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**MISC BERHAD**  
52<sup>nd</sup> Annual General Meeting  
Wednesday, 21<sup>st</sup> April 2021  
Questions & Answers

INTEGRATED ANNUAL REPORT 2020

**TOGETHER**

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*Note: Some questions have been edited for brevity and clarity.*

## FINANCIAL

No.	Shareholder	Question
1.	Loo Yeo Ming	Will MISC increase the quantum and frequency of dividends?
<b>Answer:</b>		
MISC is committed to provide consistent and recurring dividends to its shareholders. The amount of dividends to be declared will depend on our cash flow from operations and the growth needs of the Group.		
No.	Shareholder	Question
2.	Leo Ann Puat	<p>In year 2020, the Company registered a loss mainly due to 2 provisions, the "loss" in arbitration of RM1.05 billion and write-off of trade receivable and finance lease receivable of RM846.2 million. Please provide more details, such as:</p> <p>a) the nature of the provisions;</p> <p>b) the chance of reversing the unfavourable tribunal ruling;</p> <p>c) why the large write-off of the 2 receivables; and</p> <p>d) the cost that has been spent to date on the GKL arbitration?</p>
<b>Answer:</b>		
<p>a) The provisions relate to the sums/claims awarded to SSPC (subject to the liability cap of USD200 million), interest and other related costs.</p> <p>b) GKL is advised that it has good legal grounds to challenge the tribunal's decision in relation to the enforceability of the liability cap.</p> <p>c) The large write-off of trade receivables relates to daily charter rate during the disputed start date period. As the tribunal decided in favour of SSPC, GKL had to impair the receivable balance. The re-measurement of finance lease receivables relates to the adjustment of the start date as well as to reflect the lower variation works daily charter rate decided by the Tribunal.</p> <p>d) The legal costs incurred is not material but reasonable relative to the quantum of the claims.</p>		

## **PERFORMANCE & OUTLOOK**

No.	Shareholder	Question
1.	Koh Chooi Peng	<p>The contract for the FPSO Mero 3 project is expected to require a CAPEX of USD 2 billion over a period of 3 years.</p> <p>a) What is the expected return on investment (ROI) for this project?</p> <p>b) Apart from the accounting construction profits to be booked in before commencement of operations in 2024, when will this project contribute to MISC's revenue and profitability?</p> <p>c) Is there a risk of the FPSO being under-utilised or not meeting its revenue projection of the contract period?</p>
<b>Answer:</b>		
<p>a) We are unable to disclose the expected ROI for the project as the information is commercially sensitive.</p> <p>b) The project is for a period of 40 months. In addition to the construction gains during the construction period, this project will contribute to MISC's revenue and profitability when the FPSO commence operations in 2024.</p> <p>c) Based on the terms of the contract with customer, the FPSO's revenue recognition is on a daily charter rate, not based on its utilisation by the customer.</p>		
No.	Shareholder	Question
2.	Chua Song Yun	<p>Our 29 LNG fleet has an average age of 15.3 years old, which is above industry average of 10.7 years old.</p> <p>a) What is the typical useful life of an LNG vessel?</p> <p>b) Will our older vessels put us in a more disadvantageous position when competing with other players, in aspects such as fuel efficiency and charter rate?</p>
<b>Answer:</b>		
<p>a) Typically, the economic useful life range for an LNG vessel is around 25 years.</p> <p>b) Indeed, the majority of existing fleet are using older technology (steam). However, majority of our vessels are on long term contract with optional years carrying the assets close to the end of their useful life, whereby we fully recover the capital invested during the contracted period.</p>		

