

ANNUAL
REPORT
2020

VELESTO
energy

DRIVING

**SUSTAINABILITY
TOGETHER**

WHO WE ARE

VELESTO is a Malaysia-based multinational provider of services for the upstream sector of the oil and gas industry. The Group owns and operates seven premium jack-up (JU) drilling rigs, which are capable of operating in water depths of up to 400 feet. This is ideal for the shallow waters of South East Asia.

OUR VISION

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

OUR MISSION

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

OUR iLEAP CORE VALUES



INTEGRITY

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



LEADERSHIP

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



EXCELLENCE

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



AGILITY

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

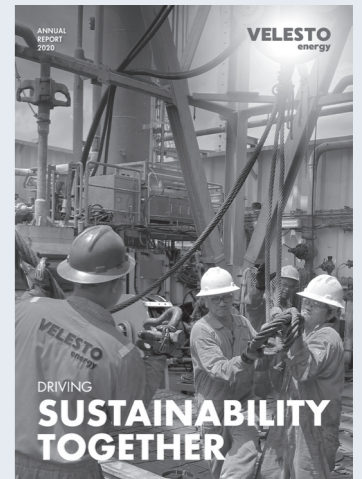


PEOPLE-FOCUSED

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

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Cover Rationale

At the heart of our operations, lies our people. VELESTO's workforce is the beating pulse of the organisation, whose contributions, sacrifices and professionalism during the pandemic year has enabled the Group to continue generating stakeholder value.

As a People-Focused organisation, we remain focused on pushing forward to greater heights through teamwork, a dynamic spirit and perseverance, and a culture of innovation and high-performance to weather the present storms and to scale greater heights.

ABOUT THIS REPORT

Veleso Energy Berhad (VELESTO) and its subsidiaries (the Group) continues to make progress in its adoption of the globally recognised, Integrated Reporting (<IR>) framework. Now in its second year of reporting, the Group has strengthened its disclosures in accordance to the principles based framework of the International Integrated Reporting Council (<IIRC>).

The rationale for adopting <IR> is to align VELESTO's corporate reporting to a best-practice reporting structure that enables effective disclosure of not just past performance but to provide more comprehensive disclosure on the Group's business model, operating environment, industry value chain and ultimately, how the Group creates financial and non-financial values.

This includes comprehensive yet concise disclosures on VELESTO's overall organisational performance, capital disbursements, risk and reward assessments, value growth appraisals, and qualitative transparency in addition to representing its continuous aptitude in delivering a strong and distinctive value proposition that positions the Group as a preferred best-in-class energy service provider.

The selection of the <IR> framework is to also facilitate effective disclosure on future oriented information such as outlook and prospects for the oil and gas sector, VELESTO and the Group's strategies in response to future trends and developments.

In realising the aforementioned disclosures, the <IR> reporting approach enables the development of integrated thinking within the Group; and also develops a stronger focus on ensuring value creation over the short, medium and long-term perspectives.

APPROACH TO REPORT CONTENT

In selecting relevant content for the Integrated Annual Report 2020 (IAR2020), VELESTO has adopted the following materiality criteria:

- Information that is pertinent to the Group's business model and industry value chain
- Information that is related to the creation of financial and non-financial values
- Information that is deemed material from a triple bottom line perspective of environmental, social and governance perspectives
- Information that is related to the Group's future orientation and strategic priorities

In essence, information contained herein encompasses VELESTO's business operations, activities, processes and

employees, including applicable Group subsidiaries in relation to the Group's principal business activity of Drilling and Oilfield Services. The IAR2020 disclosures may also include supply chain disclosures where relevant.

FRAMEWORKS APPLIED

Our report has been prepared in accordance with the following regulatory frameworks:

- IIRC <IR> Principles Based Framework
- Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad
- Bursa Malaysia Sustainability Reporting Guide, 2nd Edition 2018
- FTSE4Good Index Disclosures (FTSE Russell's ESG Data Model)
- Companies Act 2016 (Act)
- Malaysian Code on Corporate Governance 2017 (MCCG 2017)
- Malaysian Financial Reporting Standards (MFRS)
- International Financial Reporting Standards (IFRS)
- ISO 31000 Risk Management Standard

MATERIAL SCOPE & BOUNDARY

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 Drilling and Oilfield Services business operations and undertakings.

As VELESTO strives to persistently expand its proven Drilling Services and technology into more strategic international markets and regions of geographical focus, we are confident that future reports will be further imbued with valuable information obtained without compromise from these global operational assets.

RELATED INFORMATION

This report is accompanied with additional online disclosures for our 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 at <https://www.velesto.com>.

The Group's latest corporate presentations and BURSA announcements can also be found under the Investor Relations online portal (see "Reports & Presentations" and "Bursa Announcement" tabs respectively) at <https://www.velesto.com/investor-relation-information/>. News and press releases on the Group are also available on our corporate website at <https://www.velesto.com/media-centre/>.

Forward-Looking Statements

This report also provides statements referring to the Group's future predictions of its overall industry outlook and expected risks entailed, tactical geographical expansion, excellent health, safety and environmental (HSE) performance, Sustainability, rig utilisation rate, expanded revenue opportunities, and value chain improvement prospects. Such informational assumptions have been derived from existing forecast models and current market conditions that may arbitrarily vary due to a myriad of factors beyond the Group's control.

As such, all forward-looking statements in this report are not categorically definite and actual plans and results relating to the Group's future operations

or finances may significantly diverge from said statements in this report. Forward-looking statements issued in this report have not been reviewed or audited by an external auditor.

Assurance

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

The Group has not undertaken third-party assurance for non-financial and Sustainability related data.

Feedback and Inquiries

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 Department at

+603 2096 8788

investor.relations@velesto.com

SPECIFIC <IR> RELATED CONTENT SECTIONS

Following are the key <IR> sections:

 CORPORATE PROFILE	Basic introductory information of VELESTO such as its principal business operations, operating assets, location of operations and key facts and figures. The section serves to provide an understanding of the nature and extent of the Group's business operations.	 OUR VALUE CHAIN	A step-by-step review of the upstream oil and gas value chain in which VELESTO operates, with defined stages throughout the operational lifecycle.
 OUR APPROACH TO VALUE CREATION	A concise view of how VELESTO creates financial and non-financial values. The section outlines what external and internal factors are drivers or influencers of the business model.	 INDUSTRY TRENDS AND THE EXTERNAL OPERATING ENVIRONMENT	Specific information on existing and emerging industry trends and external developments that impact or influence exploration and production activities.
 OUR VALUE CREATION MODEL	How VELESTO consumes resources and how these resources are utilised to create financial and non-financial values for stakeholders.	 OUR CAPITALS	The principal resources consumed by VELESTO through its business model and business processes for the creation of values. The section also covers challenges or issues affecting availability of capitals as well as potential trade-offs between capitals.

SPECIFIC <IR> RELATED CONTENT SECTIONS

Following are the key <IR> sections:

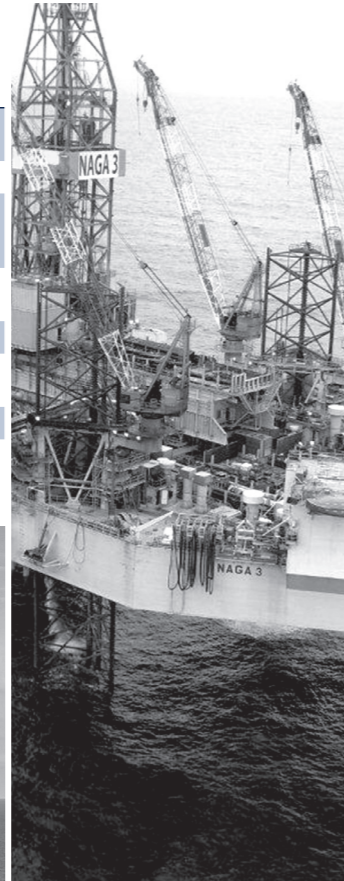
 BUSINESS STRENGTHS & COMPETITIVE ADVANTAGES	An overview of VELESTO's business strengths and how these are leveraged upon to drive business strategies and ultimately, value creation.	 MANAGEMENT DISCUSSION AND ANALYSIS	Provides a comprehensive narration of the Group's financial performance, as well as non-financial values created from the perspective of the Management.
 STRATEGIC PRIORITIES	Identification of key strategic thrusts for VELESTO in response to the industry outlook going forward. The key aspect is how the Group's business model may change, if any to sustain or enhance value creation.	 SUSTAINABILITY REPORT	A comprehensive review of the Group's strategies and performance in addressing Environment, Social and Governance (ESG) materiality topics and ultimately non-financial value creation. The focus is to showcase how ESG matters are vital to ensure sustained financial performance.
 OUR RISKS	A description of major risks faced, as well as the Group's mitigation measures.		



**JACK-UP
DRILLING
RIGS**

**VELESTO
NAGA 2**

Design	GustoMSC-C-CJ46-X100D
Delivery	October 2009
Construction Yard	PT. Drydocks World Graha, Batam, Indonesia
Jack-Up Type	Independent Leg Jack-Up Drilling Rig
Classification	DNV
Class Notations	A1 Self-Elevating Drilling Unit
Water Depth	350 feet



**VELESTO
NAGA 4**

Design	Keppel FELS B Class
Delivery	March 2013
Construction Yard	Keppel FELS Yard, Singapore
Jack-Up Type	Independent Leg Jack-Up Drilling Rig
Classification	ABS
Class Notations	A1 Self-Elevating Drilling Unit
Water Depth	400 feet



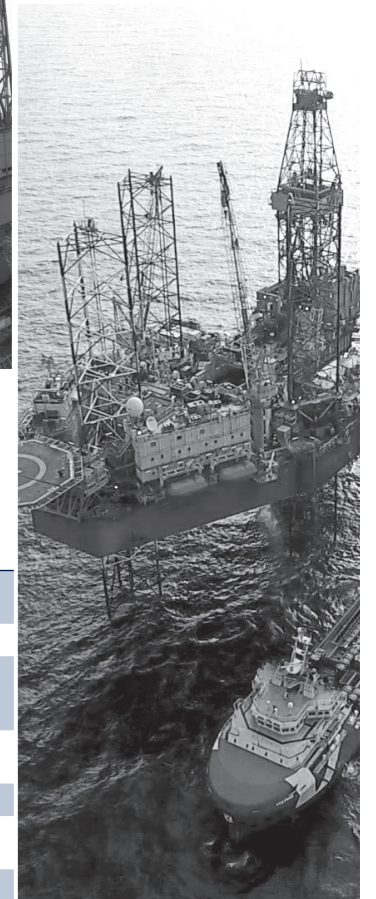
**VELESTO
NAGA 6**

Design	GustoMSC-C-CJ46-X100D
Delivery	September 2014
Construction Yard	China Merchants Heavy Ind. (Shenzhen) Co. Ltd China
Jack-Up Type	Independent Leg Jack-Up Drilling Rig
Classification	ABS
Class Notations	A1 Self-Elevating Drilling Unit
Water Depth	375 feet



**VELESTO
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
Classification	ABS
Class Notations	A1 Self-Elevating Drilling Unit
Water Depth	400 feet



**VELESTO
NAGA 3**

Design	GustoMSC-C-CJ46-X100D
Delivery	September 2010
Construction Yard	PT. Drydocks World Graha, Batam, Indonesia
Jack-Up Type	Independent Leg Jack-Up Drilling Rig
Classification	DNV
Class Notations	A1 Self-Elevating Drilling Unit
Water Depth	350 feet

**VELESTO
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
Classification	ABS
Class Notations	A1 Self-Elevating Drilling Unit
Water Depth	400 feet



**VELESTO
NAGA 7**

Design	GustoMSC-C-CJ46-X100D
Delivery	January 2015
Construction Yard	China Merchants Heavy Ind. (Shenzhen) Co. Ltd China
Jack-Up Type	Independent Leg Jack-Up Drilling Rig
Classification	ABS
Class Notations	A1 Self-Elevating Drilling Unit
Water Depth	375 feet

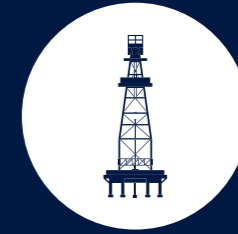
Note: At the time of issuance of this report, NAGA 7 is unavailable due to the incident which occurred on 3 May 2021



Scan here for more information



**HYDRAULIC
WORKOVER
UNITS**



**OILFIELD
SERVICES**



▲
**VELESTO
GAIT 1**

Year Built	2001
Max. Pulling Capacity	340,000 lbs
Max. Snubbing Capacity	150,000 lbs

▲
**VELESTO
GAIT 2**

Year Built	2003
Max. Pulling Capacity	460,000 lbs
Max. Snubbing Capacity	225,000 lbs

▲
**VELESTO
GAIT 5**

Year Built	2010
Max. Pulling Capacity	460,000 lbs
Max. Snubbing Capacity	225,000 lbs

▲
**VELESTO
GAIT 6**

Year Built	2014
Max. Pulling Capacity	460,000 lbs
Max. Snubbing Capacity	225,000 lbs



▲
TIANJIN, CHINA PLANT

BOARD OF DIRECTORS

MOHD RASHID MOHD YUSOF
(Chairman / Non-Independent Non-Executive Director)
 Date of appointment: 23 June 2017
 (re-designated as Chairman / Non-Independent Non-Executive Director on 10 June 2020)

ROHAIZAD DARUS
(President / Executive Director)
 Date of appointment: 31 January 2012

RAZALEE AMIN
(Senior Independent Non-Executive Director)
 Date of appointment: 2 May 2013
 (re-designated as Senior Independent Non-Executive Director on 16 July 2020)

DATO' IBRAHIM MARSIDI
(Independent Non-Executive Director)
 Date of appointment: 2 May 2013

ROWINA GHAZALI SETH
(Independent Non-Executive Director)
 Date of appointment: 23 June 2017

HAIDA SHENNY HAZRI
(Non-Independent Non-Executive Director)
 Date of appointment: 23 June 2017

RIZAL RICKMAN RAMLI
(Non-Independent Non-Executive Director)
 Date of appointment: 21 March 2018

DATO' DAYANG FATIMAH JOHARI
(Independent Non-Executive Director)
 Date of appointment: 24 May 2018

DATUK TONG POH KEOW
(Independent Non-Executive Director)
 Date of appointment: 29 August 2019

DATO' ABDUL RAHMAN AHMAD
(Chairman / Non-Independent Non-Executive Director)
 Date of resignation: 10 June 2020

BOARD AUDIT COMMITTEE

- Razalee Amin (Chairman)
- Dato' Ibrahim Marsidi
- Dato' Dayang Fatimah Johari
- Datuk Tong Poh Keow

BOARD NOMINATION AND REMUNERATION COMMITTEE

- Dato' Ibrahim Marsidi (Chairman)
- Rowina Ghazali Seth
- Dato' Dayang Fatimah Johari
- Rizal Rickman Ramli

BOARD RISK MANAGEMENT COMMITTEE

- Rowina Ghazali Seth (Chairperson) – re-designated as Chairperson on 16 July 2020
- Razalee Amin
- Haida Shenny Hazri
- Datuk Tong Poh Keow – appointed on 16 July 2020
- Mohd Rashid Mohd Yusof – ceased on 16 July 2020

BOARD WHISTLE-BLOWING COMMITTEE

- Datuk Tong Poh Keow (Chairperson)
- Razalee Amin
- Haida Shenny Hazri
- Mohd Rashid Mohd Yusof – ceased on 16 July 2020

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

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

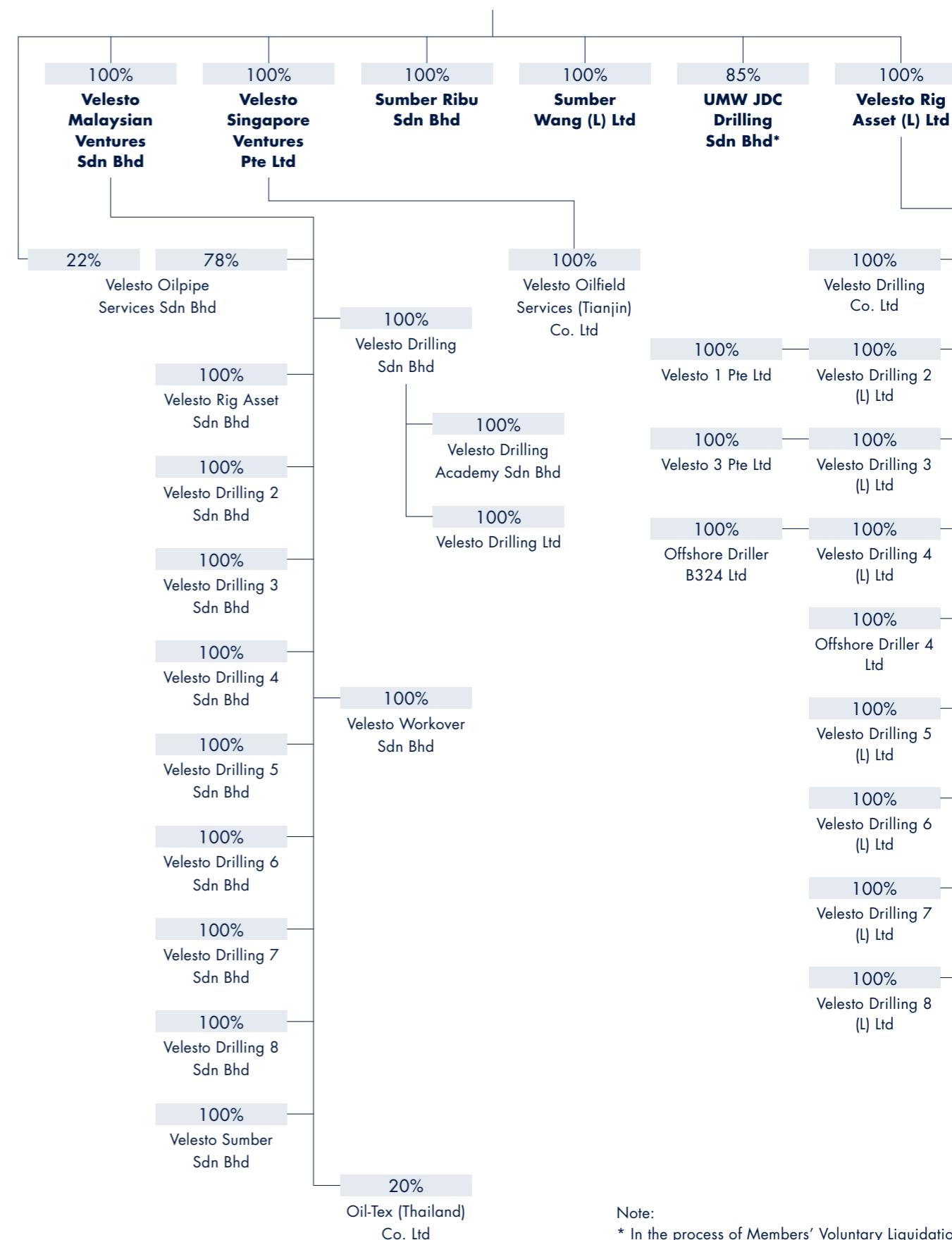
WEBSITE

<https://www.velesto.com>

E-MAIL ADDRESS

strategic.communications@velesto.com

VELESTO ENERGY BERHAD



Note:
 * In the process of Members' Voluntary Liquidation.



11 - 13 February 2020

MIRI, SARAWAK
SMART's COOL Sarawak
• Mathematics and English Workshop
• Safety and Motivational Talk



12 January 2020

MIRI, SARAWAK
NAGA 2 HR Rig Engagement



28 February 2020 - 1 March 2020

MIRI, SARAWAK
Offshore Crew Family Day



19 February 2020

KUALA LUMPUR
• VELESTO FC vs Media FC
• Grooming & Business Etiquette Workshop for Men



26 - 27 February 2020

MIRI, SARAWAK
Train the Teachers
• SMART's COOL Sarawak

22 January 2020

KUALA LUMPUR
PETROCON Conference @ Heriot-Watt University



11 January 2020

KUALA LUMPUR
The President's Trophy Bowling Tournament



27 August 2020

ONLINE
2nd Townhall 2020

17 August 2020

ONLINE
Sharing is Caring Session by President

25 July 2020

KUALA LUMPUR
Establishment of Vendor Integrity Pledge

27 July 2020 - 14 September 2020

ONLINE
SMART's COOL Edisi Lestari
• Cabaran Teknologi Tindakbalas COVID-19



29 June 2020

KUALA LUMPUR
10th Annual General Meeting



18 May 2020

ONLINE
1st Townhall 2020

20 - 24 July 2020

ONLINE
Virtual HSE Week



25 September 2020

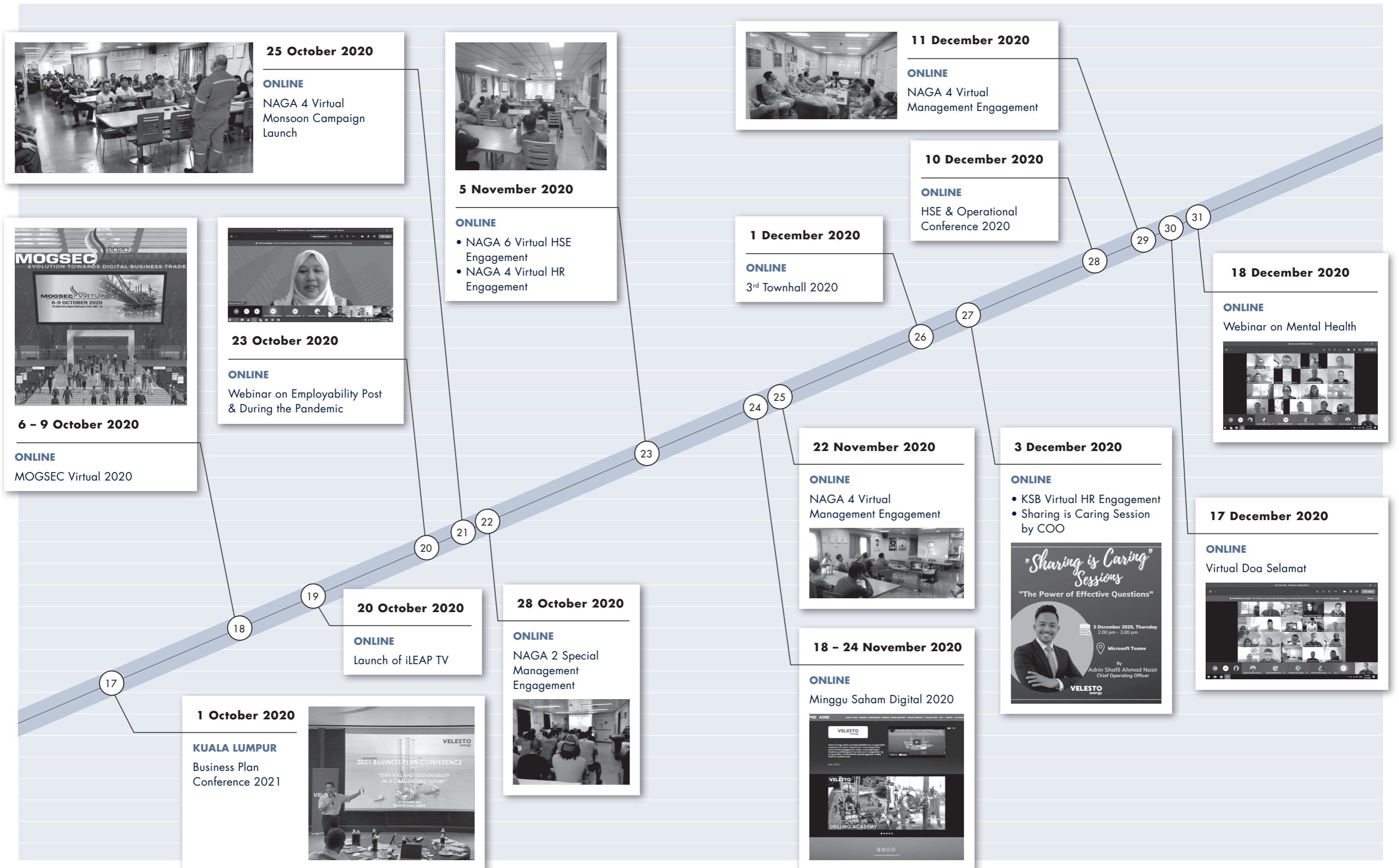
KUALA LUMPUR
Corruption Free Pledge



1 September 2020

KUALA LUMPUR
Handover of Automated Temperature Scanners to Plaza Sentral





Dear Shareholders,



MOHD RASHID MOHD YUSOF
CHAIRMAN

REVIEW OF THE FINANCIAL YEAR

FY2020 had initially begun on a positive note as crude oil prices were comparatively stable at USD65 per barrel (Brent) and the domestic oil and gas sector remained active, underpinned by strong momentum in exploration and production (E&P) activities.

However, as the COVID-19 pandemic began to spread globally as well as in Malaysia, the ensuing effects curtailed the usual flow of trade, commerce and economic activity.

Industries such as aviation, transportation, maritime shipping, manufacturing and the energy sector; which are substantial oil consumers, were significantly impacted by COVID-19.

Consequently, there was a reduction in demand for oil and gas. Hence, with excess supply, crude oil prices plummeted with Brent to a two-decade low of USD13 per barrel on 21 April 2020 before recovering and ending the year at USD50 per barrel, significantly, lower year-on-year.

In response to prevailing conditions, oil and gas majors, including PETRONAS

looked to reduce their risk exposures by cutting back on E&P activities. Existing contracts were renegotiated while new projects were deferred or terminated altogether.

On the whole E&P activities in Malaysia declined significantly in FY2020 compared to the robust momentum in FY2019. The entire oil and gas value chain, especially upstream service providers were impacted by the cutback and needed to adapt to the sudden changes to ensure business and operational sustainability.

GROUP BUSINESS AND OPERATIONAL PERFORMANCE

In actual fact, VELESTO made a strong start to FY2020 on the back of drilling contracts and high rig utilisation rates. At the start of the financial year,

VELESTO reached a four-year record high for rig utilisation, posting 84%. The Group has just posted its first full year of profits in four years having successfully rode out the previous long-spell oil and gas downturn from 2015-2018.

Our rigs were busy servicing contracts in Malaysia. The Group was operating efficiently, with a low-cost operating base and high productivity as the many hard-won efficiencies and lessons learnt during the previous downturn enabled VELESTO to be competitive, robust and to deliver excellent operational performance.

The Group's financial performance for the first quarter of FY2020 saw strong revenues of RM176 million and on the back of that, EBITDA and post tax profits of RM98 million and

RM16 million respectively. This was a significant improvement, compared to the first quarter of FY2019, where the group recorded revenue of RM127 million, EBITDA of RM50 million and post tax loss of RM22 million.

The Group's strong start was disrupted by the Movement Control Order (MCO) in mid-March 2020. Though utilisation rates improved in the second half of the year, VELESTO averaged a lower rate of 66% compared to 80% in FY2019.

The rig utilisation level achieved is still commendable given the unprecedented and extraordinary twist of events that the entire world faced in FY2020.

On the back of declining rig utilisation, weaker day charter rates and deferred and renegotiated contracts, the Group's financial performance was also impacted.

Group revenue in FY2020 declined to RM547 million, a decline on 18% compared to FY2019 and a lower EBITDA of RM293 million compared to RM333 million year-on-year. We also incurred a loss after tax of RM492 million, mainly due to impairment of assets and accelerated depreciation of RM462 million and RM23 million respectively. If it were not for these, we would have recorded an adjusted loss after tax of RM7 million.

VELESTO's situation is not unlike any other company in the upstream oil and gas sector. However, VELESTO did not adopt a passive stance and in direct response to the challenges faced, initiated various strategies to adjust to the new normal for the oil and gas sector.

RESPONDING PROACTIVELY TO THE OPERATING ENVIRONMENT

VELESTO chose to face FY2020 with a measured response that reflects our strong business and operational fundamentals. Having weathered a four-year downturn prior to the FY2020 pandemic year, we were in the best

position possible to once again adapt to the drastic changes in the operating environment.

The Group has honed its business model to have a low operating base and to be flexible to changes in the operating environment. Our financial position remains sound on the back of steady cashflow and a healthy balance sheet. Our competencies remain intact and have strengthened even, as we continued to deliver a high-level of operational performance to repeatedly earn the acknowledgment of our many clients.

Specific details of our business and operational performance including debt gearing, cash position and cash flows and more, are provided in the Management Discussion and Analysis (MD&A) section of this annual report.

Importantly, I wish to highlight that VELESTO's operational efficiency has reached a new high of 98.3%. The Group has also realised its aspirations of achieving zero loss time incidents and zero spills in FY2020.

Despite total operating costs increasing due to COVID-19 compliance and other factors, this was offset by continued costs rationalisation and operational efficiencies strategies. In fact, in FY2020, RM31 million was saved as a direct result of efforts taken in FY2020.

In addition, the management views the impairment charges as a necessary measure to reflect the current industry fundamentals, which is facing slower demand for oil production going forward. Drilling activities are now less likely to recover to previous utilisation and dayrates which we had factored in our past assessments.

Further details on how VELESTO has successfully pared down capital and operational expenditures while maintaining its optimum operational capabilities are provided in the MD&A section of this report.

VELESTO's operational efficiency maintained at a high of

98.3%

RM31

 million

was saved as a direct result of cost savings efforts taken in FY2020

The Group had

ZERO

 major spills
in FY2020

COMMITMENT TO CORPORATE GOVERNANCE AND SUSTAINABILITY

The swiftness and efficacy in which the Group has responded to COVID-19 and other business and operational challenges and risks is largely due to the internal controls that the Group has institutionalised over the years.

Hence, our commitment to the continued pursuit of strengthening accountability, transparency and corporate governance.

In FY2020, VELESTO established its Anti-Bribery and Corruption Policy (ABC Policy) pursuant to Section 17A of the MACC Act 2009. The policy strengthens existing frameworks and processes and reinforces the Group's zero tolerance stance toward bribery and corrupt acts. The ABC Policy comes on the back of the establishment of a dedicated Integrity Governance Unit (IGU) in FY2019.

VELESTO's ongoing efforts to strengthen corporate governance has been well received with the Group achieving a full score of 5.0 for good governance under Bursa Malaysia's FTSE4Good Index in FY2020. VELESTO also secured the ASEAN Corporate Governance Scorecard Awards under the ASEAN Asset Class Award category, a significant recognition of appreciation on the importance of advancing corporate governance in Malaysia.

OUTLOOK AND PROSPECTS

The industry outlook remains nebulous in the short-term. However, there are positives that augur well for the global oil and gas sector.

Crude oil prices have rebounded on the back of Organisation of the Petroleum Exporting Countries (OPEC) and non-OPEC oil producers maintaining strict quota discipline. Though there has been a decision to progressively increase production, the approach taken has enabled the market to absorb incoming supply and as such, prices remain stable.

In the first quarter of 2021, crude oil prices have rebounded to USD60 per barrel. Prices that range between USD55-USD65 per barrel should restore confidence among oil and gas majors to resume E&P activities. The Board is of the view that the second half of FY2021 should see progressive improvements in the business climate, though volatility may persist. We will continue to monitor industry volatility.

While COVID-19 continues to persist, the availability of vaccines which are progressively being distributed across the world will to a large extent, restore business and investor sentiment as the prospect of a resolution to the pandemic appears on the horizon.

The prospect of returning to a pre-COVID operating environment in FY2022 appears a possibility. A stronger economy and vaccine deployment serve as a catalyst to support growth towards the end of 2021.

The results of the US presidential elections may also usher a more conciliatory phase in the ongoing US-China trade war and this should bode well for global trade and economic growth.

VELESTO, given its strong business fundamentals and its remaining order book of RM732 million is well poised to benefit from any positive change in overall market sentiment and industry activity. VELESTO remains a well-run, sustainable business that will continue to see its performance improving in tandem with any upswing in the oil and gas sector.

Presently, VELESTO has tendered for RM2.7 billion in tender bids, of which 46% are local and the rest comprising international contracts. Our strategic priorities for FY2021 include increasing existing utilisation by securing new contracts both in Malaysia and abroad. Potentials in Vietnam, Indonesia, Thailand and Australia will be pursued.



APPRECIATION AND ACKNOWLEDGEMENTS

On behalf of the Board, I wish to firstly thank the staff of VELESTO, who have demonstrated excellence in the manner in which they have conducted themselves in FY2020.

Their professional contributions and personal sacrifices in ensuring operational excellence under adverse conditions; to maintain the Standard

Operating Procedure (SOP) discipline and to adapt quickly to the new norm have been remarkable. The Board thanks all of them and count on their continued dedication, innovation and passion towards driving VELESTO to continued progress in the upcoming financial year.

The Board also wishes to thank the Senior Management, especially our President, Encik Rohaizad Darus for

the business acumen displayed and the strategic response to the many challenges faced in FY2020.

In the same vein, the Board expresses its appreciation to PETRONAS and our other customers, as well as our business partners, bankers, vendors and suppliers and shareholders for their continued support and confidence in VELESTO. I also extend my personal gratitude to my fellow board members

for their wise counsel and stewardship of the Group in FY2020.

The future is immensely challenging yet offers plenty of potential, promise and prospects. VELESTO stands ready to face the many challenges and to grasp the opportunities towards continued value creation for all stakeholders in FY2021.

MOHD RASHID MOHD YUSOF
CHAIRMAN

FINANCIAL YEAR 2020 IN REVIEW

A ROBUST START TO THE YEAR

Financial year ended 31 December 2020 (FY2020) had begun strongly for the oil and gas sector. Despite the lack of quota production consensus between Saudi Arabia and Russia at the start of the year, prices of crude oil remained comparatively stable on the back of strong demand.

In January 2020, Brent crude oil prices reached USD64 per barrel, which provided strong impetus for exploration and production (E&P) activities. Crude oil prices were supported by strong consumption demand as well as to replenish oil and gas reserves.

In Malaysia, the stable momentum of E&P activities resulted in strong demand for drilling rigs. The first quarter of FY2020 saw up to 23 rigs operating. On the back of strong demand for rigs, Velesto Energy Berhad (VELESTO) achieved a rig utilisation rate of 84% in the first quarter of 2020.



VELESTO achieved a rig utilisation rate of

66%
in FY2020

EBITDA of
RM293 million
in FY2020

Group's workforce at
660
employees
(FY2019: 715 employees)

ROHAIZAD DARUS
PRESIDENT

Though day charter rates remained low in FY2020 at around USD70,000 per day, on the back of high rig utilisation, VELESTO registered a robust first quarter financial performance for FY2020. The Group recorded revenues of RM176 million, 39% higher year-on-year (FY2019: RM127 million), with earnings of RM16 million, 173% higher year-on-year (FY2019: RM22 million loss).

ONSET OF THE COVID-19 PANDEMIC

However, the COVID-19 pandemic (as well as other factors) caused significant disruption to the global economy, which consequently affected oil and gas consumption patterns.

The acute drop in demand for crude oil and gas led to supply fast outpacing demand as inventories became overstocked. The ensuing result was a sharp plummet in crude oil prices. On 9 March 2020, global oil prices plummeted 26% in a single day to USD31 per barrel, the largest ever contraction since 1991.

Daily Dated Brent Prices

Unit: USD/bbl



The decline was further compounded by the lack of consensus between the Organisation of the Petroleum Exporting Countries (OPEC) members and Non-OPEC producing countries (OPEC+) on production quota restrictions. The inability to agree on production cuts contributed to a steeper decline and continued volatility in the price of crude.

Producers were now faced with a situation of high investment outlay on E&P activities, but lower profitability due to lower crude oil prices. The operating environment became less sustainable for oil and gas majors to maintain their initial E&P production targets.

Hence, oil and gas majors in FY2020 revised their E&P activities downwards. Existing E&P contracts were renegotiated while many future contract awards were differed or cancelled altogether.

Globally, oil and gas capital expenditure (CAPEX) declined by some 30% to USD383 billion in FY2020 (FY2019: USD539 billion). China alone, who is the world's largest consumer of crude oil, slashed its demand for crude by 20% in FY2020. In Malaysia, the oil and gas sector reached a three-year low of only RM569 million in awarded contracts in the first quarter of 2020.

Prices stabilised between USD40-USD50 per barrel in the second half of the year, underpinned by improving prospects of economic recovery and significant supply cuts by OPEC+. However, the strong industry momentum that was achieved in 2019 had been severely curtailed. The constant prevalence of COVID-19 across the world and in Malaysia also negated a quick recovery in the global or domestic oil and gas sector.

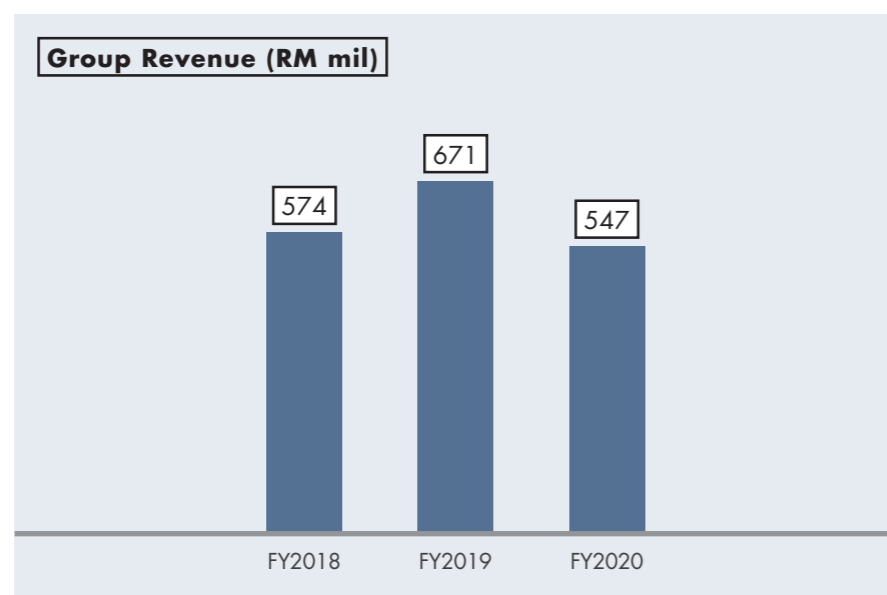
In Malaysia, operating conditions improved with the transition from the Movement Control Order (MCO) to the less restrictive Conditional MCO (CMCO) and Recovery MCO (RMCO) from May 2020. However, the reimposition of the CMCO at the fourth quarter due to rising COVID-19 cases, once again stymied the nascent pick-up in E&P activities.

RESPONDING WITH RESILIENCE AND PROACTIVENESS TO DRIVE HIGH PERFORMANCE

Operating conditions were certainly complex and most challenging in FY2020, especially after a resounding FY2019, where the oil and gas sector, particularly in Malaysia was on an upward trajectory post the 2015-2018 downturn.

The drastic change in the operating environment and crude oil prices in FY2020 was a surprise to all players across the upstream oil and gas value chain. In many ways, the situation faced in FY2020 was a resemblance of the downturn experienced from FY2015-FY2018, albeit not as extreme.

Responding to the scenario faced, VELESTO chose to embrace the prevailing market realities and responded with resilience and proactiveness. The Group swiftly adopted all necessary measures to maintain operational efficiency, reduce operational cost and to achieve optimum rig utilisation, given the circumstances.



Rig utilisation is dependent on the level of E&P activities within the upstream oil and gas segment and corresponding capital spending by oil and gas companies.

Given the impacts of COVID-19 and other factors, which had impacted consumption demand for crude oil, the level of E&P activities were less year-on-year. This impacted revenue performance. Renegotiation of contracts in the wake of lower crude oil prices by oil and gas majors had also impacted overall revenue performance in FY2020.

Despite several contracts being renegotiated and a drop in rig utilisation rates to an average of 66% in FY2020, VELESTO's resilient business model and its inherent competitive advantages enabled the Group to pull through a difficult year, and in the process, register many business and operational highlights.

The Group's cash position and balance sheet were strong and these enabled VELESTO to mitigate the many challenges faced and to achieve business and operational sustainability. VELESTO's strategic response also included ensuring the safety and wellbeing of its workforce during the pandemic period of FY2020.

FINANCIAL PERFORMANCE GROUP REVENUE

On the back of lower rig utilisation, Group revenue for FY2020 stood at RM547 million, an 18% decrease year-on-year.

The Group was impacted by the fact that the options for Petronas Carigali's (PCSB) 1+1+1 contract were not exercised. The 1+1 options to extend the contract, worth RM858 million, were not exercised given the low crude oil prices in FY2020.

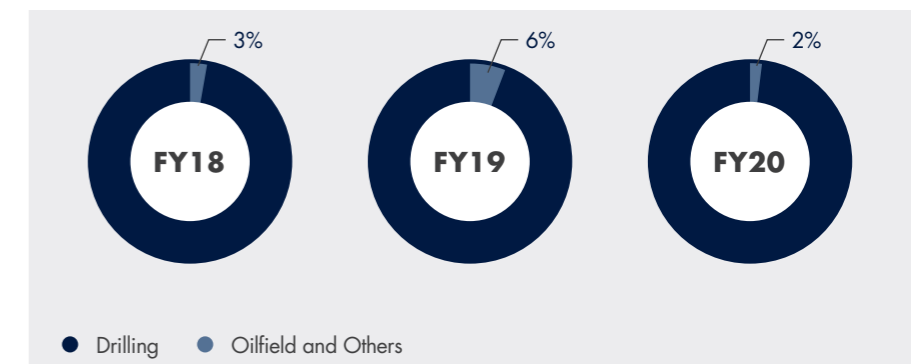
Revenue performance was also impacted by the delay in the commencement of the Carigali Hess contract. The contract, secured in FY2019, was initially supposed to commence in the second half of 2020 for a duration of three years, with three extension options of six months each. However, the volatile operating environment meant that the commencement of the contract will only take place in FY2021.

SEGMENTAL REVENUE

On the back of reduced industry activities, revenue for both the Drilling and Oilfield Services segment decreased year-on-year. The Group's Drilling Services posted revenue of

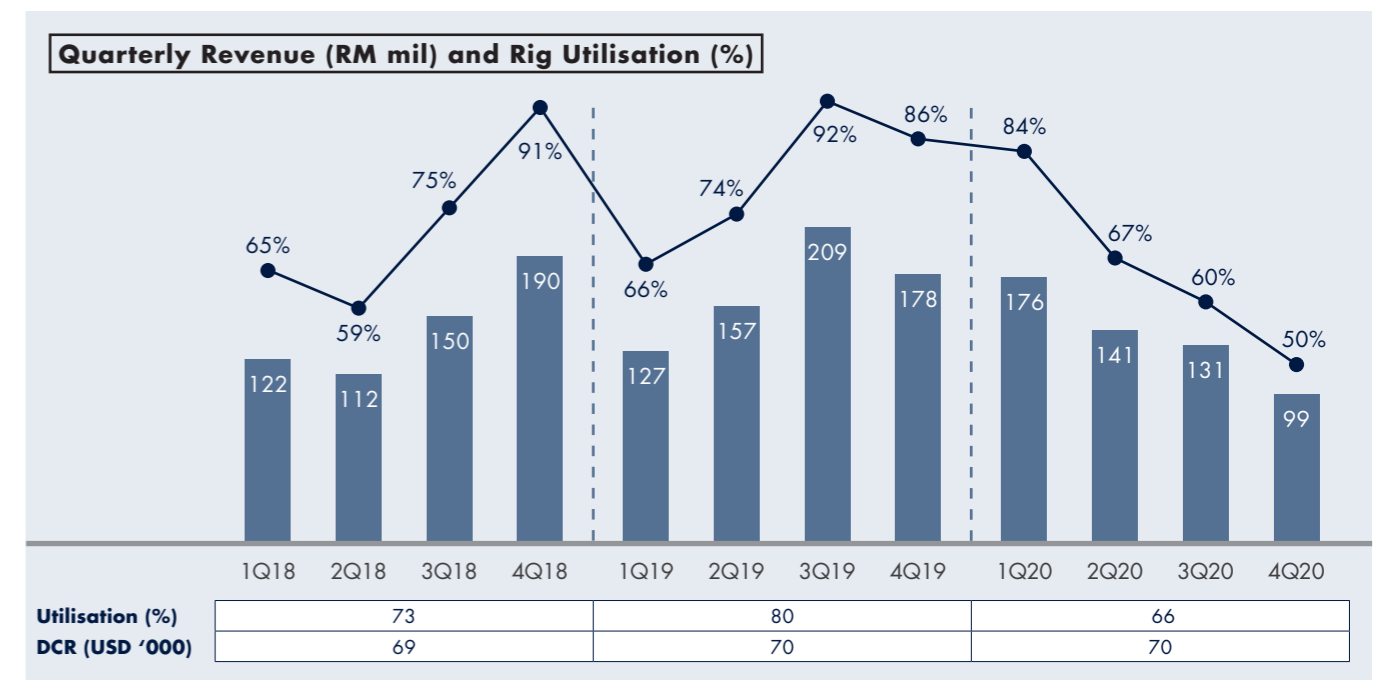
RM536 million, 15% lower than the preceding year. The Group's Oilfield Services segment posted revenue of RM10 million, significantly lower, year-on-year.

Drilling Services remained the main contributor to Group revenue, contributing 98% of Group topline performance.



VELESTO's rig utilisation rate, which was at a high of 84% at the start of FY2020, declined to 66% as at 31 December 2020. However, this was still higher than Management's revised internal forecast.

Similarly, the reduced demand for workover services saw a lower utilisation rate for VELESTO's hydraulic workover units (HWU) which led to reduced revenue contribution from the Oilfield Services segment.



GROUP EARNINGS

During a most challenging financial year, VELESTO registered Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of RM293 million, 12% lower year-on-year.

Excluding asset impairment and accelerated depreciation, in FY2020, the Drilling Services segment posted Profit Before Tax (PBT) of RM39 million (FY2019: RM71 million) despite

reduced rig utilisation rates and revenue recognition. PBT was also lower due to a one-off depreciation charge of RM23 million attributed to accelerated rig depreciation that was recognised during the financial year.

With the Group impairing its assets by RM462 million, VELESTO registered a Loss Before Tax (LBT) of RM477 million (FY2019: PBT of RM42 million). The decision to undertake

asset impairment was made given the volatility of crude oil prices and the overall global economy in FY2020, which is still feeling the effects of a lingering COVID-19 pandemic. The Group's decision is also based on the overall operating dynamics of the oil and gas industry in the long-term.

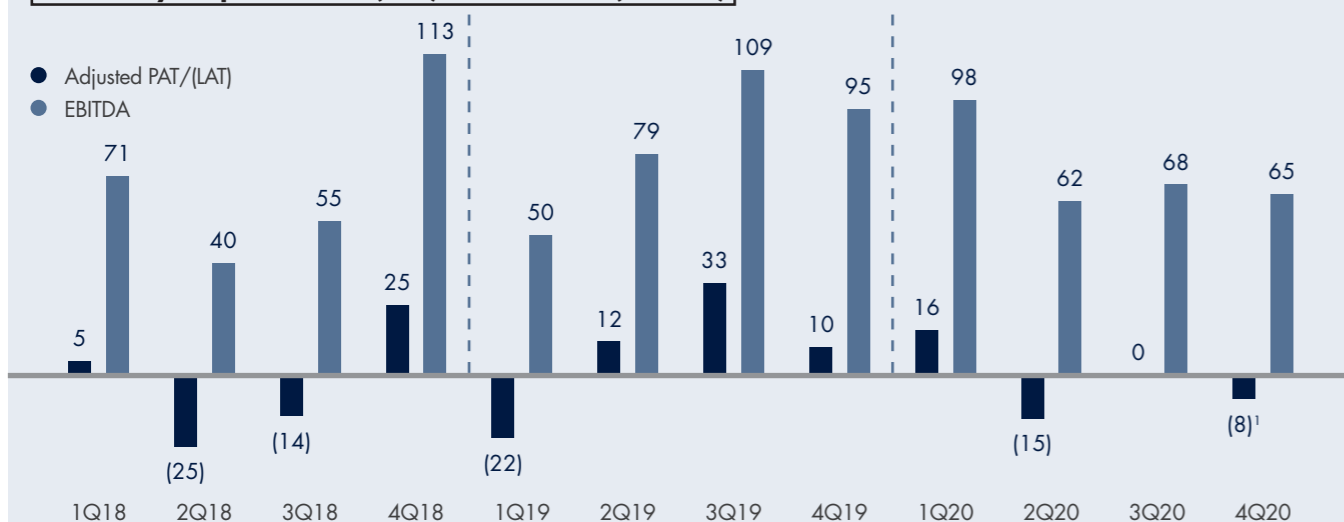
While the outlook is positive, with encouraging prospects for recovery and growth, the industry is expected to see shorter contract cycles, lower crude oil prices over the long term and lower average rig utilisation rates going forward. Day charter

rates may see a slower recovery. Given these factors, the Group has also chosen to undertake impairments.

Without asset impairments and accelerated depreciation of RM23 million, the Group's adjusted LAT is RM7 million.

VELESTO's Oilfield Services segment posted a loss before tax of RM5 million as compared to a PBT of RM0.6 million in the corresponding year.

Quarterly Adjusted PAT/(LAT) and EBITDA (RM mil)



¹ Excludes (i) Impairment RM462 mil; and (ii) Accelerated Depreciation RM23 mil

COST MANAGEMENT

The many proven cost optimisation strategies which the Group had developed and implemented during the four-year downturn period, were carried through in FY2020. All non-essential CAPEX and Operational Expenditure (OPEX) were deferred. Savings were derived by reviewing procurement activities, reducing costs related to idle rig management as well as deferred or cancelled business activities.

In FY2020, COVID-19 compliance costs amounted to RM15 million. This comprised all expenditure related to the development and implementation of COVID-19 Standard Operating Procedure (SOP).

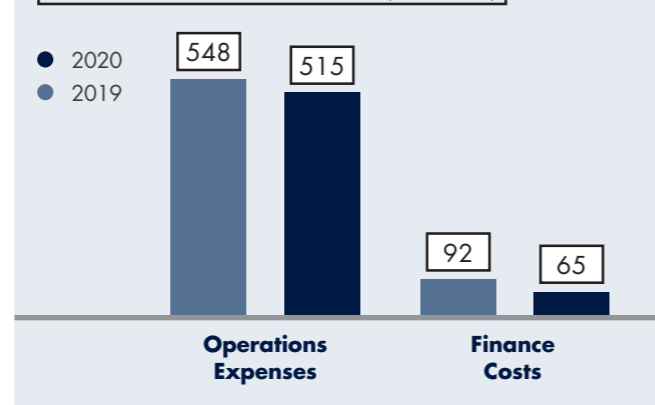
Of note, we achieved cost savings of RM31 million, exceeding our initial target of RM22 million in FY2020. Deferred expenditures will be reviewed in the coming financial year against overall operating conditions in FY2021.

Finance costs had also decreased by 29% year-on-year to RM65 million (FY2019: RM92 million). This was achieved primarily via early repayment of loans and the lower interest

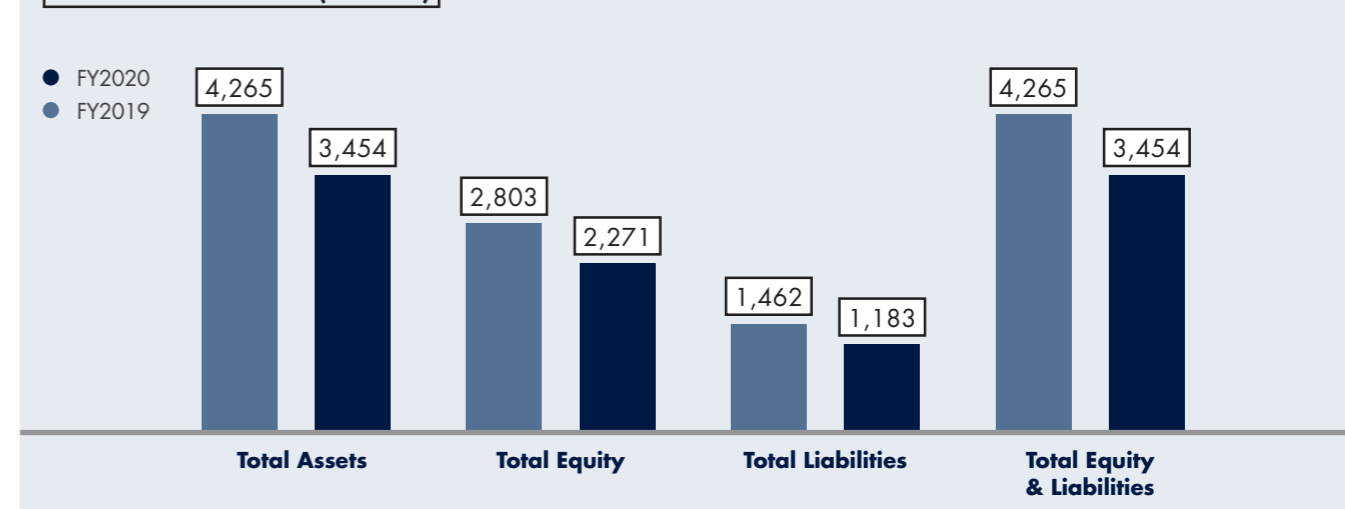
rates. In addition to mandatory payments of RM110 million in FY2020, VELESTO also made a voluntary prepayment of RM126 million.

Beyond savings in financial costs, the prepayment has also pared down the Group's overall debt (further details are provided in the Group Borrowings subsection of this MD&A).

OPEX and Finance Costs (RM mil)



Assets & Liabilities (RM mil)

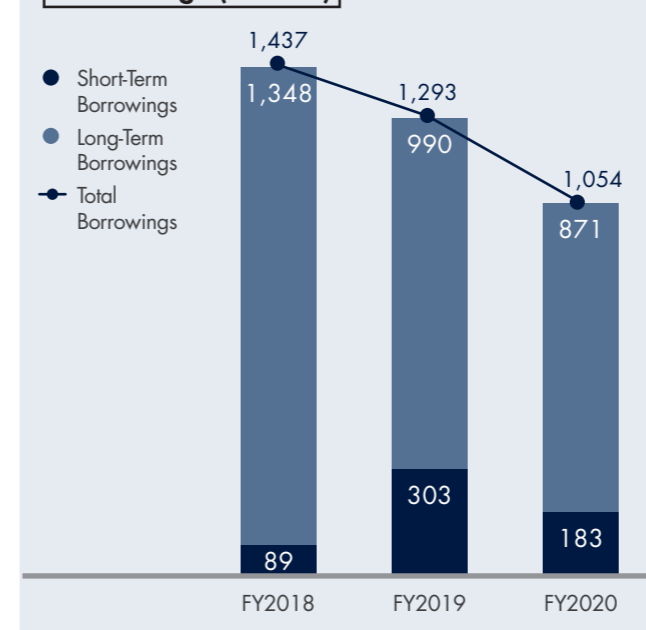


The Group's total assets decreased by RM811 million or 19% mainly due to the decrease in property, plant and equipment which were significantly reduced due to the impairment and a one-off accelerated depreciation during the year.

Total liabilities reduced by RM279 million mainly due to reduction in borrowings and payables amounting to RM239 million and RM41 million respectively during the year. The reduction in borrowings includes a net repayment of revolving credit of RM126 million made in the current year.

Other than the above, there has been no other material movement in total assets and total liabilities as compared to the audited annual financial statements for the financial year ended.

Borrowings (RM mil)

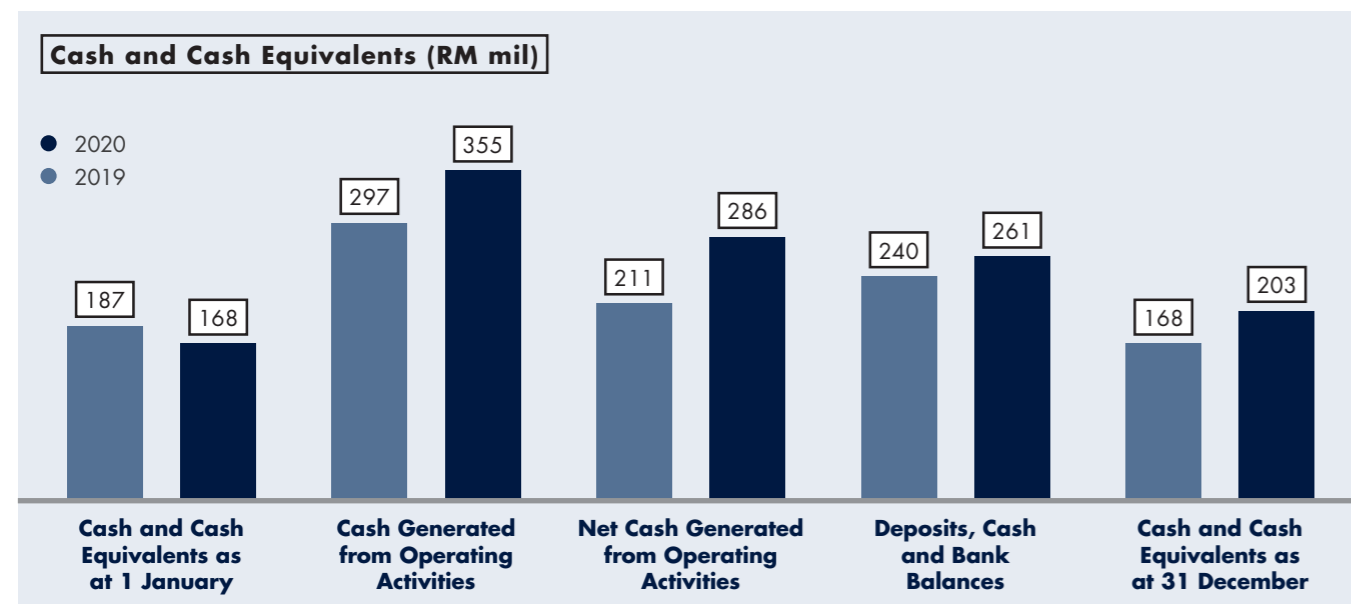
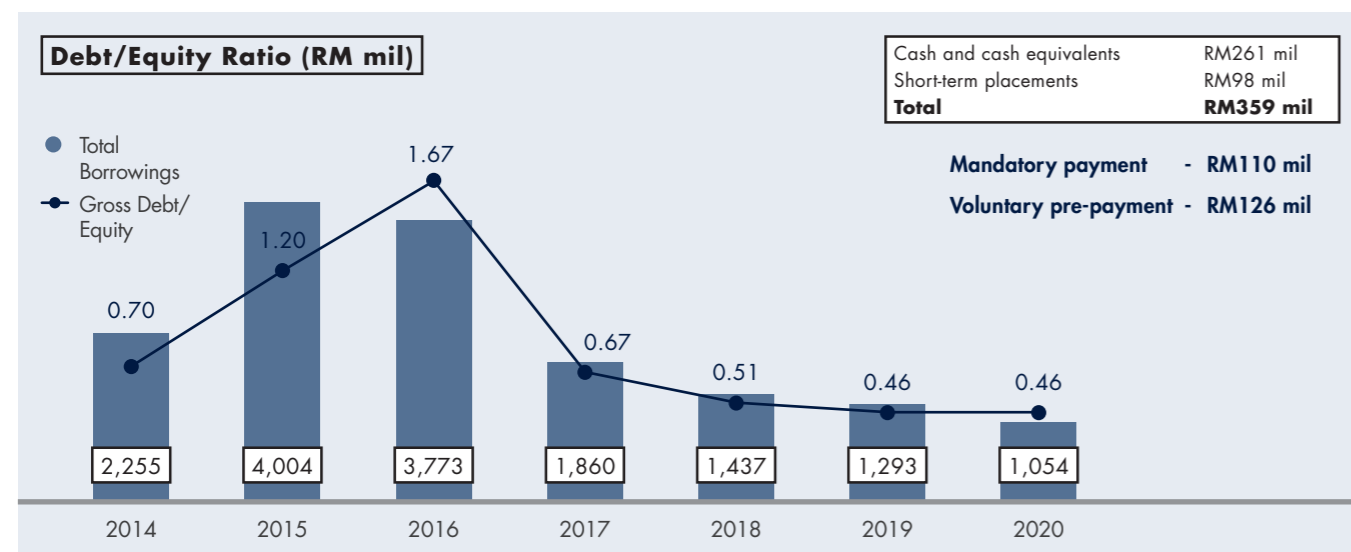


Aside from mandatory payments, VELESTO has undertaken voluntary pre-payments to pare down its debt. This included RM126 million paid in total during the financial year.

As at 31 December 2020 overall net borrowing stood at RM1.1 billion (FY2019: RM1.3 billion), a significant 19% reduction. The Group's gross debt to equity ratio however, remained at 0.46 times, due to our lower total equity after impairment.

Over the past three years, VELESTO has made in total RM570 million in voluntary pre-payments in addition to RM238 million mandatory repayments, which has resulted in lower total debt and a lower debt to equity position year-on-year.

On the whole, VELESTO continues to reduce its debt year-on-year with an average annual reduction of 18% over the past four years. As at 31 December 2020, net debt to equity ratio stood at 0.31.



The Group had begun the year with a stronger cash position year-on-year and through constant strategic management of cashflows, has strengthened its overall cash and cash equivalents position.

As at 31 December 2020, deposits, cash and bank balances had risen by 9% while cash and cash equivalents had grown by 21%. Management is comfortable with the Group's present level of liquidity to meet OPEX as well as to service its existing debts.

ORDER BOOK

As at 30 April 2021, VELESTO's total contracts value amounted to RM840 million comprising fixed contracts and renewal options. Of this, the Group's remaining order book stood at RM732 million. This comprising RM540 million in fixed contracts and RM192 million in renewal options.



The Group's order book was impacted when the extension options were not exercised under PCSB's 1+1+1 contract. The contract was not extended due to the low crude oil prices in FY2020. In FY2021, VELESTO secured the following contracts:

CLIENT	CONTRACT DETAILS	RIG	ESTIMATED CONTRACT VALUE
19 MARCH 2021			
PCSB	Provision of JU drilling rig for PCSB's Drilling Programme, to drill three (3) firm wells, with expected commencement date of between 15 May 2021 to 15 June 2021.	NAGA 2	USD20.76 million
PCSB	Provision of JU drilling rig for PCSB's Drilling Programme to drill one (1) firm well with an extension option of one (1) plus one (1) well, on the same terms and conditions with expected commencement date, between 1 April 2021 to 14 April 2021.	NAGA 5	
26 MARCH 2021			
ConocoPhillips	Provision of a JU drilling rig to drill up to three (3) wells with the tentative commencement sometime in the first half of 2021.	NAGA 7	USD8 million
7 APRIL 2021			
Sarawak SHELL Berhad/Sabah SHELL Petroleum Company Limited	Provision of a JU drilling rig to drill seven (7) firm wells with expected commencement date between 15 August 2021 to 15 October 2021.	NAGA 4	USD17.68 million

CORPORATE PROPOSALS

On 29 June 2020, shareholders approved the Proposed Share Capital Reduction (PSCR), which entails the reduction and cancellation of RM2.21 billion of issued share capital pursuant to Section 116 of the Companies Act, 2016 (Act) (Proposed Share Capital Reduction).

