

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, banker, solicitor, accountant or other professional advisers immediately.

Bursa Malaysia Securities Berhad ("**Bursa Securities**") has not perused the contents of this Circular prior to issuance as Velesto Energy Berhad ("**VEB**") has been selected by Bursa Securities as one of the eligible listed issuers under the Green Lane Policy. Bursa Securities takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability, whatsoever for any loss, howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

# VELESTO energy

**VELESTO ENERGY BERHAD**  
(Registration No. 200901035667 (878786-H))  
(Incorporated in Malaysia)

## **CIRCULAR TO SHAREHOLDERS**

### **IN RELATION TO THE**

### **PROPOSED REDUCTION OF THE ISSUED SHARE CAPITAL OF VEB PURSUANT TO SECTION 116 OF THE COMPANIES ACT, 2016 ("PROPOSED CAPITAL REDUCTION")**



**AFFIN HWANG INVESTMENT BANK BERHAD**  
(Registration No. 197301000792 (14389-U))  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The special resolution to approve the Proposed Capital Reduction will be tabled as Special Business at the 15<sup>th</sup> Annual General Meeting ("**15<sup>th</sup> AGM**") of VEB, which will be held at Nexus 2 & 3, Level 3A, Connexion Conference & Event Centre, Bangsar South City, No. 7, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia on Wednesday, 28 May 2025 at 2.00 p.m., or any adjournment thereof.

The Notice of the 15<sup>th</sup> AGM and Proxy Form are enclosed in the Annual Report 2024 of VEB, which has been published on the websites of Bursa Securities (<https://www.bursamalaysia.com>) and VEB (<https://velesto.com/investor-relations/reports-amp-presentations>).

The Proxy Form should be lodged at the office of the appointed Share Registrar for the 15<sup>th</sup> AGM of VEB, Securities Services (Holdings) Sdn Bhd ("**Securities Services**") at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, Malaysia. The Proxy Form can also be lodged electronically via Securities Services ePortal's platform at <https://sshsb.net.my/>.

All Proxy Forms submitted or lodged electronically must be received by Securities Services no later than Monday, 26 May 2025 at 2:00 p.m., after which the Proxy Form shall not be treated as valid.

Please refer to the Administrative Guide for the 15<sup>th</sup> AGM of VEB enclosed in the Annual Report 2024 of VEB, which has been published on the websites of Bursa Securities (<https://www.bursamalaysia.com>) and VEB (<https://velesto.com/investor-relations/reports-amp-presentations>), for further details on the submission of the Proxy Form via Securities Services ePortal's platform.

- Last date and time for lodging the Proxy Form : Monday, 26 May 2025 at 2:00 p.m.
- Date and time of the 15<sup>th</sup> AGM : Wednesday, 28 May 2025 at 2:00 p.m.

**This Circular is dated 29 April 2025**

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## DEFINITIONS

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Except where the context otherwise requires, the following terms and abbreviations shall apply throughout this Circular.

Act	: Companies Act, 2016
Affin Hwang IB	: Affin Hwang Investment Bank Berhad (Registration No. 197301000792 (14389-U))
AGM	: Annual General Meeting
Board	: Board of Directors of VEB
Bursa Securities	: Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
Circular	: This circular to the shareholders of VEB dated 29 April 2025
EPS	: Earnings per share
ESOS	: Employees' share option scheme of VEB Group
FYE	: Financial year ended/ending, as the case may be
High Court	: High Court of Malaya
LPD	: 2 April 2025, being the latest practicable date prior to the issuance of this Circular
NA	: Net assets
Proposed Capital Reduction	: Proposed reduction of the issued share capital of VEB pursuant to Section 116 of the Act
RM and sen	: Ringgit Malaysia and sen, respectively
VEB or the Company	: Velesto Energy Berhad (Registration No. 200901035667 (878786-H))
VEB Group or the Group	: VEB and its subsidiaries, collectively
VEB Shares or the Shares	: Ordinary shares of VEB

All references to "you" in this Circular are references to shareholders of the Company.

