

Chairman's Statement

DRIVEN BY LONG-TERM STRATEGIC VENTURES AS WELL AS OUR CONTINUOUS EFFORTS IN IMPROVING OPERATIONAL EFFICIENCIES, I NOW PRESENT THE REPORT ON THE FINANCIAL PERFORMANCE OF GLOBAL MARITIME VENTURES BERHAD (GMVB) FOR THE YEAR ENDED 31 DECEMBER 2014.

GMVB FINANCIALS

The year 2014 was indeed another challenging year for GMVB. Amidst the changing economic trends, low-trending freight rates, oversupply of tonnage and the volatile oil prices, GMVB remain optimistic about the market prospects.

After the global financial crisis six years ago, the world economy is still recovering and struggling to regain its momentum. Investments have not picked up pace in many advanced economies, and emerging market economies are adjusting to lower growth rates compared to those achieved during the post-crisis recovery period. This has also resulted in the slowing down of the global shipping industry and the oil and gas sector, which have revealed a tighter setting in 2014 compared to the previous years.

The tough operating environment is mirrored in the Group's performance which revealed a widening net loss of RM303.86 million in 2014 compared to RM158.86 million in 2013. This is primarily due to impairment on investments and assets. Impairment loss on vessels recorded a total provision of RM164.96 million which has been recognised in the Group's financial statements, a significant increase from RM46.53 million in 2013. Several of the non-performing Companies such as Syarikat Borcos Shipping Sdn Bhd (Borcos) and, JV SOCs under the joint ventures (JVs) with Global Carriers Bhd and Gagasan Carriers Sdn Bhd have been experiencing tight cash flow conditions, leading to conservation of cash for operations through more efficient financial management initiatives.



The performance and provisions on impairment at the Group level has also affected the Company's results, revealing a widening loss of RM296.84 million against revenue of RM4.11 million compared to RM120.88 million net loss from RM47.03 million revenue for year 2013. The drop in revenue at the Company level was primarily attributed to less dividends received from the investee companies for year 2014.

Nevertheless, in 2014, GMVB managed to garner a few short-term returns by undertaking a consolidation of its large investments. In line with that strategic move, GMVB has sold its investments in Orkim Sdn Bhd in December 2014 with a reported net gain of RM21.55 million. Aside from that, GMVB also sold 8 vessels from Borcos worth RM11.26 million.

IT IS OUR DESIRE FOR GMVB TO EMERGE A STRONGER AND MORE RESILIENT PLAYER IN THE SHIPPING INDUSTRY, AND BE ABLE TO DELIVER SUSTAINABLE RETURNS AND VALUE TO SHAREHOLDERS.

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Despite the uneven economic prognosis, GMVB is optimistic in recovering and gaining traction in the shipping industry. We must remind ourselves that although the business environment is gloomy, we must rise above the challenge. GMVB has entered 11 strategic joint ventures bringing the current portfolio to a total of 57 vessels since 1993. As at 2014, GMVB has 35 remaining vessels comprising 1 chemical tanker, 5 product tankers and 29 offshore support vessels (OSVs).

DIVIDEND

As a result of a challenging year in 2014, the Board did not recommend any dividend payments to shareholders. This decision was made in an effort to enable GMVB to manage and distribute its financial resources to critical areas, whilst maximizing returns.

With the current damp operating environment, the shipping industry is anticipating tough times ahead, thus calling for stringent financial management, and more prudent utilisation of cash reserves. These cash reserves will be used to drive the company forward during this difficult period and provide GMVB with the necessary financial resources to capitalise on market opportunities in the months ahead.

It is our desire for GMVB to emerge a stronger and more resilient player in the shipping industry, and be able to deliver sustainable returns and value to shareholders. Despite the downward trends in the past, GMVB is confident of gaining on better times in FY2015, leveraging on the possible opportunities from the improved shipping markets in the future.

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HIGHLIGHTS OF 2014

The slowdown in global growth in recent years has resulted in tremendous changes in the shipping industry due to demographic changes and dramatic shifts in manufacturing costs, driving major changes in the global production chain. In a nutshell, the globalization process, which involves the integration of economic activity across borders, has started to plateau due to the large pool of low-cost workers available in countries such as China and India. The primary workhorses of the shipping industry which include container ships, dry bulk vessels, crude and product tankers, are currently struggling to manage an oversupply of tonnage. Freight rates have taken a dip and have been in that state for a while; and are expected to remain low for several years thus making it difficult for investors playing a short term asset game, to exit with expected profits. For some time now, the global shipping industry has been struggling to manage overcapacity, especially with newbuilding prices declining over the years and remaining low.

The year 2014 was indeed a test of our resilience and ability to sustain amidst adverse challenges, increased geo-political tensions and market turmoil. Many countries plunged into a recession whilst some barely stayed afloat.

At home front, in spite of the drag on growth from fiscal consolidation, the Malaysian economy has performed considerably well in 2014 growing right on the target of 6% per annum, as envisaged earlier in the Economic Transformation Program (ETP). Further to this, the introduction of the Good and Services Tax (GST) system in April 2015 as part of fiscal reform, will contribute significantly to the growth of the country's revenue base.

Despite the seemingly resilient Malaysian economy, most shipping segments are experiencing significant levels of uncertainty due to declining oil prices with oil and gas companies reducing their capital expenditure considerably. Despite stringent local content, local OSV players in Malaysia are facing challenges in being sidelined whilst the preferential and cabotage benefits seem to have limited impact on their business operations.



