Total amount invested in the community where the target beneficiaries are external to the listed issuer	RM'000	N/A	80.0	98.2	393.1	1,036.3	
Total number of beneficiaries of the investment in communities	Number	N/A	4 secondary school, 3 primary school, 89 teachers	2 secondary schools- Less student category & few communities in Kelantan	UTP students, pulau perhentian community, 2 UTP students under YUTP, Kelantan community	2 academic institutions- YUTP and UNIMAS 6 schools 3 students YUTP 2 organisations- Tabung amanah Zakat UTP and Yayasan Bushra for Asnaf	
Number of Community Engagement Activities	Number	4	2	2	4	6	
Total number of employee volunteer hours	Number	N/A	60	256	494	107	
HSE Performance							
Total manhours worked	Hours	1,839,629	2,002,687	2,556,556	2,267,581	2,677,491	
Number of work-related fatalities	Number	0	0	0	0	0	Annual: Zero fatalities
Number of work-related fatalities: Employees	Number	0	0	0	0	0	
Number of work-related fatalities: Contractors	Number	0	0	0	0	0	
Fatality Rate	Rate	0	0	0	0	0	

ESG Performance Data Table (5-years data)

Disclosures	Unit of Measurement	FY2021	FY2022	FY2023	FY2024	FY2025	Target
HSE Performance (cont'd.)							
Total Recordable Case Frequency (TRCF)	Rate	1.09	0.51	1.0	1.0	0	Annual: < industry annual average (IADC-APAC Water)
No. of recordable work-related injuries	Number	2	1	4	1	0	
Injury Rate	Rate	0	0.5	1.56	0.71	0	
Total no. of lost days / LTIs	Number	7	7	0	0	0	
Lost Day Rate	Rate	1.92	1.92	0	0	0	
No. of LTIs	Number	1	1	0	0	0	Annual: Zero LTI
Lost time incident rate	Rate	0.54	0.5	0	0	0	
No. of Unsafe Act Unsafe Condition ("UAUC")	Number	44,953	40,773	63,100	61,054	55,258	
Occupational diseases rate	Rate	0	0	0	0	0.37	
Absenteeism Rate - Days	Rate	0.05	0.05	N/A	0	0	
Absenteeism Rate - Haedcount	Rate	0.1	0.1	N/A	0	0	
Number of employees trained on health and safety standards	Number	62 (FOR 4 YEARS)		401	25	526	
Corporate Governance							
Number of Board of Directors	Number	9	9	9	9	9	
Number of Independent Directors on the Board	Number	5	5	5	5	5	
Number of women on the Board	Number	3	4	4	3	4	
AGM Notice Filing Date	DD-MM-YYYY	29-Apr	28-Apr	30-Apr	29-Apr	24-Apr	
AGM Date	DD-MM-YYYY	28-Jun-22	29-May	30-May	28-May	3-Jun	
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	More than 28 days	More than 28 days	
Malay Directors	%	89%	67%	67%	78%	89%	
Chinese Directors	%	11%	22%	22%	11%	0%	
Indian Directors	%	0%	11%	11%	11%	11%	
Directors of Other Ethnicities	%	0%	0%	0%	0%	0%	
Malaysia Directors	%	100%	100%	100%	100%	100%	
Non-Malaysian Directors	%	0%	0%	0%	0%	0%	
Number /Percentage of Directors with Disabilities	%	0%	0%	0%	0%	0%	
Male Directors	%	67%	56%	56%	67%	56%	
Female Directors	%	33%	44%	44%	33%	44%	
Directors Aged 30 and below	%	0%	0%	0%	0%	0%	

ESG Performance Data Table (5-years data)

Disclosures	Unit of Measurement	FY2021	FY2022	FY2023	FY2024	FY2025	Target
Corporate Governance (cont'd.)							
Directors Aged 31-50	%	22%	33%	33%	22%	11%	
Directors Aged 51-65	%	22%	11%	33%	56%	56%	
Directors Aged 65 Years and Above	%	56%	56%	33%	22%	33%	
Risk Management & Regulatory Compliance							
Has the company and / or subsidiaries been fined or censured for any environmental non-compliance?	Y/N	N/A	No	No	No	No	
Cost of fines for environmental non-compliance	RM	N/A	0	0	0	0	
Has the company and / or subsidiaries been fined or censured for any socioeconomic non-compliance?	Y/N	N/A	No	No	No	No	
Incident of Environmental Regulatory Non Compliance	Y/N	N/A	No	No	No	No	
Incident of Social Regulatory Non Compliance	Y/N	N/A	No	No	No	No	
Cost of fines for socioeconomic non-compliance	RM	N/A	N/A	0	0	0	
Incident of Corporate/ Governance Non Compliance	Y/N	N/A	Yes	No	No	No	
Total incident of corporate/ governance non compliance	Number	N/A	5	0	0	0	
Incidents of non-compliance with regulations resulting in a fine or penalty	Number	N/A	N/A	0	0	0	
Incidents of non-compliance with regulations resulting in a warning	Number	N/A	N/A	0	0	0	
Incidents of non-compliance with voluntary codes	Number	N/A	N/A	0	0	0	
Total monetary value of paid fines for corporate / governance non-compliance	RM'000	N/A	24	0	0	0	
Total number of non-monetary sanctions	Number	N/A	N/A	0	0	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	N/A	0	0	0	0	
Cases brought through dispute resolution mechanisms	Number	N/A	0	0	0	0	
Cases of corporate misconduct reported through the Whistleblowing channel	Number	N/A	0	0	0	0	

ESG Performance Data Table (5-years data)

Disclosures	Unit of Measurement	FY2021	FY2022	FY2023	FY2024	FY2025	Target
Anti-Corruption							
Number of training hours relating to anti-corruption Senior Management	Hours	N/A	N/A	N/A	22	36	
Number of training hours relating to anti-corruption Managerial Staff	Hours	38	26	135	78	354	
Number of training hours relating to anti-corruption Executives	Hours	86	78	143	136	336	
Number of training hours relating to anti-corruption Non Executives	Hours	348	264	314	182	323	
Total training hours relating to anti-corruption	Hours	472	368	591	418	1,049	
Percentage of business partner that the organisation's anti corruption policies and procedure have been communicated to	%	13%	20%	100%	100%	100%	
- Nature of confirmed incidents of corruption	Qualitative	N/A	N/A	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.	No case reported	No case reported	
- Cost of fines, penalties or settlements in relation to corruption	RM	0	0	0	0	0	
Number of employees who have received training on anti-corruption by employee category: Senior Management	Number %	N/A	N/A	6 55%	11 100%	12 100%	
Number of employees who have received training on anti-corruption by employee category: Managerial Staff	Number %	19	13	66 49%	78 98%	66 100%	
Number of employees who have received training on anti-corruption by employee category: Executives	Number %	43	39	122	136 95%	120 99%	

ESG Performance Data Table (5-years data)

Disclosures	Unit of Measurement	FY2021	FY2022	FY2023	FY2024	FY2025	Target
Anti-Corruption (cont'd)							
Number of employees who have received training on anti-corruption by employee category: Non Executives / operational	Number %	174	132	239	182 44%	323 96%	
Number of employees who have received training on anti-corruption by employee category: Total	Number %	236 38%	184 25%	433 59%	407 63%	521 97%	By 2030: 100% employees received ABC training
Percentage of operations assessed for corruption-related risks	%	100%	100%	86%	100%	100%	
Confirmed incidents of corruption	Number	0	0	1	0	0	Annual: Zero incident of corruption
- Action taken	Qualitative	N/A	N/A	Domestic Inquiry and Report to MACC	No case reported	No case reported	
Data Privacy and Security							
Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Number	0	0	0	0	0	

Bursa Malaysia Prescribed Table

Date & Time: 2026-04-20 22:16:56
FYE 31/12/2025Velesto Energy Berhad
BMLR Transition Period

Sustainability Matter	Metric	Measurement Unit	2025	Target	Assurance	Remarks
Anti-Corruption	Employees who have received training on anti-corruption by employee category (Senior Management)	Number	12	N/A	Internal	
Anti-Corruption	Employees who have received training on anti-corruption by employee category (Managerial)	Number	66	N/A	Internal	
Anti-Corruption	Employees who have received training on anti-corruption by employee category (Executive)	Number	120	N/A	Internal	
Anti-Corruption	Employees who have received training on anti-corruption by employee category (Non-Executive)	Number	323	N/A	Internal	
Anti-Corruption	Total percentage of employees who have received training on anti-corruption	%	97%	By 2030: 100% of employees received ABC training.	No assurance	
Anti-Corruption	Operations assessed for corruption-related risks	%	100%	N/A	Internal	
Anti-Corruption	Confirmed incidents of corruption and action taken	Number	0	Annual: Zero incident of corruption	Internal	Achieved
Community/Society	Total amount invested in the community where the target beneficiaries are external to the listed issuer	MYR	1,036,302	N/A	No assurance	
Community/Society	Total number of beneficiaries of the investment in communities	Number	2 academic institution- YUTP and UNIMAS 6 schools 3 students YUTP 2 organizations- Tabung amanah Zakat UTP and Yayasan Bushra for Asnaf	N/A	No assurance	

This report was generated on the Bursa Malaysia CSI Platform on 2026-04-20 22:16:56

Page 1 of 7

Bursa Malaysia Prescribed Table

Velesto Energy Berhad

BMLR Transition Period

Date & Time: 2026-04-20_22:16:56
FYE 31/12/2025

Sustainability Matter	Metric	Measurement Unit	2025	Target	Assurance	Remarks
Diversity	Employee by age for each employee category (Senior Management 30 and below)	%	0%	N/A	No assurance	
Diversity	Employee by age for each employee category (Senior Management 31 - 50)	%	50%	N/A	No assurance	
Diversity	Employee by age for each employee category (Senior Management 51 - 65)	%	50%	N/A	No assurance	
Diversity	Employee by age for each employee category (Senior Management 65 and above)	%	0%	N/A	No assurance	
Diversity	Employee by age for each employee category (Managerial 30 and below)	%	0%	N/A	No assurance	
Diversity	Employee by age for each employee category (Managerial 31 - 50)	%	76%	N/A	No assurance	
Diversity	Employee by age for each employee category (Managerial 51 - 65)	%	23%	N/A	No assurance	
Diversity	Employee by age for each employee category (Managerial 65 and above)	%	1%	N/A	No assurance	
Diversity	Employee by age for each employee category (Executive 30 and below)	%	41%	N/A	No assurance	
Diversity	Employee by age for each employee category (Executive 31 - 50)	%	54%	N/A	No assurance	
Diversity	Employee by age for each employee category (Executive 51 - 65)	%	4%	N/A	No assurance	

This report was generated on the Bursa Malaysia CSI Platform on 2026-04-20_22:16:56

Page 2 of 7

Bursa Malaysia Prescribed Table

Date & Time: 2026-04-20_22:16:56
FYE 31/12/2025Velesto Energy Berhad
BMLR Transition Period

Sustainability Matter	Metric	Measurement Unit	2025	Target	Assurance	Remarks
Diversity	Employee by age for each employee category (Executive 65 and above)	%	1%	N/A	No assurance	
Diversity	Employee by age for each employee category (Non-Executive 30 and below)	%	4%	N/A	No assurance	
Diversity	Employee by age for each employee category (Non-Executive 31 - 50)	%	72%	N/A	No assurance	
Diversity	Employee by age for each employee category (Non-Executive 51 - 65)	%	22%	N/A	No assurance	
Diversity	Employee by age for each employee category (Non-Executive 65 and above)	%	1%	N/A	No assurance	
Diversity	Gender Group by Employee Category (Senior Management Male)	%	67%	N/A	No assurance	
Diversity	Gender Group by Employee Category (Senior Management Female)	%	33%	N/A	No assurance	
Diversity	Gender Group by Employee Category (Managerial Male)	%	71%	N/A	No assurance	
Diversity	Gender Group by Employee Category (Managerial Female)	%	29%	N/A	No assurance	
Diversity	Gender Group by Employee Category (Executive Male)	%	40%	N/A	No assurance	
Diversity	Gender Group by Employee Category (Executive Female)	%	60%	N/A	No assurance	

This report was generated on the Bursa Malaysia CSI Platform on 2026-04-20_22:16:56

Page 3 of 7

Bursa Malaysia Prescribed Table

Velesto Energy Berhad
BMLR Transition Period

Date & Time: 2026-04-20_22:16:56
FYE 31/12/2025

Sustainability Matter	Metric	Measurement Unit	2025	Target	Assurance	Remarks
Diversity	Gender Group by Employee Category (Non-Executive Male)	%	99%	N/A	No assurance	
Diversity	Gender Group by Employee Category (Non-Executive Female)	%	1%	N/A	No assurance	
Energy Management	Total energy consumption	GJ	756,729	N/A	No assurance	
Health and safety	Number of work-related fatalities	Number	0	Annual: Zero fatalities	Internal	Achieved
Health and safety	Lost time incident rate ("LTIR")	Rate	0	N/A	Internal	
Health and safety	Number of employees trained on health and safety standards	Number	526	N/A	Internal	
Labour practices and standards	Total hours of training by employee category (Senior Management)	Hours	690	N/A	Internal	
Labour practices and standards	Total hours of training by employee category (Managerial)	Hours	2,769	N/A	Internal	
Labour practices and standards	Total hours of training by employee category (Executive)	Hours	3,951	N/A	Internal	
Labour practices and standards	Total hours of training by employee category (Non-Executive)	Hours	1,239	N/A	Internal	
Labour practices and standards	Percentage of employees that are contractors or temporary staff	%	73%	N/A	Internal	

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Page 4 of 7

Bursa Malaysia Prescribed Table

Date & Time: 2026-04-20_22:16:56
FYE 31/12/2025

Velesto Energy Berhad
BMLR Transition Period

Sustainability Matter	Metric	Measurement Unit	2025	Target	Assurance	Remarks
Labour practices and standards	Total employee turnover by employee category (Senior management)	Number	0	N/A	Internal	
Labour practices and standards	Total employee turnover by employee category (Managerial)	Number	12	N/A	Internal	
Labour practices and standards	Total employee turnover by employee category (Executive)	Number	18	N/A	Internal	
Labour practices and standards	Total employee turnover by employee category (Non-Executive)	Number	37	N/A	Internal	
Labour practices and standards	Number of substantiated-complaints concerning labour rights violations / case	Number	0	Annual: Zero case	No assurance	Achieved
Human Right	Number of substantiated-complaints concerning human rights violations / case	Number	0	Annual: Zero case	Internal	Achieved
Supply chain and management	Proportion of spending on local suppliers	%	54%	N/A	Internal	
Data privacy and security	Number of substantiated-complaints concerning breaches of customer privacy and losses of customer data	Number	0	N/A	No assurance	
Water	Total Volume of water used	m3	81,875	N/A	Internal	

Bursa Malaysia Prescribed Table

Velesto Energy Berhad

IFRS S2

Date & Time: 2026-04-20_22:16:56
FYE 31/12/2025

Sustainability Matter	Metric	Measurement Unit	2025	Target	Assurance	Remarks
GHG emissions	Scope 1	Metric tonnes of carbon dioxide equivalents (tCO ₂ e)	56,041	N/A	Internal	
GHG emissions	Scope 2 Location-based	Metric tonnes of carbon dioxide equivalents (tCO ₂ e)	605	N/A	Internal	
GHG emissions	Scope 3 Cat.1: Purchased goods and services	Metric tonnes of carbon dioxide equivalents (tCO ₂ e)	418,999	N/A	No assurance	
GHG emissions	Scope 3 Cat.2: Capital goods	Metric tonnes of carbon dioxide equivalents (tCO ₂ e)	8,297	N/A	No assurance	
GHG emissions	Scope 3 Cat.4: Upstream transportation and distribution	Metric tonnes of carbon dioxide equivalents (tCO ₂ e)	3,565	N/A	No assurance	
GHG emissions	Scope 3 Cat.5: Waste generated in operations	Metric tonnes of carbon dioxide equivalents (tCO ₂ e)	2,903	N/A	No assurance	
GHG emissions	Scope 3 Cat.6: Business travel	Metric tonnes of carbon dioxide equivalents (tCO ₂ e)	891	N/A	No assurance	
GHG emissions	Scope 3 Cat.7: Employee commuting	Metric tonnes of carbon dioxide equivalents (tCO ₂ e)	197	N/A	No assurance	
GHG emissions	Total Scope 3 emission	Metric tonnes of carbon dioxide equivalents (tCO ₂ e)	434,851	N/A	No assurance	
Energy Consumption	Scope 1: Energy consumption	GJ	753,819	N/A	Internal	
Energy Consumption	Scope 2: Energy consumption	GJ	2,910	N/A	Internal	
Energy Consumption	Total: Scope 1 & 2	GJ	756,729	N/A	No assurance	
Emission Management	Emission intensity (Scope 1 & 2): reduction per operating day	%	27% reduction/operating day	By 2030: 10% emission intensity reduction/operating day	No assurance	Target achieved
Emission Management	Emission intensity (Scope 1 & 2): reduction per revenue	%	34% reduction/ revenue	By 2030: 30% emission intensity reduction/revenue	No assurance	Target achieved
Emission Management	Absolute emission reduction	%	56,646	By 2030: 15% emission reduction	No assurance	Ongoing

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Page 6 of 7

Bursa Malaysia Prescribed Table

Velesto Energy Berhad

IFRS S2

Date & Time: 2026-04-20_22:16:56

FYE 31/12/2025

Sustainability Matter	Metric	Measurement Unit	2025	Target	Assurance	Remarks
Emission Management	Total Emissions (Scope 1,2,3)	Metric tonnes of carbon dioxide equivalents (tCO2e)	491,497	N/A	No assurance	

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Page 7 of 7

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 and approved by the company's Board Audit Committee.

The internal review covers the Company's operations in Malaysia, with the exception of Energy, Emissions and water, which includes Velesto Oilfield Services in Tianjin.

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

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

Bursa Malaysia Content Index

No.	Common Sustainability Matters	Code	Indicators	Pages
1.	Anti-corruption	C1 (a)	Percentage of employees who have received training on anti-corruption by employee category	104
		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	98, 117
		C2 (b)	Total number of beneficiaries of the investment in communities	117
3.	Diversity	C3 (a)	Percentage of employees by gender and age group, for each employee category	96
		C3 (b)	Percentage of directors by gender and age group	
4.	Energy management	C4 (a)	Total energy consumption	111
5.	Health and safety	C5 (a)	Number of work-related fatalities	82 - 83, 117 - 118
		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	91
		C6 (b)	Percentage of employees that are contractors or temporary staff	96
		C6 (c)	Total number of employee turnover by employee category	96
		C6 (d)	Number of substantiated complaints concerning human rights violations	94, 115
7.	Supply chain management	C7 (a)	Proportion of spending on local suppliers	107
8.	Data privacy and security	C8 (a)	Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	109
9.	Water	C9 (a)	Total volume of water used	109
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	77
11.	Emissions management	C11 (a)	Scope 1 emissions in tonnes of CO ₂ e	74-75, 111
		C11 (b)	Scope 2 emissions in tonnes of CO ₂ e	74 - 75, 111
		C11 (c)	Scope 3 emissions in tonnes of CO ₂ e (at least for the categories of business travel and employee commuting)	

GRI Content Index

GRI Standard	Code	Disclosure	Location	Page
GRI 2: General Disclosures 2021	2-1	Organisational details	Corporate Information	10
	2-2	Entities included in the organisation's sustainability reporting	Scope, Boundary and Exclusions	36
	2-3	Reporting period, frequency and contact point		36
	2-4	Restatements of information	About This Report	N/A
	2-5	External assurance	Statement of Assurance	129
	2-6	Activities, value chain and other business relationships	Our Business Model and Value Chain	27 - 28
	2-7	Employees	Workforce Diversity Data	96
	2-8	Workers who are not employees		96
	2-9	Governance structure and composition	Corporate Governance Overview Statement	156 - 176
	2-10	Nomination and selection of the highest governance body		156 - 176
	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	Sustainability Governance	47 - 50
	2-14	Role of the highest governance body in sustainability reporting		
	2-15	Conflicts of interest	Corporate Governance Overview Statement, Board Audit Committee Report	167
	2-16	Communication of critical concerns	Grievance Mechanism	92
	2-17	Collective knowledge of the highest governance body	Board Skills Matrix	166
	2-18	Evaluation of the performance of the highest governance body	Board Effectiveness Evaluation	166
	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	200
	2-22	Statement on sustainable development strategy	President's Statement	38 - 41
	2-23	Policy commitments	Comprehensive Governing Policies	49
	2-24	Embedding policy commitments		
	2-25	Processes to remediate negative impacts	Grievance Mechanism	92
	2-26	Mechanisms for seeking advice and raising concerns	Feedback Channel	92
	2-27	Compliance with laws and regulations	Regulatory Compliance	102
	2-28	Membership associations	Industry Association Membership and External Initiatives	55
	2-29	Approach to stakeholder engagement	Our Stakeholder Universe	51
	2-30	Collective bargaining agreements	Labour Practices and Human Rights Supply Chain Management	93, 106
GRI 3: Material Topics 2021	3-1	Process to determine material topics	Our Material Matters	56 - 60
	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	90 - 91, 98
	201-2	Financial implications and other risks and opportunities due to climate change	Climate Change, Energy and Emissions Management	67 - 68
	201-3	Defined benefit plan obligations and other retirement plans	Competitive Remuneration and Benefits	87
	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	Not disclosed	
	202-2	Proportion of Senior Management hired from the local community	Our Leaders	150
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	Local Community Impact	97 - 98, 117
	203-2	Significant indirect economic impacts		
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	Supply Chain	107
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	Governance and Ethics	104
	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	Climate Change, Energy and Emissions Management	72 - 74, 111
	302-2	Energy consumption outside of the organisation		
	302-3	Energy intensity	Energy and GHG Emissions Data	
	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	Managing Environmental Impact	77, 111 - 112
	303-2	Management of water discharge-related impacts		
	303-3	Water withdrawal	Water Consumption and Waste and Effluent Data	
	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	Nature and Biodiversity Biodiversity Data	78 - 79, 112
	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 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	Climate Change, Energy and Emissions Management	66 - 75, 111
	305-2	Energy indirect (Scope 2) GHG emissions		
	305-3	Other indirect (Scope 3) GHG emissions		
	305-4	GHG emissions intensity	Energy, GHG Emissions and Air Quality Data	
	305-5	Reduction of GHG emissions		
	305-6	Emissions of ozone-depleting substances (ODS)		
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		

GRI Content Index

GRI Standard	Code	Disclosure	Location	Page
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	Managing Environmental Impact Waste and Effluent Data	77, 112
	306-2	Management of significant waste-related impacts		
	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	105 - 107
	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	87, 96, 115 - 116
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		
	401-3	Parental leave		
GRI 402: Labour/ Management Relations 2016	402-1	Minimum notice periods regarding operational changes	Minimum Notice Period	92 - 94
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	Occupational Safety and Health HSE Performance Data	80 - 83, 117 - 118
	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	91, 116 - 117
	404-2	Programmes for upgrading employee skills and transition assistance programmes		
	404-3	Percentage of employees receiving regular performance and career development reviews		
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	Diversity and Inclusion, Governance Body Composition and Workforce Diversity Data	96, 113 - 115
	405-2	Ratio of basic salary and remuneration of women to men	Not Disclosed	
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	Labour Practices and Human Rights	94
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	Human Rights and Supply Chain	92 - 94, 105 - 107
GRI 408: Child Labour 2016	408-1	Operations and suppliers at significant risk for incidents of child labour	Human Rights and Supply Chain	92 - 94, 105 - 107

GRI Content Index

GRI Standard	Code	Disclosure	Location	Page
GRI 409: Forced or Compulsory Labour 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Human Rights and Supply Chain	92 - 94, 105 - 107
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programmes	Local Community Impact	97 - 98, 117
	413-2	Operations with significant actual and potential negative impacts on local communities	Community Engagement Data	
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	105 - 107, 113
	414-2	Negative social impacts in the supply chain and actions taken		
GRI 415: Public Policy 2016	415-1	Political contributions	Regulatory Compliance and Political Disassociation	103
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	109, 121

IFRS S2 Content Index

IFRS S2 Indicator	Description	Section(s) and Page Number(s)
6(a)(i)	How responsibilities for climate-related risks and opportunities are reflected in the terms of reference, mandates, role descriptions and other related policies applicable to that body(s) or individual(s)	Sustainability Governance, 47 - 50
6(a)(ii)	How the body(s) or individual(s) determine whether appropriate skills and competencies will be developed to oversee strategies designed to respond to climate-related risks and opportunities	Climate Governance, 66
6(a)(iii)	How and how often the body(s) or individual(s) is informed about climate-related risks and opportunities	
6(a)(iv)	How the body(s) or individual(s) takes into account climate-related risks and opportunities when overseeing the entity's strategy, its decisions on major transactions and its risk management processes and related policies, including whether the body(s) or individual(s) has considered trade-offs associated with those risks and opportunities	Climate Risk Management, 67 - 68
6(a)(v)	How the body(s) or individual(s) oversees the setting of targets related to climate-related risks and opportunities, and monitors progress towards those targets	
6(b)	Management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities	
6(b)(i)	Whether the role is delegated to a specific management-level position or management-level committee and how oversight is exercised over that position or committee	
6(b)(ii)	Whether management uses controls and procedures to support the oversight of climate-related risks and opportunities and, if so, how these controls and procedures are integrated with other internal functions	
10(a)	Describe climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects	Climate Risk Management, 67 Understanding Our Climate Risks and Opportunities, 68
10(b)	Explain, for each climate-related risk the entity has identified, whether the entity considers the risk to be a climate-related physical risk or climate-related transition risk	
10(c)	Specify, for each climate-related risk and opportunity the entity has identified, over which time horizons—short, medium or long term—the effects of each climate-related risk and opportunity could reasonably be expected to occur	
10(d)	Explain how the entity defines 'short term', 'medium term' and 'long term' and how these definitions are linked to the planning horizons used by the entity for strategic decision-making	
13(a)	A description of the current and anticipated effects of climate-related risks and opportunities on the entity's business model and value chain	Climate Risk Management, 67 - 68
13(b)	A description of where in the entity's business model and value chain climate-related risks and opportunities are concentrated (for example, geographical areas, facilities and types of assets)	
14(a)(i)	Current and anticipated changes to the entity's business model, including its resource allocation, to address climate-related risks and opportunities	Climate Risk Management, 67 - 68
14(a)(ii)	Current and anticipated direct mitigation and adaptation efforts (for example, through changes in production processes or equipment, relocation of facilities, workforce adjustments, and changes in product specifications)	Emission Pathways, 69 - 70 Phased Transition, 71
14(a)(iii)	Current and anticipated indirect mitigation and adaptation efforts (for example, through working with customers and supply chains)	
14(a)(iv)	Any climate-related transition plan the entity has, including information about key assumptions used in developing its transition plan, and dependencies on which the entity's transition plan relies	
14(a)(v)	How the entity plans to achieve any climate-related targets, including any greenhouse gas emissions targets, described in accordance with paragraphs 33-36	
15/16	The current and anticipated effects of climate-related risks and opportunities on its financial position, financial performance and cash flows	Not disclosed in FY2025
22(a)(i)	The implications, if any, of the entity's assessment for its strategy and business model, including how the entity would need to respond to the effects identified in the climate-related scenario analysis	Climate Risk Management, 67 Understanding Our Climate Risks and Opportunities, 68
22(a)(ii)	The significant areas of uncertainty considered in the entity's assessment of its climate resilience	
22(a)(iii)	The entity's capacity to adjust or adapt its strategy and business model to climate change over the short-, medium- and long-term, including: (1) The availability of, and flexibility in, the entity's existing financial resources to respond to the effects identified in the climate-related scenario analysis, including to address climate-related risks and to take advantage of climate-related opportunities (2) The entity's ability to redeploy, repurpose, upgrade or decommission existing assets (3) The effect of the entity's current and planned investments in climate-related mitigation, adaptation and opportunities for climate resilience	
22(b)(i)	How and when the climate-related scenario analysis was carried out, including information about the inputs the entity used:	
22(b)(i)(1)	Which climate-related scenarios the entity used for the analysis and the sources of those scenarios	
22(b)(i)(2)	Whether the analysis included a diverse range of climate-related scenarios	

IFRS S2 Content Index

IFRS S2 Indicator	Description	Section(s) and Page Number(s)
22(b)(i)(3)	Whether the climate-related scenarios used for the analysis are associated with climate-related transition risks or climate-related physical risks	Climate Risk Management, 67 Understanding Our Climate Risks and Opportunities, 68
22(b)(i)(4)	Whether the entity used, among its scenarios, a climate-related scenario aligned with the latest international agreement on climate change	
22(b)(i)(5)	Why the entity decided that its chosen climate-related scenarios are relevant to assessing its resilience to climate-related changes, developments or uncertainties	
22(b)(i)(6)	The time horizons the entity used in the analysis	
22(b)(i)(7)	What scope of operations the entity used in the analysis (e.g. operating locations, business units etc.)	
22(b)(ii)	How and when the climate-related scenario analysis was carried out, including the key assumptions the entity made in the analysis	
22(b)(ii)(1)	Climate-related policies in the jurisdictions in which the entity operates	
22(b)(ii)(2)	Macroeconomic trends	
22(b)(ii)(3)	National- or regional-level variables (e.g. local weather patterns, demographics, land use etc.)	
22(b)(ii)(4)	Energy usage and mix	
22(b)(ii)(5)	Developments in technology	
22(b)(iii)	The reporting period in which the climate-related scenario analysis was carried out	Not disclosed in FY2025
25(a)	Processes and related policies the entity uses to identify, assess, prioritise and monitor climate-related risks	
25(a)(i)	The inputs and parameters the entity uses	
25(a)(ii)	Whether and how the entity uses climate-related scenario analysis to inform its identification of climate-related risks	
25(a)(iii)	How the entity assesses the nature, likelihood and magnitude of the effects of those risks	
25(a)(iv)	Whether and how the entity prioritises climate-related risks relative to other types of risk	
25(a)(v)	How the entity monitors climate-related risks	
25(a)(vi)	Whether and how the entity has changed the processes it uses compared with the previous reporting period	
25(b)	The processes the entity uses to identify, assess, prioritise and monitor climate-related opportunities, including information about whether and how the entity uses climate-related scenario analysis to inform its identification of climate-related opportunities	
25(c)	An entity shall disclose information about the extent to which, and how, the processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities are integrated into and inform the entity's overall risk management process	
29(a)(i)	Disclose its absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tonnes of CO2 equivalent (see paragraphs B19-B22), classified as Scope 1, Scope 2 and Scope 3 greenhouse gas emissions	Emissions Boundary and Inclusion, 73 GHG Methodology, 73 Verification and Assurance, 74 Our Performance, 74 - 75
29(a)(ii)	Measure its greenhouse gas emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) unless required by a jurisdictional authority or an exchange on which the entity is listed to use a different method for measuring its greenhouse gas emissions	
29(a)(iii)	(1) Disclose the measurement approach, inputs and assumptions the entity uses to measure its greenhouse gas emissions (2) Disclose the reason why the entity has chosen the measurement approach, inputs and assumptions it uses to measure its greenhouse gas emissions (3) Disclose any changes the entity made to the measurement approach, inputs and assumptions during the reporting period and the reasons for those changes	
29(a)(iv)	For Scope 1 and Scope 2 greenhouse gas emissions disclosed in accordance with paragraph 29(a)(i)(1)-(2), disaggregate emissions between: (1) The consolidated accounting group (2) Other investees excluded from paragraph 29(a)(iv)(1)	
29(a)(v)	For Scope 2 greenhouse gas emissions disclosed in accordance with paragraph 29(a)(i)(2), disclose its location-based Scope 2 greenhouse gas emissions, and provide information about any contractual instruments that it considers necessary to inform users' understanding of the entity's Scope 2 greenhouse gas emissions	
29(a)(v)(1)	Disclose the categories included within the entity's measure of Scope 3 greenhouse gas emissions	

IFRS S2 Content Index

IFRS S2 Indicator	Description	Section(s) and Page Number(s)
29(b) - (d)	Information relevant to the cross-industry metric categories of climate-related physical or transition risks, including the amount and percentage of assets or business activities that are vulnerable to risks, and the amount and percentage of assets or business activities aligned with climate-related opportunities	Not disclosed in FY2025
29(e)	Information relevant to the cross-industry metric categories of capital deployment—the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities	
29(f)	An explanation of whether and how the entity is applying a carbon price in decision-making, and the price used for each tonne of greenhouse gas emissions in assessments.	
29(g)(i)	A description of whether and how climate-related considerations are factored into executive remuneration (see also paragraph 6(a)(v))	Linking Remuneration with ESG Performance, 63
29(g)(ii)	The percentage of executive management remuneration recognised in the current period that is linked to climate-related considerations	
33	Quantitative and qualitative climate-related targets it has set to monitor progress towards achieving its strategic goals, and any targets it is required to meet by law or regulation, including any greenhouse gas emissions targets.	Pathway to Net Zero, 69 - 71
33(a)	The metric used to set the target	
33(b)	The objective of the target (for example, mitigation, adaptation or conformance with science-based initiatives)	Data Monitoring & Disclosure, 72
33(c)	The part of the entity to which the target applies (for example, whether the target applies to the entity in its entirety or only a part of the entity, such as a specific business unit or specific geographical region)	
33(d)	The period over which the target applies	
33(e)	The base period from which progress is measured	
33(f)	Any milestones and interim targets	
33(g)	If the target is quantitative, whether it is an absolute target or an intensity target	
33(h)	How the latest international agreement on climate change, including jurisdictional commitments that arise from that agreement, has informed the target	
34	Approach to setting and reviewing each target, and monitoring of progress against each target	
34(a)	Whether the target and the methodology for setting the target has been validated by a third party	
34(b)	The entity's processes for reviewing the target	
34(c)	The metrics used to monitor progress towards reaching the target	
34(d)	Any revisions to the target and an explanation for those revisions	
35	An entity shall disclose information about its performance against each climate-related target and an analysis of trends or changes in the entity's performance	
36(a)	Which greenhouse gases are covered by the target	Commitment and Targets, 69
36(b)	Whether Scope 1, Scope 2 or Scope 3 greenhouse gas emissions are covered by the target	Emission Pathways, 69 - 70
36(c)	Whether the target is a gross greenhouse gas emissions target or net greenhouse gas emissions target. If the entity discloses a net greenhouse gas emissions target, the entity is also required to separately disclose its associated gross greenhouse gas emissions target	
36(d)	Whether the target was derived using a sectoral decarbonisation approach	
36(e)	Disclosures on the use of carbon credits to achieve any net greenhouse gas emissions target, including comprehensive details on the type, integrity and certification of the carbon credits used	Not disclosed in FY2025

Note: For items not disclosed in FY2025, Velesto will expand future disclosures to include the relevant data in future reporting cycles.

