

Greenland Sea

Norwegian Sea



P PRECIOUS SHIPPING

A n n u a l R e p o r t 2 0 0 9



Precious Shipping Public Company Limited



Contents

FINANCIAL HIGHLIGHTS	2
CORPORATE STRUCTURE	4
OTHER INFORMATION PURSUANT TO SEC. 114 OF PUBLIC LIMITED COMPANIES ACT B.E. 2535	6
NATURE OF BUSINESS AND INDUSTRY	10
FLEET LIST	18
REVENUE STRUCTURE	19
THE BOARD OF DIRECTORS	20
BOARD OF DIRECTORS' REPORT	22
AUDIT COMMITTEE REPORT	32
CORPORATE GOVERNANCE REPORT	35
INSIDER TRADING CONTROLS	49
INTERNAL CONTROL	50
CORPORATE SOCIAL RESPONSIBILITY (CSR) STATEMENT	52
SIGNIFICANT RISK FACTORS	63
MAJOR SHAREHOLDERS AND DIVIDEND POLICY STATEMENT	68
MANAGEMENT STRUCTURE	69
BOARD OF DIRECTORS - PROFILE	74
MANAGEMENT TEAM	83
MANAGEMENT DISCUSSION AND ANALYSIS	86
REPORT ON THE BOARD OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS	108
REPORT OF INDEPENDENT AUDITOR	109
FINANCIAL STATEMENTS	110
NOTES TO FINANCIAL STATEMENTS	119
RESTATED US DOLLAR FINANCIAL STATEMENTS	151
POLICY OF RESTATEMENT FROM THAI BAHT TO US DOLLAR CURRENCY	158
CONNECTED TRANSACTIONS	161
INDEX OF REPORT IN ACCORDANCE WITH FORM 56-2	164
REFERENCES	165



FINANCIAL HIGHLIGHTS

Unit : Baht Million

Details	2009	2008	2007	2006	2005
Vessel Operating Income	5,523.65	8,535.80	7,288.37	9,056.30	11,006.82
Vessel Operating Costs	1,711.84	1,926.25	1,872.37	2,949.98	2,288.95
Gross Profit	3,811.81	6,609.55	5,416.00	6,106.32	8,717.87
Total Revenues	6,408.88	8,649.78	8,998.91	9,230.87	11,072.49
Total Expenses (excl. depreciation)	2,403.99	2,614.83	2,836.94	3,442.20	3,039.55
Depreciation	934.61	1,085.16	1,824.37	2,093.43	1,874.59
Share of income from investment in associate held by a subsidiary	22.32	10.17	34.13	19.88	18.26
Net Income before Corporate Income Tax	3,092.60	4,959.96	4,371.73	3,715.12	6,176.61
Corporate Income Tax	45.54	21.37	215.57	-	-
Net Income	3,047.06	4,938.59	4,156.16	3,715.12	6,176.61
Total Current Assets	6,043.72	3,637.92	1,762.90	1,602.97	1,166.94
Fixed Assets (net)	7,780.92	9,080.51	9,525.66	11,023.85	12,496.75
Total Assets	22,140.13	17,960.53	15,018.14	12,758.15	13,780.61
Total Current Liabilities	488.88	777.63	788.31	720.44	540.94
Total Long-Term Loans	4,291.70	739.50	-	-	3,293.97
Total Liabilities	5,003.77	1,783.08	953.21	720.44	3,834.90
Total Shareholders' Equity	17,136.36	16,177.45	14,064.93	12,037.71	9,945.71
Paid-up Capital	1,039.52	1,039.52	1,039.52	520.00	520.00
Cash flow from Operating activities	2,625.89	6,122.25	4,651.36	5,896.56	7,903.71
Cash flow used in Investing activities	(1,645.68)	(2,067.33)	(2,014.81)	(308.66)	(2,731.24)
Cash flow from (used in) Financing activities	1,659.92	(2,220.23)	(2,391.33)	(5,032.94)	(5,989.85)
Book Value per share (Baht) *	16.48	15.56	13.53	11.58	9.57
Earnings per share (Baht) **	2.93	4.75	4.01	3.62	6.02
Dividend declared for the year per share (Baht) ***	1.80	2.80	2.25	2.56	1.53
Cash Dividend paid out per share (Baht) *	2.00	2.75	2.56	1.78	1.53
Gross Profit Margin (%)	69.01	77.43	74.31	67.43	79.20
Net Profit Margin (%)	47.54	57.09	46.19	40.25	55.78
Return on Equity (%)	18.29	32.66	31.84	33.80	81.07
Return on Total Assets (%)	15.20	29.95	29.93	28.00	45.49
Total Liabilities/Equity Ratio	0.29	0.11	0.07	0.06	0.39
Number of Ships (As At End of The Year)	25	44	44	54	54

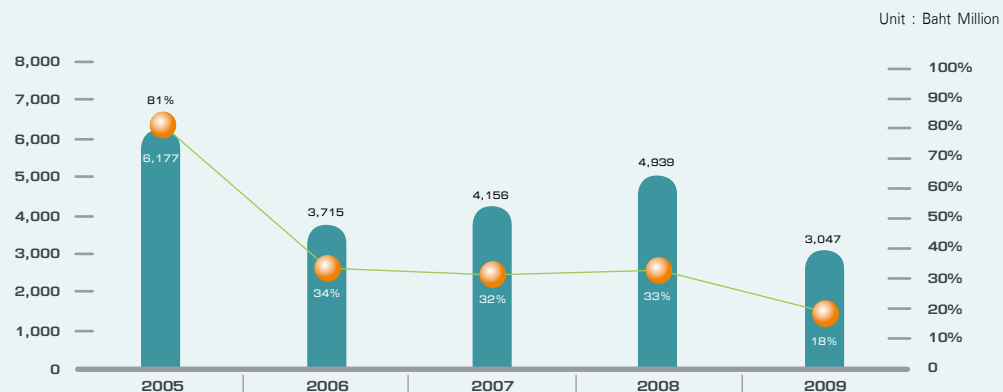
* Book value per share and Cash dividend paid out per share for all years is calculated per number of shares outstanding (1,039,520,600 shares) as on December 31, 2009, to facilitate comparison of latest figures of year 2007, 2008 and 2009, after stock dividend.

** Earnings per share is adjusted as if stock dividend had been distributed at the beginning of the earliest period reported.

*** Dividend declared per share for year 2006 includes stock dividend.

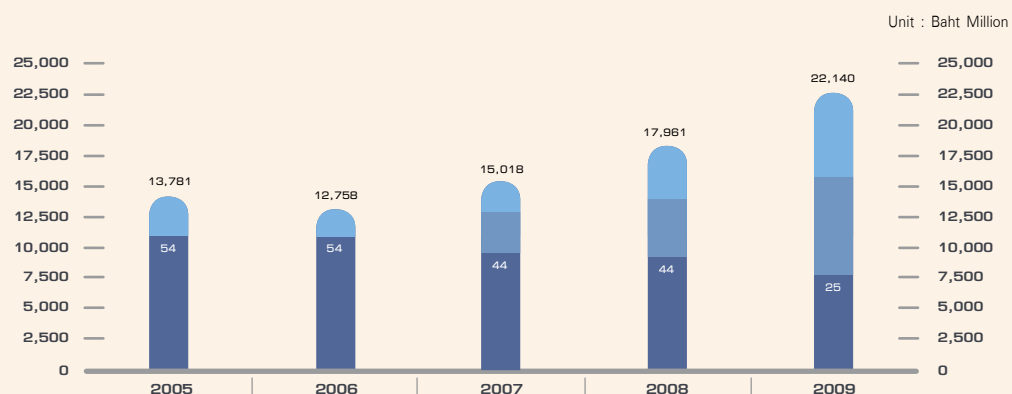
Net Income and Return on Equity

Net Income
Return on Equity



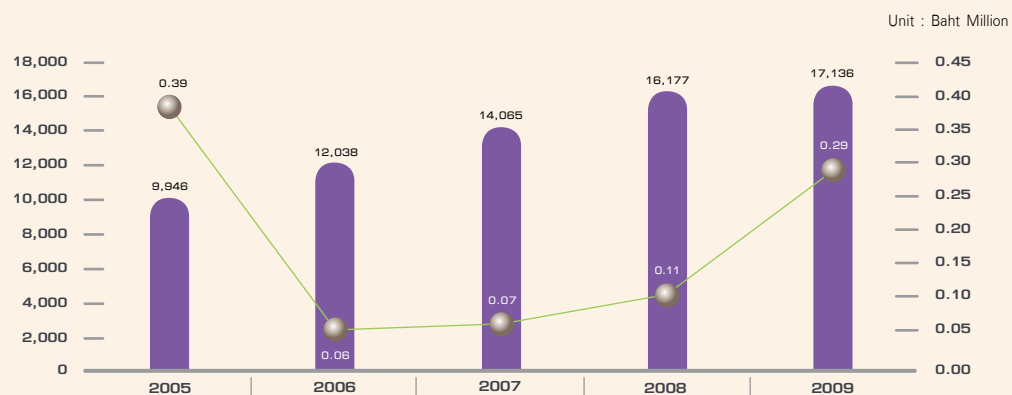
Total Assets

Others
Advances of vessel construction
Vessels



Shareholder's Equity and Debt Equity Ratio

Total Shareholders' Equity
Total Liabilities / Equity Ratio



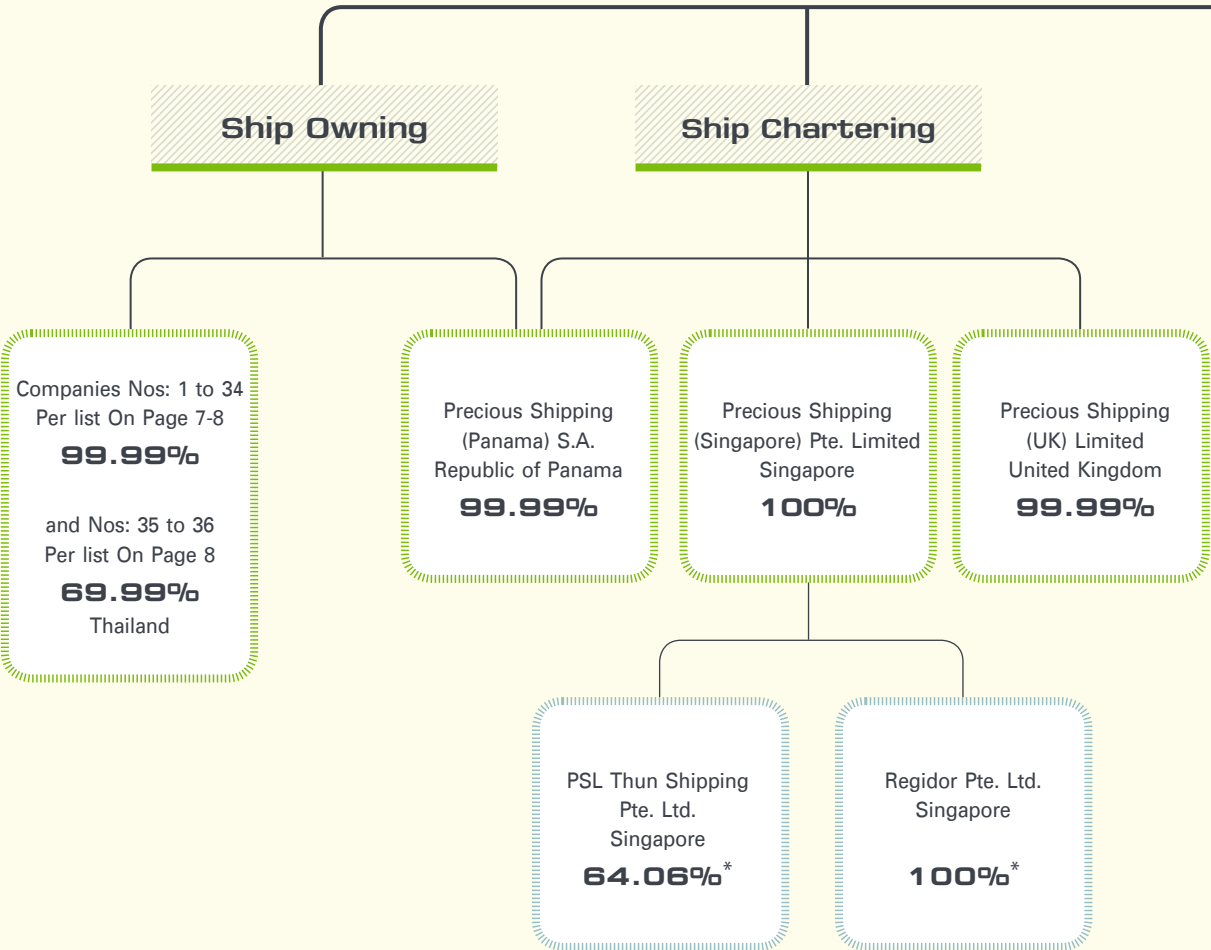
Cash Flows

Cash flow from Operating activities
Cash flow used in Investing activities
Cash flow from (used in) Financing activities





CORPORATE STRUCTURE



* Represents indirect ownership of PSL

Precious Shipping Public Company Limited, Thailand (PSL)

Ship Management

Great Circle Shipping
Agency Limited
Thailand
99.99%

Port Development

Precious Shipping
(Mauritius) Limited
Mauritius
100%

Investment Holding Company

Thebes Pte. Ltd.
Singapore
100%

Precious Projects
Pte. Limited
Singapore
100%

PSL Investments
Limited
Mauritius
100%*

International
Lighterage Ltd.
Mauritius
100%*

PSL Bulk Terminal
Company Limited
Mauritius
100%*

Rapid Port Leasing
Company Pte. Ltd.
Singapore
100%*

40% 10%
Southern LPG
Limited
India
50%*

International Seaports
(Haldia) Private Limited
India
22.40%*

Legend

Name of Company.
Country of Incorporation.
Percentage of Ownership.



OTHER INFORMATION PURSUANT TO SEC. 114

OF PUBLIC LIMITED COMPANIES ACT B.E. 2535

DETAILS OF THE COMPANY

PRECIOUS SHIPPING PUBLIC COMPANY LIMITED

Business	: Shipowner and Holding Company
Registration No.	: 0107537000629
Authorized share capital	: Baht 1,039,520,600.- (1,039,520,600 shares of Baht 1 each)
Issued and fully paid-up share capital	: Baht 1,039,520,600.- (1,039,520,600 shares of Baht 1 each)
Location	: 7 th Floor, Cathay House, 8 North Sathorn Road, Silom, Bangrak, Bangkok 10500
Telephone	: 66-2 696-8800
Fax	: 66-2 236-7654
E-mail	: ir@preciousshipping.com
Home page	: http://www.preciousshipping.com

NAME AND CATEGORY OF SUBSIDIARY AND ASSOCIATED COMPANIES
IN WHICH THE COMPANY HOLDS MORE THAN 10% OF SHARES SOLD BY THEM.

Sr No.	Name of Subsidiaries / Associate	Currency	Registered Capital	Issued and fully paid-up Share capital	Percentage of Shareholding	Category of business
1	Precious Metals Limited	Baht	250,000,000	250,000,000	99.99	Shipowner
2	Precious Wishes Limited	Baht	230,000,000	230,000,000	99.99	Shipowner
3	Precious Stones Shipping Limited	Baht	260,000,000	260,000,000	99.99	Shipowner
4	Precious Minerals Limited	Baht	230,000,000	230,000,000	99.99	Shipowner
5	Precious Lands Limited	Baht	84,000,000	84,000,000	99.99	Shipowner
6	Precious Rivers Limited	Baht	234,000,000	234,000,000	99.99	Shipowner
7	Precious Lakes Limited	Baht	99,000,000	99,000,000	99.99	Shipowner
8	Precious Seas Limited	Baht	100,000,000	100,000,000	99.99	Shipowner
9	Precious Stars Limited	Baht	105,000,000	105,000,000	99.99	Shipowner
10	Precious Oceans Limited	Baht	175,000,000	175,000,000	99.99	Shipowner
11	Precious Planets Limited	Baht	100,000,000	100,000,000	99.99	Shipowner
12	Precious Diamonds Limited	Baht	205,000,000	205,000,000	99.99	Shipowner
13	Precious Sapphires Limited	Baht	144,000,000	144,000,000	99.99	Shipowner
14	Precious Emeralds Limited	Baht	366,000,000	366,000,000	99.99	Shipowner
15	Precious Rubies Limited	Baht	84,000,000	84,000,000	99.99	Shipowner
16	Precious Opals Limited	Baht	74,000,000	74,000,000	99.99	Shipowner
17	Precious Garnets Limited	Baht	379,000,000	379,000,000	99.99	Shipowner
18	Precious Pearls Limited	Baht	73,000,000	73,000,000	99.99	Shipowner
19	Precious Flowers Limited	Baht	76,000,000	76,000,000	99.99	Shipowner
20	Precious Forests Limited	Baht	96,000,000	96,000,000	99.99	Shipowner
21	Precious Trees Limited	Baht	80,000,000	80,000,000	99.99	Shipowner
22	Precious Ponds Limited	Baht	84,000,000	84,000,000	99.99	Shipowner
23	Precious Ventures Limited	Baht	80,000,000	80,000,000	99.99	Shipowner
24	Precious Capitals Limited	Baht	200,000,000	200,000,000	99.99	Shipowner
25	Precious Jasmines Limited	Baht	98,000,000	98,000,000	99.99	Shipowner
26	Precious Orchids Limited	Baht	217,000,000	217,000,000	99.99	Shipowner
27	Precious Lagoons Limited	Baht	140,000,000	140,000,000	99.99	Shipowner
28	Precious Cliffs Limited	Baht	140,000,000	140,000,000	99.99	Shipowner
29	Precious Hills Limited	Baht	140,000,000	140,000,000	99.99	Shipowner
30	Precious Mountains Limited	Baht	140,000,000	140,000,000	99.99	Shipowner
31	Precious Resorts Limited	Baht	140,000,000	140,000,000	99.99	Shipowner

Sr No.	Name of Subsidiaries / Associate	Currency	Registered Capital	Issued and fully paid-up Share capital	Percentage of Shareholding	Category of business
32	Precious Comets Limited	Baht	71,100,000	71,100,000	99.99	Shipowner
33	Precious Ornaments Limited	Baht	68,100,000	68,100,000	99.99	Shipowner
34	Precious Cities Limited	Baht	170,000,000	170,000,000	99.99	Shipowner
35	Precious Storage Terminals Limited	Baht	6,000,000	6,000,000	69.99	Bulk Storage Barges
36	Nedtex Limited	Baht	10,000,000	2,500,000	69.99	Bulk Storage Barges
37	Great Circle Shipping Agency Limited	Baht	60,000,000	60,000,000	99.99	Technical Manager of ships
38	Precious Shipping (Mauritius) Limited	USD	10,000	10,000	100	Holding company
39	PSL Investments Limited	USD	10,000	1,160	100*	Holding company
40	International Lighterage Ltd.	USD	10,000	10,000	100*	Holding company
41	PSL Bulk Terminal Company Limited	USD	10,000	2	100*	Holding company
42	Rapid Port Leasing Company Pte. Ltd.	USD	1,000,000	2	100*	Marine Construction
43	Thebes Pte. Ltd.	SGD	100,000	2	100	Maritime Business
44	Regidor Pte. Ltd.	SGD	100,000	2	100*	Maritime Business
45	Precious Shipping (Singapore) Pte. Limited	SGD	20,000,000	15,000,000	100	Holding company /Chartering
46	PSL Thun Shipping Pte. Ltd.	USD	500,000	12,864	64.06*	Chartering
47	Precious Shipping (Panama) S.A.	USD	10,000	10,000	99.99	Shipowner/Chartering
48	Precious Shipping (UK) Limited	USD	10,000	10,000	99.99	Chartering
49	Southern LPG Limited	Indian Rs	100,000,000	64,592,200	50*	Terminal owning, bottling and distribution of LPG
50	International Seaports (Haldia) Private Limited	Indian Rs	445,000,000	440,580,200	22.40*	Berth construction and Development
51	Precious Projects Pte. Limited	USD	1	1	100	Investment Holding company

* (represents indirect ownership of shares)

REGISTERED OFFICE ADDRESS OF SUBSIDIARY AND ASSOCIATED COMPANIES IS AS FOLLOWS:

SUBSIDIARY 1-36

- Registered Office is at 8/27-28, 7th Floor, Cathay House, North Sathorn Road, Silom, Bangrak, Bangkok 10500 Thailand.
Tel : 66-2 696-8800 Fax : 66-2 236-7654, 633-8460

SUBSIDIARY 37

- Registered Office is at 8/35 Cathay House, North Sathorn Road, Silom, Bangrak, Bangkok 10500 Thailand.
Tel : 66-2 696-8900 Fax : 66-2 237-7842, 633-8468

SUBSIDIARY 38-41

- Registered Office is at c/o Abax Corporate Services Level 6 One Cathedral Square, Jules Koenig Street, Port Louis, Mauritius.