No.	Shareholder	Question
3.	Tan Kwong Meng	Since MISC is very much entrenched in the space related to Oil and Gas (O&G), may I inquire if Management and the Board have ever considered diversifying into integrated technical service provider to the upstream, midstream and downstream sectors in the oil, gas and petrochemical industry? Won't this be a strategic option to insulate the Company from the vagary of the O&G consumption worldwide?
<b>Answer:</b>		
MISC continues to look at opportunities to further strengthen our sustainability and will diligently pursue diversification of its businesses both within and beyond the O&G industry, if it meets our strategy and investment criteria.		
No.	Shareholder	Question
4.	Loo Yeo Ming	What measures have you taken as the profitability of the Company is affected?
<b>Answer:</b>		
Our profits for 2020 was mainly affected by the GKL provisions which is a one-off event albeit a large one, but in terms of operating performance, we performed better than 2019. As we move beyond 2020, the Group continues to emphasise on secured, recurring income as a strategic agenda moving forward to ensure that we are able to withstand any major shocks and ride through the volatility of the market environment.		
In the near term, the Group's areas of focus include:		
<ul style="list-style-type: none"> <li>• Delivering income from existing assets.</li> <li>• Ensuring the successful execution and delivery of the sizeable projects that have recently been won, while the market recovers.</li> </ul>		
No.	Shareholder	Question
5.	Lim Di Sheng	Do you expect the current uptrend of oil price to continue in the medium term, hence pushing the global oil producers to upscale their production in the near future?
<b>Answer:</b>		
As the oil market rebalances, the Oil and Gas sector is on a gradual recovery path. The expected recovery in oil demand from the COVID-19 vaccines roll out and a more stable oil price environment will pave the way for an increase in activity levels in the global offshore exploration and production space. We note that OPEC+ has already decided to gradually ease their production cuts from May 2021 onwards.		

No.	Shareholder	Question
6.	Abdul Rahman Gan Bin Abdullah	The price of MISC Berhad shares is not moving up despite good dividends. Can you comment on the share price?
<b>Answer:</b>		
<p>MISC Berhad is a conglomerate with four core business segments as opposed to other peers who are pure shipping industry players. We believe in diversification, to always have the middle ground and we believe in consistent performance for our shareholders. This is reflective in our share price movement throughout FY2020 whereby we were not as bad as some of our peers albeit not being a top performer, we are able to stay in a steady/ consistent performance in rewarding our shareholders.</p>		

## MATERIAL LITIGATION

No.	Shareholder	Question
1.	Koh Chooi Peng	In the unfavourable arbitration award against GKL which resulted in a provision of RM1.049 billion, has there been any payment made so far? In the worst-case scenario that GKL failed to reverse the decision against the Company, what is the total amount payable to the claimant in this dispute?
<b>Answer:</b>		
<p>a) SSPC has started to set off the award amount against the Daily Charter Rate. To this end, GKL has filed an application for a Stay of Enforcement to suspend the enforceability of the award. Such application is now scheduled for hearing on 16th August 2021.</p> <p>b) Worst case scenario is where GKL fails in our application to set aside for all items and the Award remains in effect. In such instance, MISC will be required to pay approximately USD300 million, the bulk of which has already been included in the provision made in financial year 2020. However, GKL is challenging certain aspects of the award as well as to enforce and uphold the limitation of liability of USD200 million as provided under the contract, which if successful, will reduce the impact to the Group.</p>		

## AGM PROCEEDINGS

No.	Shareholder	Question
1.	Teh Sue Wei	How much does the Company spend on this virtual AGM?
<b>Answer:</b>		
The cost incurred by MISC to host the Annual General Meeting virtually is lower than the cost of hosting a physical meeting.		
No.	Shareholder	Question
2.	Leo Ann Puat	Please consider answering the questions by Institutional shareholder such as Employees Provident Fund (EPF) in the meeting so that those present will be informed. Thank you.
3.	Tan Kwong Meng	Could you please share the queries raised by Employees Provident Fund (EPF) and Permodalan Nasional Berhad (PNB) and the responses from the Board and Management? These should be transparently shared.
<b>Answer:</b>		
Thank you for the suggestion. Questions received from institutional investors have been addressed via MISC's Investor Relations channels.		