VELESTO energy

INTEGRATED ANNUAL REPORT 2024

# DRIVING FUTURE RESILIENCE

Velesto Energy Berhad

# annual general meeting

Venue: Nexus 2 & 3, Level 3A, Connexion Conference & Events Centre, Bangsar South City,
No. 7, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia on
Wednesday, 28 May 2025 at 2.00 p.m.

**Revenue of FY2024**
RM1.36 billion

**Profit Before Tax**
RM267 million

**Profit After Tax**
RM208 million

For further details, please refer to page 26.

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Velesto's exceptional performance in 2024 was achieved on the back of the highest standards of operational performance.


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| Fatality | LTI | Major spill |
|---|---|---|
| ZERO | ZERO | ZERO |


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Pulp from Sustainable Forest

Elementary Chlorine Free

Recyclable & Eco Friendly Paper


To support sustainability, we encourage you to view our Integrated Annual Report online via our website or by scanning the QR code above. If a physical copy is required, please rest assured that Velesto's Integrated Annual Report is printed on FSC-certified, Elementary Chlorine Free (ECF), pH-neutral, recyclable, and eco-friendly paper.

With strength behind energy, we **accelerate innovation** across the energy sector, forging a sustainable path towards net zero and beyond.

Revenue
RM1.36 billion

Profit After Tax
RM208 million

EBITDA
RM549 million

Our Guiding Principle

Performance Driven, Operations Focused.

Our Statement of Purpose

We provide extraordinary services that energise and enrich lives.

Cover Rationale

**Driving Future Resilience** embodies our ethos as we navigate a dynamic energy landscape. It reflects our commitment to strengthening operational reliability, leveraging technology, and building the right capabilities to ensure we are always prepared for what is ahead.

In 2024, Velesto's exceptional performance was driven by our ability to perform at the highest standards of operational performance allowing us to deliver strong financial performance and increase returns to shareholders.

## Who we are

### Velesto Energy Berhad 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 Drilling Academy ("VDA"), 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.

## Our iLEAP 2.0 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 Velesto.

## About this Report

Velesto Energy Berhad ("Velesto" or "the Group") hereby presents its Integrated Annual Report ("IAR2024") for financial year ended 31 December 2024.

**IAR2024 was developed based on addressing the following strategic considerations:**

Provision of
strategic content of value to providers
of capital based on **financial** and **impact materiality perspectives.**

Where possible provision of
sustainability related risks and opportunities and climate related risks and opportunities.

Other information deemed material to stakeholders.

Achieving compliance with other
best practice reporting frameworks such as GRI, SASB, and others.
Continue to provide information material to a wide range of **stakeholders** including **regulators, investors, shareholders, customers** and **others**.

**Delving beyond past financial performance** to transcend silo-based limited views of Velesto.
To present more integrated perspectives and to explore the relationship between multiple aspects of the Group's business.

Past and future based external operating environment information and relevance to
Velesto's business and operational context.

In addition, IAR2024 has been developed to ensure compliance with the requirements of mandatory reporting frameworks:

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

**Scope and Boundary**

Unless otherwise indicated, IAR2024's disclosures are time bound to the financial year of 2024 which commences from 1 January 2024 to 31 December 2024 (with some exceptions where data / information presented stretch up to 31 March 2025).

Where available, in presenting performance trends, data is presented over a 3–5-year period on a rolling basis.

Velesto applies a combination of equity and management control scope and boundary in determining business entities for inclusion in IAR2024. In essence, all Group subsidiaries in which Velesto holds a majority stake and exercises full management control are included, as the Group is responsible for both direct and indirect value creation and sustainability impacts. Kindly refer to the corporate profile page for specific information on the included entities.

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

**Related Information**

This report is accompanied with additional online disclosures for our valued stakeholders including consolidated and quarterly financial statements, policies, corporate governance documents, and other associated data instituted since the Group's establishment. This information is referred to in this report and additionally disclosed on Velesto's company website under the Investor Relations online portal at https://velesto.com/investor-relations/overview.

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/overview. 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 IAR2024 as in previous years, also provides various 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 the accuracy and completeness 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 inaccurate or 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 IAR2024.

Readers are advised to undertake their own, independent due diligence on all forward-looking statements made in IAR2024. Management is not responsible for any undue losses incurred by readers or any party relying on information disclosed in IAR2024 to make investments or any other decisions. Readers are advised to consult the management of Velesto if further clarification or information is required.

**Assurance**

This report covers financial statements audited by Ernst & Young PLT. Adhering to their reporting standards and process, the financial statements depicts a fair and factual portrayal of the Group's financial standing.

The report was prepared in accordance with Malaysian Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Non-financial performance data covered in this report has not undergone formal auditing but the Group's Senior Management has rendered a reasonable and fair judgement on all material matters contained including the disclosure of our top line strategic plans.

**Feedback and Enquiries**

The Group is open to receiving due feedback and additional inquiries on the information presented in this report which can be channelled towards our Investor Relations unit at:

**+603 2096 8788**

**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

## NAGA 5

Design
**Keppel FELS B Class**

Delivery
March 2014

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

## NAGA 6

Design
**GustoMSC-CJ46- X100D**

Delivery
September 2014

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

Jack-Up Type
Independent Leg Jack-Up Drilling Rig

Class Notations
A1 Self-Elevating Drilling Unit

Classification
ABS

Water Depth
375 feet

## NAGA 8

Design
**Keppel FELS B Class**

Delivery
September 2015

Construction Yard
Keppel FELS Yard, Singapore

Jack-Up Type
Independent Leg Jack-Up Drilling Rig

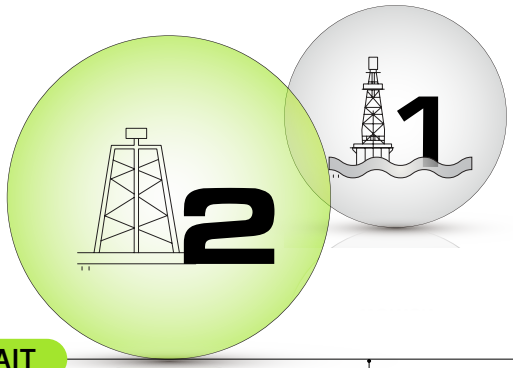
Class Notations
A1 Self-Elevating Drilling Unit

Classification
ABS

Water Depth
400 feet

Our Assets

# HYDRAULIC WORKOVER UNITS




# OILFIELD SERVICE

## 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

## TIANJIN
CHINA

# 2024 Calendar of Event

**January**

School aid assistance to SK Sungai Kelabit and SK Sungai Biar in Miri

**February**

FY2023 Analyst Briefing – Physical

**March**

MPM Wells Management Performance Award: Best HWU – GAIT 5

IADC Safety Award 9 Years of Recordable Free Offshore Rig – NAGA 6

**April**

PTTEP CEO SSHE Excellence Award

Media Interview with BFM Breakfast Grill

**May**

14th Annual General Meeting - Virtual

**June**

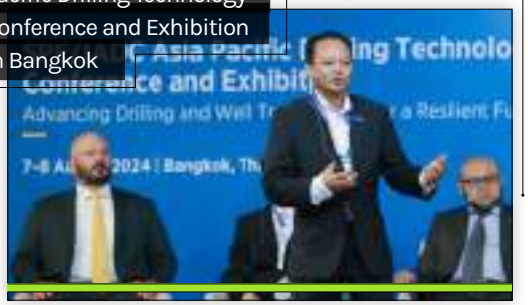
Coral Planting Phase III

## 2024 Calendar of Event

### August

NAGA 2 Analysts Rig Visit

Panelist at SPE/IADC Asia Pacific Drilling Technology Conference and Exhibition in Bangkok



NAGA 2 completed its Mandatory Five Yearly Special Periodical Survey ("SPS")

PETRONAS Safety Award to NAGA 3 for 5000 days LTI free

NAGA 3 received a Letter of Award from Thang Long Joint Operating Company in Vietnam

### September

Business Partner Integrity Day

Participated in the 20th Oil & Gas Association ("OGA") exhibition in Kuala Lumpur - Main Sponsor and Exhibitor

# 2024 Calendar of Event

## October

NAGA 6 completed its Mandatory Five Yearly SPS

MoU signing for Technology Collaboration in Drilling Performance & Emissions Monitoring with SLB in Monaco

Ranked among Top 50 in the National Corporate Governance & Sustainability Awards ("NACGSA") 2024

Family Day 2024 (Onshore) @ Sunway Lagoon

## November

NAGA 5 Media Rig Visit

Member of the Industry Advisory Panel at Universiti Teknologi PETRONAS

MOU with Malaysia Petroleum Management ("MPM") and National Oilwell Varco, LP. ("NOV")

Focus Recognition from EMEPMI Wells Team

## December

Family Day 2024 (Offshore) @ Miri

Achieved official MS ISO 37001:2016 Anti-Bribery Management System ("ABMS") certification

PCSB HSE Mentorship Assurance Awards

# Corporate Information

## Board of Directors

| Director | Details | Appointment Date |
|---|---|---|
| **Mohd Rashid Mohd Yusof** | Chairman / Non-Independent Non-Executive Director | 23 June 2017 |
| **Rowina Ghazali Seth** | Independent Non-Executive Director | 23 June 2017 |
| **Haida Shenny Hazri** | Non-Independent Non-Executive Director | 23 June 2017 |
| **Ir. Dr. Mohd Shahreen Zainooreen Madros** | Senior Independent Non-Executive Director | 25 August 2021 |
| **Datuk George Ling Kien Sing** | Independent Non-Executive Director | 29 November 2021 |
| **Ir. Ts. Megat Zariman Abdul Rahim** | President / Executive Director | 25 February 2022 |
| **Ar. Ahila Ganesan** | Independent Non-Executive Director | 12 August 2022 |
| **Fadzihan Abbas Mohamed Ramlee** | Non-Independent Non-Executive Director | 1 September 2023 |
| **Alan Hamzah Sendut** | Independent Non-Executive Director | 2 February 2024 |
| **Nadzrin Alia Md Azizis** | Alternate Director to Fadzihan Abbas Mohamed Ramlee | |

### Board Audit Committee
- Alan Hamzah Sendut (Chairman)
- Ir. Dr. Mohd Shahreen Zainooreen Madros
- Ar. Ahila Ganesan
- Rowina Ghazali Seth

### Board Nomination & Remuneration Committee
- Rowina Ghazali Seth (Chairperson)
- Haida Shenny Hazri
- Fadzihan Abbas Mohamed Ramlee
- Datuk George Ling Kien Sing
- Ar. Ahila Ganesan

### Board Governance & Risk Committee
- Haida Shenny Hazri (Chairperson)
- Datuk George Ling Kien Sing
- Ar. Ahila Ganesan
- Ir. Dr. Mohd Shahreen Zainooreen Madros
- Alan Hamzah Sendut

### Board Strategic Committee
- Ir. Dr. Mohd Shahreen Zainooreen Madros (Chairman)
- Haida Shenny Hazri
- Datuk George Ling Kien Sing
- Fadzihan Abbas Mohamed Ramlee
- Alan Hamzah Sendut

### 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: +603-2274 7787

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

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

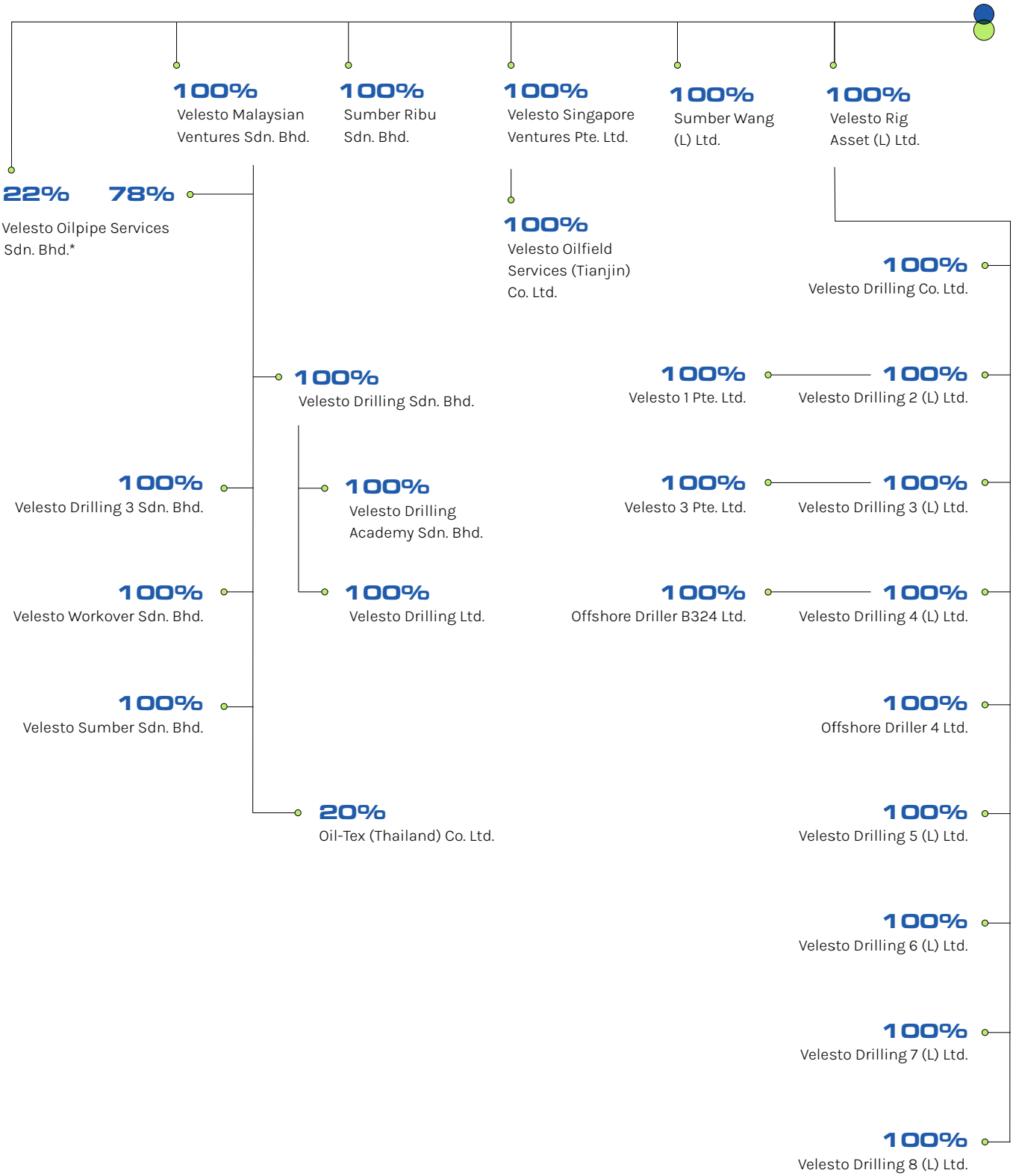
### Whistleblower channels
Head, IGUC / +603-2096 8788 / whistleblower@velesto.com

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

# Group Corporate Structure

as at 31 March 2025

VELESTO energy




* Members Voluntary Winding Up Process

## Chairman's Statement

2024 has been a significant year for Velesto Energy Berhad ("Velesto" or "the Group") as we achieved new milestones in our financial, business, and operational performance.

**Mohd Rashid Mohd Yusof**
Chairman

Throughout 2024, we maintained a strong momentum of progress. Our growth was underpinned by our redefined corporate Vision and Mission, and iLEAP 2.0 values of Integrity, Leadership, Excellence, Accountability, and Passion.

Our principled approach, proven track record, and continued focus on financial and operational excellence have enabled the Group to deliver stronger financial results as well as business success.

### Enhanced Value Creation in 2024

A comprehensive account of our financial and business highlights is provided in the Management Discussion and Analysis section of this Annual Report. I wish to take this opportunity to mention several notable performance highlights.

In 2024, Velesto's after tax profits doubled to RM208 million (FY2023: RM100 million) on the back of a 12% year-on-year revenue growth to RM1.36 billion. Asset utilisation reached 87%, the highest level recorded since 2014, while our continued focus on operational excellence enabled the Group to achieve 99% asset uptime; an exceptional performance.

Dividend Yield

7% Maximising returns to shareholders

Profit After Tax

RM208 mil

PAT surged by 2x in 2024 vs 2023

Our balance sheet has strengthened significantly, as we have fully paid off our long-term borrowings ahead of schedule, enabling the Group to register a net cash position of RM70 million as at 31 December 2024.

On the back of strong cash balance and improved financial performance, the Board of Directors is pleased to reward shareholders with a 49% dividend payout ratio which is equivalent to a 7% yield.

As of 31 January 2025, our remaining order book stands at RM709 million, comprising both short and long-term contracts that will provide us with revenue and earnings visibility into early-2026.

**Powered by Vision and Values**

Our guiding principle of being Performance Driven, Operations Focused remains the core driver of our business model, underpinned by our iLEAP 2.0 values. We have continued to pursue our strategic enablers: Safety, Service Quality, Technology, and Sustainability. Notable progress has been made across all four pillars, supporting our ability to sustain both financial and non-financial value creation.

It is important to reiterate that our achievements are not solely the result of efforts in 2024, but stem from the hard-won outcomes of our transformation journey, which began in 2017. Despite adversities, we have stayed the course in building a better, more resilient, market attuned company. A company that would be prepared to seize opportunities and stay sustainable throughout the cyclical nature of the oil and gas market. We have been disciplined and focused in our approach.

We have continued undeterred with our strategic plans, albeit with some adjustments to align with market conditions and fundamentals. This includes adopting an asset-lighter model, to expand abroad, and to develop integrated service capabilities.

Sustainability, across the three aspects of Environmental, Social and Governance ("ESG") was also emphasised as a strategy and opportunity for value creation; for better aligning with our stakeholders' aspirations, and in driving operational and cost efficiency towards building a more competitive, and future-ready Velesto.

One notable highlight is the refinement in our iLEAP 2.0 values, where Accountability and Passion has been introduced in lieu of Agility and People. This reflects the dynamism of our approach; to reinvent and adapt with the changing needs of our business and operational context.

Good governance, as the bedrock of operational performance and value creation, remained a key area of focus for Velesto. In 2024, Velesto secured the ISO 37001:2016 ABMS Certification from SIRIM QAS International, a significant validation of our robust anti-corruption framework. We are pleased to report that, in 2024, 100% of our operations underwent rigorous anti-corruption risk assessments. As a result, 100% of our employees received comprehensive training on our anti-corruption policies and procedures during the year.

**Guiding Principle**

## Performance Driven, Operations Focused.

**Statement of Purpose**

We provide extraordinary services that energise and enrich lives.

| Safety | Service quality |
|---|---|
| Enablers | |
| Technology | Sustainability |

**Values**

**i**ntegrity
**L**eadership
**E**xcellence
**A**ccountability
**P**assion

**People and Culture**

People and culture have always been a priority for Velesto. Our continued investment in developing and nurturing people, social, and intellectual capital has contributed significantly to operational excellence, commendable occupational safety and health performance, and enhanced productivity.

Our commitment to strengthening workplace culture and organisational development was demonstrated through the wide range of initiatives undertaken throughout 2024. These included workshops, webinars, our open townhalls, training programmes, and more. In 2024, Velesto invested over 7,264 hours in training and professional development programmes for employees. We increased our training investment by 21% in 2024. Our average training hours per employee has consequently risen to 11 hours in 2024.

Chairman's Statement

# Building Resilience

## Advancing with Purpose and Precision

Over the past year, we have sharpened our core strengths through deliberate strategies that build resilience, enhance adaptability, and empower us to seize new opportunities. Our ability to respond swiftly to changing market dynamics reflects the strength of our foundation and the clarity of our vision. Guided by a performance-focused and operationally agile mindset, we are well-positioned to drive sustainable growth. This momentum is only possible through the collective dedication of our stakeholders, key leaders, and our employees. We look forward to excel, and achieve greater milestones—**together in 2025**.

Remaining Order Book
RM709 million

Net Cash Position
RM70 million

99% Asset Uptime

### Looking Ahead

While the future offers significant growth opportunities for Velesto, we remain mindful of the associated risks and challenges. The operating backdrop remains volatile and uncertain, arising from economic conditions, geopolitical developments, policy changes, and other dynamic factors. Yet, we remain positive that Velesto will continue to pave a way through; to chart a steady course of sustained value creation for stakeholders.

Hydrocarbon will likely remain a mainstay in meeting the world's increasing need for energy, even as the world increases alternative energy sources to its energy mix. We intend to pursue the following strategic priorities: securing long-term earnings through prioritising long-term contracts, undertaking additional cost optimisation initiatives, and to sustain financial, business, and operational performance.

Our focus on long-term strategic planning is reflected in the formation of our dedicated Board Strategic Committee, chaired by Ir. Dr. Mohd Shahreen Zainooreen Madros and comprises three independent and two non-independent directors. The Committee's primary role is to recommend policy and provide oversight on Velesto's strategies with the objective to maximise stakeholder value.

Our strategies have strengthened our core capabilities, making us more resilient and better positioned to manage risks and seize opportunities. With this foundation, our continued focus on being a performance-driven, operations-focused service provider will keep us well-positioned for the future.

### Appreciation and Acknowledgements

Our journey in 2024 was possible due to the contributions of many stakeholders. Firstly, my heartfelt thanks to our employees who have been nothing short of stellar. Their commitment to professionalism and innovativeness in overcoming challenges has been truly pivotal and it is fitting to recognise our workforce who remain a key asset for the Group.

I wish to thank our Senior Management team for their continued steering of Velesto towards greater heights of accomplishment. I also wish to record our gratitude to the many other stakeholders who have been part of our journey; our shareholders, clients, regulatory bodies, ministries and government agencies, vendors, the media, and research houses. We look forward to achieving even greater milestones together in 2025.

## Management Discussion & Analysis

Greetings to all stakeholders,

In 2024, our business strengths and operating fundamentals served us well – anchoring our continued improvement in financial, business, and operational performance.

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

We have consistently demonstrated our capabilities as a leading service provider, meeting the dynamic and fast-evolving requirements of our customers.

Beyond delivering industry-benchmark drilling services in Malaysia, further progress has been made in expanding our regional presence, enhancing our capabilities, and proving our competitive strength through a compelling value proposition centred on safety, service quality, technology and sustainability. This also includes delivering innovative solutions and outcomes.

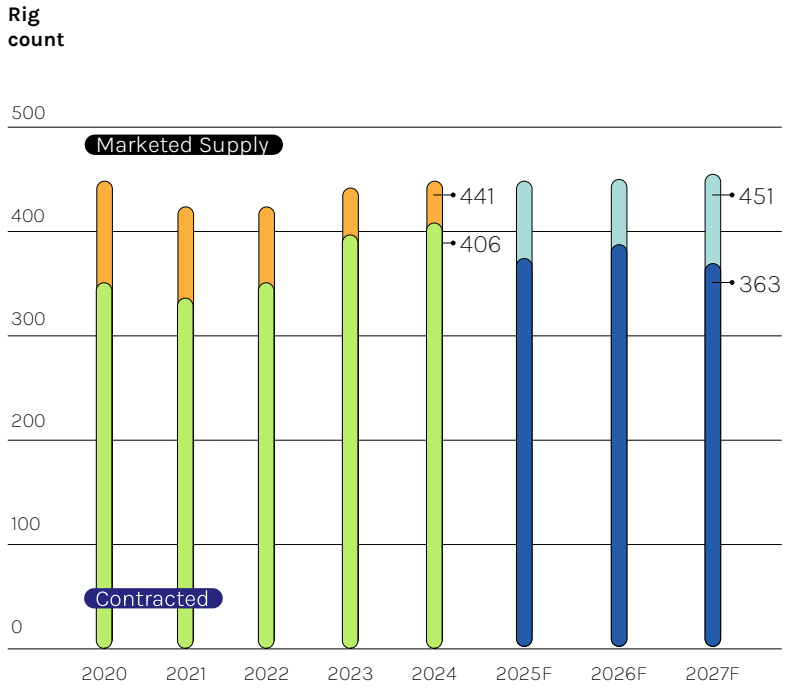
In 2024, Velesto focused on expanding its order book, increasing cost efficiencies, and improving operational productivity. Our strategic enablers - Safety, Service Quality, Technology, and Sustainability provided a clear framework for sustained value creation. These enablers also strengthened our market relevance and prepared us for future opportunities.

Utilisation 87%

Average DCR
USD 118k per day

Management Discussion & Analysis

## Jack-up Rig Supply & Demand




*Source: S&P Petrodata Jan 2025*

**The Year in Review**

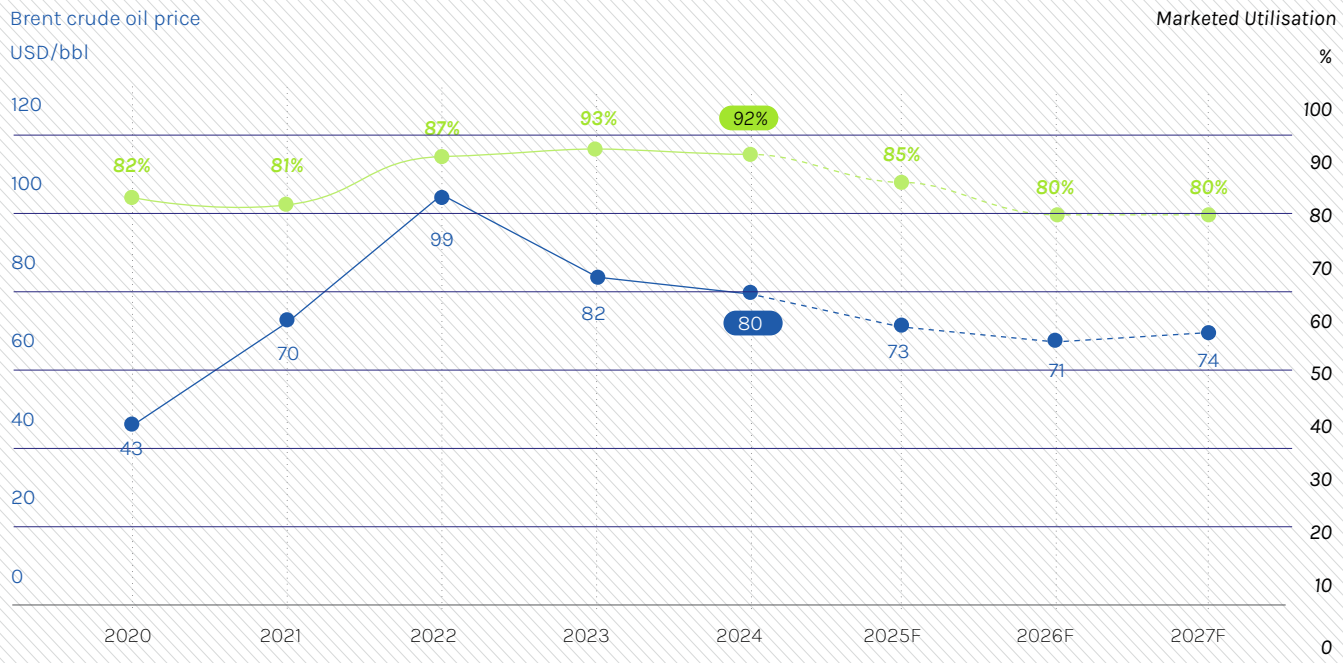
### In 2024, global crude oil and gas supply and demand continued to be impacted by geo-political events and trends.

The protracted Russia-Ukraine conflict, the heightening of tensions in the Middle East, and the increase in US oil and gas supply influenced crude oil price movement throughout the year.

The industry saw a continued upside with global oil demand rising to 102.8 million barrels per day. By continuing to limit oil production, OPEC+ helped keep the market steady and prevented prices from rising or falling too sharply.

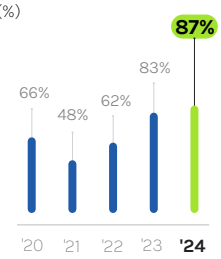
The global jack-up ("JU") rig market remained robust, with demand for 406 rigs against a supply of 441 rigs, resulting in a 92% marketed utilisation rate (2023: 93%).

## Oil Price against Jack-up Rig Utilisation

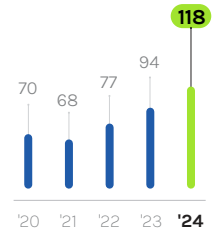



*Source: S&P Petrodata, Bloomberg, Velesto Analysis Jan 2025*

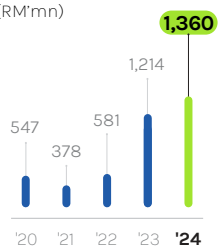
Utilisation rate
(%)



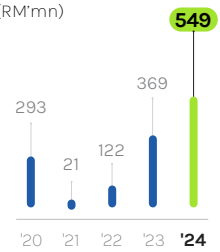

Average DCR
(USDk/d)



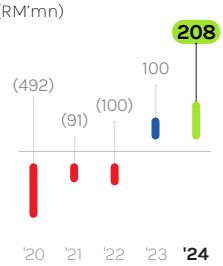

Revenue
(RM'mn)




EBITDA
(RM'mn)




PAT
(RM'mn)




**Velesto in 2024**

On the back of strong market demand and improved operational capabilities, Velesto successfully secured higher Daily Charter Rates ("DCR"), averaging USD118,000 in 2024, compared to USD94,000 in 2023 and USD77,000 in 2022.

Even as the Group secured higher DCRs and longer duration contracts, cost optimisation remained a strategic priority. Throughout the year, Velesto pursued various technological, capacity, operational, and procurement enhancements aimed at improving cost efficiency.

Another notable focus area was the leveraging of strategic partnerships to augment operational capabilities of the Group. These include various collaborations inked with international technology firms and service providers. Operational enhancements driven by digital technology and organisational cultural change delivered encouraging results, supporting the Group's stronger performance for the year.

**Group Performance**

Supported by stronger operational performance and additional contracts secured, Velesto achieved an improved 87% vessel utilisation rate for its jack-up rigs in 2024 (2023: 83%). The Group also recorded a 99% uptime for its rigs, up from 97% in 2023.

Group revenue reached its highest level since 2014, at RM1.36 billion, a 12% increase from RM1.21 billion in 2023. This growth was driven by higher utilisation rates and increased average DCR secured for contracts in 2024. Coupled with active cost management, this led to a doubling of both pre-tax profit (RM267 million, up from RM121 million in 2023) and post-tax profit (RM208 million, up from RM100 million in 2023).

Group earnings before interest, tax, depreciation, and amortisation ("EBITDA") had risen to RM549 million (2023: RM369 million) reflecting the overall operational cost efficiency and profitability of the Group.

In 2024, the Drilling Services segment recorded a higher contribution, year-on-year. The Integrated Project Management ("IPM") segment posted lower contributions due to lower utilisation for hydraulic workover units.

CAPEX had increased as three Special Periodic Survey ("SPS") were undertaken and successfully completed during the year. These were for NAGA 2, NAGA 5 and NAGA 6. Going forward, all three JU rigs will be able to operate uninterrupted and this is advantageous for Velesto when tendering for contracts.

Management Discussion & Analysis

**Strengthened Balance Sheet**

Having fully repaid all long-term loans, the Group achieved a net cash position of RM70 million. As of 31 December 2024, short-term borrowings stood at RM178 million. Correspondingly, the gross gearing position reduced to 0.07 times, while the Group's balance sheet strengthened considerably.

**Business and Operational Performance**

As mentioned earlier, despite undertaking three SPS during the year, Velesto achieved a higher utilisation rate of 87% compared to 2023's of 83%. A higher uptime of 99% was also recorded as all JU rigs continued to deliver excellent performance throughout the year. The utilisation rate for hydraulic workover units ("HWUs") stood at 50%.

Among the operational highlights was the completion of the i-RDC project for Hess in October 2024. This achievement further bolsters the Group's track record as one of the select few rig operators in Malaysia and the region with successful integrated project execution experience.

The knowledge and experience gained are valuable assets when bidding for similar contracts in the future. More importantly, it reinforces Velesto's position as a flexible and responsive service provider, capable of adapting to clients' needs and integrating new capabilities and technologies through successful collaboration with partners.

Several JUs — NAGA 4, NAGA 5, NAGA 6, and NAGA 8 — have been equipped with enhanced drilling functions and advanced features, including offline capabilities, autonomous drilling, and preventive maintenance. Additionally, a robotic arm will be installed on NAGA 6 in 2025, making it the first JU rig in the world to feature this technology.

Order book as at Jan 2025
RM709 mil

Successfully completed
3 SPS

Contract wins
RM1.2 bil

### Contracts Wins and Order Book

In 2024, Velesto replenished its order book with over RM1.2 billion in new contracts secured. This brings the Group's confirmed order book to RM709 million as of at 31 January 2025. Among the notable project awards were the 2-year PETRONAS contracts including notice of assignments for NAGA 2, NAGA 4, and NAGA 6.

Importantly, contracts secured also included duration-based contracts instead of call out contracts. The duration-based contracts permit the other clients to farm-in to the contract during the stipulated period to keep our rigs working.

Major contract wins in 2024:

| | | | |
|---|---|---|---|
| **Date** | 2 February 2024 | **Contract Value** | USD265 million |
| **Client** | PETRONAS Carigali Sdn. Bhd. | | |
| **Contract Details** | Extension of contract for Provision of Jack-up Drilling Rig for PETRONAS Carigali Sdn. Bhd. for two years (from 7 February 2024 to 6 February 2026);<br><br>Including Notice of Assignment for NAGA 2, NAGA 4, and NAGA 6 (from 7 February 2024 to 6 February 2026). | | |
| **Rig** | NAGA 2, NAGA 3, NAGA 4, NAGA 5, NAGA 6, NAGA 8 | | |

### Awards and Accolades

Velesto's excellent operational track record has once again been acknowledged by clients with NAGA 5 earning the Best Rig (Drilling and Completion) in MPM's Wells Management 2024 Focused Recognition Award for successful completion of the North Malay Basin Phase 4 i-RDC campaign.

### Partnerships for Progress

Partnerships are integral to driving value creation, enabling enhanced competitive capabilities to leverage opportunities. They also facilitate access to technology, talent, and market access, while expediting business transformation. This approach aligns with PETRONAS' (and other oil and gas majors') aspirations for service providers to offer integrated services, replete with innovative, technologically driven solutions, particularly through digitalisation and other technologies.

Consistent with this approach, Velesto has sought to expand its partnership model in 2024, aiming to jointly develop and deliver innovative solutions that meet the technically complex and evolving requirements of exploration and production.

Among the notable strategic alliances inked in 2024 and Q1 2025 are:

- Strategic Memorandum of Understanding with SLB to enhance rig capabilities
- Technology collaboration between Velesto, PETRONAS, and NOV on drilling rig automation system and robotics
- Strategic engagement for Development Strategic Partnership Model with PETRONAS Carigali

Importantly, technology providers and other strategic collaborators chose to work with Velesto based on the strength of our track record, proven experience, and expertise in fostering successful partnerships. Through these and other strategic alliances, Velesto strengthens its asset and value proposition, augmenting its existing capacity and capabilities.

Another partnership highlight is our ongoing collaboration with PETRONAS on carbon management solutions, autonomous drilling, and advanced emissions management systems. Our collaboration attests to our commitment to driving continuous improvements and in also preparing for a lower carbon emitting business model. This includes a 15% absolute emission reduction in total Scope 1 and Scope 2 emissions (operational emissions). We intend to progressively address embodied carbon emissions arising from the upstream and downstream value chain attributed to our operations. This is consistent with our Net Zero roadmap, which will be firmed up in 2025.

Management Discussion & Analysis

### Prioritising Sustainability

While the full details of the Group's sustainability performance are presented in the Sustainability Report, the Management is pleased to share several key highlights. These include a further 6% decrease in emissions intensity in 2024 for a cumulative 38% decline against our 2021 baseline, a zero Loss Time Injury ("LTI") record for the second consecutive year, zero major spills for the 3rd consecutive year and zero Loss Time Incidents recorded. We retained our position and improved our score to 4.0 on the FTSE4Good Bursa Malaysia Index.

**ZERO**
**fatality, loss time injury and major spill**

**57**
**HSE visits by senior management**

**4.0**
**FTSE4Good Bursa Malaysia Index**

Velesto's strong track record in safe and environmentally compliant operations is noteworthy, reflecting the high materiality of these areas to the Group's financial, business, and operational performance. This demonstrates Management's commitment to consistently outperforming industry safety benchmarks.

The exemplary Occupational Safety and Health ("OSH") performance is largely attributed to Velesto's organisational culture and operational mindset which is centred on a no-compromise, zero tolerance approach to OSH. This vigilance is upheld through well-defined, comprehensive SOPs designed to ensure safe, secure, and environmentally compliant operations at all times.

OSH standards, practices and related processes, and controls are adhered to and constantly reassessed based on a data driven approach as well as feedback provided by relevant stakeholders, including rig crew. Essentially, the responsibility for workplace safety and compliance is shared, driven by leadership direction, and reinforced through feedback and accountability at all levels.

In this regard, 2024, saw several notable OSH highlights such as the implementation of a Velesto Injury Prevention programme ("VIPP-VMS"), the Generative Safety Leadership Workshop 2.0 for Front Line Supervisors, and various other initiatives.

As in previous years, Management HSE visits remained a key focus throughout the year. These included nine visits led by myself, and 48 others conducted by the senior management team.

Our approach has enabled us to record an improved Total Recordable Case Frequency ("TRCF") performance of 1.0 (2023: 1.56.). The implementation of Red Zone Management on NAGA 4, has been pivotal in reducing human exposure to high-risk areas and in enhancing overall workplace safety.

In 2024, Velesto was honoured with two awards at the Malaysia GPM Sustainability Awards, recognising the Group's leadership and excellence in sustainability practices. Velesto secured the Special Recognition awards for Sustainability Leadership and the Most Outstanding Project Award. The latter was for our successful coral restoration initiative at Pulau Perhentian.

### Outlook and Prospects

Despite the continued global transition towards alternative energy sources, hydrocarbons namely oil and gas continues to be envisaged as being fundamental to meet the world's energy requirements well into the future.

In the near term, global oil demand growth is projected to average 104.1 mb/d in 2025, up from 102.8 mb/d in 2024. The increase in production is expected to come from China and the US as the latter returns to a policy of increased drilling and production in tandem with a reversal in economic policies post the change in the US administration as a direct outcome of the 2024 presidential elections. Price assumptions for Brent crude oil remain at USD60-USD80 per barrel, reflecting a balance between OPEC+'s large spare capacity and continued production quota discipline, increasing supply by non-OPEC players and increasing demand growth. Investments in renewable energy are expected to progress gradually, avoiding sudden shocks to current demand and supply dynamics, thereby supporting price stability.

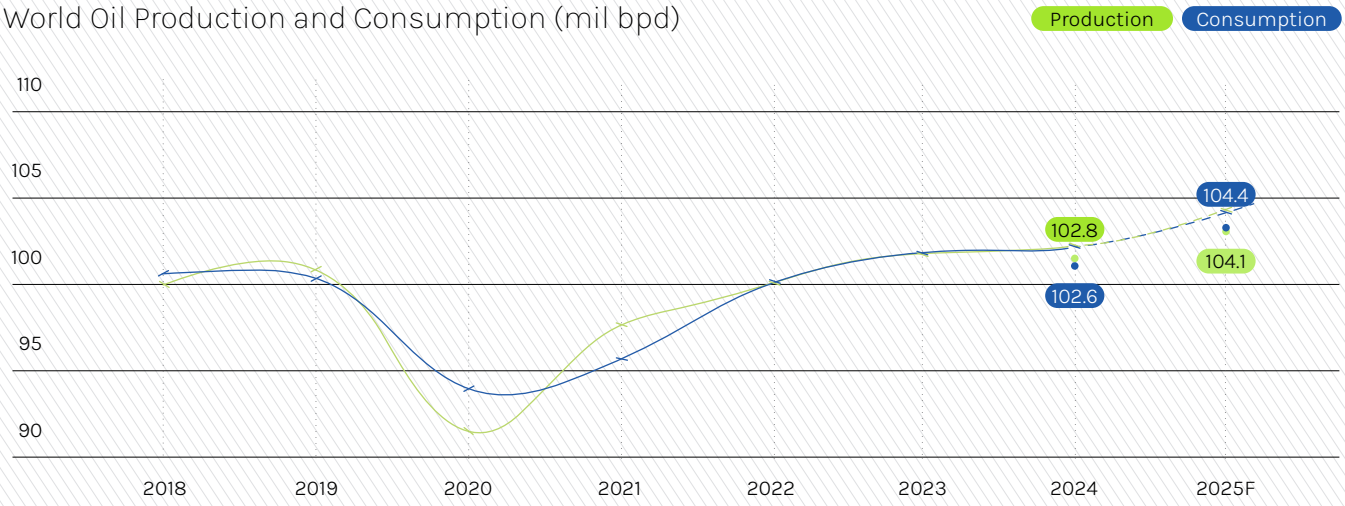
In Southeast Asia, demand for JUs is expected to remain stable, while DCRs may come under pressure as increased rig supply comes to the region, particularly from the Middle East, where continued OPEC+ cuts have led to excess supply. As E&P activities become increasingly complex and technically demanding, factors such as value, capability, track record, and expertise are becoming just as important as commercial considerations.

In Malaysia, the PETRONAS Activity Outlook ("PAO") indicates requirements for ten JUs for 2025 and subsequently, eleven JUs for 2026 and nine JUs in 2027. This augurs well for Velesto, whose six JUs are primed for opportunities to meet these requirements.

Global energy giant, Shell has released its Energy Security scenarios where all scenarios, which indicate that oil and gas will continue to be used to varying extents well into the 22nd century. Even in the company's lowest growth "Horizon" scenario, oil consumption demand will be driven by petrochemical processes up to 2100 and likely beyond. Shell's scenarios also allude to bullishness for the continued use of natural gas including liquefied natural gas ("LNG"). Demand for LNG is expected to rise strongly across all Shell Energy Security Scenarios.

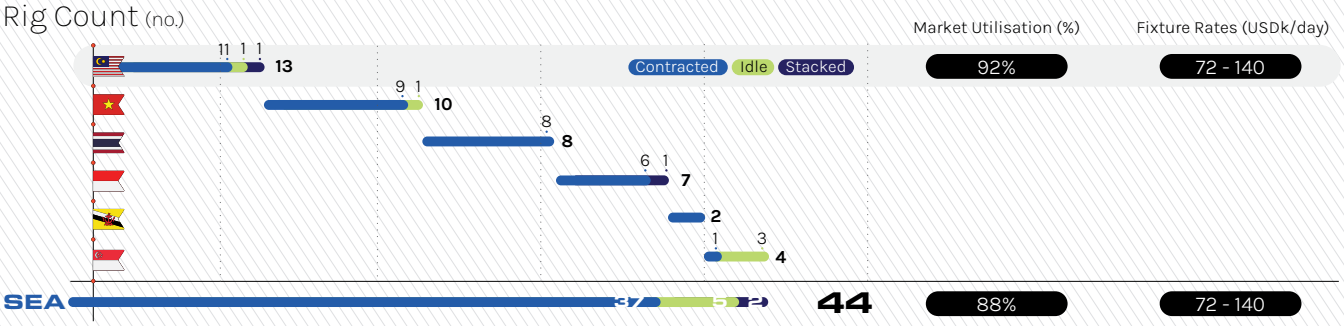
The expected price range above USD60 per barrel is viewed to be commercially attractive to support exploration and production activities by the oil and gas majors. In particular, the global jack-up rig segment is expected to remain robust with a demand average of 370 rigs and supply average of 444 rigs, with a forecasted 85% marketed utilisation rate in 2025.

## World Oil Production and Consumption (mil bpd)



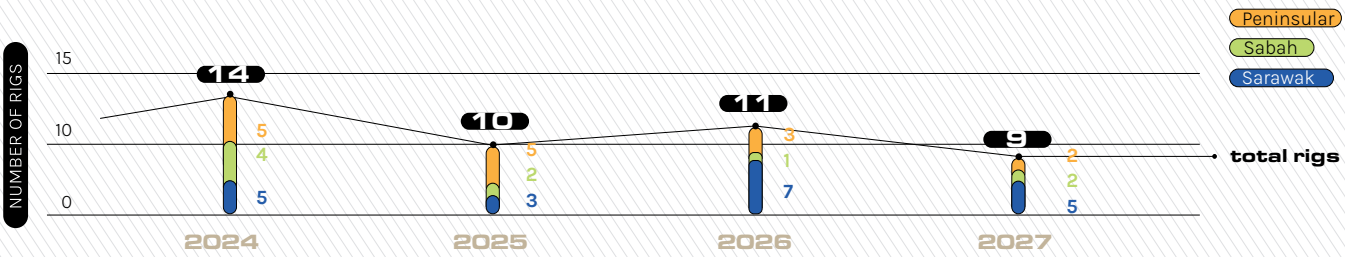

*Source: US EIA Jan 2025*

## Rig Count (no.)




*Source: S&P Petrodata Jan 2025, Bloomberg, Velesto Analysis*

## JU Rig Malaysia Activity Outlook

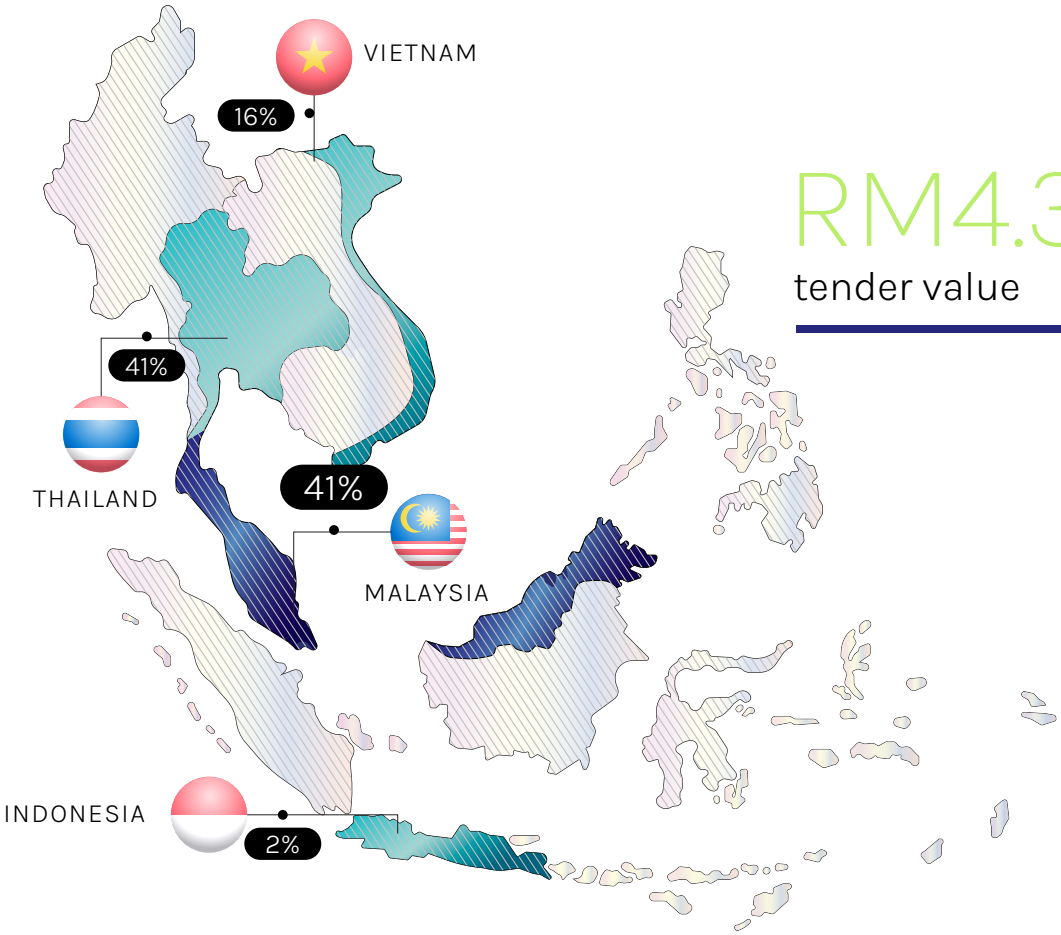



*Source: PETRONAS Activity Outlook 2025-2027*

Management Discussion & Analysis

## Tender Activities

as at Jan 2025




RM4.3 bil

tender value

**Velesto in 2025 and Beyond**

Velesto will continue to respond proactively to market conditions with a triple focus on securing long-term revenue and earnings visibility while also driving cost optimisation to improve competitiveness and returning free cash flow to shareholders. The Group will actively source and bid for suitable projects both in Malaysia and across the Southeast Asia region.

As at end-January 2025, Velesto had established a tender book valued at RM4.3 billion with bids submitted for tenders in Malaysia and abroad. This includes negotiations on a contract for NAGA 5. For NAGA 3 and NAGA 8, the two rigs are bidding for five tenders in Southeast Asia.

With only two rigs requiring SPS, Velesto has more than enough asset capacity to tender for contracts and maintain a high rig utilisation rate in 2025 and beyond.

Dividend payout ratio

**49%**

Profit After Tax in 2024

Dividend policy at least

**20%** annualised after-tax profit

will be returned to shareholders

Dividend per share

**1.25** sen

per share from 2024

**Dividends**

The Board of Directors of Velesto has declared a first interim dividend for the 2024 financial year of 0.25 sen per share and a second interim dividend of 1 sen per share, equivalent to a payout of RM103 million or 49% of PAT.

The dividend payout exceeds the Group's commitment to return at least 20% of profit after tax to shareholders. In March 2025, we announced a capital reduction exercise, to optimise our capital structure and position Velesto for future distribution to shareholders.

**Primed for 2025**

In 2024, we continued our journey towards building a stronger company and a more successful business.

Amidst uncertainties, we continue to evolve and strengthen our value proposition. Our fortified business model, core values, and business enablers serve as the anchor and catalyst which will enable us to be future-ready.

In 2025, the Board and Management of Velesto will explore various initiatives to drive greater returns for our shareholders.

# Financial Review

## 5-Year Group Summary Results

| Financial Year Ended 31 December | Units | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|
| Revenue | RM mil | 547 | 378 | 581 | 1,214 | **1,360** |
| Profit/(Loss) Before Taxation | RM mil | (477) | (83) | (82) | 121 | **267** |
| Profit/(Loss) Attributable to Equity Holders of The Company | RM mil | (492) | (91) | (100) | 100 | **208** |
| Shareholders' Funds | RM mil | 2,270 | 2,258 | 2,282 | 2,475 | **2,571** |
| Return on Shareholders' Funds | % | (22) | (4) | (4) | 4 | **8** |
| Return on Total Assets | % | (13.8) | (2.8) | (2.6) | 3.9 | **8.7** |
| Basic Earnings/(Loss) Per Share | Sen | (6.0) | (1.1) | (1.2) | 1.2 | **2.5** |
| Share Price At Year End | RM | 0.14 | 0.12 | 0.15 | 0.23 | **0.16** |
| Market Capitalisation At Year End | RM mil | 1,150 | 986 | 1,232 | 1,890 | **1,273** |

## Summary of Group Results

| Financial Year Ended 31 December | Units | 2023 | 2024 |
|---|---|---|---|
| Revenue | RM mil | 1,214 | **1,360** |
| Profit Before Taxation | RM mil | 121 | **267** |
| Profit After Taxation | RM mil | 100 | **208** |
| Share Capital | RM mil | 1,845 | **1,845** |
| Reserves | RM mil | 631 | **726** |
| Basic Earnings Per Share | Sen | 1.2 | **2.5** |
| Net Assets Per Share | Sen | 30.1 | **31.3** |

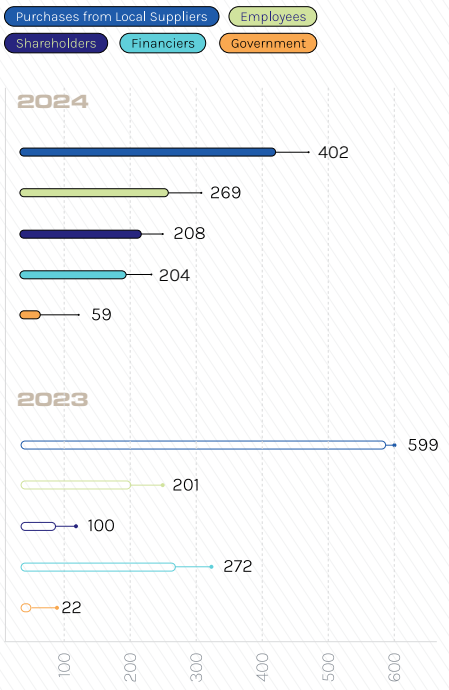
## Financial Calendar

| | |
|---|---|
| Notice on 14th Annual General Meeting & Issuance of Integrated Annual Report 2023 | 30 April 2024 |
| 14th Annual General Meeting | 30 May 2024 |
| Financial Year Ended | 31 December 2024 |

| Approval of Quarterly Unaudited Financial Results | |
|---|---|
| Quarter 1, 2024 | 23 May 2024 |
| Quarter 2, 2024 | 29 August 2024 |
| Quarter 3, 2024 | 28 November 2024 |
| Quarter 4, 2024 | 27 February 2025 |

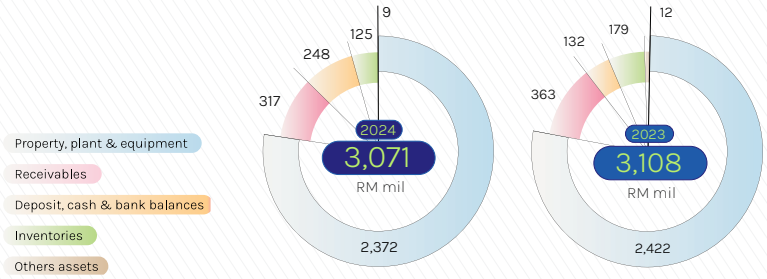
# Simplified Statement & 5-Year Group Financial Performance Highlights

## Simplified Statement of Value Added Distribution



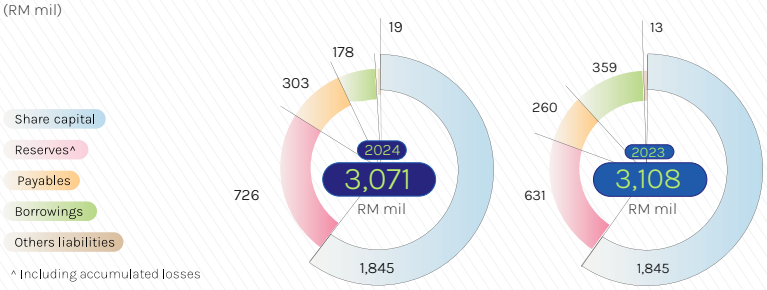

## Simplified Statement of Total Assets

(RM mil)

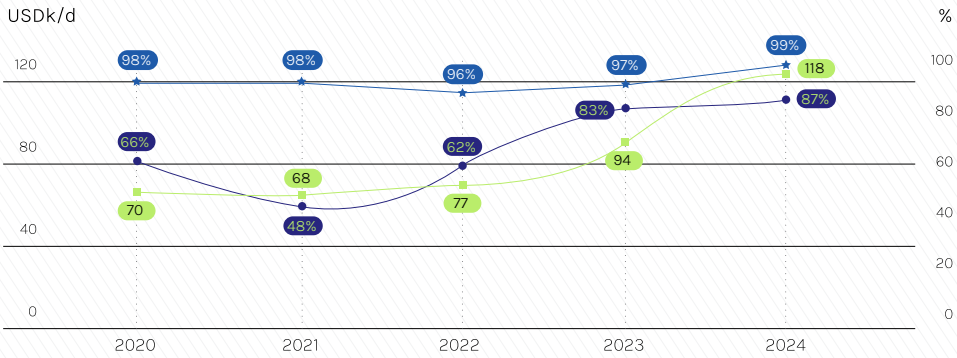



## Simplified Statement of Total Equity & Liabilities

(RM mil)



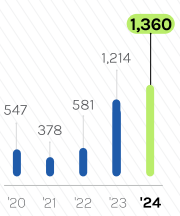

## Financial Performance Highlights



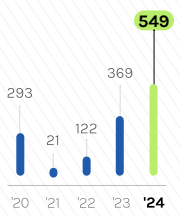

Utilisation Rate
87%

Average Daily Charter Rate
USD118K

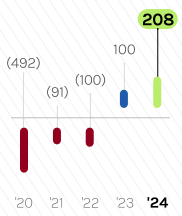
Operating Efficiency
99%



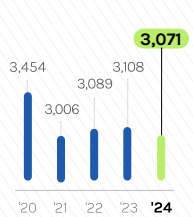

Revenue
(RM mil)



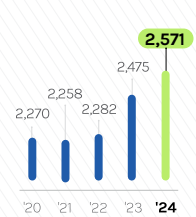

EBITDA
(RM mil)



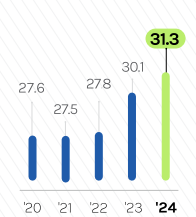

PAT
(RM mil)




Total Assets
(RM mil)




Shareholders' Fund
(RM mil)




Net Assets per Share
(Sen)

# Our Value Chain

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

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

**THE OIL AND GAS VALUE CHAIN**

**Where Velesto Operates**

**UPSTREAM:**

## Production Operations and Field Production

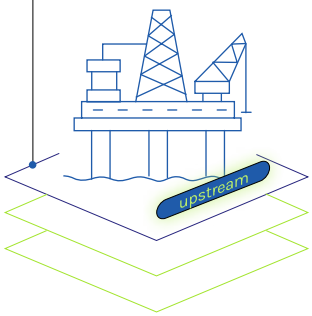
All activities related to the sourcing and extraction of oil and gas resources, which is performed at sea (offshore) or on land (onshore).

**Exploration**
Data gathering, well exploration

**Development**
Well development, facilities commissioning

**Production**
Production of oil and gas

**Decommissioning**
Cessation at the end of field life



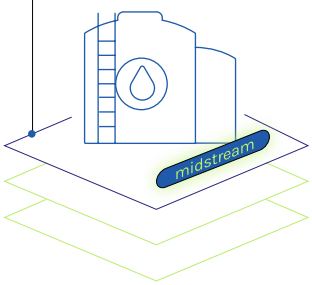

**MIDSTREAM:**

## 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:**

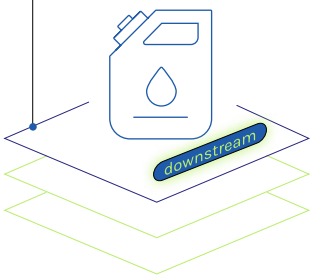
## Refining and Petrochemical Manufacturing

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



| Upstream Business Processes | | |
|---|---|---|
| **EXPLORATION**<br>data gathering and well exploration well development facilities and commissioning | **PRODUCTION OF OIL AND GAS** | **WELL PLUGGING & ABANDONMENT** |
| **Challenges & Considerations** | | |
| Exploration activities must be strategically undertaken to maximise the likelihood of discovering oil and gas deposits. Challenges such as the physical environment, the location of the deposits, complexity of the required drilling process, and other factors may impede the success of exploration activities. | Offshore drilling is more challenging than onshore drilling due to the lack of stability (particularly for floaters), the corrosive water environment, space constraints, and the need for more complex logistics and support. | Cost effective and safe plugging of wells is essential to prevent crude oil contaminating the marine environment.<br><br>Decommissioning is a requirement and must be performed in accordance with industry standards. Given Malaysia's maturing oil and gas industry, there is an increasing number of less productive or economically viable oil wells that require plugging and abandonment. |

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

### Surveying

Preliminary activities include geological surveys, gravity surveys, magnetic surveys, and seismic surveys.

If a location with potentially high oil and gas deposits is identified, said location is earmarked for exploration drilling.

### Exploration drilling commences

Velesto's JU rigs are towed to the exploration sitefield. Exploratory wells are drilled down into the seabed to locate oil and gas deposits.

Multiple oil wells may be drilled to ascertain flow rates and reservoir dynamics, as well as to determine commercial viability of the sitefield. The duration of the drilling process may vary, from days to weeks, or months based on soil conditions, weather, equipment quality, and crew competency.

### Hydrocarbons found (production drilling commences)

When exploration is successful, activities transition to the production phase.

Velesto installs production equipment using its rigs to facilitate extraction of the oil and gas resources. Hydrocarbons are extracted from the seabed and are transported to an onshore refining facility through underwater pipelines.

### Further drilling to increase production

Clients leverage data sourced from the ongoing drilling process, to refine ongoing drilling activities.

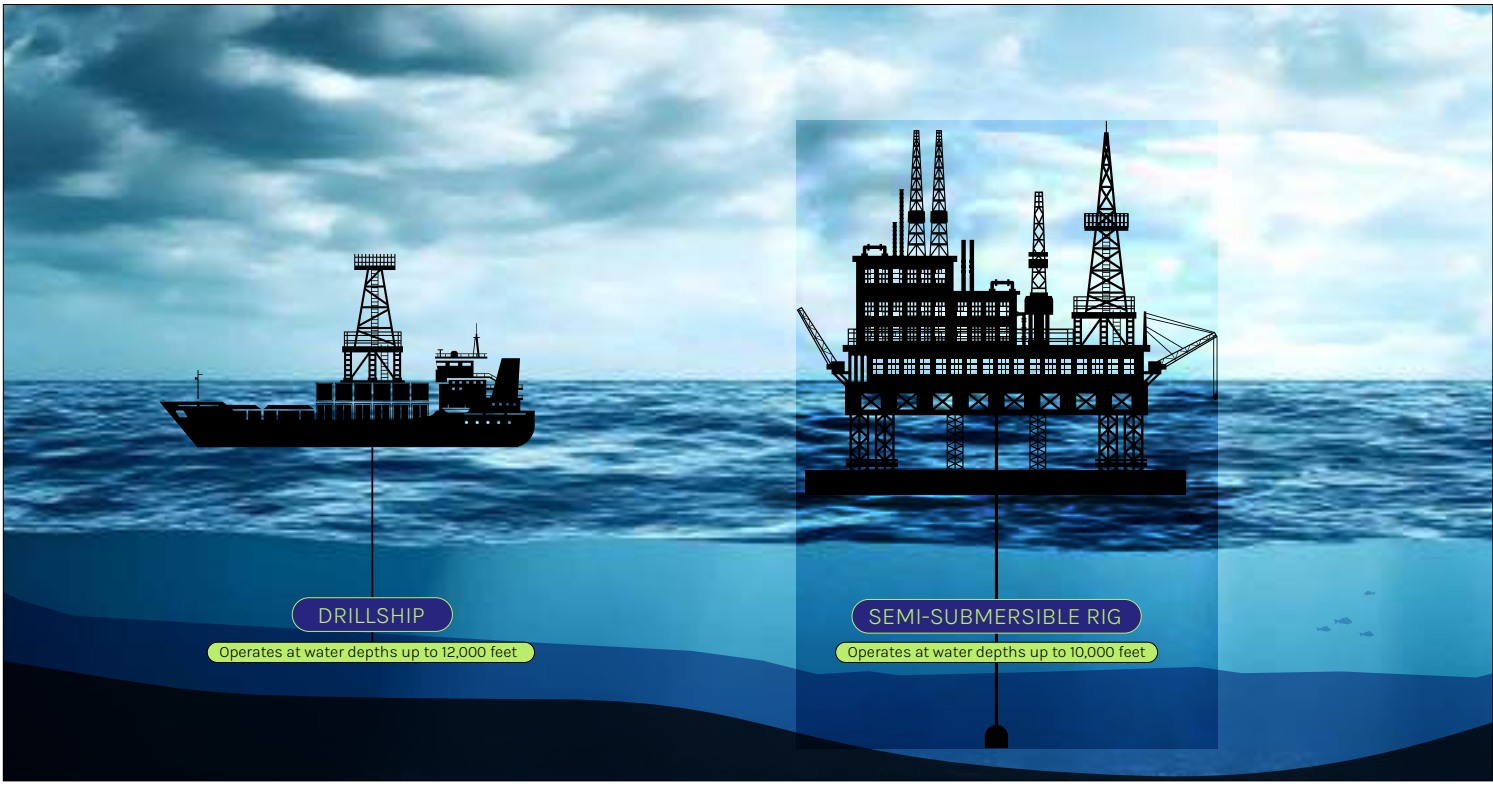
Additional production wells may be drilled, or injection wells used, to undertake well rejuvenation or repair activities aimed at improving the flow rate of crude oil or gas. This may entail the requirement of a smaller workover rig to repair wells, enhance production, or provide other forms of well treatment.

### Decommissioning

Once the well has been exhausted or drilling is unproductive, at the client's instruction, Velesto plugs the well to prevent environmental impacts.

