

**ENCOURAGING
GROWTH BY**

**CREATING
POSSIBILITIES**

CHAIRMAN'S STATEMENT

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On behalf of the Board of Directors, it gives me great pleasure to present to you, the Annual Report of Global Maritime Ventures Berhad (GMVB), for the financial year ended 31 December 2011.

For those who follow the shipping and related industries, you would know that the year just ended was an eventful one plagued with adversity.

Thus, while the financial performance of the Company in 2011 was not stellar, I have to stress that the current operating environment has been challenging, so much so that our Company has been adversely impacted, resulting in the lacklustre financial performance.

GMVB'S FINANCIALS

For the year just ended, GMVB Group registered a net loss of RM31 million, on the back of RM74.8 million in revenue. In contrast to a year ago (FY2010) GMVB's financials took a turn for the worse, mirroring the overall damp sentiment in the shipping industry. In FY2010 the Group registered net profit of RM22.2 million, buoyed by revenues amounting to RM93.8 million.

Nevertheless, despite the rising challenges, the Company's subsidiaries demonstrated considerable resilience, and managed to declare a significant dividend payment amounting to RM49.44 million during the year, leading to the increase in profit after tax at the Company level, by 14% from RM55.25 million in 2010 to RM62.90 million in 2011.

During the year under review, the industry was wrought with a situation of overcapacity, and coupled with the gloomy economic conditions, GMVB buckled under the overwhelming pressure. However the shipping industry is inherently a highly cyclical industry, with many variables impacting charter rates, which means it is not important how low we fall, but what it's telling is how high we bounce back.

I must admit while we did anticipate the downturn, the quantum of the gloom took us by surprise.

2011 will be remembered for the tremendous challenges we had to face, but similar to every cloud having a silver lining, the Group also witnessed great opportunity and progress, and more importantly weathered the storm, coming out battle hardened and bruised but nevertheless more experienced. The lingering effects of the global financial crisis, combined with heavy newbuilding deliveries and natural disasters that shook the world economy, produced historically low freight rates for all our vessel sectors.

Market conditions in the tanker segment and related impairment losses especially, resulted in the bleeding in 2011. Whilst disappointing, the loss was mitigated in part by our prudent approach to our commercial activities, and our focused drive on operational efficiency and cost management.

DIVIDEND

For the financial year ended 31 December 2011, the board declared an interim tax exempt dividend of 8 sen per share on 300 million Ordinary Shares, amounting to a payout of RM24 million, and a yield of 8%.

The dividend which was paid out on 25 January 2012, reflects the company's commitment to maintaining a reasonable pay-out to its shareholders, and reflects the company's strong balance sheet, having cash reserves enabling the payment.

It is also noteworthy that the group, despite the pay-out, still has the financial means for prospective investment opportunities, which could sprout up amidst the weak market conditions. To put it mildly, the global economy is at a very difficult juncture. Shipping is inextricably linked with developments of the global economy and of world seaborne trade.

2011, THE YEAR THAT WAS

The year 2011 saw a confluence of mishaps, with Japan being hit by the tsunami-earthquake, the Middle East experiencing political revolution, Thailand being hit with massive floods, and not forgetting the US and European debt crisis, all of which brought about great economic disruptions.

TAN SRI DR. ABDUL SAMAD BIN HAJI ALIAS

Independent Non-Executive Chairman



CHAIRMAN'S STATEMENT (CONT'D)

The world economy started the year 2011 with expectations of healthy economic growth, supported by optimism brought about by the favourable growth performance in the fourth quarter of 2010. However adverse developments in several major economies, led to the continuous downward revision of global growth throughout the year.

In 2011 the global economy slowed considerably. Although the global economic environment became increasingly more challenging in the second half of the year, at home, the Malaysian economy recorded a steady growth of 5.1%, underpinned by the expansion in domestic activity and firm regional demand.

However it is difficult to forecast what lies in 2012, with the current fluid state of events.

The shipping industry plays a pivotal role in the Malaysian economy. Following several years of incredibly buoyant shipping, much of the international shipping fraternity has fallen prey to the dwindling global economy. The shipping sector is still characterised by over-tonnaging, increase in newbuildings and lack of available financing and heightened

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competition. Inevitably, these factors lead to substantial downward pressure on freight rates and the fragile recovery of the shipping market in 2011.

