

# CHAIRMAN'S STATEMENT



On behalf of the Board of Directors, I am pleased to present to you the Annual Report of Global Maritime Ventures Berhad (GMVB) for the year ended 31 December 2015.

Malaysia's shipping industry did not fare well in the midst of the global economic slowdown in 2015. The slowdown in emerging markets and prolonged decline in commodity prices has had a huge impact on the global economy resulting in the slowing of international trade. As a result, the shipping industry has been faced with unstable demand leading to overcapacity, which is hampering its recovery and causing fluctuating freight rates. The Baltic Dry Index, being an indicator of demand in the global economy - as it measures changes in the cost of transporting raw materials - recorded a new all-time low in November 2015 when it hit 498 points from 1,385 points in December 2014.

The promising prospects for growth in the beginning of 2015 was not realised as the year ended with the global GDP growth lower than in the previous five years. Many national economies are still reeling from the global economic crisis of 2008-2009, which continues to have a cascading impact on growth levels post-recession. The disappointing global performance is also primarily attributed to the deceleration of emerging economies that have buckled under the pressure of weakening commodity prices and the slowdown of international trade. In particular, China's slower growth will substantially affect the shipping industry as the country is a crucial player in global trade, making up two thirds of global iron ore imports and 20 percent of global coal imports.

By and large, shipping companies are expected to adopt cost cutting measures aided by lower bunker prices, idling and the cancellation of sailings to ensure profitability. Despite the plummeting freight rates, large shipyards in Asia are expected to weather the challenging economic climate, but smaller shipyards that specialize in dry bulk and offshore vessels are struggling to survive.

**YM RAJA DATUK ZAHARATON  
BINTI RAJA ZAINAL ABIDIN**  
CHAIRMAN

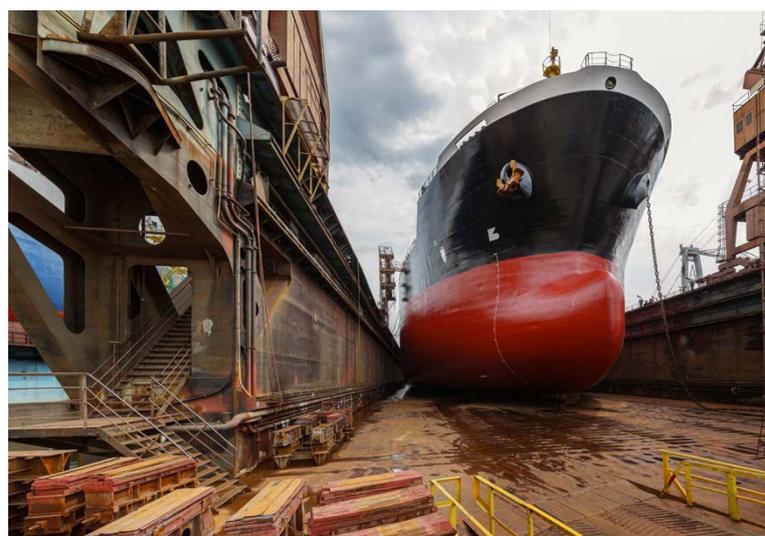
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#### ECONOMIC HIGHLIGHTS FOR 2015

The world economy has also been severely impacted by the drastic dip in oil prices, with the price of crude oil declining from \$146 per barrel in June 2008 to \$46 per barrel in October 2015. Oil and gas constituted 20 percent of the Malaysian government's total revenue in 2015 and falling prices have affected the country's fiscal and current account balances. As one of the country's major exports, the low prices of liquefied natural gas (LNG) contributed to the slower economic growth. Furthermore, the local currency suffered sharp depreciation in 2015 as a result of capital outflows and fiscal challenges. The weakening of the ringgit against the US dollar affects the cost of exporting and importing goods. As the shipping industry is closely intertwined with international trade, it is susceptible to downturns in supporting sectors such as commodities and the currently challenging market conditions.

Malaysia's growing reliance on the shipping industry to facilitate its trade emphasises the industry's importance to the growth of the nation's economy. In the first half of 2016, Malaysia recorded a total of RM704 billion in trade, a 1.3% increase from RM694.98 billion from the corresponding period in 2015. The country's exports also rose to a total value of RM372.9 billion while imports were recorded at RM331.11 billion, resulting in a trade surplus of RM41.79 billion for the first half of 2016.

As for GMVB, in order to ensure prudent cost management and operational efficiency, we have taken steps to scale down fleet operations. Our vessels, especially those under Syarikat Borcos Shipping Sdn Bhd (Borcos), have been forced to lay idle or put under cold laid-up mode. The depressed market conditions have resulted in a substantial drop in our revenue over FY2014 and FY2015, which has severely impacted the investees' working capital position and their ability to service their liabilities. It has also taken a toll on GMVB's revenue stream, as a majority of the Group's vessels do not have long term charter contracts and are dependent on the spot market charter.



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## GMVB FINANCIALS

GMVB felt the brunt of these developments as reflected in our performance last year. For the financial year ended 31 December 2015, GMVB Group recorded a net loss of RM328.90 million, on the back of RM90.58 million in revenue, compared to RM303.86 million in net loss from RM273.12 million in revenue in 2014. The decline in Group revenue is mainly due to non-renewal of charter hire contracts and exclusion of 2015 charter hire income from Orkim Sdn Bhd, which was disposed at the end of 2014. Moreover, GMVB Group recognized RM195.86 million in impairment of vessels at Borcos. We view this as a prudent measure given the underutilization of our vessels and the slow market. It should be noted that there is no disposal of a subsidiary in 2015 as compared to 2014, which had registered a gain of RM21.55 million from the disposal of Orkim Sdn Bhd.