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any statutes, rules, regulations or rules of the stock exchange is a reference to such statutes, rules, regulations or rules of the stock exchange currently in force and as may be amended from time to time and any re-enactment thereof.

Any reference to a time or date in this Circular shall be a reference to Malaysian time, unless otherwise stated.

Any discrepancy in the tables included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

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## EXECUTIVE SUMMARY

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**THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION CONTAINED IN THE MAIN CONTENT OF THIS CIRCULAR. PLEASE READ THE ENTIRE CIRCULAR CAREFULLY FOR FURTHER DETAILS ON THE PROPOSED CAPITAL REDUCTION BEFORE VOTING AT THE FORTHCOMING AGM.**

Key information	Description	Reference to this Circular
<b>Details of the Proposed Capital Reduction</b>	<p>The Proposed Capital Reduction entails the reduction and cancellation of RM1,200,000,000 of the issued share capital of the VEB pursuant to Section 116 of the Act.</p> <p>The corresponding credit of RM1,200,000,000 arising from the Proposed Capital Reduction will be credited to the retained earnings of the Company or utilised to set-off against any accumulated losses of the Company, if applicable, and the balance, if any, will be credited to the retained earnings of the Company. The retained earnings of the Company may be utilised in such manner as the Board deems fit and in the best interest of the Company, as permitted by the relevant and applicable laws at the material time as well as the Company's Constitution.</p>	Section 2
<b>Rationale of the Proposed Capital Reduction</b>	<p>The rationale for the Proposed Capital Reduction is as follows:</p> <ul style="list-style-type: none"><li>(i) Company's ongoing efforts to optimise its capital structure, enhance financial flexibility and create long-term value for shareholders. This exercise will allow the Company to increase its retained earnings, thereby strengthening its ability to undertake future distribution to shareholders;</li><li>(ii) a stronger capital position is also expected to enhance the Company's credibility with financial institutions, potentially improving access to credit facilities and strengthening relationships with investors and shareholders; and</li><li>(iii) to mitigate the risk of having to carry out further capital reductions in the event of unexpected losses.</li></ul>	Section 3
<b>Effects of the Proposed Capital Reduction</b>	<p>The Proposed Capital Reduction will:</p> <ul style="list-style-type: none"><li>(i) reduce and cancel RM1,200,000,000 of the issued share capital of the Company and will not have any effect on the total number of issued Shares;</li><li>(ii) not have any effects on the substantial shareholders' shareholdings;</li><li>(iii) not have any material effects on the NA, NA per Share and gearing; and</li><li>(iv) not have any material effect on the consolidated earnings and EPS of the Company for FYE 31 December 2025.</li></ul>	Section 4

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**EXECUTIVE SUMMARY (CONT'D)**

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<b>Key information</b>	<b>Description</b>	<b>Reference to this Circular</b>
<b>Approvals Required</b>	<p>The Proposed Capital Reduction is subject to the following:</p> <ul style="list-style-type: none"><li>(i) the approval of the shareholders of the Company at the forthcoming AGM;</li><li>(ii) the sanction of the High Court pursuant to Section 116 of the Act; and</li><li>(iii) the approval of any other relevant authorities and/or parties, if applicable.</li></ul>	Section 5
<b>Interested Directors, Major Shareholders and/or Persons connected with them</b>	<p>None of the directors, major shareholders of the Company and/or persons connected with them has any interest, direct or indirect, in the Proposed Capital Reduction.</p>	Section 8
<b>Directors' Statement and Recommendation</b>	<p>The Board, after having considered all aspects of the Proposed Capital Reduction, including but not limited to the rationale for and effects of the Proposed Capital Reduction, is of the opinion that the Proposed Capital Reduction is in the best interest of the Company.</p> <p>Accordingly, the Board recommends that you <b>vote in favour</b> of the special resolution in relation to the Proposed Capital Reduction to be tabled at the forthcoming 15<sup>th</sup> AGM of VEB.</p>	Section 9

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**VELESTO ENERGY BERHAD**  
(Registration No. 200901035667 (878786-H))  
(Incorporated in Malaysia)