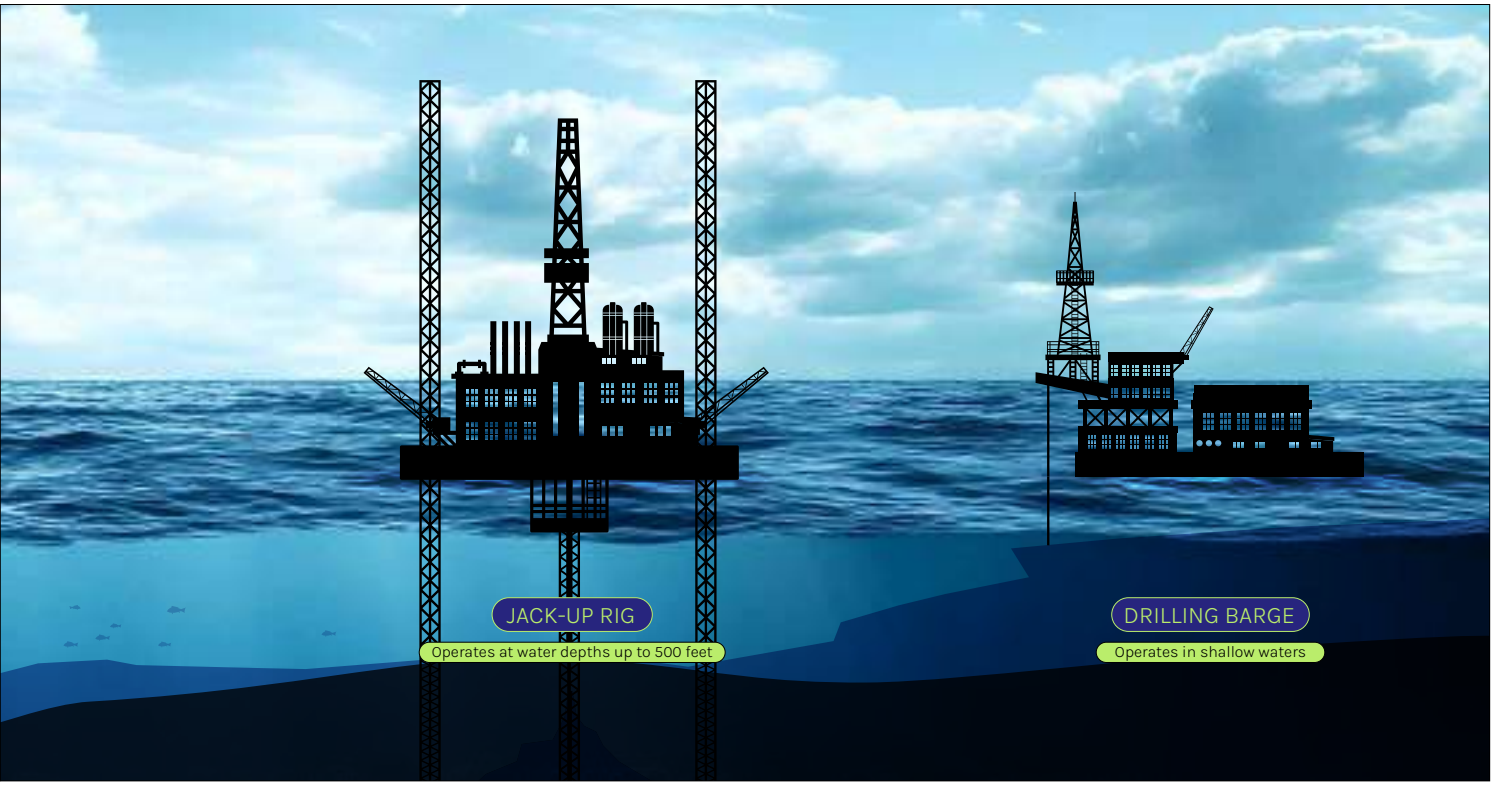
The drilling rig is transported to a new exploration or new production location, and the process is repeated.

Our Value Chain




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

| JACK-UP | TENDER-ASSISTED | SEMI-SUBMERSIBLE | DRILLSHIP | HWU |
|---|---|---|---|---|
| **Activity Phase** | | | | |
| • Exploration<br>• Development<br>• Abandonment | • Development<br>• Production<br>• Abandonment | • Exploration | • Exploration | • Production<br>• 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. |




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

**THE THREE MOST COMMON TYPES OF JU RIGS ARE**

**Standard:**

These are typically older rigs that have a low hook-load capacity and rely mostly on mechanically operated drilling equipment with little automation.

Standard rigs operate at water depths of less than 300 feet.

**High-Specification Rigs:**

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

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

**Harsh-Environment Rigs:**

Mainly used in the North Sea and is able to cope with harsh weather and rough sea conditions. Generally, it can operate at depths of up to 490 feet.

# Matters Impacting the Business Model and Value Creation

Velesto has identified several financial materiality matters that are integral to its operations and strategic objectives.

**Global Supply and Demand Dynamics for Crude Oil and Gas**

The level of E&P activities depends on global market dynamics for crude oil and gas. In 2024, both supply and demand of global crude oil stood at 103 million barrels per day.

Crude oil prices held firm, averaging USD80 per barrel (Brent Crude) in 2024. While average prices were lower year-on-year, they are still supportive of CAPEX and development activities by oil companies.

In Malaysia and Southeast Asia where Velesto primarily operates, there was a stable level of activities, where Velesto actively participates in tenders, securing several contracts during the financial year.

**Strategic Measures Implemented**

Velesto actively bid for contracts and focused on operational excellence and service quality. The company emphasised asset readiness and mobilised offshore crews and personnel to effectively execute secured contracts.

**Values Created**

On the back of contracts in hand and new projects secured during the year, Velesto's JU utilisation rate increased to 87% for 2024 with the Group's order book standing at RM709 million. Group revenue increased to RM1.36 billion, while Profit After Tax ("PAT") doubled to RM208 million.

**Capitals Consumed**

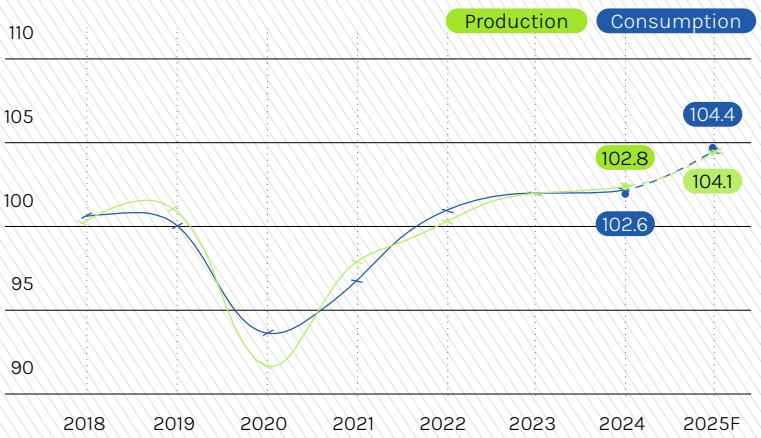
A wide range of capitals were utilised to power the Group's business development activities as well as in the mobilisation of assets and execution of contracts.

These capitals include Special Periodic Surveys for NAGA 2, NAGA 5, and NAGA 6 to ensure the rigs' readiness for continued operations over the next five years. Additionally, investments were made in technology—such as automated drilling capabilities, preventive maintenance, and automation—and in human capital.

Global Oil Demand

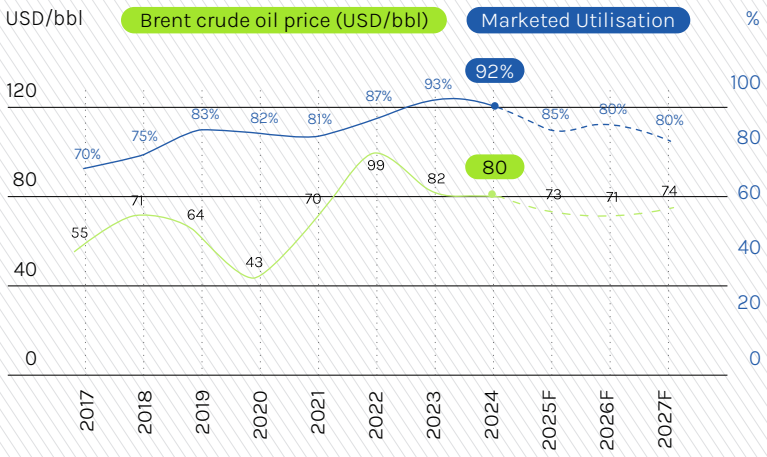
**103 million barrels per day**

World Oil Production and Consumption (mil bpd)




*Source: US EIA Jan 2025*

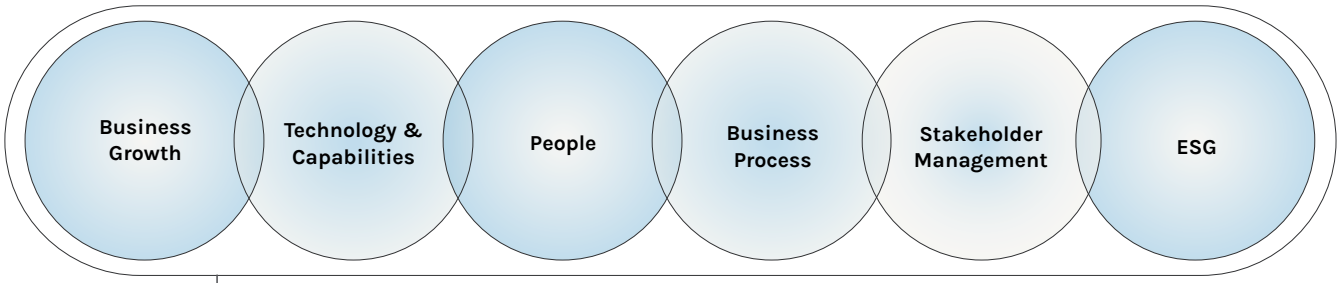
Oil Price against Jack-up Rig Utilisation




*Source: S&P Petrodata, Bloomberg, Velesto Analysis Jan 2025*

**Wawasan 2030**

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




**Business Growth**

identifies growth levers within Velesto's existing business.

This includes expanding our scope of services, penetrating new markets, pursuing diversification opportunities to strengthen our business model, and considering strategic divestments.

**Business Process**

further streamlines and redesigns processes to support the business.

This includes digitalisation and leveraging technology as enablers.

**Technology & Capabilities**

focuses on incorporating new technology and capabilities of our assets.

These include offline capabilities, autonomous drilling capabilities, semi-automatic robotic systems, and Red Zone Management systems.

**Stakeholder Management**

looks at being a good partner to our existing stakeholders, including government, and regulators.

**People**

refers to positive workplace culture development, harnessing the full capability of a highly skilled, professional workforce.

This will drive operational and cost efficiencies to achieve maximum productivity. It also encompasses optimum workforce, efficiency, and competitive remuneration.

**ESG**

is vital in driving a balanced strategic focus on the pursuit of financial and non-financial values.

It includes managing and reducing environmental impact, having a positive social impact, while also emphasising strong corporate governance.

Matters Impacting the Business Model and Value Creation

**BUSINESS GROWTH**

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

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

**Values Created:**
- Development of new business opportunities.
- Market entry into new markets.
- Potential investment opportunities.

**TECHNOLOGY & CAPABILITIES**

Focuses on incorporating new technology and enhancing the capabilities of our assets. These include real-time drilling capabilities, semi-automatic robotic systems, and Red Zone Management systems.

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

**Values Created:**
- Improved efficiency.
- Better safety performance.
- Service quality.
- Extending asset useful life.

**PEOPLE**

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

**Capital Consumed:**
- Competitive remuneration.
- Corporate culture development.
- Talent management.

**Values Created:**
- High employee performance, improved output, strong employee satisfaction and morale, retention of talents.

**BUSINESS PROCESSES**

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

**Capital Consumed:**

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

**Values Created:**

- Improved process efficiency and productivity.

**STAKEHOLDER MANAGEMENT**

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

**Capital Consumed:**

- Stakeholder engagement, including joint initiatives.
- Refer to the Sustainability Statement section of this Integrated Annual Report for specific details.

**Values Created:**

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

**ESG**

ESG is key to balancing our focus on financial and non-financial value. It includes managing and reducing environmental impact, having a positive social impact, while also emphasising strong corporate governance.

**Capital Consumed:**

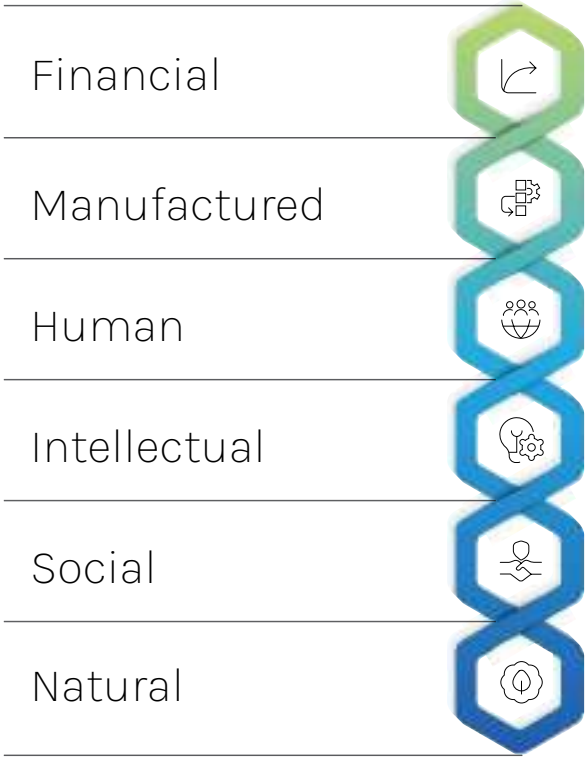
- Carbon reduction and corporate governance best practices.

**Values Created:**

- Reducing emissions intensity.
- Positive social impact.
- Alignment with stakeholders.
- Refer to the Sustainability Statement section of this Integrated Annual Report for specific details.

## Our Capitals

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




The purpose of this is to develop a

**strategic view**

beyond financial capital, and to understand the linkages between financial and non-financial capitals.

These include Group dependencies on capitals, and how creation or enhancement of

**one capital**

can erode another.

Such trade-offs are approached based on present and

**future perspectives.**

Following are Velesto's principal capitals utilised:

| Financial Capital | Manufactured Capital | Natural Capital | Human Capital | Intellectual Capital | Social Capital |
|---|---|---|---|---|---|
| Strategic allocation of the Group's earnings, cash, equity, and debt towards driving the business model and support value creation. | The Group's principal tangible assets comprising its six jack-up rigs and two HWU units. | The consumption of diesel, water, and other natural resources. | The Group's 647 strong workforce, along with the experience, professional competence and capabilities of its people. | The Group's business strategies and processes, along with the leadership team's business acumen, organisational culture, and corporate values. | Strategic relationships with diverse stakeholders such as regulatory authorities, clients, the community, media industry peers, and others. |

## Business Strengths and Competitive Advantages

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

### BUSINESS STRENGTHS

Outstanding order book

Regional track record

Strong institutional support via our major shareholders

Largest Malaysian-owned jack-up rig operator

Efficient supply chain and strong stakeholder relationships

Proven track record for HSE performance

Proven expertise and track record

Low operating-cost base

Premium jack-up rigs

Strong client relationships

Consistent talent pipeline

## Business Strengths and Competitive Advantages

The Group's strategies are geared towards leveraging its strengths to optimise value creation and strengthen its business model.

| Business Strength | Description | Strategies to Leverage on Strength |
|---|---|---|
| **Largest Malaysian-owned JU rig operator** | Velesto owns and operates six premium JU rigs.<br>Given the inherent industry preference for local contractors, Velesto is well positioned to bid and secure Malaysia-based contracts. | › Maximise utilisation order book growth<br>› Organic expansion<br>› Project execution |
| **Proven expertise and track record** | Velesto has a proven track record for meeting contractual obligations and delivering benchmark performance. Beyond drilling, Velesto's drilling fleet can install Light Weight Structures and undertake well workover as well as decommissioning services.<br>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. | |
| **Outstanding order book** | Velesto has capitalised on the upswing in industry activity to shore up its order book to RM0.7 billion. This provides visibility on revenue and will keep the Group's rigs utilised into early 2026. | |
| **Regional track record** | Velesto has extensive experience operating in Malaysia as well as in Indonesia, Thailand, Vietnam, and Philippines.<br>We continue to bid for opportunities in Southeast Asia and beyond. | › Order book growth<br>› Organic expansion<br>› New business development |
| **Premium JU rigs** | Velesto's JU rigs feature the latest in drilling rig technology. Two rigs are equipped with High Pressure High Temperature ("HPHT") capabilities, another two with offline capabilities, and one with NOVOS automated drilling capabilities.<br>Velesto Drilling Academy ("VDA") provides accredited and technical training to support crew competency. | › Maximise utilisation<br>› Cost containment<br>› Efficiency improvement<br>› Risk management<br>› Minimise additional scope and risks<br>› Future planning |
| **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. | |
| **Efficient operating cost base** | Ongoing cost optimisation efforts have enabled Velesto to achieve an efficient operating cost base that facilitates greater flexibility and competitive ability when bidding for contracts. | |
| **Efficient supply chain and strong stakeholder relationships** | Velesto 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 via our major shareholders** | Velesto is more than 50%-owned by institutional investors.<br>The Group's relationships with regulatory bodies and government agencies have enabled it to achieve strong socio-economic compliance. | › Stakeholder engagement strategies |
| **Strong client relationships** | With a strong track record in operational performance and its standing as the largest Malaysian-owned rig operator, Velesto holds a distinctive position among industry players and other stakeholders.<br>The Group plays a leading role in advancing industry interests and raising awareness of key challenges, particularly those affecting Malaysian upstream companies. | |
| **A consistent talent pipeline** | VDA has enabled Velesto 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. | › Cost containment<br>› Efficiency improvement<br>› Risk management<br>› Future planning |

## Risks and Mitigation Strategies

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

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

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

Following are Velesto's top risks for FY2024:

**VELESTO GROUP TOP RISKS OVERVIEW**

| | | | |
|---|---|---|---|
| Geopolitical Risk | Technology and Cybersecurity Risk | Market Risk | Sustainability Risk |
| Execution Risk | Human Capital Risk | Strategic Risk | |

# Our Value Creation Model

| Capital Resources | Inputs |
|---|---|
| **FINANCIAL** | |
| The strategic allocation of the Group's retained profits, cash, equity, and debt is aimed at driving business development and growth.<br><br>The focus is on balancing short-term financial perspectives with the long-term sustainability and value creation capabilities of Velesto.<br><br>This includes striving for optimum balance between rewarding shareholders while ensuring sufficient funds for capital and operational expenditure to fuel business growth.<br><br>The impact of financial capitals is connected across all other capitals, and vice versa. | • Equity: RM2.6 bil<br>• Borrowings: RM178 mil<br>• Cash and Investments: RM248 mil<br>• Assets: RM3.1 bil<br>• Share capital: RM1.8 bil<br>• Market capitalisation: RM1.3 bil |
| **MANUFACTURED** | |
| Ensuring optimum productivity of all physical assets in order to generate optimum output while meeting clients' requirements.<br><br>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<br>• 2 HWUs<br>• 2 onshore supply bases<br>• 1 Oilfield Services plant<br>• 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.<br><br>Velesto strives for progressive sustainability in natural resource consumption while seeking to minimise its impact on the environment. | • Diesel: 19,133 MT<br>• Water: 97,218.90 $m^3$ |
| **HUMAN** | |
| The acquisition, retention, and development of competent talent to support Group operations as well as to expand Malaysia's oil and gas talent pool, particularly in the drilling segment of the industry value chain.<br><br>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. | • 647-strong workforce, 77% Malaysian<br>• 7,264 training hours<br>• RM0.9 mil training and development expenditure<br>• 56 VTS trainees<br>• Velesto Drilling Academy |
| **INTELLECTUAL** | |
| Our innate industry experience, technical expertise and know-how, as well as systems and processes that have distinguished Velesto as Malaysia's leading drilling rig operator.<br><br>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<br>• Best practice, globally recognised management systems:<br>- ISO 9001:2015<br>- ISO 14001:2015<br>- ISO 45001:2018<br>- ISO 29001:2020<br>- ISO 37001: 2016<br>• Group business model and business strategies<br>• Annual business plan<br>• Policies and procedures<br>• 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.<br><br>These relationships are business focused as well as driven by Sustainability and CSR objectives. | • Investor Relations activities<br>• Stakeholder engagement<br>• Dialogue and discussion with government and regulatory bodies<br>• Proactive customer engagements<br>• Community and CSR engagements |

## Business Model

# BUSINESS MODEL

- **6** Jack-Up Drilling Rigs
- **2** Hydraulic Workover Units
- **1** Oilfield Services

## Business Strategies

- Business Growth
- People
- Technology and Capabilities
- Business Processes
- Stakeholder Management
- ESG

## Risk Overview

- Geopolitical Risk
- Technology and Cybersecurity Risk
- Market Risk
- Sustainability Risk
- Execution Risk
- Human Risk Capital
- Strategic Risk

## Environment

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

VELESTO energy

## Our Approach to Value Creation

- Industry Trends, Developments, and Value Chain
- Inherent business strengths and competitive advantages
- Macro Operating Environment
- Risks and Mitigations
- Wawasan 2030 strategies

### FINANCIAL VALUES

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

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

### NON-FINANCIAL VALUES

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

## Stakeholders' Needs

## Our Materiality Matters

**Social**

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

**Governance**

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

| Outputs | Outcomes |
|---|---|
| • Revenue: RM1.36 bil<br>• EBITDA: RM549 mil<br>• Net profit: RM208 mil<br>• Interest expense: RM34 mil<br>• Dividend: RM103 mil | • RM59 mil of corporate taxes to governments<br>• RM208 mil profit attributable to equity holders<br>• Earnings per share: 2.53 sen per share<br>• RM200 mil paid in wages and employees benefits<br>• RM204 mil paid to financiers in interest, repayment of term loans and revolving credit |
| • Available JU days: 2,196 days<br>• Available HWU days: 732 days | • Utilisation: 87%<br>• Average DCR: USD118k<br>• Operating Efficiency: 99% |
| • 62,873 TCO2e emissions<br>• Zero major environmental spills | • 34% lower emissions intensity per operating day compared to 2021 baseline<br>• Reduced environmental impact<br>• Continued improvement in our Sustainability performance |
| • 575 VDA participants trained<br>• 12 VTS trainees employed after completion of VTS | |
| • A strong and continually improving HSE track record<br>• Zero fatalities<br>• Zero LTI<br>• RM402 mil local procurement spend | • Various industry recognition awards<br>• Continued strengthening of track record<br>• Enhanced credibility<br>• 62% local procurement rate<br>• 72% local suppliers |
| • RM338 mil in scholarship disbursements<br>• 1,420 sqft corals planted<br>• Four quarterly analyst briefings | |

02

Sustainability at Velesto

# Embracing a Sustainable Future

At Velesto, sustainability is more than a commitment—it is the foundation of how we create value, drive progress, and shape a better future.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As we navigate a dynamic energy landscape, we remain focused on delivering responsible growth, advancing innovation, and empowering our people and communities—today and for generations to come.


| | |
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# About this Sustainability Statement

## SCOPE AND BASIS OF REPORTING

Velesto Energy Berhad ("Velesto" or "the Group") is pleased to present our Sustainability Statement 2024 ("SS2024" or "Statement"), our primary report disclosing our sustainability performance for the financial period from 1 January 2024 to 31 December 2024. Now in its ninth publication, this SS2024 is prepared in accordance with the GRI Standards and in adherence to Bursa Malaysia's Listing Requirements.

This Statement provides stakeholders with a structured and complete overview of our Environmental, Social, and Governance ("ESG") performance over the past year, highlighting our sustainability strategies, progress, and ambitions as we navigate the evolving energy landscape.

It embodies our drive to embed sustainability at the core of our operations and reaffirms our commitment to ensuring responsible growth and long-term value creation.

Through this transparent account of our sustainability journey, we hope you gain a holistic perspective on the positive and negative impacts of our business activities on stakeholders, communities and the environment, alongside the efforts being undertaken to minimise impact, maximise value, and shape a resilient, sustainable future for all.

ESG

**Scope, Boundary and Exclusions**

Utilising a "local where-we-operate" approach, this Statement covers all Velesto subsidiaries, including core operations in drilling services, integrated project management, and oilfield services. The reporting scope includes data from the Group's operational sites, offices, warehouses, six jack-up rigs ("JU"), and two hydraulic workover units ("HWU").

Where relevant, statistical data spanning three years is presented to highlight trends and facilitate performance comparisons.

As a drilling services contractor, Velesto does not own the resources extracted for clients. Therefore, this Statement excludes ESG impacts from the discovery, production, ownership, and consumption of oil and gas resources by our clients or entities upstream of our value chain. Additionally, ESG impacts of associate companies where we do not have direct operational control are excluded.

**Linkage to Integrated Reporting**

For a comprehensive view of our financial and sustainability performance, we encourage reading this SS2024 alongside Velesto's Integrated Annual Report 2024 ("IAR2024").

IAR2024 provides an in-depth analysis of the Group's business strategy, external operating environment, and financial insights. Together, these reports present a complete understanding of Velesto's performance and the synergies between financial and sustainability initiatives.

**Precautionary Approach**

Sustainability is a core element of Velesto's risk management strategy, reinforcing our business model and supporting long-term growth opportunities.

Through a precautionary approach, we integrate ESG risk mitigation strategies into our framework, prioritising proactive measures to prevent Occupational Safety and Health ("OSH") incidents while minimising potential adverse social and environmental impacts from our operations.

**FTSE4Good ESG rating**

4.0

(FY2023: Score 3.8)

About this Sustainability Statement

## REPORTING STANDARDS

This SS2024 is prepared in consideration of the following frameworks and guidelines:

| | |
|---|---|
| Bursa Malaysia Sustainability Reporting Guide | BURSA MALAYSIA |
| Global Reporting Initiative ("GRI") Standards 2021 | GRI |
| Task Force on Climate-related Financial Disclosures ("TCFD") | TCFD |
| International Financial Reporting Standards ("IFRS") | IFRS |
| United Nations Sustainable Development Goals ("UNSDG") | SUSTAINABLE DEVELOPMENT GOALS |

Additionally, we benchmark our disclosures against the following indices:

FTSE4Good

**FTSE4Good Bursa Malaysia ("F4GBM") Index**

For ease of reference, Bursa, GRI, FTSE4Good, and TCFD content indices are included at the end of this Statement.

## REPORTING RELIABILITY

The information presented in SS2024 is sourced from internal documents and records within Velesto.

External assurance has been obtained from independent auditors, Ernst & Young and DNVGL, covering our audited financial statements and Health, Safety, and Environment ("HSE") Management System, respectively.

Where applicable, we apply widely recognised industry methodologies to compute and analyse data, including:

- Greenhouse Gas ("GHG") Protocol
- Annexes of the International Convention for the Prevention of Pollution from Ships ("MARPOL" 73/78)
- Fleet Certification Regulations (e.g., American Bureau of Shipping)
- International Civil Aviation Organisation ("ICAO") Carbon Emissions Calculator
- Department for Environment, Food and Rural Affairs ("DEFRA"): Greenhouse gas reporting: conversion factors 2024

Velesto's internal resources, management and the Board Committees have overseen the preparation of this Statement. To ensure the completeness and accuracy of data and information, this Statement has been audited and assured internally.

## ASSURANCE

This Statement has been assured by Velesto's Internal Audit Department in accordance with Global Internal Audit Standards ("GIAS") by the International Internal Audit Standards Board ("IIASB") against the requirements of the Bursa Malaysia Main Market Listing Requirements and its accompanying sustainability reporting guidelines.

The full internal assurance details are provided on page 130 of this Statement.

**Assurance Approach**

Verification on the accuracy of the sustainability data disclosed was conducted by:

- interviewing the person responsible for collecting and reporting the data to understand the internal controls, governance structure and reporting processes;
- obtaining evidence on a sampling basis to validate the completeness and accuracy of the disclosed data; and
- reviewing calculations to ensure they have been correctly applied according to the outlined methodologies.

This SS2024 has been reviewed by Velesto's Board of Directors and was approved on 25 March 2025.

**Feedback Channel**

**VELESTO ENERGY BERHAD Sustainability**

Stakeholder engagement remains a vital aspect of our sustainability approach.

We welcome feedback and enquiries regarding this Statement, which can be directed to:

+603 2096 8788
sustainability@velesto.com

# President's Statement

**Dear Stakeholders,**

I am pleased to present Velesto Energy Berhad's Sustainability Statement for 2024, offering a comprehensive look into our sustainability strategy, progress, and impact. As the energy sector undergoes rapid transformation, we are rising to the dual challenge of meeting growing energy demand while driving the transition to a lower-carbon future.

Our achievements this year are a testament to our ability to meet this challenge head-on. Through innovation, operational resilience, and a clear vision for the future of energy, we continue to push boundaries, setting new benchmarks for both business performance and sustainability excellence.

**Sustainalytics ESG Risk Rating**

Low Risk

**Bursa ESG Rating Top**

25% 4-star

(FY2022: 3-Star)

**Emission Intensity/ Ops Day Reduction**

34%

(FY2023: 28%)

## A Year of Progress, Purpose, and Performance

Sustainability is not just a priority at Velesto—it is a responsibility we take seriously. As we reflect on 2024, I am proud of how we have upheld our commitment to value creation, resilience, and stewardship, turning challenges into opportunities and ambitions into tangible results.

This year, we delivered on every target in our ESG scorecard (see page 67 for details), a testament to the strength of our approach. More than just hitting milestones, we have built momentum—pushing boundaries, embracing innovation, and strengthening the foundation for a more sustainable and competitive future.

These efforts are reflected in our strengthened ESG performance. In 2024, our FTSE4Good rating rose from 3.8 to 4.0, while we retained our 4-star ESG rating from Bursa Malaysia and our 'Low Risk' ESG Risk Rating from Sustainalytics. We also received prestigious recognition at the Malaysia GPM Sustainability Awards 2024, winning both the Special Recognition for Sustainability Leadership and the Most Outstanding Project Award—the latter for our coral restoration initiative at Pulau Perhentian, marking the second consecutive year the project has earned industry acclaim.

## Raising the Bar in Performance and Value Creation

2024 was a breakthrough year in terms of the value generated for our business and stakeholders. We achieved our strongest financial performance since 2015, with profit after tax ("PAT") more than doubling from 2023 to reach a record RM208 million. These results were driven by our focus on operational efficiency, backed by adoption of automation and digitalisation.

By harnessing technology and innovation, we increased rig utilisation to 87% (from 83% in 2023) and maintained operational uptime of 99%, proving that efficiency and sustainability can go hand in hand. This performance doesn't just benefit our business—it strengthens our ability to operate in cleaner, smarter, and more responsible manners to support our long-term prospects.

President's Statement

### Taking Action on the Environment

## Our drive for operational efficiency goes hand in hand with our environmental ambitions, enabling lower emissions, improved resources utilisation, and optimised energy use.

In 2024, we cemented our commitment to achieving Net Zero by 2050, alongside near-term targets to reduce emissions intensity per operating day by 10% and revenue emissions intensity by 30% by 2030, benchmarked against our 2021 baseline. Additionally I am pleased to announce that we have set a new medium-term target of achieving a 15% reduction in our absolute Scope 1 and 2 emissions by 2030, with this enhanced commitment inspired by the encouraging results of our decarbonisation viability assessment conducted last year.

The progress in 2024 speaks for itself—despite higher rig utilisation, our emissions intensity per operating day remained 34% lower than our baseline, while revenue emissions intensity continued its downward trend, keeping us firmly on track to meet our targets. We also recorded zero major spills and reduced water consumption intensity per operating day by 10%, reflecting our dedication to responsible resource and environmental management.

Beyond emission reductions, we continued our commitment to marine conservation and restoration works through the Pulau Perhentian coral restoration project. This year alone, we planted 2,001 additional corals, bringing our total to over 2,500 since 2022. We took this initiative a step further by showcasing it at Oil & Gas Asia ("OGA") 2024, offering stakeholders an immersive experience with 360-degree VR exhibits and 3D coral models. By raising awareness, we hope to inspire greater collective efforts to preserving nature.

### Developing People to Enhance Resilience

## Our commitment to safety and talent development remains a cornerstone of our sustainability agenda.

Through our continuous focus on HSE excellence, we maintained our record of zero Loss Time Injury ("LTI") among Velesto employees for three consecutive years, while our Total Recordable Case Frequency ("TRCF") improved from 1.56 to 1.00. These gains were driven by our ongoing investment in automation and technology, particularly the implementation of Red Zone Management on NAGA 4, which has significantly reduced human exposure to high-risk areas, enhancing workplace safety.

Developing a skilled and future-ready workforce is central to our long-term growth. In 2024, we increased our training investment by 21%, ensuring our employees are equipped with the skills needed to thrive in a rapidly evolving industry. Beyond our own workforce, we remain committed to strengthening the broader energy talent pipeline through Velesto Trainee Scheme ("VTS") and internship programmes. By investing in talent, we are not only building resilience within Velesto but also reinforcing the sustainability of the industry's future workforce.

### Leading with Integrity and Strong Governance

## Ethical governance and strong leadership remains a foundational driver of our long-term sustainability ambitions, and we are proud to have maintained our track record of zero non-compliance incidents related to environmental, labour, or data privacy practices in 2024.

Further validating our commitment to integrity and good governance, Velesto earned the ISO 37001:2016 ABMS Certification from SIRIM QAS International during the year for our robust anti-corruption framework. Building on the Velesto Anti-Corruption Plan ("VACP") introduced in 2023, we intensified our training and awareness efforts this year. As a result, 100% of our operations underwent rigorous anti-corruption risk assessments, and 100% of our employees received comprehensive training on our anti-corruption policies and procedures. These measures enabled us to achieve zero incidents of corruption in 2024.

### Responding Strategically to Industry Shifts

As our industry undergoes rapid transformation amid the energy transition, we are simultaneously navigating uncertainties from rising trade conflicts and geopolitical tensions-factors that can drive price fluctuations and supply disruptions, impacting market stability. Against this backdrop, it is critical that we adopt agile and forward-thinking strategies to manage risks and seize emerging opportunities.

Velesto remains fully aligned with national sustainability ambitions, including Malaysia's National Energy Transition Roadmap ("NETR"), and the strategic objectives of our clients and stakeholders. Recognising that oil and gas will remain vital to the energy mix for the foreseeable future, we remain dedicated to supporting Malaysia's energy security while driving a fair, balanced transition towards cleaner energy.

Our strengthened partnerships, notably with our client on carbon management solutions, and our continuous pursuit of innovative solutions—including autonomous drilling and advanced emissions management systems—highlights our commitment to supporting today's energy requirements while preparing for a lower-carbon future.

Additionally, with increasing regulatory demands such as the IFRS S1 and S2 disclosure frameworks and expanded Scope 3 emissions requirements, we are proactively enhancing our climate and ESG disclosures. By embracing these developments early, we position Velesto as a transparent and responsible company, capable of effectively managing sustainability risks and driving continued value creation.

### Charting a Resilient Path Forward

In the year ahead, we will sharpen our focus on accelerating our journey towards Net Zero by 2050. We have achieved great momentum in 2024, with progress made in emissions assessment and verification, climate response benchmarking, and the evaluation of potential decarbonisation pathways. Building upon this, we will initiate Scope 3 emissions assessments and finalise our detailed Net Zero roadmap in 2025, while driving greater alignment with emerging IFRS sustainability standards.

Our roadmap will defines clear, actionable strategies encompassing operational optimisation, emissions-reducing technologies, and the exploration of opportunities to transition towards greener, lower-carbon energy sources. On this note, strategic partnerships with industry partners will play a pivotal role, enabling us to harness innovative technologies, expand our capabilities, and accelerate the transition to cleaner energy. With Malaysia emerging as a regional energy hub, our core expertise in drilling positions us strongly to contribute to critical carbon abatement efforts such as Carbon Capture, Utilisation and Storage ("CCUS") initiatives, as we can support the safe, efficient execution of $CO_2$ injection wells and long-term storage solutions.

Concurrently, innovation and technology adoption will remain central to our future readiness. By continuously embracing digitalisation and automation, we will strengthen operational efficiency, enhance emissions monitoring capabilities, and facilitate smarter, data-driven decision-making across our operations. These efforts will not only bolster our sustainability progress but also reinforce our competitive edge, ensuring we remain at the forefront of offshore energy transformation.

### Acknowledgements

In closing, I would like to extend my deepest gratitude to my fellow Board members for their invaluable guidance and support. A special thanks goes to our dynamic senior management team and the dedicated employees across Velesto, whose commitment and expertise have been instrumental in driving our success.

I also wish to express my appreciation to our investors, shareholders, clients, government agencies, ministries, regulatory bodies, and industry partners—your trust and collaboration have been essential in supporting our robust results for the year. As we move forward, we remain committed to working together to drive meaningful progress and pursue shared objectives.

In an industry shaped by both risks and opportunities, Velesto remains committed to driving innovation, strengthening partnerships, and embedding sustainability at the core of our operations. As we meet the energy needs of today, we are also laying the foundation for a more sustainable future, reinforcing our position as a resilient, forward-thinking industry leader.

# 2024 at a Glance

## About Velesto

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

### OFFICE LOCATIONS

1. Kuala Lumpur
2. Kuching
3. Miri
4. Kota Kinabalu

### OUR ASSETS

6 jack-up rigs

2 HWUs

1 drilling academy

2 warehouse locations (ASB & KSB)

1 oilfield services manufacturing facilitiy

## Our Operational Performance

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

Operating Day **1,977**

Utilisation rate **87%**

Efficiency/ uptime **99%**

## Our Financial Value Creation

We believe a strong financial performance an important indicator for sustainable value creation to all stakeholders. In 2024, Velesto creates value to our stakeholders in many ways through profit-making and dividend payout, as an employer, taxpayer, participant of the procurement ecosystem, and impact maker in communities.

Revenue
RM1.36 billion

EBITDA
RM549 million

Profit After Tax
RM208 million

Dividends
RM103 million

Taxes to governments
RM59 million

Payment to Local Suppliers
RM402 million

Beyond Value Chain Spend – Environment & Social investment
RM0.43 million

RM200 million
Salaries, bonuses and benefit paid to employee

# ESG Highlights

We are dedicated to making substantial advancements in our performance across the ESG spectrum annually.

Below, we offer a glimpse of our progress and achievements across various key ESG metrics throughout 2024, along with the awards and recognitions achieved during the year.

## Environment

**67%** Reduction in emissions intensity by revenue

**34%** Reduction in emissions intensity by operating days

**10% REDUCTION**
in water consumption intensity by operating days compared to last year's 2% reduction

**ZERO**
Major Spills

**25% INCREASE**
in investment towards biodiversity and environmental conservation

**72.6% OF TOTAL**
waste generated is recovered, repurpose or recycle

## Governance

Officially been awarded the
**ISO 37001:2016 ABMS Certification**
by SIRIM QAS International

**100%**
of our organisation was assessed for corruption risk

**ZERO**
confirmed incidents of corruption and incidents involving data breaches

## Social

**647** Employees

**77%** of our workforce is Malaysian
↑ 2% increase

Three consecutive years of **ZERO** LOST TIME INCIDENTS ("LTI") for Velesto employees

**Representation of Women**

Board: 33% | Management: 36% | Executives: 59%

**62%** of total procurement was spent on local suppliers
↓ 33% decrease

**72%** of our registered vendors are Malaysian
↑ 6% increase

**Supporting education by:**

a) Scholarship for students pursuing degree at Universiti Teknologi Petronas ("UTP") through Yayasan UTP, with full programme expected total contribution approximately close to RM1 million

b) Development and delivery of STEM related initiatives via collaboration MoU with Sarawak Economic Development Corporation ("SEDC")

## Awards and Achievements

**FTSE4GOOD**
ESG rating score of 4.0
(improved from 3.8)

Bursa Malaysia ESG
**4-STAR ESG RATING**

Sustainalytics Rated – ESG Risk Rating
**18.5 (LOW RISK)**

**MALAYSIA GPM SUSTAINABILITY AWARDS 2024**
1. Special Recognition for Sustainability Leadership
2. Most Outstanding Project Award for Coral Restoration Programme

**TOP 5% PLCs**
(Top 500 - ranked at the NACGSA 2024 by MSWG

**MPM WELLS MANAGEMENT 2024**
(Best Big Ni Drilling - NAGA 5)

GMT & -
**BEST HYDRAULIC**
Workover Unit in Malaysia
Operations by MPM PETRONAS

# Sustainability Lenses

| Month | Programme / Event | Description |
|---|---|---|
| **January - December** | Monthly Operations Awareness session | Monthly operations awareness session focused on promoting sustainability across environmental, social, and governance pillars. |
| **March** | Internal Data Assurance | Conducted assessment of ESG data assurance scope, process and audit checklist with Internal Audit team. |
| | Awareness Session: Corporate Liability Provision, Section 17A MACC Act 2009 | A session organised by the Integrity Governance Unit & Compliance ("IGUC") was held to reinforce compliance and uphold ethical standards across the organisation. All employees were encouraged to participate as part of Velesto's collective commitment to combating corruption. The session was delivered by Senior Superintendent Tuan Cheong Zhit Hou from the Malaysian Anti-Corruption Commission ("MACC"). |
| **April** | Sustainability Report 2023 | Published Velesto's Sustainability Report 2023. Introduced new data collection template and enhanced performance data disclosures to improve Bursa compliance and TCFD alignment. |
| | Corruption Risk Management Workshop | IGUC organised a Corruption Risk Management ("CRM") Workshop attended by all Anti-Bribery Management System ("ABMS") Champions. The workshop aimed to align and harmonise existing corruption risk frameworks across the organisation, while also supporting preparations for the ABMS certification. |
| **May** | Annual General Meeting ("AGM") | Formal platform for shareholders to convene and engage with the company's management. The AGM is essential for ensuring that shareholders are informed and involved in the company's governance and future direction. |
| **June** | Coral Planting Program Phase 3 | Undertook Phase III of our Coral Restoration programme. We deployed custom-built frames spelling out 'Velesto' to support coral placement and successfully planted 2,001 corals. This initiative is part of our ongoing efforts to restore and conserve coral reef ecosystems, while fostering environmental awareness and encouraging community engagement. |
| | Hari Maritim | By involving various stakeholders, including government agencies, private sector partners, and local communities, Hari Maritim aims to promote Maritime Safety and Awareness. The event serves as a platform to educate and raise awareness about maritime safety, the roles and responsibilities of maritime authorities, and the importance of adhering to maritime law. |
| | MPM DrillTEC Focus Group (GHG Reduction) | A collaboration with leading players in Malaysia's oil and gas industry, particularly players involved in well activities, within this MPM-led focus group. This initiatives form part of efforts supporting PETRONAS' Net Zero 2050 agenda to spearhead industry decarbonisation progress. |

| Month | Programme / Event | Description |
|---|---|---|
| **July** | Net Zero Assessment & Roadmap Development Kick Off | These activities were part of Velesto's broader sustainability strategy, aiming to develop a comprehensive Net Zero 2050 Roadmap and establish decarbonisation pathways. |
| | Vendor Engagement Day 2024 | An annual event to strengthen relationships and collaboration between Velesto and its vendors. The event serves as a platform to enhance understanding of processes, promote good governance, foster collaboration, and support shared sustainability goals across the value chain. |
| **August** | Internal Data Assurance (follow-up audit) | Ongoing improvement activities to ensure the implementation of action items to address identified gaps on sustainability practices. |
| | Roll-out company-wide Sustainability Capacity Building Modules | Designed to enhance professional growth and align organisation-wide efforts with sustainability goals, this training pathway equips employees with the skills and knowledge needed to contribute meaningfully to Velesto's sustainability initiatives and broader strategic objectives. |
| | Stakeholder Rig Visit - SEDC | This engagement was part of Velesto's broader strategy to enhance transparency, build trust, and strengthen partnerships with key stakeholders. During the visit, SEDC leaders had the opportunity to gain insights on our operational processes, engage with management, and get a first-hand experience our working environment. |
| **September** | Participation in Oil & Gas Asia ("OGA") 2024 | This exhibition served as a platform to showcase Velesto's commitment to sustainability and innovation within the energy sector. Through immersive 360-degree VR exhibits and 3D coral models, the event aimed to raise awareness and inspire collective action among stakeholders to preserve and protect our natural environment. |
| **December** | MS ISO 37001:2016 Anti-Bribery Management System ("ABMS") Certification | Velesto officially achieved the MS ISO 37001:2016 Anti-Bribery Management System ("ABMS") certification, highlighting our commitment to integrity, ethical conduct, compliance and a corruption-free workplace. |
| | ESG Data Governance & Assurance Workshop | This event focused on improving the governance of sustainability data. It covered the Sustainability Data Collection Process Flow, outlining the steps for gathering accurate and consistent data across the organisation. Additionally, the Sustainability Data Assurance segment, presented by the Internal Audit team, emphasised the importance of data accuracy and reliability to support informed decision-making and robust tracking of sustainability performance. |

# Our Approach to Sustainability

**OUR STRATEGY FOR SUSTAINABLE VALUE CREATION**

Sustainability lies at the core of our business strategy, with ESG principles firmly embedded as a driving force behind long-term value creation for our stakeholders. By aligning our business objectives with our commitment to positive social and environmental impact, we ensure sustainability is deeply rooted into our culture, governance, and strategic decision-making, driving progressive and proactive integration of sustainable practices across 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 | Social | Governance |
|---|---|---|
| Contribute towards environmental stewardship and low carbon operation. | Building ecosystem that enables our people and community to thrive. | Upholding ethics, integrity and transparency in our work. |

**Strategies**

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

**In Alignment To**

## SUSTAINABILITY JOURNEY

TIMELINE

| | PROGRESS | ACHIEVEMENTS |
|---|---|---|
| 2017, 2018, 2019 | › Established sustainability governance<br>› Strengthened sustainability disclosures | › Disclosed first Sustainability Report<br>› Inclusion as Bursa Malaysia's FTSE4Good Index constituent |
| 2020, 2021 | › Adopted of Integrated Reporting<br>› Initiated climate risk assessment<br>› Joined United Nations Global Compact (UNGC) | › Rated 4 star in FTSE4Good Index<br>› Winner of the MSWG-ASEAN Corporate Governance Award 2021 |
| 2022, 2023 | › Established ESG alignment as a strategic pillar for company business strategy<br>› Committed to the target of reducing emission by 2030<br>› Aligned sustainability disclosures with Bursa Malaysia Sustainability Reporting guidelines and TCFD<br>› Refined sustainability framework | › MSOSH Gold Class 1 Award 2022 & 2023<br>› Rated 4 star in FTSE4Good Index<br>› Best CSR of the Year Award 2023 by Asian Business Review |
| 2024 | › Committed to achieve Net Zero Emission by 2050<br>› Strengthened governance and implemented ISO 37001 Anti Bribery Management System | › Improved FTSE4Good score to 4.0 (from 3.8)<br>› Sustainalytics Rated – ESG Risk Rating 18.5 (Low Risk)<br>› Achieved Special Recognition for Sustainability Leadership and the Most Outstanding Project Award at the Malaysia GPM Sustainability Awards 2024 |

Our Approach to Sustainability

## SUSTAINABILITY GOVERNANCE

Our Board of Directors provides strategic leadership in driving sustainability across the Group, taking ultimate responsibility for all ESG matters and shaping the Company's sustainability strategies and priorities. At the operational level, our Senior Management team leads the execution of these initiatives, ensuring alignment with the Group's objectives and overseeing the achievement of ESG goals and targets.

### Robust Sustainability Leadership

In shaping sustainability strategies and priorities, the Board maintains rigorous oversight of all Velesto's material matters across the Environmental, Social, and Governance ("ESG") spectrum (see Material Matters on page 63).

With ESG performance integrated into the Group's strategic business roadmap, Senior Management and employees are aligned with our priorities and understand their role in driving long-term value creation.

To uphold effective governance, the Board is supported by dedicated committees, including the Board Governance & Risk Committee ("BGRC"), the Sustainability Management Committee ("SMC"), and the Sustainability Working Group ("SWG"). These committees comprise specialised subgroups that oversee various ESG matters, with the SMC also responsible for economic strategies and performance. Velesto's President chairs the SMC, providing direct guidance to Senior Management in driving the Group's sustainability strategy.

This structured governance framework ensures that the Board and Senior Management stay well-informed on both existing and emerging ESG issues while enabling seamless communication across the organisation. Through this approach, our leadership is empowered to set clear objectives, gather insights, and refine strategies in alignment with our evolving capacity, capabilities, and sustainability aspirations.

To remain at the forefront of the dynamic sustainability landscape, the Board and Senior Management actively engage in relevant training programmes, including those conducted by market regulators and professional associations.

## SUSTAINABILITY GOVERNANCE STRUCTURE

| COMPOSITION | FUNCTIONS | FREQUENCY |
|---|---|---|
| **Board of Directors** | | |
| › Non-Independent Non-Executive Directors<br>› Independent Non-Executive Directors<br>› Executive Director | › Exercises oversight on all material ESG topics<br>› Guides the company's sustainability agenda<br>› 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<br>› Ensures the progressive inclusion of potential impacts of ESG matters within the Group's risk matrix and risk register<br>› Presents half-yearly reports to the Board | Quarterly Meeting |
| **Sustainability Management Committee ("SMC")** | | |
| › Chaired by the Group's President and Vice President (Corporate Services) as Co-chair/ Secretary<br>› The Group's Senior Management Team | › Ensures alignment of sustainability strategies with the Group's vision and mission<br>› Reviews and recommends the Sustainability Statement to the Board<br>› Evaluates and recommends sustainability strategies, policies and other related matters, including management systems, performance monitoring, policies, commitments and regulations<br>› Actively monitors stakeholders' expectations on Velesto's ESG activities through effective communication strategies | As and when |
| **Sustainability Working Group ("SWG")** | | |
| › Chaired by the Vice President (Corporate Services) and Head of Sustainability as Co-chair/ Secretary<br>› Representatives from corporate and operations who are custodian of relevant ESG matters | › Support the effective implementation of sustainability strategies and projects<br>› Tracks data to ensure all outlined activities achieve defined targets | As and when |

**Environment**
- Operations (Drilling)
- Operations (Integrated Services)
- QHSE

**Social**
- QHSE
- Human Resources
- Corporate Communications

**Governance**
- Finance
- Commercial
- Legal & Secretarial
- IGUC
- Shared Services

*For more details on the Board's roles and responsibilities, composition, independence and performance, please refer to Velesto's FY2024 Corporate Governance Report. Velesto's adherence to Practices 4.1 to 4.5 of the MCCG 2021 on Sustainability Leadership is also detailed therein.*

Our Approach to Sustainability

### Comprehensive Governing Policies

Velesto's sustainability governance is guided by a comprehensive framework of policies, codes, charters, and Terms of Reference ("TOR").

These documents establish the principles and procedures that govern various aspects of the Group's operations to ensure responsible conduct at all levels, from the Board of Directors and management to employees and stakeholders.

Our governance documents are made are available on the Governance portal of the Group's corporate website at www.velesto.com. These documents, including the Code of Business Conduct and Ethics ("CoBE"), undergo regular reviews and updates to maintain their relevance and effectiveness in addressing evolving regulatory and industry requirements.

To uphold compliance and accountability, the Integrity Governance Unit and Compliance oversees adherence to these policies across the Group, proactively identifying and investigating any potential breaches.

| 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 |
| Whistle Blowing Policy | TOR BWBC |
| 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 into Risk Management

Discussions at the Board level have increasingly focused on ESG matters[1], reflecting a deepening recognition of their critical role in driving the Group's value creation objectives.

This has enabled the progressive integration of ESG considerations into our business processes, strengthening our ability to assess and manage the likelihood and impact of sustainability-related risks.

This proactive approach enables us to identify both immediate and long-term opportunities as part of our risk mitigation efforts. Sustainability and ESG factors have also been given greater prominence in shaping the Board and Senior Management's strategic direction, with ESG forming a standing agenda item at BGRC, formerly as Board Risk Management Committee ("BRMC") meetings since 2023.

The Group's Enterprise Risk Management[2,3] policy provides a structured framework for systematically identifying risks relevant to our operations. Our annual materiality assessments further enhance this process by incorporating insights from external risk management frameworks and corporate reporting standards, ensuring a comprehensive evaluation of ESG risks across our industry and operational 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
- Task Force on Climate-related Financial Disclosures ("TCFD")

Once ESG risks are identified, designated risk owners assess their severity and likelihood, seeking oversight from the Board Governance & Risk Committee ("BGRC") to implement mitigation measures and controls. The BGRC provides guidance on the Group's risk appetite and parameters, escalating issues to the Board when an ESG risk approaches the Group's defined tolerance level. Beyond risk assessment, the Group mitigates identified risks through its Business Continuity Management ("BCM") Framework[4] to ensure operational resilience, safeguard stakeholder interests, and protect brand reputation. Additionally, we have implemented an internal Crisis Management Plan[5] to effectively manage crises arising from business activities in a manner that minimises potential disruptions.

Looking ahead, we aim to expand the scope of our risk management framework to encompass a broader range of ESG risks while strengthening our cognisance of the potential financial and operational impacts arising from our material sustainability matters.

1. *Refer to Our Material Matters section on page 63 for ESG risks and opportunities considerations.*
2. *Further details on Velesto's climate-related risk management can be found in the TCFD alignment section on page 109.*
3. *For a comprehensive overview of the Group's risk management practices, refer to the SORMIC section on page 171.*
4. *More details on the Business Continuity Management ("BCM") Framework are available in the SORMIC section on page 179.*
5. *For insights into the Group's Crisis Management approach, refer to the SORMIC section on page 180.*

### Operational Site Certification and Accreditation

Our commitment to attaining and maintaining globally recognised certifications plays a key role in strengthening our sustainability governance, ensuring we adopt best practices in health, safety, environmental and quality management across our operational sites.

All Jack-up ("JU") rigs and Hydraulic Workover Units ("HWUs"), along with our Kuala Lumpur Headquarters and operating bases in Kemaman and Labuan, adhere to international management system standards. Our Quality team monitors and reviews audit assessments to drive ongoing compliance with these certifications.

In keeping with regulatory advancements, Velesto has transitioned from OHSAS 18001:2007 to ISO 45001:2018 for Occupational Health and Safety Management. Additionally, we have enhanced our quality management system for the oil and gas sector, upgrading from ISO/TS 29001:2010 to ISO 29001:2020, with certification for the latter officially granted on 14 March 2022.

| Certifications/ Accreditations | Assets/ Locations | Scope |
|---|---|---|
| ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, ISO 29001:2020 | Velesto Energy Bhd: Kuala Lumpur Headquarters | Provision of Offshore Drilling and Hydraulic Workover Services for the Oil & Gas Industry |
| | Velesto Drilling: Labuan Warehouse (NAGA 4, 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 |

For more details, visit www.velesto.com/quality to access the certificates for these accreditations.

## Our Stakeholder Universe

We prioritise frequent and meaningful engagement with our key stakeholder groups, acknowledging their role in shaping and being impacted by the Group's operations, financial performance, and reputation.

By fostering open, two-way communication, we gain valuable insights that allow us to refine our strategies and business plans in alignment with stakeholders' evolving expectations and concerns. Through a variety of engagement channels, we actively monitor, assess, and respond to stakeholder interests, ensuring our sustainability agenda remains inclusive and relevant.

**Overview of our Stakeholder Engagement in 2024**

# 8 Stakeholder Groups

30+ Engagement Sessions

| Meeting/discussion | Workshop/roundtable | Industry events |
|---|---|---|

## STAKEHOLDER ENGAGEMENT

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

Our Stakeholder Universe

## STAKEHOLDER ENGAGEMENT

| | Client & Industry Players | Financial Institutions | Vendors |
|---|---|---|---|
| **Who Are They** | 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. |
| **Stakeholder Importance & Value Creation** | Collaboration within the industry enhances competencies, innovation and service delivery, contributing to greater sustainability and potential for business growth.<br><br>**We create value through:**<br>› Professional and high-quality service delivery<br>› 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.<br><br>**We create value through:**<br>› Strong financial performance and growth<br>› 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.<br><br>**We create value through:**<br>› Collaboration to drive innovation and value creation<br>› Advocacy and capability-building in ESG practices |
| **Matter of Concern** | › Operational and safety performance<br>› ESG and sustainability considerations<br>› Contractual obligations<br>› Driving advancement through industry collaboration | › Liquidity and investment management<br>› Financial risk management<br>› Compliance with regulatory and debt obligations<br>› ESG progress and performance | › Maintain open and transparent two-way communication with vendors<br>› Establish rigorous vendor assessment and selection criteria to ensure alignment with product, service, and capability requirements<br>› Ensure the Group's financial and operational stability |
| **Our Response** | › Efficient project planning<br>› Periodic engagements and discussions<br>› Participate in industry forum, conference and exhibition<br>› Innovative collaboration with clients and peers | › Prudent financial management<br>› Integration of financial risk management into business strategy<br>› Maintain optimal repayment track record<br>› Alignment of business strategies with ESG imperatives of financial institutions | › Conducted vendor engagement sessions to advocate ESG expectations, efficient procurement processes, HSE compliance, and good governance, including integrity and whistleblowing practices<br>› Implement supplier audit and assurance programmes<br>› Encourage greater participation of local vendors |
| **Mode of Engagement** | › Management meetings<br>› Customer feedback exercises<br>› Site visits<br>› Scheduled reports and project progress meetings<br>› Workshops and dialogues<br>› Email queries<br>› Trade shows, conferences, and exhibitions | › Annual General Meeting<br>› Integrated Annual Report<br>› Scheduled and ad hoc investor and analyst briefings<br>› Announcements of corporate developments to Bursa Malaysia<br>› Quarterly financial result announcements to Bursa Malaysia<br>› One-on-one meetings<br>› Site visits | › Management meetings<br>› Communication through website, social media and emails<br>› Dialogues and workshops<br>› Trade shows, conference and exhibitions<br>› Site visits and audits |
| Frequency: Ongoing | ● | | ● |
| Frequency: As Needed | ● | ● | ● |
| Frequency: Quarterly | ● | ● | |
| Frequency: Annually | ● | ● | |

| | Employees | Communities |
|---|---|---|
| | Permanent and contractual personnel working under Velesto's payroll. | The individuals and organisations within the local communities where we operate. |
| | A skilled, engaged, and high-performing workforce is key to upholding operational excellence and maintaining our competitiveness.<br><br>**We create value through:**<br>› Competitive remuneration and benefits<br>› Inclusive employment practices<br>› Continuous development opportunities<br>› 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.<br><br>**We create value through:**<br>› Operational excellence with high ESG standards<br>› Socioeconomic contributions and community programmes |
| | › The Group's financial performance<br>› Employee benefits and career progression<br>› Internal efficiency and process improvement<br>› Emission management and environmental impact | › Community and environmental well-being and protection<br>› Delivery of a positive social impact on community development<br>› Corporate social responsibility (CSR) initiatives and community engagement |
| | › Enhanced access to information and feedback channels, including regular management visits and Q&A sessions with Senior Management<br>› Ensuring continuous employee engagement and role fulfilment through diverse communication platforms, programmes, and initiatives<br>› Execute a corporate culture development plan<br>› Expand access to training and development programmes<br>› Conduct periodic reviews of remuneration packages and structure<br>› Implementing digitalisation to streamline manual work processes | › Commit to deliver long-term STEM education and environmental programmes<br>› Identify and collaborate with local stakeholders on community programmes<br>› Enhance community awareness of Velesto's contributions and commitments to the community |
| | › Communication via intranet platforms, emails, and social media<br>› Townhall sessions<br>› Focus group discussions<br>› Continuous performance and feedback sessions<br>› Employee surveys<br>› Community events (e.g. employees' gatherings, sports club's and learning over lunch sessions with Senior Management, amongst others)<br>› Site visits<br>› Talent management activities<br>› Roadshows and workshops<br>› Internal and external training | › Community outreach programmes<br>› Meetings and discussions with local representatives and outreach partners<br>› Public discussions on community investment initiatives |
| | ● | |
| | ● | ● |
| | ● | |
| | ● | |

Our Stakeholder Universe

### Membership and Associations

We actively engage with industry associations and professional bodies relevant to our operations, utilising our memberships to stay informed on industry developments, exchange insights, and collaborate on addressing collective challenges.

By participating in these forums, we also contribute to shaping best practices and advancing sustainability initiatives within the sector.

| Associations and Initiatives | | Our Participation and Contribution |
|---|---|---|
| | **The Malaysian Oil & Gas Services Council ("MOGSC")** | We actively engage in this non-profit industry association, which is committed to advancing the interests of Malaysian oilfield service providers nationwide. |
| | **Malaysian Gas Association ("MGA")** | Through regular participation in MGA activities, we support initiatives that promote a dynamic and sustainable gas sector, contributing to Malaysia's socioeconomic progress. |
| | **Energy Industry Council ("EIC")** | As a member of EIC, a non-profit organisation with over 800 member companies in the energy sector, we gain access to valuable insights on energy projects, market intelligence, and industry best practices, helping drive a more sustainable energy future. |
| | **International Association of Drilling Contractors ("IADC")** | We collaborate with IADC, a globally recognised trade association known for its accreditation programmes, industry advocacy, and knowledge-sharing initiatives, to support the advancement of the drilling industry. Alongside other IADC members, we strive to enhance safety, efficiency, and environmental responsibility, ensuring a more sustainable industry landscape. |
| | **United Nations Global Compact ("UNGC")** | On 2 June 2021, we became a signatory of the UNGC, committing to its 10 Principles, which encompass human rights, labour rights, environmental sustainability, and anti-corruption measures across our operations. |
| | **30% Club** | We proudly participate in the Malaysian Chapter of the 30% Club, a special interest group dedicated to increasing the representation of women in boardrooms and senior leadership roles within public-listed companies |
| | **Malaysia Petroleum Resources Corporation ("MPRC")** | We engage with MPRC, an agency under the Ministry of Economy, to support efforts in driving the Oil and Gas Services and Equipment ("OGSE") sector towards cleaner and more sustainable energy solutions. |
| | **Universiti Teknologi PETRONAS ("UTP")** | We take pride in our collaboration with UTP to support the academic growth of MSc Drilling Engineering students. Through this partnership, students benefit from hands-on learning experiences, industry training at Velesto-INSTEP Drilling Academy ("VIDA"), and guest lectures delivered by our subject matter experts.<br><br>Part of the Industry Advisory Panel at Universiti Teknologi PETRONAS ("UTP"). Shared mission to empower students with the knowledge and skills that the industry needs to drive positive change. |
| | **Malaysia Petroleum Management ("MPM")** | We played a role in the task force developing the Blueprint for Decarbonisation of Wells & Rig Operations. |

# Our Material Matters

Materiality assessments are an integral part of our sustainability and risk management strategy, allowing us to identify and prioritise ESG topics that have a significant impact on value creation, stakeholders, and the environment.

By evaluating these material matters, we enhance our decision-making capabilities to proactively address stakeholder priorities, concerns, and expectations. Simultaneously, these assessments enable us to identify and respond to emerging ESG risks and challenges within our operational landscape while uncovering opportunities to strengthen and expand our business. This ensures that we focus our attention and resources on the most critical issues, reinforcing the long-term sustainability of our Group.

## Materiality Assessment Process

Following a comprehensive materiality assessment exercise conducted in 2023, we undertook an internal review in 2024 and confirmed that all identified material matters remain relevant.

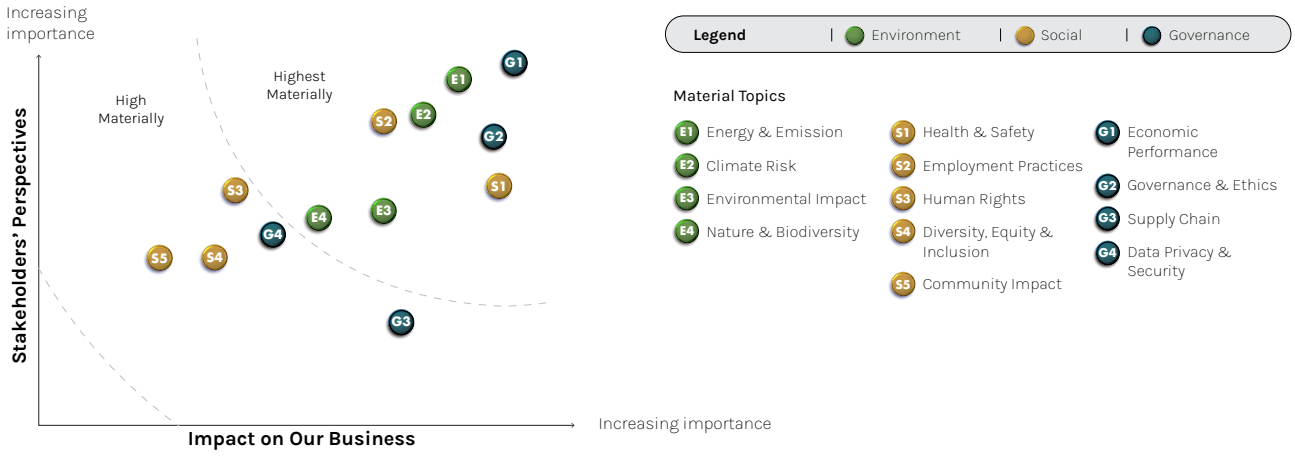
For the purpose of the current disclosure, we employ a structured four-step materiality determination process to systematically identify, categorise, and prioritise material matters

1. **Identification of Topics**
   We analyse and benchmark material matters based on key industry trends, regulatory requirements, peer practices, and other relevant sources. These topics are categorised under Environmental, Social, and Governance ("ESG") domains to establish a structured framework.
2. **Stakeholder Engagement**
   We reviewed engagement records of various stakeholder groups in internal and external sessions to gather their feedback and gain insights into their expectations.
3. **Prioritisation of Topics**
   Key material matters are prioritised by identifying frequently highlighted issues, assessing their significance to stakeholders and their impact on our business, and mapping both aspects onto the materiality matrix.
4. **Validation of Findings**
   The final materiality matrix is reviewed and approved by the Board and Senior Management.

Moving forwards, Velesto aspires to strengthen its sustainability management by transitioning double materiality with full assessment to be undertaken in FY 2025, in line with global best practices and emerging frameworks.

## Velesto's Materiality Matrix

This materiality matrix represents the results of our latest materiality assessment, highlighting the significance of various material topics to both our business and stakeholders. These topics are reviewed annually and presented to the Board Governance and Risk Committee for endorsement and recommendation before final Board approval. They serve as the foundation for our disclosures within this Sustainability Statement.