Board of Directors

**Ir. Dr. Mohd
Shahreen
Zainooreen
Madros**

Senior Independent
Non-Executive
Director

**Alan Hamzah
Sendut**
Independent
Non-Executive
Director

**Mohd Rashid
Mohd Yusof**
Chairman,
Non-Independent
Non-Executive
Director

**Nadzrin Alia
Md Azizis**
Non-Independent
Non-Executive
Director

Ar Ahila Ganesan
Independent
Non-Executive
Director



Haida Shenny

Hazri

Non-Independent

Non-Executive

Director

Rowina

Ghazali

Seth

Independent

Non-Executive

Director

Ir. Ts. Megat

Zariman

Abdul Rahim

President,

Executive

Director

Ainul Azhar

Ainul Jamal

Independent

Non-Executive

Director



Profile of Directors



Mohd Rashid Mohd Yusof

Chairman, Non-Independent Non-Executive Director

First Appointed to the Board : **23 June 2017**Length of Service (as at 9 April 2026) : **8 years and 9 months**Board Meetings Attended in 2025 : **11/11**

Qualifications

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

Membership of Associations

- Member of Chartered Association of Certified Accountants (UK)
- Member of Malaysian Institute of Accountants (MIA)
- Member of Institute of Corporate Directors Malaysia (ICDM)

Membership of Board Committees

None

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.

Any Other Board Directorships in Public Companies

LISTED ENTITY:

- N/A

OTHER PUBLIC COMPANIES:

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

Declaration

- 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 FY2025.

Profile of Directors



Rowina Ghazali Seth

Independent Non-Executive Director



First Appointed to the Board : **23 June 2017**

Length of Service (as at 9 April 2026) : **8 years and 9 months**

Board Meetings Attended in 2025 : **11/11**

Qualifications

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

Membership of Associations

- Member of Institute of Corporate Directors Malaysia (ICDM)

Membership of Board Committees

- Chairperson of Board Nomination and Remuneration Committee
- Member of Board Audit Committee

Working Experience

Rowina Ghazali Seth ("Rowina") began her 32-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").

Any Other Board Directorships in Public Companies

LISTED ENTITY:

- UEM Edgenta Berhad

OTHER PUBLIC COMPANIES:

- Hong Leong Islamic Bank Berhad

Declaration

- 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 FY2025.

Profile of Directors



Haida Shenny Hazri

Non-Independent Non-Executive Director

First Appointed to the Board : **23 June 2017**Length of Service (as at 9 April 2026) : **8 years and 9 months**Board Meetings Attended in 2025 : **11/11**

Qualifications

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

Membership of Associations

- Member of Institute of Corporate Directors Malaysia (ICDM)
- Member of GCC Board Directors Institute (BDI)
- Affiliate of The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA)

Membership of Board Committees

- Chairperson of the Board Governance and Risk Committee
- Member of the Board Nomination & Remuneration Committee
- Member of the Board Strategic Committee

Working Experience

Haida Shenny Hazri ("Haida") has more than 25 years of experience in the energy 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, Petronas Technology Ventures Sdn. Bhd. 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, 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. In 2025, she was appointed as a Board member of London stock exchange listed company Seascope Energy Asia PLC.

Any Other Board Directorships in Public Companies

LISTED ENTITY:

- Privasia Technology Berhad
- Keyfield International Berhad

OTHER PUBLIC COMPANIES:

- None

Declaration

- No conflict of interest and no 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 FY2025.

Profile of Directors



Ir. Dr. Mohd Shahreen Zainooreen Madros

Senior Independent Non-Executive Director



First Appointed to the Board : **25 August 2021**

Length of Service (as at 9 April 2026) : **4 years and 7 months**

Board Meetings Attended in 2025 : **11/11**

Qualifications

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

Membership of Associations

- Board of Engineers, Malaysia
- Member of Institute of Corporate Directors Malaysia (ICDM)

Membership of Board Committees

- Chairman of Board Strategic Committee
- Member of Board Audit Committee
- Member of Board Governance and Risk Committee

Working Experience

Ir. Dr. Mohd Shahreen Zainooreen Madros ("Ir. Dr. Shahreen") has over 35 years of working experience in various capacities.

His work experience includes as a lecturer in Engineering Faculty in Universiti Kebangsaan Malaysia ("UKM"), over 20 years in the oil and gas industry, and about 10 years in the government agencies. He has been serving as a board member of public listed companies for about 5 years.

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 UKM Graduate School of Business where he teaches Leadership for the MBA Classes.

Any Other Board Directorships in Public Companies

LISTED ENTITY:

- Time Dotcom Berhad

OTHER PUBLIC COMPANIES:

- None

Declaration

- 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 FY2025.

Profile of Directors

Ir. Ts. Megat Zariman
Abdul Rahim

President, Executive Director

First Appointed to the Board : **25 February 2022**Length of Service (as at 9 April 2026) : **4 years 2 months**Board Meetings Attended in 2025 : **11/11****Qualifications**

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

Membership of Associations

- Board of Engineers Malaysia
- Institute of Engineers Malaysia
- Malaysia Board of Technologist
- Society of Petroleum Engineers
- Member of Institute of Corporate Directors Malaysia (ICDM)

Membership of Board Committees

None

Working Experience

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

He subsequently joined SLB and spent 21 years with the organisation until 2013. During this period, he progressed through diverse technical, commercial, and leadership roles across global operations, building deep expertise in upstream oilfield services and international business management. Following that, he joined Bumi Armada Berhad ("Bumi Armada") and spent eight years in diverse leadership roles covering FPSO Sales, Offshore Vessels, Corporate External Relations, and Sustainability. From 2018 to 2021, he led the Offshore Marine Services Business, gaining broad exposure to commercial strategy, operational execution, and sustainability transformation within the offshore energy sector.

He is a certified Professional Engineer by the Malaysian Board of Engineers since 1997, and Professional Technologist from Malaysian Board of Technologies since 2018. In addition, Megat Zariman has been appointed as a Member of the CEO@Faculty Programme under the Ministry of Higher Education, Malaysia.

Any Other Board Directorships in Public Companies

LISTED ENTITY:

- None

OTHER PUBLIC COMPANIES:

- None

Declaration

- No conflict of interest and no 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 FY2025.

Profile of Directors



Ar. Ahila Ganesan

Independent Non-Executive Director



First Appointed to the Board : **12 August 2022**

Length of Service (as at 9 April 2026) : **3 year and 7 months**

Board Meetings Attended in 2025 : **11/11**

Qualifications

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

Membership of Associations

- Malaysian Board of Architects (LAM)
- Malaysian Institute of Architects (PAM)
- Member of Institute of Corporate Directors Malaysia (ICDM)

Membership of Board Committees

- Member of Board Audit Committee
- Member of Board Nomination and Remuneration Committee
- Member of Board Governance & Risk Committee

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; 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 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.

Any Other Board Directorships in Public Companies

LISTED ENTITY:

- None

OTHER PUBLIC COMPANIES:

- None

Declaration

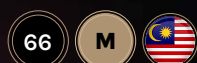
- No conflict of interest or any family relationship with any Director and/or major shareholder of the Company.
- I am independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests 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 FY2025.

Profile of Directors



Alan Hamzah Sendut

Independent Non-Executive Director

First Appointed to the Board : **2 February 2024**Length of Service (as at 9 April 2026) : **2 years and 2 months**Board Meetings Attended in 2025 : **11/11**

Qualifications

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

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 (ICDM)
- Qualified Risk Director, Institute of Enterprise Risk Practitioner

Membership of Board Committees

- Chairman of Board Audit Committee
- Member of Board Governance and Risk Committee
- Member of Board Strategic Committee

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 CarnaudMetalbox 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, Encik 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 has served as an Independent Non-Executive Director in Tradewinds Plantation Berhad (2021 to 2023) and Hengyuan Refining Company Berhad (2017 to 2024) and Independent Non-Executive Director of Hong Leong Islamic Bank Berhad (2016 to 2025). He currently serves as an Independent Non-Executive Director of Hong Leong Bank Berhad (2025 to date) and as an Independent Non-Executive Director of Tenaga Nasional Berhad (2024 to date). He has been a Trustee for Cancer Research Malaysia since 2011.

Any Other Board Directorships in Public Companies

LISTED ENTITY:

- Tenaga Nasional Berhad
- Hong Leong Bank Berhad

OTHER PUBLIC COMPANIES:

- Khyra Legacy Berhad

Declaration

- 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 Velesco 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 FY2025.

Profile of Directors



Ainal Azhar Ainal Jamal

Independent Non-Executive Director



First Appointed to the Board : **2 September 2025**

Length of Service (as at 9 April 2026) : **7 months**

Board Meetings Attended in 2025 : **3/3**

Qualifications

- Bachelor of Electrical Engineering, University of Sussex, UK
- Graduate, Daniel's Business School, University of Denver, USA
- Advanced Finance, IMD Business School, Switzerland

Membership of Associations

- Member of Institute of Corporate Directors Malaysia (ICDM)
- Black Belt, Corporate Risk Director, 2015

Membership of Board Committees

- Member of Board Nomination and Remuneration Committee
- Member of Board Governance Risk Committee
- Member of Board Strategic Committee

Working Experience

Ainal Azhar Ainal Jamal has over forty (40) years of experience in the energy, oil and gas industry, including a thirty-four (34)-year global career with Schlumberger.

He held various leadership roles across Australia, New Zealand, Indonesia, Canada, France and the United Kingdom, culminating in his appointment as Executive Chairman of Schlumberger Asia Pacific. He also served as Vice President and Managing Director for Malaysia, Brunei and the Philippines, and later as Managing Director of HiRex Petroleum Sdn. Bhd.

He was formerly an Independent Non-Executive Director of PETRONAS, where he chaired the Audit Committee and served on the Nomination and Remuneration Committee. He has also held board and advisory roles with Gentari Sdn. Bhd., Alam Maritim Resources Bhd, Universiti Teknologi PETRONAS, InvestKL Corporation, Malaysia Petroleum Resources Corporation, and the Malaysia Oil & Gas Services Council. He is currently a Director at Cetco Energy Services. He also serves as an Independent Non-Executive Director of Sarawak Energy Berhad, where he chairs the Board Audit Committee and is a member of the Board Risk Committee and Board Sustainability Committee. At Yinson Holdings Berhad, he is an Independent Non-Executive Director and a member of the Audit and Nomination Committees.

Any Other Board Directorships in Public Companies

LISTED ENTITY:

- Yinson Holdings Berhad

OTHER PUBLIC COMPANIES:

- Sarawak Energy Berhad

Declaration

- 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 FY2025.

Profile of Directors



Nadzrin Alia Md Azizis

Non-Independent Non-Executive Director

First Appointed to the Board : **9 April 2026**First Appointed as Alternate Director : **1 September 2023**Length of Service as Alternate Director (as at 9 Apr 2026) : **2 years 7 Months**Board Meetings Attended in 2025 : **11/11**

Qualifications

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

Membership of Associations

- Member of Institute of Corporate Directors Malaysia (ICDM)

Membership of Board Committees

None

Working Experience

Nadzrin Alia Md Azizis currently heads the Institutional Governance at Permodalan Nasional Berhad (“PNB”), focusing on enhancing governance practices and strengthening leadership effectiveness across PNB’s investee companies, to support the broader objectives of the Investment Stewardship Division, particularly in driving sustainable returns and long-term shareholder value creation.

She began her career at PNB in 2012 as an Executive in Corporate Services, where she started her training as an investment analyst. She later held several roles within PNB’s investment division, including Senior Analyst in Public Equity and subsequently Team Lead in Strategic Investments, overseeing the performance of strategic and core investee companies, as well as driving value creation initiatives across PNB’s strategic portfolio.

Any Other Board Directorships in Public Companies

LISTED ENTITY:

- None

OTHER PUBLIC COMPANIES:

- None

Declaration

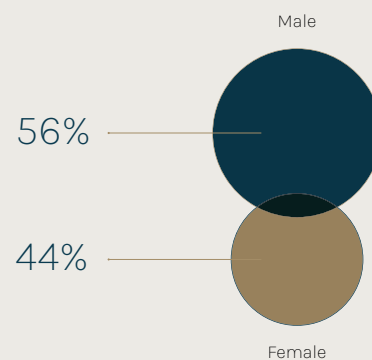
- No conflict of interest or any family relationship with any Director and/or major shareholder of the Company.
- Other than traffic offences, I have never been convicted for any offences for the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during FY2025.

Board of Directors Highlight

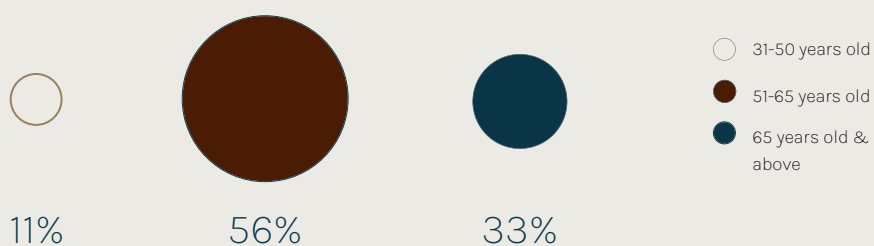
BOARD COMPOSITION



DIRECTOR'S GENDER



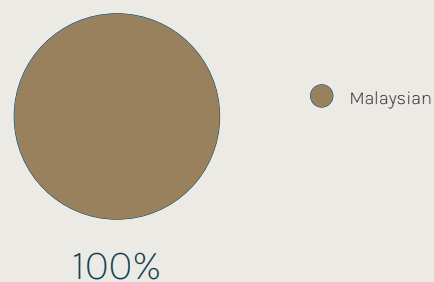
DIRECTOR'S AGE RANGE



TENURE OF SERVICE



NATIONALITY



Key Leaders

Lee Mi Ryoung

General Counsel,
Legal & Secretarial

Chong Eu Jin

Vice President,
Partnership &
Alliances

Shahar Hashim

Vice President, Quality,
Health, Safety &
Environment

Norzaidi Mohd Zahidin

Vice President,
Operations

Ir. Ts. Megat
Zariman
Abdul Rahim
President /
Executive
Director

Rozya
Abdullah
Head, Integrity
Governance Unit
and Compliance



**Mohd Suhaimi
Ahmad**

Vice President, Business
Development &
Commercial

**Mohammad
Hafiz Saparani**

Head,
Internal Audit

**Abdul Hadi
Abdul Bari**

Senior Vice President,
Drilling Business

**Sazlyna
Sapiee**
Chief Financial
Officer

**Shahrul
Nizar Ahmad**
Senior Vice
President, Strategic
Marketing

**Zulfa Ashida
Zulkifli**
Vice President,
Human Resources



Key Leaders Profile

**Ir. Ts. Megat
Zariman Abdul Rahim**

President, Executive Director

Appointed on 25 Feb 2022



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

Sazlyna Sapiee

Chief Financial Officer

Appointed on 1 Jun 2020

**Qualifications**

- Fellow of Association of Chartered Certified Accountants (FCCA)
- Distinction Holder of Diploma in Management, Malaysian Institute of Management

Past Employment

- Sapura Energy Berhad
- Scomi Group Berhad
- Faber Group Berhad

Membership of Association

- Association of Chartered Certified Accountants (ACCA)
- Malaysian Institute of Accountants (MIA)
- Institute of Corporate Directors Malaysia (ICDM)

Others

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

Abdul Hadi Abdul Bari

Senior Vice President, Drilling Business

Appointed on 1 Jan 2025

**Qualifications**

- Advanced Leadership Programme, Cambridge Judge Business University of Cambridge, UK
- Post Graduate Diploma in Applied Finance & Investment, Securities Institute of 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
- SapuraCrest Petroleum Berhad
- MISC Berhad
- Asian Geos Sdn. Bhd. (a Gardline Geosciences UK Company)

Membership of Association

Nil

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, 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 FY2025.

Key Leaders Profile



Shahrul Nizar Ahmad

Senior Vice President, Strategic Marketing

Appointed on 1 Jan 2025



Qualifications

- Bachelor Degree in Mechanical Engineering, The University of Manchester, UK
- Executive Programme, Stanford University Graduate School of Business, USA

Past Employment

- Schlumberger (2000-2022)
- Dunham Bush Berhad (1998-2000)

Membership of Association

- Society of Petroleum Engineers ("SPE")

Others

- Industry Advisory Panel member for Petroleum Engineering Department, University Technology PETRONAS

Norzaidi Mohd Zahidin

Vice President, Operations

Appointed on 1 Sept 2022



Qualifications

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

Past Employment

- Sapura Drilling
- Seadrill
- Transocean
- Sedco Forex Schlumberger

Membership of Association

- SPE Professional Membership

Chong Eu Jin

Vice President, Partnership & Alliances

Appointed on 1 Jan 2025



Qualifications

- Bachelor of Engineering (Honours), University of Lincolnshire and Humberside, UK
- Executive Development Programme, Columbia University Graduate School of Business, USA

Past Employment

- Destini Berhad
- Aquaterra Energy
- Cameron International Corporation

Membership of Association

- SPE Professional Membership

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, 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 FY2025.

Key Leaders Profile

**Mohd Suhaimi Ahmad**

Vice President, Business Development and Commercial

Appointed on 1 Jan 2025

**Qualifications**

- Bachelor of Accountancy, Universiti Teknologi MARA, Malaysia

Past Employment

- Edaran Bhd (Head of Corporate Finance)
- Kumpulan NAGA (Senior Auditor)
- Hashim Mohamed & Co (Auditor)

Membership of Association

Nil

Zulfa Ashida Zulkifli

Vice President, Human Resources

Appointed on 2 Feb 2023

**Qualifications**

- Bachelor of Business Administration, Universiti Utara Malaysia, Malaysia
- MSc. Organisational Behaviour - University of London, UK
- Certified Senior Professional in Human Resources - Malaysia (MyCSP)
- Senior Professional in Human Resources® - International (SPHRi®)

Past Employment

- 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 Association

Nil

Shahar Hashim

Vice President, Quality, Health, Safety and Environment

Appointed on 19 Jun 2023

**Qualifications**

- Bachelor of Science in Electrical Engineering (BSEE), University of Texas at El Paso, USA
- Master of Business Administration (MBA), Heriot-Watt University, UK

Past Employment

- Sapura Energy Berhad
- Subsea 7
- Aker Solutions
- SapuraAcergy
- Schlumberger

Membership of Association

- SPE Professional Membership

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, 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 FY2025.

Key Leaders Profile



Lee Mi Ryoung

General Counsel, Legal & Secretarial

Appointed on 15 Jul 2019



Qualifications

- 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 Court of School of Law
- LLB 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

- British American Tobacco (Malaysia) Berhad
- Petroliaam 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 Association

- Malaysian Institute of Chartered Secretaries and Administrators
- Chartered Institute of Arbitrators
- Honourable Society of Gray's Inn, London, UK
- Institute of Corporate Directors Malaysia
- Inns of Court Malaysia

Mohammad Hafiz Saparani

Head, Internal Audit

Appointed on 1 Jan 2025



Qualifications

- Bachelor of Accountancy (Honours), Universiti Teknologi MARA, Malaysia
- Certified Integrity Officer, Malaysian Anti-Corruption Academy

Past Employment

- MISC Haulage Services Sdn. Bhd.
- MAA Assurance Berhad
- MAA Holdings Berhad
- SapuraCrest Petroleum Berhad
- SapuraKencana Petroleum Berhad
- UMW Corporation Sdn. Bhd.

Membership of Association

- Malaysian Institute of Accountants (MIA)
- Institute of Internal Auditors Malaysia

Rozya Abdullah

Head, Integrity Governance Unit and Compliance

Appointed on 1 Jan 2026



Qualifications

- Certified Integrity Officer (CeIO), Malaysian Anti-Corruption Academy
- Certified ABMS Lead Implementer
- Certified ABMS Lead Auditor
- Bachelor of Accounting, University Malaya, Malaysia

Past Employment

- Maju Holdings
- MRCB
- Malakoff Corporation Berhad

Membership of Association

- Member of the Association of Anti-Bribery Management System Practitioners Malaysia (ABMS MY)

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, 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 FY2025.

Corporate Governance Overview Statement

Velesto Energy Berhad's corporate governance framework is aligned with the Malaysian Code on Corporate Governance 2021 ("MCCG 2021") and reflects a structured, disciplined approach to oversight and accountability. The framework is organised around three principles set out in MCCG 2021:

PRINCIPLE A	PRINCIPLE B	PRINCIPLE C
Leadership & Effectiveness	Effective Audit & Risk Management	Integrity in Corporate Reporting & Meaningful Relationship with Stakeholders

These principles guide the Board, its Committees and Management in discharging their respective roles and responsibilities, providing clarity in decision making and consistency in governance practices across the Group. The framework supports transparency, prudent risk oversight and responsible stewardship, while reinforcing high standards of conduct at every level of the organisation.

Further details on the Group's governance practices and the application of MCCG 2021 are set out in the Corporate Governance Report, available on the Company's corporate website at www.velesto.com.

In 2025, Velesto's commitment to strong governance and sustainability practices was reflected in its FTSE4Good ESG rating of 4.1, underscoring the Board's continued focus on ethical leadership and responsible oversight. The Group was also ranked 32nd among Malaysian public listed companies in the National Corporate Governance & Sustainability Awards 2025, placing Velesto within the Top 50 PLCs recognised for corporate governance and sustainability excellence.

For further details, this Corporate Governance Overview Statement should be read together with the Corporate Governance Report, available on the Company's corporate website at www.velesto.com.

BOARD OF DIRECTORS AT A GLANCE*		
Mohd Rashid Mohd Yusof Chairman Non-Independent Non-Executive Director	Rowina Ghazali Seth Independent Non-Executive Director	Haida Shenny Hazri Non-Independent Non-Executive Director
Ir. Dr. Mohd Shahreen Zainooreen Madros Senior Independent Non-Executive Director	Ir. Ts. Megat Zariman Abdul Rahim President Executive Director	Ar. Ahila Ganesan Independent Non-Executive Director
Alan Hamzah Sendut Independent Non-Executive Director	Ainul Azhar Ainul Jamal Independent Non-Executive Director (Appointed 2 Sept 2025)	Nadzrin Alia Md Azizis Non-Independent Non-Executive Director (Appointed 9 Apr 2026)

*Board composition as at 9 April 2026

Corporate Governance Overview Statement

BOARD COMMITTEES AT A GLANCE*

Committee	Chairman / Chairperson	Members
Board Audit Committee ("BAC")	Alan Hamzah Sendut	• Ir. Dr. Mohd Shahreen Zainooreen Madros • Ar. Ahila Ganesan • Rowina Ghazali Seth
Board Nomination & Remuneration Committee ("BNRC")	Rowina Ghazali Seth	• Haida Shenny Hazri • Ar. Ahila Ganesan • Ainul Azhar Ainul Jamal
Board Governance And Risk Committee ("BGRC")	Haida Shenny Hazri	• Ir. Dr. Mohd Shahreen Zainooreen Madros • Alan Hamzah Sendut • Ar. Ahila Ganesan • Ainul Azhar Ainul Jamal
Board Strategic Committee ("BSC")	Ir. Dr. Mohd Shahreen Zainooreen Madros	• Haida Shenny Hazri • Alan Hamzah Sendut • Ainul Azhar Ainul Jamal

* Composition as at 9 April 2026

NAME AND DESIGNATION	MEETING ATTENDANCE IN FY2025				
	BOARD	BAC	BNRC	BGRC	BSC
Mohd Rashid Mohd Yusof <i>Chairman / Non-Independent Non-Executive Director ("NINED")</i>	11/11	-	-	-	-
Rowina Ghazali Seth <i>Independent Non-Executive Director ("INED")</i>	11/11	7/7	4/4	-	-
Haida Shenny Hazri <i>NINED</i>	11/11	-	4/4	5/5	3/3
Ir. Dr. Mohd Shahreen Zainooreen Madros <i>Senior INED</i>	11/11	7/7	4/4	5/5	3/3
Ir. Ts. Megat Zariman Abdul Rahim <i>President / Executive Director ("ED")</i>	11/11	-	-	-	-
Ar. Ahila Ganesan <i>INED</i>	11/11	7/7	4/4	5/5	-
Alan Hamzah Sendut <i>INED</i>	11/11	7/7	-	5/5	3/3
Ainul Azhar Ainul Jamal <i>INED (Appointed 2 September 2025)</i>	3/3	-	1/1	1/1	1/1
Nadzrin Alia Md Azizis <i>NINED (Appointed 9 April 2026)</i>	11/11	-	4/4	-	3/3
Datuk George Ling Kien Sing <i>INED (Resigned 29 August 2025)</i>	8/8	-	3/3	4/4	2/2
Fadzihan Abbas Mohamed Ramlee <i>NINED (Resigned 9 April 2026)</i>	11/11	-	4/4	-	3/3

Corporate Governance Overview Statement

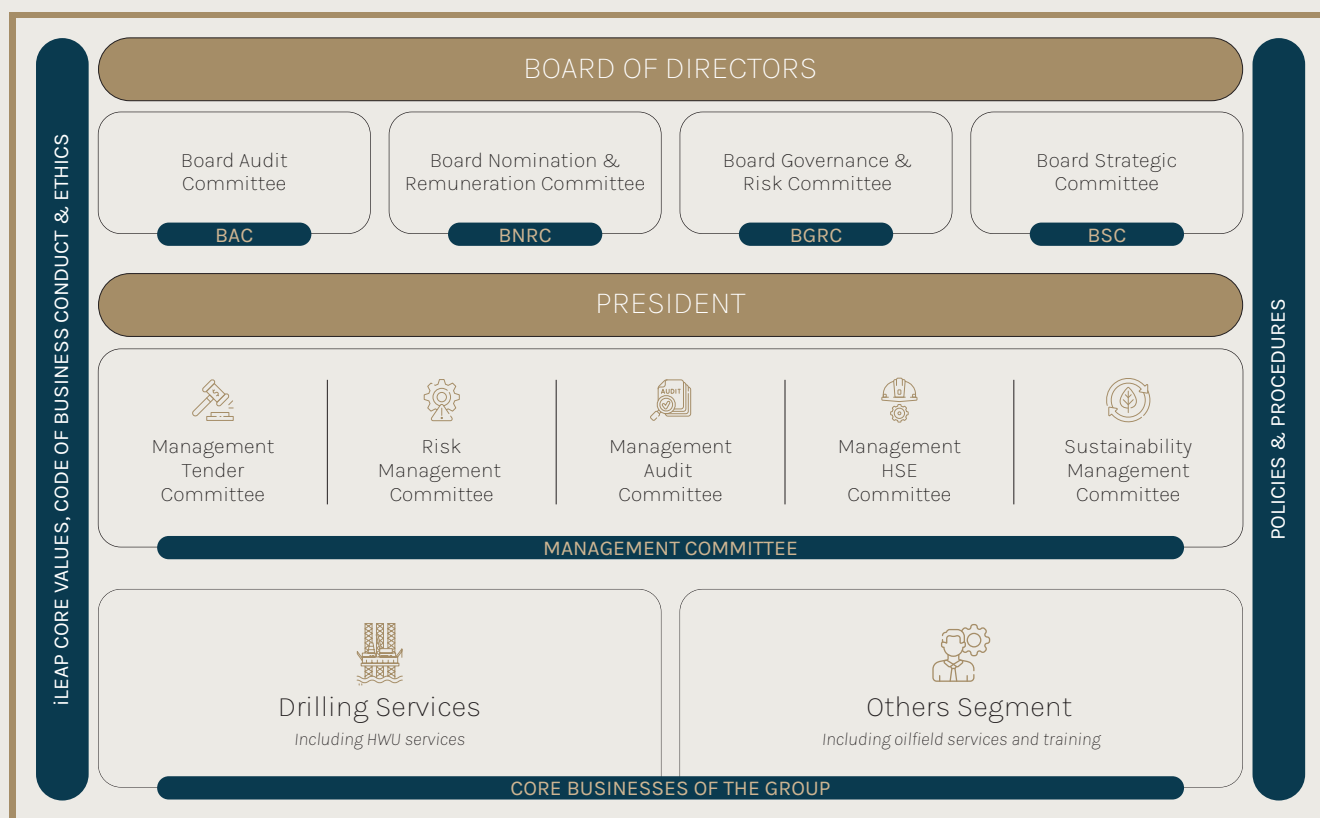
PRINCIPLE A Leadership & Effectiveness

ADVANCING GOVERNANCE STANDARDS WITH INTEGRITY AND ACCOUNTABILITY

Velesto advances high standards of corporate governance within a comprehensive framework that integrates governance principles with effective internal control systems. This integrated structure promotes consistency in oversight and supports a culture grounded in integrity, transparency and regulatory compliance across the organisation.

Central to this framework is the Velesto Code of Business Conduct and Ethics ("CoBE"). The CoBE reflects the Group's corporate vision and mission and embodies its iLEAP values, setting clear expectations for conduct and decision making at every level. It provides practical guidance for daily operations and reinforces the view that disciplined governance supports sustainable long term performance, stakeholder confidence and organisational resilience.

Set out below is an overview of Velesto's governance structure, outlining the respective roles and responsibilities of the Board Committees and Management Committees.



Corporate Governance Overview Statement

BOARD GOVERNANCE FRAMEWORK – DELINEATION OF ROLES AND OPERATING STRUCTURE

The Board Charter

The Board operates within a formal Board Charter that sets out its mandate, authority and working processes. The Charter provides a structured governance framework and is reviewed periodically to reflect evolving regulatory requirements and market expectations.

The Charter aligns with the latest Main Market Listing Requirements of Bursa Malaysia Securities Berhad and incorporates updates arising from the Malaysian Code on Corporate Governance 2021. It continues to serve as a central reference point for the Group's governance practices.

The Charter clarifies the respective responsibilities of the Board, its Committees, individual Directors and Management. It supports ongoing reassessment of roles in response to shifts in the business environment, economic conditions and industry developments, enabling the Group to pursue innovation and value creation with disciplined oversight.

A detailed governance structure is set out in the Charter, including the authority and Terms of Reference of each Board Committee, together with clearly defined roles across the organisation. For transparency, the Board Charter and the Terms of Reference of all Board Committees are available on the Company's corporate website at www.velesto.com.

While specific duties are delegated to Board Committees, the Board retains overall accountability. Oversight is exercised via regular reporting and review of Committee deliberations, maintaining alignment with the Group's strategy and priorities.

Principal Roles and Responsibilities of the Board

As steward of the Group, the Board provides strategic direction and oversees the effective management of operations. Each Director is required to act in the best interests of the Company, exercising independent judgement, integrity and good faith.

The principal functions of the Board, as set out in the Charter, include the following:

- Providing guidance on corporate strategy and governance, assessing Management's strategic proposals and reviewing the Group's overarching philosophy and direction;
- Reviewing and approving the annual business plan and budget, including targets that integrate sustainability considerations within the Group's Environmental, Social and Governance agenda;
- Governing sustainability together with Management, including setting strategies, priorities and measurable targets;
- Reviewing and approving corporate Key Performance Indicators and targets, evaluating quarterly performance, addressing material variances and determining appropriate follow up actions;
- Assessing the performance of the President and his direct reports, with oversight of leadership succession planning;
- Promoting ethical conduct and sound corporate governance practices across the Group and within its value chain, including vendors, suppliers, service providers and business partners;
- Establishing risk parameters, understanding principal risk exposures and evaluating risk considerations in significant decisions;
- Considering stakeholder interests in the context of shareholder value and supporting Management in engagement with key stakeholders;
- Overseeing the communication of sustainability strategies, priorities, targets and performance to internal and external stakeholders;
- Keeping abreast of developments relevant to the Group's operations, including climate related risks and opportunities; and
- Safeguarding shareholders' interests by providing comprehensive and transparent information to support informed decisions on the reappointment of Directors, including disclosure of interests or relationships that may affect independent judgement.