**Registered Office:**

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

29 April 2025

**Board of Directors:**

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*)  
Datuk George Ling Kien Sing (*Independent Non-Executive Director*)  
Ir. Ts. Megat Zariman Abdul Rahim (*President, Non-Independent Executive Director*)  
Ar. Ahila Ganesan (*Independent Non-Executive Director*)  
Fadzihan Abbas Mohamed Ramlee (*Non-Independent Non-Executive Director*)  
Alan Hamzah Sendut (*Independent Non-Executive Director*)  
Nadzrin Alia Md Azizis (Alternate Director to Encik Fadzihan Abbas Mohamed Ramlee)

**To: The shareholders of VEB**

Dear Sir/Madam,

**PROPOSED CAPITAL REDUCTION**

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**1. INTRODUCTION**

On 25 March 2025, Affin Hwang IB had, on behalf of the Board, announced that VEB proposes to undertake the Proposed Capital Reduction.

Further details on the Proposed Capital Reduction are set out in the ensuing sections of this Circular.

**THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH DETAILS OF THE PROPOSED CAPITAL REDUCTION AND TO SEEK YOUR APPROVAL FOR THE SPECIAL RESOLUTION PERTAINING TO THE PROPOSED CAPITAL REDUCTION TO BE TABLED AT THE FORTHCOMING 15<sup>TH</sup> AGM OF VEB AS SPECIAL BUSINESS.**

**THE NOTICE OF THE 15<sup>TH</sup> AGM AND THE PROXY FORM ARE ENCLOSED IN THE ANNUAL REPORT 2024 OF VEB WHICH HAS BEEN PUBLISHED ON THE WEBSITES OF BURSA SECURITIES AND VEB. THE EXTRACT OF NOTICE OF THE 15<sup>TH</sup> AGM PERTAINING TO THE PROPOSED CAPITAL REDUCTION IS ENCLOSED IN APPENDIX II OF THIS CIRCULAR.**

**YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR, INCLUDING THE APPENDICES CONTAINED HEREIN, BEFORE VOTING ON THE SPECIAL RESOLUTION PERTAINING TO THE PROPOSED CAPITAL REDUCTION TO BE TABLED AT THE FORTHCOMING 15<sup>TH</sup> AGM OF VEB AS SPECIAL BUSINESS.**

## 2. DETAILS OF THE PROPOSED CAPITAL REDUCTION

The Proposed Capital Reduction entails the reduction and cancellation of RM1,200,000,000 of the issued share capital of VEB pursuant to Section 116 of the Act.

The corresponding credit of RM1,200,000,000 arising from the Proposed Capital Reduction will be credited to the retained earnings of the Company or utilised to set-off against any accumulated losses of the Company, if applicable, and the balance, if any, will be credited to the retained earnings of the Company. The retained earnings of the Company may be utilised in such manner as the Board deems fit and in the best interest of the Company, as permitted by the relevant and applicable laws at the material time as well as the Company's Constitution.

As at LPD:

- (i) the issued share capital of VEB is RM1,844,825,830 comprising of 8,215,621,922 VEB Shares;
- (ii) the Company has granted 101,820,000 options under the Company's ESOS which are exercisable into 101,820,000 new VEB Shares at an exercise price of RM0.23 whereby none of the employees' share option are vested; and
- (iii) the Company does not have any treasury shares.

For avoidance of doubt the Proposed Capital Reduction will not result in:

- (i) any adjustment to the share price of the Company;
- (ii) any change in the total number of VEB Shares in issue or the number of VEB Shares held by the shareholders of the Company;
- (iii) any payment to the shareholders of the Company; and
- (iv) any outflow of cash or change in the NA of the Group, save for the estimates expenses to be incurred in relation to the Proposed Capital Reduction.

For information purposes, the Company had on 19 May 2020 issued a circular to seek shareholders' approval for the reduction of the issued share capital of VEB involving the reduction and cancellation of RM2,210,000,000 of the issued share capital of VEB pursuant to Section 116 of the Act ("**Capital Reduction 2020**").