GMVB WILL CONTINUE TO AGGRESSIVELY IDENTIFY AND INITIATE NEW BUSINESS OPPORTUNITIES IN MANDATED AREAS AND ENSURE QUALITY OF BUSINESS PARTNERS IN AN EFFORT TO SUPPORT THE DEVELOPMENT OF THE COUNTRY'S MARITIME INDUSTRY.

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Financing options for the local shipping industry has also become increasingly tough in comparison to previous years due to tightening of belts by financial institutions because of the rough global economic conditions. Lending rates have increased and access to funding is also limited due to more stringent controls by financial institutions. Owing to these various external factors, there has been a marked drop in vessel value. This has been further compounded by the weakening of oil prices as well as other reasons such as a mismatch of contract and loan tenures, and the breach of loans and liquidity covenants by shipping entrepreneurs who subsequently request for revision of term loans or waivers.

EXPECTATIONS FOR 2015 AND GMVB'S WAY FORWARD

According to industry and market analysts, weaker crude prices will continue to hold the market down in 2015 thus softening bargaining power in the offshore business. Exploring and producing from offshore deepwater and ultra-deepwater wells encompass significant capital expenditures which requires the support of high oil prices. However, that not being the case, offshore activity is expected to slow down given that benchmark Brent crude prices have plunged by 40 percent since mid-June 2014 owing to the U.S. shale fields, higher output from Libya and sluggish forecasts for oil consumption growth. The prognosis for 2015 seems to be that oil prices will remain at low-trending levels despite small but insignificant hikes from time-to-time.

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In view of the less than favorable prognosis for the year ahead, GMVB is committed to maintaining shareholder value and the performance of investee companies at an acceptable level, through stringent controls and strategic measures. GMVB will be consolidating the performance of significant underperforming companies whilst creating awareness amongst relevant authorities on mismatches between contract, loan repayment and life of vessel assets in an effort to improve performance and influence external factors for the benefit of the Group. This will be on the back of consolidation and enhancements to the operational performance of subsidiary, associate and joint venture companies to spur operational excellence and efficiency throughout the deliver, chain taking into consideration approved risk requirements.

GMVB will continue to aggressively identify and initiate new business opportunities in mandated areas and ensure quality of business partners in an effort to support the development of the country's maritime industry. Amidst these strategic initiatives, GMVB is also committed to enhancing corporate governance within the Group. Acknowledging the importance of our human capital, GMVB will focus on human capital development efforts to improve existing skills whilst introducing new maritime related operational skills.

GMVB is geared to face the next five years with a structured plan for the future comprising a five-year blue print taking into considerations the necessary navigations to counter negative forces and to ride on positive waves. We will actively and



meticulously identify and initiate new business opportunities, specifically in shipyard operations, maritime consultancy and maritime training, to ensure revenue generation. GMVB is also embarking on knowledge transfer efforts including provision of training berths on-board and smart partnerships with maritime institutes.

CORPORATE SOCIAL RESPONSIBILITY

GMVB is cognizant of our responsibilities to employees, our business partners, the communities, the environment and the industry. We have collaborated with the Malaysian Maritime Academy (ALAM) to sponsor 75 seafarers since 1998. GMVB recognises the need to consistently support the maritime industry with skilled and knowledgeable expertise to spur a robust industry. In our collaboration with ALAM, we are addressing the industry's need for qualified and skilled seafarers whilst expanding the sphere of career opportunities for young and aspiring Malaysians. As a responsible employer, GMVB is focused on providing development and learning opportunities to our employees in an effort to build a strong

AS A RESPONSIBLE EMPLOYER, GMVB IS FOCUSED ON PROVIDING DEVELOPMENT AND LEARNING OPPORTUNITIES TO OUR EMPLOYEES IN AN EFFORT TO BUILD A STRONG TALENT POOL AND A RESILIENT LEADERSHIP PIPELINE.

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talent pool and a resilient leadership pipeline. The Group has also organized several employee events and engagement initiatives to ensure a healthy corporate culture within the Group. GMVB is also involved in various charitable causes and has made contributions to the less fortunate and the needy in society.

ACKNOWLEDGEMENT

As GMVB broadens its horizon and reach into the global market, I would like to express my sincere gratitude to all parties that have assisted us and supported our business activities and operations through a bullish local and global economic landscape. My sincere appreciation goes out to the various government bodies, authorities, our shareholders, clients, business partners and financiers for their tireless support. I also record my utmost gratitude to the management and employees of GMVB for their loyalty, dedication and unwavering commitment to the progress and development of GMVB in a highly volatile market. I also would like to thank our ship managers, technical crews, professional management teams and operational teams for their dedication and commitment in carrying out their duties. To all our charters, joint venture partners, business associates and professional service providers, thank you for your support and invaluable contributions.



I also express my sincere appreciation to my fellow Board Members and the Audit and Risk Management Committee for their guidance and direction. Your collective efforts and counsel have tremendously contributed to the resilience of GMVB in rough waters. A special thanks goes to our former Directors, YBhg Datin Husniarti binti Tamin, Puan Eshah binti Meor Suleiman and Tn Hj Abdul Aziz bin Hj Ishak who retired on 1 September, 24 June and 29 September 2015 respectively. I would like to extend my sincere gratitude for their invaluable contributions over the years with the Group.

Last but not least, we express our utmost gratitude to you, our shareholders for your patience and for recognizing our potential in spite of tough conditions and challenges.

Let's power up our engines and move forward in full anticipation of success and excellence.