SUBSIDIARY 42-43

- Registered Office is at 24 Raffles Place #18-00 Clifford Centre, 048621 Republic of Singapore.

SUBSIDIARY 44-46

- Registered Office is 79A Tras Street, 079016 Republic of Singapore.

SUBSIDIARY 47

- Registered Office is at c/o ADR Building, 13th Floor, Samuel Lewis Avenue, Panama.

SUBSIDIARY 48

- Registered Office is at The Quadrangle - 2nd Floor, 180 Wardour Street, London W1F 8FY United Kingdom.

SUBSIDIARY 49

- Registered Office is at ICM Business Centre, Ceebros Arcade 1st Floor, No.1, 3rd Cross Street, Kasturibai Nagar, Adyar, Chennai 600 020 India.

ASSOCIATED COMPANY 50

- Registered Office is at 41, Jawahar Lal Nehru Road, Kanak Building, 3rd Floor, Kolkata - 700 071, India.

SUBSIDIARY 51

- Registered Office is at 1 Marina Boulevard #28-00, 018989 Republic of Singapore.



NATURE OF BUSINESS AND INDUSTRY

1. NATURE OF BUSINESS

1.1 Background

Precious Shipping P.C.L. (“PSL”), established in 1989 and listed on the Stock Exchange of Thailand in 1993, owns and charters dry bulk ships, on a tramp shipping basis, in the small, handy size sector of the shipping markets. The corporate structure of PSL, similar to other shipping companies, has separate subsidiaries owning each vessel (sometimes 2 or 3 vessels) to limit liability.

PSL presently (as on 31st January 2010) operates 23 bulkers and a cement carrier (the “Fleet”), representing 596,998 dwt. Of the entire Fleet, 23 ships are registered under the Thai flag, and 1 under Bahamas flag.

PSL is one of the largest pure dry cargo ship-owning companies operating in the small handy size (10,000 to 30,000 dwt) sector of the tramp freight market. This segment is extremely fragmented and characterized by companies owning 2 or 3 ships. PSL’s Fleet makes it one of the largest, if not the single largest company in the world, operating in this segment. The Company has also entered into the Supramax sector by ordering 3 Ships each in years 2007 and 2008 for delivery in 2011 and 2012. PSL’s Fleet is technically managed by Great Circle Shipping Agency Ltd, Bangkok, a wholly owned subsidiary of PSL that is ISO 9001 certified and is also now ISO 14001 certified which makes us one of the very few Ship Management Companies which are compliant with this Environment Management System certification.

PSL operates its Fleet on a tramp-shipping basis covering the entire world. Principal cargoes handled by PSL are agricultural products, steels, fertilizers, ores and concentrates, logs, coke and other items. PSL estimates its business to be divided evenly across five regions: USA/Canada, Europe, Latin America-Africa, Indian sub-continent - Middle East, and South East & Far East Asia. PSL operates its ships in ports that have restricted draft and limited infrastructure (PSL ships have equipment for loading/unloading) where larger ships cannot operate. This distinction is a comparative advantage and allows PSL to enjoy stable charter rates compared to larger vessel operators. This advantage also assists the Company’s ships do business in developed countries as the cost of shore labour in such countries is prohibitive and the ship’s staff, with the ship’s gears, can easily discharge and/or load cargoes in such countries at a very economical cost and are preferred over larger gearless ships despite the latter’s proven economy of scale.

The Chartering of ships is mainly undertaken by PSL vide the following two options:

Time Charter: Under this Charter, the Charterer pays Charter Hire to PSL to operate the vessel for an agreed time period. The Charterer bears all voyage costs including the cost of bunker fuels. It may be noted in this case that PSL (or the Shipowning Company) is not the Lessor of the Ship but is a service-provider since PSL retains full control with physical and legal possession of the Ship remaining with PSL.

Voyage Charter: Under this Charter, the Charterer pays freight to PSL to transport a particular cargo between two or more designated ports. In this case, PSL bears all the voyage costs including the cost of bunker fuels.

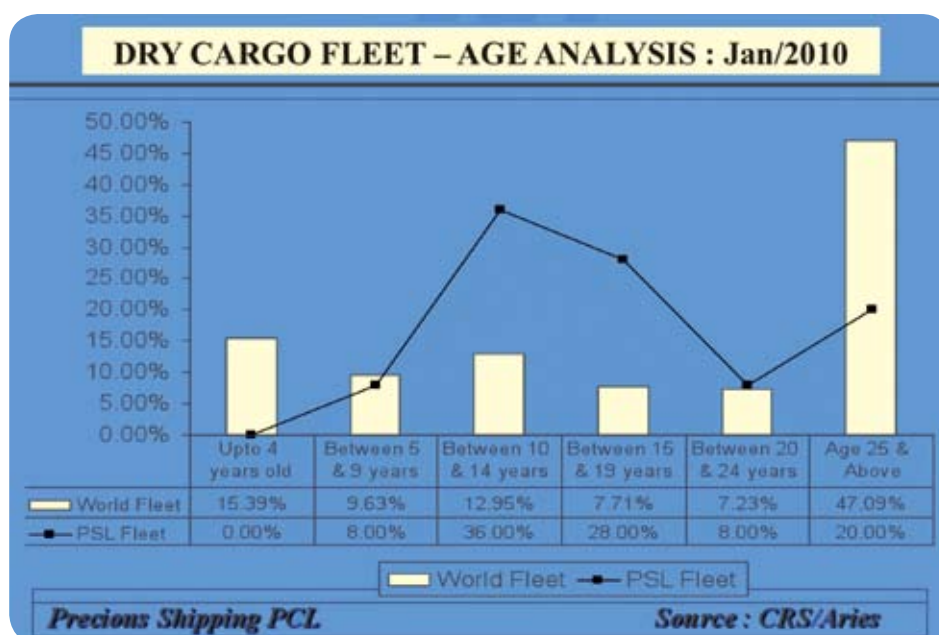
PSL’s Fleet does not follow set voyage routes, but each ship keeps moving across the globe depending on its charters. The Fleet is hired on both, time charters as well as voyage charters, with typical voyage duration of 1-3 months. The mix between the two types of business has historically been equal, until the year 2004 when this changed to an extent that almost all the ships were on time charters. In each of the years 2005-2006, the proportion of voyage charters increased marginally as compared to the year 2004. However during 2007-08 the equation changed again and about 99% of the journeys were time charters and only about 1% were voyage charters. During Year 2009, the proportion of voyage charters increased marginally as compared to years 2007-08 and about 94% of the journeys were time charters and only about 6% were voyage charters.

The well spread diversification and nature of its operations (dry bulk shipping in the small handy size sector carrying ‘essential’ basic commodities) enables PSL to minimise the impact of concentration risks in terms of regions or commodities covered, and economic cycles.

1.2 Fleet Age

PSL’s fleet as compared to the world average is younger, with present average age of about 17 years.

An age wise analysis as on 01 January 2010 of PSL’s fleet vis-a-vis the World Fleet is given in the following graph:



CRS: Clarksons Research Studies

1.3 Business Operations

PSL’s revenues are well diversified in terms of its business mix as can be seen from the following tables:

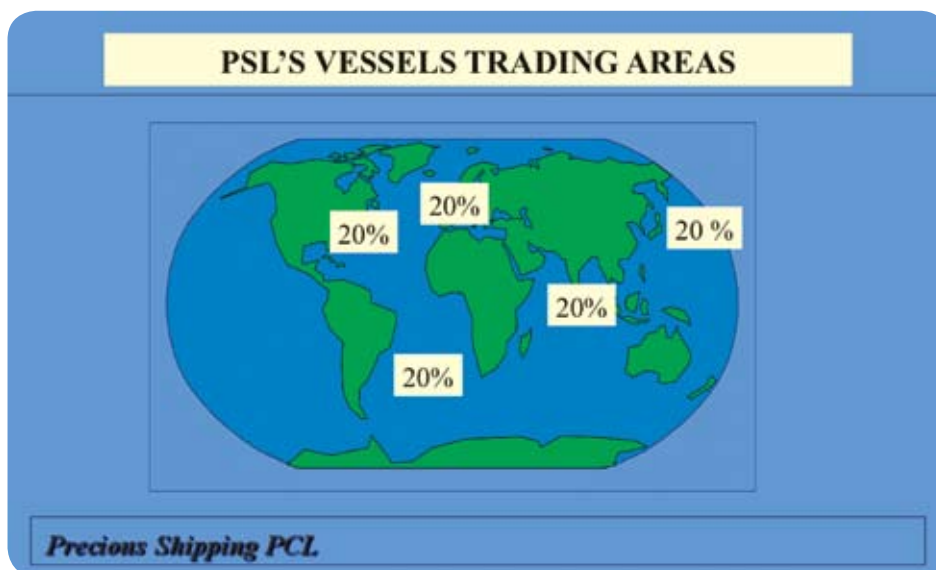
i. Commodities/Cargoes Carried

Commodity	Number of Voyages and % of Total Voyages		
	2007	2008	2009
Agricultural Commodities	125 (28.08%)	138 (31.29%)	80 (24.25%)
Steel	62 (13.94%)	77 (17.46%)	41 (12.42%)
Fertilisers	81 (18.20%)	70 (15.87%)	72 (21.82%)
Specialised Ores	71 (15.95%)	63 (14.28%)	47 (14.24%)
Forest Products/Logs	11 (2.47%)	7 (1.59%)	13 (3.94%)
Coal	20 (4.50%)	27 (6.12%)	20 (6.06%)
Others	75 (16.86%)	59 (13.39%)	57 (17.27%)
Total	445	441	330

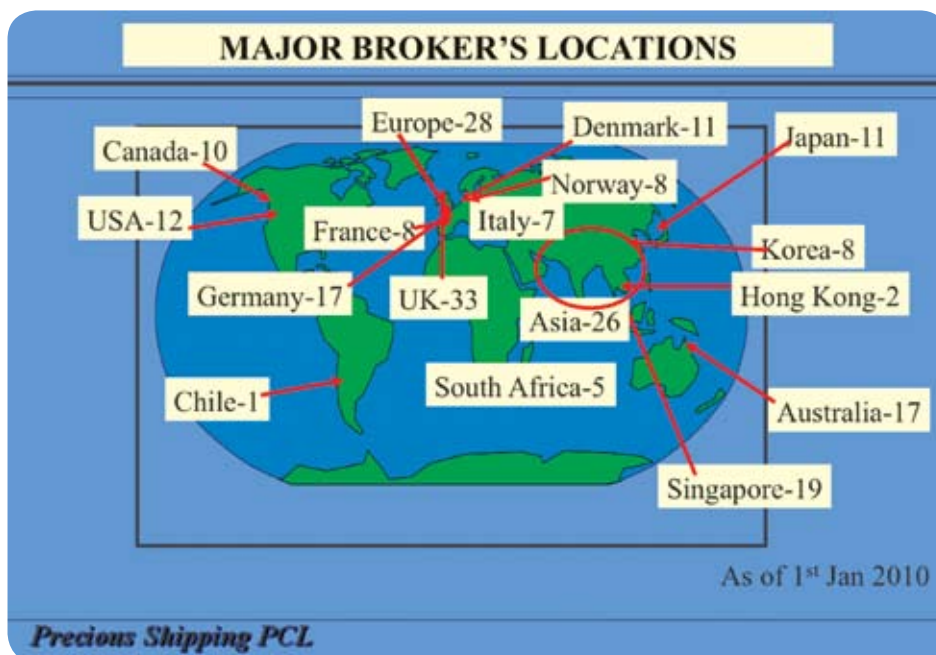
ii. Voyage Charters v/s Time Charters

Charter	Number of Voyages and % of Total Voyages		
	2007	2008	2009
Voyage Charters	6 1.35%	6 1.36%	21 6.36%
Time Charters	439 98.65%	435 98.64%	309 93.64%

iii. Vessel Trading Areas



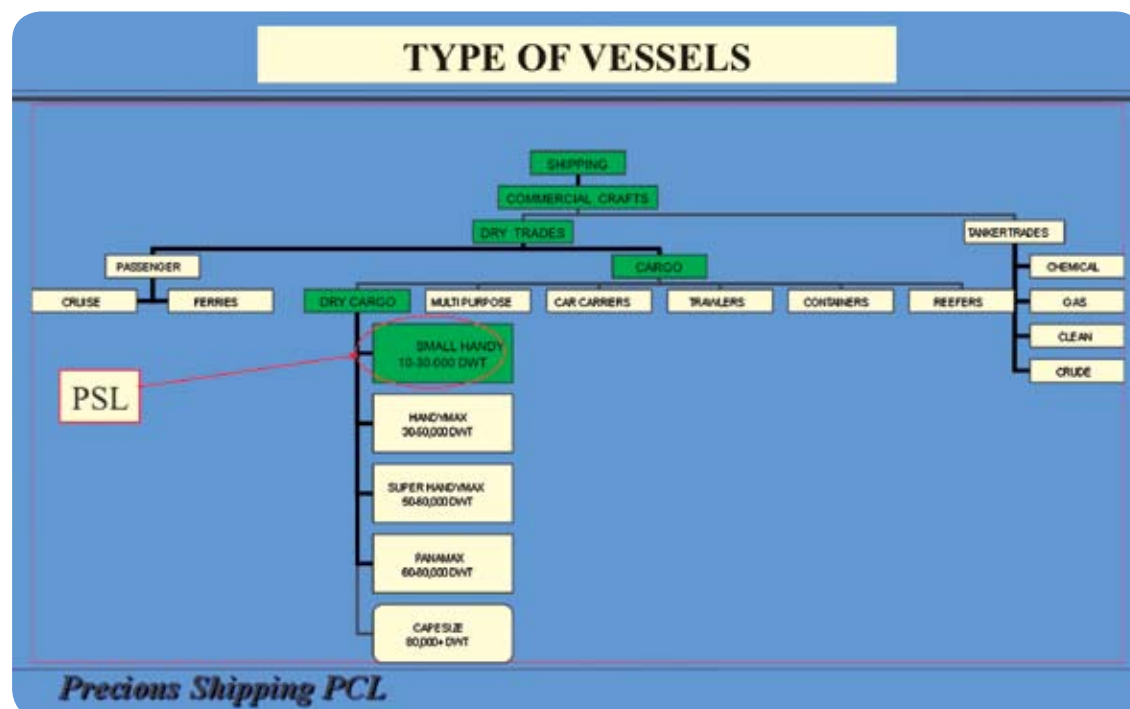
iv. Marketing network and major broker locations:



From the above graphs it can be observed that PSL enjoys a wide coverage with its top class world-wide marketing network. The extensive use of the internet has allowed this coverage to be obtained in an extremely cost effective manner.

2. INDUSTRY STRUCTURE

Broadly the Shipping Industry is classified as under:



2.1 Small Handy Size Market

The small handy size sector is classified as the ships in the range of 10,000 - 30,000 dwt, although lately the Industry has begun including ships of 30,000 - 40,000 dwt also in this sector. The demand in the small handy size market is fragmented because of the broad cargo base and multitude of ports serviced by the market segment. However, because this segment caters to such a wide variety of cargoes and calls on smaller ports, the demand is less volatile compared to the larger ships.

On the supply side also the industry is highly fragmented. The fleet of 3,126 ships (as at end 2009) has the largest operator having only about 100 ships or about 4 percent market share of capacity in DWT terms. The majority of the operators are private companies with a small number of vessels.

Historically, the shipping industry has been a very cyclical industry with approximately two years of declining charter rates needed to stabilise supply and demand before utilisation rates, and therefore freight rates, would begin to increase. The previous “down cycle” started in mid 1997 because of the demand issues associated with the “Asian crisis”. With the gradual increase in economic growth in all regions of the world, the dry bulk demand improved in 2000 and the improvement continued till first half of 2001. Also helping the bullish freight rates was increased scrap prices that led to the demolition of older vessels. Thereafter, since the end of 2001, the market witnessed a downturn due to various factors which was of a rather limited duration. The market since then has witnessed an unprecedented upward trend starting in the third/fourth quarter of 2003, and has remained firm throughout 2004 and till the first half of 2005 after which the market again experienced a small downturn which, experts attributed to an upsurge in supply of vessels coupled with a decline in scrapping of older vessels. However, contrary to expectations and conventional wisdom, the

market turned north from the end of the second quarter of 2006. During 2007, the market continued heading north and reached a peak indicated by the Baltic Dry Index (BDI) touching 11,039 points on 13th November 2007 before starting to drift lower till the end of January 2008. The market then again headed north till it reached its highest level of 11,793 points in May 2008 after which, with the onset of the financial crisis and the threat of sustained global recessionary conditions, it has fallen consistently, reaching close to the all time low at 663 points on the 5th December and was at 774 points at the end of year 2008.

During 2009, the Baltic Dry Index (BDI) increased from 774 points at the beginning of the year 2009 to 3,005 points at the end of year 2009. During 2009, mainly due to the demand from China for import of iron ore and coal, the BDI recovered fairly smartly from its recent lows in the end of year 2008 and remained at reasonably healthy levels compared to the depths plumbed during the year 2008.

2.2 Demand - Supply

While the composition and the age of a Company's fleet does have an effect on its earnings and expenses, the following table illustrates the various external factors governing demand and supply which drive the shipping industry and create the business cycle.



2.3 Shipping Market Index

The following graph below shows the movement of the Baltic Dry Index (BDI), which is the leading indicator of spot dry bulk cargo market rates, calculated by the London-based Baltic Exchange. Since the beginning of 2007 the BDI's composition has changed and the Index is more broad-based now, as it represents the capesize, panamax, supramax and handysize sectors with equal weightage being given to all four sectors. During 2009, the Baltic Dry Index (BDI) increased from 774 points at the beginning of the year 2009 to 2,298 points on 10th March 2009 before reaching its highest level for year 2009 on 19th November 2009 at 4,661 points, after which the BDI has decreased marginally and was at 3,005 points at the end of year 2009.



2.4 Maritime Laws and Regulations

Maritime laws and regulations are very complex and rigid. Due to PSL's strict observance of all maritime laws and regulations coupled with excellent maintenance of its vessels, increasingly stringent regulatory environments actually play to PSL's strengths. Example PSL's older vessels frequently sail into Australia, U.S., Canada and the European Union where authorities are very harsh, and similarly aged vessels owned/managed by others would prefer not to, due to the possibility of being detained and incurring very costly and unplanned repairs.

The following major laws and regulations govern the International Shipping Industry:

1. Flag State

Each ship is registered under a Flag State, which is the nation in which the ship is registered and which holds legal jurisdiction as regards operation of the ship. The Flag State issues a Certificate of Registry, which is one of the essential documents that every ship has to possess before she can operate and sail from or to any port. This certificate generally contains details of the ship, flag and owners.