The PSCR took effect and was completed on 21 October 2020. VELESTO's share capital now stands at RM1.8 billion, as stated in the High Court order dated 13 October 2020. The reduced Share Capital has been incorporated in the financial statement of the Group for the financial year ended 31 December 2020.

The PSCR exercise was undertaken to eliminate accumulated losses via the cancellation of share capital towards providing a more accurate value of the Group's underlying assets and its financial position. The exercise also will enhance VELESTO'S ability to pay out dividends going forward while strengthening its profile with bankers, customers, suppliers, investors and other stakeholders following the elimination of accumulated losses.

SAFEGUARDING OUR PEOPLE DURING A PANDEMIC YEAR

Our achievements for FY2020 are not just measured in terms of operational excellence or in contracts secured, but also in how we have safeguarded our people during the pandemic period.

VELESTO undertook all measures to ensure the safety and wellbeing of its people and other stakeholders. The development and implementation of new SOPs enabled operations to proceed at a high level of productivity, while staff at all operational sites could rest assured that their health and safety was prioritised.

The Business Continuity Plan (BCP) and Risk Register were updated to include the COVID-19 pandemic. The BCP covers all aspects such as preventive measures, emergency responses and also addressed supply chain, manpower management, project construction and data management.

New measures introduced in FY2020 reduced and / or staggered manpower, new social distancing requirements at the workplace, regular screening and testing of employees including temperature checks and mandatory quarantine periods for infected staff and staff who may have been in close contact with infected staff. Regular disinfections were conducted at various operational sites.

A general Work-From-Home (WFH) order was issued to all staff with exceptions made for staff who are stationed on rigs, supply bases and other operating sites. All staff have been supplied with masks and hygiene kits on a complimentary basis.

During this difficult time, Management has also looked to provide both financial and non-financial support to staff. Among these included early release of salaries, ex-gratia payments and additional allowances. Non-financial support and assistance comprised additional laptops, wireless dongles for home internet connections, allowance for home internet lines and more.

In FY2020, Management is happy to share that not a single staff was laid off or asked to take unpaid leave of absence. At the same time, there was no salary reduction being implemented. Instead, staff were provided upskilling and reskilling opportunities so they may retain their employability. On the back of these and other measures, the Group's workforce stood at 660 employees (FY2019: 715 employees).

The Board and Management are heartened by the 78% employee engagement score (FY2019: 74%) given to the Group by its employees in the FY2020 Employee Engagement Survey (EES).

This affirms VELESTO's policies and practices and its continued efforts to develop a high performance and motivated workforce by cultivating a conducive workplace environment and organisational culture.

Aside from VELESTO's own talents, the Group has continued to focus on developing talent for the Malaysian oil and gas industry via Velesto-INSTEP Drilling Academy (VIDA), a collaboration between VELESTO and Institut Teknologi Petroleum PETRONAS (INSTEP).

In FY2020, VIDA has been a significant non-financial highlight for the Group. By training drilling talents, the Group is directly addressing the acute shortage of local drilling professionals. In FY2020, VELESTO through VIDA trained 291 drilling talents. Since its inception in 2014, VIDA has provided training to over 1,255 professionals.

VIDA maintains a strict non-discriminatory policy as it continued to accept trainees from competing rig operators and companies. In fact, VIDA's reputation as a leading drilling training academy has seen many talents from outside Malaysia attending courses at VIDA.

FOCUSING ON PEOPLE DURING A PANDEMIC YEAR

Our achievements are not just measured in delivering an excellent level of operations, but also in how the Group has ensured the safety and wellbeing of its people and other stakeholders; enabling

them to be productive yet also protected from the COVID-19 virus.

The situation faced was perhaps unprecedented compared to other downturns or challenges. The need to balance between financial and operational goals with the health and safety of our staff was certainly a demanding and complicated task.

However, the development and implementation of new SOPs have enabled operations to proceed at a high level of productivity while staff at all operational sites could rest assured that their health and safety were indeed prioritised.

In FY2020, through strict adherence to SOPs, VELESTO only had very minimal positive cases, of which all cases have made full recoveries.

Beyond just SOP compliance, we also focused on staff welfare. Despite the decline in business operations and revenues, the Group has not resorted to laying off staff, or initiating pay cuts. VELESTO has retained its people by reskilling or upskilling redundant staff to take on new jobs and responsibilities.

Going further, ex-gratia payments and allowances were paid to staff to tide them over. In total, VELESTO paid out RM10 million in various incentives and allowances and spent a total of RM15 million in COVID-19 compliance costs. These costs included quarantine costs, Personal Protective Equipment (PPE) costs, disinfection and sanitisation costs, and more.

VELESTO has never compromised on ensuring the health, safety and wellbeing of its staff and this policy has been pursued during the COVID-19 pandemic year.

We have also rendered a wide range of financial and non-financial assistance as a responsible corporate citizen to the community at large. Of note, was the sponsorship and donation of ventilators and PPE to government hospitals as well as temperature scanners.

VELESTO has also continued to focus on its education and environment based programmes. The full details are provided in the Sustainability Statement section from page 51 to 91.

EXCELLENT SUSTAINABILITY PERFORMANCE

VELESTO has always been a leader in terms of performance for Health, Safety and Environment (HSE). In FY2020, we have continued to embellish our track record – making notable progress in both environmental and social performance as well as corporate governance.

As mentioned earlier, one of the key HSE areas was ensuring the health and safety of our workforce and other stakeholders amidst the COVID-19 pandemic. However, COVID-19 aside, VELESTO has also achieved other notable highlights.

FY2020 saw the Group register a zero Loss Time Incident (LTI) performance. The achievement is perhaps more significant as it was realised during a pandemic year, which had complicated an already challenging and demanding offshore and onshore operations.

On a related note, VELESTO has also achieved its target of zero major spills from its rigs in FY2020. The introduction of improved work processes on all rigs and modifications made to on-board equipment have enabled a zero major spills performance for the financial year.

LINKING BUSINESS AND OPERATIONAL PERFORMANCE TO SUSTAINABILITY

Sustainability is not limited to just managing our environmental and social impacts, but to truly being cognisant of how our material topics ultimately impact business and financial performance. Clearly, there is a growing link between how environmental, social and governance issues can and will influence financial value creation.

We are committed to supporting the United Nations Sustainability Development Goals (UNSDG) and our improved HSE performance is aligned with our six adopted UNSDGs.

The goals are SDG 3: Good Health and Well Being, SDG 4: Quality Education, SDG 5: Gender Equality, SDG 7: Affordable and Clean Energy, SDG 8: Decent Work and Economic Growth and SDG 14: Life Below Water.

VELESTO's adopted UNSDGs



Further details of our HSE highlights and other Sustainability achievements is provided in the Sustainability Statement section of this report.

AWARDS AND ACCOLADES

In FY2020, VELESTO once again had distinguished itself with exemplary operational performance, which was acknowledged by clients. VELESTO secured the SHELL Malaysia Safety Awards 2020 in the Health and Environment category.

OUTLOOK AND PROSPECTS

GLOBAL INDUSTRY OUTLOOK

FY2021 has begun on a more positive note for the oil and gas sector. In January 2021, Brent crude oil spot prices averaged USD55 per barrel, up USD5 per barrel from December 2020, but still lower by USD9 per barrel year-on-year.

The first quarter of 2021, the prospect of tighter markets arising from a pledge by OPEC+ to hasten the drawdown of surplus oil inventories, resulted in Brent trading at a one-year high of USD60 per barrel.

COVID-19 continues to impact the pace and extent of global economic recovery. However, with the arrival of vaccines, it is likely that a potential resolution to the pandemic is in the horizon. According to International Monetary Fund (IMF), the global economy is projected to grow at 6% in 2021, reflecting

Two of our rigs, NAGA 2 and NAGA 7 were also recognised for excellent health and safety performance. NAGA 2 was recognised by PCSB for registering seven consecutive years of operations without LTI. NAGA 7 was the recipient of SHELL Malaysia's One Year Goal Zero award.



Awards From Clients

- 🏆 **SHELL Malaysia Safety Awards 2020**
 - HEALTH
 - ENVIRONMENT
- 🏆 **PCSB**
 - 7 years without LTI
- 🏆 **SHELL Malaysia**
 - 1 Year Goal Zero

RISKS

VELESTO remains cognisant of its risks factors, which apart from financial and business risks, is progressively being extended to ESG-related risks. This includes reviewing how non-financial value creation could and will impact business and operational performance.

Risks by nature, cannot be totally eliminated. However, all identified risks have effective mitigation plans towards avoiding or reducing potential impacts. Specific information on the Group's risk factors are provided in the Our Strategy section of this IAR2020, where not only are risks identified, the linkages of said risks in terms of impact to business strategies and material ESG topics are also provided.

Risks are assessed at all levels of the Group, with the Board having strong oversight on risks via its Board Risk Management Committee (BRMC). The Group has also implemented a robust risk management framework across the Group to effectively manage and mitigate risks.

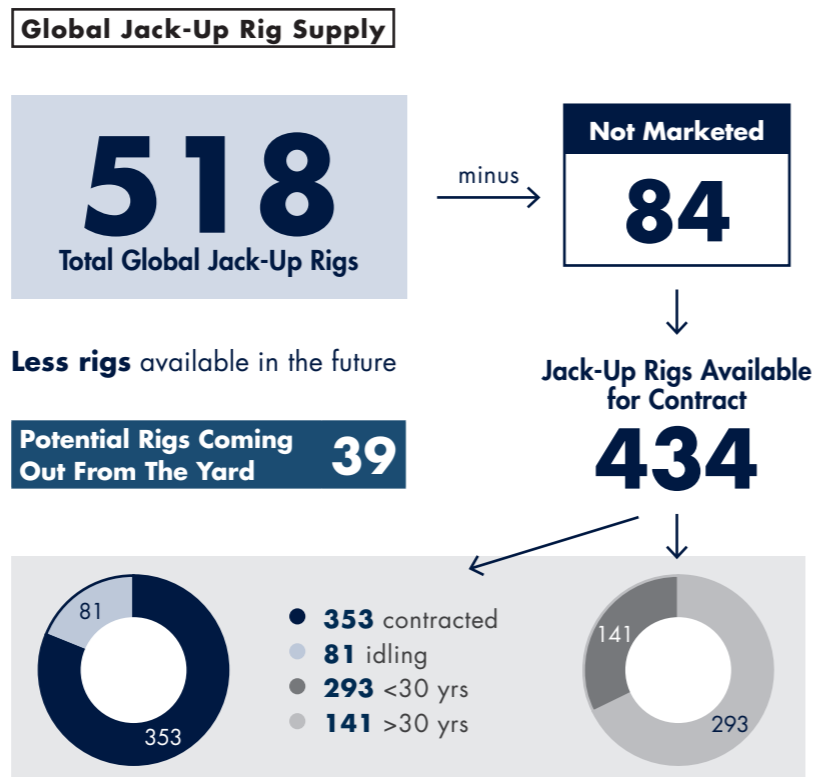
In particular, Saudi Arabia's decision to cut one million barrels per day, on top of the existing cuts by the Organisation of the Petroleum Exporting Countries (OPEC) and partner countries (OPEC+), will further shore up prices. According to Energy Information Administration (EIA), it is forecasted that Brent prices will average USD65 per barrel in the second quarter of 2021, USD61 per barrel during the second half of 2021, and USD60 per barrel in 2022.

The recovery is also spurred by oil and gas majors needing to replace declining production capacity and reserves. This necessitates a return to E&P activities, though the pace and extent of investments will be influenced by oil and gas majors need and capabilities to reinvest into future production.

Given the aforementioned scenario, it is likely that oil and gas majors will be looking to increase their investments in E&P activities. This will support stronger demand for drilling rigs, especially for JU rigs in South East Asia where offshore drilling is undertaken in shallower sea waters. Stronger demand, coupled with ongoing attrition in rig supply, should provide an upward effect on day charter rates going forward.

According to IHS Petrodata, total global JU rig count stands at 518 rigs, of which only 434 are being actively tendered for contracts. Of this number, 353 are presently serving contracts with only 83 idle rigs in the global market.

In addition, 141 rigs have exceeded 30 years of service and are due for retirement. This is in contrast to only a maximum of 39 new rigs available to enter into the market going forward.



Source: IHS Petrodata March 2021

DOMESTIC INDUSTRY OUTLOOK

Consistent with global developments, a steadier outlook is expected for the local oil and gas sector.

Thus far, there is an increase in the global oil and gas activities including in the drilling sector where a number of contracts have been awarded in the first three months of FY2021 to VELESTO and other upstream players.

The PETRONAS Activity Outlook (PAO) indicates stable demand for JU rigs; between seven to ten JU rigs and four to five HWUs for the period of 2021-2023. This augurs well for VELESTO who is the largest Malaysian owned JU rig operator. The Group supplies seven out of the eight Malaysian owned JU rigs.

Of note, one of VELESTO's rigs, NAGA 8, has begun operations on a three-year contract in the Malaysia-Thai Joint Development Area. In addition, three more rigs are being mobilised to start contracts in Malaysian waters in April and May respectively. At present, VELESTO is continuing to tender and negotiate for new contracts for 2021 and beyond. The Group is also participating in a number of tenders in ASEAN countries.

Certainly, the impact of climate change, global warming and other environmental and social factors have progressively led to a change in government policies towards transitioning to more sustainable forms of energy to power economic growth. The continued drive for cleaner energy sources such as renewable energy (RE) is one such factor.

However, in the short and medium term, oil and gas will continue to be the world's prime source of energy. Our focus this year will be on maintaining our revenue via order book, utilisation and day charter rates. We believe our operational excellence and track record of working closely with our clients shall position the Group in a competitive position to bid for and secure drilling contracts, while minimising our impact on the environment and communities.

STRATEGIC PRIORITIES

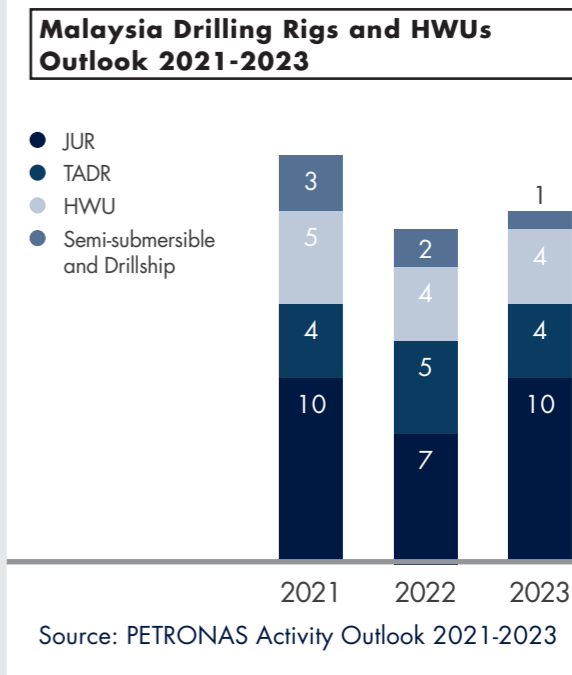
VELESTO's focus for FY2021 will be to maintain its rig utilisation and to grow its order book. These, Management aims to achieve by pursuing new contracts both within Malaysia and within South East Asia. The latter provides opportunities to place some rigs externally, reducing potential of excess VELESTO rigs being idle in Malaysia. However, the competition remains intense outside.

In total, VELESTO has submitted tender bids amounting to RM3.1 billion comprising both domestic and international bids.

VELESTO possesses the track record and experience to bid for and successfully execute overseas contracts. We will,

DIVIDEND

Given the operating conditions experienced in FY2020, which has impacted financial performance, the Board has not declared shareholder dividends for FY2020. However, VELESTO will continue to work towards enhancing its ability to pay dividends out of its retained earnings in the future.



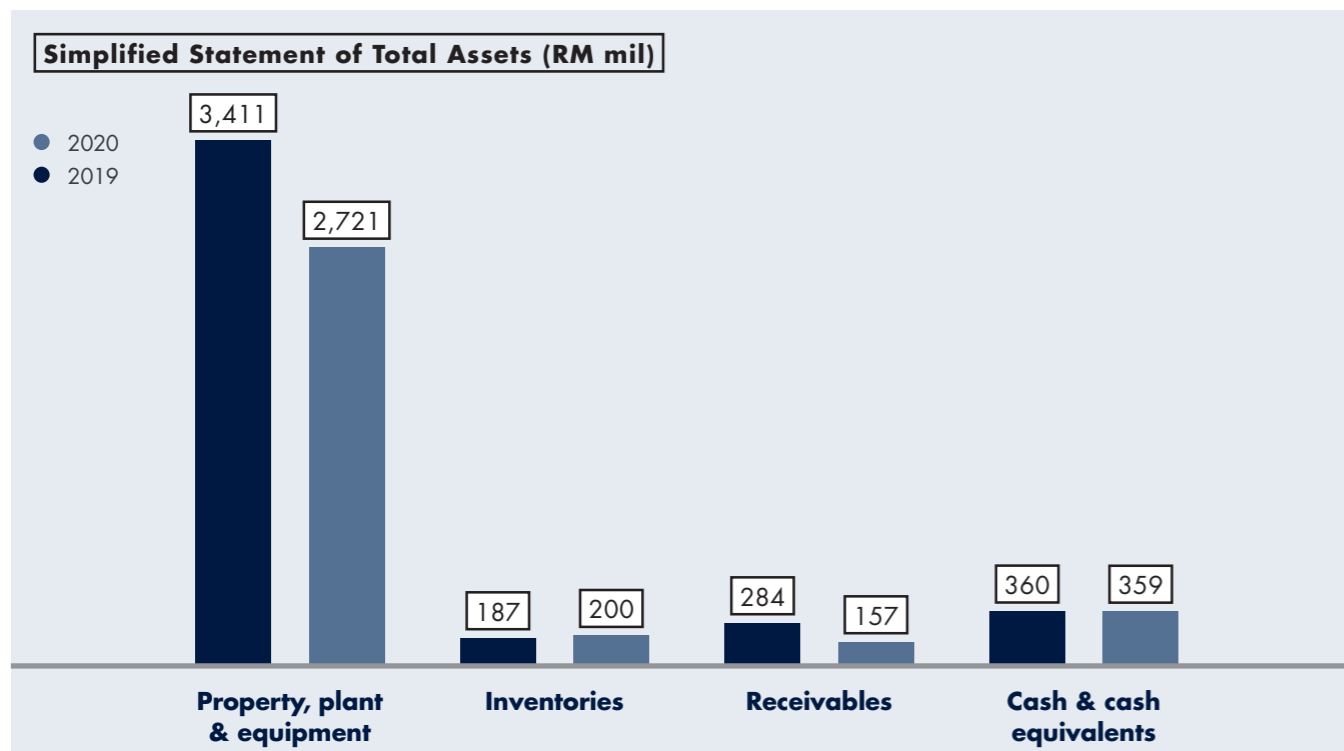
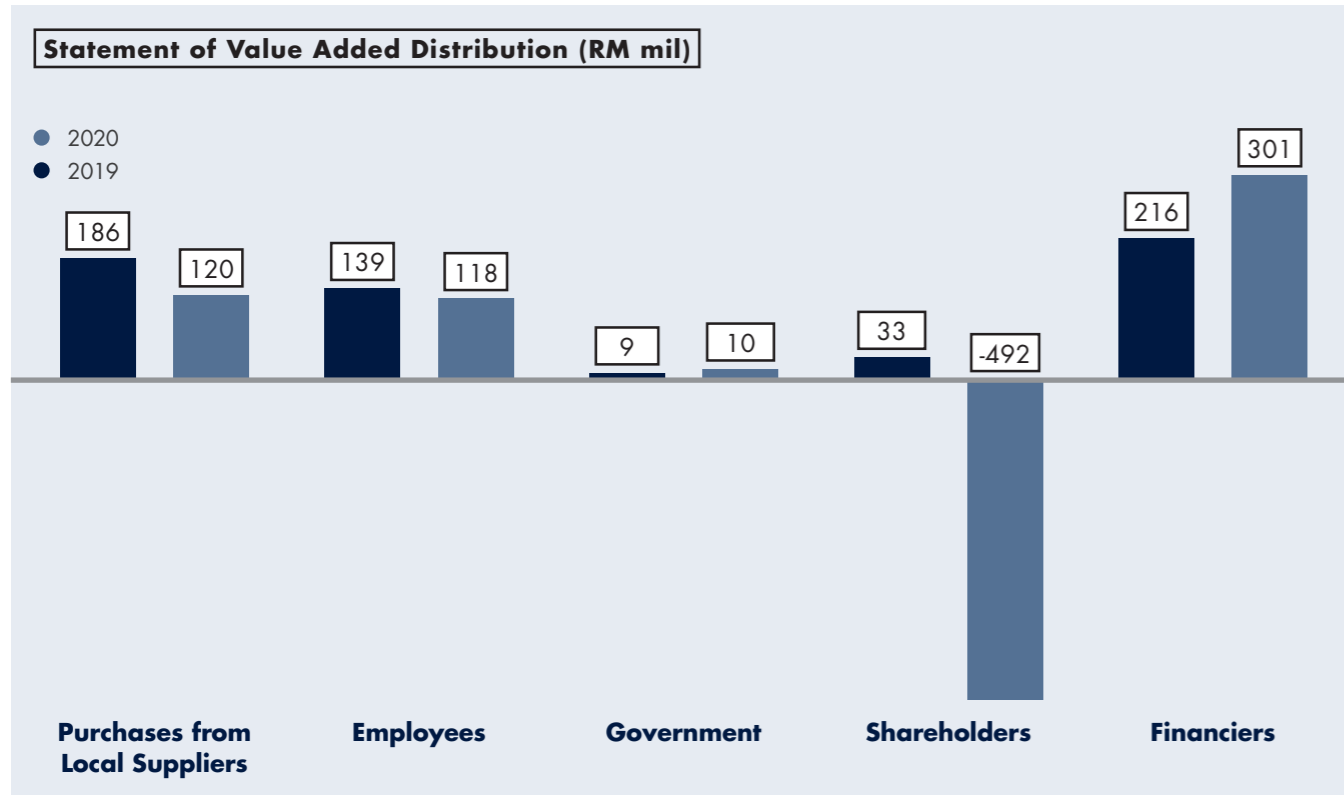
in FY2021 look to expand our geographic operational base towards securing more drilling contracts.

Likewise, we also aim to do the same for our HWUs. The PAO has highlighted increased opportunity for workover and plug and abandonment projects going forward. Given our track record of safety and operational excellence, VELESTO is in an advantageous position to bid for these projects.

The Group is currently bidding for a number of available contracts being tendered. A gradual recovery in demand is also seen for the Group's Oilfield Services operation in China.

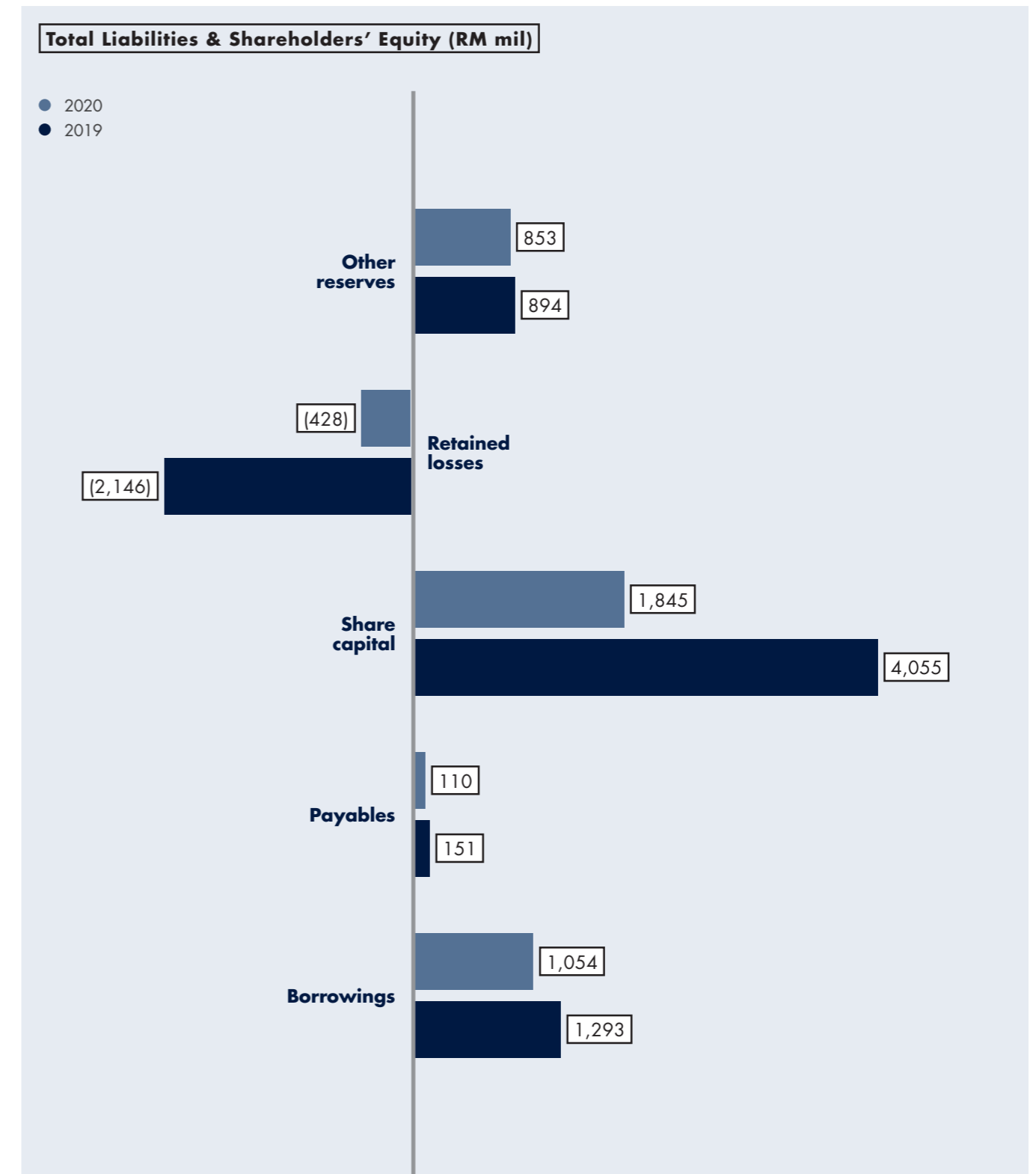
STATEMENT OF VALUE ADDED DISTRIBUTION & SIMPLIFIED FINANCIAL STATEMENT

Beyond direct financial values such as revenues and earnings, VELESTO continues to focus on the creation of indirect financial values. These comprise financial rewards or returns to a wide range of stakeholders as given in the following chart:



Our property, plant and equipment makes up the largest portion of our total assets. Its decrease is mainly due to depreciation and impairment during the year.

STATEMENT OF VALUE ADDED DISTRIBUTION & SIMPLIFIED FINANCIAL STATEMENT



The reduction in share capital and retained losses is mainly due to the Share Capital Reduction, which was completed on 21 October 2020.

FINANCIAL REVIEW

5-YEAR GROUP SUMMARY RESULTS

Financial Year Ended 31 December	Units	2016	2017	2018	2019	2020
Revenue	RM mil	321	587	574	671	547
(Loss)/Profit Before Taxation	RM mil	(1,181)	(1,131)	(18)	42	(477)
(Loss)/Profit Attributable to Equity Holders of The Company	RM mil	(1,177)	(1,127)	(20)	33	(492)
Shareholders' Funds	RM mil	2,258	2,763	2,797	2,802	2,270
Return on Shareholders' Funds	%	(42)	(45)	(1)	1	(19)
Return on Total Assets	%	(18.0)	(23.6)	(0.4)	1.0	(13.8)
Basic Earnings/(Loss) Per Share	Sen	(54.5)	(36.8)	(0.2)	0.4	(6.0)
Share Price At Year End	RM	0.88	0.31	0.18	0.38	0.14
Market Capitalisation At Year End	RM mil	1,892	2,135	1,479	3,122	1,150

SUMMARY OF GROUP RESULTS

Financial Year Ended 31 December	Units	2019	2020
Revenue	RM mil	671	547
Profit/(Loss) Before Taxation	RM mil	42	(477)
Profit/(Loss) After Taxation	RM mil	33	(492)
Share Capital	RM mil	4,055	1,845
Reserves	RM mil	(1,253)	425
Basic Profit/(Loss) Per Share	Sen	0.4	(6.0)
Net Assets Per Share	Sen	34.1	27.6

FINANCIAL CALENDAR

Notice on 11 th Annual General Meeting & Issuance of Annual Report 2020	28 May 2021
11 th Annual General Meeting	28 June 2021
Financial Year Ended	31 December 2020

Approval of Quarterly Unaudited Financial Results:

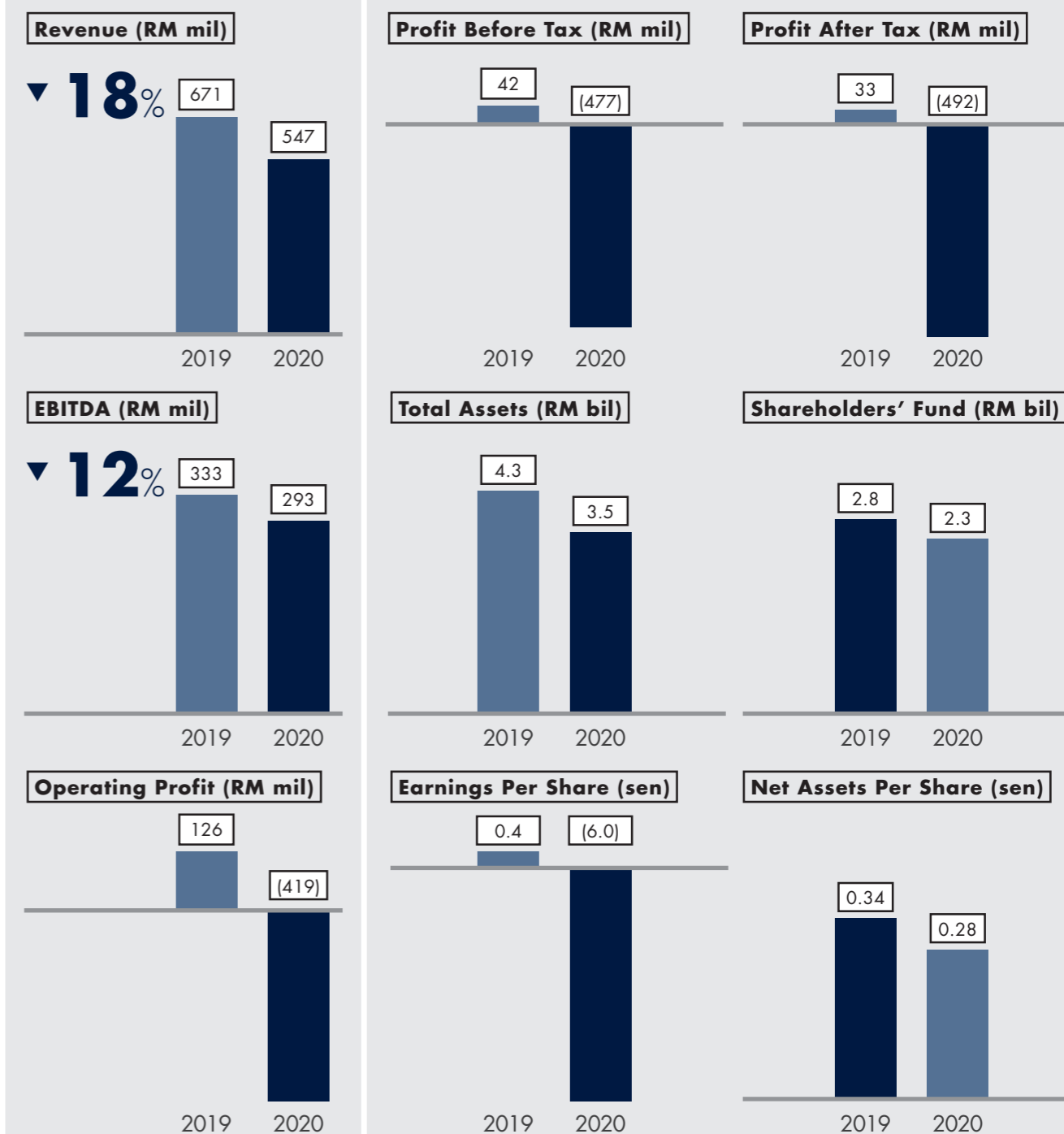
Quarter 1, 2020	19 May 2020
Quarter 2, 2020	25 August 2020
Quarter 3, 2020	26 November 2020
Quarter 4, 2020	24 March 2021

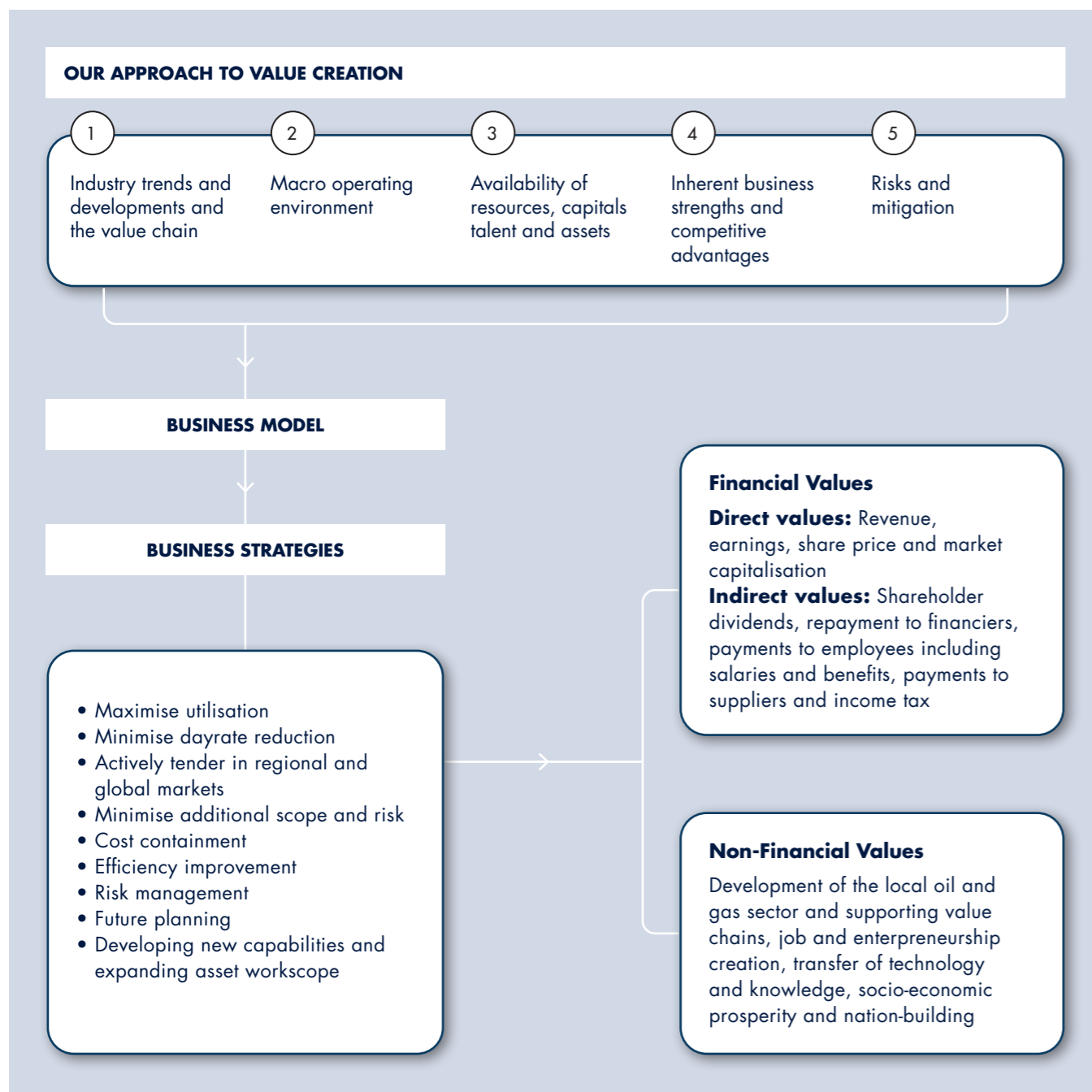
FINANCIAL REVIEW

FINANCIAL PERFORMANCE HIGHLIGHTS



FINANCIAL PERFORMANCE





Since the discovery of crude oil and its extraction in Malaysia in 1910, the oil and gas sector has been a key economic driver for Malaysia's growth. In recent years, oil and gas revenues have contributed as much as 20% of the nation's gross domestic product and its value chain supports thousands of local companies and thus skilled local jobs and wealth creation. Hence, its importance to the local economy and nation.

VELESTO, as the largest Malaysian-owned JU rig operator, fulfils a very strategic or fundamental role within the oil and gas industry in Malaysia as well as the region.

In essence, the oil and gas value chain begins with exploration activities and subsequently the development of oil wells and

extraction of resources. Without safe, efficient and productive drilling capabilities, the entire oil and gas industry would be disrupted and cannot operate at optimum capabilities.

Hence, VELESTO's strategic importance where through the use of its JU rigs and other assets, coupled with the collective skills and knowledge of its 660-strong workforce and industry best practices undertakes, efficient, successful and safe drilling activities. This contributes to the development of highly efficient and sustainable oil and gas value chain and ultimately industry.

Specific details of how VELESTO's drilling operations are undertaken at various stages of the E&P cycle are provided in the Industry Value Chain subsection of the IAR2020.

The Group's approach to value creation and its business model continue to be influenced by the confluence of various push and pull macro forces:

INDUSTRY TRENDS AND DEVELOPMENTS AND THE VALUE CHAIN	<ul style="list-style-type: none"> The emergence of new technologies, regulation and shifting priorities and strategies within the local oil and gas sector, particularly among oil and gas majors.
TRENDS AND DEVELOPMENTS IN THE EXTERNAL OPERATING ENVIRONMENT	<ul style="list-style-type: none"> Global developments that have an impact on oil and gas demand and supply dynamics, which impact crude oil prices and subsequently level of E&P activity.
AVAILABILITY OF RESOURCES, CAPITALS TALENT AND ASSETS	<ul style="list-style-type: none"> The Group's international environment comprising its access and use of capitals, its physical assets as well as the competence, capability and experience of its workforce. This include organisational culture and core values.
INHERENT BUSINESS STRENGTHS AND COMPETITIVE ADVANTAGES	<ul style="list-style-type: none"> VELESTO's competencies that drive or support its business model.
RISKS AND MITIGATION	<ul style="list-style-type: none"> The identification and mitigation of business, operational and other forms of risks.

The impacts of these identified macro factors are both positive and negative. Further information on each of these are provided in the respective sections of the IAR2020.

A PEOPLE AND CULTURE FOCUSED ORGANISATION

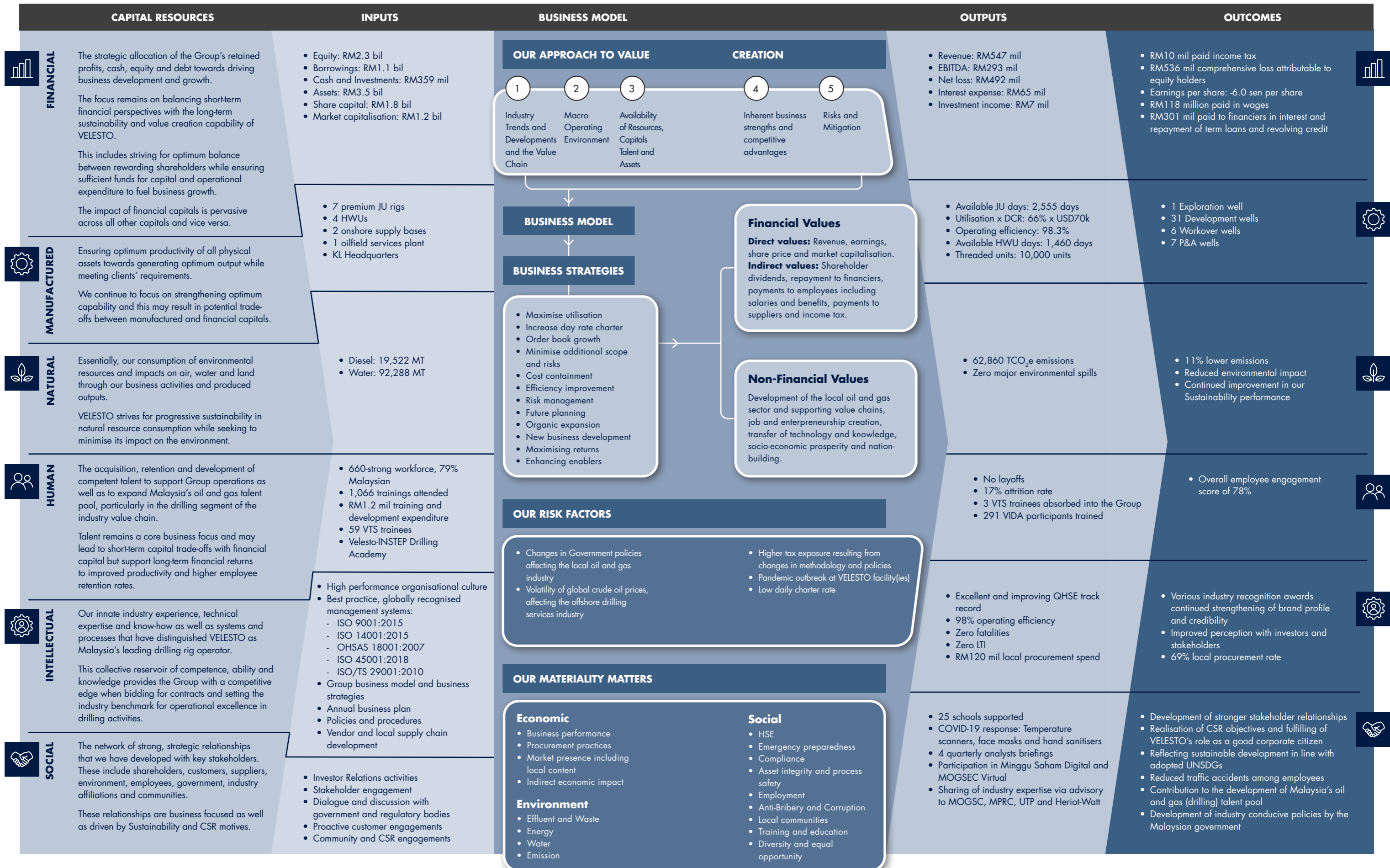
In FY2020, one of the key aspects of VELESTO's value creation narrative is the importance of its intangible assets such as the high moral of its professional workforce, the Group's prevailing organisational culture and its continued ability to harness the collective capabilities of its people towards rising to the challenges faced and to exemplify resilience and high performance.

While VELESTO's drilling rigs and other physical assets are invariably essential to the Group's business model, it is the workforce which enable operational excellence. VELESTO is a People-Focused organisation and people are at heart of driving higher rig utilisation, production efficiency, health and safety, a lower operating cost base and environmental and social performance.

OUR VALUE CREATION MODEL

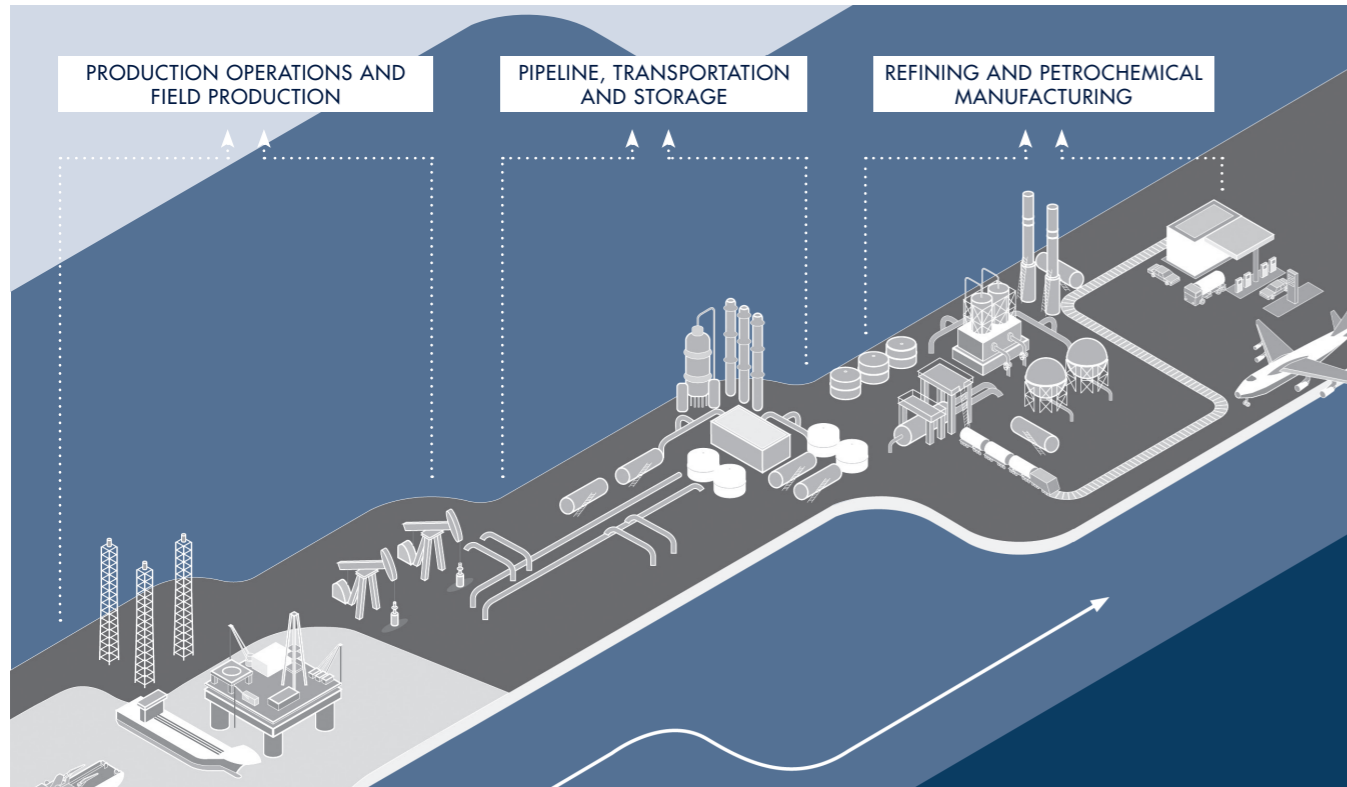
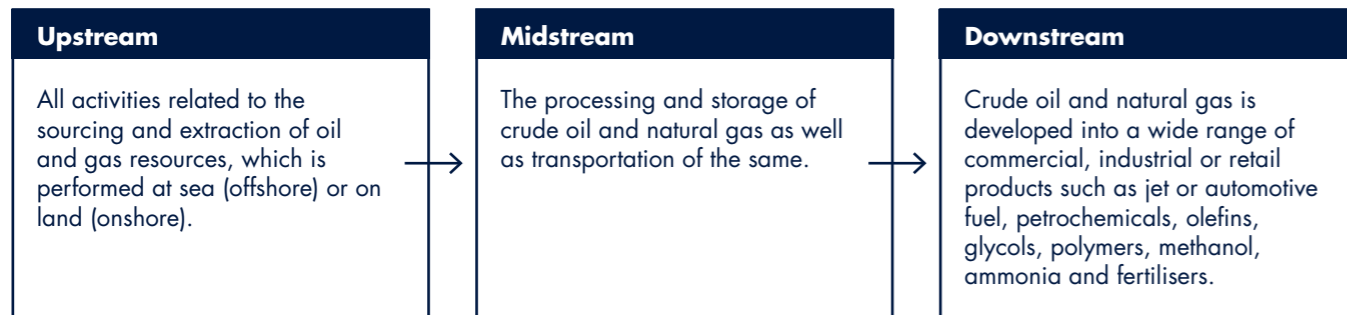
The following value creation model illustrates how VELESTO consumes a wide range of resources to drive its business model towards the creation of financial and non-financial values. The Group's focus, going forward is to create more positive values, while mitigating or reducing negative values such as environmental impacts.

VELESTO also aims to review the potential relationships or trade-offs between capitals or resources and how the industry outlook as well as emerging trends from the external environment will influence the Group's ability to create value, over the short, medium and long-term perspectives.

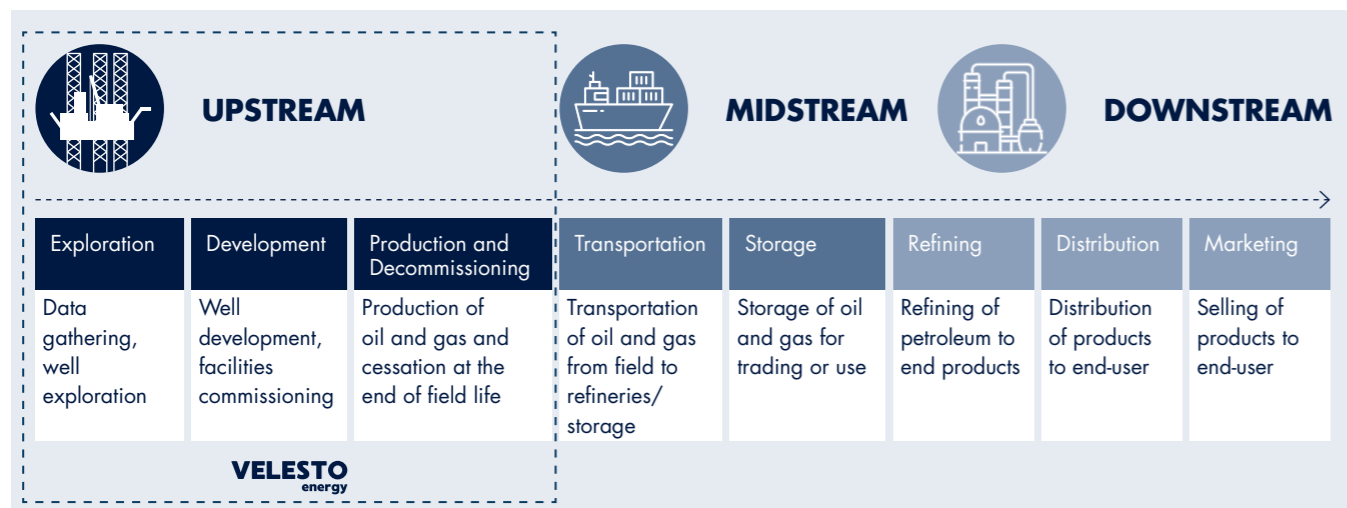


OUR VALUE CHAIN

Drilling rigs are used in the upstream segment of the oil and gas value chain, which mainly comprises exploration and production activities. The entire oil and gas value chain can be categorised into three broad segments:



VELESTO WITHIN THE UPSTREAM VALUE CHAIN



OUR VALUE CHAIN

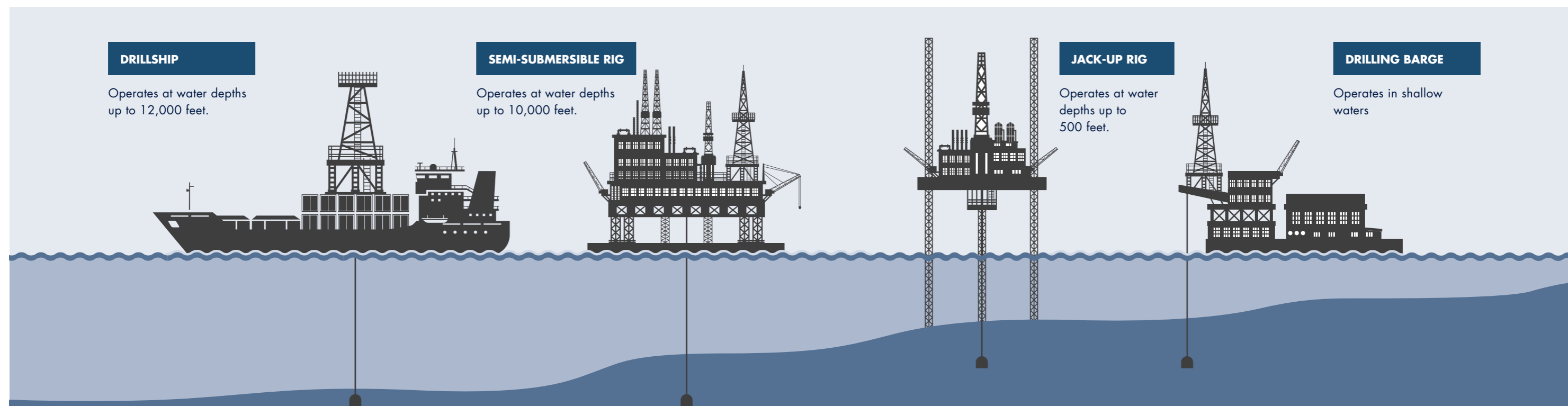
KEY BUSINESS PROCESS/ DESCRIPTION	CHALLENGES & CONSIDERATIONS
Exploration: data gathering and well exploration	Exploration activities must be strategically undertaken towards ensuring the highest possibility of finding oil and gas deposits. Issues such as the physical environment, the location of the deposits and other factors may impede the success of exploration activities.
Well development facilities and commissioning	Offshore drilling is more challenging than onshore drilling due to the lack of stability (particularly for floaters), the corrosive water environment, space constraints and the need for more complex logistics and support.
Production of oil and gas	
Well plugging and abandonment	Cost effective and safe plugging of wells to prevent crude oil contaminating the ocean environment. Decommissioning is a requirement and must be performed in accordance to set 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. Below is the business model broken down by key processes or phases:

Surveying	Preliminary activities include geological surveys, gravity surveys, magnetic surveys and seismic surveys. If a location with potentially high oil and gas deposits is identified, said location is earmarked for exploration drilling.
Exploration drilling commences	VELESTO's jack-up drilling rigs are towed to the exploration site / field. Exploratory wells are drilled down into the seabed to locate oil and gas deposits. Multiple oil wells may be drilled to ascertain flow rates and reservoir dynamics as well as to determine commercial viability of the site / field. The duration of the drilling process may vary, from days to weeks or months based on soil conditions, weather, equipment performances, crew and other factors.
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 reservoir and is transported to an onshore refining facility through underwater pipelines.
Further drilling to increase production	The client leverages on data sourced from the ongoing drilling process, to refine its drilling activities. It may also drill more production or injection wells and undertake well rejuvenation or repair activities to improve the flow 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 and is abandoned. The drilling rig is transported to a new exploration and / or new production location and the process is repeated.

Out of eight jack-up (JU) rigs available in Malaysia, VELESTO owns and operates seven with all JUs equipped with the latest in drilling technology. This effectively makes VELESTO, the largest Malaysian-owned JU rig operator.

VELESTO also provides hydraulic workover services, well intervention and rejuvenation, plug and abandonment and decommissioning activities.



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

JU rigs are 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:

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

- Standard:**
Old rigs that generally have a low hook-load capacity and relies mostly on mechanically operated drilling equipment with little automation. These rigs operate at water depths less than 300 feet. However, standard rigs can do almost the same job as high-specification rigs at a much lower rate.
- High-Specification Rigs:**
Robust rigs that can typically drill to up to 400 feet due to their modern automation systems and drilling equipment.
Note: VELESTO's current fleet of JU rigs are of this classification
- Harsh-Environment Rigs:**
Mainly used in the North Sea and are able to cope with harsh weather and rough sea conditions. Typically can drill up to 490 feet.

INDUSTRY TRENDS AND EXTERNAL OPERATING ENVIRONMENT

As in all industries, the oil and gas industry is also influenced by external, macro factors at the global level as well as inherent industry trends and developments that influence or impact the local oil and gas sector and its value chain. It can be both positive as in providing opportunities that support financial and non-financial value creation, or negative developments that impact business growth such as pandemics, oversupply of crude oil that led to oil price shocks and more.

Following is a snapshot of the main industry trends and developments, as well as external developments that impact the oil and gas industry, in particular, the upstream segment.

FEATURES	DESCRIPTION
The Industry	<p>Pros:</p> <p>A global industry that has been established for some 200 years and has extensive, far-reaching supply / value chains. Similar to banking and other well established industries, the pervasive socio-economic impact of the oil and gas sector and its importance to countries, communities and global economics is unrivalled.</p> <p>Total revenues for the oil and gas drilling sector alone amounted to USD3.3 trillion in 2019.</p> <p>Despite the progressive transition to renewable energy (RE) sources, oil and gas remain the world's key resources for meeting energy requirements. The share of gas in the world energy mix is around 23% at the moment and this is expected to climb to 30% by 2025. Crude oil's share is expected to only marginally decline from the present 40% to 37% in 2025.</p> <p>Oil and gas products and by-products continue to be in high demand for a wide range of industrial and commercial applications. These include for automotive and aviation fuel, for petrochemical productions and a myriad other applications.</p> <p>For many oil producing countries, the oil and gas sector is vital to providing revenues required for socio-economic and infrastructure development while generating substantial income from royalty payments, taxes and oil export sales.</p> <p>These other reasons continues to justify the fundamental importance of the oil and gas sector and its continued relevance going forward, despite the expanding footprint.</p> <p>Cons:</p> <p>The cyclical nature of crude oil prices eventually leads to industry down-cycles which can affect all players across the value chain. The last down cycle, which began approximately in 2015, lasted almost four years, resulted in both downstream and upstream players to face record low crude oil prices and reduced upstream activities. Companies across the board had to adopt various austerity measures to cope with the downturn.</p> <p>However, the downturn also led to surviving companies becoming more resilient and competitive with a lower operating cost base and increased operational efficiency.</p> <p>In addition, the industry, whether at a global or national level, remains vulnerable to a wide range of socio-economic and political developments that may impact demand and supply. Any change in the quota discipline among oil producing countries, may substantially impact supply of crude, which could cause prices to fluctuate.</p> <p>In recent years, the decision by the US to undertake record high drilling activities, which made the nation the largest producer of crude oil cause slumps in crude oil prices. The terrorist attack on the Aramco facility in Saudi Arabia, led to an upward surge in oil prices, though the effect was balanced out over the course of the year.</p> <p>The industry also continues to face the challenge of shale oil, with higher crude oil prices enabling more such producers to undertake production. The additional supply destabilises prices leading to a downward spiral.</p> <p>In the wake of the Paris Accord 2015 and the Two-Degree movement which continues to gain traction, the emergence of RE on the agenda of most governments has led to an increasing shift from fossil fuels, including oil and gas.</p> <p>While crude oil and other fossil fuels will continue to be required to meeting the world's energy needs in the short and medium term, the long-term outlook for oil and gas, over the next 30-50 years, remains unclear. However, the days of high crude oil prices, ranging USD90 per barrel and above will be difficult to attain and sustain.</p>

CRUDE OIL PRICES

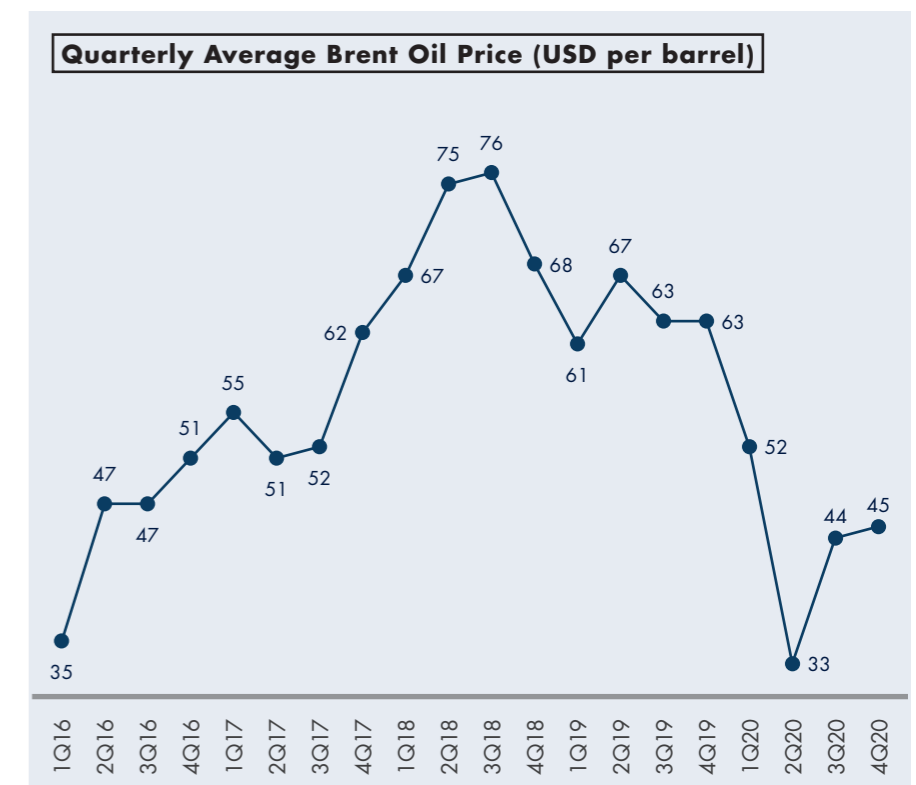
At the tail end of 2019, crude oil prices recovered to USD66 per barrel after a four-year downturn. Demand for crude oil was on an upward momentum on the back of stable global economic growth which posted Gross Domestic Product (GDP) of 2.7%

However, crude oil prices plummeted with the onset of the COVID-19 pandemic. The imposition of lockdowns and other measures had restricted global economic activity. GDP contracted by -4.4% in FY2020 and correspondingly, global oil demand contracted from 101 million barrels per day (bpd) to 92 million bpd.

Though prices stabilised by the end of the year, crude oil prices, which impacts the level of exploration and production activity was comparatively lower, year-on-year at USD42 per barrel (2019: USD64 per barrel).

Lower crude oil prices led to existing contracts, especially E&P contracts being renegotiated, differed or even terminated as drilling activity was not sustainable.

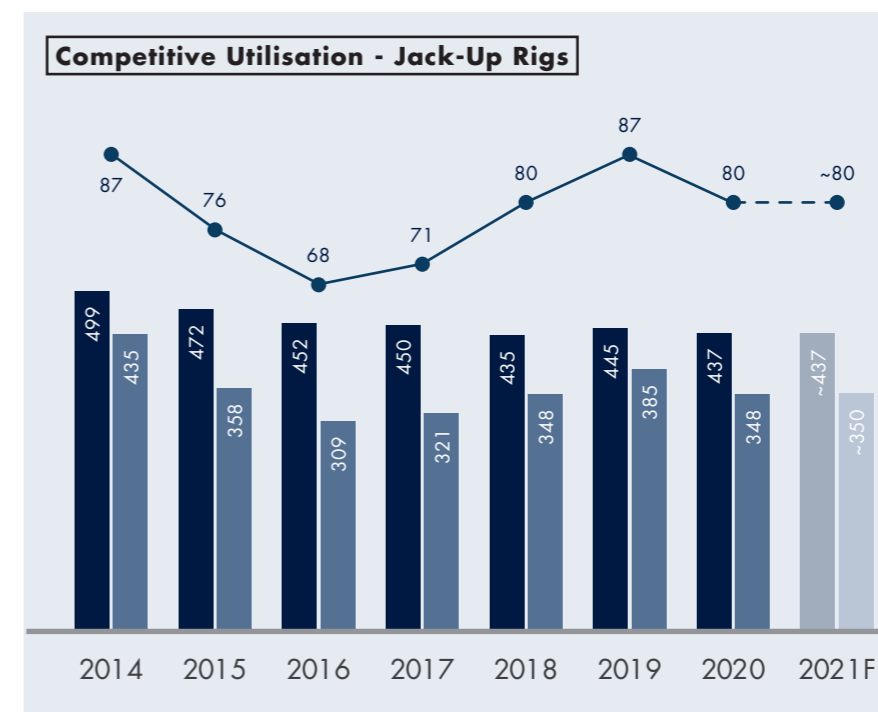
Please refer to the MD&A section of this report for further information.