On 29 June 2020, the Company obtained shareholders' approval for the Capital Reduction 2020. Subsequently on 21 October 2020, the Capital Reduction 2020 was completed.

The effects of the Capital Reduction 2020 on the accumulated losses of the Company and Group as at 31 December 2020 are summarised as follows:

	Audited as at 31 December 2020	
	Company RM'000	Group RM'000
Accumulated losses as at 1 January 2020	(2,174,482)	(2,146,438)
Add: Credit arising from the Capital Reduction 2020	2,210,000	2,210,000
After the Capital Reduction 2020	35,518	63,562
Less: Loss after tax for FYE 31 December 2020	(399,444)	(491,732)
<b>Accumulated losses as at 31 December 2020</b>	<b>(363,926)</b>	<b>(428,170)</b>

Notwithstanding the reduction and cancellation of RM2,210,000,000 of the issued share capital of VEB as at 31 December 2020,

- (i) the Company recorded an accumulated loss of approximately RM363.93 million as the Company recorded a loss after tax ("**LAT**") of approximately RM399.44 million during the FYE 31 December 2020. The LAT was mainly due to the recognition of impairment loss on the investment in subsidiaries of approximately RM377.21 million.
- (ii) the Group recorded an accumulated loss of approximately RM428.17 million as the Group recorded a LAT of approximately RM491.73 million during the FYE 31 December 2020. The LAT was mainly due to the recognition of impairment loss of approximately RM460.56 million on the Group's rigs, hydraulic workover units, drilling equipment and plant and machinery.

For illustrative purposes, the pro forma effects of the Proposed Capital Reduction on the retained earnings and accumulated losses of the Company and the Group respectively, based on the latest audited financial statements as at 31 December 2024 are set out below:

	Audited as at 31 December 2024	
	Company RM'000	Group RM'000
Retained earnings / (accumulated losses)	121,199	(134,602)
Add: Credit arising from the Proposed Capital Reduction	1,200,000	1,200,000
Less: Estimated expenses for the Proposed Capital Reduction	(300)	(300)
<b>After the Proposed Capital Reduction</b>	<b>1,320,899</b>	<b>1,065,098</b>

The audited retained earnings of the Company as at 31 December 2024 were mainly due to the Company recording a profit after tax for FYE 31 December 2021 to 2024, as a result of amongst others, management fee income, dividend income and interest income from subsidiaries.

The audited accumulated losses of the Group as at 31 December 2024 were mainly due to the Group recording losses in the previous financial years, as a result of amongst others, a lower rig utilisation rate, impairment on property, plant and equipment, inventories write-offs and increase in raw material and consumable cost, notwithstanding that the Group recorded a profit after tax for FYE 31 December 2023 to 2024.

Further details on the Group's financial performance from FYE 31 December 2021 (after the completion of the Capital Reduction 2020) to FYE 31 December 2024 can be obtained from the Group's Annual Reports which are published on the websites of Bursa Securities and VEB at <https://www.bursamalaysia.com> and <https://velesto.com/investor-relations/reports-amp-presentations>, respectively.

Subject to the approval of the Proposed Capital Reduction by the shareholders of the Company at the forthcoming 15<sup>th</sup> AGM, the Proposed Capital Reduction will be effective when the sealed court order of the High Court for the Proposed Capital Reduction is lodged with the Registrar of Companies.



### 3. RATIONALE FOR THE PROPOSED CAPITAL REDUCTION

The rationale for the Proposed Capital Reduction is as follows:

- (i) Company's ongoing efforts to optimise its capital structure, enhance financial flexibility and create long-term value for shareholders. This exercise will allow the Company to increase its retained earnings, thereby strengthening its ability to undertake future distribution to shareholders;
- (ii) a stronger capital position is also expected to enhance the Company's credibility with financial institutions, potentially improving access to credit facilities and strengthening relationships with investors and shareholders; and
- (iii) to mitigate the risk of having to carry out further capital reductions in the event of unexpected losses.