The tanker market in 2011 was characterised by volatile freight rates, an influx of new owners leading to intense competition for cargo space, and an increase in tonnage supply. The persistent economic slowdown, particularly in developed countries, added much uncertainty. In the first quarter of 2011, safe to say all major tanker companies either reported losses or exhibited deteriorating profits. Despite the gloom and doom in the early part of 2011, the year ended on a positive note. Robust economic growth in emerging economies, particularly in China, India and Brazil combined with Middle East's export-oriented capacity additions,

contributed to a thriving chemical shipping market. China remained one of the key drivers of chemical trade and freight due to its strong demand for oil and high dependence on imports.

In the face of these challenging times, our tanker business at GMVB faced one of its more difficult operating environments in recent times. Nevertheless, GMVB's performance was somewhat shielded from the freight rate volatility due to our portfolio being a mix of spot contracts as well as long term time charters contracts. Other than hedging losses via our portfolio mix, GMVB also leveraged, on strong customer relationships and economies of scale benefits. Our pooling arrangements, especially for the Medium Range chemical tankers, have put us in a better position to programme our fleet deployment, allowing us to optimise utilisation of the vessels across the various oil trades. In addition, operational excellence in the technical management of the fleet remained highly important as customers continued to favour outstanding and quality operators.

The offshore business achieved marked improvements and increased profit contributions. Our offshore business has established its presence both in the regional and international markets through strategic partnerships. With the presence of financially strong oil majors in Malaysian waters, the offshore support vessel (OSV) has witnessed a stable period over the last few years.

After a sharp decline in 2009, the shipbuilding industry saw a revival over the past one year. Dry bulk carriers constitute by far the largest market segment in the current order book,





followed by tankers and containerships. Rapid growth has made China the leading shipbuilding nation, followed by Korea and Japan, while European order books continue to shrink.

In these trying times, we believe resilience and robustness will enable us to weather the storm and propel the company forward in the interest of the industry players. While much effort has been made in the operational aspects of the business during the year, we also paid attention to selected growth initiatives that will allow us to further add on to our portfolio.

Our focus during the year was two pronged, firstly to remain judicious in our capital spending while pursuing our acquisitions of a diversified range of vessel types to include high value and highly specialised vessels with credible business partners. Secondly, GMVB is also improving portfolio diversification to include new business segments, shipyards or ship repair, maritime support services

which provide a wide range of services such as commercial/technical, maritime consultancy and maritime training.

During the year, we sponsored 3 cadets undergoing Diploma in Nautical Studies and 3 cadets in Diploma in Marine Engineering at the Akademi Laut Malaysia (ALAM). In addition to this, we are resolute in our dedication to meet the nations demand for skilled seafarers, beyond our sponsorship of cadets' programme. We have established new avenues for the training of seafarers by providing training berths on-board the vessels of our local partners.

OUR FLEET OF SHIPS

Despite the damp environment, the change of tide has not deterred us.

GMVB Group started FY2011 with 22 vessels, comprising a healthy mix of seven chemical tankers, 10 product tankers, four Anchor Handling Tug & Supply vessels and one support and

maintenance vessel. In the course of the year GMVB also took delivery of two product tankers, four Anchor Handling Tug & Supply vessels and one survey vessel whilst, one Anchor Handling Tug & Supply vessel was disposed during a restructuring exercise with our Joint Venture partner, Omni Fleet Sdn Bhd.

The seven vessels that joined our fleet last year mainly through newbuilding deliveries, as part of our effort to ensure that we continue to have sufficient availability and flexibility to service the global requirement of our customers, and continue to generate optimal returns for the group as freight rates recover.

Throughout the turmoil in 2011, one of our central initiatives was to build our balance sheet, to enable us to capitalise on new opportunities, acquisition of assets and business that will position the group for the next upturn in the shipping market. In order to leverage our competitiveness in the transportation and support services for the offshore oil & gas industry, we

CHAIRMAN'S STATEMENT (CONT'D)

had in 2011, entered into a tie-up with Borcos Shipping Sdn Bhd, a major player in the Malaysian offshore oil and gas support vessels, on a 35:65 basis. This is expected to widen and strengthen the Group's investment in the OSV sector.