In accordance with the Company's Constitution, Board decisions are approved on a majority basis. Certain specified matters require a two thirds majority, reflecting their significance to the Group.

Corporate Governance Overview Statement

PRINCIPLE A Leadership & Effectiveness (cont'd.)

THE BOARD'S 2025 KEY FOCUS AREAS & PRIORITIES

Throughout 2025, the Board concentrated its efforts on a spectrum of targeted areas aligned with the Group's core objectives and strategic priorities:

 Sustainability	• Sustainability strategies & initiatives
	• Oversight on sustainability risks, gaps and compliance with relevant requirements
	• Net zero commitment and climate-related practices, including decarbonisation roadmap and climate disclosures
	• Monitoring ESG performance and reporting readiness
 Strategic	• Monitored economic and industry outlook, including market trends and evolving conditions
	• Reviewed business environment and key external risks impacting operations
	• Assessed long-term positioning and strategic priorities of the Group
 Performance	• Reviewed operational performance and key business updates across drilling and project activities
	• Oversight of Health, Safety & Environment ("HSE") performance, including reduction in incident rates and maintaining zero Lost Time Injury
	• Monitoring of safety performance indicators, including Total Recordable Case Frequency and incident trends across rigs
	• Oversight on incident prevention measures, safety improvements and strengthening of operational practices
	• Performance monitoring of key operational metrics, including rig utilisation, drilling activities and project delivery
	• Reviewed operational challenges and improvement actions, including maintenance, equipment reliability and environmental incidents
 Governance	• Continuous improvement in operational efficiency and performance tracking across business units
	• 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 Directors
	• Comprehensive review of CG Framework
	• Reinforcement of sound framework of Enterprise Risk Management & Internal Control
	• Conflict of interest monitoring
 Financial Results	• Promotion of culture of integrity and compliance
	• Strategic oversight on sustainability governance
	• Comprehensive overview of the business landscape, market projections and trendings
	• Oversight of financial reporting
	• Effectiveness of internal controls over financial reporting
	• Refreshed authority levels

Corporate Governance Overview Statement

Board papers are circulated to Directors in advance of each meeting in accordance with the approved annual schedule, allowing adequate time for thorough review and considered preparation.

Each meeting is formally minuted to capture the substance of deliberations. Draft minutes are shared with Directors for comment before confirmation at the next meeting. Maintained by the Company Secretaries, the records provide a clear account of discussions held, queries raised, responses given, recommendations evaluated, decisions made and the reasoning supporting those decisions.

Matters arising are logged and monitored to closure, with updates tabled at subsequent meetings. Board resolutions and directives are conveyed promptly to Management to facilitate timely execution and effective follow up.

In addition, the Non-Executive Directors meet separately, without the Executive Director present, to enable candid discussion and independent reflection on key matters. During the financial year under review, these sessions took place on 25 March and 28 August 2025.

BOARD COMMITTEES

The Board delegates defined responsibilities to its Committees, each operating within clearly articulated Terms of Reference ("TOR"). These Terms of Reference are reviewed periodically to maintain alignment with regulatory developments, organisational priorities and emerging governance expectations.

Following each Committee meeting, the respective Chairperson reports to the Board on key deliberations, recommendations and decisions. Minutes are circulated to Committee members in a timely manner and subsequently tabled at Board meetings for notation and further consideration where required.

BOARD AUDIT COMMITTEE

A comprehensive account of the BAC's activities during FY2025 is set out in the BAC Report within this Integrated Annual Report. Information on the Committee's composition and attendance during the financial year is presented in the "Board and Board Committees at a Glance" section of the Corporate Governance Overview Statement.

Further details on the roles and responsibilities of the BAC are available in its Terms of Reference, accessible on the Group's corporate website at www.velesto.com.

BOARD NOMINATION AND REMUNERATION COMMITTEE

Exclusively Non-Executive Directors	✓
Majority Independent Directors	✓
Terms of Reference ("TOR")	
• Authority	✓
• Duties	✓
• Selection & Assessment of Directors	✓
• Available at website	✓

During the year under review, the BNRC carried out its oversight responsibilities in accordance with its TOR. Its focus areas included the review of Board Composition and replacement of an Independent Director, evaluation of Directors and Senior Management, setting and reviewing Key Performance Indicators ("KPI"), monitoring the Employees' Share Option Scheme ("ESOS"), and establishing remuneration structures applicable across the organisation.

Information on the composition of the Committee and attendance at meetings held during FY2025 is presented in the "Board and Board Committees at a Glance" section of the Corporate Governance Overview Statement.

For FY2025, the composition of the Committee complies with Paragraph 15.08A(1) of the Main Market Listing Requirements, which requires the Committee to comprise solely Non-Executive Directors, with a majority being independent Directors.

Pn. Rowina Ghazali Seth, an Independent Non-Executive Director, serves as Chairperson of the BNRC. Consistent with Practice 1.4 of the Malaysian Code on Corporate Governance 2021 ("MCCG 2021"), the Chairman of the Board does not serve as a member of the BNRC.

Corporate Governance Overview Statement

PRINCIPLE A Leadership & Effectiveness (cont'd.)

Summary of BNRC's activities

Throughout the fiscal year 2025, 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	- Setting KPIs for the President - Assessment of the performance of the President and his direct reports with Job Grade 20 and above - The performance-based compensation of President and annual salary increment guidelines for employees - Extension of contract of service for senior executive positions
Board Effectiveness	- Conducted an evaluation of the effectiveness of the Board as a whole, Board Committees, individual director, and peer assessment and the contributions of the President - Board Remuneration Review Exercise for Non-Executive Directors
Board Succession Planning and Appointments	- 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 MCCG 2021 - Appointment of Directors on the boards of companies outside and within the Velesto Group
Governance	- Reviewed COI report for FY2024 and FY2025 - Provided oversight of the ESOS shares granted under it, subject to the By-Laws - Reviewed and updated its TOR
People Strategy	- Oversight of People Strategies, encompassing a broad spectrum of policies and practices related to human resource management along with the endorsement of the Talent Management Framework and the Competency Development Framework - Reviewed Long-Term Incentive Plan

BOARD GOVERNANCE & RISK COMMITTEE

The BGRC operates in accordance with its TOR, which set out its scope of authority and responsibilities. The Terms of Reference are available on Velesto's corporate website at www.velesto.com.

The Committee's remit extends to oversight of enterprise wide risks, including evaluation and monitoring of the effectiveness of the Group's Enterprise Risk Management framework and Business Continuity Plan. During the period under review, the Committee oversaw the integration of risk management and business continuity considerations into key processes and operational activities.

In carrying out its mandate, the Committee also supported the promotion of ethical conduct and regulatory compliance across the Group, reinforcing standards of integrity within governance and operational practices.

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

Integrity and Governance	- Assessed and reviewed the reports obtained through the whistle-blowing mechanism - Reviewed the Corruption Risk Management activities and its reports
Enterprise Risk Management	- Assessed and reviewed the Velesto Group's Top Risks and Risk Action Plans for each quarter in FY2025 - Endorsed the revision to the Risk Rating Matrix FY2025 - 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 Report and Statement on Risk Management and Internal Control ("SORMIC") for inclusion into the Integrated Annual Report 2024
Quality, Health, Safety and Environment ("QHSE")	- Received the quarterly progress report on QHSE - Guided on the Emergency and Crisis Management of the Group
Sustainability	- Received the quarterly progress report on Sustainability performance metrics - Updated the Sustainability plan and progress FY2024 and FY2025 - Review on sustainability risks, trends and compliance outlook

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

Corporate Governance Overview Statement

BOARD STRATEGIC COMMITTEE

Operating within its TOR, the BSC supports the Board in reviewing and recommending policies that shape the Group's long term direction.

The Committee evaluates and provides guidance on strategic plans and key initiatives designed to support sustainable growth, taking into account emerging opportunities and potential disruptions to the Group's business model. Its scope includes assessment of expansion proposals such as mergers, acquisitions, significant capital investments and divestments, with consideration given to strategic fit, financial implications and ESG factors.

The Committee also monitors progress against strategic project targets and reviews implementation status to support disciplined execution and long term value creation.

The TOR of the BSC are available on Velesto's corporate website at www.velesto.com.

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

Governance & Strategic Oversight

- Reviewed and recapped the TOR of BSC
- Reviewed the Organisation's Strategic Direction and V35

Strategic Initiatives & Business Updates

- Reviewed on Group's mid-term strategic initiatives
- Update on Management Away Day Action Items
- Reviewed Board Away Day Agenda

Financial Updates

- Reviewed on key initiatives, performances metrics and strategic assessments

THE MANAGEMENT

Execution of the Group's strategy rests with the President, who acts as the central link between Board direction and operational delivery. In this capacity, the President provides leadership across the organisation, aligning business activities with approved strategic priorities and governance expectations.

Oversight at Management level is structured around a defined committee architecture. Each Management Committee operates under its own Terms of Reference, with clear mandates and reporting lines. This structure supports disciplined decision making, coordinated leadership and effective supervision of operational and strategic matters across the Group.

The Management Committees comprise:

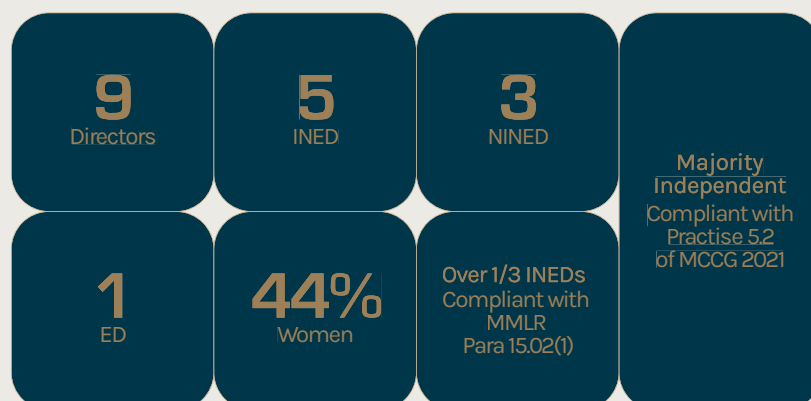
- Management Committee
- Management Tender Committee
- Risk Management Committee
- Management Audit Committee
- Management HSE Committee
- Sustainability Management Committee

Together, these forums provide structured review of performance, risk exposure, project delivery, tender processes, audit matters, health, safety and environmental performance, as well as sustainability priorities. The framework enables focused deliberation within each area while maintaining alignment with broader corporate objectives.

The Management Committee, chaired by the President, convenes bi-weekly as the primary executive platform for oversight of the Group's operations. Meetings include Value Moments and updates from key functions, including Drilling business, Strategic Marketing, Finance, Human Resources & DTI, QHSE, Legal & Secretarial, Internal Audit and IGU & Compliance. The remaining Management Committees meet at intervals determined by operational needs and the scope of their respective responsibilities.

BOARD BALANCE AND COMPOSITION

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



Corporate Governance Overview Statement

PRINCIPLE A Leadership & Effectiveness (cont'd.)

Assessment of Independence

Assessing the independence of Independent Non-Executive Directors ("INEDs") is a key responsibility of the BNRC. This evaluation, conducted annually, considers the INEDs' ability to provide independent and constructive perspectives, as well as their contributions and deliberations during Board meetings. The process is incorporated into the annual Board Evaluation through the Assessment of Independence of INEDs.

The BNRC's criteria for evaluating independence are applied at the time of appointment, annually, and whenever a new interest or an external appointment as a director is undertaken by an INED. Independence is determined by the INED's capacity to offer objective challenge to Management, advocate for views in the Group's best interests, and avoid any business or other interests that could, or appear to, influence their impartiality.

In the 2025 Board Effectiveness Evaluation ("BEE"), INEDs conducted 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 the MCGG 2021.

The BEE 2025 results indicated that all INEDs affirmed their independence from management and declared independence 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 FY2025.

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, fulfilling the criteria of independence, as set out in the MMLR.

In addition to the annual assessment, INEDs are required to declare any new conflicts or situations that may arise which have the potential to affect their independence.

Tenure of Independent Directors

The Board Charter prescribes a maximum tenure of nine years for Independent Non-Executive Directors, reinforcing the importance of independence and periodic board refreshment. During FY2025, all Independent Non-Executive Directors served within this prescribed tenure, consistent with the Charter and in line with Practice 5.4 of the Malaysian Code on Corporate Governance 2021.

Appointment of a Director and Senior Management

Appointment of a new Director is determined by the Board following deliberation and consideration of recommendations from the Board Nomination and Remuneration Committee. In developing its recommendations, the Committee evaluates the following:

- Objective criteria and merit, with due regard to diversity in skills, qualifications, experience, competencies and other qualities, including ethnicity, age, cultural background, gender and years of directorship experience
- Expertise in strategy development, business model innovation and growth, corporate and industry level transformation, international business experience and alternative domain expertise such as renewable energy and green industry
- Current Board composition and the tenure profile of each Director to support Board balance and the composition required by the Company
- The skills matrix, with a view to strengthening Board leadership and oversight of sustainability
- Conflict of interest and potential conflict of interest
- Time availability and ability to devote sufficient attention to Board duties
- Existing board positions, together with Fit and Proper assessment in accordance with the Group's Fit and Proper Policy
- Information on integrity and governance practices

Appointment of Directors

In line with the Board Charter, the Director appointment process follows the structured steps below:

- | | |
|---------|--|
| STEP 01 | • Identification of skills or gaps. |
| STEP 02 | • Approval of the parameters for the candidate search. |
| STEP 03 | • Identification of candidates from the existing pool, recommendations from the Board, Management, major shareholders or external sources. |
| STEP 04 | • Referral of shortlisted candidates to the Board Nomination and Remuneration Committee for consideration and recommendation to the Board. |
| STEP 05 | • Decision on the appropriate means for review and evaluation of each candidate. |
| STEP 06 | • Consideration of evaluation findings, together with current Board composition and the attributes and qualifications that should be represented on the Board. |
| STEP 07 | • Board approval. |

Corporate Governance Overview Statement

Potential candidates for directorship may be nominated by existing Board members, Management or major shareholders, as provided in the Board Charter. The Committee also has discretion to engage independent entities or third-party sources to identify qualified individuals. Where the Committee relies solely on internal recommendations, it provides justification for not pursuing other sourcing options.

Appointments to Board Committees

The Company's Board Effectiveness Evaluation ("BEE") process incorporates a detailed review of the composition of each Board Committee to assess whether it continues to be appropriately constituted and aligned with its mandate. This review supports the objective of maintaining Committees that are effective, balanced and equipped to address their respective responsibilities.

In formulating recommendations for appointments to Board Committees, the BNRC considers the specific functional requirements of the relevant Committee, together with the findings arising from the BEE in relation to that Committee. Consideration is also given to each Director's time commitment and availability, applicable regulatory requirements, as well as relevant governance standards and prevailing best practices. Through this structured assessment, the Committee seeks to ensure that the composition of each Board Committee remains fit for purpose and aligned with the Company's governance expectations.

Directors' Re-election and Re-appointment

When evaluating a Director's eligibility for re-election, the BNRC assesses several key factors, including the Director's competencies, commitment, contributions, performance as evaluated through the BEE, fit and proper assessment, declaration of any conflicts of interest, and ability to act in the best interests of the Company.

At its meeting held on 9 April 2026, the Board endorsed the BNRC's recommendation for the following Directors to be proposed for re-election pursuant to the relevant Articles of Velesto's Constitution at the Company's upcoming 16th Annual General Meeting ("AGM").

The following Directors are due for retirement and being eligible have offered themselves for re-election under Clause 96 of the Constitution:

Directors for re-election

- Ir. Dr. Mohd Shahreen Zainooreen Madros
- Alan Hamzah Sendut

Succession Planning for Senior Management

Leadership continuity within senior management is supported by a structured succession framework coordinated by the Human Resources Division. The process begins with identification of suitable candidates against clearly defined role requirements and organisational priorities. Shortlisted individuals are interviewed by the President and the Vice President of Human Resources before their nominations are submitted to the BNRC for evaluation and recommendation. Final approval is reserved for the Board.

Candidate assessment is comprehensive, encompassing professional standing, leadership capability, qualifications, technical proficiency and relevant industry exposure. This disciplined approach supports orderly transition planning and alignment of leadership capability with the Company's long term strategic direction.

Time Commitment

Effective governance depends on active participation. To facilitate this, the schedule of Board and Board Committee meetings for FY2025 was prepared and circulated to Directors in the third quarter of FY2024, allowing sufficient time to accommodate existing commitments. Directors are expected to attend all meetings of the Board and the Committees on which they serve.

Where exceptional circumstances prevent attendance, Directors are provided with complete meeting materials and may consult the Chairman, the respective Committee Chair, the President, Senior Management or the Company Secretary to remain fully apprised of matters deliberated and decisions taken. This ensures continuity in oversight and informed engagement.

For FY2025, the Board was satisfied that each Non-Executive Director devoted adequate time to discharge his or her responsibilities. In accordance with Paragraph 15.06(1) of the Main Market Listing Requirements, none of the Directors holds more than five directorships in listed companies. Directors intending to accept additional appointments in other listed entities are required to notify the Company Secretary. Such appointments are reviewed by the BNRC and the Board to assess potential conflicts of interest and the impact on time commitment.

Corporate Governance Overview Statement

PRINCIPLE A Leadership & Effectiveness (cont'd.)

Board Skills Matrix

The Board comprises individuals with diverse professional backgrounds and broad industry experience. This range of expertise strengthens deliberation, supports effective oversight and enhances strategic judgement. The Board Skills Matrix provides a structured view of these competencies, demonstrating alignment between the Board's collective profile and the Company's long term objectives, growth ambitions and governance expectations.

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

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

Gender Diversity

Board composition reflects a deliberate approach to diversity and inclusion, with a gender diversity policy embedded in the Board Charter that sets a target of at least 30% female representation. Velesto currently achieves this benchmark with three female Directors, demonstrating alignment with Practice 5.9 of the Malaysian Code on Corporate Governance 2021.

Appointments to the Board and Senior Management are determined on the basis of merit. Selection decisions are made without discrimination in relation to gender, age, ethnicity or cultural background, with emphasis placed on capability and suitability for the role.

The BNRC undertakes periodic reviews of the Board's structure, size and composition, with attention to the breadth of skills, knowledge, experience and diversity required to support effective oversight. The Committee leads the process for Board appointments, re-elections and succession planning, and submits its recommendations to the Board for consideration. Prospective candidates are evaluated on their leadership track record, competencies, domain expertise and ability to complement the existing Board profile. Professional standing, industry experience, integrity and academic credentials are also taken into account before any appointment is made.

A similar merit-based approach applies to Senior Management appointments. Evaluations consider qualifications, relevant experience, professional achievements and overall contribution to the organisation, ensuring alignment with the Group's strategic priorities and performance expectations.

12 Senior Leadership ————— 33% Women

Board Effectiveness Evaluation ("BEE")

The BNRC undertakes an annual assessment of the effectiveness of the Board as a whole, the Board Committees, and the performance and contribution of the Chairman, Directors including INEDs and the President of the Company. This process also serves to identify areas for further improvement.

In line with Practice 6.1 of the Malaysian Code on Corporate Governance ("MCCG") 2021, the Company engaged KPMG Management & Risk Consulting Sdn. Bhd. ("KPMG MRC") as an independent external facilitator to conduct the BEE exercise for FY2025. The exercise was conducted based on the following evaluation process:-

- Enhanced questionnaires were circulated to the Directors and tailored based on the Board committee membership;
- Interview sessions were conducted with all Board of directors and the President of the company to obtain candid and comprehensive feedback;
- Responses from the questionnaires and interview insights were consolidated and analysed to derive key observations and findings;
- Individual Directors' Assessment Cards were developed based on both self and peer evaluations.

The scope of BEE covered the effectiveness of the Board, Board Committees, Individual Directors and President of the company, in the following areas:-

- The performance of the Board;
- Directors' Skill Matrix;
- Directors' Self and Peer Assessment;
- Fit and Proper Assessment;
- Independence Assessment on Independent Directors; and
- Performance of BAC, BNRC, BGRC and BSC.

The performance of the Board of Directors

The Board Assessment evaluated the effectiveness of the Board as a whole. The Assessment Form comprised five (5) sections, as follows:

- Board mix and composition;
- Quality of information and decision-making;
- Boardroom activities;
- Board Chairman's role;
- Oversight on the Environment, Social & Governance ("ESG")

Corporate Governance Overview Statement

Board Skills Matrix Assessment

The Board Skills Matrix Assessment was developed to gain an understanding of the extent to which the Board members comply with the appropriate “Fit and Proper” criteria, skills, knowledge, competence and experience necessary to meet the needs of Velesto. The assessment was formulated based on regulatory provisions as well as emerging and leading practices to facilitate self-assessment of the Board of Directors’ positioning in current and envisaged Board Skills Matrix.

Directors’ Self and Peer Assessment

The Directors’ Self and Peer Assessment Form facilitate self-assessment by each Director as well as the assessment of their peers on the Board. The assessment contains the following areas:-

- Contribution and performance;
- Calibre and personality;
- President; and
- Senior Independent Director.

Fit and Proper Assessment

The fit and proper assessment covered in the following areas:-

- Character and integrity;
- Experience and competence; and
- Time and commitment.

Independence Assessment on Independent Directors

Based on the responses received, INEDs have declared compliance for all assessment criteria relating to background, economic relationship, family relationship and tenure. The Board is satisfied with the level of independence demonstrated by the INEDs and their ability to act in the best interest of the Company.

Consolidated Board Committee Assessment

The scope of this segment included the respective assessment areas for the BAC, BNRC, BGRC and BSC:-

- Composition and governance;
- Meeting administrative and conduct; and
- Oversight of financial reporting process, including internal controls and the audit function.

All Board members completed the written questionnaires and participated in the one-to-one interview sessions.

KPMG MRC subsequently prepared an evaluation report on the effectiveness of the Board, Board Committees and individual Directors, including the President, assessed against other companies in their benchmark repository encompassing various sectors across the market. The results of the BEE were presented to the Board in March 2026, during which the Board noted the key observations and areas for improvement.

The Board and the BNRC were satisfied with Velesto’s overall score of 89%, which exceeded the market average score of 87% derived from a benchmark pool of 47 entities, comprising primarily Listed Companies.

Fit and Proper Assessment and Conflict of Interest

The Fit and Proper assessment applies to Directors, Senior Management and relevant Group employees. The evaluation for the Directors for FYE2025 was completed with BEE conducted, whereas for Senior Management and relevant Group employees completed via completion of self-assessment coordinated by Integrity and Governance Unit. The assessment considers character and integrity, including probity, personal conduct, financial integrity and reputation. It also examines experience and competence, encompassing qualifications, training, technical skills, relevant industry exposure and past performance. Time commitment is assessed to determine the individual’s capacity to discharge responsibilities effectively, including participation and contributions.

A copy of the Group’s Fit and Proper Policy is available on the Company’s corporate website at www.velesto.com.

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

Chairman of the Board

The Chairman, Mohd Rashid Mohd Yusof, a Non-Independent Non-Executive Director, presides over the Board and guides its overall effectiveness. He sets the tone for constructive deliberation, ensures balanced participation among Directors and promotes focused discussion during meetings. The Chairman also facilitates the resolution of differing views within the Board and maintains open communication channels with shareholders and stakeholders.

President

Ir. Ts. Megat Zariman Abdul Rahim, as President and Executive Director, plays a central role in translating Velesto Vision 2035 (“V35”) into operational outcomes. He leads the execution of the Group’s strategy and oversees day-to-day operations, ensuring that all initiatives are implemented in accordance with Board-approved plans, established risk parameters, and the Group’s long-term objectives.

His leadership is instrumental in advancing the Group’s three Strategic Pillars—maximising core asset utilisation, pursuing disciplined asset-light expansion, and strengthening financial resilience—while leveraging the Strategic Enablers of sustainability, people and culture, strategic relations, and digitalisation to support execution.

Corporate Governance Overview Statement

PRINCIPLE A Leadership & Effectiveness (cont'd.)

With a strong emphasis on safety, service quality, and operational efficiency, he drives initiatives aimed at enhancing rig performance, improving utilisation rates, and strengthening Velesto's regional market presence. At the same time, he ensures disciplined cost management and resource optimisation, reinforcing the Group's commitment to prudent financial stewardship and sustainable returns.

Beyond operational execution, he actively champions the Group's organisational culture through the iLEAP framework, embedding principles of integrity, governance, and sustainability across all levels of the organisation. In 2025, this commitment was further strengthened with the introduction of iLEAP 2.0, aligning the refreshed core values with Velesto's vision of "Empowering Growth & Excellence". This reinforces a performance-driven, operations-focused environment that supports the successful delivery of V35.

The Board Charter sets out a clear separation of responsibilities between the Chairman and the President, supporting accountability and balance in leadership.

Senior Independent Non-Executive Director

Mr. Dr. Mohd Shahreen Zainooreen Madros serves as Senior Independent Non-Executive Director. In this capacity, he acts as a point of reference for Independent Directors and facilitates communication between them and the Chairman. He also provides shareholders with an additional channel for raising concerns where appropriate. Shareholders may contact him directly via email at senior.id@velesto.com.

Non-Executive Directors

Non-Executive Directors contribute independent perspectives and objective judgement to Board deliberations. They provide constructive challenge to Management, monitor execution of approved strategies and oversee adherence to the Group's governance and risk management framework, supporting accountability and informed decision making at Board level.

Board Administration**Company Secretaries**

The Company Secretaries, Lee Mi Ryoung and Sazlyna Sapiee, support the Board in the discharge of its duties by advising on corporate governance requirements, statutory obligations and procedural matters. They facilitate coordination between the Board, its Committees and Management, while also supporting communication with shareholders and stakeholders. Directors have direct and unrestricted access to the Company Secretaries for guidance and administrative support. Further information on the Company Secretaries is set out in the "Key Leaders Profile" section of this Integrated Annual Report.

Access to Information

Clear and timely access to information underpins effective Board deliberation. Directors have direct access to the President and Senior Management to seek clarification or additional insights on matters under consideration. Agendas and supporting papers are circulated at least five business days prior to each Board meeting, or within a timeframe agreed with the Chairman. In urgent circumstances, additional papers may be tabled at the meeting with the endorsement of the President and approval of the Chairman.

Board and Committee discussions are supplemented by presentations and briefings from Management and, where relevant, external advisers. Directors may also seek independent professional advice at the Company's expense where necessary to support their decision making. To facilitate secure and efficient document management, meeting materials are accessed via a dedicated online platform that safeguards confidentiality while enabling ease of review.

Commitment to Good Business Conduct and Corporate Culture – Velesto's Approach to Compliance

Velesto promotes a culture grounded in ethical conduct and accountability. A comprehensive suite of Codes and Policies establishes clear standards of behaviour and reinforces expectations across the organisation.

Code of Business Conduct and Ethics ("CoBE")

The CoBE sets out the standards of conduct expected of Directors and employees. It provides guidance on managing actual or potential conflicts of interest, addressing corrupt practices including the giving or receiving of gifts or benefits, reporting unlawful or unethical behaviour, safeguarding Company assets and complying with applicable laws and regulations. The CoBE reinforces professional and ethical behaviour in all dealings undertaken on behalf of the Group. A copy of the CoBE is available on Velesto's corporate website at www.velesto.com.

Corporate Governance Overview Statement

Whistle-Blowing Policy

The Whistle-Blowing Policy establishes a formal channel for reporting suspected misconduct, including mismanagement, fraud, corruption, conflicts of interest, money laundering, abuse of authority or breaches of laws and regulations. The framework allows concerns to be raised confidentially and in a timely manner.

Oversight of integrity and compliance matters rests with the Integrity Governance Unit and Compliance ("IGUC") function, which operates under the guidance of the Board Governance and Risk Committee in accordance with its TOR and Integrity Framework.

Reports may be directed to:

Head of Integrity Governance Unit and Compliance

Tel: +603-2096 8788

Email: whistleblower@velesto.com

Details of the Policy are available on the Company's website. Additional information on integrity and compliance initiatives is provided in the SORMIC section of this Integrated Annual Report.

Anti-Bribery and Corruption ("ABC") Policy

The Group's ABC Policy establishes clear principles and controls to address bribery and corruption risks within its operations. The Policy aligns with the Malaysian Anti-Corruption Commission Act 2009 and subsequent amendments, as well as any future regulatory developments.

It sets out mandatory requirements for all personnel and provides practical guidance on identifying, preventing and managing bribery and corruption related risks. The ABC Policy is publicly accessible on Velesto's corporate website at www.velesto.com.

Dividend Policy

Approved on 28 November 2024, the Dividend Policy sets out the framework governing the declaration and payment of dividends. It applies to all entities within the Group and is read in conjunction with the constitutions of the Company and its subsidiaries, as well as as relevant regulatory requirements.

Dividend declarations are reviewed on a half yearly basis and are subject to Board approval. Prior to any declaration, a solvency assessment is conducted to evaluate the Group's financial position over the 12 months following the proposed payment. The solvency analysis forms part of the proposal submitted to the Board.

Subject to regulatory and financial considerations, the Group aims to distribute not less than 20% of net profit of both the Group and the Company for the financial year. The Board retains discretion in determining the final payout, taking into account financial performance, capital requirements and prevailing market conditions.

Governing Sustainability

Sustainability considerations are integrated within the Group's governance framework. The Board, in collaboration with the Board Governance and Risk Committee, oversees sustainability strategies, priorities and targets, and monitors performance against established objectives. Further information on sustainability initiatives and progress is presented in the Sustainability Statement 2025.

Onboarding and Continuing Development Programmes for Directors

Newly appointed Directors participate in a structured induction programme coordinated by the Company Secretaries. This includes the Mandatory Accreditation Programme required by Bursa Malaysia, site visits to operational facilities such as rigs and engagement sessions with Senior Management. The programme provides insight into the Group's operations, business drivers, governance framework, internal controls and the responsibilities of Directors within a listed company.

Continuous professional development forms part of each Director's responsibilities. In accordance with Paragraph 15.08 of the Main Market Listing Requirements, Directors attend conferences, training sessions and seminars to remain informed of regulatory developments and industry trends. Members of the Board Audit Committee also undertake specialised programmes in accounting and auditing standards, consistent with Practice 9.5 of the Malaysian Code on Corporate Governance 2021.

Corporate Governance Overview Statement

PRINCIPLE A Leadership & Effectiveness (cont'd.)

During FY2025, the Directors participated in various continuing education programmes, details of which are set out below.

Directors' Training in FY2025

Director	Training
Mohd Rashid Mohd Yusof	MIA Accountants Conference
	BNM Symposium
	Strategic Management
	PNB Knowledge Forum 2025
	Future Ready Boards
	Fireside Chat with PNB
	Velesto Energy Board Away Day 2025
Rowina Ghazali Seth	MIFD Leadership Council Position Paper: Establishing Islah (Reform) through Islamic Finance
	My Board Journey: Hindsight Realities
	Board Refresher Programme: Risk, Integrity & Compliance
	IFRS S1 & S2 Standards
	E-Invoicing for Independent Non-Executive Director
	Knowledge Sharing Session with MACC on Bribery & Corruption Cases
	MACC Act Refresher for Board & Senior Managers
	Decision Making Skills in Islamic Finance
	Boardroom Blindspots: How our Perceptions of Risk Influence our Boardroom Effectiveness
	Climate First, or Last?
	Khazanah Megatrends Forum
	PNB Knowledge Forum 2025
	Key Macroeconomic Indicators in Islamic Finance
	Project Converse: Fireside Chat with PNB Investee Companies' Directors
	Anti-Bribery and Corruption 2025 Training for Directors
	Velesto Energy Board Away Day 2025
Haida Shenny Hazri	INSEAD IDP-C Certification in Corporate Governance
	INSEAD Masterclass - Navigating High Stakes Strategies in Global Finance
	AI in board governance
	Ask the Expert Series - Digital Disruption and Emerging Technologies
	Cleantech Forum Singapore
	Energy Asia
	Ask the Expert Series - The Board's Role in Sustainability and ESG
	Beyond the Control Room: Unlock Industrial Intelligence at Scale
	Ask the Expert Series - Risk in Cybersecurity
	A Buffers Guide to Conventional Oil and Gas Exploration for Busy Executives
	What It Takes: South East Asia - Charting the Region's Path from the Periphery to the Core of Global Consciousness - Gita Wirawan
	Velesto Energy Board Away Day 2025

Corporate Governance Overview Statement

Director	Training
Ir. Dr. Mohd Shahreen Zainooreen Madros	Cracking the Code of Corporate Power Plays in Shifting Global Landscape.
	Assurance, Greenwashing And The Rise of Green-hushing.
	E-Invoicing for Independent Non-Executive Director
	Energy Asia (EA) 2025
	Velesto Energy Board Away Day 2025
Ir. Ts. Megat Zariman Abdul Rahim	CGS International Annual Malaysia Corporate Day 2025
	The International Petroleum Technology Conference (IPTC) 2025
	IPTC 2025 Exec Panel 6: Facilities of the Future and Emerging Technologies for Sustainable Operations
	Generative Safety Leadership Workshop 2.0 Roundtable
	Palas-A Workover and P&A Safety Leadership Workshop
	MPRC OGSE100 CEOs Forum 2025
	IADC HSE and Sustainability Asia Pacific Conference
	Panel: Special IADC Executives Dialogue: Navigating the Future Energy Mix in Asia Pacific.
	ICDM Advocacy: E-invoicing for Directors - MyInvois & MyTax Portal Walkthrough with EY Malaysia
	IADC World Drilling 2025
	Generative Safety Leadership Workshop 2.0 Roundtable
	VESTIGO CEO HSSE Forum 2025
	12 th Sabah Oil, Gas & Energy Conference & Exhibition (SOGCE)
	Panelist at 12th SOGCE 2025 Titled: Catalysing Local Economic Growth
	International Energy Week Summit 2025 (IEW)
	ASEAN Business Community Development (ABCD) Forum 2025
	Generative Safety Leadership Workshop 2.0 (Roundtable
	Annual MOGSC Leadership Roundtable Discussion
	Velesto Energy Board Away Day 2025
	Generative Safety Leadership Workshop 2.0 (Roundtable
	LOSS Prevention Asia 2025
	Panelist Forum 3: How Emerging Risks Are Reshaping Risk Strategy
	PNB Knowledge Forum 2025: "Transformation"
	Velesto Ignite Sustainability 2025 - Showcase & Appreciation Day
	Vestigo Monsoon Safety Campaign 2025
	PCSB Development Business Partners HSE Engagement 2025
	Maybank - PNB Day (MIB Corporate Day "From vision to value: The corporate transformation journey" - Velesto Energy)

Corporate Governance Overview Statement

PRINCIPLE A Leadership & Effectiveness (cont'd.)