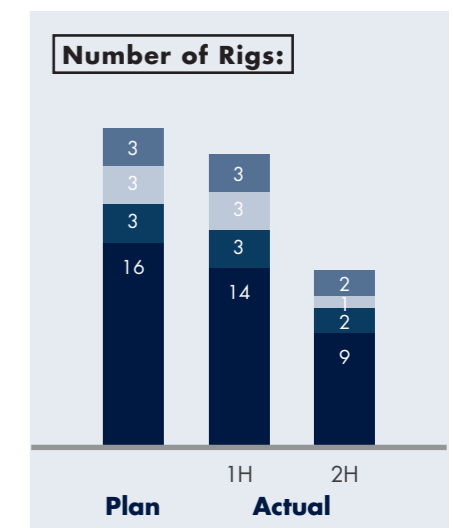
RIG COUNTS & RIG UTILISATION RATES

Rig counts and rig utilisation rates are an indicator of overall oil and gas industry activity. Activity is influenced by the aforementioned crude oil prices and other factors.

In 2020, with drilling activities either renegotiated, postponed and on some occasions cancelled, the global number of contracted JU rigs fell from 385 in December 2019 to 348 in December 2020, according to IHS.



In Malaysia, the number of JU rigs fell from 14 rigs in first half of 2020 to only nine rigs in second half of 2020. This contrasts with PETRONAS' forecasted plan to operate 16 rigs in 2020.



AVERAGE DAY CHARTER RATES

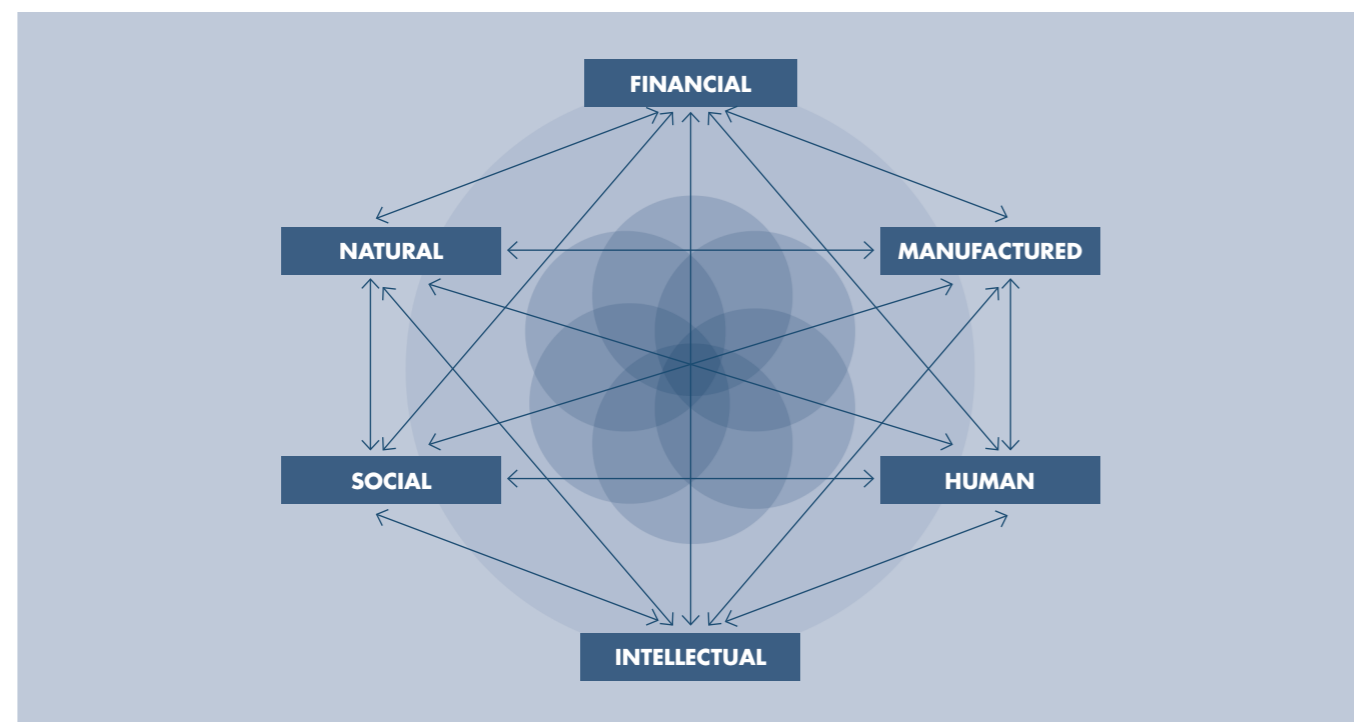
South East Asia drilling rig fixture day rates for JU rigs has fallen to between USD55,000 - USD68,000 per day. Meanwhile, rates in Malaysia have averaged slightly higher at around USD70,000 per day.

OTHER EXTERNAL OPERATING FACTORS

EXTERNAL TRENDS AND DEVELOPMENTS	DESCRIPTION	SIGNIFICANCE / IMPACT TO AVAILABILITY OF BUSINESS MODEL, CAPITALS & VALUE CREATION
Increasing digitalisation and technological adoption	PETRONAS continues to encourage oil and gas players across the value chain to embrace technology, in particular digitalisation towards becoming more efficient, cost-competitive, operationally nimble and more resilient towards operating in an increasingly dynamic business environment.	VELESTO continues to adopt digitalisation and technological innovation to modernise and integrate business processes and systems. This includes developing a digital workplace and enterprise resource planning.
Climate change and growing ESG awareness	The growing consciousness among almost all stakeholders on environmental and social performance necessitates that businesses today become focused on a triple bottom-line. Investors, shareholders, employees and regulators want businesses to be forces of good and not just profit based entities.	VELESTO is committed towards progressively becoming more sustainable with a growing focus on ESG matters towards improving shareholder's returns. These include wastes and emissions produced, consumption of natural capitals and occupational health and safety. The Group is driven by its focus of zero major spills and zero LTI.

OUR CAPITALS

VELESTO, in the execution of its business model, consumes several resources or capitals. Beyond just providing the types of capitals, the Group remains focused on identifying the trade-off between capitals and how said trade-offs may impact financial and non-financial value creation going forward. Trade-offs are approached based on present and future perspectives.



Following are VELESTO's principal capitals utilised:

<p>FINANCIAL CAPITAL</p> <p>Strategic allocation of the Group's retained profits, cash, equity and debt towards driving the business model and value creation.</p>	<p>MANUFACTURED CAPITAL</p> <p>The Group's principal tangible assets comprising its seven JU rigs and four HWUs.</p>	<p>NATURAL CAPITAL</p> <p>The consumption of diesel, water and other natural resources.</p>
<p>HUMAN CAPITAL</p> <p>The Group's 660-strong workforce and the experience, professional competence, experience and capabilities of its people.</p>	<p>INTELLECTUAL CAPITAL</p> <p>The Group's business strategies, and processes as well as the business acumen of the leadership team and the prevailing organisational culture and corporate values.</p>	<p>SOCIAL CAPITAL</p> <p>Strategic relationships with diverse stakeholders such as regulatory authorities, clients, the community, media, industry peers and others.</p>

POTENTIAL TRADE-OFFS IN CAPITALS AND VALUE CREATION

Most companies continue to emphasise financial capitals and financial value creation as being most important. This is evident across almost all for-profit entities. While financials are essential towards justifying the *raison d'être* of the business, a financials only perspective does not ensure medium to long-term value creation and importantly, business and operational sustainability.

VELESTO being cognisant of the growing significance of non-financial value creation, continues to assess how financial and non-financial matters continue to influence each towards ultimately refining its approach to optimise value creation. The Group's focus is on balancing short-term financial perspectives with the long-term sustainability and value creation.

The full list of non-financial material matters are provided in the Sustainability Statement section of the IAR2020.

HUMAN CAPITAL DEVELOPMENT	INNOVATION AND RESEARCH & DEVELOPMENT'	ENVIRONMENTAL FOOTPRINT MITIGATION
<p>Investment into developing organisational culture and the workforce may impact short-term financial performance.</p> <p>However, such investments lead to more competent staff and higher staff retention levels, which translate into increased efficiency and productivity and reducing employee hiring costs.</p>	<p>Funds injected into acquisition of technology or research are likely to necessitate significant capex and opex at the start, which can affect retained profits and cashflows.</p> <p>However, any breakthroughs achieved as well as operational efficiencies or improvements will lead to reduced operating costs or business development in the long run.</p>	<p>Measures to improve environmental performance would impact financial values created as funds are diverted to improving emissions, energy consumption and preventing oil spills.</p> <p>The improvement in environmental performance puts VELESTO on the radar of large institutional funds and investors who prefer to invest in high ESG focused companies.</p>

BUSINESS STRENGTHS

BUSINESS STRENGTHS AND COMPETITIVE ADVANTAGES



BUSINESS STRENGTHS AND COMPETITIVE ADVANTAGES

Following is a review of VELESTO’s business strengths, which supports its business model and value creation approach.

These identified business strengths or competitive advantages enable the Group to effectively execute its business model and to operate amidst a competitive industry and to navigate the various challenges and opportunities that arise from the external macro environment. Hence, business strengths and by extension, factors that augment or erode these competitive advantages are crucial to value creation.

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

BUSINESS STRENGTHS	DESCRIPTION	STRATEGIES TO LEVERAGE ON STRENGTH
Largest Malaysian-owned JU rig services operator	<p>Out of eight JU rigs available in Malaysia, VELESTO owns and operates seven which offer modern drilling technologies.</p> <p>Given the inherent industry preference for local contractors, VELESTO is well positioned to bid and secure Malaysia-based contracts.</p> <p>The operations are supported by competent and experienced crews.</p>	<ul style="list-style-type: none"> • Maximise utilisation • Order book growth • Organic expansion • Project execution
Proven expertise and track record	<p>VELESTO has experience operating in regional countries such as Indonesia, Thailand, Vietnam and Philippines.</p> <p>Beyond drilling, VELESTO’s drilling fleet can install Light Weight Structures and undertake well workover as well as decommissioning services.</p> <p>Thus, VELESTO can provide more comprehensive solutions for clients while tapping more opportunities across the upstream segment of the oil and gas value chain.</p>	
RM732 million remaining order book	<p>Despite an industry downturn, VELESTO’ has maintained a reasonable order book that provides revenue visibility for the next 12 months.</p>	
Strategic geographical presence	<p>Through its two supply bases in Peninsular and East Malaysia, VELESTO is well positioned to operate anywhere within the South China Sea.</p> <p>We are actively tendering in regional and global markets to return to regional markets, where we have a track record operating in.</p>	<ul style="list-style-type: none"> • Order book growth • Organic expansion • New business development

BUSINESS STRENGTHS	DESCRIPTION	STRATEGIES TO LEVERAGE ON STRENGTH
Modern rigs with experienced personnel i.e. HPHT drilling experience	VELESTO's seven JU rigs feature the latest in drilling rig technology. Two of our rigs are equipped with High Pressure High Temperature (HPHT) capabilities, and we are upgrading another two with Offline capabilities. They are supported by competent and experienced crews, many of whom graduated from the Velesto-INSTEP Drilling Academy (VIDA).	<ul style="list-style-type: none"> • Maximise utilisation • Cost containment • Efficiency improvement • Risk management • Minimise additional scope and risks future planning
Proven track record for excellent health, safety and environmental (HSE) performance	VELESTO continues to maintain an industry leading HSE track record. With good HSE performance being a license to operate, VELESTO's HSE performance provides the Group with a competitive advantage when bidding for contracts.	
Low operating cost base	Having rationalised its business model and operations, VELESTO has now achieved a low 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 response to the market.	
Strong institutional support via our major shareholders	More than 50%-owned by Permodalan Nasional Berhad and funds under its management. The Group's relationships with regulatory bodies and government agencies has enabled it to achieve strong socio-economic compliance.	<ul style="list-style-type: none"> • Stakeholder engagement strategies
Strong client relationships	Through its track record for operational performance and its position as the largest Malaysian-owned rig operator, VELESTO has developed a unique position among industry and other stakeholders. This enables the Group to play a leading role in advancing industry interests, in influencing policies and creating stronger awareness for industry issues and challenges, especially issues affecting Malaysian companies.	
A constant talent pipeline of industry leading drilling via VIDA	VIDA has enabled VELESTO to ensure a sufficient and well-trained talent pool. Aside from supporting efficiency operational efficiency and productivity. VIDA also contributes to excellence and sustainable talent pipeline strategies and succession planning.	<ul style="list-style-type: none"> • Cost containment • Efficiency improvement • Risk management • Future planning

OUR RISKS AND MITIGATION STRATEGIES

OUR RISKS AND MITIGATION STRATEGIES

The inherent nature of VELESTO's business operations dictates that the Group faces various business, financial, operational and other forms of risk. These risks emerge from the macro-economic operating environment, the oil and gas industry as well as internally, from within the Group.

Risks are essentially potential negative developments or impacts that may impact the Group's access to resources, or impact its ability to generate financial and non-financial values.

The Group's overall management approach to risk management and mitigation is based on the Enterprise Risk Management Framework (ERM Framework) and the internationally recognised ISO 31000 Risk Management Principles and Guidelines. Through its robust risk management structure, the Group continues to identify and mitigate against its risks, using a likelihood and impact matrix.

From which, risks are then prioritised and the relevant mitigation measures developed and implemented accordingly. The Group's Risk Register is then updated on a quarterly basis.

VELESTO's approach is not just focused on developing mitigation measures, but where possible, to link risks to larger

perspectives including how business strategy and even the business model may need to evolve or change in tandem with risks. This is a more comprehensive or holistic approach to developing an effective risk mitigation approach.

In the event of disasters or business disrupting incidents, the Group has developed a comprehensive Business Continuity Plan (BCP) which has been regularly tested via simulation exercises that were implemented during the financial year.




Given that the external operating environment as well as the oil and gas sector is beyond the control of VELESTO, risks cannot be totally prevented and the Group's approach is to manage the exposure and potential impact arising from risks.

Risk is also given strategic oversight by the Board of Directors through its Board Risk Management Committee (BRMC).






For further information on the Group's Risk Management Framework, its processes and systems, kindly refer to VELESTO's Statement on Risk Management and Internal Control within this Annual Report.

Below are VELESTO Group's Top Risks for FY2020 as well as impacts and mitigation plans:

VELESTO GROUP'S TOP RISKS FY2020

DESCRIPTION OF RISK AND BUSINESS IMPACT	CAPITALS AFFECTED	LINKAGE TO MATERIALITY	MITIGATION MEASURES
CHANGES IN GOVERNMENT POLICIES AFFECTING THE LOCAL OIL AND GAS INDUSTRY			
Changes in government policies at national and state level impact business, corporate functions and operations.		<ul style="list-style-type: none"> • Economic performance • Market presence including local content • Indirect economic impact • Employment • Water • Emission 	Keeping abreast of development of government policies, maintain good rapport and ensuring adherence to existing policies at national and state level.
VOLATILITY OF GLOBAL CRUDE OIL PRICES, AFFECTING THE OFFSHORE DRILLING SERVICES INDUSTRY			
Oil price volatility impacts investment and operations of oil companies, which in turn impacts the level of upstream activities including drilling activities.		<ul style="list-style-type: none"> • Economic performance • Market presence • Employment • Local communities 	Continue exploring business diversification opportunities, institute effective cost efficiency and focus on high rig utilisation at prevailing charter rates
HIGHER TAX EXPOSURE RESULTING FROM CHANGES IN METHODOLOGY AND POLICIES			
Changes in tax methodology and policies impacts the applicable tax rates and basis.		<ul style="list-style-type: none"> • Economic performance 	With regulatory compliance as priority, the Group continues to focus on tax compliance, by enhancement of tax knowledge of the employees and engaging with tax advisors and tax authorities

STRATEGIC PRIORITIES

DESCRIPTION OF RISK AND BUSINESS IMPACT	CAPITALS AFFECTED	LINKAGE TO MATERIALITY	MITIGATION MEASURES
PANDEMIC OUTBREAK AT VELESTO FACILITY(IES)			
Outbreak of COVID-19 at Velesto facilities disrupts operations and work arrangements and increase work health risk.	 	<ul style="list-style-type: none"> Economic performance Local communities 	The Group continues to keep abreast with latest requirements and regulations in relation to pandemic outbreak control measures. Developed COVID-19 response plan including employee screening and quarantine procedures with a high level of SOP compliance (see Page 78). Aligned with Velesto's HSE practices, the Group continues to review its mode of work arrangements including adoption of Work-From-Home initiatives and implements strict procedures for working on-site i.e. offices, warehouses and rigs.
LOW DAILY CHARTER RATE			
Any increase in the number of rigs or decline in demand could affect daily charter rates, which will impact revenues and cashflow.	  	<ul style="list-style-type: none"> Economic performance Market presence 	Continue to negotiate for favourable terms and conditions, and continue to deliver quality services and engagements with the clients, garnering strong brand loyalty and be service provider of choice to clients

STRATEGIC PRIORITIES FOR FY2021 AND BEYOND

<ul style="list-style-type: none"> Maximise Utilisation Order Book Growth 	<ul style="list-style-type: none"> Obtain Higher Day Charter Rates Maintain Market Leadership 	<ul style="list-style-type: none"> New Business Development High Performance Culture
<ul style="list-style-type: none"> Strengthen and maintain market presence in South East Asia Organic expansion Collaborative with clients in developing standard terms and conditions Strategic partnership to enhance technical expertise and technology, i.e. for Integrated Well Services (IWS) Propose to client on the activities which are within our control for rewards/ risk sharing model 	<ul style="list-style-type: none"> Minimise additional scope and risks Cost containment Efficiency improvement Cash and liquidity management Ongoing review on funding options that would give lower cost of borrowings Automation process and control for better capacity for productivity and effectiveness Continuous investment in rig capabilities such as Offline capabilities 	<ul style="list-style-type: none"> Driving good corporate culture Stakeholder engagement strategies Integrate Sustainability objectives with key business strategies and continue to improve ESG rating

SUSTAINABILITY STATEMENT

Pursuing a Path of Sustainability

DEAR STAKEHOLDERS,

IT IS WITH MUCH PLEASURE THAT I SHARE WITH YOU THE ACHIEVEMENTS, HIGHLIGHTS AND PROGRESS ON SUSTAINABILITY MADE BY VELESTO ENERGY BERHAD ("VELESTO" OR "THE GROUP") IN FINANCIAL YEAR ENDED 31 DECEMBER 2020 (FY2020).



ROHAIZAD DARUS
PRESIDENT

Certainly, FY2020 has been a year of significant disruption and turbulence due to the COVID-19 pandemic as well as from other socio-economic and industry developments.

Within this environment, a clear insight has come through and that is the importance of prioritising environmental, social and governance (ESG) performance in tandem with our business, financial and operational performance.

The onset of COVID-19 has clearly presented a strong business case for businesses to take stock not just of their business and financial strategies, but to also review and assess their material ESG topics.

ESG presents both risks and opportunities, which a progressive and proactive business must always consider to remain robust, competitive and relevant while sustaining value creation over the short, medium and long-term perspectives.

The link between Sustainability and business performance is intrinsic and therefore, undeniable. Poor governance leads to inadequate responses during a crisis and impacts business and operational performance to be resilient and weather the storms of adversity that in today's dynamic and uncertain business environment is increasingly becoming the norm rather than the exception.

With that in mind, VELESTO in FY2020 has continued to pursue its Sustainability agenda and has made significant progress on its journey.



In FY2020, VELESTO developed its Sustainability Blueprint, a holistic strategic plan that provides us with a comprehensive framework to guide and align our overall Sustainability approach.

The Blueprint enables us to adopt a comprehensive and integrated approach that places Sustainability at the heart of the organisation. Focus areas have been identified under the Blueprint with clear goals and targets set as well as action plans drawn up and implemented in FY2020.

Despite COVID-19 and other disruptive factors, VELESTO has not wavered from its Sustainability agenda, pursuing its Blueprint with passion, perseverance, and the continued conviction that ESG is a win for the organisation, its value chain and the industry as a whole.

Our Sustainability Blueprint is also aligned to our selected United Nations Sustainability Development Goals (UNSDGs). These are:



Given the nature of our industry, the upstream value chain of exploration and production, and our business model, operations and activities, VELESTO's Sustainability approach remains driven by the following three aspects: the protection of everyone's health and safety, enhancing people's lives, and environment preservation.

Last year, we achieved zero Lost Time Incidents (LTI) and zero recordable incident cases. The Group has maintained full employment of staff despite the negative effects of COVID-19 on rig utilisation rates. We have safeguarded the wellbeing of staff, by ensuring timely and even early payment of salaries, through the provision of allowances for staff and provided a wide range of amenities for staff who transitioned to a Work-From-Home (WFH) environment.

One of our priorities has been inculcating a culture of integrity, as we believe good governance pays dividends to the long-term performance of the Group.

We continue to develop drilling professionals for the local industry, which still sees a shortage of skilled, local talent.

We have also maintained our commitment to uplifting the community, especially through our long-term educational programmes and our contributions in the fight against COVID-19 such as

contributions to the Ministry of Health, automated temperature scanners, face masks and sanitisers. In FY2020, we have recommenced our investment in local school students towards improving their academic performance.

As the oil and gas sector looks to "green" itself, it is imperative that we also seize the opportunities presented towards progressively becoming a more sustainable business entity, with sustainable business practices and processes.

We are pleased to share that in FY2020, there were zero major spills from our rigs. Our environmental priorities are to reduce greenhouse gas emissions and to progressively reduce our environmental footprint. This includes reviewing our energy and water consumption and also preserving biodiversity in the locations where we operate.












While I am proud of the achievements in 2020, I wish to reference the unfortunate incident involving NAGA 7 on 3 May 2021 causing the rig to be fully submerged. All 101 personnel were safely evacuated to shore. We believe our HSE drills and preparation have contributed to the safety of our crew.

All the relevant authorities have been duly informed and we are currently monitoring the incident location for any potential adverse impact. The Group is investigating the incident and evaluating recovery options.

VELESTO remains committed to pursuing a path of Sustainability in ensuring its future and delivering long-term stakeholder value. We will continue to do so because of our belief and commitment, and we will continue to strive for greater accomplishments in FY2021 and beyond.

ROHAIZAD DARUS
PRESIDENT

SUSTAINABILITY PERFORMANCE
HIGHLIGHTS

 660 employees (79% Malaysian)	 Zero Lost Time Incident and Zero major spills	 42% of Senior Management and 44% Directors comprise of women
 291 participants trained at VIDA in FY2020	 11% lower energy consumption and emissions	 2.3 mil manhours without LTI
 RM120 mil Purchase from Local Suppliers (70%)	 2019 ASEAN CORPORATE GOVERNANCE SCORECARD (ACGS) AWARDS (ASEAN Asset Class Award category)	 Tier One Ranking (Setting the Pace) for Sustainability Disclosure by Bursa Malaysia
 4-stars ESG ranking by Bursa Malaysia and FTSE Russell		 FTSE4Good Bursa Malaysia Index Constituent

ALIGNMENT TO THE UNITED NATIONS SUSTAINABILITY DEVELOPMENT GOALS

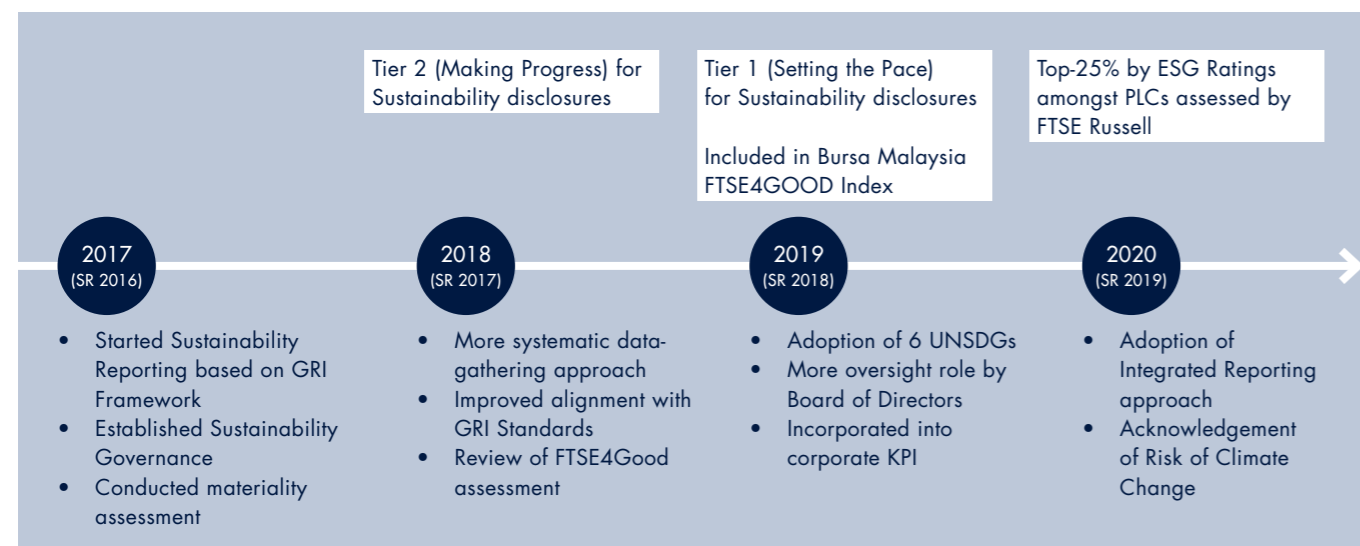
VELESTO has aligned its Sustainability strategy and efforts to a number of United Nations Sustainability Development Goals (UNSDG). The Group has also set Sustainability commitments, targets and pledges in providing further impetus to its Sustainability journey.

Below is a snapshot of VELESTO's Sustainability performance in FY2020 and its contribution to the UNSDGs:

HIGHLIGHTS AND ACHIEVEMENTS	FUTURE PLANS / COMMITMENTS, TARGETS AND PLEDGES	UNSDGs
PROTECTION OF HEALTH AND SAFETY		
<ul style="list-style-type: none"> Zero fatalities Zero LTI Zero Total Recordable Case Frequency (TRCF) 	<ul style="list-style-type: none"> Zero fatalities# Zero LTI# TRCF less than 1.0# Continued protection of staff from COVID-19 impacts 	
DECENT WORK AND ECONOMIC GROWTH		
<ul style="list-style-type: none"> 660 jobs (79% Malaysian) RM118 million in employees salaries and benefit RM83 million purchase from local suppliers (70%) RM228 million net debt repayment to financiers RM15 million taxes paid to Government Track record of zero infringements in human rights 	<ul style="list-style-type: none"> Job and staff retention Development of more high-skilled jobs for Malaysians Further development of the local procurement / supply chain via VDP-X Improved financial and business performance Continued support of government initiatives Support for UN Global Compact 10 Principles 	
GENDER DIVERSITY		
<ul style="list-style-type: none"> 42% of Senior Management and 44% of Directors comprise of women 	<ul style="list-style-type: none"> Continued support for gender diversity 	
PRESERVATION OF THE ENVIRONMENT		
<ul style="list-style-type: none"> Zero major spills No material impact to biodiversity Rainwater harvesting on idle rigs 	<ul style="list-style-type: none"> Avoid major spills# Energy and water consumption savings 	
ENHANCEMENT OF PEOPLE'S LIVES		
<ul style="list-style-type: none"> 180 students benefited from CSR programmes 	<ul style="list-style-type: none"> Various programs in support of government initiatives e.g. Tabung Cerdik, MyStep and internship programme. Continuing to work with key stakeholders, both offshore and onshore towards ensuring mutual value creation. 	

(#) Note: Part of Management KPIs

VELESTO SUSTAINABILITY JOURNEY AND MILESTONES



About this Sustainability Report

INTRODUCTION

VELESTO's Sustainability Report (SR2020) is our fifth Sustainability Report and charts the Group's progress in addressing its material ESG topics. The Group is of the view that financial performance is increasingly influenced by ESG matters. As such, efforts to measure performance across a triple bottom-line is advantageous to ensuring both financial and non-financial value creation.

VELESTO's approach to Sustainability extends beyond the customary precepts of "doing no harm" and being a responsible corporate citizen. Rather, VELESTO looks to Sustainability as a business enabler that offers prospects for strengthening the robustness of its business model, as a catalyst for change and a means to capitalise on emerging opportunities. Sustainability is also a comprehensive strategy towards mitigating and reducing risks.

This report is to be read together with VELESTO's Integrated Annual Report (IAR2020) towards obtaining a more comprehensive perspective of the linkage between business and financial performance and Sustainability performance.

SR2020 covers the period of 1 January 2020 to 31 December 2020 (FY2020).

LINKAGE TO INTEGRATED REPORTING

The IAR2020 provides a detailed perspective on the Group's business strategy, its business model, its external operating environment and other strategic information. SR2020 provides the management approach, performance details and specific information, including statistical data over a three-year time frame for ESG material topics.

Going forward, the Group will look to further integrate financial and non-financial performance towards providing more concise and linked disclosure for a seamless value creation narrative.

FRAMEWORKS APPLIED

SR2020 has been prepared in reference to the following frameworks and guidelines:

- Global Reporting Initiative (GRI) Standards 2020 Core Option. The full GRI content index is provided at the end of the SR2020.
- Bursa Malaysia's Sustainability Reporting Guide Second Edition
- United Nations Sustainability Development Goals (UNSDG)
- FTSE4Good Sustainability Index
- VELESTO Sustainability Blueprint

REPORTING SCOPE & BOUNDARY

As in previous years, SR2020's reporting scope is based on the GRI principles of accuracy, balance, clarity, comparability, reliability and timeliness, as well as the GRI content principles of stakeholder inclusiveness, Sustainability context, materiality and completeness.

Data and information provided is based on the Group's ability to collect and present meaningful data and is focused on its drilling and hydraulic workover services. The scope is further streamlined to focus on the most pertinent projects, initiatives, and activities of VELESTO rather than every aspect of operations.

Where possible, the Group has endeavoured to provide data and disclosures related to the ESG performance of its value chain. We exercise a "local-where-we-operate" practice.

Where possible, data has been presented for three consecutive years to show meaningful comparisons against past performances and to indicate trend lines.

EXCLUSIONS

Given that VELESTO is a drilling services provider, it does not own the oil and gas resources which it extracts for its clients. Hence, the reporting scope for SR2020 excludes (as in previous years' reporting), ESG impacts arising from the ownership of the aforementioned oil and gas resources, discovered or produced by VELESTO for clients with the same for the distribution and consumption of such resources.

The same applies to ESG impacts arising from the larger upstream oil and gas value chain as VELESTO's involvement is only limited to exploration and production (E&P) drilling.

VELESTO's Oilfield Services (OFS) operations in Tianjin, China, given its comparatively small operational footprint, has also been excluded from SR2020.

MATERIALITY

As prior mentioned, SR2020 contains ESG disclosures that are material to VELESTO. Materiality of ESG topics is determined based on the Group's internal assessment, consultation with stakeholder groups, industry peer comparison and benchmarks and recommended topics based on the GRI and FTSE4Good frameworks.

REPORT QUALITY & ASSURANCE

All data in SR2020 have been collated from primary official documents and records. Data has been collected and results measured using industry standards as well as widely accepted calculation methodologies such as the Greenhouse Gas (GHG) Protocol.

Other standards we have used or comply with are as follows:

- Annex 1 of the International Convention for the Prevention of Pollution from Ships
- Annex VI of MARPOL 73/78
- Fleet Certification by regulatory bodies such as the American Bureau of Shipping and Det Norske Veritas
- International Carbon Bank & Exchange

VELESTO has undertaken independent auditing and assurance for some of the financial data presented in this report where the figures can be cross-referenced to the Financial Report. However, VELESTO has not undertaken third party assurance for non-financial, Sustainability-related data.

LIMITATIONS

We are cognisant that data-gathering challenges still exist for certain indicators. We are in the process of implementing more robust data tracking and gathering mechanisms for improved reporting going forward.

We will be considering the feasibility of including more value chain related data in future reports. This includes data related to impacts that occur outside of the organisation, but which VELESTO may directly or indirectly be contributing towards in a significant manner.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements discussing targets, future plans, operations and performance of the Group based on reasonable current assumptions. Readers are advised not to place undue reliance on such statements as our business is subject to risks and uncertainties beyond our control. Actual results may differ.

DISTRIBUTION & FEEDBACK

We welcome questions, feedback and suggestions that will spur further improvements in our reporting process. Please send any comments, insights, and queries to:

Investor Relations & Sustainability
Veleso Energy Berhad
 Level 18, Block 3A, Plaza Sentral
 Jalan Stesen Sentral 5
 50470 Kuala Lumpur, Malaysia

+603-2096 8788
 investor.relations@veleso.com

VELESTO Sustainability Blueprint

The VELESTO Sustainability Blueprint outlines key ESG goals and targets and focus areas on a short and medium-term basis. This provides a coherent direction for the Group to align its Sustainability initiatives as well as to track and assess its performance.

Through the Blueprint, VELESTO aims to progress to realise its ambitions of leveraging on Sustainability to drive its business model going forward, beyond just mitigating risks, but also capitalising on opportunities for growth and value creation.

Sustainability strengthens brand image and credibility, attracts high-performing talent, enables the development of new products and services, attracts investors and provides access to ESG / green financing.



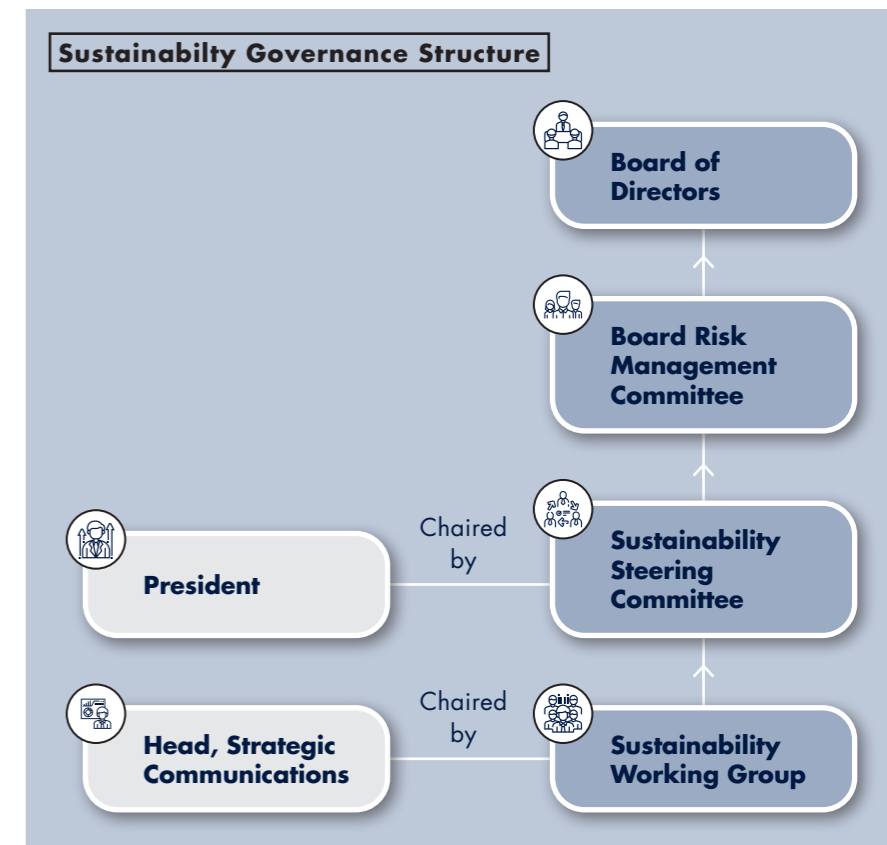
The Sustainability Blueprint is a dynamic plan that may be adapted in tandem with developments in the external environment and trends, changes and developments within the domestic and global oil and gas industry.

DRIVEN BY A ROBUST GOVERNANCE STRUCTURE

VELESTO's robust governance structure continues to provide the Group with the necessary controls and oversight on ESG risks and challenges as well as emerging opportunities.

Importantly, the said governance structure supports the ongoing development of Sustainability within the organisation. This includes the development of a desired organisational culture and mindset, active monitoring of ESG topics and also provide impetus and support for the development and execution of action plans.

The structure is designed to not just facilitate top-down directives, but to also accommodate and encourage bottom-up feedback, views and perspectives from the rank and file towards ensuring a truly effective response in addressing material topics.



Within the governance structure, the Board of Directors and Senior Management maintain oversight on the following material ESG topics: talent development, environmental performance, health and safety, business, financial, operational and strategic risks as well as corporate governance.

The Board of Directors maintain oversight on VELESTO's Sustainability agenda via its Board Risk Management Committee (BRMC). The BRMC in turn is supported by the Group's Sustainability Steering Committee (SSC) and the Sustainability Working Group (SWG). The structure is closely intertwined with the Group's Risk Management Structure towards blurring silos between ESG matters and financial, business and operational risks.

In FY2020, the Board of Directors approved the VELESTO Sustainability Blueprint. The Blueprint incorporates a wide range of strategies, programmes and action plans centred on the Group's pillars of protection of health and safety of everybody, enhancement of people's lives and the preservation of the environment.

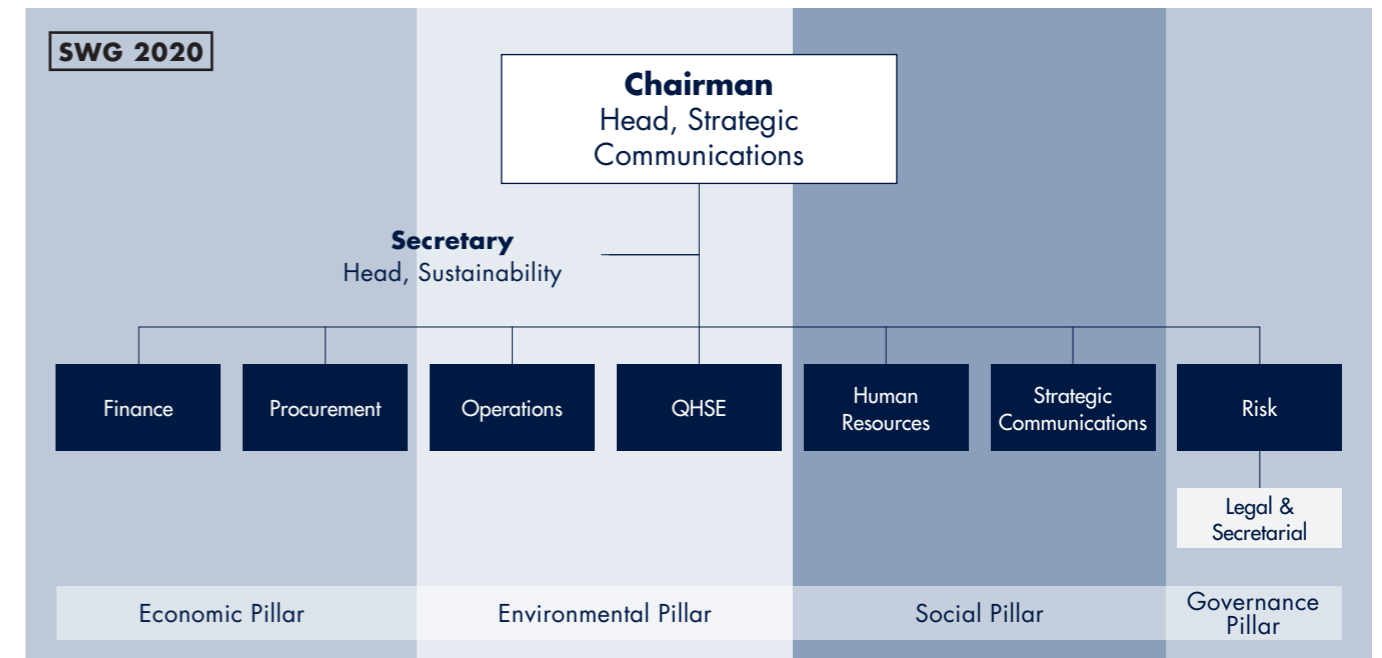
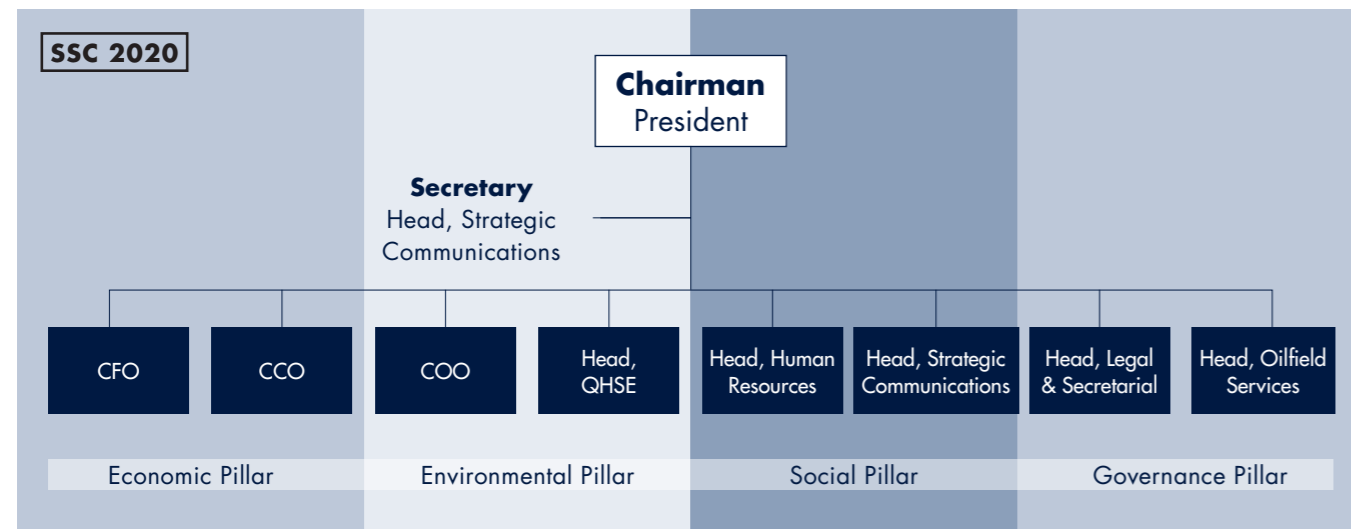
The SR2020 was reviewed and approved by the Board of Directors on 11 May 2021.

SSC & SWG ROLES & RESPONSIBILITIES

SUSTAINABILITY STEERING COMMITTEE (SSC)	SUSTAINABILITY WORKING GROUP (SWG)
<ul style="list-style-type: none"> The Committee members consist of Senior Management of VELESTO: <ul style="list-style-type: none"> o President (Chairman) o Head, Strategic Communications (Secretary) o Chief Financial Officer (CFO) o Chief Commercial Officer (CCO) o Chief Operating Officer (COO) o Head, Human Resources o Head, Quality, Health Safety and Environment o Head, Legal, Secretarial and Risk Management o Head, Oilfield Services Ensures the Sustainability strategy is aligned with the Group’s vision and mission Reviews and recommends Sustainability statement to the Board Reviews and recommends Sustainability strategies, policies and other related matters such as management systems, performance monitoring, policies, commitments and regulations To continuously monitor stakeholders’ expectations on VELESTO’s Sustainability activities through effective communication strategies 	<ul style="list-style-type: none"> The Working Group consists of representatives from Corporate and Operations that are responsible for Sustainability strategies and projects Tracks the data to ensure that all outlined activities achieved defined targets

In FY2020, both the SSC and SWG were strengthened with the following improvements:

- **SSC:** Inclusion of Oilfield Services under the SSC structure
- **SWG:** Inclusion of added personnel to provide more effective execution capabilities



SUSTAINABILITY GOVERNANCE THROUGH OPERATIONAL SITE CERTIFICATION

All of VELESTO’s jack-up (JU) rigs and hydraulic workover units (HWUs), its KL Headquarters and its operating bases in Kemaman, Terengganu and Labuan have been certified by DNV-GL to the globally recognised management system standards as given below:

VELESTO has migrated from OHSAS 18001:2007 Occupational Health and Safety Management System to ISO 45001:2018 and was certified on 26 February 2021. VELESTO also holds the ISO/TS 29001:2010 Quality Management System for Petroleum, Petrochemical and Natural Gas Industries.

ASSETS/LOCATION	CERTIFICATION
NAGA 2, NAGA 3, NAGA 4, NAGA 5, NAGA 6, NAGA 7, NAGA 8	ISO 9001:2015, ISO 14001:2015, OHSAS 18001:2007
GAIT 1, GAIT 2, GAIT 5, GAIT 6	ISO 9001:2015, ISO 14001:2015, OHSAS 18001:2007
Kemaman Warehouse, Labuan Warehouse and KL Headquarters	ISO 9001:2015, ISO 14001:2015, OHSAS 18001:2007

Note: On 26 February 2021, VELESTO was certified to the ISO 45001:2018 system

GOVERNANCE THROUGH ETHICAL CONDUCT AND STRONG ANTI-BRIBERY AND CORRUPTION STANCE

VELESTO takes a zero-tolerance approach towards any bribery and corruption within the Group’s business operations and across its supply chain. The tone of zero tolerance to all forms of bribery and corruption begins at the top, with the Board of Directors setting a clear moral compass that there will be no compromise towards any corrupt and unethical practices as well as poor corporate integrity.

On 25 September 2020, the Board had approved the Group-wide Anti-Bribery and Corruption Policy (ABC Policy). This policy prohibits employees and the Board of VELESTO from committing any bribery or corrupt act.

It outlines the Group’s commitment to conduct its business in accordance with all applicable laws, rules and regulations with the highest ethical standards. The establishment of the ABC Policy and other governance related procedures is one of the Group initiatives to address bribery and corruption risks across VELESTO. To view the Group’s ABC Policy statement, please visit VELESTO’s website.

The ABC Policy comes after the establishment of VELESTO’s Integrity and Governance Unit (IGU) on 1 January 2020.

IGU is an independent unit that reports directly to the Board Whistle-Blowing Committee (BWBC) and the Malaysian Anti-Corruption Commission (MACC) on any potential or actual incidences involving corruption or other forms of corporate wrongdoing. Administratively, the IGU reports to the President’s Office.

Supporting the roll out of the ABC Policy, an organisation wide communication effort was initiated to ensure that all internal stakeholders were made aware on the existence of the policy and the requirement to adhere to the stated policies and procedures.

The Board of Directors reviews the ABC Policy and other governance related procedures as and when necessary, to ensure that it continues to be effective. Various engagements and communication channels were utilised in order to drive the message of zero tolerance on corruption and bribery to the internal stakeholders.

These included regular townhalls, where the President spoke on the importance of maintaining a strong anti-corruption stance across the organisation. Good communication strategies implemented, such as our iLEAP core values, have contributed to Group-wide dissemination and inculcation of a culture of integrity and strong anti-corruption stance.

In addition, other channels that were continued to be utilised were the quarterly newsletters as well as internal integrity roadshows organised by VELESTO’s IGU.



On 25 September 2020, VELESTO affirmed its commitment to integrity and good governance values by declaration and affirmation of the Corruption Free Pledge.

The event took place on 25 September 2020 in Kuala Lumpur with the President leading the oath-taking ceremony together with Senior Management and witnessed by the Chairman of the Board, an Independent Director and MACC officials.

ANTI-CORRUPTION ACTIVITIES

ACTIVITIES	REMARKS
<p>1</p> <p>Completion of IGU documentation including framework, policies and procedures</p>	<ul style="list-style-type: none"> The following documents were approved by Board/BWBC on 9 June 2020 <ul style="list-style-type: none"> - Board Whistle-Blowing Committee Term of Reference (Revised) - Integrity Governance Framework (New) - Whistle-Blowing Policy (Revised) - Whistle-Blowing Procedure (Revised) The following documents were approved by Board on 25 September 2020 <ul style="list-style-type: none"> - Anti-Bribery and Corruption Policy (New) - Corporate Gifts, Gifts, Entertainment and Hospitality Procedure (New)
<p>2</p> <p>Establishment of Whistle-Blowing Channels</p>	<ul style="list-style-type: none"> Whistle-Blowing channel via SharePoint @ n e s t on 20 May 2020 Whistle-Blowing channel via the Company’s website on 15 May 2020
<p>3</p> <p>ISO 37001: 2016, Anti-Bribery Management System (ABMS) Awareness Session and Corruption Risk Management (CRM) Workshop</p>	<ul style="list-style-type: none"> ABMS Awareness Session was held on 13 July 2020 followed with CRM Workshop from 14 to 16 July 2020 The trainer for the programme explained in detail on the ABMS processes and facilitated the CRM workshop involving representatives from all Divisions
<p>4</p> <p>VELESTO Vendor Integrity Pledge (VIP)</p>	<ul style="list-style-type: none"> Establish a standard pledge document and forward the VIP to Velesto’s approved vendors for their agreement and commitment on 25 July 2020 As at 27 November 2020, 57% of VELESTO Approved Vendors List signed the VIP
<p>5</p> <p>Establishment of Corruption Risk Registers (CRR) and Corruption Risk Management (CRM)</p>	<ul style="list-style-type: none"> The CRR were developed by the respective appointed Division’s representatives As at 31 October 2020, the CRR were updated by Head of Divisions for Q4 2020 The risk registers were presented to BRMC on 24 November 2020
<p>6</p> <p>Distributing the signages on “Zero Tolerance Towards Anti-Bribery and Corruption”</p>	<ul style="list-style-type: none"> The signage was distributed to all VELESTO Group sites including KL Headquarters, rigs, and supply bases including Singapore and Tianjin on 1 September 2020 The signages were prepared in three versions i.e English, Bahasa Melayu and Mandarin
<p>7</p> <p>Corruption Free Pledge for Board of Directors, Senior Management and Staff</p>	<ul style="list-style-type: none"> The Corruption Free Pledge witnessed by MACC was conducted on 25 September 2020 The Corruption Free Pledge by all Corporate staff were conducted in 2020
<p>8</p> <p>IGU e-Newsletter</p>	<ul style="list-style-type: none"> The IGU e-Newsletter is to facilitate the staff to learn/understand the importance of practicing on high integrity and compliance culture The e-Newsletters were disseminated to all staff. First edition was issued on 25 March 2020, second edition on 7 August 2020 and third edition on 15 October 2020 and fourth edition on 25 December 2020

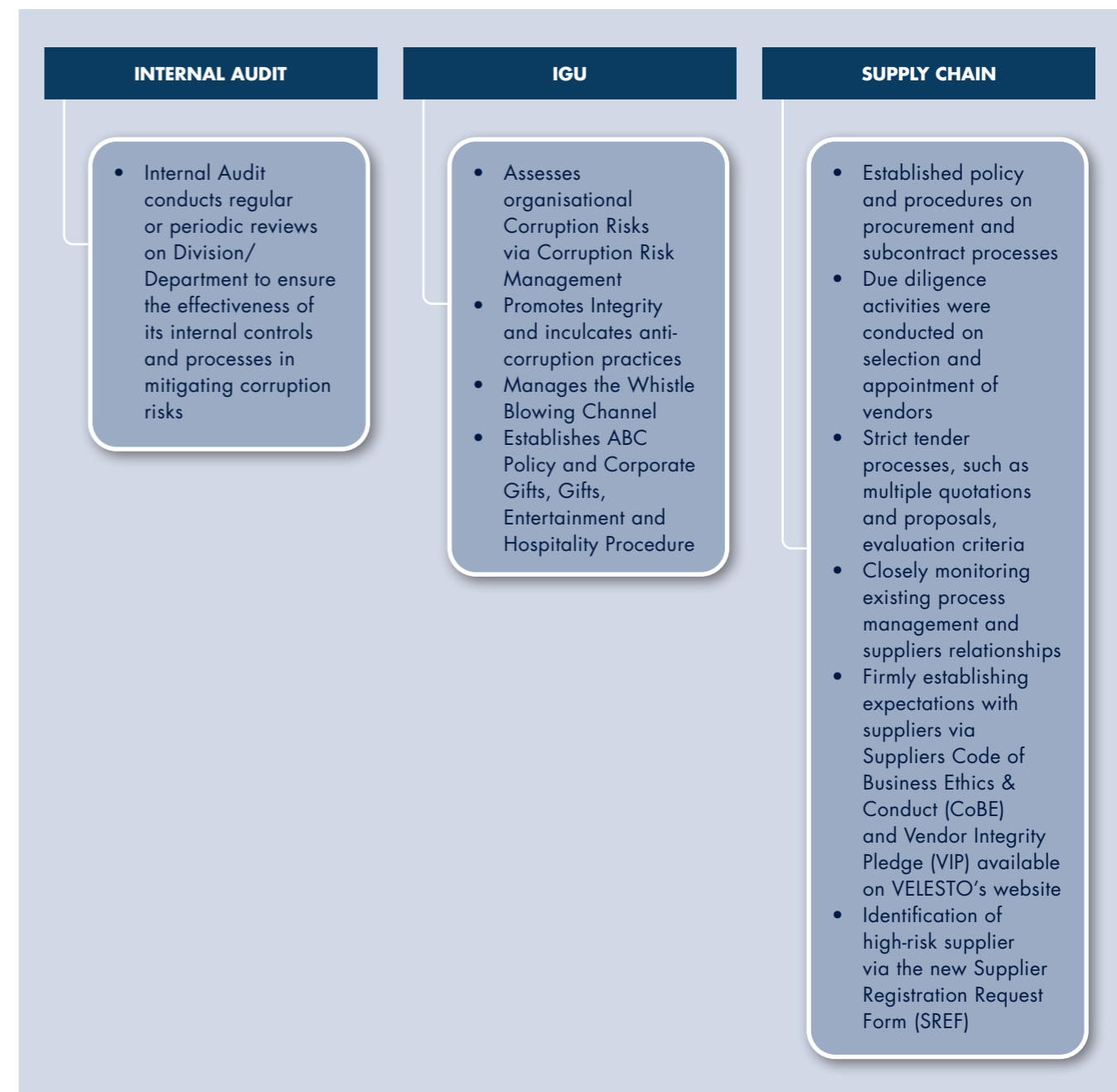
ACTIVITIES	REMARKS
<p>9</p> <p>Integrity Roadshow and Awareness</p>	<ul style="list-style-type: none"> Roadshow and awareness sessions on anti-corruption, ABC Policy, integrity and governance-related policies and procedures were held from December 2020 until January 2021 Participated by: <ul style="list-style-type: none"> Corporate Divisions Supply bases
<p>10</p> <p>Monitoring of VELESTO's License, Subscriptions and Contracts</p>	<ul style="list-style-type: none"> Close monitoring and constant reminder communication on the required licenses and contracts renewal activities by the respective stakeholders Requirement of presenting proof/evidence of renewal or completion Update of database in the ePR system
<p>11</p> <p>Submission of MACC Report (bi-annually)</p>	<ul style="list-style-type: none"> Report were submitted based on a standard format/template set by MACC Report coverage period and submission date: <ul style="list-style-type: none"> July – December 2019 : 29 January 2020 January – June 2020 : 27 July 2020 July – December 2020 : 27 January 2021

VELESTO CORRUPTION RISK ASSESSMENT

As in previous years, in FY2020, VELESTO conducted Group-wide corruption risks assessment and identified Divisions/ Departments that have varying risk exposures as frontliners with interactions with third parties and intermediaries. Following thereon, mitigation actions and activities were conducted throughout FY2020. These activities were monitored to ensure that anti-corruption ambition remains a priority to all employees.

SAFEGUARDS TO DRIVE STRONG ANTI-CORRUPTION STANCE

VELESTO's ABC Policy is supported by the following safeguards towards preventing corrupt practices within the organisation and between the organisation and its supply chain.



WHISTLE-BLOWING MECHANISM

VELESTO strengthened its whistle-blowing (WB) mechanism by introducing additional reporting channels via its website and SharePoint to encourage all stakeholders (internal or external) to lodge reports on bribery, any corrupt activities or any other form of unethical behaviour, including harassment.

The whistle-blower is accorded immunity from any form of punitive action, intimidation or reprisal irrespective if the allegation is substantiated or proven to be unfounded provided that the report has been made in good faith. The whistle-blower will be free of recrimination or reprisals and concerns of his / her identity being divulged.

Reports can be made directly to the Head of IGU. Upon verification and notification to BWBC, the reports will be investigated by the IGU. If the reports are substantiated, appropriate actions will be taken on the offending party. This includes warnings, dismissals, and contract termination, or even reported to enforcement authorities such as MACC or the police for further action.

CODE OF BUSINESS CONDUCT AND ETHICS

VELESTO's Code of Business Conduct and Ethics (CoBE) guides VELESTO in fulfilling its business obligations with integrity and transparency. It serves as a reference for

expected conduct and ethics for VELESTO's Board of Directors, Management and staff, and also extends to suppliers, vendors and all stakeholders within the value chain. The CoBE is driven by our core values, keeping in mind the highest standard of business ethics.

The CoBE is rolled out to employees through various trainings as well as communication programmes. Each employee undergoes training and is required to read and understand the CoBE. All employees will be required to agree and declare their understanding of the Group's policy and procedures, and submit their individual "Disclosure of Conflict of Interest".

Beyond the induction stage, periodic refresher programmes are organised for staff to ensure that the CoBE and Vendors Code of Business Conduct are reinforced and a clear message is sent that VELESTO views good corporate governance and corporate behaviour with importance.

STRENGTHENING GOVERNANCE THROUGH MEMBERSHIP IN ASSOCIATIONS

By virtue of being a member of the following industry or professional associations, VELESTO subscribes to the rules and regulations of these associations which strengthen organisational governance:

ENERGY INDUSTRY	OTHERS
<ul style="list-style-type: none"> The Malaysian Oil & Gas Services Council (MOGSC) Malaysian Gas Association (MGA) Energy Industry Council (EIC) International Association of Drilling Contractors (IADC) 	<ul style="list-style-type: none"> Malaysian Society of Occupational Safety & Health (MSOSH) Institute of Internal Audit (IIA) Malaysia

In addition, VELESTO is proud to contribute to academia and industry development, through our continuous participation in various advisory panels such as Malaysia Petroleum Resources Corporation (MPRC), Universiti Teknologi Petronas (UTP) and Heriot-Watt University Malaysia.

STAKEHOLDER ENGAGEMENT

Stakeholder engagement is essential in ensuring that VELESTO remains inclusive in its Sustainability approach. A strategic approach to multi-stakeholder engagements provides stronger assurance that the Group is aware of others' expectations and will not develop a myopic or insular view that negates the perspectives of stakeholders.

Hence, the necessity of engagement towards ensuring stakeholders' views, aspirations and concerns are also included in the determination of material ESG topics and value creation.

Stakeholders are defined as individuals or groups that are impacted or may be potentially impacted by VELESTO's business presence and activities, or have the potential to impact or influence VELESTO's operational and/or financial performance as well as overall corporate reputation and perception.

In FY2020, the impact of COVID-19 has led an increased use of online / virtual channels to engage with stakeholders. A key highlight was the FY2020 virtual Annual General Meeting (AGM). Various other engagements were also implemented using online platforms.

Given that the nature of VELESTO's business operations as a drilling services and oilfield services provider is unchanged, our stakeholder engagement channels remain largely unchanged from the previous financial year.