Our Material Matters

| DEFINITION OF MATERIALS | WHY IT IS IMPORTANT | RISKS | OPPORTUNITIES |
|---|---|---|---|
| **Environment** | | | |
| **Energy & Emission Management** | | | |
| Ensuring efficient operations while minimising GHG emissions. | As we continue to play a role in supporting industry energy security, we must responsibly seek to reduce GHG emissions and enhance energy efficiency to facilitate a transition to low-carbon operations. | > Shift in clients' commercial models requiring robust emission management.<br>> Increased costs due to exposure to carbon pricing mechanisms. | > Strengthen business competitiveness by positioning emission management as a value proposition.<br>> Enhance cost savings through efficient energy resource management.<br>> Adoption of advanced low-emission technologies to improve business prospects. |
| **Climate Risk** | | | |
| Integrating climate considerations into business strategies and risk management while aligning with national and stakeholder climate goals. | Climate change presents existential threats to businesses, including Velesto, through physical risks and transition risks that may impact operations, reputation, and business opportunities. | > Operational disruptions, increased repair costs, downtime, and potential revenue loss from extreme weather events.<br>> Increased costs due to exposure to carbon tax.<br>> Limited access to funding prioritising robust climate governance. | > Enter new markets in line with shifting client sustainability preferences.<br>> Diversification of revenue, including unlocking 'green' revenue streams.<br>> Improved operational planning supported by resilience-driven strategies. |
| **Environmental Impacts** | | | |
| Advocating environmentally friendly practices, including responsibly managing water, effluents, waste, and pollution control. | The Group operates in offshore environments that require high standards of pollution control, mitigation, and regulatory compliance to minimise environmental impacts. | > Legal ramifications and fines due to regulatory violations.<br>> Reputational damage from poor environmental impact management.<br>> Increased compliance costs due to inefficient waste and resource management. | > Enhanced circularity and waste reduction that leads to cost savings.<br>> Strengthened reputation amongst stakeholders.<br>> Strong track record of regulatory compliance. |
| **Nature & Biodiversity** | | | |
| Placing emphasis on responsible operations that mitigates damage and creates a positive impact on marine ecosystems. | Through efforts that extend beyond pollution mitigation, we can support the preservation of natural ecosystems and promote greater environmental awareness. | > Biodiversity loss due to operational mismanagement can result in reputational damage and financial loss.<br>> Higher risk of litigation and negative coverage from NGOs. | > Improved sustainability risk management by embedding nature-focused considerations.<br>> Development of knowledge related to biodiversity conservation.<br>> Enhanced collaboration and environmental stewardship among employees and the public. |

| DEFINITION OF MATERIALS | WHY IT IS IMPORTANT | RISKS | OPPORTUNITIES |
|---|---|---|---|
| **Social** | | | |
| **Health & Safety** | | | |
| Providing safe working conditions and systems to safeguard human health and well-being. | Employees operate in challenging and fast-paced environments that require prioritisation of their health and safety to maintain operational reliability and efficiency. | > Increased exposure to legal ramifications due to negligence.<br>> Reputational damage from poor safety performance, leading to potential loss of client trust.<br>> Operational disruptions caused by frequent safety incidents. | > A strong safety culture fosters high-performance work environments.<br>> Preserving seamless operational delivery.<br>> Enhanced brand reputation driven by health and safety excellence. |
| **Employment Practices** | | | |
| Upholding responsible employment practices, fair opportunities, and talent development. | Employees are integral to the execution of business strategies and operational success, making conducive employment practices essential for human capital development. | > Shortage of skilled employees leading to reduced competitiveness.<br>> Decreased productivity due to unmotivated employees.<br>> High attrition rates may disrupt business continuity and succession planning.<br>> Being perceived as an unattractive employer. | > Improved ability to attract top talent.<br>> Enhanced operational effectiveness with a skilled and motivated workforce. |
| **Human Rights** | | | |
| Ensuring compliance with international and local human rights laws while promoting fair treatment across the value chain. | By collaborating with supply chain partners, we can safeguard workers' rights and enforce zero tolerance for discrimination, harassment, and forced labour. | > Reputational damage from human rights violations.<br>> Financial losses due to litigation.<br>> Loss of trust from stakeholders and clients, leading to business risks. | > Strengthened stakeholder trust and relationships through the promotion of human rights across the value chain. |
| **Diversity & Inclusion** | | | |
| Promoting equitable opportunities regardless of gender, age, background, beliefs, or abilities. | A diverse workforce fosters innovation, growth, and stronger business outcomes through inclusive leadership and communication. | > Limited organisational growth due to a lack of diverse perspectives driving innovation. | > Expanded talent pool that supports growth of high-potential individuals from underrepresented groups.<br>> Increased access to diverse perspectives that fuel innovation. |
| **Community Impact** | | | |
| Engaging with communities through education and human capital development initiatives that support nation building agendas. | As a responsible corporate citizen, the Group is committed to contributing to social progress by supporting technical education and skills development for future talents. | > Reputational damage and being perceived as an irresponsible corporate entity.<br>> Loss of trust from policymakers and key stakeholders due to lack of community support. | > CSR initiatives can foster stronger community ties and contribute to a future talent pipeline.<br>> Enhanced brand visibility and business competitiveness. |

Our Material Matters

| DEFINITION OF MATERIALS | WHY IT IS IMPORTANT | RISKS | OPPORTUNITIES |
|---|---|---|---|
| **Governance** | | | |
| **Economic Performance** | | | |
| Consistently achieving strong financial performance and delivering value to stakeholders by upholding our 'Performance-Driven, Operations-Focused' ethos. | Strong and sustainable cash flows are essential to funding operations and achieving short, medium, and long-term growth objectives. | > Loss of investment opportunities due to poor financial returns.<br>> Reduced business opportunities from unsustainable cash flow.<br>> High debts and interest rates.<br>> Limited financial benefits for employees, shareholders, and stakeholders. | > Effective cost management ensures flexible capital allocation for growth.<br>> Strengthened shareholder value and investment attractiveness. |
| **Governance & Ethics** | | | |
| Upholding integrity, fair practices, and regulatory compliance to drive sustainable business success. | As oil and gas remain integral to the energy mix, strong governance and ethical business practices are critical for resilience and competitiveness. | > Reputational damage and financial losses due to regulatory violations and fines.<br>> Loss of stakeholder trust and missed business opportunities.<br>> Increased incidents of unethical behaviour and lack of transparency.<br>> Risk of losing operational licenses. | > Strong governance supports effective business execution.<br>> Establishment of a high-performance culture based on ethics and integrity.<br>> Strengthened Group branding as a responsible corporation. |
| **Supply Chain** | | | |
| Responsible management of our supply chain and sourcing processes, alongside the promotion of sustainability. | Sustainable supply chain management and long-term vendor partnerships will remain vital in supporting business resilience amid geopolitical, economic and regulatory challenges. | > Supply constraints and delays disrupting project delivery.<br>> Loss of revenue due to operational disruptions.<br>> High costs resultant from poor sourcing strategies. | > Strengthened supplier relationships that drive long-term collaboration.<br>> Improved cost efficiency through sourcing of competitive rates.<br>> Enhanced supplier ESG capabilities that support their resilience to face challenges.<br>> Improved governance of financial and non-financial impacts along the local value chain. |
| **Data Privacy & Security** | | | |
| Protecting the Group's data and IT systems from cyber threats. | As the digitalisation of our business progresses, greater exposure to cyber threats requires more stringent and up-to-date security measures. | > Cybersecurity breaches may lead to data leaks, operational disruptions, financial losses, and reputational damage. | > Enhanced data management practices will build greater stakeholder trust.<br>> Improved cybersecurity will enable the reliable adoption of digital tools to improve operational efficiency. |

# Our ESG Targets Scorecard

We have set ambitious targets and milestones across key ESG objectives, driving measurable progress and ensuring accountability in our sustainability efforts.

Using 2021 as our baseline, we have established both annual and long-term goals aligned with industry benchmarks and global sustainability frameworks. These targets were carefully developed through deliberations between BGRC and Senior Management to strike a balance between ambition and feasibility.

In 2024, we are proud to have achieved all targets across emissions, environmental, safety, and governance metrics. Building on this momentum, we will continue to seek opportunities to sustain and enhance our performance while considering additional ESG targets as we expand our sustainability commitments for the upcoming years.

Total of ESG Target 7

## 2024 PROGRESS

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

| Objective | Metric | Baseline | 2024 Performance | Target | Status |
|---|---|---|---|---|---|
| **Emission Management** | | | | | |
| Reducing carbon emission | **Emission Scope 1 & 2**<br>› Emission intensity reduction per operating day<br>› Emission intensity reduction per revenue | **Base year: 2021**<br>› 48 tCO2e/ops day<br>› 141 tCO2e/ revenue | › 34% emission intensity reduction/ ops day<br>› 67% emission intensity reduction/ revenue | **By 2030**<br>› 10% emission intensity reduction/ ops day<br>› 30% emission intensity reduction/ revenue | |
| **Environmental Impact** | | | | | |
| Avoid and mitigate negative impact to the environment | **Polution mitigation**<br>› Number of major spill | **Base year: 2021**<br>› 1 major spill<br>› (>800 litres) | › Zero major spill | **Annual**<br>› Zero major spill | |
| **Health & Safety** | | | | | |
| Safeguarding our employees | **Number of Lost Time Injury**<br>› Rate for Total Recordable<br>› Case Frequency | **Base year: 2021**<br>› 1<br>› 1.09 | › Zero LTI<br>› 1.00 TRCF | **Annual**<br>› Zero LTI<br>› <1.00 | |
| **Governance & Ethics** | | | | | |
| Upholding highest integrity practices | **Incidence record**<br>› Number of confirmed corruption[(1)(2)] case<br>› Percentage of employee trained on Anti-Bribery & Corruption ("ABC") | **Base year: 2021**<br>› 0<br>› 40% of employees received ABC training | › Zero incident of corruption<br>› 100% Senior Management,98% Managerial, 95% Executive and 44% non-executive level have received ABC Training. | **Annual**<br>› Zero incident of corruption<br>**By 2030**<br>› 100% employees received ABC training | |

2024 Performance

100% ESG target achieved

Progress Tracking Legend: ON TRACK PARTIAL PROGRESS

*(1) Velesto defines corruption cases as per the definition by the Malaysian Anti-Corruption Act 2009 (MACC Act 2009) (Act 964), including other major offences stated in the Act.*
*(2) Reportable corruption cases refer to confirmed cases investigated and reported to MACC*

Our ESG Targets Scorecard

## Linking Remuneration with ESG Performance

To reinforce the integration of ESG considerations into our business strategies, the Group has incorporated Key Performance Indicators ("KPIs") linked to selected sustainability targets into the performance scorecards of designated personnel.

In 2024, the following KPIs criteria were implemented at both corporate and operational levels:

| Domain | | | |
|---|---|---|---|
| Financial | Environment | Social | Governance |
| **Key Performance Indicators** | | | |
| > Revenue and EBITDA targets | > Emission intensity reduction per operating day<br>> Zero Loss of Primary Containment ("LOPC") | > Zero Lost Time Incidents ("LTI") | > Score of customer satisfaction evaluation |

Moving forward, efforts will focus on establishing baselines to introduce additional measurable ESG targets and KPIs, integrating them into the performance scorecards of relevant stakeholders across the Group. More details on our approach to remuneration can be found in Velesto's Remuneration Policy and Procedures for Non-Executive Directors, available on the Group's website.

## Our Alignment To United Nation Sustainable Development Goals ("UNSDGs")

Our initiatives remain aligned with the United Nation Sustainable Development Goals ("UNSDGs"), lending greater meaning to our collective efforts to drive positive change.

As a pivotal framework for advancing global sustainability objectives, the UNSDGs guide our efforts to create positive social, environmental, and economic impact. By integrating these goals into our strategies, we strengthen our mission, reinforce our commitments, and empower our employees to actively contribute to sustainable development.

**OUR CONTRIBUTION TO RELEVANT UN SDGS IN 2024**

- Maintained a long-term commitment with Sarawak Economic Development Corporation ("SEDC") to support STEM-focused educational programmes.
- Improved the employability of 56 youths (7% increase compared to last year) through the Velesto Trainee Scheme ("VTS").
- Sponsored Yayasan Universiti Teknologi PETRONAS ("YUTP") at the annual Tapestry of Colours Charity Dinner with a total contribution of RM957,420 (total spend for 2024, RM338,344). The donation will support the education of five students for a duration of four to five years.

- Empowered female workforce participation, with women representation standing at 33% on the Board, 36% in Senior Management, and 59% among Executive Employees.
- Actively participated in the Malaysian Chapter of the 30% Club, with Velesto's President continuing to serve as a mentor providing guidance to future women leaders.

- Enforced labour codes and policies to uphold fair working conditions.
- Ensured equal pay for equal work, with wages exceeding minimum wage benchmarks.
- Maintained zero workplace fatalities and zero Lost Time Incidents ("LTI") in 2024.
- Strengthened employee representation on HSE committees to improve working conditions.
- Integrated advanced technologies for enhanced HSE oversight.

- Achieved 34% reduction in emissions intensity per operating day and 67% reduction in revenue emissions intensity, compared to 2021 baselines.
- 50% of our rigs fitted with RPMS for efficient fuel consumption.
- Installed solar-powered lighting and a rainwater harvesting system at supply bases.
- Continued the progressive installation of LED lighting on rigs.

- Conducted marine ecosystem impact control in compliance with EIA and environmental regulations.
- Planted over 2001 corals in Phase III of our marine conservation and awareness efforts at Perhentian Island.

- Assessed 100% of operations for corruption-related risks and provided anti-corruption training to 407 employees.
- Officially awarded the ISO 37001:2016 Anti-Bribery Management System ("ABMS") Certification by SIRIM QAS International, underscoring our commitment to integrity, ethical conduct, regulatory compliance, and maintaining a corruption-free workplace.

- Advanced local talent development through Velesto Drilling Academy ("VDA") in partnership with Universiti Teknologi PETRONAS ("UTP") and Institut Teknologi Petroleum PETRONAS ("INSTEP").
- Expanded coral research and conservation programmes in collaboration with Alunan Coral Project and Anak Pulau.

# Sustainable Value Creation

## Respecting the Environment

As a responsible rig operator, we are committed to minimising our environmental footprint while **supporting the industry's transition towards a lower-carbon future**. Recognising the continued role of oil and gas in global energy security, we operate with accountability—integrating emissions reduction strategies, enhancing resource efficiency, and implementing best practices to safeguard natural ecosystems.

Through continuous innovation and technological advancements, including real-time emissions monitoring, automation, and alternative fuel exploration, we are actively improving the sustainability of our operations. By aligning our efforts with national and global decarbonisation goals, we strive to balance our growth ambitions with environmental responsibility, ensuring a sustainable and resilient energy future.

**Topics in this Section**

- Climate Change including Energy & Emission Management
- Managing Environmental Impact
- Nature & Biodiversity

**Climate Change, Energy & Emissions Management**

### Why it Matters

Climate change poses a critical challenge for the oil and gas sector, and we acknowledge our responsibility in ensuring energy security while addressing this issue.

We are aware of both the physical risks, such as weather events impacting our operations, and the transitional risks, including evolving regulations and stakeholder expectations that may affect our reputation and future business prospects. To tackle these challenges, we are committed to managing our greenhouse gas emissions and enhancing energy efficiency, thus moving towards a low-carbon operation.

# Management Approach

## Management Description & Initiatives

### Approach Climate Governance

- Our Board maintains strict oversight of all climate-related matters, ensuring compliance with global and national sustainability frameworks. We are also developing a sustainability policy to position climate change as a core governance priority.
- In 2024, we formalised our pledge to achieve Net Zero by 2050, reinforcing our long-term commitment to climate change adaptation in support of national policies and targets. To drive near-term progress, we have set targets to reduce emissions compared to our 2021 baseline, namely a 10% reduction in emissions intensity per operating day and a 30% reduction in revenue emissions intensity by 2030. These targets are integrated into corporate scorecards, including our President and Senior Management, and the KPIs of operational teams.
- Over the past year, we have progressed from addressing Task Force on Climate-related Financial Disclosures ("TCFD") recommendations to driving alignment with upcoming IFRS S1 and S2 standards, ensuring our alignment with regulatory developments and driving proactive assessment of our climate- and sustainability-related risks and opportunities.

*Read more in on TCFD-aligned disclosure section on page 109 of this report.*

### Approach Data Monitoring & Disclosure

- Our primary energy consumption comes from diesel, which powers our rigs and heavy workover units ("HWUs"), and electricity, which supports our onshore operations, including our Kuala Lumpur Headquarters and warehouses in Malaysia, as well as our oilfield services in Tianjin, China.
- Accurate measurement of our energy use and disclosure of emissions are essential to driving our climate ambitions. Our current monitoring framework includes Scope 1, Scope 2, and limited Scope 3 emissions, guided by global sustainability standards such as GRI, Bursa Malaysia Sustainability Reporting Requirements, and F4GBM. We also adhere to the GHG Protocol Corporate Standard to ensure consistency with international best practices.
- Moving forward, we will enhance our emissions inventory, particularly for Scope 1 and Scope 2, and expand Scope 3 disclosures as we propel progress towards our 2030 and 2050 emissions targets.

### Approach Technology & Process

- To enhance energy efficiency and reduce emissions, we are progressively integrating advanced technologies and operational enhancements across our sites. These initiatives focus on optimising energy use while strengthening emissions monitoring and analysis to drive long-term improvements.
  - AssetCare – Piloted on NAGA 4, featuring an emission profiling module to better understand power consumption and equipment efficiency. Provides insights for targeted emission reduction strategies.
  - Digital Dashboard – Tracks emission trends and delivers monthly data-driven analytics to support continuous optimisation.
  - Rig Power Management System ("RPMS") – Implemented on NAGA 4, NAGA 5, and NAGA 8 to detect when rig equipment requires lower power. By autonomously adjusting engine output, RPMS optimises energy use, reduces engine running hours, and lowers emissions.
  - Variable Frequency Drive ("VFD") – Installed on all top drive drilling equipment to enhance power efficiency; a pilot is underway for application in air handling units at accommodation areas.
  - Efficient Lighting Systems – Gradually being implemented on rigs, with a focus on accommodation areas to improve energy efficiency.
  - Future Solutions – Ongoing investment in energy storage systems, cleaner fuel alternatives, and emerging decarbonisation technologies to further reduce the environmental impact of operations.

### Approach Stakeholder Engagement & Capability Building

- Sustainability is embedded in our culture through continuous engagement and knowledge-sharing. We actively promote awareness on climate change, energy efficiency, and emissions reduction via town halls, focus groups, and industry platforms.
- To drive transparency and stakeholder trust, we provide regular emissions performance updates to key stakeholders such as clients and investors. In 2024, we further strengthened capability-building initiatives, integrating sustainability KPIs into workforce development to reinforce a culture of accountability.

Sustainable Value Creation

**Towards Net Zero Operation by 2050**

In 2024, we officially announced our commitment to achieving Net Zero emissions by 2050, aligning with both national and global decarbonisation ambitions.

This milestone marks a

## significant steps

in our long-term sustainability strategy, reinforcing our dedication to responsible operations.

As part of this commitment, we have also set a medium-term target of

## achieving a 15% absolute emission reduction

(covering Scope 1 and 2 emissions) by 2030, ensuring progress on our journey to Net Zero.

### Making Progress in 2024

Our decarbonisation ambitions gained momentum in 2024 through the following structured assessments and data-driven initiatives.

1. **Emissions assessment and verification**
   *This has provided a clear understanding of our greenhouse gas ("GHG") footprint.*
2. **Climate response benchmarking**
   *We have aligned our approach with evolving industry standards and best practices.*
3. **Evaluation of opportunities and decarbonisation scenarios**
   *We are ensuring informed decision-making for effective strategic implementation.*

### Our Net Zero Strategy Framework

Our Net Zero strategy is built on three core pillars, guiding our approach to emissions management and decarbonisation.

1. **Reduction**
   *Cutting emissions across Scopes 1, 2, and 3 through operational optimisation, process efficiencies, and the adoption of emissions-reducing technologies.*
2. **Replacement**
   *Transitioning towards low-carbon operations, including strategic asset realignment and the exploration of green asset concepts to modernise and future-proof our fleet.*
3. **Removal and Compensation**
   *Offsetting residual emissions through high-integrity carbon offset projects that contribute to verifiable climate impact.*

### Our Decarbonisation Action Plan

While we have already implemented various measures to reduce Scope 1 and Scope 2 emissions, we are now expanding our focus with targeted action plans to achieve both our mid-term and long-term goals.

| | |
|---|---|
| > Strengthen GHG measurement and verification<br>> Deploy a comprehensive energy efficiency plan<br>> Explore opportunities for asset consolidation to improve overall energy performance | **Absolute Emissions Reduction of 15% by 2030** |
| > Pilot major emissions reduction technologies, leveraging partnerships<br>> Conduct a detailed study on green asset concepts to assess feasibility<br>> Identify high-integrity, high-quality carbon offset projects to compensate for unavoidable emissions. | **Net Zero By 2050** |

### The Road Ahead

In 2025, we will accelerate our Net Zero transition by finalising and communicating our roadmap, outlining clear milestones and implementation strategies.

We will also establish Scope 3 emissions assessments, expanding our decarbonisation focus across our supply chain and indirect emissions. By integrating climate action into our long-term strategy, we showcase our commitment to being a responsible energy value chain player and shaping a more sustainable future for the offshore sector.

## OUR PERFORMANCE

### GHG methodology, verification and assurance

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

| 1 | 2 | 3 |
|---|---|---|
| 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 |

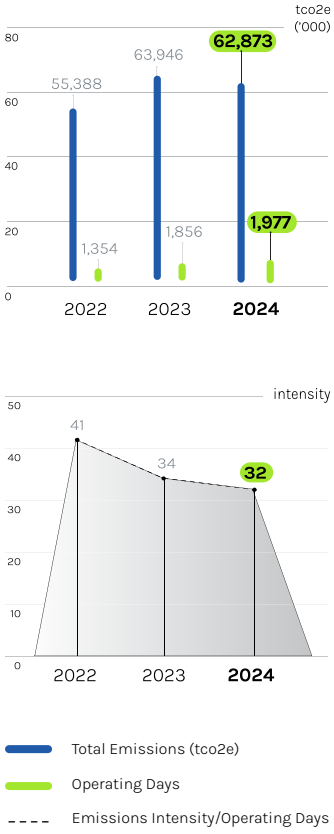
Our GHG accounting methodology, GHG emissions and key Sustainability Performance Targets undergo internal assurance audit. Velesto maintains a comprehensive inventory of our significant emissions sources on the following basis:

Organisational boundary in carbon footprint calculation
**Accounts for 100% of GHG emissions where Velesto has operational control**

Independent verification of operational GHG data
**Internal Assurance – undertaken by Internal Audit Department in accordance with Global Internal Audit Standards ("GIAS") by the International Internal Audit Standards Board ("IIASB")**

| Emission scope coverage: | | |
|---|---|---|
| **Scope 1** | **Rig Operations**<br>> NAGA 2, NAGA 3, NAGA 4, NAGA 5, NAGA 6, NAGA 8 | **Hydraulic Workover Units ("HWUs")**<br>> GAIT 5, GAIT 6 |
| **Scope 2** | > Office, Kuala Lumpur Headquarters, Kuching, Miri, Kota Kinabalu<br>> Warehouse (Kemaman and Labuan) | > Oilfield Services (Tianjin) |
| **Scope 3** | > Business travel by air and land | > Employee Commuting |

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




*Refer to the ESG Performance Table on page 115 - 124 for additional data disclosure.*

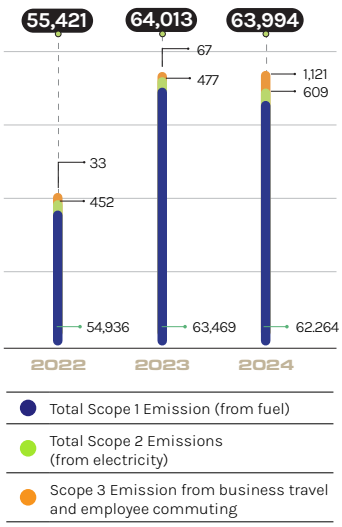
**2024 Total GHG Emission**

63,994 $tCO_2e$

In FY2024, total GHG emissions ($tCO_2e$) slightly decreased compared to FY2023, despite more operating days and high rig utilisation. Scope 1 emissions dropped from 63,469 $tCO_2e$ to 62,264 $tCO_2e$, reflecting improved operational efficiencies through technological innovations.

Scope 2 emissions increased by 28%, mainly due to revised emission factors in line with the Malaysia Biennial Update Report to the UNFCCC. Scope 3 emissions rose from 67 $tCO_2e$ to 1,121 $tCO_2e$, driven by an expanded reporting boundary that includes business travel and employee commuting.

Total Emissions ($tCO_2e$)
(3-Year Data)



Sustainable Value Creation

**Performance Against Targets**

| Achieved 34% | Achieved 67% |
|---|---|
| reduction carbon intensity/operating day (Scope 1 & 2) | reduction carbon intensity/revenue (Scope 1 & 2) |
| **VS** | **VS** |
| target 10% reduction by 2030 | target 30% reduction by 2030 |
| TARGET ACHIEVED | TARGET ACHIEVED |

## In 2024, we achieved and exceeded our 2030 emission intensity reduction targets.

Moving forward, we will continue to closely monitor our performance while advancing decarbonisation initiatives to sustain and accelerate our positive trajectory.

*Note:*

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

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

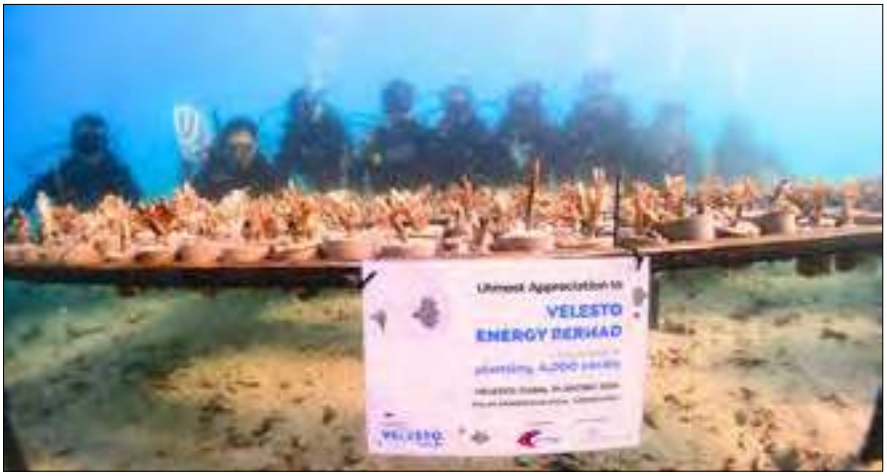
*(3) Updated emission factor for Scope 2*

## Managing Environmental Impact

### Why it Matters

The marine environment is sensitive to pollution, making responsible resource extraction essential for protecting ecosystems and coastal communities from the impacts of major oil spills or poor waste management.

As a responsible operator, we place great emphasis on upholding the highest standards in spill prevention and the responsible management of hazardous waste and effluents, ensuring environmental protection, regulatory compliance, and the long-term resilience of our operations.



# Our Approach

## Management Description & Initiatives

### Approach Robust Governance of Environmental Matters

- The Board, through the BGRC, maintains strict oversight of our environmental impact, receiving performance updates during quarterly BGRC meetings. Our commitment to environmental excellence is reinforced by ISO 14001:2015 certification across all subsidiaries, with annual audits ensuring compliance with global standards.
- We have set clear environmental objectives to drive awareness and accountability across operations, with a key focus on maintaining a 'zero major spills' track record. Moving forward, we are enhancing performance assessments and exploring additional environmental targets, alongside undertaking continual efforts to improve resource management and reduce waste.

### Approach Advocating Policy and Regulatory Adherence

- Our environmental management practices comply with strict regulations, ensuring alignment with internal policies and procedures (refer to page 56 for details on our environmental policies), as well as top industry standards.
- All offshore rig designs are certified by the American Bureau of Shipping ("ABS") and Det Norske Veritas ("DNV"), with waste management plans adhering to MARPOL 73/78 regulations for spill containment, effluent management, and pollution control.
- Waste handling for certain types of 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.

### Approach Robust Monitoring and Disclosure

- We apply internationally recognised standards such as GRI, Bursa Malaysia, and F4GBM to measure and disclose environmental performance, covering waste, water, and pollution control.
- These metrics are detailed in our ESG performance table (pages 115 - 124 of this report) and undergo regular monitoring and reporting to management, enabling continuous performance analysis and improvement.

### Approach Implementing Controls and Technologies

We integrate advanced technologies, systems, and processes to uphold responsible environmental practices and mitigate risks effectively.

- Waste Management – Waste is meticulously segregated into general, scheduled, and recyclable categories. To ensure compliance, we maintain adequate storage capacity and have installed dedicated Sewage Treatment Systems on all rigs. These systems treat sewage in line with best practices, preventing adverse environmental impact upon discharge.
- Water Management – Offshore operations primarily utilise seawater for rig activities, with most withdrawals used for drilling and cleaning. Remaining seawater is filtered and distilled via reverse osmosis to meet potable standards for crew consumption.
- Effluent Control – We enforce a strict zero-discharge policy in offshore operations to prevent marine pollution. Our rigs are equipped with spill containment systems certified by ABS and DNV, ensuring we adopt best practices in preventing pollution.

### Approach Enhancing Competencies and Engagement

- To ensure compliance and ensure internal competencies in managing schedule waste, selected employees undergo Certified Environmental Professional in Scheduled Waste Management ("CePSWAM") training, conducted by the Environment Institute of Malaysia ("EiMAS") under the DOE.
- Additionally, a Waste Management Task Force has been established to drive operational improvements and enhance our waste management strategies. We regularly engage clients and stakeholders on our initiatives to ensure alignment with regulatory and sustainability expectations.

Sustainable Value Creation

## OUR PERFORMANCE

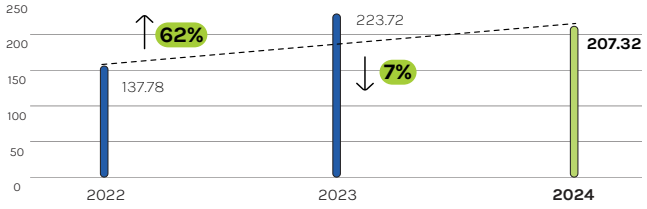
We undertook significant stride in our effort to better manage wastes generated in our operations. In 2024, we establish a more robust baseline of our waste generation streams contributing to a more transparent performance tracking onwards.

As part of our continuous capacity building and awareness initiatives with our people, and implementation of new data management process, we were able to determine additional types of waste and method of management to ensure the ability to measure progress in term of waste diversion from landfill as well as reduction on disposal to landfill in the future.

The total waste generated this year amounts to 1,118.73 MT – a significant increase compared to the previous year, primarily due to the broader scope of waste categories now being disclosed. The breakdown of waste generated by category FY2024 is as follows:

| | |
|---|---|
| Total waste generated | 1118.73 MT |
| General waste | 911.41 MT |
| Scheduled/ Hazardous waste | 207.32 MT |
| Total waste diverted from landfill (including reuse, repurpose, recover and recycle) | 812.27 MT |
| Total waste disposed to landfill | 306.46 MT |
| Percentage waste diverted from landfill | 72.6% |

Total Scheduled Waste Generated (MT)




In FY2024, out of a total of 1,118.73 MT of waste generated, 306.46 MT (27%) was disposed to landfills. The remaining 812.27 MT (73%) was successfully diverted from landfill through alternative waste management approaches, including recycling, material recovery, and treatment by licensed facilities. We also made progress in managing our scheduled waste. Although there was a significant increase of 62% in scheduled waste generation from 137.78 MT in 2022 to 223.72 MT in 2023, we achieved a 7% reduction in 2024, bringing the total down to 207.32 MT.

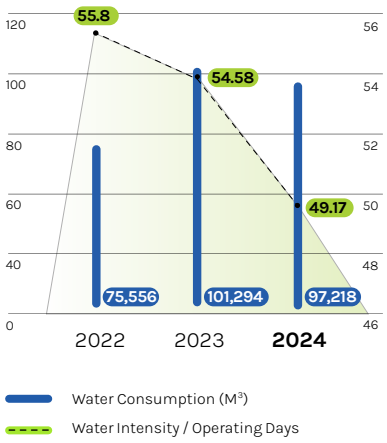
This highlights our ongoing commitment to reducing our environmental impact and improving our waste diversion efforts. Our focus remains on enhancing waste segregation at source, collaborating with licensed waste contractors, and identifying more opportunities for recycling and reuse within our operations. Moving forward, we will continue to deepen our understanding of our waste footprint and implement initiatives to enhancing circularity practices.

### Water Management

Over the past year, our responsible water management practices led to a 4% reduction in total water consumption and a 10% decrease in water intensity per operating day.

At the same time, we continue to ensure that none of our water requirements rely on extraction from water-stressed areas.

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




### Effluent Control

In FY2024, we maintained our track record of zero environmental non-compliance and major spills, with only two minor spills recorded with a total volume of approximately 840 litres.

We remain committed to enhancing our practices and applying lessons learned to drive continuous improvement in spills prevention.

Major Spill
ZERO
TARGET ACHIEVED

Environment non-compliance
ZERO

**Nature & Biodiversity**

## Why it Matters

Our offshore operations in marine environments require a dedicated focus on preserving ocean ecosystems and minimising any impact on marine life and biodiversity.

Beyond mitigating risks, we actively engage with local communities to support biodiversity conservation, fostering awareness and collective action toward protecting natural ecosystems.

## Our Approach

**Management Description & Initiatives**

### Approach — Stringent Guidelines to Ensure Responsible Operations

- We have established a Marine Operations Policy to ensure governance and oversight of biodiversity risks, guiding operational teams in safeguarding marine environments during offshore operations.
- Before initiating projects, we conduct thorough due diligence, ensuring activities do not impact biodiverse areas, while requiring clients to complete Environmental Impact Assessments ("EIAs") to assess biodiversity risks at each site.
- We collaborate with clients to avoid areas with high biodiversity value or habitats for rare and endangered species listed on the IUCN Red List.

### Approach — Operational Controls to Prevent Impact

- Our standard operating procedures ("SOPs") are designed to minimise ecological impact. We use seabed survey reports from client EIAs to strategically position rigs, reducing disturbance to aquatic habitats, fish populations, and migration routes. Simultaneously, our focus on accident prevention, pollution avoidance and carbon footprint mitigation indirectly contribute to a net positive impact on marine biodiversity.
- During decommissioning, we enforce strict spill prevention measures, minimise physical seabed disruption, and mitigate the risk of transferring invasive species by ensuring marine organisms attached to the rig structure are managed responsibly.
- All plug and abandonment activities comply with international and national environmental frameworks, including the ASCOPE Decommissioning Guidelines and DOE Environmental Impact Assessment Guidelines for Petroleum Industries.

### Approach — Stakeholder and Community Engagement

- We work closely with contractors to ensure their practices align with stringent environmental standards and our commitment to responsible operations.
- We collaborate with regulators, government agencies, and industry peers to stay informed on regulatory changes and implement best practices in our drilling and decommissioning processes. At the same time, we actively engage with local communities to support biodiversity conservation initiatives.
- Since FY2022, we have partnered with Alunan Coral Project to support coral restoration at Perhentian Island in Terengganu. Over the past three years, we have planted over 2,551 coral fragments across our nurseries.
- Beyond restoration efforts, we conduct educational activities to promote reef conservation awareness and have undertaken a fish diversity survey to deepen our understanding of surrounding marine ecosystems.

Sustainable Value Creation

## OUR PERFORMANCE

Prior to each drilling campaign, we review client-conducted Environmental Impact Assessments ("EIAs") and reassess our Health, Safety, and Environment ("HSE") case to ensure robust mitigation and control measures are in place to prevent potential harm to marine ecosystems.

**Total coral planted to date**

2,551

These assessments are conducted in alignment with global 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 confirmed that none of our operational areas are adjacent to sites classified as high in biodiversity.

| | FY2023 | FY2024 |
|---|---|---|
| Number of biodiversity audits undertaken on existing sites | EIA assessment by client | |
| Percentage of existing operations or projects assessed for biodiversity risks | 100% | **100%** |
| Number of operations within or adjacent to sites deemed rich in biodiversity (Based on RAMSAR, IUCN, etc) | 0 | **0** |

Restoring Life Beneath the Waves:

# Velesto Energy's Commitment to Coral Conservation

Given the nature of the industry we operate in, protecting biodiversity is a material matter close to our hearts. We are committed to making a positive impact through both hands-on restoration and by raising awareness within the industry and broader community.

Along the pristine shores of Pulau Perhentian, our flagship coral biodiversity initiative is quietly transforming Malaysia's underwater landscape. In collaboration with the Alunan Coral Project, we are driving a coral restoration programme aimed at reviving marine biodiversity and safeguarding fragile reef ecosystems for future generations.

Launched in 2022, the initiative began with the careful planting of 50 corals, growing exponentially to 500 corals in 2023 and expanding to 2,001 corals planted in 2024. The latest phase, undertaken in collaboration with Anak Pulau, saw a total investment of RM79,230 for coral restoration and socioeconomic development, with 20 volunteers dedicating 24 hours each to the effort. But this project is more than just numbers; it is a step towards climate resilience, marine conservation, and community empowerment.

Coral reefs, often called the "rainforests of the sea," serve as natural barriers against storms, provide habitats for marine life, and support local economies through fisheries and ecotourism. Through this project, Velesto not only restores reefs but also fosters community engagement, scientific learning, and environmental stewardship. By engaging with local youth, marine biologists, and conservationists, the initiative provides educational and economic opportunities, strengthening the community's connection to the ocean. At the same time, our spending on accommodation and logistics during the coral restoration programmes can also have a ripple effect, leading to broader economic, tourism, educational, and social benefits for the community.

Beyond the reefs, Velesto showcased its efforts at the Oil & Gas Asia ("OGA") exhibition, inviting stakeholders and the public to experience a 360-degree showcase on coral growth, 3D coral models, coral merchandise and an interactive VR exhibit. This immersive experience raised awareness about the importance of coral conservation and reinforced Velesto's commitment to sustainability and biodiversity protection. In recognition of our coral restoration impact, we have submitted this initiative as an entry for the IADC Southeast Asia Chapter ("SEAC") Safety Awards 2025, under the Sustainability Initiatives category.

Through innovation, collaboration, and a deep respect for nature, Velesto is making a lasting impact—one coral at a time—helping to preserve Malaysia's rich underwater heritage for future generations.

In 2024, we increased our investment in

## Coral Restoration

by 96.2% from 2023

| | 2022 (Phase 1) | 2023 (Phase 2) | 2024 (Phase 3) |
|---|---|---|---|
| Total Investment for coral restoration | 15,000 | 20,140 | **39,517** |
| Total socioeconomic contribution during the restoration programme | 30,000 | 43,218 | **39,713** |
| **Total spend (RM)** | **45,000** | **63,358** | **79,230** |

Sustainable Value Creation

## Empowering People

Our employees are essential to driving our business and sustainability strategies, ensuring the committed execution of our goals. We thus prioritise cultivating a diverse and well-supported workforce, fostering overall well-being while equipping them with the skills and competencies needed to navigate emerging industry trends.

At the same time, we acknowledge our deep connection to the communities in which we operate and embrace our responsibility to broader society. Our community impact initiatives are structured around four key pillars, each designed to create meaningful and lasting benefits for local communities.

**Topics in this Section**

- Safety & Health
- Fair Employment Practices
- Protecting Human Rights
- Diversity & Inclusion
- Community Impact

### Safety and Health

#### Why it Matters

At Velesto, ensuring the safety and well-being of our workforce is a top priority, especially in managing occupational hazards in offshore operations. Our stringent safety practices not only protect employees but also enhance efficiency, reliability, and morale.

With safety ingrained in our culture, our strong track record safeguards our reputation, secures compliance, and strengthens our competitive edge in contract bids.

# Our Approach

## Management Description & Initiatives

### Approach Strong Leadership & Oversight

- To ensure strong leadership and oversight of safety and health matters, we have established a corporate HSE Committee, chaired by Velesto's President as the Group's primary advocate for HSE. He is supported by the Board and Senior Management, ensuring a top-down commitment to safety.
- At the highest level, safety and health matters are reviewed during full Board meetings and quarterly Board Governance & Risk Committee ("BGRC") meetings. The HSE Division and HSE Committees, reporting to the BGRC, oversee HSE performance across operations. Monthly HSE Operations Meetings are led by the Vice President of Operations and attended by Rig Managers, HSE Heads, and HSE Managers to enable leadership to track performance and address key issues.
- Senior leadership further reinforces their commitment through regular site visits, including offshore operations, fostering a strong safety culture and employee morale. In 2024, 48 HSE visits by key leaders were conducted, with the President attending nine of these visits to personally engage with teams on the ground.

### Approach Identifying & Mitigating Safety and Health Risks

- We take a proactive approach to identifying and mitigating health and safety risks across our worksites and value chain. Using Hazard Identification, Risk Assessment, and Risk Control ("HIRARC"), we assess various risk factors, including chemical exposure, noise pollution, near-miss incidents, and operational hazards.
- Before initiating any new project or rig operation, we conduct OSH risk assessments to identify site-specific risks. Once identified, HSE Heads and Managers lead the evaluation process, developing action plans and mitigation strategies to prevent incidents. We also conduct periodic reassessments at existing operations in response to weather changes, process variations, or OSH incidents.
- Our HSE Committees comprise both management and employee representatives, ensuring that leadership understands the challenges faced by on-ground crews. This structure supports continuous improvement in risk mitigation and precautionary practices, with all significant OSH risks discussed in quarterly HSE Committee meetings.

### Approach Building a Strong HSE Culture

- We prioritise employee safety and health through comprehensive prevention measures, with preventative maintenance as a key strategy to mitigate OSH incidents caused by equipment malfunction. Our maintenance practices follow industry-recommended standards, including API and OEM guidelines, and we incorporate insights from independent consultants and clients to ensure all equipment meets required safety standards.
- To reinforce compliance, we conduct annual internal audits across our facilities and provide training for auditing staff to strengthen their understanding of safety standards and their application. Details of FY2024 internal audits are as follows:

| Date | Assets/ Site | Type of audit |
|---|---|---|
| 4-8 March 2024 | IMS Internal Audit NAGA 8 | Physical |
| 4-8 March 2024 | IMS Internal Audit ASB & GAIT 5 | Physical |
| 25-27 June 2024 | IMS Internal Audit KSB & Yard 1 | Physical |

Sustainable Value Creation

## Our Approach

**Management Description & Initiatives**

### Approach — Stop Work Policy & Emergency Preparedness

- Our Stop Work Policy empowers employees to halt operations in the face of unsafe conditions, reinforcing accountability and ensuring immediate intervention to prevent serious OSH incidents. In 2024, 11,363 Time Out For Safety ("TOFS") stop-work orders were issued, reflecting our proactive safety culture.
- For HSE emergencies, we rely on our Emergency Control Centre ("ECC") at Plaza Sentral and conduct regular mock simulations and drills to maintain preparedness for major disruptions. This includes weekly emergency drills on rigs and annual fire drills across all facilities.
- To further strengthen emergency response, we have implemented a comprehensive Emergency Response Plan ("ERP") across all Velesto facilities and established an Emergency Response Team ("ERT") to ensure swift and effective incident management.

### Approach — Leveraging Technology for Safety

- We invest significantly in enhancing safety practices and infrastructure, integrating cutting-edge innovations such as Synergi Life's QHSE software to improve risk management. Since 2023, we initiated the Synergi Life ESG module to strengthen ESG data management, ensuring a more comprehensive approach to sustainability reporting.
- To enhance incident investigation, we have implemented an Investigation Management System Procedure, utilising advanced tools like Tripod Beta and Systematic Cost Analysis Technique. These tools provide detailed incident insights, allowing our teams to identify root causes, address safety gaps, and drive continuous improvement.

### Approach — Employee HSE Engagement and Representation

- To strengthen safety and health awareness, we leverage multiple communication platforms, including briefing sessions, HSE meetings, posters, notice boards, bulletins, emails, memos, and videos, to ensure widespread dissemination of OSH policies, standards, and best practices.
- We believe employees should have a meaningful role in OSH management, which is why our HSE Committee includes representatives from both management and frontline employees across our Operations and Corporate Divisions. We are proud to have maintained 100% employee representation on the HSE Committee during FY2024.
- Through quarterly HSE Committee meetings, employees are empowered to contribute directly to workplace safety, providing valuable insights and recommendations based on their first-hand experience with OSH risks. This two-way engagement fosters accountability, compliance, and ownership of workplace safety, reinforcing a culture built on established systems, processes, and procedures.
- The HSE Committee is authorised to address employee-raised safety concerns, proactively implementing necessary measures to maintain safe and secure worksites.

**HSE Training Programmes**

At the fundamental level, we ensure all employees are trained on our HSE standards. On the ground, we promote safety awareness and responsibility daily, during toolbox meetings, shift change meetings and other scheduled engagements.

Leadership involvement and guidance on HSE matters are facilitated through townhall meetings, committee engagements and messages in our newsletter. We also disseminate periodic HSE Alerts to share lessons learned from past incidents and retain these advisories on the HSE Bulletin Board for reference.

Our structured HSE training programme encompasses a wide range of industry-specific training topics to equip employees with the necessary competencies for safe and effective job performance.

The following key activities were undertaken in 2024:

| Training Initiative | Description |
|---|---|
| **Health Safety Committee Training** | Conducted on 20 March 2024 at Asian Supply Base and 9-10 June 2024 at Kemaman Supply Base to equip committee members with the knowledge and skills required to effectively perform their roles in promoting workplace health and safety. |
| **Defensive Riding** | Held on 16 August 2024 in Kuala Lumpur, covering essential defensive riding techniques such as rider behaviour, road hazards, and pre-motorcycle inspection procedures. |
| **Generative Safety Leadership Workshop 2.0** | Organised on 27-28 August 2024 and 22-23 October 2024 in Kuala Lumpur to empower supervisors and team leaders in promoting safety through clear vision, team engagement, continuous learning, proactive risk management, and collaboration. |
| **REACT Crime Survival Programme** | Conducted on 11 September 2024 in Kuala Lumpur, providing training on situational awareness, crime prevention, and survival skills for emergency situations. |
| **Velesto Move Smart Soft Launch** | Held on 30 September 2024 at Asian Supply Base, 14 October 2024 at Kemaman Supply Base, and 15 October 2024 in Kuala Lumpur. The training focuses on preventing and mitigating injuries related to stepping, handling, and manual lifting, which had accounted for over 35% of total injuries recorded in 2023. |
| **HSE Case Awareness Training** | Conducted on 27 November 2024 and 15 January 2025 in Kuala Lumpur to familiarise participants with HSE Case principles, including risk identification, assessment, and control measures, and to encourage proactive hazard identification and mitigation strategies. |
| **KL Office Q4 Safety Committee Meeting** | Held on 10 December 2024 in Kuala Lumpur to review and discuss workplace safety and health issues, progress, and initiatives, as well as evaluate the effectiveness of safety measures and propose improvements. |
| **CMT and EMT Training** | Conducted on 12 December 2024 in Kuala Lumpur, equipping participants with the fundamentals of emergency response, crisis management, and various emergency phases. |
| **Launch Speak Up - Your Voice Matters** | Organised on 19 December 2024 in Kuala Lumpur to encourage crew members to voice concerns, suggestions, innovations, or improvements related to HSE, welfare, and operations. |

ZERO
fatality and loss time injury

57
management visits

Sustainable Value Creation

## OUR PERFORMANCE

Total HSE site visits conducted in 2024 to engage with on-ground workers

9 times by President
48 times by Key Leaders

In 2024, we retained

100% employee representation

on our HSE Committee

### Safety Performance

We are pleased to report that across the 2.3 million manhours worked in 2024, we were successful in achieving our key HSE targets of zero fatalities, zero LTIs and a TCRF of 1.00.

We also recorded a decrease in recordable work-related injuries, with only one such incident occurring during the year.

| Annual HSE Target | Performance | Status |
|---|---|---|
| Zero fatalities | Zero fatalities | Achieved |
| Zero LTI | Zero LTI | Achieved |
| TRCF <1.0 | 1.00 | Achieved |

Lost Time Injury & Fatalities
ZERO
TARGET ACHIEVED

Total Manhours worked
2.3 MIL
(11% decrease compared to 2023)

Number of employees trained on HSE standards
25

Lost Time Injury Frequency ("LTIF")
ZERO

**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 page 115 - 124.*

### HSE Awards

We received multiple awards in recognition of our strong safety practices and performance throughout the year.

These accolades reaffirm our commitment to safety excellence and drive us to continuously enhance workplace practices. We remain dedicated to fostering a culture of safety, responsibility, and accountability across our workforce.

**Wells HSE Mentorship Programme**
Awarded by: PETRONAS Carigali Sdn Bhd ("PCSB")

**CEO SSHE Excellence Award**
Awarded by: PTT Exploration and Production ("PTTEP")

**Wells Team Recognition**
Awarded by: ExxonMobil Exploration and Production Malaysia Inc ("EMEPMI")

**MPM Wells Management**
Awarded by: Malaysia Petroleum Management ("MPM")

**Fair Employment Practices**

## Why it Matters

Creating a fair, supportive, and engaging work environment is essential to unlocking the full potential of our people as they drive our business and sustainability goals. Through a holistic approach to workforce empowerment, we foster growth, excellence, and innovation, strengthening our ability to attract, develop, and retain top industry talent.

## Our Approach

**Management Description & Initiatives**

### Approach — Robust Governance and Policies

- The Board of Directors, through BNRC, plays a key role in overseeing talent retention and development strategies, ensuring alignment between human resources policies and business objectives while monitoring Key Performance Indicators ("KPIs") related to employee engagement, retention, and development.
- To support these efforts, we established the Velesto Talent Council ("VTC") in FY2021, where Senior Management collaborates with the Group Human Resources Division to set strategic goals for addressing talent gaps and workforce challenges.
- Our talent management framework is evaluated using employee productivity and business performance metrics, with monthly employment data reports covering hiring, attrition, training, and diversity indicators utilised to monitor and refine strategies.
- To ensure fair employment practices across the Group, we adhere to key 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 uphold fair and non-discriminatory recruitment practices, with the exception of giving priority given to local candidates when they meet the required qualifications.
- New hires receive detailed employment contracts outlining roles, responsibilities, and remuneration, ensuring transparency and fairness. They also undergo a comprehensive induction process, covering rights and entitlements under local laws and Group policies, including human rights, anti-corruption, and ethical conduct.
- To reinforce workplace safety, all employees attend compulsory HSE induction sessions, familiarising them with safety protocols and procedures. This structured onboarding approach helps new hires integrate smoothly into organisational processes, communication channels, and corporate culture, ensuring a positive experience at Velesto.

### Approach — Competitive Remuneration and Benefits

- We foster a high-performance culture through merit-based compensation systems, evaluated against individual, team, and Group KPIs, while also taking seniority and qualifications into consideration.
- Our employees receive a comprehensive benefits package. These encompass mandatory entitlements under Malaysia's Employment Act 1955, including competitive leave entitlement in compliance with relevant labour regulations and corporate best practices, as well as discretionary perks designed to attract and retain top industry talent. Additionally, ESOS options are granted to eligible employees as part of our long-term incentive framework. Our suite of benefits is outlined in the below section.
- Regular assessments of our compensation and benefits structure ensure competitiveness with industry standards, with adjustments made as needed based on financial feasibility.

Sustainable Value Creation

## Our Approach

### Management Description & Initiatives

#### Approach Training, Development and Appraisals

- Our significant investments in employee training ensure our workforce is equipped with essential knowledge and emerging skills that align with our long-term business goals. Training courses are customised to individual needs and delivered primarily through electronic communication platforms for accessibility and efficiency.
- As part of the annual appraisal process, we assess competency gaps and collaborate with Human Resources, employees, and supervisors to develop personal development plans. Training KPIs are then established to guide employees in achieving measurable growth before their next appraisal.
- Our appraisal process is two-way and constructive, allowing employees to share insights on their performance or formally challenge results through our grievance mechanism. This feedback loop also helps us evaluate training effectiveness, with insights gathered from Training Evaluation Forms utilised to enhance programmes and ensure alignment with evolving workforce needs.

#### Approach Meaningful Employee Engagement

- We prioritise transparent and timely communication, ensuring regular engagement through physical and virtual channels. Quarterly town hall meetings remain a core component of our engagement strategy, allowing Senior Management to connect with employees. Special engagement sessions with our President are also undertaken to foster direct interaction with leadership that motivates employees, enhances transparency, and builds rapport.
- Additionally, we leverage digital tools, such as the Velesto Inspires Me ("VIME") digital magazine, which covers self-management, workplace culture, and sustainability, providing employees with a central platform for learning and connection.
- To gauge workforce sentiment, we conduct a biennial Employee Engagement Survey, achieving a 79% score in the latest survey. The employee feedback received is used to uncover gaps, address concerns and drive improvements to employee satisfaction.
- As part of our ongoing commitment to employee appreciation, we offer various incentives and recognition programmes, ensuring that top performers are rewarded for their contributions to Velesto's success.

#### Approach Leveraging Two-Way Evaluations

- Our constructive, two-way appraisal process plays a crucial role in identifying individual training needs and determining annual compensation packages, including staff bonuses. This performance-driven approach allows employees to provide insights on their performance and actively participate in their professional growth.
- Employees have the right to accept or contest their appraisal results. If they disagree with their review scores, they can escalate concerns through our formal employee grievance mechanism with HR.
- To ensure the effectiveness of training programmes, we systematically gather employee feedback through Training Evaluation Forms at the end of each session. These assessments measure employee satisfaction, achievement of learning objectives, and the practical application of skills. By continuously evaluating training outcomes, we identify areas for improvement and refine our programmes to meet the evolving needs of our workforce.

#### Approach Internship and Development Programmes

- We are committed to enhancing youth employability through the Velesto Trainee Scheme ("VTS") and internship programmes, offering 12-month placements for selected graduates to gain practical industry experience. These initiatives are particularly beneficial for unemployed youths and local undergraduates, providing valuable exposure to their fields of study and improving their future job prospects.
- Promising VTS participants who demonstrate strong potential may be offered full-time employment at Velesto, reinforcing our commitment to nurturing talent and supporting Malaysia's national agenda to enhance employment opportunities for graduates.
- The VTS programme is also a key component of our Community Investment initiatives, promoting youth employment and economic empowerment. As part of Velesto's business strategy, we have expanded VTS placements to Sarawak, extending our educational footprint and creating job opportunities for B40 Malaysians from the region.
- Additionally, we have launched Offshore Development Programmes such as the Velesto Drilling Engineer ("VDE") and Velesto Electronic Engineer ("VEE"). These structured training programmes focus on cultivating local talent in the oil and gas industry, equipping young graduates with specialised technical expertise and hands-on experience. By providing comprehensive training and exposure, these initiatives prepare participants to excel in their careers while contributing to industry growth.

**Our Suite of Benefits and Perks**

We subscribe to all statutory benefit requirements applicable under Malaysian law and offer additional special benefits designed to enhance employee well-being.

**Our special benefits include:**

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

These benefits support employees' financial security, health, and career development, while promoting overall well-being, workplace satisfaction, and productivity.

**Training Programmes**

The following key training programmes undertaken in 2024 ensured our employees remain equipped with the technical expertise, analytical skills, and professional competencies to drive operational excellence.

| Training Programme | Description |
|---|---|
| **Understanding IMS** | Conducted across three sessions, this training enhances participants' understanding of Velesto's processes, ISO standards, QMS frameworks, and implementation status to drive operational excellence. |
| **IMS Awareness** | Held in two sessions, this programme educates employees on the integration of ISO 9001, ISO 14001, ISO 45001, and ISO 29001, ensuring alignment with quality and operational management standards. |
| **Introduction to Drilling** | Conducted in three sessions, this programme provides fundamental knowledge of drilling operations, covering key oil and gas well drilling processes. |
| **The Art of Influencing Through Interpersonal Skills** | Equips participants with skills in effective communication, conversation techniques, overcoming communication barriers, and mastering tone usage to improve workplace interactions. |
| **MS ISO 37001:2016 Anti-Bribery Management System ("ABMS") Internal Auditor** | Prepares participants to prevent, detect, and respond to bribery and corruption, ensuring compliance, efficiency, and fostering a culture of integrity and trust. |
| **Analyzing & Visualising with Microsoft Power BI** | Empowers employees to transform company data into visually appealing formats, improving data organisation, analysis, and goal achievement. |
| **Drilling for Non-Drillers** | Provides a comprehensive introduction to drilling terminology, site conditions, and processes, equipping non-drillers with essential knowledge of oil and gas well drilling operations. |

Sustainable Value Creation

### Engagement Programmes

In 2024, Velesto conducted various engagement initiatives to foster a connected, informed, and motivated workforce.

These sessions enhanced employee well-being, strengthened workplace culture, and reinforced organisational alignment.

| Initiative | Description |
|---|---|
| **Byte Size Insights Sessions** | A total of 10 Byte Size Insight sessions were conducted, covering key topics to enhance employee awareness, strengthen compliance, and reinforce best practices across the organisation. |
| **Learning Over Lunch with President** | First launched in 2023, we continued this initiative in 2024 with six sessions, fostering direct leadership communication, enhancing employee engagement, and strengthening organisational alignment. |
| **Vel-Being Mental Health Talk** | Conducted two virtual sessions focusing on stress management, coping strategies, and self-care techniques to promote a supportive and resilient workplace. |
| **International Women's Day Celebration** | Recognised the contributions of women in the workforce by gifting them with succulent plants, symbolising growth, resilience, and appreciation while reinforcing inclusivity and respect. |
| **Bubur Lambuk Distribution** | Strengthened community spirit during Ramadan by distributing Bubur Lambuk, promoting unity, inclusivity, and workplace cultural appreciation. |
| **Zakat Counter & Ramadan Talk** | Facilitated a Zakat Counter for employees to fulfil their religious obligations, promoting charitable giving, community spirit, and workplace harmony. |
| **Tazkirah Ramadan Sessions** | Conducted three sessions in collaboration with YADIM, enhancing spiritual well-being, personal reflection, and workplace bonding. |
| **PNB 118 Merdeka Tower Visit** | A special visit organised for 37 employees on Malaysia Day, deepening their understanding of Malaysia's independence journey and fostering national pride. |

### Shaping the Future of Energy, One Scholarship at a Time

At Velesto, we believe that investing in education is investing in the future.

This belief has driven our partnership with Yayasan Universiti Teknologi PETRONAS ("YUTP") to launch the YUTP-Velesto Scholarship Programme in 2024, an initiative that supports deserving students pursuing higher education in Petroleum, Mechanical, Electrical, or Chemical Engineering at Universiti Teknologi PETRONAS ("UTP").

Recognising the financial barriers that often hinder access to higher education, this scholarship provides comprehensive support for individuals who exhibit outstanding talent, dedication, character, and potential. So far, two students have received scholarships, with a combined sponsorship commitment of RM338,314. By 2025, we aim to sponsor a total of five students, giving them the opportunity to pursue their academic journey without financial constraints.

**Scope of the YUTP-Velesto Scholarship Programme**

- Full Tuition and Accommodation Fees
- Monthly Allowance
- Computer Allowance
- Maintenance Allowance (Books & Thesis)
- Internships Allowance (Additional)
- Flight (for Sabahan/Sarawakian)
- Professional Development Course
- Allowance & Ticket

For these young Malaysians, receiving this scholarship is more than just financial assistance—it is a gateway to opportunities that extend far beyond the classroom. Scholars benefit from internships and industry exposure, connecting them with experts in the energy sector and gaining valuable real-world experience.

But the impact of this programme goes beyond the students themselves. Families experience economic relief, knowing that their children can access a high-quality education without financial strain. At the same time, the initiative strengthens our talent pipeline, ensuring a steady flow of skilled professionals while also supporting national human capital development and helping to close skills gaps in the energy sector.

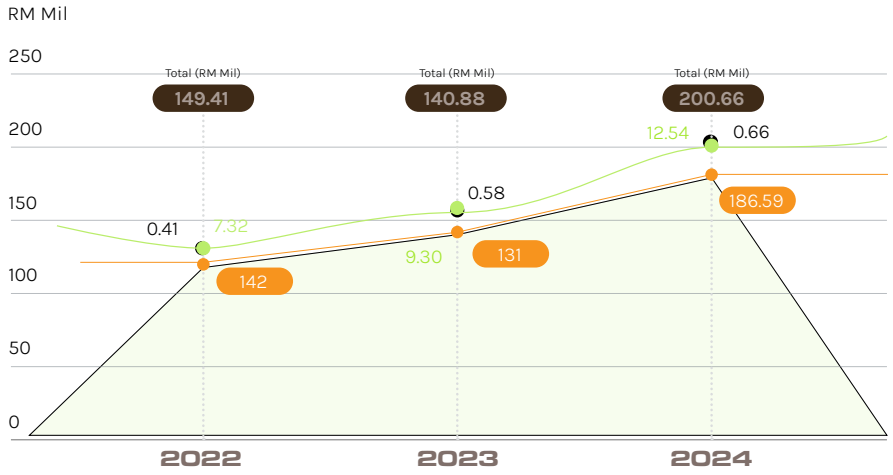
By providing these scholarships to nurture emerging talent, we underscore our commitment to social responsibility while actively shaping the future workforce of the industry and supporting the long-term sustainability of the offshore energy sector.

**OUR PERFORMANCE**

## Our total contributions to employees grew by 28% to RM187 million in 2024, covering salaries, bonuses, EPF, and SOCSO contributions.

We also reinforced our commitment to employee development, increasing our training investment by 21% to RM0.91 million, with a total of 7,264 training hours delivered throughout the year. We are pleased to have maintained a clean compliance record with relevant labour laws and will continue to expand future efforts to support employees personal and professional development.

### Benefits & Remuneration Paid

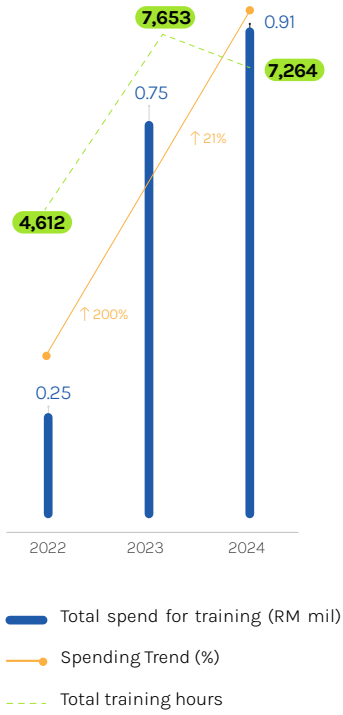



### Training Hours by Employment Category

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| Senior Management | N/A | 327.5 | 280 |
| Managerial | 1,321 | 2442.5 | 2022 |
| Executive | 2,310 | 4646 | 4338 |
| Non-Executive | 981 | 237 | 624 |
| Total training hours | 4,612 | 7,653 | 7264 |

### Total Spend for Training (RM mil) and Total Training Hours

(3-year Data)




**Local Employees (Malaysian)** 77%

**Paid salaries, bonuses and benefit** 28% increase from 2023

**Employee training spend** 21% increase against 2023

Sustainable Value Creation

**Protecting Human Rights**

## Why it Matters

By protecting human rights and upholding ethical labour practices within our operations and across our supply chain, we ensure regulatory compliance, foster a workplace where employees feel valued and respected, and reinforce stakeholder trust. This commitment is essential for safeguarding business sustainability and maintaining Velesto's reputation as a responsible corporate citizen.

## Our Approach

**Management Description & Initiatives**

### Approach — Policies and Commitments

- The Board oversees our human rights commitments, which are embedded in Group policies aligned with Malaysian labour laws, including the Employment Act 1955 and Minimum Wages Act, as well as other applicable regulations in our operating regions.
- Alongside our Code of Business Conduct and Ethics ("CoBE") and Policy Statement on Human Rights and Labour Standards, we have implemented a Policy Statement on Recruitment Management System Procedure to enforce due diligence when engaging suppliers and vendors.

### Approach — Our Practices and Processes

- Our key business practices that uphold employee rights include flexible working hours, fatigue management to prevent excessive workloads, fair notice of operational and policy changes, wages above minimum requirements, and formal confidential grievance channels.
- These efforts are reinforced by policies on non-discrimination, diversity, and equal opportunity (see Diversity and Inclusion on page 93-95). We continuously review our approach to maintain relevance and compliance.

### Approach — Supply Chain Due Diligence

- We stringently uphold human rights across our operations and supply chain, ensuring zero tolerance for violations. Our procurement, contract, and human resources teams work collectively to prevent and monitor human rights risks within the Group.
- We require all suppliers and vendors, including third-party contractors, to uphold worker dignity and maintain safe working conditions. Compliance with Malaysian laws on human and labour rights, worker welfare, child labour, and human trafficking is mandatory, with non-compliance leading to serious consequences, including termination of services and legal action.
- Our proactive approach includes ongoing assessments of labour risks and human rights impacts, enabling swift intervention to prevent and address any suspected or identified cases of exploitation or forced labour.

### Approach — Employee Engagement and Feedback Channels

- The Group regularly conducts educational campaigns to promote policy compliance, including initiatives such as anti-sexual harassment roadshows to raise awareness of our Policy on Sexual Harassment.
- We have established communication channels that empower employees and stakeholders to actively support human rights oversight. Both internal and external stakeholders can report grievances and concerns related to misconduct, harassment, human rights violations, or other non-compliance issues through the feedback mechanisms outlined in our Whistle-Blowing Policy and Grievance Procedures.
- Concerns can be raised anonymously and without fear of retaliation, either through direct reporting to managers and human resources representatives or via our confidential whistle-blowing channel, accessible through the internal NEST network for employees and the corporate website for external stakeholders. All reports are promptly investigated by management and leadership teams, ensuring timely remediation and action to prevent recurrence.

**OUR COMMITMENTS**

Our labour practices and human rights commitments, as outlined below, ensure that the dignity and well-being of all employees across our operations are protected and upheld.

| | | | |
|---|---|---|---|
| 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 a harassment-free and violence-free workplace | Ensuring compliance with Minimum Wages Order 2022 and laws governing working hours and fair compensation |
| Prohibiting retaliation or any form of physical and mental disciplinary practice | Respecting people's right to their own culture, to practice their religion and to speak their language | 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

**Human Resources Initiatives in 2024**

Velesto's Human Resources team continues to play a proactive role in strengthening employee welfare, promoting fair compensation, and supporting work-life balance. The following initiatives are ongoing or were undertaken in 2024:

1. **Salary Adjustment**
   In line with national minimum wage standards, salary adjustments were implemented to ensure fair and competitive compensation. This initiative aims to uplift employees' living income, contributing to improved financial well-being and reinforcing our support for broader societal sustainability.