Director	Training
Ar. Ahila Ganesan	Forum Ekonomi Malaysia 2025
	National Climate Governance Summit 2025
	Climate Finance Summit 2025
	E-Invoicing for Independent Non-Executive Director
	Board Interview Dialogue
	Energy Asia (EA) 2025
	ICDM Advocacy: E-invoicing for Directors - MyInvois & MyTax Portal Walkthrough with EY Malaysia
	Global ESG and Sustainability Forum 2025
	Public Sector Financial Transformation Conference 2025
	ASEAN Sustainable Urbanisation Forum
	Smart City Asia 2025
	Khazanah Megatrends Forum
	PNB Knowledge Forum 2025
	AlterCOP 30 Malaysia
Alan Hamzah Sendut	PNB Fireside Chat
	Velesto Energy Board Away Day 2025
	HLFG Group In-House Directors' training on Moving from the recommendations of the Task Force on Climate-related Financial Disclosures to International Financial Reporting Standards ("IFRS") S1 and IFRS S2
	Mind Matters: Mental Wellbeing in the workplace
	E-invoicing and its impact on Directors
	E-Invoicing for Independent Non-Executive Director
	Japan Energy Summit & Exhibition, Tokyo Japan
	E-invoicing for Directors - walkthrough with EY Malaysia
	Business Strategic Management Programme
	Board simulation - Balancing risks & opportunity in sustainable leadership
	Geopolitics, supply chains & the risk multiplier effect
	Boardroom simulation - Strengthening Board room decision making in times of crisis
	Khazanah Megatrends 2025
	PNB Knowledge Forum 2025
	2026 Budget and Tax conference
	Seminar for BOD on Anti Bribery Management Systems
	PNB Fireside chat with Investee Companies - guest speaker TS Azman Mokhtar
	Anti-Bribery & Corruption training
	Fiduciary Compass for Modern Boards
	Velesto Energy Board Away Day 2025

Corporate Governance Overview Statement

Director	Training
Ainul Azhar Ainul Jamal	MAP II
	AI at the helm: How Directors Can Govern the Future
	Finance Essentials For Non-Finance Directors
Nadzrin Alia Md Azizis	Strategic Investment Team Building 2025 - Moving from Good to Great
	Project Converse: Fireside Chat with PNB Investee Companies' Directors - From Governance to Performance: Translating Stewardship into Sustainable Value
	Talent Assessment Debrief Session
	ICGN 30 th Anniversary Conference
	Compliance & Integrity Conference 2025 (ComICon)
	PNB Talent Assessment
	ONLINE TRAINING: Digital Asset: Protecting Investor Confidence (10 SIDC CPE)
	Core - Communication : The Business Storyteller
	ONLINE TRAINING: Best Practices in Handling Sensitive Information and Managing Conflict of Interest for Investment Analyst (10 SIDC CPE)
	E-Learning: Consequence Management Framework
	E-Learning: SiberSAFE-Cyber Detective Phishing Awareness
	E-Learning: PNB Group Conflicts of Interest Policy
	2024 Integrated Annual Report Workshop 2
	2024 Integrated Annual Report Workshop 1
	E-Learning: Merdeka 118 Fire & Life Safety Briefing
	E-Learning: Refresher 2025 Anti Bribery and Anti-Corruption and Defense for Corporate Liability
	E-Learning: Economic Sanctions of PNB Group
	E-Learning: Refresher 2024/25 - Introduction to Financial Crime & Anti-Money Laundering
	E-Learning: Introduction to Shariah, Fiqh & Ethics in Islamic Finance
	Velesto Energy Board Away Day 2025

Corporate Governance Overview Statement

PRINCIPLE A Leadership & Effectiveness (cont'd.)

Remuneration Framework

The Board considers a fair and competitive remuneration framework essential to attract, retain and motivate individuals with the expertise required to oversee the Company's operations. A formal Remuneration Policy governs the remuneration of Non-Executive Directors, taking into account the scale, complexity and performance of the Company, as well as the skills, experience, responsibilities and time commitment expected of each Director.

The framework is structured to encourage conduct aligned with the Group's values and long-term direction. Remuneration outcomes are assessed in the context of the Company's risk parameters, supporting prudent judgement and sustainable performance. The approach balances competitiveness with financial discipline, while promoting long term value creation for shareholders and stakeholders.

In accordance with its TOR, the BNRC reviews and recommends the overall remuneration framework and fee structure for the Board. Proposals relating to Directors' fees and benefits are subject to shareholder approval, reinforcing transparency and accountability.

Remuneration of Directors

A detailed breakdown of Board remuneration for the financial year 2025 is set out in the Corporate Governance Report 2025 ("CG Report 2025"), available on the Group's website at www.velesto.com, and disclosed in the Notes to the Financial Statements within this Integrated Annual Report

Proposals for the payment of Directors' fees and benefits covering the period from the 16th Annual General Meeting ("AGM") to the subsequent AGM will be tabled for shareholder approval at the forthcoming 16th AGM. Shareholders seeking further information may refer to the "Other Information" section of this Integrated Annual Report, including the Notice of the 16th AGM.

Remuneration of Top Five Senior Management

To safeguard confidentiality and support retention objectives, individual remuneration details of the top five Senior Management personnel are not disclosed. The total collective remuneration of Senior Management, excluding the President, for the financial year 2025 amounted to RM15.4 million.

Direct or indirect shareholdings of Senior Management are disclosed to the Group in accordance with applicable regulatory requirements. For the financial year ended 2025, no members of Senior Management held shares in Velesto. Information relating to participation in the ESOS is provided in the Additional Compliance Information section of this Integrated Annual Report 2025.

Further details are available in the Corporate Governance Report 2025 on the Group's website at www.velesto.com and under the "Company Announcement" section of Bursa Malaysia's website.

Corporate Governance Overview Statement

PRINCIPLE B Effective Audit and Risk Management

ACCOUNTABILITY AND AUDIT

Effective and Independent BAC

The BAC plays a central role in supporting the Board's oversight of financial reporting and accounting practices. Its mandate includes reviewing the integrity of financial disclosures, monitoring compliance with applicable accounting standards and maintaining oversight of the Group's internal control environment.

Information on the composition of the Committee, its roles and activities during the financial year 2025 is set out in the BAC Report within the "Our Governance" section of this Integrated Annual Report.

Financial Reporting

The Board seeks to present a fair, clear and balanced assessment of the Group's financial position and performance in its quarterly financial updates, annual financial statements, Integrated Annual Report and other communications to shareholders, investors and regulatory authorities.

The Directors' responsibilities in relation to the preparation of the financial statements are set out in the Audited Financial Statements for the year ended 31 December 2025.

Risk Management and Internal Control

Oversight of the Group's Enterprise Risk Management framework and internal control system rests with the Board. This responsibility is supported by the BGRC and the BAC, which review risk management processes and control measures on a periodic basis.

The Enterprise Risk Management framework and internal control system are structured to identify, assess and manage the principal risks faced by the Group, taking into account the nature and scale of its operations. While these systems are designed to mitigate risk exposures, they do not provide absolute assurance against the occurrence of unforeseen events. Ongoing reviews conducted by Management, the BAC, the BGRC and the Board support continuous evaluation of their effectiveness.

Further information on the Group's risk management approach, including risk profiles and key elements of the Enterprise Risk Management and internal control framework, is provided in the SORMIC and the BAC Report within the "How We Govern" section of this Integrated Annual Report.

Corporate Governance Overview Statement

PRINCIPLE C

Integrity in Reporting & Meaningful Relationships with Stakeholders

Integrated Annual Report 2025

The Integrated Annual Report provides shareholders and stakeholders with a comprehensive account of the Group's financial and operational performance, governance practices and strategic progress.

Preparation of the Report is undertaken in close coordination with the External Auditors' formal audit process, supporting consistency and providing through true and fair view in financial disclosures.

The content is subject to detailed internal review and is approved by the relevant Board Committees before submission to the Board for final consideration and endorsement.

Communicating Effectively with Stakeholders and Investors

Clear and timely communication forms an essential element of the Group's engagement approach. The Company maintains multiple channels to facilitate dialogue with shareholders, investors and other stakeholders, supporting transparency and informed participation.

Investor relations activities are led by the President and Senior Management, with coordination from the Investor Relations Department. During the year, the Group engaged institutional shareholders, fund managers and analysts through briefings and discussions that provided updates on performance and developments. Information is disseminated via Bursa Malaysia announcements, the corporate website, press releases, media briefings, press conferences, one to one meetings and the Annual General Meeting.

The corporate website serves as a central repository for financial reports, investor presentations and operational updates. Further information on stakeholder engagement initiatives undertaken during FY2025 is set out in the Sustainability Statement section of this Integrated Annual Report.

For investor enquiries, stakeholders may contact:

Head, Investor Relations

Tel: +603-2096 8788

Email: investor.relations@velesto.com

Conduct of General Meeting

Shareholders were given at least 28 days' notice of the 15th Annual General Meeting held on 28 May 2025, with the notice issued on 29 April 2025.

The meeting was held at physical venue at Connexion Conference & Events Centre. Detailed participation instructions were provided in the accompanying Administrative Guide. Notifications were also released via Bursa Malaysia and the Company's website.

The 15th Annual General Meeting enabled registered shareholders and proxyholders to participate in the meeting. The agenda included presentation of the financial statements for FY2024, an operational update by the President and responses to questions submitted by the Minority Shareholders Watch Group. A Question and Answer session was conducted to address queries raised before and during the meeting.

All resolutions were decided by electronic polling, consistent with the Malaysian Code on Corporate Governance 2021. The minutes of the 15th Annual General Meeting were published on the Company's website within 30 business days, in line with Practice 13.6 of the Code.

The Notice of the Company's 16th Annual General Meeting, which is scheduled to be held on 3 June 2026, was issued on 23 April 2026, in compliance with the prescribed minimum notice period.

Conclusion

This Corporate Governance Overview Statement is provided pursuant to the Main Market Listing Requirements.

Following review and deliberation, the Board affirms that the Company has applied the principles and practices set out in the Malaysian Code on Corporate Governance 2021 and has complied with the relevant provisions of the Main Market Listing Requirements for the financial year under review.

This statement was reviewed and approved by the Board at its meeting held on 25 March 2026.

Statement on Risk Management and Internal Control

In compliance with Paragraph 15.26(b) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia, this Statement on Risk Management and Internal Control (“SORMIC” or “this Statement”) has been prepared in accordance with the SORMIC Guide 2025: Statement of Risk Management and Internal Control (“SORMIC”) Guidelines for Directors of Listed Companies and the principles of the Malaysian Code on Corporate Governance 2021 (“MCCG 2021”).

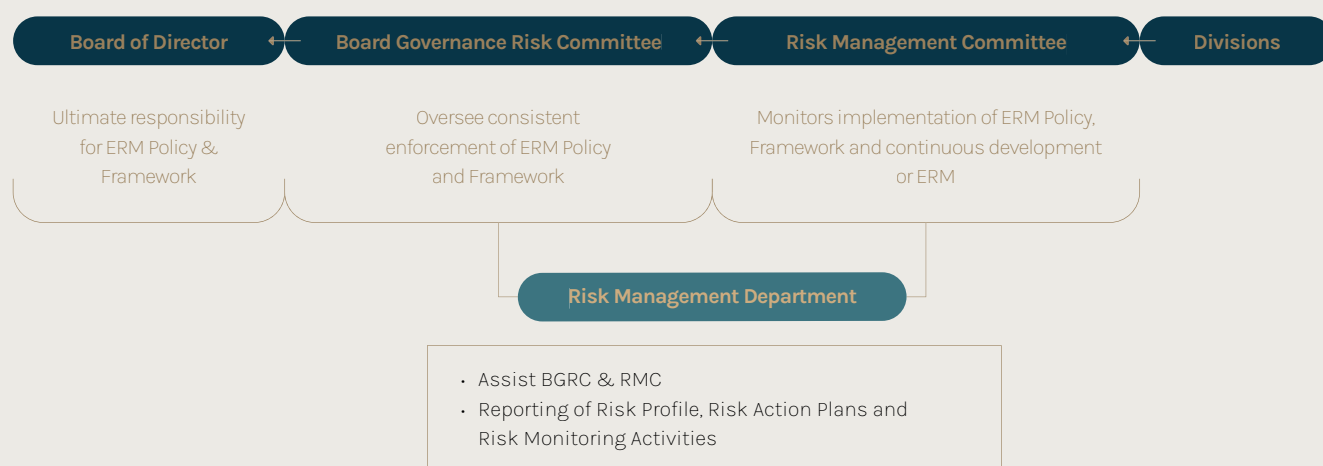
This Statement has been developed towards providing a concise but comprehensive account of how Velesto has continues to adopt a proactive stance towards risk management across its operations based on a three line of defence model. The Group’s Enterprise Risk Management (“ERM”) has been developed in alignment with the best practices of the international recognised ISO 31000:2018 Risk Management Guidelines.

Velesto’s ERM is designed to address the evolving risk landscape and emerging challenges, ensuring the effective implementation of mitigation strategies and continuous risk monitoring. It is designed to identify, reduce and prevent the occurrence of risk incidents and is not intended to completely eliminate risks or risk exposures.

Progressively, Velesto’s approach to risk management is also being aligned with the Risk Management requirements of the IFRS Sustainability Disclosure Standards as issued by the International Sustainability Standards Board (“ISSB”). In essence, expanding the oversight of risks to include sustainability and climate related risks.

ROLES AND RESPONSIBILITIES

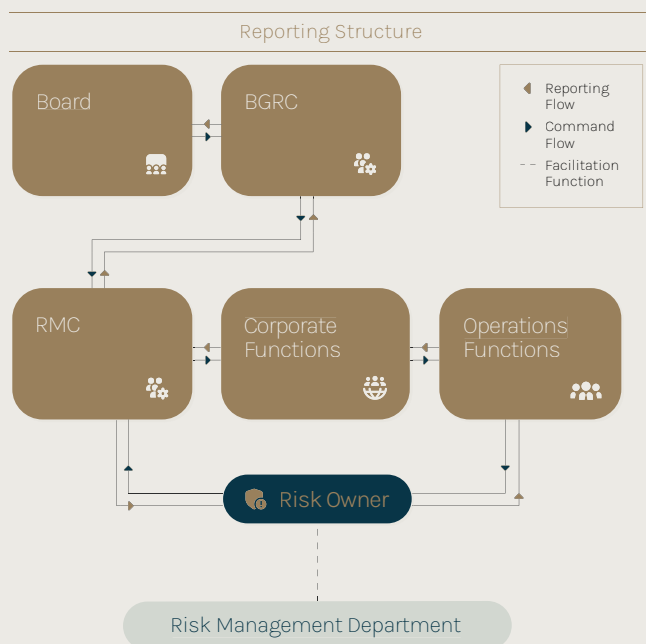
Through a clear governance framework and robust oversight, the Board of Directors works closely with Management to integrate risk management and internal controls into the Group’s operations and organisational processes. This ensures that risk management is seamlessly integrated into decision-making across all levels of the organisation.



Effective communication and information flow regarding risk management processes are supported by Velesto’s established reporting structure and oversight functions. The diagram below outlines the Group’s reporting structure, followed by an explanation of the roles and responsibilities for risk oversight.

¹ The IFRS Sustainability Disclosure Standards comprise IFRS S1 ‘General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 ‘Climate-related Disclosures’

Statement on Risk Management and Internal Control



OVERSIGHT STRUCTURE

THE BOARD

The Board of Directors holds ultimate responsibility for risk management, setting the strategic direction and governance framework for the Group. It ensures that adequate resources are allocated to maintain the effectiveness of the risk management function.

BGRC

The BGRC oversees the uniformity and effectiveness of risk management across Velesto, endorsing risk parameters, appetites, and strategies. It provides semi-annually 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 BGRC, 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, BGRC, and the Board, contributing to an informed risk management environment.

By adopting this structured approach, Velesto embeds risk management within its operational and strategic framework, strengthening its resilience and ability to adapt in an ever-evolving business environment.

A. THE BOARD AND BOARD COMMITTEES

Governance of the Group's risk management and internal control systems is a key responsibility of Velesto's Board of Directors, as defined in the Board Charter.

This ensures that the matter of risk comes under the purview of the Group's highest decision-making body and that the Board is well cognisant of the Group's existing and emerging risks as part of its roles and responsibilities in safeguarding shareholders' investments and the Group's assets. This includes sustainability and climate related risks. Risk oversight comes under the responsibility of Velesto's Board of Directors, both the full Board as well as through the dedicated Board Governance & Risk Committee ("BGRC") and the Board Audit Committee ("BAC").

Board of Directors ("The Board")

The governance of the Group's risk management and internal control systems is a key responsibility of Velesto's Board of Directors, as defined in the Board Charter. Committed to safeguarding shareholders' investments and the Group's assets, the Board focuses on the development and continuous enhancement of these systems. Through a clear governance framework and robust oversight, the Board works closely with Management to integrate risk management and internal controls into the Group's operations and organisational processes.

Acknowledging that these systems provide reasonable, rather than absolute assurance in addressing significant risks, the Board ensures that they support the Group's strategic objectives and long-term direction. In this regard, the Board maintains oversight of the Group's risk management framework, including the review and endorsement of risk parameters, appetite and strategies, while receiving regular updates to fulfil its overarching responsibility for effective risk governance.

To further strengthen its oversight, the Board has assigned specific responsibilities to a number of committees, each with distinct and complementary mandates.

Board Governance & Risk Committee ("BGRC")

The BGRC is a dedicated Board committee to provide specific oversight on risk and related matters and is guided by its respective Terms of Reference ("TOR"). Essentially, the BGRC is tasked with reviewing the Group's Risk Register on a periodic basis and to ensure that Management has implemented robust mitigation measures in relation to risks. This includes verifying the integrity and effectiveness of internal processes and control systems, determining if new risks such as sustainability or climate risks have been duly identified by Management and more.

Statement on Risk Management and Internal Control

The BGRC plays an integral role in advancing the Group's approach to Risk Management and Internal Control Framework, Business Continuity Management ("BCM"), and Environmental, Social, and Governance ("ESG") risk management, while also overseeing matters related to Health, Safety, and Environmental ("HSE") concerns.

Board Audit Committee ("BAC")

The BAC is charged with evaluating the effectiveness of the Group's internal control frameworks, supporting the Board in fulfilling its oversight responsibilities for financial reporting and accounting practices. The monitoring of internal controls by the BAC is achieved by having oversight on the internal audit process undertaken by Velesto's reporting. BAC works concertedly with the BGRC, which assesses the effectiveness of risk management process and mitigation plans.

Other roles undertaken by the BAC include ensuring compliance with established accounting standards, maintaining a strong internal control and management information system, and adhering to applicable legal and regulatory requirements.

The BAC also examines potential conflicts of interest and related party transactions, ensuring they are conducted fairly, transparently, and in alignment with the Group's best interests, safeguarding the rights of minority shareholders. In addition, the committee oversees both internal and external audit processes, assessing the adequacy and effectiveness of the internal control system. The BAC also plays a key role in having oversight on internal and external audit and assurance activities in the organisation.

Further details on the BAC's activities can be found in the BAC Report within this Integrated Annual Report. The TOR for the Board, BGRC, and BAC can be accessed on the Group's website at www.velesto.com.

B. THE MANAGEMENT

Velesto's management is tasked with the development and implementation of the Group's ERM and supporting internal controls and procedures, systems towards managing and mitigating risks. In essence, management, divided into various levels or tiers, holds the responsibility for strategic and day-to-day risk management.

This includes executing necessary activities, ensuring compliance with best practice systems such as the ISO31000:2018, strengthening and expanding risk identification activities with an emphasis on pre-emptive and proactive measures as opposed to reactive alternatives and providing necessary resources in terms of manpower and skills towards enabling effective risk mitigation. Progressively, management's role has expanded to include its oversight on risks to include sustainability and climate risks.

The objective as much as possible is to reduce risk exposure through risk avoidance by early identification through earlier detection and implementing preventive action steps and strategies. Where risks cannot be fully avoided due to the inherent nature of the industry or the external operating environment or factors beyond the control or influence of the Group, Management has implemented risk mitigation measures to reduce potential exposure. These measures are reviewed periodically to ensure effectiveness and strengthened progressively towards ensuring a continuous effective response to risks.

Management is driven by the following overarching principles in driving effective risk management and mitigation:

- **Risk Oversight**
Management is responsible for identifying, assessing, and monitoring risks that may impact the Group's goals and strategies, ensuring a clear understanding of internal and external challenges.
- **System Implementation and Effectiveness**
Comprehensive risk management strategies and internal control mechanisms are designed and implemented to mitigate identified risks, enhancing the Group's overall resilience.
- **Continuous Evaluation**
The risk management and internal control frameworks are regularly reviewed to ensure they remain effective and aligned with the Group's evolving risk landscape and strategic priorities.
- **Leadership and Culture**
By fostering the Group's core iLEAP 2.0 values – Integrity, Leadership, Excellence, Accountability, and Passion – Management nurtures an organisational culture centred on ethical practices and sound governance.

These initiatives underpin the reliability and effectiveness of the Group's risk management and internal control systems.

Aside from the Group's Senior Management or Leadership Team, the key management functions involved in risk management are Velesto's Risk Management Department ("RMD"), Internal Audit Division ("IAD") and the Integrity & Governance Unit and Compliance ("IGUC").

Statement on Risk Management and Internal Control

C. RISK MANAGEMENT DEPARTMENT (“RMD”)

Velesto’s Risk Management Department (“RMD”) plays a central role in managing risk across the Group, operating under the guidance of the Group’s ERM Policy and Framework and aligned with directives from the Risk Management Committee (“RMC”) and BGRC.

Tasked with ensuring that risk management processes adhere to industry best practices, the RMD actively collaborates with employees to promote a culture of risk awareness. Through workshops, training sessions, and awareness initiatives, the department embeds a collective understanding of risk management throughout the organisation.

At the heart of its responsibilities, the RMD focuses on identifying, assessing, and monitoring key risks. Quarterly risk evaluations and discussions with risk owners and department representatives help refine control measures and mitigation strategies, ensuring they remain effective and adaptable to the evolving business environment, minimising potential operational and project-related risks.

Additionally, the Group closely monitors developments in Environmental, Social, and Governance (“ESG”) standards and regulations. This includes addressing ESG-related risks, such as those linked to climate change, to enhance the Group’s resilience and commitment to sustainability.

For more details discussion on climate related considerations, please refer to the IFRS S2 Climate-related section of the Sustainability Statement of this IAR on page 65.

RMD Highlights 2025

During the FY2025, the Group reinforced its commitment to strong governance, heightened risk awareness, and effective risk mitigation through a series of targeted initiatives. These efforts were designed to enhance the organisation’s risk culture while ensuring alignment with best practices in ERM.

In 2025, the Group focused on strengthening its risk management capabilities through the implementation of the Synergi Life Risk Module, a key initiative aimed at enhancing the effectiveness, consistency, and transparency of risk management practices across the organisation. The system streamlines risk identification, assessment, monitoring, and reporting processes, enabling real-time visibility of risk exposures, and improving data integrity. Its implementation included structured engagement sessions and hands-on training for risk owners and representatives to support smooth adoption and alignment with the Group’s Enterprise Risk Management framework, while equipping users with practical knowledge on system navigation, reporting protocols, and mitigation tracking. The module also enhances accountability and timely escalation of emerging risks, supporting more informed decision-making at both Management and Board levels, and represents a significant step towards digitalising risk processes, fostering a proactive risk culture, and reinforcing the Group’s commitment to strong governance and risk oversight.

Building on this commitment to proactive risk management, the Risk Management team conducted a site visit to the Asian Supply Base in Labuan in May 2025. This engagement forms part of the Group’s continuous efforts to enhance risk awareness at key operational sites. The visit included refresher training on ERM and BCM, a thorough review of the risk register and key controls and a Risk Management Walkabout to assess progress on risk action plans.

Complementing these initiatives, the RMD continues to play a critical role in strategic project risk assessments, ensuring that risks are identified and mitigated at pivotal project stages. Through close collaboration with project teams and stakeholders, RMD facilitates structured risk discussions, provides valuable insights, and ensures alignment with ERM principles.

Statement on Risk Management and Internal Control

D. INTERNAL AUDIT DIVISION ("IAD")

The IAD is a fundamental element of Velesto's governance framework, providing independent and objective assurance on the adequacy and effectiveness of the Group's internal control systems.

The IAD functions as an integral control unit - undertaking checks, reviews and audits and works independently from the external assurance function. In ensuring IAD's independence, the unit reports functionally to the BAC and administratively to the President, maintaining a clear separation from the Group's operational and corporate activities.

With full autonomy, the IAD establishes its audit scope, conducts in-depth investigations, and reports findings directly to the BAC, ensuring transparency and the integrity of its processes. The IAD operates in alignment with the Group's risk profile and operational priorities, as outlined in the annual internal audit plan endorsed by the BAC. By evaluating internal controls, operational procedures, and critical functions, the IAD plays a vital role in driving operational effectiveness and efficiency.

Committed to the highest professional standards, effective 9 January 2025 the IAD follows the Global International Audit Standards ("GIAS") established by the Institute of Internal Auditors ("IIA"). This adherence underscores its dedication to ethical practices, excellence, and continuous improvement, contributing meaningfully to Velesto's strategic objectives and long-term value creation.

IAD Highlights 2025

In 2025, the IAD continued to focus on assessing Group operational entities. Audits were performed at the Kemaman Supply Base, on various JU rigs of the Group as well as conducting reviews and stress testing various internal controls, systems and procedures. IAD had also reviewed the selection and appointment process of consultants engaged by Velesto in 2025 to ensure the awarding process was based on merit. Other key highlights were the quarterly reviewing regular related party transactions and related party transactions for potential irregularities. Beyond audits, IAD also undertook training and awareness activities. In 2025, IAD facilitated five knowledge sharing sessions to staff pertaining to governance and internal controls. Other education efforts included joint efforts with Velesto's QHSE division for an awareness session on health, safety and environment related topics. The session was titled: Work Area / Office Safety: What Is Your Role from A Governance Perspective? The session was held in support of enabling Velesto to maintain its continued track record of Zero LTI.

On the technological or digital front, IAD established the Internal Audit Observation Tracker ("IOAT") in 2025. The IOAT is a comprehensive digital platform that enables monitoring of all audit management responses whereby, auditees are required to update their action plans on a monthly basis, with review and verification from IAD. Other works performed / undertaken by IAD in 2025 were revision of the IAD Charter and MSP.

E. INTEGRITY & GOVERNANCE UNIT AND COMPLIANCE ("IGUC")

Fostering a culture of ethical behaviour and compliance, the IGUC is dedicated to addressing corruption, abuse of power, and malpractice within Velesto. The IGUC implements a wide range of programmes and initiatives aimed at fostering and continually enhancing a culture of ethical conduct. These efforts ensure that ethical practices are embedded at every level of the organisation and form an integral part of its operations.

As part of its responsibilities, the IGUC submits biannual reports on its activities and initiatives to the Malaysian Anti-Corruption Commission ("MACC") via the Agency Integrity Management Division, also referred to as Badan Pengurusan Integriti Agensi ("BPIA").

The IGUC's Fundamental responsibilities encompass:

- **Complaints Management**
Receiving, investigating and if proven founded, to submit their findings to the BAC for further review and action.
- **Integrity Enhancement**
Cultivating, embedding, and actualising integrity principles across the organisation.
- **Detection and Verification**
Identifying and verifying instances of criminal misconduct and ethical breaches, ensuring appropriate corrective actions are implemented and reporting such matters to the relevant authorities in accordance with regulatory requirements.
- **Governance**
Supporting the practice of good governance and corporate best practices in Velesto, working concertedly with all units, entities and individuals within the Group's governance structure.

Statement on Risk Management and Internal Control

IGUC Highlights 2025

The IGUC, in 2025 continued to actively undertake a wide range of anti-corruption and corporate governance related activities and programmes in reinforcing culture of high integrity and ethical behaviour across Velesto. The continuous reinforcement through two-way engagement with employees and stakeholders is essential in ensuring continued awareness and understanding as well as maintaining a high-level of adherence to the Group's policies and code of conduct. Also for staff, Velesto held its Integrity Day. The event was held in collaboration with the MACC and Rasuah Busters, a Malaysian, Non-Governmental Organisation ("NGO") dedicated to fighting corruption, bribery, cronyism, and nepotism. The event received media coverage in local Malay daily, Sinar Harian.

Other events, programmes and initiatives undertaken in 2025 included the annual Declaration of Fit & Proper and Conflict of Interest for all staff and crew. 2025 saw Velesto once again achieve a 100% declaration with all staff and crew providing signed confirmation of their commitment to abide by the said policy during the financial year. This is in addition to the mandatory, annual online Integrity Assessment, for all onshore and offshore personnel. The assessment is to assess and strengthen staff and crew's understanding of integrity-related matters. The assessment had a 100% participation rate in 2025.

Of note, IGUC carried out for corruption risks assessments, each focusing on a specific aspect of Velesto's operations. The assessments continued to probe for potential vulnerabilities or operations / personnel who may be more exposed to corruption due to their nature of work. The assessments also test the robustness of existing control and oversight measures.

In 2025, Velesto participated in the Anugerah Integriti Dan Governan ("AIGA") event organised by Institute Integrity Malaysia ("IIM"). The Group had also taken measures to revise its Whistleblowing Policy & Procedure and ABMS Manual towards strengthening the relevance and effectiveness of both based on Velesto's specific business requirements and operational context.

LIST OF ANTI-CORRUPTION AND GOVERNANCE AND INTEGRITY ACTIVITIES UNDERTAKEN IN 2025

TRAINING/ COURSE NAME	TARGET AUDIENCE
Fit & Proper Declaration 2025	All Staff
Anti-Money Laundering ("AML") Due Diligence & Anti-Bribery & Anti-Corruption	All Staff
Participate in Anugerah Integriti Dan Governan ("AIGA") organised by the Institute Integrity Malaysia ("IIM")	-
Know Your Counterparty Workshop	Relevant staff
Video Pendek Raya (Keselamatan & Integriti): Kecoh Satu Hari Sebelum Raya	All Staff
Finance Division Awareness Talk: Integrity Sharing By IGUC	Finance Staff
Integrity Roadshow - ABAC Training at Kemaman	Supply Base staff
Corruption Risk Management Workshop	Relevant staff
Integrity Awareness Session - NAGA 3	Offshore Staff
ABAC Sharing Session with Finance	Finance Staff
Develop Know Your Counterparty ("KYC") Procedure	-
Integrity Assessment	All Staff
Sharing Session on KYC Procedure	Relevant staff
ISO 37001 ABMS Internal Audit Training	ABMS Auditors
PDPA Talk	All Staff
Velesto Integrity Day	All Staff
IGUC Awareness Campaign Vide "Keep It Real Keep It Right"	All Staff
Velesto Integrity Day Video	All Staff
Talk session: Fire safety & Governance	All Staff
Revision of Whistleblowing Policy & Procedure	All Staff
Revision of ABMS Manual	All Staff

ANTI-CORRUPTION FESTIVE POSTER CAMPAIGN

CAMPAIGN	TARGET AUDIENCE
Poster Chinese New Year Corporate Gifts, Gifts, Entertainment, Hospitality ("CGGEH") Reminder	All Staff
Poster Ramadan Corporate Gifts, Gifts, Entertainment, Hospitality ("CGGEH") Reminder	All Staff
Poster Deepavali Corporate Gifts, Gifts, Entertainment, Hospitality ("CGGEH") Reminder	All Staff
Poster Christmas Corporate Gifts, Gifts, Entertainment, Hospitality ("CGGEH") Reminder	All Staff

Statement on Risk Management and Internal Control

VELESTO ANTI-CORRUPTION PLAN ("VACP") 2023-2027

The VACP is an anti-bribery & anti-corruption organisational level document, developed to further entrench and cascade the practice of good governance, corporate integrity and anti-corruption Group wide.