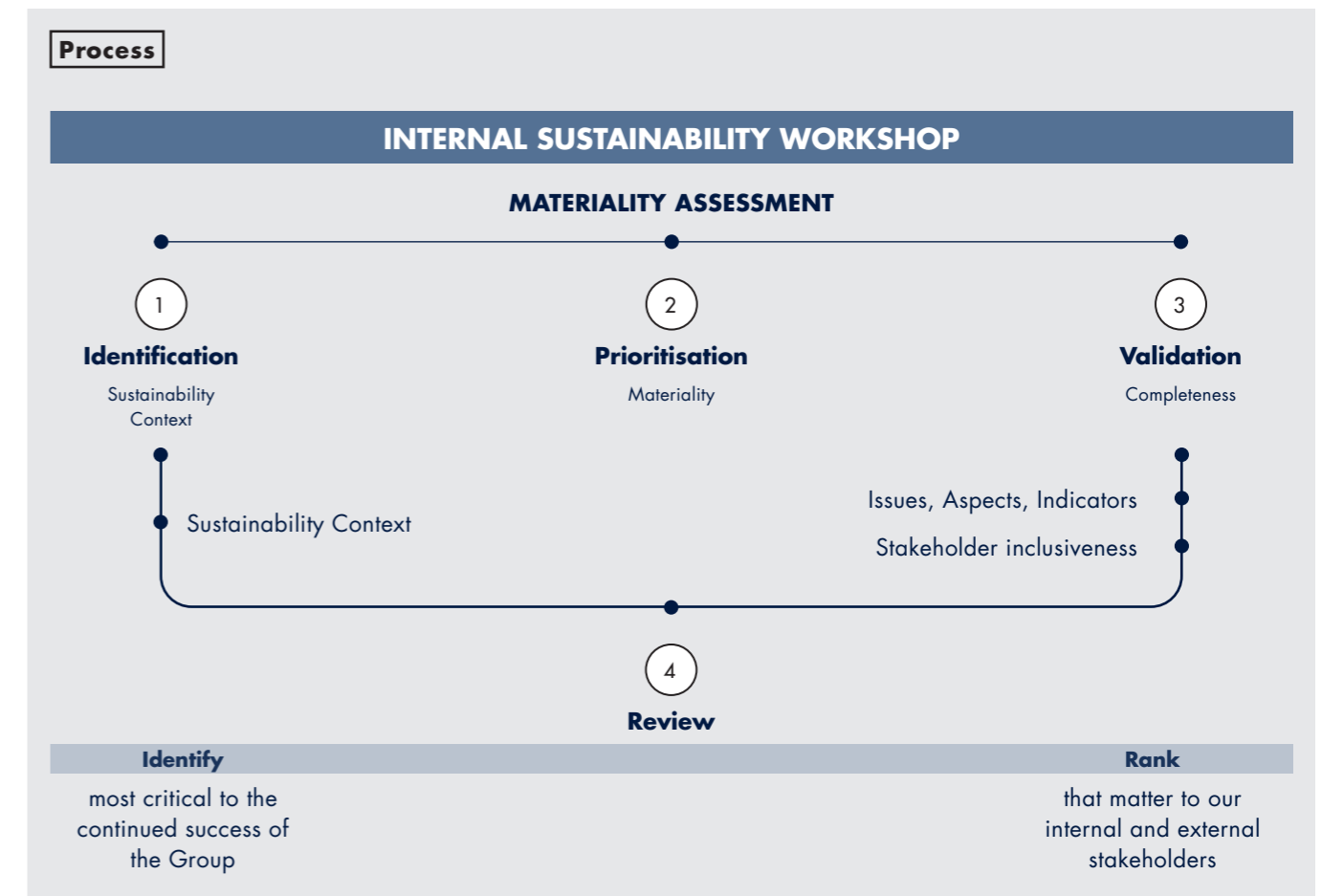
METHODS OF ENGAGEMENT	MATTERS DISCUSSED	GROUP RESPONSES / OUTCOMES
SHAREHOLDERS AND INVESTORS		
<ul style="list-style-type: none"> Analyst Briefing Annual General Meeting Annual Report Investor Briefing Announcements of corporate developments to Bursa Malaysia Quarterly announcements of financial results to Bursa Malaysia One-on-one meeting Updates on Investor Relations page on VELESTO's website Press Release 	<ul style="list-style-type: none"> Quarterly updates by the President on the position and status of the Group to analysts from various financial/research houses A yearly update to shareholders on the strength and position of the Group, while also sharing the current health of their investment Regulatory matters Ad-hoc (as and when required) briefings to investors on the strength and position of the Group Quarterly announcements/discussions on the financial results Ad-hoc (as and when required) updates to analysts and fund managers Ad-hoc (as and when required) updates via Press Release distributed to the media 	<ul style="list-style-type: none"> More positive coverage by analysts and media Maintained share price performance Compliance with MMLR
PETRONAS AND OTHER OIL COMPANIES		
<ul style="list-style-type: none"> Management engagement Customer feedback exercises Frequent rig/office visits Formal meetings Email queries Trade shows and exhibitions 	<ul style="list-style-type: none"> Discussions and clarifications on technical, operational and commercial matters Operational and safety issues Rig operating schedules Rig/office visits by existing and potential clients Quarterly management engagement and frequent operational meetings to discuss technical, operational and commercial matters Continuous effort in promoting VELESTO Various emails with regards to commercial and technical clarifications from clients Various marketing emails to existing and potential clients Abu Dhabi International Petroleum Exhibition and Conference (ADIPEC), Malaysian Oil & Gas Services Council (MOGSC), Malaysia External Trade Development Corporation (MATRADE) etc. 	<ul style="list-style-type: none"> Ensure all clarifications are responded to and appropriate actions are undertaken Managing issues with various teams Visits jointly organised by Business Development and Operations teams Frequent engagements with clients and authorities on respective matters Frequent marketing meetings held between VELESTO and new/existing clients to promote and/or introduce VELESTO's capabilities and rig schedules Participated in various tradeshow and exhibitions when deemed necessary, local and overseas for marketing and branding purposes
GOVERNMENT/REGULATORS/AGENCIES		
<ul style="list-style-type: none"> Annual/periodical compliance as per relevant laws and regulations Management engagement Formal and informal meetings Written and email communications 	<ul style="list-style-type: none"> Compliance to regulatory requirements Feedback on impact of policies Explore areas of mutual support from government initiatives 	<ul style="list-style-type: none"> Mutual understanding on compliance requirements and adherence Participation in initiatives/programmes Clarification on regulations Appeal or concession, if required

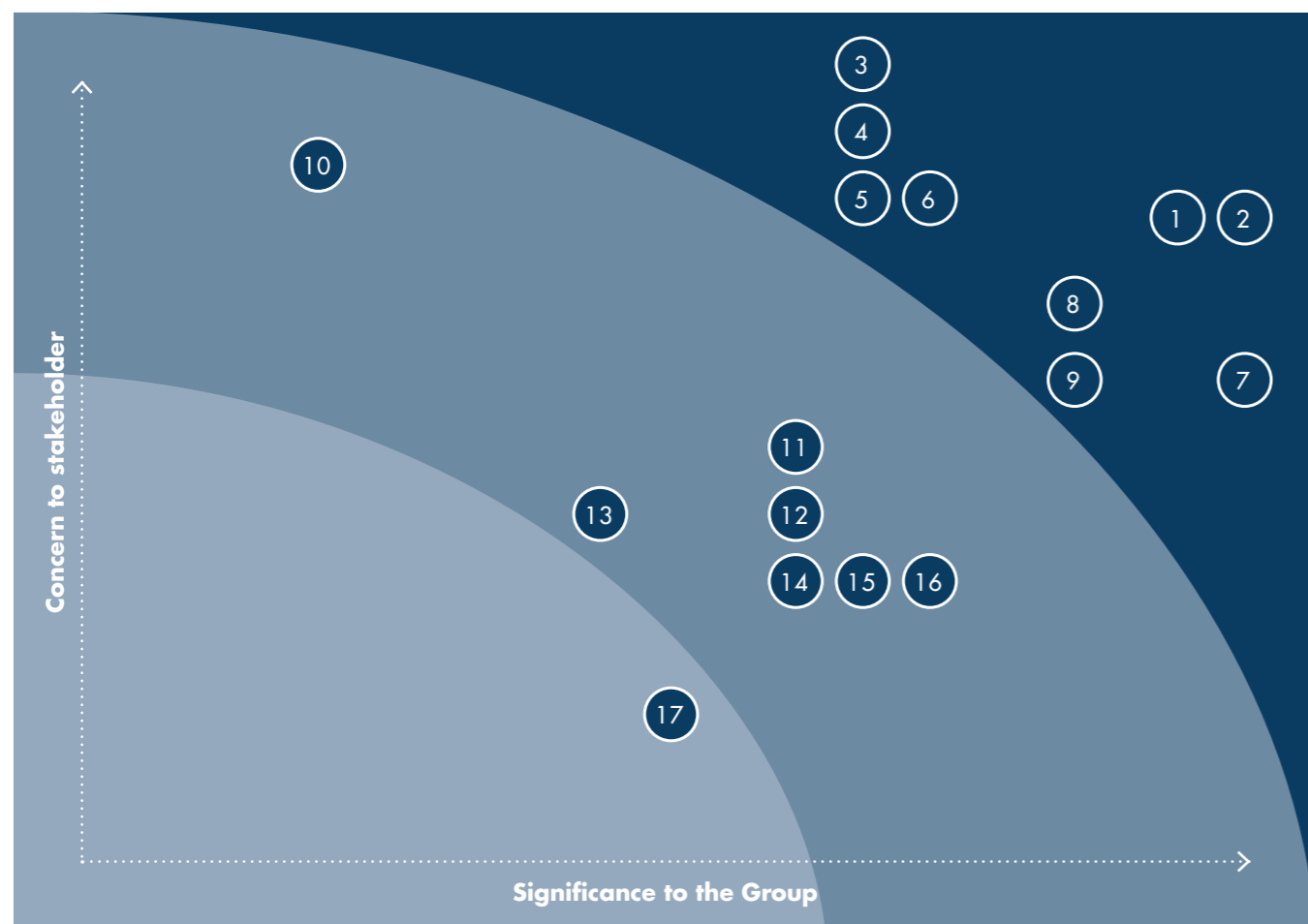
METHODS OF ENGAGEMENT	MATTERS DISCUSSED	GROUP RESPONSES / OUTCOMES
EMPLOYEES		
<ul style="list-style-type: none"> Townhall sessions Festive celebrations Internal communications emailers Employee excursions/events Management HSE walkabouts Lunch with President session Talent Management Roadshow & Workshop Reskilling & Upskilling Roadshow Virtual Teh Tarik Session with President HR-RIG Engagement Session 	<ul style="list-style-type: none"> Quarterly updates by the President on the position and status of the Group to VELESTO staff in townhall sessions Providing updates on VELESTO's SharePoint on the latest happenings, events, etc. Some internal emailers also discuss topics related to work-life balance HSE Observation Card (HOC) winner 	<ul style="list-style-type: none"> Updated awareness on the Group Internal communications help ensure that all members of the organisation are kept up to-date on the on-goings at VELESTO Promote safety awareness at the workplace
FINANCIAL INSTITUTIONS		
<ul style="list-style-type: none"> Annual Report Analyst Briefing Annual General Meeting Regular engagement, conference call and periodic update Site/rig visit 	<ul style="list-style-type: none"> Liquidity and investment management Financial risk management Regulatory and debt covenants compliances 	<ul style="list-style-type: none"> Effective communications on business and operational updates Updated release of Group's financial results and operational performances Compliance and continuous engagements to improve the debt covenants
COMMUNITIES		
<ul style="list-style-type: none"> Corporate Social Responsibility (CSR) 	<ul style="list-style-type: none"> Implementation of VELESTO's three main CSR pillars (safety, education and environment) at selected partners/schools/communities 	<ul style="list-style-type: none"> Improvement/betterment of the participating stakeholders' understanding on safety, improved education experiences and results, and improved/better understanding of the environment
VENDORS		
<ul style="list-style-type: none"> Management engagement Vendor feedback exercise Office/site visits Site audits Document audits Formal meetings Email queries Trade shows and exhibitions Appointment of Vendor Development Programme (VDPx) vendors 	<ul style="list-style-type: none"> Introduction meetings Discussions and clarifications on technical and operational requirements Commercial negotiations Solicitation/clarification of quotations Operational and safety issues Rig operating schedules Continuous effort in promoting VELESTO's core values (iLEAP) Various marketing emails from vendors Robustness of HSE management systems Financial capability Technical capability Outstanding issues (payment, delivery, quality, etc.) MOGSC, MATRADE etc. 	<ul style="list-style-type: none"> Familiarising with vendor's capabilities Ensure VELESTO's requirements on HSE and CoBE are understood and delivered as required Negotiate for competitive rates for materials/services procured Ensure materials/services are procured at the right quality and delivered to the right location at the right time Ensure safety standards are upheld to prevent incidents at work site Ensure business dealings are dealt with according to VELESTO's core value, i.e. 360 degrees compliance Ensure vendors are technically sound and have robust HSE management systems and financial stability to carry out work seamlessly Ensure issues are resolved at the shortest possible time Continuous networking to promote local participation in VELESTO's procurement activities Actively promote local vendors to upskill and be more competitive in the international arena via VDPx initiative

ASSESSING AND DETERMINING MATERIALITY

VELESTO continues to assess its materiality topics guided by the focus areas of people development, environmental footprint, health and safety and corporate governance. Material topics are identified by the SWG and the SSC which are then assessed and approved by the BRMC.

The materiality assessment process comprises the development of questionnaires (based on the GRI Standards 2016 content index), the FTSE4Good Index, as well as through internal workshops among Middle and Senior Management.





The findings from these data gathering activities are analysed and a preliminary list of topics is then developed for further assessment, including external stakeholder validation.

Supported by external views, the list of material topics is then further refined and weightage is given to each, based on their potential Economic, Environmental and Social (EES) impact and its severity and significance to VELESTO and its stakeholders.

Our key criterion for materiality prioritisation is based on impact or significance of a particular materiality matter to VELESTO and its stakeholders. Based on the prioritisation, VELESTO develops its materiality matrix for the financial year. The developed materiality matrix is shared with Senior Management and the Board of Directors for further deliberation and subsequently validation.

We are cognisant that given the differing aspirations, concerns and views, there may be variances in significance of a particular materiality matter(s) between stakeholders. Hence, we have sought to exercise our own discretion if there were any potential conflicts of interest between stakeholders to determine the outcome of VELESTO's materiality matrix.

VELESTO will continue to refine and improve its materiality assessment process taking into account new trends, developments and technologies within the external macro-economic environment and within the oil and gas sector.

MATERIAL ECONOMIC TOPICS

"WE TAKE CARE OF THE PLACES WHERE WE OPERATE"

Despite turbulent operating conditions, VELESTO has continued to generate and distribute a wide range of economic values for stakeholders as provided:

Direct and Indirect Economic Value Created

In FY2020, given the impacts of the COVID-19 on the global and domestic economy and the oil and gas sector, VELESTO has seen a decrease in direct economic values created for the financial year. On the back of lower rig utilisation, revenues and earnings were impacted in FY2020.

However, the various proactive measures taken has enabled the Group to continue achieving business and operational sustainability. The full details of VELESTO's financial performance are provided in the Chairman's Statement and Management Discussion and Analysis (MD&A) and Financial Statements of this IAR2020.

Revenue

RM547

million
(2019:RM671 million)

EBITDA

RM293

million
(2019:RM333 million)

Profit After Tax

-RM492

million (*)
(2019:RM33 million)

Earnings Per Share

-5.99

sen (*)
(2019: 0.40 sen)

(*) Note: Includes Impairment RM462 mil and Accelerated Depreciation RM23 mil

Purchases from Local Suppliers

RM120

million
(2019: RM186 million)

In Employees Salaries and Benefits

RM118

million
(2019: RM139 million)

Taxes Paid to the Government

RM10

million
(2019:RM 9 million)

Debt Repayment and Interest to Financiers

RM301

million
(2019: RM231 million)

DEVELOPING LOCAL SUPPLY CHAINS

In FY2020, use of local procurement has increased to 70% as given below:

	2018	2019	2020
% Spend	67%	69%	70%
RM ('Million)	120	186	120

Local procurement is always preferred provided the value proposition is competitive. This includes making purchases for goods and services that are not sourced from an Original Equipment Manufacturer (OEM).

The Group’s preference to source locally is aimed at developing local value chains and facilitating local job creation and entrepreneurship opportunities. Beyond creating jobs and business opportunities for locals, local procurement also enables knowledge and skills transfer and reduces our environmental footprint (when compared to importing goods or services from abroad).

Interested vendors may bid under an open tender system where contracts are awarded based on the best value proposition offered; in terms of cost, quality of goods and services and other set criteria.

VELESTO’s management approach for local suppliers is further reinforced via its participation as one of the local anchors for Vendor Development Programme (VDPx), a programme under PETRONAS in support of the Ministry of International Trade and Industry (MITI).

Under VDPx, VELESTO has identified Topside Medic Support Services, Logistics & Forwarding Services Offshore Catering Services and Offshore Manpower Services as scopes based on our business requirement to accelerate the development of successful local entrepreneurs.

Our knowledge transfer to these vendors have enabled them to not just attain useful skills, but to also improve their earning capabilities and serve the domestic oil and gas sector.



CASCADING OUR SUSTAINABILITY MINDSET TO OUR VALUE CHAIN

Increasingly, VELESTO cascades its Sustainability values to its suppliers and business partners.

Beyond just providing the best value proposition in terms of cost and quality of services, VELESTO in FY2020 have also commenced assessing suppliers based on the following criteria: occupational health and safety, environmental performance, financial stability, labour standards, corporate governance and others.

- RESPECT FOR LAWS AND HUMAN RIGHTS**
 - Suppliers must abide by all laws.
 - Suppliers resorting to forced or child / underage labour, intimidation or harassment, threats or coercion will be disqualified and prohibited from future procurement processes.
- RESPECT FOR FREEDOM OF ASSOCIATION & COLLECTIVE BARGAINING**
 - Suppliers must at all times, allow workers to bargain collectively for their rights and compensation packages.
- RESPECT FOR DIVERSITY**
 - Suppliers are at all times, adopt formal or informal discriminatory practices based on age, gender, language, marital status, religion, union affiliation, race, colour, ethnic or national origin, family status, disability or other distinguishing characteristics.
- RESPECT FOR HEALTH AND SAFETY**
 - Employees are to be at all times provided with safe working conditions and conditions that do not impact their health. Where the job or work area presents health and safety risks, workers must be at all times, provided with the necessary training, equipment and safeguards.
 - Suppliers must strive for zero life loss at all times.
 - Adoption of a recognised HSE system.
- RESPECT FOR THE ENVIRONMENT**
 - Be committed to protecting the environment and prevent pollution

SUPPLIER AND CONTRACTOR PERFORMANCE ASSESSMENT

VELESTO continuously evaluates suppliers’ performance through questionnaires and surveys based on the following criteria.

- Contract tenure and expiry
- Suppliers with the highest procurement budgets (Top Spends Suppliers)
- Other specific criteria set by Supply Chain Department

In FY2020, due diligence was conducted on 91 new suppliers based on the approved documentation, guidelines and requirements by the Tender Committee. For existing suppliers, 21 suppliers were identified for due diligence processes, either via a physical audit or document review/audit.

On average, about 20 physical inspection audits are conducted annually. In FY2020, there were no termination of suppliers for non-compliance.

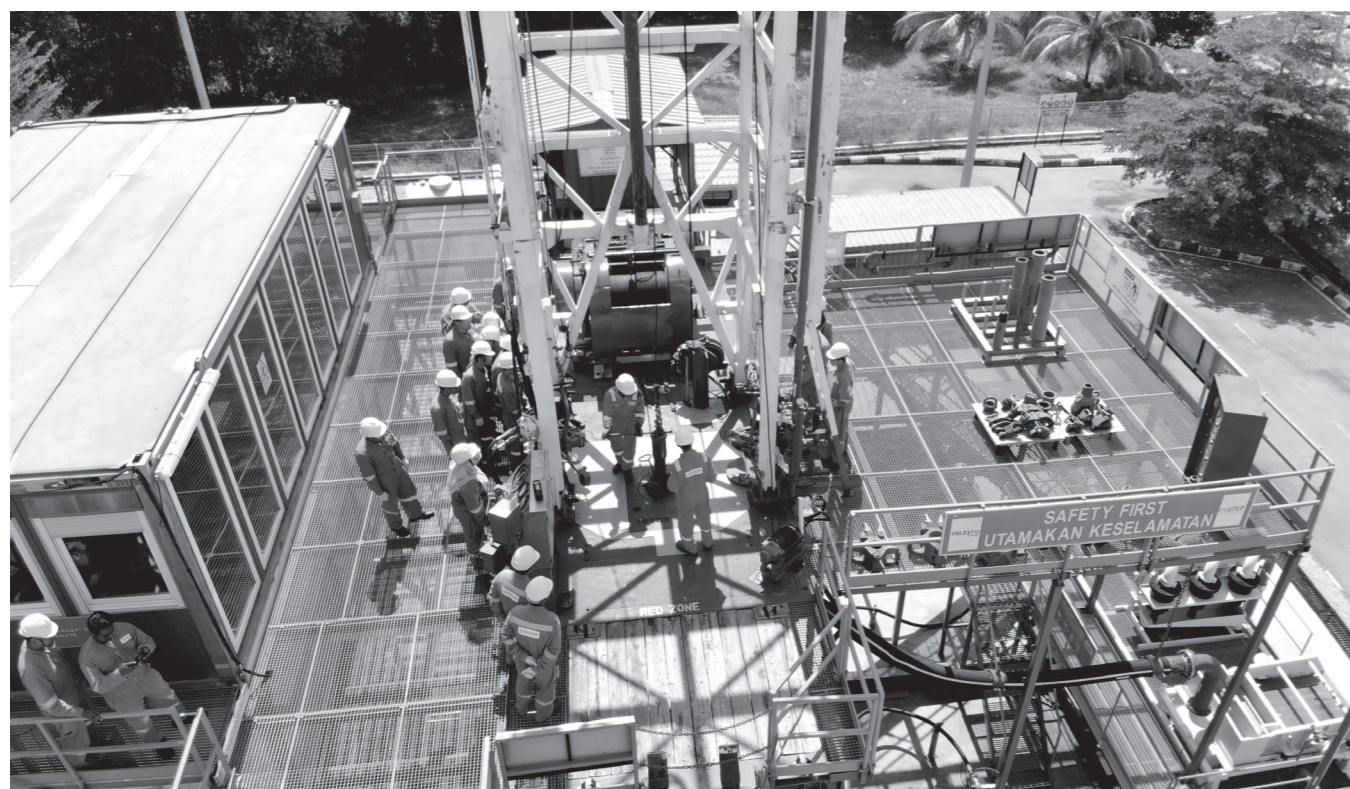
INDIRECT VALUE GENERATED FOR COMMUNITIES

VELESTO's business operations in East and West Malaysia continues to deliver a catalytic economic effect for local communities. This includes employment opportunities and support to businesses through local procurement of products and services (i.e. transportation, accommodation, logistics, food and beverage and others).

The presence of the Group's supply and operating bases also provides the impetus and confidence for other businesses to commence or expand operations. Over time, the effect

of our presence grows and has contributed to a thriving localised economy that has enabled local communities to achieve higher incomes, better quality of living and socio-economic mobility.

With regard to local hiring, we continue to emphasise hiring of employees where we operate. Effectively, VELESTO has provided highly skilled jobs in less developed regions of the country. Skills and knowledge have been transferred to enhance the employability of these individuals while supporting the development of local oil and gas talents.



VELESTO-INSTEP DRILLING ACADEMY

One of VELESTO's most significant contributions to the local oil and gas industry has been the Velesto-INSTEP Drilling Academy (VIDA). VIDA is a collaboration between VELESTO and Institut Teknologi Petroleum PETRONAS (INSTEP), with the purpose to develop Malaysian drilling professionals to fill the present gap of such talent in the domestic oil and gas sector.

Despite the impacts of COVID-19, VELESTO has remained committed to supporting VIDA to continuously conduct most of its training online. Importantly, VIDA does not just meet VELESTO's requirements for professional trained, competent talents, but for the entire industry.

This is due the fact that VELESTO operates VIDA under a non-partisan basis, that is courses and programmes are open to anyone from the oil and gas industry, including other oil and gas companies, both locally and internationally.

VIDA is accredited by the International Association of Drilling Contractors (IADC) and International Well Control Forum (IWCF). Following is VIDA's numbers of participants over the past three years and the talents it has been trained within the same period.

	FY2018	FY2019	FY2020
Training Participants	224	338	291

MATERIAL ENVIRONMENTAL TOPIC

AS A LEADING DRILLING OPERATOR IN THE OIL AND GAS INDUSTRY, WE STRIVE TO ENSURE THAT WE TAKE PRECAUTIONARY ACTIONS TO MINIMISE THE IMPACT ON THE ENVIRONMENT IN WHICH WE OPERATE.

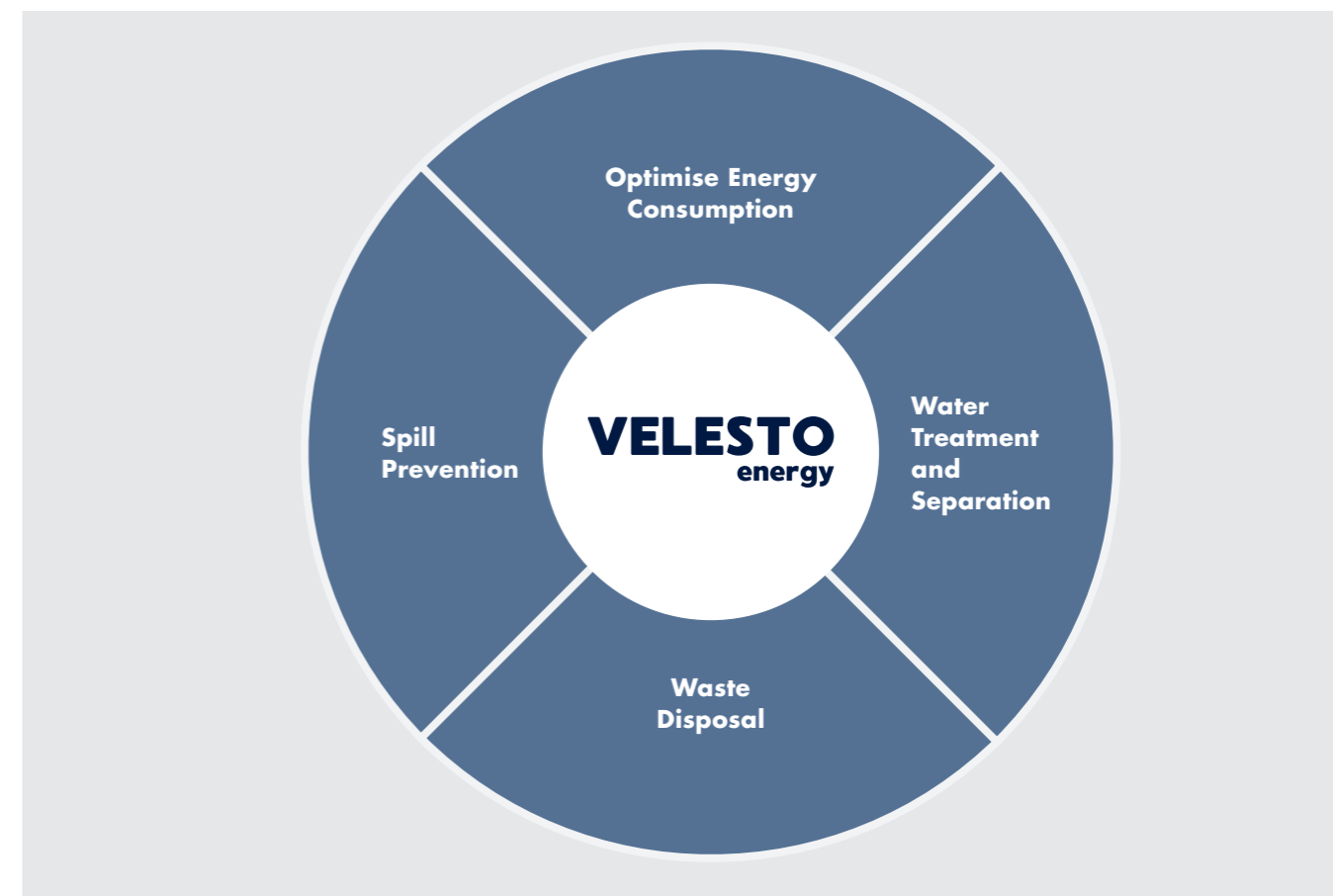
CLIMATE CHANGE

In FY2020, there has been an intensified focus on addressing climate change, notably within the oil and gas industry, globally. PETRONAS, in its Activity Outlook for 2021-2023, mentions a "great reset" for the oil and gas sector. Increasingly, governments across the globe are including climate change within their national strategy for energy production. This includes the Malaysian government.

Similarly, many oil and gas companies have set net zero carbon emissions aspirations moving towards 2050. The world is undergoing an energy transition, driven by climate change.

For its part, VELESTO has been actively monitoring the potential and actual contribution to climate change. Primarily, the Group's contribution is through the emissions released from its drilling operations and consumption of fossil fuels i.e. diesel to operate its rigs.

Having identified our contributory areas, the Group continues to adopt measures to reduce emissions and to optimise energy consumption via the following strategies:



As a service provider in the oil and gas industry, we are taking practical measures to ensure the types of fuel used in our diesel engines produce lower amounts of carbon dioxide (CO₂), corresponding to both the Paris Agreement and the Kyoto Protocol as formed by the United Nations Framework on Climate Change (UNFCCC).

The UNFCCC encourages reduction in CO₂ emission where Malaysia is one of the Non-Annex 1 parties for both commitment periods (2008-2012 and 2013-2020). VELESTO continues to explore new business opportunities in other segments independent of drilling rig operations.

IMPACT OF CLIMATE CHANGE ON GROUP OPERATIONS

Climate change is regarded as a low risk factor for VELESTO with relatively little or no impact arising that would necessitate financial measurement or planning of any potential costs/ losses arising from it.

As in previous years, its impact on the Group operations remains limited to changing weather patterns causing temporary disruption to rig operations.

Notwithstanding, VELESTO does assess how volatile weather conditions could impact offshore operations and may consider establishing specific climate-related risk management process should the effects of climate change become more severe going forward.

ENERGY CONSUMPTION

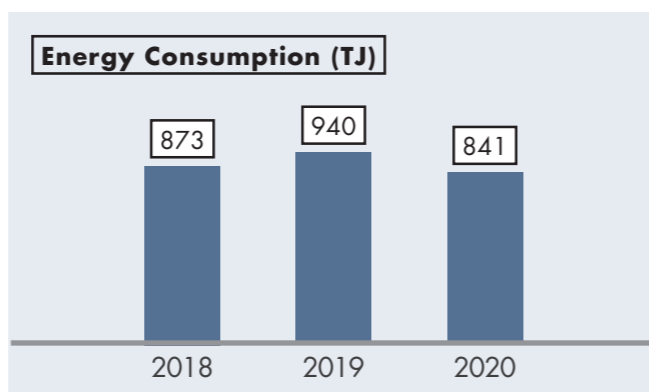
The scope for VELESTO's energy consumption disclosures is centred on its drilling rig operations, which consume the most amount of energy. The Group's management approach is driven by its Rig Power Management System (RPMS).

Essentially, the RPMS provides each rig with five diesel powered generators with the biggest power consumer being the mud pumps followed by the Top Drive System (TDS) and the Draw works. Fuel source consumed is diesel fuel.

The RPMS is able to detect when the rig equipment requires a lower power load and with that, automatically shuts / revs the engine(s) down. This enables more efficient use of energy for drilling activities.

In FY2020, VELESTO consumed 19,522 metric ton (MT) of diesel and 468,247 kilowatt-hour (kWh) of electricity. As mentioned, diesel is primarily consumed by the Group's rigs. Electricity consumption is based on consumption from the Kemaman and Labuan supply bases and VELESTO's Headquarters in Kuala Lumpur.

Following is the Group's energy consumption in Terajoules (TJ):



Note: 2019 energy consumption has been restated from 807TJ

Year	2018	2019	2020
Energy Consumption (TJ)	873	940	841

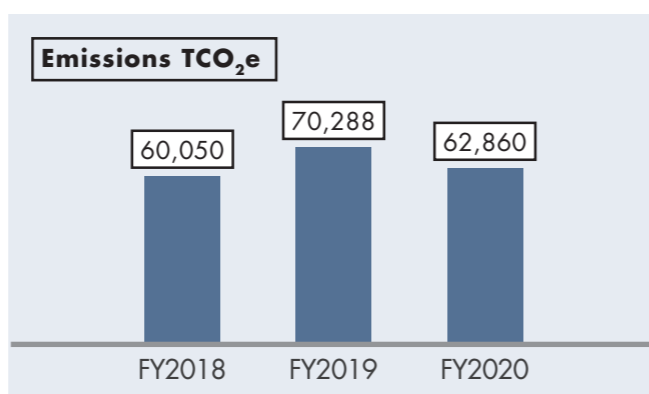
The reduction in energy consumption in 2020 is driven by lower rig utilisation as compared to 2019. The Group is working towards establishing time-based quantified and unquantified targets going forward.

GREENHOUSE GAS (GHG) EMISSIONS

VELESTO's approach to managing GHG emissions is based on the internationally recognised Greenhouse Gas Protocol as well as compliance to Annex VI of MARPOL 73/78. This entails air pollution prevention, including control on greenhouse gas emissions and the quality of fuel oil used by diesel engines.

Our attention on addressing emissions from operations is based on the contributory effects of said emissions to climate changes and other environmental impacts. At present, the Group's emission levels comply with regulatory standards.

Following are the Group's total emissions based on Scope One and Two sources in metric ton of carbon dioxide equivalent (TCO₂e):



Note: 2019 emissions has been restated from 50,551 TCO₂e

Year	FY2018	FY2019	FY2020
Emissions (TCO ₂ e)	60,050	70,288	62,860

VELESTO has yet to establish short or long-term targets for reduction in emissions. However, the Group remains committed to adopting best practices to progressively reduce emissions across its drilling rig operations.

WATER CONSUMPTION

Water consumption is scoped to water used for drilling rig operations. Water consumed is mainly seawater. About 60%-70% of water withdrawn is used for non-potable applications such as flushing and drilling.

The remainder is filtered and distilled via reverse osmosis for potable consumption (for the crew). On several of our rigs, besides seawater, rainwater and recycled water (sourced onshore) are used.

VELESTO does not have any operations in proximity with fresh-water bodies or water catchment areas and hence has no material impact on water security.

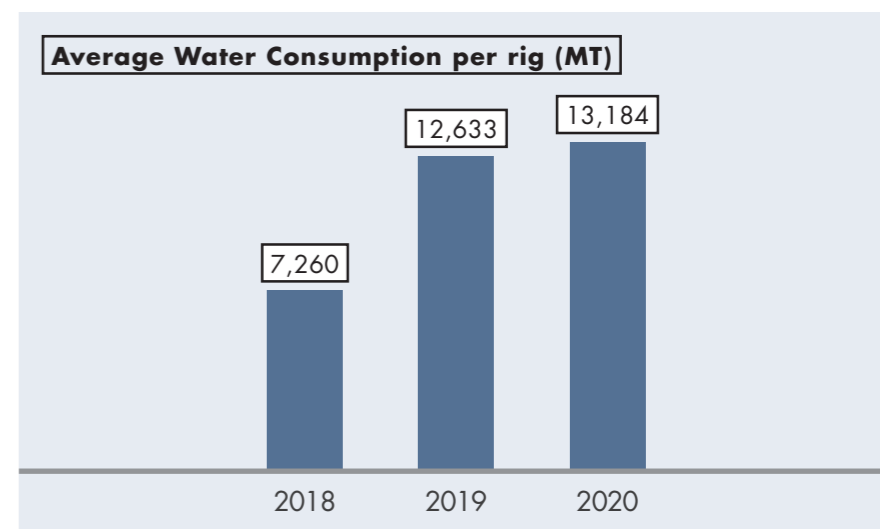
While reverse osmosis of seawater provides a limitless water source, the process itself consumes energy, which leads to increased diesel consumption and contributes to emissions and increases carbon footprint.

On all rigs, there is a constant campaign to heighten awareness on conserving potable water consumption. This is vital given that rig crew can rise up to 140 personnel at a single site.

WASTEWATER

In line with Annex 1 of MARPOL 73/78, all VELESTO rigs are equipped with internationally approved oily water separator facilities to treat water with oil content and bring the said oil content to permissible levels (below 15 parts per million or "ppm") prior to being discharged overboard.

Also in line with Annex IV of MARPOL 73/78, all VELESTO rigs have sufficient storage capacity for manure and a dedicated, self-contained Sewage Treatment System. Hence, waste is treated on-board and the final treated effluent, which is deemed safe by the Department of Environment (DOE), is stored to allow full decomposition prior to discharge into the sea.



	2018	2019	2020
Average Water Consumption per rig (MT)	7,260	12,633	13,184

The Group is working towards establishing time-based quantified and unquantified targets for efficient water consumption going forward. The focus would be on reducing water sourced from onshore sources, primarily and to move towards 100% reliance on seawater and rainwater harvesting.

However, management is cognisant that water consumption for drilling operations is driven by operational need, thus consumption levels will be determined by rig utilisation and level of operational activity. This operational need for water based fluid for high complexity wells, has driven the total water usage up in 2020 compared to the prior year.

The focus, going forward is to reduce reliance on reverse osmosis processes and to leverage on rainwater harvesting. VELESTO is increasing rainwater harvesting capabilities on all rigs as such water is collected on the rig itself and does not need further processing (as opposed to reversed osmosis seawater), which will contribute to reduced emissions and carbon footprint.

WASTE MANAGEMENT

Waste management disclosures are scoped to our rig operations. In accordance with the International Convention for the Prevention of Pollution for Ships (MARPOL 73/78), our offshore drilling platforms adhere to a dedicated waste management plan to ensure all types of waste are disposed of in an environmentally friendly manner.

Licensed third-party contractors are used for waste disposal. All contractors are approved by the DOE. Waste produced from oilfield services, is disposed of accordingly to the standards set by the DOE's Environmental, Quality (Schedule Waste) Regulation 2005.

Waste is managed according to the Group's stringent process and procedures which comply with the DOE's regulatory standards as well as industry best practices.

	2018	2019	2020
Chemical Waste i.e. oil sludge, waste oil, oily water (MT)	205	235	239
Scheduled Solid and Chemical waste (MT)	306	304	280

Solid waste is segregated based on usable and disposable materials, particularly at our warehouses in Kemaman and Labuan. Solid and chemical wastes are transported and disposed of via licensed local contractors without any incidents of spillage.

ENVIRONMENTAL SPILLS

VELESTO in FY2020 has once again achieved a zero major spills record, its fourth consecutive year. VELESTO’s rigs comply with Annex 1 of the International Convention for the Prevention of Pollution from Ships (MARPOL).

In addition, our fleet is certified by regulatory bodies such as the American Bureau of Shipping and Det Norske Veritas. The Group’s rigs have been designed with spill containment systems as part of the overall management approach to effective environmental protection, especially direct environmental pollution.

VELESTO continues to monitor environmental incidents as part of its monthly HSE performance reporting system. VELESTO categorises environmental spills into minor and major spills. Minor spills are defined as spills with less than, or equal to 800 litres of spillage while major spills are identified as spillages amounting to 800 Litres or more.

In FY2020, there were no spill incidents, minor or major.

No. of incident(s)	FY2018	FY2019	FY2020
No. of minor spills	5	8	0
No. of major spills	0	0	0

The above spillage incidents did not have a material impact on the environment.

BIODIVERSITY

In FY2020, we have continued to consider any potential impacts on biodiversity on local flora and fauna in the areas where our drilling rigs operate. This includes consulting with our clients and other regulatory authorities.

To the best of our knowledge all VELESTO rigs in FY2020 operated and continue to operate in marine locations deemed not high in biodiversity or considered sensitive to ecological changes. It has yet to be reported that the location in which our drilling rigs operate have any flora or fauna species listed on the IUCN Red List of Threatened Species.

It is also a common practice for us to receive seabed survey reports prior to rig positioning, to ensure that we place our rigs in coral free areas.

Given the various measures taken to recycle wastewater and waste products to ensure safe disposal, we are of the view that VELESTO’s drilling rig operations have no material impact on biodiversity.

DECOMMISSIONING

VELESTO is participating in Plug and Abandonment (P&A) decommissioning activities and is cognisant that decommissioning activities, if not managed properly can result in significant environmental impacts. These impacts include spillages of crude oil that will result in environmental pollution.

Hence, the Group is committed to ensure safe and environmentally compliant decommissioning.

VELESTO complies with the local and international conventions. We adhere to and require our contractors to follow the required guidelines as below:

- ASCOPE Decommissioning Guidelines for Oil and Gas Facilities.
- DOE Environmental Impact Assessment Guidelines for Petroleum Industries.
- Guidelines on Radiological Monitoring for Oil and Gas Facilities Operators Associated to TENORM, AELB 1996.
- Guidelines for Decommissioning with Radioactive Materials, AELB 2009.
- Guidelines on Mercury Management in Oil and Gas Industry, DOSH 2011.
- DOE Environmental Guidelines for Decommissioning of Oil and Gas Facilities in Malaysia.

MATERIAL SOCIAL TOPICS
OUR PEOPLE

OUR GREATEST ASSET AND THE PILLAR OF OUR SUCCESS

VELESTO’s social Sustainability pillar is focused on two key aspects, that is its workforce and secondly, the local community.

With the former, the Management approach for talent is centred on ensuring effective talent recruitment, retention and development. With the latter, the focus is on generating positive societal impacts in terms of health and safety, education and overall community betterment. The Group’s definition on local communities based on the surrounding communities in which VELESTO has a business presence in as well as society at large.

In terms of employment, VELESTO is guided by basic human rights principles and the Malaysian Employment Act 1995 and all other relevant labour laws of Malaysia. The Group subscribes to the International Labour Organisation (ILO) and the Universal Declaration of Human Rights and also the UN Global Compact 10 Principles as follows:

Human Rights	Labour	Environment	Anti-Corruption
1 Businesses should support and respect the protection of internationally proclaimed human rights; and	3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	7 Businesses should support a precautionary approach to environmental challenges;	10 Businesses should work against corruption in all its forms, including extortion and bribery.
2 Make sure that they are not complicit in human rights abuses.	4 The elimination of all forms of forced and compulsory labour;	8 Undertake initiatives to promote greater environmental responsibility; and	
	5 The effective abolition of child labour; and	9 Encourage the development and diffusion of environmentally friendly technologies.	
	6 The elimination of discrimination in respect of employment and occupation.		

Consistent with the aforementioned, VELESTO has instituted the following policies and procedures:

Procedure on Fatigue Management and Flexible Working Hours	Elimination of excessive working hours
Minimum Wage Order 2018	Compliance with minimum wage
Policy Statement on Human Rights and Labour Standards	Right to freedom of association / collective bargaining
Policy Statement on Recruitment Management System Procedure (MSP) and CoBE for both employees and vendors	Prevention of child or force labour Written policies that address non-discrimination, the creation of an equal opportunity workplace, gender and ethnic diversity

In FY2020, VELESTO continues to uphold its track record for zero reported incidents of infringements of the rights of any persons, adult or child, nor any incidence of, forced or compulsory labour. Neither has there been any violation of human rights involving the rights of indigenous people at any time in VELESTO’s history.

COVID-19 PREVENTION

VELESTO, first and foremost prioritises the health and safety of its staff. As such, the Group has ensured a high level of Standard Operating Procedure (SOP) compliance across its operations. VELESTO developed special COVID-19 preparedness and response plan and updated its Emergency Management Procedure to ensure smooth and safe operations during the pandemic.

Our COVID-19 response plan covers all aspects such as preventive measures, emergency responses and also addresses supply chain and manpower management issues.

The additional measures introduced include:

- Appointment of Health Advisor
- COVID-19 drills on all JU rigs
- Regular disinfection at various operational sites and office
- Provision of sufficient PPE and disinfection agent
- Regular swab-tests and temperature screening of employees
- Mandatory 14-day quarantine period for staff who have been infected or may have been in close contact
- Established transit centers for Quarantine Transit Centers (Miri, Kemaman, Kota Bharu and Labuan)
- Special Day Rate for extended hitch and Meal Allowance for affected crew
- Earlier, more frequent Salary and cash advances
- Work-From-Home (WFH) for all staff in the KL Headquarters during MCO
- Broadband lines and home internet reimbursement
- Online learning and development programmes
- Dedicated psychosocial line

Given the stringent measures taken and the strict compliance to SOPs, only a very minimal number of positive cases were reported in FY2020.

GROUP WORKFORCE

Despite FY2020 being a challenging year due to COVID-19, the Group has not retrenched any of its staff. The Group's workforce numbers remain largely unchanged in FY2020.

Of this, 79% are Malaysians. Total new hires in FY2020 were 53. 79% of total hires were Malaysians. Beyond this, VELESTO has also maintained a low 17% attrition rate (FY2019: 17% and FY2018: 18%), which is below the industry average.

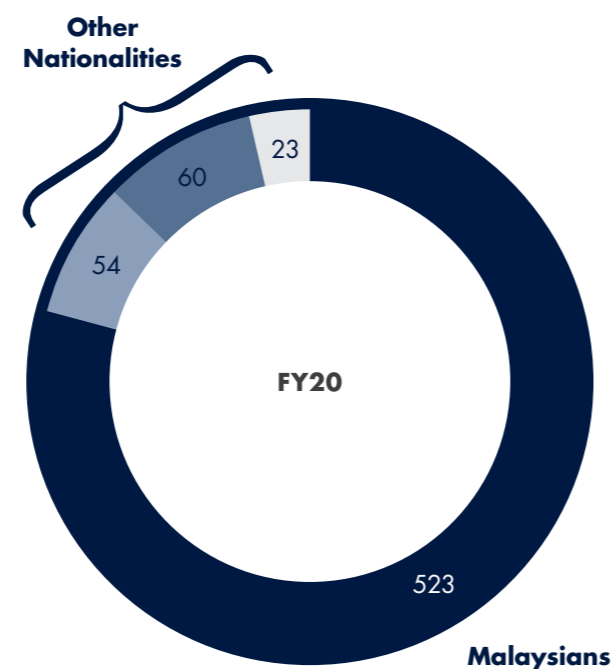
VELESTO continued in FY2020 to focus on its localisation campaign, where Malaysian nationals are progressively groomed to assume the roles and responsibilities of foreign nationals.

All members of the Senior Management team are presently Malaysians for FY2020.

HUMAN RESOURCES DASHBOARD

A. DASHBOARD REPORTING – STAFF DEMOGRAPHIC

NATIONALITY DIVERSITY



- Filipino, Indonesian, Thai (8%)
- Chinese, Indian, Pakistani (9%)
- American, Australian, British, Croatian, Dutch, Egyptian, French, Irish, Mexican (4%)

ONSHORE



158
(61%)
Male



105
(39%)
Female

OFFSHORE



396
(99.7%)
Male



1
(0.3%)
Female

OVERALL

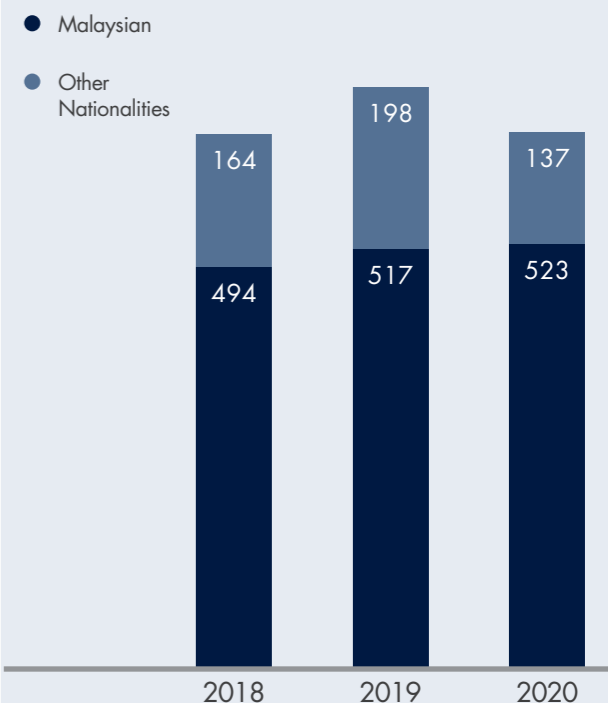


554
(84%)
Male



106
(16%)
Female

Workforce Breakdown by Nationality




WORKFORCE DIVERSITY AND EQUAL OPPORTUNITY EMPLOYMENT

With diversity being a competitive advantage and organisational asset, Management has looked to cultivate workforce diversity by providing an equal opportunity work environment that enables VELESTO staff to deliver their optimum professional contribution and to remain satisfied and thus motivated to work in an environment amidst fellow high-performing industry professionals.

Merit is the only criteria for the hiring, rewarding and promotion of employees. Women and minorities have equal access to a wide range of career development opportunities.

In FY2020, VELESTO's commitment to workforce diversity has been reflected in many ways. One of which is via the Group's recruitment channels / mediums where all materials have a diversity and inclusiveness statement included to encourage all talents, irrespective of gender, ethnicity or other demographic criterion to apply.

Our Workforce	2018	2019	2020
Breakdown of Employees			
Malaysian	75%	72%	79%
Other Nationalities	25%	28%	21%
Contract Type			
Permanent Contract	40%	41%	43%
	60%	59%	57%
Gender Distribution			
Male	85%	84%	84%
Female	15%	16%	16%
Age Segments			
<30	16%	18%	23%
30-50	66%	62%	58%
>50	18%	20%	19%
New Hires			
Malaysian	77%	68%	79%
Other Nationalities	23%	32%	21%



SITI NUR SAFIRA SAFI'E
First VELESTO woman offshore crew

"I seldom see female offshore crew on the rigs. If men can do it, why can't women? This is what inspired me to get involved in a field that few Malaysian women have done before. After two hitches being onboard, there is a lot I have learnt. One needs to be creative but straight-forward in making fast decisions to solve problems to ensure operations run smoothly. One also needs to be extremely careful as there are thousands of potential hazards around you offshore. If you would like to have a challenging working culture but work closely as a family, you may want to consider this field."

Given the nature of our industry and business operations, there still remains a significantly higher number of men compared to women. This is largely due to the fact that a large number of the jobs involved in drilling services are more labour intensive or field/on-site jobs which customarily are not preferred by many women within Malaysia. In 2020, we made progress by successfully recruiting a woman as an offshore crew for the first time.


The Group does not intend to set any targets for gender diversity, preferring instead to focus on ensuring a fair talent recruitment process that enables qualified candidates to have an equal opportunity to apply for jobs. At Management and Senior Management level, women comprise 42% and VELESTO has four sitting women Directors at Board level, exceeding the Bursa Malaysia target of 30% women directorship on public listed companies by 2020.

VELESTO provides both men and women equal opportunity to apply to any available job position with selection of candidates and appointment to the position based purely on merit. It remains committed to developing female talent for the oil and gas industry in Malaysia.

When viewed from the perspective of the corporate office or non-field jobs, there is a reduced disparity between men and women.

RESKILLING AND UPSKILLING OPPORTUNITIES

VELESTO's Up-skilling & Re-skilling programme was launched in year 2020 and since then, has enabled countless employees to remain gainfully employed.



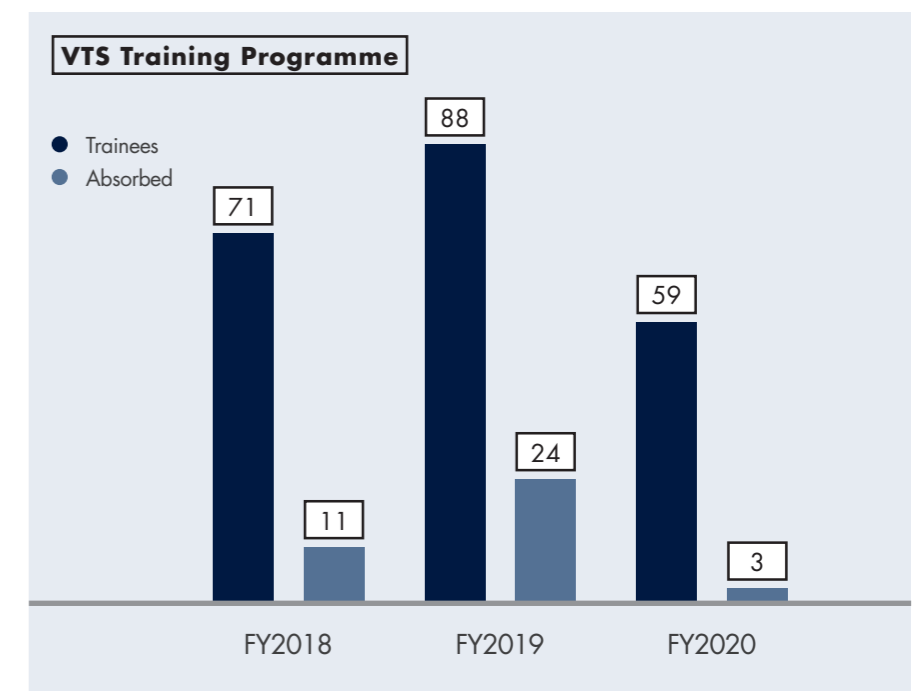
IRNIE YUSLELE TAMAM
Head, Organisational Development & Business Process

"As part of the Up-skilling & Re-skilling programme led by the HR Division, I was re-assigned to the Human Resources division. Previously I headed the Business Process (BP) Department (under Business Systems Division), but I have taken on the HR-Organisational Development (OD) portfolio as an additional role. As BP and OD have similar priorities both revolving around continuous improvement, I feel the move to head both the HR-OD and BP departments is a step up in my career, which meets with my overall career objectives. I am adjusting well, and the team has been fully supporting me with the transition."

YOUTH UNEMPLOYMENT INITIATIVES, APPRENTICESHIPS OR GRADUATE PLACEMENTS

In FY2020, VELESTO continued to drive its VELESTO Trainee Scheme (VTS) and internship programme. Both are designed to provide learning-on-the-job opportunities for selected graduates.

However, given the effects of the COVID-19 pandemic and other developments, the number of trainees taken in were less in FY2020. We remain committed to support government initiatives related to graduate employment going forward.



STAFF REMUNERATION & BENEFITS

In attracting and retaining talent, VELESTO continues to compensate employees competitively. The matter of remuneration is based on the principle of merit, with all employees' compensation packages commensurate with their skills, qualifications, performance and tenure with the Group. Benefits provided are consistent with the Employment Act 1955 as well as additional benefits which the company provides at its own volition and discretion.

Full time employees are entitled to the following health benefits:

- 16% EPF contribution by company
- Group Personal Accident (GPA)
- Group Term Life (GTL) insurance for all employees.
- Group Hospitalisation & Surgical
- Statutory sick pay leave without hospitalisation ranging from 14 days to 28 days depending on the employee's job grade and period of service
- A period of up to 60 days is granted if hospitalisation is necessary
- Company supported / subsidised health / medical insurance plan for offshore crew
- Annual medical check-up for all employees age 40 years and above
- Overtime payments (where applicable)
- Employee's newborn benefits

- Employee's bereavement wreath
- Employee Education Assistance Programme
- Long Service Award & Recognition

LEAVE BENEFITS

Employees are entitled to various types of paid and unpaid leave, which include:

- Marriage leave (3 days)
- Pilgrimage leave (20 days)
- Examination leave (10 days)
- Compassionate and congratulatory leave (7 days)
- Parental leave

PARENTAL LEAVE

Female employees are entitled to paid maternity leave of 60 consecutive days for each confinement period. Male employees are granted paternity leave of four days.

APPROVED APPLICATIONS FOR MATERNITY LEAVE AND RETURN TO WORK RATES

	FY2018	FY2019	FY2020
Maternity Leave	4	2	2
Return to Work Rates	100%	100%	100%

MINIMUM WAGE COMPLIANCE

VELESTO subscribes to the Malaysian government's minimum wage policy with all employees earning monthly wages equal to or exceeding the set minimum wage of RM1,200 per month.

EMPLOYEE APPRAISALS

100% of staff receive appraisals on their job performance. The Group views the appraisal process as being key to its overall talent management approach.

Appraisals are usually conducted at the end or the start of the financial year and the results are presented by the employee's superior through a one-to-one discussion.

Beyond evaluating staff performance for salary increments and other incentives, appraisals provide an excellent two-way communication platform, where staff are encouraged to provide feedback to management on areas they believe that the company can improve on, or play a more supportive role in facilitating the career progression of employees.

Appraisals are conducted based on a 360^o approach that comprises self and peer assessment, as well as assessment by a superior and subordinates. This provides a more balanced and fairer evaluation of the employee's conduct and performance. The final results are presented by the employee's superior on a one-to-one discussion basis.

EMPLOYEE PERFORMANCE APPRAISAL

Self-Assessment	Appraisal discussion with Line Manager	Review by Head of Division	Submission to HR-Organisational Development team	Final review by President
Employee completes self-assessment based on set KPI.	Employee and line manager discuss performance achievements, gaps and development plans.	Head of Division reviews whole division's performance appraisal results to ensure fair assessment within the Division by conducting a calibration exercise.	Performance Appraisal results are submitted to HR-Organisational Development team.	President reviews company-wide performance.

The employee retains his or her rights to accept or dispute the findings of the appraisal. This may include providing mitigating circumstances for non-performance or non-achievement of Key Performance Indicators (KPI), which can be considered by his / her superior towards refining the appraisal results.

However, post discussion, if there remain serious grievances, the employee may channel his / her disagreement of the appraisal results via the grievance mechanism for employees.

STATUTORY CONTRIBUTIONS TO EMPLOYEES RETIREMENT / PENSION SAVINGS

As accorded by law, VELESTO continues to make statutory contributions for all employees to the Employees Provident Fund (EPF) and the Social Security Organisation (SOCSO). In FY2020, VELESTO paid a total of RM7.28 million and RM0.40 million (FY2019: RM6.91 million and RM0.54 million) in EPF and SOCSO contributions respectively.

	FY2018	FY2019	FY2020
EPF (RM mil)	6.4	6.9	7.3
SOCSO (RM mil)	0.5	0.5	0.4

EMPLOYEE ENGAGEMENT – COMMUNICATION

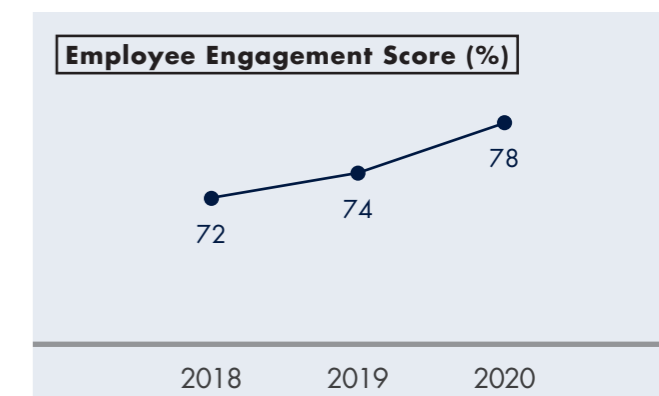
Management continues to actively engage employees, with two-way communication being a key component of the overall talent management approach. Employees are engaged via a wide range of communication channels.

The purpose of engagement is to create staff awareness on company developments and announcements, to solicit staff feedback on a wide range of matters, as well as to increase staff buy-in and support for company policies such as the newly launched ABC Policy.

Engagement also serves to strengthen the rapport between Management and staff and to instil greater confidence among employees that Management continues to be proactive and places the wellbeing, satisfactions and interests of its people at the heart of its decision-making processes and business strategies.

In FY2020, VELESTO scored 78% on its annual Employee Engagement Survey. Following are some of the key employee communication channels and engagements initiated in FY2020:

- Quarterly Townhalls – held thrice in FY2020
- *Sharing is Caring Session* knowledge sharing sessions by leaders
- Management Online Site Visits with offshore and supply base crew
- *Meet the President* engagement sessions for newly recruited staff
- Psychosocial Support Hotline – established during the heights of the COVID-19 pandemic to provide a counselling channels for employees



LEARNING AND DEVELOPMENT

The Group sees investing in its people by enhancing their competencies and skills as a means to improve work performance and results, and also to motivate and reward employees.

Training and development is customised to the competency gaps and unique scenario of each individual.

A comprehensive personal development plan is developed for each employee involving Human Resources, the individual employee and his/her superiors. Subsequently, KPIs are

established for the closure of these gaps through training courses.

Training is paid for by the Group through its contribution to the Human Resources Development Fund (HRDF). Employees in almost all instances enjoy fully sponsored participation at professional courses, seminars, training programmes and more.

In FY2020, the use of digital mediums has further enabled more training programmes to be made available to employees across the year.

TRAINING KPI	FY2018	FY2019	FY2020
Total Training Statistics Spend (RM mil)	5.4	6.0	1.2
Total Number of Training Programmes Attended by Employees	1,746	1,286	1,066
Average Training Spend Per Employee (RM'000)	3.1	5.0	1.2
Total Number of Training Days	8,555	5,401	1,458
Average Number of Training Days Per Employee	4.9	4.2	2.1

TALENT MANAGEMENT AND SUCCESSION PLANNING

VELESTO's Talent Management Programme was introduced in 2020. The aim of the programme is to build a strong and capable talent pipeline within the organisation, and plays into our succession planning framework. In 2020 the programme was launched with roadshows conducted by the HR-Organisational Development team, who champions this initiative.

The development of High Potentials (HiPots) is a continuous process and will eventually lead to successor talent pools. HiPots have been grouped into two distinct talent pools - Future Leaders and Senior Leaders. This enables differential treatment across the two groups while retaining a common basic philosophy and approach towards program execution.

The Senior Leaders will be groomed for succession planning of critical positions. There are 53 critical positions that have been identified and career development plans (CDP) already drawn up for each HiPot in 2020. The second is for Future Leaders, a programme we call mySTAR which aims to fast track high potential junior employees to become the next future leaders, as senior leaders move up into much higher leadership roles. By identifying, developing and building our internal talent pipeline from an early stage, we ensure the smooth transition of the next generation of VELESTO leaders.

FREEDOM OF ASSOCIATION

VELESTO recognises employees' right of freedom of association and the right of collective bargaining, both of which are part of the four core labour standards under the International Labour Organisation (ILO) and the Universal Declaration of Human Rights.

Where possible, the Group provides a minimum notice period for major operational changes towards reducing the impact of changes to employees' work conditions and to reduce any potential inconvenience or difficulties arising.

Though employees work in a non-unionised environment, they are always kept informed of their rights via official communication channels. We also foster open, two-way dialogue with employees who are encouraged to seek the assistance of the HR on any matter that may arise.

There have been no reported infringements on the rights of any persons, adult or child, nor any incidence of forced or compulsory labour. Neither has there been any violation of human rights involving the rights of indigenous people at any time in the Group's history.

GRIEVANCE PROCEDURES

Staff at VELESTO have unrestricted access to a grievance mechanism to air their grouses or dissatisfaction on any matters pertaining to their employment or work conditions.

While employees are encouraged to attempt to resolve issues informally, management unequivocally supports employees' rights to bring up issues via this official channel for redress or further action. Employees are neither censured nor discouraged from using the grievance mechanism.

In FY2020, there were zero cases brought up through the grievance mechanism.

CORPORATE SOCIAL RESPONSIBILITY

VELESTO VIEWS ITSELF AS A FORCE OF POSITIVITY THAT IS WELL POSITIONED TO DELIVER A WIDE RANGE OF POSITIVE AND EMPOWERING OUTCOMES FOR SOCIETY.



SAFETY



EDUCATION



ENVIRONMENT

VELESTO continues to be driven by its three pillars of Corporate Social Responsibility (CSR): Safety, Environment and Education in terms of its focus areas for community development. In addition, where and when possible, VELESTO contributes to society through its fourth supporting pillar – Community.

The following are some of the key engagements undertaken during the financial year:



SAFETY



VELESTO continued its collaboration with the Miri branch of the Fire and Rescue Department of Malaysia (BOMBA). More than 100 Standard Six pupils from 10 different schools in the Miri district participated in a half-day Fire Safety Awareness @ Home & School programme.

Hosted at SK Pujut Corner, Miri, Sarawak, members from BOMBA guided the children on the importance of fire safety through an interactive talk and fire-fighting demonstration where a handful of the children gained practical experience in extinguishing oil-based fires first hand.

The children were also walked through the importance of safety in general and specifically at home, by representatives from PETRONAS. PETRONAS' participation was an avenue for VELESTO to collaborate with its clients on our CSR programmes.

Earlier in the year, during the onset of COVID-19 in Malaysia, VELESTO donated RM250,000 and 30,000 face masks to the Ministry of Health, Malaysia.

VELESTO also donated three automated temperature scanners to the Joint Management Body (JMB) of Plaza Sentral where VELESTO's Headquarters is based. This was part of the Group's on-going safety related CSR initiatives in the fight against the COVID-19. The scanners are placed at strategic locations around our Headquarters' entry points which will benefit the general population in the area.

300 packs of reusable face masks and hand sanitisers were also donated for distribution to the public at Plaza Sentral.



EDUCATION



2020 marked the third year of VELESTO's collaboration with the Ministry of Education (MOE) via its respective state education departments to promote greater socio-economic equity.

Following the successful programmes undertaken in 2018, and 2019 with the Selangor State Education Department, VELESTO initiated a similar programme in Miri, Sarawak.

Conducted under the SMART's COOL banner, VELESTO successfully held UPSR Mathematics and English workshops for Standard Six pupils from 10 schools in the Miri district. In ensuring a cascading sustainable effect, VELESTO also held a 'Train-the-Teachers' workshop for selected teachers from these participating schools. Unfortunately, due to the sudden onset of COVID-19 nationwide, the programme had to be cut short.

However, turning adversity into something positive, the pandemic in early 2020 proved an opportune time for VELESTO to engage secondary school students in a STEM themed programme as previous editions of "SMART's COOL" mainly saw participation involving primary school students. This brought about the inaugural "CABARAN TEKNOLOGI TINDAKBALAS COVID-19" which saw participation by 15 schools from various districts in Selangor.