2. **Zakat Wakalah**
   Through the Zakat Wakalah initiative, zakat contributions are channelled to employees earning below the living wage, as well as those impacted by floods or requiring medical assistance. Following Majlis Agama Islam Wilayah Persekutuan's ("MAIWP") zakat distribution guidelines, this initiative ensures responsible and impactful allocation, strengthening employee support and inclusion.

| Purpose of distribution | Total (RM) |
|---|---|
| Bantuan Banjir | 23,000.00 |
| Bantuan Kebajikan | 34,000.00 |
| Bantuan Kebakaran | 5,000.00 |
| Bantuan Perubatan | 15,000.00 |
| **Grand Total** | **77,000.00** |

3. **Transportation Allowance**
   Employees in job grades below JG-17 receive a transportation allowance to ease commuting costs. This initiative helps reduce the financial burden of daily travel while enhancing employee well-being and supporting economic sustainability. The allowance was increased in recent years from RM100 to RM150 per employee, reflecting our ongoing commitment to meaningful support.

4. **Hybrid Work Arrangements**
   To support work-life integration and environmental sustainability, a hybrid work model has been implemented, allowing employees to alternate between remote work and office-based duties. This model not only promotes flexibility and efficiency but also contributes to reducing commuting frequency and carbon emissions.

These initiatives collectively contribute to employee welfare, workplace satisfaction, and long-term positive social impact—strengthening our position as a responsible and caring employer.

**Our Performance**

In 2024, we successfully maintained our unblemished record, with no reported cases of non-compliance with labour standards or human rights infringements.

There were no occurrences of child labour, human trafficking, or forced labour, reinforcing our dedication to ethical employment practices. We also take great pride in our history of never being implicated in any violations of indigenous rights.

Complaints received regarding operational changes FY2024

ZERO

**Diversity and Inclusion**

## Why it Matters

We recognise that by fostering a diverse and inclusive workplace, we can harness a broad range of expertise, experiences, and perspectives to drive innovation and strengthen decision-making.

By further upholding a culture of merit-based recognition that provides individuals of all backgrounds with equal opportunities, we enhance our ability to attract and retain top talent, ensuring a dynamic and high-performing organisation.

## Our Approach

**Management Description & Initiatives**

### Approach — Guiding Policies and Oversight

- The Human Resources Department leads and champions our diversity and inclusion initiatives, guided by established policies such as our Policy Statement on Human Rights and Labour Standards, Gender Equality Policy Statement, Policy on Consequence Management and Disciplinary Procedures.
- These policies and measures drive responsible practices in alignment with the Group's values and strictly prohibit discrimination based on race, gender, religion, or socio-cultural background.
- To maintain strong oversight and continuous improvement, diversity and inclusion Key Performance Indicators ("KPIs") are embedded in leadership scorecards, fostering consistency and continual progress across the organisation.

### Approach — Upholding a Fair and Inclusive Culture

- All employment decisions, including hiring, promotions, and career development, are merit-based, with employees and candidates assessed on qualifications, experience, and professional contributions. The only exception is our preference for hiring local talent.
- Our workforce reflects a diverse mix of backgrounds, and we encourage employees to freely express their cultural and religious identities without fear of discrimination or harassment. Regular engagement initiatives further reinforce a workplace culture built on respect, shared values, and inclusivity.

### Approach — Gender Equality

- Through our Gender Equality Policy, we have reinforced our commitment to providing equal opportunities for both male and female employees, ensuring fair access to employment benefits and career progression at all levels. We actively address gender-related barriers, fostering an inclusive environment that encourages women to pursue careers at Velesto, including in traditionally male-dominated technical, offshore, and field-related roles.
- Our commitment has led to a strong representation of women in executive and leadership positions. As of December 2024, women make up 59% of our executive workforce and 33% of our Board of Directors, exceeding BURSA Malaysia's 30% target for women's representation in public-listed companies.

### Approach — Parental Leave Entitlement

- We support employees through the transition to parenthood with comprehensive leave benefits. As of 2024, new mothers receive 98 days of leave, while fathers are granted 7 days, in line with regulatory standards.
- By enabling both parents to share caregiving responsibilities for their newborn, we promote gender equality and cultivate a more inclusive workplace culture.

Sustainable Value Creation

## Our Approach

**Management Description & Initiatives**

### Approach — Promoting Greater Inclusiveness

- While meritocracy remains the foundation of our recruitment strategy, we actively create opportunities for underrepresented and vulnerable groups, including persons with disabilities, asylum seekers, refugees, and those facing socioeconomic challenges.
- To support this, we conduct targeted hiring programmes focused on candidates from the B40 Income Group and have introduced a diversity indicator to track the representation of employees with disabilities across the Group.

### Approach — Engagement and Advocacy

- Diversity and inclusion principles are integrated into employee onboarding, reinforced through engagement sessions, and communicated via internal notices. Employees are made aware of the Whistle-Blowing Policy and Grievance Procedures, ensuring clear reporting mechanisms for harassment or discrimination.
- We also provide manager training on gender equality to enhance awareness of the importance of inclusive practices to our long-term success. Additionally, we leverage employee surveys and focus groups to assess our workplace culture and address any identified gaps.
- Our leadership actively promotes gender diversity through the Malaysian Chapter of the 30% Club, advocating for increased female representation in corporate leadership. Through ongoing participation in the Club's initiatives, we reaffirm our commitment to fostering diversity and inclusion across Corporate Malaysia and the oil and gas industry.

**Our Performance**

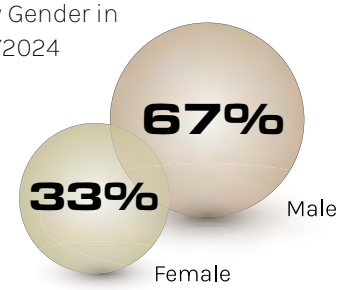
While our operational roles remain male-dominated due to the nature of our business, we have achieved strong gender representation across our Board, executive, and managerial teams. We remain committed to seeking opportunities for enhancing workforce diversity while fostering an inclusive and empowering workplace culture.

Board Composition

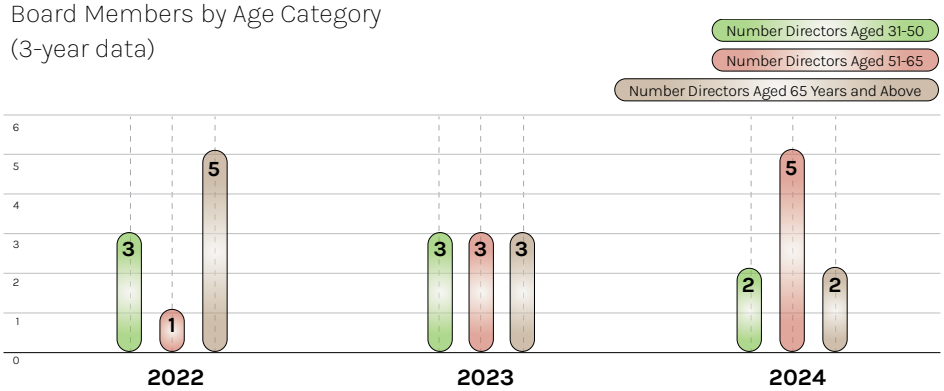
**100%**
of our Board Members are
Malaysians

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| Number of Board of Directors | 9 | 9 | 9 |
| Number of Independent Directors on the Board | 5 | 5 | 5 |
| Number of women on the Board | 4 | 4 | 3 |

Board Members by Gender in FY2024

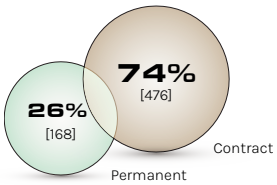



Board Members by Age Category (3-year data)

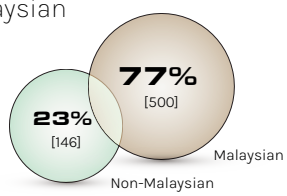


## WORKFORCE DIVERSITY

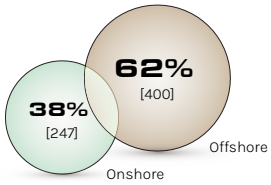
### Permanent vs Contract



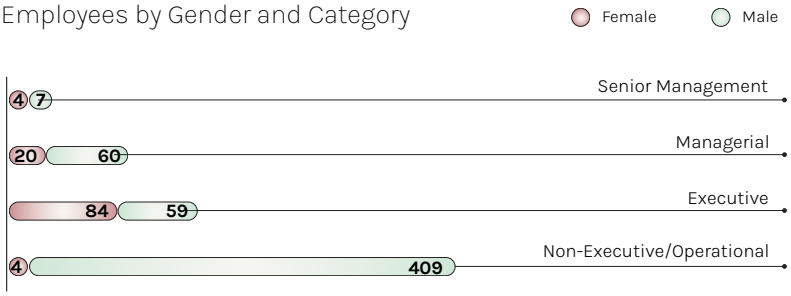

### Malaysian vs Non-Malaysian



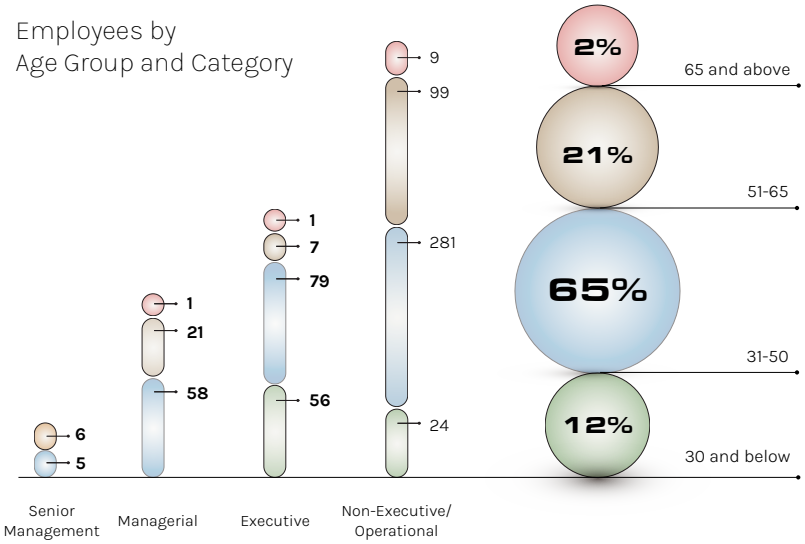

### Offshore vs Onshore




### Employees by Gender and Category

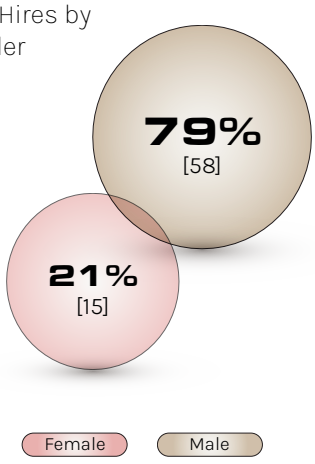



### Employees by Age Group and Category

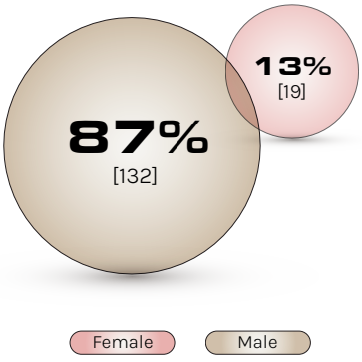



## HIRING AND ATTRITION PERFORMANCE

### Total New Hires by Gender




### Total Turnover by Gender




**ZERO**

Violation cases and compliance to labor laws

Sustainable Value Creation

**Community Impact**

## Why it Matters

We embrace our responsibility to share the value we create with local communities connected with our business, striving to make a lasting positive impact. Through industry-related initiatives, strategic partnerships, and outreach programmes, we support underprivileged individuals, drive socioeconomic progress, and contribute to the advancement of the oil and gas sector.

## Our Approach

**Management Description & Initiatives**

### Approach Holistically Delivering Community Benefits

- Our Sustainability and Corporate Communications department leads efforts to create meaningful community impact by organising initiatives that benefit local communities. Our approach is guided by four key pillars: Education, Environment, Community Safety, and Community Uplift.
- In our operational regions across East and West Malaysia, we prioritise hiring local talent and sourcing from local contractors and vendors to promote vocational training and support regional economic development.
- Additionally, through initiatives such as the Velesto Drilling Academy ("VDA") and Velesto Trainee Scheme ("VTS"), we actively contribute to local infrastructure development and support the nurturing of talent within the oil and gas sector.

### Approach Community Engagement and Outreach

- We continue to engage with local communities to deliver targeted programmes in areas surrounding our operations. Employees are encouraged to participate in these initiatives, with volunteerism considered a key driver of employee engagement and community impact.
- In FY2024, our employees dedicated 494 hours to community engagement and outreach efforts, demonstrating our collective commitment to driving positive impact beyond business operations.

### Approach Socioeconomic and Human Capital Development

- Through the VTS and internship programmes, we provide local graduates and unemployed youth with 12-month placements, offering practical industry exposure to enhance their employability. This initiative supports national efforts to improve job prospects for unemployed graduates in Malaysia.
- As part of our Velesto's business strategy initiative, we expanded the VTS to Sarawak, creating job opportunities for B40 Malaysians while strengthening our business presence in the region.

### Approach Velesto Drilling Academy ("VDA")

- The VDA enhances workforce skills by providing training for both internal employees and external students from educational institutions such as Universiti Teknologi PETRONAS ("UTP") and Institut Teknologi Petroleum PETRONAS ("INSTEP"). This initiative plays a vital role in talent development for the oil and gas drilling sector, aligning with national goals for a highly skilled workforce.
- VDA collaborates with INSTEP through the Velesto-INSTEP Drilling Academy ("VIDA"), which operates a land rig facility at Batu Rakit, Terengganu, providing hands-on training for industry professionals. We also partner with UTP to offer practical and industrial exposure to its students.
- Additionally, we have introduced internal Subject Matter Experts to deliver training at VDA, leveraging our expertise to bridge industry gaps and enhance the quality of education for future industry talents.

**Community engagement and outreach initiatives in 2024**

## ESTCON 2024 Sponsorship

Velesto sponsored ESTCON 2024 in September 2024 with an investment of RM5,000, supporting knowledge sharing and innovation in the energy sector. This initiative benefited Yayasan UTP students by providing valuable learning opportunities to nurture the next generation of energy leaders.

## Coral Restoration Programme

In collaboration with the Alunan Coral Project, Velesto contributed RM79,230 to the rehabilitation of marine ecosystems at Pulau Perhentian, with 50% going directly to coral restoration activities and the remainder into socioeconomic contributions. With the support of 20 volunteers, efforts were dedicated to restoring coral nurseries, degraded reefs, and enhancing marine biodiversity (read more in our Nature and Biodiversity section on Page 77 - 79).

## Yayasan UTP (Velesto Scholarship Programme)

During 2024, Velesto invested RM338,344 in this long-term scholarship programme, with the funds supporting two deserving UTP students pursuing degrees in fields related to oil and gas. By providing financial assistance, we contribute to academic excellence and future industry talent development.

## Hari Maritim Malaysia

With an investment of RM10,000, Velesto supported this Malaysian Maritime Enforcement Agency ("MMEA") initiative to promote maritime safety and conservation. The programme benefited the Kelantan fishing community near our operational area and strengthened our stakeholder relationships.

**Our Performance**

The Group significantly increased investment in community programmes over the past year, rising from RM98,218 in 2023 to RM393,057 in 2024.

Moving forward, we remain committed to expanding our initiatives, fostering meaningful community engagement, and creating long-term positive impacts across our operational areas.

**Total Community Investment (3-Year data)**

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| Community investment (RM) | 50,000 | 55,000 | 353,344 |
| Socioeconomic from Coral restoration programme (RM) | 30,000 | 43,218 | 39,713 |
| **Total Community Investment (RM)** | **80,000** | **98,218** | **393,057** |

Total community investment in 2024 reached RM393,057, marking a significant 300% increase from RM98,218 in 2023. This surge was primarily driven by the launch of the YUTP-Velesto Sponsorship, which provides financial support for deserving UTP students. In parallel, ongoing initiatives such as our coral restoration programme and continued support for Hari Maritim Malaysia were maintained. Together, these efforts strengthen educational access, promote environmental stewardship, and enhance community well-being.

Sustainable Value Creation

## Ethical Business

**Economic Performance**

### Why it Matters

As a publicly listed company, we are committed to delivering consistent financial returns while ensuring the value we create benefits our diverse stakeholders.

Upholding these commitments strengthens trust and confidence among shareholders, regulators, employees, and business partners, fostering lasting relationships that drive our long-term resilience in a dynamic industry.

## Our Approach

### Management Description & Initiatives

#### Approach Embedding Economic Goals in Our Guiding Frameworks

- Driving economic value is central to our business and sustainability strategy. Through a unified effort across the Group, we are working towards achieving revenue and ROCE growth to create sustainable value to stakeholders.
- Supported by strong governance and risk management (see Sustainability Governance on page 54 - 57 for more details), we ensure financial stability while balancing fiduciary obligations, loan repayments, shareholder returns, and reinvestment for long-term growth.

#### Approach Socio-Economic Contributions

- Our operations play a direct role in socio-economic development through the taxes we pay, the salaries and benefits we provide, and the returns we generate for shareholders.
- Beyond this, we actively support local businesses and community initiatives, fostering economic resilience in the regions where we operate. At the same time, our commitment to environmental stewardship helps protect natural resources and sustain local livelihoods.

#### Approach Driving Quality and Customer Satisfaction

- Quality and customer satisfaction are fundamental to our long-term success. We have established stringent policies to affirm this commitment, including our Quality Policy, HSE Policy, and Human Rights and Labour Standards Policy, that align with international standards, including ISO9001:2015 and ISO29001:2020.
- Our integrated approach to quality control combines rigorous compliance monitoring, real-time feedback, and continuous process improvements, leveraging technology to enhance efficiency. Proactive risk management and contingency planning further strengthen our commitment to excellence.
- To keep our customers at the centre of what we do, we integrate customer satisfaction KPIs into our Operational Division's scorecards and conduct regular surveys to gain valuable insights into our ongoing performance and potential gaps.

**Our Performance**

In a rapidly evolving industry, we have capitalised on our strong operational performance, strategic agility, and efficiency to drive sustainable value creation for our business and stakeholders.

For a detailed overview of our financial performance, refer to the Financial Statements section on page 190 and the ESG Performance Table on page 115 - 124.

To uphold service quality, we conduct regular customer satisfaction surveys, ranging from end-of-project evaluations to monthly assessments. These insights help us stay responsive to customer needs and drive continuous improvement. In 2024, we maintained strong satisfaction scores, reinforcing our consistent track record.

## Leadership Commitment Corruption-Free Pledge FY2023

*(Witnessed by MACC)*

**Governance & Ethics**

## Why it Matters

Strong corporate governance and unwavering ethical standards are fundamental to maintaining stakeholder trust and protecting our business interests.

By upholding transparency, integrity, and accountability at every level, we ensure compliance, mitigate risks and strengthen our appeal to investors and customers, reinforcing the foundation for long-term sustainable growth.

## Our Approach

**Management Description & Initiatives**

**Approach** **Stringent Board and Management Oversight**

- Our Board and Senior Management lead by example, setting the standard for corporate governance and ethical conduct. To uphold vigilance and proactivity, we have established the Board Whistle-Blowing Committee ("BWBC") and the independent Integrity Governance Unit & Compliance ("IGUC"). The BWBC oversees the IGUC, which manages and reports all anti-corruption, bribery, and ethical concerns.
- Operating under the President's Office, the IGUC has the authority to report misconduct to the Malaysian Anti-Corruption Commission ("MACC"). To ensure accountability, IGUC members' performance is evaluated against structured KPIs based upon predefined plans and initiatives.
- The Board continually reviews internal policies to align with evolving regulations and deliberates on whistle-blowing reports reviewed by the BWBC to ensure thorough investigation and resolution.

**Approach** **Enterprise Risk Management and Business Continuity Management**

- Velesto's ERM Framework provides a structured approach to risk management, integrating global assessment methodologies to identify, evaluate, mitigate, and monitor emerging and inherent risks.
- Our Business Continuity Management ("BCM") Framework further ensures operational resilience by equipping management with the tools to identify emerging risks and threats, assess their potential impact, and implement proactive mitigation strategies. This safeguards our business interests, stakeholder trust, and brand reputation.

More details are available in the SORMIC section of our Integrated Annual Report on pages 171 - 182.

Sustainable Value Creation

## Our Approach

### Management Description & Initiatives

**Approach** **Policies and Procedures to Uphold Integrity**

- In reinforcing ethical business conduct, we adhere to our Code of Business Ethics ("CoBE") and have established an Anti-Bribery and Corruption Policy ("ABC Policy") aligned with Section 17A of the MACC Act.
- This policy enforces a zero-tolerance stance against bribery and corruption across all operations, prohibiting improper practices by the Board, management, and employees. Covering aspects such as gifts, political contributions, and undue advantages, the ABC Policy outlines clear punitive measures, including fines, suspensions, and legal action. To enhance transparency and accessibility, the policy is publicly available on our website, ensuring stakeholders have clear insights into our anti-bribery stance.

**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 BWBC.
- 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 BWBC 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 |

**Anti-Corruption Engagement Activities**

## To reinforce responsible business practices and strengthen ethical conduct, we conducted a series of educational and compliance activities throughout the year.

These initiatives were conducted via various channels, including physical events, digital communication, virtual town halls and newsletters, and fall into three themes as detailed below.

| Increasing Understanding & Knowledge | Enhancing Compliance & Creating Awareness | Strengthening Integrity |
|---|---|---|
| We conducted training sessions, knowledge-sharing forums, and awareness initiatives to enhance employees' and stakeholders' understanding of anti-bribery policies and whistleblowing mechanisms. | These activities focused on reinforcing compliance measures, ensuring alignment with anti-bribery laws, and improving adherence to corporate policies. | We collaborated with industry players, engaged vendors, and hosted discussions to promote transparency and ethical decision-making across our business and supply chain. |
| **Engagement Activities** | | |
| > Knowledge Sharing with JIAG, PNSB (February)<br>> Byte-Size: Why Whistleblowing? (February)<br>> Awareness Video on Whistleblowing (March)<br>> Townhall - Integrity Sharing (March)<br>> Newsletter Q1, 2024 - Understanding on ABMS (March)<br>> Talk Session on Section 17A & Adequate Procedures for Finance Department (April)<br>> Knowledge Sharing with PNB (July)<br>> ABAC Awareness (BOD) (September)<br>> Communication Video: ABMS Awareness (October) | > 2024 Declaration Fit & Proper and Conflict of Interest (February)<br>> 2024 Integrity Assessment (October) | > Talk Session on Section 17A by MACC W.P (March)<br>> Collaboration with PPZ WPKL - Awareness on Integrity (March)<br>> 2024 Vendor Engagement Day (KL) (July)<br>> Velesto Business Partner Integrity Day 2024 (September)<br>> 2024 Vendor Engagement Day (Labuan) (October) |

**Regulatory Compliance and Political Disassociation**

## We recognise the critical importance of regulatory compliance to the sustainability of our operations, understanding that adherence to regulations is fundamental to maintaining our license to operate.

Compliance issues, including corruption, pollution, modern slavery, and data privacy, among others, could jeopardise our ability to operate sustainably. As part of our commitment, we ensure timely publication of our financial performance, corporate announcements, and governance-related disclosures on our website, meeting listing requirements and fostering transparency. Moreover, we uphold principles of fair competition and refrain from engaging in any anti-competitive practices or abusing our market position. Our strict policies prohibit collusion, price-fixing, bid coordination, or any actions that restrict market access. Continuously monitoring changes in the regulatory landscape forms part of our Enterprise Risk Management and Internal Control framework, ensuring ongoing compliance with applicable laws and industry regulation. We have also consistently maintained a strict apolitical stance, barring any association with or endorsement for any political parties or organisations. Our firm policy prohibits making donations to political parties. However, we may engage in events organised by the government or its agencies as part of charitable initiatives or nation-building efforts.

Sustainable Value Creation

**Our Performance**

## Compliance Performance

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| Total incident of corporate/governance non-compliance | 5 | 0 | 0 |
| Total monetary value of paid fines for corporate/governance non-compliance (RM'000) | 24 | 0 | 0 |

## Anti-corruption Performance

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| Confirmed incidents of corruption[(1)(2)(3)] | 0 | 1 | 0 |
| Action taken for confirmed corruption incidents | NIL | Domestic inquiry and reported to MACC | 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 confirmed case investigated and reported to MACC.

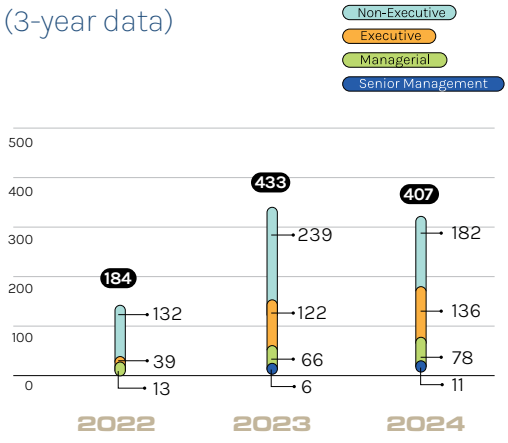
(3) Reportable case happened in 2022 involved falsification of claims with domestic inquiry completed in 2023. The case subsequently has been reported to MACC in 2023.

## Communication and Assessments

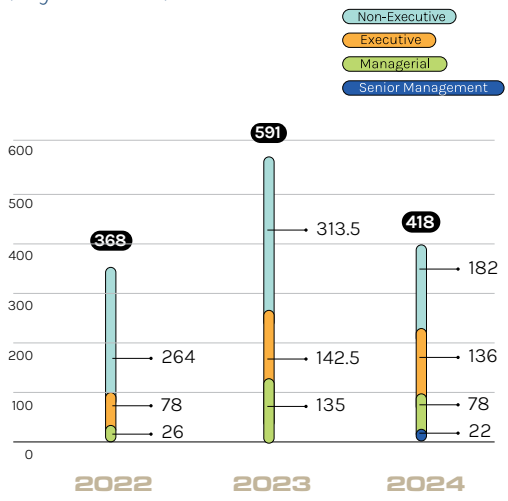
| | 2022 | 2023 | 2024 |
|---|---|---|---|
| Percentage of business partners to whom the organisation's anti-corruption policies and procedure have been communicated | 20% | 100% | 100% |
| Percentage of operations assessed for corruption-related risks | 100% | 86% | 100% |

**Anti-corruption Training Performance**

## Number of Staff That Received Anti-Corruption Training (3-year data)




## Total Hours of Employee Anti-Corruption Training (3-year data)



**Supply Chain**

## Why it Matters

A resilient and responsible supply chain is vital to sustaining our operations and upholding our values. By embedding ethical and sustainable practices across our network, prioritising local suppliers, and actively engaging our value chain, we safeguard business stability, prevent irresponsible practices, and drive sustainable value creation.

## Our Approach

**Management Description & Initiatives**

### Approach — Ensuring Compliance and Enhancing Oversight

- We prioritise adherence to policies across our supply chain, embedding compliance requirements into tender and contract documents. Vendors must align with our Supplier CoBE, ABC Policy, and other relevant policies covering environmental and social practices, and are required to take a Vendor Integrity Pledge ("VIP"). In 2024, 92% of all active vendors[1] undertook the VIP.
- Suppliers falling short of required quality scores are given time to address deficiencies, but failure to comply may lead to service termination, removal from our vendor list and potential reports filed with regulators. In FY2024, no suppliers were terminated due to non-compliance.
- To enhance oversight, we conduct regular vendor assessments covering corruption, health and safety, human rights, environmental performance, and labour rights. In 2024, 35 companies were identified for the Critical Supplier Audit exercise, with 30 non-compliance identified raised and subsequently resolved.
- Additionally, our Velesto Assurance Review ("VAR") strengthens internal supply management by ensuring compliance across divisions and departments.

### Approach — Responsible Procurement

- Our procurement practices emphasise transparency and fair competition through vendor guidelines and ERP systems. We award contracts based on merit, considering cost, quality, compliance, and OSH track records.
- Aligned with our Local First policy, we prioritise available local suppliers unless they do not meet our requirements for price, functionality or quality. As an anchor partner of the PETRONAS Vendor Development Programme ("VDPx"), we support the development of local suppliers in key areas, including Topside Medic Support Services, Logistics & Forwarding, Offshore Catering, and Offshore Manpower Services, ensuring alignment with our business needs while strengthening local supply chains.

### Approach — Promoting Sustainability Across Our Value Chain

- We are committed to extending our sustainability principles across the supply chain to maximise positive environmental and social impact. Our screening process ensures that suppliers meet defined criteria before qualifying for contract bidding with Velesto. These conditions are described below in greater detail.

### Approach — Supply Chain Engagement

- To reinforce supplier relationships and drive meaningful collaboration, we engage in regular initiatives with our vendor network. These events provide a platform for policy updates, addressing concerns, and aligning expectations with our partners.

(1) *Excluded non-PO transaction vendors, one-off transaction vendors and blocked vendors.*

Sustainable Value Creation

**Our Procurement Practices and Processes**

We uphold a robust and transparent procurement framework to ensure fairness, compliance, and efficiency across our supply chain. Our approach includes:

| Clear Policies & Procedures | Rigorous Due Diligence | Strict Tendering Process | Ongoing Supplier Monitoring |
|---|---|---|---|
| Well-defined procurement and subcontracting guidelines to ensure consistency and regulatory compliance. | Thorough screening and assessment of vendors during selection and appointment. | Adoption of structured evaluation criteria, multiple quotations, and competitive bidding to uphold fairness and quality. | Continuous oversight of supplier relationships and management processes to ensure sustained compliance and performance. |

**Promoting Sustainability Across Our Value Chain**

To qualify for contract bidding with Velesto, suppliers must adhere to key sustainability principles:

| | |
|---|---|
| Respect for Laws and Human Rights | Suppliers must comply with all laws and regulations. Any involvement in forced or child labour, harassment, threats, or coercion will result in disqualification from future procurement. |
| Respect for Freedom of Association & Collective Bargaining | Suppliers must, at all times, allow workers to bargain collectively for their rights and compensation. |
| Respect for Diversity | Suppliers must adopt inclusive, non-discriminatory practices, ensuring fair treatment regardless of age, gender, language, marital status, religion, union affiliation, race, ethnicity, family status, disability, or other distinguishing factors. |
| Respect for Health and Safety | Suppliers must provide safe working conditions, implement recognised HSE systems, and ensure workers receive necessary training, equipment, and safeguards to protect health, mitigate risks, and prevent injuries or loss of life. |
| Respect for the Environment | Suppliers must demonstrate a commitment to environmental protection and pollution prevention. |

**FY2024 Supply Chain Management Engagements**

To uphold our rigorous supply management standards, we actively engage with our vendors through various initiatives aimed at strengthening relationships and fostering collaboration.

These engagements serve as a platform for policy updates, sharing best practices, and providing clarity on our operational and sustainability expectations.

- **Vendor Engagement Day 2024 (Kuala Lumpur)**
  Held at Aloft Kuala Lumpur Sentral, this one-day event, themed "Navigating Sustainable Supply Chain," gathered 61 vendor representatives from the KL/Selangor region alongside Velesto's management team and industry experts. Officers from the Malaysian Anti-Corruption Commission ("MACC") and the Malaysia Petroleum Resource Corporation ("MPRC") shared insights on e-invoicing, transparency, integrity in business operations, sustainability, and HSE.

- **Vendor Engagement Day 2024 (Labuan)**
  Hosted at Lazenda Hotel, Labuan, this engagement brought together 36 vendor representatives, Velesto's management team, and an officer from MACC Labuan. The session focused on promoting anti-bribery and corruption awareness among Labuan vendors, reinforcing compliance and ethical business conduct within the supply chain.

**Our Performance**

## In our commitment to upholding robust supply chain management practices, we audited a total of 35 vendors in 2024, identifying and resolving a total of 30 instances of non-compliance.

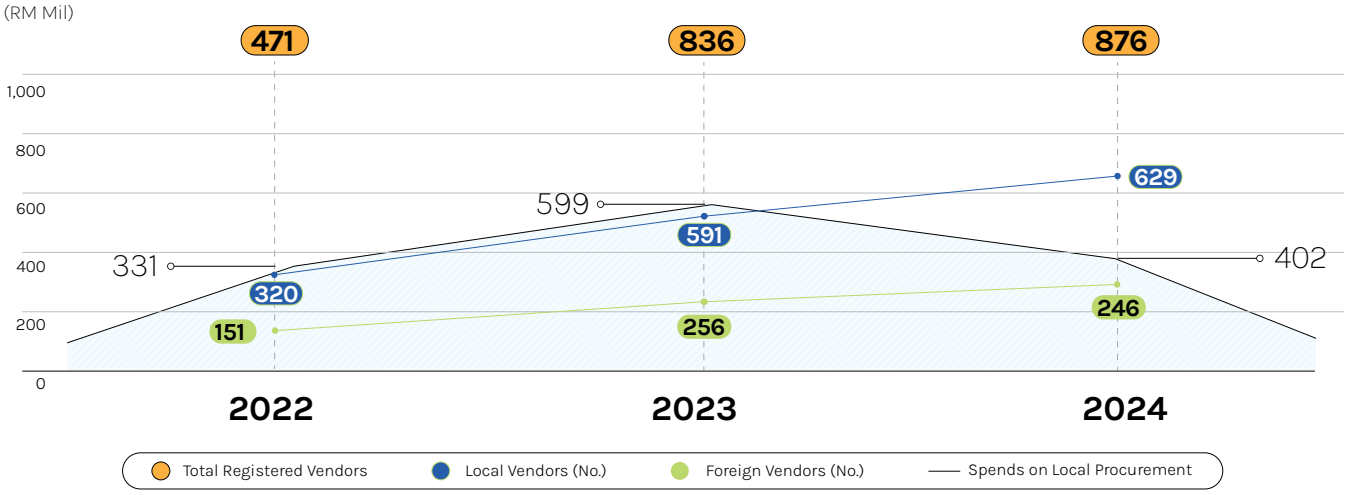
We have also continued to support local vendors meaningfully, increasing our proportion of local vendors to 72% and contributing 62% of our total procurement spend of RM648 million towards locally sourced suppliers. While committed to enhancing our performance, we remain aware of the need for increased availability of local suppliers that meet necessary standards for the oil and gas sector.

## Total Registered Vendors and Total Spend

| | 2022 | | | 2023 | | | 2024 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Local | Foreign | Total | Local | Foreign | Total | Local | Foreign | Total |
| Total Registered Vendor | 320 | 151 | 471 | 591 | 245 | 836 | 629 | 247 | 876 |
| Total Vendors % | 68% | 32% | | 71% | 29% | | 72% | 28% | |
| Total Spend (RM Mil) | 331 | 262 | 593 | 599 | 256 | 855 | 402 | 246 | 648 |
| Total Spend % | 56% | 44% | | 70% | 30% | | 62% | 38% | |

Total No. Registered Vendors & Spends

(RM Mil)

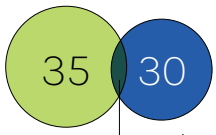



**37%**

recorded zero non-compliance findings in physical

AUDIT ASSESSMENTS

Vendor Audit Result




Number of vendors audited

Number of non-compliance issues and fully resolved

**92%**

of active vendors endorsed the

Velesto Integrity Pledge

Note: Vendor audits were conducted using two methods: document review and physical site audits.
Out of a total of 35 vendors, 19 underwent physical audits, while the remaining were assessed through document reviews.

Sustainable Value Creation

**Data Privacy & Security**

## Why it Matters

As our reliance on advanced technologies grows, safeguarding our digital infrastructure and sensitive data against cyber threats is crucial to business stability. By proactively strengthening cybersecurity and data privacy measures, we ensure compliance with evolving regulations while safeguarding stakeholder trust—two essential drivers of our long-term sustainability.

## Our Approach

**Management Description & Initiatives**

### Approach Governance, Compliance and Access Controls

- Our IT Operations department oversees data privacy and security, ensuring full compliance with relevant regulations, particularly the Personal Data Protection Act ("PDPA"). We also remain cognisant of new evolving regulations, such as the new Cybersecurity Act 2024 coming into effect on 26 August 2024, and are taking steps to assess our readiness and compliance.
- The Board of Directors also plays a crucial role in overseeing cybersecurity risks and strategies to ensure resilience against evolving cyber threats. Within the independent Integrity Governance Unit & Compliance ("IGUC") that reports to the Board, we have appointed a dedicated data protection officer to enforce best practices for secure data handling.
- Additionally, we employ robust ICT-based security systems, including firewalls and encryption measures, to safeguard data integrity and confidentiality. Data access is tightly controlled through restricted permission levels, while all file transfers are encrypted to ensure maximum security.

### Approach Risk Mitigation and Response Plans

- To safeguard our information systems, data, and operations, cybersecurity risk assessments are embedded within our Business Continuity Plan and Disaster Recovery Plan to identify, evaluate, and mitigate potential threats.
- Our multi-layered cybersecurity risk management approach integrates technology adoption, employee education, and incident response planning. Through strict policy enforcement, phishing simulations, cybersecurity training, and comprehensive incident response plans, we enhance protection, preparedness, and resilience against evolving threats.
- We conduct annual security audits to assess the effectiveness of our cybersecurity systems. As of 2024, 98% of our 716 digital systems are protected by cybersecurity measures, with both internal and external security audits conducted during the year to ensure ongoing resilience and compliance.

### Approach Enhancing Email Security

- In 2023, we strengthened our cybersecurity posture by deploying a new email security gateway, effectively filtering incoming data to prevent malicious threats.
- A comprehensive analysis of security vulnerabilities led to enhancements in spam prevention, phishing detection, malware defence, and protection against malicious URLs and attachments. Insights from this assessment will continue to guide future initiatives aimed at further refining security protocols and strengthening email security practices.

### Approach Upskilling Employee Competencies

- Key personnel are selected for comprehensive training programmes to ensure we maintain a competent workforce to manage and oversee critical systems.
- In 2024, six employees completed 45 hours of training each across three key courses—CompTIA Security+, CompTIA A+, and Microsoft 365 Administrator—resulting in a total of 270 cybersecurity training hours logged for the year.

**Our Performance**

In 2024, we recorded zero substantiated complaints regarding customer privacy breaches or data loss. However, a security anomaly was detected during our security audit, where a user account was accessed from multiple geographic locations within a short timeframe, raising concerns of unauthorised access or credential compromise.

Following a thorough investigation with the user, the account was promptly disabled to prevent potential risks. Moving forward, we remain committed to enhancing our digital security measures, exploring innovative solutions to strengthen system protection and ensure the confidentiality of sensitive data.

**270 Hours**

of cybersecurity training conducted in 2024

**ZERO**

substantiated complaints regarding customer privacy breaches or data loss

## Innovation & Technology

### Why it Matters

In a rapidly evolving digital landscape, we recognise the critical role of innovation and advanced technology in sustaining operational excellence and future resilience. By continuously integrating cutting-edge digital tools to enhance monitoring, communication, and operational performance, we drive efficiency, strengthen competitiveness, and reinforce our reputation as a progressive player in the oil and gas sector.

## Our Approach

**Management Description & Initiatives**

### Approach — Embracing Technology to Unlock Efficiencies

- As part of our business strategy, under which 'Technology & Capabilities' has been identified as one of six core pillars, we are committed to leveraging advanced digital tools and innovative work methodologies to enhance operational speed and efficiency.
- Key initiatives include the digitalisation of vendor registration, streamlining application processes via our website while eliminating manual forms to enhance transparency and efficiency.
- Additionally, we have adopted NEST, an internal knowledge-sharing platform that consolidates communication and facilitates seamless hybrid work models. This transition supports our sustainability goals, with remote work and flexible scheduling serving to reduce commuting time, fuel consumption, and emissions.

### Approach — Greater Adoption of Digital Management Tools

- Digitalisation has been instrumental in achieving 99% uptime and zero Loss Time Injury ("LTI") in 2024, reinforcing our commitment to operational excellence, safety, and service quality. By integrating autonomous drilling and predictive maintenance on select rigs, we optimise operations, minimise downtime, and consistently exceed client expectations.
- Beyond operational systems, we have enhanced HR, data analytics, asset management, and reporting processes, driving continuous innovation across our organisation.

Sustainable Value Creation

**Key Digitalisation Initiatives in 2024**

## Velesto Drilling Automation System

Our deployment of autonomous drilling technology on NAGA 4 has significantly enhanced operational performance, optimising precision and efficiency. Looking ahead, the planned introduction of a robotic arm in Q1 2025 will further streamline critical processes, driving greater automation and operational excellence.

## AssetCare

With the integration of AssetCare on NAGA 4, we have strengthened operational reliability through real-time monitoring and predictive maintenance, minimising unscheduled downtime. Additionally, AssetCare's process analytics provide real-time insights into our operational emissions profile, enabling targeted interventions to further reduce our environmental footprint.

## Red Zone Management

Safety is at the core of our operations. The implementation of Red Zone Management on NAGA 4 has minimised human exposure to high-risk areas, reinforcing a safer working environment. These proactive measures contributed to our outstanding HSE performance in 2024, including zero LTI and zero major spills throughout the year.

**OUR PERFORMANCE**

Over the past year, we have made significant strides in deploying digital tools and AI-driven solutions across our operations, particularly in drilling and rig management. These advancements enhance efficiency, safety, and precision, reinforcing Velesto's position as a modern and technologically advanced oil and gas player.

Looking ahead, we will leverage our core drilling expertise to support carbon capture initiatives, accelerating progress toward our emission reduction goals and strengthening our role in advancing the energy transition.

# TCFD - Aligned Disclosure

As global expectations intensify around climate action, Velesto is committed to advancing our climate response. We have aligned our approach with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"), ensuring that our strategies are purposeful and impactful in managing climate-related risks and opportunities.

Over the years, Velesto has progressively embedded climate considerations into our business decision-making processes under the oversight of our Board and Senior Management. In 2023, we began qualitative assessments of climate-related risks and opportunities. In 2024, this evolved into scenario analysis to better understand the potential impacts of climate change on our business and to support the development of our Net Zero 2050 roadmap.

We are committed to continuing our efforts to manage climate risks and to reduce our exposure to climate-related disruptions. Moving forward, scenarios analysis will be conducted periodically, reflecting changes in policy, technology, and market dynamics. Progress will be transparently disclosed through our annual Sustainability Report. Our TCFD-aligned disclosures are structured around the four core pillars: Governance, Strategy, Risk Management, and Metrics & Targets.

## CLIMATE GOVERNANCE

Velesto maintains a sound governance framework to manage climate-related risks and guide our sustainability efforts. Climate oversight is integrated within our broader corporate governance through the Board Governance and Risk Committees ("BGRC"), which are supported by the Sustainability Management Committee ("SMC"). The SMC provides day-to-day strategy guidance on climate and sustainability matters.

In 2024, key topics discussed include:

- Emerging climate disclosure requirements and stakeholder expectations;
- Group performance on ESG metrics including emissions, energy and water use, and waste generation; and
- Assessments of decarbonisation viability and progress on the Net Zero 2050 roadmap.

*For more details on our sustainability governance structure and approach, please refer to the Our Approach to Sustainability section on page 52-57.*

## CLIMATE STRATEGY

### Our Commitment to a Sustainable Future

As a leading oil and gas service provider, we are focused on reducing the environmental impacts of our operations. Our strategy centres 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.

To accelerate our decarbonisation journey, we commissioned a study in FY2024 to support our Net Zero 2050 roadmap. 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. Our progress will be monitored and disclosed transparently in our annual Sustainability Statement.

### Understanding Our Climate-Related Risks and Opportunities

We are currently in the early stages of developing a comprehensive climate risk assessment methodology. In 2024, our internal sustainability team undertook initial assessments of climate-related risks and opportunities, providing insights and recommendations for future enhancements. 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 requirements by 2025.

As part of our continuous improvement efforts, we will be conducting scenario analyses that consider both transition risks and physical climate risks across different time horizons. These analyses will adopt globally recognised frameworks, including scenarios from the International Energy Agency ("IEA") and the Sixth Assessment Report ("AR6") of the Intergovernmental Panel on Climate Change ("IPCC").

TCFD - Aligned Disclosure

**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:<br>• Fossil fuel remains as a major energy source.<br>• 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:<br>• Most advanced economies to meet Net Zero 2050 target.<br>• 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 |

*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 54 - 57 and Statement on Risk Management & Internal Control on page 171 - 182, respectively.*

**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. These efforts are driven by the adoption of innovative technologies, improvements in process efficiency, and ongoing awareness and capability-building among our workforce.

*For more details on Velesto's management approach for climate-related matters, including energy and emission management, please refer to the Respecting the Environment – Climate Change, Energy and Emission Management section on page 70 - 74.*

**Track and Monitor Our Performance Indicators**

Each year, Velesto benchmarks its ESG performance internally using key metrics related to climate change, including emission intensity, water consumption, and waste generation. These indicators are reviewed quarterly by the Board Governance and Risk Committee ("BGRC") and the Sustainability Management Committee ("SMC") and are disclosed annually to the public.

The performance metrics are further discussed in the subsequent subsections of this TCFD-aligned summary.

As we move forward, Velesto remains committed to reviewing and strengthening our climate strategy annually, taking into account changes in policy, technological advancements, and market dynamics.

*For more details on Velesto's performance on climate-related metrics, please refer to the Respecting the Environment – Climate Change, Energy and Emission Management section on page 70 - 74 and our ESG Performance Table on page 115 -124.*

## CLIMATE RISK MANAGEMENT

The Board, through the Board Governance and Risk Committee ("BGRC"), maintains active oversight of climate-related risks as part of the Group's broader sustainability risk management framework. ESG risks are assessed using Velesto's internal risk identification matrix (Risk Register), with findings presented to the BGRC on a quarterly basis.

These risk considerations are integrated into our strategic planning processes, particularly in relation to future capital expenditures and investments in new businesses, technologies, and systems.

Velesto will continue to update stakeholders on the outcomes of its scenario analysis reviews in upcoming reporting cycles, where applicable. 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 | The risk assessment considers the potential implementation of policies related to:<br>› Mitigation actions for climate change<br>› Promotion of adaptation efforts<br><br>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:<br>› Insufficient disclosure and lack of performance monitoring<br>› Failure to implement effective mitigation measures<br><br>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 impact market competitiveness, cost management, and operational efficiency. Influencing factors include:<br>› Availability and maturity of emerging technologies such as CCUS, energy storage, and renewables<br>› Cost of implementation<br>› Market adoption potential | Risk and Opportunity |
| Market Risks | The Group may be significantly impacted by the global shift in demand and supply away from fossil fuels, as both consumers and clients increasingly transition towards new energy markets.<br><br>While this presents risks to our traditional operations, it also opens up opportunities which may be integrated into our long-term business strategy. | Risk and Opportunity |
| Reputation Risks | Increasing public scrutiny and stakeholder expectations around the oil and gas sector's environmental impact may affect the Group's reputation. It is critical to communicate our efforts toward 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:<br>› Acute risks: Event-driven occurrences such as extreme weather (e.g., cyclones, hurricanes, floods)<br>› Chronic risks: Long-term shifts in climate patterns that may lead to rising sea levels or prolonged heatwaves | Risk |

*For more details on Velesto's sustainability risk management approach and the Group's Enterprise Risk Management framework, please refer to the Sustainability Governance section on page 54 - 57 and Statement on Risk Management & Internal Control on page 171 - 182, respectively.*

TCFD - Aligned Disclosure

## CLIMATE 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<br>› Net Zero emission by 2050 |
| GHG Emissions Intensity | › 10% emission intensity reduction per operating days by 2030<br>› 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

Looking ahead, we are committed to continuously evaluating and improving our climate performance, setting new targets where relevant and disclosing our progress transparently.

*For more details on how Velesto measures and monitors its climate metrics performance, please refer to the Respecting the Environment – Climate Change, Energy and Emission Management section on page 70 - 74 and Our ESG Scorecard on page 67.*

# Bursa Malaysia Common Material Matters Disclosures

| Indicator | Measurement Unit | 2023 | 2024 |
|---|---|---|---|
| **Bursa (Energy management)** | | | |
| Bursa C4(a) Total energy consumption | Megawatt | 231,904.08 | 236,767.63 |
| **Bursa (Emissions management)** | | | |
| Bursa C11(a) Scope 1 emissions in tonnes of CO2e | Metric tonnes | 63,469.00 | 62,264.39 |
| Bursa C11(b) Scope 2 emissions in tonnes of CO2e | Metric tonnes | 477.00 | 609.00 |
| Bursa C11(c) Scope 3 emissions in tonnes of CO2e (at least for the categories of business travel and employee commuting) | Metric tonnes | 67.00 | 1,121.00 |
| **Bursa (Waste management)** | | | |
| Bursa C10(a) Total waste generated | Metric tonnes | - | 1,118.73 |
| Bursa C10(a)(i) Total waste diverted from disposal | Metric tonnes | - | 812.27 |
| Bursa C10(a)(ii) Total waste directed to disposal | Metric tonnes | - | 306.46 |
| **Bursa (Water)** | | | |
| Bursa C9(a) Total volume of water used | Megalitres | 0.101295 | 97.218900 |
| **Bursa (Health and safety)** | | | |
| Bursa C5(a) Number of work-related fatalities | Number | 0 | 0 |
| Bursa C5(b) Lost time incident rate ("LTIR") | Rate | 0.00 | 0.00 |
| Bursa C5(c) Number of employees trained on health and safety standards | Number | 401 | 25 |
| **Bursa (Labour practices and standards)** | | | |
| Bursa C6(a) Total hours of training by employee category | | | |
| Management | Hours | 2,443 | 2,022 |
| Executive | Hours | 4,646 | 4,338 |
| Non-executive/Technical Staff | Hours | 237 | 624 |
| Senior Management | Hours | 328 | 280 |
| Bursa C6(b) Percentage of employees that are contractors or temporary staff | Percentage | 77.00 | 74.00 |
| Bursa C6(c) Total number of employee turnover by employee category | | | |
| Management | Number | 30 | 17 |
| Executive | Number | 27 | 30 |
| Non-executive/Technical Staff | Number | 51 | 104 |
| Senior Management | Number | 0 | 0 |
| Bursa C6(d) Number of substantiated complaints concerning human rights violations | Number | 0 | 0 |
| **Bursa (Diversity)** | | | |
| Bursa C3(a) Percentage of employees by gender and age group, for each employee category | | | |
| Age Group by Employee Category | | | |
| Management 30 and below | Percentage | 0.00 | 0.00 |
| Management 31-50 | Percentage | 70.00 | 72.50 |
| Management 51-65 | Percentage | 29.00 | 26.25 |
| Management 65 and above | Percentage | 1.00 | 1.25 |
| Executive 30 and below | Percentage | 43.00 | 39.16 |
| Executive 31-50 | Percentage | 53.00 | 55.24 |
| Executive 51-65 | Percentage | 3.00 | 4.90 |
| Executive 65 and above | Percentage | 1.00 | 0.70 |
| Non-executive/Technical Staff 30 and below | Percentage | 8.00 | 5.81 |
| Non-executive/Technical Staff 31-50 | Percentage | 63.00 | 68.04 |
| Non-executive/Technical Staff 51-65 | Percentage | 26.00 | 23.97 |
| Non-executive/Technical Staff 65 and above | Percentage | 3.00 | 2.18 |
| Senior Management 30 and below | Percentage | 0.00 | 0.00 |
| Senior Management 31-50 | Percentage | 55.00 | 45.45 |

Internal assurance | External assurance | No assurance | (*)Restated

## Bursa Malaysia Common Material Matters Disclosures

| Indicator | Measurement Unit | 2023 | 2024 |
|---|---|---|---|
| Senior Management 51-65 | Percentage | 45.00 | 54.55 |
| Senior Management 65 and above | Percentage | 0.00 | 0.00 |
| Gender Group by Employee Category | | | |
| Management Male | Percentage | 74.00 | 75.00 |
| Management Female | Percentage | 26.00 | 25.00 |
| Executive Male | Percentage | 49.00 | 41.26 |
| Executive Female | Percentage | 51.00 | 58.74 |
| Non-executive/Technical Staff Male | Percentage | 99.00 | 99.03 |
| Non-executive/Technical Staff Female | Percentage | 1.00 | 0.97 |
| Senior Management Male | Percentage | 64.00 | 63.64 |
| Senior Management Female | Percentage | 36.00 | 36.36 |
| Bursa C3(b) Percentage of directors by gender and age group | | | |
| Male | Percentage | 56.00 | 66.67 |
| Female | Percentage | 44.00 | 33.33 |
| 30 and below | Percentage | 0.00 | 0.00 |
| 31-50 | Percentage | 33.33 | 22.22 |
| 51-65 | Percentage | 33.33 | 55.56 |
| 65 and above | Percentage | 33.33 | 22.22 |
| **Bursa (Community/Society)** | | | |
| Bursa C2(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer | MYR | 55,000.00 | 432,574.00 |
| Bursa C2(b) Total number of beneficiaries of the investment in communities | Number | 3 | 4 |
| **Bursa (Anti-corruption)** | | | |
| Bursa C1(a) Percentage of employees who have received training on anti-corruption by employee category | | | |
| Management | Percentage | 88.00 | 97.50 |
| Executive | Percentage | 83.00 | 95.10 |
| Non-executive/Technical Staff | Percentage | 51.00 | 44.07 |
| Senior Management | Percentage | 60.00 | 100.00 |
| Bursa C1(b) Percentage of operations assessed for corruption-related risks | Percentage | 86.00 | 100.00 |
| Bursa C1(c) Confirmed incidents of corruption and action taken | Number | 1 * | 0 |
| **Bursa (Supply chain management)** | | | |
| Bursa C7(a) Proportion of spending on local suppliers | Percentage | 70.00 | 62.04 |
| **Bursa (Data privacy and security)** | | | |
| Bursa C8(a) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data | Number | 0 | 0 |

Internal assurance | External assurance | No assurance | (*)Restated

# ESG Performance Data

| Disclosures | Unit of Measurement | FY2022 | FY2023 | FY2024 | Target |
|---|---|---|---|---|---|
| **Energy** | | | | | |
| Total fuel consumption (diesel, petrol, etc.) | GJ | 738,952 | 832,358 | 849,573 | |
| Total electricity consumption | GJ | 2,359 | 2490 | 2709 | |
| Total energy consumption | GJ | 741,311 | 834,848 | 852,363 | |
| **GHG Emissions** | | | | | |
| Total Scope 1 Emission (from fuel) | tonnes of CO2e | 54,936 | 63,469 | 62,264 | |
| Total Scope 2 Emissions (from electricity) | tonnes of CO2e | 452 | 477 | 609 | |
| Scope 3 Emissions for business travel | tonnes of CO2e | 33 | 67 | 1,121 | |
| Total Scope 1 & 2 Emission intensity/Operating Days | Ratio | 41 | 34 | 32 | |
| Total Scope 1 & 2 Emission intensity/Revenue | Ratio | 95 | 53 | 46 | |
| Variance Scope 1 & 2 Emission intensity/Operating Days (compared to basis year) | % | -15 | -28 | -34% | 10% |
| Variance Scope 1 & 2 Emission intensity/Revenue (compared to basis year) | % | -32 | -63 | -67% | 30% |
| **Air Quality** | | | | | |
| CO emissions | tCO2e | 52,911 | 62,357 | 58,875 | |
| $NO^x$ emissions | CO2e | 113.53 | 132.34 | 126.33 | |
| $NH_4$ emissions | CO2e | 59.98 | 69.92 | 66.74 | |
| **Water Consumption** | | | | | |
| Total Volume of Water Use | $m^3$ | 75,556.40 | 101,294.10 | 97,218.90 | |
| Water intensity /Operating Days | Ratio | 55.8 | 54.58 | 49.17 | |
| Water intensity/ Revenue (RM mil) | Ratio | 130.05 | 83.37 | 71.48 | |
| **Waste and effluent** | | | | | |
| Total Waste Generated [3] | tonnes | 137.78 | 223.72 | 1118.73 | |
| - Hazardous Waste | tonnes | N/A | N/A | 207.32 | |
| - Non-Hazardous Waste / Non-Scheduled Waste | tonnes | N/A | N/A | 911.41 | |
| Waste Diverted from Disposal (recycled/reused) | tonnes | N/A | N/A | 812.27 | |
| - Re-used waste | tonnes | N/A | N/A | N/A | |
| - Recycled waste | tonnes | N/A | N/A | N/A | |
| - Percentage of recycled wastes | % | N/A | N/A | 72 | |
| Waste Directed to Disposal | tonnes | N/A | N/A | 306.46 | |
| - Incineration | tonnes | N/A | N/A | N/A | |
| - Landfill | tonnes | N/A | N/A | 306.46 | |
| - Other Methods of Disposal | tonnes | N/A | N/A | N/A | |
| No. of minor environmental spills | Number | 0 | 1 | 2 | |

ESG Performance Data

| Disclosures | Unit of Measurement | FY2022 | FY2023 | FY2024 | Target |
|---|---|---|---|---|---|
| **Waste and effluent (cont'd.)** | | | | | |
| No. of major environmental spills | Number | 0 | 0 | 0 | |
| Total volume of environmental spills | litres | 0 | 0 | 830-850 | |
| **Biodiversity** | | | | | |
| Number of biodiversity audits undertaken on existing sites | Number | 0 | 0 | 0 | |
| Percentage of existing operations or projects assessed for biodiversity risks | % | N/A | clients to conduct thorough Environmental Impact Assessments (EIAs) 100% | 0 | |
| Number of Operations within or adjacent to sites deemed rich in biodiversity (Based on RAMSAR, IUCN, etc.) | Number | 0 | 0 | 0 | |
| Budget spent on Biodiversity and conservation efforts / programmes / initiatives* | RM | 15,000 | 20,140 | 39,517 | |
| Size and location of all habitat areas protected or restored | Acres / sqft (Location) | N/A | Coral reef/ planting at Pulau Perhentian, Terengganu ~290 sqft of area size | Coral reef/ planting at Pulau Perhentian, Terengganu ~in total 1420 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 | 0 | 0 | 0 | |
| **Supply Chain Management** | | | | | |
| Total procurement spend | RM mil | 593.27 | 855 | 648.00 | |
| Total procurement spend on local suppliers | RM mil | 331.02 | 599.00 | 402.00 | |
| Total procurement spend on foreign suppliers | RM mil | 262.25 | 256 | 246.00 | |
| Proportion of spending on local suppliers | % | 56% | 70% | 62% | |
| Total number of registered vendors | Number | 471 | 836 | 876 | |
| Number of registered local vendors | Number | 320 | 591 | 629 | |
| Percentage of registered local vendors | % | 68% | 71% | 72% | |
| Number of suppliers removed from procurement list or cautioned for poor ESG performance | Number | 0 | 0 | 0 | |

| Disclosures | Unit of Measurement | FY2022 | FY2023 | FY2024 | Target |
|---|---|---|---|---|---|
| **Supply Chain Management (cont'd.)** | | | | | |
| No. of suppliers endorsed anti-bribery anti-corruption policies/VIP Pledge | Number | 464 | 541 | 531 | |
| Percentage of suppliers endorsed anti-bribery anti-corruption policies | % | 99% | 59% | 92% | |
| **Workforce Diversity** | | | | | |
| Total workforce | Number | 722 | 732 | 647 | |
| Malaysian employees | % | 73% | 75% | 77% | |
| Non-Malaysian employees | % | 27% | 25% | 23% | |
| Permanent employees | % | 28% | 23% | 26% | |
| Employees that are contractors or temporary staff | % | 72% | 77% | 74% | |
| Total number Senior Management Employees | Number | N/A | N/A | 11 | |
| Total number Managerial Employees | Number | N/A | N/A | 80 | |
| Total number Executive Employees | Number | N/A | N/A | 143 | |
| Total number Non-Executive Employees | Number | N/A | N/A | 413 | |
| Male Managerial Staff | % | 71% | 74% | 75% | |
| Female Managerial Staff | % | 29% | 26% | 25% | |
| Male Executive Employees | % | 49% | 49% | 41% | |
| Female Executive Employees | % | 51% | 51% | 59% | |
| Male Non-Executive Employees | % | 98% | 99% | 99% | |
| Female Non-Executive Employee | % | 2% | 1% | 1% | |
| Senior Management Staff aged 30 and below | % | N/A | 0% | 0% | |
| Senior Management Staff aged 31-50 | % | N/A | 55% | 45% | |
| Senior Management Staff aged 51-65 | % | N/A | 45% | 55% | |
| Senior Management Staff aged 65 and above | % | N/A | 0% | 0% | |
| Managerial Staff aged 30 and below | % | 1% | 0% | 0% | |
| Managerial Staff aged 31-50 | % | 71% | 70% | 73% | |
| Managerial Staff aged 51-65 | % | 27% | 29% | 26% | |
| Managerial Staff aged 65 Years and above | % | 1% | 1% | 1% | |
| Executive Employees aged 30 and below | % | 45% | 43% | 39% | |
| Executive Employees aged 31-50 | % | 52% | 53% | 55% | |
| Executive Employees aged 51-65 | % | 2% | 3% | 5% | |
| Executive Employees aged 65 Years and above | % | 1% | 1% | 1% | |
| Non-Executives aged 30 and below | % | 10% | 8% | 6% | |

ESG Performance Data

| Disclosures | Unit of Measurement | FY2022 | FY2023 | FY2024 | Target |
|---|---|---|---|---|---|
| **Workforce Diversity (cont'd.)** | | | | | |
| Non-Executives aged 31-50 | % | 64% | 63% | 68% | |
| Non-Executives aged 51-65 | % | 25% | 26% | 24% | |
| Non-Executives aged 65 Years and above | % | 1% | 3% | 2% | |
| Senior Management staff with Malay ethnicity | % | N/A | 82% | 82% | |
| Senior Management staff with Chinese ethnicity | % | N/A | 9% | 9% | |
| Senior Management staff with Indian ethnicity | % | N/A | 0% | 0% | |
| Senior Management staff with Others ethnicity | % | N/A | 9% | 9% | |
| Malay Managerial Staff | % | 64% | 62% | 65% | |
| Chinese Managerial Staff | % | 18% | 14% | 14% | |
| Indian Managerial Staff | % | 9% | 11% | 9% | |
| Managerial Staff of Other Ethnicities | % | 10% | 14% | 13% | |
| Malay Executive Staff | % | 86% | 86% | 85% | |
| Chinese Executive Staff | % | 5% | 3% | 3% | |
| Indian Executive Staff | % | 3% | 2% | 1% | |
| Executive Staff of Other Ethnicities | % | 7% | 9% | 10% | |
| Malay Non-Executive Staff | % | 35% | 34% | 36% | |
| Chinese Non-Executive Staff | % | 9% | 3% | 4% | |
| Indian Non-Executive Staff | % | 6% | 7% | 8% | |
| Non-Executive Staff of Other Ethnicities | % | 50% | 55% | 52% | |
| Total number of Staff with Disabilities | Number | 0 | 0 | 0 | |
| Disabled Senior Management Staff | % | N/A | N/A | 0% | |
| Disabled Managerial Staff | % | 0% | 0% | 0% | |
| Disabled Executive Staff | % | 0% | 0% | 0% | |
| Disabled Non-Executive Staff | % | 0% | 0% | 0% | |
| Total Number / Percentage of Staff with Disabilities | % | 0% | 0% | 0% | |
| **Hiring and Attrition** | | | | | |
| Total New Hires | Number | 216 | 164 | 73 | |
| New Hires (Male) | % | 85% | 81% | 79% | |
| New Hires (Female) | % | 15% | 19% | 21% | |
| New Hires aged 30 and below | Number | 23 | 34 | 20 | |
| New Hires aged 31-50 | Number | 66 | 107 | 45 | |
| New Hires aged 51-65 | Number | 11 | 22 | 8 | |
| New Hires aged 65 and above | Number | 0 | 1 | 0 | |

| Disclosures | Unit of Measurement | FY2022 | FY2023 | FY2024 | Target |
|---|---|---|---|---|---|
| **Hiring and Attrition (cont'd.)** | | | | | |
| New Hires with disabilities, or from underprivileged groups | % | 0% | 0% | 0% | |
| Total Turnover(including resignation, termination, death or retirement) | Number | N/A | 108 | 151 | |
| Turnover of Managerial Staff | % | N/A | 28% | 11% | |
| Turnover of Executives | % | N/A | 25% | 20% | |
| Turnover of Non-Executives | % | N/A | 47% | 69% | |
| Full-Time Staff Voluntary Turnover Rate (%) | % | N/A | 0% | 0% | |
| Turnover (Male) | Number | N/A | 80 | 132 | |
| Turnover (Female) | Number | N/A | 28 | 19 | |
| Turnover aged 30 and below | Number | N/A | 21 | 31 | |
| Turnover aged 31-50 | Number | N/A | 69 | 84 | |
| Turnover aged 51-65 | Number | N/A | 17 | 33 | |
| Turnover aged 65 and above | Number | N/A | 1 | 3 | |
| Turnover of staff with disabilities, or from underprivileged groups | % | N/A | 0% | 0% | |
| Number of substantiated complaints concerning human rights violations | Number | 0 | 0 | 0 | |
| **Employee Benefit and Remuneration** | | | | | |
| Percentage of staff receiving a performance appraisal | % | 68.13% | 54.00% | 73.36% | |
| Total payments made to employees in terms of salaries, bonuses and benefits | RM Mil | 142 | 131 | 187 | |
| Total statutory payments made for employees' retirement benefits, Employee Provident Fund (EPF) | RM Mil | 7 | 9.3 | 13 | |
| Total payments to SOCSO for employees' medical insurance | RM Mil | 0.41 | 0.58 | 0.66 | |
| No. of Employees Entitled for Maternity and Paternity Leave | Number | 95 | 179 | 183 | |
| No. of Employees Who Took Paternity Leave | Number | 0 | 4 | 3 | |
| No. of Employees Who Took Maternity Leave | Number | 5 | 8 | 10 | |
| Male Employees Return to Work Rates (return to work after parental leave period) | % | 100% | 100% | 100% | |
| Female Employees Return to Work Rates (return to work after parental leave period) | % | 100% | 88% | 100% | |
| Male Employees Retention Rates (remain with the organisation for 12 months or more post parental leave) | % | 100% | 100% | 67% | |
| Female Employees Retention Rates (remain with the organisation for 12 months or more post parental leave) | % | 100% | 88% | 90% | |