### 4. EFFECTS OF THE PROPOSED CAPITAL REDUCTION

#### 4.1 Issued share capital

The pro forma effects of the Proposed Capital Reduction on the issued share capital of VEB are illustrated as follows:

	No. of VEB Shares '000	Amount RM'000
Issued share capital as at the LPD	8,215,622	1,844,826
Reduction of the issued share capital pursuant to the Proposed Capital Reduction	-	(1,200,000)
<b>After the Proposed Capital Reduction</b>	<b>8,215,622</b>	<b>644,826</b>

#### 4.2 Substantial shareholders' shareholding

The Proposed Capital Reduction will not have any effect on the substantial shareholders' shareholding in the Company as the Proposed Capital Reduction does not involve any issuance of new Shares by the Company.

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### 4.3 NA, NA per VEB Share and gearing

The pro forma effects of the Proposed Capital Reduction on the NA, NA per VEB Share and gearing of the Group based on the latest audited financial statements as at 31 December 2024 are set out below:

	<b>Audited as at 31 December 2024 RM'000</b>	<b>After the Proposed Capital Reduction RM'000</b>
Share capital	1,844,826	644,826
Reserves <sup>(i)</sup>	860,979	860,979
(Accumulated losses) / retained earnings	(134,602)	<sup>(ii)</sup> 1,065,098
<b>Shareholders' equity / NA</b>	<b>2,571,203</b>	<b>2,570,903</b>
No. of VEB Shares ('000)	8,215,622	8,215,622
NA per VEB Share (RM)	0.31	0.31
Borrowings (RM'000)	177,964	177,964
Gearing (times) <sup>(iii)</sup>	0.07	0.07

Notes:

- (i) Calculated as the sum of the share options reserve, capital reserve, gain on derecognition of financial liabilities and foreign currency translation reserve.
- (ii) After deducting estimated expenses of approximately RM300,000 in relation to the Proposed Capital Reduction.
- (iii) Gearing is calculated as total borrowings divided by shareholders' equity.

### 4.4 Earnings and EPS

The Proposed Capital Reduction will not have any material effect on the consolidated earnings and EPS of the Company for FYE 31 December 2025.

### 4.5 Convertible securities

Save for the 101,820,000 options granted under the Company's ESOS that have yet to vest, the Company does not have any other convertible securities as at the LPD.

The Proposed Capital Reduction will not give rise to any adjustment to the exercise price and the number of the options granted under the Company's ESOS pursuant to the by-laws constituting the ESOS options.

## 5. APPROVALS REQUIRED

The Proposed Capital Reduction is subject to the following:

- (i) the approval of the shareholders of the Company at the forthcoming AGM;
- (ii) the sanction of the High Court pursuant to Section 116 of the Act; and
- (iii) the approval of any other relevant authorities and/or parties, if applicable.

**6. CONDITIONALITY**

The Proposed Capital Reduction is not conditional upon any other corporate exercises undertaken or to be undertaken by the Company.

**7. CORPORATE PROPOSAL ANNOUNCED BUT PENDING COMPLETION**

Save for the Proposed Capital Reduction, there are no other corporate exercises which have been announced but not yet completed prior to the date of this Circular.

**8. INTERESTED DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM**

None of the directors, major shareholders of the Company and/or persons connected with them has any interest, direct or indirect, in the Proposed Capital Reduction.

**9. DIRECTORS' STATEMENT AND RECOMMENDATION**

The Board, after having considered all aspects of the Proposed Capital Reduction, including but not limited to the rationale for and effects of the Proposed Capital Reduction, is of the opinion that the Proposed Capital Reduction is in the best interest of the Company.

Accordingly, the Board recommends that you **vote in favour** of the special resolution in relation to the Proposed Capital Reduction to be tabled at the forthcoming 15<sup>th</sup> AGM of VEB.

**10. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed Capital Reduction is expected to be completed in the 3<sup>rd</sup> quarter of 2025.