Held entirely online, students were required to propose a digital application (app) which could be used to suit the current pandemic environment. The group-based activity saw a plethora of ideas ranging from crowd control to a school-friendly food ordering system, and even real-time student tracker. All activities ran in parallel with MOE's prevailing syllabus.



ENVIRONMENT



In FY2020, several events such as tree-planting and various community outreach and engagement activities were planned to promote environmental awareness and conservation. However, these plans were significantly disrupted due to the onset of COVID-19.

Given the new normal requirements of physical distancing, reduced number of participants and other requirements, these events could not be carried out effectively. However, VELESTO aims to resume these events soonest once the situation allows.

QUALITY, HEALTH, SAFETY & ENVIRONMENT



In FY2020, VELESTO has continued to strengthen its track record for Quality, Health, Safety & Environment (QHSE). VELESTO's QHSE management approach is driven by globally recognised best practices such as OHSAS 18001, ISO9001, ISO14001 and ISO/TS29001. On 26 February 2021, VELESTO was also certified with OHSAS ISO 45001:2018.

In FY2020, the Group has continued to reflect excellence by achieving zero fatality, zero LTI, zero total recordable case (TRC) incidents and zero environmental-related incidents.

VELESTO's industry leading QHSE performance was also duly recognised by its clients through the following accolades:

Focused Recognition by PETRONAS

- 🏆 **NAGA 2:** 7 Years Without LTI
- 🏆 **NAGA 2:** Successfully supported PCSB in delivering Baram South Drilling Campaign in true spirit of Operational Excellence and exceptional HSE standards
- 🏆 **NAGA 5:** 6 Years Without LTI
- 🏆 **NAGA 6:** Outstanding Commitment and Work Ethics
- 🏆 **NAGA 6:** Delivering Safe & Successful Drilling Operations
- 🏆 **NAGA 2:** Provide assistance of medivac, bodyvac, SAR, rescue and medical assistance during Dayang Topaz incident
- 🏆 **NAGA 2:** Safely delivered all three wells with Zero LTI and prevent unnecessary NPT in Baram South Development Drilling Campaign

SHELL Malaysia Safety Awards 2020

- 🏆 **Merit - HEALTH**
Exemplary health behaviours and performance through Health Leadership, specific health targets/plans, Health Risk Management and workplace health promotion.

Merit - ENVIRONMENT

- 🏆 **Merit - ENVIRONMENT**
Exemplary initiatives or best practices to manage environmental impacts from the Group's activities; going beyond standard regulatory requirements.

HSE POLICY COMMITMENTS

We shall take reasonable and practicable steps to eliminate and prevent undue risks in line with our safety objectives:

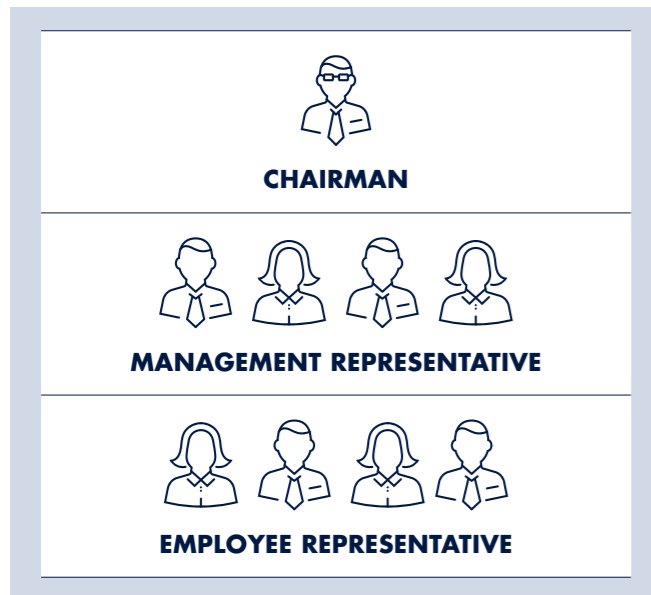
Zero Accident & No Damage to the Environment

We shall:

- Demonstrate high HSE visibility and leadership;
- Comply with HSE, legal and other requirements;
- Implement comprehensive risk management based on hierarchy of controls;
- Minimise negative impact to our environment;
- Establish effective Crisis Management;
- Ensure competent workforce and adequate resources;
- Monitor and improve HSE performance;
- Continuously review HSE Management System's effectiveness;
- Promote effective HSE communication, participations and consultation.

We shall ensure that this policy is communicated to and understood by all stakeholders in a clear and timely manner.

MANAGEMENT APPROACH TO HEALTH AND SAFETY



The Group's Sustainability governance structure also plays a significant contributory role in driving not just oversight, but in bringing to the Board's attention key risks, trends and developments as well as advocating appropriate strategic responses to address and strengthen QHSE across the Group.

Providing comprehensive oversight of the QHSE strategy is the Quality Department, HSE Division and HSE Committee.

The HSE Committee, which meets on a quarterly basis, monitors and enhances the overall HSE performance for all business operations – offshore and onshore while Quality performance is managed by the Quality Department. Quality and HSE issues are deliberated carefully and corrective actions are implemented to prevent reoccurrences of any unnecessary incidences.

The HSE Committee is chaired by the President of VELESTO and comprises representatives from Management and the employees, both from the Operations and Corporate Divisions.

ADHERENCE TO GLOBALLY RECOGNISED BEST PRACTICES AND STANDARDS

Internally, QHSE is achieved through the implementation of the Group's Integrated Management System.

The System embodies how the Group safely manages its operations – emphasising occupational health, safety, risk management, emergency preparedness, environmental performance and also process safety. Supporting the Management System are various policies and procedures.

VELESTO's President, Rohaizad Darus remains the primary champion for HSE, ably supported by the Board as well as Senior Management.

Oversight is achieved via full Board meetings where Quality and HSE are usually discussed as part of the discussion agenda. Quality and HSE matters are also deliberated during the quarterly BRMC meetings.

Asset integrity assurance is achieved via regularly scheduled maintenance. The asset management references are API, OEM and industry recommended practices. The system is regularly reviewed by an independent consultant and clients.

VELESTO continues to focus on improving its asset management guidelines, its asset-tagging systems and the Special Periodical Survey Project Planning. It also continues to educate staff on the importance of asset management in preventing a major accident event.

IMS INTERNAL AUDIT & INTERNAL AUDITOR TRAINING

As part of VELESTO's Integrated Management System (IMS) requirements, an internal audit is conducted annually across VELESTO's facilities. Audits were conducted on 10 - 13 February 2020 at NAGA 3, 2-5 October 2020 at NAGA 4, and for the Kemaman Supply Base (KSB) and Asian Supply Base (ASB), audits were conducted on 24 - 27 August 2020 and 7 - 8 July 2020 respectively. VELESTO KL Headquarters has been audited on 24 March - 19 November 2020.

In ensuring quality internal IMS audits, VELESTO continues to send staff for training. In FY2020, 20 staff were sent, bringing the total number of staff trained in the past three years to 62. The training sessions were focused on understanding the fundamentals of the IMS standards and how to apply them during an audit process.

IDENTIFICATION OF RISKS & RELATED ACTION PLANS

VELESTO continues to monitor all worksites and its value chain to identify QHSE risks. This includes occupational activities that may have a high incidence or QHSE incidents.

Beyond impact to productivity and work operations, the assessments also considered the health and safety of employees. Hence, assessments conducted included exposure to chemical health risks, noise pollution and near miss incidents, potential hazards and more.

An integral part of hazard identification is the usage of the Hazard Identification, Risk Assessment and Risk Control (HIRARC) system. Using HIRARC, hazards and risks are identified, analysed and mitigated through the implementation of appropriate control measures. In FY2020, the following key HSE issues were discussed / addressed by the Committee:

- HSE performance and HSE programmes for the year
- Legal compliance across the Group
- HSE contractual requirements
- HSE training and refresher HSE training
- New HSE communication mediums via intranet and Microsoft Teams
- Virtual HSE campaigns
- Behavioural Based Programme (PBED & Hearts and Minds)
- Fatigue management
- Mental health management and psychosocial line
- Scheduled waste management across operations on the rig and at the supply base
- Job enlargement of HSE Executive to support supply base
- Emergency and crisis
- KSB and ASB Improvement Plan
- Warm stacked rigs HSE Plan
- Monsoon season preparation for onshore and offshore operations
- Cost and impact of property damage
- Inspection of dropped object on idling and working rigs
- Upskilling and reskilling of staff
- Personal protective equipment for work and for COVID-19 prevention
- COVID-19 awareness campaign and basic essential kit
- COVID-19 risk and effect to the staff
- COVID-19 working arrangement for onshore and offshore staff
- Transit centre for offshore staff quarantine
- COVID-19 precautions and information communications
- Malaysian Movement Control Order (MCO) instructions
- HSE Observation Card (HOC) and incident analysis
- Key objective and action plan for 2021

EMPLOYEES HSE COMMITTEES

VELESTO retains 100% employee representation on formal joint management employee health and safety committees. The formation of such committees enables employees who undertake frontline operations (and therefore more likely to be exposed to QHSE risks) to play an active and direct role in determining their work conditions.

The Committees enable two-way engagement with employees sharing their feedback, concerns and suggestions to management. Essentially, this approach allows employees to assume responsibility for their own environment.

Guided by the systems, processes and procedures set, the teams can then implement QHSE measures as required to safeguard their working environment. VELESTO also holds monthly HSE Operations Meeting to address prevailing HSE issues and to enable immediate rectification.

FY2020 QHSE PERFORMANCE

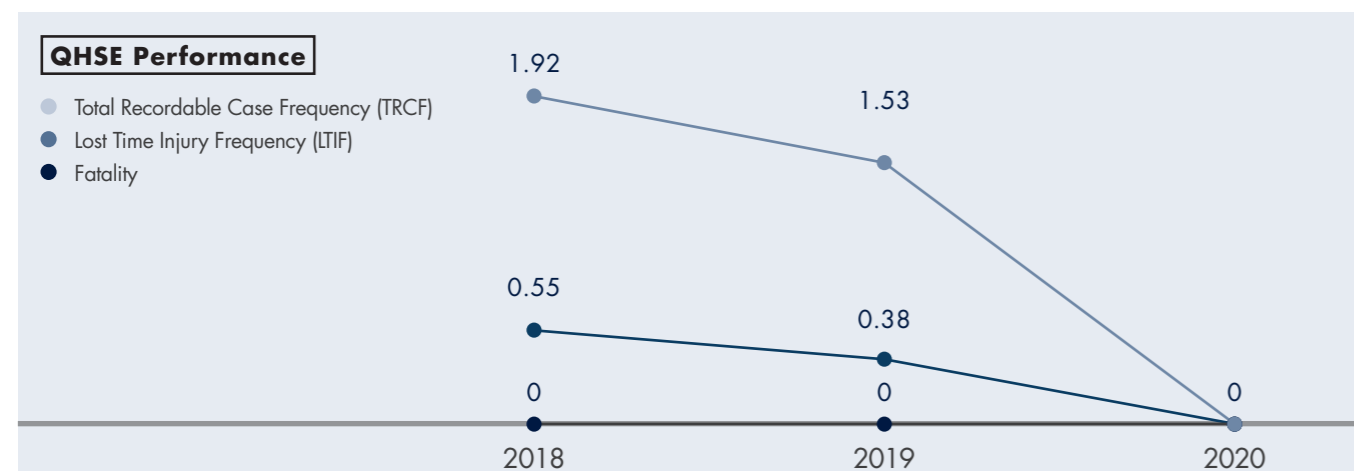
As mentioned earlier, VELESTO in FY2020 recorded zero fatalities, zero LTI and zero TRC with 2.31 million manhours achieved.

VELESTO's robust systems have enabled it register another year of industry leading performance with zero fatalities and zero environmental pollution incidents. VELESTO has also improved with regard to many other QHSE indicators. Following are the full details of the Group's quality, health, safety and environment performance in FY2020:



QHSE PERFORMANCE	2018	2019	2020
Fatality	0	0	0
Lost Time Injury Frequency (LTIF)	0.55	0.38	0
Total Recordable Case Frequency (TRCF)	1.92	1.53	0
Medical Treatment Case	3	2	0
Restricted Work Case	1	1	0
First Aid Case	3	7	2
Environmental Pollution	0	0	0
Property Damage	20	18	9
Near Miss	20	20	14

Our Hazard Observation Card (HOC) score for FY2020 was 230,179. Unsafe Act and Unsafe Condition (UAUC) card accounted for was 21.3% out of total HOC. Data provided has been verified by DNV-GL during the surveillance audit and recertification audit.



Our targets going forward are to maintain zero fatalities and a TRCF of below 1.0, which exceeds the prevailing industry standards of IADC FY2019 (LTIF: 0.85, TRCF: 1.42).

INCIDENT INVESTIGATION

When a HSE incident occurs, investigation activities are initiated soonest using a Root Cause Analysis process to determine the underlying factors behind the incident. All incidents, even incidents deemed minor or non-disruptive to business operations are thoroughly investigated with the investigation report then submitted to the respective authority.

Investigation is conducted using the VELESTO Investigation Management System Procedure and incident investigation software Tripod Beta and Systematic Cost Analysis Technique, which enables users to track down the causation path, analyse weak points in current safety measures, create barrier-based improvement plans and brings immediate visibility to incidents. This approach ultimately, enables a timely and rigorous assessment to determine root causes.

Using a lesson learnt approach, the key insight from the incident is shared to all relevant teams and employees towards

preventing a reoccurrence. All root causes of incidents are logged into the VELESTO's Incident Management database for review and action tracking.

QHSE EMPLOYEE TRAINING

Given the importance of QHSE, there were several training activities held in FY2020 pertaining to QHSE:

- HSE Awareness Training
- Skills development in incident analysis using Incident XP Training, Bow-Tie and Tripod Beta
- HSE Assurance Training using Audit XP
- Webinar ISO45001 Awareness
- Velesto PTW Awareness
- PTW Level 1
- Qualified Scheduled Waste Handler (CePSWAM) Training
- Qualified Train the Trainer Training
- Virtual Incident Investigation Training
- Emergency Management Team & Crisis Management Team Training
- Emergency & Crisis Simulation (Exercise Hydra)
- Hearts and Minds
- Plan Based Execution
- Safe Handling of Chemicals and Scheduled Waste

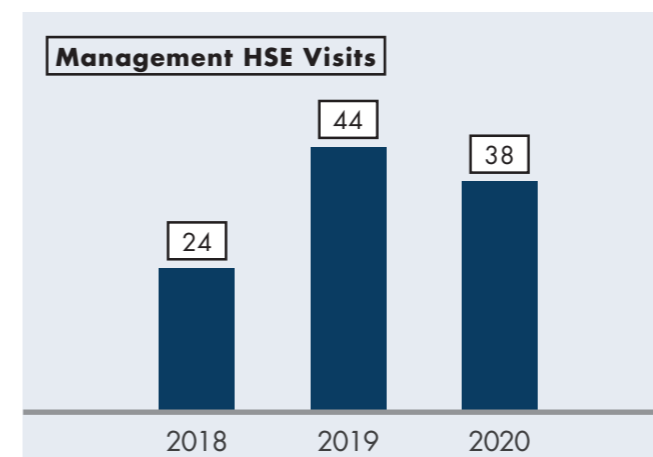
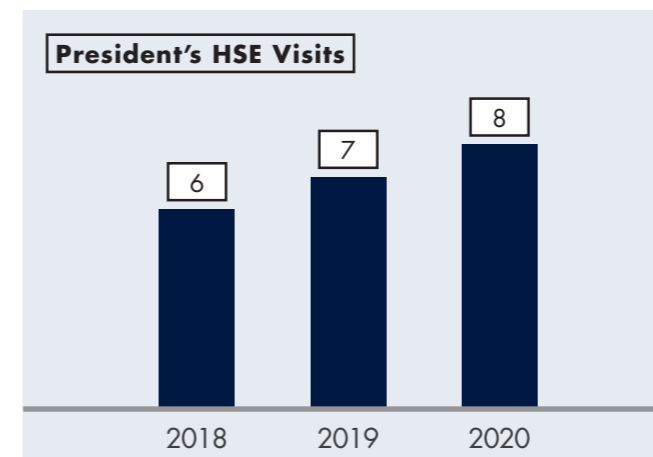
MANAGEMENT HSE VISITS

The President and Senior Management made several HSE visits to the rigs as well as onshore sites in FY2020.

The management site visit is continuously conducted towards promoting HSE Leadership and Commitment given its importance in the overall HSE Management System.

HSE COMMUNICATION AND ENGAGEMENT ACTIVITIES

The message of ensuring the highest levels of HSE is constantly reinforced through various communication channels and staff engagements. It is safe to say that HSE is regularly on the agenda of any official communication engagement i.e. townhalls, newsletters and others.



HEALTH AND SAFETY CAMPAIGN

In retrospect, VELESTO's annual Health and Safety Campaign was perhaps more significant given the prevailing impact of COVID-19 across the financial year. The focus of FY2020's annual campaign was on personal safety and to constantly maintain strict SOP compliance and discipline towards preventing the spread of the virus outbreak across VELESTO as well as externally to other stakeholders.

The importance of staying safe and healthy was also approached from the angle of keeping one's own family and loved ones safe. In many ways, The general premise is similar to VELESTO's HSE approach - everyone goes home safely to their families. A significant portion of the campaign however, comprised online activities and digital engagements:

- Virtual HSE Management Engagement
- Virtual HSE Week 2020
- Monsoon Campaign 2020

Aside from internal events, VELESTO also organised Virtual Management Engagements with clients. This was to demonstrate the commitment, concern and proactiveness of the VELESTO leadership to clients and crew amidst the COVID-19 pandemic. The session was conducted between rigs, clients and VELESTO's Management.

EMERGENCY RESPONSE & CRISIS PREPAREDNESS

VELESTO's Business Continuity Plan (BCP) was strengthened by including new SOPs for COVID-19. In particular, enhancements were made to strengthen protocols for working from remote locations, given the need to work from home during the MCO and subsequently with the implementation of a Team A / Team B system for employees to ensure adherence to social distancing.

As part of the BCP, VELESTO has established its Group level Emergency Control Centre (ECC), located at Level 18, Block 3A, Plaza Sentral. In FY2020, several mock ECC simulations or scenarios were conducted to test VELESTO's preparedness to manage and counter any major disruptions to business operations.

Other emergency measures include:

- Development of Emergency Response Plan (ERP) for every VELESTO physical facility, which includes fire drills, staff evacuation, rig, abandon drill, etc.
- Establishment of Emergency Response Team (ERT). The ERT is capable of containing an incipient threat by swiftly mitigating emergencies according to the established plans stated in the Group's ERP.
- Weekly emergency drills on rigs
- Annual fire drills on other facilities

HSE ALERT

VELESTO's HSE Division have conducted a series of monthly HSE Operations Meetings to continuously update and monitor any HSE issues. All HSE issues will be highlighted and discussed throughout this meeting. The meeting was chaired by the Chief Operating Officer and attended by the respective Rig Managers, HSE Head and HSE Manager.

The HSE Alert is an ongoing initiative to communicate HSE Incidents and lessons learnt. The VELESTO Safety and Maintenance Action Tracking (SMAT) System is used to track the communication of the HSE Alert and the implementation of the lesson learned actions.

Through SMAT system, in FY2020 14 HSE Alerts were registered in SMAT. Upon receiving a HSE Alert through SMAT, the Offshore Installation Manager (OIM)/Rig Superintendent/Project Manager or his representative will ensure that a copy of the HSE Alert is distributed to all line supervisors for discussion and deliberation during toolbox or HSE meetings.

A copy of the HSE Alert is also posted on the HSE bulletin board for reading and reference at the respective sites. HSE Alert shall be retained on the HSE bulletin board for a minimum of two months and will be compiled at the worksite by the HSE Advisor. HSE Alert is translated into multiple languages for the benefit of worksite personnel.

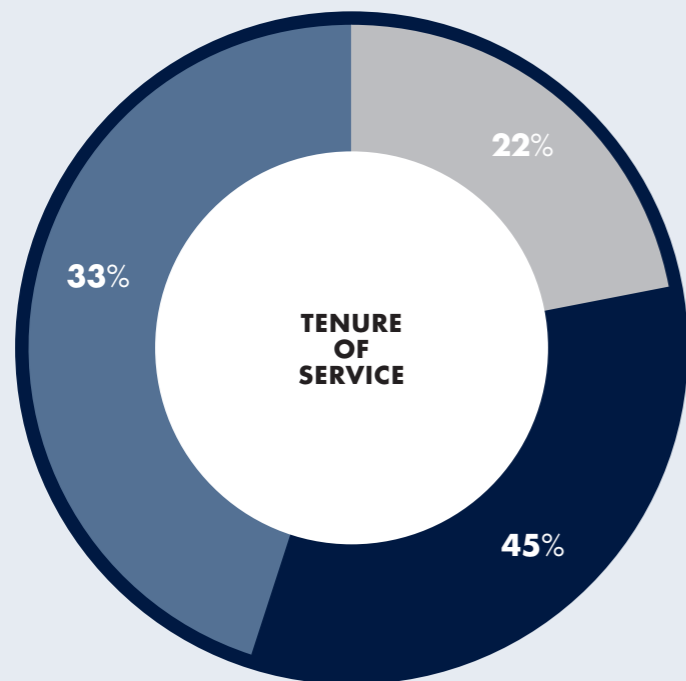
Refer to page 243 for GRI Content Index

BOARD OF DIRECTORS

BOARD OF DIRECTORS



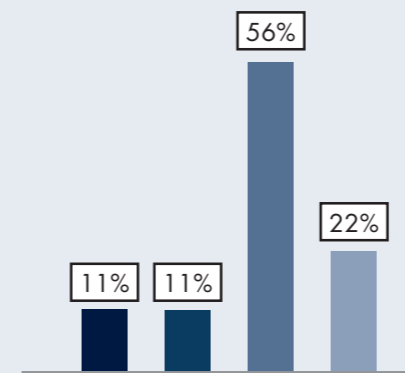
TENURE OF SERVICE



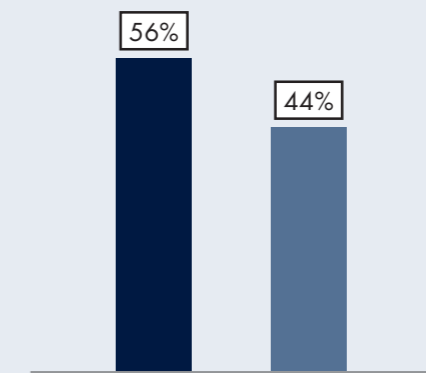
- Below 3 years
- More than 3 years and up to 6 years
- More than 6 years and up to 9 years

BOARD COMPOSITION

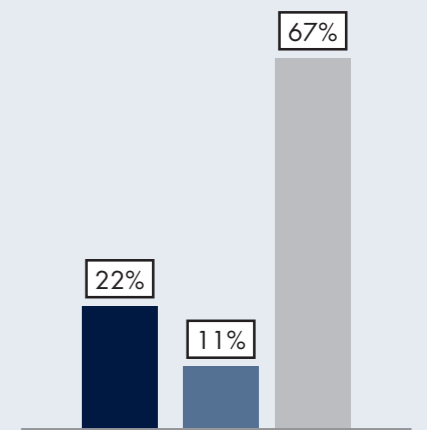
- Chairman, Non-Independent Non-Executive Director
- President, Non-Independent Executive Director
- Independent Non-Executive Director
- Non-Independent Non-Executive Director



GENDER



AGE



**MOHD RASHID
MOHD YUSOF**

Chairman,
Non-Independent Non-Executive Director

65 | Male | Malaysian

Date first appointed to the Board
of Directors:
23 June 2017



Qualification:

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

**Length of Service
(as at 30 April 2021):**
3 years and 11 months

Membership of Associations:

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

**Number of Board of Directors
meetings attended in the financial
year:**
12/12

Membership of Board Committees:
Nil

**Any other board directorships in
public companies:**

- Listed Entity:
- Scicom (MSC) Berhad
 - Media Prima Berhad
- Other Public Companies:
- Standard Chartered Bank Malaysia Berhad

Working Experience:

Mohd Rashid Mohd Yusof (Mohd Rashid) commenced his career with PETRONAS in 1980 and has held various financial positions in PETRONAS such as Head of Group Accounting, Head of Group Treasury and Head of Group Internal Audit. He was also appointed as Financial Director of Engen Limited (Engen), before assuming Senior Management positions as Chief Executive Officer of Malaysian International Trading Corp (MITCO) and later as Managing Director/Chief Executive Officer of Engen in South Africa and Vice President of Supply Chain & Risk Management at PETRONAS.

As the Managing Director/Chief Executive Officer of Engen in South Africa, he was the Chairman of the South African Petroleum Industry Association (SAPIA) for the year 2007.

During the course of his career at PETRONAS, Mohd Rashid has also served as a Director for several companies in the group, including Putrajaya Holdings, Enpet Insurance Ltd. (Isle of Man), Trustee of the PETRONAS Retirement Benefit Fund, Director and Chairman of PETRONAS-ICT, Director of KLCC (Holdings) Sdn Bhd and Energas Insurance (Labuan) Ltd.

Declaration:

- No conflict of interest or any family relationship with any Director and/or major shareholder of the Company.
- Has never been convicted for any offence for the past five (5) years nor any public sanction or penalty by any relevant regulatory bodies during FY2020.

ROHAIZAD DARUS

President /
Non-Independent Executive Director

56 | Male | Malaysian

Date first appointed to the Board
of Directors:
31 January 2012



Qualification:

Bachelor of Science in Mechanical Engineering – California State University, Long Beach, USA

**Length of Service
(as at 30 April 2021):**
9 years 3 months

Membership of Associations:

- Board of Engineers, Malaysia
- Institute of Engineers, Malaysia

**Number of Board of Directors
meetings attended in the financial
year:**
12/12

Membership of Board Committees:
None

**Any other board directorships in
public companies:**

Listed Entity: None
Other Public Companies: None

Working Experience:

Rohaizad Darus (Rohaizad) began his career with PETRONAS Gas Sdn Bhd in 1988. He later joined Texas Instruments (M) Sdn Bhd until 1990.

Subsequently, he joined Esso Production Malaysia, Inc. until 1995 before joining Huptec Engineering Sdn Bhd until 1998.

From 1998 to 2001, he worked for Sarku Engineering Services Sdn Bhd, which later became a subsidiary of SapuraCrest Petroleum Berhad (SapuraCrest), a predecessor of Sapura Energy Berhad as Executive Director and rose to become its Chief Executive Officer. In SapuraCrest, he held various positions including that of Executive Director of a number of local and foreign subsidiaries of SapuraCrest, which were involved in offshore and onshore soil investigation, marine surveying and hydrographic activities. He was also responsible for overseeing the management of the company's marine vessels and other major assets.

In 2007, Rohaizad was appointed as the Director of Offshore Construction Project Division of SapuraCrest. This division performed offshore construction activities including transportation, installation and commissioning of platform, jacket, pipelines and cables as well as topside maintenance and other offshore and onshore modification works.

In 2008, he was appointed Chief Operating Officer of SapuraCrest Group, a position he held until 2010 when he was appointed as Chief Executive Officer. During his tenure, he was appointed to the Board of Directors of Tioman Drilling Company Sdn Bhd, a company involved in all offshore drilling operations under SapuraCrest Group. Rohaizad joined UMW Oil & Gas Corporation Berhad (a predecessor of Velesto Energy Berhad) in January 2012.

Apart from holding corporate positions, Rohaizad is an Advisor of Malaysian Oil & Gas Services Council, member of Industry Advisory Panel of Malaysian Petroleum Resource Corporation and an Adjunct Professor with Petroleum Engineering Department at Universiti Teknologi Petronas.

Declaration:

- No conflict of interest or any family relationship with any Director and/or major shareholder of the Company.
- Has never been convicted for any offence for the past five (5) years nor any public sanction or penalty by any relevant regulatory bodies during FY2020.

RAZALEE AMIN

Senior Independent Non-Executive Director

67 | Male | Malaysian

Date first appointed to the Board of Directors:
2 May 2013



Qualification:

- Bachelor of Economics in Accounting – University of Malaya, Malaysia
- Postgraduate Diploma in Accounting – University of Malaya, Malaysia

Length of Service (as at 30 April 2021):
7 years 11 months

Membership of Associations:

- Malaysian Institute of Accountants (MIA)
- Malaysian Institute of Certified Public Accountants
- Financial Planning Association of Malaysia

Number of Board of Directors meetings attended in the financial year:
12/12

Membership of Board Committees:

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

Any other board directorships in public companies:
Listed Entity:

- Duopharma Biotech Berhad
- UMW Holdings Berhad

 Other Public Companies: None

DATO' IBRAHIM MARSIDI

Independent Non-Executive Director

69 | Male | Malaysian

Date first appointed to the Board of Directors:
2 May 2013



Qualification:
Bachelor of Economics (Analytical) – University of Malaya, Malaysia

Length of Service (as at 30 April 2021):
7 years 11 months

Membership of Associations:
None

Number of Board of Directors meetings attended in the financial year:
12/12

Membership of Board Committees:

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

Any other board directorships in public companies:
Listed Entity:

- Telekom Malaysia Berhad

 Other Public Companies: None

Working Experience:

Razalee Amin (Razalee) is a licensed auditor and an approved liquidator, who has more than 43 years' experience in various management positions and directorships in public listed companies with areas of expertise in audit, corporate recovery, finance, banking and investment acquisition.

He started his career at Messrs. Hanafiah Raslan & Mohamad, a Chartered Accountants firm. In 1983, he joined Sateras Resources (Malaysia) Berhad as the Group Financial Controller before being appointed as the Senior Vice President of the Investment and Acquisition Division at MBF Finance Berhad in 1987. He subsequently served Damansara Realty Berhad as its Senior General Manager from 1994 until 1996, when he set up his own Chartered Accountants firm, Razalee & Co., where he is presently the Managing Partner.

Razalee is a Fellow member of the Institute of Corporate Directors Malaysia.

Declaration:

- No conflict of interest or any family relationship with any Director and/or major shareholder of the Company.
- Has never been convicted for any offence for the past five (5) years nor any public sanction or penalty by any relevant regulatory bodies during the FY2020.

Working Experience:

Dato' Ibrahim Marsidi (Dato' Ibrahim) started his career with Malayan Banking Berhad in 1979 as a Sub-Accountant. Later the same year, he joined PETRONAS and was actively involved in the development of PETRONAS domestic marketing activities. In the course of his career with PETRONAS, Dato' Ibrahim held a number of Senior Management positions such as the position of Senior Manager of Eastern and Northern Region, General Manager of Liquefied Petroleum Gas and Retail Business in PETRONAS Dagangan Berhad (PDB) and as the General Manager of Crude Oil Group, PETRONAS.

With his extensive experience, Dato' Ibrahim was appointed as the Managing Director and Chief Executive Officer of PDB, a company listed on Bursa Malaysia Securities Berhad, the formation of which he had played a deep role. During his tenure leading PDB, he spearheaded its transformation by developing the company's brand and business strategy as well as the development of administrative and electronic payment systems. Dato' Ibrahim retired from this position in December 2007.

Declaration:

- No conflict of interest or any family relationship with any Director and/or major shareholder of the Company.
- Has never been convicted for any offence for the past five (5) years nor any public sanction or penalty by any relevant regulatory bodies during FY2020.

ROWINA GHAZALI SETH

Independent Non-Executive
Director

60 | Female | Malaysian

Date first appointed to the Board
of Directors:

23 June 2017



Qualification:

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

Length of Service (as at 30 April 2021):

3 years and 11 months

Membership of Associations:

None

Number of Board of Directors meetings attended in the financial year:

12/12

Membership of Board Committees:

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

Any other board directorships in public companies:

Listed Entity:

- UEM Edgenta Berhad

Other Public Companies:

- Hong Leong Islamic Bank Berhad

DATUK TONG POH KEOW

Independent Non-Executive
Director

66 | Female | Malaysian

Date first appointed to the Board
of Directors:

29 August 2019



Qualification:

- Diploma in Commerce, Kolej Tunku
Abdul Rahman
- Examination of the Institute
of Chartered Secretaries and
Administrators, UK

Length of Service (as at 30 April 2021):

1 year 8 months

Membership of Associations:

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

Number of Board of Directors meetings attended in the financial year:

12/12

Membership of Board Committees:

- Chairperson of Board Whistle-Blowing
Committee
- Member of Board Audit Committee
- Member of Board Risk Management
Committee

Any other board directorships in public companies:

Listed Entity:

- Sunway Berhad

Other Public Companies: None

Working Experience:

Rowina Ghazali Seth (Rowina) began her career in SHELL in the Information Technology Division in 1985 and she has more than 30 years of experience in the oil and gas industry gained in all aspects of strategic government relations, external and reputation management.

She has held various local and global positions in SHELL's upstream, downstream and business operations and had served as the General Manager, Corporate Affairs and Director of SHELL Business Services Sdn Bhd. Her last position was as Director, Government Affairs at SHELL Malaysia, building the function from inception and pioneering the lead role.

Rowina's forte is in frontline roles, managing complex issues with Government, often include situations involving material business value, reputational risk and geo-political dimensions (e.g. South China Sea/border/NGO disputes), and other issues requiring escalation to the Prime Minister's office. Rowina displayed strong interpersonal skills and develop mature relationships amongst senior levels of Government, with British and Dutch foreign offices, business chambers, and counterparts in PETRONAS and oil and gas organisations.

Declaration:

- No conflict of interest or any family relationship with any Director and/or major shareholder of the Company.
- Has never been convicted for any offence for the past five (5) years nor any public sanction or penalty by any relevant regulatory bodies during the FY2020.

Working Experience:

Datuk Tong Poh Keow (Datuk Tong) began her career as secretarial assistant with Siva, Heng & Monteiro in 1978 and was promoted to manager of secretarial services and audit in 1980 before she left the firm to join Shapadu Holding Sdn Bhd in 1981 where she was an accountant and company secretary until March 1983.

Datuk Tong joined Highlands & Lowlands Berhad in November 1983 as an accountant and assistant company secretary. In 1985, she joined Kumpulan Guthrie Berhad and had since held various senior positions until her promotion to Chief Financial Officer (CFO). In 2007, she was appointed as the CFO of Sime Darby Plantation Berhad for about half year prior to assuming the role of the Group CFO of Sime Darby Berhad (SDB) in 2008 where she served for about 9 years until her appointment as Executive Director/Group CFO of

Sime Darby Property Berhad on 30 November 2017. She retired as Group CFO of Sime Darby Property Berhad on 31 March 2019. She has served the Sime Darby Group for 36 years.

Datuk Tong was named the Best CFO in Malaysia for 2014, 2015 and 2017 at the Institutional Investor Corporate Awards - Alpha Southeast Asia and Best CFO for Investor Relations (Large Cap) for 2013, 2014 and 2017 at Malaysia Investor Relations Awards.

Declaration:

- No conflict of interest or any family relationship with any Director and/or major shareholder of the Company.
- Has never been convicted for any offence for the past five (5) years nor any public sanction or penalty by any relevant regulatory bodies during the FY2020.

HAIDA SHENNY HAZRI

Non-Independent Non-Executive Director

47 | Female | Malaysian

Date first appointed to the Board of Directors:
23 June 2017



Qualification:

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

Length of Service (as at 30 April 2021):
3 years and 11 months

Membership of Associations:
None

Number of Board of Directors meetings attended in the financial year:
12/12

Membership of Board Committees:

- Member of Board Risk Management Committee
- Member of Board Whistle-Blowing Committee

Any other board directorships in public companies:

Listed Entity:

- Privasia Technology Berhad

Other Public Companies:

- Keyfield International Berhad

Working Experience:

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

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

In Sapura Energy (previously known as SapuraKencana), 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 start up and operationalization as well as the successful sale of the majority interest on the company. Post the sale of the

majority interest, she left and joined Bintulu Supply Base Sdn Bhd to build another supply base in Bintulu. She served as CEO Bintulu Supply Base Sdn Bhd until 2019.

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

Haida is a member of the Industry Advisory Panel under Malaysia Petroleum Resources Corporation. She is also a member of the Institute of Corporate Directors Malaysia. Haida has also been recently appointed to the University of Melbourne Alumni Council.

Declaration:

- No conflict of interest or any family relationship with any Director and/or major shareholder of the Company.
- Has never been convicted for any offence for the past five (5) years nor any public sanction or penalty by any relevant regulatory bodies, during FY2020.

RIZAL RICKMAN RAMLI

Non-Independent Non-Executive Director

43 | Male | Malaysian

Date first appointed to the Board of Directors:
21 March 2018



Qualification:

- Master of Business Administration, J.L. Kellogg School of Management, Northwestern University, USA
- Bachelor of Arts in Economics, University of Chicago, USA

Length of Service (as at 30 April 2021):
3 years 1 month

Membership of Associations:
None

Number of Board of Directors meetings attended in the financial year:
12/12

Membership of Board Committees:
Member of Board Nomination & Remuneration Committee

Any other board directorships in public companies:

Listed Entity:

- Sime Darby Property Berhad

Other Public Companies:

- Pelaburan Hartanah Nasional Berhad
- MIDF Property Berhad
- Vilea Rompin Berhad (formerly known as Lanjut Golf Berhad)

Working Experience:

Presently, Rizal Rickman Ramli (Rick) is the Chief Investment Officer, Private & Strategic Investments for Permodalan Nasional Berhad (PNB).

Prior to joining PNB, Rick served as the Country Managing Partner for the Boston Consulting Group (BCG) in Malaysia. During his time at BCG, he has worked on client assignments in more than 10 countries globally and was also based out of BCG's London office.

Rick has extensive experience working on projects in the oil and gas sector having supported energy clients on various assignments including on topics such as new business build, growth strategy, and industry transformation. Rick has been recently re-designated as the Non-Independent Non-Executive Chairman of Sime Darby Property Berhad.

Declaration:

- No conflict of interest or any family relationship with any Director and/or major shareholder of the Company except being a Nominee Director of Permodalan Nasional Berhad.
- Has never been convicted for any offence for the past five (5) years nor any public sanction or penalty by any relevant regulatory bodies during FY2020.

DATO' DAYANG FATIMAH JOHARI

Independent Non-Executive Director

65 | Female | Malaysian

Date first appointed to the Board of Directors:
24 May 2018

Qualification:

- Bachelor of Arts (Honours) – Universiti Sains Malaysia, Pulau Pinang, Malaysia
- Masters in Human Resources Administration (HRA) – University of Scranton, Pennsylvania, USA

Length of Service (as at 30 April 2021):
2 years 11 months

Membership of Associations:
None

Number of Board of Directors meetings attended in the financial year:
12/12

Membership of Board Committees:

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

Any other board directorships in public companies:
Listed Entity: None
Other Public Companies: None



Working Experience:

Upon her graduation, Dato Dayang Fatimah Johari (Dato' Dayang) began her career as a Temporary Teacher at Kolej Tun Datuk Patinggi Abdillah, Sarawak from 1979 until 1980.

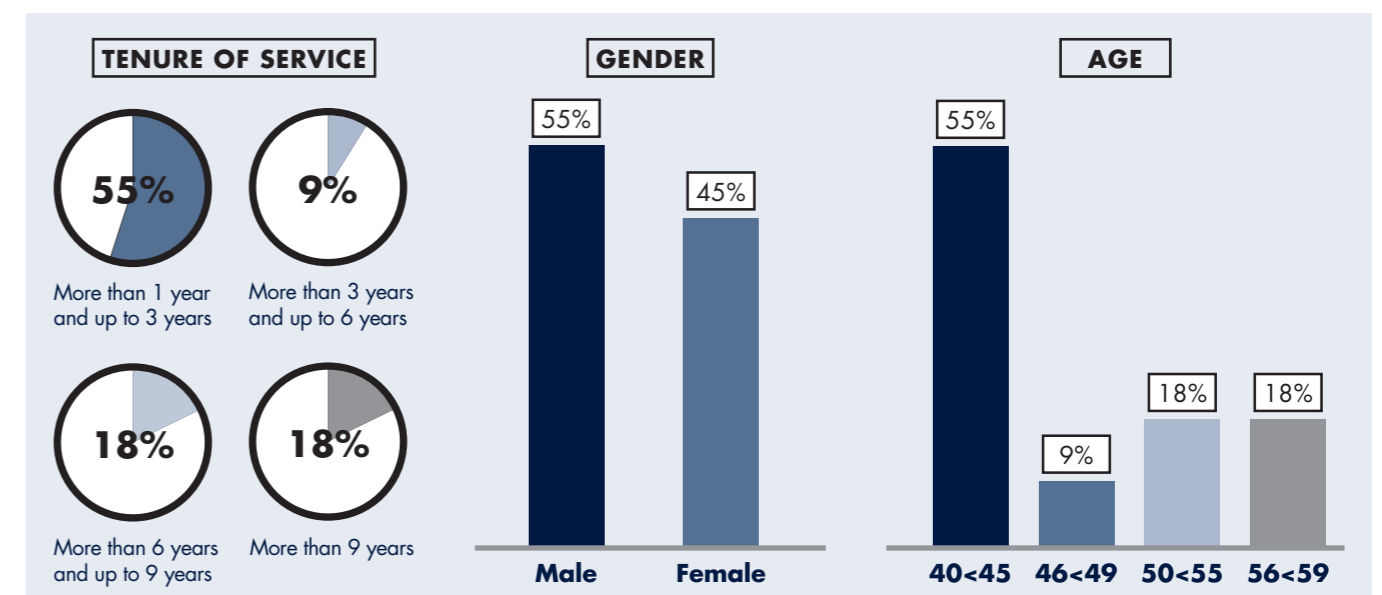
Dato' Dayang started her career as Superintendent of Customs in June 1980. She was later promoted to Senior Superintendent of Customs in 1985, Assistant Director of Customs in 1990, Senior Assistant Director II in 1998, Senior Assistant Director I in 2000 and Deputy Director of Customs in 2006. During these years she served as the heads of different sections / divisions of Customs; namely the Import & Export Division, the Enforcement Division, the Technical Services Division and Customs Division. In the year 2011, Dato' Dayang was promoted as Director of Royal Malaysian Customs Academy (AKMAL) in Melaka. She was responsible for the basic training of new Customs officers, in-house training for Customs staff and also coordinating and jointly organising international Customs courses locally with the World Customs Organisation (WCO) in Brussels. She was the

first woman director of AKMAL since its inception in 1957. She served as Director of AKMAL from 2011 to October 2014. In January 2015, AKMAL was accorded the WCO Certificate of Merit.

In October 2014, Dato' Dayang was transferred to Sarawak as the State Director of Customs. During her tenure as State Director, she was involved in the working committees with the State Government of Sarawak on Bilateral meetings such as the Socio Economic Malaysia/Indonesia (Sosek Malindo), doing liaison work during state official and sports events. Dato' Dayang retired in August 2016.

Declaration:

- No conflict of interest or any family relationship with any Director and/or major shareholder of the Company.
- Has never been convicted for any offence for the past five (5) years nor any public sanction or penalty by any relevant regulatory bodies during FY2020.



Note: As at 30 April 2021

1
ROHAIZAD DARUS

President/Non-Independent Executive Director

Aged 56 | Male | Malaysian

For details of the President's profile, please refer to page 95 (Profile of Board of Directors) of this Annual Report.

▲ Qualifications

■ Past Employment

● Membership of Association

● Date appointed to the current position

2
SAZLYNA SAPIEE

Chief Financial Officer

Aged 55 | Female | Malaysian

- ▲
 - Fellow of Association of Chartered Certified Accountants (FCCA)
 - Certified Internal Auditor (CIA)
 - Certified Fraud Examiner (CFE)
 - Certified Risk Management Assurance (CRMA)
 - Certified HRDF Trainer
 - Distinction Holder of Diploma in Management - Malaysian Institute of Management

- - Sapura Energy Berhad
 - Scomi Group Berhad
 - Faber Group Berhad
 - Faber Medi-Serve Sdn Bhd (a wholly owned subsidiary of Faber Group Berhad)

- - Association of Chartered Certified Accountants (ACCA)
 - Malaysian Institute of Accountants (MIA)
 - Institute of Internal Auditors (IIA)
 - Association of Certified Fraud Examiners (ACFE)

● 1 June 2020

3
**ABDUL HADI
ABDUL BARI**

Chief Commercial Officer

Aged 45 | Male | Malaysian

- 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

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

Nil

● 1 December 2018

Declaration

- Not holding any directorship in public companies and listed issuers.
- No family relationship with any Director and/or major shareholder of the Company.
- Has never been convicted for any offence within the five years nor any public sanction or penalty by any relevant regulatory bodies in FY2020.

4
**ADRIN SHAFIL
AHMAD NASIR**

Chief Operating Officer

Aged 43 | Male | Malaysian

- ▲
 - Bachelor of Science in Electrical and Computer Engineering - Cornell University, USA

- - ExxonMobil Malaysia
 - Nippon Oil Exploration
 - BHP Biliton Petroleum Sabah Corporation
 - Inpex Offshore North West Sabah Inc
 - Petrofac Malaysia Ltd

● Nil

● 1 July 2019

5
CHONG EU JIN

Head, Oilfield Services

Aged 44 | Male | Malaysian

- BEng (Honours) University of Lincolnshire and Humberside, UK

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

● Nil

● 15 April 2020

6
NOOR ASHIAH YANG

Head, Human Resources

Aged 52 | Female | Malaysian

- Bachelor of Arts (Honours) in Economics - University of Laurentienne, Canada

- - Bumi Armada Berhad
 - Petra Energy Berhad
 - Sapura Crest Petroleum Berhad
 - Sapura Acergy Sdn Bhd
 - Eden Group Berhad
 - Dialog Group Berhad
 - Renong Berhad

● Nil

● 2 December 2019

Declaration

- Not holding any directorship in public companies and listed issuers.
- No family relationship with any Director and/or major shareholder of the Company.
- Has never been convicted for any offence within the five years nor any public sanction or penalty by any relevant regulatory bodies in FY2020.

7

LEE MI RYOUNG

Head, Legal & Secretarial and Company Secretary

Aged 44 | Female | Malaysian Permanent Resident

8

MOHD ALI MOHD SAIBI

Head, Quality, Health, Safety & Environment (QHSE)

Aged 50 | Male | Malaysian

9

MARYAM SALWAANA KAMAL MOHD KAMAL

Head, Strategic Communications

Aged 42 | Female | Malaysian



- Company Secretary, Fellow – FCIS (CS)(CGP) – Malaysian Institute of Chartered Secretaries and Administrators
- Chartered Governance Professional
- Barrister at law, Inns of Court School of Law
- LL.B Bachelor in law – University College London, UK
- Post Graduate Diploma in International Commercial Arbitration – The Chartered Institute of Arbitrators, London UK
- Post Graduate Diploma in Professional Legal Skills – City University, London UK

- Professional Diploma in Safety, Health & Environment – Universiti Selangor, Malaysia

- Bachelor of Human Sciences (Honours) in Communications - International Islamic University, Malaysia



- 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

- Royal Malaysian Air Force (RMAF)
- Adinin Works & Engineering (Brunei) Sdn Bhd
- Bintulu Engineering & Trading Sdn Bhd
- Petra Resources Sdn Bhd
- Murphy Oil Co. Ltd
- Brunei SHELL Petroleum Co. Sdn Bhd
- Schlumberger Brunei
- Petrofac Development Sdn Bhd
- Petronas Refinery & Petrochemical Corporation
- Hengyuan Refining Company

- AD.Diction Advertising Sdn Bhd
- Media Prima Berhad



- Malaysian Institute of Chartered Secretaries and Administrators
- Chartered Institute of Arbitrators
- Honourable Society of Gray's Inn, London, UK

- DOSH Registered Safety & Health Officer
- Malaysian Society For Occupational Safety & Health (MSOSH)
- Malaysian Authorised Gas Tester Association (MAGTA)

Nil

15 July 2019

17 December 2018

1 October 2017

Declaration

- Not holding any directorship in public companies and listed issuers.
- No family relationship with any Director and/or major shareholder of the Company.
- Has never been convicted for any offence within the five years nor any public sanction or penalty by any relevant regulatory bodies in FY2020.

10

NORZALIZAH ALIAS

Head, Internal Audit

Aged 48 | Female | Malaysian

11

MOHAMMAD HAFIZ SAPARANI

Head, Integrity & Governance Unit

Aged 44 | Male | Malaysian



- Bachelor of Accountancy (Honours) – Universiti Teknologi MARA, Malaysia

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



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

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



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

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

1 March 2018

1 January 2020

Declaration

- Not holding any directorship in public companies and listed issuers.
- No family relationship with any Director and/or major shareholder of the Company.
- Has never been convicted for any offence within the five years nor any public sanction or penalty by any relevant regulatory bodies in FY2020.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of VELESTO presents this statement that provides an overview of the corporate governance (CG) practices of the Company during FY2020. This statement, together with the Corporate Governance Report which is available online, describes how we have complied with the provisions of the Malaysian Code on Corporate Governance 2017 (MCCG 2017) and applied its main principles throughout the year.

CORPORATE GOVERNANCE IS VELESTO'S iLEAP WAY

VELESTO's commitment to the highest standard of corporate governance is seen from how our CG Framework, integrity governance and integrated internal control systems are inextricably linked as part of the Group's comprehensive approach to shape a culture of integrity and compliance throughout the Group. Our VELESTO's Code of Business Conduct and Ethics (CoBE) supports VELESTO's vision and mission, underpin our iLEAP core values and defines our approaches to all aspects of our businesses.

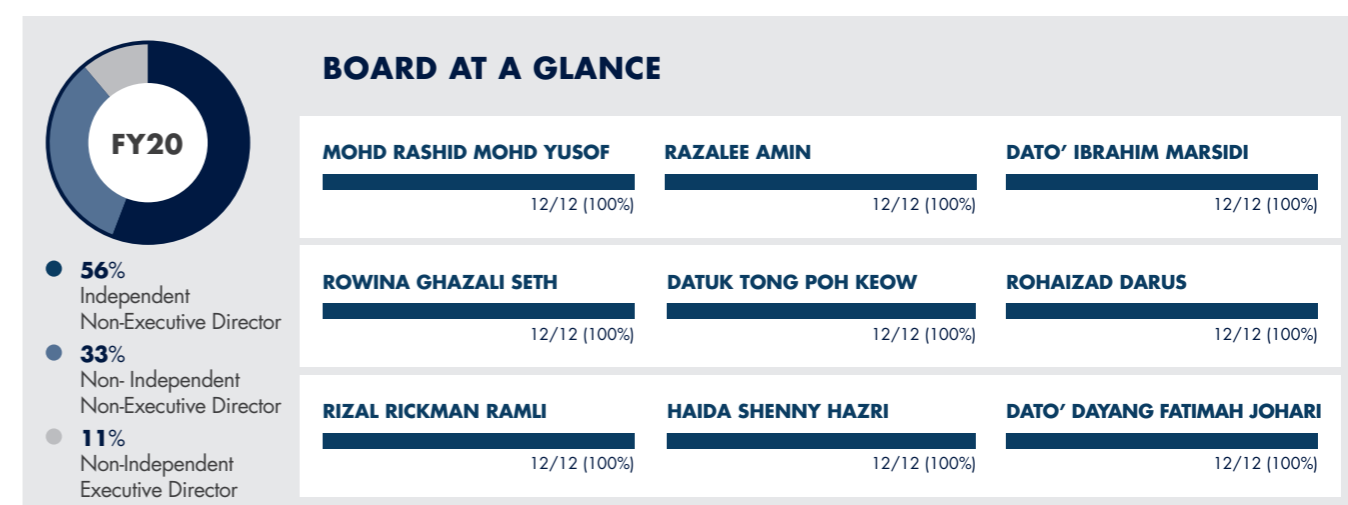
CG FRAMEWORK



VELESTO's CG Framework combines all the elements of sound approaches to governance and responsibility. In order to ensure that the highest standards of corporate governance are observed, the Group operates within the CG Framework. The CG Framework complements the beliefs, mindsets and behaviours as set out in VELESTO's CoBE and our core values in iLEAP. This statement will explain how CG Framework is structured and implemented across the Group.

Testament to our commitment to the highest standards of corporate governance, in November 2020, VELESTO received the recognition from the ASEAN Capital Markets Forum in the 2019 ASEAN Corporate Governance Scorecard (ACGS) Awards under the ASEAN Asset Class Award category.

CORPORATE GOVERNANCE OVERVIEW STATEMENT



MATTERS RESERVED FOR THE BOARD

- Material acquisitions and disposal of assets
- Investments in major projects
- Authority levels
- Treasury policies
- Risk Management policies
- Key human resource issues
- Conflict of interest issues relating to a substantial shareholder or Director

● Chairman ● Member

BAC	BRMC	BNRC	BWBC
RAZALEE AMIN 7/7 (100%)	ROWINA GHAZALI SETH 5/5 (100%)	DATO' IBRAHIM MARSIDI 8/8 (100%)	DATUK TONG POH KEOW 2/2 (100%)
DATO' IBRAHIM MARSIDI 7/7 (100%)	Haida Shenny Hazri 5/5 (100%)	ROWINA GHAZALI SETH 8/8 (100%)	RAZALEE AMIN 2/2 (100%)
DATO' DAYANG FATIMAH JOHARI 7/7 (100%)	RAZALEE AMIN 5/5 (100%)	DATO' DAYANG FATIMAH JOHARI 8/8 (100%)	Haida Shenny Hazri 2/2 (100%)
DATUK TONG POH KEOW 7/7 (100%)	DATUK TONG POH KEOW (appointed as member on 16 July 2020) 2/2 (100%)	RIZAL RICKMAN RAMLI 8/8 (100%)	
<ul style="list-style-type: none"> Oversees financial reporting Monitors internal control Monitors internal and external auditors 	<ul style="list-style-type: none"> Reviews the design and implementation of Enterprise Risk Management Framework Oversees and advises the Board on the current risk exposures of the Group and future risk strategy 	<ul style="list-style-type: none"> Approves and monitors the level and structure of remuneration for the Board and Senior Management Recommends Board appointments Plans for Board and executive succession Recommends Board effectiveness evaluation 	<ul style="list-style-type: none"> Oversees and monitors whistle-blowing procedures and reports

PRINCIPLE A:

LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

1. Board's leadership and collective responsibility

The Board provides leadership of the Group and, through the operation of Board Committees exercising delegated authorities, plays an important role in determining strategic directions, which are implemented through its approvals and regular monitoring of business plan and budgets. The business plan specifies key developments towards the strategic objectives that are to be achieved by the Management within an agreed budget.

FY2020 saw unprecedented logistical and business disruptions brought by the pandemic and other socio-economic and industry developments. During the year, the Board held twelve meetings – a combination of virtual and hybrid - including dedicated meetings to consider the Group's plans and strategies. As a matter of priority, the Board reviewed the Group's business, operational and financial strategies, to enhance, adapt and implement measures to address the changing market, environment, and outlook. The Group's strategic focus involved accelerating key thrusts of maximising returns, driving organic expansion, exploring opportunities, enhancing enablers and Sustainability agendas.

At every quarterly Board meeting, the President provided a review of the business, market outlook and how it was performing, and the Chief Financial Officer provided a detailed review of the Group's financial position. During the FY2020, the Board deliberated on a range of subjects including but not limited to the following:

- The economic and industry outlook;
- The performance of VELESTO's core businesses i.e. Drilling and Oilfield Services;
- Strategic business plan of the Group, including its People-Focused strategy and Sustainability agendas;
- Considerations of emerging opportunities and value creation;
- Setting of corporate key performance indicators and targets;
- The Group's financial results, resources planning and budget;
- The Group's Health, Safety and Environmental Performance and associated issues;

- Corporate restructuring strategies to streamline reporting lines, financial and operating structure;
- Assimilation and oversight over Enterprise Risk Management Framework and practices;
- IT and operational platform enabling flexible working arrangements;
- Oversight on regulatory compliance and governance;
- Comprehensive Integrity Governance Framework that complements the CG Framework;
- Enhancements to Financial Limits Authority Governance (FLAG) and Non-Financial Limits Authority Governance (NFLAG);
- Evaluate the performance of President and Direct Reports; and
- Succession Planning of the Board and President.

As a matter of routine, Directors receive the meeting materials at a reasonable period before the meetings. All proceedings of the Board are duly minuted and circulated to all Directors in timely manner for their perusal prior to the confirmation of the minutes. The proceedings of the meetings are recorded by the Company Secretary, which included pertinent issues, the substance of inquiries, if any, and responses thereto, suggestions, decisions and rationale. Any matters arising from the meetings are updated at the next meeting and decisions or requests made are circulated to the Management for further actions.

Roles

CHAIRMAN OF THE BOARD

The Chairman of the Board is Mohd Rashid Mohd Yusof, a Non-Independent Non-Executive Director. The Chairman is responsible for leading the Board and for ensuring its effectiveness. He facilitates the contributions of Board members and leads to harness the talents and energy contributed by each of the individual Directors. The Chairman also presides over Board meetings whilst leading the discussions and deliberations conducted in boardroom to ensure time allocated for meeting are used productively. The Chairman provides conciliatory elements when the elements of the Board differ. He maintains effective communications with shareholders and other stakeholders.

PRESIDENT

The President, Rohaizad Darus, also sits on the Board as the Company's Executive Director. He is responsible for the executive leadership, formulates strategic plan and leads in day-to-day management of the Group. He ensures the delivery of business strategies as agreed by the Board and in accordance with the Group's risk appetite and business plan. In addition, the President also exercises his role as the lead champion who promotes and inculcates the Group's iLEAP culture, high standards of ethical governance and Sustainability programmes.

The Group has a clear division between powers and responsibilities of the Chairman and the President, which are set out in the Board Charter.

NON-EXECUTIVE DIRECTORS (NED)

The NED are responsible for contributing sound judgements and objectivities to the Board's deliberations and overall decision-making process. They are also responsible for providing constructive challenge, and monitoring the Management's delivery of the strategies within the Board's risk and governance structure.

COMPANY SECRETARIES

The Company Secretaries, namely Lee Mi Ryoung and Sazlyna Sapiee support the Board by providing corporate governance advice, ensure adherence to rules and procedures, and advocate good corporate governance practices. As a conduit, they ensure the information flows amongst the Board, the Board Committees and the Management, whilst establishing good communication with shareholders and stakeholders as is appropriate. All Directors have unrestricted access to the Company Secretaries. Their profiles are available under Our Leaders section of this Annual Report.

2. Demarcation of responsibilities between Board, Board Committees and Management

The Board Charter serves as a guidance for the Board of their roles and responsibilities in discharging their duties as Directors of VELESTO. Considered as a 'living' charter, aligned with strategic direction of the Group, the charter is reviewed and updated periodically. Being pivotal for shared understanding by all in the Group on the roles of the Board, the Board Committees, and the Management, it is the point of reference and reminder for governance. The Board Charter refers to the appointment of Senior Independent Director who acts as a sounding board for the Chairman, an intermediary for the other Directors and the point of contact for shareholders and other stakeholders. This Board Charter is accessible at VELESTO's website at <https://www.velesto.com>

BOARD COMMITTEES

Certain responsibilities of the Board were delegated to the Board Committees, which operate within its respective Terms of Reference (TOR), which are available at <https://www.velesto.com>. The TORs are periodically reviewed and updated. The minutes of each Board Committee's meetings are made available to the members of the Committees on a timely basis, which are then tabled to the Board. In addition, each individual Board Committee's Chair reports to the Board on matters discussed at Committee meetings and highlights any significant issues that require the Board's attention.

BAC

A summary of activities of the BAC to discharge their duties during FY2020 can be found in BAC Report of this Annual Report.

The composition and attendance of BAC Meetings held during FY2020 is displayed under "Board at a Glance" of this statement. The TOR of the BAC is available for viewing at the Group's corporate website at <https://www.velesto.com>

BNRC

The composition and attendance of BNRC meetings held during FY2020 are displayed under “Board at a Glance” of this statement. The BNRC is governed by its TOR, which outlines its duties and responsibilities. The TOR of BNRC is available for viewing at the VELESTO’s corporate website at <https://www.velesto.com>

Summary of BNRC’s activities

Below is a summary of subjects deliberated by the BNRC and recommended for the Board’s approval:-

- | | |
|--|--|
| i) Extension of contract of service for senior executive positions; | vi) Setting KPIs for the President; |
| ii) Directors retiring by rotation and re-election to the Board; | vii) Assessment of the performance of the President and his direct reports with Job Grade 20 and above; |
| iii) Re-designation of Directors on Board and revision to the composition of Board Committees; | viii) Proposal on Revised Questionnaires on Board Evaluation for Board and Board Committees, Board (self and peer assessment) and President; and |
| iv) Appointment of Directors on the boards of companies outside the VELESTO Group; | ix) Conducted an evaluation of the effectiveness of the Board as a whole, Board Committees and the contributions of individual Directors including the President and recommended improvement plan, where applicable. |
| v) Appointment of Directors on the boards of companies within the VELESTO Group; | |

BRMC

The BRMC is governed by its TOR, which outlines its duties and responsibilities. The TOR of the BRMC is available for viewing at the VELESTO’s corporate website at <https://www.velesto.com>

With oversight of risks at the enterprise wide level and with responsibility to review, monitor and guide on the effectiveness of VELESTO Group’s Enterprise Risk Management and Business Continuity Plan, BRMC has during the year under review ensured that the Group drove measures to embed risk management and business continuity practices in all VELESTO Group’s key processes and activities.

During FY2020, the activities carried out by the BRMC were as follows:-

- | | |
|--|---|
| i) Assessed and reviewed the VELESTO Group’s Top Risks and Risk Action plans for each quarter in FY2020; | vi) Endorsed the simulation scenarios for Business Continuity Management exercises for the year 2020; |
| ii) Identification of Covid-19 impact to the Group; | vii) Endorsed the revision to the Risk Rating Matrix; |
| iii) Received the quarterly progress report on Health, Safety and Environment; | viii) Guided on the communication and awareness/ refresher sessions on Enterprise Risk Management conducted by Risk Management Department for employees of VELESTO Group; and |
| iv) Reviewed the Emergency and Crisis Management of the Group; | ix) Reviewed the Sustainability Report and Statement on Risk Management and Internal Control for inclusion into VELESTO Annual Report 2020. |
| v) Updated the Business Continuity Management and its related activities; | |

BWBC

The BWBC is governed by its TOR, which outlines its duties and responsibilities.

A copy of the TOR of the BWBC is available for viewing at the VELESTO’s corporate website at <https://www.velesto.com>

MANAGEMENT

The President is the conduit between the Board and the Management in ensuring that management practices are performed at the highest level of integrity and transparency. This will also ensure the business and affairs of the Group are carried out in an ethical manner and in compliance with the relevant laws and regulations. He is supported by the Management Committees in the day-to-day running of the Group.

The monthly Management Committee Meeting chaired by the President, deliberates on overall management of the Group with direct line of sight of the operations and activities, with reports from the following divisions:-

- | | |
|--|--|
| <ul style="list-style-type: none"> • Operations (Drilling Services and Velesto Drilling Academy) • Oilfield Services (Workover Services) • Finance and Accounts • Commercial (including Contracts and Supply Chain) • Human Resources | <ul style="list-style-type: none"> • Health, Safety and Environment • Legal & Secretarial (including Risk Management) • Business System (including Management Information System, Business Process and Quality) • Strategic Communications (including Investor Relations and Sustainability) |
|--|--|

Other Management Sub-Committees met regularly or periodically, to effectively discharge their functions, in tandem with the requirements of the Group’s activities and operations.