ESG Performance Data

| Disclosures | Unit of Measurement | FY2022 | FY2023 | FY2024 | Target |
|---|---|---|---|---|---|
| **Staff Training** | | | | | |
| Total training spend as a company | RM | 245,930 | 752,481 | 910,474 | |
| Total training hours as a company | Number | 4,612 | 7,653 | 7264 | |
| Total training hours Senior Management | Number | N/A | 327.5 | 280 | |
| Total training hours for Managerial Staff | Number | 1321 | 2,442.5 | 2022 | |
| Total training hours for Executive Staff | Number | 2310 | 4,646.0 | 4338 | |
| Total training hours for Non-Executive Staff | Number | 981 | 237.0 | 624 | |
| Average training hours senior management | Number | N/A | 9.63 | 8.75 | |
| Average Training Hours Per Employee (Management Staff) | Number | 9.57 | 14.63 | 13.76 | |
| Average Training Hours Per Employee (Executives) | Number | 11.27 | 13.87 | 1.00 | |
| Average Training Hours Per Employee (Non-Executives) | Number | 7.32 | 6.58 | 13.87 | |
| Total male employees attended training | Number | 264 | 300 | 292 | |
| Total female employees attended training | Number | 287 | 272 | 274 | |
| Average Training Hours Per Employee (Male) | Hours | 17.47 | 25.51 | 13.44 | |
| Average Training Hours Per Employee (Female) | Hours | 16.07 | 28.13 | 12.48 | |
| **Employee Engagement** | | | | | |
| Total spend on Employee Engagement activities | RM | N/A | 3,061.60 | 9,427.96 | |
| Number of Employee Engagement Activities | Number | N/A | 17 | 19 | |
| Employee Satisfaction Level | % | ESS done biennially | ESS is not done in 2023 | ESS is not done in 2024 | |
| **Community Engagement** | | | | | |
| Total amount invested in the community where the target beneficiaries are external to the listed issuer | RM'000 | 80.0 | 98.2 | 393.1 | |
| Total number of beneficiaries of the investment in communities | Number | 4 secondray school,3 primary schoool, 89 teachers | 2 secondary schools- Less student category & few communities in Kelantan | UTP students, pulau perhentian community, 2 UTP students under YUTP, Kelantan community | |
| Number of Community Engagement Activities | Number | 2 | 2 | 4 | |
| Total number of employee volunteer hours | Number | 60 | 256 | 494 | |

| Disclosures | Unit of Measurement | FY2022 | FY2023 | FY2024 | Target |
|---|---|---|---|---|---|
| **HSE Performance** | | | | | |
| Total manhours worked | Hours | 2,002,687 | 2,556,556 | 2,267,581 | |
| Number of work-related fatalities | Number | 0 | 0 | 0 | 0 |
| Number of work-related fatalities: Employees | Number | 0 | 0 | 0 | |
| Number of work-related fatalities: Contractors | Number | 0 | 0 | 0 | |
| Fatality Rate | Rate | 0 | 0 | 0 | |
| No. of recordable work-related injuries | Number | 1 | 4 | 1 | |
| Injury Rate (including fatalities) | Rate | 0.5 | 1.56 | 0.71 | |
| Total no. of lost days / LTIs | Number | 7 | 0 | 0 | |
| Lost Day Rate | Rate | 1.92 | 0 | 0 | |
| No. of LTIs | Number | 1 | 0 | 0 | 0 |
| Lost time incident rate | Rate | 0.5 | 0 | 0 | |
| No. of Unsafe Act Unsafe Condition ("UAUC") | Number | 40,773 | 63,100 | 61,054 | |
| Occupational diseases rate | Rate | 0 | 0 | 0 | |
| Absentieeism Rate - Days | Rate | 0.05 | 0 | 0 | |
| Absenteeism Rate - Haedcount | Rate | 0.1 | 0 | 0 | |
| Number of employees trained on health and safety standards | Number | 401 | | 25 | |
| **Corporate Governance** | | | | | |
| Number of Board of Directors | Number | 9 | 9 | 9 | |
| Number of Independent Directors on the Board | Number | 5 | 5 | 5 | |
| Number of women on the Board | Number | 4 | 4 | 3 | |
| AGM Notice Filing Date | DD-MM-YYYY | 28-Apr | 30-Apr | 29-Apr | |
| AGM Date | DD-MM-YYYY | 29-May | 30-May | 28-May | |
| Number of days between the date of notice and date of meeting | Number | More than 28 days | More than 28 days | More than 28 days | |
| Malay Directors | % | 67% | 67% | 78% | |
| Chinese Directors | % | 22% | 22% | 11% | |
| Indian Directors | % | 11% | 11% | 11% | |
| Directors of Other Ethnicities | % | 0% | 0% | 0% | |
| Malaysia Directors | % | 100% | 100% | 100% | |
| Non-Malaysian Directors | % | 0% | 0% | 0% | |
| Number /Percentage of Directors with Disabilities | % | 0% | 0% | 0% | |
| Male Directors | % | 56% | 56% | 67% | |
| Female Directors | % | 44% | 44% | 33% | |

ESG Performance Data

| Disclosures | Unit of Measurement | FY2022 | FY2023 | FY2024 | Target |
|---|---|---|---|---|---|
| **Corporate Governance (cont'd.)** | | | | | |
| Directors Aged 30 and below | % | 0% | 0% | 0% | |
| Directors Aged 31-50 | % | 33% | 33% | 22% | |
| Directors Aged 51-65 | % | 11% | 33% | 56% | |
| Directors Aged 65 Years and Above | % | 56% | 33% | 22% | |
| **Risk Management & Regulatory Compliance** | | | | | |
| Has the company and / or subsidiaries been fined or censured for any environmental non-compliance? | Y/N | No | No | No | |
| Cost of fines for environmental non-compliance | RM | 0 | 0 | 0 | |
| Has the company and / or subsidiaries been fined or censured for any socioeconomic non-compliance? | Y/N | No | No | No | |
| Incident of Environmental Regulatory Non-Compliance | Y/N | No | No | No | |
| Incident of Social Regulatory Non-Compliance | Y/N | No | No | No | |
| Cost of fines for socioeconomic Non-Compliance | RM | N/A | 0 | 0 | |
| Incident of Corporate/ Governance Non-Compliance | Y/N | Yes | No | No | |
| Total incident of Corporate/ Governance Non-Compliance | Number | 5 | 0 | 0 | |
| Incidents of non-compliance with regulations resulting in a fine or penalty | Number | N/A | 0 | 0 | |
| Incidents of non-compliance with regulations resulting in a warning | Number | N/A | 0 | 0 | |
| Incidents of non-compliance with voluntary codes | Number | N/A | 0 | 0 | |
| Total monetary value of paid fines for corporate / governance non-compliance | RM'000 | 24 | 0 | 0 | |
| Total number of non-monetary sanctions | Number | N/A | 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 | 0 | 0 | 0 | |
| Cases brought through dispute resolution mechanisms | Number | 0 | 0 | 0 | |
| Cases of corporate misconduct reported through the Whistleblowing channel | Number | 0 | 0 | 0 | |

| Disclosures | Unit of Measurement | FY2022 | FY2023 | FY2024 | Target |
|---|---|---|---|---|---|
| **Anti-Corruption** | | | | | |
| Number of training hours relating to anti-corruption Directors | Number | N/A | 0 | 9 | |
| Number of training hours relating to anti-corruption Senior Management | Number | N/A | N/A | 22 | |
| Number of training hours relating to anti-corruption Managerial Staff | Number | 26 | 135 | 78 | |
| Number of training hours relating to anti-corruption Executives | Number | 78 | 143 | 136 | |
| Number of training hours relating to anti-corruption Non Executives | Number | 264 | 314 | 182 | |
| Number of training hours relating to anti-corruption Total | Number | 368 | 591 | 418 | |
| Percentage of business partner that the organisation's anti corruption policies and procedure have been communicated to | % | 20% | 100% | 100% | |
| - Nature of confirmed incidents of corruption | Qualitative | 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 | |
| - Cost of fines, penalties or settlements in relation to corruption | RM | 0 | 0 | 0 | |
| Number of employees who have received training on anti-corruption by employee category: Directors | Number | N/A | N/A | 9 | |
| Number of employees who have received training on anti-corruption by employee category: Senior Management | Number | N/A | 6 | 11 | |
| Number of employees who have received training on anti-corruption by employee category: Managerial Staff | Number | 13 | 66 | 78 | |
| Number of employees who have received training on anti-corruption by employee category: Executives | Number | 39 | 122 | 136 | |
| Number of employees who have received training on anti-corruption by employee category: Non-Executives / operational | Number | 132 | 239 | 182 | |

ESG Performance Data

| Disclosures | Unit of Measurement | FY2022 | FY2023 | FY2024 | Target |
|---|---|---|---|---|---|
| **Anti-Corruption (cont'd.)** | | | | | |
| Number of employees who have received training on anti-corruption by employee category: Total | Number | 184 | 433 | 407 | |
| Percentage of operations assessed for corruption-related risks | % | 100% | 86% | 100% | |
| Confirmed incidents of corruption | Number | 0 | 1 | 0 | 0 |
| - Action taken | Qualitative | N/A | Domestic Inquiry and Report to MACC | 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 | |

# Bursa Malaysia Content Index

**COMMON INDICATORS**

| 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 | 102 |
| | | 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 | 97 |
| | | C2 (b) | Total number of beneficiaries of the investment in communities | 96, 121 |
| 3. | Diversity | C3 (a) | Percentage of employees by gender and age group, for each employee category | 94 - 95 |
| | | C3 (b) | Percentage of directors by gender and age group | |
| 4. | Energy management | C4 (a) | Total energy consumption | 115 |
| 5. | Health and safety | C5 (a) | Number of work-related fatalities | 84 |
| | | 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 | 89 |
| | | C6 (b) | Percentage of employees that are contractors or temporary staff | 117 |
| | | C6 (c) | Total number of employee turnover by employee category | 95 |
| | | C6 (d) | Number of substantiated complaints concerning human rights violations | 92 |
| 7. | Supply chain management | C7 (a) | Proportion of spending on local suppliers | 105 |
| 8. | Data privacy and security | C8 (a) | Number of substantiated complaints concerning breaches of customer privacy and losses of customer data | 107 |
| 9. | Water | C9 (a) | Total volume of water used | 76 |
| 10. | Waste management | C10 (a) | Total waste generated, and a breakdown of the following:<br>(i) total waste diverted from disposal<br>(ii) total waste directed to disposal | 76 |
| 11. | Emissions management | C11 (a) | Scope 1 emissions in tonnes of CO2e | 73 |
| | | C11 (b) | Scope 2 emissions in tonnes of CO2e | |
| | | C11 (c) | Scope 3 emissions in tonnes of CO2e<br>(at least for the categories of business travel and employee commuting) | |

**SECTOR-SPECIFIC INDICATORS: ENERGY**

| Common Sustainability Matters | Code | Indicators | Page |
|---|---|---|---|
| Biodiversity | S1 (a) | Percentage of existing operations or projects assessed for biodiversity risks | 116 |
| | S1 (b) | Size and location of all habitat areas protected or restored | |
| | S1 (c) | Total number of International Union for Conservation of Nature ("IUCN") Red List of Threatened Species and national conservation list species with habitats in areas affected by the operations of the company | |
| Emissions - Air Quality/Pollution | S4 (a) | Amount of air emissions of pollutants and particulate matter | 115 |
| Materials | S5 (a) | Total weight or volume of materials that are used to produce and package products and services | N/A |
| Effluents | S8 (a) | Total volume of water (effluent) discharge over the reporting period | N/A |

# GRI Content Index

| GRI Standard | Code | Disclosure | Location | Page |
|---|---|---|---|---|
| GRI 2: General Disclosures 2021 | 2-1 | Organisational details | Corporate Information | 12 |
| | 2-2 | Entities included in the organisation's sustainability reporting | Corporate Structure | 43 |
| | 2-3 | Reporting period, frequency and contact point | Scope, Boundary and Exclusions | 43 |
| | 2-4 | Restatements of information | About This Report | N/A |
| | 2-5 | External assurance | Assurance | 44 |
| | 2-6 | Activities, value chain and other business relationships | Our Value Chain | 28 |
| | 2-7 | Employees | Workforce diversity data | 117 |
| | 2-8 | Workers who are not employees | Workforce Diversity Data | 117 |
| | 2-9 | Governance structure and composition | Corporate Governance Overview Statement | 150 |
| | 2-10 | Nomination and selection of the highest governance body | | |
| | 2-11 | Chair of the highest governance body | | |
| | 2-12 | Role of the highest governance body in overseeing the management of impacts | | |
| | 2-13 | Delegation of responsibility for managing impacts | | |
| | 2-14 | Role of the highest governance body in sustainability reporting | Sustainability Governance at Velesto<br>Governing Sustainability | 55 |
| | 2-15 | Conflicts of interest | Assessment of Independence<br>Additional Compliance Information<br>Statistics on Shareholding | 161 |
| | 2-16 | Communication of critical concerns | Grievance Mechanism | 90 |
| | 2-17 | Collective knowledge of the highest governance body | Board Skills Matrix | |
| | 2-18 | Evaluation of the performance of the highest governance body | Board Effectiveness Evaluation | 134 - 143, 159 |
| | 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 | 191 |
| | 2-22 | Statement on sustainable development strategy | SS2024 Message from the Group President | 45 - 47 |
| | 2-23 | Policy commitments | Diverse Policies for Good Governance | 56 |
| | 2-24 | Embedding policy commitments | | |
| | 2-25 | Processes to remediate negative impacts | Grievance Mechanism | 90 |
| | 2-26 | Mechanisms for seeking advice and raising concerns | Feedback Channel | 90 |
| | 2-27 | Compliance with laws and regulations | Regulatory Compliance | 100 |
| | 2-28 | Membership associations | Industry Association Membership and External Initiatives | 62 |
| | 2-29 | Approach to stakeholder engagement | Our Stakeholder Universe | 58 - 61 |
| | 2-30 | Collective bargaining agreements | Labour Practices and Human Rights<br>Supply Chain Management | 91, 104 |
| GRI 3: Material Topics 2021 | 3-1 | Process to determine material topics | Determining Materiality | 63 - 66 |
| | 3-2 | List of material topics | | |
| | 3-3 | Management of material topics | Throughout the Report | |

| GRI Standard | Code | Disclosure | Location | Page |
|---|---|---|---|---|
| GRI 201: Economic Performance 2016 | 201-1 | Direct economic value generated and distributed | Local Community Impact | 89, 97 |
| | 201-2 | Financial implications and other risks and opportunities due to climate change | TCFD- Aligned Disclosure | 109 - 111 |
| | 201-3 | Defined benefit plan obligations and other retirement plans | Competitive Remuneration and Benefits | 87 - 89 |
| | 201-4 | Financial assistance received from government | N/A | 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 | 146 |
| GRI 203: Indirect Economic Impacts 2016 | 203-1 | Infrastructure investments and services supported | Local Community Impact | 96 - 97 |
| | 203-2 | Significant indirect economic impacts | | |
| GRI 204: Procurement Practices 2016 | 204-1 | Proportion of spending on local suppliers | Prioritising Local Procurement<br>Supply Chain Management Data | 105 |
| GRI 205: Anti-corruption 2016 | 205-1 | Operations assessed for risks related to corruption | Corporate Governance & Anti-Corruption<br>Anti-Corruption Performance Data | 102 |
| | 205-2 | Communication and training about anti-corruption policies and procedures | | |
| | 205-3 | Confirmed incidents of corruption and actions taken | | |
| GRI 302: Energy 2016 | 302-1 | Energy consumption within the organisation | Energy Consumption and Emissions<br><br>Energy and GHG Emissions Data | 71. 115 |
| | 302-2 | Energy consumption outside of the organisation | | |
| | 302-3 | Energy intensity | | |
| | 302-4 | Reduction of energy consumption | | |
| | 302-5 | Reductions in energy requirements of products and services | | |
| GRI 303: Water and Effluents 2018 | 303-1 | Interactions with water as a shared resource | Pollution and Waste Management<br><br>Water Consumption and Waste and Effluent Data | 74 - 76. 115 - 116 |
| | 303-2 | Management of water discharge-related impacts | | |
| | 303-3 | Water withdrawal | | |
| | 303-4 | Water discharge | | |
| | 303-5 | Water consumption | | |
| GRI 304: Biodiversity 2016 | 304-1 | Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | Marine Biodiversity<br><br>Biodiversity Data | 77 - 79, 116 |
| | 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 | Energy Consumption and Emissions<br><br>Energy, GHG Emissions and Air Quality Data | 71 - 74, 115 |
| | 305-2 | Energy indirect (Scope 2) GHG emissions | | |
| | 305-3 | Other indirect (Scope 3) GHG emissions | | |
| | 305-4 | GHG emissions intensity | | |
| | 305-5 | Reduction of GHG emissions | | |
| | 305-6 | Emissions of ozone-depleting substances (ODS) | | |
| | 305-7 | Nitrogen oxides (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 | Pollution and Waste Management<br>Waste and Effluent Data | 75 - 76, 115 |
| | 306-2 | Management of significant waste-related impacts | | |
| | 306-3 | Waste generated | | 75 - 76, 115 |
| | 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 | 103 - 105 |
| | 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<br>Hiring and Attrition and Employee Benefits and Remuneration Data | 87, 95, 118 - 120 |
| | 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 | 90 - 92 |
| GRI 403: Occupational Health and Safety 2018 | 403-1 | Occupational health and safety management system | Occupational Safety and Health<br>HSE Performance Data | 80 - 84, 121 |
| | 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<br>Staff Training Data | 85 - 89, 120 |
| | 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 | Commitment to Diversity and Equal Opportunity | 94 - 95 |
| | 405-2 | Ratio of basic salary and remuneration of women to men | Governance Body Composition and Workforce Diversity Data | 94 - 95 |
| GRI 406: Non-discrimination 2016 | 406-1 | Incidents of discrimination and corrective actions taken | Labour Practices and Human Rights | 90 - 92 |
| 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 | Supply Chain Management | 103 - 105 |
| GRI 408: Child Labour 2016 | 408-1 | Operations and suppliers at significant risk for incidents of child labour | Supply Chain Management | 103 - 105 |

| 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 | Supply Chain Management | 103 - 105 |
| GRI 413: Local Communities 2016 | 413-1 | Operations with local community engagement, impact assessments, and development programmes | Local Community Impact | 96 - 97, 116 - 117 |
| | 413-2 | Operations with significant actual and potential negative impacts on local communities | Community Engagement Data | 96 - 97, 116 - 117 |
| GRI 414: Supplier Social Assessment 2016 | 414-1 | New suppliers that were screened using social criteria | Labour Practices and Human Rights<br>Supply Chain Management Data | 103 - 105, 116 - 117 |
| | 414-2 | Negative social impacts in the supply chain and actions taken | | |
| GRI 415: Public Policy 2016 | 415-1 | Political contributions | Political Views and Contributions | 100 |
| GRI 418: Customer Privacy 2016 | 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | Customer Data Privacy and Security | 107 |

## 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 and Emission, which includes Velesto Oilfield Services in Tianjin.

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

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

# TCFD Content Index

| TCFD Pillars & Thematic Areas | TCFD Recommended Disclosures | Page Reference |
|---|---|---|
| **Governance**<br>Disclose the organisation's governance around climate-related risks and opportunities. | a) Describe the board's oversight of climate related risks and opportunities. | Sustainability Governance, page 54 - 57<br>Climate Change, page 71<br>TCFD - Aligned Disclosure, page 109 |
| | b) Describe management's role in assessing and managing climate related risks and opportunities. | Sustainability Governance, page 54 - 57<br>TCFD - Aligned Disclosure, page 109 - 111 |
| **Strategy**<br>Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material. | a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term. | Climate Change, page 72<br>TCFD - Aligned Disclosure, page 111 |
| | b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning. | Climate Change, page 72<br>TCFD - Aligned Disclosure, page 109 - 111 |
| | c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. | TCFD - Aligned Disclosure, page 109 -111 |
| **Risk Management**<br>Disclose how the organisation identifies, assesses and manages climate-related risks. | a) Describe the organisation's processes for identifying and assessing climate related risk. | TCFD - Aligned Disclosure, page 109 -111 |
| | b) Describe the organisation's processes for managing climate related risks. | Climate Change, page 70 - 72<br>TCFD - Aligned Disclosure, page 109 - 112 |
| **Metrics and Targets**<br>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities, where such information is material. | a) Disclose the metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process | Climate Change, page 72<br>TCFD - Aligned Disclosure, page 109 - 112 |
| | b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. | Energy and Emissions Management, page 73<br>TCFD - Aligned Disclosure, page 110 - 111 |
| | c) Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets. | TCFD - Aligned Disclosure, page 112 |

# Board of Directors

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

**DATUK GEORGE LING KIEN SING**
Independent Non-Executive Director

**ALAN HAMZAH SENDUT**
Independent Non-Executive Director

**ROWINA GHAZALI SETH**
Independent Non-Executive Director

**AR. AHILA GANESAN**
Independent Non-Executive Director

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

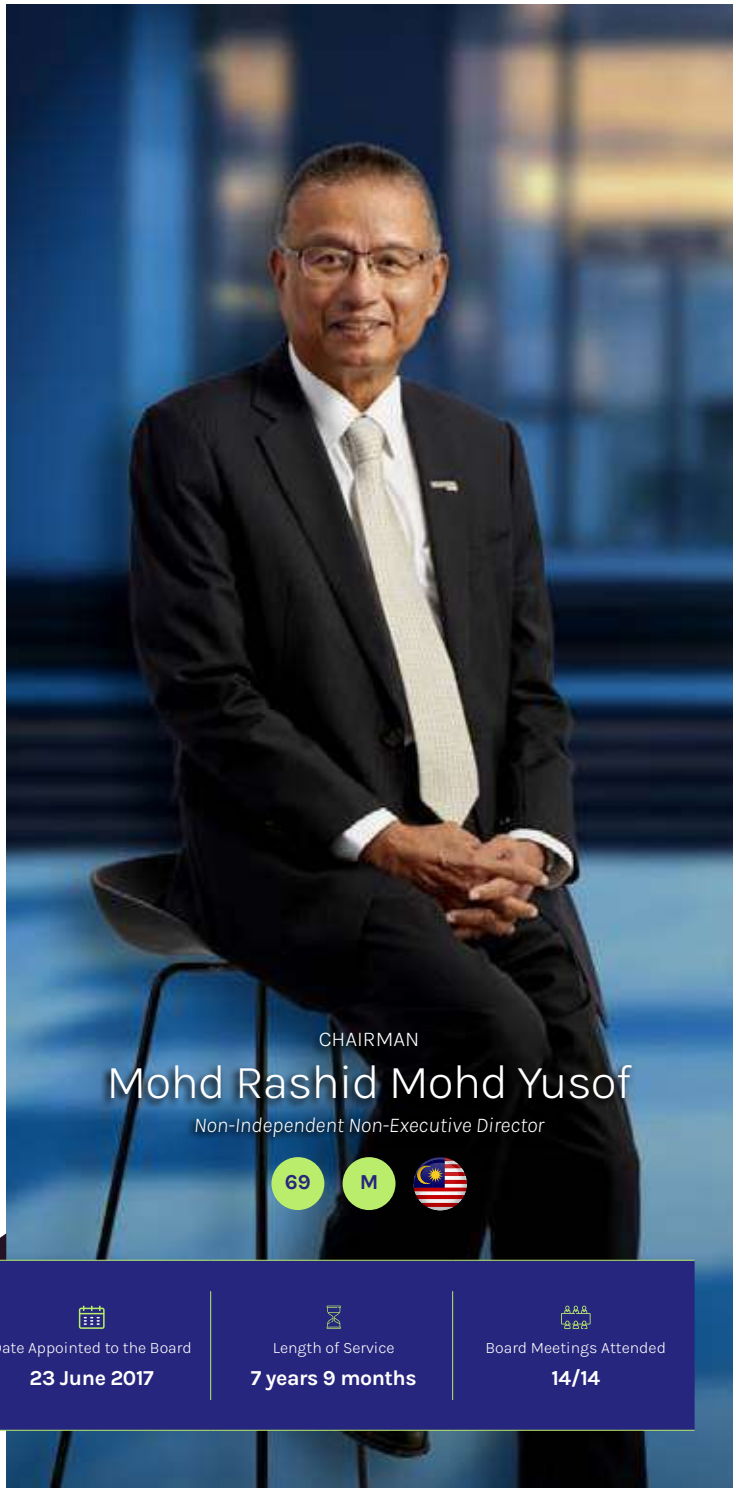
**HAIDA SHENNY HAZRI**
Non-Independent Non-Executive Director

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

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

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

# Profile of Directors




## Qualifications

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

## Membership of Associations

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

## 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 FY2024.

## Qualifications

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

## Membership of Associations

None

## Membership of Board Committees

- Chairperson of Board Nomination & 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"), and an active mentor in the Young Corporate Malaysia programme.

## 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 & 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 & 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 FY2024.

Profile of Directors

## Qualifications

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

## 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 Board Governance & Risk Committee
- Member of Board Nomination & Remuneration Committee
- Member of Board Strategic Committee

## Working Experience

Haida Shenny Hazri ("Haida") has more than 25 years of experience in the oil and gas industry.

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

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

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

Since 2018 and 2019 respectively, she has served as an Independent Non-Executive Director of Privasia Technology Berhad & 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.

## Any other board directorships in public companies

LISTED ENTITY:

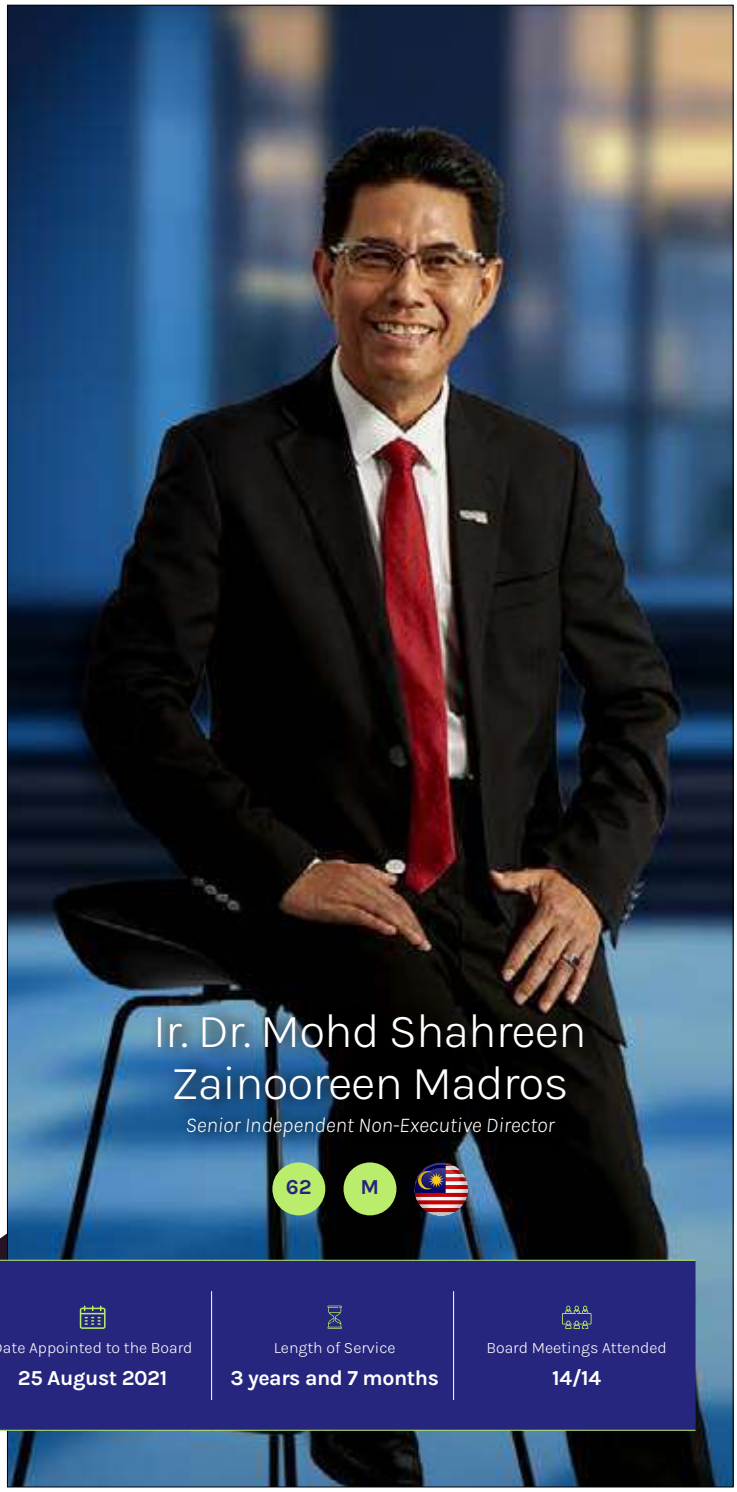
- Privasia Technology Berhad
- Keyfield International Berhad

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 FY2024.




### Qualifications

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

### Membership of Associations

- Board of Engineers, Malaysia

### Membership of Board Committees

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

### Working Experience

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

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

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

Ir. Dr. Shahreen is also a certified coach, and an Adjunct Professor with UKM Graduate School of Business.

### Any other board directorships in public companies

LISTED ENTITY:

- Time Dotcom Berhad

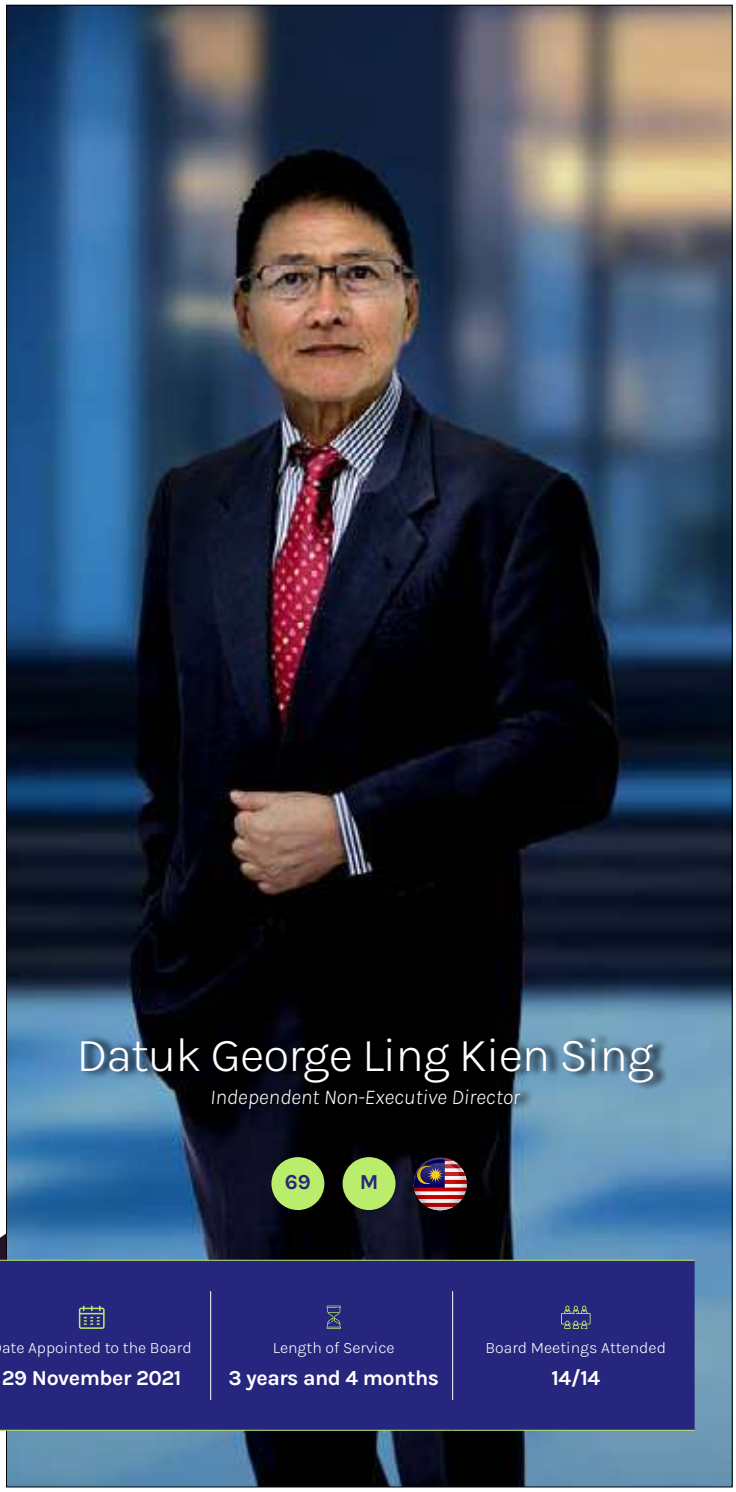
OTHER PUBLIC COMPANIES:

- 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 FY2024.

Profile of Directors




## Qualifications

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

## Membership of Associations

None

## Membership of Board Committees

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

## Working Experience

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

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

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

## 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.
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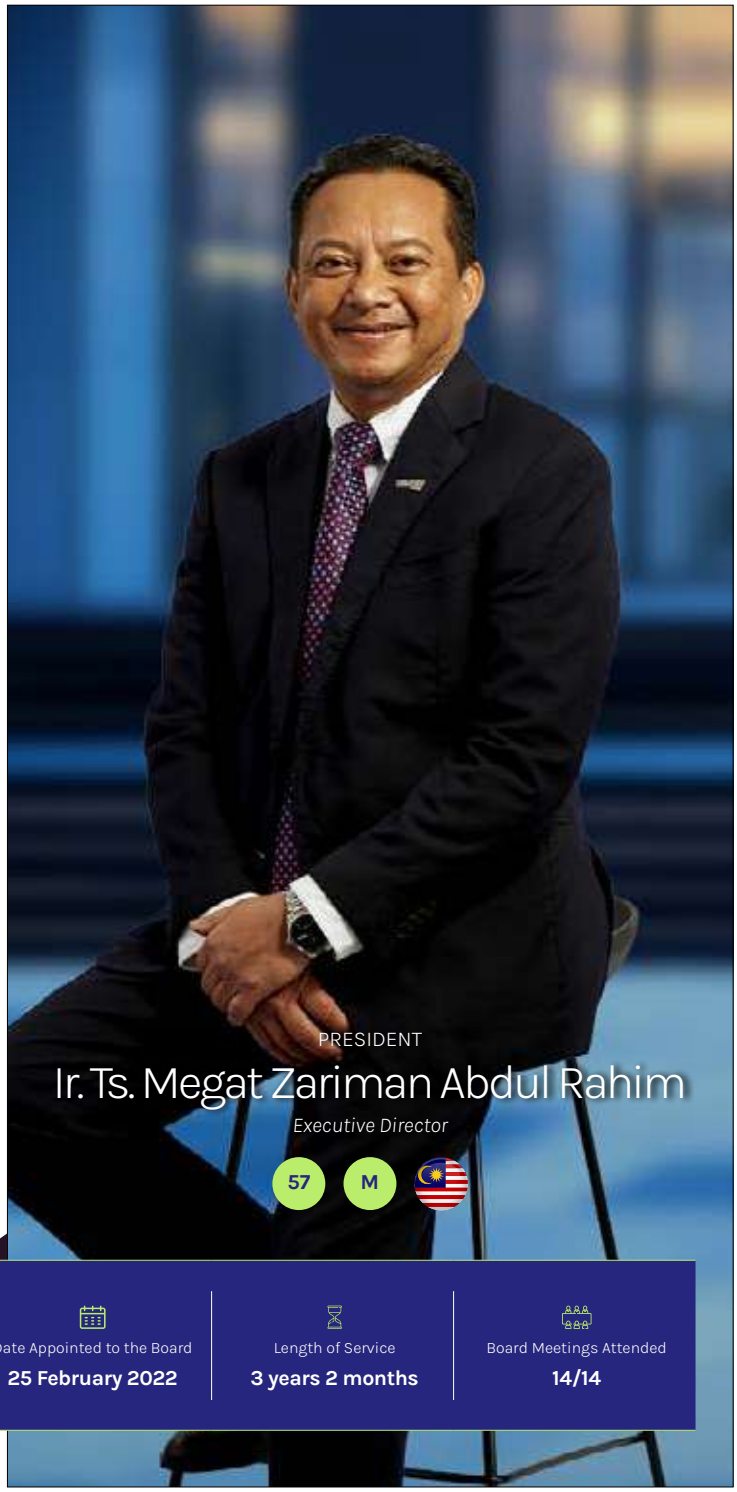



## Qualifications

- 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

## Membership of Board Committees

None

## Working Experience

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

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

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

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

## 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 FY2024.

Profile of Directors

# Ar. Ahila Ganesan

*Independent Non-Executive Director*

50 F

| Date Appointed to the Board | Length of Service | Board Meetings Attended |
|---|---|---|
| 12 August 2022 | 2 years and 7 months | 14/14 |

## 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)

## Membership of Board Committees

- Member of Board Audit Committee
- Member of Board Nomination & 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:

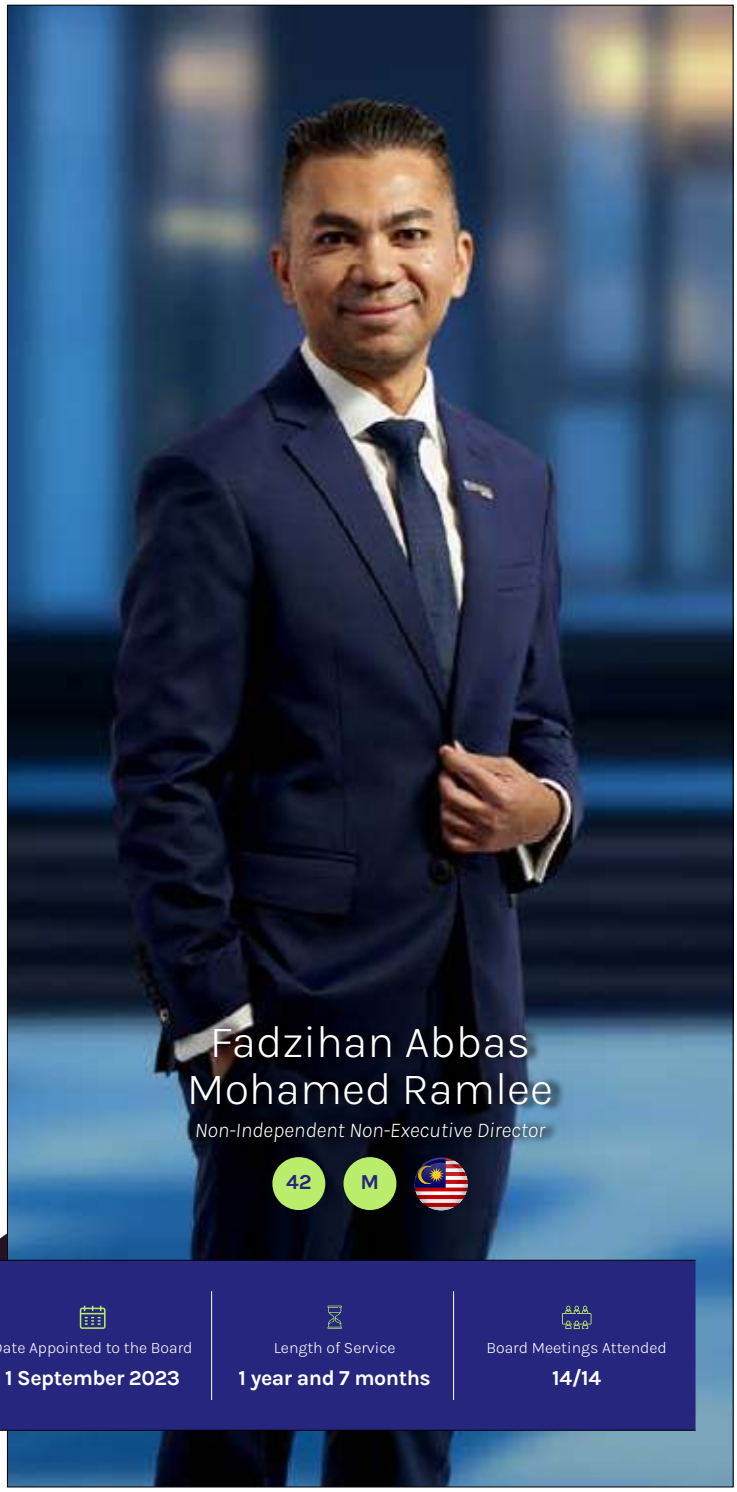
- None

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 FY2024.




### Qualifications

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

### Membership of Associations

None

### Membership of Board Committees

- Member of Board Nomination & Remuneration Committee
- Member of Board Strategic Committee

### Working Experience

Fadzihan Abbas Mohamed Ramlee ("Abbas") is the Chief Executive Officer and Executive Director of Amanah Saham Nasional Berhad ("ASNB"), a wholly owned Unit Trust Management Company of Permodalan Nasional Berhad ("PNB").

Prior to his current position, Abbas was the Chief Strategy Officer for PNB, and has served various departments within PNB throughout his 19 years of working experiences in the organisation. He started as a Real Estate analyst and subsequently joined Research Division as a Macro-Economy analyst. He has held various positions in PNB, including Senior Manager of the Office of the President & GCEO and Senior Vice President of Corporate Planning & Strategy.

### Any other board directorships in public companies

LISTED ENTITY:

- None

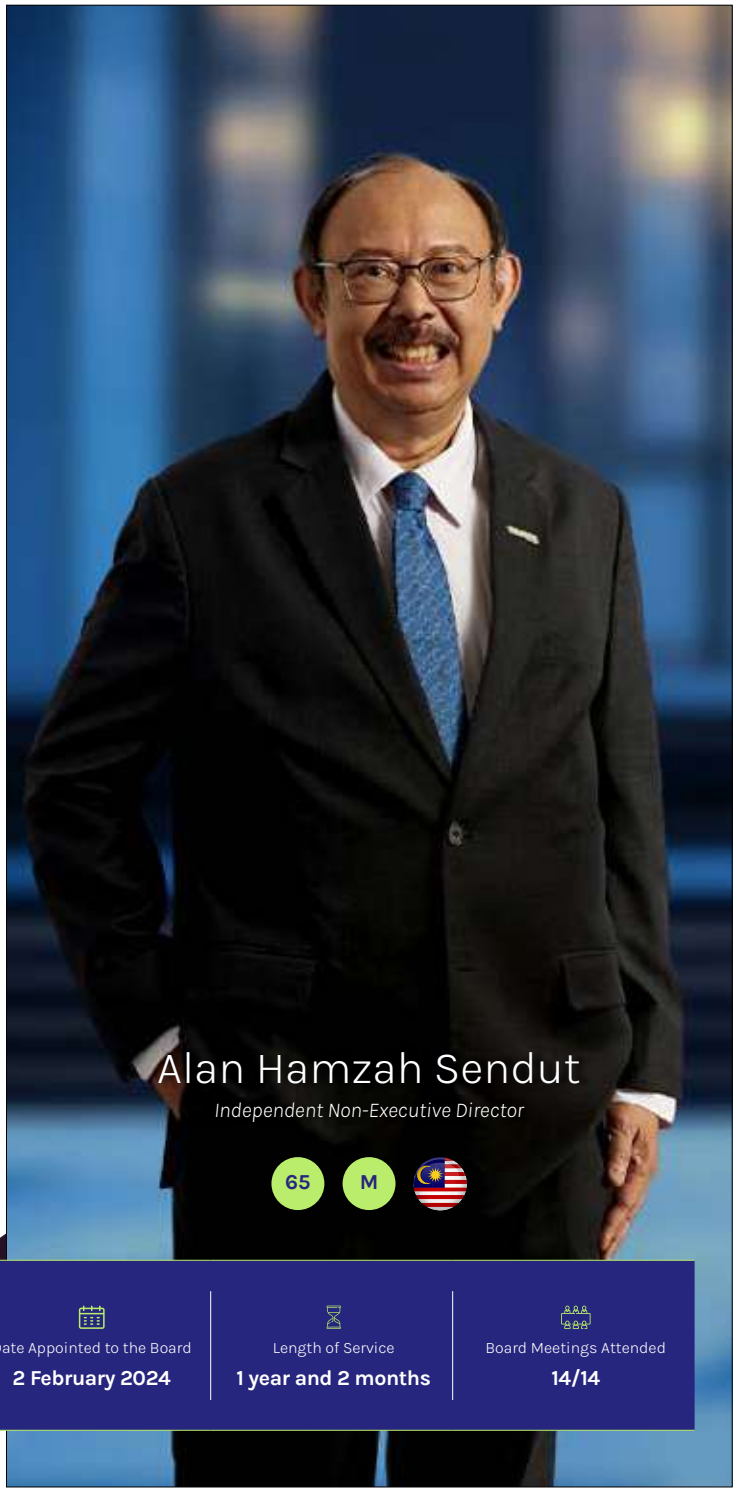
OTHER PUBLIC COMPANIES:

- 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 FY2024.

Profile of Directors



# Alan Hamzah Sendut

*Independent Non-Executive Director*

65 M

| Date Appointed to the Board | Length of Service | Board Meetings Attended |
|---|---|---|
| 2 February 2024 | 1 year and 2 months | 14/14 |

## Qualifications

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

## Membership of Associations

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

## Membership of Board Committees

- Chairman of Board Audit Committee
- Member of Board Governance & 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, 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). He currently serves as an Independent Non-Executive Director of Hong Leong Islamic Bank Berhad (2016 to date) and as an Independent Non-Executive Director of 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

OTHER PUBLIC COMPANIES:

- Hong Leong Islamic Bank Berhad
- 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 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 FY2024.

### Qualifications

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

### Membership of Associations

None

### Membership of Board Committees

None

### Working Experience

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

### 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 FY2024.

# Key Leaders

**SHAHRUL NIZAR AHMAD**
Senior Vice President, Strategic Marketing

**ZULFA ASHIDA ZULKIFLI**
Vice President, Human Resources

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

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

**ABDUL HADI ABDUL BARI**
Senior Vice President, Drilling Business

**NORZALIZAH ALIAS**
Head, Integrity Governance Unit and Compliance

**CHONG EU JIN**
Vice President, Partnership & Alliances

**MOHD SUHAIMI AHMAD**
Vice President, Business Development & Commercial

**NORZAIDI MOHD ZAHIDIN**
Vice President, Operations

**MOHAMMAD HAFIZ SAPARANI**
Head, Internal Audit

**SAZLYNA SAPIEE**
Chief Financial Officer

**LEE MI RYOUNG**
General Counsel, Legal & Secretarial

## Key Leaders Profile

### Ir. Ts. Megat Zariman Abdul Rahim

President, Executive Director

Appointed on 25 Feb 2022 | 57 | M

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

### Sazlyna Sapiee

Chief Financial Officer

Appointed on 1 Jun 2020 | 59 | F

**Qualifications**

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

**Past Employment**

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

**Membership of Association**

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

**Others**

- 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 | 49 | M

**Qualifications**

- Advanced Leadership Programme, Cambridge Judge Business School, University of Cambridge
- Post Graduate Diploma in Applied Finance & Investment – Securities Institute of Australia, Australia
- Bachelor of Business Administration (Honours) in Finance, Multimedia University, Malaysia
- Diploma in Investment Analysis, Universiti Teknologi MARA, Malaysia

**Past Employment**

- Innosabah Securities Sdn. Bhd.
- Permodalan Nasional Berhad
- SapuraCrest Petroleum Berhad
- MISC Berhad
- Asian Geos Sdn. Bhd. (a Gardline Geosciences UK Company)

**Membership of Association**

- Nil

## Shahrul Nizar Ahmad

Senior Vice President, Strategic Marketing

Appointed on 1 Jan 2025 | 49 | M

### Qualifications

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

### Past Employment

- SLB
- Dunham Bush

### Membership of Association

- Society of Petroleum Engineers (SPE)

## Norzaidi Mohd Zahidin

Vice President, Operations

Appointed on 1 Sept 2022 | 50 | M

### Qualifications

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

### Past Employment

- Sapura Drilling
- Seadrill
- Transocean
- Sedco Forex Schlumberger

### Membership of Association

- Society of Petroleum Engineers (SPE)

## Chong Eu Jin

Vice President, Partnership & Alliances

Appointed on 1 Jan 2025 | 48 | M

### Qualifications

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

### Past Employment

- Destini Berhad
- Aquaterra Energy
- Cameron International

### Membership of Association

- Society of Petroleum Engineers (SPE)

Key Leaders Profile

## Mohd Suhaimi Ahmad

Vice President, Business Development and Commercial

Appointed on 1 Jan 2025 | 48 | M

### Qualifications

- Bachelor of Accountancy - Universiti Teknologi MARA

### Past Employment

- Edaran Berhad
- Kumpulan NAGA
- Hashim Mohamed & Co

### Membership of Association

- Nil

## Zulfa Ashida Zulkifli

Vice President, Human Resources

Appointed on 2 Feb 2023 | 55 | F

### Qualifications

- Bachelor of Business Administration - Universiti Utara Malaysia
- MSc. Organisational Behaviour - University of London

### 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 | 57 | M

### Qualifications

- Bachelor of Science in Electrical Engineering (BSEE) University of Texas at El Paso, 1989
- Master of Business Administration (MBA), Heriot-Watt University, 2016

### Past Employment

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

### Membership of Association

- Society of Petroleum Engineers (SPE)

## Lee Mi Ryoung

General Counsel, Legal & Secretarial

Appointed on 15 Jul 2019 | 48 | F | PR

### 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
- LL.B Bachelor in Law - University College, London, UK
- Post Graduate Diploma in International Commercial Arbitration - The Chartered Institute of Arbitrators, London, UK
- Post Graduate Diploma in Professional Legal Skills - City University, London, UK

### Past Employment

- British American Tobacco (Malaysia) Berhad
- Petroliam Nasional Berhad ("PETRONAS") and Malaysian LNG Group of Companies
- Shell Malaysia Trading Sdn. Bhd. and Shell Refining Company (FOM) Berhad
- Yeng Chong Realty Berhad
- Shook Lin & Bok LLP

### Membership of Association

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

## Norzalizah Alias

Head, Integrity Governance Unit and Compliance

Appointed on 1 Jan 2025 | 51 | F

### Qualifications

- Bachelor of Accountancy (Honours) – Universiti Teknologi MARA

### Past Employment

- PricewaterhouseCooppers
- JF Apex Securities Berhad
- AFTAAS
- KPMG
- Export-Import Bank of Malaysia Berhad
- Sapurakencana Petroleum Berhad
- Ranhill Capital Sdn. Bhd.

### Membership of Association

- Malaysian Institute of Accountants
- The Institute of Internal Auditors Malaysia

## Mohammad Hafiz Saparani

Head, Internal Audit

Appointed on 1 Jan 2025 | 47 | M

### Qualifications

- Bachelor of Accountancy (Honours) - Universiti Teknologi MARA
- 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

### 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 FY2024.

## Corporate Governance Overview Statement

Velesto Group's governance framework, guided by the Malaysian Code of Corporate Governance 2021 ("MCCG 2021"), is structured around three core principles: Leadership and Effectiveness (Principle A), Effective Audit and Risk Management (Principle B), and Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders (Principle C). These principles form the foundation of the Group's Corporate Governance ("CG"), which drives sustainability, adaptability, and accountability across all levels of the organisation.

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

PRINCIPLE A

### Leadership & Effectiveness

PRINCIPLE B

### Effective Audit & Risk Management

PRINCIPLE C

### Integrity in Corporate Reporting & Meaningful Relationship with Stakeholders

In 2024, Velesto's commitment to high governance standards was exemplified by its strong FTSE4Good rating of 4.0, reflecting the Board's dedication to ethical leadership and the advancement of the Group's sustainability agenda. For further details, this Corporate Governance Overview Statement should be read in conjunction with the full Corporate Governance Report, available on our website at www.velesto.com.

### BOARD OF DIRECTORS AT A GLANCE

- **Mohd Rashid Mohd Yusof**
  Chairman
- **Ar. Ahila Ganesan**
  Independent Non-Executive Director
- **Rowina Ghazali Seth**
  Independent Non-Executive Director
- **Ir. Ts. Megat Zariman Abdul Rahim**
  Executive Director
- **Haida Shenny Hazri**
  Non-Independent Non-Executive Director
- **Fadzihan Abbas Mohamed Ramlee**
  Non-Independent Non-Executive Director
- **Ir. Dr. Mohd Shahreen Zainooreen Madros**
  Senior Independent Non-Executive Director
- **Alan Hamzah Sendut**
  Independent Non-Executive Director
- **Datuk George Ling Kien Sing**
  Independent Non-Executive Director
- **Nadzrin Alia Md Azizis**
  Alternate Director to Fadzihan Abbas Mohamed Ramlee

## BOARD COMMITTEES AT A GLANCE

### BOARD AUDIT COMMITTEE ("BAC")

**FY2024:**

- Alan Hamzah Sendut — *Chairman*
- Ir. Dr. Mohd Shahreen Zainooreen Madros
- Datuk George Ling Kien Sing
- Ar. Ahila Ganesan

**As at 31 March 2025:**

- Alan Hamzah Sendut — *Chairman*
- Ir. Dr. Mohd Shahreen Zainooreen Madros
- Ar. Ahila Ganesan
- Rowina Ghazali Seth

### BOARD NOMINATION & REMUNERATION COMMITTEE MEETING ("BNRC")

**FY2024:**

- Ir. Dr. Mohd Shahreen Zainooreen Madros — *Chairman*
- Rowina Ghazali Seth
- Fadzihan Abbas Mohamed Ramlee
- Haida Shenny Hazri

**As at 31 March 2025:**

- Rowina Ghazali Seth — *Chairperson*
- Haida Shenny Hazri
- Fadzihan Abbas Mohamed Ramlee
- Datuk George Ling Kien Sing
- Ar. Ahila Ganesan

### BOARD RISK MANAGEMENT COMMITTEE ("BRMC") & BOARD WHISTLE-BLOWING COMMITTEE ("BWBC")

**BRMC FY2024 (up until 10 July 2024):**

- Rowina Ghazali Seth — *Chairperson*
- Fadzihan Abbas Mohamed Ramlee
- Datuk George Ling Kien Sing
- Ar. Ahila Ganesan

**BWBC FY2024 (up until 10 July 2024):**

- Haida Shenny Hazri — *Chairperson*
- Rowina Ghazali Seth
- Ir. Dr. Mohd Shahreen Zainooreen Madros
- Alan Hamzah Sendut

### BOARD GOVERNANCE & RISK COMMITEE ("BGRC")

**Reconstituted BRMC and BWBC as a single committee*

**As at 31 March 2025:**

- Haida Shenny Hazri — *Chairperson*
- Datuk George Ling Kien Sing
- Ar. Ahila Ganesan
- Ir. Dr. Mohd Shahreen Zainooreen Madros
- Alan Hamzah Sendut

### BOARD STRATEGIC COMMITEE ("BSC")

**BSC established on 10 July 2024*

**As at 31 March 2025:**

- Ir. Dr. Mohd Shahreen Zainooreen Madros — *Chairman*
- Haida Shenny Hazri
- Datuk George Ling Kien Sing
- Fadzihan Abbas Mohamed Ramlee
- Alan Hamzah Sendut

| NAME AND DESIGNATION | MEETING ATTENDANCE IN FY2024 | | | | | | |
|---|---|---|---|---|---|---|---|
| | BOARD | BAC | BNRC | BGRC | BSC | BRMC | BWBC |
| **Mohd Rashid Mohd Yusof**<br>*Chairman / Non-Independent Non-Executive Director ("NINED")* | 14/14 | - | - | - | - | - | - |
| **Rowina Ghazali Seth**<br>*Independent Non-Executive Director ("INED")* | 14/14 | 3/3 | 8/8 | - | - | 3/3 | 3/3 |
| **Haida Shenny Hazri**<br>*NINED* | 13/14 | - | 8/8 | 3/3 | 2/2 | - | 3/3 |
| **Ir. Dr. Mohd Shahreen Zainooreen Madros**<br>*Senior INED* | 14/14 | 7/7 | 5/5 | 3/3 | 2/2 | 3/3 | 3/3 |
| **Datuk George Ling Kien Sing**<br>*INED* | 14/14 | 4/4 | 3/3 | 3/3 | 2/2 | 3/3 | - |
| **Ir. Ts. Megat Zariman Abdul Rahim**<br>*President / Executive Director ("ED")* | 14/14 | - | - | - | - | - | - |
| **Ar. Ahila Ganesan**<br>*INED* | 14/14 | 7/7 | 3/3 | 3/3 | - | 3/3 | - |
| **Fadzihan Abbas Mohamed Ramlee**<br>*NINED* | 14/14 | - | 8/8 | - | 2/2 | 3/3 | - |
| **Alan Hamzah Sendut**<br>*INED* | 14/14 | 7/7 | - | 3/3 | 2/2 | 3/3 | 2/2 |
| **Nadzrin Alia Md Azizis**<br>*(Alternate Director to Fadzihan Abbas Mohamed Ramlee)* | 14/14 | - | 8/8 | - | 2/2 | 3/3 | - |

Corporate Governance Overview Statement

PRINCIPLE A

# Leadership and Effectiveness

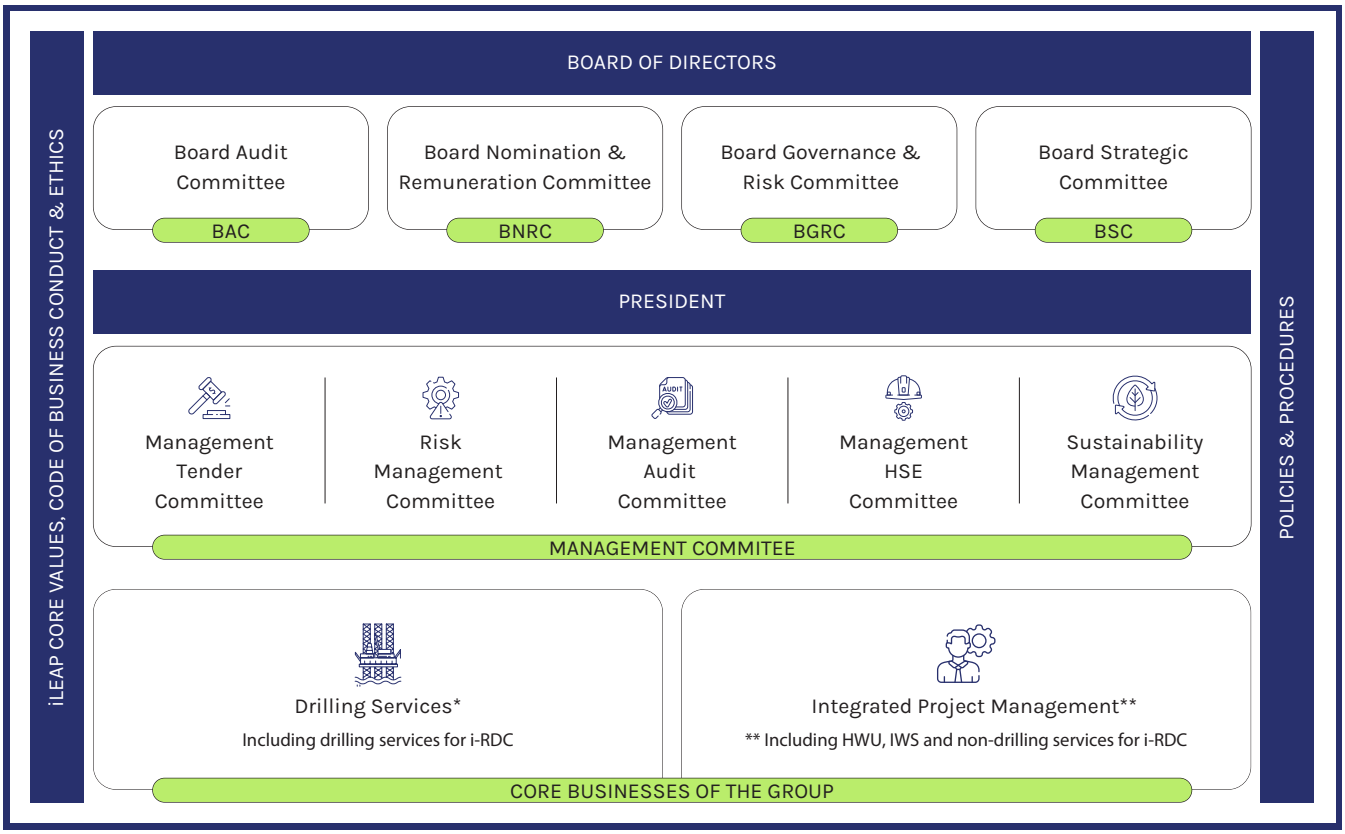
## OUR GOVERNANCE STRUCTURE

### Governance Excellence: Embedding Integrity and Accountability

Velesto's commitment to upholding the highest standards of corporate governance is demonstrated through its comprehensive Corporate Governance Framework. This framework integrates governance principles with effective internal control systems, fostering a cohesive approach to promoting a culture of integrity, transparency, and compliance across the organisation.

At the core of this framework is the Velesto Code of Business Conduct and Ethics ("CoBE"), which reflects the organisation's corporate vision and mission while embodying the iLEAP core values. The CoBE serves as a guiding document for all operational activities, reinforcing the principle that effective governance is essential to achieving sustainable long-term performance, enhancing stakeholder value, and driving economic growth and resilience.

Outlined below is an overview of Velesto's governance structure, highlighting the roles of both the Board Committees and Management Committees:



## DEMARCATION OF RESPONSIBILITIES AT THE BOARD LEVEL - HOW THE BOARD OPERATES

### The Board Charter

Guided by the principles outlined in its Board Charter, the Board ensures effective governance through a framework that is regularly updated to meet evolving standards and regulatory requirements.

Recently reviewed and refreshed on 9 July 2024, the Charter reflects the latest Main Market Listing Requirements ("MMLR") of BURSA and incorporates updates from the Malaysian Code of Corporate Governance 2021 ("MCCG 2021"). It remains a cornerstone of Velesto's governance practices.

The Charter facilitates continuous reassessment of responsibilities across the Board, its Committees, individual Directors, and the Management, enabling the organisation to respond effectively to changes in business landscapes, economic conditions, and market dynamics. This adaptive approach supports innovation, value creation, and growth while enhancing operational efficiency and resource allocation.

At the heart of the Board Charter is a detailed framework that defines the Group's governance structure, including the authority and Terms of Reference ("TOR") of the Board Committees, as well as roles and responsibilities throughout the organisation. It serves as a key reference for fostering commitment and enabling informed decision-making processes.

For greater transparency, the Board Charter and the TORs of all Board Committees are accessible on the Company's corporate website, www.velesto.com. While certain responsibilities are delegated to the Committees, the Board maintains comprehensive oversight through regular reporting and reviews of Committee minutes, ensuring alignment with organisational objectives and strategic priorities.

### Principal Roles and Responsibilities of the Board

As stewards of the Group's success, the Board holds a critical role in providing strategic direction and oversight to ensure the effective management of the Group's operations.

Each Director is entrusted with the responsibility to act in the best interests of the Company, demonstrating the highest standards of integrity and good faith.

Within this context, the Board's principal functions and responsibilities, as detailed in the Board Charter, include:

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

The Company's constitution requires Board decisions to have a majority for approval. However, for special matters, a Two-Thirds approval is required dependent on the specified matters.

Corporate Governance Overview Statement

**THE BOARD'S 2024 KEY FOCUS AREAS & PRIORITIES**

Throughout 2024, the Board concentrated its efforts on a spectrum of targeted areas aligned with the Group's core objectives and strategic priorities:

| | |
|---|---|
| **Sustainability** | > Monitored the economic & industry outlook, reviewed industry trends, market dynamics and evolving environments<br>> Sustainability strategies & initiatives<br>> Oversight on sustainability risks, gaps and management of compliance of relevant requirements<br>> Net Zero commitment and climate-related practices including decarbonisation roadmap development and climate disclosure<br><br>*Refer to Sustainability Statement* |
| **Strategic** | > Focused on procactively identifying and mitigating enterprise risks to ensure long-term resilience and sustainable growth<br>> Assessed geopolitical developments, considered emerging technological advancements and strengthened client engagement to better align with evolving industry needs |
| **Performance** | > Enhanced business plan, set KPIs and reviewed the performances of the President & Senior Management Team<br>> Oversight over the performance of core businesses covering Drilling Services (including drilling services for i-RDC) & Integrated Project Management (including HWU, IWS and non-drilling services for i-RDC)<br>> Oversight and governance on Quality, Health, Safety & Environmental ("QHSE") performances<br>> Performance monitoring of Enterprise Resources Planning<br>> Digitalisation & enhancement of operational efficiencies<br>> Tax management & monitoring |
| **Governance** | > Oversight over regulatory compliance & governance (i.e. CA2016, MCCG 2021, MMLR and other regulatory changes)<br>> Refreshment of Board & Board Commitees Sucession Planning and Emoluments as well as monitoring the independence of Director's independence<br>> Comprehensive review of CG Framework<br>> Reinforcement of sound framework of Enterprise Risk Management & Internal Control<br>> Conflict of Interest monitoring<br>> Promotion of culture of integrity and compliance<br>> Strategic oversight on sustainability governance |
| **Financial Results** | > Comprehensive overview of the business landscape, market projections and trendings<br>> Oversight of financial reporting<br>> Effectiveness of internal controls over financial reporting<br>> Refreshed of authority levels |

Directors are furnished with meeting materials ahead of Board meetings, following the approved schedule to allow sufficient time for review and preparation. The proceedings of each meeting are carefully documented and draft minutes are circulated to Directors for review prior to formal confirmation. These minutes, maintained by the Company Secretaries, provide a comprehensive account of key discussions, questions raised, responses provided, recommendations made, decisions reached, and the underlying rationale.