2. International Maritime Organization

The International Maritime Organization (IMO) is a UN body, which regulates the International Shipping Industry for safety of life, property and the environment. The numerous IMO conventions for example, the Loadline Convention, the SOLAS Convention (Safety of Life at Sea), and MARPOL (Prevention of Pollution from Ships), form the basis of Maritime regulations and certification. IMO Conventions are constantly being reviewed and updated to keep them in line with changing trends. Flag States are members of the IMO and are committed to abide by these conventions and regulations.

3. Classification Societies

Marine insurance policies are subject to a classification clause. Each ship is required to be registered or classed with a world-wide, experienced, and reputable organization, called Classification Societies. The International Association of Classification Societies (IACS) was established in 1968 and has leading societies as members. The classification societies ensure that standards for construction and maintenance of the ships are complied with and are also usually empowered by Flag States to ensure compliance with IMO conventions.

4. Carriage of Goods by Sea Act

The Carriage of Goods by Sea Act (COGSA) was introduced in 1924 after many shipping conferences were held in Brussels among various European nations interested in shipping transportation and subsequently, similar legislation was also introduced in America. This law covers the international transportation of merchandise by sea.

5. International Safety Management Code (ISM Code)

This code is for the safe operation of ships and prevention of pollution at sea and came into force on 1st July 1998. The ISM Code, which is a part of the IMO SOLAS Convention, applies to all vessels engaged in international trade. For compliance with the ISM code, two levels of certification are required: the manager/operator (defined as the “Company” in the code) will have a Document of Compliance ‘DOC’, and each and every vessel will have a Safety Management Certificate ‘SMC.’ This code ensures that not only the vessel is subject to certification, but also the company managing the ship from ashore.

6. International Code for the Security of Ships and of Port Facilities (ISPS Code)

This code was developed by the IMO in the aftermath of 9/11 attacks in New York. The ISPS Code came into force in July 2004 and establishes mandatory measures aimed at improving the security of ships and port facilities to better protect them from all sorts of threats.

7. International Labour Organization (ILO)

Maritime Labour Convention (MLC) requires vessels to provide and maintain minimum standards for remuneration, age, health, safety and living comforts of Seafarers on board vessels. MLC 2006 is likely to come into force from Dec 2010. As a result, from 2011, these standards need to be audited and certified.

8. International Health Organization (IHO)

Ships have to maintain a valid Ship Sanitation Exemption/Control Certificate. Previously, ships were required to comply with derat/exemption certificate which was primarily to curb the spread of Plague due to the possible presence of rats on board. The new International Health Regulation (IHR) 2005 and Ship Sanitation Certificates replace derat/exemption certificate. The IHR 2005 is concerned with spread of diseases that encompass both infection and contamination. Potentially, a number of infectious diseases or kinds of contamination could be spread by ships. Accordingly, the IHR 2005 provides for ships engaged in International Voyages to be issued with:

Ship Sanitation Control Exemption Certificates where the public health authorities have inspected a ship and found no evidence of infection or contamination, or of vectors or reservoirs of infection and contamination or of microbiological, chemical and other risks to human health, or signs of inadequate sanitary measures or

Ship Sanitation Control Certificates where the public health authorities are satisfied that procedures necessary to rid the ship of infection, contamination and/or their vectors/reservoirs have been effectively carried out.

9. International Convention on the Control of Harmful Anti-fouling Systems for Ships

A new IMO convention will prohibit the use of harmful organisms in anti-fouling paints used on ships and will establish a mechanism to prevent the potential future use of other harmful substances in anti-fouling systems. Ships have to carry a certificate to demonstrate compliance with AFS.

10. International Convention on Standards of Training, Certification and Watch-keeping for Seafarers, 1978, as amended [STCW 1978]

The 1978 STCW Convention was the first to establish basic requirements on training, certification and watch-keeping for seafarers on an International level. Previously the standards of training, certification and watch-keeping of officers and ratings were established by individual governments, usually without reference to practices in other countries. As a result, standards and procedures varied widely, even though shipping is the most International of all industries. The Convention prescribes minimum standards relating to training, certification and watch-keeping for seafarers which countries are obliged to meet or exceed. In 1995, a major revision was carried out in order to bring about more stringent requirements to the standards.

11. International Convention for the Control and Management of Ships' Ballast Water and Sediments, 2004

Ships take in large volume of ballast water after discharging cargo to maintain stability. This ballast water containing species from one region is discharged in another region where the ships load a cargo. The problem of invasive species has increased due to the expanded trade and traffic volume over the last few decades. The effects in many areas of the world have been devastating. Quantitative data show that the rate of bio-invasions is continuing to increase at an alarming rate, in many cases exponentially, and new areas are being invaded all the time. At present, the regulations require vessels to exchange ballast water at open sea before discharging into a different port. New regulations will require ships to treat the ballast water taken into its tanks with the help of an approved treatment system which needs to be installed on board.

12. International Convention on Civil Liability for Bunker Oil Pollution Damage, [CLC 2001]

The Convention was adopted to ensure that adequate, prompt, and effective compensation is available to persons who suffer damage caused by spills of oil, when carried as fuel in ships' bunkers. The Convention applies to damage caused on the territory, including the territorial sea, and in exclusive economic zones of States Parties.

13. Various Regional and Local Regulations around the world

Shipping is regulated by various other regulations and conventions like US Environmental Protection Act (EPA), European Union directives on fuel burnt within EU territory, etc., which continue to be developed.



FLEET LIST

[As on 31st December 2009]

No.	Vessel Name	FLAG	Year Built	Dead Weight Tonnes (DWT)	**Net Book Value (Million US\$)	***Insured Value (Million US\$)
1	Fujisan Maru*	Bahamas	1976	16,922	1.76	7.00
2	Natcha Naree*****	Thai	1984	23,593	1.66	4.50
3	Apisara Naree	Thai	1996	18,596	7.90	11.00
4	Bussara Naree	Thai	1997	18,573	8.44	11.50
5	Suchada Naree	Thai	1994	23,732	6.74	12.00
6	Parinda Naree	Thai	1995	23,720	7.11	13.00
7	Boontriaka Naree	Thai	1990	27,881	5.70	11.25
8	Tharinee Naree	Thai	1994	23,724	6.97	12.00
9	Chollada Naree	Thai	1997	18,485	8.20	11.25
10	Dusita Naree	Thai	1997	18,486	8.18	11.25
11	Emwika Naree	Thai	1997	18,462	8.55	11.25
12	Ploypailin Naree	Thai	1995	26,472	7.97	13.25
13	Neera Naree	Thai	1986	25,309	2.80	6.00
14	Fonthida Naree	Thai	1995	28,484	8.85	13.50
15	Rattana Naree	Thai	2002	28,442	14.46	20.50
16	Nipha Naree	Thai	1984	33,024	3.37	5.50
17	Nayana Naree*****	Thai	1985	23,846	2.62	4.80
18	Kritika Naree****	Thai	1982	34,072	1.32	4.35
19	Chalothorn Naree	Thai	1996	27,079	12.01	14.00
20	Saranya Naree	Thai	1991	28,583	8.88	11.75
21	Sujitra Naree	Thai	1995	28,290	9.86	13.50
22	Vijitra Naree	Thai	1997	28,646	11.46	15.00
23	Urawee Naree	Thai	1997	28,415	17.99	18.00
24	Mathawee Naree	Thai	1996	28,364	17.93	18.00
25	Rojarek Naree	Thai	2005	29,870	22.12	23.00
25 Vessels		Total		631,070	212.85	297.15

- Remarks**
- * 64% shares held by PSL Group
 - ** Net Book Value is as per restated US Dollars financial statements as on 31st December 2009
 - *** Insured Value means agreed value to be received from the insurer in case of total loss of the Vessel
 - **** Ship Sold per Memorandum of Agreement signed during December 2009 and delivered to Buyers in 2010
 - ***** Ships Sold per Memorandum of Agreements signed and delivered to Buyers in 2010



REVENUE STRUCTURE

Revenue Structure from the Operation of the Company and Subsidiaries for the last 2 years

Revenues	2009		2008	
	Baht Million	%	Baht Million	%
Vessel Operating Income	5,523.65	86.19	8,535.80	98.68
Gain on sale of vessels and equipment	760.28	11.86	0.14	-
Other income	124.95	1.95	113.84	1.32
Total Revenues	6,408.88	100.00	8,649.78	100.00

2009



1.95%
Other Income

11.86%
Gain on sale of vessels and equipment

86.19%
Vessel Operating Income

2008



1.32%
Other Income

98.68%
Vessel Operating Income



Vessel Operating Income



Gain on sale of vessels and equipment



Other Income



THE BOARD OF DIRECTORS



Admiral Dr. Amnad Chandanamattha
Chairman of the Board of Directors
Independent Director



Mr. Khalid Moinuddin Hashim
Managing Director
Executive Director



Mr. Munir Moinuddin Hashim
Director
Executive Director



Mr. Khushroo Kali Wadia
Director
Executive Director



Police LT. Gen. Kiattisak Prabhavat
Chairman of Audit Committee
Independent Director



Mr. Suphat Sivasriamphai
Audit Committee Member
Nomination Committee Member, Independent Director



Mr. Chira Panupong
Remuneration Committee Member
Independent Director



Mr. Thira Wipuchanin
Chairman of the Remuneration Committee
Chairman of the Nomination Committee
Audit Committee Member, Independent Director



Mr. Jaipal Mansukhani
Director



Ms. Nishita Shah
Director



Mr. Kirit Shah
Director
Remuneration Committee Member



Mr. Peter Feddersen
Nomination Committee Member
Independent Director



BOARD OF DIRECTORS' REPORT



Mr. Khalid Moinuddin Hashim

TO THE SHAREHOLDERS:

The Directors are pleased to present the Twenty-first Annual Report of the Company along with the Audited Financial Statements as on 31st December 2009

Last year we began our Annual Review with a quote from that immortal classic 'A Tale of Two Cities' By Charles Dickens, 'It was the best of times, it was the worst of times'. For 2009 we could say that as the shipping world said farewell to its Annus Horribilis, the prospects for the dry bulk market was more confused than ever before. Clarity, or more correctly the lack of it, on the New Building front is what is creating the maximum doubts. Today no one is quite sure just how much of the new buildings on order will be delivered over the next few years. The short-term imbalance between demand and supply will fluctuate according to the timing of ships entering the fleet and how that coincides with demand will ensure big troughs and peaks. To add to this confusion, we have the on-again off-again, Iron Ore Annual Contract pricing saga being played out, making analysis of the demand side of the same equation even more problematic. To increase the confusion further, China's third-biggest steelmaker signed a long-term iron ore contract with Venezuela's state-run company in November 2009. This agreement will help China to diversify its Iron Ore sources and get it cheaper due to a pricing mechanism different from the traditional annual contract. According to a senior ship-broking researcher, some 250 MMT of Iron Ore remains unaccounted for in China if you take the Domestic Iron Ore produced add the Imported Iron Ore and reduce from this total, the raw Pig Iron produced in just the first 10 months of 2009. This 250 MMT 'ace up the buyer's sleeve' could end up having a significant impact on the Annual Iron Ore Contract pricing row as it unfolds. If nothing else, it could end up pushing demand over the cliff bringing the dry bulk freight market to its proverbial knees.

To keep things in perspective on your Company, we would like to highlight the annual net profit/loss from the Restated US Dollar Financial Statements over the past few years.

Year	2002	2003	2004	2005	2006	2007	2008	2009
Net Profit - \$m	(0.48)	24.79	110.10	154.22	92.63	96.48	148.14	88.09
Av. No. of Ships	29.22	28.39	44.63	52.89	54.00	44.97	44.12	32.79
Net Profit/Ship - \$m	(0.02)	0.87	2.47	2.92	1.72	2.15	3.36	2.69

Our result for 2009 must be viewed against the US Dollar 11 Billion losses racked up by twenty two players (16 publicly listed and 6 private) in the Container Sector in just nine months of 2009 with only marginally smaller losses



Mr. Khushroo Kali Wadia



being shown by players in the Tanker and Dry Bulk sectors. When viewed against this backdrop, our results are like a shining beacon in the darkness and gloom that surrounds us.

Awards and Accolades:

2009 is the second time (the first time was in 2006) that our Managing Director has been one of the very select nominees for **The BEST CEO Award** by the Stock Exchange of Thailand (SET).

2009 has been crowned with the **December 2009/January 2010 issue of Asiamoney**, under their Corporate Governance Poll, conferring the title of **Best Overall for Corporate Governance and Best for Disclosure and Transparency** in Thailand to your Company!

We have also been awarded with **The Best CEO** in the small and medium cap companies' category by the **Securities Analysts Association of Thailand**.

The Marine Money June 2009 'ranking' issue had PSL as the 7th best shipping company in the world based on our financial results of 2008! The methodology used by Marine Money for their rankings was a simple aggregate of 6 criteria: Total return to shareholders, Asset turnover, Profit margin, Return on Equity, Return on Assets and Price to book value.

Investor Relations is an area where we accord the greatest importance and have our Managing Director handle the Press/analysts briefings part of investor relations. **The December 2009/January 2010 issue of Asiamoney**, under their Corporate Governance Poll, conferred on our Managing Director the title of **Best Investor Relations Officer** in Thailand for the second year in a row. We also have our **CFO** and two other senior staff assisting in this area. In addition to the various Road Shows during the year we also attended the 4 quarterly SET Opportunity Days during 2009. We hope to continue actively with this important part of our Investor Relations Program in 2010 and beyond.

FINANCIAL HIGHLIGHTS (THAI BAHT TERMS) AND REVIEW OF THE YEAR:

In terms of operations, during the year under review, the Total Revenues of the Company were Baht 6,408.88 million [2008: Baht 8,649.78 million] and the Company earned a Net Profit of Baht 3,047.06 million [2008: Baht 4,938.59 million]. The Shareholders' Equity of the Company has increased to Baht 17,136.36 million [2008: Baht 16,177.45 million] and the Total Assets of the Company have also increased in spite of the sale of 20 ships during the year to Baht 22,140.13 million [2008: Baht 17,960.53 million] mainly due to the advance instalments of Baht 3,088.76 million paid till the year end towards our Newbuildings (Orders for new Ships) and due to the net profit earned during the year with a substantial part thereof being retained.

During the year, the Company earned Baht 3,048.97 million as Net Profit before Exchange Gain of Baht 43.63 million [2008: Exchange Gain of Baht 61.13 million] and Income Tax of Baht 45.54 million [2008: Baht 21.37 million]. In terms of the Earnings, the Company's ships achieved an average time-charter equivalent earnings of USD 13,459 per day per ship as compared to USD 16,489 per day per ship for year 2008. The total revenues excluding gains on sales of vessels and equipment in absolute terms were lower than that of the previous year, mainly due to a decrease in ship operating days due to the sale and delivery of 20 older ships from our fleet and lower average earnings per day per ship in year 2009 as compared to year 2008. Absolute ship operating expenses, also decreased by about 11%, due to the lower ship operating days during the year. The technical downtime was an average of 10.18 days per ship, which is very good considering the average age of the fleet of about 18 years in 2009. As a result of the good profitability and robust cash flows, the Company has enjoyed high level of liquidity during 2009 and has paid dividends of Baht 2,078.74 million during the year 2009.

We also undertook an "in-house" exercise to determine Total Return to Shareholders, which was calculated for the 16 years that we have been operating as a listed entity. Based on the closing share price as on Wednesday the 16th September 2009 of Baht 18.30 per share (we started trading on the SET on the 16th September 1993) and assuming you had subscribed at the IPO, then, at the end of 16 years, you would have 13.12 times your initial investment!! This return does not assume any re-investment of the dividends into shares or any interest on the dividends received.

Our Fleet:

As you may be aware, the fleet strength at the end of 2009 was 25 vessels with an aggregate capacity of 631,070 DWT, an average 25,243 DWT per ship, and an average age of about 17 years. **The Fleet Rejuvenation Plan** in terms of the New Ships being built at the ABG shipyard in India have already been highlighted in our Annual Report for 2007. In a highly capital intensive business with very high leverage and characterized by unpredictable and wildly swinging cycles, the timing of the purchase of your assets is possibly the single most important decision that has to be made.

In accordance with our stated plan, we have already sold 21 of our oldest 25 ships during 2009 and we hope to have sold the balance 4 ships by the end of Q1 2010 once their current contracts have expired, completing the first phase of our rejuvenation plan. With the purchase of the Rojarek Naree (29,870 DWT, built in 2005 in Japan) we have embarked on the next phase of our rejuvenation plan to replace the 25 sold ships with younger, larger, better geared and more economical ships from the second hand market. This will be the last piece to fall into place of the puzzle and should stand the Company in good stead for years to come. We have to complete the renewal by buying 24 more ships from the second hand market. For most organizations, this would pose quite a challenge. In our case, things are a bit different. If you would recall, between September 2003 and September 2004 we went from 28 ships to 52 ships by purchasing 24 ships from the second hand market in the space of just 12 months. That was done at a time when the freight market had just started its really long bull run, so we managed that renewal/purchase program in a rising market. This time around, we wish to, once again, purchase 24 second hand ships when the freight market is going to be range bound between BDI levels of 1,000 and 3,500 points. The expected market environment between now and the end of 2010 would be a much easier environment for us to execute our purchase/renewal program than a rising market. As far as availability of ships is concerned, it is a non-issue. We are literally inundated with very young ships available for sale on a daily basis. If we were to simply go out and accept the asking price of the sellers, we could be done with our renewal of 24 ships from the second hand market in less than 3 to 6 months time! It is just that we expect prices may soften from their current level that is holding back such a decision as both the shipbuilding and ship financing businesses are in disarray. On the one hand, money is scarce and on the other, no one wants the new building they had ordered. In this environment, we can do very good deals via second-hand ships from weakened sellers or via troubled new building orders to complete our replacement program.

Once this replacement has been done in a successful manner we feel that the economic viability and security of the Company would have been assured for the next few decades as we would have replaced the majority of our older fleet at historically low price levels. To that end, the Company will continue to be on the lookout for the right opportunities for additional fleet renewal as we would like to achieve an annual fleet strength of between 50 and 70 ships within the next few years.

Highlights of 2009:

The year was ushered in with the **Global banking crisis** in full swing. Lehman Brothers collapse was followed by the banking system suffering what was tantamount to a coronary attack. Banks refused to lend to each other and consequently their loans to companies froze. By February, the financial crisis had become a severe global recession, with a collapse in trade finance and a precarious environment reminiscent of the 1930s Great Depression. Central banks poured liquidity into the banking system and Governments accepted fiscal deficits of an unimaginable magnitude to pump prime their respective economies. Decline in global trade reached its nadir in February and March. Dry bulk shipping felt the direct impact of this financial melt-down in what has been the most brutal year for shipping in recent memory. However, the **hunger for commodities from China** due to the massive fiscal stimulus package of USD 586 Billion has, almost single-handedly, helped keep the dry bulk market afloat throughout most of the year and led to a rebound in rates. **In Ship Finance**, 2009 could be categorized as the year of procrastination. As a result, the huge problem of semi-financed, yet over-ordered, new buildings will be passed on to 2010 for some tough decision making. Ship owners, bankers, and shipyards have hovered in a state of inaction, resisting the downward re-pricing of existing new buildings to reflect current market conditions. Bankers have been in a particular quandary, not wishing to enforce loan-to-value covenants in the worry that they will cripple the weakest of ship owners. The hope, of course, is that waiting will be a sound strategy, and that re-pricing will begin once the market commences an upward trajectory. The waiting has had the effect of stalling any discovery of a market bottom in terms of ship-pricing. This ‘delay and pray’ attitude has been ably supported by the unexpected strength in the BDI with the ‘delaying’ of hard decisions looking very wise with hind-sight.