3. Commitment to Good business conduct and corporate culture

CODE OF BUSINESS CONDUCT AND ETHICS (CoBE)

All employees should endeavour to uphold the Group’s brand, which in essence is the identity and image of VELESTO. The Group’s brand should be reflected in ways employees conduct themselves at work and permeate at every point of interactions, regardless of between each other and the public. The Directors and employees of VELESTO are expected to behave ethically and professionally, for or on behalf of the Group and comply with the CoBE of the Group.

The CoBE describes the measures put in place to:-

- Handle actual or potential conflicts of interests
- Prevent corrupt practices which include the offering and acceptance of gifts and other form of benefits
- Encourage the reporting of unlawful or unethical behaviour
- Protect and ensure the proper usage of the Company’s assets
- Ensure compliance with laws, rules and regulations

The CoBE is available for viewing at the VELESTO’s corporate website at <https://www.velesto.com>

WHISTLE-BLOWING POLICY

In promoting the highest level of professionalism and ethics in the conduct of the VELESTO Group’s businesses, the Whistle-Blowing Policy supports disclosures of any suspected wrongdoings that include mismanagement, malpractices, corrupt practices, fraud, conflict of interest, money laundering, abuse of authority or breach of any laws and regulations by any staff and management. The Policy serves to provide a formal channel of communication for the employees and any other persons to raise concerns in a responsible and timely manner.

Integrity & Governance Unit (IGU) is responsible to ensure that integrity is upheld and dissemination of highest standards of compliance within VELESTO Group. IGU reports to the BWBC and is governed by its TOR and integrity framework approved by the Board.

DISCLOSURE CHANNEL

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

Attention:

- Head of IGU
- +603-2096 8788
- whistleblower@velesto.com

The Whistle-Blowing Policy is available for viewing at the VELESTO's corporate website at <https://www.velesto.com>

ANTI-BRIBERY AND CORRUPTION (ABC) POLICY

The Group has in place, an Anti-Bribery and Corruption Policy (ABC Policy) that ensures a commitment to conduct its business ethically, as well as conforming with all applicable laws, which includes compliance with the Malaysian Anti-Corruption Commission Act (MACC) 2009 and the MACC (Amendment) Act 2018; any of its amendments or re-enactments that may be made by the relevant authority from time-to-time.

The ABC Policy provides principles, guidelines and requirements on how to deal with corrupt and bribery practices that may arise in the course of daily business and operation activities within the Group. The personnel working for the Group are responsible to comply with laws against corruption/bribery. The Policy further provides information and guidance to all personnel on how to recognize and deal with corruption and bribery issues.

The ABC Policy is available for viewing at the VELESTO's corporate website at <https://www.velesto.com>

II. Board Composition

1. Objective decision-making in the best interest of the Group

BOARD BALANCE AND DIVERSITY

Good stewardship emanates from a balanced board, with the Board members composed of complementary yet diverse mix of skills, knowledge, experiences and independent elements that equips the Board with diverse insights and perspectives for better decision making. During the year under review, the Board comprised of Chairman, an Executive Director and seven NED. With a composition that gives regard to age, ethnicity, gender, expertise, regional and industry experiences, cultural and geographical background, the Board benefits from diversity, inclusiveness and thought leadership required by the Group. This level of diversity is needed to make sure the decisions made at this level consist of the right input and challenge.

30%
FEMALE REPRESENTATION
ON BOARD

In conformance with the requirements of Practice 4.5 of MCGG 2017, the Group's Board Charter has a policy on gender diversity that strives to have at least 30% women Directors on the Board. With four women Directors, the Board of Directors at VELESTO has exceeded the requirement of 30% women Directors.

BOARD INDEPENDENCE

With five INED, the Board is in compliance with both paragraph 15.02(1) of the MMLR and the MCGG 2017 which requires one-third and one half of Independent Directors in the Board, respectively.

ASSESSMENT OF INDEPENDENCE

Annually, Independent Directors are required to conduct self-assessment of independence and declare that he/she is 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 the Group. The assessment result is then considered by the Board and in determining independence, the Independent Director must be able to provide objective challenge to the Management, willing to stand up and defend their perspectives for the good of the Group and there are no business or other relationships likely to affect, or which could appear to affect, their judgment. Throughout the year, Independent Directors are required to declare any conflict or situation that may impact their independency.

TENURE OF INDEPENDENT DIRECTOR

The Board Charter limits the tenure of its INEDs to up to nine years. As at FY2020, none of the Independent Non-Executive Directors have served the Board more than nine years.

APPOINTMENT OF A DIRECTOR

The appointment of a new Director is a matter for consideration and decision by the Board upon recommendation from the BNRC. In making recommendation, BNRC considers the Board Balance and right composition as required by the Group. In accordance with the Board Charter, the following process of appointment of Directors is applied:-



COMMITMENT

All Directors are expected to attend each Board meeting and each Committee meeting for which they are members. To achieve this, scheduled Board and Board Committee meetings are arranged at least a year in advance to allow Directors to manage their other commitments. In cases where Directors are unable to attend a meeting because of exceptional circumstances, they are still able to receive the papers and other relevant information in advance of the meeting. As such, they have the opportunity to discuss with the relevant Chair or the Company Secretaries on any matters which they wish to raise and subsequently follow up on the decisions taken at the meeting. With open accessibility, the Chairman, President and Company Secretaries are always available to discuss issues relating to meetings or other matters with the Directors. During the year under review, the Board is satisfied that each of the NED is able to devote sufficient time to the Group's business.

ACCESS TO INFORMATION

Contributing to effective communication flows amongst the Board, the Board Committees, and the Management, all Directors have direct access to the President and Senior Management. Directors also have access to the advice from Company Secretaries and, in appropriate circumstances, may obtain independent professional advice at the Company's expense. Detailed papers are circulated in advanced and Directors have regular access to the Management Reports that provide relevant information on the business and industry outlook.

2. Effectiveness of the Board, Board Committees and individual Directors

The Board Effectiveness Evaluation is conducted annually to assess the performances of the Board, Board Committees and individual Directors (including Executive Director), as well as, to assess the independence of the Independent Directors. An independent expert is also engaged periodically to facilitate objective board evaluations. For FY2020, the evaluation was internally conducted, and all the Directors have completed the written questionnaires. The Company Secretaries collated and considered the evaluation results. The insights and findings from the evaluation results were discussed collectively by BNRC and subsequently tabled for deliberations by the Board.



With a wide and comprehensive scope to cover the effectiveness of the Board, Board Committees, Individual Directors and Executive Director, the following areas were focused:-

- The performance of the Board of Directors;
- Directors' Skill set;
- Directors' Self and Peer Assessment;
- Directors' Independence; and
- Performance of BAC, BNRC, BRMC and BWBC.

Board of Directors

In assessing the performances of the Board, the following assessment criteria were covered:-

- Board mix and composition, which covered the sufficient size of the Board, the right balance, division of responsibilities, time commitments and whether the Board functions as a team through mutual respect, as well as having an effective working relationship that fosters trust and esteem.
- 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 issues, value creation process and participations of Board members, succession planning, together with the involvement in strategic communications.
- Chairman's role in promoting healthy discussions and establishment of effective working relationships and consideration on accessibility of the Chairman.

Directors' Skill Sets

This segment was developed to gain an understanding of the extent to which the Board comprised of Directors with the appropriate skills, knowledge, competence and experiences that meet the need of the Group. The questionnaire was formulated based on regulatory provisions, emerging and leading practices to facilitate assessment in the following areas:-

- Leadership and strategy;

- Legal and regulatory requirements;
- Corporate governance, risk management and internal controls;
- Accounting and financial reporting;
- Health, safety and environmental performance;
- Industry experience;
- Operations and quality management; and
- Information Technology.

Directors' Self and Peer Evaluation

This segment facilitates self-assessment by each Director as well as peers in the following areas:-

- Contribution and performance;
- Calibre and personality; and
- Performance of the Executive Director.

Independent Directors' Self-Assessment

This segment involved self-assessment by Independent Director on his/her independency and objectivity. All the INED have declared compliance with the assessment criteria relating to background, economic relationship, family relationship, tenure and qualitative assessment of independence.

The Board is satisfied with the level of independence demonstrated by the INED and their abilities to act in the best interest of the Group.

Consolidated Board Committee Assessment

The segment saw evaluation that covered the following areas of assessment for BAC, BNRC, BRMC and BWBC:-

- Composition and Governance;
- Meeting administration and conduct;
- Skills, competencies and professional development;
- Oversight of financial reporting process, including internal controls and audit function; and
- Duties and responsibilities in relation to nomination and remuneration matters, risk management matters, providing guidance to Management, supporting the Board in reviewing VELESTO strategies and whistle-blowing matters.

Based on the results of the evaluation conducted for the FY2020, the BNRC was satisfied with the performance of the individual Directors and the Board effectiveness with an average score of 89%. The resultant insights and findings of the evaluation confirmed that the Group has a good composition of the Board and Board Committees with dedicated members who functions well through mutual respect and esteem.

The Board is committed to drive activities that prioritise Sustainability and value creation for the Group, together with the need to review efficacy of the current remuneration structure to attract and retain talents, whilst cultivating long term value for the Group.

DEVELOPMENT

Newly appointed Directors receive a comprehensive and structured induction, which were tailored to their individual requirements. The induction programme, which is arranged by the Company Secretaries, includes the Mandatory Accreditation Training Programme, as prescribed by Bursa Malaysia and visits to the Group's businesses and engagement with senior managers. The programme is designed to facilitate their understanding of the Group, the key drivers of business performance, the role of the Board and its Board Committees, the Group's corporate governance practices and procedures, as well as providing them with appropriate training and guidance as to their duties, responsibilities and liabilities as a director of a public listed company.

Trainings were organised for the Board covering subjects appropriate to the Group's business and latest developments, on legal, regulatory and financial developments or changes in best practices. Trainings for Directors include attendance at seminars, forums, conferences and webinars.

During the FY2020, the Board has participated in the following continuing education programmes:-

TRAINING PROGRAMME ATTENDED	ORGANISER
Mohd Rashid Mohd Yusof	
Positive and Negative Consent	Saadq Syariah Council
What role must the Board play in challenging times	Financial Institutions' Directors Education (FIDE FORUM)
Managing Virtual Banking and Insurance Businesses	FIDE FORUM
IAS 1 Presentation of Financial Statements	Malaysian Institute of Accountants (MIA)
Annual Dialogue with Governor Bank Negara Malaysia	FIDE FORUM
Climate Risk Management update	Standard Chartered Bank Malaysia
Climate Action, The Board's leadership in greening the financial sector	FIDE FORUM
Corruption Free Pledge Signing Ceremony (witnessed by MACC official) and Executive Integrity Talk "Business Wins with Integrity"	VELESTO
Rohaizad Darus	
CIMB Corporate Day	CIMB Group
Hess Contractor Leadership Forum	Hess Corporation
Virtual Invest Malaysia 2020	Invest Malaysia Kuala Lumpur (IMKL)
Virtual Invest Malaysia 2020 – Series 2	IMKL
MIRA Sustainability Workshop (virtual)	Malaysian Investor Relations Association (MIRA)
Wells HSE e-Forum 2020	PETRONAS
IADC Contracts Seminar	International Association of Drilling Contractors (IADC)
Engagement session with Finance Minister and PNB	Permodalan Nasional Berhad (PNB)
MOGSEC 2020 Webinar - Procurement - Doing Business in Malaysia	The Malaysia Oil and Gas Exhibitions and Conferences (MOGSEC)
Online Official launch of PNB Digital Carnival 2020	PNB
HSE & Operational Excellence Conference (Virtual)	VELESTO
Corruption Free Pledge Signing Ceremony (witnessed by MACC official) and Executive Integrity Talk "Business Wins with Integrity"	VELESTO

TRAINING PROGRAMME ATTENDED	ORGANISER
Razalee Amin	
Interactive Directors and Management Training; "Section 17A MACC Act 2018 - Corporate Liability Provision; What You Need to Know & Implementing the Adequate Procedures."	Federation of Public Listed Company & Minority Shareholders Watch Group (MSWG)
Directors and Senior Management Training (Training No. 01/2020) on "SDGS and Corporate Sustainability Awareness"	Duopharma Biotech Berhad
Directors and Senior Management Training (Training No. 02/2020) on "Familiarization for Consumer Healthcare Business"	Duopharma Biotech Berhad
Directors and Senior Management Training (Training No. 03/2020) on "Knowledge Sharing Session on Digital Therapeutics Market"	Duopharma Biotech Berhad
Directors and Senior Management Training (Training No. 04/2020) on "Virtual Knowledge Sharing Session on Stem Cells"	Dr. Sun U. Song, the Founder and Chief Scientific Officer of SCM Lifescience Co. Ltd., Korea
Directors & Senior Management Training (Training No. 05/2020) on "Strategic Developments, Swot Analysis and Issues on the Registration of Halal Pharmaceuticals"	Prof. Dr. Zhari Bin Ismail, Halal Studies, Research and Training (Hasrat), Universiti Sains Malaysia
Business Foresight Forum 2020 - Evolutionary Change to Revolutionary Impact	Securities Industry Development Corporation (SIDC)
Dato' Ibrahim Marsidi	
TM Board Strategy Retreat (I) (i) DNA of A World Class Telco: What They Do And How They Do It (ii) Connected World: The Future of 5G, Winning in Cloud, and Beyond (iii) Lessons from International Telco Transformations (Including Cost Transformation Programmes)	Telekom Malaysia Berhad (TM)
Adequate Procedures - Section 17A Corporate Liability: T.R.U.S.T Principles	TM
TM Board Strategy Retreat (II) (i) Elements of Great Customer Experience (ii) Elements of High Performance Execution Culture	TM
Cybersecurity awareness	TM
Business Foresight Forum 2020 - Evolutionary Change to Revolutionary Impact	SIDC
Rowina Ghazali Seth	
Staying Ahead in Difficult Times - Up Close and Personal with Dato' Yvonne Chia	Entrepreneurs' Organization (EO)
Post Covid-19 Economic Recovery Plan - a Conversation with YB Mustapa Mohamed	Institute for Democracy and Economic Affairs (IDEAS)
Leading Through Complexity and Chaos	Human Capital Leadership Institute (HCLI)
Leading the Future of Work	HCLI
Unlocking the Power of Diversity (Asia)	CnetG Asia
Leading Digital & Digitally	HCLI
An insight to comprehending the Shariah Governance Policy Document for Board Directors	Hong Leong Islamic Bank (HLISB)
Building & Reporting a Culture of Integrity	Malaysian Institute of Corporate Governance (MICG)
Strategic Engagement on Sustainability	Sunway University & World Wide Fund for Nature (WWF) Malaysia
Corporate Liability under MACC Act for Board of Directors	Lee Min On
Corporate Malaysia's New Norm	Jayantha Kumar, Malaysian Anti-Corruption Commission (MACC)
Refresher: Anti-Money Laundering/Counter Financing Terrorism (AML/CFT) for Board Directors	Vijayaraj Kanniah
Business Foresight Forum 2020 - Evolutionary Change to Revolutionary Impact	SIDC
Malaysian REITs: Managing the new normal	Malaysian REIT Managers Association (MRMA)

TRAINING PROGRAMME ATTENDED	ORGANISER
The Regenerative Business of the Future	Institute of Corporate Directors Malaysia (ICDM) Powertalk
Fraud Risk Management - Tools & Techniques	MICG
Corporate Restructuring & Turnaround for Company Directors	ICDM
Risk Management Conference	MIA
Haida Shenny Hazri	
The Middle East Job Market in 2020	The Women Exchange Dubai
Surviving past survival mode: learning from successful turnarounds and what new this crisis may bring	London Business School Dubai
Taking advantage of the coronavirus disruption to reinvent your career	London Business School Dubai
The upside of pestilence: how the virus will humanise our organisations	London Business School Dubai
Section 17A MACC Act - Corporate Liability Presentation	PNB
Business Foresight Forum 2020 - Evolutionary Change to Revolutionary Impact	SIDC
PNB Knowledge Sharing Initiatives Forum 2020	PNB
The Regenerative Business of the Future	ICDM
Miwa Kato in UN - Half the Sky	ICDM
Rizal Rickman Ramli	
MGA Industry Talk: How COVID-19 is Reshaping Gas Markets?	Malaysia Gas Association
Online Training - Virtual Town Hall Bersama PGCE	PNB
MACC Act 2009 Section 17A - Corporate Liability	PNB
APAC Real Estate - How has COVID-19 impacted real estate markets in Asia-Pacific?	BlackRock
Online Talk - Perspective: Change from the Outside-In: Digital Disruption & Opportunity	PNB Farid Basir, Chief Human Capital Officer, TM
Deep Dive Investment TOM Strategy Workshop	PNB
Seminar on The Rise of Logistics Sector	Jones Lang LaSalle
UNLOCK Webinar Series: #2, Leadership in Times of Turmoil	McKinsey & Company
Invest Malaysia 2020 (Economic, Recovery: Policies & Opportunities)	Bursa Malaysia
PNB Deep Dive: Target Operating Model (TOM) L1 & L2 Workshop	Ernst & Young Tax Consultants Sdn Bhd
Pre-Board Retreat Speakers' Series i) Macroeconomic Outlook: Impact of the Pandemic on Malaysia's Economy and our Journey towards Recovery ii) Property Industry Outlook: Panel Discussion: COVID-19 - What is the Reality for the Malaysian Property Industry iii) Strategy & Transformation in Real Estate: What are the Trends Affecting the Real Estate Space Globally	Sime Darby Property Berhad
PNB House View Workshop	PNB
SHIFT: Reimagining the next normal for Asia and the world	McKinsey & Company
Cyber Security Threats and Incident Response Awareness	PNB
Offsite 2 - Organisation Wide - Day 1	PNB
Directors' Training for FY2020: The Quiet Transformation of Corporate Governance	Sime Darby Property Berhad
Business Foresight Forum 2020 - Evolutionary Change to Revolutionary Impact	SIDC
Knowledge Sharing Initiative Forum	PNB
YTI Memorial Lecture 2020	PNB
Directors' Training for FY2020: The Board and Sustainable Leadership for the Decade of Action	Sime Darby Property Berhad

TRAINING PROGRAMME ATTENDED	ORGANISER
Dato' Dayang Fatimah Johari	
Business Foresight Forum 2020 - Evolutionary Change to Revolutionary Impact	SIDC
Corruption Free Pledge Signing Ceremony (witnessed by MACC official) and Executive Integrity Talk "Business Wins with Integrity"	VELESTO
Powertalk Global Series 01 – The Regenerative Business of the Future	ICDM PowerTalk
Powertalk Global Series – The Insider's Guide to Surviving Life in the Boardroom	ICDM PowerTalk
Powertalk Global Series – Vision 2020 – The Pandemic Digital Tipping Point and What to Expect in 2021	ICDM PowerTalk
Datuk Tong Poh Keow	
Interactive Directors and Management Training; "Section 17A MACC Act 2018 - Corporate Liability Provision; What You Need to Know & Implementing the Adequate Procedures"	Federation of Public Listed Companies Berhad & MSWG
Sustainability Event Sustainability Career - Measuring Change for Sustainability	CIMB Group
Raising Defences S17A MACC Act	Asia School of Business
Business Foresight Forum (BFF2020) -Evolutionary Change to Revolutionary Impact	SIDC
Climate Action: The Board's Leadership in Greening the Financial Sector	FIDE FORUM

RE-ELECTION OF DIRECTOR

The re-election of Director is a matter for the Board upon recommendation from the BNRC. In making the recommendation(s), the BNRC will consider the evaluation result of the Director and the composition of the Board with due consideration of required mix of skills, experiences, core competencies, diversity in terms of gender, ethnicity, age, and relevant qualities, amongst others.

In accordance with Article 96 of the Company's Constitution, at the forthcoming 11th AGM, Razalee Amin, Dato' Ibrahim Marsidi and Rizal Rickman Ramli are due for retirement. Being eligible, Razalee Amin has offered himself for re-election. Dato' Ibrahim Marsidi and Rizal Rickman Ramli have informed that they would not stand for re-election at the upcoming 11th AGM and their tenure will cease upon the conclusion of the 11th AGM. In determining the Directors' eligibility for re-election, the BNRC has factored the insights from the evaluation of the performance and effectiveness of the retiring Director.

Based on the results of the Director's performance evaluation and BNRC's recommendation, the Board has recommended the proposed re-election of Razalee Amin.

III. Remuneration

The Board is mindful that fair remuneration for Directors is important in attracting, retaining and motivating knowledgeable and experienced individuals of the calibre needed to manage the business of the Company.

The BNRC is responsible of providing recommendation to the Board for the approval of NED and Executive Director's remuneration packages. For the recommendation to the Board, the BNRC will factor in the individual Director's performance, time commitment, experience, level of responsibilities, as well as the performance of the VELESTO Group and market conditions.

On 25 February 2020 the Board reviewed and approved the revised Remuneration Policy and Procedures for Non-Executive Directors. A copy of which is available on the Group's website at <https://www.velesto.com>

The remuneration practices of VELESTO's NED are anchored on the following overarching objectives:-

- Drive behaviour that is consistent with VELESTO's iLEAP values;
- Promote symmetric outcomes with the risk appetite of VELESTO by encouraging prudent risk taking in decision-making;
- Deliver a total reward proposition that is affordable yet fair, so as to incentivise actions towards the value accretion of VELESTO;
- Attract and retain high-quality individuals with the optimum mixture of competencies, ability, experience and skill to deliver on strategy; and
- Encourage a culture of collective and individual performance that is in line with the strategic goals of VELESTO.

The following are the responsibilities of BNRC in setting remuneration and reward propositions as set forth in its TOR:-

- Review and recommend to the Board, the remuneration of the President and all his direct reports for the position holding job grade 20 and above and the Company Secretaries, including the extension of service, compensation and benefits package of such executives who have attained the retirement age of 60 years;
- Ensure that a strong link is maintained between the level of remuneration and individual performance against the performance of the Group, the achievement of the organisation's targets as the performance related elements of remuneration setting forms a significant proportion of the total remuneration package of the Executive Director;
- Ensure that the remuneration for Independent Directors do not conflict with their obligation to bring objectivity and independent judgement;
- Recommend to the Board after reviewing the proposals on the following:-
 - o Framework of remuneration of Directors, covering fees, allowances and benefits for the Board and Board Committees.
 - o Salary increment, bonus and/or ex-gratia payments guidelines/limits for deserving staff, if any.
 - o Remuneration benefits and other terms and conditions of employment, being part of human resources development plan; including benchmarking VELESTO's remuneration in line with industry standards and major changes in benefits.

Remuneration of Directors

For the FY2020, the aggregate remuneration received/receivable by the Directors of the Company from the Group and the Group categorised into appropriate components are as follow:-

Received/receivable from the Group for FY2020:-

Group and Company	Directors' fees (RM'000)	(1) Other emoluments (RM'000)
Non-executive Directors:		
Dato' Abdul Rahman Ahmad ⁽³⁾	53	8
Mohd Rashid Mohd Yusof	109	24
Razalee Amin	107	36
Dato' Ibrahim Marsidi	105	37
Haida Shenny Hazri	91	24
Rowina Ghazali Seth	102	33
Rizal Rickman Ramli ⁽⁴⁾	95	25
Dato' Dayang Fatimah Johari	100	33
Datuk Tong Poh Keow	98	31
Executive Director:		
Rohaizad Darus ⁽²⁾		1,831
TOTAL	860	2,082

⁽¹⁾ Included in the other emoluments are meeting allowances, per diem allowance, mobile phone allowances, car including driver (for Chairman of the Board only), and other claimable expenses.

⁽²⁾ Included in the other emoluments are salary, gratuity, employer's statutory contribution, car and petrol, leave passage, allowances, telephone expenses and club subscriptions.

⁽³⁾ Resigned as Chairman/NED of VELESTO on 10 June 2020.

⁽⁴⁾ Fees as nominee Director paid to Permodalan Nasional Berhad.

Remuneration of Top Five Senior Management

While the Board is cognisant on the importance of transparency, the Board is of the view that the disclosure of the top five Senior Management's remuneration would be unfavourable to the Group due to the intense competition, scarcity for talents and to safeguard its Senior Management retention efforts. Nevertheless, as an alternative to the recommended practice of MCCG 2017, the Board has opted to disclose the remuneration of the top five Senior Management on a group basis for FY2020, which amounted to RM3.76 million. For further explanation on the remuneration for the top five Senior Management, please refer to the CG Report. The CG report can be found at Group's website at <https://www.velesto.com> and also uploaded together with this report under "Company Announcement" page at Bursa Malaysia's website.

PRINCIPLE B:

EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Effective and Independent BAC

The BAC's primary objective is to assist the Board in fulfilling its fiduciary responsibilities relating to financial and accounting practices in accordance with the accounting standards and to maintain a sound system of internal control of the Group. The TOR of BAC has been enhanced on 26 November 2020 and a copy is available at <https://www.velesto.com>

Separation of the Chairman of the Board and BAC

BAC is chaired by Razalee Amin, who is also the Senior Independent Director, which is separate from the Chairman of the Board, Mohd Rashid Mohd Yusof. BAC comprises Independent Directors and is positioned to rigorously challenge and ask probing questions on the Group's financial reporting process, internal controls, risk management and governance. Further information on the composition, roles and responsibilities of BAC and activities during the FY2020 are available in the BAC Report of this Annual Report.

No appointment of former key audit partner as BAC member

The BAC's TOR provides the requirement for a former key audit partner to observe cooling period of at least two years before being appointed as a member of BAC. This requirement is also affirmed in the VELESTO's External Auditors Assessment Policy Statement of the Group.

Assessment of External Auditors

BAC is tasked to assess and monitor the performance, suitability, objectivity and independence of the External Auditors annually. The assessment is based on the Group's External Auditors Assessment Policy Statement.

During the year 2020, BAC has carried out the annual assessment of External Auditors, the details of which are available in the BAC Report of this Annual Report.

II. Risk Management and Internal Control

The Board is responsible for Enterprise Risk Management Framework and the system of internal control of the Group and for reviewing the effectiveness of the system.

The Board is responsible for determining the nature and extent of any significant risks the Group is willing to take in order to achieve its strategic objectives and for maintaining sound risk management and internal control systems to ensure that an appropriate culture is embedded throughout the Group. The Board has established a Group-wide system of risk management and internal control that identifies as well as enables Management and the Board to evaluate and manage the Group's principal risks with a view to safeguarding the Group's stakeholders. This system is bespoke to the Group's particular needs and the risks to which it is exposed, and is designed to manage, rather than eliminate risks. Owing to the limitations inherent in any system of internal control, this system provides robust, but not absolute, assurance against material misstatement or loss. The effectiveness of the Group's system of internal control is regularly reviewed by the Board.

To assist in the identification and management of the Group's principal risks, the Board has established a risk management framework, developed a system of regular reports from Management and reserved specific key matters for its decision. The Board has authorised the BAC to oversee the effectiveness of the Group's financial reporting, internal controls and assurance systems and the BRMC to oversee the risk management framework of the Group.

The Board, with the recommendation(s) from the Management, has been continuously reviewing and developing the internal control environment. No significant internal control failings were identified during the year. Where any gaps are identified, processes are put in place to address them and these are continually monitored.

The Group's approach to risk management and how it profiles the risks identified together with the salient features of the Group's risk management and internal control framework are disclosed in SORMIC and BAC Report of this Annual Report.

PRINCIPLE C:

INTEGRITY IN REPORTING & MEANINGFUL RELATIONSHIPS WITH STAKEHOLDERS

The Board considers the Annual Report, taken as a whole to be fair, balanced and comprehensive. It also provides the necessary information required for shareholders to assess the Company's position, performance, business model and strategy, and that the business continues to operate as a going concern. The co-ordination together with the review of the Annual Report follows a well-established and documented process, which is conducted in parallel with the formal audit process undertaken by the External Auditors and the review by the Board and Board Committees.

I. Relations with Stakeholders

The Board welcomes the opportunity to engage with shareholders as it recognises the importance of a continuing effective dialogue, whether with institutional shareholders, private or employee shareholders. The Board takes responsibility for ensuring that such dialogue takes place. The President and Senior Management are closely involved in Investor Relations, and the Strategic Communications Division has day-to-day responsibility for such matters. Dialogues with key institutional shareholders, fund managers and analysts are organised throughout the year.

Investors are kept informed of key business activities, decisions and other key announcements on an ongoing basis via the announcements released to Bursa Malaysia, VELESTO's website, press releases, briefing sessions, press conferences, one-to-one meetings, and general meetings with shareholders. The Group's website contains information on the Group, together with financial reports, presentations and other information on the Group's operations.

A dedicated "Investor Relations Contact" section is available in the Group's website. For any queries on Investor Relations matters, please contact the following:

Attention: Head, Investor Relations & Sustainability

+603-2096 8788

investor.relations@velesto.com

The details of the stakeholders' engagement conducted by the Group throughout FY2020 is disclosed at the Sustainability Statement section of this Annual Report.

II. Conduct of General Meeting

The notice of the 10th AGM was despatched to shareholders on 19 May 2020, at least 28 days prior to the meeting date, well in advance of the 21 days requirement under the CA 2016 and MMLR of Bursa Malaysia. Information on the AGM and the Company's Annual Report which included full explanations on the effects of proposed resolutions were released to Bursa Malaysia and uploaded on VELESTO's website. All the Directors were present at the 10th AGM of the Company held on 29 June 2020, which was live streamed from the broadcast venue.

The Chairman of the Board presided over the 10th AGM and he was joined by President and Chairman of BNRC at the broadcast venue whilst other Directors and Senior Management attended the meeting remotely. The proceedings of 10th AGM saw remote participations by registered shareholders and proxyholders, included presentations of financial statements for FY2019, presentations on the proposed reduction of the issued share capital by the Principal Adviser (Affin Hwang Investment Bank Berhad), performance of the Group by the President and the Group's responses to questions submitted in advance of the AGM by the MSWG. Before putting the proposed resolutions to vote, the proceedings continued with Questions and Answers session to respond to questions raised by shareholders or proxyholders prior to and during the meeting.

Poll voting

In line with the MMLR on the requirement for poll voting for all resolutions set out in the notice of the meeting, the resolutions tabled at the 10th AGM were all voted by poll electronically.

CONCLUSION

The Board is satisfied that for FY2020, the Group complies substantially with the principles and guidance of the MCCG 2017.

This Corporate Governance Overview Statement is made in accordance with a resolution of the Board of Directors passed on 11 May 2021.

The Board of VELESTO is committed to maintaining sound internal control and risk management system, through the Group’s Enterprise Risk Management Framework (ERM Framework). Providing the frame for holistic understanding, application, implementation and monitoring of internal control and risk management, the ERM Framework complements the Group’s core values of iLEAP and strong culture of dedication to the highest standards of corporate governance and integrity.

The challenges posed in FY2020 by the COVID-19 pandemic, changing operating environment and volatility in oil and gas industry, brought to the fore the importance of strong practices and operations of risk management and internal control that adapted to the continual changes in the market locally and internationally.

This statement outlines the nature and scope of the risk management and internal control within VELESTO Group in 2020, prepared in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers endorsed by Bursa Malaysia and pursuant to Paragraph 15.26(b) of the MMLR of Bursa Malaysia and the requirements of MCCG 2017.

RESPONSIBILITIES AND ACCOUNTABILITIES

The Board

The Board holds the overall responsibility for the Group’s system of internal control and risk management, as set out in the Board Charter. With the establishment and continuous enhancement of VELESTO Group’s system of internal control and risk management and the ERM Framework, the Board sets the tone and provides oversight function. The Board and the Management ensure that the Group’s internal controls and ERM Framework are embedded into the processes, structures and culture of the Group.

However, in view of the limitations inherent in any system, it should be appreciated that the system is designed to manage and reduce, rather than eliminate, the risks identified to acceptable levels. The system can therefore only provide reasonable and not absolute assurance against material misstatement, fraud or loss. Furthermore, the Group also recognises the importance to balance the cost of control procedures against the expected benefits or outcomes.

ERM Policy encapsulates the Group’s commitment to promoting the ERM Framework and practices to identify and manage risks within the Group. Through the adoption and integration of the ERM Framework and practices, the Group is positioned to achieve its strategic objectives and safeguard against adverse impacts and negative outcomes. The Group embraces an effective risk management culture, incorporates risk management as part of day-to-day operations and project management, and provides continuous support to ensure effective risk management practices in the Group.

ERM Framework Procedures apply to strategic business units, Divisions and Departments within the Group. Governing principles and procedures as set out in the ERM Framework Procedures, provide a guideline to facilitate consistent and integrated risk management and internal control practices throughout the Group.

Due to the dynamic nature of risks and operating environment, the effectiveness and adequacy of the ERM Policy, ERM Framework and ERM Framework Procedures are reviewed by the Board periodically to ensure they remain current and relevant and are made available to all employees to ensure a consistent approach to risks. In FY2020, ERM Framework Procedures have been reviewed to allow enhancements in the call tree procedures to cater to various communication channels available and utilised by the Group.

The following Board committees have complementary yet different roles and responsibilities delegated by the Board to oversee risk management and internal controls of the Group:

- **Board Risk Management Committee (BRMC)**

BRMC assists the Board in ensuring a sound and robust ERM Framework governed by its ERM Policy and compliance of ERM Framework Procedures to enhance the Group’s Risk Management, Business Continuity Management and matters pertaining to Health, Safety and Environment.

The Term of Reference (TOR) of BRMC is available on the Company’s website at <https://www.velesto.com>

- **Board Audit Committee (BAC)**

BAC oversees the effectiveness of the Group’s internal control structures and assists the Board in fulfilling its fiduciary responsibilities relating to financial and accounting practices in accordance with accounting standards and maintenance of a sound system of internal control, management information systems, including compliance with applicable laws, rules, directives and guidelines.

The responsibilities of the BAC extend to reviewing conflict of interest situations, related party transactions of the Group to ensure that they are in the best interest of the Group; are fair, reasonable, at arm’s length, undertaken on the Group’s normal commercial terms not more favourable to the related party than those generally available to the public and not detrimental to the interest of the minority shareholders. With BAC monitoring the Group’s internal control environment and evaluation of internal audit functions and external audit process, the BAC assesses the adequacy and effectiveness of the internal control systems, further details of which are available in the BAC Report of this Annual Report.

The TOR of BAC is available on the Group’s website at <https://www.velesto.com>

- **Board Whistle-Blowing Committee (BWBC)**

BWBC supports the Board on the inculcation of strong integrity culture and the promotion of good ethical practices and the highest standards of governance in the Group. The BWBC reviews and investigates the complaints received against any employees within the Group and other stakeholders within its purview.

The TOR of BWBC is available on the Group’s website at <https://www.velesto.com>

Integrity Governance Framework of the Group provides a framework of reference on how the Group’s integrity governance and internal control systems are integrated as part of the Group’s comprehensive approach to shape integrity and compliance throughout the Group. Bringing together the following Code of Business Conduct and Ethics (CoBE), policies, management system procedures and guidelines of the Group under one core system, the Group drives and strengthens its integrity commitments:

- Core Values: iLEAP



- CoBE
- Anti-Bribery and Corruption Policy (ABC Policy)
- Whistle-Blowing Policy
- Whistle-Blowing Management System Procedure
- Corporate Gifts, Gifts, Entertainment and Hospitality (CGGEH) Management System Procedure
- Financial Limit Authority Governance (FLAG) and Non-Financial Limit Authority Governance (NFLAG)
- Supply Chain Management System Procedure

The Group conducts comprehensive programmes, activities and initiatives to ensure the formulation and continuous enhancements of the culture of integrity and high standards of corporate governance at all times, to enhance business sustainability and corporate accountability, with the primary objective of realising long-term shareholders value and the interests of other stakeholders.

With the formation of the Integrity and Governance Unit (IGU) in FY2020, IGU is responsible to lead the Group’s anti-bribery and corruption efforts. In FY2020, the Board approved the Group’s ABC Policy and CGGEH Procedure as a guide to the employees in their daily dealings with third parties related business activities. On 25 September 2020, VELESTO signed the Corruption Free Pledge witnessed by Malaysia Anti-Corruption Commission (MACC) officials to demonstrate the Group’s strong commitment to promote integrity and good governance values.

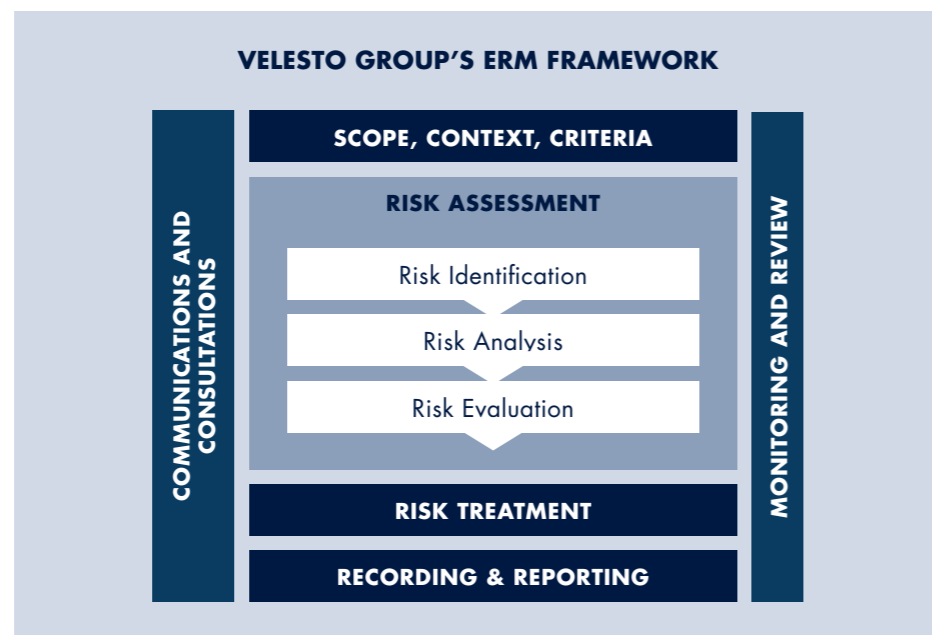
ENTERPRISE RISK MANAGEMENT (ERM)

ERM Framework provides a structured and systematic approach towards managing risks and is an integral part of value creation with uniform assessment methodologies and standards which are embedded in the Group’s organisational processes and operations so that all inherent and emerging risks are systematically identified, assessed and mitigated.

Over the years, VELESTO Group’s adoption of the ‘ISO 31000 Risk Management – Guidelines Standard’ and continuous improvements in practices and operations have enhanced the Group’s ERM Framework.

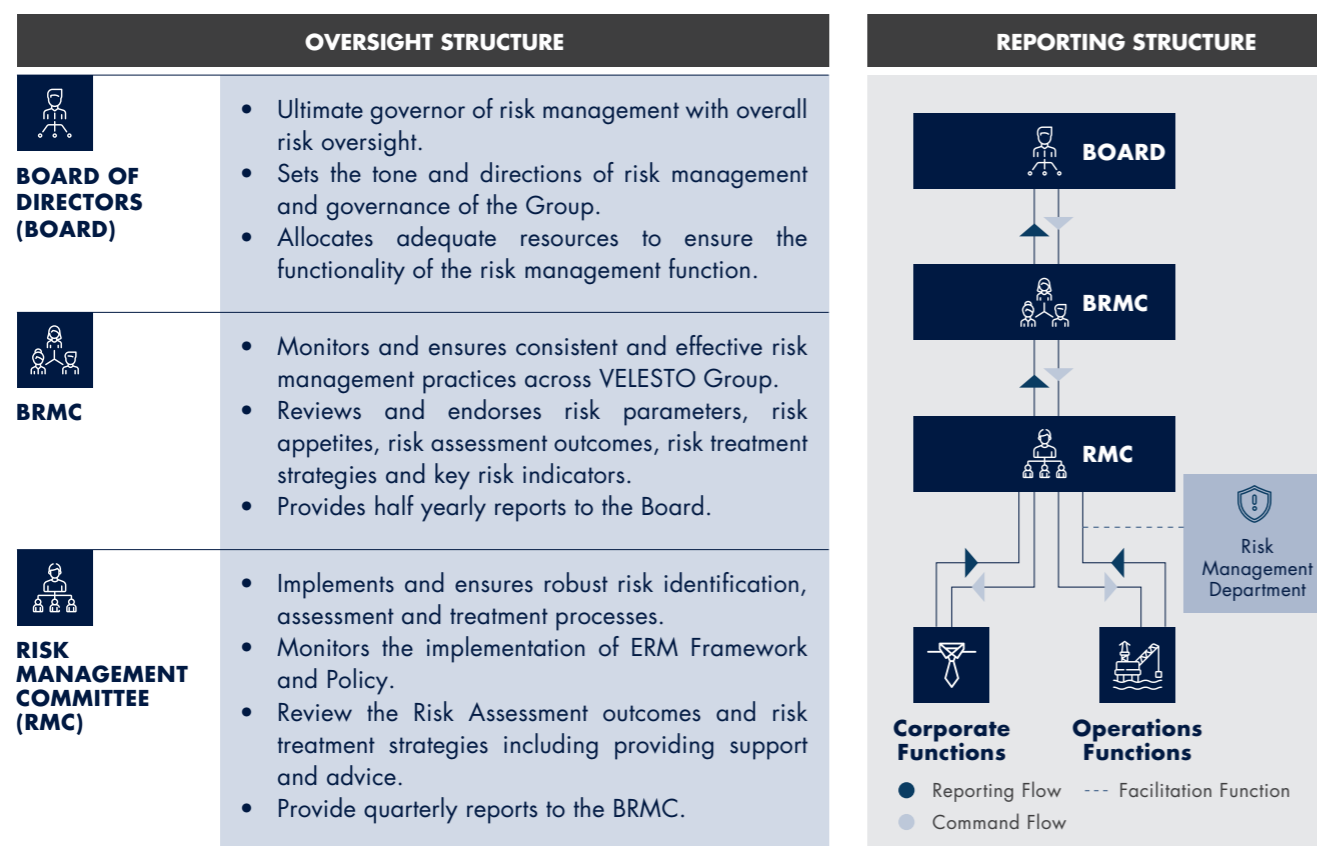
A. ERM Framework

The diagram below illustrates the Group’s ERM Framework which serves as a salient guideline for effective and consistent risk management practices across the Group.



B. Risk Oversight and Reporting Structure

Having clear risk oversight and reporting structure provides effective communication flows and dissemination of information at all levels on the risk management implementation process. The diagrams below illustrate the Group’s Risk Oversight and Reporting Structure:



The RMC is assisted by the Risk Management Department (RMD), whose primary roles include, but not limited to, ensuring effective implementation of risks management and business continuity management framework, programmes and education across the VELESTO Group. The RMD provides an independent and objective assessment on risks as well as timely reporting to the RMC, BRMC and the Board.

To enhance effectiveness and efficiency, VELESTO’s risk management oversight is supported by the Three Lines of Defence Model as follows:-

BOARD OF DIRECTORS		
BRMC, BAC & BWBC		
LINES OF DEFENCE		
1 st Line: Risk-Taking Units	2 nd Line: Risk-Control Units	3 rd Line: Assurance Units
Strategic Business Units, Divisions & Departments	RMC & RMD	Internal Audit & IGU
<ul style="list-style-type: none"> Manage risks that exist in day-to-day operations and projects diligently. Ensure the business operates within the established risk strategies, frameworks, policies and procedures. 	Provide risk oversight and guidance over effective operation of the risk management framework, policies and procedures.	Provides assurance via independent assessment and validation that: <ul style="list-style-type: none"> Risk management frameworks policies and tools are sufficiently robust and consistent, compliant to regulatory standards. Controls to mitigate risks are adequate.

C. VELESTO Group’s Top Risks

For the FY2020, the following table sets out the Group’s Top Risks, key risk action plans and initiatives to address the five top risk events:

RISK EVENT	RESPONSE
Changes in Government policies affecting the local oil and gas industry	The Group continues to keep abreast of developments affecting government policies at the national and state level and monitoring the policies and ensuring adherence to existing policies.
Volatility of global crude oil prices, affecting the offshore drilling services industry	The Group continues to explore business diversification opportunities, institutes effective cost efficiency and focuses on high rig utilisation at prevailing charter rates.
Higher tax exposure resulting from changes in methodology and policies	The Group continues to drive tax compliance by enhancement of tax knowledge of the employees, keeping abreast of developments of changing tax legislations and engaging with tax advisors and tax authorities.
Pandemic outbreak at VELESTO’s facility(ies)	The Group continues to keep abreast with the latest requirements and regulations in relation to pandemic outbreak control measures. Aligned with the Group’s HSE practices, the Group continues to review its mode of work arrangements including the adoption of Work-From-Home (WFH) initiatives and implements strict procedures for working on-site i.e. offices, warehouses and rigs.
Low daily charter rate	The Group continues to negotiate for favourable terms and conditions, and continues to deliver quality services and engagements with the clients, garnering strong brand loyalty and be the service provider of choice to clients.

On the back of global uncertainties surrounding the COVID-19 pandemic outbreak in 2020, and volatile downside risk in oil prices affecting the oil and gas industry, the Group adapted to the realities imposed by the pandemic, embraced the new ways of working and continued to drive operational excellence.

Other risks and threats arising from the business, market and the industry in 2020, were assessed, monitored and managed based on the Group’s ERM Framework and practices. With the implementation of risk action plans, initiatives and mitigating actions, risks and threats identified such as single market concentration, dependency on a limited number of clients and others, have been assessed and placed under manageable residual risk rating categories. To mitigate these risks, the Group continues to foster good rapport with its existing clients and extensively developing a wider customer base in Malaysia and the neighbouring ASEAN countries, via regular participation in tenders for contracts. The Group is also exploring other diversification opportunities.

Moving into 2021

With continued uncertainties surrounding the COVID-19 pandemic outbreak and slow paced recovery, the Group expects some shifts in risks and exposures. Nevertheless, the Group remains focused to continuously monitor and mitigate its risk exposures to minimise their impact on the Group's performances despite the challenges.

Business Continuity Management (BCM)

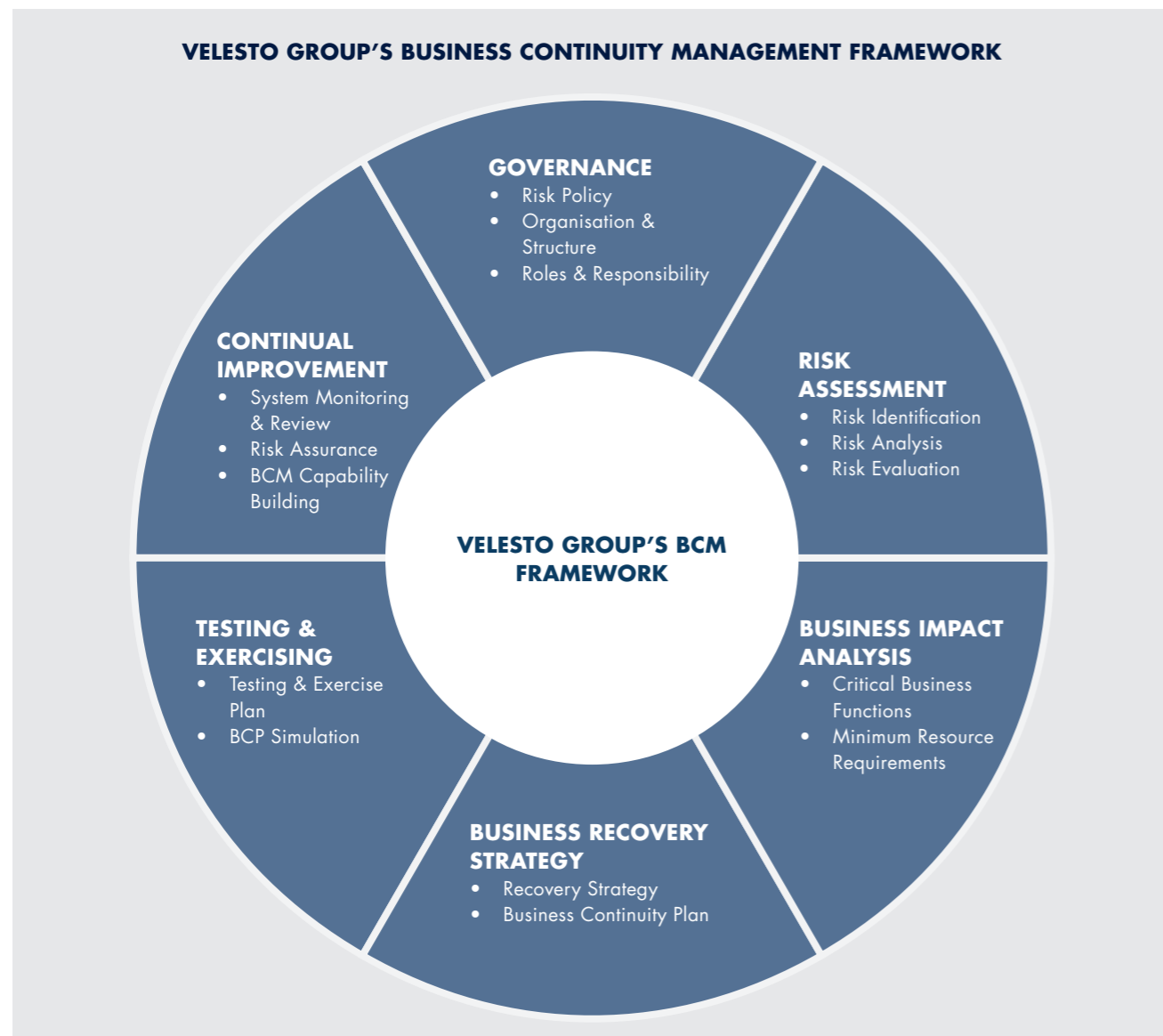
VELESTO Group's commitment towards ensuring readiness in addressing risks in changing operating environments is constantly reinforced in BCM programmes conducted throughout 2020. The Group's BCM Framework sets out a holistic management process that allows the Management to identify potential threats to the Group and impacts to business operations, which then provides a framework to manage the effects of those risks to ensure the resilience of the Group to safeguard the interests of the stakeholders, brand value and reputation. The BCM Framework have four key components:-

- Business Continuity Policy which governs the business continuity principles, priorities and authority of the Group.
- Business Continuity Oversight Structure which establishes the accountability, roles and responsibilities on implementation and changes to the BCM Framework.
- BCM Methodology defines the guiding principles to develop viable strategies and related Business Continuity Plan (BCP).
- BCM Programme which identifies key milestones within practical timelines to assist the business continuity capabilities of the Group.

The Group has further adopted the ISO 22301:2019 Business Continuity Management System Standard.

A. BCM Framework

The diagram below illustrates the Group's BCM Framework which provides comprehensive guidelines to protect the Group's resilience.



B. Business Recovery Strategies

The Group proactively formulates the recovery strategies which are improvised and enhanced from time to time to ensure business continuity.

The development of recovery strategies involves the following eight strategic pillars: -

STRATEGIC PILLARS	ABRIDGED RECOVERY STRATEGIES
PEOPLE	Critical manpower prioritisation, team rotations and outsourcing
INFORMATION & DATA	Web-based document management system and hardcopy storages
PREMISES	WFH initiative and physical alternate sites
EQUIPMENT AND CONSUMABLES	Emergency procurement arrangement and services
INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT) SYSTEMS	Cloud backups, data replication and IT Disaster Recovery sites
TRANSPORTATION AND LOGISTICS	Emergency logistical arrangements
FINANCE	Sufficient standby banking facilities, security of accounting system and insurance coverages
PARTNERS AND SUPPLIERS	Emergency service level agreements

COVID-19

Responding to the unprecedented changes brought about by COVID-19 pandemic and Movement Control Order (MCO), FY2020 saw the Group adaption to the new norm of implementation of Standard Operating Procedures of MCO as well as implementing a variety of modes of working arrangements to ensure business continuity. The Group's policies, risk management controls, system and implementation of procedures have allowed the Group to continue business operations despite the disruptions brought by the pandemic.

In March 2020, with the implementation of MCO by the government, the BCP was activated and call tree performed to communicate effectively the change in the mode of working arrangement for the Group. With the activation of Crisis Management Team (CMT) during the MCO period, with weekly CMT meetings chaired by Crisis Commander, the President of the Group, monitored, assessed, responded and implemented the plan to ensure business continuity.

The Group has a comprehensive BCP, including Crisis Recovery Plan, which is tested annually. With adequate systems and resources made available, the Group has in place the plan to ensure continuity of critical business functions.

Risk Management Department Activities

During the year under review, other activities carried out by the RMD are summarised as follows: -

- Enhanced the Group's Enterprise Risk Management Policy and Framework to include a variety of mode of communication, ie. handheld portable devices and working from home.
- Held virtual ERM awareness sessions, refresher and training sessions, which reinforced the elements of ERM to participants.
- Held quarterly risk review sessions virtually with stakeholders to facilitate analysis and process of identifying and minimizing risks impacting the business operations.
- Held risk advisory and independent assessments on ERM and BCM documents virtually.
- Ensured the development of Risk Registers i.e. COVID-19, Prolonged Low Demand/Low Oil Price.

INTERNAL CONTROL SYSTEMS

The Group has robust internal control systems to provide direction, increase efficiency and strengthen adherence to internal policies and ensure the integrity of financial reporting.

Key elements of the internal control systems established by the Board include the following:-

A. Internal Control Oversight Structure

The following Board committees assist the Board in monitoring the Group's internal control system:-

BAC, BRMC, BNRC AND BWBC

The Board Committees assist the Board in discharging its statutory and fiduciary responsibilities as delegated by the Board.

The respective Board Committees operate within their respective clearly defined TOR and procedures.

INTERNAL AUDIT DIVISION (IAD)

Undertakes the internal audit function of the Group and provides independent assurance on the adequacy and effectiveness of the internal control systems implemented by the Group. The Head of IAD reports functionally to the BAC and administratively to the President. The IAD functions are independent of activities and operations of other corporate and operating units in the Group.

IAD operates independently in formulating the scope and extent of its audits, undertaking the audit work and presenting the results and findings to the BAC. IAD undertakes reviews of the Group's system of internal controls, its operations and selected key activities based on risk assessment and in accordance with the annual internal audit plan which is presented and approved by the BAC.

Ultimately, IAD aims to add value and improve the operational effectiveness and efficiency of the Group by ensuring proper adherence to the established procedures, internal controls and risk management framework. IAD adopts the standards and principles outlined in the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors (IIA).

INTEGRITY AND GOVERNANCE UNIT (IGU)

Reporting directly to the BWBC, the IGU ensures the inculcation of ethical practices at work with strong integrity and compliance including promoting anti-corruption, curbing abuse of power and malpractice. IGU's five core functions are as follows:

- i) Good Governance: To ensure implementation of good corporate governance
- ii) Integrity Enhancement: To ensure acculturation, institutionalisation and implementation of integrity within the organisation
- iii) Detection and Verification:
 - o To detect and verify criminal misconduct, violation of code of conduct and organizational ethics and to ensure the appropriate actions are taken
 - o To report criminal misconduct to responsible enforcement agencies
- iv) Complaints Management: To receive and respond to all complaints/information concerning criminal misconduct, violation of code of conduct and organisational ethics
- v) Compliance: To ensure the compliance of policies and procedures

MANAGEMENT AUDIT COMMITTEE (MAC)

Assists BAC in fulfilling its responsibilities in reviewing the internal audit reports with the respective management team within the Group. MAC is chaired by the Chief Financial Officer (CFO).

MAC's functions include the following:-

- i) assess the adequacy and effectiveness of internal controls on the operations and the compliance with the established company policies, procedures and legal requirements
- ii) agree upon the corrective actions to be taken and their implementation
- iii) follow-up on the status of the implementation of the agreed action plans
- iv) report to BAC on the progress of audit action plans

B. Organisation Structure

The Board has established an organisational structure with clearly defined lines of responsibilities, accountability and authority limits, that align to the corporate and operational requirements.

The Management Committee is established to facilitate the decision-making process, effective supervision of day-to-day business conducts and accountabilities. The Management Committee comprises Senior Management and is chaired by the President.

The Tender Committee reviews and recommends the tender plans and awards for all procurement activities exceeding certain values. The committee comprises selected senior division heads and chaired by the Chief Commercial Officer (CCO).

The Group Steering Committee is established to monitor and provide guidance on selected major initiatives of the Group. This committee is chaired by the President and comprises the CFO, CCO and COO.

The organisation structure and delegation of responsibilities are communicated throughout the Group which sets out amongst others, authorisation levels, segregation of duties and other risk and control procedures.

C. Annual Business Plan and Budget

An annual business planning and budgetary exercise is conducted, which included industry and market studies, formulation of business strategies and establishment of key performance indicators (KPIs), which are then reported for the Board's deliberation and approval prior to implementation.

Budgets prepared by operating units and corporate divisions are regularly compared with the actual results and explanations on variances are incorporated in management reports which are prepared and reported on a quarterly basis to the Board.

D. Core Values and Code of Business Conduct and Ethics

The Group's core values, iLEAP of "Integrity, Leadership, Excellence, Agility and People-Focused" and CoBE are the essential guiding principles to drive behavioural ethics. iLEAP campaigns have been conducted throughout the year amongst the employees to cultivate the values embraced by the Group.

E. Policies and Management System Procedures

Internal policies and Management System Procedures are developed to achieve efficiency, quality of services/output and standardisation of processes through the relevant charter, terms of reference, organisational structures and appropriate authority limits. The Management System Procedures are developed and implemented based on the applicable standard and are certified under the following:

- i) ISO 9001:2015 – Quality Management System
- ii) ISO 14001:2015 – Environmental Management System
- iii) ISO 45001:2018 – Occupational Health and Safety Management System
- iv) ISO 29001:2010 – Petroleum, Petrochemical and Natural Gas Industries – Sector Specific Quality Management System

The policies and procedures are communicated throughout the Group via the VELESTO intranet for implementation and compliance. The policies are approved by the Board and regularly updated to reflect changing business requirements.

The key supporting policies and procedures in place are:-

- i) FLAG, NFLAG and Limit Authority Matrix serve as a tool of reference to identify the appropriate approving authority at various levels of Management including matters that require the Board's approval. Collectively referred to as Limit Authority Governance, it provides guidelines to employees on requirements on the exercise of financial and non-financial limits of authority and procedures to be complied.
- ii) ABC Policy
This policy strongly prohibits employees and the Board of VELESTO from committing a corrupt act. It outlines VELESTO Group's commitment to conducting its business in accordance with all applicable laws, rules and regulations with the highest ethical standards. This commitment is embodied in the Group's CoBE. It iterates commitment to full compliance by VELESTO to the Malaysian Anti-Corruption Commission (MACC) Act 2009 and similar Acts in relation to countering bribery and corruption.

iii) Whistle-Blowing Policy

This policy addresses the Group's commitment towards achieving the highest ethical standards in all of its practices as well as to ensure transparency, integrity and accountability. This policy also covers situations where an individual as the whistle-blower, raises a concern on risk, malpractice or wrongdoing that affects others such as clients, suppliers, staff, company and the public interest. It also addresses the protections accorded to whistle-blowers.

iv) Health, Safety and Environment Policy

The policy sets out the Group's commitment to safeguarding the interest and protection of people, asset and the environment, affirms the Group's adoption of industry's accepted best practices and dedication to continually improve the Group's Health, Safety and Environment performances. This policy further ensures that employees of the Group in performing daily business activities will implement effective risk control measures.

v) Human Resources Procedures and Guidelines

The procedures and guidelines on Human Resource govern all aspects of human resource management from talent acquisition and development, performance and consequence management to cessation of employment. Disciplinary procedures are established to ensure that structured disciplinary actions are taken fairly, consistently and in line with the prevailing labour laws and employment regulations.

vi) CGGEH Procedures

The procedures set out the standard of conduct and procedures to guide employees and members of the Board of the Group in dealing with CGGEH. Covering legal, ethical and cultural considerations involved when dealings in CGGEH, it establishes a framework to ensure VELESTO Group's employees and members of the Board promote high integrity and adhere to legal requirements and ethical standards while performing their daily business activities.

vii) Procurement Procedures

Procurement procedures state the principles and procedures required in the procurement of goods and services within the Group. Authority to approve any requisition against budgeted or unbudgeted expenditures shall be in accordance with relevant approving authority policies.

ASSURANCE TO THE BOARD

In line with the guidelines, the Board has received assurance from the President and CFO of VELESTO stating that the Group's risk management and internal control systems have operated adequately and effectively, in all material aspects, for the FY2020 up to the date of this Statement, save for some control weaknesses identified and addressed during the year.

The Board is of the view that there is a continuous process in identifying, evaluating, monitoring and managing the significant risks faced by the Group and that during the financial year under review there was no significant weakness in the risk management and internal control systems of the Group which had resulted in material losses, contingencies or uncertainties requiring disclosure in the Annual Report. The Board is satisfied that the systems of risk management and internal control in the Group are sound and sufficient to safeguard shareholders' investment and the Group's assets for the financial year under review and up to the date of the Annual Report save for some control weaknesses identified and addressed during the year.

The Board remains committed to ensure that appropriate initiatives and active measures are taken to improve and enhance the Group's risk management and internal control systems so that shareholders' investment and the Group's assets are consistently safeguarded.

REVIEW OF THIS STATEMENT

The External Auditors, Messrs. Ernst & Young PLT (EY), have performed limited assurance procedures on the Statement in accordance with 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' included in the Annual Report.

EY has reported to the Board that nothing has come to their attention that causes them to believe that the Statement included in the Annual Report is not prepared, in all material aspects, in accordance with the disclosures required by the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers, nor is the Statement factually inaccurate.

This Statement is made in accordance with the resolution of the Board dated 24 March 2021.

THE BOARD AUDIT COMMITTEE (BAC) REPORT PROVIDES INSIGHTS INTO THE MANNER IN WHICH BAC DISCHARGED ITS FUNCTIONS FOR THE GROUP IN FY2020

COMPOSITION

The BAC comprises of four members, all Independent Non-Executive Directors (INEDs), thus, fully complying with the requirements of paragraph 15.09(1)(a) and (b) of the Bursa Malaysia Securities Berhad's (BURSA) Main Market Listing Requirements (MMLR) and Practice 8.4 under Principle B of the Malaysian Code on Corporate Governance 2017 (MCCG 2017). The members of BAC are:-

RAZALEE AMIN

Chairman, Senior INED

DATO' DAYANG FATIMAH JOHARI

INED

DATO' IBRAHIM MARSIDI

INED

DATUK TONG POH KEOW

INED

All the INEDs satisfy the test of independence under BURSA's MMLR. The Chairman of the BAC, Razalee Amin, is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants, and is also a member of the Financial Planning Association of Malaysia. Accordingly, the BAC complies with the requirement of paragraph 15.09(1)(c)(i) of MMLR.

The Board Nomination & Remuneration Committee (BNRC) had conducted the annual performance evaluation of the BAC and its members for the FY2020 and the report of which was reviewed by the Board. The Board is satisfied that during the FY2020, the BAC and its members have discharged their functions, duties and responsibilities in accordance with the BAC's Terms of Reference.