It builds on the Group's Integrity Governance Framework and provides a strategic foundation for integrating strong internal control systems across the Group. It reflects the organisation's commitment to maintaining integrity and complying with the highest standards of corporate governance.

The VACP was developed in tandem with mandatory initiatives as spelled out under the National Anti-Corruption Plan ("NACP") 2019-2023. VACP outlines three (3) important strategies in our mission to be a corrupt-free organisation with sustainable business culture and high integrity personnel, which are: i) Improvement on internal controls to combat corruption and bribery activities; ii) Instilling an ethical and compliance culture among employees; and iii) Adhering to governance and enhancing the efficiency of the Supply Chain's Contract management process. The success of VACP requires strong support and continuous effort from all employees in Velesto.

ENTERPRISE RISK MANAGEMENT ("ERM")

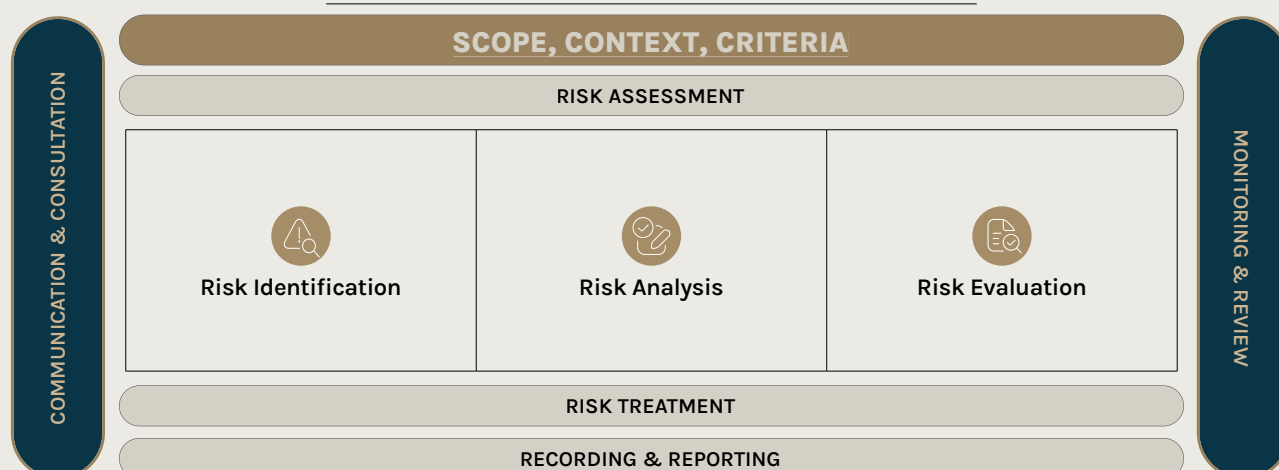
A. ERM FRAMEWORK

As prior mentioned, a fundamental aspect of Velesto's approach to risk management and mitigation is the Group's ERM framework. The framework enables structured and strategic oversight of risks as well as systematic and effective responses towards mitigating risks, while ensuring delegation of responsibilities and duties. It provides for the development and implementation of internal processes and controls and ultimately enables a Group wide response towards managing risks robustly. A key aspect of the framework is also the categorisation and determination of risks based on a severity and likelihood ratings system.

The ERM has and continues to be reviewed and refined towards ensuring relevance with present and future requirements. This includes the integration of sustainability and climate risks into the framework.

The ERM has been developed with adherence to the ISO 31000: 2018 Risk Management Guidelines Standard. It applies consistent methodologies and standards across all processes and operations, enabling the thorough identification, evaluation, mitigation, and monitoring of both inherent and emerging risks. The framework also enables the integration of the Group's risk appetite and its tolerance / threshold levels together with key risk indicators ("KRIs").

The diagram below portrays the Group's ERM Framework.



Statement on Risk Management and Internal Control

INTERNAL CONTROL SYSTEMS

Velesto's Board has implemented a robust framework of internal control systems designed to ensure effective governance, clear direction, and oversight. These systems are structured around key elements, which collectively uphold operational efficiency and risk mitigation across the Group:

a. Organisation Structure

Velesto's organisational structure is defined by clear lines of responsibility, accountability, and authority limits that align with the Group's corporate and operational requirements:

- **Management Committee:** Comprising Senior Management and chaired by the President, this committee oversees decision-making processes and provides supervision of daily business operations.
- **Tender Committee:** Responsible for reviewing and recommending tender plans and awards for procurement activities, this committee is chaired by the Chief Financial Officer and includes senior division heads.

b. Annual Business Plan and Budget

An annual business planning and budgetary process is conducted, incorporating:

- **Industry and Market Analysis:** Comprehensive studies to inform business strategies and KPIs.
- **Board Oversight:** Plans are presented for deliberation and approval prior to implementation.
- **Performance Monitoring:** Budgets from operational units are regularly compared with actual results, with variance analyses presented to the Board quarterly.

c. Core Values and Code of Business Conduct and Ethics ("CoBE")

The Group's core values, encapsulated in the acronym iLEAP 2.0—Integrity, Leadership, Excellence, Accountability, and Passion—serve as guiding principles for ethical behaviour.

These values are integrated into employee engagement to reinforce a culture of accountability and ethical conduct

d. Policies and Management System Procedures

Velesto has established a comprehensive set of internal policies and management system procedures to ensure efficiency, standardisation, and compliance:

- **Certified Standards:** Procedures are aligned with key standards, including:
 - ISO 9001:2015 - Quality Management System
 - ISO 14001:2015 - Environmental Management System
 - ISO 45001:2018 - Occupational Health and Safety Management System
 - ISO 29001:2010 - Petroleum, Petrochemical, and Natural Gas Sector Quality Management System
- **Policy Communication:** All policies are accessible via Velesto's intranet, ensuring Group-wide implementation and adherence.

Statement on Risk Management and Internal Control

KEY SUPPORTING POLICIES

1. **Limits of Authority:** Defines approval levels across management tiers and specifies matters requiring Board approval.
2. **Anti-Bribery and Corruption Policy:** Prohibits corrupt practices and aligns with the MACC Act 2009 and related regulations.
3. **Whistle-Blowing Policy:** Encourages transparency and ethical behaviour while protecting whistleblowers under the Whistleblower Protection Act 2010.
4. **Health, Safety, and Environment ("HSE") Policy:** Focuses on safeguarding people, assets, and the environment, ensuring the adoption of industry best practices.
5. **Human Resources Procedures and Guidelines:** Covers all aspects of talent management, including recruitment, development, retention, and performance management, with disciplinary procedures aligned with labour laws.
6. **Corporate Gifts, Entertainment, and Hospitality Procedures ("CGGEH"):** Establishes standards for legal, ethical, and cultural considerations in these areas.
7. **Procurement Procedures:** Details the principles and processes governing the procurement of goods and services, ensuring alignment with the relevant authority policies.

Three Lines of Defence Model

Velesto employs the Three Lines of Defence Model as a core component of its ERM. The three lines of defence establishes a triple level of risk identification, management, and mitigation approach, thus enabling a more robust response.

Operations, systems, processes are accessed rigorously from tactical or operational levels with additional support and oversight driven through strategic guidance and advisory. This is further bolstered by regular audits, inspections, and assurance activities as a further measure. The model establishes clearly defined roles and responsibilities across three distinct layers within the organisation, providing a robust and integrated approach to managing risk.

BOARD OF DIRECTORS		
BGRC & BAC		
LINES OF DEFENCE		
 1st Line: Risk-Taking Units	 2nd Line: Risk-Control Units	 3rd Line: Internal Audit & IGUC
Division & Departments	RMC & RMD	Internal Audit & IGUC
Diligently own and manage risks within daily business operations in accordance with established risk strategies, frameworks, policies and procedures.	Provide risk oversight and guidance over the effective operation of the risk management framework, policies, and procedures.	Provides independent assurance through assessment and validation that the risk management framework, policies and tools are robust, consistently applied and fully compliant with regulatory standards, while ensuring that risk mitigation controls are adequate and effective.

Statement on Risk Management and Internal Control

B. VELESTO GROUP TOP RISKS OVERVIEW

As part of its SORMIC, Velesto continues to provide disclosures on the Group's more material risks as well as the implemented mitigation measures.

Risks have been identified based on risk assessment system, where risks scores are developed based on a criteria of potential magnitude of severity and likelihood of occurrence. The below mentioned risks are reassessed periodically by Velesto throughout the financial year.

RISK CATEGORIES AND MITIGATION MEASURES

Top Risks	Action Plans and Initiatives
 Geopolitical Risk	Refers to macro perspective risks in relation to geopolitical, national or international developments, which can have direct or indirect business and operational impacts to the upstream oil and gas sector and consequently, Velesto. These include trends that may manifest with increased magnitude and probability over time. The Group's mitigation action plans include the following: • Active monitoring of market forces, industry trends and developments, government policies and the policies and directives of national oil companies and oil and gas majors. This includes monitoring oil and gas price movements and staying abreast with developments on decarbonisation, carbon capture, storage and utilisation, carbon credits, and potential impact of climate change on business operations. • Undertaking regular Political, Economic, Social, Technological, Environmental, and Legal ("PESTLE") analysis to identify emerging and inherent risks and opportunities. • Undertaking stakeholder engagement with government bodies, clients, industry associations, and others. • Establishing local partnerships including professional advisors to meet business, tax immigration and customs requirements with proper due diligence and governance to reduce market related risks. • Leverage on internal 'local matter experts' to support operations.
 Execution Risk	The risk primarily revolves around Velesto's inability to achieve targeted rig utilisation due to commercial reasons such as inability to secure contracts or due to operational factors which may render rigs to not be available to execute contracts. Either scenarios would likely lead to direct financial impacts from reduced revenue recognition, increased costs to expedite or ensure vessel readiness or negative impacts to reputation. To mitigate risks associated with rig maintenance at shipyards, the Group has implemented a structured approach, incorporating pre-shipyard preparatory work, early identification of equipment maintenance requirements and spare parts, and engagement with third-party project management expertise. These measures are designed to anticipate potential challenges ahead of the shipyard phase, ensuring a seamless and efficient execution process. Given Velesto's present asset uptime of 99.5% (which is the highest ever attained by the Group and surpassing the industry benchmark of 98%), the risk of not achieving targeted rig utilisation and project execution remains low.

Statement on Risk Management and Internal Control

Top Risks	Action Plans and Initiatives
Supply Chain Risk 	Amidst a highly competitive industry, maintaining precision and efficient business and operational processes is imperative towards achieving efficiency, reflected in faster pace of business and asset mobilisation and lower related costs. This includes establishing and implementing systems, internal control, and processes. The Group's mitigation action plans include the following: • Developing strong internal competencies to effectively implement the Group's Category Management transformation journey. • Continue focussing on learning & development programmes for procurement staff. • Progressively enable full automation of procurement processes and develop category taxonomy. • Implementation of Supplier Relationship Management programme for strategic vendors. • Strengthening supply chain resilience by expanding the vendor base and maintaining regular engagement with key suppliers.
Market Risk 	Velesto operates in the upstream segment of the oil and gas value chain, where industry activities are highly dependent on the prevailing price of global crude oil and gas. The momentum of E&P activities are typically driven by global supply and demand dynamics which are influenced by geopolitical factors, national policies, global economic growth, and other existential factors, trends, and developments. Market risks also includes other aspects such as competitive pressures from other rig operators. In essence, market forces can impact demand for well drilling and related services, which in turn can affect DCR and rig utilisation rates. In mitigating the aforementioned risk exposures, Velesto continues to adopt a set of external facing and internal looking strategies. External strategies include aggressively focusing on business development to replenish the order book, pursuing longer-term contracts to enable revenue and earnings visibility and expanding into Southeast Asia. The Group continues to monitor the latest developments surrounding operational adjustments in the Middle East to assess potential implication on regional market dynamics. Proactive tracking of competitor consolidation and strategic manoeuvres enables informed decision-making and agile positioning within the industry. Internal strategies revolve around ensuring cost and operational efficiency and productivity. These include business process improvements, leveraging strategic collaborations for assets and capability enhancements. Pursuing innovation and technology transfer and driving improvements across the operations. Other measures include actively managing contract mix, balance short-term low-rate work with longer-term stable contracts.

Statement on Risk Management and Internal Control

Top Risks	Action Plans and Initiatives
Technology & Cybersecurity Risk	Technology dependence may potentially lead to a higher risk of exposure to cyberattacks such as data theft, malicious hacking such as denial-of-service attacks and more. These vulnerabilities pose risks of operational disruptions, financial losses, and reputational damage. To mitigate these risks, Velesto has strengthened its cybersecurity framework by implementing a range of protective and detective security measures through a dedicated information security team. Annual testing and independent assessments have been conducted to further safeguard IT systems and networks. Key initiatives include: • Cybersecurity Assessments and Testing • Launch of the Cybersecurity Awareness programme in 2025 to instil awareness and vigilance to all offshore and onshore personnel. • Security Enhancements: Strengthened system defences through the implementation of Endpoint Detection and Response ("EDR") solutions, firewall upgrades, and improvements to critical security infrastructure. • Implementation of a Private Cloud Server to securely host critical applications and data, enhancing control and compliance.

BUSINESS CONTINUITY MANAGEMENT ("BCM")

As part of its approach to risk management and mitigation, Velesto has developed a comprehensive Business Continuity Management ("BCM") plan.

The BCM essentially, enables Velesto to respond effectively to a wide range of disruptive business and operational scenarios, with necessary contingency measures having been developed, tested, and deemed ready for implementation. The BCM provides for disaster recovery and management, offsite or remote working arrangements, back-up systems and assets, safety of stakeholders and various other business and operational aspects.

The BCM Framework is built on four essential components:

 Business Continuity Policy This policy sets forth the foundational principles, priorities, and governance for the Group's business continuity efforts.	 Business Continuity Oversight Structure This structure delineates clear accountability, roles, and responsibilities for the implementation and updates to the BCM Framework.
 BCM Methodology This outlines the strategic approach for developing effective strategies and the corresponding Business Continuity Plan or BCP.	 BCM Programme This programme outlines critical milestones and timelines to bolster the Group's business continuity capabilities.

A. BCM FRAMEWORK

The Group's BCM Framework is illustrated below. This framework serves as a detailed guide to bolster Velesto's resilience.

B. BUSINESS RECOVERY STRATEGIES

Continual Improvement

- System Monitoring & Review
- Risk Assurance
- BCM Capability Building



Governance

- Risk Policy
- Organisation & Structure
- Roles & Responsibility



Risk Assessment

- Risk Identification
- Risk Analysis
- Risk Evaluation



Testing & Exercising

- Testing & Exercise Plan
- BCP Simulation



Business Recovery Strategy

- Recovery Strategy
- Business Continuity Plan



Business Impact Analysis

- Critical Business Function
- Minimum Resource Requirements



Statement on Risk Management and Internal Control

Velesto proactively designs and refines its recovery strategies to ensure seamless business continuity. The development of these strategies is grounded in eight strategic pillars, as below.

 People Critical manpower prioritisation, team rotations and outsourcing	 Finance Sufficient standby banking facilities, security of accounting system and insurance coverage	 Premises Work From Home ("WFH") initiative and physical alternate sites	 Information & Data Web-based document management system and hardcopy storage
 Information and Communication Technology ("ICT") Systems Cloud backups and data replication	 Transportation & Logistics Emergency logistical arrangements	 Equipment & Consumables Emergency procurement arrangement and services	 Partners and Suppliers Emergency service level agreements

In FY2025, Velesto undertook several BCM initiatives to strengthen organisational resilience and enhance preparedness against potential disruptions.

- Social Engineering Test:** In January 2025, Velesto Energy conducted a social engineering exercise comprising a phishing email simulation and a USB drop attack scenario to assess employee vigilance against cybersecurity threats. The exercise evaluated susceptibility to phishing links, malicious macro execution, and unauthorized USB usage across onshore and offshore personnel. The findings highlighted continued exposure to social engineering risks and reinforced the importance of strengthening cybersecurity awareness initiatives, user vigilance, and preventive controls as part of the organisation's overall BCM preparedness and resilience framework.
- Byte Size Insight:** Introduction to Risk Management: In July 2025, the Risk Management Division ("RMD") conducted a Byte Size Insight session on Introduction to Risk Management at Velesto. The session provided an overview of fundamental risk management principles and their application within Velesto's operations, aimed particularly at 2025 new joiners to enhance risk awareness and promote a proactive risk culture. Approximately half of the session focused on the BCM framework, covering governance structure, roles and responsibilities across departments, crisis escalation protocols, and the fundamental BCM process to assess risks, assess business impacts, design recovery strategies, and develop and maintain the Business Continuity Plan ("BCP"), reinforcing organisational resilience and preparedness.

Statement on Risk Management and Internal Control

ASSURANCE TO THE BOARD

The President and Chief Financial Officer ("CFO") of Velesto have provided assurance to the Board that the Group's risk management and internal control systems functioned effectively and adequately in all material respects throughout FY2025 and up to the issuance of this Statement, apart from certain control weaknesses identified and subsequently addressed during the year.

The Board affirms that a continuous process is in place to identify, evaluate, monitor, and manage significant risks. During the financial year under review, no material weaknesses in the risk management and internal control systems were noted that would have resulted in significant losses, contingencies, or uncertainties requiring disclosure in the Integrated Annual Report.

Having reviewed these systems, the Board is satisfied that they are sound and sufficient to protect shareholders' investments and the Group's assets for the financial year in review and up to the date of this report. Identified control weaknesses were promptly remedied to prevent any impact on operations or governance.

The Board remains focused on the ongoing enhancement and strengthening of Velesto's risk management and internal control systems to ensure consistent protection of the Group's assets and shareholder interests.

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 9 April 2026.

Board Audit Committee Report

OVERVIEW OF BAC

This report sets out the activities and responsibilities undertaken by the Board Audit Committee (“BAC”) in supporting the Board’s oversight of financial reporting, internal control, audit and compliance matters for the Group during FY2025.

01. All Independent Non-Executive Directors	02. MIA Membership	03. Independent Chairman	04. Governed by BAC TORs
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COMPOSITION

Chairman Alan Hamzah Sendut	Ir. Dr. Mohd Shahreen Zainooreen Madros	Ar. Ahila Ganesan	Rowina Ghazali Seth
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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”).

ROLES AND RESPONSIBILITIES

The Board Audit Committee (“BAC”) is responsible for providing oversight on financial reporting, audit and internal control matters to support the Board in discharging its fiduciary duties.

The BAC maintains regular engagements with Management to obtain updates on financial, operational and compliance matters, and provides updates and recommendations to the Board. It exercises oversight on reports presented to the Board and shareholders and works closely with other Board Committees to promote consistency in governance oversight.

In relation to financial reporting and internal control, the BAC reviews the adequacy and effectiveness of the Group’s financial reporting processes and internal control systems. This includes monitoring compliance with approved accounting policies, applicable accounting standards and statutory requirements, as well as assessing the Group’s financial position and financial reporting prior to submission to the Board.

With regard to external audit, the BAC reviews matters relating to the appointment and remuneration of the external auditors, the scope of audit work and audit findings arising from the audit process. The BAC also reviews the performance of the external auditors and conducts assessments of their independence and objectivity.

The BAC oversees the management of conflicts of interest and reviews related party transactions to ascertain compliance with regulatory requirements and internal governance policies.

In respect of internal audit, the BAC evaluates and assesses the effectiveness of the Internal Audit (“IA”) function and the IA process. The Committee determines the scope of internal audit work, sets key performance indicators (“KPIs”) for the IA function and reviews KPI results to assess performance.

The BAC also reviews findings from both internal and external audits and monitors the implementation of Management’s action plans. In addition, it reviews the internal control environment and the limits of authority framework to support sound governance practices across the Group.

The BAC supports the Board’s oversight of financial reporting, audit and internal control matters through a structured framework of interrelated focus areas. These focus areas work collectively to support the Group’s fiduciary obligations and strengthen its corporate governance practices.

All Independent Non-Executive Directors (“INEDs”) meet the independence criteria set out under BURSA’s MMLR, and no Independent Director has appointed as alternate director. The Chairman of the BAC, Alan Hamzah Sendut, who was appointed on 2 February 2024, is a member of the Malaysian Institute of Accountants. Accordingly, the BAC complies with the requirement prescribed under Paragraph 15.09(1) (c)(i) of the MMLR.

Board Audit Committee Report

The BNRC conducted the annual performance evaluation of the BAC and its members for FY2025, with the results reviewed by the Board. In considering the mix of skills and attributes required for effective oversight, the evaluation covered areas such as professional knowledge, relevant expertise and time commitment. Based on this assessment, the Board is satisfied that the BAC and its members discharged their functions, duties and responsibilities in accordance with the BAC's Terms of Reference ("TOR"). Further details on the Board Effectiveness Evaluation ("BEE") for FY2025 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 as set out in its TOR. It provides a formal interface between the Board, Management, the Internal Auditor and the External Auditors, facilitating structured communication and coordinated oversight across financial reporting and assurance processes.

TERMS OF REFERENCE ("TOR")

The TOR defines the BAC's objectives, authority, functions, duties and responsibilities across its designated focus areas.

It also sets out requirements relating to composition and administrative procedures to support orderly and effective execution of the Committee's mandate. The TOR of the BAC is available on Velesco Energy Berhad's corporate website at www.velesco.com.

COMPOSITION

For FY2025, the BAC comprised four members, all of whom were Non-Executive Directors ("NEDs"). As at 31 December 2025, the full membership of the BAC consisted of INEDs, in compliance with Paragraph 15.09(1)(a) and (b) of the MMLR and Principle B of the Malaysian Code on Corporate Governance 2021 ("MCCG 2021").

MEETINGS AND ATTENDANCE

During FY2025, the BAC held seven (7) meetings. Attendance details are disclosed in the Corporate Governance Overview Statement of this Integrated Annual Report. Meeting dates were scheduled in advance to support effective planning by members, with reminders issued ahead of each meeting.

Senior Management and key assurance providers, including the President, Chief Financial Officer, General Counsel Legal and Secretarial and Company Secretary, Head of Internal Audit and representatives of the External Auditors, were invited to attend meetings to present papers, participate in deliberations and provide clarification on matters tabled.

Under the direction of the Chairman, meeting agendas were structured to promote focused discussion and efficient use of time. Approved agendas guided the sequence of proceedings and supported members in navigating key issues. The Chairman facilitated discussions to encourage constructive engagement. Agenda papers and supporting materials were circulated securely via electronic platforms at least five (5) days prior to each meeting or earlier where practicable.

The Company Secretary, who also serves as the General Counsel Legal and Secretarial, acts as secretary to the BAC and records the proceedings of each meeting as an official account of the Committee's deliberations. Following each meeting, the Chairman reported to the Board, and the approved minutes were subsequently tabled for information. Significant matters considered by the BAC were escalated to the Board for further deliberation, supporting aligned governance oversight.

CONTINUOUS TRAINING

Members of the BAC place emphasis on ongoing professional development to support the effective discharge of their responsibilities. During the year under review, all BAC members attended training programmes in line with Practice 9.5 of the MCCG 2021.

Details of the training programmes undertaken by the BAC members are set out in the Corporate Governance Overview Statement of this Integrated Annual Report.

SUMMARY OF BAC'S WORK

Oversight of internal control, governance and transparent financial reporting is carried out by the BAC under the authority delegated by the Board and in accordance with the BAC's TOR.

Matters tabled for the BAC's consideration during the financial year included summaries of Internal Audit Reports and External Auditors' Reports, encompassing financial, operational, compliance, governance, risk management and internal control areas. These reports enabled the BAC to examine key issues identified and to assess the appropriateness of Management's responses and action plans.

Progress updates on audit findings, together with the status of preventive and corrective actions, were presented to the BAC on a regular basis. This provided the Committee with visibility over the implementation of remedial measures and supported ongoing monitoring of outstanding matters to promote timely resolution and stronger control practices across the Group.

Through these review and monitoring processes, the BAC provided the Board with informed input on matters relating to the integrity of financial reporting, the effectiveness of internal control systems and the quality of governance oversight.

Board Audit Committee Report

During the year under review, the BAC in the discharge of its duties and functions, carried out the following activities:

Financial Reporting

- On 25 February 2025 - Unaudited fourth quarter financial results of fiscal year 2024;
- On 20 May 2025 - Unaudited first quarter financial results of fiscal year 2025;
- On 20 August 2025 - Unaudited second quarter financial results of fiscal year 2025;
- On 18 November 2025 - Unaudited third quarter financial results of fiscal year 2025;
- On 23 February 2026 - Unaudited fourth quarter financial results of fiscal year 2025.

Additionally, on 8 April 2025, the BAC conducted a review of the Audited Financial Statements for fiscal year 2024, before they were approved by the Board on 15 April 2025.

All quarterly financial results for fiscal year 2025 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

- Reviewed on Key Assumptions to be used for FY2024 Impairment Assessment
- Update on E-invoicing
- Approved appointment of Tax Consultants for tax advisory
- Appointment of Tax Consultant for Transfer Pricing Documentation Review and Benchmarking for YA2024 and YA2025
- Tax planning
- Proposed Capital Reduction and circular on the proposal
- Report by Internal Audit Division
- Special Review on KSB'S Incoming and Outgoing Items (Offshore)
- Interim Dividend for FY2025
- Banking arrangement for the Group
- Appointment of Tax Consultant for oversea business
- Cost Optimisation
- Related Party Transactions ("RPT") and Recurrent Party Transactions ("RRPT")
- Investors Relation - Share Price Analysis
- Update on Audit Issues
- Setting of FY2025 KPI Setting for Head of Internal audit Division
- Review of Review of Long Term Debt Initiatives
- Strategic Procurement Plan
- Write Off Stock Obsolescences
- Information on Finance Strategy
- Revision of VEB Audit Charter
- Update on Audit Planning Memorandum by EY
- Update on MFRS 18 (Presentation and Disclosure in Financial Statements)
- Conflict of Interest Report
- Investors Relation - Share Price Analysis
- Update on SST Status
- Update on National Budget 2026
- Review of financial impact for ESOS
- Revision of Audit Charter
- Revision of Internal audit management system procedure

Annual Reporting

On 24 March 2026, 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 2025. The endorsed SORMIC was presented to the Board for final approval and subsequent inclusion in the Integrated Annual Report 2025.

Internal Control

The BAC actively oversees Conflict of Interest management as outlined in its TOR. It reviews any instances of conflicts of interest or potential Conflict of Interest with the Company or the Group, including transactions and procedures. The BAC assesses the effectiveness of internal controls based on findings from both Internal and External Audit reports.

During its meeting on 25 February 2025, the BAC evaluated conflict of interest situations, procedures, and measures implemented during the fiscal year ended 2024. Additionally, the BAC received information regarding the Conflict of Interest assessment conducted by BNRC and agreed to present this information to the Board for acknowledgement.

External Audit

On 8 April 2025, the BAC conducted a review of the External Auditors' Report on the Audited Financial Statements for the fiscal year 2024. During this session, 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 21 March 2025, 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 three private meetings with the External Auditors on 25 February 2025, 8 April 2025 and 18 November 2025 excluding the 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.

On 18 November 2025, the BAC reviewed and sanctioned the External Auditors' Audit Plan Memorandum for the fiscal year 2025. 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.

Board Audit Committee Report

Internal Audit

On 21 November 2024, the BAC reviewed and approved the Annual IA Plan for the fiscal year 2025.

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 2025 to consider 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, assurance activities on the Sustainability Report 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.

INTERNAL AUDIT FUNCTION

An effective internal audit function is fundamental to the Group's assurance framework. Through independent and objective evaluations, the Internal Audit Division ("IAD") supports the Board and the BAC in assessing the adequacy and effectiveness of the Group's internal control, risk management and governance processes.

The IAD reports functionally to the BAC and administratively to the President. The BAC receives regular updates on audit activities, significant audit findings, observations, the status of corrective actions and key control matters arising from internal audit reviews, enabling timely oversight and follow-up.

The Internal Audit Charter sets out the purpose, authority and responsibilities of the IAD. To safeguard independence and objectivity, the IAD does not assume operational responsibilities over the activities of auditees.

As at 31 December 2025, the IAD comprised 5 personnel. Total resources allocated to the internal audit function amounted to RM 1.795 million (FY2024: RM1.3 million), primarily covering staff costs and incidental expenses such as travel and training. Audit planning and execution are guided by a risk-based methodology, with an emphasis on higher-risk areas and the evaluation of the effectiveness of mitigating controls which is aligned with the Group's strategic objectives and principal risks, and approved by the BAC.

The IAD conducts its activities in accordance with the Global Internal Audit Standards ("GIAS") issued by the Institute of Internal Auditors. These standards, forming part of the International Professional Practices Framework (IPPF), establish the principles and requirements for the professional practice of internal auditing.

The Internal Audit function adheres to the five domains of the GIAS: Purpose of Internal Auditing, Ethics and Professionalism, Governing the Internal Audit Function, Managing the Internal Audit Function, and Performing Internal Audit Services. It ensures that audit activities are conducted with integrity, objectivity, competence, and due professional care. The Internal Audit function also maintains a Quality Assurance and Improvement Programme (QAIP) to assess its compliance with the GIAS and to continuously improve its effectiveness.

Further information on the internal control oversight structure, including the role of the IAD, is set out in the Statement on Risk Management and Internal Control ("SORMIC") section of this Integrated Annual Report.

RELATED PARTY TRANSACTIONS ("RPT") AND RECURRENT RPT ("RRPT")

A Management System Procedure on RPT and RRPT ("MSP RPT") has been established to govern the implementation of the Group's Policy on RPT and RRPT.

This procedure provides a structured framework for the identification, review, monitoring and reporting of such transactions, supporting consistent application across departments and divisions responsible for execution.

The framework is designed to promote transparency and accountability, with processes in place to support compliance with applicable regulatory requirements. During the period under review, the RPT Secretariat, established under the MSP RPT, coordinated and monitored compliance with RPT and RRPT requirements across the Group. All RPTs and RRPTs were reported to the BAC and subsequently to the Board on a quarterly basis.

Quarterly reviews of RPTs and RRPTs carried out by the Group were performed by the IAD. Based on these reviews, the IAD was satisfied that the transactions were undertaken on an arm's length basis and did not prejudice the interests of the Group or its minority shareholders.

This BAC Report was presented to and approved by the BAC and the Board at their respective meetings held on 24 March and 25 March 2026.

Additional Compliance Information

1. UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

During FY2025 and up to the date of this report, the Company announced the following corporate proposals:

- (i) The capital reduction of RM1.20 billion pursuant to Section 116 of the Companies Act 2016 was completed on 14 August 2025 and did not involve any cash proceeds;
- (ii) The proposed disposal of "NAGA 3" for a cash consideration of USD63.0 million, announced on 16 December 2025, with the proceeds intended to be utilised as follows: RM251.1 million for distribution to shareholders, general corporate and working capital requirements of the Group, and RM7.3 million for estimated expenses. The disposal is expected to be completed by the end of the first half of 2026, subject to the approval of the financiers;
- (iii) The proposed disposal of 100% equity interest in Velesto Workover Sdn. Bhd. for a cash consideration of RM16.5 million, announced on 29 December 2025, with the proceeds intended to be utilised as follows: RM15.8 million for working capital and RM0.7 million for estimated expenses. The disposal is expected to be completed in the first half of 2026; and
- (iv) The proposed establishment of Sukuk Wakalah Programmes of up to RM1.0 billion in nominal value by Sumber Ribu Sdn. Bhd., guaranteed by the Company, announced on 9 March 2026, to provide funding flexibility for investments, general corporate purposes, capital expenditure, working capital, refinancing and related expenses.

As at the date of this report, no proceeds had been raised from the proposed disposals and the Sukuk Wakalah Programmes.

2. AUDIT AND NON-AUDIT FEES

Details of statutory audit, audit-related and non-audit fees paid/payable for FY2025 to Ernst & Young PLT and its affiliates are as follows:-

Type of Fees	Velesto Energy (RM'000)	Velesto Energy Group (RM'000)
Audit fees:		
Messrs. Ernst & Young PLT, Malaysia	190	752
Non-Audit Fees:	191	802
Total	381	1,554

- (i) Fees for non-audit services mainly comprise a non-recurring fee for advisory services mainly on:
 - 1. Tax corporate governance framework; and
 - 2. International project advisory on tax compliance and regulation.

3. MATERIAL CONTRACTS

There were no material contracts entered into by the Group involving the interest of Directors or Major Shareholders, either subsisting at the end of FY2025 or entered into since the end of the previous financial year.