THE YEAR AHEAD, AN OUTLOOK FOR 2012

As we enter 2012, the world economy is confronted with the challenge of managing a sustainable economic recovery, in a highly challenging global environment. However these challenges also contain opportunities. As long as emerging markets maintain stable growth, push forward reforms and contribute more to global development, their economic presence this year will continue to strengthen. The world economy will grow by 3.5% in 2012, down from 3.9% in 2011 and 5.2% in 2010.

Malaysia, as one of the emerging markets, is increasingly looking more attractive to both domestic and international investors alike. Although global economic recovery could potentially lose its way amid fears over sluggish US, and Eurozone debts, Malaysia's domestic demand is likely to remain resilient based on a tight labour market and a government eager to boost its popularity in the run-up to elections expected during the course of the year.

Nevertheless the outlook for world seaborne trade remains fragile due to uncertainties and shocks that face the global economy. Given that shipping is hinged to worldwide macroeconomic conditions, the developments in world seaborne trade mirrored the performance of the wider economy. The shipping sector is expected to continue to be in limbo, given vessel oversupply conditions and deteriorating demand. A contrarian view however has it that the sector could rebound in 2012, nudged by increasing voyage distance, port congestion, rising charter and dry bulk rates.

However the outlook for 2012 seems more optimistic than 2011, based on our assumption that the bane of the sector,



– overcapacity – is likely to be addressed to an extent in 2012. We will probably see a significant reduction in new tonnage being added as the deliveries from the boom years of 2008 are likely to complete their cycle this year. Owners in the chemical tanker sector, unlike in dry bulk, have been prudent with regards to ordering new ships during these difficult times, and only a few orders were placed in 2011, with none placed in the last quarter. Also tightening credit lines could cause liquidity pressure for some of the smaller players or those who have become very dependent on financial institutions for short-term funding. Newbuilding cancellations may also increase due to tighter financing.

CHEMICAL TANKER SEGMENT LOOKING GOOD

The outlook for chemical tankers is relatively bright, although market sentiment among pundits is generally cautious. At GMVB we think the downside risk from the uncertain economic conditions and from increases in operating costs remains high.

Chemical tanker demand continues to be driven by China and the faster growing emerging market economies. In 2012, the improvement in the manufacturing sector, especially in the construction and automobile sectors, is likely to support chemical demand in the US. Export demand from the US for chemicals such



as xylene, styrene, acetone and phenol has improved with orders rolling in from China especially, nudging freight rates on this trade route northwards. The Japanese economy is also improving and is finally expected to turn positive growth this year, eventually resulting in an improvement for its chemical industry. Most of the facilities ravaged by the tsunami and ensuing earthquake have resumed full operations now. Relatively strong growth in organic chemical trade volumes is to a large extent attributed to rising supplies from the Middle East region where high-profile investments in chemical projects are taking place.

Global seaborne chemical trade is forecast to grow at 4.5% in 2012 from 3.4% in 2011.

CLEAN TANKER MARKET YET TO RECOVER

The bearish outlook in the clean tanker market is based on demand weakness in US, Japan and Europe where unprofitable refineries are being permanently shut down amidst dwindling oil consumption. The most significant influence on the liquid-bulk shipping sector, however, will be the issue of overcapacity, and the situation is unlikely to improve unless we see tanker demand growing again.

Global seaborne oil product rate is projected to grow by 2.3% between 2012 and 2014. China is expected to lead future seaborne oil products trade due to oil demand growth and high dependence on imports.

THE OSV MARKET

Offshore support vessels (OSV) continue to be a good investment, owing to cabotage laws which give priority to local service providers. On a more positive note, some of the oil majors such as Petrobras, ExxonMobil and Chevron have pledged to actively enhance their exploration, development, production and maintenance operations on projection of an eventual economic upswing. These companies, have yet to show any signs of slowing down, and are still pursuing their long-term business plans.

The Malaysian government has also announced various plans to boost the oil and gas sector under its Economic Transformation Programme with investments up to RM75 billion over the next 15 to 20 years. We also expect our national oil company, Petroliaam Nasional Bhd (Petronas) to boost domestic oil recovery to 40% from the current 26% over the next five years under its enhanced oil recovery programme.