TERMS OF REFERENCE (TOR)

The TOR of the BAC sets out the authority, duties and responsibilities of the BAC which are consistent with the requirements of the MMLR and the MCCG 2017.

The TOR of the BAC is published on the VELESTO's website at <https://www.velesto.com>

MEETINGS AND ATTENDANCE

The BAC held seven meetings in FY2020 and the members' attendance records are outlined in Corporate Governance Overview Statement of this Annual Report.

The President, Chief Financial Officer, Head of Legal & Secretarial, Head of Internal Audit, as well as the External Auditors were invited to attend BAC meetings to present, facilitate and furnish information and clarifications to relevant items on the agenda.

The Company Secretary, who is also the Head of Legal & Secretarial, acts as secretary to the BAC and the minutes of each meeting are kept by the Company Secretary as evidence that the BAC has discharged its functions. After each meeting, the Chairman of BAC reports to the Board.

The approved minutes of BAC meetings were tabled to the Board for information and significant issues were discussed at the Board meetings.

SUMMARY OF BAC'S WORK

During the year under review, the BAC in the discharge of its duties and functions, had carried out the following activities:-

A. Financial Reporting

1. At its respective meeting, BAC reviewed the following:-

- (i) On 24 February 2020 - Unaudited fourth quarter financial results of FY2019;
- (ii) On 15 May 2020 - Unaudited first quarter financial results of FY2020;
- (iii) On 24 August 2020 - Unaudited second quarter financial results of FY2020;
- (iv) On 23 November 2020 - Unaudited third quarter financial results of FY2020;
- (v) On 22 March 2021 - Unaudited fourth quarter financial results of FY2020.

The quarterly financial results for FY2020, were prepared in compliance with the Malaysian Financial Reporting Standards (MFRS) and paragraph 9.22, including Appendix 9B of MMLR. The BAC's recommendations on the quarterly financial results for FY2020 were presented for approval at the respective Board meetings.

2. On 8 May 2020 - Audited Financial Statements for FY2019.
3. On 10 May 2021 - Audited Financial Statements for FY2020, prior to the approval by the Board on 11 May 2021. In reviewing the above, the BAC also focused on the following:-

- (i) Impairment Assessment of Assets for FY2020;
- (ii) Updates on Loan Covenants; and
- (iii) Report by Internal Audit Division.

B. Other Financial Reporting

1. Reviewed and deliberated on related party transactions for FY2020 in every quarterly meetings of the BAC.
2. Every quarterly meetings of BAC during the year under review, the updates on the loan covenants of the Group for the quarter were presented for notation by BAC.
3. On 15 May 2020, the Management presented to BAC on its initiatives for asset and inventory management.
4. On 4 December 2020, BAC reviewed the Asset Definition and Lifespan for the Group to revise for alignment with industry practices and reviewed compliance with MFRS 108.

C. Annual Report 2019

On 11 March and 8 May 2020, the BAC attended to the following:

1. Reviewed and endorsed the Statement on Risk Management & Internal Control (SORMIC) for Board's approval and inclusion in Annual Report 2019.
2. Reviewed and endorsed the Corporate Governance Overview Statement and BAC Report for Board's approval and inclusion in Annual Report 2019.
3. Reviewed the Additional Compliance Information for Board's approval and inclusion in Annual Report 2019.

D. Review of BAC TOR

On 23 November 2020, BAC reviewed its TOR as part of periodic review of its TOR. The revised TOR of BAC was approved by the Board at its meeting on 26 November 2020, which is available on the Company's website.

E. Review of the Group's Financial Limit Authority Governance

On 23 November 2020 and 4 December 2020, BAC reviewed the Group's Financial Limit Authority Governance for improved internal control, governance and operational efficiency.

F. Digitalisation Framework

On 4 December 2020, BAC reviewed the Group's Technology Blueprint and Digitalisation Framework. The technology adoption journey and modernisation of Information Technology in the Group were presented by the Management.

G. External Audit

1. On 24 February 2020, the External Auditors, Messrs Ernst & Young PLT (EY) presented their report on Audit matters arising from the audit for FY2019. On 8 May 2020, BAC deliberated on External Auditors' report on the audited financial statements for FY2019. At the same meeting, the lead audit engagement partner Ng Yee Yee from EY confirmed that EY was and had been independent throughout the conduct of the audit engagement in accordance with the terms of relevant professional and regulatory requirements, including the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants. Key audit matters as set out in the report were then presented to the BAC.
2. On 8 May 2020 at its meeting, the BAC assessed and recommended to the Board for approval of the audit fees payable to the External Auditors.
3. In line with the External Auditors' Independence Policy dated 26 February 2019, the BAC at its meeting on 8 May 2020 carried out an annual review of the performance of the External Auditors including the assessment of their suitability, objectivity and independence. The BAC was satisfied with EY's overall performance for the Group.
4. On 24 August 2020, EY presented their review on the Group's financial results for the 6-month period ended 30 June 2020 in accordance with Malaysian Approved Standard on Review, ISRE 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".
5. At its meeting held on 23 November 2020, the BAC reviewed and approved the External Auditors' Audit Plan Memorandum which outlined their scope of work and audit strategy and plans for FY2020, including the names of the engagement team, areas of audit emphasis, timeline of audit and their focus on key audit matters.
6. The BAC had two private meetings with the External Auditors on 24 February 2020 and 8 May 2020, without the presence of Management.

During the private sessions, BAC enquired on the progress of the audit, the cooperation extended and sufficiency of resources by the Group to cover the scope of the audit for the year. The External Auditors highlighted for BAC considerations on major findings and key significant audit matters, which BAC discussed with EY on recommendations raised by External Auditors and Management's responses and follow up actions thereto. The BAC Chairman welcomed External Auditors to coordinate with the Management to ensure audit efficiency.

H. Internal Audit

1. The BAC approved the 2020 Annual Internal Audit Plan on 24 February 2020 and the 2021 Annual Internal Audit Plan on 23 November 2020, respectively. The BAC ensured that the principal risks, key entities and functions were adequately identified and covered in the plan.

BAC also reviewed on IAD's manpower plan and budget for FY2020 and FY2021 to ensure the adequacy of resources, competencies and coverage of areas to be audited.

2. The Head of IAD, presented the IAD reports at each of the BAC meetings during the year. The Annual Audit Plan was reviewed on a quarterly basis and Head of IAD reported on the following:-
 - (i) The progress of the annual internal audit plan, special review and its key initiatives;
 - (ii) Adequacy of the Management's responses to the audit findings and recommendations; and
 - (iii) Adequacy of IAD resources, training and development.

3. The BAC at its quarterly meetings considered the major findings, recommendations and Management's responses and implementation of internal audit issues. All findings from the internal audit reviews were reported to the BAC, Senior Management and the relevant Management of the audited entities. The respective Management of the audited entities is accountable to ensure proper handling of the audit issues and implementation of their action plans within the time-frame specified. Actions taken by the audited operating units were followed-up by IAD together with the Management Audit Committee and the status updated in the subsequent audits.

INTERNAL AUDIT FUNCTION

IAD is an integral part of the assurance structure of the Group. The Division's primary responsibility is to provide an independent and reasonable assurance on the adequacy and effectiveness of the Group's overall system of internal control, risk management and governance processes.

The Head of IAD, namely Norzalizah Alias, reports directly to the BAC on a functional basis and to the President on administrative matters. The Head of IAD periodically reports to the BAC on the activities performed as well as the key control issues noted by the internal auditors.

The purpose, authority and responsibility of IAD are reflected in the Internal Audit Charter, which was approved by the BAC. In order to maintain its independence and objectivity, IAD has no operational responsibility and authority over the activities of the auditees.

The total staff strength in IAD as at 31 December 2020 stood at five staff and a total of RM0.8 million (2019:RM1.0 million) was incurred as part of resource allocation for an internal audit function, covering mainly manpower and incidental costs such as travelling and trainings.

IAD adopts a risk-based approach as part of its audit planning and execution focusing on significant identified risks and effectiveness of the controls in mitigating the risks.

In performing the audit engagements, IAD is guided by the Institute of Internal Auditors' International Professional Practices Framework (IPPF) which includes the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing.

Internal Control Oversight Structure of which IAD is included, is further described under SORMIC of this Annual Report.

This Report is made in accordance with the resolution passed at a joint meeting of the BAC and BRMC held on 22 March 2021.

1. UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

There was capital reduction exercise during the financial year but no proceeds arising from this exercise.

2. AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees incurred by the Company and the Group for the FY2020 is set out in page 143 under Our Financial Performance (Financial Statements) section of this Annual Report.

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 FY2020 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 FY2020.

5. 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 are summarised below:-

ESOS Grant	Year	Option Price per share	No. of ESOS Granted	No. of ESOS Accepted	No. of ESOS Vested	No. of ESOS Exercised
ESOS Granted to eligible employees of the Group						
1 st ESOS Grant	2019	RM 0.33	130,330,000	109,660,000	0*	0
ESOS Granted to Executive Director of the Company						
1 st ESOS Grant	2019	RM 0.33	11,400,000 <i>(maximum number of ESOS)</i>	11,400,000	0*	0
ESOS Granted to Senior Management (including Executive Director of the Company)						
1 st ESOS Grant	2019	RM 0.33	35,450,000	35,450,000	0*	0

* Subject to vesting condition at the discretion of the ESOS Committee.

Note: The Non-Executive Directors are not eligible to participate in the ESOS.

There was no subsequent ESOS grant in FY2020.

The ESOS 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.

FINANCIAL STATEMENT

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The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Group and of the Company are referred to in Note 1 to the financial statements.

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 2020 are as follows:

	Group RM'000	Company RM'000
Loss for the year	(491,732)	(399,444)
Attributable to:		
Equity holders of the Company	(491,732)	(399,444)
Non-controlling interests	-	-
	(491,732)	(399,444)

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

No dividend has been paid or declared by the Company since the end of the previous financial year.

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:

Rohaizad Darus #
 Razalee Amin
 Dato' Ibrahim Marsidi
 Mohd Rashid Mohd Yusof
 Haida Shenny Hazri
 Rowina Ghazali Seth
 Rizal Rickman Ramli
 Dato' Dayang Fatimah Johari
 Datuk Tong Poh Keow
 Dato' Abdul Rahman Ahmad (resigned on 10 June 2020)

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
 Thum Sook Fun
 Syed Rozhan Syed Hassan
 Kenzo Yamada
 Yoichi Onoe
 Satoru Umezu
 Kok Chong Mun
 Antony Alexander Elliott
 Rafiza Ghazali
 Mohd Hagitar Awang Teh
 Adrin Shafil Ahmad Nasir
 Sazlyna Sapiee (appointed on 1 June 2020)
 Chong Eu Jin (appointed on 22 February 2021)
 Ong Kok Eng (appointed on 22 February 2021)
 Abdul Mutalib Idris (resigned on 22 February 2021)
 Yeo Kiong Pung, George (ceased to be a director on 21 April 2021 due to dissolution of UOT (Thailand) Limited)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the Employees' Share Option Scheme (ESOS).

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company or a related corporation as shown below) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

The directors' benefits are as follows:

	Group RM'000	Company RM'000
Salaries and other emoluments	1,499	1,499
Fees	765	765
Bonus	294	294
Pension costs - defined contribution plan	219	219
Share options granted under ESOS *	695	695
Benefits-in-kind	165	165
Insurance effected to indemnify directors	51	51
	3,688	3,688

* Eligible to exercise ESOS from 31 October 2022 (subject to Board's approval) to 31 October 2024.

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:

	Number of Ordinary Shares			
	1 January 2020	Bought	Sold	31 December 2020
The Company				
Direct interest				
Razalee Amin	203,000	-	-	203,000
Dato' Ibrahim Marsidi	30,000	-	-	30,000
Rohaizad Darus	3,800,000	-	-	3,800,000

	Number of Warrants			
	1 January 2020	Bought	Sold	31 December 2020
The Company				
Direct interest				
Rohaizad Darus	100,000	-	-	100,000

Employees' Share Option Scheme

	Number of Options			
	1 January 2020	Vested	Exercised	31 December 2020
The Company				
Direct interest				
Rohaizad Darus	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 comprises four Directors, namely Dato' Ibrahim Marsidi, Rowina Ghazali Seth, Dato' Dayang Fatimah Johari and Rizal Rickman Ramli.

The salient features and other terms of the ESOS are disclosed in Note 19(b) to the financial statements.

In the previous financial year, the Company granted 130,330,000 share options under the ESOS. These options are exercisable subject to the vesting conditions determined at the discretion of the Board Nomination and Remuneration Committee. There was no ESOS granted during the financial year.

EMPLOYEES' SHARE OPTION SCHEME (CONT'D.)

Details of all the options to subscribe for the ordinary shares of the Company pursuant to the ESOS as at 31 December 2020 are as follows:

Expiry date	Exercise price (RM)	Number of options
31 October 2024	0.33	130,330,000

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 RM101,812 and the portion related to Directors only was RM50,906. The Directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

OTHER STATUTORY INFORMATION

- (a) Before the statements of financial position and statements of comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for impairment on receivables and satisfied themselves that no known bad debts had been written off and that adequate allowance for impairment on receivables had been made; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or the amount of the allowance for impairment on receivables in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION (CONT'D.)

- (f) In the opinion of the Directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENT AND SUBSEQUENT EVENT

Details of significant event and subsequent event are disclosed in Note 36 to the financial statements.

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	703	185
- Other auditors	43	-
Other services		
- Ernst & Young PLT	235	71

Signed on behalf of the Board in accordance with a resolution of the directors dated 11 May 2021.

MOHD RASHID MOHD YUSOF

ROHAIZAD DARUS

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, MOHD RASHID MOHD YUSOF and ROHAIZAD DARUS, 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 150 to 222 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 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 11 May 2021.

MOHD RASHID MOHD YUSOF**ROHAIZAD DARUS****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 150 to 222 are in my opinion 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 11 May 2021.

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 2020 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 150 to 222.

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 2020, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (By-Laws) and the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Impairment of property, plant and equipment and short-term leasehold land

As at 31 December 2020, the carrying amount of the property, plant and equipment and short-term leasehold land of the Group are RM2,720.7 million and RM1.4 million respectively, as disclosed in Notes 4 and 9 to the financial statements. The uncertainty in the oil and gas industry, significant fluctuations in oil prices observed and impact of COVID-19 pandemic during the financial year are indications that the assets may be impaired.

- (i) Rigs, hydraulic workover units, drilling equipment, and plant and machinery

Management estimated the recoverable amount of the rigs, hydraulic workover units, drilling equipments, and plant and machinery based on their value-in-use using discounted future cash flows. Accordingly, an impairment assessment was performed for the aforementioned assets resulted in impairment losses of RM460.6 million as disclosed in Note 4 to the financial statements.

Key audit matters (cont'd.)

Impairment of property, plant and equipment and short-term leasehold land (cont'd.)

(ii) Building and short-term leasehold land

Management estimated the recoverable amount of the building and short-term leasehold land based on its fair value less costs to sell (FVLCS). The fair value of the building and short-term leasehold land was obtained from the valuation report performed by an independent valuer. An impairment assessment was performed and no impairment loss nor reversal was recognised in the current year.

Given the significance of property, plant and equipment and short-term leasehold land to the Group and the significant judgements and estimates involved in the assessment of the recoverable amount, 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 2020, include inter alia the following:

- Reviewed the methodology of impairment assessment;
- Assessed the underlying key assumptions on which the cash flow projections are based, such as the assets' utilisation, operating day rates and efficiency rates, by comparing them against historical and market information;
- Corroborated the key assumptions with industry analysts' views, management's plans and existing contracts, where applicable;
- Evaluated the probability of securing significant future contracts by making inquiries of project teams to obtain an understanding of the status of negotiations and the likelihood of securing the contracts;
- Assessed the discount factor used to determine the present value of the cash flows and whether the rate used reflects the current market assessment of time value of money and the risk specific to the asset;
- Performed sensitivity analysis of the changes in key assumptions;
- Considered the independence, competence, capabilities and objectivity of the independent professional valuers;
- Assessed the key assumptions and methodology used by the independent professional valuers whether such methodology is consistent with those used in the industry; and
- Assessed the adequacy of the disclosures on the assumptions and the outcome of the impairment assessment.

Impairment assessment of investments in subsidiaries

As at 31 December 2020, certain subsidiaries have reported continuing operating losses and/or depleting shareholders' funds. These are indications that the investments in these subsidiaries with a carrying amount of RM774.3 million 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. This resulted in impairment losses of investments in subsidiaries of RM377.2 million as disclosed in Notes 6 and 23 to the financial statements. We focused on this area as these impairment assessments involved significant level of judgement and assumptions applied by the management.

Key audit matters (cont'd.)

Impairment assessment of investments in subsidiaries (cont'd.)

Our procedures in reviewing the impairment assessment are as follow:

- Obtained an understanding of the relevant processes and internal controls over the estimation of present value of estimated future cash flows;
- Evaluated the key assumptions used in determination of the present value of estimated future cash flows (such as growth rate, inflation rate, bareboat chartered rates, utilisation rates as well as the related expenses) by making comparisons to historical trends, contracts and available market information; and
- Assessed the rates used in discounting the future cash flows to its present value by comparing with prevailing market rates; and
- Analysed the sensitivity of the key assumptions by assessing the impact of changes to the key assumptions on the recoverable amount.

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 for the financial year ended 31 December 2020, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do 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 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.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditors' responsibilities for the audit of the financial statements (cont'd.)

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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 31 to the financial statements.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT

202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Kuala Lumpur, Malaysia
11 May 2021

Ng Yee Yee

No. 03176/05/2021 J
Chartered Accountant

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	2,720,739	3,410,616
Investment in an associate	7	1,877	1,984
Right-of-use assets	9	9,990	13,240
		2,732,606	3,425,840
Current assets			
Inventories	10	199,614	187,439
Receivables	11	157,294	284,244
Tax recoverable		5,522	7,896
Other investments	13	97,938	119,988
Deposits, cash and bank balances	14	261,234	239,983
		721,602	839,550
TOTAL ASSETS		3,454,208	4,265,390
EQUITY AND LIABILITIES			
Non-current liabilities			
Long term borrowings	15	871,139	990,592
Lease liabilities	9	5,719	8,082
		876,858	998,674
Current liabilities			
Short term borrowings	16	182,663	302,660
Lease liabilities	9	5,577	3,905
Payables	17	110,401	151,240
Tax payable		7,903	5,435
		306,544	463,240
Total liabilities		1,183,402	1,461,914
Equity			
Equity attributable to equity holders of the Company			
Ordinary share capital	18	1,844,817	4,054,817
Other reserves	19	852,948	893,837
Accumulated losses		(428,170)	(2,146,438)
		2,269,595	2,802,216
Non-controlling interests		1,211	1,260
Total equity		2,270,806	2,803,476
TOTAL EQUITY AND LIABILITIES		3,454,208	4,265,390

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 2020

	Note	2020 RM'000	2019 RM'000
Revenue	20	546,936	670,756
Other operating income	21	10,571	2,974
Finished goods purchased		-	(121)
Raw materials and consumables used		(37,495)	(72,882)
Employee benefits	22	(117,729)	(138,870)
Depreciation and amortisation		(242,651)	(198,374)
Impairment provisions	23	(461,755)	-
Other operating expenses	24	(116,898)	(137,417)
(Loss)/profit from operations		(419,021)	126,066
Finance costs	25	(65,089)	(91,804)
Investment income	26	6,910	7,998
Share of results of associate		227	233
(Loss)/profit before tax		(476,973)	42,493
Income tax expense	27	(14,759)	(9,423)
(Loss)/profit net of tax for the year		(491,732)	33,070
(Loss)/profit net of tax for the year		(491,732)	33,070
Other comprehensive loss:			
Foreign currency translation		(44,558)	(28,814)
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods, net of tax:		(44,558)	(28,814)
Total comprehensive (loss)/income for the year		(536,290)	4,256
(Loss)/profit attributable to:			
Equity holders of the Company		(491,732)	33,218
Non-controlling interests		-	(148)
		(491,732)	33,070
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		(536,241)	4,526
Non-controlling interests		(49)	(270)
		(536,290)	4,256
(Loss)/earnings per share attributable to equity holders of the Company (sen per share)			
- Basic	28	(5.99)	0.40
- Diluted	28	(5.99)	0.40

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 2020

	Non-distributable				Distributable				Total equity RM'000	
	Ordinary share capital RM'000 (Note 18)	Warrant reserve RM'000 (Note 19)	Share options reserve RM'000 (Note 19)	Capital reserve RM'000 (Note 19)	Gain on derecognition of financial liabilities RM'000 (Note 19)	Foreign currency translation reserve RM'000 (Note 19)	Accumulated losses RM'000	Total RM'000		Non-controlling interests RM'000
At 1 January 2020	4,054,817	211,876	3,905	698	78,145	599,213	(2,146,438)	2,802,216	1,260	2,803,476
Transactions with owners										
Share options granted under ESOS (Note 19)	-	-	3,620	-	-	-	-	3,620	-	3,620
Share capital reduction (Note 18)	(2,210,000)	-	-	-	-	-	2,210,000	-	-	-
Total transactions with owners	(2,210,000)	-	3,620	-	-	-	2,210,000	3,620	-	3,620
Loss for the year	-	-	-	-	-	-	(491,732)	(491,732)	-	(491,732)
Other comprehensive loss for the year	-	-	-	-	-	(44,509)	-	(44,509)	(49)	(44,558)
Total comprehensive loss for the year	-	-	-	-	-	(44,509)	(491,732)	(536,241)	(49)	(536,290)
At 31 December 2020	1,844,817	211,876	7,525	698	78,145	554,704	(428,170)	2,269,595	1,211	2,270,806

	Non-distributable				Distributable				Total equity RM'000	
	Ordinary share capital RM'000 (Note 18)	Warrant reserve RM'000 (Note 19)	Share options reserve RM'000 (Note 19)	Capital reserve RM'000 (Note 19)	Gain on derecognition of financial liabilities RM'000 (Note 19)	Foreign currency translation reserve RM'000 (Note 19)	Accumulated losses RM'000	Total RM'000		Non-controlling interests RM'000
At 1 January 2019	4,054,817	211,876	3,187	698	78,145	627,905	(2,179,656)	2,796,972	1,530	2,798,502
Transactions with owners										
Share options granted under ESOS (Note 19)	-	-	718	-	-	-	-	718	-	718
Total transactions with owners	-	-	718	-	-	-	-	718	-	718
Profit for the year	-	-	-	-	-	-	33,218	33,218	(148)	33,070
Other comprehensive loss for the year	-	-	-	-	-	(28,692)	-	(28,692)	(122)	(28,814)
Total comprehensive (loss)/ income for the year	-	-	-	-	-	(28,692)	33,218	4,526	(270)	4,256
At 31 December 2019	4,054,817	211,876	3,905	698	78,145	599,213	(2,146,438)	2,802,216	1,260	2,803,476

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 2020 (CONT'D.)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	2020 RM'000	2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	(476,973)	42,493
Adjustments for:		
Depreciation and amortisation	242,651	198,374
Impairment loss on property, plant and equipment	460,559	-
Allowance for impairment of trade receivables	1,196	-
Inventories written off	2,361	-
Interest expense	65,089	91,804
Investment income	(6,910)	(7,998)
Net (gain)/loss on disposal of property, plant and equipment	(31)	739
Property, plant and equipment written off	558	211
Provision for unutilised leave	409	62
Share of results of associate	(227)	(233)
Share options granted under ESOS	3,620	718
Net fair value loss/(gain) on investments in money market fund	33	(416)
Net unrealised foreign exchange gain	(2,746)	(1,720)
Operating profit before working capital changes	289,589	324,034
Decrease/(increase) in receivables	126,635	(35,344)
Increase in inventories	(17,386)	(9,726)
(Decrease)/increase in payables	(44,005)	17,888
Net cash generated from operations	354,833	296,852
Interest paid	(59,260)	(76,862)
Taxes paid	(9,917)	(8,788)
Net cash generated from operating activities	285,656	211,202
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	7,026	7,875
Purchase of property, plant and equipment	(58,786)	(112,303)
Proceeds from disposal of property, plant and equipment	191	226
Dividend received from an associate	334	343
Withdrawal of investments in money market fund	25,927	46,034
Net cash used in investing activities	(25,308)	(57,825)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	2020 RM'000	2019 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term borrowings	-	(258,117)
Net movement in short term borrowings	(235,454)	119,327
Withdrawal/(placement) of restricted cash deposits in licensed banks	13,801	(24,112)
Payment of lease liabilities	(1,235)	(4,509)
Net cash used in financing activities	(222,888)	(167,411)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	37,460	(14,034)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	168,279	187,437
EFFECTS OF EXCHANGE RATE CHANGES	(2,408)	(5,124)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	203,331	168,279
Cash and cash equivalents comprise:		
Deposits with licensed banks (Note 14)	176,421	120,924
Cash and bank balances (Note 14)	84,813	119,059
	261,234	239,983
Less: Restricted cash (Note 14)	(57,903)	(71,704)
	203,331	168,279

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	6,658	2,026
Investments in subsidiaries	6	998,876	1,311,231
Due from related companies	12	874,428	874,814
Right-of-use assets	9	2,622	4,564
		1,882,584	2,192,635
Current assets			
Receivables	11	820	931
Tax recoverable		5,280	1,617
Due from related companies	12	298,656	244,303
Other investments	13	45,263	119,988
Deposits, cash and bank balances	14	4,281	11,913
		354,300	378,752
TOTAL ASSETS		2,236,884	2,571,387
EQUITY AND LIABILITIES			
Non-current liability			
Due to related company	12	453,184	388,273
Lease liabilities	9	475	2,044
		453,659	390,317
Current liabilities			
Payables	17	3,664	5,447
Due to related companies	12	2,109	2,106
Lease liabilities	9	2,202	2,443
		7,975	9,996
Total liabilities		461,634	400,313
Equity			
Equity attributable to equity holders of the Company			
Ordinary share capital	18	1,844,817	4,054,817
Other reserves	19	294,359	290,739
Accumulated losses		(363,926)	(2,174,482)
Total equity		1,775,250	2,171,074
TOTAL EQUITY AND LIABILITIES		2,236,884	2,571,387

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 2020

	Note	2020 RM'000	2019 RM'000
Revenue	20	11,706	10,354
Other operating income	21	955	1,698
Employee benefits	22	(25,089)	(22,115)
Depreciation and amortisation		(3,096)	(2,985)
Impairment provisions	23	(406,860)	(3,156)
Other operating expenses	24	(24,339)	(20,838)
Loss from operations		(446,723)	(37,042)
Finance costs	25	(193)	(289)
Investment income	26	47,478	73,869
(Loss)/profit before tax		(399,438)	36,538
Income tax expense	27	(6)	(2,477)
(Loss)/profit for the year, representing total comprehensive (loss)/ income for the year		(399,444)	34,061

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 2020

	← Non-distributable →				(Accumulated losses)/ distributable retained profit RM'000	Total equity RM'000
	Ordinary share capital RM'000 (Note 18)	Warrant reserve RM'000 (Note 19)	Share options reserve RM'000 (Note 19)	Gain on derecognition of financial liabilities RM'000 (Note 19)		
At 1 January 2020	4,054,817	211,876	718	78,145	(2,174,482)	2,171,074
Transactions with owners						
Share options granted under ESOS (Note 19)	-	-	3,620	-	-	3,620
Share capital reduction (Note 18)	(2,210,000)	-	-	-	2,210,000	-
Total transactions with owners	(2,210,000)	-	3,620	-	2,210,000	3,620
Total comprehensive loss for the year	-	-	-	-	(399,444)	(399,444)
At 31 December 2020	1,844,817	211,876	4,338	78,145	(363,926)	1,775,250
At 1 January 2019	4,054,817	211,876	-	78,145	(2,208,543)	2,136,295
Transactions with owners						
Share options granted under ESOS (Note 19)	-	-	718	-	-	718
Total transactions with owners	-	-	718	-	-	718
Total comprehensive income for the year	-	-	-	-	34,061	34,061
At 31 December 2019	4,054,817	211,876	718	78,145	(2,174,482)	2,171,074

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	2020 RM'000	2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	(399,438)	36,538
Adjustments for:		
Depreciation and amortisation	3,096	2,985
Interest expense	193	289
Investment income	(47,478)	(73,869)
Net unrealised foreign exchange loss	20,393	11,568
Share options granted under ESOS	3,620	718
Loss on disposal of plant and equipment	-	47
Net fair value loss/(gain) on investments in money market fund	33	(416)
Provision for/(reversal of) provision for unutilised leave	285	(95)
Provision for impairment in investments in subsidiaries	377,205	1,180
Provision for impairment in amount due from subsidiaries	29,655	1,976
Operating loss before working capital changes	(12,436)	(19,079)
Increase in other receivables	(144)	(232)
(Decrease)/increase in other payables	(2,152)	1,792
Net changes in related companies' balances	2,802	(52,247)
Net cash used in operations	(11,930)	(69,766)
Tax paid	(3,669)	(4,467)
Net cash used in operating activities	(15,599)	(74,233)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from subsidiaries	-	69,319
Interest received from deposits with licensed banks	163	476
Advances to subsidiary	(138,057)	(50,000)
Repayment of advances from subsidiary	74,399	-
Purchase of plant and equipment	(5,277)	(799)
Withdrawal of investments in money market fund	74,725	46,034
Dividends received from other investments	2,040	4,058
Net cash generated from investing activities	7,993	69,088

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

	2020 RM'000	2019 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities, representing net cash used in financing activities	(26)	(2,671)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,632)	(7,816)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	11,913	19,729
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	4,281	11,913
Cash and cash equivalents comprise:		
Deposits with licensed banks (Note 14)	3,900	8,600
Cash and bank balances (Note 14)	381	3,313
	4,281	11,913

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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 subsidiaries and associate are described in Notes 31 and 7, 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; and
- (b) 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 11 May 2021.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company comply with Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS) and the requirements of the Companies Act 2016 in Malaysia.

On 1 January 2020, 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 2020 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 significant to the financial statements other than as disclosed in Note 3.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.2 Summary of significant 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.2 Summary of significant accounting policies (cont'd.)****(a) Basis of consolidation, subsidiaries and associate (cont'd.)****(i) Basis of consolidation (cont'd.)****Business combinations**

Business combinations, other than business combinations under common control, are accounted for using the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition-date fair value and the amount of any non-controlling interest in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. For business combinations after 1 January 2011, acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments is measured at fair value with the changes in fair value recognised in profit or loss in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. The accounting policy for goodwill is set out in Note 2.2(h).

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.2 Summary of significant accounting policies (cont'd.)****(a) Basis of consolidation, subsidiaries and associate (cont'd.)****(i) Basis of consolidation (cont'd.)****Non-controlling interests**

Non-controlling interests in the consolidated statement of comprehensive income and consolidated statement of financial position represent the portion of profit or loss and net assets in subsidiaries not held by the Group. Non-controlling interests in the consolidated statement of financial position consist of the non-controlling interests' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the non-controlling interests' share of movement in the acquiree's equity since then.

Acquisitions of non-controlling interests are accounted for using the entity concept method, whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised directly in equity.

Losses applicable to the non-controlling interest in a subsidiary are allocated to the non-controlling interest, even if doing so causes the non-controlling interest to have a deficit balance.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.2 Summary of significant 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.2 Summary of significant 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
Buildings	10 - 20 years
Plant and machinery	2 - 30 years
Office equipment, 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. The useful lives of certain property, plant and equipment were revised in current year (see Note 4).

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(r).

(c) Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

Upon the disposal of land use rights, the difference between the net disposal proceeds and the net carrying amount is recognised in profit or loss.

When an indication of impairment exists, the carrying amount of the land use rights is written down immediately to its recoverable value. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(r).

(d) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.2 Summary of significant accounting policies (cont'd.)****(d) Financial assets (cont'd.)****Initial recognition and measurement (cont'd.)**

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income (OCI), it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. The assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For the purpose of subsequent measurement, financial assets of the Group are classified in two categories:

(i) Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost include trade receivables, other receivables (other than prepayments), amounts due from subsidiaries and deposits, cash and bank balances.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.2 Summary of significant accounting policies (cont'd.)****(d) Financial assets (cont'd.)****Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(e) 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.

(f) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.2 Summary of significant accounting policies (cont'd.)****(g) 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:

Finished goods, raw materials, spares and consumables	-	Weighted average
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Cost of finished goods, raw materials, spares and consumables represents cost of purchase.

(h) Intangible assets**Goodwill**

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. On disposal of an entity, the carrying amount of goodwill is taken into account in determining the gain or loss.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's Cash-Generating Units (CGU) that are expected to benefit from the synergies of the combination.

The CGU to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the CGU may be impaired, by comparing the carrying amount of the CGU, including the allocated goodwill, with the recoverable amount of the CGU. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair value of the operation disposed of and the portion of the CGU retained.

(i) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.2 Summary of significant accounting policies (cont'd.)****(i) Foreign currencies (cont'd.)****(ii) Foreign currency transactions (cont'd.)****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.

(j) 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.2 Summary of significant accounting policies (cont'd.)****(i) 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.

(k) 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.

(l) 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.

(m) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.2 Summary of significant accounting policies (cont'd.)****(n) Income taxes**

Income tax in the profit or loss for the period comprises current tax and deferred tax. Current tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of taxable temporary differences associated with investments in subsidiaries and associate, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except in respect of deductible temporary differences associated with investments in subsidiaries and associate, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.2 Summary of significant accounting policies (cont'd.)****(o) Revenue and other income recognition**

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when or as it transfers control over a good or service to the customer. An asset is transferred when (or as) the customer obtains control of the asset.

An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time in accordance with the above criteria, an entity satisfies the performance obligation and recognises revenue at a point in time.

(i) Revenue from provision of drilling and workover services and related expenses

Revenue from provision of drilling and workover services includes minimum lease payments from customers under day-rate based contracts and other services. Revenue generated from day-rate based contracts, which are classified as operating lease by the Group, are recognised over time over the contract period.

Day-rate based contracts may include lump-sum fees for mobilisation and demobilisation which are recognised based on the policies stated in Note 2.2(o)(ii) and (iii). 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 drilling and 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.2 Summary of significant accounting policies (cont'd.)****(o) Revenue and other income recognition (cont'd.)****(v) Rendering of services**

Revenue from services rendered is recognised net of service tax over time because the customer simultaneously receives and consumes the benefits provided to them.

(vi) Rental income

Rental income from operating leases are accounted for on a straight-line basis over the lease terms.

(vii) Interest income

Interest income is recognised using the effective interest method.

(viii) Management fees

Management fees are recognised when services are rendered.

(ix) Dividend income

Dividend income is recognised when the shareholders' rights to receive payment is established.

(p) 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 (r).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.2 Summary of significant accounting policies (cont'd.)****(p) Leases (cont'd.)****Group as a lessee (cont'd.)****(ii) Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low-value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other operating income in the statements of profit or loss due to its nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as income in the period in which they are earned.

(q) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.2 Summary of significant accounting policies (cont'd.)****(q) Employee benefits (cont'd.)****(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.

(r) 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.

(s) 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 30, including the factors used to identify the reportable segments and the measurement basis of segment information.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.2 Summary of significant accounting policies (cont'd.)****(t) 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.

(u) 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.

(v) 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 19(b).

That cost is recognised in employee benefits expense (Note 22), 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.2 Summary of significant accounting policies (cont'd.)****(v) Share-based payments (cont'd.)****Equity-settled transactions (cont'd.)**

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 28).

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 2020, the Group and the Company adopted the following new and amended MFRSs and IC Interpretations (collectively referred to as "pronouncements") mandatory for annual financial periods beginning on or after 1 January 2020.

Description	Effective date
Amendments to MFRS 3 Business Combinations (Definition of a Business)	1 January 2020
Amendments to MFRS 4 Insurance Contracts (Extension of the Temporary Exemption from Applying MFRS 9)	1 January 2020
Amendments to MFRS 7 Financial Instruments: Disclosures (Interest Rate Benchmark Reform)	1 January 2020
Amendments to MFRS 9 Financial Instruments (Interest Rate Benchmark Reform)	1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements (Definition of Material)	1 January 2020
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)	1 January 2020
Amendments to MFRS 139 Financial Instruments: Recognition and Measurement (Interest Rate Benchmark Reform)	1 January 2020
Amendments to MFRS 16 Leases (Covid-19-Related Rent Concessions)	1 June 2020

The adoption of the above new and amended standards did not have any significant effect on the financial performance or position of the Group and of the Company except for those disclosed below:

1. Amendments to MFRS 3 Business Combinations (Definition of Business)

The amendment to MFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**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 4 Insurance Contracts (Interest Rate Benchmark Reform-Phase 2)	1 January 2021
Amendments to MFRS 7 Financial Instruments: Disclosures (Interest Rate Benchmark Reform-Phase 2)	1 January 2021
Amendments to MFRS 9 Financial Instruments (Interest Rate Benchmark Reform-Phase 2)	1 January 2021
Amendments to MFRS 16 Leases (Interest Rate Benchmark Reform-Phase 2)	1 January 2021
Amendments to MFRS 139 Financial Instruments: Recognition and Measurement (Interest Rate Benchmark Reform-Phase 2)	1 January 2021
Amendments to MFRS 16 Leases (Covid-19-Related Rent Concessions beyond 30 June 2021)	1 April 2021
Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018-2020)	1 January 2022
Amendments to MFRS 3 Business Combinations (Reference to the Conceptual Framework)	1 January 2022
Amendments to MFRS 9 Financial Instruments (Annual Improvements to MFRS Standards 2018-2020)	1 January 2022
Amendments to MFRS 116 Property, Plant and Equipment (Property, Plant and Equipment- Proceeds before Intended Use)	1 January 2022
Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts-Cost of Fulfilling a Contract)	1 January 2022
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 101: Presentation of Financial Statements (Disclosure of Accounting Policies)	1 January 2023
Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)	1 January 2023
Amendments to MFRS 101 Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)	1 January 2023
Amendments to MFRS 10 Consolidated Financial Statements (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)	Deferred
Amendments to MFRS 128 Investments in Associates and Joint Ventures (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 8.

(ii) Impairment of property, plant and equipment, right-of-use assets and investment in subsidiaries

During the current financial year, the Group and the Company have recognised 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.

(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 11.

4. PROPERTY, PLANT AND EQUIPMENT

Group	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
Cost						
At 1 January 2019	20,566	6,585,279	23,930	343	32,216	6,662,334
Exchange differences	(524)	(69,964)	(192)	(2)	(225)	(70,907)
Additions	-	107,117	16	11,441	1,336	119,910
Write-offs	-	-	-	(211)	-	(211)
Disposals	-	(8,389)	(114)	-	(172)	(8,675)
At 31 December 2019/ 1 January 2020	20,042	6,614,043	23,640	11,571	33,155	6,702,451
Exchange differences	1,048	(119,498)	554	(182)	4,812	(113,266)
Additions	-	40,912	-	16,430	1,444	58,786
Write-offs	-	(912)	-	-	(26)	(938)
Disposals	-	(1,043)	-	-	-	(1,043)
Reclassification	-	8,522	-	(8,522)	-	-
At 31 December 2020	21,090	6,542,024	24,194	19,297	39,385	6,645,990
Accumulated depreciation						
At 1 January 2019	1,896	1,280,534	10,490	-	26,962	1,319,882
Exchange differences	(52)	(14,927)	(633)	-	(297)	(15,909)
Depreciation charge for the year	394	192,481	233	-	1,335	194,443
Disposals	-	-	(103)	-	-	(103)
At 31 December 2019/ 1 January 2020	2,238	1,458,088	9,987	-	28,000	1,498,313
Exchange differences	121	(38,427)	394	-	4,478	(33,433)
Depreciation charge for the year	398	236,596	232	-	1,262	238,488
Write-offs	-	(354)	-	-	(26)	(380)
Disposals	-	(800)	-	-	-	(800)
At 31 December 2020	2,757	1,655,103	10,613	-	33,714	1,702,188

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group (cont'd.)	Buildings RM'000	Rigs, HWUs and drilling equipment RM'000	Plant and machinery RM'000	Assets-in- progress RM'000	**Other assets RM'000	Total RM'000
Accumulated impairment losses						
At 1 January 2019	6,637	1,792,715	10,863	-	1,797	1,812,012
Exchange differences	-	(18,490)	-	-	-	(18,490)
At 31 December 2019/ 1 January 2020	6,637	1,774,225	10,863	-	1,797	1,793,522
Exchange differences	-	(31,109)	-	-	174	(30,935)
Impairment losses (Note 23)	-	460,559	-	-	-	460,559
Disposals	-	(83)	-	-	-	(83)
At 31 December 2020	6,637	2,203,592	10,863	-	1,971	2,223,063
Net carrying amount						
At 31 December 2020	11,696	2,683,329	2,718	19,297	3,700	2,720,739
At 31 December 2019	11,167	3,381,730	2,790	11,571	3,358	3,410,616

Company	**Other assets RM'000	Assets-in- progress RM'000	Total RM'000
Cost			
At 1 January 2019	6,839	30	6,869
Additions	353	446	799
Reclassification	305	(305)	-
At 31 December 2019/1 January 2020	7,497	171	7,668
Additions	598	4,679	5,277
At 31 December 2020	8,095	4,850	12,945
Accumulated depreciation			
At 1 January 2019	4,962	-	4,962
Depreciation charge for the year	680	-	680
At 31 December 2019/1 January 2020	5,642	-	5,642
Depreciation charge for the year	645	-	645
At 31 December 2020	6,287	-	6,287
Net carrying amount			
At 31 December 2020	1,808	4,850	6,658
At 31 December 2019	1,855	171	2,026

** Included in the other assets are office equipment, furniture and fittings, renovation, improvements and motor vehicles.

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Whilst crude oil price has improved compared to the end of the previous financial year, the oil companies continue to be prudent with capital expenditure. During the financial year, certain subsidiaries of the Group within the Drilling Services segment and Oilfield Services segment carried out a review of the recoverable amounts of their property, plant and equipment.

Recoverable amount determined based on value-in-use

For the financial year ended 31 December 2020, the Group's recoverable amount for the impaired rigs, HWUs, drilling equipment and plant and machinery of RM2,801,012,000 was determined based on the value-in-use of each asset, based on their respective cash flow projections discounted at pre-tax discount rates up to 10.8%. Impairment losses of RM460,559,000 (2019: RM Nil) was recognised using this basis.

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 33.

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%	(21,912)
- Decrease by 0.1%	21,096
HWUs	
Discount rate - Increase by 0.5%	(10)
- Decrease by 0.5%	10

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 RM686,000.

Change in the useful lives of rigs and drilling equipments

During the year, the Group revised the useful lives of its rigs and drilling equipment based on the common life expectancies applied in the industries. The effect of the change increase the current year's depreciation by RM22,632,000.

5. LAND USE RIGHTS

Group	Short term leasehold land RM'000
Cost	
At 1 January 2019	2,634
Reclassified to right-of-use assets upon adoption of MFRS 16	(2,634)
At 1 January 2019 (adjusted)/31 December 2019/1 January 2020/31 December 2020	-
Accumulated amortisation	
At 1 January 2019	404
Reclassified to right-of-use assets upon adoption of MFRS 16	(404)
At 1 January 2019 (adjusted)/31 December 2019/1 January 2020/31 December 2020	-
Accumulated impairment losses	
At 1 January 2019	803
Reclassified to right-of-use assets upon adoption of MFRS 16	(803)
At 1 January 2019 (adjusted)/31 December 2019/1 January 2020/31 December 2020	-
Net carrying amount	
At 31 December 2020	-
At 31 December 2019	-

The recoverable amounts of the land use rights were determined based on fair value less costs to sell. The valuation was performed by an independent valuer. 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 33.

Included in the total impairment was an impairment loss of RM803,000 on land use rights with recoverable amount of RM1,460,000.

6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2020 RM'000	2019 RM'000
Unquoted shares, at cost		
In Malaysia	3,535,588	3,470,738
Outside Malaysia	22,902	22,902
	3,558,490	3,493,640
Less: Impairment losses (Note 23)	(2,559,614)	(2,182,409)
	998,876	1,311,231

The Company performed an impairment review of its investments in certain subsidiaries, where the carrying amount of investments exceeded its recoverable amount in the respective subsidiaries at the reporting date. The review gave rise to the recognition of an impairment loss of investment in subsidiaries of RM377,205,000 as disclosed in Note 23.

Details of the subsidiaries are set out in Note 31.

Sensitivity to changes in assumptions

If 5% increase of recoverable amount, will result in RM42,725,000 decrease in recognition of an impairment loss of investment in subsidiaries.

7. INVESTMENT IN AN ASSOCIATE

	Group	
	2020 RM'000	2019 RM'000
Unquoted shares, at cost	1,090	1,090
Share of post-acquisition reserves	787	894
	1,877	1,984

Details of the associate are as follows:

Name of company	Country of Incorporation	Principal activities	Proportion of ownership interest	
			2020 %	2019 %
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.

7. INVESTMENT IN AN ASSOCIATE (CONT'D.)

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 2020 and 2019 of the associate have been used.

The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	2020 RM'000	2019 RM'000
Assets and liabilities:		
Current assets	10,230	11,034
Non-current assets	10	23
Total assets	10,240	11,057
Current liabilities, representing total liabilities	1,608	1,370
Results		
Revenue	8,427	11,599
Profit for the year	1,135	1,189
Total comprehensive income	1,346	1,195

Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associate is as follows:

	2020 RM'000	2019 RM'000
Net assets at 1 January	9,687	10,991
Profit for the year	1,135	1,189
Dividend paid	(1,883)	(2,499)
Other comprehensive (loss)/income	211	6
Net assets at 31 December	9,150	9,687
Share of net assets	1,830	1,937
Goodwill	47	47
Carrying value of the Group's interest in associate	1,877	1,984

8. DEFERRED TAXATION

	Group	
	2020 RM'000	2019 RM'000
At 1 January	-	(666)
Recognised in profit or loss (Note 27)	-	665
Exchange differences	-	1
At 31 December	-	-
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	2,381	-
Deferred tax assets	(2,381)	-
	-	-

The components and movements of deferred tax liabilities and assets during the financial year, prior to offsetting are as follows:

Deferred tax liabilities:

	Accelerated capital allowances RM'000
Group	
At 1 January 2019	1,582
Recognised in profit or loss	(1,582)
At 31 December 2019/1 January 2020	-
Recognised in profit or loss	2,381
At 31 December 2020	2,381

Deferred tax assets:

	Unabsorbed capital allowances RM'000	Unabsorbed reinvestment allowances RM'000	Unutilised tax losses RM'000	Others RM'000	Total RM'000
Group					
At 1 January 2020	-	-	-	-	-
Recognised in profit or loss	(2,226)	-	(155)	-	(2,381)
Exchange differences	-	-	-	-	-
At 31 December 2020	(2,226)	-	(155)	-	(2,381)
At 1 January 2019	(1,582)	(1)	(491)	(174)	(2,248)
Recognised in profit or loss	1,582	1	491	173	2,247
Exchange differences	-	-	-	1	1
At 31 December 2019	-	-	-	-	-

8. DEFERRED TAXATION (CONT'D.)

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unutilised tax losses	89,477	235,288	63,238	57,703
Unabsorbed capital and reinvestment allowances	50,033	54,761	5,197	4,384
Others	42,790	6,388	2,051	2,252
	182,300	296,437	70,486	64,339

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 2019 announced that with effect from year of assessment 2019, the Government will limit the carrying forward of unutilised business losses and unabsorbed investment tax allowances up to a maximum of seven consecutive years of assessment. 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.

9. LEASES**Right-of-use assets**

	Group				
	Short-term leasehold land RM'000	Office premises and equipment RM'000	Motor vehicles RM'000	Warehouses RM'000	Total RM'000
Cost					
At 1 January 2019	2,634	6,878	297	8,619	18,428
Exchange differences	(61)	-	-	-	(61)
At 31 December 2019/ 1 January 2020	2,573	6,878	297	8,619	18,367
Addition	112	-	140	-	252
Remeasurement	-	660	-	-	660
Exchange differences	25	-	-	-	25
At 31 December 2020	2,710	7,538	437	8,619	19,304

9. LEASES (CONT'D.)**Right-of-use assets (cont'd.)**

	Group				
	Short-term leasehold land RM'000	Office premises and equipment RM'000	Motor vehicles RM'000	Warehouses RM'000	Total RM'000
Accumulated depreciation					
At 1 January 2019	404	-	-	-	404
Depreciation	53	2,294	150	1,434	3,931
Exchange differences	(11)	-	-	-	(11)
At 31 December 2019/ 1 January 2020	446	2,294	150	1,434	4,324
Depreciation	54	2,493	147	1,469	4,163
Exchange differences	24	-	-	-	24
At 31 December 2020	524	4,787	297	2,903	8,511

Accumulated impairment

At 1 January 2019 / 31 December 2019/ 1 January 2020 / 31 December 2020	803	-	-	-	803
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Net carrying amount

At 31 December 2020	1,383	2,751	140	5,716	9,990
At 31 December 2019	1,324	4,584	147	7,185	13,240

	Company		
	Office premises and equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost			
At 1 January 2019/31 December 2019/1 January 2020	6,642	227	6,869
Additions	-	140	140
Remeasurement	369	-	369
At 31 December 2020	7,011	367	7,378

Accumulated depreciation

At 1 January 2019	-	-	-
Depreciation	2,193	112	2,305
At 31 December 2019/1 January 2020	2,193	112	2,305
Depreciation	2,336	115	2,451
At 31 December 2020	4,529	227	4,756

Net carrying amount

At 31 December 2020	2,482	140	2,622
At 31 December 2019	4,449	115	4,564

9. LEASES (CONT'D.)

Lease liabilities

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	11,987	15,793	4,487	6,869
Accretion of interest (Note 25)	544	703	193	289
Additions	252	-	140	-
Remeasurement	660	-	369	-
Payments	(2,147)	(4,509)	(2,512)	(2,671)
At 31 December	11,296	11,987	2,677	4,487
Current	5,577	3,905	2,202	2,443
Non-current	5,719	8,082	475	2,044
Total	11,296	11,987	2,677	4,487

The maturity analysis of lease liabilities are disclosed in Note 35(d).

The following are the amounts recognised in profit or loss:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Depreciation expense of right-of-use assets	4,163	3,931	2,451	2,305
Interest expense on lease liabilities (Note 25)	544	703	193	289
Rental of leases of low-value assets and short-term leases (Note 24)	69	4,509	26	2,671
Total amount recognised in profit or loss	4,776	9,143	2,670	5,265

10. INVENTORIES

	Group	
	2020 RM'000	2019 RM'000
At cost:		
Raw materials, spare parts and consumables	199,614	187,439

The cost of inventories recognised as an expense during the financial year amounted to RM37,495,000 (2019: RM73,003,000).

11. RECEIVABLES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade receivables (Note (a))	147,092	272,447	-	-
Other receivables (Note (b))	10,202	11,797	820	931
Total trade and other receivables	157,294	284,244	820	931
Total trade and other receivables	157,294	284,244	820	931
Less:				
Accrued income (Note (a))	(63,673)	(153,021)	-	-
Prepayments (Note (b))	(5,422)	(5,764)	(301)	(156)
	88,199	125,459	519	775
Add:				
Deposits, cash and bank balances (Note 14)	261,234	239,983	4,281	11,913
Due from subsidiaries -				
Non-current (Note 12)	-	-	874,428	874,814
Current (Note 12)	-	-	299,025	244,303
Total financial assets at amortised cost	349,433	365,442	1,178,253	1,131,805

(a) Trade receivables

	Group	
	2020 RM'000	2019 RM'000
Third parties	84,596	119,435
Allowance for impairment (Note (i))	(1,177)	(9)
	83,419	119,426
Accrued income	63,673	153,021
	147,092	272,447

The Group's normal trade credit terms for the financial year ended 31 December 2020 range from 30 days to 60 days (2019: 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.

The Group has concentration of credit risk in the form of outstanding balances due from 9 (2019: 9) debtors representing 98% (2019: 98%) of the total net trade receivables.

11. RECEIVABLES (CONT'D.)

(a) Trade receivables (cont'd.)

(i) Receivables that are impaired

	Group	
	2020 RM'000	2019 RM'000
Individually impaired		
Trade receivables	1,177	9
Less: Allowance for impairment	(1,177)	(9)
	-	-
Movement in allowance for impairment		
At 1 January	9	9
Exchange differences	(28)	-
Charged for the year (Note 23)	1,196	-
At 31 December	1,177	9

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 35(c).

(b) Other receivables

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deposits	1,252	1,795	368	613
Prepayments (Note (i))	5,422	5,764	301	156
Sundry receivables	3,528	4,238	151	162
	10,202	11,797	820	931

(i) Prepayments mainly comprise insurance premium and advance payments to vendors in respect of certain services.

12. DUE FROM/(TO) RELATED COMPANIES

	Company	
	2020 RM'000	2019 RM'000
Non-current:		
Due from subsidiaries		
- interest bearing at 3.04% to 4.67% (2019: 4.47% to 5.40%) per annum	1,020,449	1,005,146
Less: Allowance for impairment losses	(146,021)	(130,332)
	874,428	874,814
Current:		
Due from subsidiaries		
- interest bearing at 3.04% to 6.06% (2019: 4.21% to 6.31%) per annum	393,226	326,025
- non-interest bearing	3,556	3,293
	396,782	329,318
Less: Allowance for impairment losses	(98,126)	(85,015)
	298,656	244,303
Total amount due from related companies	1,173,084	1,119,117
Non-current:		
Due to subsidiary		
- non-interest bearing	(453,184)	(388,273)
Current:		
Due to subsidiary		
- non-interest bearing	(2,109)	(2,106)
Total amount due to related companies	(455,293)	(390,379)

Amounts due from subsidiaries that are not expected to be realised within twelve months after the reporting period are classified as non-current.

At the reporting date, the Company has provided an allowance of RM29,655,000 (2019: RM1,976,000) for impairment of the amount due from subsidiaries as disclosed in Note 23.

13. OTHER INVESTMENTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Investments in money market fund, at fair value through profit or loss	97,938	119,988	45,263	119,988

14. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current:				
Deposits with licensed banks	176,421	120,924	3,900	8,600
Cash and bank balances	84,813	119,059	381	3,313
	261,234	239,983	4,281	11,913
Less: Restricted cash	(57,903)	(71,704)	-	-
Cash and cash equivalents	203,331	168,279	4,281	11,913

Cash and bank balances amounting to RM57,903,000 (2019: RM71,704,000) are not available for general use by the Group due to restrictions by the lender in respect of the term loan of USD244,272,000 (2019: USD270,422,000) obtained by the Group as disclosed in Note 15.

The range of interest rates per annum of deposits as at the reporting date were as follows:

	Group		Company	
	2020 %	2019 %	2020 %	2019 %
Deposits with licensed banks	0.08 - 1.80	1.00 - 3.25	1.60 - 1.70	3.10 - 3.20

The range of maturities of deposits as at the reporting date were as follows:

	Group		Company	
	2020 Days	2019 Days	2020 Days	2019 Days
Deposits with licensed banks	4 - 81	2 - 101	6 - 22	10 - 41

15. LONG TERM BORROWINGS

	Group	
	2020 RM'000	2019 RM'000
Secured (Floating rate)		
Term loan	984,661	1,109,001
Less: Unamortised transaction costs	(11,479)	(20,799)
	973,182	1,088,202
Less: Amount payable within one year (Note 16)	(102,043)	(97,610)
Total long term borrowings	871,139	990,592

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). Both Term Loan A and Term Loan B are fully repayable on 21 November 2022 and 21 November 2027 respectively and are secured by a charge over all existing and future assets of the Group.

15. 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 (Note 16)	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000	Total RM'000
	31 December 2020				
Secured					
- Revolving credit	80,620	-	-	-	80,620
- Term loan	105,410	58,942	199,535	620,774	984,661
31 December 2019					
Secured					
- Revolving credit	205,050	-	-	-	205,050
- Term loan	107,241	107,241	172,743	721,776	1,109,001

Changes in liabilities arising from financing activities:

	Group		Total RM'000
	Revolving credit RM'000	Secured term loan RM'000	
At 1 January 2019	-	1,437,207	1,437,207
Drawdown	208,125	-	208,125
Repayment	-	(346,915)	(346,915)
Amortisation of transaction costs	-	10,196	10,196
Effect of changes in foreign exchange rate	(3,075)	(12,286)	(15,361)
At 31 December 2019/1 January 2020	205,050	1,088,202	1,293,252
Drawdown	29,427	-	29,427
Repayment	(155,541)	(109,929)	(265,470)
Amortisation of transaction costs	-	9,320	9,320
Effect of changes in foreign exchange rate	1,684	(14,411)	(12,727)
At 31 December 2020	80,620	973,182	1,053,802

The range of weighted average effective interest rates per annum at the reporting date for secured short term borrowings are disclosed in Note 16.

16. SHORT TERM BORROWINGS

	Group	
	2020 RM'000	2019 RM'000
Secured (Floating rate)		
Revolving credits	80,620	205,050
Term loans payable within one year (Note 15)	105,410	107,241
Less: Unamortised transaction costs	(3,367)	(9,631)
	102,043	97,610
Total short term borrowings	182,663	302,660

The range of weighted average effective interest rates per annum at the reporting date for borrowings were as follows:

	Group	
	2020 % per annum	2019 % per annum
Term loan	3.26 - 5.44	4.94 - 6.20
Revolving credits	2.50 - 4.90	4.10 - 5.50

17. PAYABLES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade payables:				
Third parties	36,310	16,215	-	-
Accruals	53,206	103,151	-	-
	89,516	119,366	-	-
Other payables:				
Accruals	16,242	24,975	1,872	1,105
Provision for unutilised leave	1,187	817	780	495
Sundry payables	3,456	6,082	1,012	3,847
	20,885	31,874	3,664	5,447
Total trade and other payables	110,401	151,240	3,664	5,447
Total trade and other payables	110,401	151,240	3,664	5,447
Less:				
Provision for unutilised leave	(1,187)	(817)	(780)	(495)
Add:				
Lease liabilities (Note 9)	11,296	11,987	2,677	4,487
Long term borrowings (Note 15)	871,139	990,592	-	-
Short term borrowings (Note 16)	182,663	302,660	-	-
Due to subsidiaries (Note 12)	-	-	455,293	390,379
Total financial liabilities carried at amortised cost	1,174,312	1,455,662	460,854	399,818

17. PAYABLES (CONT'D.)

Trade payables are non-interest bearing and are normally settled within 30 days to 60 days (2019: 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 (2019: 30 days to 90 days).

18. ORDINARY SHARE CAPITAL

	Group and Company	
	Number of ordinary shares '000	Share capital RM'000
At 1 January 2019/31 December 2019/1 January 2020	8,215,600	4,054,817
Share capital reduction	-	(2,210,000)
At 31 December 2020	8,215,600	1,844,817

On 29 June 2020, the shareholders of the Company has approved the Proposed Share Capital Reduction, which entailed the reduction and cancellation of RM2,210,000,000 of its issued share capital pursuant to Section 116 of the Companies Act, 2016 ("Act") ("Share Capital Reduction"). The credit of RM2,210,000,000 arising from the Share Capital Reduction was used to eliminate the accumulated losses of the Company.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction and rank equally with regards to the Company's residual assets.

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.

19. 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 Islamic Redeemable Convertible Preference Shares ("RCPS-i") subscribed.

The warrants are valid for exercise for a period of 7 years from its issue date and will expire on 18 October 2024. During this period, each warrant entitled the registered holder to subscribe for 1 new ordinary share/RCPS-i in the Company at any time on or after 25 October 2017 to 18 October 2024, at an exercise price of RM0.395 per warrant. Any warrant not exercised by its expiry date will lapse thereafter and cease to be valid for all purposes. During the financial year, no warrants for rights issue and RCPS-i were exercised. As at the reporting date, 1,209,181,678 warrants for rights issue and 304,218,076 warrants for RCPS-i remained unexercised.

The value allocated to 1 warrant was based on the proportion of the fair value of 1 warrant, being the fair value of the warrant on the first day of its listing, over the combined fair value of 4 rights shares/RCPS-i and 1 warrant to the issue price of the right shares of RM0.30 each.

19. OTHER RESERVES (CONT'D.)**(b) Share options reserve**

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.

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. 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 on 1 November 2019. 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.

19. OTHER RESERVES (CONT'D.)**(b) Share options reserve (cont'd.)****Movement of share options during the financial year**

The number and exercise price of, and movements in, share options during the financial year are as follows:

	Group and Company	
	Exercise price RM	Number ('000)
Outstanding at 1 January 2019	-	-
Granted during the year	0.33	109,580
Outstanding at 31 December 2019/1 January 2020	0.33	109,580
Adjusted *	-	(15,460)
Outstanding at 31 December 2020	0.33	94,120

* Adjustment on termination of employment.

The remaining contractual life for these options outstanding as at 31 December 2020 was 4 years with an expiry date of 31 October 2024.

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 used for the financial year ended 31 December 2019:

	Group and Company
Fair value at the measurement date	RM0.18
Expected volatility	50.67%
Risk-free interest rate	3.28% per annum
Expected life of option	5 years
Share price	RM0.33

The expected life of the options is based on the ESOS duration and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

(c) Capital reserve

Capital reserve relates to statutory reserves of an overseas subsidiary.

(d) Gain on derecognition of financial liabilities

The gain on derecognition of financial liabilities arose as part of the settlement of liabilities due to the former ultimate holding company pursuant to a past internal reorganisation.

(e) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group's presentation currency.