China's Iron Ore imports according to preliminary Customs data, was a massive 628 MMT and an impressive new record for 2009 almost 41.5% higher than the corresponding figure of 444 MMT for 2008! The expectation is that iron ore imports into China in 2010 should reach 675+ MMT. Provisional **Chinese steel production** for 2009 reached a staggering figure of about 566 MMT about 14% higher than the already phenomenal figure of 500 MMT in 2008. For 2010, this figure is expected to reach 640 MMT. Coal represents about 80% of **China's energy** requirements. Historically, China was self-sufficient in coal, but that is no longer the case with an import of about 120 MMT for 2009. And this amount could grow to 150+ MMT in 2010 with that amount being exceeded in future years.

The Baltic Dry Index (BDI) ended the year at 3,005 points, about 390% higher than from where it had started the year at 773 points, after having peaked twice at 4,291 points on the 3rd June 2009 and at 4,661 points on the 19th November 2009. The main reasons for the strength of the index can be attributed to the huge increase in Iron Ore demand from China (~42% above 2008) resulting in inordinate amount of congestion (by the end of 2009, global port congestion had reached record levels with nearly 8% of the entire dry bulk fleet at anchorage) especially in the Capesize sector. Coupled with the almost 100 MMT of Coal that China imported and the ton-mile impact of this change, from being an exporter to becoming a very large importer, was another factor supporting the index. Finally, the clogged financial systems resulting in trade imbalances being exacerbated leading to under-utilization of ships was the unexpected item that helped support the index. It would be remiss not to mention the slower than expected delivery of new ships from yards which gave a big helping hand in supporting the index.

The BDI average for the year was 2,617 points, for a 41% decline compared to the average of 6,390 recorded in 2008. To bring all this into some sort of time perspective, the long term average for the BDI (1985 - 2003) prior to the recent Bull Run was 1,358 points; including the Bull Run period (1985 - 2009) was 2,109; and during the Bull Run (2004 - 2009) was 4,514 points. With rate volatility increasing, long term contracts were only as good as the signature of the counterparty. Many large charterers were loath to honour these long term contracts and were using all means, legal and some not so legal or ethical, to wriggle out of their commitments. The expected large scale of bankruptcies was kept at bay thanks to the BDI's unexpected strength through the year. We suspect that 2010 and, maybe, 2011 will not be so kind with many entities being forced to the wall as time progresses. Describing the shipping markets as ‘expecting the unexpected’ may not be prescient but ‘**expecting the expected**’ over the next two years may turn out to be a much more accurate description of the future.

To a large extent, our strategy of booking long term charters for our ships, at reasonably high rates, has therefore been vindicated yet again. **The earnings per day per ship** during 2009 for our fleet continued to reflect our strategy of avoiding the dramatic changes that would have been the case had our earnings mimicked the BDI. For 2009, we averaged earnings of USD 13,459 per day per ship which was just marginally lower with our forecast of USD 14,000

per day per ship. This figure compared favourably with our past results prior to 2008 of USD 13,147 per day in 2007 and of USD 11,387 per day in 2006

THE INDUSTRY OUTLOOK:

Ship scrapping that started off the year with a bang ended with a whimper with a total of 227 ships being scrapped and 134 ships being delivered into the world fleet, resulting in a negative growth of 93 ships or -2.9% with the world fleet shrinking from 3,219 ships to 3,126 ships in our sector (10 - 30,000 DWT) during 2009. The reason for scrapping rates to have significantly slowed down in the second half of the year has been the continued strength of the freight market. But it is impossible to escape the conclusion that, for the most part, the ever greater age of more and more ships and the levels to which the freight markets have sunk to will lead to an upswing in scrapping rates in the near future.

Strong supply of new ships expected for 2010:

The Cape sector (90,000+ DWT): 415 ships or 40.2% of the existing fleet are scheduled for delivery in 2010, another 299 ships or 28.9% to follow in 2011 another 143 ships or 13.8% to follow in 2012 with 40 ships or 3.9% to follow in 2013. In this sector, 239 ships or 23.1% will be over 22 years of age by 2013 and likely to be scrapped during 2010 to 2013 should freight rates remain at current levels.

The Panamax sector (50 - 90,000 DWT): 230 ships or 14.8% of the existing fleet are to be delivered during 2010, another 194 ships or 12.5% contracted for delivery in 2011, another 96 ships or 6.2% contracted for delivery in 2012 with 28 ships or 1.8% for delivery in 2013. The saving grace in the Panamax sector is that 367 ships or 23.6% of the fleet will be over 24 years of age by 2013 and would likely be scrapped during 2010 to 2013 should freight rates remain at the current abysmal levels, thereby balancing out the fresh supply and restoring freight rates in the near future.

The Supramax sector (40 - 60,000 DWT): 464 ships or 24.9% of the existing fleet are scheduled for delivery in 2010, another 274 ships or 14.7% are scheduled for delivery in 2011, another 88 ships or 4.7% are scheduled for delivery in 2012 with 9 ships or 0.5% to follow in 2013. In this sector, 378 ships or 20.3% will be over 25 years of age by 2013 and likely to be scrapped during 2010 to 2013, if freight rates remain at their current historically low levels.

The Handymax sector (30 - 40,000 DWT): 322 ships or 33.4% of the existing fleet are scheduled for delivery in 2010, another 238 ships or 24.7% in 2011, another 109 ships or 11.3% in 2012, with another 8 ships or 0.8% to follow in 2013. In this sector, 534 ships or 55.3% will be over 25 years of age by 2013 and likely to be scrapped during 2010 to 2013 if freight rates remain at current levels for any length of time.

The Small Handy sector (10 - 30,000 DWT): 285 ships or 9.1% of the existing fleet are scheduled for delivery in 2010, another 118 ships or 3.8% are scheduled for delivery in 2011 another 27 ships or 0.9% in 2012, with another 2 ships or 0.1% to follow in 2013. In our sector, 1,555 ships or 49.7% will be over 27 years of age by 2013 and likely to be scrapped during 2010 to 2013 if freight rates remain at the current depressed levels. With this extremely large overhang of very old ships, the supply demand dynamics appear to be the strongest in the small handy size sector, the sector in which we operate more or less exclusively, of the Dry Bulk Tramp Freight market.

When reading the above supply side numbers please keep in mind that the **Slippage in Delivery** for 2008 averaged 28.4% and in 2009 this has widened to 47%. It remains to be seen what this figure will look like for 2010 but we would not be surprised to see it easily cross 50%.

Our Competitive Position based on our existing 24 ships plus the 18 ships on order and the USD 500 million of funds available to buy about 25 second-hand replacement ships in lieu of the older ships that we have sold/have been selling, makes us one of the biggest players in this sector of the market with one of the largest new building orders in hand. With the ownership structure in this sector being extremely fragmented, we are recognized as an established brand name with every client wanting to do business with us first before they take their custom to any of the other smaller players within the sector.

Additionally, our plan to rejuvenate and replace the 25 oldest ships from our existing fleet, 21 of which have been sold with the balance 4 targeted for sale within Q1 2010, with younger, larger, better geared and more economical vessels from the second hand market at, what could likely be, historically low levels would enhance our competitive

position compared to our peers who have probably purchased second hand ships during the past 4 to 5 years at historically high prices.

THE ISSUES FACING OUR INDUSTRY:

With the Freight Markets hitting all time highs and plunging to a two decade low in 2008 with 2009 emerging as a year characterized by freight market confusion, most prudent companies that have very little debt on their balance sheets and with a lot of cash in their pockets would likely consolidate the industry. This could happen through the judicious purchase of second-hand tonnage at historically low prices or via mergers and acquisitions. By whatever means consolidation takes place, it is to be welcomed, as it can only make life a bit better for the participants in this industry.

Operating Costs continued to rise during 2009 but the unprecedented plunge in the global shipping market in 2008 has had a (welcome!) dampening effect on some of the cost components in 2009, which we expect will continue for some more time into 2010. Notably, **Drydock, Special Survey, repairs, maintenance, stores and spares** costs during 2009 have eased off somewhat for the entire industry, with the most visible effect being on the dry-docking & repair expenses. The repair yards had fewer ships coming for repairs and so the ship-owners faced minimum, if any, delays in waiting. Also, the basic cost of steel came down and that resulted in a lower repair bill. We expect this situation to continue at least for the first half of 2010.

Lubricating Oil prices remained steady in 2009 and the suppliers withstood pressures to reduce prices in the face of the difficulties brought on by the economic slump world-wide. Suppliers have already started talking of price increases in 2010.

With the overall drop in the number of ships trading, and more shipyards reporting cancellation of orders for building new ships, the demand for officers and crews has reduced. However, this did not result in any appreciable reduction in **crew costs** since the costs remained at 2008 levels for most owners, but a few owners, mainly whose ships are manned by third-party crewing agents, may have taken advantage of the slump in demand to beat down crew-costs. We believe any savings on this count is likely to be short-lived and, more importantly, may well be counter-productive since the adage ‘you get what you pay for’ applies very well to this component of our industry, and indiscriminate cutting down on crew costs cannot but reflect on the quality of manpower.

Vessel values remained low during 2009 which helped to control a part of the **insurance** premium. We expect values to remain at these levels, with minor variations, during 2010 as well.

Commercial pressures on owners/operators to try and keep all operational delays to a bare minimum, has only increased due to the depressed freight market conditions; this, coupled with the increasing work-load on Pilots & tug-boats, has increased the likelihood of casualties, mostly collisions and groundings. While the loss/damage caused by these casualties is covered by insurance, it results in an increase in the premium payout for our Company even when our vessels have not had an accident. This is because of the mutuality principle of **Protection & Indemnity (“P&I”) Insurance** which is unique to the shipping industry, by which all the major P&I insurers share the costs of marine accidents through well-defined principles.

Finally, all the insurers have been impacted by the recent financial crisis and can be expected to raise premium rates to take care of the drop in their investment income. On this basis, we expect the insurance costs to harden, notwithstanding the emphasis we place on safety of our vessel operations, both, on the vessel/crew side, as well as the environment. For 2009, our average operating costs per day per ship have gone up by about 5% over the previous year; whilst we do not have figures for the industry norm, we expect that they will be still higher than ours based on past experience.

IMO conventions are constantly updated to match demands for enhanced steps to protect the environment. Marine Environment Protection Committee of IMO recently approved major changes to MARPOL (Annex VI) regulations to reduce harmful air emissions from ships. Special sea areas for controlled discharges from ships have been increased. Rule requirements for carriage of certain bulk cargoes have become stricter than before. More countries are insisting on stringent **ballast water management practices** on board ships. As a result of initiatives from the **International Labor Organization**, living conditions of crewmembers on board are receiving increased importance. Due to these developments, inspections and surveys by **Class Societies and Port State Control** became more stringent and resulted in increased costs

to ship owners and increased pressure on the regulators - the Flag State authorities and the Classification Societies - who, much like ship owners themselves, faced a huge shortage of trained personnel.

“Going Green” is the latest slogan which responsible companies the world-over have taken to in recent times, and the shipping industry is no exception. In fact, our industry gets an even closer inspection due to the sensational media coverage of oil-spill accidents such as the Exxon Valdez. In addition to the voluntary measures adopted by the Company to reduce its Carbon footprint, as explained in our CSR Statement, there are specific IMO Conventions and regulations mandated by individual countries, to control the emission of Sulphur dioxide, Nitrogen oxides, Halons and CFCs which contribute to Green House Gases. These regulations can be expected to become more stringent in the coming years. In addition, certain states in the USA are likely to require ships calling their ports to use shore power which is greener than the power generated on board ships. ‘Bonnet’ technology is another concept, presently available only in certain ports, which can receive the exhaust gas from ships for treatment before discharging into the atmosphere. These measures are still evolving and there will likely be operational problems; besides, these will most likely result in additional expenses for the ship owners/operators.

Maritime Training Center & Maritime Resource Management: In an attempt to reduce the number of maritime accidents caused by the problems of crew shortage and crew quality, the Company has set up a full-fledged Maritime Training Center at its Head Office in Bangkok and the facility has been fully operational since March 2008. This includes a state-of-the-art **Bridge Navigation Simulator** for training of maritime personnel. **Maritime Resource Management (MRM)** is a training program for ship’s officers, engineers, pilots and shore-based personnel. The aim is to increase knowledge about human capabilities and limitations and to reinforce positive attitudes towards safety and teamwork. MRM is generally accepted to be one of the most efficient means of improving crew cooperation and minimizing the risk of accidents caused by human errors as well as failures in effective teamwork and resource management. The MRM course is authorized and licensed by The Swedish Club. Apart from the MRM courses, we have also set up classrooms, **Video-Based Training (VBT)** and **Computer based training (CBT)** for our ship staff. Courses include MRM, Bridge Team Management (BTM), Bridge Team Competency (BTC), Officer Of the Watch (OOW), Chief Mate Course (CMC), Command Course (Command), Shipboard Safety Course (SSC), Maritime Professional Briefing (MPB), Maritime English training (divided into 5 course levels), Video-Based Training (VBT) and Computer-Based Training (CBT) programs for safety and efficient ship operations of deck and engine departments. The courses are upgraded regularly and provide a solid foundation to the Company’s training activities and enable our Officers and Engineers to keep abreast of the latest developments in ship operations.

The Bridge Navigation Simulator recreates the actual bridge on a ship as it enters a major port and provides ideal conditions in which to train Officers in hands-on practices for effective bridge teamwork and competence in ship-handling and navigation. This is a significant step taken by the Company to train and equip its Officers and Crew to take better care of themselves and their ships, all with a view to ensuring safety of the crew and the ship by preventing accidents, thus also helping to preserve the environment. In the current scenario of a worldwide shortage of trained personnel, and the rapid promotions that is a natural result of such a shortage, this is a major step to provide specialized training that would otherwise have been acquired ‘on the job’.

In 2009, we introduced technical training courses for Engineer officers (**“Engine Room Management and Competency Enhancement”** - **“EMC”** for Senior Engineers, and **“Engineer on Watch”** - **“EOW”** for Junior Engineers). We also installed certain basic (but important) equipment such as a turbocharger and a purifier at the Training Centre for practical training to accompany class-room theoretical courses. These will nicely augment the Bridge Simulator (which is essentially for Deck Officers) and enable the Training Centre to address the requirements of both Deck and Engine officers & crew.

Piracy is the latest scourge facing the shipping industry, and there seems to be no signs of this abating even though the UN and several leading countries have deployed their naval warships to patrol the area. Pirates have expanded their operations into the Southern Red Sea and also into the Indian Ocean as far away as Seychelles, using larger mother ships for logistical support.

Although the shipping industry has been afflicted by piracy for centuries, it has assumed a new dimension in the Gulf of Aden (GOA) and the Somali coast with ships being hijacked at frequent intervals. The swashbuckling pirate of the past is tame compared with today’s heavily armed criminals scouring the Gulf of Aden and off the east coast of

Somalia for vulnerable vessels to hijack. It is important to note that Piracy is a commercial venture. Pirates are not really interested in the cargo. They just want the ransom money and use the crew as bargaining power. Of course, if the cargo is valuable they get a little more leverage to extract an even bigger booty.

Pirates typically approach laden ships moving at no more than 14 knots using three or four fast fishing boats capable of moving at 30 knots. They use ‘mother-ships’ - usually captured smaller vessels - as a floating base from where to launch their operations. They carry rifles and RPGs and fire them to force the ship to stop. Laden ships with a low freeboard, such as tankers and bulk carriers are easy targets. The vessels are then boarded and the crew forced to take the vessel to a port under the control of Somali pirates where a ransom is demanded from the ship owner. Usually it takes about 2 months to negotiate the release of the captured vessel.

The establishment of the revised International Recognised Transit Corridor in the GOA has been a great achievement in the management and provision of protection to commercial shipping transiting these dangerous waters. This revision is intended to reduce the risk of collision between vessels utilizing the corridor, provide a measure of traffic separation, and allow maritime forces to conduct deterrent operations in the GOA with a greater degree of flexibility.

Many nations have committed their warships to the GOA area to protect International shipping and have also established Command/Coordination Centers around the region. All vessels are encouraged to join convoys which are announced well in advance and which are escorted by naval warships.

In the year 2009, 135 ships were attacked and 33 hijacked. One ship was attacked as far away as 1000NM east south east of Mogadishu, the capital of Somalia.

PSL has about 1 or 2 vessels transiting the GOA every month. While there have been a few sightings of suspected pirates, we have been fortunate that only one of our vessels, which has since been sold, had a close encounter with pirates but managed to escape.

We have approached the Royal Thai Government for assistance and we understand the Royal Thai Navy is discussing the issue with various ministries. Meanwhile, we engage specialized security teams on board our transiting vessels to provide training and additional vigilance, and generally boost the confidence of the Master and crew. Apart from above, all our vessels are advised to follow the updated Best Management Practices and Ship Protection Measures to Deter Piracy in the GOA and off the coast of Somalia.

There are also fears in the maritime sector over the rising status of Nigeria among the regions with high rate of pirate attacks. Latest report from the International Maritime Bureau (IMB) Piracy Reporting Centre showed that Nigeria is now next to Somalia in the list of countries whose waters have been invaded by pirates.

Finance: “If you want to know the value of money, go and try to borrow some.” - We had made a reference to this quote by the wise Benjamin Franklin which continues to remain as relevant today as it was last year. With the modest recovery in markets from the second quarter of the year 2009, we did not progress to a worse situation as we feared at the beginning of the year, not that it has become substantially better, on the finance front at least. Borrowers who had expanded their fleets at the top of the market continue to be under stress. The only thing that has saved these borrowers from being pushed into bankruptcy or forced sale of their assets is that the banks find themselves in equally stressed circumstances. The fear of a loss in their books is holding them (the Lenders) from enforcing the security in a more forceful manner. Consequently, we saw a spate of Covenant Waivers being readily granted by the Banks to borrowers who are in default having breached their loan-to-value and other financial covenants. We believe these covenant waivers come with strings attached of additional restrictions and costs by way of fees and additional margins. On our part, we do not face any such situations and have drawn USD 224.79 million from our facility which we had tied up for our new-building orders. We have also drawn THB 734.27 Million (which was swapped to USD 22.15 million) from our second-hand vessel acquisition facility to fund the purchase of the Rojarek Naree which was delivered in December 2009. We had remarked last year that we prefer to look at the silver lining in the dark clouds of the liquidity squeeze which would place us at a relative advantage over other leveraged and weaker borrowers, and it has indeed turned out to be more than just a “lining” for us as we successfully extended the availability periods of both our second-hand vessel acquisition facilities amidst all the turmoil from year 2008 right through the first quarter of 2009. Since then, we have drawn on the first facility as mentioned above, and have cancelled the other facility near the end of the year to save on commitment charges since it became apparent that we will not have the opportunity to draw any

amounts against this facility. We are very pleased to report that we have now signed up another new long term loan facility of USD 250 million in the beginning of this year (2010) with a long availability period extending up to 30th June 2011, and we hope to draw this full facility within the end of the availability period to fund the acquisition of the second-hand vessels we plan to buy to replace our recent sales. We are also in discussions with our Lenders of the first second-hand vessel acquisition facility (USD 250 million equivalent) to extend the availability period of the balance of this facility by another year and if extended, as is our expectation, we hope that we should also be able to draw this down to complete the replacement of all our planned 25 old vessel sales during years 2009-10-11.

JOINT VENTURES:

The status of our joint-venture investments is as follows:

■ **Southern LPG Pvt Ltd. (SLPG):** The process of closing down this entity is nearly complete. We had completed the sale of the major assets in this company and we are now in the process of closing the balance sales in the near future.