Matters requiring further action are systematically tracked and revisited at subsequent meetings, with decisions and directives promptly conveyed to Management to ensure effective follow-up and implementation. Non-Executive Directors meet twice a year, without the presence of Executive Directors. During the year under review, these meetings were held in March and August.

## BOARD COMMITTEES

Specific responsibilities are assigned to the Board's Committees, each operating under clearly established TOR. These TORs are periodically reviewed and updated to ensure alignment with the organisation's evolving needs and priorities.

After Committee meetings, the respective Chairpersons provide detailed summaries of discussions and decisions to the Board. Minutes of these meetings are promptly shared with Committee members and subsequently presented to the full Board for review and record-keeping.

### BAC

A comprehensive summary of the BAC activities during FY2024 is provided in the BAC Report section of the Integrated Annual Report. Details regarding the BAC's composition and meeting attendance throughout the fiscal year are included in the "Board & Board Committees at a Glance" section within the Corporate Governance Overview Statement.

For additional information on the roles and responsibilities of the BAC, the TOR can be accessed via the Group's corporate website at www.velesto.com.

### BNRC

| | For FY2024 |
|---|---|
| **Exclusively Non-Executive Directors** | ✓ |
| **Majority Independent Directors** | ✓ |
| **TOR**<br>✓ Authority ✓ Duties ✓ Selection & Assessment of Directors ✓ Available at website | |

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

Details regarding the composition and attendance of BNRC meetings held during FY2024 are available in the "Board & Board Committees at a Glance" section of the Corporate Governance Overview Statements.

For FY2024, the composition of the BNRC adheres to the stipulations outlined in Paragraph 15.08A (1) of the MMLR. This requirement mandates that the BNRC consists of exclusively Non-Executive Directors ("NED"), the majority of whom must be independent directors.

| DIRECTOR FY2024 | DESIGNATION |
|---|---|
| Ir. Dr. Mohd Shahreen Zainooreen Madros (Retirement on 10 July 2024) | Chairman (Senior INED) |
| Rowina Ghazali Seth (Appointed on 10 July 2024) | Chairperson (INED) |
| Fadzihan Abbas Mohamed Ramlee | Member (NINED) |
| Haida Shenny Hazri | Member (NINED) |
| Datuk George Ling Kien Sing (Appointed on 10 July 2024) | Member (INED) |
| Ar. Ahila Ganesan (Appointed on 10 July 2024) | Member (INED) |

Effective 10 July 2024, Puan Rowina Ghazali Seth, an Independent Director, has been appointed as the Chairperson of the BNRC, replacing Ir. Dr. Mohd Shahreen Zainooreen Madros. Consistent with Practice 1.4 of MCCG 2021, the Chairman of the Board does not hold membership in the BNRC.

Corporate Governance Overview Statement

### Summary of BNRC's activities

Throughout the fiscal year 2024, 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 FY2023 and FY2024
- 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

**BGRC**

The BGRC is formed, with a reconstitution of the BRMC and the BWBC into a single board committee on 10 July 2024.

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

With oversight responsibilities spanning enterprise-wide risks and the mandate to evaluate, monitor, and advise on the efficacy of Velesto Group's Enterprise Risk Management and Business Continuity Plan, the BGRC has, during the reviewed period, ensured the Group implemented measures to integrate risk management and business continuity practices across key processes and operations as well as fostering a strong culture of integrity, ensuring compliance, and promoting ethical practices across the Group.

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 FY2024
- Endorsed the revision to the Risk Rating Matrix FY2024
- 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 2023

**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
- 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.*

**BSC**

The BSC was established on 10 July 2024 to provide strategic oversight and policy direction, aligning the Group's strategy with its vision and mission to maximise shareholder value.

Operating under its TOR, the BSC supports the Board of Directors of Velesto in reviewing and recommending policies that shape the Group's long-term strategy.

The BSC is responsible for evaluating and advising on strategic plans and initiatives that drive sustainable growth, taking into account future opportunities and potential disruptions to the business model. It also assesses business expansion strategies, including mergers, acquisitions, major capital investments and divestments, considering factors such as strategic alignment, financial viability, and ESG principles. Additionally, the BSC monitors the Group's strategic project targets and oversees their implementation to support long-term value creation.

Interested parties can access the BSC's TOR 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

**Strategic Initiatives & Business Updates:**

- Reviewed on Group's mid-term strategic initiatives
- Update on Management Away Day 2024 Action Items
- Reviewed Board Away Day Agenda

**Financial Updates:**

- Reviewed on key initiatives, performances metrics and strategic assessments

**THE MANAGEMENT**

As the key conduit between the Board and Management, the President leads the Group's strategic execution, ensuring that operations are conducted with integrity, transparency, and alignment with the Group's vision and objectives.

Within this framework, the following Management Committees, operating under clearly defined TOR, serve as critical platforms for leadership, reporting, planning, oversight, and decision-making across the Group's operations and businesses.

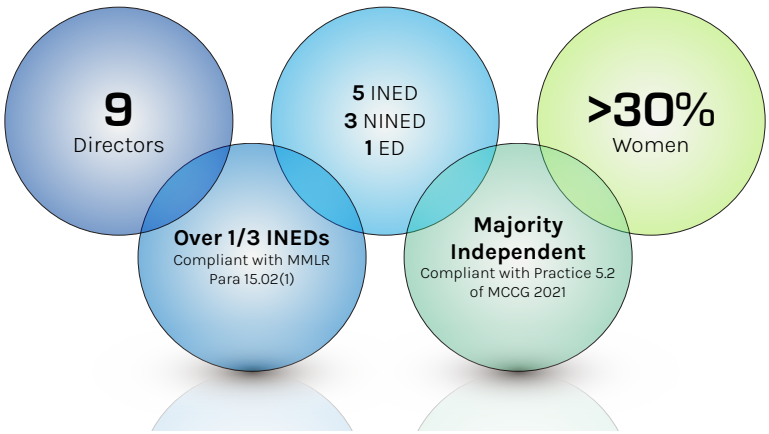
- Management Committee
- Management Tender Committee
- Risk Management Committee
- Management Audit Committee
- Management HSE Committee
- Sustainability Management Committee

These committees facilitate comprehensive oversight of the Group's activities, fostering effective communication, delegation of responsibilities, and the monitoring of initiatives, projects, and business performance.

The Management Committee, chaired by the President, meets weekly to oversee the overall management of the Group. These meetings include Value Moments and updates from core divisions such as Finance and Accounts, Commercial, Operations, Corporate Services, Integrated Project Management ("IPM"), Human Resources, Legal & Secretarial, and QHSE. Other Management Sub-Committees convene on a regular or periodic basis as required to fulfil their respective roles.

**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

### 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 2024 Board Effectiveness Evaluation ("BEE"), INEDs conducted a self-assessment of their independence. This assessment was based on criteria outlined by regulatory provisions and encompassed emerging and leading practices, including the concept of "independence in thought and mind" as per Guidance to Practice 5.3 of the MCCG 2021.

The BEE 2024 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 FY2024.

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 Director

A maximum tenure of nine years is outlined in the Board Charter for INEDs. Throughout FY2024, all INEDs remained within this limit, demonstrating adherence to the Charter's provisions and alignment with Practice 5.4 of the MCCG 2021.

### Appointment of a Director & Senior Management

The appointment of a new Director is determined by the Board following careful deliberation and consideration of recommendations provided by the BNRC. In formulating its recommendations, the BNRC evaluates the following factors:

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

### Appointment of Directors

In accordance with the guidelines set out in the Board Charter, the Director appointment process follows these structured steps:

| | |
|---|---|
| STEP 01 | Identification of skills/gaps. |
| STEP 02 | Approval on the parameters of search for the potential candidates. |
| STEP 03 | Identification of candidates from existing pool, recommendations from the Board, Management, major shareholder or external sources. |
| STEP 04 | Shortlisted candidates referred to BNRC for consideration and recommendation to Board. |
| STEP 05 | BNRC decides on appropriate means for review and evaluation of individual candidates. |
| STEP 06 | BNRC will consider findings of evaluation process & current composition, attributes and qualifications that should represent at the Board. |
| STEP 07 | Board's Approval. |

Potential candidates for Directorship can be nominated by current Board members, Management, or major shareholders, as outlined in the Board Charter. The BNRC also retains the flexibility to engage independent entities or third-party sources to identify qualified individuals. If the BNRC opts to rely solely on internal recommendations, it must provide a justification for not exploring other sourcing options.

### Appointments to Board Committees

The Company's BEE process includes a comprehensive review of the composition of Board Committees to ensure they remain fit for purpose. In recommending candidates for appointment to these Committees, the BNRC evaluates a variety of factors, including but not limited to:

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

### Directors' Re-election and Re-appointment

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 27 February 2025, 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 15th 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:

- Ir. Ts. Megat Zariman Abdul Rahim
- Ar. Ahila Ganesan
- Rowina Ghazali Seth

### Succession Planning for Senior Management

Succession planning for senior management positions is overseen by the Human Resources Division, ensuring that candidate selection aligns with the specific requirements of each role. Shortlisted candidates undergo an interview process with the President, and the Vice President of Human Resources, following which their nominations are submitted to the BNRC for thorough review and recommendation. Final consideration and approval is with the Board.

The selection process is guided by a comprehensive set of criteria, including professional attributes, capabilities, qualifications, skills, and relevant industry experience, ensuring that leadership appointments support the long-term strategic objectives of the Company.

### Commitment

To ensure full participation, the schedule for Board and Board Committee meetings for FY2024 was prepared and shared with Directors in Q3 FY2023, providing ample time to accommodate their commitments. Directors are encouraged to attend all scheduled meetings for both the Board and the Committees on which they serve.

In cases where exceptional circumstances prevent a Director from attending, they are given access to meeting materials and relevant information. This allows them to communicate with the respective Chair, President, Senior Management, or Company Secretary to address any key matters and stay informed of decisions made during the meeting. The Chairman, President, Senior Management, and Company Secretary are also available to provide further clarification or discuss any issues raised by Directors.

For FY2024, the Board was content that each Non-Executive Director ("NED") was able to commit sufficient time to their role within the Company. Furthermore, in accordance with Paragraph 15.06(1) of the MMLR, none of the Board members holds more than five directorships in listed companies. Before accepting additional directorship appointments in other listed companies, Directors are required to notify the Company Secretary. Subsequently, such appointments are presented to the BNRC and the Board to address any conflicts of interest or potential conflicts of interest. These measures are implemented to ensure that such appointments do not impede their commitments or responsibilities to the Board.

### Board Skills Matrix

With a diverse blend of skills and extensive experiences, the Board is equipped to deliver strategic guidance and oversight that align with Velesto's long-term objectives. This collective expertise ensures the Company is well-positioned to navigate future challenges, drive growth, and enhance value for its shareholders.

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 |

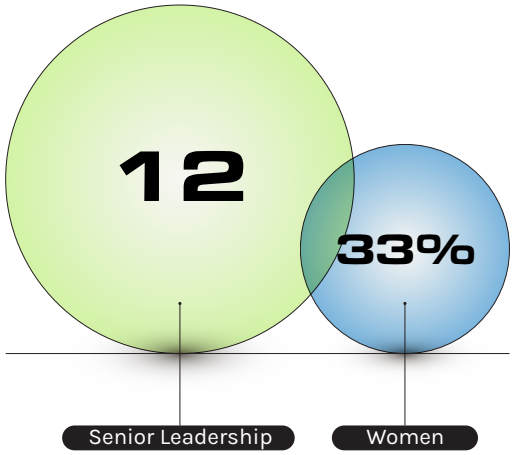
Corporate Governance Overview Statement

### Gender Diversity

To support the principles of Practice 5.9 of the MCCG 2021, the Group's Board Charter includes a gender diversity policy targeting a minimum of 30% female representation on the Board. Currently, Velesto meets this target with three female Directors. The Group is firmly committed to ensuring that all appointments to the Board and Senior Management Team are based on merit, without discrimination on the grounds of gender, age, ethnicity or cultural background.

The BNRC plays a key role in reviewing the structure, size, and composition of the Board, focusing on skills, knowledge, experience, and diversity. The BNRC also leads the process for Board appointments, re-elections, and succession planning, providing recommendations to the Board on its composition and proposed changes. Candidates are assessed for corporate leadership, competencies, expertise, and knowledge to complement the Board. Consideration is also given to their professional experience, industry standing, integrity, and academic background before any new appointments are made.

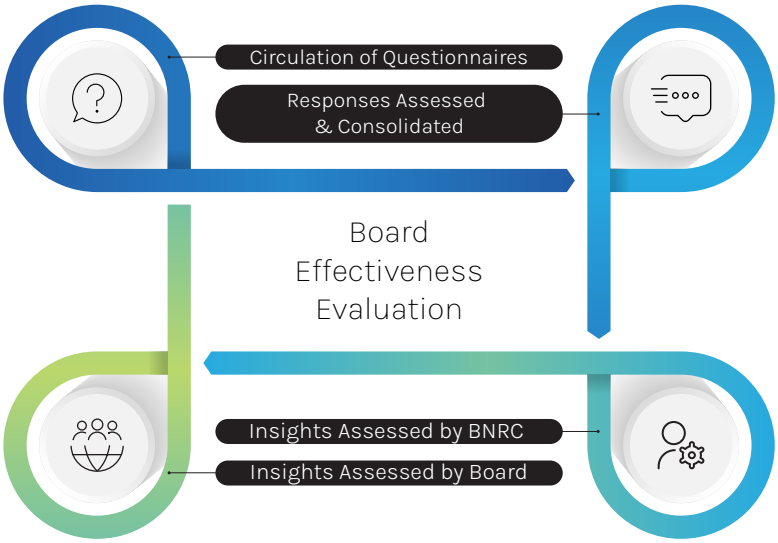
Similarly, Senior Management appointments are determined on the basis of merit, with evaluations considering qualifications, experience, professional contributions, and achievements to ensure alignment with the Group's goals and objectives.




### Board Effectiveness Evaluation ("BEE")

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

In FY2024, an internal BEE exercise was conducted, with all Directors completing online questionnaires. The results were consolidated, and insights and findings were collectively reviewed by the BNRC before being presented for discussion by the Board.




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

| | |
|---|---|
| Board of Directors' Assessment | Board Skills Matrix Assessment |
| Performance of BAC, BNRC, BGRC and BSC | Directors' Self and Peer Assessment |
| Fit and Proper Assessment and Conflict of Interest | Independence Assessment on Independence Director |

Corporate Governance Overview Statement

### Board of Directors' Assessment

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

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

The findings of BEE 2024 concluded that the Board composition and size are appropriate based on the structure, business complexity, and the Group's businesses. Strong performances were recorded in meeting administration, the Board's strategic leadership, and in embedding sustainability as a core component of the Group's operations and businesses. There were deliveries of exceptional performances from the respective Board Committees based on the assessment criteria. The President's performance was assessed as exceptional for maintaining high quality of service and exhibiting strong performances in variety of areas of leadership and operational performance.

### Board Skills Matrix Assessment

The Board Skills Matrix Assessment has been developed to assess the alignment of Board members with the requisite "Fit and Proper" criteria, encompassing the skills, knowledge, competence, and experience essential to fulfilling Velesto's strategic and governance requirements. This evaluation, guided by regulatory standards and informed by emerging best practices, enables a self-assessment of the Board's alignment with both current and future Board Skills Matrix expectations.

### Fit and Proper Assessment and Conflict of Interest

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

**Character & Integrity**

- Probity
- Personal Integrity
- Financial Integrity
- Reputation

**Experience & Competence**

- Qualifications, Training & Skills
- Relevant Experience & Expertise
- Relevant Past Performance & Track Record

**Time & Commitment**

- Ability to Discharge Role in light of Time Commitment
- Participation and Contribution in the Board or Track Record

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

### Independence Assessment on Independent Directors

Responses provided by the INEDs confirm adherence to the assessment criteria, encompassing background, economic relationships, familial ties, and tenure. The Board has reviewed these findings and is assured of the INEDs' independence and their commitment to prioritising the Company's best interests.

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

### Chairman of the Board

As Chairman of the Board, Mohd Rashid Mohd Yusof, a NINED, holds a pivotal role in ensuring the Board's overall effectiveness. His responsibilities include fostering an environment where each Board member can contribute their skills and expertise fully. In leading Board meetings, he ensures discussions are focused and time is utilised productively. Furthermore, he serves as a mediator in addressing any differences among Board members and upholds strong lines of communication with shareholders and stakeholders.

### President

Ir. Ts. Megat Zariman Abdul Rahim, as President and Executive Director, provides leadership in setting the Group's strategic direction while overseeing its daily operations. Tasked with executing Board-approved strategies, he ensures alignment with the Group's risk appetite and long-term objectives. His role includes driving initiatives that capitalise on market opportunities, fostering innovation and responding to the evolving demands of both local and international markets. In addition, he is responsible for generating revenue and delivering sustainable returns to shareholders.

Corporate Governance Overview Statement

With a strong focus on safety, service excellence, and operational efficiency, he works to expand the Group's market presence while maintaining cost discipline and optimising resources. His leadership extends to championing the iLEAP culture, where he actively promotes ethical governance, integrity, and sustainability, cultivating a collaborative and growth-driven environment. This integrated approach supports the Group's transformation towards its vision of "Empowering Growth & Excellence," centred on embedding a culture that is both "Performance Driven" and "Operations Focused." In 2024, Velesto embarked on a strategic rebranding of its core values framework, evolving iLEAP into iLEAP 2.0, which aligns with Velesto's long-term vision of sustaining operational excellence, strengthening stakeholder trust, and fostering a values-driven workforce.

To ensure effective governance, the Board Charter provides a clear delineation of roles and responsibilities between the Chairman and the President, reinforcing transparency and balance in leadership.

### Senior INED

Ir. Dr. Mohd Shahreen Zainooreen Madros serves as the Senior INED, where he takes on the role of ensuring effective communication and collaboration within the Board. Acting as a principal intermediary between the INEDs and the Chairman, he facilitates discussions on sensitive matters and ensures that the independent perspectives of INEDs are fully represented and integrated into Board deliberations.

In addition, he provides shareholders with an alternative point of contact for raising concerns or queries, complementing the Company's formal communication channels. Shareholders are invited to contact the Senior INED directly via email at senior.id@velesto.com.

### NED

NEDs are entrusted with the responsibility of contributing independent judgment and objective perspectives to the Board's deliberations and decision-making processes. They have a vital role in providing constructive challenge to Management, ensuring accountability, and overseeing the implementation of strategies within the established framework of the Board's risk management and governance structure.

## BOARD ADMINISTRATION

### Company Secretaries

The Company Secretaries, Lee Mi Ryoung and Sazlyna Sapiee, provide a key role in supporting the Board by providing expert guidance on corporate governance matters, ensuring adherence to regulatory requirements and procedures, and promoting best practices in governance. Serving as a vital link, they facilitate the flow of information between the Board, its Committees, and Management, while also ensuring effective communication with shareholders and stakeholders. Board members have unrestricted access to the Company Secretaries for advice and assistance. Further details are available in the "Key Leaders Profile" section of this Integrated Annual Report.

### Access to Information

Effective communication between the Board, its Committees, and Management is a fundamental imperative, with all Directors granted direct access to the President and Senior Management. To ensure informed decision-making, agendas and supporting Board papers are distributed to Directors at least five business days prior to each Board meeting, or within a timeframe approved by the Chairman. For urgent matters, papers may be tabled at meetings with the endorsement of the President and the Chairman's approval.

Board and Committee meetings are supplemented by detailed presentations and briefings from Management and, where appropriate, external advisors. These sessions complement the information provided in the Board papers, offering clarity and insights to facilitate well-informed deliberations. Directors also have access to the guidance of the Company Secretaries and, when required, may seek independent professional advice at the Company's expense.

To enhance efficiency, Directors access Board and Committee materials through a secure online platform, which simplifies the distribution and review of meeting documents while ensuring confidentiality and ease of use.

### Commitment to Good Business Conduct and Corporate Culture – Velesto's Approach to Compliance

Velesto is dedicated to upholding the highest standards of business ethics and fostering a positive corporate culture. Supported by a comprehensive framework of Codes and Policies, the Group consistently promotes a culture grounded in integrity, accountability, and compliance.

### Code of Business Conduct and Ethics ("CoBE")

All employees are entrusted with upholding the Group's brand, which represents Velesto's identity and reputation. This commitment should be reflected in their conduct, both within the workplace and in interactions with colleagues, stakeholders, and the public.

Directors and employees are required to demonstrate ethical and professional behaviour in all their dealings on behalf of the Group, adhering to the principles set out in the CoBE. The CoBE provides clear guidance on key areas, including:

- Managing actual or potential conflicts of interest
- Addressing corrupt practices, including the giving or receiving of gifts or other benefits
- Reporting unlawful or unethical behaviour
- Appropriate use of Company assets
- Ensuring compliance with applicable laws, rules, and regulations

The CoBE is available for reference on Velesto's corporate website at www.velesto.com.

### Whistle-Blowing Policy

The Velesto Group is committed to ensuring a culture of integrity and ethical conduct across its operations. To support this commitment, the Whistle-Blowing Policy provides a secure and structured avenue for reporting suspected misconduct. Such cases may include mismanagement, corruption, fraud, conflicts of interest, money laundering, abuse of authority, or breaches of laws and regulations involving staff or management.

The Policy ensures that employees and external stakeholders can raise concerns in a confidential and timely manner. The Integrity Governance Unit & Compliance ("IGUC") is responsible for upholding the Group's standards of integrity and compliance, operating under the guidance of the BGRC and in accordance with its approved TOR and Integrity Framework.

Concerns or reports can be directed to the following channel:

**Attention to:**
**HEAD OF IGUC**
Tel: +603-2096 8788
Email: whistleblower@velesto.com

Details of the Whistle-Blowing Policy are available on Velesto's corporate website at www.velesto.com. Additional information about Velesto's integrity and compliance initiatives is provided in the SORMIC section of this Integrated Annual Report.

### Anti-Bribery and Corruption ("ABC") Policy

The Group upholds ethical business practices through its ABC Policy, ensuring compliance with applicable laws, including the Malaysian Anti-Corruption Commission Act ("MACC") 2009 and its subsequent amendments. This commitment encompasses adherence to any future revisions introduced by the relevant authorities.

The ABC Policy provides a comprehensive framework of principles, guidelines, and requirements to address bribery and corruption risks within the Group's daily operations. It mandates that all personnel comply fully with anti-corruption and anti-bribery legislation. Additionally, the Policy serves as a resource, offering clear guidance to employees on recognising and managing corruption and bribery-related matters effectively.

The ABC Policy is publicly available on Velesto's corporate website at www.velesto.com.

### Dividend Policy

This policy, which was approved on 28 November 2024, governs the decision-making process regarding the declaration and payment of dividends for each financial year, ensuring compliance with all applicable rules and regulations, including those of regulatory bodies overseeing subsidiaries incorporated in other jurisdictions. It applies to all entities within the Group and should be read in conjunction with the constitution of the Company and its subsidiaries.

The Group undertakes a structured approach to dividend declarations, with a review conducted on a half-yearly basis, subject to approval by the Board of Directors. Any dividend declared must adhere to prevailing legal and regulatory requirements to safeguard the financial stability of the Group.

Prior to any dividend declaration, a solvency test will be conducted to assess the Group's financial position for the 12 months immediately following the proposed dividend payment. The solvency assessment will form part of the dividend proposal submitted to the Board for approval.

Subject to meeting all regulatory and financial requirements, the Group aims to distribute a dividend of not less than 20% of the net profit of both the Group and the Company for the financial year. The Board retains discretion in determining the final dividend payout, taking into account the Group's financial performance, capital requirements, and prevailing market conditions.

### Governing Sustainability

The Board is committed to embedding sustainability at the core of Velesto's strategic vision and operational framework. In collaboration with the BGRC, the Board ensures a robust governance structure to support sustainability across the Group. The BGRC is responsible for overseeing the Group's sustainability strategies, setting priorities and targets, and monitoring performance against these objectives.

Further details on Velesto's sustainability initiatives and progress can be found in the Sustainability Statement 2024.

Corporate Governance Overview Statement

### Onboarding and Continuing Development Programmes for Directors

To ensure a seamless integration into their roles, newly appointed Directors engage in a structured and customised induction programme coordinated by the Company Secretaries. This programme encompasses the Mandatory Accreditation Programme required by Bursa Malaysia, alongside visits to the Group's facilities, such as rigs , and interactions with Senior Management. It aims to provide Directors with a thorough understanding of the Group's operations, key business drivers, the Board's functions and its Committees, corporate governance practices, internal control frameworks, and their responsibilities as Directors of a listed company.

Directors also prioritise continuous professional development, adhering to Paragraph 15.08 of the MMLR, by attending conferences, training sessions, and seminars to remain up to date with industry developments and regulatory changes. In addition, members of the BAC fulfil the requirements of Practice 9.5 of the MCCG 2021 through participation in specialised seminars on accounting and auditing standards.

During the FY2024, the following directors have participated in the following continuing education programmes:

| Director | Training | Organiser |
|---|---|---|
| Mohd Rashid Mohd Yusof | Islamic Financial Markets Forum | Standard Chartered Saadiq |
| | Introduction to the Cloud | Standard Chartered |
| | Malaysian Institute of Accountants Conference | Malaysian Institute of Accountants |
| | PNB Knowledge Forum 2024: Navigating the Threads of Economic Relatedness | PNB |
| | SIRIM Inhouse Training | SIRIM |
| | Mandatory Accreditation Programme Part II: Leading for Impact | ICDM |
| | Navigating Financial Crime and Cybersecurity for Resilience and Integrity in the Energy Sector | Velesto |
| | Navigating Malaysia's National Sustainability Reporting Framework (NSRF) | Velesto |
| Rowina Ghazali Seth | BNRC Dialogue & Networking + ADIP Graduation Ceremony: Cultivating Future Board Leaders (Speaker) | ICDM |
| | Finance Essentials for Non-Finance Director | ICDM |
| | Being Sued as an INED – A Personal Journey | ICDM |
| | How the Finance Markets Work | MERCATUS Consultancy |
| | Carbon Markets: What Directors Need to Know | Asia School of Business |
| | PNB Knowledge Forum 2024: Economic Complexity - Navigating the Threads of Economic Relatedness | PNB |
| | Khazanah Megatrends Forum 2024 | Khazanah Nasional Berhad |
| | Post-Budget 2025 Dialogue: Key Highlights & A Conversation with the Ministry of Finance | ICDM |
| | Sustainability Reporting | Audit Oversight Board & Securities Commission |
| | Cyber Insights, AI & Technology Trends | Accenture |
| | Navigating Malaysia's National Sustainability Reporting Framework ("NSRF") | Velesto |

| Director | Training | Organiser |
|---|---|---|
| Haida Shenny Hazri | New Saudi Company Law | GCC BDI |
| | Am I Good Enough? Re-thinking Imposter Syndrome in Women. Thought Leadership | INSEAD |
| | OTC Asia | PETRONAS |
| | LEAP 24 Riyadh | Artificial Intelligence and DeepFest |
| | Maritime Industry Eco Transition: Challenges and Opportunities | Blumorpho |
| | Financing Maritime Innovation and Infrastructure for Climate and Ocean | Blumorpho |
| | Staying Ahead in Cybersecurity | GCC BDI |
| | AWS Cloud Practitioner Essentials Day | Dubai Women Business Council/AWS |
| | Women in Shipping – Speaker | International Malaysia Society of Maritime Law |
| | Project Converse: Fireside Chat with Nominee Directors of PNB – Board and Top Team Effectiveness | PNB |
| | Navigating Financial Crime and Cybersecurity for Resilience and Integrity in the Energy Sector | Velesto |
| | ZafigoX 2024 Rejuvenation | Zafigo |
| | APOGCE 2024 Perth Australia | SPE |
| | ADIPEC | ADIPEC |
| | Ask the Expert Series – Major Acquisitions – Key Challenges, Strategies & Leadership Skills | GCC BDI |
| | Navigating Malaysia's National Sustainability Reporting Framework ("NSRF") | Velesto |
| Ir. Dr. Mohd Shahreen Zainooreen Madros | Cultivating Strategic Mindsets in Leadership | ICDM |
| | Transform Your Organisation Unleashing the AI Revolution | ICDM x Human Inc Masterclass |
| | Navigating Financial Crime and Cybersecurity for Resilience and Integrity in the Energy Sector | Velesto |
| | Navigating Malaysia's National Sustainability Reporting Framework ("NSRF") | Velesto |
| Datuk George Ling Kien Sing | Navigating Financial Crime and Cybersecurity for Resilience and Integrity in the Energy Sector | Velesto |
| | Navigating Malaysia's National Sustainability Reporting Framework ("NSRF") | Velesto |

Corporate Governance Overview Statement

| Director | Training | Organiser |
|---|---|---|
| Ar. Ahila Ganesan | Talent Management Conference 2024 | Comfori |
| | PNB Knowledge Forum 2024: Navigating the Threads of Economic Relatedness | PNB |
| | Enterprise Risk Management Conference: Riding the Sustainability Dragon | Institute of Enterprise Risk Management |
| | Navigating Financial Crime and Cybersecurity for Resilience and Integrity in the Energy Sector | Velesto |
| | Oil and Gas Asia | OGA |
| | Board Ethics: Growing Concerns from New Technology, Stakeholders Interests & Conflict of Interest | Bursa Malaysia |
| | Khazanah Megatrends Forum | Khazanah Nasional Berhad |
| | Women in Tech APAC Summit | MDEC |
| | Malaysia's Audit Oversight Board Conversation with Audit Committee | Securities Commission |
| | Navigating Malaysia's National Sustainability Reporting Framework ("NSRF") | Velesto |
| Ir. Ts. Megat Zariman Abdul Rahim | PTTEP Malaysia Asset Safety, Security, Health, and Environment Forum | PTTEP |
| | EY C-suite Forum 2024 – current economic challenges | Ernst & Young Tax Consultants Sdn Bhd |
| | Leading Business to the Future | London Business School |
| | PNB Knowledge Forum 2024: Navigating the Threads of Economic Relatedness | PNB |
| | Training on Carbon Capture, Utilisation and Storage ("CCUS") Awareness for Drilling/Rig Contractor | Velesto Academy & UTP |
| | Panel Speaker – Advancing Environmental Stewardship in Drilling and Well Technologies for CCS Applications and Sustainable Practices Panel Speaker in Singapore | SPE |
| | Panel Speaker - Ways to Monetise Marginal and Mature Fields to Bring Value to Project Economics in KL | SPE |
| | Panel Speaker - Advancing Environmental Stewardship in Drilling and Well Technologies for CCS Applications and Sustainable Practices: Our Path to Net Zero Carbon Emissions in Bangkok | SPE |
| | Navigating Financial Crime and Cybersecurity for Resilience and Integrity in the Energy Sector | Velesto |
| | SLB Digital Forum 2024 in Monaco | SLB |
| | Panel Speaker - Monsoon ZIZA 2024 titled Weather The Storm, Leading with Care in KL | PETRONAS |
| | Panel Speaker - MOGSEC Knowledge Centre Panel Session: OGSE - 50 Years of Supporting PETRONAS in KL | PETRONAS |
| | Annual MOGSC Leadership Roundtable Discussion | MOGSC |

| Director | Training | Organiser |
|---|---|---|
| Ir. Ts. Megat Zariman Abdul Rahim (cont'd.) | GLIC Integrity Event 2024 (GIE 2024) | PNB |
| | Crisis Management Team (CMT) Refresher Training | Promega Knights |
| | Navigating Malaysia's National Sustainability Reporting Framework ("NSRF") | Velesto |
| Fadzihan Abbas Mohamed Ramlee | Introduction to Financial Crime & Anti-Money Laundering | PNB |
| | Innovation Leadership Training Program: Amazon Working Backwards Masterclass | Korn Ferry |
| | PNB Public Market Dialogue 2024 | PNB |
| | Anti Bribery & Anti-Corruption Policies of PNB Group | PNB |
| | SiberSAFE – Cyber Detective Social Engineering | PNB |
| | 2024 PNB Board and Leadership Compliance Training | PNB |
| | Investment Data! Community Challenge | PNB |
| | Mandatory Accreditation Programme Part II: Leading for Impact | ICDM |
| | Compliance & Integrity Board and Leadership Training 2024 | PNB |
| | Navigating Financial Crime and Cybersecurity for Resilience and Integrity in the Energy Sector | Velesto |
| | Leadership Team Offsite | PNB |
| | PNB Group Conflicts of Interest Policy | PNB |
| | Navigating Malaysia's National Sustainability Reporting Framework ("NSRF") | Velesto |
| Alan Hamzah Sendut | Institute of Corporate Directors Malaysia ("ICDM") - Are You Measuring Your Sustainability Performance Right – Targets and Metrics? | ICDM |
| | ICDM – Mind Matters: Mental Wellbeing in the Workplace | ICDM |
| | ICDM – Being Sued as an INED – A Personal Journey | ICDM |
| | Is your organisation ready for Taskforce on Nature-related Financial Disclosures ("TNFD") | ICDM |
| | How the Financial Markets Work by Mercatus Consultancy Sdn. Bhd. | Mercatus Consultancy Sdn. Bhd. |
| | AICB – International Conference on Financial Crime and Terrorism Financing Masterclass 2024 | AICB |
| | Navigating Financial Crime and Cybersecurity for Resilience and Integrity in the Energy Sector | Velesto |
| | Malaysia International Islamic Financial Centre Leadership Council Islah Paper | IBFIM |
| | Securities Commission Malaysia – Audit Oversight Board Conversation with Audit Committees | Securities Commission |
| | Navigating Malaysia's National Sustainability Reporting Framework ("NSRF") | Velesto |

Corporate Governance Overview Statement

| Director | Training | Organiser |
|---|---|---|
| Nadzrin Alia Md Azizis *(Alternate Director to Fadzihan Abbas Mohamed Ramlee)* | PNB Nominee and Alternate Directors Excellence Series Programme | ICDM |
| | E-Learning Refresher 2023 – Introduction to Financial Crime & Anti-Money Laundering | PNB |
| | Green Market & Investments | SIDC |
| | E-Learning: (Module 2) Anti Bribery & Anti-Corruption Policies of PNB Group | PNB |
| | E-Learning: SiberSAFE – Cyber Detective Social Engineering | PNB |
| | Leadership – Manager Series: People Empowered Through Applied Coaching (PEAC) for Middle Managers | Avidity International |
| | PNB Knowledge Forum 1 2024: Economic Complexity (Navigating the Threads of Economic Complexity) | PNB |
| | Mandatory Accreditation Programme Part II: Leading for Impact | ICDM |
| | E-Learning: Information & Cyber Security Policies Declaration & Attestation | PNB |
| | Global Market Outlook and The Acceleration of De-Dollarisation | Financial Planning Association of Malaysia |
| | Project Converse: Fireside Chat with Nominee Directors of PNB | PNB |
| | Women Leadership Programme ("WLP") Workshop 1: Speed Mentoring | PNB |
| | Navigating Financial Crime and Cybersecurity for Resilience and Integrity in the Energy Sector | Velesto |
| | Women Leadership Programme ("WLP") Workshop 3: Collaboration for Success | Agensi Pekerjaan CNETG Asia Sdn. Bhd. |
| | Legally Speaking: Recognise and Protect Yourself from Financial Crimes | PNB |
| | Purposeful Leadership & Sustainability | PNB |
| | Navigating Malaysia's National Sustainability Reporting Framework ("NSRF") | Velesto |

The Board understands the importance of a fair and competitive remuneration framework in attracting, retaining, and motivating individuals with the necessary expertise to oversee the Company's operations effectively. To ensure a structured and transparent approach, the Board has established a Remuneration Policy that governs the remuneration of NEDs. This policy considers the demands, complexities, and performance of the Company, while also taking into account the skills, experience, time commitment, and responsibilities placed upon NEDs.

The remuneration framework is designed to align with Velesto's core values by fostering behaviours that reflect the Company's principles and long-term vision. It also ensures that remuneration outcomes are proportionate to the Company's risk appetite, promoting prudent decision-making that supports sustainable growth. Furthermore, the policy establishes a remuneration structure that is both equitable and sustainable, creating incentives that drive long-term value accretion for the Company and its stakeholders.

The BNRC, in line with its TOR, is responsible for recommending the overall remuneration framework and reward structures for the Board's consideration. This includes providing guidance on the appropriate fees and remuneration for NEDs. Any proposed remuneration is subject to the approval of Velesto's shareholders to ensure transparency and accountability.

### Remuneration of Directors

The Corporate Governance Report 2024 ("CG Report 2024"), available on the Group's website at www.velesto.com, provides a comprehensive breakdown of Board remuneration for the fiscal year 2024. This information is also detailed in the Notes to the Financial Statements section of the Integrated Annual Report.

Proposals for the payment of Directors' fees and benefits covering the period from the 15th Annual General Meeting ("AGM") to the subsequent AGM will be tabled for approval at the forthcoming 15th AGM. Shareholders seeking additional information are advised to consult the "Other Information" section of this Integrated Annual Report, specifically under the Notice of the 15th AGM.

### Remuneration of Top 5 Senior Management

To maintain confidentiality and support the Group's retention strategies, the specific remuneration and emoluments of the top five Senior Management personnel are not disclosed. Instead, the total collective remuneration for Senior Management, excluding the President, for the financial year 2024 is reported at RM6.76 million.

Senior management's direct or indirect shareholdings are disclosed upon notification to the Group, in accordance with applicable regulatory requirements. During the year under review, no members of senior management held shares in Velesto. Details of Employee Share Option Scheme (ESOS) participation are provided in the Additional Compliance Information section of this Integrated Annual Report 2024.

Additional details can be found in the CG Report 2024, available on the Group's website at www.velesto.com. The report is also accessible under the "Company Announcement" section on Bursa Malaysia's website.

PRINCIPLE B

# Effective Audit and Risk Management

## ACCOUNTABILITY AND AUDIT

### Effective and Independent BAC

The primary objective of the BAC is to assist the Board in fulfilling its fiduciary responsibilities related to financial reporting and accounting practices, ensuring compliance with relevant accounting standards and maintaining a strong internal control framework across the Group.

Detailed information on the composition, roles, and activities of the BAC during the financial year 2024 can be found in the "Our Governance" section, specifically within the BAC Report, included in this Integrated Annual Report.

### Financial Reporting

The Board is committed to providing a fair and balanced assessment of the Group's financial performance in its quarterly financial updates, annual financial statements, Integrated Annual Report, and all other communications to shareholders, investors, and relevant regulatory authorities.

The Board's statement of responsibilities for the preparation of the financial statements is detailed in the Audited Financial Statements for the year ended 31 December 2024.

### Risk Management and Internal Control

The Board is accountable for the oversight of the Group's Enterprise Risk Management ("ERM") Framework and internal control system. This responsibility is supported by the BGRC and the BAC, which regularly review the Group's risk management processes and internal control measures to uphold a robust framework.

The ERM Framework and internal control system are designed to identify, assess, and manage key risks facing the Group, tailored to its specific needs and exposures. While these systems are intended to mitigate risks, their inherent limitations mean that risks cannot be entirely eliminated. Regular reviews by the Management, BAC, BGRC, and the Board are conducted to ensure the continued effectiveness of these measures.

Further details on the Group's risk management approach, including the identification of risk profiles and the key features of the ERM and internal control framework, can be found in the SORMIC and the BAC Report, both located in 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 2024

Providing shareholders and stakeholders with a detailed perspective on the Group's performance, the Integrated Annual Report is prepared in alignment with and close coordination alongside the External Auditors' formal audit process.

The content undergoes in-depth reviews and receives approval from the relevant Board Committees and the Board.

## COMMUNICATING EFFECTIVELY WITH STAKEHOLDERS AND INVESTORS

Transparent communication and active stakeholder engagement are fundamental to Velesto's commitment to driving sustainable business growth. The Group ensures the availability of open communication channels to keep stakeholders informed and engaged.

Investor relations activities are spearheaded by the President and Senior Management, under the guidance of the Commercial Division. Throughout the year, the Group conducted dialogues with institutional shareholders, fund managers, and analysts, providing regular updates on key developments. Information is disseminated through multiple platforms, including announcements to Bursa Malaysia, the corporate website, press releases, media briefings, press conferences, one-on-one meetings, and the AGM.

The corporate website acts as a central hub for comprehensive information, offering access to financial reports, presentations, and operational updates. Further details on stakeholder engagement efforts undertaken during FY2024 are available in the Sustainability Statement section of this Integrated Annual Report.

For convenience, the Group provides a dedicated "Investor Relations Contact" section on its website. For any inquiries related to investor relations, please reach out to:

Attention: Head, Investor Relations
Contact: +603-2096 8788
Email: investor.relations@velesto.com

## CONDUCT OF GENERAL MEETING

The Company ensured shareholders were provided with at least 28 days' notice ahead of the 14th AGM, held on 30 May 2024 with the notice distributed to shareholders on 29 April 2024. Shareholders were informed of the AGM's virtual format, facilitated via the Remote Participation and Voting (RPV) application through the Securities Services ePortal platform at https://sshsb.net.my, with detailed instructions outlined in the accompanying Administrative Guide. Notifications were also disseminated via announcements on BURSA and the Company's corporate website.

The 14th AGM enabled remote participation for registered shareholders and proxyholders, featuring the presentation of the financial statements for FY2023, a performance update by the President, and responses to pre-submitted questions from the Minority Shareholders Watch Group. The meeting included a Questions and Answers session to address inquiries raised by shareholders or proxyholders before and during the event.

In compliance with the MCCG 2021, electronic polling was conducted for all resolutions proposed at the AGM. The minutes of the 14th AGM were made available on the Company's website within 30 business days, in accordance with Practice 13.6 of the MCCG 2021.

The Notice for the 15th AGM, scheduled for 28 May 2025, was distributed to shareholders on 29 April 2025, ensuring compliance with the minimum 28-day notice period.

## CONCLUSION

This statement on the Company's corporate governance practices is provided in accordance with the MMLR. Following a thorough review and discussion, the Board is confident that, to the best of its knowledge, the Company has substantially complied with the principles and practices outlined in the MCCG 2021, as well as the applicable provisions of the MMLR, for the financial year under review.

This statement was reviewed and approved by the Board at its meeting held on 25 March 2025.

# 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") has been prepared in accordance with the *Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers and the principles* of the Malaysian Code on Corporate Governance 2021 ("MCCG 2021"). The Board of Directors of Velesto Energy Berhad ("Velesto" or "the Group") is pleased to provide this statement, which outlines the Group's risk management framework and internal control measures for the financial year 2024.

The Group's Enterprise Risk Management ("ERM") Framework is designed to address the evolving risk landscape and emerging challenges, ensuring the effective implementation of mitigation strategies and continuous risk monitoring. This framework is further supported by a robust system of internal controls, which encompasses governance, compliance, operational, financial, strategic, and technological elements to safeguard the Group's objectives and ensure sustainable operations.

## ROLES AND RESPONSIBILITIES

### A. THE BOARD AND BOARD COMMITTEES

At Velesto, the Board and its designated Committees oversee a range of risk-related functions, ensuring a unified and comprehensive approach to risk governance, oversight, and strategic risk management throughout the organisation.

**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.

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 integral to strengthening Velesto's ERM activities, providing strategic oversight for the implementation of the Group's ERM Framework, as defined by the ERM Policy and Framework Procedures. The Committee plays a critical 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.

In addition, the BGRC also plays a key role in promoting a culture of integrity, compliance, and ethical conduct across the Group. It is tasked with overseeing whistleblowing framework including reviewing and investigating allegations involving employees and other stakeholders, ensuring that Velesto maintains the highest standards of ethical behavior and corporate governance.

**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. This includes 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.

Further details on the BAC's activities can be found in the BAC Report within this Integrated Annual Report.

The Terms of Reference ("TOR") for the Board, BGRC, and BAC, can be accessed on the Group's website at www.velesto.com.

Statement on Risk Management and Internal Control

## B. THE MANAGEMENT

Implementing the Board's directives on risk management and internal controls is a core responsibility of Velesto's Management. Their efforts are focused on safeguarding the Group's strategic objectives and operational resilience through the following measures:

- **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.

## C. 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.

To ensure its independence, the Head of IAD 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, the IAD follows the International Professional Practices Framework ("IPPF") 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 2024

In 2024, the IAD undertook nine reviews alongside planned audit visits to supply bases and rigs. These assessments focused on strengthening controls over key risk areas, including procurement, HSE, human resources, sustainability, inventory management, and maintenance processes. Through its independent oversight, IAD continues to play a pivotal role in identifying areas for improvement, enhancing operational efficiency, and supporting Velesto's business objectives.

Audit reports detailing key findings, recommendations, and management action plans were presented to the BAC for review. Issues relating to significant risks and internal control deficiencies were specifically deliberated during BAC meetings, ensuring appropriate scrutiny and oversight. In addition, these findings were regularly monitored by the Management Audit Committee and reported to the BAC to ensure effective resolution and closure.

The division continues to strengthen its audit processes by optimising review timelines through the implementation of a digitalisation initiative known as the Traffic Light Method. To ensure alignment with evolving industry standards, an internal Quality Assessment Review ("QAR") is conducted to evaluate compliance with the Global Internal Audit Standards ("GIAS"), which will replace the International Professional Practices Framework ("IPPF") from FY2025.

Beyond its core audit function, IAD remains committed to fostering a culture of risk awareness and governance excellence. It achieves this by issuing a quarterly IAD Newsletter and conducting knowledge-sharing sessions on critical topics such as risk management, compliance requirements, and internal control best practices.

## D. 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 TCFD-aligned Disclosure section of the Sustainability Statement of this IAR on page 109.

**RMD Highlights 2024**

During the FY2024, 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 Enterprise Risk Management ("ERM").

A key initiative was the Risk Champion Appreciation and Awareness Session, held in December 2024 to recognise the contributions of Risk Representatives in strengthening the Group's risk framework. Bringing together top management and department representatives, the session served as both an appreciation event and a learning platform. An external consultant provided training on ERM fundamentals, methodologies, tools, and regulatory requirements, equipping participants with deeper insights into risk identification and mitigation.

Building on this commitment to proactive risk management, the Risk Management team conducted a site visit to the Asian Supply Base in Labuan in August 2024. This engagement followed the previous visit to Kemaman Supply Base and formed part of the Group's continuous efforts to enhance risk awareness at key operational sites. The visit included refresher training on ERM and Business Continuity Management ("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 Risk Management Division ("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

## E. INTEGRITY & GOVERNANCE UNIT AND COMPLIANCE ("IGUC")

Fostering a culture of ethical behaviour and compliance, the Integrity Governance Unit & Compliance ("IGUC") is dedicated to addressing corruption, abuse of power, and malpractice within Velesto. As an independent entity, IGUC performs its duty without influence from internal or external parties. 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:

- **Good Governance**
  Championing the adoption and execution of exemplary corporate governance practices.
- **Integrity Enhancement**
  Cultivating, embedding, and actualising integrity principles across the organisation.
- **Detection and Verification**
  Identifying and 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.
- **Report Management**
  Addressing all reports and concerns related to criminal activities, code of conduct breaches, and ethical violations.
- **Compliance**
  Guaranteeing adherence to all organisational policies and procedures.

**IGUC Highlights 2024**

The IGUC advanced a comprehensive agenda in 2024, reinforcing Velesto Energy Berhad's commitment to ethical business practices. Through targeted initiatives, rigorous assessments and strategic stakeholder engagements, the Group strengthened its integrity framework while promoting a culture of compliance across all levels of the organisation.

A key initiative was introduced on 13 February 2024 with the launch of the Annual Declaration of Fit & Proper and Conflict of Interest for all staff and crew. This measure ensured alignment with Velesto's ethical standards, reinforcing the company's stance against conflicts of interest that could compromise integrity. Additionally, quarterly Corruption Risk Assessments were conducted to identify vulnerabilities and reinforce the company's anti-corruption measures, proactively mitigating risks and ensuring transparency in operations.

To enhance awareness, the IGUC rolled out a series of integrity awareness sessions tailored for offshore crews, vendors and staff across various divisions. These sessions focused on Anti-Bribery and Anti-Corruption ("ABAC") principles, equipping participants with the knowledge to recognise and address corruption risks. Further embedding ethical standards, the IGUC implemented an online Integrity Assessment, a mandatory exercise for all onshore and offshore personnel to assess and strengthen their understanding of integrity-related matters.

Stakeholder engagement was central to IGUC's efforts in 2024. Vendor Engagement Days were held on 18 July (KL Chapter) and 22 October (Labuan Chapter), providing a platform for discussions on integrity-related matters with key vendors. This was followed by the Velesto Business Partner Integrity Day on 9 September, fostering collaboration and alignment on governance standards with business partners and clients.

The year culminated in a significant milestone on 6 December, when Velesto received the ISO 37001:2016 Anti-Bribery Management System certification from SIRIM QAS International. This achievement underscores the Group's proactive approach to combating corruption and reflects its dedication to upholding the highest standards of integrity and governance.

Looking ahead, Velesto will continue to build on the foundations established in 2024, ensuring that integrity and compliance remain central to its operations. The initiatives led by the IGUC have strengthened the company's governance framework, reinforced its industry standing and positioned Velesto as a leader in corporate integrity and ethical business conduct.

## INTEGRITY GOVERNANCE FRAMEWORK

Velesto's Integrity Governance Framework 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.

Under the leadership of the IGUC, the Group 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.

Central to this approach are the "T.R.U.S.T." principles, which play a vital role in the Group's strategy to address corporate liability under Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018). These principles guide Velesto's proactive efforts to strengthen ethical governance and safeguard the organisation against corruption and malpractice.

## ENTERPRISE RISK MANAGEMENT ("ERM")

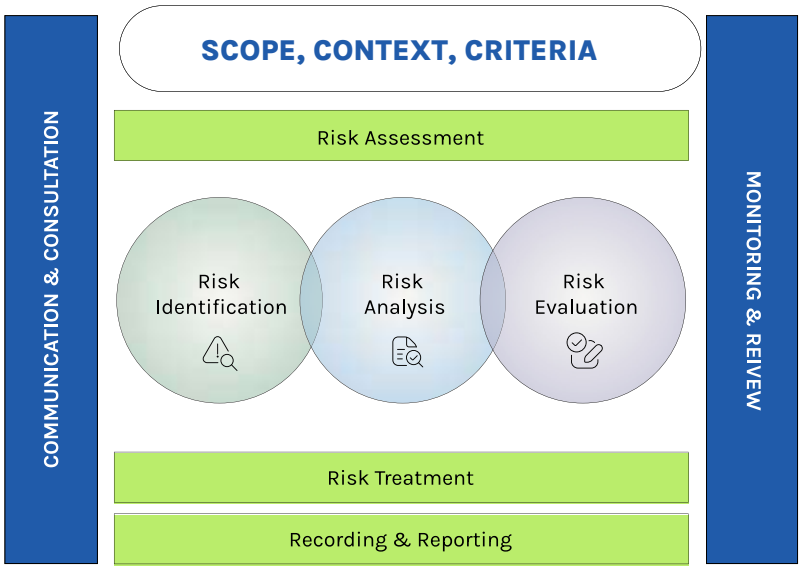
### A. ERM FRAMEWORK

A structured and systematic approach to managing risk is integral to Velesto's Enterprise Risk Management ("ERM") Framework, which plays a vital role in supporting the Group's value-creation objectives.

The framework applies consistent methodologies and standards across all processes and operations, enabling the thorough identification, evaluation, mitigation, and monitoring of both inherent and emerging risks.

With adherence to the ISO 31000 Risk Management – Guidelines Standard and ongoing efforts to improve practices and operations, Velesto has significantly strengthened its ERM Framework, enhancing its resilience in a dynamic risk environment.

The diagram below portrays the Group's ERM Framework.

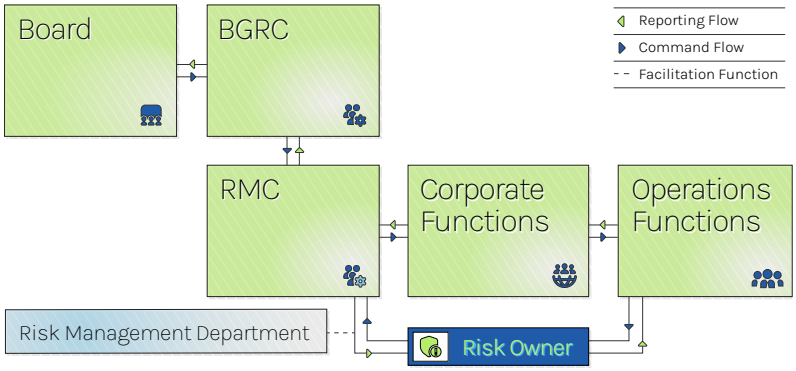



### RISK REPORTING STRUCTURE AND RISK OVERSIGHT FUNCTIONS

Effective communication and information flow regarding risk management processes are supported by Velesto's established reporting structure and oversight functions. These elements ensure that risk management is seamlessly integrated into decision-making across all levels of the organisation.

The diagram below outlines the Group's reporting structure, followed by an explanation of the roles and responsibilities for risk oversight.

Reporting Structure



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.

### Three Lines of Defence Model

Velesto employs the Three Lines of Defence Model as a core component of its risk management framework, reinforcing operational integrity and strategic resilience. This 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. |

## B. VELESTO GROUP TOP RISKS OVERVIEW

| Top Risks | Action Plans and Initiatives |
|---|---|
| **Geopolitical Risk**<br>*(For further details, please refer to page 103-104)* | The Group conducts ongoing assessments and updates on geopolitical risks and their potential impact on business operations. Proactive measures have been implemented to mitigate exposure, ensuring operational resilience and business continuity. Key initiatives include:<br>› Supply Chain Resilience and Vendor Collaboration: Expanding the vendor base and enhancing supply chain flexibility to reduce reliance on single suppliers or markets. Regular engagement with key suppliers helps assess risks and maintain supply continuity.<br>› Risk Scenario Planning and Geopolitical Monitoring: Continuous evaluation of global risks, including political transitions, geopolitical tensions, and ongoing conflicts, provides critical insights into potential disruptions. Proactive monitoring of these developments helps assess potential implications for the business landscape and operational resilience in 2025 and beyond. |
| **Technology & Cybersecurity Risk**<br>*(For further details, please refer to page 106)* | As Velesto continues to digitalise its business processes, the exposure to cybersecurity threats—including phishing, malware, ransomware, and data breaches—has increased. These risks could potentially disrupt operations, cause financial losses, and impact the Group's reputation.<br>To enhance resilience, Velesto has reinforced its cybersecurity framework through a dedicated IT team, implementing a range of protective and detective measures. Regular assessments and independent evaluations further strengthen information security and safeguard critical systems. Key initiatives undertaken include:<br>› Cybersecurity Assessments and Testing: Conducted third-party cybersecurity evaluations, penetration testing, and social engineering exercises, including phishing simulations and USB drop tests, to identify and mitigate vulnerabilities.<br>› Enhanced Security Infrastructure: Upgraded defences with the implementation of Endpoint Detection and Response (EDR) solutions, firewall replacements, and improvements to critical IT security infrastructure.<br>› Capability Development & Training: Strengthened organisational cybersecurity awareness and technical expertise through targeted training programmes, including specialist certifications such as CompTIA Security+ and cloud services training for engineers.<br>Through these proactive measures, Velesto continues to strengthen its cybersecurity posture, ensuring robust protection against evolving digital threats. |
| **Market Risk**<br>*(For further details, please refer to page 19-21)* | The oil and gas drilling industry continues to navigate market risks driven by fluctuating global demand, geopolitical uncertainties, and competitive pressures. These disruptions, coupled with ongoing industry consolidation and evolving competitor strategies, pose challenges to securing long-term contracts and sustaining profitability. In this dynamic environment, maintaining a competitive edge through strategic partnerships and market adaptability is crucial to mitigating exposure to market volatility.<br>In response, the Group remains vigilant in monitoring the latest developments surrounding operational adjustments in the Middle East to assess potential impact on regional market dynamics. Proactive tracking of competitor consolidation and strategic maneuvers enables informed decision-making and agile positioning within the industry. Additionally, the Group is pursuing strategic collaboration opportunities to strengthen market presence, enhance operational synergies, and secure long-term business sustainability. These initiatives align with the Group's commitment to resilience and adaptability in an evolving market landscape. |

Statement on Risk Management and Internal Control

| Top Risks | Action Plans and Initiatives |
|---|---|
| **Sustainability Risk**<br>*(For further details, please refer to page 56)* | The evolving sustainability landscape presents both risks and opportunities for Velesto, as ESG considerations have become fundamental to securing long-term business viability. Sustainability is no longer a discretionary initiative but a critical component of the Group's license to operate. Inadequate governance in this area could lead to lost business opportunities, reputational risks, diminished economic performance and exposure to ESG-related liabilities.<br><br>To address these challenges, Velesto has embedded sustainability into its decision-making processes, integrating ESG as a core pillar of its business strategy. In 2024, the Group focused on ensuring regulatory compliance, implementing emission reduction initiatives and strengthening workforce capabilities in sustainable practices. Key measures include:<br><br>› Regulatory Compliance and Sustainability Alignment: Monitoring evolving sustainability regulations and industry requirements to ensure compliance while assessing current practices against global reporting frameworks to enhance alignment with industry best practices. |
| **Execution Risk**<br>*(For further details, please refer to page 20)* | Any delays or setbacks in execution could impact operational efficiency and result in missed revenue opportunities.<br><br>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.<br><br>Further, two Special Periodic Survey ("SPS") projects are planned for 2025 in accordance with classification certification requirements, reinforcing the Group's commitment to maintaining compliance and operational excellence. To enhance flexibility and minimise operational disruptions, the Group has secured different locations and alternative options for SPS execution, ensuring optimised scheduling, cost efficiency, and access to specialised facilities. |
| **Human Capital Risk**<br>*(For further details, please refer to page 86-87)* | The industry faces ongoing challenges in attracting and retaining high-performing and high-potential employees amid increased competition. The ability to secure the right talent is critical to maintaining operational efficiency and sustaining business performance.<br><br>In FY2024, the Group implemented initiatives to enhance its employee value proposition, ensuring a competitive total rewards structure. This included the Employee Share Option Scheme ("ESOS"), awarded to employees in critical positions, high performers and those with strong potential. Additionally, a structured training and development programme was introduced, focusing on professional growth and capability building, while a culture transformation initiative was launched to align employees with Velesto's way of working. Key initiatives undertaken include:<br><br>› Talent Attraction, Retention and Development: Competitive remuneration packages designed to attract and retain talent, supported by targeted retention efforts to ensure workforce stability. A structured training framework focuses on leadership and managerial skills to drive professional growth.<br><br>› Performance, Culture and Engagement: A transparent performance management system with clear goals and deliverables fosters accountability and continuous improvement. Workplace culture is strengthened through initiatives that promote collaboration, safety and positive behaviours. Communication strategies enhance alignment and engagement across all levels of the organisation. |

| Top Risks | Action Plans and Initiatives |
|---|---|
| **Strategic Risk**<br>*(For further details, please refer to page 33)* | Strategic risks arising from external and internal headwinds may impact Velesto's earnings, reputation, operations and market position. The Group remains focused on proactively identifying and mitigating these risks to ensure long-term resilience and sustainable growth.<br><br>To safeguard Velesto's strategic direction, the Group continuously assesses geopolitical developments, adapts to emerging technological advancements, and strengthens client engagement to better align with evolving industry needs. Key initiatives include:<br><br>› Technology, Automation and Asset Optimisation: Implementing advanced solutions such as robotics and automation to enhance operational efficiency. Asset-light strategies optimise capital allocation and maintain flexibility in changing market conditions.<br><br>› Strategic Partnerships and Industry Collaboration: Exploring opportunities in carbon capture, utilisation and storage (CCUS), decommissioning and production enhancement. Strengthening industry partnerships to drive innovation and operational efficiencies. |

**BUSINESS CONTINUITY MANAGEMENT ("BCM")**

Ensuring operational readiness in the face of dynamic risks is central to Velesto's Business Continuity Management (BCM) efforts conducted throughout the financial year. Through its comprehensive BCM Framework, the Group equips Management with the tools to identify potential threats, evaluate their operational impact, and implement strategies to mitigate risks effectively.

The BCM Framework is built on four essential components:

| | |
|---|---|
| **Business Continuity Policy**<br>This policy sets forth the foundational principles, priorities, and governance for the Group's business continuity efforts. | **Business Continuity Oversight Structure**<br>This structure delineates clear accountability, roles, and responsibilities for the implementation and updates to the BCM Framework. |
| **BCM Methodology**<br>This outlines the strategic approach for developing effective strategies and the corresponding Business Continuity Plan or BCP. | **BCM Programme**<br>This programme outlines critical milestones and timelines to bolster the Group's business continuity capabilities. |

Velesto has to date embraced the ISO 22301:2019 Business Continuity Management System Standard, reinforcing its commitment to best practices in BCM.

**A. BCM FRAMEWORK**

The Group's BCM Framework is depicted in the diagram 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 outlined below.

| | | | |
|---|---|---|---|
| **People**<br>Critical manpower prioritisation, team rotations and outsourcing | **Finance**<br>Sufficient standby banking facilities, security of accounting system and insurance coverage | **Premises**<br>Work From Home ("WFH") initiative and physical alternate sites | **Information & Data**<br>Web-based document management system and hardcopy storage |
| **Information and Communication Technology ("ICT") Systems**<br>Cloud backups and data replication | **Transportation & Logistics**<br>Emergency logistical arrangements | **Equipment & Consumables**<br>Emergency procurement arrangement and services | **Partners and Suppliers**<br>Emergency service level agreements |

During the FY2024, the Group undertook several Business Continuity Management ("BCM") initiatives to strengthen organisational resilience and enhance preparedness against potential disruptions.

- BCM Documentation Review and Update: In June 2024, the Risk Management Division ("RMD") conducted a comprehensive review and update of BCM documentation. This included a refresher on Risk Threat Assessment ("RTA"), Business Impact Analysis ("BIA"), Business Recovery Strategies ("BRS") and the Business Continuity Plan ("BCP") for Business Continuity Leaders ("BCLs") across departments, ensuring alignment with current BCM frameworks.
- BCM Training and Awareness Session: In October 2024, a training and awareness session was conducted for C-2 personnel, facilitated by an external consultant. The session covered key aspects of Business Continuity, emerging industry trends and the Business Continuity Management System ("BCMS") framework, reinforcing participants' roles in strengthening the organisation's ability to manage disruptions effectively.

## C. CRISIS MANAGEMENT

At Velesto, managing crises involves a comprehensive process designed to protect People, Environment, Assets, and Reputation ("PEAR") while minimising risks to the Group's reputation, operational stability, and financial performance.

A refresher briefing session was conducted on 12 December 2024 for the Crisis Management Team ("CMT") and Emergency Management Team ("EMT") to reinforce their roles and enhance preparedness in managing emergencies and crises. The session provided an opportunity to strengthen understanding of crisis response processes, work procedures, and strategic response mechanisms while also identifying areas for development.

Participants were briefed on required actions, coordination mechanisms, and expected interfaces, ensuring they are well-equipped to manage crisis situations with confidence and efficiency. These initiatives form part of the Group's ongoing commitment to maintaining a structured and effective crisis management framework.

## 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 Vice President of Corporate Services and includes senior division heads.

**Management Audit Committee**

Chaired by the CFO and comprising senior division heads, this committee evaluates the adequacy and effectiveness of internal controls and monitors the implementation of corrective actions.

### 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 key 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*
  - *ISO 37001:2016 - Anti-Bribery 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

**Limits of Authority:**

Defines approval levels across management tiers and specifies matters requiring Board approval.

**Anti-Bribery and Corruption Policy:**

Prohibits corrupt practices and aligns with the MACC Act 2009 and related regulations.

**Whistle-Blowing Policy**:

Encourages transparency and ethical behaviour while protecting whistleblowers under the Whistleblower Protection Act 2010.

**Health, Safety, and Environment Policy**:

Focuses on safeguarding people, assets, and the environment, ensuring the adoption of industry best practices.

**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.

**Corporate Gifts, Entertainment, and Hospitality Procedures ("CGGEH")**:

Establishes standards for legal, ethical, and cultural considerations in these areas.

**Procurement Procedures**:

Details the principles and processes governing the procurement of goods and services, ensuring alignment with the relevant authority policies.

## ASSURANCE TO THE BOARD

The President and Chief Financial Officer 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 aspects throughout FY2024 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'.

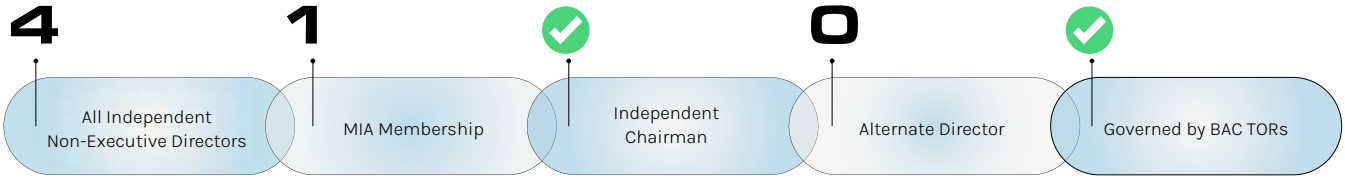
EY has informed the Board that their review did not reveal any issues that would suggest the Statement in the Integrated Annual Report deviates from the required disclosures set forth by the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers, or contains any factual inaccuracies.