As a result of the loss, GMVB Group's Shareholders' Funds declined from RM560.62 million in 2014 to RM354.63 million in 2015. A major portion of the losses was a RM242.01 million impairment and depreciation of vessels and intangible asset, as well as allowance for doubtful debts, following the deterioration in the shipping markets.

At the Company level, a net loss amounting to RM250.97 million was posted against a revenue of RM75 million in 2015, as compared to RM296.84 million in net loss from RM4.11 million in revenue for 2014. Growth in revenue at the Company level was primarily attributable to dividends received from GMV-Orkim Sdn Bhd. The main contribution to the loss is from allowance for doubtful debts in subsidiaries and loss on corporate guarantees.

## EXPECTATIONS FOR 2016 AND THE WAY FORWARD

According to the International Monetary Fund, world economic growth is expected to remain modest at 3.2% in 2016 with emerging economies and developing countries accounting for most of global growth in 2016. However, their growth rates are projected to rise just modestly in comparison to 2015 and maintain at 2 percentage points below the average of the previous decade. This growth projection takes into account several factors including a moderate deceleration in China, weakness in oil exporting countries, and the poor prospects for exporters of non-oil commodities as a result of continued price declines.

The global shipping industry is in for a tough time as Fitch Ratings revised its outlook for the industry from "stable" in 2015 to "negative" in 2016. As a significant driver of demand growth for the industry, China's slowdown has put a damper on the shipping industry. The prolonged weakness in the prices of commodities such as coal, iron ore and crude oil will result in depressed rates for shipping, especially for dry bulk. However, Iran's re-entry into the crude oil export market in 2016 following the lifting of EU and US sanctions is expected to stir up existing trade patterns. With the sanctions lifted, about half a million barrels of oil a day is projected to be added to the global supply by the end of 2016. This will lead to oversupply and put further pressure on oil prices.

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## CORPORATE SOCIAL RESPONSIBILITY

GMVB has been actively involved in industry collaborations to ensure that the local maritime industry does not fall short of qualified and capable officers. For 18 years now, we have partnered with the Malaysian Maritime Academy (ALAM) to provide the industry with qualified and skilled seafarers. GMVB has sponsored the training of 80 seafarers since 1998. We also participate in a number of charity events and make annual contributions to the less fortunate and those in need.

## ACKNOWLEDGEMENT

As GMVB continues to traverse the murky waters of a challenging economic climate, I would like to express my profound appreciation to government bodies, authorities, shareholders, clients, business partners and financiers who have stood with us through thick and thin. I commend all management and employees of the Group, as well as our crew on the ground: ship managers, technical crews, professional management teams, and operational teams for their hard work and dedication. I would also like to acknowledge the support of our charterers, joint venture partners, business associates and professional service providers. The supervision and guidance of our Board Members, Audit and Risk Management Committee, Nominating and Remuneration Committee, as well as Investment Committee have been invaluable in helping solidify our position in the Malaysian shipping industry.

Last but not least, I would like to thank our former directors Tuan Haji Rosli bin Abdullah, YBhg Dato' Ir Abdul Rahim Abu Bakar, and Encik Taufiq Ahmad @Ahmad Mustapha Ghazali who resigned on 8 March 2016, 3 June 2016 and 27 June 2016, respectively for their tremendous contributions to the Group. In addition, it gives me great pleasure to welcome Encik Mohammed Rafidz Ahmed Rasiddi, YBhg Dato' Capt. Ahmad bin Othman and YBhg Datuk Wan Azhar Wan Ahmad who became members of our Board of Directors on 29 July 2015, 30 July 2015 and 21 April 2016, respectively. My utmost gratitude is also extended to our former Chief Executive Officer YBhg Dato' Ahmad Sharifuddin Abdul Kadir who resigned on 30 November 2015 for his years of remarkable service to GMVB. Consequently, I welcome on board Encik Muhammad Azraini bin Abdul Hamid as our new Chief Executive Officer of GMVB.

We march forward boldly with the hope and passion to emerge stronger and more resilient in the years ahead.

In Malaysia, a blueprint known as the Malaysia Shipping Master Plan (MSMP) is being developed by the Transport Ministry via the Marine Department and the Maritime Institute of Malaysia to lift the industry out of its doldrums and support its development. The MSMP will reportedly outline a cohesive and strategic way for the industry to move forward by creating a conducive environment to cultivate the development of local tonnage and enable local companies to prosper. It is expected to propose the expansion of operations in the domestic market and the participation of Malaysia's fleet in the global energy and intra-Asean trade shipping.

GMVB has its own blueprint to help us navigate the growth of the Group and chart our future. While we will proceed with caution to keep our head above water, we will remain steadfast in our goal to play an integral role in the growth of the Malaysian maritime industry. As we move forward, GMVB will aim to energise our business and rejuvenate our long-term prospects for sustainability and growth by embarking on a new strategic direction.

The Group is in the midst of divesting all of its existing investments by selling our assets and companies. Our target is to finalise all disposals by the end of 2016. We will regroup and review our business plan and internal process to be a stronger organisation. Human capital is the backbone of any business and we will continue to capitalise on the strength of our workforce to persevere through the changes and challenging times. In addition, we will constantly provide opportunities for our staff to develop and improve their skills by providing the necessary training so that they can contribute to the development of the Group and enhance their career prospects.