■ **International Seaports (Haldia) Pvt Ltd:** This is our only investment in Ports now which is in the Haldia port (about 22.4% of the total capital) and is operational under our past port projects investments. This JV continues to operate very well and we have to-date received total dividends of USD 1.11 million, which work out to about 50% of our original Investment made in years 2002-2003. Our intention to increase our holding to a more strategic 33.55% by signing an agreement to buy a further 11.15% in the Port Company in December 2008, has not yet been successfully closed because of some delays faced by the Port Company in obtaining regulatory approvals, but, we hope to close this matter in the near future.

IN CONCLUSION:

Demand

With the changed business climate of demand for shipping having virtually fallen off a cliff the environment for the next 2 years is going to be extremely challenging. Our strategy of having booked longer term contracts in the past is worth its weight in gold today. The demand destruction, that has taken place in large part due to the shaky position of the financial infrastructure of the world, has been reversed to a large extent by the massive and globally coordinated Government bailouts as well as stimulus packages liberally employed during 2009. Most importantly, banks need to re-open to the world their collective windows on trade finance which they had shut at the peak of the financial crisis in the middle of 2008, and which have still some way to go before they could be termed as 'normal'. The danger marker is, of course, the reaction of the world GDP when the life-support-drug to the economy of massive coordinated Governmental stimulus starts to wear off. The fear, which is still largely in the background, is that the world GDP may stumble into a double-dip recession which would have an adverse impact on demand growth. These will be the key trigger points to watch out for and that will indicate if better times are just around the corner.

Supply

Due to the extremely favourable freight markets of the last 5 years, most ship-owners have kept their older ships operating well beyond their useful economic life. Under normal freight market conditions, approximately 20 to 25% of the existing world fleet should have been scrapped. Under the present market conditions, this figure could rise substantially and would only be constrained by the available scrapping capacity in the world. Those ships that are too young to be consigned to the scrap heap will be laid up.

With respect to the approximately 57.3% of brand new Dry Bulk ships scheduled to be delivered over the next 4 years to end of 2013, the financial crisis has, if we are to believe the various press reports on this subject, already eliminated approximately half that number. The balance half would be subject to delays that would not be considered normal by any standards. An indication of what we could expect is evident from the slippage figures of 28.4% in 2008 increasing to 47% for 2009 and expected to cross the 50% mark quite easily in 2010.

The supply side looks about ready to come into balance with the demand side of the equation in a couple of years time just about when the banks should have got their act together and we could see another bull run in the freight markets post 2011. We think that 2010 and 2011 will therefore remain extremely challenging years where even the most astute and conservative ship-owners' best laid plans will be sorely tested.

Financing

Fund raising will be one of, if not, the biggest challenge that ship-owners will have to face during 2010 and 2011. In the past 5 years, shipping banks have assisted ship-owners to purchase something like USD 160 to 175 Billion worth of secondhand ships. Due to the rapid fall off in values, these ships have lost around 50 to 60% of their values from the peak reached in the first quarter of 2008. Most, if not all, such loans would have breached their loan to value covenants. This would allow the banks to call such loans into default and accelerate the prepayment of all outstanding loans. If such ships have got long term charters attached with good quality counterparties, then the banks may hesitate to call these loans into default though they would try and garner all the cashflow from such contracts to normalise the loan to value covenants as soon as possible. If such ships are also exposed to the spot markets, the banks would be in serious trouble with cashflows being unable to cover interest and/or principal repayment and the loan to value covenants having been breached.

Financial procrastination which characterised 2009 with a “see no defaults, do no foreclosures, hear of no defaults” attitude may be something that will change dramatically in 2010 and 2011. This is when the banks would call such loans into default, seize and auction the ships at the best possible price to recoup some part of the loans that they had made to the ship-owner during the purchase. This would stress out the balance sheet of the banks and, most likely, make the ship-owner go bust. If such a ship-owner has new ship buildings on order, which is more likely than not, and has got funding commitment from his banks, all such financial support would evaporate leaving the contract to build the new ships invalid and the financial stress would pass on to the shoulders of the shipyards and their banks. The shipping industry at present is just seeing the emergence of its own version of sub-prime toxic waste that threatens to engulf ship-owners, their banks, the shipyards and their banks.

This financial stress in the maritime world is what has given rise to the myriad of press statements emanating from ship-owners and shipping analysts around the world that the mountain of new ships on order for delivery between now and the end of 2013 could be just a mirage as more than half of them have already been cancelled. This might be the silver lining to the dark clouds threatening to engulf our entire Industry.

Concluding Remark

Considering all the above, we feel that we are poised to take advantage of the opportunities that the Dry Bulk Tramp Freight Markets will likely throw our way in the years ahead. We hope to deliver to our shareholders and other stakeholders the promise of this potential. This will in no small measure be due to the very dedicated and hardworking professionals that make up the office, as well as, the floating staff at PSL.

**For and on behalf of the Board of Directors of
Precious Shipping Public Company Limited**



Mr. Khalid Moinuddin Hashim
Managing Director



Mr. Khushroo Kali Wadia
Executive Director

February 2, 2010



AUDIT COMMITTEE REPORT

TO THE SHAREHOLDERS

The Audit Committee of Precious Shipping Public Company Limited consists of 3 independent directors viz., Police LT. Gen. Kiattisak Prabhavat as Chairman of the Audit Committee, Mr. Suphat Sivasriumphai and Mr. Thira Wipuchanin, both, as Audit Committee members. The Audit Committee has performed with total responsibility in compliance with the Audit Committee Charter approved by the Board of Directors and the requirements of the Securities and Exchange Commission and the Stock Exchange of Thailand, which is summarized as follows:

In the year 2009, meetings of the Audit Committee have been held through the year to review consolidated financial statements of the Company and its subsidiaries and meetings with external auditor were also held every quarter for discussions of the Auditor's report, financial statements and recommendations of the relevant accounting standards. The Audit Committee is of the opinion that the Company has a proper financial reporting process to disclose its financial information, in which the financial statements are correct, sufficient and credible.

The Audit Committee has considered the independence of Internal Audit Department including the chain of command in order to establish the credibility and independence of Internal Audit Department. The Audit Committee has also discussed with internal auditors the scope of internal auditing, their responsibilities and functions and approved the internal audit plan for the Internal Audit Department. In the year 2009, Internal Audit Department reviewed the risk assessment and internal control activities of all departments, reviewed the operations of some departments, reviewed conflict of interest transactions and reviewed compliance with regulations and laws relating to the business of the Company such as Public Limited Companies Act, Revenue Code, Thai Vessels Act, SEC Act and regulations of the SET. Internal auditors also followed up on the results of the aforesaid review. The results of the review and the recommendations were discussed with the related staff and management and reported to the Audit Committee.

The Audit Committee is of the opinion that the Company has proper and adequate internal control systems and there are no significant deficiencies.

The Audit Committee is of the opinion that the Company has been in compliance with laws and regulations to which the operations of the Company are subjected. Principally, these laws are the Public Limited Companies Act, Revenue Code, Thai Vessels Act, SEC Act and regulations of the SET.

Internal Auditors have reviewed the connected transactions according to the Notifications of the Stock Exchange of Thailand Re: The Disclosure of Information and Acts of Listed Companies Concerning Connected Transactions 2003 as amended from time to time and Notification of the Capital Market Supervisory Board No. TorChor. 21/2551 Re: Rules on Connected Transactions and circular letter of the Securities and Exchange Commission about the recommended practice to be followed under section 89/12 (1) of the Securities and Exchange Act (No.4) B.E.2551. The Company has 4 connected transactions of which 3 are classified as type 2 transaction and 1 is classified as type 3 transaction under these notifications. Air ticket expenses, insurance premium expenses and supply of air conditioners including their maintenance expenses for air conditioning system at the main operational office and the condominium apartments of the Company and its subsidiary are classified as Type 2 which are supporting transactions for core business. Office lease rental is classified as Type 3 which is short term office rental. The details of these transactions have been explained under the topic "Connected Transactions" in this annual report. The result of the review has been discussed in the Board of Directors Meeting No. 1/2010 held on 2nd February 2010. Audit Committee and Board of Directors are of the opinion that the aforesaid transactions are fair and for the full benefit of the Company.

During the year 2009, Internal Auditors reviewed the Asset Disposal Transactions of the Company's subsidiaries, according to the Notification of the Stock Exchange of Thailand (SET) regarding the Disclosure of Information and Other

Acts of Listed Companies Concerning the Acquisition and Disposition of Assets 2004 and Notification of the Capital Market Supervisory Board No. TorChor. 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets. The Audit Committee was of the opinion that the asset disposal transactions of the Company's subsidiaries were reasonable and for the best benefit of the Company.

In the year 2009, the Internal Audit department also commenced the review of the management's plan for the transition to International Financial Reporting Standards (IFRS), the potential impact on the Company as well as its financial reports and systems to provide its oversight in order to ensure that management's transition plan demonstrates clear understanding of the extent of change, identify all key conversion activities, the timetable, the resources required, and education for people throughout the Company who will be affected by the transition. The Internal Audit department updated the Audit Committee about the progress of management's implementation of the IFRS transition plan to the Audit Committee every quarter in the Audit Committee Meetings of 2009.

Normally, the Audit Committee Meeting is held before the Board of Directors' Meeting so that the minutes of the Audit Committee Meeting and discussions with Internal Auditors and external auditors without management's presence in such discussions could be sent to the Board of Directors for acknowledgement, discussions and receiving suggestions from the Board.

The members of Audit Committee regularly have informal and formal discussions with internal auditors in connection with the results of the various areas of review undertaken by internal auditors. The formal Audit Committee Meeting usually takes around 2 hours. In the year 2009, Audit Committee held 4 regular meetings (2008: 4 regular meetings) and no special meeting (2008: 1 special meeting). The record of attendance of the members of Audit Committee is summarized as follows:

Name	Number of Attendance / Total Meeting (Times)		
	2009	2008	
	Regular Meeting	Regular Meeting	Special Meeting
1. Police Lt. Gen Kiattisak Prabhavat	4/4	4/4	1/1
2. Admiral Dr. Amnad Chandanamatttha*	-	1/1	-
3. Mr. Suphat Sivasriumphai	4/4	4/4	1/1
4. Mr. Thira Wipuchanin*	4/4	3/3	1/1

* Mr. Thira Wipuchanin was appointed to the Audit Committee to replace Admiral Dr. Amnad Chandanamatttha who ended his term as Audit Committee Member on 28th February 2008 by resolution of the Board of Directors in the Board meeting No.1/2008 held on 12th February 2008.

Audit Committee Meeting No.1/2010 held on 27th January 2010 considered the appointment of Auditors and resolved to propose for shareholders' approval, the appointment of any one of the following auditors of Ernst & Young Office Limited as the auditor of the Company for the year 2010.

1. Mr. Chayapol Suppasedtanon (Certified Public Accountant (Thailand) No. 3972). He has been the Company's Auditor since the year 2008.

2. Ms. Sumalee Reewarabandith (Certified Public Accountant (Thailand) No. 3970). She had been the Company's Auditor since the year 2003 until 2007.

3. Ms. Vissuta Jariyathanakorn (Certified Public Accountant (Thailand) No. 3853).

All the above auditors are qualified to conduct the audit and express an opinion on the financial statements of the Company. In the event that any of the above auditors is not available, Ernst & Young Office Limited is authorized to nominate a qualified and competent auditor from Ernst & Young Office Limited to conduct the Audit.

Ernst & Young Office Limited is a reputable independent audit firm, and has shown satisfactory performance according to past records. Ernst & Young Office Limited has been the Auditor of the Company and Thai subsidiaries since 2001.

The meeting also approved to propose for shareholders' approval, the audit fees of an amount not exceeding Baht 1.90 million for the year 2010 (2009 Fees: Baht 1.90 million) plus out-of-Pocket expenses subject to further approval by shareholders.

While arriving at the above decision, Audit Committee took due note of the fact that Ms. Sumalee Reewarabandith (Certified Public Accountant (Thailand) No. 3970), auditor of Ernst & Young Office Limited acted as the auditor of all the Thai Subsidiaries and one Foreign Subsidiary for 2009 for total Audit Fees of Baht 3.45 million and is expected to continue in a similar role for 2010 for total proposed Audit Fees of Baht 3.15 million. Further, the meeting also noted the proposed fees for other services (non-audit related) rendered to Thai subsidiaries, of an amount not exceeding Baht 0.27 million (2009 actual: Baht 0.55 million).

**For and on behalf of the Audit Committee of
Precious Shipping Public Company Limited**



Police Lt. Gen. Kiattisak Prabhavat

Chairman of the Audit Committee

2nd February 2010



CORPORATE GOVERNANCE REPORT

DEFINITION

Corporate Governance is a set of structure and process of relationships between Company's management, its board and its shareholders to enhance its competitiveness towards business prosperity and long-term shareholder value taking into consideration the interests of other stakeholders.

The above definition is as recommended by the SEC and the Company has endeavored to follow the same completely in letter and spirit.

Precious Shipping Public Company Limited ("The Company") recognizes that Good Corporate Governance is important and necessary for sustainable growth in business and long term shareholder value, and accordingly, the Board has set up a Corporate Governance Policy Manual, Business Ethics and Code of Conduct Manual which have been disclosed on the Company's website under the subject of **"Corporate Governance"**.

The Company has won the following awards for Good Corporate Governance in the past few years:

- In 2009, Mr. Khalid Hashim, Managing Director, was adjudged the Best CEO among all companies in the small and medium market cap sector by the Thai Securities Analysts Association (SAA).
- Adjudged as the Best Company in Thailand for Overall Corporate Governance, Disclosure and Transparency, Investor Relations and Investor Relations Officers (Mr. Khalid Hashim, Managing Director) in the Corporate Governance Poll conducted by "ASIAMONEY", the results of which were published in ASIAMONEY's January 2010 issue.
- Voted as one of the Top 5 Companies for "Overall Best Corporate Governance" in Asia by "ASIAMONEY" in of the Corporate Governance poll 2008.
- Ranked as one of the Top 3 Companies with the highest Corporate Governance by "CLSA ASIA - PACIFIC MARKETS" in their Thailand Corporate Governance Survey Report of 3rd February 2009.
- Classified as one of the Companies with "Very Good" for Corporate Governance for two successive years, 2008 and 2009, by the National CG Committee.
- Mr. Khalid Hashim, Managing Director, voted "Best Investor Relations Officer" in Thailand in the Corporate Governance Poll in December 2008 by "ASIAMONEY".
- Ranked in 2007 by "The Asset" Magazine of Hong Kong as the Best Company in Thailand for Corporate Governance in the annual list of the Best Governed 60 Companies in Asia.
- Conferred the "Best Corporate Governance Report" and "Best Performance" Awards by the SET at the "SET AWARDS 2006".

The Company's implementation of Good Corporate Governance Principles is outlined in 5 sections hereunder as follows:

1. RIGHTS OF SHAREHOLDERS

The Company recognizes the rights of shareholders in accordance with good corporate governance guidelines and has conducted its affairs with a view to protecting shareholders' rights and also encouraging shareholders to exercise their rights. The policy for maintaining rights of shareholders is part of the Company's Corporate Governance Policy Manual which is disclosed on the Company's website.

The Company is responsible to the shareholders in terms of information disclosure, accounting methods, internal information usage and conflict of interests. The Board of Directors and Management are expected to be honest and any decision must be based on honesty and fairness to both major and minor shareholders, and for the collective benefit of all. Some of the policies and procedures followed to protect the Rights of the Company's shareholders are as follows:

1.1 Appointment of Board members

The Company has continuously improved the requirement of documents required for the appointment of each Board member individually to give additional information in the nominees'/existing Directors' profile in the Company's Annual Report and also to present to the Company's shareholders in the AGM. The aforesaid information is provided so that the Company's shareholders can get correct and complete information, which is relevant and required for their appointment, and include the following:

- Nominee's/Director's profile: Name, position, age, education, relevant knowledge, occupation, working experience and illegal acts (if any).
- Nominee's/Director's positions in any materially connected business.
- Nomination procedures (in case of the directors who retire by rotation).
- Directors' previous performance as director in terms of meeting attendance.

1.2 Consideration of the policy on Directors' remuneration

The Company follows the policy of obtaining the approval of the policy on Directors' remuneration from the shareholders in the AGM and has also disclosed guidelines/procedures for determining Directors' remuneration in 5.5 hereunder.

1.3 Appointment of auditors

The Company follows the policy of obtaining the approval of appointment of auditors from the shareholders in the AGM and has improved the information disclosure for the correctness and completeness of the information required for the decision on the appointment of auditors. The information provided in the AGM includes details as follows:

- Auditor's firm.
- Auditor's name.
- Auditor's remuneration for approval including separate disclosure for audit and non-audit related remuneration.
- Auditor's remuneration for the previous year.
- Relationship with the Company such as being the Company's advisor.
- Number of years as the Company's auditor (in case of reappointment of the present auditor).
- Auditor's performance.
- The reasons for changing the Auditor (in case the Company appoints a new auditor).

1.4 Consideration of the dividend policy

The Company obtained the approval of the new dividend policy in the shareholders' meeting in year 2004 and will continue to obtain such approvals in case of any changes in future.

1.5 Consideration of the share repurchase plan

The Company obtained the approval for the share repurchase plan from the shareholders in the shareholders' meeting, authorizing the Board of Directors to repurchase the Company's shares in accordance with SET/SEC regulations and provided the correct and complete information required for their decision.

1.6 Shareholders' Meetings

The Company has followed the recommended practices of SET/SEC for holding shareholders' meeting as follows:

- For the Annual General Meeting of shareholders (AGM) of 2009, the Company provided an opportunity to the shareholders to propose agenda items for the AGM. This practice is continued for AGM 2010 as well. In addition, for the AGM 2010, the Company has provided an opportunity to the shareholders to nominate suitable candidates to be a member of the Board of Directors of the Company. The Company set up the policy and communication channels through the website and announcement through the SET, based on which, a shareholder or a group of shareholders could propose an agenda item and nominate candidates to be Director for consideration in the AGM.

■ Providing a complete and correct notice with full information to call shareholders' meeting is the normal policy of the Company. The notice includes the objective and reasons for each agenda item apart from the Board of Directors' comment/opinion, which, has always been included. It is made certain that the Company does not amend the agenda of the shareholders' meeting without giving notice to shareholders.

■ The Company discloses the draft notice of shareholders' annual general meeting (AGM) on the Company's website before sending out to shareholders and informs the AGM date to the SET at least 45 days before the date of the AGM. The Company also sends the AGM notice to shareholders, at least 21 days in advance of the AGM.

■ The Company publishes the notice of shareholders' meeting in both Thai and English language newspapers for three consecutive days and at least 14 days prior to shareholders' meeting.

■ The Company provides full opportunity for shareholders to participate in the meetings and encourages the shareholders to ask relevant questions which are answered by Management and/or related persons.

■ The Company prepares minutes of shareholders' meetings, which are clear and complete and include the names of Board members' who attended the meeting. The minutes also include a correct and complete record of questions/answers, voting method, vote counting procedure and voting results.

■ The Company has always followed the policy of obtaining shareholders' approval for any major event and in case of any serious situation that affected the Company's operations and provided correct and complete information required for their decision. An example of this was the acquisition of 15 ships during the year 2004, the signing of contracts for 12 new buildings during the year 2007 and 3 new buildings during the year 2008, for which, the Company also appointed an Independent Financial Advisor to advise the shareholders in all three cases.

■ The Company follows the policy of regularly reviewing the outstanding unpaid dividends and tries to contact each shareholder who may have, for some reason, not received the dividends. Thereafter, the Company helps shareholders in terms of reminding and advising them on the required procedures to collect the dividends.