4. 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 no mandate was required for FY2025.

5. INSIDER TRADING

There was no insider trading reported for FY2025.

Additional Compliance Information

6. EMPLOYEES SHARE OPTION SCHEME (ESOS)

The ESOS for eligible employees (including Executive Directors) 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 ESOS grants made on 1 November 2019 and 6 November 2023, together with the latest vesting and exercise status up to the date of this report, 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 Exercised
ESOS Granted to eligible employees of the Group						
1 st ESOS Grant	2019	RM0.33	130,330,000	109,660,000	0	0
2 nd ESOS Grant	2023	RM0.23	118,880,000	111,720,000	62,834,475	19,857,500
ESOS Granted to Executive Director of the Company						
1 st ESOS Grant (Expired)	2019	RM0.33	11,400,000 (maximum number of ESOS)	11,400,000	0	0
2 nd ESOS Grant	2023	RM0.23	11,400,000 (maximum number of ESOS)	11,400,000	7,524,000	7,524,000
ESOS Granted to Senior Management (including Executive Director of the Company)						
1 st ESOS Grant	2019	RM0.33	35,450,000	35,450,000	0	0
2 nd ESOS Grant	2023	RM0.23	46,600,000	46,600,000	30,756,000	12,584,000

* Subject to vesting conditions 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-years vesting period and expired on 23 October 2024 without vesting.

The 2nd ESOS Grant has a 3-years vesting period of equal vesting within the three years (subject to earlier vesting dates at the discretion of the ESOS Committee), whereby eligible employees can exercise their ESOS after the vesting period.

As at the date of this report, vested options under the 2nd ESOS Grant have arisen, and 19,857,500 options from the first batch were exercised on 17 March 2026, with the resultant ordinary shares listed on Bursa Securities on 18 March 2026.

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Transparent
financial
statements and
comprehensive
insights—building
trust through
clarity.

198	Directors' Report
203	Statement by Directors
203	Statutory Declaration
204	Independent Auditors' Report
208	Consolidated Statement of Financial Position
209	Consolidated Statement of Comprehensive Income
210	Consolidated Statement of Changes in Equity
211	Consolidated Statement of Cash Flows
213	Statement of Financial Position
214	Statement of Comprehensive Income
215	Statement of Changes in Equity
216	Statement of Cash Flows
217	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 2025.

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 associate and subsidiaries are described in Notes 6 and Note 30 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 2025 are as follows:

	Group RM'000	Company RM'000
Profit net of tax for the year, attributable to equity holders of the Company	202,176	71,636

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 dividends paid by the Company since 31 December 2024 was as follows:

	RM'000
In respect of the financial year ended 31 December 2024:	
Second interim dividend of 1.00 sen per share on 8,215,621,922 shares, declared on 27 February 2025 and paid on 23 May 2025	82,156
In respect of the financial year ended 31 December 2025:	
First interim dividend of 0.75 sen per share on 8,215,621,922 shares, declared on 22 August 2025 and paid on 18 November 2025	61,618
	143,774

On 25 February 2026, the Directors declared second interim dividend of 2.25 sen per share in respect of the financial year ended 31 December 2025 on 8,215,621,922 shares, amounting to RM184.851 million. Such dividend will be payable on 22 May 2026.

The financial statements for the current financial year do not reflect the second interim dividend which will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2026.

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
Ir. Dr. Mohd Shahreen Zainooreen Madros
Megat Zariman Abdul Rahim #
Ar. Ahila Ganesan
Alan Hamzah Sendut
Ainul Azhar Ainul Jamal (Appointed on 2 September 2025)
Nadzrin Alia Md Azizis (Appointed on 9 April 2026)
Datuk Ling Kien Sing (Resigned on 29 August 2025)
Fadzihan Abbas Mohamed Ramlee (Resigned on 9 April 2026)

Director of the Company and certain of its subsidiaries.

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

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.

Directors' Report

DIRECTORS' BENEFITS (CONT'D.)

The directors' benefits are as follows:

	Group and Company RM'000
Salaries and other emoluments	2,011
Fees	1,379
Bonus	744
Pension costs - defined contribution plan	366
Share options granted under ESOS	603
Benefits-in-kind	308
Insurance effected to indemnify directors	47
	5,458

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:

The Company

Ordinary Shares	Number of Ordinary Shares			
	1 January 2025	Bought	Sold	31 December 2025
Direct interest				
Datuk Ling Kien Sing	3,370,000	-	3,370,000	-

Employees' Share Option Scheme	Number of Options			
	1 January 2025	Vested	Exercised	31 December 2025
Direct interest				
Megat Zariman Abdul Rahim	11,400,000	-	-	11,400,000

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.

EMPLOYEES' SHARE OPTION SCHEME

The ESOS is governed by the By-Laws and administered by the Board Nomination & Remuneration Committee, which also acts as the ESOS 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) and these options were expired on 31 October 2024 pursuant to the By-Laws of the ESOS.

EMPLOYEES' SHARE OPTION SCHEME (CONT'D.)

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 the option to subscribe for the ordinary shares of the Company pursuant to the ESOS as at 31 December 2025 is as follow:

Expiry date	Exercise price (RM)	Number of options
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 RM97,210, and the portion related to Directors was only RM45,133. 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.
- (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.

Directors' Report

OTHER STATUTORY INFORMATION (CONT'D.)

- (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.

SIGNIFICANT EVENTS

- (a) The Company proposed a capital reduction involving the cancellation of RM1.2 billion of its issued share capital, with the corresponding amount credited to retained profits. The capital reduction was approved by the High Court and became effective upon lodgement of the sealed court order with the Registrar of Companies on 14 August 2025.
- (b) The Group entered into a Sale and Purchase Agreement for the proposed disposal of the offshore jack-up drilling rig, NAGA 3 for a total cash consideration of USD63.0 million. This is part of the Group's ongoing optimisation strategy, to maintain a competitive and technically capable rig fleet. NAGA 3 has not been presented as an asset held for sale as the asset was not available for immediate sale at the reporting date.
- (c) The Group entered into a Share Sale Agreement for the disposal of its entire equity interest in a wholly-owned subsidiary for a cash consideration of RM16.5 million on 29 December 2025. As at 31 December 2025, the subsidiary met the criteria for classification as an asset held for sale under MFRS 5, and accordingly, its assets and liabilities have been classified as held for sale and presented separately in the consolidated statement of financial position.

SUBSEQUENT EVENT

Subsequent to the financial year end, global geopolitical tensions, particularly ongoing conflict in the Middle East, have increased volatility in energy markets and supply chains. The situation is evolving, and the Group continues to monitor developments and has mitigating measures in place.

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	752	190
- Other auditors	32	-
Other services		
- member firms of Ernst & Young Global	802	191

Signed on behalf of the Board in accordance with a resolution of the directors dated 9 April 2026.

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 208 to 274 are drawn up in accordance with MFRS Accounting Standards, IFRS Accounting 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 2025 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 9 April 2026.

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 208 to 274 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 9 April 2026

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 2025 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 material accounting policy information, as set out on pages 208 to 274.

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 2025, and of their financial performance and their cash flows for the year then ended in accordance with MFRS Accounting Standards, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis of 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"), as applicable to audits of financial statements of public interest entities, 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

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 2025 are assets related to the drilling services segment of RM2,092.7 million and RM1.8 million respectively, which collectively represents 74% of the Group's total assets. The accumulated impairment loss on drilling services as at 31 December 2025 is RM1,822.1 million.

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 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

Key audit matters (cont'd.)

Impairment of property, plant and equipment and rights of use assets: drilling services (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, estimated terminal value of the assets and the discount rates.

Given the significance of the drilling services 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 2025, include inter alia 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;
- 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 2025, the carrying amount of the investment in subsidiaries companies of the Company amounted to RM1,867.0 million, representing 89% of the Company's total assets. The accumulated impairment loss on cost of investments in subsidiaries as at 31 December 2025 is RM2,765.5 million.

As disclosed in Note 5 to the financial statements, during the financial year, certain subsidiaries with a carrying amount of RM1,703.4 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 deriving the present value of the cash flows; and
- Assessed the adequacy of the disclosures made in the financial statements.

Independent Auditors' Report

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 2025, 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 2025 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 MFRS Accounting Standards, IFRS Accounting 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.
- 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.
- Plan and perform the group audit obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the financial statements of the Group. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

Independent Auditors' Report

Auditors' responsibilities for the audit of the financial statements (cont'd.)

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

9 April 2026

Mimie Joanna Binti Johar

No. 03592/09/2027 J

Chartered Accountant

Consolidated Statement of Financial Position

as at 31 December 2025

	Note	2025 RM'000	2024 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	2,124,868	2,371,815
Investment in an associate	6	1,758	1,541
Right-of-use assets	8	11,213	5,189
		2,137,839	2,378,545
Current assets			
Inventories	9	99,369	125,290
Trade and other receivables	10	277,759	317,458
Tax recoverable		22,080	2,494
Deposits, cash and bank balances	12	261,419	247,522
		660,627	692,764
Assets held for sale	13	34,658	-
		695,285	692,764
TOTAL ASSETS		2,833,124	3,071,309
EQUITY AND LIABILITIES			
Non-current liabilities			
Lease liabilities	8	6,584	2,595
Current liabilities			
Short term borrowings	14	113,840	177,964
Lease liabilities	8	3,848	1,594
Trade and other payables	15	282,030	302,553
Tax payable		8,020	15,400
		407,738	497,511
Liabilities directly associated with the assets held for sale	13	26,113	-
		433,851	497,511
Total liabilities		440,435	500,106
Equity			
Equity attributable to equity holders of the Company			
Ordinary share capital	16	644,826	1,844,826
Other reserves	17	624,063	860,979
Retained profit/(accumulated losses)		1,123,800	(134,602)
Total equity		2,392,689	2,571,203
Total equity and liabilities		2,833,124	3,071,309

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 2025

	Note	2025 RM'000	2024 RM'000
Revenue	18	892,970	1,360,432
Other operating income	19	9,367	5,742
Materials and spares used	9	(58,679)	(334,453)
Employee benefits	20	(217,397)	(269,024)
Depreciation and amortisation		(207,381)	(245,667)
Allowance for impairment losses	21	(209)	(1,525)
Other operating expenses	22	(179,068)	(221,548)
Profit from operations		239,603	293,957
Finance costs	23	(9,490)	(34,025)
Investment income	24	5,383	6,884
Share of results of associate		217	212
Profit before tax		235,713	267,028
Income tax expense	25	(33,537)	(59,322)
Profit net of tax for the year		202,176	207,706
Other comprehensive loss:			
Foreign currency translation		(241,004)	(75,473)
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods, net of tax:		(241,004)	(75,473)
Total comprehensive (loss)/income for the year		(38,828)	132,233
Profit attributable to:			
Equity holders of the Company		202,176	207,706
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		(38,828)	132,233
Profit per share attributable to equity holders of the Company (sen per share)			
- Basic	26	2.46	2.53
- Diluted	26	2.46	2.53

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 2025

	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)/ retained profit RM'000	Total equity RM'000
At 1 January 2025	1,844,826	-	8,619	698	78,145	773,517
Transactions with owners						
Share options adjustment under ESOS (Note 17)	-	-	4,088	-	-	-
Dividends (Note 27)	-	-	-	-	(143,774)	(143,774)
Capital Reduction	(1,200,000)	-	-	-	-	1,200,000
Total transactions with owners	(1,200,000)	-	4,088	-	-	-
Profit for the year	-	-	-	-	-	202,176
Other comprehensive loss for the year	-	-	-	-	(241,004)	(241,004)
Total comprehensive (loss)/income for the year	-	-	-	-	(241,004)	(38,828)
At 31 December 2025	644,826	-	12,707	698	78,145	532,513
At 1 January 2024	1,844,817	211,876	9,739	698	78,145	848,990
Transactions with owners						
Share options adjustment under ESOS (Note 17)	-	-	(1,120)	-	-	-
Dividends (Note 27)	-	-	-	-	(41,078)	(41,078)
Exercised and expired of Warrants	9	(211,876)	-	-	-	211,867
Total transactions with owners	9	(211,876)	(1,120)	-	-	(36,438)
Profit for the year	-	-	-	-	-	207,706
Other comprehensive loss for the year	-	-	-	-	(75,473)	(75,473)
Total comprehensive (loss)/income for the year	-	-	-	-	(75,473)	132,233
At 31 December 2024	1,844,826	-	8,619	698	78,145	773,517

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 2025

	Note	2025 RM'000	2024 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		235,713	267,028
Adjustments for:			
Depreciation and amortisation		207,381	245,667
Property, plant and equipment written off	22	342	995
Interest expense	23	9,490	34,025
Investment income	24	(5,383)	(6,884)
Provision for unutilised leave	20	315	226
Share of results of associate		(217)	(212)
Share options granted under ESOS	17	4,088	4,640
Net unrealised foreign exchange gain	19	(5,136)	(2,998)
Reversal of provision for warranties and claims	22	(29,399)	-
Net impairment loss on property, plant and equipment	21	-	4,935
Net gain on disposal of property, plant and equipment	19	-	(1,473)
Allowance/(reversal) of impairment losses	21	209	(3,410)
(Reversal)/provision for stock obsolescence	9	(384)	17,643
Operating profit before working capital changes		417,019	560,182
Decrease in trade and other receivables		22,105	35,436
Decrease in inventories		22,310	30,791
(Decrease)/Increase in trade and other payables		(5,938)	59,651
Net cash generated from operations		455,496	686,060
Taxes paid		(60,503)	(50,469)
Net cash generated from operating activities		394,993	635,591
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income from deposits with licensed banks		5,383	7,232
Purchase of property, plant and equipment	4	(176,422)	(271,191)
Withdrawal of investments in money market fund		-	6,640
Proceeds from disposal of property, plant and equipment		-	6,246
Refundable deposits		27,201	-
Net cash used in investing activities		(143,838)	(251,073)

Consolidated Statement of Cash Flows

	Note	2025 RM'000	2024 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movement in short term borrowings		(57,710)	63,835
Dividends paid to the equity holders	27	(143,774)	(41,078)
Interest paid		(9,490)	(34,025)
Net movement of restricted cash deposits in licensed banks		(39,651)	5,766
Payment of lease liabilities	8	(4,829)	(5,089)
Repayment of long term borrowings		-	(233,690)
Proceeds from issuance of shares		-	9
Net cash used in financing activities		(255,454)	(244,272)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(4,299)	140,246
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		247,522	119,809
EFFECTS OF EXCHANGE RATE CHANGES		(21,455)	(12,533)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	12	221,768	247,522

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statement of Financial Position

as at 31 December 2025

	Note	2025 RM'000	2024 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	12,298	14,451
Investments in subsidiaries	5	1,867,034	1,880,659
Due from subsidiaries	11	89,798	82,175
Right-of-use assets	8	7,226	250
		1,976,356	1,977,535
Current assets			
Other receivables	10	2,636	908
Tax recoverable		516	-
Due from subsidiaries	11	71,471	119,016
Deposits, cash and bank balances	12	37,650	30,136
		112,273	150,060
TOTAL ASSETS		2,088,629	2,127,595
EQUITY AND LIABILITIES			
Non-current liabilities			
Lease liabilities	8	4,614	-
Current liabilities			
Other payables	15	36,575	47,295
Due to subsidiaries	11	62,913	29,978
Lease liabilities	8	2,644	181
Tax payable		331	539
		102,463	77,993
Total liabilities		107,077	77,993
Equity			
Equity attributable to equity holders of the Company			
Ordinary share capital	16	644,826	1,844,826
Other reserves	17	87,665	83,577
Retained profit		1,249,061	121,199
Total equity		1,981,552	2,049,602
TOTAL EQUITY AND LIABILITIES		2,088,629	2,127,595

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 2025

	Note	2025 RM'000	2024 RM'000
Revenue	18	108,305	103,782
Other operating income	19	8,867	10,920
Employee benefits	20	(40,610)	(53,103)
Depreciation and amortisation		(8,778)	(10,101)
Reversal of impairment losses	21	20,259	6,662
Other operating expenses	22	(21,193)	(75,555)
Profit/(loss) from operations		66,850	(17,395)
Finance costs	23	(1,893)	(272)
Investment income	24	8,204	72,852
Profit before tax		73,161	55,185
Income tax expense	25	(1,525)	(1,931)
Profit net of tax for the year, representing total comprehensive income for the year		71,636	53,254

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 2025

	← 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))	Retained profit/ (Accumulated losses) RM'000	Total equity RM'000
At 1 January 2025	1,844,826	-	5,432	78,145	121,199	2,049,602
Transactions with owners						
Share options adjustment under ESOS (Note 17)	-	-	4,088	-	-	4,088
Dividends (Note 27)	-	-	-	-	(143,774)	(143,774)
Capital Reduction	(1,200,000)	-	-	-	1,200,000	-
Total transactions with owners	(1,200,000)	-	4,088	-	1,056,226	(139,686)
Total comprehensive income for the year	-	-	-	-	71,636	71,636
At 31 December 2025	644,826	-	9,520	78,145	1,249,061	1,981,552
At 1 January 2024	1,844,817	211,876	6,552	78,145	(108,604)	2,032,786
Transactions with owners						
Share options adjustment under ESOS (Note 17)	-	-	(1,120)	-	5,760	4,640
Dividends (Note 27)	-	-	-	-	(41,078)	(41,078)
Exercised and expired of Warrants	9	(211,876)	-	-	211,867	-
Total transactions with owners	9	(211,876)	(1,120)	-	176,549	(36,438)
Total comprehensive income for the year	-	-	-	-	53,254	53,254
At 31 December 2024	1,844,826	-	5,432	78,145	121,199	2,049,602

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 2025

	Note	2025 RM'000	2024 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		73,161	55,185
Adjustments for:			
Depreciation and amortisation		8,778	10,101
Interest expense	23	1,893	272
Investment income	24	(8,204)	(72,852)
Net unrealised foreign exchange loss	22	6,952	47,594
Share options granted under ESOS	20	4,088	4,640
(Reversal)/provision for unutilised leave		(74)	218
Dividend received from subsidiaries	18	(67,935)	(60,556)
Reversal of impairment losses in amount due from subsidiaries	21	(20,259)	(6,662)
Operating loss before working capital changes		(1,600)	(22,060)
(Increase)/decrease in other receivables		(1,728)	143
(Decrease)/Increase in other payables		(9,282)	25,640
Net changes in related companies' balances		107,281	(14,826)
Net cash generated from/(used in) in operations		94,671	(11,103)
Taxes paid		(2,617)	(1,390)
Net cash generated from/(used in) operating activities		92,054	(12,493)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income from deposits with licensed banks	24	1,086	1,091
Purchase of plant and equipment	4	(6,773)	(8,260)
Dividend received from subsidiaries	18	67,935	60,556
Withdrawal of investments in money market fund		-	1,532
Net cash generated from investing activities		62,248	54,919
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities	8	(3,014)	(2,692)
Dividend paid to shareholders	27	(143,774)	(41,078)
Proceeds from issuance of shares		-	9
Net cash used in financing activities		(146,788)	(43,761)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		7,514	(1,335)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		30,136	31,471
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	12	37,650	30,136

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements

31 December 2025

1. CORPORATE INFORMATION

Velesto Energy Berhad ("VEB") 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 VEB 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 associate and subsidiaries are described in Notes 6 and Note 30 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 9 April 2026.

2. MATERIAL ACCOUNTING POLICIES INFORMATION

2.1 Basis of preparation

The financial statements of the Group and of the Company comply with MFRS Accounting Standards, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia.

On 1 January 2025, 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 2025 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.

2.2 Summary of material accounting policies

(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.

Notes to the Financial Statement

2. MATERIAL ACCOUNTING POLICIES 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.)**

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.

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.

2. MATERIAL ACCOUNTING POLICIES 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 (cont'd.)

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).

(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.

Notes to the Financial Statement

2. MATERIAL ACCOUNTING POLICIES 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 (cont'd.)**

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.

2. MATERIAL ACCOUNTING POLICIES 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 ("HWUs")	10 - 30 years
Drilling equipment	1 - 30 years
Building	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).

Classification of assets held for sale

The Group classifies assets and disposal groups as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an assets (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to completed the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Notes to the Financial Statement

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONT'D.)**2.2 Summary of material accounting policies (cont'd.)****(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.

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.

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONT'D.)

2.2 Summary of material accounting policies (cont'd.)

(c) Financial assets (cont'd.)

Subsequent measurement (cont'd.)

(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.

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

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.

Notes to the Financial Statement

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONT'D.)**2.2 Summary of material accounting policies (cont'd.)****(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 materials and spares used represents cost of purchase.

(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.

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONT'D.)

2.2 Summary of material accounting policies (cont'd.)

(g) Foreign currencies (cont'd.)

(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.

(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.

Notes to the Financial Statement

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONT'D.)**2.2 Summary of material accounting policies (cont'd.)****(h) Financial liabilities (cont'd.)****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.

(j) 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.

(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.

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONT'D.)

2.2 Summary of material accounting policies (cont'd.)

(l) Income taxes (cont'd.)

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.

(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.

Notes to the Financial Statement

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONT'D.)**2.2 Summary of material accounting policies (cont'd.)****(m) Revenue and other income recognition (cont'd.)**

The Group has also applied the practical expedient whereby revenue is recognised based on the right to invoice, accordingly no disclosure of remaining unsatisfied performance obligations is required. 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.

(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.

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONT'D.)

2.2 Summary of material accounting policies (cont'd.)

(m) Revenue and other income recognition (cont'd.)

(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).

(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.

Notes to the Financial Statement

2. MATERIAL ACCOUNTING POLICIES 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 (cont'd.)**

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.

2. MATERIAL ACCOUNTING POLICIES 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 POLICIES 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).

2. MATERIAL ACCOUNTING POLICIES 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 2025, the Group and the Company adopted the following new and amended MFRSs (collectively referred to as "pronouncements") mandatory for annual financial periods beginning on or after 1 January 2025.

Description	Effective date
Amendments to MFRS 121 (The Effects of Changes in Foreign Exchange Rates)	1 January 2025

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
Amendments to MFRS 9 Financial Instruments and MFRS 7 Financial Instruments: Disclosures (Classification and Measurement of Financial Instrument)	1 January 2026
Amendments to MFRS 9 Financial Instruments and MFRS 7 Financial Instruments: Disclosures (Contracts Referencing Nature-dependent Electricity)	1 January 2026
Amendments to MFRS 10 Consolidated Financial Statements	
Annual Improvements to MFRS Accounting Standard - Volume 11:	1 January 2026
Amendments MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards	
Amendments MFRS 7 Financial Instruments: Disclosures	
Amendments MFRS 9 Financial Instruments	
Amendments MFRS 10 Consolidated Financial Statements	
Amendments MFRS 107 Statement of Cash Flows	
MFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027
MFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027
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 allowance for 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

Simplified approach is being used to calculate ECLs for trade receivables ("The Group") and amount due from subsidiaries ("The Company"). The provision rates are based on various customer's historical observed default rates.

The Group and the Company 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 and the Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. Information relating to the ECLs on trade receivables of the Group and amounts due from subsidiaries of the Company is disclosed in Note 10 and Note 11 respectively.

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 2024	22,119	6,678,965	24,585	6,738	61,961	6,794,368
Exchange differences	(1,233)	(199,741)	(599)	(102)	(1,153)	(202,828)
Additions	-	236,827	17	27,870	6,477	271,191
Write-offs	-	(37,397)	-	-	(87)	(37,484)
Disposals	-	(15,761)	(13)	-	(12)	(15,786)
Reclassification	-	15,386	(5)	(16,827)	1,446	-
At 31 December 2024/1 January 2025	20,886	6,678,279	23,985	17,679	68,632	6,809,461
Exchange differences	(1,191)	(594,217)	(571)	(647)	(2,413)	(599,039)
Additions	-	152,946	2,242	15,299	5,935	176,422
Write-offs	-	(28,538)	-	-	(1,016)	(29,554)
Adjustments*	-	-	-	-	(3,117)	(3,117)
Reclassification	-	2,151	-	(6,857)	4,706	-
Transfer to assets held for sale	-	(124,834)	-	(123)	(3,698)	(128,655)
At 31 December 2025	19,695	6,085,787	25,656	25,351	69,029	6,225,518
Accumulated depreciation						
At 1 January 2024	4,107	2,172,735	11,764	-	45,635	2,234,241
Exchange differences	(245)	(69,767)	(520)	-	(837)	(71,369)
Depreciation charge for the year	416	231,505	235	-	9,433	241,589
Write-offs	-	(33,936)	-	-	-	(33,936)
Disposals	-	(6,043)	-	-	-	(6,043)
At 31 December 2024/1 January 2025	4,278	2,294,494	11,479	-	54,231	2,364,482
Exchange differences	(262)	(210,820)	(506)	-	(2,286)	(213,874)
Depreciation charge for the year	387	195,015	244	-	7,183	202,829
Write-offs	-	(25,212)	-	-	(666)	(25,878)
Transfer to assets held for sale	-	(63,299)	-	-	(3,291)	(66,590)
At 31 December 2025	4,403	2,190,178	11,217	-	55,171	2,260,969

* Adjustments pertain to reversal of accruals for the Company.

Notes to the Financial Statement

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	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 (cont'd.)						
Accumulated impairment losses						
At 1 January 2024	5,892	2,119,793	10,863	-	1,992	2,138,540
Exchange differences	-	(62,782)	-	-	(6)	(62,788)
Net impairment loss	(1,168)	6,103	-	-	-	4,935
Write-offs	-	(2,553)	-	-	-	(2,553)
Disposals	-	(4,970)	-	-	-	(4,970)
At 31 December 2024/1 January 2025	4,724	2,055,591	10,863	-	1,986	2,073,164
Exchange differences	-	(181,073)	-	-	(20)	(181,093)
Write-offs	-	(3,334)	-	-	-	(3,334)
Transfer to assets held for sale	-	(49,056)	-	-	-	(49,056)
At 31 December 2025	4,724	1,822,128	10,863	-	1,966	1,839,681
Net carrying amount						
At 31 December 2025	10,568	2,073,481	3,576	25,351	11,892	2,124,868
At 31 December 2024	11,884	2,328,194	1,643	17,679	12,415	2,371,815
				**Other assets RM'000	Assets-in- progress RM'000	Total RM'000
Company						
Cost						
At 1 January 2024				24,759	3,226	27,985
Additions				1,429	6,831	8,260
Reclassification				1,395	(1,395)	-
At 31 December 2024/1 January 2025				27,583	8,662	36,245
Additions				4,575	2,198	6,773
Reclassification				4,703	(4,703)	-
Adjustments***				(3,117)	-	(3,117)
Write-offs				(648)	-	(648)
At 31 December 2025				33,096	6,157	39,253

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 (cont'd.)			
Accumulated depreciation			
At 1 January 2024	14,208	-	14,208
Depreciation charge for the year	7,586	-	7,586
At 31 December 2024/1 January 2025	21,794	-	21,794
Depreciation charge for the year	5,809	-	5,809
Write-offs	(648)	-	(648)
At 31 December 2025	26,955	-	26,955
Net carrying amount			
At 31 December 2025	6,141	6,157	12,298
At 31 December 2024	5,789	8,662	14,451

** Included in the other assets are office equipment, computer software, furniture and fittings, renovation, improvements and motor vehicles.

*** Adjustments pertain to the reversal of accruals for the Company.

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 and others 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 RM2,092.7 million (2024: RM2,337.2 million) relating to drilling services segment, 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 10.00% (2024: 9.94%). During the current financial year, an impairment loss of Nil (2024: RM6,103,000) was recognised.

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.

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.

Notes to the Financial Statement

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)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 CGU.

The following changes in the key assumptions, in isolation, would lead to the sensitivity of the recoverable amount of the drilling rigs.

		Effect on recoverable amount (Decrease)/increase RM'000
Drilling rigs		
Discount rate	- Increase by 0.1%	(14,658)
	- Decrease by 0.1%	14,658

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 RM584,200.

5. INVESTMENTS IN SUBSIDIARIES

	Company	
	2025 RM'000	2024 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	1,522,650	1,394,264
	4,632,561	4,504,175
Less: Allowance for impairment losses (Note (i))	(2,765,527)	(2,623,516)
	1,867,034	1,880,659

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.

During the current financial year, the Company increased its investment in certain subsidiaries amounting to RM128.4 million (2024: RM932.2 million) by way of capitalisation of certain amounts due from subsidiaries. The amounts are unsecured, non-interest bearing and treated as deemed investment. An impairment loss of RM142.0 million, previously recognised under amounts due from subsidiaries, was reclassified to investments in subsidiaries. This reclassification aligns the impairment provision with the capitalised amount, thereby ensuring a more accurate representation of the Company's financial position.

Details of the subsidiaries are set out in Note 30.

Notes to the Financial Statement

5. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

If the recoverable amount increase by 5%, this will result in RM83,266,000 (2024: RM92,811,000) decrease in allowance for impairment loss of investment in subsidiaries.

i) Investment in subsidiaries that are impaired

Movement in allowance for impairment losses

	Company	
	2025 RM'000	2024 RM'000
At 1 January	2,623,516	2,559,614
Reclassification (Note 11)	142,011	63,902
At 31 December	2,765,527	2,623,516

6. INVESTMENT IN AN ASSOCIATE

	Group	
	2025 RM'000	2024 RM'000
Unquoted shares, at cost	1,090	1,090
Share of post-acquisition reserves	668	451
	1,758	1,541

Details of the associate are as follows:

Name of company	Place of business/ country of incorporation	Principal activities	Proportion of ownership interest	
			2025 %	2024 %
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 2025 and 2024 of the associate have been used.

Notes to the Financial Statement

6. INVESTMENT IN AN ASSOCIATE (CONT'D.)

The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	2025 RM'000	2024 RM'000
Assets and liabilities:		
Current assets	7,837	6,719
Non-current assets	1,744	1,471
Total assets	9,581	8,190
Total liabilities	2,146	1,840
Results		
Revenue	11,452	11,653
Profit for the year	1,084	1,059
Total comprehensive income	1,085	1,769

Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associate is as follows:

	2025 RM'000	2024 RM'000
Net assets at 1 January	6,350	4,581
Profit for the year	1,084	1,059
Other comprehensive income	1	710
Net assets at 31 December	7,435	6,350
Share of net assets	1,487	1,270
Goodwill	271	271
Carrying value of the Group's interest in associate	1,758	1,541

7. DEFERRED TAXATION

	Group		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	2,785	1,447	2,010	443
Deferred tax assets	(2,785)	(1,447)	(2,010)	(443)
	-	-	-	-

Notes to the Financial Statement

7. DEFERRED TAXATION (CONT'D.)

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 2024	3,074	1,342
Recognised in profit or loss	(1,627)	(899)
At 31 December 2024/1 January 2025	1,447	443
Recognised in profit or loss	1,338	1,567
At 31 December 2025	2,785	2,010

Deferred tax assets:

	Group		
	Capital allowances RM'000	Tax losses RM'000	Total RM'000
At 1 January 2024	(2,996)	(78)	(3,074)
Recognised in profit or loss	1,627	-	1,627
At 31 December 2024/1 January 2025	(1,369)	(78)	(1,447)
Recognised in profit or loss	(1,338)	-	(1,338)
At 31 December 2025	(2,707)	(78)	(2,785)

	Company		
	Capital allowances RM'000	Tax losses RM'000	Total RM'000
At 1 January 2024	(1,342)	-	(1,342)
Recognised in profit or loss	899	-	899
At 31 December 2024/1 January 2025	(443)	-	(443)
Recognised in profit or loss	(1,567)	-	(1,567)
At 31 December 2025	(2,010)	-	(2,010)

Notes to the Financial Statement

7. DEFERRED TAXATION (CONT'D.)

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Unutilised tax losses	152,579	134,157	102,371	92,158
Unabsorbed capital and reinvestment allowances	54,887	49,855	12,936	9,467
Others	135,287	158,292	24,905	26,356
	342,753	342,304	140,212	127,981

Year of expiry of unutilised tax losses is analysed as follows:

	Group		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 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	12,366	8,185	8,185
Expired by 2032	21,829	21,829	8,365	8,365
Expired by 2033	4,172	4,172	2,835	2,835
Expired by 2034	11,943	11,943	9,357	9,357
Expired by 2035	18,422	-	10,213	-
	152,579	134,157	102,371	92,158

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	Warehouses RM'000	Total RM'000
Cost				
At 1 January 2024	2,824	15,705	10,014	28,543
Addition	-	-	1,031	1,031
Lease modification	-	-	404	404
Exchange differences	(127)	-	(588)	(715)
At 31 December 2024/1 January 2025	2,697	15,705	10,861	29,263
Addition	-	9,029	-	9,029
Lease modification	-	2,155	-	2,155
Exchange differences	(164)	-	-	(164)
Transfer to assets held for sale (Note 13)	-	-	(839)	(839)
At 31 December 2025	2,533	26,889	10,022	39,444
Accumulated depreciation				
At 1 January 2024	694	12,529	6,087	19,310
Depreciation	56	2,746	1,276	4,078
At 31 December 2024/1 January 2025	750	15,275	7,363	23,388
Depreciation	52	3,280	1,220	4,552
Transfer to assets held for sale (Note 13)	-	-	(395)	(395)
At 31 December 2025	802	18,555	8,188	27,545
Accumulated impairment				
At 1 January 2024/31 December 2024/1 January 2025/ 31 December 2025	686	-	-	686
Net carrying amount				
At 31 December 2025	1,045	8,334	1,834	11,213
At 31 December 2024	1,261	430	3,498	5,189

Included in the right-of-use assets are RM1,834,000 (2024: RM3,498,000) relating to warehouses which is under drilling services segment.