Besides the re-acceleration of Petronas' capex spending, mergers and acquisitions speculation continues to excite with the likely consolidation of fabrication yards and asset operators.

OTHER LOOMING ISSUES, A BLEAK OUTLOOK

Further uncertainty lies ahead as the complexity of the freight markets, and declining asset value will be compounded in the next several years by the economic and oil demand recovery, by still robust

CHAIRMAN'S STATEMENT (CONT'D)

deliveries of tonnage ordered before the downturn despite delays and cancellations, and by the conversion of tankers to dry bulk and other services.

A ship-owners' ability to take delivery of newbuildings is directly correlated with the situation in the freight markets, and the ship financing squeeze, has critically impacted the shipping sector, causing a crisis.

THE WAY FORWARD

In view of the challenging times ahead, GMVB will remain steadfast in its plan for growth, disciplined in its portfolio management, and will continue to enhance its operational excellence to combat the volatile business environment.

Among GMVB's new strategic directions for 2012 – 2015 include, enhancing and energising our businesses through diversification, to cover a wider spectrum of sectors, both asset based and service based sectors, which will be an important component of GMVB's future. Also, similar to the old adage cautioning the placing of all ones eggs in a single basket, GMVB has identified investment in high value and highly specialised vessels and three new sectors in the shipping industry to shine in, namely shipyard, commercial/technical maritime consultancy and maritime training.

Historically GMVB has focused on Malaysian flagged vessels owned by domestic players, but now the time is right to identify key foreign partners for future JVs with existing domestic partners. This could improve local talent, via knowledge transfer.

As we move towards new waters of success, GMVB is also looking at strengthening its developmental role and reputation as an active contributor in key industry initiatives, via active participation in public forums and conferences to facilitate knowledge



exchange on maritime related issues. Also GMVB will form smart partnerships with maritime training institutes to facilitate onboard cadet training.

Other than its cadet sponsorship programme, this year GMVB will seriously look into supporting training of seafarers by providing training berths.

CORPORATE SOCIAL RESPONSIBILITY

We acknowledge our responsibility to our employees, our business partners and the communities in which we do business as well as the environment we operate in and hope to maintain the high standards we have set for ourselves.

We at GMVB would like to upgrade skills and ensure a steady supply of seafarers to meet the demand for competent officers in the maritime industry. We have collaborated with ALAM and are looking to address the shortage of Malaysian crew.

As an employer, GMVB is focused on staff development and training, upgrading the skillsets of our people,

organising annual family day trips for our staff, which helps instil a spirit of unity amongst our employees. We have also not forgotten the less fortunate and have been actively making contributions to various charities and worthy causes.

ACKNOWLEDGEMENT

I welcome on-board Tuan Haji Aziz bin Ishak, a Naval Architect by profession, who was appointed to the board in January as an independent non-executive director. With a wealth of experience in the oil and gas and in technical and operations across varied sectors in the marine industry, we look forward to working with Tuan Haji to bring GMVB to its next phase of its journey.

As we grow and expand our reach as the country's premier maritime venture capitalist, I would like to extend my gratitude to those who have seen us sail through today's competitive and volatile business environment.

These include officials from the Ministry of Finance, all Government authorities and agencies, our various stakeholders, clients,



business associates and financiers. I would also like to thank the management team and employees of GMVB for their loyalty, dedication and commitment that continue to propel the group forward, both during the down and up-cycles of the industry. I also extend my appreciation to our ship managers, and our crew members for their professional management and operation of our vessels. To our charterers, joint venture partners, business associates and professional service providers, thank you for your continued support.

I wish to take this opportunity to thank my fellow Board members and the Audit and Risk Management Committees for their support and guidance. Your collective efforts and wise counsel continue to help guide our 'ship' through both the calm and rough journeys encountered in this increasingly challenging global shipping arena.

Last but not least, we are grateful to you, our shareholders, for your patience and for recognising our potential in the face of both challenges and opportunities.

Together, we look forward to a brighter year ahead.

TAN SRI DR. ABDUL SAMAD BIN HAJI ALIAS

Independent Non-Executive Chairman