During the year 2009, the Company held one shareholders' meeting which was the Annual General Meeting (AGM), on 18th March 2009 at Amari Atrium Hotel. All Board members (except one: Mr.Kirit Shah) attended the AGM of 2009 which also included all Audit Committee Members and Independent Directors. The Auditors also attended the AGM of shareholders to answer any questions raised by shareholders in respect of the accounts or the conduct of the Audit. The Chairman of the meeting explained the voting procedures to shareholders when the meeting was started and provided equal opportunity to all shareholders to examine the Company's operations, to ask questions and express their opinions and advice, and ensured that all items and resolutions including questions and answers were properly recorded in the minutes of the meeting. Thereafter, the minutes of shareholders' meetings were also sent to the SET and also disclosed on the website of the Company, including a video recording of the proceedings, under the subject of "Investor Relations" within 14 days after the meetings.

2. EQUITABLE TREATMENT OF SHAREHOLDERS

The Company ensures the equitable treatment of shareholders in terms of calling and holding shareholders meetings and for protecting the Rights of Shareholders for other matters by taking the following steps:

- Date, time, venue of the meeting is convenient to attend.
- Offering one-share-one-vote.
- Facilitate proxy voting: clearly specifying the documents required to give proxy and by sending out the Notice to the extent possible under the regulations, to the Company's shareholders at least 14 days prior to the meeting date. For shareholders who are unable to attend in each meeting, the Company has designated the Chairman and/or Independent Director to attend and to vote on their behalf in each meeting. Full details for this purpose are provided in the Notice of shareholders' meetings.

- Registration period is commenced at least 1 hour in advance to keep adequate time for completion of registration.
- Providing ballot papers for each agenda item.
- Arranging barcode system for registration and vote counting for shareholders' convenience and accuracy of the vote-count.
- Providing an opportunity to shareholders to propose agenda items and to nominate candidates to be Director in advance for the Annual General Meeting of Shareholders (AGM) through various channels including the Company's website.
- Providing an opportunity for shareholders to elect Director by voting on the given ballot papers for each of the Directors separately.
- Not adding any new agenda item without notice to shareholders in advance.
- Directors disclosing their interests and those of their related parties to the Board.
- Directors reporting their ownership of Company's shares to the Board regularly.
- Directors and Executives disclose and report their conflict of interests, including dealings with their relatives, if any, to the Company for the Company's use in complying with the regulation about connected transactions. Such report on interest is also useful in monitoring their adherence to their duties, by the following practices;
 - ◆ A new director/executive submits the Form "Report on Conflict of Interest Transaction" within 30 days after appointment.
 - ◆ Thereafter when there is a change, director/executive submits the updated Form "Report on Conflict of Interest Transaction" immediately or no later than 7 working days from the transaction date.
 - ◆ The Company Secretary submits a copy of report on interest to the Chairman of the Board of Directors and the Chairman of Audit Committee within seven working days from the date on which the Company has received such a report.
- The Board of Directors has established a guideline to prohibit a director/executive, who has a conflict of interest on the issue, to participate in the decision-making process. Normally a director/executive, who has a conflict of interest on an issue, will leave from the meeting and join back once the issue has been discussed and a decision is made.
- Providing detailed explanation of related-party transactions characterizing names, relationship, policy, and value of each transaction as explained under the "Connected Transactions" section of this Annual Report. No non-compliance cases involving related-party transactions have been detected.
- Following an appropriate policy and laying down procedures for monitoring the use of insider information as explained under the "Insider Trading Controls" section of this Annual Report. No cases of insider trading involving the Directors and/or the Management have been detected.

3. ROLE OF STAKEHOLDERS

The Company recognizes the importance of all stakeholder groups whether it is the internal stakeholders such as shareholders, employees and management of the Company and subsidiaries or external stakeholders such as creditors, suppliers, customers, communities, government agencies and other related organizations. The Company is aware that the support from each stakeholder would help establish the Company's competitive advantages and profitability, which, would contribute greatly to the Company's long term success and prosperity. The Company has also amended the Company's website to include under the subject of "Stakeholder Activities", the Policy and Code of Conduct towards stakeholders in Business Ethics and Code of Conduct Manual and included therein a way whereby the website can be used as one of the intended channels for any stakeholder to express his/her opinion and contact the Board of Directors in case they wish to contact the Board of Directors directly without going through the Management. The Board will treat such information seriously and will maintain utmost confidentiality. If the complaints are not unfounded, the Board would take all remedial action that may be necessary.

Management: The Company recognizes that Management is one of the key success factors for the Company's operations and accordingly, Management remuneration is appropriately structured and comparable with the Industry norms and other equivalent listed companies in Thailand. The Management is also allowed to work independently without interference as defined in their duties and responsibilities, which are approved by the Board of Directors.

Employees: The Company recognizes that employees are one more key success factor for the Company's operations. The Company provides equal opportunities in employment, job security, and career advancement, as well as adhering to other good principles related to employees and employment. The Company also ensures that employees are adequately knowledgeable and skillful to perform their jobs for the Company's business, and understand relevant code of conduct and practice and are encouraged to gain knowledge and ability and keep them updated following Industry trends. The subject of safety and occupational health of all seafarers serving onboard the Company's ships has been explained under the subject of "Corporate Social Responsibility (CSR) Statement" of this Annual Report.

The Company provides remuneration to office employees as salary, bonus, and other benefits, like Provident Fund on a voluntary basis, although the same is not required by law. Remuneration is based on their performance, roles and duties and incentives/increments/bonuses are also based on financial status/performance and future plans of the Company. As a long-term incentive, the Company does not have an ESOP plan in place since the Company feels that to a large extent, the share price of the Company depends on a number of factors beyond the employees' direct control like the state of the International Freight Markets and therefore, the Company's share price may not adequately reflect the better performance of the employees. Therefore, the Company has implemented a profit sharing scheme, which ensures that the employees are paid bonus annually based on the performance of the Company against specified quantitative targets, which are laid down annually in advance.

The Company provides in-house and external training for officers of the Company both at Head Office as well as on the Ships. The costs of such training are borne by the Company. Moreover, the Company allows special leave and flexible working hours for employees who are undergoing longer term professional or degree courses. Moreover, the Company supports good relationship between all employees including the Management.

Brokers: The Company recognizes that ship-brokers with whom the Company regularly deals with for obtaining business for Company's ships are one of the key success factors. Accordingly, terms are negotiated with a view to ensuring fairness and in keeping with industry norms so as to ensure a long term working relationship.

Creditors: The Company recognizes Financial Creditors as one more important success factor who provide funds which are particularly required for the Company's highly capital intensive business. The Company complies with all terms in borrowings including compliance with the objectives of using the borrowed funds, repayment, collateral, and other conditions as may be agreed.

Suppliers: The Company recognizes the importance of satisfied Suppliers and the Company always ensures that terms and conditions for suppliers are based on industry norms and practices and thereafter, agreed terms and conditions are strictly followed by the Company.

Customers: The Company recognizes that the Customers are the key success factors for the Company's operations. The Company always protects customers' interests, is attentive and ultimately responsible for the needs of the customers with regard to service, and in setting and maintaining steady standards of service. The customers' confidential information is used exclusively for concerned business, without revealing it unless required by laws, regulations, or with consent from the information owners, including issues related to marketing, market power exercises, price setting, and details of services, quality and safety.

Competitors: The Company acts within the rules of fair trade, not destroying trade competitors' reputations with false allegations against their companies without truth, nor does the Company access competitors' confidential information or use dishonest or inappropriate means for any purpose.

Social Responsibility to the Community: The Company recognizes its responsibility to the Community and is often involved in supporting community activities and being attentive to the consequences of the Company's conduct that affect the people more than what the laws require, including making efforts to absorb social accountability. The Company has provided a separate detailed report under the subject of "Corporate Social Responsibility (CSR) Statement" of this Annual Report.

Regulators: Apart from the various regulations which the Company's ships are subjected to and explained hereunder in this Report, on a corporate level, the Company recognizes that Government is a regulator who is in control of the Company's operations in respect of the fairness and transparency of trading. The Company recognizes the significance of compliance with related laws and regulations and has included its review of compliance as one of the duties of the Internal Audit Department headed by a qualified Internal Auditor. Internal Auditors provide an annual compliance review report of related laws and regulation and directly report to the Audit Committee as explained under the "Audit Committee Report" of this Annual Report.

Environment: The Company recognizes that shipping operations if conducted irresponsibly may affect the environment, particularly in terms of air and/ or water pollution.

For the Environmental Protection Policy, the Company is committed to the protection and conservation of the environment and ranks environmental considerations equally with commercial and operational factors in managing its operations and implements this policy. The Company has provided a separate detailed report under the subject of "Corporate Social Responsibility (CSR) Statement" of this Annual Report.

4. DISCLOSURE AND TRANSPARENCY

The Company has tightened procedures to take care of important information to be disclosed, including both financial and non-financial statements and Reports. The information is disclosed correctly, accurately, on a timely basis and transparently through the proper channels that users could fairly and trustfully access.

4.1 Board of Directors' Report

The Board of Directors is responsible for the Company and its subsidiaries' financial statements and financial information presented in this Annual Report. The Report on the Board of Directors' Responsibilities for Financial Statements is presented along with the Report of Independent Auditor and Audited Financial Statements in this Annual Report.

4.2 Directors and Management Remuneration

The Board of Directors appointed the Remuneration Committee in its meeting held on 15th November 2007 in order to oversee the remuneration of Directors and Management. The proposal of the Directors' Remuneration and the recommendations and opinion of the Board of Directors regarding the Directors' Remuneration would be presented for approval in shareholders' meeting. The details of Remuneration Committee such as members, qualification, duties, responsibilities and criteria to determine remuneration are disclosed on the website of the Company and under the subject "Management Structure" of this Annual Report.

In the years 2009 and 2008, the Company paid the Directors' Remuneration, as a fixed annual amount, which was approved in Shareholders' Meeting as follows:

(In million Baht)

Name of Director	Position	Amount					
		2009			2008		
		Board of Director	Audit Committee	Total	Board of Director	Audit Committee	Total
1 Admiral Dr. Amnad Chandanamatha ****	Chairman of the Board of Directors	1.20		1.20	1.20	0.05	1.25
2 Mr. Khalid Moinuddin Hashim	Managing Director	0.55		0.55	0.55		0.55
3 Mr. Munir Moinuddin Hashim	Executive Director	0.55		0.55	0.55		0.55
4 Mr. Khushroo Kali Wadia	Executive Director	0.55		0.55	0.55		0.55
5 Mr. Jaipal Mansukhani **	Director	0.55		0.55	0.55		0.55
6 Police Lt.Gen. Kiattisak Prabhavat ***	Independent Director	0.55	0.40	0.95	0.55	0.40	0.95

(In million Baht)

Name of Director	Position	Amount					
		2009			2008		
		Board of Director	Audit Committee	Total	Board of Director	Audit Committee	Total
7 Mr. Chira Panupong	Independent Director	0.55		0.55	0.55		0.55
8 Mr. Thira Wipuchanin *,****	Independent Director	0.55	0.20	0.75	0.55	0.15	0.70
9 Mr. Suphat Sivasriamphai *	Independent Director	0.55	0.20	0.75	0.55	0.20	0.75
10 Miss Nishita Shah	Director	0.55		0.55	0.55		0.55
11 Mr. Kirit Shah	Director	0.55		0.55	0.55		0.55
12 Mr. Peter Feddersen	Independent Director	0.55		0.55	0.55		0.55
Total		7.25	0.80	8.05	7.25	0.80	8.05

* Inclusive of remuneration as Audit Committee Member.

** Employed in an executive position as a full-time employee in the Company's subsidiary.

*** Inclusive of remuneration as Audit Committee Chairman.

**** For the year 2008, inclusive of remuneration as Audit Committee Member for a part of the year because Mr.Thira Wipuchanin was appointed to replace Admiral Dr. Amnad Chandanamatttha who ended his term as the Audit Committee Member on 28th February 2008 by the resolution of the Board of Directors Meeting No.1/2008 held on 12th February 2008.

The remuneration of the senior management included their salary, bonus (paid during the year but is mainly based on the Company's performance in the last 3 years), and other remuneration (income tax, and house rental). During the years 2009 and 2008, the Company (and subsidiary) paid the remuneration to senior management (including the Executive Directors) as follows:

(In million Baht)

Name of Director/ Management	Position	Amount	
		2009	2008
1 Mr. Khalid Moinuddin Hashim	Managing Director	24.29	20.52
2 Mr. Munir Moinuddin Hashim	Director (Commercial)	19.67	16.67
3 Mr. Khushroo Kali Wadia	Director (Finance)	17.92	15.16
4 Mr. Jaipal Mansukhani	Director (full time employed in the Company's subsidiary)	16.56	14.06
5 Mr. Shrilal Gopinathan	Vice President (Commercial)	9.94	8.42
6 Mr. Koka Venkataramana Sudhakar	Vice President (Fleet Management)	8.84	7.46
7 Mr. Kodakara Veettill Murali Menon	Vice President (Technical)	8.47	7.18
8 Mr. Neelakantan Vasudevan	Vice President (Risk Management)	8.35	7.06
9 Mr. Stephen Korah	Vice President (International Safety Management)	6.15	5.22
10 Mr. Kamal Kumar Dua	Vice President (Information Technology)	7.22	6.10
11 Ms. Somprathana Thepnapaplern	Assistant Vice President (Finance & Account) & Company Secretary	4.35	3.63
12 Mr. Kiran Kesarinath Vaidya	Senior Manager (Accounts & MIS)	5.56	4.62
13 Mr. Yingyong Kanghae	Senior Manager - Group Accounts	3.19	2.77
Total		140.51	118.87

The comparison of remuneration of Chairman, Directors, Chairman of Audit Committee, Audit Directors and Management between the Company and other listed companies and listed companies in the services sector is as follows:

(In Thousand Baht/Person/Year)

Description	*PSL		**Other Listed Companies					
	2009	2008	Services Sector			All Listed Companies		
			Mean	Min	Max	Mean	Min	Max
Chairman of the Board of Directors	1,200.00	1,200.00	830.65	15.00	3,360.00	751.68	15.00	5,400.00
Executive Directors	550.00	550.00	258.43	12.00	960.00	320.73	12.00	3,000.00
Non-executive Directors	550.00	550.00	305.22	12.00	960.00	371.36	12.00	3,000.00
Management	10,808.46	9,143.85	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Chairman of Audit Committee***	400.00	400.00	361.73	10.00	1,320.00	316.27	10.00	2,400.00
Audit Committee***	200.00	200.00	252.89	8.00	1,080.00	224.39	8.00	1,200.00

(In Thousand Baht/Person/Year)

Description	*PSL		**Other Listed Companies					
	2009	2008	Listed Companies with annual Revenue from 5,001 MB to 10,000 MB			All Listed Companies		
			Mean	Min	Max	Mean	Min	Max
Chairman of the Board of Directors	1,200.00	1,200.00	568.33	120.00	1,900.40	751.68	15.00	5,400.00
Executive Directors	550.00	550.00	289.74	96.00	600.00	320.73	12.00	3,000.00
Non-executive Directors	550.00	550.00	320.75	96.00	735.00	371.36	12.00	3,000.00
Management	10,808.46	9,143.85	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Chairman of Audit Committee***	400.00	400.00	272.86	20.00	650.40	316.27	10.00	2,400.00
Audit Committee***	200.00	200.00	195.61	20.00	480.00	224.39	8.00	1,200.00

* PSL's figures are actuals of respective years

** From IOD's Remuneration Survey Report for the year 2008

*** Additional Remuneration as Chairman of Audit Committee/Audit Committee Member

N.A. Not available since not reported

4.3 Relations with investors

The Board of Directors recognizes the importance of accurate, complete and transparent disclosure of financial information and general information, which may affect the Company's share price. The Company provides the information through the channel of the SET, the Company's website and through regular newsletters and communications from the Managing Director. While the Company undertakes investor relations at the top management level, the Company has also designated persons as the contact points in the Company to service investors, shareholders, analysts and public as under:

Mr. Khalid Moinuddin Hashim

Managing Director (voted "Best Investor Relations Officer" in Thailand in the Corporate Governance Poll in December 2008 by "ASIAMONEY")

Telephone 66 2696 8801 Email at kh@preciousshipping.com

Mr. Khushroo Kali Wadia	Executive Director Telephone 66 2696 8836 Email at kw@preciousshipping.com
Khun Nicha Wangsuppapon	PR and Corporate Affairs Executive Telephone 66 2696 8820 Email at corp@preciousshipping.com
Khun Somprathana Thepnaplern	AVP (Finance & Accounts) and Company Secretary Telephone 66 2696 8856 Email at som@preciousshipping.com

The Company has joined many events for press/analysts briefings, which are attended personally by the Managing Director. Some of the major events in which the Company participated in the last three years are enumerated herein as under:

Year / Times	Analyst Meetings	Investor Meetings	Presentations Road shows	Press & TV Interview	Total
2009	44	33	21	4	102
2008	62	33	14	3	112
2007	76	39	14	1	130

5. RESPONSIBILITIES OF THE BOARD

5.1 Board Structure

The number of members on the Board of Directors is commensurate with the size and complexity of the Company's business. Currently, there are 12 Directors on the Board of Directors of the Company which consists of 3 Executive Directors and 1 Director in an executive position in the Company's subsidiary (as full-time employees of the Company/Subsidiary), 2 Non-Executive Directors and 6 Independent Directors (one half of Board of Directors). The Audit Committee comprises entirely of Independent Directors.

Executive Director:

An Executive Director is a Director who is involved in the Management of the Company on a full-time basis and receives regular monthly remuneration from the Company in the form of salary or its equivalent.

Independent Director:

The Independent Directors are independent from the Management and have no business or activities with the Company and must not be involved in the day-to-day management of the Company or an affiliated company which may compromise the Interests of the Company and/or the Shareholders.

The qualifications of Independent Director of the Company comply with the rules and regulations of the Stock Exchange of Thailand and the Securities and Exchange Commission, Thailand.

Qualifications of Independent Directors of the Company:

They must not hold shares exceeding 1 percent, including shares held by a related person, of paid-up capital of the Company or of an affiliated, associated or a related company.

They must not be involved in the day-to-day management of the Company or an affiliated company, an associated company or a related company, or with the major shareholders of the Company.

They must not have any related business pursuant to the regulations of the Securities and Exchange Commission and also must be free of any present, direct or indirect, financial or other interest in the management and business of the Company, its subsidiaries, associated companies, or its major shareholders.

They must not be a blood relative or legal relative of any Executive Director, executive officer, major shareholder or significantly influential person in/of the Company.

They must not be acting as a nominee or representative of any director, major shareholder or shareholders, who are a relative of any major shareholders of the Company.

They must be able to carry out their duties, exercise their judgment, and report the committee's performances, which are assigned by the Board of Directors without being influenced by Executive Directors or major shareholders of the Company, including related persons or relatives.

Definition of Related Persons

Related persons shall include persons who are involved in any kind of benefits or are related to the Company's business to a significant amount, such as suppliers, customers, or creditors. This kind of connection may affect the Independent Directors in carrying out their duties independently or conveniently.

Independent Director's Roles and Duties

Independent Directors should have access to adequate financial and other business information for them to perform their duties effectively.

They should regularly attend every board meeting, including committee meetings, and raise questions to ensure the interests of Company's shareholders' and the protection of rights of other stakeholders', and that the Company complies with best practices.

Independent Directors should possess abilities and display willingness to learn the Company's businesses, and express their views independently, as well as dedicate time and attention to the Company as needed.

Independent Directors should regularly hold meetings among themselves, and try in every way possible to look for opportunities in which they can discuss business management issues with the Management.

Independent Directors are expected to submit a confirmation letter to the Company verifying their independence in accordance with the Company's definition, on the date they accept the appointment and every subsequent year if required.

It is expected that there should be specific terms given to Independent Directors, and no director is expected to stay on beyond a certain time limit. Nonetheless, the difficulties of searching an appropriate replacement and the benefits of the working relationship built up over the years within the Independent Directors and their understanding of the business must also taken into account. Accordingly, at present no time limit has been set up for the Independent Directors apart from the statutory limits placed under applicable law.