Notes to the Financial Statement

8. LEASES (CONT'D.)**Right-of-use assets (cont'd.)**

	Office premises and equipment RM'000
Company	
Cost	
At 1 January 2024	14,485
Lease modification	(56)
At 31 December 2024/1 January 2025	14,429
Addition	7,653
Lease modification	2,292
At 31 December 2025	24,374
Accumulated depreciation	
At 1 January 2024	11,664
Depreciation	2,515
At 31 December 2024/1 January 2025	14,179
Depreciation	2,969
At 31 December 2025	17,148
Net carrying amount	
At 31 December 2025	7,226
At 31 December 2024	250

Lease liabilities

	Group		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
At 1 January	4,189	7,483	181	2,791
Accretion of interest (Note 23)	395	360	146	138
Additions	9,029	1,031	7,653	-
Lease modification	2,155	404	2,292	(56)
Payments	(4,829)	(5,089)	(3,014)	(2,692)
Transfer to assets held for sale (Note 13)	(507)	-	-	-
At 31 December	10,432	4,189	7,258	181
Current	3,848	1,594	2,644	181
Non-current	6,584	2,595	4,614	-
Total	10,432	4,189	7,258	181

The maturity analysis of lease liabilities are disclosed in Note 34(d).

Notes to the Financial Statement

8. LEASES (CONT'D.)

The following are the amounts recognised in profit or loss:

	Group		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Depreciation expense of right-of-use assets	4,552	4,078	2,969	2,515
Interest expense on lease liabilities (Note 23)	395	360	146	138
Rental of leases of low-value assets and short-term leases (Note 22)	826	673	-	-
Total amount recognised in profit or loss	5,773	5,111	3,115	2,653

Amount recognised in statement of cash flows

	Group		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Total cash outflow for leases	4,829	5,089	3,014	2,692

9. INVENTORIES

	Group	
	2025 RM'000	2024 RM'000
At cost:		
Materials and spares	102,980	125,290
Transfer to assets held for sale (Note 13)	(3,611)	-
	99,369	125,290
Recognised in the profit or loss:		
- Inventories recognised as cost of revenue	59,063	316,810
- (Reversal)/provision for stock obsolescences	(384)	17,643
	58,679	334,453

Notes to the Financial Statement

10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Trade receivables (Note (a))	250,042	264,230	-	-
Other receivables (Note (b))	45,311	53,228	2,636	908
Transfer to assets held for sale (Note 13)	(17,594)	-	-	-
Total trade and other receivables	277,759	317,458	2,636	908
Total trade and other receivables	277,759	317,458	2,636	908
Less:				
Accrued income (Note (a))	(175,410)	(186,819)	-	-
Prepayments (Note (b))	(39,358)	(50,612)	(1,274)	(605)
	62,991	80,027	1,362	303
Add:				
Deposits, cash and bank balances (Note 12)	261,419	247,522	37,650	30,136
Due from subsidiaries -				
Non-current (Note 11)	-	-	89,798	82,175
Current (Note 11)	-	-	71,471	119,016
Total financial assets at amortised cost	324,410	327,549	200,281	231,630

(a) Trade receivables

	Group	
	2025 RM'000	2024 RM'000
Third parties	75,268	77,838
Allowance for impairment losses (Note (i))	(636)	(427)
	74,632	77,411
Accrued income	175,410	186,819
	250,042	264,230

The Group's normal trade credit terms for the financial year ended 31 December 2025 range from 30 days to 60 days (2024: 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 2025 is of RM Nil (2024: RM 4,915,876) in relation to the Integrated Rig Drilling Completion ("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 9 (2024: 9) debtors representing 96% (2024: 97%) 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	
	2025 RM'000	2024 RM'000
Individually impaired		
Trade receivables	636	427
Less: Allowance for impairment losses	(636)	(427)
	-	-

Movement in allowance for impairment losses

	Group	
	2025 RM'000	2024 RM'000
At 1 January	427	3,897
Exchange differences	-	(60)
Allowance/(reversal) for the year (Note 21)	209	(3,410)
At 31 December	636	427

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	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Deposits	2,265	1,204	1,362	285
Prepayments (Note (i))	39,358	50,612	1,274	605
Sundry receivables	3,688	1,412	-	18
	45,311	53,228	2,636	908

(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	
	2025 RM'000	2024 RM'000
Non-current:		
Due from subsidiaries		
- interest bearing at 5.52% to 5.99% (2024: 5.85% to 5.97%) per annum	89,798	82,175
Current:		
Due from subsidiaries		
- interest bearing at Nil% (2024: 7.52% to 7.97%) per annum	-	21,079
- non-interest bearing	84,504	273,240
	84,504	294,319
Less: Allowance for impairment losses (Note (i))	(13,033)	(175,303)
	71,471	119,016
Total amount due from subsidiaries	161,269	201,191
Current:		
Due to subsidiaries		
- non-interest bearing	(62,913)	(29,978)
Total amount due to subsidiaries	(62,913)	(29,978)

Amounts due from subsidiaries that are not expected to be realised within twelve months after the reporting period are classified as non-current.

During the current financial year, the Company has reclassified the amounts due from subsidiaries and its impairment loss which was previously provided to investment in certain subsidiaries by way of capitalisation of certain amounts due from subsidiaries amounting to RM128.4 million and RM142.0 million respectively. This aligns the impairment provision with the capitalized amount, ensuring accurate representation of the Company's financial position.

(i) Amount due from subsidiaries that are impaired

	Company	
	2025 RM'000	2024 RM'000
Movement in allowance for impairment losses		
At 1 January	175,303	245,867
Reclassification (Note 5)	(142,011)	(63,902)
Reversal of impairment losses for the year (Note 21)	(20,259)	(6,662)
At 31 December	13,033	175,303

Notes to the Financial Statement

12. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Current:				
Deposits with licensed banks	130,100	190,009	32,187	3,184
Cash and bank balances	131,319	57,513	5,463	26,952
	261,419	247,522	37,650	30,136
Less: Restricted cash	(39,651)	-	-	-
Cash and cash equivalents	221,768	247,522	37,650	30,136

Cash and bank balances amounting to RM39,651,205 (2024: RM Nil) are subject to restrictions and are not available for general use by the Group.

The range of interest rates per annum and maturities of deposits as at the reporting date were as follows:

	Group		Company	
	2025	2024	2025	2024
Interest rate (%)	2.9 - 4.75	2.52 - 4.75	3.05 - 3.62	2.80 - 2.85
Maturity (days)	6 - 90	3 - 37	15 - 35	7 - 16

13. ASSETS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS HELD FOR SALE

As at 31 December 2025, Velesto Workover Sdn. Bhd. ("VWSB") met the criteria for classification as an asset held for sale under MFRS 5, as management is committed to the disposal and the sale is highly probable. Accordingly, the assets and liabilities of VWSB are classified and presented separately as asset held for sale in the consolidated statement of financial position, as disclosed in Note 35(c) to the financial statements.

As at the end of financial year, the assets held for sale and liabilities associated with assets held for sale of the Group are as follows:

	Group 2025 RM'000
ASSETS	
Non-current assets	
Property, plant and equipment (Note 4)	13,009
Right-of-use assets (Note 8)	444
	13,453
Current assets	
Inventories (Note 9)	3,611
Trade and other receivables (Note 10)	17,594
	21,205
Assets held for sale	34,658

Notes to the Financial Statement

13. ASSETS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS HELD FOR SALE (CONT'D.)

- (b) As at the end of financial year, the assets held for sale and liabilities associated with assets held for sale of the Group are as follows (cont'd.):

	Group 2025 RM'000
Current liabilities	
Lease liabilities (Note 8)	507
Trade and other payables (Note 15)	25,606
Liabilities directly associated with the assets held for sale	26,113

The above amount represents carrying values of net assets owned by the Group with the intention of disposal in the immediate future. The carrying amounts of these assets represent the lower of carrying amounts or fair values.

14. SHORT TERM BORROWINGS

	Group 2025 RM'000	2024 RM'000
Secured (Floating rate)		
Revolving credits	113,840	177,964

Changes in liabilities arising from financing activities:

	Group Revolving credit RM'000	Secured term loan RM'000	Total RM'000
At 1 January 2024	114,288	244,326	358,614
Repayment	(231,695)	(233,690)	(465,385)
Drawdown	295,530	-	295,530
Amortisation of transaction costs	-	4,290	4,290
Effect of changes in foreign exchange rate	(159)	(14,926)	(15,085)
At 31 December 2024/1 January 2025	177,964	-	177,964
Repayment	(57,710)	-	(57,710)
Effect of changes in foreign exchange rate	(6,414)	-	(6,414)
At 31 December 2025	113,840	-	113,840

The range of weighted average effective interest rates per annum at the reporting date for borrowings were as follows:

	Group 2025 % per annum	2024 % per annum
Revolving credits	5.44 - 6.52	5.81 - 6.85

Notes to the Financial Statement

14. SHORT 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
	2025
	RM'000
31 December 2025	
Secured	
- Revolving credit	113,840
31 December 2024	
Secured	
- Revolving credit	177,964

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000
Trade payables:				
Third parties	28,009	21,744	-	-
Accruals	92,233	74,708	-	-
Provision*	8,245	38,271		
Transfer to liabilities directly associated with the assets held for sale (Note 13)	(19,016)	-	-	-
	109,471	134,723	-	-
Other payables:				
Accruals	109,293	137,511	33,082	37,859
Provisions**	15,279	15,039	2,178	5,397
Sundry payables	27,376	15,280	1,315	4,039
Refundable deposits	27,201	-	-	-
Transfer to liabilities directly associated with the assets held for sale (Note 13)	(6,590)	-	-	-
	172,559	167,830	36,575	47,295
Total trade and other payables	282,030	302,553	36,575	47,295

Notes to the Financial Statement

15. TRADE AND OTHER PAYABLES (CONT'D.)

	Group		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Total trade and other payables	282,030	302,553	36,575	47,295
Less:				
Provision	(23,524)	(53,310)	(2,178)	(5,397)
Add:				
Lease liabilities (Note 8)	10,432	4,189	7,258	181
Short term borrowings (Note 14)	113,840	177,964	-	-
Due to subsidiaries (Note 11)	-	-	62,913	29,978
Total financial liabilities carried at amortised cost	382,778	431,396	104,568	72,057

Trade payables are non-interest bearing and are normally settled within 30 days to 60 days (2024: 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 (2024: 30 days to 90 days).

* Included in provisions are costs relating to warranties and claims arising from the NAGA 7 submerging incident on 3 May 2021.

** Included in provisions are professional fees, unutilised leave, estimated reinstatement costs and internal performance incentives.

16. ORDINARY SHARE CAPITAL

	Group and Company	
	Number of ordinary shares '000	Share capital RM'000
Issued and fully paid shares with no par value:		
At 1 January 2024	8,215,600	1,844,817
Issuance pursuant to exercise of warrants	22	9
At 31 December 2024/1 January 2025	8,215,622	1,844,826
Capital reduction	-	(1,200,000)
At 31 December 2025	8,215,622	644,826

On 14 August 2025, the Company undertook a capital reduction exercise which entails the reduction and cancellation of RM1,200,000,000 of its issued share capital pursuant to Section 116 of the Companies Act, 2016. The corresponding credit of RM1,200,000,000 arising from the Capital Reduction has been credited to the retained profits of the Company. The retained profits of the Company may be utilised in such manner as the Board of Directors may deem fit in the best interest of the Company and as permitted by the relevant and applicable laws at the material time as well as the Constitution of the Company.

Notes to the Financial Statement

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.

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.

In previous financial year, several warrant holders exercised their conversion rights, leading to the issuance of new ordinary shares. The details of the conversions are as follows:

- i) On 21 October 2024, 10,357 new ordinary shares were issued at an exercise price of RM0.3950 per share, totalling RM4,091; and
- ii) On 28 October 2024, 11,565 new ordinary shares were issued at an exercise price of RM0.3950 per share, totalling RM4,568.

In previous financial year, the remaining warrants have expired and removed from the official list of Bursa Securities on 21 October 2024 and the corresponding warrants reserve of RM211,876,341 has been transferred to retained earnings.

(b) Share options reserve

	Group		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Charged to income statement				
ESOS (Tranche 2)	4,088	4,640	4,088	4,640
Movement in reserve				
At 1 January	8,619	9,739	5,432	6,552
ESOS (Tranche 1)	-	(5,760)	-	(5,760)
ESOS (Tranche 2)	4,088	4,640	4,088	4,640
At 31 December	12,707	8,619	9,520	5,432

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.

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 2 (Effective from 6 November 2023)		
Outstanding at 1 January 2024	0.23	111,720
Granted during the year	-	(4,250)
Outstanding at 31 December 2024/1 January 2025	0.23	107,470
Adjusted *	-	(8,930)
Outstanding at 31 December 2025	0.23	98,540

* Adjustment on termination of employment.

The remaining contractual life for this option outstanding as at 31 December 2025 is 3 years with an expiry date of 6 November 2028.

In the previous financial year, ESOS Tranche 1 has expired and been reclassified to retaining earnings.

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:

Tranche 2 (Effective from 6 November 2023)	Group and Company
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.

Notes to the Financial Statement

17. OTHER RESERVES (CONT'D.)**(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.

18. REVENUE

	Group		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Revenue from lease contracts:				
Leasing of drilling rigs and hydraulic workover units	490,760	1,040,105	-	-
Revenue from contracts with customers:				
Drilling and workover services	320,853	271,259	-	-
Sale of goods	31,728	5,740	-	-
Rendering of services	49,629	43,328	-	-
Revenue from other sources:				
Management fees from subsidiaries	-	-	40,370	43,226
Dividend income from subsidiaries	-	-	67,935	60,556
	892,970	1,360,432	108,305	103,782

Timing of recognition

	Group		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Goods and services transferred at a point in time	31,728	5,740	67,935	60,556
Services transferred over time	861,242	1,354,692	40,370	43,226
	892,970	1,360,432	108,305	103,782

Notes to the Financial Statement

19. OTHER OPERATING INCOME

Included in other operating income are:

	Group		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Rental income	350	369	742	742
Net realised foreign exchange gain	2,288	-	8,116	9,973
Net unrealised foreign exchange gain	5,136	2,998	-	-
Gain on disposal of property, plant and equipment	-	1,473	-	-

20. EMPLOYEE BENEFITS

	Group		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Wages and salaries	166,960	180,095	28,166	30,218
Social security costs	551	773	127	151
Provision for/(reversal of) unutilised leave	315	226	(74)	218
Pension costs - defined contribution plan	13,924	14,049	3,801	4,736
Share options granted under ESOS	4,088	4,640	4,088	4,640
Other employee related expenses	31,559	69,241	4,502	13,140
	217,397	269,024	40,610	53,103

Included in employee benefits is executive directors' remuneration as follows:

	Group and Company	
	2025 RM'000	2024 RM'000
Salaries and other emoluments	2,558	2,017
Pension costs - defined contribution plan	366	335
Share options granted under ESOS	603	603
Benefits-in-kind	174	194

21. (ALLOWANCE FOR)/ REVERSAL OF IMPAIRMENT LOSSES

	Group		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Property, plant and equipment (Note 4)	-	(4,935)	-	-
Trade receivables (Note 10)	(209)	3,410	-	-
Amount due from subsidiaries (Note 11)	-	-	20,259	6,662
	(209)	(1,525)	20,259	6,662

Notes to the Financial Statement

22. OTHER OPERATING EXPENSES

Included in other operating expenses are:

	Group		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Non-executive directors' remuneration:				
- fees	1,379	1,145	1,379	1,145
- meeting allowances	197	263	197	263
- other emoluments	134	167	134	167
Rental of leases of low-value assets and short-term leases (Note 8)	826	673	-	-
Rental of equipment, barge and rig	7,851	11,246	103	170
Repair and maintenance of equipment and rigs	39,387	39,072	63	415
Insurance of equipment and rigs	9,644	16,399	-	-
Auditors' remuneration:				
Statutory audit				
- Ernst & Young PLT	752	714	190	190
- other auditors	32	33	-	-
Other services				
- member firms of Ernst & Young Global	802	327	191	254
Property, plant and equipment written off	342	995	-	-
Reversal of provision for warranties and claims	(29,399)	-	-	-
Net realised foreign exchange loss	-	81	-	-
Net unrealised foreign exchange loss	-	-	6,952	47,594
Service charges	35,437	44,103	-	-
Catering expenses	23,170	23,272	-	-
Mobilisation and demobilisation costs	10,120	21,937	-	-

	Directors' fees		*Other emoluments	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Group and Company				
Non-executive directors:				
Mohd Rashid Mohd Yusof	185	158	125	153
Rowina Ghazali Seth	163	142	28	41
Haida Shenny Hazri	175	141	31	38
Ir. Dr. Mohd Shahreen Zainooreen Madros	175	148	32	43
Ar. Ahila Ganesan	169	139	34	38
Alan Hamzah Sendut	175	134	33	48
Ainul Azhar Ainul Jamal	56	-	6	-
Datuk Ling Kien Sing	112	139	20	36
Fadzihan Abbas Mohamed Ramlee**	169	144	22	33
	1,379	1,145	331	430

* Included in the other emoluments are meeting allowances, per diem allowance, telephone expenses and car (for Chairman of the Board only) and service tax.

** Fees as nominee Director paid to Permodalan Nasional Berhad.

Notes to the Financial Statement

22. OTHER OPERATING EXPENSES (CONT'D.)

Included in other operating expenses are: (cont'd.)

	Directors' fees		***Other emoluments	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Group and Company				
Executive directors:				
Megat Zariman Abdul Rahim	-	-	3,098	2,546

*** Included in the other emoluments are salary, gratuity, employer's statutory contribution, car and petrol, leave passage, allowances, telephone expenses and club subscriptions.

23. FINANCE COSTS

	Group		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Interest expenses				
- Bank borrowings	7,916	32,883	-	-
- Amount due to subsidiaries	-	-	1,747	134
- Lease liabilities (Note 8)	395	360	146	138
- Others	1,179	782	-	-
	9,490	34,025	1,893	272

24. INVESTMENT INCOME

	Group		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Investment income from:				
- Deposits with licensed banks	5,383	6,884	1,086	1,091
- Subsidiaries	-	-	7,118	71,761
	5,383	6,884	8,204	72,852

Notes to the Financial Statement

25. INCOME TAX EXPENSE

	Group		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Income tax:				
Malaysian income taxes	19,893	57,267	1,445	1,800
Foreign income taxes	6,111	6,552	81	67
	26,004	63,819	1,526	1,867
Under/(over) provision in prior years:				
Malaysian income taxes	7,533	(4,497)	(1)	64
Total income tax expense	33,537	59,322	1,525	1,931

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2024: 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 multiplied by the applicable corporate tax rate for the years ended 31 December 2025 and 2024 are as follows:

	Group		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Profit before tax	235,713	267,028	73,161	55,185
Taxation at Malaysian statutory rate of 24% (2024: 24%)	56,571	64,087	17,559	13,244
Effect of different tax rates in other jurisdictions	(4,304)	(25,338)	-	-
Income not subject to tax	(82,147)	(65,081)	(21,177)	(31,617)
Expenses not deductible for tax purposes	59,037	99,538	2,209	16,715
Deferred tax assets not recognised	108	1,790	2,935	3,915
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	-	(390)	-	(390)
Under/(over) provision of income tax in prior years	7,533	(4,497)	(1)	64
Tax incentive from JDA activities	(3,209)	(10,736)	-	-
Share of results of associate	(52)	(51)	-	-
Tax expense for the year	33,537	59,322	1,525	1,931

The Group benefits from tax incentives provided by the Malaysia-Thailand Joint Authority (MTJA) to support exploration and exploitation activities in the Joint Development Area (JDA).

Notes to the Financial Statement

26. EARNINGS PER SHARE

	Group	
	2025	2024
Net profit attributable to equity holders (RM'000)	202,176	207,706
Weighted average number of ordinary shares in issue ('000)		
- Basic/diluted	8,215,622	8,215,604
Earnings per share (sen):		
- Basic	2.46	2.53
- Diluted	2.46	2.53

Basic/diluted earnings per share are calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

98,540,000 options under the Employees' Share Option Scheme ("ESOS") Tranche 2, has not been included in the calculation of diluted earnings per share as the exercise price of the options exceeds the average market price of ordinary shares.

27. DIVIDEND

	Group and Company RM'000
Dividends recognised during the year:	
In respect of the financial year ended 31 December 2024	
Second interim dividend of 1.00 sen per share on 8,215,621,922 shares, declared on 27 February 2025 and paid on 23 May 2025.	82,156
In respect of the financial year ended 31 December 2025	
First interim dividend of 0.75 sen per share on 8,215,621,922 shares, declared on 22 August 2025 and paid on 18 November 2025.	61,618
	143,774
Dividends recognised in prior year:	
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 paid on 24 May 2024.	20,539
In respect of the financial year ended 31 December 2024	
First interim dividend of 0.25 sen per share on 8,215,621,922 shares, declared on 29 August 2024 and paid on 28 November 2024.	20,539
	41,078

On 25 February 2026, the Directors declared second interim dividend of 2.25 sen per share in respect of the financial year ended 31 December 2025 on 8,215,621,922 shares, amounting to a dividend payable of RM184.851 million. Such dividend will be payable on 22 May 2026.

The financial statements for the current financial year do not reflect the second interim dividends in respect of the financial year ended 31 December 2025 which will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2026.

Notes to the Financial Statement

28. COMMITMENTS**(a) Capital commitments**

	Group		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Approved and contracted for:				
- equipment, plant and machinery	15,142	49,590	-	-
- others	4,101	-	4,098	2,964
	19,243	49,590	4,098	2,964
Approved but not contracted for:				
- land and buildings	5,055	12,509	5,055	12,509
- equipment, plant and machinery	61,032	10,668	-	-
- others	2,974	5,909	2,514	4,518
	69,061	29,086	7,569	17,027
Total capital commitments	88,304	78,676	11,667	19,991

29. SEGMENT REPORTING

For management purposes, the Group is organised into business segments based on the nature of services and has 2 operating segments as follows:

- (i) The drilling services segment is principally involved in the provision of drilling and well intervention services to the upstream oil and gas sector. The segment owns and operates several drilling rigs and hydraulic workover units ("HWUs") that are chartered to oil majors for exploration, development and production activities, including offshore hydraulic workover operations to restore suspended or under-performing wells. The segment also includes investment holding entities, provision of support services, management and corporate services that are integral to the delivery of the Group's drilling services;
- (ii) The others segment includes providing premium OCTG threading, repair and inspection services, specialised training and competency development programmes.

Transfer prices between operating segments are at terms agreed between the parties.

Notes to the Financial Statement

29. SEGMENT REPORTING (CONT'D.)

(a) Business segments

31 December 2025

	Drilling services RM'000	Others RM'000	Eliminations RM'000	Note	Per consolidated financial statements RM'000
Revenue:					
External customers	876,516	16,454	-		892,970
Inter-segment	538,494	623	(539,117)	i	-
Total revenue	1,415,010	17,077	(539,117)		892,970
Results:					
Depreciation and amortisation	(206,213)	(1,168)	-		(207,381)
Allowance for impairment losses	(209)	-	-		(209)
Finance costs	(9,382)	(108)	-		(9,490)
Investment income	5,283	100	-		5,383
Share of results of associate	217	-	-		217
Other material non-cash items	706	-	-	ii	706
Segment profit/(loss) before tax	240,354	(4,641)	-		235,713
Income tax expense	(32,945)	(592)	-		(33,537)
Segment profit/(loss) after tax	207,409	(5,233)	-		202,176
Assets:					
Investment in an associate	1,758	-	-		1,758
Additions to property, plant and equipment	174,186	2,236	-		176,422
Segment assets	2,803,361	29,763	-		2,833,124
Liabilities:					
Segment liabilities	431,491	8,944	-		440,435

Notes to the Financial Statement

29. SEGMENT REPORTING (CONT'D.)**(a) Business segments (cont'd.)****31 December 2024**

	Drilling services RM'000	Others RM'000	Eliminations RM'000	Note	Per consolidated financial statements RM'000
Revenue:					
External customers	1,345,985	14,447	-		1,360,432
Inter-segment	588,111	860	(588,971)	i	-
Total revenue	1,934,096	15,307	(588,971)		1,360,432
Results:					
Depreciation and amortisation	(244,508)	(1,159)	-		(245,667)
(Allowance)/reversal of impairment losses	(2,692)	1,167	-		(1,525)
Finance costs	(33,940)	(85)	-		(34,025)
Investment income	6,609	275	-		6,884
Share of results of associate	212	-	-		212
Other material non-cash items	(2,637)	-	-	ii	(2,637)
Segment profit/(loss) before tax	269,474	(2,446)	-		267,028
Income tax expense	(58,792)	(530)	-		(59,322)
Segment profit/(loss) after tax	210,682	(2,976)	-		207,706
Assets:					
Investment in an associate	1,541	-	-		1,541
Additions to property, plant and equipment	271,109	82	-		271,191
Segment assets	3,036,415	34,894	-		3,071,309
Liabilities:					
Segment liabilities	497,784	2,322	-		500,106

The following are the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:

- Inter-segment revenue are eliminated on consolidation.
- Other material non-cash income/(expenses) consist of the following items as presented in the respective notes to the consolidated financial statements:

	Note	2025 RM'000	2024 RM'000
Net unrealised foreign exchange gain	19	5,136	2,998
Property, plant and equipment written off	22	(342)	(995)
Share options granted under ESOS	20	(4,088)	(4,640)
		706	(2,637)

Notes to the Financial Statement

29. SEGMENT REPORTING (CONT'D.)

(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 2025			
Revenue from external customers	876,516	16,454	892,970
Non-current assets	2,121,000	15,081	2,136,081
31 December 2024			
Revenue from external customers	1,345,985	14,447	1,360,432
Non-current assets	2,362,436	14,568	2,377,004

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:

	2025 RM'000	2024 RM'000
Property, plant and equipment	2,124,868	2,371,815
Right-of-use assets	11,213	5,189
	2,136,081	2,377,004

30. SUBSIDIARIES

			Proportion of ownership interest	
Name of company	Place of business/ country of incorporation	Principal activities	2025 %	2024 %
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 (L) Ltd.	Malaysia	Investment holding	100	100
Sumber Ribu Sdn. Bhd.	Malaysia	Provision for treasury management services	100	100
Sumber Wang (L) Ltd.	Malaysia	Provision for treasury management services	100	100
Subsidiaries of: Velesto Malaysian Ventures Sdn. Bhd. Velesto Singapore Ventures Pte. Ltd. Velesto Rig Asset (L) Ltd.				
Velesto Workover Sdn. Bhd.	Malaysia	Provision of workover operations for the oil and gas industry	100	100

Notes to the Financial Statement

30. SUBSIDIARIES (CONT'D.)

			Proportion of ownership interest	
	Place of business/ country of incorporation	Principal activities	2025 %	2024 %
Name of company				
Subsidiaries of: (cont'd.)				
Velesto Malaysian Ventures Sdn. Bhd.				
Velesto Singapore Ventures Pte. Ltd.				
Velesto Rig Asset (L) Ltd.				
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 (L) Ltd.	Malaysia	Ownership and leasing of rig	100	100
Velesto Drilling 3 (L) Ltd.	Malaysia	Ownership and leasing of rig	100	100
Velesto Drilling 4 (L) Ltd.	Malaysia	Ownership and leasing of rig	100	100
Velesto Drilling 5 (L) Ltd.	Malaysia	Ownership and leasing of rig	100	100
Velesto Drilling 6 (L) Ltd.	Malaysia	Ownership and leasing of rig	100	100
Velesto Drilling 7 (L) Ltd.	Malaysia	Ownership and leasing of rig	100	100
Velesto Drilling 8 (L) 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 Sumber 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 3 Sdn. Bhd.	Malaysia	Ownership and leasing of rig	100	100

^{*} Audited by firms other than Ernst & Young PLT.

[^] Winding Up Process

Notes to the Financial Statement

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	
	2025 RM'000	2024 RM'000
Income/(expense)		
Management fees income	40,370	43,226
Interest income	7,118	71,761
Interest expense	(1,747)	(134)
Rental income	742	742

- (b) Compensation of key management personnel

The aggregate compensation of key management personnel, including the executive director of the Company is as follows:

	Company	
	2025 RM'000	2024 RM'000
Salaries and wages	14,514	11,756
Social security cost	16	13
Pension costs - defined contribution plan	2,163	1,750
Share options granted under ESOS	2,168	2,506
Other staff related costs	271	294
	19,132	16,319

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 (current)	14
Payables	
- Trade and other payables	15
- Due to subsidiaries	11

Notes to the Financial Statement

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)**Determination of fair values (cont'd.)**

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).

The Group does not have any financial instruments classified as Level 1, 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.

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 cash of the Group. The Group endeavours to maintain a gearing ratio to that optimises the usage of capital.

	Group	
	2025 RM'000	2024 RM'000
Loans and borrowings	113,840	177,964
Lease liabilities	10,432	4,189
Less: Deposits, cash and bank balances	(261,419)	(247,522)
Net cash	(137,147)	(65,369)
Total equity	2,392,689	2,571,203
Total capital	2,255,542	2,505,834

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 Governance and Risk 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.

Responsibilities of the Board Governance and Risk 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 Governance and Risk 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 2025, approximately 5.4% (2024: 0.2%) of the Group's trade receivables and approximately 36.5% (2024: 12.0%) of the Group's trade payables are denominated in currencies other than the functional currency of the relevant companies in the Group.

Notes to the Financial Statement

34. FINANCIAL RISK MANAGEMENT (CONT'D.)**(a) Foreign currency risk (cont'd.)**

The Group also holds deposits, cash and bank balances denominated in currencies other than functional currencies for working capital purposes. As at 31 December 2025, the Group has such balances amounting to RM58,733,032 (2024: RM9,923,920).

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.

The table below demonstrates the sensitivity of the Group's and of the Company's profit 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 after taxation		Effect on profit after taxation	
	(Decrease)/increase		(Decrease)/increase	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
US Dollar/RM				
- strengthened 5% (2024: 5%)	(9,945)	(9,377)	(368)	(566)
- weakened 5% (2024: 5%)	9,945	9,377	368	566

(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.

34. FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Interest rate risk (cont'd.)

Sensitivity analysis for interest rate risk

The table below demonstrates the sensitivity of the Group's and the Company's profit 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.

	Group			Company	
	Effect on profit after taxation			Effect on profit after taxation	
	(Decrease)/increase			(Decrease)/increase	
	Basis points	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Cost of funds of lenders	+ 50	(569)	(890)	(609)	(794)
	- 50	569	890	609	794

(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	
	2025 RM'000	2024 RM'000
Accrued income	175,410	186,819
Trade receivables:		
Neither past due nor impaired	51,261	48,839
1 to 30 days past due not impaired	14,268	24,635
31 to 60 days past due not impaired	6,738	1,500
61 to 90 days past due not impaired	920	850
More than 90 days past due not impaired	1,445	1,587
	74,632	77,411
Impaired	636	427
	250,678	264,657

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 10.

Notes to the Financial Statement

34. FINANCIAL RISK MANAGEMENT (CONT'D.)**(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.

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 2025			
	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:				
Trade and other payables (exclude provisions)	258,506	-	-	258,506
Borrowings	120,572	-	-	120,572
Lease liabilities	4,822	4,026	3,412	12,260
Total undiscounted financial liabilities	383,900	4,026	3,412	391,338
	31 December 2024			
	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:				
Trade and other payables (exclude provisions)	249,243	-	-	249,243
Borrowings	189,637	-	-	189,637
Lease liabilities	1,845	1,543	1,044	4,432
Total undiscounted financial liabilities	440,725	1,543	1,044	443,312

34. FINANCIAL RISK MANAGEMENT (CONT'D.)

(d) Liquidity risk (cont'd.)

Company

	31 December 2025			
	On demand or within one year	More than one year and less than two years	More than two years and less than five years	Total
	RM'000	RM'000	RM'000	RM'000
Financial liabilities:				
Other payables (exclude provisions)	34,397	-	-	34,397
Due to subsidiaries	62,913	-	-	62,913
Lease liabilities	3,001	4,847	-	7,848
Total undiscounted financial liabilities	100,311	4,847	-	105,158
	31 December 2024			
	On demand or within one year	More than one year and less than two years	More than two years and less than five years	Total
	RM'000	RM'000	RM'000	RM'000
Financial liabilities:				
Other payables (exclude provisions)	41,898	-	-	41,898
Due to subsidiaries	29,978	-	-	29,978
Lease liabilities	185	-	-	185
Total undiscounted financial liabilities	72,061	-	-	72,061

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 2025 and 31 December 2024.