The tentative timetable in relation to the completion of the Proposed Capital Reduction is as follows:

<b>Tentative timeline</b>	<b>Events</b>
28 May 2025	15 <sup>th</sup> AGM of VEB
Early June 2025	Application to the High Court for the Proposed Capital Reduction
End September 2025	<ul style="list-style-type: none"><li>• High Court order granted</li><li>• Lodgement of the sealed court order of the High Court with the Registrar of Companies</li><li>• Completion of the Proposed Capital Reduction</li></ul>

## 11. AGM

An extract of the special resolution to approve the Proposed Capital Reduction is set out in **Appendix II** of this Circular.

The 15<sup>th</sup> AGM of VEB, the notice of which is enclosed in the Annual Report 2024 of VEB, will be held at Nexus 2 & 3, Level 3A, Connexion Conference & Event Centre, Bangsar South City, No. 7, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia on Wednesday, 28 May 2025 at 2.00 p.m., or any adjournment thereof, for the purpose of amongst others, considering and if thought fit, passing with or without modifications, the special resolution to give effect to the Proposed Capital Reduction.

If you are unable to attend and vote at the 15<sup>th</sup> AGM of VEB, you may appoint a proxy or proxies to attend and vote on your behalf. If you wish to do so, you are requested to complete and deposit the Proxy Form enclosed in the Annual Report 2024 of VEB at the office of the appointed Share Registrar for the 15<sup>th</sup> AGM of VEB, Securities Services (Holdings) Sdn Bhd ("**Securities Services**") at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, Malaysia, no later than Monday, 26 May 2025 at 2:00 p.m.. The Proxy Form can also be lodged electronically via Securities Services ePortal's platform at <https://sshsb.net.my/>. All Proxy Forms submitted or lodged electronically must be received by Securities Services no later than Monday, 26 May 2025 at 2:00 p.m., after which the Proxy Form shall not be treated as valid.

**Please refer to the Administrative Guide for the 15<sup>th</sup> AGM of VEB enclosed in the Annual Report 2024 of VEB, which has been published on the websites of Bursa Securities (<https://www.bursamalaysia.com>) and VEB (<https://velesto.com/investor-relations/reports-amp-presentations>), for further details on the submission of the Proxy Form via Securities Services ePortal's platform.**

## 12. FURTHER INFORMATION

You are advised to refer to the attached Appendices for further information.

Yours faithfully  
For and on behalf of the Board of  
**VELESTO ENERGY BERHAD**

**MOHD RASHID MOHD YUSOF**  
Chairman, Non-Independent Non-Executive Director

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**FURTHER INFORMATION**


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**1. DIRECTORS' RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information contained in this Circular. The Board has also confirmed that after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted would make any statement in this Circular false or misleading.

**2. CONSENT AND DECLARATION OF CONFLICT OF INTEREST**

Affin Hwang IB, being the Principal Adviser for the Proposed Capital Reduction, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

Save as disclosed below, Affin Hwang IB hereby declares that there is no situation of conflict of interest that exists or is likely to exist in relation to the role of Affin Hwang IB as the Principal Adviser to VEB in relation to the Proposed Capital Reduction.

Affin Bank Berhad (the holding company of Affin Hwang IB) and its related and associated companies ("**Affin Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, assets and fund management and credit transaction services businesses. Affin Group has engaged and may in the future, engage in transaction with and perform services for VEB and/or VEB's affiliates, in addition to the roles set out in this Circular. In addition, in the ordinary course of business, any member of Affin Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with any member of the Group, the shareholders of VEB, VEB's affiliates and/or any other entity or person, hold long or short positions in securities issued by VEB and/or VEB's affiliates, and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity securities or senior loans of any members of the Group and/or VEB's affiliates.

As at the LPD, Affin Group has in the ordinary course of its business extended credit facilities /services to the Group, its directors and its shareholders. Affin Group may also in the future extend credit facilities/services to the Group, its directors and its shareholders.