Other Committees

The Board of Directors appointed the Audit Committee as part of the good corporate governance policy of the Company. The details of the members of the committee, their duties and responsibilities are presented under the sections "Management Structure" and "Audit Committee Report" of this Annual Report.

The Board of Directors appointed the Remuneration Committee and Nomination Committee in its meeting held on 15th November 2007 and reappointed the same members on the Committee in the meeting held on 9th November 2009. The details of these committees such as names and number of members, qualification, duties and responsibilities are disclosed on the website of the Company and under the subject "Management Structure" of this Annual Report.

Aggregation or Segregation of Positions

The Chairman of the Board of Directors is an Independent Director and has no relationship with the Management, as defined by the Stock Exchange of Thailand. The Chairman is not the same person as the Managing Director of the Company nor is he related in any way to the Managing Director of the Company in order to segregate the duties between the policy maker and the policy manager.

Company Secretary

In keeping with Good Corporate Governance, the Company designated a Company Secretary viz. Ms. Somprathana Thepnaphaplern, having duties and responsibilities in accordance with the Securities and Exchange Act and to be responsible for overseeing and advising the Board and the Management regarding applicable laws, rules, regulations and Good Corporate Governance, and responsible for holding the Board and shareholders' meetings. The additional tasks include assisting the Board to comply with resolutions and safeguard the Company's documents and information.

5.2 Roles, Duties and Responsibilities

Leadership and Vision

The Board of Directors is the main driver in defining the direction of the Company's performance, achieving its goals and objectives and to define the Company Mission, Vision, Core Values, Strategic Business Plan, appointment of competent and effective management and managing the Company's affairs with Good Corporate Governance in order to reach the objectives in accordance with Company's policy and in accordance with the law. The Board of Directors comprises of persons who have the knowledge, expertise, business experience and backgrounds which qualify them to perform their duties and responsibilities in accordance with the highest standards of business ethics.

The Board of Directors has clearly defined and demarcated powers, duties and responsibilities between each committee as mentioned under the "Management Structure" section of this Annual Report.

The Corporate Governance Policy

In recognition of the fact that it is important and necessary for sustainable growth of operating business and long-term shareholder value, the Board of Directors has set up a Corporate Governance Policy for the Company. The Board of Directors has reinforced corporate governance by including policies and directions on operating the business, set up adequate internal controls and internal audit systems and monitoring management to perform effectively under the policy to ensure long term interests of shareholders under applicable laws with full transparency and correct business ethics. A Corporate Governance Policy Manual outlining its features has been drawn up by the Company and already circulated to the Company's employees for the recognition of the necessity of Good Corporate Governance and is also disclosed on the Company's website.

The Company's Corporate Governance Policy consists of:

1. Right and Equitable Treatment of Shareholders and various groups of Stakeholders
2. Structure, Rules, Duties, Responsibilities, and Independence of the Board of Directors
3. Information Disclosure and Transparency
4. Controlling System and Risk Management
5. Business Ethics

The Board of Directors conducts an annual review of Corporate Governance Policy and evaluation of the policy implementation so that the Corporate Governance Policy of the Company is up to date and appropriate with the current situation.

Business Ethics

The Company has set up a code of ethics for Directors, management and employees as a guideline to carry out their respective work for the Company in a transparent, honest, faithful and justifiable manner. It is also disclosed on the Company's website.

Conflict of Interest

In order to prevent conflict of interest transactions, The Board of Directors, through the Audit Committee has supervised carefully such potential transactions by setting out a written policy and procedure of approval of transactions involving any potential conflict of interests and has set up an appropriate policy as follows:

Potential conflict of interest transactions

The Board of Directors is well aware of any transaction which could lead to a potential conflict of interest and/or a related party transaction, which, if any, is considered very carefully with a view to full compliance with the relevant rules and regulations of the Stock Exchange of Thailand and the Securities and Exchange Commission, Thailand, apart from compliance with the internal policies and guidelines set up by the Company. Moreover, such transactions are entered into strictly on an "Arms-Length" basis. The terms and conditions of such transactions are always in compliance with generally acceptable, standard commercial terms and conditions and appropriate disclosure regarding the details of the transactions viz. value, counter-party, reason and necessity of the transaction is made in this Annual Report and also in Form 56-1.

In addition to the above, Audit Committee and Internal Audit Department prepared the annual audit plan to review transactions that may cause conflict of interests. For the year 2009, the internal auditors audited the aforesaid transactions and reported the results thereof to the Audit Committee in the Audit Committee's Meeting No. 1/2010 in January 2010. The Audit Committee found that the Company has a proper policy for approval and prevention of abuse in such transactions. The existing conflict of interest transactions are made only on the basis of proper comparison of market prices and for the benefit of the Company. Adequate disclosures of all such material transactions have been made in this Annual Report.

Moreover, Internal Audit Department has reviewed the compliance of the Company in respect of the Notifications of the Stock Exchange of Thailand Re: Disclosure of Information and Act of Listed Companies Concerning the Connected Transactions 2003 and circular of the Securities and Exchange Commission about the recommended practices to be followed under section 89/12 (1) of the Securities and Exchange Act (No.4) B.E.2551. The details of the connected transactions have been explained under the topic "Connected Transactions" of this Annual Report. The results of the review have been reported to the Board of Directors of the Company. The Board of Directors of the Company is of the opinion that such transactions are fair and for the full benefit of the Company.

Controlling System and Internal Audit

The Company recognizes the importance of internal control systems on an operational level to ensure that the operations are conducted efficiently. Powers and Duties of operations and management level personnel are laid down clearly. There is a proper level of control maintained on the utilization of Company's property/assets for the highest benefit of the Company and there is clear segregation between the operations units, control units and assessment units for the purpose of maintaining appropriate checks and balances. Moreover, an internal control system for the financial and accounting functions of the Company is clearly set up which allows adequate reporting to the relevant management.

The Company has the Internal Audit Department in order to ensure that the key operations and financial activities are conducted efficiently under the guidelines and relevant laws. Moreover, to ensure that the Company has complied with laws and regulations relating to the business of the Company, the Internal Audit Department conducts regular checks. Internal auditors report directly to the Audit Committee on all matters, in order to make the Internal Audit Department completely independent of management.

Moreover, an internal control system for the financial and accounting functions of the Company is clearly set up which allows adequate reporting to the relevant managers to achieve the following objectives:

1. Efficient and effective operations, including skillful use of resources for the best benefit of the Company.
2. Accurate, reliable and prompt financial reporting.
3. Full compliance with the Company's policies, laws and regulations.

The Board of Directors recognizes the importance of risk management and is responsible directly on risk management of the organization with the objectives to support the work performance of the management of the Company to be efficient and effective and to achieve the business objectives. The Board of Directors has specified policy on risk management and internal control on the website of the Company and under the topic "Internal Control" of this Annual Report.

5.3 Board of Directors' Meetings

The Board of Directors' meetings are held quarterly on a regular basis (except in the first quarter when 2 ordinary meetings may be held), but extraordinary or special meetings, if required, may be called at any time during the year. The meeting has a specific agenda, which would include a review of the Company's operations. The Company Secretary sends the notice of the meeting and relevant documents to all Directors, at least 7 days prior to the meeting date, so as to allow sufficient time for them to review the information before joining the meeting.

Board of Directors' meetings are held about 7 to 10 days after Audit Committee meeting so that the minutes of Audit Committee can be sent to the Board of Directors for their consideration and discussion during the

Board meeting. However, in case a Director either feels suspicious or has any questions, the Director can seek answers or clarifications directly from the Executive Directors at all times.

In every meeting, the minutes of the meeting are recorded, reviewed and adopted by the Board of Directors. The minutes of the meeting are kept with the Company Secretary for ready reference and review by other concerned parties.

The Board of Directors' meetings normally take around 2-3 hours. In the year 2009, the Board of Directors held 4 ordinary meetings (2008: 4 times) and no extraordinary meetings (2008: no extraordinary meeting). The record of attendance of the Directors is summarized as follows:

Name of Director	Attendance / Total Meetings (Times)	
	Year 2009 Ordinary Meeting	Year 2008 Ordinary Meeting
1 Admiral Dr. Amnad Chandanamatha	4/4	4/4
2 Mr. Khalid Moinuddin Hashim	4/4	4/4
3 Mr. Munir Moinuddin Hashim	4/4	4/4
4 Mr. Khushroo Kali Wadia	4/4	4/4
5 Mr. Jaipal Mansukhani	4/4	4/4
6 Police Lt.Gen. Kiattisak Prabhavat	4/4	4/4
7 Mr. Chira Panupong	4/4	4/4
8 Mr. Thira Wipuchanin	4/4	4/4
9 Mr. Suphat Sivasriaumphai	3/4	4/4
10 Miss Nishita Shah	4/4	4/4
11 Mr. Kirit Shah	4/4	4/4
12 Mr. Peter Feddersen	4/4	4/4

The Non-Executive Directors hold meetings among themselves for discussing the business management issues and performance of the Executive Directors.

5.4 Board Self Assessment

In the Board of Directors Meeting held on 5th August 2009, Board members conducted a self-assessment through a questionnaire following the SET guidelines which covered the subjects as follows:

- Structure and characteristics of the Board
- Roles and responsibilities of the Board
- Readiness
- Strategy Setting and Policy Making
- Risk Management and Internal Control
- Conflict of Interest
- Monitoring of financial reports and the results of operation
- Board of Directors' meetings
- The Board's performance of duties
- Relationship with Management
- Self-development of Directors and Executive Development
- Nomination
- Remuneration
- Performance Assessment for CEO/MD

The scores of Board's Self Assessment fall in the level of "Excellent". Board of Directors intends to use this result to further improve its performance. The Company intends that the self assessment be done every year in order to comply with the Good Corporate Governance practice and accordingly this exercise will be conducted again in year 2010.

5.5 Directors and Management Remuneration

The Management remuneration is fixed in accordance with the principles and policies set by the Board of Directors. The Board of Directors directly and specifically approves the remuneration of the Executive Board and the Director employed in an executive capacity in the Company's subsidiary based on the remuneration in the Industry for equivalent positions, financial status/performance of the Company and their respective individual performances.

Since the year 2007, the Board appointed and assigned the Remuneration Committee to set procedures for consideration of the remuneration of the Directors and Management in accordance with international standards and comparable with other equivalent listed companies including companies in the transportation industry.

The remuneration of the senior Management included their salary, bonus, and other remuneration (income tax and house rental) and the Directors' Remuneration was a fixed annual amount which was approved in Shareholders' Meeting. The remuneration of Directors and Management has been disclosed hereinabove under the subject of "Disclosure and Transparency"

5.6 Directors and Management Training

Board of Directors continues to try and enhance their value by participation in activities, courses and events which add to their knowledge base in the continually changing business environment to ensure that they are updated and possess full knowledge. All the Company's Directors have attended important training courses that are available such as; Director Certification Program (DCP) or at least the Director Accreditation Program (DAP) held by the Thai Institute of Directors Association (IOD).

Directors' Orientation

If someone is newly appointed on the Board of Directors by the shareholders, the Company Secretary will inform and provide relevant documents for new Directors such as Director's handbook, the Company's corporate documents, CG Policy Manual, Business Ethics and Code of Conduct Manual, laws, regulations and practices which are related to the trading of Company's shares.



INSIDER TRADING CONTROLS

Precious Shipping Public Company Limited has the policy to ensure correct and adequate disclosure of information such as financial statements and other significant data or information related to the business, on a transparent and timely basis to shareholders, investors and general public.

The Board is committed to comply with rules and regulations with regard to the disclosure of information in a timely manner with full transparency. The monitoring of the use of insider information of the Company is considered the responsibility of the Directors, executives and senior staff who are obliged to strictly monitor and prevent any leaks of the Company's confidential and privileged information including information not yet revealed to the public or any data that might affect the Company's operations or share price. This includes the prohibition on use of Company's information obtained from directorships or employment for personal benefit or conducting business or other activities in competition with the Company. The Company has determined it as policy and guideline in the Business Ethics and Code of Conduct Manual which is disclosed on the website of the Company under the subject of Corporate Governance.

Pursuant to section 59 of the Securities and Exchange Act B.E. 2535, all Directors and Management personnel are required to report the changes in their (and that of their spouse and minor children) shareholding to the Office of the Securities and Exchange Commission, which was fully complied by the Company's Directors and Management during the previous year. Moreover, the Directors in an executive position, who are full-time employees of the Company (or its subsidiary) and Senior Management, are not allowed to trade/transfer in the Company's shares during the period of 3 weeks before and two days after the annual audited results (2 weeks before in case of quarterly reviewed) respectively are announced and also at least 3 days before the Company makes any significant announcement. The rest of the Management personnel are also strongly encouraged to follow this policy and during the year, all members of management have complied fully with this policy and no non-compliance cases have been observed.

INTERNAL CONTROL



Precious Shipping Public Company Limited recognizes the importance of Internal Control Systems on an operational level to ensure that the operations are conducted efficiently within risk parameters acceptable to the Company and prevailing business circumstances or the activities of individual departments. To ensure suitable control measures in keeping with prevailing circumstances, environment, and risks, the internal audit department regularly monitors internal control practices. The Company has implemented the Internal Control Systems in accordance with the recommendations of The Committee of Sponsoring Organizations of the Treadway Commission (COSO) as follows:

1. CONTROL ENVIRONMENT

The Company has forged ahead with control environment and therefore set up the Corporate Governance Policy and Business Ethics Manual in writing. These are recognized by the staff of the Company as the basis of working. In addition, the Company has established the alignment of the organization structure with the Company's goals and business direction, including clear definition of functions, roles/responsibilities, and reporting lines of each business division. The Company recognizes that the Control Environment will lead to efficiency and effectiveness of work and bring out the best benefits to the Company.

2. RISK ASSESSMENT

The Company recognizes the importance of Risk Assessment as a tool to indicate a dangerous signal that could result in loss and therefore, the Company has annually assessed prominent risks by dividing them into two categories as being on 1) Organization Level that is managed by Management and published in the Company's Annual report, 2) Activities Level for which both, Internal Audit Department as independent entity and each specific department (being in possession of sound knowledge and skills required for operations), are responsible. Such assessments bring out the risks that affect the Company's operations which are then required to be managed through a set up of correct and appropriate control systems. The results of Risk Assessment for various activities are reported periodically to Management and the Board of Directors for consideration.

3. CONTROL ACTIVITIES

The Risk Assessment process also involves an assessment of Control Activities. The objective of assessment is to ensure that the Company has good control systems and conforms to the related risks to decrease/distribute all risks of the Company with a view to ensuring efficiency and effectiveness of operations. In terms of the Company's functional management, the Managing Director clearly delegates authority to the Company's functional management, resulting in practical and easily - tracked courses of action. The Company has allocated responsibilities to four main departments to verify, control and supervise the business to ensure strict compliance with laws and regulations. These consist of the Company Secretarial and Compliances Department, Internal Audit Department, Accounting and Finance Department and International Safety Management (ISM) Department.

4. INFORMATION & COMMUNICATION

The Company recognizes the importance of accurate, reliable and prompt Information & Communication, including the continuous development of IT systems and database which include financial, operational, and compliance systems and database. It leads to accurate and timely data being made available for decision-making. The Company has provided an effective communication system, including internal and external channels. As an internal channel, all staff and Management can easily communicate through the Intranet System enabling the efficiency and effectiveness of communication to achieve the Company's objectives. As an external channel, the Company provides the information

though the channel of SET, the Company's website and the Company's top management is very prompt in answering any queries, which may be raised by Investors, or any stakeholder.

5. MONITORING & EVALUATION

The Company features a performance monitoring and evaluation system as follows:

Level	Monitored and evaluated by	The frequency of monitoring and evaluation (per year)
Staff	Head of Department	At least 1 time
Head of Department	Management	At least 1 time
Management	Board of Directors	At least 4 times

The results of monitoring and evaluation are considered while setting up the Company's strategic plans. In addition, the Internal Audit Department monitors and assesses internal control procedures and outcomes, and then reports its findings to the Audit Committee. The findings of internal control assessment for 2009 have been provided in the "Audit Committee Report" section of the Annual Report.

At the Board of Directors' Meeting No.1/2010 on 2 February 2010, which the Audit Committee also attended, the Board agreed with the Audit Committee's opinion about internal control evaluation results. It was concluded that the Company and its subsidiaries have properly maintained the internal control systems and have effectively improved control measures to correspond with changing situations, which lead to the achievement of Company and subsidiaries' objectives and compliance with regulatory requirements.

Moreover, the result of the 2009 Audit of Company by Ernst & Young Office Limited, the independent and external auditors, has not identified any significant weakness in internal controls which may have a material impact or cause disruption in business operations.



CORPORATE SOCIAL RESPONSIBILITY (CSR) STATEMENT

The Company is committed to conducting business under Good Corporate Governance principles; doing business ethically and striving for the betterment of the society and the environment. The Company acknowledges that its unique character, of having all its ships trade all over the world flying the Royal Thai Flag, obliges it to act as the country's ambassador to the world and the Company takes this responsibility very seriously.

The Company places highest priority on Corporate Social Responsibility (CSR) and has built it into the Company's Mission Statement and Core Values (reproduced below). In addition, the Company allocates a budget of 0.50% of net profit every year towards CSR activities. This budget is cumulative and is subject to a minimum of Baht 1.75 million and a maximum of Baht 25 million per year. The actual disbursements out of this budget are decided by the Company's senior management, which is periodically or at least once a year reported to the Board of Directors.

The Company's Mission Statement and Core Values are:

MISSION STATEMENT:

- To be the most respected Shipping Company in the world, providing best services and solutions to facilitate International dry-bulk trade.

CORE VALUES:

- We will manage all our business affairs in accordance with the highest principles of Good Governance. As a part of Good Governance, we have outlined our Corporate Governance Policy which will be strictly followed without any compromise.
- We will provide efficient, reliable and professional service to all our customers.
- We will comply with all rules and regulations and follow the highest safety standards in operating our ships with a view to eliminating or at least minimising human injury, loss of life and environmental damage.
- We will strive to create, preserve and enhance long term value for our shareholders.
- We will carry out the Company's affairs in a transparent, honest and faithful manner in the best interests of all stakeholders.
- We will provide a stimulating and rewarding working environment for all our employees with opportunities for self-development and growth.
- We outline hereunder the Company's CSR activities as it relates to: 1. Customers 2. Compliance with Regulations 3. Employees - Safety & Occupational Health, Training & Development 4. Protection & Conservation of Environment and 5. Community & Society.

The Company believes that successful implementation of CSR activities in all these areas, on a sustained basis, will help achieve its Mission.

1. Customers: The Company recognises that it is in the sea transportation industry and its success depends on adding value to customers by way of transporting goods from place of production to the place of consumption. As part of its commitment to add value to its Customers, the Company is committed to provide substantive reply to any query from a Customer promptly, but in any event within 24 hours including weekends and national/international holidays. Further, whilst operating within the scope of the agreed contract, the Company tries to provide solutions to any situation/problem the Customer may face, even if any of our vessels are not involved at that moment. The Company is happy to report that its service is well appreciated and some typical comments from Customers are as follows:

**"...Just wanted to mention again that it is an honour
and a pleasure to work with such a fine company as yours..."**

“...Thanks for Owners/Your great assistance always
a pleasure to deal with these issues in such professional manner ...”

“...We wish to thank you, officers and crew, for excellent job done throughout
the three years your good ship has been on charter to us.
The cooperation has been absolutely first class and to our complete satisfaction...”

New computer-based Management Information System: As reported in the previous year, the Company has implemented a new Computer Program which covers all the operations in the Head Office and also links all the vessels in the fleet. This software gives real-time information on vessel operations, costs, etc. and keeps the Head Office in close contact with the Master of each and every vessel; and assists in effective decision making on all issues. This System has enhanced the Company’s ability to better serve its Customers, and to provide support to its employees serving onboard the ships.