35. SIGNIFICANT EVENTS

(a) Capital Reduction

On 25 March 2025, Affin Hwang Investment Bank Berhad, on behalf of the Board of Directors of the Company, announced that the Company proposed to undertake a capital reduction exercise which entails the reduction and cancellation of RM1,200,000,000 of its issued share capital pursuant to Section 116 of the Companies Act, 2016 ("Proposed Capital Reduction").

As at the latest practicable date, being 2 April 2025, the issued share capital of the Company was RM1,844,825,836 comprising 8,215,621,922 ordinary shares of the Company. The corresponding credit of RM1,200,000,000 arising from the Proposed Capital Reduction has been credited to the retained profits of the Company. The retained profits of the Company may be utilised in such manner as the Board of Directors may deem fit in the best interest of the Company and as permitted by the relevant and applicable laws at the material time as well as the Constitution of the Company.

On 14 August 2025, Affin Hwang Investment Bank Berhad, on behalf of the Board of Directors of the Company, announced that the sealed court order of the High Court confirming the Capital Reduction has been lodged with the Registrar of Companies. Pursuant thereto, the Capital Reduction shall take effect and be deemed completed on 14 August 2025.

Notes to the Financial Statement

35. SIGNIFICANT EVENTS (CONT'D.)**(b) NAGA 3 Disposal**

On 14 December 2025, the Group entered into a Sale and Purchase Agreement ("SPA") with PT Indonesia Drilling Energy for the disposal of the offshore jack-up drilling rig, NAGA 3 for a total cash consideration of USD63.0 million (approximately RM258.4 million).

The divestment of NAGA 3, which was built in 2010, is in line with the Group's ongoing fleet optimisation strategy, with a focus on more technically competitive rigs consistent with its position as a premium rig operator.

The proposed disposal is expected to be completed by the end of the first half of 2026, subject to the fulfilment of the conditions precedent as stipulated in the SPA.

As at 31 December 2025, as NAGA 3 did not satisfy the criteria for classification as asset held for sale in accordance with MFRS 5, as the asset was not available for immediate sale in its present condition. Accordingly, the assets and liabilities have not been presented separately as asset held for sale as at the reporting date.

(c) Velesto Workover Sdn. Bhd. Disposal

On 29 December 2025, the Group announced that its wholly-owned subsidiary, Velesto Malaysian Ventures Sdn. Bhd., had entered into a Share Sale Agreement ("SSA") with Enviro Survey & Consultancy Sdn. Bhd. for the disposal of its entire equity interest in Velesto Workover Sdn. Bhd. ("VWSB") for a total cash consideration of RM16.5 million.

The proposed disposal is expected to be completed in the first half of 2026.

As at 31 December 2025, VWSB satisfied the criteria for classification as an asset held for sale in accordance with MFRS 5, as management is committed to the disposal, the asset is available for immediate sale in its present condition, and the completion of the disposal is highly probable. Accordingly, the assets and liabilities of VWSB have been classified as asset held for sale in the consolidated statement of financial position and presented separately, as disclosed in Note 13 to the financial statements.

36. SUBSEQUENT EVENT

Subsequent to the financial year end, global geopolitical tensions, particularly ongoing conflict in the Middle East have increased volatility in energy markets and supply chains. The situation is evolving, and the Group continues to monitor developments and has mitigating measures in place.

Disclosure of Financial Data for Shariah Screening

Pursuant to Paragraph 9.25A of the MAIN Market Listing Requirements, below are the financial data that are relevant for purpose of Shariah screening by the Shariah Advisory Council of the Securities Commission Malaysia. These include financial data on Shariah non-permissible income arising from the Group's business activities and interest-based financial position.

		Group	
		2025 RM'000	2024 RM'000
Remarks			
(A) GROUP TOTAL INCOME AND TOTAL ASSETS			
Total Income			
Revenue		892,970	1,360,432
Other Income		9,367	5,742
Investment Income		5,383	6,884
Share of Results of Associate		217	212
Total		907,937	1,373,270
Total Assets		2,833,124	3,071,309
(B) BUSINESS ACTIVITIES			
Shariah Non-Compliant Activities			
Interest Income	Conventional	2,084	1,493
(C) COMPONENT OF FINANCIAL POSITION			
(i) Cash Component			
Islamic Account/Islamic Instruments			
Deposits with licensed bank		128,381	186,566
Cash at Bank		1,721	75
		130,102	186,641
Conventional Account/Instruments			
Cash at Bank		122,548	57,438
Deposits with licensed bank		1,253	3,443
Asset classified as held for sale:			
Cash and cash equivalents		7,516	-
		131,317	60,881
(ii) Debt Component			
Islamic Financing			
Current		113,840	177,964
Non-Current		N/A	N/A
		113,840	177,964
Conventional Borrowings			
Current		N/A	N/A
Non-Current		N/A	N/A
		N/A	N/A

Property Owned by the Group

As at 31 December 2025

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
Velesto Oilfield Services (Tianjin) Co., Limited ("VOS-TJ")	Industrial land comprising a detached factory (including	Currently used as the operating base for	25 June 2013 Refer to note ⁽²⁾	6,564/13,909	Nil	RMB1,913,608 (RM1,109,510) (Land) RMB17,966,470 (RM10,416,959) (Building)	28 December 2018
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	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)	VOS-TJ's business				Refer to note ⁽³⁾	
No. 101, Central South Fourth Street, Tianjin Economic-Technological Development Area West Zone, 300462 Tianjin, People's Republic of China							
	Leasehold for a period of 50 years, expiring on 2061						

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 = RM0.5798 as at 31 December 2025.

Statistics on Shareholdings

As at 9 April 2026

Issued Shares of the Company : 8,235,479,422
Class of Shares : Ordinary Shares
Voting Rights : One (1) vote per ordinary share on a poll
Number of Shareholders : 28,577

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	1,170	34	1,204	4.21	30,310	779	31,089	0.00
100 - 1,000	4,558	69	4,627	16.19	2,483,180	30,378	2,513,558	0.03
1,001 - 10,000	11,586	141	11,727	41.04	59,338,464	682,719	60,021,183	0.73
10,001 - 100,000	8,839	163	9,002	31.50	322,166,954	5,820,194	327,987,148	3.98
100,001 to less than 5% of issued shares	1,849	166	2,015	7.05	3,630,133,539	824,700,135	4,454,833,674	54.09
5% and above of issued shares	2	0	2	0.01	3,390,092,770	0	3,390,092,770	41.16
Total	28,004	573	28,577	100	7,404,245,217	831,234,205	8,235,479,422	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	4,964	16,307	256	105,869,489	678,659,991	19,378,633	1.29	8.24	0.24
Body Corporate									
A) Banks / Finance Companies	27	2	0	4,299,785,480	1,000,214	0	52.21	0.01	0.00
B) Investments Trusts / Foundations	5	2	0	224,589	102,231	0	0.00	0.00	0.00
C) Industrial and Commercial Companies	38	107	5	9,311,211	23,605,343	222,578	0.11	0.29	0.00
Government Agencies / Institutions	1	0	0	13,407	0	0	0.00	0.00	0.00
Nominees	3,518	3,030	312	619,165,915	1,666,492,368	811,632,994	7.52	20.24	9.86
Others	0	3	0	0	14,979	0	0.00	0.00	0.00
Total	8,553	19,451	573	5,034,370,091	2,369,875,126	831,234,205	61.13	28.78	10.09

Statistics on Shareholdings

30 LARGEST SHAREHOLDERS

(Without aggregating securities from different securities accounts belonging to the same person)

No.	Holders	No. of Shares	%
1.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	2,819,917,970	34.24
2.	PERMODALAN NASIONAL BERHAD	570,174,800	6.92
3.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	323,000,000	3.92
4.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ABERDEEN)	262,700,200	3.19
5.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ABERISLAMIC)	258,145,100	3.13
6.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA 2 - WAWASAN	207,000,000	2.51
7.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA 3 - DIDIK	151,856,503	1.84
8.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN. BHD. (1)	147,140,080	1.79
9.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ABERDEEN)	99,738,400	1.21
10.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA PUBLIC TAKAFUL BHD.	83,916,300	1.02
11.	CITIGROUP NOMINEES (ASING) SDN BHD UBS AG	74,755,631	0.91
12.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA 2	71,500,000	0.87
13.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD.	70,050,500	0.85
14.	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	64,315,112	0.78
15.	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD CIMB ISLAMIC TRUSTEE BERHAD - KENANGA SYARIAH GROWTH FUND	63,070,700	0.77
16.	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	60,415,127	0.73
17.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ABDN EQ ABSR FD)	59,992,300	0.73
18.	HSBC NOMINEES (TEMPATAN) SDN BHD BNPP SIN/2S FOR PERTUBUHAN KESELAMATAN SOSIAL (AHAM EQ)	56,099,300	0.68
19.	CARTABAN NOMINEES (TEMPATAN) SDN BHD TMF TRUSTEES MALAYSIA BERHAD FOR AFFIN HWANG WHOLESALE EQUITY FUND 2	54,000,000	0.66
20.	CARTABAN NOMINEES (ASING) SDN BHD THE BANK OF NEW YORK MELLON FOR WISDOMTREE EMERGING MARKETS HIGH DIVIDEND FUND	49,783,200	0.60
21.	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR BARCLAYS CAPITAL SECURITIES LTD (SBL/PB)	49,069,934	0.60
22.	LEMBAGA TABUNG HAJI LEMBAGA TABUNG HAJI,BHG PEMEROSAN PELABURAN	43,000,000	0.52
23.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MANULIFE INVESTMENT SHARIAH PROGRESS FUND	42,024,800	0.51
24.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN. BHD. (2)	39,055,100	0.47
25.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD LEMBAGA TABUNG HAJI (EASTSPRING)	35,302,300	0.43

Statistics on Shareholdings

No.	Holders	No. of Shares	%
26.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PETROLIAM NASIONAL BERHAD (ACF-AFFIN-EQ)	34,754,700	0.42
27.	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD FIDUCIARY TRUST COMPANY INSTITUTIONAL TOTAL INTERNATIONAL STOCK MARKET INDEX TRUST II	33,118,200	0.40
28.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KENANGA)	32,134,600	0.39
29.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PETROLIAM NASIONAL BERHAD (AFFIN)	29,314,700	0.36
30.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PETROLIAM NASIONAL BERHAD ((PET-KENANGA-EQSH)	28,581,300	0.35
Total		5,913,926,857	71.81

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	2,819,917,970	34.24		
Permodalan Nasional Berhad	570,174,800	6.92		
Yayasan Pelaburan Bumiputra*			570,174,800	6.92
Aberdeen Group plc**			683,617,900	8.301
abrdn Holdings Limited**			683,617,900	8.301
abrdn Malaysia Sdn Bhd**			680,576,000	8.264

* 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

** Aberdeen Group plc is deemed interested by virtue of its shareholding in its subsidiaries, abrdn Holdings Limited and abrdn Malaysia Sdn Bhd, pursuant to Section 8(4)(c) of the Companies Act 2016

DIRECTORS' INTERESTS

As at 9 April 2026, 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 Zainooreen Madros	0	0.00	0	0.00
5.	Ir. Ts. Megat Zariman Abdul Rahim	1,524,000	0.02	0	0.00
6.	Ar. Ahila Ganesan	0	0.00	0	0.00
7.	Alan Hamzah Sendut	0	0.00	0	0.00
8.	Ainul Azhar Ainul Jamal	0	0.00	0	0.00
9.	Nadzrin Alia Md Azizis	0	0.00	0	0.00

The above information was extracted from Record of Depositories on 9 April 2026.

Notice of 16th Annual General Meeting

NOTICE IS HEREBY GIVEN that the 16th Annual General Meeting ("AGM") of Velesto Energy Berhad (the "Company" or "VEB") will be held at The Summit 1 Ballroom, Level M1, The Vertical, Bangsar South City, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia on Wednesday, 3 June 2026 at 2:00 P.M. for the following business:

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2025 and the Reports of the Directors and Auditors thereon.
(Please refer to Explanatory Note A).
2. 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:
 - (i) Ir. Dr. Mohd Shahreen Zainooreen Madros Ordinary Resolution 1
 - (ii) Alan Hamzah Sendut Ordinary Resolution 2
 (Please refer to Explanatory Note B).
3. 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:
 - (i) Ainul Azhar Ainul Jamal Ordinary Resolution 3
 - (ii) Nadzrin Alia Md Azizis Ordinary Resolution 4
 (Please refer to Explanatory Note B).
4. (i) To approve the Directors' Fees in accordance with the Remuneration Policy and Procedures for Non-Executive Directors of the Company, with effect from this 16th AGM until the conclusion of the next AGM of the Company in 2027: 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 Governance & Risk Committee	18,000	12,000
Directors' Fees for Board Strategic Committee	18,000	12,000

- (ii) To approve the benefits payable to the Non-Executive Chairman and Non-Executive Directors of an amount up to RM682,000, comprising allowances, benefits-in-kind and other emoluments payable to them, from this 16th AGM until the conclusion of the next AGM of the Company in 2027: 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 the provision of a car, inclusive of petrol and car maintenance expenses, with a driver provided (for the Chairman of the Board only), mobile phone charges, medical, hospitalisation and dental coverage, Directors' and Officers' Liability Insurance coverage, personal accident insurance coverage, per diem and other reimbursable expenses.
(Please refer to Explanatory Note C).

Notice of 16th Annual General Meeting

5. To re-appoint Messrs. Ernst & Young PLT as Auditors of the Company for the year ending 31 December 2026 and to authorise the Board of Directors to determine their remuneration.
(Please refer to Explanatory Note D). Ordinary Resolution 7
6. To transact any other ordinary business for which due notice has been given in accordance with the provisions of the Company's Constitution.

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

29 April 2025

NOTES:

1. A member of the Company entitled to attend and vote at the Meeting may appoint a proxy or proxies to attend and vote 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 the member's holdings to be represented by each proxy, failing which the appointment shall be invalid.
2. 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.
3. 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 being invalid.
4. The Proxy Form and/or documents relating to the appointment of proxy(ies) for the 16th AGM, whether in hardcopy or by electronic means, shall be deposited or submitted in the following manner not less than forty-eight (48) hours before the time appointed for the taking of the poll, or no later than 1 June 2026 at 2:00 p.m.:
 - (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 form: In the case of an appointment made in electronic form, the Proxy Form may be electronically lodged via SS e-Portal at <https://sshsb.net.my/>. Kindly refer to the Procedures for Electronic Submission of Proxy Form in Appendix A.
5. For the purpose of determining which member shall be entitled to participate in this 16th AGM, the Company shall request 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 25 May 2026. Only a depositor whose name appears in the General Meeting Record of Depositors as at 25 May 2026 shall be entitled to participate in the 16th AGM or appoint a proxy to attend and/or vote in his/her stead.
6. The resolutions set out in the Notice of the 16th 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 formal approval by the Shareholders for the Company's Audited Financial Statements. Hence, this agenda item 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 every AGM, PROVIDED ALWAYS that all Directors shall retire from office at least once in every three (3) years. A retiring Director shall be eligible to seek re-election.

Ir. Dr. Mohd Shahreen Zainooreen Madros and Alan Hamzah Sendut, 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 16th AGM.

Clause 103 of the Company's Constitution expressly states that a Director appointed by the Board during the year must retire at the next AGM. Ainal Azhar Ainal Jamal and Nadzrin Alia Md Azizis, who were appointed on 2 September 2025 and 9 April 2026 respectively, who are retiring in accordance with Clause 103 of the Company's Constitution and, being eligible, have offered themselves for re-election at the 16th AGM.

Notice of 16th Annual General Meeting

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 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's 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 the BNRC and Board, where applicable, and will also abstain from deliberation and decision on their re-election at this 16th AGM.

Both the BNRC and the Board recommended the re-election of Ir. Dr. Mohd Shahreen Zainooreen Madros, Alan Hamzah Sendut, Ainul Azhar Ainul Jamal and Nadzrin Alia Md Azizis as Directors of the Company at this 16th AGM. In addition, Ir. Dr. Mohd Shahreen Zainooreen Madros, Alan Hamzah Sendut and Ainul Azhar Ainul Jamal, being Independent Non-Executive Directors, have provided their annual declarations of independence to the Company.

Explanatory Note on the Voluntary Retirement of Directors

The Board wishes to inform that En. Mohd Rashid Mohd Yusof, Chairman of the Board and Non-Independent Non-Executive Director, Pn. Haida Shenny Hazri, Non-Independent Non-Executive Director, and Pn. Rowina Ghazali Seth, Independent Non-Executive Director, have each elected to retire voluntarily after the end of the forthcoming 16th Annual General Meeting ("AGM"). The retiring Directors were appointed to the Board on 23 June 2017 and will have served approximately nine (9) years as at 3 June 2026.

Pn. Rowina Ghazali Seth, Independent Non-Executive Director's retirement is aligned with the Company's governance framework, particularly Clause 3.6.2 of the Velesto Board Charter and Clause 2.2.16 of the Board Nomination and Remuneration Committee ("BNRC") Terms of Reference, both of which provide that the tenure of an Independent Director shall not exceed a cumulative term of nine (9) years without further extension.

The voluntary retirement of the Non-Independent Non-Executive Directors, En. Mohd Rashid Mohd Yusof and Pn. Haida Shenny Hazri, is aligned with PNB Domestic Voting Guidelines for PNB nominee director to serve maximum of 9 years.

The Board records its deepest appreciation to En. Mohd Rashid Mohd Yusof for his exemplary leadership and stewardship as Chairman of the Board, as well as his significant contributions in guiding the Board and the Company. The Board also extends its sincere appreciation to Pn. Rowina Ghazali Seth as the Chairperson of BNRC and Pn. Haida Shenny Hazri as Chairperson of Board Governance and Risk Committee for their dedicated service, valuable insights, and meaningful contributions throughout their tenure.

The Board will make the appropriate announcement on the appointment of Chairman and director in due course.

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.

For guidance on the 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 2025, please refer to the "Financial Statements" section of the Annual Report.

The benefits payable to the Non-Executive Chairman and Non-Executive Directors from the 16th AGM until the conclusion of the next AGM in 2027 will be based on the Remuneration Policy & Procedures for Non-Executive Directors, taking into account various factors including the number of scheduled Board and Board Committee meetings, the number of Directors involved, and the assumption that they remain in office until the conclusion of the next AGM.

Any Non-Executive Directors who are shareholders of the Company will abstain from voting on resolutions 5 and 6 concerning remuneration payable to the Non-Executive Directors at the 16th 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 D

Pursuant to Section 271(4)(a) of the Act, the Shareholders are required to approve the re-appointment of the Auditors, who shall hold office until the conclusion of the next AGM, and to authorise the Board of Directors to determine their remuneration. The present Auditors, Messrs. Ernst & Young PLT, have indicated their willingness to continue their 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 and, having undertaken an annual assessment of the suitability and independence of the external Auditors, have collectively agreed that Messrs. Ernst & Young PLT meet 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.

Integrated Annual Report 2025

The Integrated Annual Report 2025 is available under "Reports & Presentations" on the "Investor Relations" page of the Company's website at www.velesto.com and also on Bursa Malaysia's website at www.bursamalaysia.com under "Company Announcements" on the Listed Companies tab.

Any request for a printed copy of the Integrated Annual Report 2025 will be sent to the requestor as soon as possible upon receipt of the request.

Statement Accompanying Notice of 16th 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 16th 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 shares in page 279 of this Annual Report.

Directors who are standing for re-election / re-appointment

Ir. Dr. Mohd Shahreen Zainooreen Madros	> No conflict of interest or potential conflict of interest or any family relationship with any Director and/or major shareholder of the Company
Alan Hamzah Sendut	
Ainul Azhar Ainul Jamal	> 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 FY2025.
Nadzrin Alia Md. Azizis	
	> Ir. Dr. Mohd Shahreen Zainooreen Madros, Alan Hamzah Sendut and Ainul Azhar Ainul Jamal being the Company's Independent Non-Executive Directors have provided their annual declaration of independence to the Company.

The Integrated Annual Report 2025 is available under "Reports & Presentations" of the "Investor Relations" tab on the Company's website at www.velesto.com and on BURSA's at www.bursamalaysia.com under "Company Announcements" of the Listed Companies tab.

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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 16th Annual General Meeting ("AGM") of the Company which will be held at **The Summit 1 Ballroom, Level M1, The Vertical, Bangsar South City, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia on Wednesday, 3 June 2026 at 2.00p.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, who retires in accordance with Clause 96 of the Company's Constitution and being eligible, offers himself for re-election. Ordinary resolution 1		
To re-elect Alan Hamzah Sendut, who retires in accordance with Clause 96 of the Company's Constitution and being eligible, offers himself for re-election. Ordinary resolution 2		
To re-elect Ainul Azhar Ainul Jamal, who retires in accordance with Clause 103 of the Company's Constitution and being eligible, offers himself for re-election. Ordinary resolution 3		
To re-elect Nadzrin Alia Md Azizis, who retires in accordance with Clause 103 of the Company's Constitution and being eligible, offers herself 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 16 th AGM until the next AGM of the Company to be held in year 2027. 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 16 th AGM to the next AGM of the Company in 2027. Ordinary resolution 6		
To re-appoint Messrs. Ernst & Young PLT as Auditors of the Company for the financial year ending 31 December 2026 and to authorise the Board of Directors to determine their remuneration. Ordinary resolution 7		

Dated this _____ day of _____, 2026

Name of Member
(If the appointor is an attorney or a corporation please see Note 3 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. A member of the Company entitled to attend and vote at the Meeting may appoint a proxy or proxies to attend and vote 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 holdings to be represented by each proxy, failing which shall appointment shall be invalid.
2. Where a member is an Exempt Authorised Nominee which hold 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.
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 results 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 must be received by the Share Registrar no later than Monday, 1 June 2026 at 2.00 p.m. or at any adjournment thereof:

In Hardcopy Form
In hard copy form:- In the case of an appointment made in hard copy form, the proxy form must be duly executed and deposited with Securities Services (Holdings) Sdn Bhd, Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia
6. For the purpose of determining a member who shall be entitled to participate in this 16th 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 25 May 2026. Only a depositor whose name appears in the General Meeting Record of Depositors as at 25 May 2026 shall be entitled to participate in the 16th AGM or appoint a proxy to attend and/or vote in his/her stead.
7. The resolutions set out in the Notice of the 16th AGM will be put to vote by poll in accordance with Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities.

Fold this flap for sealing

Glossary

"Act" or "CA 2016"	Companies Act 2016 and shall include any amendments thereto 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
"BGRC"	Board Governance & Risk Committee
"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
"BSC"	Board Strategic Committee
"BURSA"	Bursa Malaysia Securities Berhad
"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 an 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

"FY2025"	Financial year ended 31 December 2025
"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 2025"	Integrated Annual Report 2025
"ICAO"	International Civil Aviation Organisation
"IGUC"	Integrity Governance Unit & Compliance
"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
"IUCN"	International Union for Conservation of Nature
"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 the Velesto Group
"MCCG 2021"	Malaysian Code on Corporate Governance, published by the Securities Commission in April 2021
"MD&A"	Management Discussion and Analysis
"MFRS"	Malaysian Financial Reporting Standards

Glossary

"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
"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
"NSRF"	National Sustainability Reporting Framework
"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
"SS2025"	Sustainability Statement 2025

Glossary

"SMC"	Sustainability Management Committee
"SROs"	Sustainability Risks and Opportunities
"SSM"	Suruhanjaya Syarikat Malaysia
"STEM"	Science, Technology, Engineering and Mathematics
"SWG"	Sustainability Working Group
"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
"VAD"	Velesto 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

Administrative Guide

16th Annual General Meeting ("16th AGM") of Velesto Energy Berhad (the "Company")

VELESTO
energy

Velesto Energy Berhad
Registration No. 200901035667 (878786-H)

Date : Wednesday, 3 June 2026
Time : 2.00 p.m.
Venue : The Summit 1 Ballroom, Level M1, The Vertical, Bangsar South City No. 8, Jalan Kerinchi, 59200 Wilayah Persekutuan Kuala Lumpur, Malaysia

1. Registration

- 1.1 Registration is from 12.00 noon and will end by 2.00 p.m. or at such time as may be determined by the Chairman of the meeting. After which, registration will be closed.
- 1.2 Registration will take place at the registration counters located at the Summit 2 Ballroom on Level M1.
- 1.3 Kindly present your original National Registration Identity Card ("NRIC") or Passport for verification by the Registrar. Photocopy of NRIC or Passport is not allowed. Upon verification of your NRIC or Passport and signing of the Attendance List, you will be given a wristband for identification. Please ensure you collect your original NRIC or Passport thereafter.
- 1.4 No individual will be allowed to enter the Summit 1 Ballroom without the wristband. There will be no replacement in the event you lose or misplace the wristband. No individual will be allowed to register on behalf of another person, registration personnel will handle only verification of identity and registration of shareholders and/or proxy holders. If you have any enquiries on other matters, please refer to our staff who will be at hand to provide assistance or you may approach our staff at the Helpdesk.

2. General Meeting Record of Depositors

- 2.1 For the purpose of determining a member who shall be entitled to participate in this 16th 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 25 May 2026.
- 2.2 Only a depositor whose name appears in the General Meeting Record of Depositors as at 25 May 2026 shall be entitled to participate in the 16th AGM or appoint a proxy to attend and/or vote in his/her stead.

3. Proxy

- 3.1 A member entitled to attend and vote is entitled to appoint not more than two (2) proxies which shall be counted as one member, to attend, participate, speak and vote in his / her stead. If you are unable to attend the meeting and wish to appoint a proxy to vote on your behalf, please submit your Proxy Form in accordance with the instructions printed therein.
- 3.2 If you submit your Proxy Form prior to the meeting and subsequently decide to attend the meeting personally, please revoke the appointment of your proxy at the time of registration. Your proxy, on revocation, will not be allowed to attend the meeting.
- 3.3 The proxy form and/or documents relating to the appointment of proxy(ies) for the 16th AGM whether in hardcopy or by electronic means shall be deposited or submitted in the following manner not less than forty-eight (48) hours before the time appointed for the taking of poll or no later than 1 June 2026 at 2.00 p.m.
 - i. In hard copy form:- In the case of an appointment made in hard copy form, the proxy form must be duly executed and deposited with Securities Services (Holdings) Sdn Bhd, Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia
 - ii. By electronic form:- In the case of an appointment made in electronic form, the proxy form can be electronically lodged via SS e-Portal at <https://sshsb.net.my/>. Kindly refer to the Procedures for Electronic Submission of Proxy Form in Appendix A.

4. Corporate Representative

Any corporate member who wishes to appoint a representative instead of a proxy to attend the AGM should present a valid instrument appointing a corporate representative which shall be in writing under the common seal of the corporation.

5. Voting Procedure

- 5.1 The voting at the 16th AGM will be conducted on a poll in accordance with Paragraph 8.29A of Bursa Malaysia Securities Berhad Main Market Listing Requirements. The Company has appointed Securities Services (Holdings) Sdn. Bhd. as Poll Administrator to conduct the poll by way of electronic voting ("eVoting") and Commercial Quest Sdn. Bhd. as scrutineers to verify the poll results.
- 5.2 To facilitate the eVoting procedures, a video presentation on how to vote will be provided in the meeting before the start of voting session.

Administrative Guide

6. Integrated Annual Report 2025

- 6.1 The Integrated Annual Report 2025 is available under "Reports & Presentations" of the "Investor Relations" tab on the Company's website at www.velesto.com and also on BURSA's website at <https://www.bursamalaysia.com> under "Company Announcements" of the Listed Companies tab.
- 6.2 In support of paperless reports, we encourage Shareholders to access online version of the Integrated Annual Report 2025. Should you require a printed copy of the Integrated Annual Report 2025, please request through email to our Share Registrar via the contact details as set out below. Any request for printed Integrated Annual Report 2025 will be sent to the requestor soonest possible from the date of receipt of request.

7. Door Gifts

Each person, whether a shareholder or proxy, will receive one (1) door gift only. Door gifts are limited and given on a first-come, first-served basis.

8. Parking

You may park your vehicle at the designated parking bays in The Vertical Basement, Level B1 and GF. Please validate your parking ticket for a 'Complimentary Parking Ticket' at the counters at the Foyer on Level M1. Kindly note that you are still required to validate the 'Complimentary Parking Ticket' at the concierge counter before you exit The Vertical's car park.

9. Shuttle Service

For those using public transportation, please disembark at Universiti LRT Station (Kelana Jaya Line). Shuttle vans/cars displaying the Company's sticker will be provided 12.00 noon until 2.00 p.m., and for one (1) hour after the end of the meeting, at 30-minute intervals between the pick-up point and the AGM venue, and vice versa.

10. Meeting Refreshment

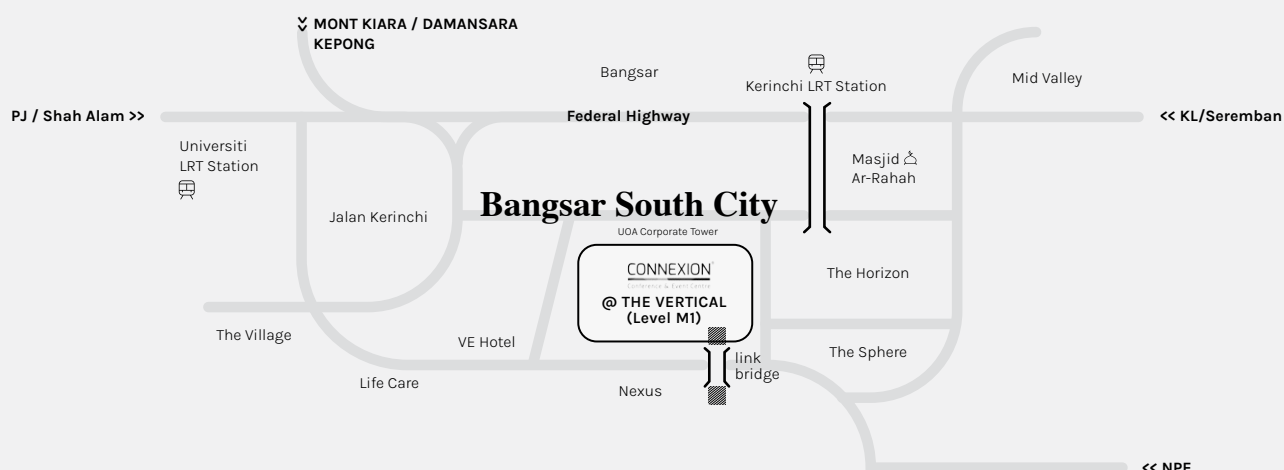
Shareholder/proxyholder with valid identification wristband may collect refreshment voucher during registration. Please note that only one (1) refreshment voucher will be issued per shareholder/proxyholder.

11. Enquiry

If you have any enquiry prior to the meeting, please contact the Share Registrar during office hours (Monday to Friday from 8.30 a.m. to 5.30 p.m., excluding public holidays):

Name	Registrar	Telephone No.	Facsimile No.	Email
Wong Piang Yoong	Securities	+603-2084 9000	+603-2094 9940	piangYoong.Wong@sshbsb.com.my
Norhaslilawati Abdullah Hashim	Services			lily@sshbsb.com.my
Nur Suhaila binti Che Ani	(Holdings)			nur.suhaila@sshbsb.com.my
Siti Nurshahida binti Mat Leh	Sdn. Bhd.			siti.nurshahida@sshbsb.com.my

12. Location Map





Securities Services e-Portal

APPENDIX A

(A) Sign up for a user account at Securities Services e-Portal

- | | |
|---|--|
| <p>Step 1 Visit https://sshsb.net.my/</p> <p>Step 2 Sign up for a user account</p> <p>Step 3 Wait for our notification email that will be sent within one (1) working day</p> <p>Step 4 Verify your user account within seven (7) days of the notification email and log in</p> | <p>> This is a ONE-TIME registration. If you already have a user account, you need not register again.</p> <p>> Your email address is your User ID.</p> <p>> Please proceed to either (B) or (C) below once you are a registered user.</p> |
|---|--|

REGISTER AS A USER BY 28 MAY 2026 TO SUBMIT E-PROXY FORM

(B) Submit e-Proxy Form

Meeting Date and Time	Proxy Form Submission Closing Date and Time
Wednesday, 3 June 2026 at 2.00 p.m.	Monday, 1 June 2026 at 2:00 p.m.

- > Log in to <https://sshsb.net.my/> with your registered email and password.
- > Look for **Velesto Energy Berhad** under Company Name and **16th AGM on 3 June 2026 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 to the Company's Share Registrar at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan for verification before the proxy form submission closing date and time above or handover the said document to the registrar at the registration counter.
- Step 2 Enter your CDS account number or the body corporate's CDS account number and corresponding number of securities. Then enter the information of your proxy(ies) and the 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.
- 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.

VELESTO ENERGY BERHAD

Registration No. 200901035667 (878786-H)

Level 18, Block 3A, Plaza Sentral

Jalan Stesen Sentral 5, 50470 Kuala Lumpur

+603 2096 8788 | +603 2096 8733

www.velesto.com