Affin Hwang IB has considered the factors involved and believes its objective and independence as the Principal Adviser to VEB in relation to the Proposed Capital Reduction are maintained at all times, notwithstanding the aforementioned roles and services performed as these are mitigated by the following:

- (i) the businesses of Affin Group generally act independently of each other, and accordingly, there may be situations where parts of Affin Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interest of the Group. Nonetheless, Affin Group is required to comply with applicable laws and regulations issued by the relevant authorities governing its advisory business, which require, among others, segregation between dealing and advisory activities and Chinese Walls between different business divisions;
- (ii) the said credit facilities/services, where relevant, have been extended by Affin Group in its ordinary course of business;
- (iii) the conduct of Affin Group in its banking business is strictly regulated by the Financial Services Act, 2013, the Islamic Financial Services Act, 2013, the Capital Markets and Services Act, 2007 and Affin Group's own internal controls and checks;

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**FURTHER INFORMATION (CONT'D)**


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- (iv) the total outstanding amount owed by the Group to Affin Group is not material when compared to the audited NA of Affin Group as at 31 December 2024 of RM11.60 billion; and
- (v) save for the professional advisory fees to be received by Affin Hwang IB as the Principal Adviser to VEB for the Proposed Capital Reduction, there is no other direct interest to be derived from Affin Hwang IB's appointment as the Principal Adviser to VEB in respect of the Proposed Capital Reduction, and neither is Affin Hwang IB interested in nor affected by the outcome of the Proposed Capital Reduction.

Accordingly, the Board has been fully informed and is aware of the roles of Affin Hwang IB mentioned above and is agreeable to the role of Affin Hwang IB as the Principal Adviser to VEB in relation to the Proposed Capital Reduction.

**3. MATERIAL LITIGATION, CLAIMS OR ARBITRATION**

As at the LPD, VEB is not aware of any material litigation, claims or arbitration involving the Group, whether as plaintiff or defendant, and the Board is not aware of any proceedings, pending or threatened, involving the Group or of any facts likely to give rise to any proceedings which may have a material impact on the financial position of the Group.

**4. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**
**4.1 Material commitments**

Save as disclosed below, as at 31 December 2024, being the latest audited consolidated financial results available, the Board is not aware of any material commitments incurred or known to be incurred by the Group, which may have a material impact on the financial position of the Group.

<b>Capital commitments</b>	<b>RM'000</b>
Approved and contracted for:	
- equipment, plant and machinery	49,590
Approved but not contracted for:	
- land and buildings	12,509
- equipment, plant and machinery	10,668
- others	5,909
	<u>29,086</u>
<b>Total capital commitments</b>	<b><u>78,676</u></b>

**4.2 Contingent Liabilities**

As at 31 December 2024, being the latest audited consolidated financial results available, the Board is not aware of any contingent liabilities incurred or known to be incurred by VEB and Group which, upon becoming enforceable, may have a material impact on the financial position of the Group.

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**FURTHER INFORMATION (CONT'D)**

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**5. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal office hours at the registered office of VEB at Level 18, Block 3A, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, from the date of this Circular up to the date of the 15<sup>th</sup> AGM of VEB:

- (i) the Constitution of VEB;
- (ii) audited consolidated financial statements of VEB for FYE 31 December 2023 and FYE 31 December 2024; and
- (iii) the letter of consent referred to in Section 2 of this **Appendix I**.

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**EXTRACT OF NOTICE OF THE 15TH AGM OF VEB**

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To consider and, if thought fit, pass the following Special Resolution, with or without modification:

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

**"THAT** subject to all approvals being obtained from the relevant authorities and/or parties, if applicable, and the confirmation by the High Court of Malaya pursuant to Section 116 of the Act, approval be and is hereby given for the Board to implement the Proposed Capital Reduction and reduce the share capital of the Company via the cancellation of RM1,200,000,000 of the issued share capital of the Company.

**THAT** the corresponding credit of RM1,200,000,000 arising from the Proposed Capital Reduction, will be credited to the retained earnings of the Company or utilised to set-off against any accumulated losses of the Company, if applicable, and the balance, if any, will be credited to the retained earnings of the Company. The retained earnings of the Company may be utilised in such manner as the Board deems fit and in the best interest of the Company, as permitted by the relevant and applicable laws at the material time as well as the Constitution of the Company.

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

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