20. REVENUE

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue from lease contracts:				
Leasing of drilling rigs and hydraulic workover units	251,420	400,828	-	-
Revenue from contracts with customers:				
Drilling and workover services	224,620	183,116	-	-
Sale of goods	18,727	28,679	-	-
Rendering of services	52,169	58,133	-	-
Revenue from other sources:				
Management fees from subsidiaries	-	-	11,706	10,354
	546,936	670,756	11,706	10,354

Timing of recognition

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Goods and services transferred at a point in time	19,362	29,645	-	-
Services transferred over time	527,574	641,111	11,706	10,354
	546,936	670,756	11,706	10,354

21. OTHER OPERATING INCOME

Included in other operating income are:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Gain on sale of investment	12	40	12	40
Gain on disposal of property, plant and equipment	31	126	-	-
Rental income	40	231	792	566
Net fair value gain on investments in money market fund	-	416	-	416
Net foreign exchange gain	10,311	1,978	-	-

22. EMPLOYEE BENEFITS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Wages and salaries	83,543	100,853	16,857	16,779
Social security costs	561	542	94	82
Provision for/(reversal of) unutilised leave	409	62	285	(95)
Pension costs - defined contribution plan	6,765	6,912	2,454	2,397
Share options granted under ESOS	3,620	718	3,620	718
Other employee related expenses	22,831	29,783	1,779	2,234
	117,729	138,870	25,089	22,115

Included in employee benefits is executive director's remuneration as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Salaries and other emoluments	1,475	1,248	1,475	1,248
Pension costs - defined contribution plan	219	209	219	209
Share options granted under ESOS	695	116	695	116
Benefits-in-kind	137	224	137	224

23. IMPAIRMENT LOSSES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Property, plant and equipment (Note 4)	460,559	-	-	-
Investment in subsidiaries (Note 6)	-	-	377,205	1,180
Trade receivables (Note 11)	1,196	-	-	-
Amount due from subsidiaries (Note 12)	-	-	29,655	1,976
	461,755	-	406,860	3,156

24. OTHER OPERATING EXPENSES

Included in other operating expenses are:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-executive directors' remuneration:				
- fees	860	885	860	885
- meeting allowances	223	219	223	219
- other emoluments	28	191	28	191
Rental of premises	628	234	293	2,559
Rental of leases of low-value assets and short-term leases (Note 9)	69	4,509	26	2,671
Rental of equipment, barge and rig	5,505	10,733	75	78
Repair and maintenance of equipment and rigs	18,792	22,164	49	32
Auditors' remuneration:				
Statutory audit				
- auditors of the Company	703	650	185	185
- other auditors	43	55	-	-
Other services				
- auditors of the Company	235	94	71	94
Loss on disposal of property, plant and equipment	-	865	-	47
Net fair value loss on investments in money market fund	33	-	33	-
Property, plant and equipment written off	558	211	-	-
Net foreign exchange loss	-	-	20,362	11,571
Inventories written off	2,361	-	-	-

24. OTHER OPERATING EXPENSES (CONT'D.)

	Directors' fees		*Other emoluments	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Group and Company				
Non-executive directors:				
Dato' Abdul Rahman Ahmad (resigned on 10 June 2020)	53	77	8	14
Razalee Amin	107	110	36	71
Cheah Tek Kuang (retired on 29 May 2019)	-	58	-	64
Dato' Ibrahim Marsidi	105	110	37	81
Mohd Rashid Mohd Yusof	109	104	24	36
Haida Shenny Hazri	91	101	24	34
Rowina Ghazali Seth	102	102	33	44
Rizal Rickman Ramli***	95	91	25	22
Dato' Dayang Fatimah Johari	100	102	33	39
Datuk Tong Poh Keow	98	30	31	5
	860	885	251	410

	Directors' fees		**Other emoluments	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Group and Company				
Executive director:				
Rohaizad Darus	-	-	1,831	1,680

* Included in the other emoluments are meeting allowances, per diem allowance, telephone expenses and car (for Chairman of the Board only).

** Included in the other emoluments are salary, gratuity, employer's statutory contribution, car and petrol, leave passage, allowances, telephone expenses and club subscriptions.

*** Fees as nominee Director paid to Permodalan Nasional Berhad.

25. FINANCE COSTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Interest expenses				
- Bank borrowings	63,835	90,573	-	-
- Lease liabilities (Note 9)	544	703	193	289
- Others	710	528	-	-
	65,089	91,804	193	289

26. INVESTMENT INCOME

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Distribution income from:				
- Money market fund	3,676	4,058	2,040	4,058
Interest income from:				
- Deposits with licensed banks	3,234	3,940	163	492
- Subsidiaries	-	-	45,275	69,319
	6,910	7,998	47,478	73,869

27. INCOME TAX EXPENSE

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Income tax:				
Malaysian income taxes	11,183	6,179	-	2,134
Foreign income taxes	382	1,217	6	1
	11,565	7,396	6	2,135
Under provision in prior years:				
Malaysian income taxes	3,104	1,307	-	342
Foreign income taxes	90	55	-	-
	3,194	1,362	-	342
	14,759	8,758	6	2,477
Deferred taxation (Note 8):				
Relating to origination and reversal of temporary differences	-	665	-	-
Total income tax expense	14,759	9,423	6	2,477

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2019: 24%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

27. INCOME TAX EXPENSE (CONT'D.)

Reconciliations between tax expense and the accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 31 December 2020 and 2019 are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(Loss)/profit before tax	(476,973)	42,493	(399,438)	36,538
Taxation at Malaysian statutory rate of 24% (2019: 24%)	(114,474)	10,198	(95,865)	8,769
Effect of different tax rates in other jurisdictions	105,382	(43,212)	-	-
Income not subject to tax	(9,569)	(23,609)	(9,077)	(12,414)
Expenses not deductible for tax purposes	26,049	25,495	103,552	5,336
Utilisation of previously unrecognised unabsorbed capital allowances	(1,022)	-	-	-
Deferred tax assets recognised on previously unrecognised tax losses	(113)	-	(113)	343
Deferred tax assets not recognised	5,366	39,245	1,509	101
Under/(over) provision of income tax in prior years	3,194	1,362	-	342
Share of results of associate	(54)	(56)	-	-
Tax expense for the year	14,759	9,423	6	2,477

28. (LOSS)/EARNINGS PER SHARE

	Group	
	2020 RM'000	2019 RM'000
Net (loss)/profit attributable to equity holders (RM'000)	(491,732)	33,218
Weighted average number of ordinary shares in issue ('000)		
- Basic	8,215,600	8,215,600
Effects of dilution:		
Options under ESOS	-	2,399
- Diluted	8,215,600	8,217,999
(Loss)/earnings per share (sen):		
- Basic	(5.99)	0.40
- Diluted	(5.99)	0.40

28. (LOSS)/EARNINGS PER SHARE (CONT'D.)

Basic/diluted (loss)/earnings per share are calculated by dividing the net (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

1,513,399,754 (2019: 1,513,399,754) warrants have not been included in the calculation of diluted (loss)/earnings per share because the current market price is lower than the exercise price and they are anti-dilutive.

ESOS have not been included in the calculation of diluted (loss)/earnings per share in the current year because the current market price is lower than the exercise price and they are anti-dilutive.

29. COMMITMENTS

	Group	
	2020 RM'000	2019 RM'000
(a) Capital commitments		
Approved and contracted for:		
- land and buildings	-	148
- equipment, plant and machinery	11,617	8,905
- others	8,712	150
	20,329	9,203
Approved but not contracted for:		
- land and buildings	4,277	5,257
- equipment, plant and machinery	78,442	132,214
- others	2,666	3,082
	85,385	140,553
Total capital commitments	105,714	149,756

30. SEGMENT REPORTING

For management purposes, the Group is organised into business segments based on the nature of services and has three operating segments as follows:

- (i) The Drilling Services segment is principally involved in the provision of Drilling Services and Workover Services to the upstream oil and gas sector. This segment owns and operates several drilling rigs and HWUs, and acts as an agent for two providers of specialised equipment and service. The rigs are chartered out to oil majors for their exploration, development and production activities. 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;
- (ii) The Oilfield Services segment principally provide premium OCTG threading, repair and inspection services; and
- (iii) 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.

30. SEGMENT REPORTING (CONT'D.)

With effect from 1 January 2020, the Group has changed its business segments by combining Workover and Oilfield Services together as Oilfield Services segment. Workover Services was previously reported under the Drilling Services segment in the previous financial year. Comparative results have been restated following the change in the business segments.

Other than the above, there has been no differences in the basis of segmentation or the basis of measurement of segment profit or loss as compared to the previous financial year.

(a) Business segments

31 December 2020	Drilling services RM'000	Oilfield services RM'000	Others RM'000	Eliminations RM'000	Note	Per consolidated financial statements RM'000
Revenue:						
External customers	535,622	10,479	835	-		546,936
Inter-segment	-	-	427	(427)	i	-
Total revenue	535,622	10,479	1,262	(427)		546,936
Results:						
Depreciation and amortisation	(235,148)	(4,235)	(3,268)	-		(242,651)
Impairment provision	(461,206)	(549)	-	-		(461,755)
Finance costs	(65,074)	(15)	-	-		(65,089)
Investment income	2,894	662	3,354	-		6,910
Share of results of associate	-	227	-	-		227
Other material non-cash items	819	-	(2,253)	-	ii	(1,434)
Segment loss before tax	(444,717)	(4,846)	(26,983)	(427)		(476,973)
Income tax expense	(14,367)	(412)	20	-		(14,759)
Segment loss after tax	(459,084)	(5,258)	(26,963)	(427)		(491,732)
Assets:						
Investment in an associate	-	1,877	-	-		1,877
Additions to non-current assets	53,495	71	5,220	-	iii	58,786
Segment assets	3,181,662	116,160	156,386	-		3,454,208
Liabilities:						
Segment liabilities	1,117,985	35,398	30,019	-		1,183,402

30. SEGMENT REPORTING (CONT'D.)

(a) Business segments (cont'd.)

31 December 2019	Drilling services RM'000	Oilfield services RM'000	Others RM'000	Eliminations RM'000	Note	Per consolidated financial statements RM'000
Revenue:						
External customers	633,080	37,141	535	-		670,756
Inter-segment	-	-	4,626	(4,626)	i	-
Total revenue	633,080	37,141	5,161	(4,626)		670,756
Results:						
Depreciation and amortisation	(190,345)	(4,901)	(3,128)	-		(198,374)
Impairment of property, plant and equipment						-
Impairment of land use rights						-
Finance costs	(91,500)	-	(304)	-		(91,804)
Investment income	1,638	558	5,802	-		7,998
Share of results of associate	-	233	-	-		233
Other material non-cash items	1,134	13	(679)	-	ii	468
Segment (loss)/profit before tax	69,979	566	(28,052)	-		42,493
Income tax expense	(5,971)	(820)	(2,632)	-		(9,423)
Segment (loss)/profit after tax	64,008	(254)	(30,684)	-		33,070
Assets:						
Investment in an associate	-	1,984	-	-		1,984
Additions to non-current assets	117,352	1,707	851	-	iii	119,910
Segment assets	3,921,032	106,638	237,720	-		4,265,390
Liabilities:						
Segment liabilities	1,413,452	12,769	35,693	-		1,461,914

30. SEGMENT REPORTING (CONT'D.)

(a) Business segments (cont'd.)

The following are the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:

- Inter-segment revenue are eliminated on consolidation.
- Other material non-cash income/(expenses) consist of the following items as presented in the respective notes to the consolidated financial statements:

	Note	2020 RM'000	2019 RM'000
Net gain/(loss) on disposal of property, plant and equipment	21, 24	31	(739)
Net fair value (loss)/gain on investments in money market fund	21, 24	(33)	416
Net unrealised foreign exchange gain		2,746	1,720
Property, plant and equipment written off	24	(558)	(211)
Share options granted under ESOS	22	(3,620)	(718)
		(1,434)	468

- Additions to non-current assets consist:

	Note	2020 RM'000	2019 RM'000
Property, plant and equipment	4	58,786	119,910

(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 2020			
Revenue from external customers	538,056	8,880	546,936
Non-current assets	2,714,914	15,815	2,730,729

31 December 2019

Revenue from external customers	660,530	10,226	670,756
Non-current assets	3,408,407	15,211	3,423,618

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:

	2020 RM'000	2019 RM'000
Property, plant and equipment	2,720,739	3,410,616
Right-of-use assets	9,990	13,240
	2,730,729	3,423,856

31. SUBSIDIARIES

Name of company	Country of incorporation	Principal activities	Proportion of ownership interest	
			2020 %	2019 %
Subsidiaries of the Company:				
UMW JDC Drilling Sdn Bhd#	Malaysia	Provision of drilling operations for the oil and gas industry	85	85
Velesto Malaysian Ventures Sdn Bhd	Malaysia	Investment holding	100	100
Velesto Singapore Ventures Pte. Ltd.	Singapore	Investment holding	100	100
Velesto Rig Asset (L) Ltd.	Malaysia	Investment holding	100	100
Sumber Ribu Sdn Bhd	Malaysia	Provision for treasury management services	100	100
Sumber Wang (L) Ltd.	Malaysia	Provision for treasury management services	100	100
Subsidiaries of: Velesto Malaysian Ventures Sdn Bhd Velesto Singapore Ventures Pte. Ltd. Velesto Rig Asset (L) Ltd.				
Velesto Workover Sdn Bhd	Malaysia	Provision of workover operations for the oil and gas industry	100	100
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

31. SUBSIDIARIES (CONT'D.)

Name of company	Country of incorporation	Principal activities	Proportion of ownership interest	
			2020 %	2019 %
Subsidiaries of: (cont'd.) Velesto Malaysian Ventures Sdn Bhd Velesto Singapore Ventures Pte. Ltd. Velesto Rig Asset (L) Ltd.				
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* (formerly known as UMW Oilfield Services (Tianjin) Co. Limited)	People's Republic of China	Provision of threading, inspection, repair and maintenance services for OCTG	100	100
UOT (Thailand) Limited^	Thailand	Provision of threading, inspection, repair and maintenance services for OCTG	58.8	58.8

31. SUBSIDIARIES (CONT'D.)

Name of company	Country of incorporation	Principal activities	Proportion of ownership interest	
			2020 %	2019 %
Subsidiaries of: (cont'd.)				
Velesto Malaysian Ventures Sdn Bhd				
Velesto Singapore Ventures Pte. Ltd.				
Velesto Rig Asset (L) Ltd.				
Velesto Rig Asset Sdn Bhd	Malaysia	Ownership and leasing of rig	100	100
Velesto Sumber Sdn Bhd	Malaysia	Investment holding	100	100
Velesto Drilling 2 Sdn Bhd	Malaysia	Ownership and leasing of rig	100	100
Velesto Drilling 3 Sdn Bhd	Malaysia	Ownership and leasing of rig	100	100
Velesto Drilling 4 Sdn Bhd	Malaysia	Ownership and leasing of rig	100	100
Velesto Drilling 5 Sdn Bhd	Malaysia	Ownership and leasing of rig	100	100
Velesto Drilling 6 Sdn Bhd	Malaysia	Ownership and leasing of rig	100	100
Velesto Drilling 7 Sdn Bhd	Malaysia	Ownership and leasing of rig	100	100
Velesto Drilling 8 Sdn Bhd	Malaysia	Ownership and leasing of rig	100	100

In members' voluntary winding up on 26 February 2018.

* Audited by firms other than Ernst & Young PLT.

^ Commenced dissolution process on 28 June 2019, completed on 21 April 2021.

31. SUBSIDIARIES (CONT'D.)

(a) Subsidiaries with non-controlling interests

Details and summarised financial information of subsidiaries which have non-controlling interests that are material to the Group are set out below. The summarised financial information presented below is the amount before inter-company elimination.

(i) Details of subsidiaries

Name of company	Proportion of ownership interest held by non-controlling interests	
	2020 %	2019 %
UMW JDC Drilling Sdn Bhd	15	15
UOT (Thailand) Limited	41.2	41.2

(ii) Summarised statements of financial position

	2020 RM'000	2019 RM'000
Current assets	7,148	7,495
Current liabilities	(475)	(484)

(iii) Summarised statements of comprehensive income

	2020 RM'000	2019 RM'000
Loss for the year, representing total comprehensive loss	(310)	(310)

(iv) Summarised statements of cash flows

	2020 RM'000	2019 RM'000
Net cash used in operating activities	-	(168)
Net decrease in cash and cash equivalents	-	(168)
Cash and cash equivalents at end of year	4,140	4,256

32. 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	
	2020 RM'000	2019 RM'000
Management fees income	(11,706)	(10,354)
Interest income	(45,275)	(69,319)
Rental income	(792)	(566)
Services rendered income	(24)	(668)

32. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

(b) Compensation of key management personnel

The aggregate compensation of key management personnel, including the executive director of the Company is as follows:

	2020 RM'000	2019 RM'000
Salaries and wages	5,695	4,366
Social security cost	11	9
Pension costs - defined contribution plan	972	729
Share options granted under ESOS	1,957	360
Other staff related costs	667	644
	9,302	6,108

33. 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	11
- Due from related companies	12
Deposits, cash and bank balances	14
Lease liabilities	9
Borrowings	
- Floating rate borrowings (non-current)	15
- Floating rate borrowings (current)	16
Payables	
- Trade and other payables	17
- Due to related companies	12

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.

33. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)**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	
	2020 RM'000	2019 RM'000
Assets		
Investments in money market fund (Note 13)	97,938	119,988

The Group does not have any financial instruments classified as Level 2 and Level 3 as at the reporting date. There were no material transfers between Level 1, Level 2 and Level 3 during the financial year.

34. 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	
	2020 RM'000	2019 RM'000
Loans and borrowings	1,053,802	1,293,252
Lease liabilities	11,296	11,987
Less:		
Deposits, cash and bank balances	(261,234)	(239,983)
Other investments	(97,938)	(119,988)
Net debt	705,926	945,268
Total equity	2,270,806	2,803,476
Total capital	2,976,732	3,748,744
Gearing ratio	0.24	0.25

35. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks. The financial risk management practices of the Group seek to ensure that adequate financial resources are available for the development of the Group's business while managing credit, liquidity, interest rate and foreign currency risks. The principal aim of the Group's financial risk management practices is to identify, evaluate and manage financial risks with an objective to minimise potential adverse effects on the financial performance of the Group.

The Group's risk governance structure comprise the following:

- (i) a Board Risk Management Committee; and
- (ii) a Risk Management Committee.

Responsibilities of the Board of Directors include:

- (i) to define appropriate risk governance structure;
- (ii) to conduct overall review and endorsement on the risk parameters, risk appetite, risk profiles, risk treatment options, risk action plans and key risk indicators; and
- (iii) to provide overall guidance and advice on appropriateness of risk treatment option selected and risk action plans development.

Responsibilities of the Board Risk Management Committee include:

- (i) to monitor the consistent enforcement of Enterprise Risk Management (ERM) policy across the Group;
- (ii) to review and endorse the risk parameters, risk appetite, risk profiles, risk treatment options, risk action plans and key risk indicators;
- (iii) to provide guidance and advice on appropriateness of risk treatment option selected and risk action plans development; and
- (iv) to provide half yearly reports to the Board on ERM.

The Risk Management Committee is made up of members of the Group's senior management. This committee will be responsible to identify and assess risks and make recommendations on risk management to the Board Risk Management Committee and the Board of Directors.

Financial risk management objectives of the Group are as follows:

- (i) to minimise exposure to all financial risks including interest, credit, liquidity and foreign currency exchange risks;
- (ii) to accept certain level of financial risks including price risk and credit risk that commensurate with the expected returns on the underlying operations and activities; and
- (iii) to minimise liquidity risk by proper cash flow planning, management and control.

The Group's financial risk management strategies include using:

- (i) credit controls that include evaluation, acceptance, monitoring and feedback to ensure that only reasonably creditworthy customers are accepted; and
- (ii) money market instruments, short term deposits and bank borrowings to manage liquidity risks.

35. FINANCIAL RISK MANAGEMENT (CONT'D.)

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 2020, approximately 17.0% (2019: 0.4%) of the Group's trade receivables and approximately 34.3% (2019: 10.1%) 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 2020, the Group has such balances amounting to RM89,256,000 (2019: RM87,172,000).

Material foreign currency exposures are hedged via forward exchange contracts by using foreign exchange facilities maintained with leading banks. The forward exchange contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

The table below demonstrates the sensitivity of the Group's and of the Company's (loss)/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 (loss)/ profit after taxation Increase/(decrease)		Effect on (loss)/ profit after taxation (Decrease)/increase	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
US Dollar/RM				
- strengthened 5% (2019: 5%)	50	6,522	(53,320)	(42,812)
- weakened 5% (2019: 5%)	(50)	(6,522)	53,320	42,812

(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.

35. FINANCIAL RISK MANAGEMENT (CONT'D.)**(b) Interest rate risk (cont'd.)**

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 (loss)/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.

	Basis points	Group		Company	
		Effect on (loss)/profit after taxation Increase/(decrease)		Effect on (loss)/profit after taxation (Decrease)/increase	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
London					
Interbank	+ 50	4,923	(5,545)	-	643
Offered Rate	- 50	(4,923)	5,545	-	(643)
Cost of funds of lenders	+ 50	403	(1,025)	(5,302)	5,716
	- 50	(403)	1,025	5,302	(5,716)

(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.

35. 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	
	2020 RM'000	2019 RM'000
Accrued income	63,673	153,021
Trade receivables:		
Neither past due nor impaired	41,842	24,855
1 to 30 days past due not impaired	28,281	43,938
31 to 60 days past due not impaired	5,961	21,929
61 to 90 days past due not impaired	2,375	9,761
More than 90 days past due not impaired	4,960	18,943
	83,419	119,426
Impaired	1,177	9
	148,269	272,456

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 11.

(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.

35. 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 2020				
	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	Over five years RM'000	Total RM'000
Financial liabilities:					
Trade and other payables (exclude provisions)	109,214	-	-	-	109,214
Borrowings	224,113	91,987	294,971	669,580	1,280,651
Lease liabilities	3,333	1,270	3,213	1,775	9,591
Total undiscounted financial liabilities	336,660	93,257	298,184	671,355	1,399,456

Group	31 December 2019				
	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	Over five years RM'000	Total RM'000
Financial liabilities:					
Trade and other payables (exclude provisions)	150,423	-	-	-	150,423
Borrowings	392,108	174,714	357,701	851,670	1,776,193
Lease liabilities	4,415	3,144	3,240	2,840	13,639
Total undiscounted financial liabilities	546,946	177,858	360,941	854,510	1,940,255

35. FINANCIAL RISK MANAGEMENT (CONT'D.)

(d) Liquidity risk (cont'd.)

Company	31 December 2020				
	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	Over five years RM'000	Total RM'000
Financial liabilities:					
Other payables (exclude provisions)	2,884	-	-	-	2,884
Due to subsidiaries	455,293	-	-	-	455,293
Lease liabilities	2,161	116	18	-	2,295
Total undiscounted financial liabilities	460,338	116	18	-	460,472

Company	31 December 2019				
	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	Over five years RM'000	Total RM'000
Financial liabilities:					
Other payables (exclude provisions)	4,952	-	-	-	4,952
Due to subsidiaries	390,379	-	-	-	390,379
Lease liabilities	2,612	2,073	46	-	4,731
Total undiscounted financial liabilities	397,943	2,073	46	-	400,062

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 2020 and 31 December 2019.

STATISTICS ON SHAREHOLDING

AS AT 30 APRIL 2021

Issued Shares of the Company : 8,215,600,000
 Class of Shares : Ordinary Share
 Voting Right : One vote per one ordinary shares

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	901	43	944	2.24	22,639	1,048	23,687	0.00
100 – 1,000	3,972	61	4,033	9.58	2,586,722	31,333	2,618,055	0.03
1,001 – 10,000	16,418	176	16,594	39.43	90,173,030	838,214	91,011,244	1.11
10,001 – 100,000	16,616	230	16,846	40.03	640,443,896	8,246,255	648,690,151	7.90
100,001 to less than 5% of issued shares	3,549	119	3,668	8.72	3,691,276,939	355,247,123	4,046,524,062	49.25
5% and above of issued shares	2	0	2	0	3,426,732,801	0	3,426,732,801	41.71
TOTAL	41,458	629	42,087	100	7,851,236,027	364,363,973	8,215,600,000	100.00

CATEGORY OF SHAREHOLDERS

Category	No. of Shareholders		No. of Issued Shares		% of Issued Shares	
	Malaysian	Foreigner	Malaysian	Foreigner	Malaysian	Foreigner
Individual	32,532	346	1,458,218,635	19,574,823	17.75	0.24
Body Corporate						
A) Banks/Finance Companies	40	1	4,599,905,810	5,368	55.99	0
B) Investment Trusts/Foundations/Charities	5	0	265,803	0	0	0
C) Industrial and Commercial Companies	190	3	50,458,086	19,825	0.62	0
Government Agencies/Institutions	1	0	13,407	0	0	0
Nominees	8,688	279	1,742,365,307	344,763,957	21.20	4.2
Others	2	0	8,979	0	0	0
TOTAL	41,458	629	7,851,236,027	364,363,973	95.56	4.44

STATISTICS ON SHAREHOLDING
AS AT 30 APRIL 2021

30 LARGEST SHAREHOLDERS

(Without aggregating securities from different securities accounts belonging to the same person)

No.	Holders	No. of Shares	%
1	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	2,810,520,402	34.21
2	PERMODALAN NASIONAL BERHAD	616,212,399	7.50
3	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN BHD (1)	408,047,380	4.97
4	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	326,487,600	3.97
5	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA 2 - WAWASAN	254,000,000	3.09
6	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA 3	177,961,960	2.17
7	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA 3 - DIDIK	151,856,503	1.85
8	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG VALUE FUND	145,000,000	1.76
9	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA 2	87,397,568	1.06
10	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MANULIFE INVESTMENT SHARIAH PROGRESS FUND	73,049,800	0.89
11	AMANAHRAYA TRUSTEES BERHAD PUBLIC SMALLCAP FUND	68,457,400	0.83
12	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (RHB INV)	59,000,000	0.72
13	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LEEF)	55,435,400	0.67
14	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	50,233,127	0.61
15	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	49,256,112	0.60
16	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ABERDEEN)	35,104,000	0.43
17	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR AFFIN HWANG AIIMAN GROWTH FUND (4207)	31,067,000	0.38
18	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LPF)	30,948,800	0.38
19	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LBF)	27,700,000	0.34
20	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR RHB CAPITAL FUND (200189)	27,000,000	0.33
21	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM NASIONAL	25,246,927	0.31
22	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (DG)	24,000,000	0.29
23	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LGF)	21,026,000	0.26

Other Information

 STATISTICS ON SHAREHOLDING
 AS AT 30 APRIL 2021

No.	Holders	No. of Shares	%
24	CITIGROUP NOMINEES (ASING) SDN BHD UBS AG	20,946,617	0.25
25	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB THEMATIC GROWTH FUND	20,000,000	0.24
26	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	18,780,227	0.23
27	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR KARANGAN AGRICULTURE SDN BHD (PB)	18,284,540	0.22
28	MONT PRISTINE DEVELOPMENT SDN BHD	17,200,000	0.21
29	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (RHBISLAMIC)	17,116,900	0.21
30	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA	16,911,192	0.21

SUBSTANTIAL SHAREHOLDERS

As per the register of substantial shareholders

Substantial Shareholder	No. of Shares Held		No. of Shares Held	
	(Direct Interest)	% of Issued Shares	(Indirect/Deemed Interest)	% of Issued Shares
AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	2,810,520,402	34.21	0	0
PERMODALAN NASIONAL BERHAD	616,212,399	7.50	0	0
YAYASAN PELABURAN BUMIPUTRA*	0	0	616,212,399	7.50

* Yayasan Pelaburan Bumiputra is deemed to have indirect interest through its shareholding of 100% less one share of Permodalan Nasional Berhad by virtue of Section 8(4) of the Companies Act, 2016.

DIRECTORS INTEREST

As at 30 April 2021, the shareholdings of the Directors (both direct and indirect) in the Company are shown below:

No.	Directors	Direct Interest		Deemed Interest	
		No. of Issued Shares	% of Issued Shares	No. of Issued Shares	% of Issued Shares
1	Mohd Rashid Mohd Yusof	0	0.00	0	0.00
2	Rohaizad Darus	3,800,000	0.05	0	0.00
3	Razalee Amin	203,000	0.00*	0	0.00
4	Dato' Ibrahim Marsidi	30,000	0.00*	0	0.00
5	Rowina Ghazali Seth	0	0.00	0	0.00
6	Haida Shenny Hazri	0	0.00	0	0.00
7	Rizal Rickman Ramli	0	0.00	0	0.00
8	Dato' Dayang Fatimah Johari	0	0.00	0	0.00
9	Datuk Tong Poh Keow	0	0.00	0	0.00

Note: *Less than 0.01%

The above information was extracted from Record of Depositories on 30 April 2021.

Other Information
STATISTICS ON WARRANT HOLDING
 AS AT 30 APRIL 2021

Issued Warrants of the Company : 1,513,399,754

ANALYSIS BY SIZE OF HOLDINGS

Size of Holdings	No. of Warrant Holders		Total No. of Warrant Holders		No. of Issued Warrants		Total No. of Issued Warrants	
	Malaysian	Foreigner	No.	%	Malaysian	Foreigner	No.	%
Less than 100	152	5	157	2.58	7,628	127	7,755	0
100 – 1,000	437	7	444	7.31	255,674	3,805	259,479	0.02
1,001 – 10,000	1,983	25	2,008	33.04	10,531,187	97,182	10,628,369	0.70
10,001 – 100,000	2,557	24	2,581	42.46	107,227,336	940,215	108,167,551	7.15
100,001 to less than 5% of issued warrants	869	17	886	14.58	411,076,585	43,163,156	454,239,741	30.01
5% and above of issued warrants	2	0	2	0.03	940,096,859	0	940,096,859	62.12
TOTAL	6,000	78	6,078	100	1,469,195,269	44,204,485	1,513,399,754	100

CATEGORY OF WARRANT HOLDERS

Category	No. of Warrant Holders		No. of Issued Warrants		% of Issued Warrants	
	Malaysian	Foreigner	Malaysian	Foreigner	Malaysian	Foreigner
Individual	4,602	35	336,078,348	2,118,968	22.21	0.14
Body Corporate						
A) Banks/Finance Companies	10	0	987,590,813	0	65.26	0
B) Investment Trusts/Foundations/Charities	0	0	0	0	0	0
C) Industrial and Commercial Companies	40	0	31,795,587	0	2.10	0
Government Agencies / Institutions	0	0	0	0	0	0
Nominees	1,348	43	113,730,521	42,085,517	7.51	2.78
Others	0	0	0	0	0	0
TOTAL	6,000	78	1,469,195,269	44,204,485	97.08	2.92

Other Information

STATISTICS ON WARRANT HOLDING
AS AT 30 APRIL 2021

30 LARGEST HOLDERS

(Without aggregating securities from different securities accounts belonging to the same person)

No.	Holders	No. of Warrants	%
1	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	652,687,400	43.13
2	PERMODALAN NASIONAL BERHAD	287,409,459	18.99
3	MONT PRISTINE DEVELOPMENT SDN BHD	25,000,000	1.65
4	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	20,487,189	1.35
5	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA 2	17,470,163	1.15
6	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA 2 - WAWASAN	14,885,900	0.98
7	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA 3	14,362,991	0.95
8	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	12,999,819	0.86
9	LEE YIH LEANG	12,000,000	0.79
10	LOH SIEW HOOI	5,000,000	0.33
11	YOONG SIN KUEN	4,355,300	0.29
12	MAYBANK NOMINEES (TEMPATAN) SDN BHD AB RAZAK BIN ALI	4,130,800	0.27
13	BUKHARI RYO BIN ASHA'ARI	3,169,300	0.21
14	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KHOR KIM HOCK (B B KLANG-CL)	3,081,200	0.20
15	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEO ENG TEE	2,720,100	0.18
16	LIU MENG FAH	2,500,000	0.17
17	DB (MALAYSIA) NOMINEE (ASING) SDN BHD THE BANK OF NEW YORK MELLON FOR VANGUARD FTSE ALL-WORLD EX-US SMALL-CAP INDEX FUND	2,470,020	0.16
18	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ZET CORPORATION SDN BHD (E-SJA)	2,366,600	0.16
19	PERABUT KUPANG SDN BHD	2,300,000	0.15
20	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHONG SOO (MY2591)	2,250,000	0.15
21	MUHAMMAD SYAFIQ BIN ISHAK	2,250,000	0.15
22	JANNAH BINTI SALEHUN	2,075,000	0.14
23	LIM CHIR CHING	2,000,000	0.13
24	SYAKIRAH BINTI MUCHLISH	2,000,000	0.13
25	CHAY CHEE KEN	1,900,000	0.13
26	CITIGROUP NOMINEES (ASING) SDN BHD MACQUARIE BANK LIMITED (MAIN)	1,875,000	0.12
27	YAP SOON BENG	1,870,000	0.12
28	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIAM KIM CHYE (E-JBU)	1,869,325	0.12
29	LEE LAI FONG	1,857,000	0.12
30	MAYBANK NOMINEES (TEMPATAN) SDN BHD TEH KHENG BOON	1,660,000	0.11

Other Information

STATISTICS ON WARRANT HOLDING
AS AT 30 APRIL 2021

SUBSTANTIAL HOLDERS

As per the register of substantial warrant holders

Holders	No. of Warrants	%
AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	652,687,400	43.13
PERMODALAN NASIONAL BERHAD	287,409,459	18.99

DIRECTORS INTEREST

As at 30 April 2021, the warrants of the Directors (both direct and indirect) in the Company are shown below:

No.	Directors	Direct Interest		Deemed Interest	
		No. of Issued Warrants	% of Issued Warrants	No. of Issued Warrants	% of Issued Warrants
1	Mohd Rashid Mohd Yusof	0	0.00	0	0.00
2	Rohaizad Darus	100,000	0.01	0	0.00
3	Razalee Amin	0	0.00	0	0.00
4	Dato' Ibrahim Marsidi	0	0.00	0	0.00
5	Rowina Ghazali Seth	0	0.00	0	0.00
6	Haida Shenny Hazri	0	0.00	0	0.00
7	Rizal Rickman Ramli	0	0.00	0	0.00
8	Dato' Dayang Fatimah Johari	0	0.00	0	0.00
9	Datuk Tong Poh Keow	0	0.00	0	0.00

The above information was extracted from Record of Depositories on 30 April 2021.

NOTICE OF 11TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 11th Annual General Meeting (**AGM**) of Velesto Energy Berhad (**Company**) will be held as a fully virtual meeting conducted entirely through live streaming from **Velesto Energy Berhad, The Centrum, Level 18, Block 3A, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia (Broadcast Venue)** on **Monday, 28 June 2021 at 2:00 p.m.** for the following business:

AS ORDINARY BUSINESSES:

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2020 together with the Reports of the Directors and Auditors thereon.
2. To re-elect Razalee Amin, whom retires in accordance with Article 96 of the Company's Constitution and being eligible, offer himself for re-election. (Please refer to Explanatory Note A) Ordinary Resolution 1
3. (i) To approve the payment of fees to the Non-Executive Chairman and Non-Executive Directors with effect from this 11th AGM until the next AGM of the Company to be held in year 2022:- Ordinary Resolution 2

	Non-Executive Chairman	Non-Executive Directors
	Ringgit Malaysia/per annum	
Directors' Fees	120,000	80,000
Directors' Fees for Board Audit Committee	15,000	10,000
Directors' Fees for Board Nomination & Remuneration Committee	15,000	10,000
Directors' Fees for Board Risk Management Committee	15,000	10,000
Directors' Fees for Board Whistle Blowing Committee	7,500	5,000

(each of the foregoing payments being exclusive of the other)

- (ii) 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 11th AGM to the next AGM of the Company in 2022:- Ordinary Resolution 3

	Non-Executive Chairman (Board and Board Committee)	Non-Executive Directors & Members of Board Committee
	Ringgit Malaysia/ per meeting attendance	
Meeting Allowances	1,500	1,000
Other benefits including provision of allowances for car inclusive of petrol and car maintenance expenses, with driver provided (for Chairman of the Board only), provision of mobile phone charges, medical, hospitalisation and dental coverage, Directors & Officers Liability Insurance coverage, per diem and other claimable reimbursable expenses.		

(Please refer to Explanatory Note B)

4. To re-appoint Messrs. Ernst & Young PLT as Auditors of the Company for the financial year ending 31 December 2021 and to authorise the Board of Directors to determine their remuneration. (Please refer to Explanatory Note C) Ordinary Resolution 4
5. To transact any other ordinary business of the Company for which due notice shall have been received in accordance with the Companies Act, 2016 and the Company's Constitution.

NOTICE OF 11TH ANNUAL GENERAL MEETING

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a Member who shall be entitled to participate through live streaming this 11th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Article 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 June 2021. Only a depositor whose name appears in the General Meeting Record of Depositors as at 21 June 2021 shall be entitled to participate in this AGM or appoint a proxy to participate through live streaming and/or vote in his/her stead.

By Order of the Board,
LEE MI RYOUNG (MAICSA 7058423) (SSM PC No. 201908002222)
SAZLYNA SAPIEE (MIA 19254) (SSM PC No. 202108000032)
 Company Secretaries

Kuala Lumpur
 28 May 2021

NOTES:

1. IMPORTANT NOTICE

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting. The only venue involved is the Broadcast Venue where only the essential individuals are physically present to organise the fully virtual 11th AGM.

For the well being and safety of members, and in support of Government initiative to curb the spread of COVID-19, the Members/proxies **WILL NOT BE ALLOWED** to attend the 11th AGM in person at the Broadcast Venue on the day of the meeting.

Members, proxies, attorneys or authorised representatives will have to register to participate (including posing questions to the Board via real time submission of typed texts) and vote in the 11th AGM remotely by using the Remote Participation and Voting (**RPV**) facilities provided by SS E Solutions Sdn. Bhd. via Securities Services ePortal's platform at <https://sshsb.net.my/>. **Please follow the Procedures for RPV in the 11th AGM Administrative Guide** and take note of procedure in order to participate remotely via RPV.

2. A member of the Company entitled to participate through live streaming and vote remotely at this 11th AGM may appoint a proxy or proxies to attend through live streaming and vote remotely in his/her stead. A proxy may but need not be a member of the Company. Where there is more than one proxy, the member shall specify the proportion of his/her holdings to be represented by each proxy, failing which the appointment shall be invalid.
3. Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (**Omnibus Account**), there is no limit to the number of proxies which the said nominee may appoint in respect of each omnibus account it holds.
4. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 (**SICDA**), he/she may appoint a proxy in respect of each securities account he/she holds with ordinary shares of the Company standing to the credit of the said securities account. Every appointment submitted by an authorised nominee as defined under the SICDA, must specify the CDS Account Number. The instrument appointing a proxy must be in writing under the hands of the appointer or his/her attorney duly authorised in writing or, if such appointer is a corporation, under its common seal or that of an officer or attorney duly authorised. If the Proxy Form is signed by the officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received". If the Proxy Form is signed by the attorney duly authorised, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A certified true copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with the Proxy Form. Failure to comply with the above requirement would result in the Proxy Form to be invalid.

5. The Proxy Form together with the duly registered Power of Attorney referred to in Note 4 above, if any, in hardcopy form or by electronic means must be received by the Share Registrar no later than Saturday, 26 June 2021 at 2.00 pm or at any adjournment thereof:
 - (i) In Hardcopy Form
The Proxy Form shall be deposited at the Share Registrar's office, Securities Services (Holdings) Sdn Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, Malaysia.
 - (ii) By Electronic Means
The Proxy Form shall be electronically lodged via Securities Services ePortal's platform at <https://sshsb.net.my/> or by fax to +603-2094 9940 or by email to eservices@sshsb.com.my.
6. For the purpose of determining a member who shall be entitled to participate in this 11th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Article 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 June 2021. Only a depositor whose name appears in the General Meeting Record of Depositors as at 21 June 2021 shall be entitled to participate in the 11th AGM or appoint a proxy to attend and/or vote in his/her stead.
7. Pursuant to Paragraph 8.29A of Bursa Malaysia Main Market Listing Requirements, all resolutions set out in the Notice of the 11th AGM will be put to vote on a poll.

EXPLANATORY NOTES ON ORDINARY BUSINESSES:

Audited Financial Statements for the financial year ended 31 December 2020

This agenda item is intended for discussion only in accordance with Section 340(1) (a) of the Companies Act, 2016 (**Act**) and does not require approval of the Shareholders for the Audited Financial Statements of the Company. Hence, this agenda is not put forward for voting.

Explanatory Note A

Article 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.

At this 11th AGM, Razalee Amin, Rizal Rickman Ramli and Dato' Ibrahim Marsidi will be retiring as directors. Razalee Amin is standing for re-election as Director of the Company, and being eligible has offered himself for re-election. Dato' Ibrahim Marsidi and Rizal Rickman Ramli have informed the Company of their intention to retire and not to seek for re-election as an Independent Non-Executive Director and Non-Independent Non-Executive Director, respectively at 11th AGM of the Company.

The Board of Directors on behalf of the Company extends appreciation to Dato' Ibrahim Marsidi and Rizal Rickman Ramli for their contributions to the Company over the years.

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 & Remuneration Committee (**BNRC**) and the Board were satisfied that the retiring director, Razalee Amin has contributed positively to the overall performance of the Board and that in consideration of his wealth of experience, he will continue to bring sound advice and valuable contributions to the Board's deliberations through active participation and decision making by the Board.

Razalee Amin has abstained from deliberations and decisions on his own eligibility to stand for re-election at the Board and will also abstain from deliberation and decision on re-election at this 11th AGM.

The BNRC and the Board have recommended the re-election of Razalee Amin as the Director of the Company, at this 11th AGM. In addition, Razalee Amin being the Senior Independent Non-Executive Director, has provided his annual declaration of independence to the Company.

Explanatory Note B

Article 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 2020 are disclosed under the "Financial Statement" section of the Annual Report.

The benefits payable to Non-Executive Chairman and Non-Executive Directors from the 11th AGM to next AGM in 2022 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, and 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 3(i) and (ii) concerning remuneration to the Non-Executive Directors at the 11th AGM.

A copy of the Remuneration Policy and Procedures for Non-Executive Directors is available at the Company's corporate website <https://www.velesto.com>

Explanatory Note C

Pursuant to Section 271(4)(a) of the Act, the Shareholders are required to approve the re-appointment of Auditors who shall hold office until the conclusion of the next AGM and to authorise the Board of Directors' to determine their remuneration thereof. The present Auditors, Messrs. Ernst & Young PLT has indicated their willingness to continue its services for another year.

The Board Audit Committee and the Board have considered the re-appointment of Messrs. Ernst & Young PLT as Auditors of the Company, having undertaken an annual assessment of the suitability and independence of the external Auditors, have collectively agreed that Messrs. Ernst & Young PLT has met the relevant criteria prescribed by Paragraph 15.21 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Messrs. Ernst & Young PLT's re-appointment is subject to the approval of the Shareholders at the forthcoming AGM. If their appointment is approved, they shall hold office until the conclusion of the next AGM of the Company.

Annual Report 2020

The Annual Report 2020 is available under "Reports & Presentations" of the "Investor Relations" page on the Company's website at <https://www.velesto.com> and also on Bursa Malaysia's website at <https://www.bursamalaysia.com> under "Company Announcements" of the Listed Companies tab.

Any request for printed Annual Report 2020 will be sent to the requestor soonest possible from the date of receipt of request, subject to any applicable Movement Control Order.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(PURSUANT TO PARAGRAPH 8.27 (2) OF THE MMLR OF BURSA)

The profile of the Director seeking re-election as per Agenda 2 of the Notice of the 11th Annual General Meeting is set out under Our Governance (Board of Directors) section of this Annual Report.

Director who is standing for re-election

- | | |
|------------------------|---|
| Razalee Amin | <ul style="list-style-type: none"> No conflict of interest or any family relationship with any Director and/or major shareholder of the Senior Independent Company. He has provided his annual declaration of independence to the Company. His shareholding in the Company can be found under Other Information (Statistics of Shares and Warrant Holdings) section. Has never been convicted for any offence for the past five years nor any public sanction or penalty by any relevant regulatory bodies during FY2020. |
| Non-Executive Director | |

PROXY FORM

I/We _____
(Name as per NRIC / Passport / Certificate of incorporation in capital letters)

with (New NRIC/Old NRIC/Passport/Company No.) _____ of _____

(full address in capital letters)

Contact No.: _____ Email Address: _____

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)

Contact No.: _____ Email Address: _____

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)

Contact No.: _____ Email Address: _____

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 11th Annual General Meeting (AGM) of the Company which will be held as a fully virtual meeting conducted entirely through live streaming from **Velesto Energy Berhad, The Centrum, Level 18, Block 3A, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia (Broadcast Venue) on Monday, 28 June 2021 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 Razalee Amin, whom retire in accordance with Article 96 of the Company's Constitution and being eligible, offer himself for re-election. Ordinary resolution 1		
To approve the payment of fees to the Non-Executive Chairman and Non-Executive Directors with effect from this 11 th AGM until the next AGM of the Company to be held in year 2022. Ordinary resolution 2		
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 11 th AGM to the next AGM of the Company in 2022. Ordinary resolution 3		
To re-appoint Messrs. Ernst & Young PLT as Auditors of the Company for the financial year ending 31 December 2021 and to authorise the Board of Directors to determine their remuneration. Ordinary resolution 4		

Dated this _____ day of _____ 2021

Name of Member

(If the appointor is an attorney or a corporation, please see Note 4 below)

Signature of Member(s) / Common Seal

CDS Account No.

Total number of ordinary shares held	Proxy 1	Proxy 2
Number of shares to be represented by each proxy		

Notes:

1. The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting. Members **WILL NOT BE ALLOWED** to attend the 11th AGM in person at the Broadcast Venue on the day of the meeting. Members are entitled to participate, (including posing questions to the Board) and vote remotely at the 11th AGM via the Remote Participation and Voting (RPV) facilities provided by SS E Solutions Sdn Bhd via Securities Services ePortal's platform at <https://sshsb.net.my/>. Please follow the procedures provided in the 11th AGM Administrative Guide in order to register, participate and vote remotely via the RPV facilities.
2. A member of the Company entitled to participate and vote at this AGM 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 to be invalid.
3. Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (Omnibus Account), there is no limit to the number of proxies which the said nominee may appoint in respect of each omnibus account it holds.
4. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 (SICDA), he / she may appoint a proxy in respect of each securities account he / she holds with ordinary shares of the Company standing to the credit of the said securities account. Every appointment submitted by an authorised nominee as defined under the SICDA, must specify the CDS Account Number. The Proxy Form must be in writing under the hands of the appointer or his 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 an 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 an attorney duly authorised, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A certified true copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with the Proxy Form. Failure to comply with the above requirement would result in the Proxy Form to be invalid.

1. Fold here

THE REGISTRAR OF
VELESTO ENERGY BERHAD
Registration No.: 200901035667 (878786-H)



SECURITIES SERVICES (HOLDINGS) SDN BHD

Level 7, Menara Milenium Jalan Damanlela,
Pusat Bandar Damansara, Damansara Heights,
50490 Kuala Lumpur, Malaysia

2. Fold this flap to seal

5. A member who has appointed a proxy or attorney or authorised representative to participate and vote at this 11th AGM via RPV facilities must request his/her proxy to register himself/herself for RPV at SS E Solutions Sdn Bhd via Securities Services ePortal's platform at <https://sshsb.net.my/>. Please follow the Procedures for RPV facilities in the 11th AGM Administrative Guide.
6. The Proxy Form together with the duly registered Power of Attorney referred to in Note 4 above, if any, in hardcopy form or by electronic means is to be deposited/lodged in the following manner and must be received by the Company no later than Saturday, 26 June 2021 at 2:00 p.m. or at any adjournment thereof:
 - (i) In Hardcopy Form
The proxy form shall be deposited at the Share Registrar's office, Securities Services (Holdings) Sdn Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, Malaysia.
 - (ii) By Electronic Means
The proxy form shall be electronically lodged via Securities Services ePortal's platform at <https://sshsb.net.my/> or by fax to +603-2094 9940 or by email to eservices@sshsb.com.my
By submitting the duly executed proxy form, the members and his/her proxy consent to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data thereon in accordance with the Personal Data Protection Act, 2010 for the purpose of this AGM and any adjournment thereof.
7. For the purpose of determining a member who shall be entitled to attend this 11th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Article 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 June 2021. Only a depositor whose name appears in the General Meeting Record of Depositors as at 21 June 2021 shall be entitled to attend the said AGM or appoint a proxy to attend and/or vote in his/her stead.
8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of the 11th AGM of the Company shall be put to vote by way of a poll.

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 thereto that may be made from time to time. The word "Act" and "CA 2016" may be used interchangeably
"ABC Policy"	Anti-Bribery and Corruption Policy
"AGM"	Annual General Meeting of the Company
"BAC"	Board Audit Committee
"BCM"	Business Continuity Management
"BCP"	Business Continuity Plan
"BNRC"	Board Nomination & Remuneration Committee
"Board Committee(s)"	Board Committee established by the Board.
"Board" or "Board of Directors"	Board of Directors of the Company
"BRMC"	Board Risk Management Committee
"BURSA"	Bursa Malaysia Securities Berhad
"BWBC"	Board Whistle-Blowing Committee
"CCO"	Chief Commercial Officer
"CFO"	Chief Financial Officer
"CGGEH"	Corporate Gifts, Gifts, Entertainment and Hospitality
"CoBE"	Code of Business Conduct and Ethics
"Constitution"	Constitution of the Company
"COO"	Chief Operating Officer
"CRM"	Corruption Risk Management
"CRR"	Corruption Risk Registers
"CSR"	Corporate Social Responsibility
"Director"	Refers to individual director who is a member of the Board
"EBITDA"	Earnings Before Interest, Tax, Depreciation and Amortisation
"EES"	Economic, Environmental and Social
"ESOS"	Employees' Share Option Scheme
"ERM"	Enterprise Risk Management
"EY"	Messrs Ernst & Young PLT
"E&P"	Exploration and Production
"FLAG"	Financial Limit Authority Governance
"FYE"	Financial Year Ended
"FY2020"	Financial year ended 31 December 2020
"GHG"	Greenhouse Gas Emissions
"GRI"	Global Reporting Initiative
"Government"	Government of Malaysia
"HOC"	HSE Observation Card
"HSE"	Health, Safety and Environment
"HWU"	Hydraulic Workover Unit
"IAD"	Internal Audit Division
"IADC"	International Association of Drilling Contractors
"ICDM"	Institute of Corporate Directors Malaysia
"IGU"	Integrity & Governance Unit

"INSTEP"	Institute Teknologi Petroleum PETRONAS
"INED"	Independent Non-Executive Directors
"JU"	Jack-Up Rig
"KPI"	Key Performance Indicators
"LTI"	Loss Time Incidents
"MAC"	Management Audit Committee
"MACC"	Malaysian Anti-Corruption Commission
"Management"	Management of VELESTO Group
"MCCG 2017"	Malaysian Code on Corporate Governance, published by Securities Commission on April 2017
"MD&A"	Management Discussion and Analysis
"MFRS"	Malaysian Financial Reporting Standards
"MMLR"	Main Market Listing Requirements issued by Bursa Malaysia Securities Berhad, and shall include any amendments thereto that may be made from time to time
"MCO"	Malaysian Movement Control Order
"NFLAG"	Non-Financial Limit Authority Governance
"NED"	Non-Executive Directors
"NINED"	Non-Independent Non-Executive Directors
"Notice"	Notice of this AGM
"OPEC"	Organisation of the Petroleum Exporting Countries
"RMC"	Management Risk Management Committee
"SEA"	South East Asia
"Senior Management"	Senior officers of VELESTO Group who are members of the Management Committee
"SOP"	Standard Operating Procedure
"SORMIC"	Statement on Risk Management and Internal Control
"SR2020"	Sustainability Report 2020
"SSC"	Sustainability Steering Committee
"SSM"	Suruhanjaya Syarikat Malaysia
"SWG"	Sustainability Working Group
"TC"	Management Tender Committee
"TOR"	Terms of Reference
"TRC"	Total Recordable Case
"UNSDGs"	United Nations Sustainability Development Goals
"VELESTO Group" or "the Group"	Collectively, VELESTO and its subsidiaries
"VELESTO" or "Company"	Velesto Energy Berhad, Registration No. 200901035667 (878786-H) a company incorporated in Malaysia and having its registered office at Level 18, Block 3A, Plaza Sentral, Jalan Stesen Sentral 5, 50470, Kuala Lumpur. The word "VELESTO" and "Company" may be used interchangeably
"VIDA"	Velesto-INSTEP Drilling Academy (A collaboration between Velesto Drilling Academy Sdn Bhd and Institut Teknologi Petroleum PETRONAS)
"VTS"	VELESTO Trainee Scheme
"WFH"	Work-From-Home

In this Annual Report, words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter gender and vice versa. Reference to persons shall include corporation, unless stated otherwise.

ADMINISTRATIVE GUIDE**11TH ANNUAL GENERAL MEETING (AGM) OF VELESTO ENERGY BERHAD (Company)**

Date	: Monday, 28 June 2021
Time	: 2:00 p.m.
Broadcast Venue	: Velesto Energy Berhad, The Centrum, Level 18, Block 3A, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia

FULLY VIRTUAL MEETING

With priority to the well-being and safety of our Shareholders, the 11th AGM of the Company will be conducted entirely through live streaming from the Broadcast Venue.

As the Broadcast Venue is for the purpose of complying with Section 327(2) of the Companies Act, 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting. Shareholders/proxies WILL NOT BE ALLOWED to attend the 11th AGM in person at the Broadcast Venue on the day of the meeting.

REMOTE PARTICIPATION AND VOTING (RPV)

- As no Shareholders should be physically present at the Broadcast Venue, we request Shareholders to participate and vote at the 11th AGM remotely via the RPV facilities, provided by SS E Solutions Sdn Bhd via Securities Services ePortal's platform at <https://sshbsb.net.my/>
- Shareholders who appoint proxy/proxies to participate in the AGM via RPV facilities must ensure that the duly executed proxy form(s) are deposited in hard copy form at the Share Registrar's office, Securities Services (Holdings) Sdn Bhd at Level 7, Menara Milenium, Jalan Damanela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, Malaysia, or by electronic means via Securities Services ePortal's platform at <https://sshbsb.net.my/> no later than **Saturday, 26 June 2021 at 2:00 p.m.**
- The appointed corporate/authorised representative(s) or attorney(s) must ensure that the duly executed certificate of appointment of corporate/authorised representative(s), or power of attorney, are deposited in hard copy form at the Share Registrar's office, Securities Services (Holdings) Sdn Bhd at Level 7, Menara Milenium, Jalan Damanela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, Malaysia, or by electronic means via Securities Services ePortal's platform at <https://sshbsb.net.my/> no later than **Saturday, 26 June 2021 at 2:00 p.m.**
- Shareholder(s) who have appointed a proxy, attorney or corporate/authorised representative to participate and vote at this AGM via RPV facilities must request his/her proxy to register himself/herself for RPV facilities at SS E Solutions Sdn Bhd via Securities Services ePortal's platform at <https://sshbsb.net.my/>

PROCEDURES FOR RPV

Shareholders, proxies, corporate/authorised representatives or attorneys who wish to participate the AGM remotely using the RPV facilities are to follow the requirements and procedures as summarized below:-

Procedure	Action
BEFORE THE AGM DAY	
A) Sign up for a user account at Securities Services ePortal	
Step 1: Visit https://sshbsb.net.my/ to register as a user (registration is free). Please click on 'SIGN UP' to begin. You will be prompted to fill in your details and also to upload a copy of your MyKad (front and back separately) or passport.	Notes: 1. This is a ONE-TIME Registration. If you are already a registered user of Securities Services ePortal, you need not register again. 2. Please register before or latest by Thursday, 24 June 2021.
Step 2: A notification email will be sent to you within one (1) working day. Please verify your user account within seven (7) days of the notification email and login (Note: Your email address is your User ID).	

Procedure	Action
BEFORE THE AGM DAY	
B) Registration for Remote Participation (MUST DO STEP FOR SHAREHOLDERS WHO WISHES TO PARTICIPATE AND VOTE AT OUR AGM)	
Step 1: Log on to https://sshbsb.net.my/ with your registered User ID (email address) and password.	Notes: 1. If you wish to participate remotely at the AGM, please register before or latest by Saturday, 26 June 2021 at 2:00 p.m.
Step 2: Look for "Velesto Energy Berhad" under Company Name and "11 th AGM on 28 June 2021 at 2:00 p.m. - Registration for Remote Participation" under Corporate Exercise/Event and Click ">".	2. A copy of your eRegistration for remote participation can be accessed via My Records. 3. Your registration will apply to all the CDS account(s) of each individual shareholder / body corporate shareholder that you represent. If you are both an individual shareholder and representative of body corporate(s), you need to register as an individual and also as a representative for each body corporate.
Step 3: Select whether you are participating as (1) Individual Shareholder; or (2) Corporate or Authorised Representative of a body corporate* and Click "Submit".	
Step 4: Submit your registration.	
C) Submission of eProxy Form	
Step 1: Log on to https://sshbsb.net.my/ with your registered User ID (email address) and password.	Notes: 1. Please submit your proxy form before or latest by Saturday, 26 June 2021 at 2:00 p.m. if you wish to appoint proxy(ies) to participate on behalf.
Step 2: Look for "Velesto Energy Berhad" under Company Name and "11 th AGM on 28 June 2021 at 2:00 p.m. - Submission of Proxy Form" under Corporate Exercise/Event and Click ">".	2. You are strongly encouraged to appoint the Chairman as the proxy in the event you are not being able to participate remotely. 3. A copy of the submitted eProxy Form can be accessed via My Records.
Step 3: Select whether you are submitting the proxy form as (1) Individual Shareholder; or (2) Corporate or Authorised Representative of a body corporate*.	4. You are requested to submit the eProxy Form for every CDS account(s) you have or represent. 5. Appointed proxies need not register for remote participation under (B) above but are required to be registered users of the Securities Services ePortal before or latest by Thursday, 24 June 2021.
Step 4: Enter your CDS account number or the body corporate's CDS account number and corresponding number of securities.	6. Upon processing the proxy forms, remote participation access will be granted to the proxy(ies) instead of the shareholder, provided the proxy(ies) must be a registered user of the ePortal, failing which, the proxy will not be able to participate at the AGM.
Step 5: Enter the information of your proxy(ies) and the proportion of your securities to be represented by your proxy(ies).	7. Upon verification by the Poll Administrator with the General Meeting Record of Depositors as at 21 June 2021, you will receive an email advising you if you or your proxy is eligible to participate at the AGM.
Step 6: Proceed to indicate how your votes are to be casted against each resolution.	
Step 7: Review and confirm your proxy form details before submission.	
* The appointed corporate/authorised representative(s) or attorney(s) must ensure that the duly executed certificate of appointment of corporate/authorised representative(s), or power of attorney, are deposited in hard copy form at the Share Registrar's office, Securities Services (Holdings) Sdn Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, Malaysia, or by electronic means via Securities Services ePortal's platform at https://sshbsb.net.my/ no later than Saturday, 26 June 2021 at 2:00 p.m.	

Procedure	Action
ON THE DAY OF THE AGM	
A) Joining the Live Stream Meeting	
Step 1: Log on to https://sshbsb.net.my/ with your registered User ID (email address) and password.	Notes: 1. You can start to log in 1 hour before the commencement of the AGM. 2. If you have any questions that you wish to raise, please use the text box to submit your question. 3. Quality of the live streaming is dependent on the stability of the internet connection at the location of the user.
Step 2: Look for "Velesto Energy Berhad" under Company Name and "11 th AGM on 28 June 2021 at 2:00 p.m. - Live Stream Meeting" under the Corporate Exercise/Event tab and Click ">" to join the AGM.	
B) Remote Online Voting during the AGM	
Step 1: If you are logged on to the ePortal and already accessing the Live Stream Meeting, click on "Proceed to Vote" displayed below the Live Stream player to begin voting on the resolutions.	Notes: 1. Access to eVoting will be opened on the aforementioned date and time. 2. Your votes casted will apply throughout ALL the CDS accounts you represent as an individual shareholder, corporate / authorised representative and proxy. 3. Where you are attending as a proxy, and the shareholder who appointed you has indicated how the votes are to be casted, we will take the shareholder's indicated votes in the proxy form. 4. Access to eVoting will be closed as directed by the Chairman. 5. A copy of your submitted eVoting can be accessed via My Records.
OR	
If you are not logged on yet, log on to https://sshbsb.net.my/ with your registered User ID (email address) and password.	
Look for "Velesto Energy Berhad" under Company Name and "11 th AGM on 28 June 2021 at 2:00 p.m. : Remote Voting" under Corporate Exercise/Event and click ">" to remotely cast and submit your votes online for the resolutions tabled at the AGM.	
Step 2: Cast your votes by clicking on the radio buttons against each resolution, acknowledge the Terms and Conditions of use and Privacy Policy, review your casted votes and submit the votes.	
Step 3: Upon casting your votes, you will be redirected back to the Live Stream. The message "Voted" will be displayed below the Live Stream.	
C) End of Remote Participation	
The live streaming will end upon the announcement by the Chairman on the closure of the AGM.	

APPOINTMENT OF PROXY

- If a shareholder is unable to participate at the AGM via the RPV facilities, he/she may appoint not more than two (2) proxies to participate, speak and vote on his/her behalf. He/she may also appoint the Chairman of the Meeting as his/her proxy and indicate the voting instructions in the proxy form.
- If you wish to participate at the AGM yourself, please do not submit any proxy form. A shareholder will not be allowed to participate at the AGM together with his/her proxy/proxies.
- The Proxy Form together with the duly registered Power of Attorney, if any, in hardcopy form or by electronic means is to be deposited/lodged in the following manner and must be received by the Company no later than **Saturday, 26 June 2021 at 2:00 p.m.** or at any adjournment thereof:

(i) In Hardcopy Form

The proxy form shall be deposited at the Share Registrar's office, Securities Services (Holdings) Sdn Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, Malaysia.

(ii) By Electronic Means

The proxy form shall be electronically lodged via Securities Services ePortal's platform at <https://sshbsb.net.my/> or by fax to +603-2094 9940 or by email to eservices@sshbsb.com.my.

4. If you have submitted your proxy form and subsequently decide to appoint another person or wish to participate personally in the AGM, please write in to eservices@sshsb.com.my no later than Saturday, 26 June 2021 at 2:00 p.m. to revoke the earlier appointed proxy.

PRE-MEETING SUBMISSION OF QUESTIONS

- Shareholders that wish to post questions can email their questions to eservices@sshsb.com.my no later than Saturday, 26 June 2021 at 2:00 p.m.
- Shareholders may also submit their questions via the real time submission of typed texts through a text box within Securities Services ePortal's platform before the start or during the live streaming of the AGM.
- Questions will be endeavoured to be responded during the AGM or uploaded onto the Company's website after the AGM.

GENERAL MEETING RECORD OF DEPOSITORS

Only depositors whose names appear in the General Meeting Record of Depositors as at 21 June 2021 will be entitled to attend the AGM via RPV facilities.

ANNUAL REPORT 2020

- The Annual Report 2020 is available under "Financial Reports" of the "Investor Relations" page on the Company's website at <https://www.velesto.com> and also on Bursa Malaysia's website at <https://www.bursamalaysia.com> under "Company Announcements" of the Listed Companies tab.
- In support of paperless reports, we encourage Shareholders to access online version of the Annual Report 2020. Should you require a printed copy of the Annual Report 2020, please submit the completed online request form at <https://www.sshsb.com.my> by selecting "Request for Annual Report" under "Our Services" and type "VELESTO ENERGY BERHAD" under "Company Name". Any request for printed Annual Report 2020 will be sent to the requestor soonest possible from the date of receipt of request, subject to any applicable Movement Control Order conditions.

NO DOOR GIFTS

There will be no door gifts and no vouchers for attending the virtual AGM.

ENQUIRY

For assistance, clarification or any further information on the 11th AGM, please contact our Share Registrar, Securities Services during office hours (Monday to Friday from 8:30 a.m. to 12:15 p.m. and 1:15 p.m. to 5:30 p.m., excluding public holidays):

- Contact Person:
- Mr. Wong Piang Yoong: +603-2084 9168
 - Mr. Jerry Tan Hor Seng: +603-2084 9165
 - Ms. Lee Pei Yeng: +603-2084 9169
 - Ms. Evangeline Yeoh: +603-2084 9007

Email : eservices@sshsb.com.my

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VELESTO ENERGY BERHAD

(Registration No. 200901035667 (878786-H))

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

T +603-2096 8788 F +603-2096 8733

www.velesto.com