This Statement is made in accordance with the resolution of the Board dated 25 March 2025.

# Board Audit Committee Report

## OVERVIEW OF BAC

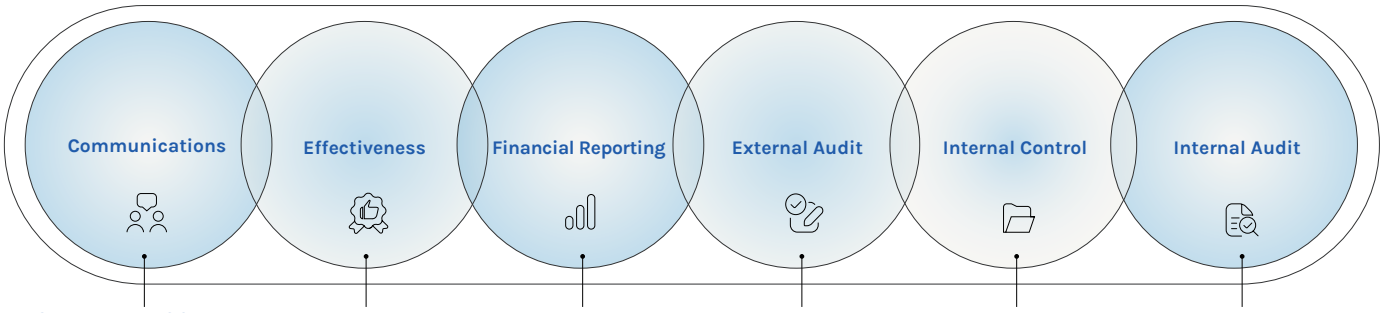
The Board Audit Committee ("BAC") Report provides a comprehensive overview of how the BAC fulfilled its duties for the Group throughout the FY2024.




## COMPOSITION

| BAC | |
|---|---|
| **FY2024** | **As at 31 March 2025** |
| Alan Hamzah Sendut — *Chairman* | Alan Hamzah Sendut — *Chairman* |
| Ir. Dr. Mohd Shahreen Zainooreen Madros | Ir. Dr. Mohd Shahreen Zainooreen Madros |
| Datuk George Ling Kien Sing | Ar. Ahila Ganesan |
| Ar. Ahila Ganesan | Rowina Ghazali Seth |

As of the issuance of this report, the BAC consists of four (4) members, all of whom are Independent Non-Executive Directors ("**INEDs**"), thereby ensuring full adherence to the stipulations outlined in paragraph 15.09(1)(a) and (b) of the Bursa Malaysia Securities Berhad's ("**BURSA**") Main Market Listing Requirements ("**MMLR**") and Practice 9.4 under Principle B of the Malaysian Code on Corporate Governance 2021 ("**MCCG 2021**").




## BOARD AUDIT COMMITTEE

| Communications | Effectiveness | Financial Reporting | External Audit | Internal Control | Internal Audit |
|---|---|---|---|---|---|
| Regular engagements with the Management<br>Updates & recommendations to Board<br>Oversight on reports to Board & shareholders<br>Close interactions with other Committees | Review the adequacy & effectiveness of financial reporting & internal control systems | Compliance with accounting policies, accounting standards & statutory requirements<br>Assess financial position and reporting | Appointment and remuneration<br>Scope of work<br>Audit findings and recommendations<br>Review performance of external auditors<br>Independence assessment | Conflict of interest management & Related Party Transactions review<br>Access internal control environment<br>Limits of Authority<br>Findings of Internal and External Audit | Evaluates & assesses effectiveness of Internal Audit ("IA") Process<br>Sets KPI of IA and KPI results<br>Determines the scope of IA work |

Board Audit Committee Report

The BAC operates across six distinct yet interrelated focus areas, which reinforces one another to uphold the Group's fiduciary duties on financial reporting and internal control framework, thereby serving as a cornerstone of the Group's corporate governance structure.

All INEDs meet the criteria for independence as outlined in BURSA's MMLR, and no Independent Director has appointed alternate directors. Currently, the Chairman of the BAC, Alan Hamzah Sendut who was appointed on 2 February 2024 is a member of the Malaysian Institute of Accountants. Consequently, the BAC adheres to the stipulation of paragraph 15.09(1)(c)(i) of the MMLR.

The Board Nomination & Remuneration Committee ("BNRC") conducted the annual performance evaluation of the BAC and its members for FY2024, with the report thereof reviewed by the Board. Mindful of the BAC's need for diverse skills and attributes, the evaluation encompassed factors such as requisite knowledge, expertise, and commitment of time. The Board is satisfied that throughout FY2024, the BAC and its members had discharged their functions, duties, and responsibilities in accordance with the BAC's Terms of Reference ("TOR"). Further details on Board Effectiveness Evaluation ("BEE") results for FY2024 are provided in the Corporate Governance Overview Statement of this Integrated Annual Report.

As a committee of the Board, the BAC operates under delegated authority and empowerment as outlined in its TOR. It serves as a crucial link between the Board, Management, Internal Auditor and External Auditors, facilitating effective communication and oversight.

## TOR

The TOR governing the BAC delineates various facets, including objectives, functions, authority, duties, and responsibilities, encompassing the focus areas of the BAC. Within this framework are specifications regarding the size and composition prerequisites, along with administrative protocols crucial for the effective execution of its responsibilities.

The TOR of the BAC is accessible on Velesto's website at www.velesto.com.

## COMPOSITION

In the FY2024, the BAC was composed of four members, all holding positions as Non-Executive Directors ("NEDs"). As of 31 December 2024, the entire membership of the BAC consists of INEDs, thereby ensuring adherence to the stipulations outlined in paragraph 15.09(1)(a) and (b) of MMLR, as well as Principle B of the MCCG 2021.

## MEETINGS AND ATTENDANCE

Throughout FY2024, the BAC convened seven (7) meetings, with detailed attendance records provided in the Corporate Governance Overview Statement of this Integrated Annual Report. These meetings were scheduled during FY2023, affording ample notice to BAC members for effective planning and integration into their respective calendars. Preceding each meeting, reminders were disseminated to ensure members were well-prepared.

Key stakeholders, including the President, Chief Financial Officer, General Counsel Legal & Secretarial and Company Secretary, Head of Internal Audit, and External Auditors, were invited to BAC sessions to deliver presentations, facilitate discussions, and furnish essential information and clarifications pertinent to the agenda items.

Under the guidance of the Chairman, the agenda setting for BAC meetings were structured to ensure meeting time efficiency. Approved agendas provided guidance of the order of the meeting, aiding BAC members in navigating discussions. The Chairman managed interactions during meetings, fostering a conducive environment for productive dialogue. Agenda and relevant meeting papers were securely distributed to BAC members via electronic platforms no later than five days before each meeting or in advance of the meeting, ensuring timely access to pertinent materials.

The Company Secretary, also serving as the General Counsel Legal & Secretarial, acts as the secretary to the BAC, documenting the proceedings of each meeting as a formal record of its activities. Following each session, the Chairman reported to the Board, with approved meeting minutes subsequently presented for information. Significant matters discussed within the BAC are further deliberated upon during Board meetings, ensuring comprehensive oversight and alignment with corporate objectives.

## CONTINUOUS TRAINING

The members of the BAC recognise the importance of ongoing educational development. In the period under assessment, all BAC members participated in training sessions consistent with Practice 9.5 of the MCCG 2021.

Details of the training programmes attended can be found in the Corporate Governance Overview Statement of this Integrated Annual Report.

## ROLES AND RESPONSIBILITIES

The Board entrusted the BAC with the task of overseeing internal control, governance and ensuring transparent financial reporting within the Group, guided by the TOR governing the BAC.

During BAC meetings, members deliberated on a range of reports, including summaries of Internal Audit Reports and External Auditors' Reports, covering financial, operational, compliance, governance, risk management, and internal control matters. Updates on the findings and progress of preventive and corrective actions derived from these discussions are regularly provided to the BAC to ensure that appropriate measures were taken and effectively monitored.

## SUMMARY OF BAC'S WORK

During the year under review, the BAC in the discharge of its duties and functions, carried out the following activities:

| | |
|---|---|
| **Financial Reporting** | During the following meetings, the BAC conducted thorough reviews of both quarterly financial results and annual audited financial statements for both the Company and the Group. Subsequently, the BAC made recommendations to the Board for their consideration and approval before releasing them to BURSA:<br>› On 22 February 2024 - Unaudited fourth quarter financial results of fiscal year 2023;<br>› On 21 May 2024 - Unaudited first quarter financial results of fiscal year 2024;<br>› On 22 August 2024 - Unaudited second quarter financial results of fiscal year 2024;<br>› On 21 November 2024 - Unaudited third financial results of fiscal year 2024;<br>› On 25 February 2025 - Unaudited fourth quarter financial results of fiscal year 2024;<br>Additionally, on 4 April 2024, the BAC conducted a review of the Audited Financial Statements for fiscal year 2023, before they were approved by the Board on 15 April 2024.<br>All quarterly financial results for fiscal year 2024 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 FY2023 Impairment Assessment;<br>› Recommended on Authorised Banking Signatories;<br>› Update on E-Invoicing;<br>› Approved select chapters for AR 2023;<br>› Approved appointment of Tax Consultants for Transfer Pricing Documentation Review and Benchmarking for YA2023;<br>› Approved appointment of Tax Consultants for Annual Tax Compliance for FY2023 and FY2024;<br>› Reviewed the External Auditors Performance Evaluation for FY2023;<br>› Update on Conflict of Interest for FY2023;<br>› Reviewed Assurance Report on Sustainability Data for FY2023;<br>› Reviewed the Proposed Audit Plan by External Auditor for FY2024;<br>› Reviewed and assessed the Annual Performance of Head of Internal Auditor Division ("IAD");<br>› Reviewed and assessed the performance and independence of the External Auditors for FY2024;<br>› Recommended on External Auditors Appointment for FY2025;<br>› Approved appointment of Tax Consultants for Phase 2 Liquidation of dormant entities;<br>› Update on Addressing Inventory Optimisation:<br>› Reviewed Inventory Policy;<br>› Dividend Plan for FY2024;<br>› Dividend Reinvestment Plan;<br>› Update by Management Audit Committee on Internal Audit Findings in quarterly basis;<br>› Reviewed and deliberated on related party transactions and recurrent related party transactions for FY2023 for each quarter in accordance with Velesto Management System Procedure on Related Party Transactions and Recurrent Related Party Transactions;<br>› Reviewed revision to Limits of Authority;<br>› Revision to Dividend Policy;<br>› Revision of Tender Committee Terms of Reference;<br>Discussed and reviewed any arising agenda/matters affecting the operations of the Group, as well as the necessary actions and thereafter reported the same to the Board. |

Board Audit Committee Report

| | |
|---|---|
| **Annual Reporting** | On 21 March 2024, 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 2023. The endorsed SORMIC was presented to the Board for final approval and subsequent inclusion in the Integrated Annual Report 2023.<br><br>On 21 March 2025, the BAC reviewed and endorsed the SORMIC, BAC Report and Additional Compliance Information to be included in the Integrated Annual Report 2024. |
| **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 within 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.<br><br>During its meeting on 25 February 2025, the BAC evaluated conflict of interest or potential 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 acknowledgment. |
| **External Audit** | On 4 April 2024, the BAC conducted a review of the External Auditors' Report on the Audited Financial Statements for the fiscal year 2023. During this session, Mimie Joanna Johar, the lead audit engagement partner from EY, affirmed EY's independence throughout the audit process, complying with professional and regulatory requirements, including the By-Laws of the Malaysian Institute of Accountants. The BAC was briefed on key audit matters outlined in the report.<br><br>During its meeting on 21 March 2024, 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.<br><br>The BAC held two private meetings with the External Auditors on 22 February 2024 and 21 November 2024 excluding Management. During these sessions, the BAC inquired about the audit progress, cooperation from the Group, and adequacy of resources allocated. The External Auditors presented their findings and significant audit matters for the BAC's consideration. The BAC discussed recommendations and Management's responses, ensuring follow-up actions were taken.<br><br>On 21 November 2024, 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. |
| **Internal Audit** | On 23 November 2023, the BAC reviewed and approved the Annual IA Plan for the fiscal year 2024.<br><br>Similarly, the 2025 Annual IA Plan underwent review and approval on 21 November 2024. The BAC ensured that the plan adequately identified principal risks, key entities, and functions. Additionally, the BAC assessed the IAD's manpower plan and budget for fiscal year 2024 to consider sufficient resources, competencies, and coverage of audit areas.<br><br>Throughout the year, the Head of IAD presented IAD reports at each BAC meeting. Quarterly reviews of the Annual Audit Plan included discussions on:<br>› Progress of the annual internal audit plan, special reviews, assurance activities on the Sustainability Report and key initiatives.<br>› Sufficiency of Management's responses to audit findings and recommendations.<br>› Adequacy of IAD resources, training, and development.<br><br>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.<br><br>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

The IAD plays an integral role in bolstering the assurance framework of the Group. Its core mandate is to furnish independent and judicious assurance concerning the adequacy and effectiveness of the Group's overarching system of internal control, risk management, and governance processes.

In supporting the BAC's governance obligations as outlined in its TOR, the BAC is aided by an in-house internal audit function, namely the IAD. Norzalizah Alias, the Head of IAD, directly reports to the BAC on functional matters and to the President on administrative affairs. Regular updates on IAD activities and key control issues identified by internal auditors are provided to the BAC.

The Internal Audit Charter delineates the purpose, authority, and responsibilities of the IAD. To uphold its independence and objectivity, the IAD maintains no operational jurisdiction over auditees' activities.

As of 31 December 2024, the IAD comprised five (5) staff members. Resource allocation for the internal audit function totalled RM1.3 million (FY2023: RM1.15 million), covering primarily personnel expenses and incidental costs such as travel and training. The IAD adopts a risk-centric approach to audit planning and execution, prioritising significant identified risks and evaluating the efficacy of risk mitigation controls.

Adherence to the Institute of Internal Auditors' International Professional Practices Framework ("IPPF"), encompassing the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing, guides the IAD in its audit engagements.

Further details regarding the Internal Control Oversight Structure, including the role of the IAD, are elaborated upon in the SORMIC section of this Integrated Annual Report.

## RELATED PARTY TRANSACTIONS ("RPT") & RECURRENT RPT ("RRPT")

The Company has established a Management System Procedure ("MSP RPT") to govern the execution of the Group's Policy on RPT and RRPT.

This system sets out clear guidelines and procedures for the identification, review, monitoring, and reporting of RPT and RRPT, ensuring compliance across relevant departments and divisions responsible for implementation. The system is designed to uphold transparency and accountability, ensuring that all RPT and RRPT transactions are conducted in accordance with applicable regulations.

Throughout the period under review, the RPT Secretariat, established under the MSP RPT, played a pivotal role in coordinating and overseeing RPT/RRPT compliance across the Group. All RPTs and RRPTs were duly reported to the BAC and subsequently to the Board on a quarterly basis.

The IAD conducted quarterly reviews of all RPT/RRPTs undertaken by the Group during the period under review and is satisfied that these transactions were conducted at arm's length and in a manner not detrimental to the interests of the Group and its minority shareholders.

This BAC Report has been presented and approved by the BAC and the Board at their meeting held on 21 March 2025 and 25 March 2025 respectively.

# Additional Compliance Information

## 1. UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

There was no corporate proposal exercise during the financial year.

## 2. AUDIT AND NON-AUDIT FEES

Details of statutory audit, audit-related and non-audit fees paid/payable in the FY2024 to Ernst & Young PLT and its affiliates are as follows:-

| Type of Fees | Velesto Energy (RM'000) | Velesto Energy Group (RM'000) |
|---|---|---|
| Audit fees:<br>Messrs. Ernst & Young PLT, Malaysia | 190 | 714 |
| Non-Audit Fees: | 254 | 327 |
| **Total** | 444 | 1,041 |

## 3. MATERIAL CONTRACTS

There were no material contracts entered into by the Group involving the interest of Directors or Major Shareholders, either still subsisting at the end of the FY2024 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 there is no mandate required for FY2024.

## 5. INSIDER TRADING

There was no insider trading reported for FY2024.

## 6. EMPLOYEES SHARES OPTION SCHEME (ESOS)

The ESOS for the eligible employees (including Executive Director) of the Company and its subsidiaries (excluding subsidiaries which are dormant) was approved by the shareholders at the Extraordinary General Meeting held on 31 October 2019 and launched on 1 November 2019.

The ESOS is governed by the By-Laws and administered by the Board Nomination & Remuneration Committee, which also acts as the ESOS Committee.

The details of the first ESOS granted on 1 November 2019 and 6 November 2023 are summarised below:-

| ESOS Grant | Year | Option Price per Share | No. of ESOS Granted | No. of ESOS Accepted | No. of ESOS Vested | No. of ESOS Exercised |
|---|---|---|---|---|---|---|
| ESOS Granted to eligible employees of the Group | | | | | | |
| 1st ESOS Grant | 2019 | RM0.33 | 130,330,000 | 109,660,000 | 0* | 0 |
| 2nd ESOS Grant | 2023 | RM0.23 | 118,880,000 | 111,720,000 | 0 | 0 |
| ESOS Granted to Executive Director of the Company | | | | | | |
| 1st ESOS Grant (Expired) | 2019 | RM0.33 | 11,400,000 *(maximum number of ESOS)* | 11,400,000 | 0* | 0 |
| 2nd ESOS Grant | 2023 | RM0.23 | 11,400,000 *(maximum number of ESOS)* | 11,400,000 | 0* | 0 |
| ESOS Granted to Senior Management (including Executive Director of the Company) | | | | | | |
| 1st ESOS Grant | 2019 | RM0.33 | 35,450,000 | 35,450,000 | 0* | 0 |
| 2nd ESOS Grant | 2023 | RM0.23 | 47,400,000 | 47,400,000 | | |

* Subject to vesting condition at the discretion of the ESOS Committee.

*Note: The Non-Executive Directors are not eligible to participate in the ESOS.*

The 1st ESOS Grant has a 3 year vesting period (subject to earlier vesting date at the discretion of the ESOS Committee), whereby eligible employees can exercise their ESOS after the vesting period. The Company may recommend, upon obtaining approval from the Board of Directors, to extend the ESOS period for another 5 years of up to a maximum of 5 years in aggregate. The maximum number of shares of the Company which may be made available under the ESOS, shall not in aggregate exceed 7.5% of the total number of issued shares of Velesto (excluding treasury shares, if any) at any point in time over the duration of the ESOS.

The 2nd ESOS Grant has a 3-year vesting period of equal vesting within the 3 years (subject to earlier vesting date at the discretion of the ESOS Committee), whereby eligible employees can exercise their ESOS after the vesting period. The Company may recommend, upon obtaining approval from the Board of Directors, to extend the ESOS period for another 5 years of up to a maximum of 5 years in aggregate. The maximum number of shares of the Company which may be made available under the ESOS, shall not in aggregate exceed 7.5% of the total number of issued shares of Velesto (excluding treasury shares, if any) at any point in time over the duration of the ESOS.

04.

Velesto Financials

# Trust. Transparency. Performance.

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# 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 2024.

## 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 Note 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 2024 are as follows:

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Profit for the year, representing attributable to equity holders of the Company | 207,706 | 53,254 |

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 2023 was as follows:

| | RM'000 |
|---|---|
| **In respect of the financial year ended 31 December 2023:** | |
| Interim dividend of 0.25 sen per share on 8,215,600,000 shares, declared on 27 February 2024 and 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 27 February 2025, the Directors declared second interim dividend of 1.00 sen per share in respect of the financial year ended 31 December 2024 on 8,215,621,922 shares, amounting to RM82.156 million. Such dividend will be payable on 23 May 2025.

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 2025.

## 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
Datuk Ling Kien Sing
Megat Zariman Abdul Rahim #
Ar. Ahila Ganesan
Fadzihan Abbas Mohamed Ramlee
Nadzrin Alia Md Azizis
Alan Hamzah Sendut (appointed on 2 February 2024)

# 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' BENEFITS (CONT'D.)

The directors' benefits are as follows:

| | Group and Company RM'000 |
|---|---|
| Salaries and other emoluments | 1,638 |
| Fees | 1,145 |
| Bonus | 642 |
| Pension costs - defined contribution plan | 335 |
| Share options granted under ESOS | 603 |
| Benefits-in-kind | 359 |
| Insurance effected to indemnify directors | 62 |
| | 4,784 |

## 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**

| | Number of Ordinary Shares | | | |
|---|---|---|---|---|
| **Ordinary Shares** | **1 January 2024** | **Bought** | **Sold** | **31 December 2024** |
| **Direct interest** | | | | |
| Datuk Ling Kien Sing | 2,370,000 | 1,000,000 | - | 3,370,000 |

| | Number of Options | | | |
|---|---|---|---|---|
| **Employees' Share Option Scheme** | **1 January 2024** | **Vested** | **Exercised** | **31 December 2024** |
| **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 and Remuneration Committee.

The salient features and other terms of the ESOS are disclosed in Note 17(b) to the financial statements.

In the financial year ended 31 December 2019, the Company granted 130,330,000 share options under the ESOS (Tranche 1) and these options were expired on 31 October 2024 pursuant to the By-Laws of the ESOS.

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 2024 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 RM127,220, and the portion related to Directors was only RM62,020. 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.

## OTHER STATUTORY INFORMATION (CONT'D.)

(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.

(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.

## SUBSEQUENT EVENT

Other than the matters discussed in Note 35 to the financial statements, there was no other material event subsequent to the financial year ended 31 December 2024.

## AUDITORS

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

Auditors' remuneration is as follows:

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Statutory audit | | |
| - Ernst & Young PLT | 714 | 190 |
| - Other auditors | 33 | - |
| Other services | | |
| - Ernst & Young Tax Consultants Sdn Bhd | 327 | 254 |

Signed on behalf of the Board in accordance with a resolution of the directors dated 15 April 2025.

**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 200 to 263 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 2024 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 15 April 2025.

**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 200 to 263 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed SAZLYNA SAPIEE
at Kuala Lumpur in the Federal Territory
on 15 April 2025

**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 2024 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 200 to 263.

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 2024, 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.

<u>Impairment of property, plant and equipment and rights of use assets: drilling services and hydraulic workover asset</u>

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 2024 are assets related to the drilling services segment and hydraulic workover operation ("drilling services and hydraulic workover assets") of RM2,337.2 million and RM2.3 million respectively, which collectively represents 76% of the Group's total assets. The accumulated impairment loss on drilling services and hydraulic workover assets as at 31 December 2024 is RM2,055.6 million. The Group did not recognise any impairment loss nor reversals on the property, plant and equipment during the financial year.

The Group is required to assess at each reporting period whether there is any indication that a cash generating unit ("CGU") may be impaired. If any such indication exists, the Group shall estimate the recoverable amount of the CGU(s).

Due to the uncertainties of the demand and supply in the oil and gas industry and the volatile oil prices, the Group has determined that there are indications that the assets of drilling services and hydraulic workover assets may be impaired. Accordingly, the Group estimated the recoverable amount of the respective cash generating units ("CGU"s) based on their fair value less cost to sell or their respective value-in-use ("VIU"), whichever is higher.

*Key audit matters (cont'd.)*

Impairment of property, plant and equipment and rights of use assets: drilling services and hydraulic workover asset (cont'd.)

Estimating the recoverable amounts based on VIU involved estimates made by management relating to the future cash inflows and outflows that will be derived from the CGU and discounting them at the appropriate rate. The cash flow forecasts included a number of significant judgements and estimates such as the expected operating day rates and utilisation rate of the rigs/hydraulic workover units, estimated terminal value of the assets and the discount rates.

Given the significance of the drilling services and hydraulic workover assets to the Group and the significant judgements and estimates involved in the assessment of the recoverable amounts, we have identified the above impairment assessments as an area of focus to our audit.

Our procedures in reviewing the significant judgements and estimates applied in arriving at the recoverable amount for the impairment assessment as at 31 December 2024, include interalia the following:

- Obtained an understanding of the relevant processes and internal controls over the estimating the recoverable amount of the CGUs;
- Evaluated the appropriateness of the methodology and approach applied;
- Evaluated the key assumptions used by management in the cash flow projections on whether they are reasonable by comparing to past actual information and by corroborating with industry analysts' views, management's plans, existing contracts and upcoming bidding opportunities, where applicable;
- Evaluated the discount rates and the methodology used in deriving the present value of the cash flows, with the support of our internal valuation specialists;
- We have performed sensitivity analysis on the key inputs to understand the impact that alternative assumptions would have had on the recoverable amounts; and
- Assessed the adequacy of the disclosures made in the financial statements.

Impairment assessment of investments in subsidiaries

As at 31 December 2024, the carrying amount of the investment in subsidiaries companies of the Company amounted to RM1,880.7 million, representing 88% of the Company's total assets. The accumulated impairment loss on cost of investments in subsidiaries as at 31 December 2024 is RM2,623.5 million.

As disclosed in Note 5 to the financial statements, during the financial year, certain subsidiaries with a carrying amount of RM1,857.8 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.

*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 2024, 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 2024 Annual Report is expected to be made available to us after the date of this auditors' report.

Independent Auditors' Report

*Information other than the financial statements and auditors' report thereon (cont'd.)*

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.

*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 were 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 the audit of the financial statements**

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

**Mimie Joanna Binti Johar**
No. 03592/09/2025 J
Chartered Accountant

Kuala Lumpur, Malaysia
15 April 2025

# Consolidated Statement of Financial Position

as at 31 December 2024

| | Note | 2024 RM'000 | 2023 RM'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | 2,371,815 | 2,421,587 |
| Investment in an associate | 6 | 1,541 | 1,329 |
| Right-of-use assets | 8 | 5,189 | 8,430 |
| | | 2,378,545 | 2,431,346 |
| **Current assets** | | | |
| Inventories | 9 | 125,290 | 178,709 |
| Trade and other receivables | 10 | 317,458 | 363,490 |
| Tax recoverable | | 2,494 | 1,885 |
| Deposits, cash and bank balances | 12 | 247,522 | 132,215 |
| | | 692,764 | 676,299 |
| **TOTAL ASSETS** | | 3,071,309 | 3,107,645 |
| **EQUITY AND LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Long term borrowings | 13 | - | 244,326 |
| Lease liabilities | 8 | 2,595 | 3,386 |
| | | 2,595 | 247,712 |
| **Current liabilities** | | | |
| Short term borrowings | 14 | 177,964 | 114,288 |
| Lease liabilities | 8 | 1,594 | 4,097 |
| Trade and other payables | 15 | 302,553 | 260,202 |
| Tax payable | | 15,400 | 5,938 |
| | | 497,511 | 384,525 |
| **Total liabilities** | | 500,106 | 632,237 |
| **Equity** | | | |
| **Equity attributable to equity holders of the Company** | | | |
| Ordinary share capital | 16 | 1,844,826 | 1,844,817 |
| Other reserves | 17 | 860,979 | 1,149,448 |
| Accumulated losses | | (134,602) | (518,857) |
| **Total equity** | | 2,571,203 | 2,475,408 |
| **TOTAL EQUITY AND LIABILITIES** | | 3,071,309 | 3,107,645 |

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 2024

| | Note | 2024 RM'000 | 2023 RM'000 |
|---|---|---|---|
| Revenue | 18 | 1,360,432 | 1,213,822 |
| Other operating income | 19 | 5,742 | 3,107 |
| Materials and spares used | | (334,453) | (447,896) |
| Employee benefits | 20 | (269,024) | (200,537) |
| Depreciation and amortisation | | (245,667) | (201,939) |
| (Allowance for)/Reversal of impairment losses | 21 | (1,525) | 709 |
| Other operating expenses | 22 | (221,548) | (204,223) |
| Profit from operations | | 293,957 | 163,043 |
| Finance costs | 23 | (34,025) | (46,040) |
| Investment income | 24 | 6,884 | 4,132 |
| Share of results of associate | | 212 | 93 |
| Profit before tax | | 267,028 | 121,228 |
| Income tax expense | 25 | (59,322) | (21,703) |
| **Profit net of tax for the year** | | **207,706** | **99,525** |
| **Other comprehensive income:** | | | |
| Foreign currency translation | | (75,473) | 93,426 |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods, net of tax: | | (75,473) | 93,426 |
| **Total comprehensive income for the year** | | 132,233 | 192,951 |
| **Profit attributable to:** | | | |
| Equity holders of the Company | | 207,706 | 99,525 |
| **Total comprehensive income attributable to:** | | | |
| Equity holders of the Company | | 132,233 | 192,951 |
| Profit per share attributable to equity holders of the Company (sen per share) | | | |
| - Basic | 26 | 2.53 | 1.21 |
| - Diluted | 26 | 2.53 | 1.21 |

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 2024

| | 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 RM'000 | Total equity RM'000 |
| **At 1 January 2024** | 1,844,817 | 211,876 | 9,739 | 698 | 78,145 | 848,990 | (518,857) | 2,475,408 |
| **Transactions with owners** | | | | | | | | |
| Share options adjustment under ESOS (Note 17) | - | - | (1,120) | - | - | - | 5,760 | 4,640 |
| Dividends | - | - | - | - | - | - | (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) |
| Profit for the year | - | - | - | - | - | - | 207,706 | 207,706 |
| Other comprehensive loss for the year | - | - | - | - | - | (75,473) | - | (75,473) |
| **Total comprehensive (loss)/income for the year** | - | - | - | - | - | (75,473) | 207,706 | 132,233 |
| **At 31 December 2024** | 1,844,826 | - | 8,619 | 698 | 78,145 | 773,517 | (134,602) | 2,571,203 |
| **At 1 January 2023** | 1,844,817 | 211,876 | 9,961 | 698 | 78,145 | 755,564 | (619,396) | 2,281,665 |
| **Transactions with owners** | | | | | | | | |
| Share options adjustment under ESOS (Note 17) | - | - | (222) | - | - | - | 1,014 | 792 |
| **Total transactions with owners** | - | - | (222) | - | - | - | 1,014 | 792 |
| Profit for the year | - | - | - | - | - | - | 99,525 | 99,525 |
| Other comprehensive income for the year | - | - | - | - | - | 93,426 | - | 93,426 |
| **Total comprehensive income for the year** | - | - | - | - | - | 93,426 | 99,525 | 192,951 |
| **At 31 December 2023** | 1,844,817 | 211,876 | 9,739 | 698 | 78,145 | 848,990 | (518,857) | 2,475,408 |

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 2024

| | 2024<br>RM'000 | 2023<br>RM'000 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit before tax | 267,028 | 121,228 |
| Adjustments for: | | |
| Depreciation and amortisation | 245,667 | 201,939 |
| Net impairment loss on property, plant and equipment | 4,935 | - |
| Property, plant and equipment written off | 995 | 928 |
| Interest expense | 34,025 | 46,040 |
| Investment income (Note 24) | (6,884) | (4,132) |
| Net (gain)/loss on disposal of property, plant and equipment | (1,473) | 24 |
| Provision for/(Reversal of) unutilised leave | 226 | (498) |
| Share of results of associate | (212) | (93) |
| Share options granted under ESOS | 4,640 | 792 |
| Net unrealised foreign exchange gain (Note 19) | (2,998) | (2,315) |
| Reversal of impairment losses of trade receivables | (3,410) | (709) |
| Provision for stock obsolescence | 17,643 | 26,546 |
| Operating profit before working capital changes | 560,182 | 389,750 |
| Decrease in trade and other receivables | 35,436 | 9,781 |
| Decrease/(Increase) in inventories | 30,791 | (12,945) |
| Increase in trade and other payables | 59,651 | 1,667 |
| Net cash generated from operations | 686,060 | 388,253 |
| Taxes paid | (50,469) | (12,067) |
| Net cash generated from operating activities | 635,591 | 376,186 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Interest income from deposits with licensed banks | 7,232 | 4,014 |
| Distribution income from money market fund | - | 118 |
| Purchase of property, plant and equipment | (271,191) | (109,847) |
| Withdrawal/(Placement) of investments in money market fund | 6,640 | (6,640) |
| Dividend received from an associate | - | 115 |
| Proceeds from disposal of property, plant and equipment | 6,246 | 2,842 |
| Net cash used in investing activities | (251,073) | (109,398) |

## Consolidated Statement of Cash Flows

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Repayment of long term borrowings | (233,690) | (75,916) |
| Net movement in short term borrowings | 63,835 | (149,818) |
| Dividends paid to the equity holders | (41,078) | - |
| Proceeds from issuance of shares | 9 | - |
| Interest paid | (34,025) | (46,496) |
| Net movement of restricted cash deposits in licensed banks | 5,766 | 939 |
| Payment of lease liabilities | (5,089) | (4,292) |
| Net cash used in financing activities | (244,272) | (275,583) |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | 140,246 | (8,795) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR** | 119,809 | 113,323 |
| **EFFECTS OF EXCHANGE RATE CHANGES** | (12,533) | 15,281 |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR (NOTE 12)** | 247,522 | 119,809 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statement of Financial Position

as at 31 December 2024

| | Note | 2024 RM'000 | 2023 RM'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | 14,451 | 13,777 |
| Investments in subsidiaries | 5 | 1,880,659 | 1,012,327 |
| Due from subsidiaries | 11 | 82,175 | 774,300 |
| Right-of-use assets | 8 | 250 | 2,821 |
| | | 1,977,535 | 1,803,225 |
| **Current assets** | | | |
| Other receivables | 10 | 908 | 1,011 |
| Due from subsidiaries | 11 | 119,016 | 484,677 |
| Deposits, cash and bank balances | 12 | 30,136 | 33,003 |
| | | 150,060 | 518,691 |
| **TOTAL ASSETS** | | 2,127,595 | 2,321,916 |
| **EQUITY AND LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Due to subsidiaries | 11 | - | 263,475 |
| **Current liabilities** | | | |
| Other payables | 15 | 47,295 | 21,671 |
| Due to subsidiaries | 11 | 29,978 | 1,186 |
| Lease liabilities | 8 | 181 | 2,791 |
| Tax payable | | 539 | 7 |
| | | 77,993 | 25,655 |
| **Total liabilities** | | 77,993 | 289,130 |
| **Equity** | | | |
| **Equity attributable to equity holders of the Company** | | | |
| Ordinary share capital | 16 | 1,844,826 | 1,844,817 |
| Other reserves | 17 | 83,577 | 296,573 |
| Retained profit/(Accumulated losses) | | 121,199 | (108,604) |
| **Total equity** | | 2,049,602 | 2,032,786 |
| **TOTAL EQUITY AND LIABILITIES** | | 2,127,595 | 2,321,916 |

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 2024

| | Note | 2024 RM'000 | 2023 RM'000 |
|---|---|---|---|
| Revenue | 18 | 103,782 | 33,728 |
| Other operating income | 19 | 10,920 | 60,929 |
| Employee benefits | 20 | (53,103) | (34,499) |
| Depreciation and amortisation | | (10,101) | (8,116) |
| Reversal of impairment losses | 21 | 6,662 | - |
| Other operating expenses | 22 | (75,555) | (23,418) |
| (Loss)/Profit from operations | | (17,395) | 28,624 |
| Finance costs | 23 | (272) | (85) |
| Investment income | 24 | 72,852 | 83,247 |
| Profit before tax | | 55,185 | 111,786 |
| Income tax expense | 25 | (1,931) | (51) |
| **Profit for the year, representing total comprehensive income for the year** | | 53,254 | 111,735 |

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 2024

| | | ← 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 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 | - | - | - | - | (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 |
| **At 1 January 2023** | 1,844,817 | 211,876 | 6,774 | 78,145 | (221,353) | 1,920,259 |
| **Transactions with owners** | | | | | | |
| Share options adjustment under ESOS (Note 17) | - | - | (222) | - | 1,014 | 792 |
| **Total transactions with owners** | - | - | (222) | - | 1,014 | 792 |
| **Total comprehensive income for the year** | - | - | - | - | 111,735 | 111,735 |
| **At 31 December 2023** | 1,844,817 | 211,876 | 6,552 | 78,145 | (108,604) | 2,032,786 |

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 2024

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit before tax | 55,185 | 111,786 |
| Adjustments for: | | |
| Depreciation and amortisation | 10,101 | 8,116 |
| Interest expense | 272 | 85 |
| Investment income (Note 24) | (72,852) | (83,247) |
| Net unrealised foreign exchange loss/(gain) (Note 19) | 47,594 | (58,546) |
| Share options granted under ESOS | 4,640 | 792 |
| Provision for/(Reversal of) unutilised leave | 218 | (318) |
| Reversal of impairment losses in amount due from subsidiaries | (6,662) | - |
| Dividend received from subsidiaries | (60,556) | (5,507) |
| Operating loss before working capital changes | (22,060) | (26,839) |
| Decrease in other receivables | 143 | 5,473 |
| Increase in other payables | 25,640 | 9,839 |
| Net changes in related companies' balances | (14,826) | 8,050 |
| Net cash used in operations | (11,103) | (3,477) |
| Tax (paid)/refund | (1,390) | 5,735 |
| Net cash (used in)/generated from operating activities | (12,493) | 2,258 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Interest income from deposits with licensed banks | 1,091 | 859 |
| Distribution income from money market fund | - | 3 |
| Purchase of plant and equipment | (8,260) | (3,936) |
| Withdrawal/(Placement) of investments in money market fund | 1,532 | (1,532) |
| Dividend received from subsidiaries | 60,556 | 5,507 |
| Net cash generated from investing activities | 54,919 | 901 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Payment of lease liabilities | (2,692) | (2,621) |
| Proceeds from issuance of shares | 9 | - |
| Dividend paid to shareholders | (41,078) | - |
| Net cash used in financing activities | (43,761) | (2,621) |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | (1,335) | 538 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR** | 31,471 | 30,933 |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR (NOTE 12)** | 30,136 | 31,471 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Notes to the Financial Statements

31 December 2024

## 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 Note 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 15 April 2025.

## 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 2024, 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 2024 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).

#### (c) Financial assets

The Group and the Company applied MFRS 9 Financial Instruments as disclosed below:

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at either amortised cost, fair value through other comprehensive income or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under MFRS 15 Revenue from Contracts with Customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income ("OCI"), it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. The assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Notes to the Financial Statement

## 2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONT'D.)

### 2.2 Summary of material accounting policies (cont'd.)

#### (c) Financial assets (cont'd.)

**Subsequent measurement**

For the purpose of subsequent measurement, financial assets of the Group are classified in two categories:

**(i) Financial assets at amortised cost (debt instruments)**

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost include trade receivables, other receivables (other than prepayments), amounts due from subsidiaries and deposits, cash and bank balances.

**(ii) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with the net changes in fair value recognised in the statements of profit or loss.

The Group's and the Company's financial assets at fair value through profit or loss include investment in money market fund.

**Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

## 2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONT'D.)

### 2.2 Summary of material accounting policies (cont'd.)

#### (c) Financial assets (cont'd.)

**Derecognition (cont'd.)**

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### (d) Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

#### (e) Cash and cash equivalents

Cash and cash equivalents include cash and bank balances and deposits at call with licensed banks with a tenure of three months or less that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

#### (f) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. In arriving at net realisable value, due allowance has been made for obsolete and slow-moving items.

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

| | |
|---|---|
| Materials and spares used | - Weighted average |

Cost of materials and spares used represents cost of purchase.

## 2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONT'D.)

### 2.2 Summary of material accounting policies (cont'd.)

#### (g) Foreign currencies

##### (i) Functional and presentation currency

The financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RM, which is also the Company's functional currency.

##### (ii) Foreign currency transactions

Transactions in currencies other than the Company's and its subsidiaries' functional currency ("foreign currencies") are initially converted into functional currency at rates of exchange ruling at the transaction dates.

**Non-monetary items**

At each reporting date, foreign currency non-monetary items which are carried at historical cost are translated using the historical rate as of the date of the initial transaction and non-monetary items which are carried at fair value are translated using the exchange rate as of the date when the fair values were determined.

**Monetary items**

At each reporting date, monetary items denominated in foreign currencies are translated into functional currency at exchange rates ruling at that date.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation are taken directly to the foreign currency translation reserve within other comprehensive income until the disposal of the foreign operation, at which time they are recognised in profit or loss.

##### (iii) Foreign operations

The financial statements of foreign operations which are consolidated are translated at year-end exchange rates with respect to the assets and liabilities, and at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions with respect to profit or loss. All resulting translation differences are included in the foreign currency translation reserve within other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operation and are recorded in the functional currency of the foreign operation and translated at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign operation before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the exchange rate ruling at the date of the transaction.

#### (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.

## 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.

Notes to the Financial Statement

## 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.

## 2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONT'D.)

### 2.2 Summary of material accounting policies (cont'd.)

#### (m) Revenue and other income recognition (cont'd.)

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.

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.)

##### (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.

## 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.

Notes to the Financial Statement

## 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.

## 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).

Notes to the Financial Statement

## 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 2024, 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 2024.

| Description | Effective date |
|---|---|
| Amendment to MFRS 16 Leases (Lease Liability in a Sale and Leaseback) | 1 January 2024 |
| Amendments to MFRS 101 Presentation of Financial Statements (Non-current Liabilities with Covenants) | 1 January 2024 |
| Amendments to MFRS 107 Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosures Supplier Finance Arrangements | 1 January 2024 |

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 121 The Effects of Changes in Foreign Exchange Rates (Lack of Exchangeability) | 1 January 2025 |
| Amendments to MFRS 9 Financial Instruments and MFRS 7 Financial Instruments: Disclosures (Classification and Measurement of Financial Instrument) | 1 January 2026 |
| Annual Improvements to MFRS Accounting Standards - Volume 11:<br>MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards<br>MFRS 7 Financial Instruments: Disclosures<br>MFRS 9 Financial Instruments<br>MFRS 10 Consolidated Financial Statements<br>MFRS 107 Statement of Cash Flows | 1 January 2026 |
| Amendments to MFRS 9 Financial Instruments and MFRS 7 Financial Instruments: Disclosures (Contracts Referencing Nature-dependent Electricity) | 1 January 2026 |
| 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.

## 3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

**Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

**(i) Deferred tax assets**

Deferred tax assets are recognised for all unutilised tax losses, unabsorbed capital allowances and unabsorbed reinvestment allowances to the extent that it is probable that taxable profit will be available against which the losses, capital allowances and reinvestment allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies. The amount of recognised and unrecognised tax losses, capital allowances and reinvestment allowances of the Group are as disclosed in Note 7.

**(ii) Impairment of property, plant and equipment, right-of-use assets and investment in subsidiaries**

In the previous financial year, the Group has recognised reversal of impairment losses in respect of property, plant and equipment.

The Group carried out the impairment assessment based on value-in-use and fair value less costs to sell of the CGU to which the assets are allocated.

Estimating the value-in-use requires the management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Fair value is obtained from valuation reports performed by independent professional valuers based on best information available. Significant estimate is involved in deriving the fair value as there are possible variations in the basis and assumptions used by the valuers. Further details of the impairment losses recognised are as disclosed in Note 4 and Note 5.

**(iii) Useful lives and residual value of plant and equipment**

The cost of plant and equipment is depreciated on a straight-line basis over their estimated economic useful lives after allowing for residual values. Management estimates the useful lives and residual values by applying assumptions and estimates that reflect both historical experience and expectations regarding future operations, rig utilisation and asset performance, and also based on the common life expectancies applied in the respective industries. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's plant and equipment at the reporting date is disclosed in Note 4.

**(iv) Provision for expected credit losses ("ECLs") of trade receivables**

The Group uses simplified approach to calculate ECLs for trade receivables. The provision rates are based on various customer's historical observed default rates.

The Group considers and assesses the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e. gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the oil and gas sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 10.

Notes to the Financial Statement

## 4. PROPERTY, PLANT AND EQUIPMENT

| | Buildings RM'000 | Rigs, HWUs and drilling equipment RM'000 | Plant and machinery RM'000 | Assets-in-progress RM'000 | **Other assets RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **Cost** | | | | | | |
| At 1 January 2023 | 21,673 | 6,316,711 | 24,470 | 10,930 | 56,291 | 6,430,075 |
| Exchange differences | 446 | 261,211 | 113 | 245 | 900 | 262,915 |
| Additions | - | 102,604 | 2 | 2,922 | 4,319 | 109,847 |
| Write-offs | - | (1,217) | - | - | - | (1,217) |
| Disposals | - | (7,252) | - | - | - | (7,252) |
| Reclassification | - | 6,908 | - | (7,359) | 451 | - |
| At 31 December 2023/1 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 | 20,886 | 6,678,279 | 23,985 | 17,679 | 68,632 | 6,809,461 |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2023 | 3,664 | 1,912,334 | 11,302 | - | 38,247 | 1,965,547 |
| Exchange differences | 79 | 74,260 | 177 | - | 907 | 75,423 |
| Depreciation charge for the year | 364 | 190,816 | 285 | - | 6,481 | 197,946 |
| Write-offs | - | (289) | - | - | - | (289) |
| Disposals | - | (4,386) | - | - | - | (4,386) |
| At 31 December 2023/1 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 | 4,278 | 2,294,494 | 11,479 | - | 54,231 | 2,364,482 |
| **Accumulated impairment losses** | | | | | | |
| At 1 January 2023 | 5,892 | 2,037,644 | 10,863 | - | 1,984 | 2,056,383 |
| Exchange differences | - | 82,149 | - | - | 8 | 82,157 |
| At 31 December 2023/1 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 | 4,724 | 2,055,591 | 10,863 | - | 1,986 | 2,073,164 |
| **Net carrying amount** | | | | | | |
| At 31 December 2024 | 11,884 | 2,328,194 | 1,643 | 17,679 | 12,415 | 2,371,815 |
| At 31 December 2023 | 12,120 | 2,386,437 | 1,958 | 6,738 | 14,334 | 2,421,587 |

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

| | **Other assets RM'000 | Assets-in-progress RM'000 | Total RM'000 |
|---|---|---|---|
| **Company** | | | |
| **Cost** | | | |
| At 1 January 2023 | 22,797 | 1,252 | 24,049 |
| Additions | 1,743 | 2,193 | 3,936 |
| Reclassification | 219 | (219) | - |
| At 31 December 2023/1 January 2024 | 24,759 | 3,226 | 27,985 |
| Additions | 1,429 | 6,831 | 8,260 |
| Reclassification | 1,395 | (1,395) | - |
| At 31 December 2024 | 27,583 | 8,662 | 36,245 |
| **Accumulated depreciation** | | | |
| At 1 January 2023 | 8,577 | - | 8,577 |
| Depreciation charge for the year | 5,631 | - | 5,631 |
| At 31 December 2023/1 January 2024 | 14,208 | - | 14,208 |
| Depreciation charge for the year | 7,586 | - | 7,586 |
| At 31 December 2024 | 21,794 | - | 21,794 |
| **Net carrying amount** | | | |
| At 31 December 2024 | 5,789 | 8,662 | 14,451 |
| At 31 December 2023 | 10,551 | 3,226 | 13,777 |

** Included in the other assets are office equipment, computer software, furniture and fittings, renovation, improvements and motor vehicles.

Whilst crude oil price has improved compared to the end of the previous financial year, the oil companies continue to be prudent with capital expenditure. During the financial year, certain subsidiaries of the Group within the drilling services segment, hydraulic workover operation and oilfield services segment carried out a review of the recoverable amounts of impairment of their property, plant and equipment.

Recoverable amount determined based on value-in-use

Included in the carrying amount of the property, plant and equipment is RM2,337.2 million (2023: RM2,389.9 million) relating to drilling services segment and hydraulic workover operations, of which was impaired in prior years. The recoverable amount of these assets are based on the value-in-use of each asset, based on their respective cash flow projections discounted at 9.94% (2023: 10.13%). During the current financial year, an impairment loss of RM6,103,000 (2013: Nil) 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 and HWUs CGU.

The following changes in the key assumptions, in isolation, would lead to the sensitivity of the recoverable amount of the drilling rigs and HWUs.

| | | Effect on recoverable amount Increase/(decrease) RM'000 |
|---|---|---|
| **Drilling rigs** | | |
| Discount rate | - Increase by 0.1% | (16,137) |
| | - Decrease by 0.1% | 16,137 |
| **HWUs** | | |
| Discount rate | - Increase by 0.5% | (109) |
| | - Decrease by 0.5% | 109 |

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 RM644,500.

## 5. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2024 RM'000 | 2023 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 | 1,394,264 | 462,030 |
| | 4,504,175 | 3,571,941 |
| Less: Allowance for impairment losses | (2,623,516) | (2,559,614) |
| | 1,880,659 | 1,012,327 |

The Company performed an impairment review of its investments in certain subsidiaries, where the carrying amount of investments exceeded its recoverable amount in the respective subsidiaries at the reporting date.

During the current financial year, the Company increased its investment in certain subsidiaries amounting to RM932.2 million (2023: Nil) 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 RM63.9 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.

## 5. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

If recoverable amount increase of 5%, this will result in RM92,811,000 (2023: RM49,486,000) decrease in allowance for impairment loss of investment in subsidiaries.

### i) Investment in subsidiaries that are impaired

Movement in allowance for impairment losses

| | Company | |
|---|---|---|
| | 2024 RM'000 | 2023 RM'000 |
| At 1 January | 2,559,614 | 2,559,614 |
| Reclassification (Note 11) | 63,902 | - |
| At 31 December | 2,623,516 | 2,559,614 |

## 6. INVESTMENT IN AN ASSOCIATE

| | Group | |
|---|---|---|
| | 2024 RM'000 | 2023 RM'000 |
| Unquoted shares, at cost | 1,090 | 1,090 |
| Share of post-acquisition reserves | 451 | 239 |
| | 1,541 | 1,329 |

Details of the associate are as follows:

| Name of company | Place of business/ country of incorporation | Principal activities | Proportion of ownership interest 2024 % | 2023 % |
|---|---|---|---|---|
| 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 2024 and 2023 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:

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| **Assets and liabilities:** | | |
| Current assets | 6,719 | 6,735 |
| Non-current assets | 1,471 | 218 |
| Total assets | 8,190 | 6,953 |
| Current liabilities, representing total liabilities | 1,840 | 2,372 |
| **Results** | | |
| Revenue | 11,653 | 10,525 |
| Profit for the year | 1,059 | 465 |
| Total comprehensive income | 1,769 | 184 |

Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associate is as follows:

| | | |
|---|---|---|
| Net assets at 1 January | 4,581 | 4,512 |
| Profit for the year | 1,059 | 465 |
| Dividend paid | - | (115) |
| Other comprehensive income/(loss) | 710 | (281) |
| Net assets at 31 December | 6,350 | 4,581 |
| Share of net assets | 1,270 | 916 |
| Goodwill | 271 | 413 |
| Carrying value of the Group's interest in associate | 1,541 | 1,329 |

## 7. DEFERRED TAXATION

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 RM'000 | 2023 RM'000 | 2024 RM'000 | 2023 RM'000 |
| Presented after appropriate offsetting as follows: | | | | |
| Deferred tax liabilities | 1,447 | 3,074 | 443 | 1,342 |
| Deferred tax assets | (1,447) | (3,074) | (443) | (1,342) |
| | - | - | - | - |

## 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 | Company |
|---|---|---|
| | RM'000 | RM'000 |
| **Accelerated capital allowances** | | |
| At 1 January 2023 | 1,550 | - |
| Recognised in profit or loss | 1,524 | 1,342 |
| At 31 December 2023/1 January 2024 | 3,074 | 1,342 |
| Recognised in profit or loss | (1,627) | (899) |
| At 31 December 2024 | 1,447 | 443 |

**Deferred tax assets:**

| | Group | | |
|---|---|---|---|
| | Unabsorbed capital allowances RM'000 | Unutilised tax losses RM'000 | Total RM'000 |
| At 1 January 2023 | (1,472) | (78) | (1,550) |
| Recognised in profit or loss | (1,524) | - | (1,524) |
| At 31 December 2023/1 January 2024 | (2,996) | (78) | (3,074) |
| Recognised in profit or loss | 1,627 | - | 1,627 |
| At 31 December 2024 | (1,369) | (78) | (1,447) |

| | Company | | |
|---|---|---|---|
| | Unabsorbed capital allowances RM'000 | Unutilised tax losses RM'000 | Total RM'000 |
| At 1 January 2023 | - | - | - |
| Recognised in profit or loss | (1,342) | - | (1,342) |
| At 31 December 2023/1 January 2024 | (1,342) | - | (1,342) |
| Recognised in profit or loss | 899 | - | 899 |
| At 31 December 2024 | (443) | - | (443) |

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 | |
|---|---|---|---|---|
| | 2024 RM'000 | 2023 RM'000 | 2024 RM'000 | 2023 RM'000 |
| Unutilised tax losses | 125,109 | 122,214 | 81,175 | 84,142 |
| Unabsorbed capital and reinvestment allowances | 49,818 | 39,308 | 7,856 | 2,080 |
| Others | 239,828 | 247,399 | 25,068 | 12,369 |
| | 414,755 | 408,921 | 114,099 | 98,591 |

**Year of expiry of unutilised tax losses is analysed as follows:**

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 RM'000 | 2023 RM'000 | 2024 RM'000 | 2023 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 | 8,186 | 8,186 |
| Expired by 2032 | 21,654 | 21,829 | 8,365 | 8,365 |
| Expired by 2033 | 2,546 | 4,172 | 1,208 | 4,175 |
| Expired by 2034 | 4,696 | - | - | - |
| | 125,109 | 122,214 | 81,175 | 84,142 |

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.

## 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 2023 | 2,832 | 11,563 | 9,675 | 24,070 |
| Addition | - | - | 119 | 119 |
| Lease modification | - | 4,142 | 220 | 4,362 |
| Exchange differences | (8) | - | - | (8) |
| At 31 December 2023/ 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 | 2,697 | 15,705 | 10,861 | 29,263 |
| **Accumulated depreciation** | | | | |
| At 1 January 2023 | 637 | 9,837 | 4,843 | 15,317 |
| Depreciation | 57 | 2,692 | 1,244 | 3,993 |
| At 31 December 2023/ 1 January 2024 | 694 | 12,529 | 6,087 | 19,310 |
| Depreciation | 56 | 2,746 | 1,276 | 4,078 |
| At 31 December 2024 | 750 | 15,275 | 7,363 | 23,388 |
| **Accumulated impairment** | | | | |
| At 1 January 2023/ 31 December 2023/ 1 January 2024/ | 803 | - | - | 803 |
| Reversal of Impairment | (117) | - | - | (117) |
| 31 December 2024 | 686 | - | - | 686 |
| **Net carrying amount** | | | | |
| At 31 December 2024 | 1,261 | 430 | 3,498 | 5,189 |
| At 31 December 2023 | 1,327 | 3,176 | 3,927 | 8,430 |

Included in the right-of-use assets are RM3,498,000 (2023: RM3,927,000) 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 2023 | 10,577 |
| Lease modification | 3,908 |
| At 31 December 2023/1 January 2024 | 14,485 |
| Lease modification | (56) |
| At 31 December 2024 | 14,429 |
| **Accumulated depreciation** | |
| At 1 January 2023 | 9,179 |
| Depreciation | 2,485 |
| At 31 December 2023/1 January 2024 | 11,664 |
| Depreciation | 2,515 |
| At 31 December 2024 | 14,179 |
| **Net carrying amount** | |
| At 31 December 2024 | 250 |
| At 31 December 2023 | 2,821 |

**Lease liabilities**

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 RM'000 | 2023 RM'000 | 2024 RM'000 | 2023 RM'000 |
| At 1 January | 7,483 | 6,982 | 2,791 | 1,419 |
| Accretion of interest (Note 23) | 360 | 312 | 138 | 85 |
| Additions | 1,031 | 119 | - | - |
| Lease modification | 404 | 4,362 | (56) | 3,908 |
| Payments | (5,089) | (4,292) | (2,692) | (2,621) |
| At 31 December | 4,189 | 7,483 | 181 | 2,791 |
| Current | 1,594 | 4,097 | 181 | 2,791 |
| Non-current | 2,595 | 3,386 | - | - |
| Total | 4,189 | 7,483 | 181 | 2,791 |

The maturity analysis of lease liabilities are disclosed in Note 34(d).

## 8. LEASES (CONT'D.)

The following are the amounts recognised in profit or loss:

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 RM'000 | 2023 RM'000 | 2024 RM'000 | 2023 RM'000 |
| Depreciation expense of right-of-use assets | 4,078 | 3,993 | 2,515 | 2,485 |
| Interest expense on lease liabilities (Note 23) | 360 | 312 | 138 | 85 |
| Rental of leases of low-value assets and short-term leases (Note 22) | 673 | 143 | - | - |
| Total amount recognised in profit or loss | 5,111 | 4,448 | 2,653 | 2,570 |

**Amount recognised in statement of cash flows**

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 RM'000 | 2023 RM'000 | 2024 RM'000 | 2023 RM'000 |
| Total cash outflow for leases | 5,089 | 4,292 | 2,692 | 2,621 |

## 9. INVENTORIES

| | Group | |
|---|---|---|
| | 2024 RM'000 | 2023 RM'000 |
| At cost: | | |
| Materials and spares | 125,290 | 178,709 |
| Recognised in the profit or loss: | | |
| - Inventories recognised as cost of revenue | 316,810 | 421,350 |
| - Provision for stock obsolescences | 17,643 | 26,546 |
| | 334,453 | 447,896 |

Notes to the Financial Statement

## 10. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 RM'000 | 2023 RM'000 | 2024 RM'000 | 2023 RM'000 |
| Trade receivables (Note (a)) | 264,230 | 335,189 | - | - |
| Other receivables (Note (b)) | 53,228 | 28,301 | 908 | 1,011 |
| Total trade and other receivables | 317,458 | 363,490 | 908 | 1,011 |
| Total trade and other receivables | 317,458 | 363,490 | 908 | 1,011 |
| Less: | | | | |
| Accrued income (Note (a)) | (186,819) | (239,986) | - | - |
| Prepayments (Note (b)) | (50,612) | (25,992) | (605) | (667) |
| | 80,027 | 97,512 | 303 | 344 |
| Add: | | | | |
| Deposits, cash and bank balances (Note 12) | 247,522 | 132,215 | 30,136 | 33,003 |
| Due from subsidiaries - | | | | |
| Non-current (Note 11) | - | - | 82,175 | 774,300 |
| Current (Note 11) | - | - | 119,016 | 484,677 |
| **Total financial assets at amortised cost** | 327,549 | 229,727 | 231,630 | 1,292,324 |

### (a) Trade receivables

| | Group | |
|---|---|---|
| | 2024 RM'000 | 2023 RM'000 |
| **Third parties** | 77,838 | 99,100 |
| Allowance for impairment losses (Note (i)) | (427) | (3,897) |
| | 77,411 | 95,203 |
| Accrued income | 186,819 | 239,986 |
| | 264,230 | 335,189 |

The Group's normal trade credit terms for the financial year ended 31 December 2024 range from 30 days to 60 days (2023: 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 2024 is of RM 4,915,876 (2023: RM50,484,000) 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 (2023: 6) debtors representing 97% (2023: 98%) of the total net trade receivables.

## 10. TRADE AND OTHER RECEIVABLES (CONT'D.)

### (a) Trade receivables (cont'd.)

(i) Receivables that are impaired

| | Group | |
|---|---|---|
| | 2024 RM'000 | 2023 RM'000 |
| **Individually impaired** | | |
| Trade receivables | 427 | 3,897 |
| Less: Allowance for impairment losses | (427) | (3,897) |
| | - | - |

**Movement in allowance for impairment losses**

| | Group | |
|---|---|---|
| | 2024 RM'000 | 2023 RM'000 |
| At 1 January | 3,897 | 4,383 |
| Exchange differences | (60) | 223 |
| Reversal for the year (Note 21) | (3,410) | (709) |
| At 31 December | 427 | 3,897 |

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 | |
|---|---|---|---|---|
| | 2024 RM'000 | 2023 RM'000 | 2024 RM'000 | 2023 RM'000 |
| Deposits | 1,204 | 1,256 | 285 | 285 |
| Prepayments (Note (i)) | 50,612 | 25,992 | 605 | 667 |
| Sundry receivables | 1,412 | 1,053 | 18 | 59 |
| | 53,228 | 28,301 | 908 | 1,011 |

(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 | |
|---|---|---|
| | 2024 RM'000 | 2023 RM'000 |
| **Non-current:** | | |
| Due from subsidiaries | | |
| - interest bearing at 5.85% to 5.97% (2023: 7.54% to 7.95%) per annum | 82,175 | 837,239 |
| Less: Allowance for impairment losses (Note (i)) | - | (62,939) |
| | 82,175 | 774,300 |
| **Current:** | | |
| Due from subsidiaries | | |
| - interest bearing at 7.52% to 7.97% (2023: 5.81% to 7.95%) per annum | 21,079 | 512,360 |
| - non-interest bearing | 273,240 | 155,245 |
| | 294,319 | 667,605 |
| Less: Allowance for impairment losses (Note (i)) | (175,303) | (182,928) |
| | 119,016 | 484,677 |
| Total amount due from subsidiaries | 201,191 | 1,258,977 |
| **Non-current:** | | |
| Due to subsidiaries | | |
| - non-interest bearing | - | (263,475) |
| **Current:** | | |
| Due to subsidiaries | | |
| - non-interest bearing | (29,978) | (1,186) |
| Total amount due to subsidiaries | (29,978) | (264,661) |

Amounts due from subsidiaries that are not expected to be realised within twelve months after the reporting period are classified as non-current.

(i) Amount due from subsidiaries that are impaired

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 RM932.2 million and RM63.9 million respectively. This aligns the impairment provision with the capitalised amount, ensuring accurate representation of the Company's financial position.

| | Company | |
|---|---|---|
| | 2024 RM'000 | 2023 RM'000 |
| **Movement in allowance for impairment losses** | | |
| At 1 January | 245,867 | 245,867 |
| Reclassification (Note 5) | (63,902) | - |
| Reversal of impairment losses for the year (Note 21) | (6,662) | - |
| At 31 December | 175,303 | 245,867 |

## 12. DEPOSITS, CASH AND BANK BALANCES

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 RM'000 | 2023 RM'000 | 2024 RM'000 | 2023 RM'000 |
| Current: | | | | |
| Deposits with licensed banks | 190,009 | 98,381 | 3,184 | 30,560 |
| Investment in money market fund | - | 6,640 | - | 1,532 |
| Cash and bank balances | 57,513 | 27,194 | 26,952 | 911 |
| | 247,522 | 132,215 | 30,136 | 33,003 |
| Less: Restricted cash | - | (5,766) | - | - |
| Less: Investment in money market fund | - | (6,640) | - | (1,532) |
| Cash and cash equivalents | 247,522 | 119,809 | 30,136 | 31,471 |

In the previous financial year, cash and bank balances amounting to RM5,766,000 were not available for general use by the Group due to restrictions by the lender in respect of the term loan of USD54,000,000 obtained by the Group as disclosed in Note 13.

The range of interest rates per annum and maturities of deposits as at the reporting date were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Interest rate (%) | 2.52 - 4.75 | 2.85 - 5.60 | 2.80 - 2.85 | 2.85 - 3.90 |
| Maturity (days) | 3 - 37 | 5 - 89 | 7 - 16 | 15 - 53 |

## 13. LONG TERM BORROWINGS

| | Group | |
|---|---|---|
| | 2024 RM'000 | 2023 RM'000 |
| **Secured (Floating rate)** | | |
| Term loan | - | 248,616 |
| Less: Unamortised transaction costs | - | (4,290) |
| **Total long term borrowings** | - | 244,326 |

On 21 November 2017, the Group raised USD365,000,000 of term loans, classified as Term Loan A (USD145,000,000) and Term Loan B (USD220,000,000). Term Loan A was fully repaid in 2021 and Term Loan B was fully repaid in October 2024.

Since the Term Loan B fully repaid, the Group has expensed off the remaining unamortised transaction cost during the current financial year.

Notes to the Financial Statement

## 13. LONG TERM BORROWINGS (CONT'D.)

The maturity of the Group's total long term and short term borrowings excluding transaction costs as at the respective reporting dates are as follows:

| | Within 1 year RM'000 | 1-2 years RM'000 | 2-5 years RM'000 | Total RM'000 |
|---|---|---|---|---|
| **31 December 2024** | | | | |
| **Secured** | | | | |
| - Revolving credit (Note 14) | 177,964 | - | - | 177,964 |
| **31 December 2023** | | | | |
| **Secured** | | | | |
| - Revolving credit (Note 14) | 114,288 | - | - | 114,288 |
| - Term loan | - | 15,193 | 233,423 | 248,616 |

Changes in liabilities arising from financing activities:

| | Group | | |
|---|---|---|---|
| | Revolving credit RM'000 | Secured term loan RM'000 | Total RM'000 |
| At 1 January 2023 | 254,950 | 306,277 | 561,227 |
| Repayment | (270,199) | (75,916) | (346,115) |
| Drawdown | 120,380 | - | 120,380 |
| Amortisation of transaction costs | - | 1,043 | 1,043 |
| Effect of changes in foreign exchange rate | 9,157 | 12,922 | 22,079 |
| At 31 December 2023/1 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 | 177,964 | - | 177,964 |

The range of weighted average effective interest rates per annum at the reporting date for secured long term borrowings are disclosed in Note 14.

## 14. SHORT TERM BORROWINGS

| | Group | |
|---|---|---|
| | 2024 RM'000 | 2023 RM'000 |
| **Secured (Floating rate)** | | |
| Revolving credits | 177,964 | 114,288 |

The range of weighted average effective interest rates per annum at the reporting date for borrowings were as follows:

| | Group | |
|---|---|---|
| | 2024 % per annum | 2023 % per annum |
| Term loan | - | 8.98 |
| Revolving credits | 5.81 - 6.85 | 5.87 - 7.87 |

## 15. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 RM'000 | 2023 RM'000 | 2024 RM'000 | 2023 RM'000 |
| Trade payables: | | | | |
| Third parties | 21,744 | 47,997 | - | - |
| Accruals | 112,979 | 101,675 | - | - |
| | 134,723 | 149,672 | - | - |
| Other payables: | | | | |
| Accruals | 150,989 | 97,941 | 42,355 | 18,085 |
| Provision for unutilised leave | 1,561 | 1,335 | 901 | 683 |
| Sundry payables | 15,280 | 11,254 | 4,039 | 2,903 |
| | 167,830 | 110,530 | 47,295 | 21,671 |
| Total trade and other payables | 302,553 | 260,202 | 47,295 | 21,671 |
| Total trade and other payables | 302,553 | 260,202 | 47,295 | 21,671 |
| Less: | | | | |
| Provision for unutilised leave | (1,561) | (1,335) | (901) | (683) |
| Add: | | | | |
| Lease liabilities (Note 8) | 4,189 | 7,483 | 181 | 2,791 |
| Long term borrowings (Note 13) | - | 244,326 | - | - |
| Short term borrowings (Note 14) | 177,964 | 114,288 | - | - |
| Due to subsidiaries (Note 11) | - | - | 29,978 | 264,661 |
| **Total financial liabilities carried at amortised cost** | 483,145 | 624,964 | 76,553 | 288,440 |

Trade payables are non-interest bearing and are normally settled within 30 days to 60 days (2023: 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 (2023: 30 days to 90 days).

## 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 2023/31 December 2023/1 January 2024/ | 8,215,600 | 1,844,817 |
| Issuance pursuant to exercise of warrants | 22 | 9 |
| At 31 December 2024 | 8,215,622 | 1,844,826 |

During the financial year, the authorised share capital was increased by RM8,679 by the issuance of 21,922 ordinary shares of RM0.395 each pursuant to exercise of warrants as disclosed in Note 17(a).

## 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 October 2024, 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.

On 18 October 2024, the remaining warrants have since expired and removed from the official list of Bursa Securities on 21 October 2024 and the corresponding warrants reserve of RM211,867,341 has been transferred to retained earnings.

### (b) Share options reserve

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 RM'000 | 2023 RM'000 | 2024 RM'000 | 2023 RM'000 |
| Charged to income statement | | | | |
| ESOS (Tranche 2) | 4,640 | 792 | 4,640 | 792 |
| Movement in reserve | | | | |
| At 1 January | 9,739 | 9,961 | 6,552 | 6,774 |
| ESOS (Tranche 1) | (5,760) | (1,014) | (5,760) | (1,014) |
| ESOS (Tranche 2) | 4,640 | 792 | 4,640 | 792 |
| At 31 December | 8,619 | 9,739 | 5,432 | 6,552 |

## 17. OTHER RESERVES (CONT'D.)

### (b) Share options reserve (cont'd.)

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.

At an Extraordinary General Meeting held on 31 October 2019, shareholders approved the ESOS for the granting of non-transferable options to eligible senior executives and employees respectively. The ESOS has been implemented effective from 1 November 2019 and subsequently on 6 November 2023. Options are granted to the eligible employees employed on a full time basis at the discretion of the ESOS Committee. The key features of the ESOS are as follows:

(i) The maximum number of new ordinary shares of the Company which may be allotted and issued pursuant to the options that may be granted under the ESOS shall not in aggregate exceed seven point five percent (7.5%) of the total number of issued ordinary shares of the Company;

(ii) The maximum number of options that may be granted under the ESOS to any one eligible person shall be at the sole and absolute discretion of the ESOS Committee after taking into consideration the position and performance of the eligible person in the Group, or such other factors which the ESOS Committee may in its absolute discretion deem fit, subject to the following:

- the eligible senior executives and other eligible employees do not participate in the deliberation or discussion in respect of his/her own allocation; and
- the total number of Shares of the Company shall be allocated to any eligible person who, either individually or collectively through persons connected with such eligible person, holds twenty percent (20%) or more of the total number issued ordinary shares of the Company (excluding treasury shares, if any), does not exceed more than ten percent (10%) of the total number of Shares of the Company to be issued under the Scheme.

(iii) The option exercise price shall be determined by the Board upon recommendation of the ESOS Committee to be the five (5) days weighted average market price of the ordinary shares of the Company, as quoted on Bursa Securities, immediately preceding the date of offer or with a premium or discount. In the event of a discount, the discount shall not be more than ten percent (10%) or such other percentage of discount as may be permitted by Bursa Securities or any other relevant authorities from time to time during the duration of the ESOS;

(iv) The ESOS shall be in force for a duration of five (5) years from the effective date of implementation of the ESOS. The ESOS Committee may terminate the ESOS at any time before the Date of Expiry without obtaining the approvals from the Grantees who have yet to exercise their Options or the Company's shareholders provided that the Company releases an announcement to Bursa Securities on the following:

- the effective date of termination ("Termination Date");
- the number of Options exercised or Shares vested; and
- the reasons and justification for termination.

(v) The ESOS is exercisable upon fulfilment of the vesting period of three (3) years, or earlier at the discretion of the ESOS Committee.

Notes to the Financial Statement

## 17. OTHER RESERVES (CONT'D.)

### (b) Share options reserve (cont'd.)

**Movement of share options during the financial year**

The number and exercise price of, and movements in, share options during the financial year are as follows:

| | Group and Company | |
|---|---|---|
| **Tranche 2 (Effective from 6 November 2023)** | **Exercise price RM** | **Number ('000)** |
| Outstanding at 1 January 2023 | - | - |
| Granted during the year | 0.23 | 111,720 |
| Outstanding at 31 December 2023/1 January 2024 | 0.23 | 111,720 |
| Adjusted * | - | (4,250) |
| Outstanding at 31 December 2024 | 0.23 | 107,470 |

* Adjustment on termination of employment.

The remaining contractual life for this option outstanding as at 31 December 2024 was 5 years with an expiry date of 6 November 2028.

During the current 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.

## 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 | |
|---|---|---|---|---|
| | 2024 RM'000 | 2023 RM'000 | 2024 RM'000 | 2023 RM'000 |
| Revenue from lease contracts: | | | | |
| Leasing of drilling rigs and hydraulic workover units | 1,040,105 | 935,693 | - | - |
| Revenue from contracts with customers: | | | | |
| Drilling and workover services | 271,259 | 221,025 | - | - |
| Sale of goods | 5,740 | 5,252 | - | - |
| Rendering of services | 43,328 | 51,852 | - | - |
| Revenue from other sources: | | | | |
| Management fees from subsidiaries | - | - | 43,226 | 28,221 |
| Dividend income from subsidiaries | - | - | 60,556 | 5,507 |
| | 1,360,432 | 1,213,822 | 103,782 | 33,728 |

**Timing of recognition**

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 RM'000 | 2023 RM'000 | 2024 RM'000 | 2023 RM'000 |
| Goods and services transferred at a point in time | 5,740 | 5,252 | 60,556 | 5,507 |
| Services transferred over time | 1,354,692 | 1,208,570 | 43,226 | 28,221 |
| | 1,360,432 | 1,213,822 | 103,782 | 33,728 |

Notes to the Financial Statement

## 19. OTHER OPERATING INCOME

Included in other operating income are:

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 RM'000 | 2023 RM'000 | 2024 RM'000 | 2023 RM'000 |
| Rental income | 369 | 409 | 742 | 745 |
| Net realised foreign exchange gain | - | - | 9,973 | 1,630 |
| Net unrealised foreign exchange gain | 2,998 | 2,315 | - | 58,546 |
| Gain on disposal of property, plant and equipment | 1,473 | - | - | - |

## 20. EMPLOYEE BENEFITS

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 RM'000 | 2023 RM'000 | 2024 RM'000 | 2023 RM'000 |
| Wages and salaries | 180,095 | 145,628 | 30,218 | 24,945 |
| Social security costs | 773 | 492 | 151 | 159 |
| Provision for/(Reversal of) unutilised leave | 226 | (498) | 218 | (318) |
| Pension costs - defined contribution plan | 14,049 | 11,334 | 4,736 | 3,527 |
| Share options granted under ESOS | 4,640 | 792 | 4,640 | 792 |
| Other employee related expenses | 69,241 | 42,789 | 13,140 | 5,394 |
| | 269,024 | 200,537 | 53,103 | 34,499 |

Included in employee benefits is executive directors' remuneration as follows:

| | Group and Company | |
|---|---|---|
| | 2024 RM'000 | 2023 RM'000 |
| Salaries and other emoluments | 2,017 | 1,449 |
| Pension costs - defined contribution plan | 335 | 243 |
| Share options granted under ESOS | 603 | 100 |
| Benefits-in-kind | 194 | 218 |

## 21. (ALLOWANCE FOR)/ REVERSAL OF IMPAIRMENT LOSSES

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 RM'000 | 2023 RM'000 | 2024 RM'000 | 2023 RM'000 |
| Property, plant and equipment (Note 4) | (4,935) | - | - | - |
| Trade receivables (Note 10) | 3,410 | 709 | - | - |
| Amount due from subsidiaries (Note 11) | - | - | 6,662 | - |
| | (1,525) | 709 | 6,662 | - |

## 22. OTHER OPERATING EXPENSES

Included in other operating expenses are:

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 RM'000 | 2023 RM'000 | 2024 RM'000 | 2023 RM'000 |
| Non-executive directors' remuneration: | | | | |
| - fees | 1,145 | 849 | 1,145 | 849 |
| - meeting allowances | 263 | 212 | 263 | 212 |
| - other emoluments | 167 | 126 | 167 | 126 |
| Rental of premises | - | 364 | - | - |
| Rental of leases of low-value assets and short-term leases (Note 8) | 673 | 143 | - | - |
| Rental of equipment, barge and rig | 11,246 | 26,359 | 170 | 218 |
| Repair and maintenance of equipment and rigs | 39,072 | 40,168 | 415 | 324 |
| Insurance of equipment and rigs | 16,399 | 17,665 | - | - |
| Auditors' remuneration: | | | | |
| Statutory audit | | | | |
| - auditors of the Company | 714 | 714 | 190 | 190 |
| - other auditors | 33 | 35 | - | - |
| Other services | | | | |
| - auditors of the Company | 327 | 167 | 254 | 124 |
| Property, plant and equipment written off | 995 | 928 | - | - |
| Net realised foreign exchange loss | 81 | 3,271 | - | - |
| Net unrealised foreign exchange loss | - | - | 47,594 | - |
| Service charges | 44,103 | 35,854 | - | - |
| Catering expenses | 23,272 | 20,765 | - | - |
| Mobilisation and demobilisation costs | 21,937 | 4,268 | - | - |
| Loss on disposal of property, plant and equipment | - | 24 | - | - |

| | Directors' fees | | *Other emoluments | |
|---|---|---|---|---|
| | 2024 RM'000 | 2023 RM'000 | 2024 RM'000 | 2023 RM'000 |
| **Group and Company** | | | | |
| Non-executive directors: | | | | |
| Mohd Rashid Mohd Yusof | 158 | 120 | 153 | 119 |
| Ir. Dr. Mohd Shahreen Zainooreen Madros | 148 | 110 | 43 | 37 |
| Rowina Ghazali Seth | 142 | 110 | 41 | 35 |
| Haida Shenny Hazri | 141 | 98 | 38 | 29 |
| Datuk Ling Kien Sing | 139 | 100 | 36 | 28 |
| Ar. Ahila Ganesan | 139 | 100 | 38 | 29 |
| Fadzihan Abbas Mohamed Ramlee** | 144 | 35 | 33 | 7 |
| Alan Hamzah Sendut | 134 | - | 48 | - |
| Datuk Tong Poh Keow | - | 105 | - | 33 |
| Mohd Irwan Ahmad Mustafa @ Mustafa** | - | 71 | - | 21 |
| | 1,145 | 849 | 430 | 338 |

* *Included in the other emoluments are meeting allowances, per diem allowance, telephone expenses, 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

Included in other operating expenses are: (cont'd.)

| | Directors' fees | | ***Other emoluments | |
|---|---|---|---|---|
| | 2024 RM'000 | 2023 RM'000 | 2024 RM'000 | 2023 RM'000 |
| **Group and Company** | | | | |
| Executive directors: | | | | |
| Megat Zariman Abdul Rahim | - | - | 2,546 | 1,911 |

*** *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 | |
|---|---|---|---|---|
| | 2024 RM'000 | 2023 RM'000 | 2024 RM'000 | 2023 RM'000 |
| **Interest expenses** | | | | |
| - Bank borrowings | 32,883 | 44,951 | - | - |
| - Amount due to subsidiaries | - | - | 134 | - |
| - Lease liabilities (Note 8) | 360 | 312 | 138 | 85 |
| - Others | 782 | 777 | - | - |
| | 34,025 | 46,040 | 272 | 85 |

## 24. INVESTMENT INCOME

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 RM'000 | 2023 RM'000 | 2024 RM'000 | 2023 RM'000 |
| Distribution income from: | | | | |
| - Money market fund | - | 118 | - | 3 |
| Interest income from: | | | | |
| - Deposits with licensed banks | 6,884 | 4,014 | 1,091 | 859 |
| - Subsidiaries | - | - | 71,761 | 82,385 |
| | 6,884 | 4,132 | 72,852 | 83,247 |

## 25. INCOME TAX EXPENSE

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 RM'000 | 2023 RM'000 | 2024 RM'000 | 2023 RM'000 |
| Income tax: | | | | |
| Malaysian income taxes | 57,267 | 16,022 | 1,800 | - |
| Foreign income taxes | 6,552 | 6,883 | 67 | 51 |
| | 63,819 | 22,905 | 1,867 | 51 |
| (Over)/Under provision in prior years: | | | | |
| Malaysian income taxes | (4,497) | (1,202) | 64 | - |
| Total income tax expense | 59,322 | 21,703 | 1,931 | 51 |

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2023: 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 2024 and 2023 are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 RM'000 | 2023 RM'000 | 2024 RM'000 | 2023 RM'000 |
| Profit before tax | 267,028 | 121,228 | 55,185 | 111,786 |
| Taxation at Malaysian statutory rate of 24% (2023: 24%) | 64,087 | 29,095 | 13,244 | 26,829 |
| Effect of different tax rates in other jurisdictions | (25,338) | 1,341 | - | - |
| Income not subject to tax | (65,081) | (62,024) | (31,617) | (42,806) |
| Expenses not deductible for tax purposes | 99,538 | 71,887 | 16,715 | 13,106 |
| Deferred tax assets not recognised | 1,790 | 1,554 | 3,915 | 2,922 |
| Utilisation of previously unrecognised tax losses and unabsorbed capital allowances | (390) | (18,926) | (390) | - |
| (Over)/Under provision of income tax in prior years | (4,497) | (1,202) | 64 | - |
| Tax incentive from JDA activities | (10,736) | - | - | - |
| Share of results of associate | (51) | (22) | - | - |
| Tax expense for the year | 59,322 | 21,703 | 1,931 | 51 |

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 | |
|---|---|---|
| | **2024** | **2023** |
| Net profit attributable to equity holders (RM'000) | 207,706 | 99,525 |
| Weighted average number of ordinary shares in issue ('000) | | |
| - Basic/Diluted | 8,215,604 | 8,215,600 |
| Earnings per share (sen): | | |
| - Basic | 2.53 | 1.21 |
| - Diluted | 2.53 | 1.21 |

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.

107,470,000 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 2024 RM'000 |
|---|---|
| **Dividends recognised during the 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 27 February 2025, the Directors declared second interim dividend of 1.00 sen per share in respect of the financial year ended 31 December 2024 on 8,215,621,922 shares, amounting to RM82.156 million. Such dividend will be payable on 23 May 2025.

The financial statements for the current financial year do not reflect the second interim dividends in respect of the financial year ended 31 December 2024 which will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2025.

## 28. COMMITMENTS

### (a) Capital commitments

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 RM'000 | 2023 RM'000 | 2024 RM'000 | 2023 RM'000 |
| Approved and contracted for: | | | | |
| - equipment, plant and machinery | 49,590 | 25,150 | - | - |
| - others | - | 5,707 | 2,964 | 5,453 |
| | 49,590 | 30,857 | 2,964 | 5,453 |
| Approved but not contracted for: | | | | |
| - land and buildings | 12,509 | 15,784 | 12,509 | 15,784 |
| - equipment, plant and machinery | 10,668 | 40,365 | - | 3,267 |
| - others | 5,909 | 16,402 | 4,518 | 6,400 |
| | 29,086 | 72,551 | 17,027 | 25,451 |
| Total capital commitments | 78,676 | 103,408 | 19,991 | 30,904 |

## 29. SEGMENT REPORTING

For management purposes, the Group is organised into business segments based on the nature of services and has 4 operating segments as follows:

(i) The drilling services segment is principally involved in the provision of drilling services to the upstream oil and gas sector. This segment owns and operates several drilling rigs. The rigs are chartered out to oil majors for their exploration, development and production activities;

(ii) The integrated project management segment principally provide hydraulic workover operation. The hydraulic workover operation own HWUs and acts as an agent for two providers of specialised equipment and service. The HWUs service offshore wells that involve the use of HWUs and its ancillary equipment to complete the removal and replacement of well equipment to restore the operation of suspended or under-performing wells;

(iii) The oilfield services segment principally provide premium OCTG threading, repair and inspection services; and

(iv) The others segment is involved in investment holding, provision of support services, management and corporate services which do not generate significant external revenue.

Transfer prices between operating segments are at terms agreed between the parties.

Notes to the Financial Statement

## 29. SEGMENT REPORTING (CONT'D.)

### (a) Business segments

**31 December 2024**

| | Drilling services RM'000 | Integrated Project Management RM'000 | Oilfield services RM'000 | Others RM'000 | Eliminations RM'000 | Note | Per consolidated financial statements RM'000 |
|---|---|---|---|---|---|---|---|
| **Revenue**: | | | | | | | |
| External customers | 1,049,205 | 297,639 | 12,334 | 1,254 | - | | 1,360,432 |
| Inter-segment | 588,111 | - | - | 860 | (588,971) | i | - |
| Total revenue | 1,637,316 | 297,639 | 12,334 | 2,114 | (588,971) | | 1,360,432 |
| **Results:** | | | | | | | |
| Depreciation and amortisation | (231,246) | (3,201) | (745) | (10,475) | - | | (245,667) |
| Reversal of/(Allowance for) impairment losses | 3,410 | (6,102) | 1,167 | - | - | | (1,525) |
| Finance costs | (33,643) | (25) | - | (357) | - | | (34,025) |
| Investment income | 4,709 | 175 | 267 | 1,733 | - | | 6,884 |
| Share of results of associate | - | - | - | 212 | - | | 212 |
| Other material non-cash items | 6,436 | (240) | - | (8,833) | - | ii | (2,637) |
| Segment profit/(loss) before tax | 337,175 | 24,861 | 2,421 | (97,429) | - | | 267,028 |
| Income tax expense | (56,766) | (74) | (522) | (1,960) | - | | (59,322) |
| Segment profit/(loss) after tax | 280,409 | 24,787 | 1,899 | (99,389) | - | | 207,706 |
| **Assets:** | | | | | | | |
| Investment in an associate | - | - | - | 1,541 | - | | 1,541 |
| Additions to property, plant and equipment | 251,638 | 8,879 | 82 | 10,592 | - | | 271,191 |
| Segment assets | 2,927,737 | 49,017 | 33,320 | 61,235 | - | | 3,071,309 |
| **Liabilities:** | | | | | | | |
| Segment liabilities | 422,114 | 19,877 | 2,578 | 55,537 | - | | 500,106 |

## 29. SEGMENT REPORTING (CONT'D.)

### (a) Business segments (cont'd.)

**31 December 2023**

| | Drilling services RM'000 | Integrated Project Management RM'000 | Oilfield services RM'000 | Others RM'000 | Eliminations RM'000 | Note | Per consolidated financial statements RM'000 |
|---|---|---|---|---|---|---|---|
| **Revenue**: | | | | | | | |
| External customers | 798,679 | 401,827 | 12,009 | 1,307 | - | | 1,213,822 |
| Inter-segment | 483,019 | - | - | 1,430 | (484,449) | i | - |
| Total revenue | 1,281,698 | 401,827 | 12,009 | 2,737 | (484,449) | | 1,213,822 |
| **Results:** | | | | | | | |
| Depreciation and amortisation | (190,474) | (2,348) | (771) | (8,346) | - | | (201,939) |
| Reversal of impairment losses | 709 | - | - | - | - | | 709 |
| Finance costs | (45,868) | (78) | - | (94) | - | | (46,040) |
| Investment income | 2,046 | 214 | 245 | 1,627 | - | | 4,132 |
| Share of results of associate | - | - | - | 93 | - | | 93 |
| Other material non-cash items | (3,575) | 33 | - | 4,137 | - | ii | 595 |
| Segment profit/(loss) before tax | 159,767 | 22,535 | 2,955 | (64,029) | - | | 121,228 |
| Income tax expense | (19,531) | (632) | (743) | (797) | - | | (21,703) |
| Segment profit/(loss) after tax | 140,236 | 21,903 | 2,212 | (64,826) | - | | 99,525 |
| **Assets:** | | | | | | | |
| Investment in an associate | - | - | - | 1,329 | - | | 1,329 |
| Additions to property, plant and equipment | 95,182 | 8,481 | 216 | 5,354 | 614 | | 109,847 |
| Segment assets | 2,934,877 | 66,965 | 34,882 | 70,921 | - | | 3,107,645 |
| **Liabilities:** | | | | | | | |
| Segment liabilities | 568,450 | 30,208 | 2,327 | 31,252 | - | | 632,237 |

The following are the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:

i. Inter-segment revenue are eliminated on consolidation.

ii. Other material non-cash income/(expenses) consist of the following items as presented in the respective notes to the consolidated financial statements:

| | Note | 2024 RM'000 | 2023 RM'000 |
|---|---|---|---|
| Net unrealised foreign exchange gain | 19 | 2,998 | 2,315 |
| Property, plant and equipment written off | 22 | (995) | (928) |
| Share options granted under ESOS | 20 | (4,640) | (792) |
| | | (2,637) | 595 |

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 2024** | | | |
| Revenue from external customers | 1,339,697 | 20,735 | 1,360,432 |
| Non-current assets | 2,362,436 | 14,568 | 2,377,004 |
| **31 December 2023** | | | |
| Revenue from external customers | 1,201,813 | 12,009 | 1,213,822 |
| Non-current assets | 2,414,031 | 15,986 | 2,430,017 |

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:

| | 2024 RM'000 | 2023 RM'000 |
|---|---|---|
| Property, plant and equipment | 2,371,815 | 2,421,587 |
| Right-of-use assets | 5,189 | 8,430 |
| | 2,377,004 | 2,430,017 |

## 30. SUBSIDIARIES

| Name of company | Place of business/ country of incorporation | Principal activities | Proportion of ownership interest 2024 % | 2023 % |
|---|---|---|---|---|
| **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:**<br>**Velesto Malaysian Ventures Sdn. Bhd.**<br>**Velesto Singapore Ventures Pte. Ltd.**<br>**Velesto Rig Asset (L) Ltd.** | | | | |
| Velesto Workover Sdn. Bhd. | Malaysia | Provision of workover operations for the oil and gas industry | 100 | 100 |

## 30. SUBSIDIARIES (CONT'D.)

| | Name of company | Place of business/ country of incorporation | Principal activities | Proportion of ownership interest 2024 % | 2023 % |
|---|---|---|---|---|---|
| | **Subsidiaries of: (cont'd.)**<br>**Velesto Malaysian Ventures Sdn. Bhd.**<br>**Velesto Singapore Ventures Pte. Ltd.**<br>**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 Rig Asset Sdn. Bhd. | Malaysia | Ownership and leasing of rig | - | 100 |
| | Velesto Sumber Sdn. Bhd. | Malaysia | Investment holding | 100 | 100 |
| ~ | Velesto Drilling 2 Sdn. Bhd. | Malaysia | Ownership and leasing of rig | - | 100 |
| | Velesto Drilling 3 Sdn. Bhd. | Malaysia | Ownership and leasing of rig | 100 | 100 |
| ~ | Velesto Drilling 4 Sdn. Bhd. | Malaysia | Ownership and leasing of rig | - | 100 |
| # | Velesto Drilling 5 Sdn. Bhd. | Malaysia | Ownership and leasing of rig | - | 100 |
| # | Velesto Drilling 6 Sdn. Bhd. | Malaysia | Ownership and leasing of rig | - | 100 |
| ~ | Velesto Drilling 7 Sdn. Bhd. | Malaysia | Ownership and leasing of rig | - | 100 |
| ~ | Velesto Drilling 8 Sdn. Bhd. | Malaysia | Ownership and leasing of rig | - | 100 |

* Audited by firms other than Ernst & Young PLT.
^ Winding Up Process
~ Struck off on 9 April 2024
\# Struck off on 29 April 2024

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 | |
|---|---|---|
| | 2024 RM'000 | 2023 RM'000 |
| **Income/(expense)** | | |
| Management fees income | 43,226 | 28,221 |
| Interest income | 71,761 | 82,385 |
| Interest expense | (134) | - |
| Rental income | 742 | 745 |

(b) Compensation of key management personnel

The aggregate compensation of key management personnel, including the executive director of the Company is as follows:

| | Company | |
|---|---|---|
| | 2024 RM'000 | 2023 RM'000 |
| Salaries and wages | 11,756 | 8,651 |
| Social security cost | 13 | 12 |
| Pension costs - defined contribution plan | 1,750 | 1,267 |
| Share options granted under ESOS | 2,506 | 418 |
| Other staff related costs | 294 | 214 |
| | 16,319 | 10,562 |

## 32. FAIR VALUE OF FINANCIAL INSTRUMENTS

**Determination of fair values**

**Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value**

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value:

| | Note |
|---|---|
| **Receivables** | |
| - Trade and other receivables | 10 |
| - Due from subsidiaries | 11 |
| **Deposits, cash and bank balances** | 12 |
| **Lease liabilities** | 8 |
| **Borrowings** | |
| - Floating rate borrowings (non-current) | 13 |
| - Floating rate borrowings (current) | 14 |
| **Payables** | |
| - Trade and other payables | 15 |
| - Due to subsidiaries | 11 |

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the current portion of loans and borrowings are reasonable approximation of fair value due to the insignificant impact of discounting.

The fair values of non-current loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

**Fair value hierarchy**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

(a) Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

(b) Level 2 Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(c) Level 3 Input for the asset or liability that are not based on observable market data (unobservable input).

| | Level 1 | |
|---|---|---|
| | **2024 RM'000** | **2023 RM'000** |
| **Assets** | | |
| Investment in money market fund (Note 12) | **-** | **6,640** |

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.

Notes to the Financial Statement

## 33. CAPITAL MANAGEMENT

Capital management is defined as the process of managing the composition of the Group's debt and equity to achieve and maintain an optimal capital structure and ensuring availability of funds to support its business and maximise its shareholder value.

The Group defines total capital as total equity and net debt of the Group and manages its capital structure using a gearing ratio which is net debt divided by total equity plus net debt. For this purpose, borrowings from former holding company and other investments, which consist of investments in money market fund, are included in deriving net debt of the Group. The Group endeavours to maintain a gearing ratio to that optimises the usage of capital.

| | Group | |
|---|---|---|
| | **2024 RM'000** | **2023 RM'000** |
| Loans and borrowings | 177,964 | 358,614 |
| Lease liabilities | 4,189 | 7,483 |
| Less: Deposits, cash and bank balances | (247,522) | (132,215) |
| Net (cash)/debt | (65,369) | 233,882 |
| Total equity | 2,571,203 | 2,475,408 |
| Total capital | 2,505,834 | 2,709,290 |

## 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.

## 34. FINANCIAL RISK MANAGEMENT (CONT'D.)

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 2024, approximately 0.2% (2023: 1.7%) of the Group's trade receivables and approximately 12.0% (2023: 11.5%) of the Group's trade payables are denominated in currencies other than the functional currency of the relevant companies in the Group.

The Group also holds deposits, cash and bank balances denominated in currencies other than functional currencies for working capital purposes. As at 31 December 2024, the Group has such balances amounting to RM9,923,920 (2023: RM9,309,027).

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 | |
| | 2024 RM'000 | 2023 RM'000 | 2024 RM'000 | 2023 RM'000 |
| US Dollar/RM | | | | |
| - strengthened 5% (2023: 5%) | (9,377) | (734) | (566) | (60,755) |
| - weakened 5% (2023: 5%) | 9,377 | 734 | 566 | 60,755 |

Notes to the Financial Statement

## 34. FINANCIAL RISK MANAGEMENT (CONT'D.)

### (b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk in respect of its placements with financial institutions and bank borrowings at floating rates. Its policy is to:

(i) have an optimal mixture of short term deposits or placements; and

(ii) manage its interest cost using a combination of fixed and floating rate debts.

The Group monitors interest rates prior to making deposits and bank borrowings to ensure that the applicable rates are established at acceptable levels. Interest rate swaps may be used to hedge against fluctuation in interest rate where appropriate.

**Sensitivity analysis for interest rate risk**

The table below demonstrates the sensitivity of the Group's and the company's profit 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 | 2024 RM'000 | 2023 RM'000 | 2024 RM'000 | 2023 RM'000 |
| Secured Overnight | + 50 | - | (1,243) | - | - |
| Financing Rate | - 50 | - | 1,243 | - | - |
| Cost of funds of | + 50 | (890) | (571) | (794) | (5,379) |
| lenders | - 50 | 890 | 571 | 794 | 5,379 |

### (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.

## 34. FINANCIAL RISK MANAGEMENT (CONT'D.)

### (c) Credit risk (cont'd.)

Set out below is the information about the credit risk exposure on the Company's trade receivables and accrued income:

| | Group | |
|---|---|---|
| | 2024 RM'000 | 2023 RM'000 |
| Accrued income | 186,819 | 239,986 |
| Trade receivables: | | |
| Neither past due nor impaired | 48,839 | 80,853 |
| 1 to 30 days past due not impaired | 24,635 | 7,389 |
| 31 to 60 days past due not impaired | 1,500 | 1,399 |
| 61 to 90 days past due not impaired | 850 | 865 |
| More than 90 days past due not impaired | 1,587 | 4,697 |
| | 77,411 | 95,203 |
| Impaired | 427 | 3,897 |
| | 264,657 | 339,086 |

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 10.

### (d) Liquidity risk

Liquidity risk is the risk that the Group and the Company is unable to meet financial obligations when due, as a result of shortage of funds including arising from mismatch of maturities of financial assets and liabilities.

To ensure a healthy liquidity position, it is the Group's and the Company's policy to:

(i) have the right mixture of liquid assets in its portfolio;

(ii) maintain a healthy gearing ratio;

(iii) finance long term assets with long term loans; and

(iv) maintain a balance between flexible and structured financing options to finance its operations and investments.

Notes to the Financial Statement

## 34. FINANCIAL RISK MANAGEMENT (CONT'D.)

### (d) Liquidity risk (cont'd.)

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

**Group**

| | 31 December 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) | 300,992 | - | - | 300,992 |
| Borrowings | 189,637 | - | - | 189,637 |
| Lease liabilities | 1,845 | 1,543 | 1,044 | 4,432 |
| Total undiscounted financial liabilities | 492,474 | 1,543 | 1,044 | 495,061 |

| | 31 December 2023 | | | |
|---|---|---|---|---|
| | On demand or within one year RM'000 | More than one year and less than two years RM'000 | More than two years and less than five years RM'000 | Total RM'000 |
| **Financial liabilities:** | | | | |
| Trade and other payables (exclude provisions) | 258,867 | - | - | 258,867 |
| Borrowings | 138,460 | 37,825 | 252,026 | 428,311 |
| Lease liabilities | 4,358 | 1,175 | 2,390 | 7,923 |
| Total undiscounted financial liabilities | 401,685 | 39,000 | 254,416 | 695,101 |

## 34. FINANCIAL RISK MANAGEMENT (CONT'D.)

### (d) Liquidity risk (cont'd.)

**Company**

| | 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:** | | | | |
| Other payables (exclude provisions) | 46,394 | - | - | 46,394 |
| Due to subsidiaries | 29,978 | - | - | 29,978 |
| Lease liabilities | 185 | - | - | 185 |
| Total undiscounted financial liabilities | 76,557 | - | - | 76,557 |

| | 31 December 2023 | | | |
|---|---|---|---|---|
| | On demand or within one year RM'000 | More than one year and less than two years RM'000 | More than two years and less than five years RM'000 | Total RM'000 |
| **Financial liabilities:** | | | | |
| Other payables (exclude provisions) | 20,988 | - | - | 20,988 |
| Due to subsidiaries | 264,661 | - | - | 264,661 |
| Lease liabilities | 2,879 | - | - | 2,879 |
| Total undiscounted financial liabilities | 288,528 | - | - | 288,528 |

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 2024 and 31 December 2023.

## 35. SUBSEQUENT EVENT

### (a) Proposed 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 proposes 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 will be credited to the retained profits 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 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.

An order by the High Court of Malaya will be sought to approve the Proposed Capital Reduction, subject to the receipt of approval from our shareholders at the forthcoming 15th annual general meeting. Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed Capital Reduction is expected to be completed in the 3rd quarter of 2025.

# Property Owned By The Group

As at 31 December 2024

The details of land and buildings owned by the Group are set out below:

| Location | Description | Existing Use | Date of issuance of CCC (1) or equivalent | Built-up area/Land area (Sq. Metres) | Restriction in interest | Net Book Value | Revaluation date |
|---|---|---|---|---|---|---|---|
| Velesto Oilfield Services (Tianjin) Co., Limited ("VOS-TJ")<br><br>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<br><br>No. 101, Central South Fourth Street, Tianjin Economic-Technological Development Area West Zone, 300462 Tianjin, People's Republic of China<br><br>Leasehold for a period of 50 years, expiring on 2061 | Industrial land comprising a detached factory (including warehouse, workshop, administration office and restroom), a guard house and a 3-storey research and development building (including canteen, exhibition room, meeting room, research room and office) | Currently used as the operating base for VOS-TJ's business | 25 June 2013<br>Refer to note (2) | 6,564/13,909 | Nil | RMB2,077,082 (RM1,269,928) (Land)<br>RMB19,006,929 (RM11,620,836) (Building)<br><br>Refer to note (3) | 28 December 2018 |

NOTES:

(1) Certificate of completion and compliance or certificate of fitness for occupation issued by the local authorities.

(2) Property Ownership and Land Use Right Certificate ("POLUR Certificate") dated 25 June 2013 issued by the Tianjin Municipal People's Government and the Land Resources and Property Administration Bureau of Tianjin to VOS-TJ.

(3) Based on the rate of RMB1 = RM0.6114 as at 31 December 2024.

# Statistics on Shareholdings

As at 28 March 2025

Issued Shares of the Company : 8,215,621,922
Class of Shares : Ordinary Shares
Voting Rights : One (1) vote per ordinary share on a poll
Number of Shareholders : 33,326

## 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 | 1,051 | 35 | 1,086 | 3.26 | 26,721 | 936 | 27,657 | 0.00 |
| 100 - 1,000 | 4,076 | 62 | 4,138 | 12.42 | 2,385,135 | 30,135 | 2,415,270 | 0.03 |
| 1,001 -10,000 | 12,652 | 142 | 12,794 | 38.39 | 67,157,470 | 664,747 | 67,822,217 | 0.83 |
| 10,001 - 100,000 | 12,087 | 184 | 12,271 | 36.82 | 466,667,306 | 6,914,325 | 473,581,631 | 5.76 |
| 100,001 to less than 5% of issued shares | 2,909 | 126 | 3,035 | 9.11 | 3,525,772,291 | 717,020,391 | 4,242,792,682 | 51.64 |
| 5% and above of issued shares | 2 | 0 | 2 | 0.00 | 3,428,982,465 | 0 | 3,428,982,465 | 41.74 |
| **Total** | **32,777** | **549** | **33,326** | **100** | **7,490,991,388** | **724,630,534** | **8,215,621,922** | **100** |

## Category of Shareholders

| Category | No. of Shareholders | | | No. of Issued Shares | | | % of Issued Shares | | |
|---|---|---|---|---|---|---|---|---|---|
| | Bumiputra | Non-Bumiputra | Foreign | Bumiputra | Non-Bumiputra | Foreign | Bumiputra | Non-Bumiputra | Foreign |
| Individual | 5,576 | 19,389 | 290 | 166,945,124 | 1,052,240,686 | 38,031,987 | 2.03 | 12.81 | 0.46 |
| Body Corporate | | | | | | | | | |
| A) Banks / Finance Companies | 18 | 1 | 0 | 4,276,559,875 | 214 | 0 | 52.05 | 0.00 | 0.00 |
| B) Investments Trusts / Charities | 6 | 3 | 0 | 31,217 | 132,231 | 0 | 0.00 | 0.00 | 0.00 |
| C) Industrial and Commercial Companies | 40 | 110 | 5 | 12,310,511 | 17,803,644 | 43,207,110 | 0.15 | 0.22 | 0.53 |
| Government Agencies / Institutions | 2 | 0 | 0 | 763,407 | 0 | 0 | 0.01 | 0.00 | 0.00 |
| Nominees | 4,329 | 3,300 | 254 | 447,011,179 | 1,517,178,321 | 643,391,437 | 5.44 | 18.47 | 7.83 |
| Others | 0 | 3 | 0 | 0 | 14,979 | 0 | 0.00 | 0.00 | 0.00 |
| **Total** | **9,971** | **22,806** | **549** | **4,903,621,313** | **2,587,370,075** | **724,630,534** | **59.69** | **31.49** | **8.82** |

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<br>AMANAH SAHAM BUMIPUTERA | 2,844,917,970 | 34.63 |
| 2. | PERMODALAN NASIONAL BERHAD | 584,064,495 | 7.11 |
| 3. | AMANAHRAYA TRUSTEES BERHAD<br>AMANAH SAHAM MALAYSIA | 323,000,000 | 3.93 |
| 4. | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>URUSHARTA JAMAAH SDN BHD (1) | 251,740,493 | 3.06 |
| 5. | AMANAHRAYA TRUSTEES BERHAD<br>AMANAH SAHAM MALAYSIA 2 - WAWASAN | 207,000,000 | 2.52 |
| 6. | AMANAHRAYA TRUSTEES BERHAD<br>AMANAH SAHAM BUMIPUTERA 3 – DIDIK | 151,856,593 | 1.85 |
| 7. | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ABERDEEN) | 130,708,000 | 1.59 |
| 8. | DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD<br>DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR<br>HONG LEONG DIVIDEND FUND | 112,282,200 | 1.37 |
| 9. | DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD<br>DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR<br>HONG LEONG VALUE FUND | 86,000,000 | 1.05 |
| 10. | CITIGROUP NOMINEES (TEMPATAN) SDN BHD FOR EXEMPT AN FOR AIA BHD | 84,488,700 | 1.03 |
| 11. | CARTABAN NOMINEES (ASING) SDN BHD<br>BBH (LUX) SCA FOR FIDELITY ASIAN SMALLER COMPANIES POOL<br>(FIDELITY FUNDS) | 84,025,200 | 1.02 |
| 12. | CARTABAN NOMINEES (ASING) SDN BHD<br>BBH (LUX) SCA FOR FIDELITY FUNDS PACIFIC | 78,783,800 | 0.96 |
| 13. | HSBC NOMINEES (TEMPATAN) SDN BHD<br>HSBC (M) TRUSTEE BHD FOR<br>MANULIFE INVESTMENT SHARIAH PROGRESS FUND | 75,713,500 | 0.92 |
| 14. | AMANAHRAYA TRUSTEES BERHAD<br>AMANAH SAHAM BUMIPUTERA 2 | 71,500,000 | 0.87 |
| 15. | HSBC NOMINEES (ASING) SDN BHD<br>JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND | 68,803,212 | 0.84 |
| 16. | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>EXEMPT AN FOR AIA PUBLIC TAKAFUL BHD | 68,726,300 | 0.84 |
| 17. | DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD<br>DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR<br>EASTPRING INVESTMENTSSMALL-CAP FUND | 68,000,000 | 0.83 |
| 18. | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>EMPLOYEES PROVIDENT FUND BOARD (ABERISLAMIC) | 61,570,500 | 0.75 |
| 19. | HSBC NOMINEES (ASING) SDN BHD<br>JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND | 60,415,127 | 0.74 |
| 20. | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>EMPLOYEES PROVIDENT FUND BOARD (RHBISLAMIC) | 40,238,500 | 0.49 |
| 21. | HSBC NOMINEES (ASING) SDN BHD<br>JPMCB NA FOR VANGUARD FIDUCIARY TRUST COMPANY INSTITUTIONAL<br>TOTAL INTERNATIONAL STOCK MARKET INDEX TRUST II | 36,869,600 | 0.45 |
| 22. | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>EMPLOYEES PROVIDEND FUND BOARD (ABERDEEN) | 33,920,400 | 0.41 |
| 23. | HSBC NOMINEES (ASING) SDN BHD<br>JPMCB NA FOR FIDELITY ASIAN VALUES PLC | 32,543,100 | 0.40 |

| No. | Holders | No. of Shares | % |
|---|---|---|---|
| 24. | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>EMPLOYEES PROVIDEND FUND BOARD (RHB INV) | 30,000,000 | 0.37 |
| 25. | TOKIO MARINE LIFE INSURANCE MALAYSIA BHD<br>AS BENEFICIAL OWNER (TMEF) | 30,000,000 | 0.37 |
| 26. | CITIGROUP NOMINEES (ASING) SDN BHD<br>UBS AG | 29,942,772 | 0.36 |
| 27. | HSBC NOMINEES (ASING) SDN BHD<br>EXEMPT AN FOR CACEIS BANK (CBLB-UCITSCLT) | 27,117,100 | 0.33 |
| 28. | CITIGROUP NOMINEES (ASING) SDN BHD<br>CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC | 26,361,692 | 0.32 |
| 29. | AMANAHRAYA TRUSTEES BERHAD<br>AMANAH SAHAM NASIONAL | 25,246,927 | 0.31 |
| 30. | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ABDN EQ ABSR FD) | 24,161,000 | 0.29 |
| | **Total** | **5,749,997,091** | **69.99** |

## SUBSTANTIAL SHAREHOLDERS

As per the register of substantial shareholders

| Substantial Shareholder | No. of Shares Held | | | |
|---|---|---|---|---|
| | Direct Interest | % | Indirect /Deemed Interest | % |
| Amanahraya Trustees Berhad<br>Amanah Saham Bumiputera | 2,844,917,970 | 34.63 | | |
| Permodalanan Nasional Berhad | 584,064,495 | 7.11 | | |
| Yayasan Pelaburan Bumiputra* | | | 584,064,495 | 7.11 |

* Yayasan Pelaburan Bumiputra is deemed to have indirect interests through its shareholding of 100% less one share of Permodalan Nasional Berhad by virtue of Section 8(4) of the Companies Act 2016

## DIRECTORS' INTERESTS

As at 28 March 2025, the shareholdings of the Directors (both direct and indirect) in the Company are shown below:

| No. | Directors | No. of Shares Held | | | |
|---|---|---|---|---|---|
| | | Direct Interest | % | Deemed Interest | % |
| 1. | Mohd Rashid Mohd Yusof | 0 | 0.00 | 0 | 0.00 |
| 2. | Rowina Ghazali Seth | 0 | 0.00 | 0 | 0.00 |
| 3. | Haida Shenny Hazri | 0 | 0.00 | 0 | 0.00 |
| 4. | Ir. Dr. Mohd Shahreen Zainoreen Madros | 0 | 0.00 | 0 | 0.00 |
| 5. | Datuk George Ling Kien Sing | 3,370,000 | 0.04 | 0 | 0.00 |
| 6. | Ir. Ts. Megat Zariman Abdul Rahim | 0 | 0.00 | 0 | 0.00 |
| 7. | Ar Ahila Ganesan | 0 | 0.00 | 0 | 0.00 |
| 8. | Fadzihan Abbas Mohamed Ramlee | 0 | 0.00 | 0 | 0.00 |
| 9. | Alan Hamzah Sendut | 0 | 0.00 | 0 | 0.00 |
| 10. | Nadzrin Alia Md Azizis<br>*(Alternate Director to Fadzihan Abbas Mohamed Ramlee)* | 0 | 0.00 | 0 | 0.00 |

The above information was extracted from Record of Depositories on 28 March 2025.

# Notice of 15th Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the 15th Annual General Meeting ("**AGM**") of Velesto Energy Berhad (the "**Company**") will be held at Nexus 2 & 3, Level 3A, Connexion Conference & Events Centre, Bangsar South City, No. 7, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia on Wednesday, 28 May 2025 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 2024 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. Ts. Megat Zariman Abdul Rahim — Ordinary Resolution 1
   (ii) Ar. Ahila Ganesan — Ordinary Resolution 2
   (iii) Rowina Ghazali Seth — Ordinary Resolution 3
   (Please refer to Explanatory Note B).

3. (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 15th AGM until the conclusion of the next AGM of the Company in 2026: — Ordinary Resolution 4

| | 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 of allowances, benefits-in-kind and other emoluments payable to them, from this 15th AGM until the conclusion of the next AGM of the Company in 2026: — Ordinary Resolution 5

| | Non-Executive Chairman (Board) | Non-Executive Chairman (Board Committee) | Non-Executive Directors of the Board & Members of Board Committee |
|---|---|---|---|
| | Ringgit Malaysia/ per meeting attendance | | |
| Meeting Allowances | 2,000 | 1,500 | 1,000 |

   Other benefits including provision of allowances for car inclusive of petrol and car maintenance expenses, with driver provided (for Chairman of the Board only), provision of mobile phone charges, medical, hospitalization and dental coverage, Directors & Officers Liability Insurance coverage, personal accident insurance coverage, per diem and other claimable reimbursable expenses.
   (Please refer to Explanatory Note C).

4. To re-appoint Messrs. Ernst & Young PLT as Auditors of the Company for the year ending 31 December 2025 and to authorise the Board of Directors to determine their remuneration. — Ordinary Resolution 6
   (Please refer to Explanatory Note D).

5. To transact any other ordinary business for which due notice has been given in accordance with provisions in the Company's Constitution.

**AS SPECIAL BUSINESS:**

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

6. **PROPOSED REDUCTION OF THE ISSUED SHARE CAPITAL OF THE COMPANY PURSUANT TO SECTION 116 OF THE COMPANIES ACT, 2016 ("ACT") ("PROPOSED CAPITAL REDUCTION")** — Special Resolution

"**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."
(Please refer to Explanatory Note E).

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 his holdings to be represented by each proxy, failing which the 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 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.
4. The proxy form and/or documents relating to the appointment of proxy(ies) for the 15th 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 26 May 2025 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.
5. For the purpose of determining a member who shall be entitled to participate in this 15th 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 21 May 2025. Only a depositor whose name appears in the General Meeting Record of Depositors as at 21 May 2025 shall be entitled to participate in the 15th AGM or appoint a proxy to attend and/or vote in his/her stead.
6. The resolutions set out in the Notice of the 15th AGM will be put to vote by poll in accordance with Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities.

Notice of 15th Annual General Meeting

**EXPLANATORY NOTES TO THE RESOLUTIONS:**

**Explanatory Note A**

This agenda item is intended for discussion only as section 340(1) (a) of the Act does not require a formal approval of the Shareholders for the Audited Financial Statements of the Company. Hence, this agenda is not put forward for voting.

**Explanatory Note B**

Clause 96 of the Company's Constitution expressly states that one-third (1/3) of the Directors for the time being or the number nearest to one-third with a minimum of one, shall retire from office at all AGM, PROVIDED ALWAYS all Directors shall retire from office at least once in every three (3) years. A retiring Directors shall be eligible to seek re-election.

Ir. Ts. Megat Zariman Abdul Rahim, Ar. Ahila Ganesan and Rowina Ghazali Seth 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 15th AGM.

**Recommendation for Re-Election of Retiring Directors**

For the financial year under review, the Board undertook a formal and objective annual evaluation to determine the effectiveness of the Board, its Board Committees as well as each of the individual director.

The Board Nomination and Remuneration Committee (BNRC) and the Board were satisfied that all the retiring directors have contributed positively to the overall performance of the Board and that in consideration of the wealth of experience which the retiring directors possess, they will continue to bring sound advice and valuable contributions to the Board deliberations through active participation and decision making by the Board.

All retiring directors have abstained from deliberations and decisions on their own eligibility to stand for re-election at BNRC and Board (whichever is applicable) and will also abstain from deliberation and decision on re-election at this 15th AGM.

Both the BNRC and the Board recommended the re-election Ir. Ts. Megat Zariman Abdul Rahim, Ar. Ahila Ganesan and Rowina Ghazali Seth as the Directors of the Company, at this 15th AGM. In addition, Ar. Ahila Ganesan and Rowina Ghazali Seth, being the Independent Non-Executive Directors, have provided their annual declarations of independence to the Company.

**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 estimated amount of meeting allowances paid to the Non-Executive Chairman and other Non-Executive Directors for Board and Board Committee meetings held in the financial year ended 31 December 2024 are disclosed under the "Financial Statement" section of the Annual Report.

The benefits payable to Non-Executive Chairman and Non-Executive Directors from the 15th AGM until the conclusion of the next AGM in 2026 will be based on the Remuneration Policy & Procedures for Non-Executive Directors, and taking into account various factors including the number of scheduled meetings for Board and Board Committees, the number of Directors involved are based on consideration that they remain in office.

Any Non-Executive Directors who are shareholders of the Company will abstain from voting resolutions 4 and 5 concerning remuneration to the Non-Executive Directors at the 15th 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 Auditors who shall hold office until the conclusion of the next AGM and to authorise the Board of Directors to determine their remuneration thereof. The present Auditors, Messrs. Ernst & Young PLT has indicated their willingness to continue its services for another year.

The Board Audit Committee and the Board have considered the re-appointment of Messrs. Ernst & Young PLT as Auditors of the Company, having undertaken an annual assessment of the suitability and independence of the external Auditors, have collectively agreed that Messrs. Ernst & Young PLT has met the relevant criteria prescribed by Paragraph 15.21 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Messrs. Ernst & Young PLT's re-appointment is subject to the approval of the Shareholders at the forthcoming AGM. If their appointment is approved, they shall hold office until the conclusion of the next AGM of the Company.

**Explanatory Note E**

Further details on the proposed Special Resolution is set out in the Circular to Shareholders dated 29 April 2025.

**Annual Report 2024 & Circular to Shareholders**

Refer to the Circular to shareholders dated 29 April 2025, which is available at the Company's website at www.velesto.com and published on Bursa Malaysia's website on Tuesday, 29 April 2025.

The Annual Report 2024 together with the Circular to Shareholders are available under "Reports & Presentations" of the "Investor Relations" tab on the Company's website at www.velesto.com and also on Bursa Malaysia's website at www.bursamalaysia.com under "Company Announcements" of the Listed Companies tab.

Any request for printed Annual Report 2024 and Circular to Shareholders dated 29 April 2025 will be sent to the requestor soonest possible from the date of receipt of request.

# Statement Accompanying Notice of 15th 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 of the Notice of the 15th 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 267 of this Annual Report.

| Directors who are standing for re-election / re-appointment | |
|---|---|
| Ir. Ts. Megat Zariman Abdul Rahim | > No conflict of interest or potential conflict of interest or any family relationship with any Director and/or major shareholder of the Company.<br><br>> 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 FY2024.<br><br>> Ar. Ahila Ganesan and Rowina Ghazali Seth being the Company's Independent Non-Executive Directors have provided their annual declaration of independence to the Company. |
| Ar. Ahila Ganesan | |
| Rowina Ghazali Seth | |

The Annual Report 2024 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

VELESTO energy

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 15th Annual General Meeting ("AGM") of the Company which will be held at **Nexus 2 & 3, Level 3A, Connexion Conference & Events Centre, Bangsar South City, No. 7, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia on Wednesday, 28 May 2025 at 2.00 p.m.** or at any adjournment thereof.

My/Our proxy is to vote as indicated below:
*(Please indicate with an "X" in the appropriate box against each resolution how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote at his/her discretion.)*

| ORDINARY RESOLUTIONS | FOR | AGAINST |
|---|---|---|
| To re-elect Ir. Ts. Megat Zariman Abdul Rahim, whom retires in accordance with Clause 96 of the Company's Constitution and being eligible, offer himself for re-election. **Ordinary resolution 1** | | |
| To re-elect Ar. Ahila Ganesan, whom retires in accordance with Clause 96 of the Company's Constitution and being eligible, offer herself for re-election. **Ordinary resolution 2** | | |
| To re-elect Rowina Ghazali Seth, whom retires in accordance with Clause 96 of the Company's Constitution and being eligible, offer herself for re-election. **Ordinary resolution 3** | | |
| To approve the payment of fees to the Non-Executive Chairman and Non-Executive Directors with effect from this 15th AGM until the next AGM of the Company to be held in year 2026. **Ordinary resolution 4** | | |
| 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 15th AGM to the next AGM of the Company in 2026. **Ordinary resolution 5** | | |
| To re-appoint Messrs. Ernst & Young PLT as Auditors of the Company for the financial year ending 31 December 2025 and to authorise the Board of Directors to determine their remuneration. **Ordinary resolution 6** | | |
| To approve proposed reduction of the issued share capital of the Company. **Special Resolution** | | |

Dated this _____ day of _____ 2025

| CDS Account No. |
|---|
| |

| Total number of ordinary shares held | | |
|---|---|---|
| Number of shares to be represented by each proxy | Proxy 1 | Proxy 2 |
| | | |

_____
Name of Member
*(If the appointor is an attorney or a corporation please see Note 3 below)*

_____
Signature of Member(s) / Common Seal

***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 the 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 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

4. The proxy form and/or documents relating to the appointment of proxy(ies) for the 15th 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 26 May 2025 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.

5. For the purpose of determining a member who shall be entitled to participate in this 15th 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 21 May 2025. Only a depositor whose name appears in the General Meeting Record of Depositors as at 21 May 2025 shall be entitled to participate in the 15th AGM or appoint a proxy to attend and/or vote in his/her stead.

6. The resolutions set out in the Notice of the 15th AGM will be put to vote by poll in accordance with Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities.

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# Glossary

In this Annual Report the following words and abbreviations, unless stated otherwise, shall have the meanings ascribed below:

| | |
|---|---|
| "Act" or "CA 2016" | Companies Act 2016 and shall include any amendments there to that may be made from time to time. The word "Act" and "CA 2016" may be used interchangeably |
| "ABC Policy" | Anti-Bribery and Corruption Policy |
| "ABMS" | Anti-Bribery Management System |
| "ABS" | American Bureau of Shipping |
| "AGM" | Annual General Meeting of the Company |
| "ASB" | [Warehouse Location – Please see Page 48 and confirm] |
| "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 |
| "BWBC" | Board Whistle-Blowing Committee |
| "CCO" | Chief Commercial Officer |
| "CCUS" | Carbon Capture, Utilisation and Storage |
| "CePSWAM" | Certified Environmental Professional in Scheduled Waste Management |
| "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 |
| "DEFRA" | Department for Environment, Food and Rural Affairs |
| "Director" | Refers to individual director who is a member of the Board |
| "DNV" | Det Norske Veritas |
| "DOE" | Department of Environment |

Glossary

| | |
|---|---|
| "EBITDA" | Earnings Before Interest, Tax, Depreciation and Amortisation |
| "ECC" | Emergency Control Centre |
| "EES" | Employees Engagement Survey |
| "ERM" | Enterprise Risk Management |
| "ERP" | Emergency Response Plan/Enterprise Resource Planning |
| "ERT" | Emergency Response Team |
| "EIA" | Environmental Impact Assessment |
| "EIC" | Energy Industry Council |
| "EiMAS" | Environment Institute of Malaysia |
| "EMEPMI" | ExxonMobil Exploration and Production Malaysia Inc |
| "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 |
| "FY2024" | Financial year ended 31 December 2024 |
| "GDP" | Gross Domestic Product |
| "GHG" | Greenhouse Gas |
| "GIAS" | Global Internal Audit Standards |
| "GRI" | Global Reporting Initiative |
| "Government" | Government of Malaysia |
| "HiPots" | Velesto's High Potential Programme |
| "HIRARC" | Hazard Identification, Risk Assessment, and Risk Control |
| "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 2024" | Integrated Annual Report 2024 |
| "ICAO" | International Civil Aviation Organisation |
| "ICDM" | Institute of Corporate Directors Malaysia |
| "IEA" | International Energy Agency |
| "IFRS" | International Financial Reporting Standards |

| | |
|---|---|
| "IGUC" | Integrity Governance Unit & Compliance |
| "IIASB" | International Internal Audit Standards Board |
| "INSTEP" | Institut Teknologi Petroleum PETRONAS |
| "INED" | Independent Non-Executive Directors |
| 'IPCC" | Intergovernmental Panel on Climate Change |
| "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 |
| "KSB" | [Warehouse Location – Please see Page 48 and confirm] |
| "KYC" | Know Your Counterpart |
| "LTI" | Loss Time Incidents |
| "LOPC" | Loss of Primary Containment |
| "LWD" | Logging While Drilling |
| "MAC" | Management Audit Committee |
| "MACC" | Malaysian Anti-Corruption Commission |
| "MAIWP" | Majlis Agama Islam Wilayah Persekutuan |
| "Management" | Management of Velesto Group |
| "MCCG 2021" | Malaysian Code on Corporate Governance, published by Securities Commission on April 2021 |
| "MD&A" | Management Discussion and Analysis |
| "MFRS" | Malaysian Financial Reporting Standards |
| "MGA" | Malaysian Gas Association |
| "MIA" | Malaysian Institute of Accountants |
| "MMEA" | Malaysian Maritime Enforcement Agency |
| "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 |
| "MOGSC" | The Malaysian Oil & Gas Services Council |
| "MOU" | Memorandum of Understanding |
| "MPRC" | Malaysia Petroleum Resources Corporation |
| "MPM" | Malaysia Petroleum Management |
| "MT" | Metric Tonnes |
| "MWD" | Measurement While Drilling |

Glossary

| | |
|---|---|
| "NED" | Non-Executive Directors |
| "NETR" | National Energy Transition Roadmap |
| "NINED" | Non-Independent Non-Executive Directors |
| "Notice" | Notice of this AGM |
| "OCTG" | Oil Country Tubular Goods |
| "OFS" | Oilfield Services |
| "OGA" | Oil & Gas Asia |
| "OGSE" | Oil and Gas Services and Equipment |
| "OPEC" | Organisation of the Petroleum Exporting Countries |
| "OPEC+" | Organisation of the Petroleum Exporting Countries Plus |
| "OSH" | Occupational Safety and Health |
| "P&A" | Plug and Abandonment |
| "PAO" | PETRONAS Activity Outlook |
| "PAT" | Profit After Tax |
| "PCSB" | PETRONAS Carigali Sdn Bhd |
| "PDPA" | Personal Data Protection Act |
| "PPE" | Personal Protective Equipment |
| "PTTEP" | PTT Exploration and Production |
| "QHSE" | Quality, Health, Safety and Environmental |
| "RAP" | Risk Action Plan |
| "RCP" | Representative Concentration Pathways |
| "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 |
| "SDS" | Sustainable Development Scenarios |
| "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 |
| "SS2024" | Sustainability Statement 2024 |

| | |
|---|---|
| “SMC” | Sustainability Management Committee |
| “SSM” | Suruhanjaya Syarikat Malaysia |
| “STEM” | Science, Technology, Engineering and Maths |
| “STEPS” | Stated Policies Scenario |
| “SWG” | Sustainability Working Group |
| “TC” | Tender Committee |
| "TCFD" | Task Force on Climate-related Financial Disclosures |
| “TDS” | Top Drive System |
| "TJ" | Terajoules |
| “TOFS” | Time Out For Safety |
| “TOR” | Terms of Reference |
| "TRCF" | Total Recordable Case Frequency |
| “UNSDGs” | United Nations Sustainability Development Goals |
| “UNGC” | United Nations Global Compact |
| “UTP” | Universiti Teknologi Petronas |
| "VACP" | Velesto Anti-Corruption Plan |
| “VAR” | Velesto Assurance Review |
| "VDA" | Velesto Drilling Academy |
| "VDPx" | Vendor Development Programme |
| “Velesto Group” or “the Group” | Collectively, Velesto and its subsidiaries |
| “Velesto” or “Company” | Velesto Energy Berhad, Registration No. 200901035667 (878786-H) a company incorporated in Malaysia and having its registered office at Level 18, Block 3A, Plaza Sentral, Jalan Stesen Sentral 5, 50470, Kuala Lumpur. The word “Velesto” and “Company” may be used interchangeably |
| “VFD” | Variable Frequency Drive |
| “VIDA” | Velesto-INSTEP Drilling Academy (A collaboration between Velesto Drilling Academy Sdn Bhd and Institut Teknologi Petroleum PETRONAS) |
| “VIP” | Vendor Integrity Pledge |
| "VRF" | Value Reporting Foundation |
| "VTC" | Velesto Talent Council |
| “VTS” | Velesto Trainee Scheme |
| “WFH” | Work From Home |
| “YUTP” | Yayasan Universiti Teknologi PETRONAS |

In this Integrated Annual Report, words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter gender and vice versa. Reference to persons shall include corporation, unless stated otherwise.

# Administrative Guide

15th Annual General Meeting ("15th AGM") of Velesto Energy Berhad (the "Company")

VELESTO energy

Velesto Energy Berhad
Registration No. 200901035667 (878786-H)

Date : Wednesday, 28 May 2025
Time : 2:00 p.m.
Venue : Nexus 2 & 3, Level 3A, Connexion Conference & Events Centre, Bangsar South City, No. 7, Jalan Kerinchi, 59200 Kuala Lumpur, 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 Nexus 1 on Level 3A.

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 Nexus 2 and Nexus 3 of Connexion Conference & Events Centre 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. Genaral Meeting Record of Depositors**

2.1 For the purpose of determining a member who shall be entitled to participate in this 15th 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 21 May 2025.

2.2 Only a depositor whose name appears in the General Meeting Record of Depositors as at 21 May 2025 shall be entitled to participate in the 15th 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 15th 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 26 May 2025 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 15th 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.

**6. Annual Report 2024 & Circular to Shareholders**

6.1 The Annual Report 2024 and Circular to Shareholders are 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 Annual Report 2024 and Circular to Shareholders.. Should you require a printed copy of the Annual Report 2024 and/or Circular to Shareholders, please request through telephone or email to Our Share Registrar via the contact details as set out below. Any request for printed Annual Report 2024 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 Connexion Basement, Level 1, Level 2 and Level 3. Please validate your parking ticket for a 'Complimentary Parking Ticket' at the counters at the Foyer on Level 3A. Kindly note that you are still required to validate the 'Complimentary Parking Ticket' at the autopay machine before you exit the Connexion Conference & Events Centre's car park.

**9. Shuttle Service**

For those using the public transportation, kindly disembark at the Universiti LRT Station (Kelana Jaya Line). Shuttle van / car with the Company's sticker displayed will be provided from 12.00 noon until 2.00 p.m. and for one (1) hour after end of meeting for every 30-minute between the pick-up point to AGM's venue vice versa.

**10. Meeting Refreshment**

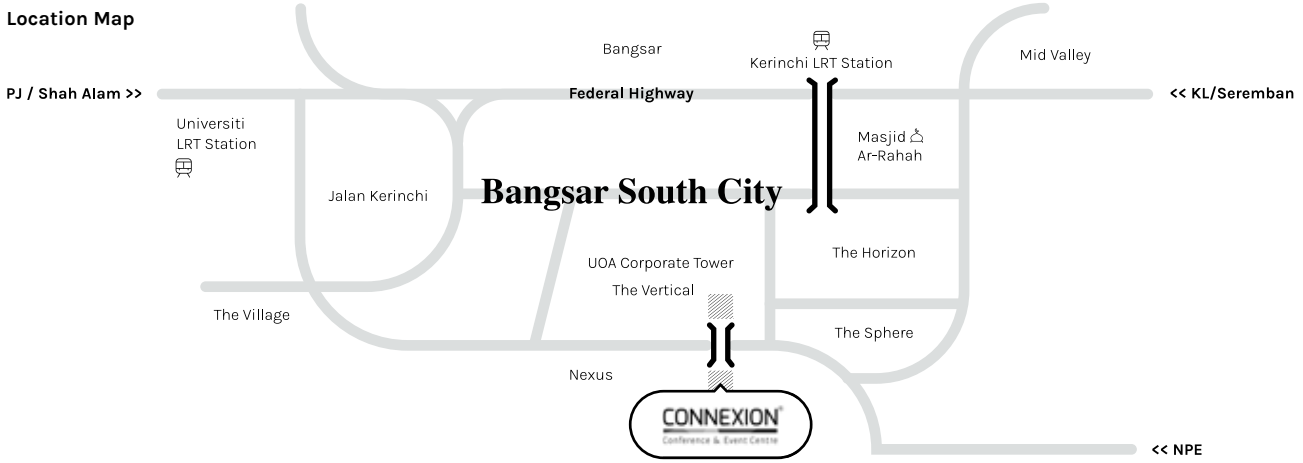
Shareholder/proxyholder with valid identification wristband may collect refreshment voucher during registration. Please note that only one (1) refreshment voucher will be issued per shareholder/proxyholder.

**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. |
|---|---|---|---|
| Wong Piang Yoong<br>Norhasliliwati Abdullah Hashim | Securities Services (Holdings) Sdn. Bhd. | +603-2084 9000 | +603-2094 9940 |

**12. Location Map**



APPENDIX A

# Securities Services e-Portal

## (A) Sign up for a user account at Securities Services e-Portal

Step 1 Visit https://sshsb.net.my/

Step 2 Sign up for a user account

Step 3 Wait for our notification email that will be sent within one (1) working day

Step 4 Verify your user account within seven (7) days of the notification email and log in

- **This is a ONE-TIME registration**. If you already have a user account, you need not register again.
- Your email address is your User ID.
- Please proceed to either (B) or (C) below once you are a registered user.

**REGISTER AS A USER BY 21 MAY 2025 TO SUBMIT E-PROXY FORM**

## (B) Submit e-Proxy Form

| Meeting Date and Time | Proxy Form Submission Closing Date and Time |
|---|---|
| Wednesday, 28 May 2025 at 2.00 p.m. | Monday, 26 May 2025 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 15th AGM on 28 May 2025 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.

**www.velesto.com**

**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

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