2. Compliance with Regulations & Conventions: As stated at the outset, the Company’s ships fly the Royal Thai flag and thus act as brand ambassadors of the “Thai” brand wherever the ships call. The Company makes every effort to preserve the sanctity of the “Thai” brand by ensuring that all the ships are safely operated in accordance with the applicable regulations and conventions. One such convention, the ISM Code, is explained in more detail below.

International Safety Management Code (ISM Code): Learning from various marine casualties over the years, “International Safety Management Code” (ISM Code) was introduced by the International Maritime

6th Annual PSL Maritime Day Run



Precious Shipping PCL, commemorated the World Maritime Day by organizing
“The 6th PSL Maritime Day Run” at Lumpini Park on Friday, 9th January, 2009.

Every year International Maritime organization (IMO) celebrates World Maritime day, to focus attention on the importance of safety in shipping operations and protecting the marine environment. This year the theme for the world Maritime Day 2009 is “Safe ships and green shipping” in consonance with International Maritime Organization’s celebrations of 60 years in the service of shipping. IMO’s main task has been to develop and maintain a comprehensive regulatory framework for shipping and its remit today includes safety, environmental concerns, legal matters, technical co-operation, maritime security and the efficiency of shipping.

Organization, to enhance the safe operation of ships and pollution prevention. The ISM Code became mandatory on 1st July 1998 for passenger ships including passenger high-speed crafts, oil tankers, chemical tankers, gas carriers, bulk carriers and cargo high-speed crafts of 500 grt and upwards, but the Company implemented this in 1995 itself after obtaining due certification. The Code is implemented on board the vessels and offices ashore in order to provide an international standard for the safe management and operation of ships and for pollution prevention, as summarized in the objectives listed below:

1. Ensure safety at sea.
2. Prevent human injury or loss of life.
3. Avoid damage to the environment.

Annual internal audits are conducted on board not only as a requirement of the ISM code, but, also as a means of self-regulation. These audits are carried out by a dedicated team of qualified and experienced ship auditors reporting directly to the Managing Director. All incidents of non-compliances, accidents and near misses are thoroughly investigated and analyzed. Procedures are reviewed immediately. Preventive measures are initiated and implemented across the fleet to eliminate the root cause so as to avoid any recurrence. In order to identify the strengths, weaknesses and trends of the system, an annual analysis of all non-conformities is done, segregating the non-conformities under various categories. For example: total number of personnel injuries, machinery damages, cargo damages, grounding, etc. is collated and analysed. Based on the analysis, recurrent issues are identified, procedures reviewed and preventive measures implemented, thus enabling improvement of the SMS. All lessons learned from various accidents and near miss incidents are shared with organizations like Marine Accident Reporting Scheme (MARS) for the mutual benefit of the industry and to enhance maritime safety in general. The Nautical Institute, London, which publishes the MARS reports every month, has appreciated the Company's participation in MARS and for promotion and maintenance of the highest ideals of quality management and social responsibility.

3. Employees: Safety & Occupational Health: The Company recognizes that respect for human rights is the foundation of Human Resources' improvement, which adds value to the business. Moreover Human Resource is a key success factor for business and adds value to the Company in all aspects. It is the Company's policy to conduct its activities in a manner that promotes the health and safety of its employees so that the actions of the Company, and its employees, promote the health and safety of others too. The Company considers health and safety to contribute equally with commercial and operational factors and is considered a management responsibility. To this end, the health and safety responsibilities of all personnel have been defined and allocated. The Safety Management System is intended to affirm that the Company achieves its purpose in this area and is based on the philosophy that accidents can be prevented by the identification and management of risk.

Blood Donation



Precious Shipping Public Co., Ltd. (PSL), together with other GP-Group Companies, organised a blood donation drive on January 14, 2009 at their Head Office in Cathay House Building, in co-operation with the Thai Red Cross.

As seen in the photo:

On this occasion, total 19,950 cc. of blood was collected from 57 donors, including Mr. Munir Hashim Executive Director of PSL

The Company also has a Drug and Alcohol Abuse Policy. It is based on the recommendations contained in OCIMF's "Guidelines for the Control of Drugs and Alcohol On board Ship". They are detailed in the Safety Management System available on all vessels and displayed for all crew members.

Ensuring that each crew member gets enough rest is a necessity. In order to avoid fatigue and stress related accidents on board, minimum rest periods have been recommended by STCW 95 convention and ILO Convention 180.

The Company's medical fitness requirements are higher than the standards set by International Labour Organization (ILO) and other regulatory bodies. As a result, the Company finds very few cases of fitness or sickness related problems amongst its seafarers.

Teamwork: Unlike a conventional ship owning Company, which, outsources the technical management of its ships, the Company's Management Company, viz. Great Circle Shipping Agency Limited (GCSHIP) is a wholly owned subsidiary of the Company. The staff of the Management Company work as one team under the same roof. Good co-ordination is achieved in all areas of ship operation by this arrangement. Besides ISM code certification, GCSHIP is also a certified ISO 9001: 2008 company.

Training & Development: Over the years the Company has not only acquired expertise in the field of ship management, but, in the process, has developed a pool of highly qualified and competent staff, both, on-board and ashore. It is through this dedicated and loyal work force of floating staff, technical superintendents, and internal auditors that the Company has been able to achieve high standards of Safety and Quality in all aspects of ship operations. It is the Company's policy to encourage and support competent and efficient seafarers and give them the opportunity to grow within the Organization.

All officers are required to visit the head office for briefing before being assigned to vessels. Here, they are briefed and updated about new developments and practices in the industry. Regular updates are also sent to the vessels. Officers are often sent to attend value addition courses in order to enhance their skills. The costs for these courses are borne by the Company.



NASIC Dormitory Project

Precious Shipping Public Co., Ltd. (PSL) has agreed to donate Baht 23,821,000 million to Nakhon Si Thammarat Seaboard Industrial College (NASIC) to support the construction of a dormitory building.



As seen in the photo:

Ms. Narisra Chavaltanpipat, Deputy Minister at the Ministry of Education handing over a souvenir prepared by students of NASIC to Mr. Jaipal Mansukhani, PSL Director.

The Company is also subscribing for the best on board video training programs available in the market.

In order to motivate the junior officers and also keep up with the process of learning while on board, senior officers are asked to actively interact with them. In order to measure their levels of competency, computer based competency test facility is provided on board. Based on the results of these tests, officers are able to determine their weaknesses and work to improve upon on weak areas.

Maritime Training Center & Bridge Navigation Simulator: The Company has set up of a full-fledged Maritime Training Center at its Head Office in Bangkok which includes a state-of-the-art Bridge Navigation Simulator. The PSL Training Center, which commenced operations in March 2008, has given a solid foundation to the Company's training activities and has enabled its Officers and Crew to keep abreast of the latest developments in ship operations. The Bridge Navigation Simulator recreates the actual bridge on a ship as it enters a major port and provides ideal conditions in which to train Officers and Crew in ship-handling and navigation. This is a significant step taken by the Company to train and equip its Officers and Crew to take better care of themselves and their ships, all with a view to ensure Safety of the Crew and preventing accidents, thus preserving the environment.

4. Protection and conservation of environment: The Company recognizes that shipping operations, if conducted irresponsibly may affect the environment, particularly in terms of air and/or water pollution. For the Environmental Protection Policy, the Company is committed to the protection and conservation of the environment and ranks environmental considerations equally with commercial and operational factors in managing its operations and implements this policy. To implement this policy, management:

- Promotes procedures and practices that ensure environmental protection taking into account current legislation and industry codes and practice;
- Takes voluntary steps where appropriate to improve environmental performance;
- Communicates clear management directions to properly motivated employees so that they perform in an environmentally responsible manner;
- Designs and operates ships as efficiently as possible, minimizing environmental impact and ensuring that discard of waste is in strict compliance with regulations;
- Establishes emergency plans, consistent with current legislation and good practice;
- Communicates with employees, appropriate authorities and the public enabling the Company to respond to their environmental performance concerns; and
- Monitors environmental performance to ensure compliance with this policy as well as the Company's legal requirements.

The Company is committed to environmental protection through effective implementation of the various international conventions as follows:

- The prevention of pollution from ships (MARPOL). This convention is divided into 6 areas as follows:
 1. Regulations for the Prevention of Pollution by Oil.
 2. Regulations for the Control of Pollution by Noxious liquid substances in bulk.
 3. Regulations for the Prevention of Pollution by harmful substances carried by sea in packed forms, or in freight containers, portable tanks or road and rail tank wagons.
 4. Regulations for the Prevention of Pollution by Sewage from ships.
 5. Regulations for the Prevention of Pollution by Garbage from ships.
 6. Regulations for the Prevention of Pollution by Air from ships.
- International Convention for the Control and Management of Ships' Ballast Water and Sediments, 2004
- International Convention on the Control of Harmful Anti-Fouling Systems, 2001 (ANTI-FOULING)
- International Convention on Civil Liability for Bunker Oil Pollution Damage, 2001 (Bunkers Convention)
- International Maritime Dangerous Goods Code (IMDG Code)

- National Regional and Local regulations more stringent than the international requirements like US environment protection acts, European Union air pollution directives

All aspects of ships' operations, which involve risk of pollution, are addressed in the regulations and are further discussed in the operational manuals placed on board the vessel. Each Ship's Captain is well aware of his responsibility to ensure that crew on board follow such regulations to prevent any situations that would have negative affect on the environment. There have been no major events from the Company's operations, which have affected the environment.

Recently during the year, the Company was proud to receive a letter issued by the U.S. port of Long Beach, California in recognition of the Company's commitment to reducing pollution wherein the Port of Long Beach conferred the Green Flag Environmental Achievement Award on the Company.

The Company's commitment to protection and conservation of environment and prevention of pollution is reflected in the newbuilding contracts the Company has signed with ABG Shipyard in India for building 18 vessels. The vessels are being built to comply with all regulations presently in force and also those which are known to be applicable in the foreseeable future. In addition, wherever practical, the vessel's specifications exceed those mandated by the regulations, both for ease of operations as well as to enhance the vessels' ability to protect and conserve environment. For instance, the vessels will comply with the International Convention for the Safe and Environmentally Sound Recycling of Ships.(which will come into force in 2012) specifically by prohibiting/ restricting the use of hazardous materials at the ship construction stage. If any hazardous materials are used in the construction, a continuous inventory of the same will be maintained, so that all the vessels are eligible to apply for an International Certificate of Inventory of Hazardous Material or 'GREEN PASSPORT'



MMTC Scholarship

Scholarship to Merchant Marine Training Center's student

Precious Shipping PCL. (PSL)

awarded Baht 480,980 scholarship to the selected student of Merchant Marine Training Center (MMTC) to support their entire education year at MMTC.

As seen in the photo:

On March 10, 2009 Mr. Koka V. Sudhakar, PSL's Vice President - Fleet Management (front right) along with Commander Vorakij Nithitanant, MMTC's Director (front left).

Precious Shipping PCL. (PSL)

has awarded Baht 328,800 as scholarship to support selected students of Merchant Marine Training Center (MMTC) for the entire education year.

As seen in the photo:

On July 3, 2009 Mr. Koka V. Sudhakar, PSL's Vice President - Fleet Management (right) along with Commander Vorakij Nithitanant MMTC's Director (left).



Some of the “Green” features of these new ships are:

(1) Larger Bilge water/sludge storage tanks - these will enable environmentally friendly waste disposal ashore by allowing more flexibility in selecting the best waste disposal facilities ashore separately for oily water and sludge;

(2) The vessels will be fitted with large incinerators, well above the requirements of MEPC.76 (40) Standards, to burn waste and sludge. This will ably supplement the Company’s garbage and waste management system which is already in operation on all of the Company’s vessels;

(3) Flush, box-type ship-sides for cargo holds - this will reduce accumulation of cargo residues in the holds, thereby reducing the need for harmful cleaning chemicals for removal of the same, since the holds can be cleaned using water only;

(4) Deep-well sump pumps for Main Engine oil circulating system - this will reduce the overall quantity of lubricating oil required for the Main Engines, which will in due course reduce the quantities of waste oil;

(5) Propeller boss cap fins - this is a new propulsion-enhancing technology to improve the efficiency of the propulsion system, which in turn reduces the fuel consumption and the overall emission of exhaust gas waste products;

(6) The vessels’ hull form has been perfected after several rounds of careful design analysis using the latest technology, with a view to arrive at the most optimal combination of ship-size & shape to achieve the desired speed at minimum fuel consumption.

ISO 14001 Certification: To formalize the Company’s commitment towards preserving and conserving environment and to reduce carbon footprint, the Company has obtained ISO 14001:2004 certification. ISO 14001:2004 provides a framework for a holistic, strategic approach to the Company’s environmental policy, plans and actions, and will demonstrate that the Company is an environmentally responsible organization.

Increasing demand for environmental conservation has been felt by all industries in the recent years. Maritime industry is no exception. The Company has newly established an “Environment Protection Policy”. In addition to minimum requirements based on international conventions and regulations, the Company will implement an Environment Management System (EMS) complying with the ISO 14001 standards. The new EMS will supplement the existing Quality Management System meeting ISO 9001 standard and the International Safety Management (ISM) code. The integrated Management System will be known as Safety Quality and Environment Management System (SQEMS). The Technical Manager, who also heads the Management Company, is appointed as the “Management Representative” for the SQEMS. He is also the “Designated Person” for the purpose of the ISM code.

Hom Bha Hai Nong Project

Precious Shipping PCL. (PSL) donated Baht 80,466 to the project “Hom Bha Hai Nong 12th” by cadets of Merchant Marine Training Centre to buy a projector and build the activities stage for Wat Bang Kra Jao School in Samut Sakorn province.

As seen in the photo:

Mr. M.K. Singh, PSL’s Assistant Vice President - Technical (second left) handing over cheque of Baht 80,466 to “ Merchant Marine Training Centre” cadets along with Ms. Sukanya Wongvicharn, PSL’s Assistant Manager - Fleet, (far left).



The Company has developed the procedure manuals with in-house expertise. After scrutiny and essential modifications, Class NK, the certifying body, has issued the certificate. The Company has also used this opportunity for transition of the QMS (from present 2000 version) to the new 2008 version of ISO 9001.

Implementation highlights:

1) Environment protection policy statement, as below, has been made public in line with ISO 14001 requirement:

The policy of the Company is to conduct its operations in an environmentally sustainable manner in order to protect the environment and the planet earth for a better life for the present and future generations. Company has established the environment management system (EMS) in order to achieve this goal.

In implementing its policy the Company will make all efforts through its operations to:

- Minimize pollution caused to the environment.
- Comply with all national, international legislations and other regulations pertaining to pollution of environment.
- Establish procedures for the efficient use of natural resources.
- Improve environmental awareness of all employees.
- Ensure effective monitoring of the environmental performance of the Company is carried out.
- Ensure continual improvement of the environmental performance and pollution prevention.

The Company has set targets and objectives for the improvement of environmental management and will publish details of its environmental performance to the public.

All employees have a role to play in caring for the environment. The company has a designated person to be responsible for environmental issues and environmental responsibilities are allocated to line management throughout the organization.

This policy is subject to periodic review to ensure it continues to meet the Company's environmental requirements.

2) Environmental objectives and targets are set and assigned to all levels of employees in the Company, both ashore and afloat, with stipulated time frames and action plans. The Company recognizes that training and improving awareness at all levels is the key to achieving the environmental policy and seeks to accomplish these needs through the in-house training establishment described hereinabove.

Some of the important objectives set for ship-staff include reduction in fuel consumption, reduction in garbage generated, increase quantity of sludge disposal through shore facility (where they may be recycled rather than burned in shipboard incinerator), eliminate use of Halon (green house gas) in fire extinguishing systems. Likewise, objectives for shore-based administrative office include reducing electricity consumption and paper consumption.

3) The Company has evaluated significant environmental impacts for all shipboard and company activities have been analysed and it has been found that the Company's existing procedures can effectively reduce the environmental impact score of any incident.

4) In-house training programs are conducted for all staff (serving on shore office as well as on vessels) on the EMR policy, objectives that have been set, and for general awareness. These training programs are conducted at the Company's training centre and through internal audit visits to vessels.

5) The Company uses best endeavors to influence and encourage all vendors associated with the company to comply with environmental standards / good practices.

6) Annual review meetings conducted every year are be utilized as a platform to discuss and address issues related to review of the SQEMS.

Through periodic review and continual improvement of our SQEMS, the Company hopes to elevate environmental performance over the coming years and make significant contribution to conservation of environment and reducing its carbon footprint.

Reducing Carbon footprint: In addition to protecting & conserving the environment, the Company is particularly keen to reduce its carbon footprint. The Company's ships are well geared to do their part in this: the fuel that is burnt on the ship for propulsion is 'heavy' or 'residual' fuel. This is basically what is left of the crude oil after the lighter products such as aviation fuel, gasoline etc have been distilled off. After the 'residual' fuel has been extracted from the remainder, what is left is 'pitch' or tar, which is used for building roads and roof lining. Energy from the fuel that is burnt in the ship's engines is converted into propulsion. Waste heat, is an unfortunate by-product, but even that is put to good use. Cooling water carries some of it away, but the waste heat is not simply discarded; instead, the heated cooling water is used to run a desalination plant that provides most of the ship's needs for fresh water, thereby minimizing demand from limited land based resources. Exhaust still has a lot of 'energy' left in it. Most of it is harnessed by running exhaust gas-driven superchargers to make propulsion more efficient and then use the remainder to convert water into steam. This steam then is used for all our heating requirements, the most important of which is heating up the residual fuel to a 'combustible' level.

At the Head Office, the Company has analyzed the electricity consumption data over the past few years and as a small beginning, are reviewing the existing lighting plan to make it more energy efficient. In addition, the Company has mandated minimum temperatures on the air-conditioning systems to be kept at 24 degrees so that the consumption of energy is reduced. To make the office environment comfortable at these temperatures, the Company has encouraged all staff to dispense with wearing a tie and/or jacket while maintaining the dress code as "formal", but, without a tie/jacket.

The Company continuously looks out for ways and means of reducing the carbon footprint.

"Automated Mutual assistance Vessel Rescue System" (AMVER): Sponsored by the United States Coast Guard ("USCG"), AMVER is a unique, computer-based, and voluntary global ship reporting system used worldwide by search and rescue authorities to arrange for assistance to persons in distress at sea. The Company continues to be involved in the AMVER program and its good performance is recognized by the USCG in the form of AMVER awards given to the Company every year through their representative at the United States Embassy in Bangkok.

5. Supporting the Community and Society: The Company recognizes that a solid community and society is a significant factor to support the Company's business. Therefore, the Company supports and gets involved in many community and society activities on a regular basis. The Company fully recognizes its responsibility to the Community and is attentive to the consequences of the Company's conduct that affect the people around more than what the laws require, including making efforts to gradually absorb social accountability. The creation and expansion of the Company's CSR Fund will provide a permanent and formal framework to enhance the Company's CSR activities.

Some of the Social and Community activities undertaken by the Company are as follows:

- The Company takes an active interest in the Merchant Marine Training Center, Thailand (MMTC) and has awarded Gold medals for graduates finishing at the top of the class since 1998. Besides, the Company also donates text-books to MMTC on a regular basis.
- The Company has instituted Scholarship scheme for students of MMTC. In 2009, an aggregate of Baht 1,786,996 has been disbursed to outstanding students in need of funding.
- The Company employs most of the cadets passing out from the Merchant Marine Training Center, Thailand and thus contributes to the development of qualified Thai officers. This pool of officers is available to any/all Thai ship-owners and not just restricted to the Company.
- The Company has signed a MOU with the Vocational Education Commission to implement knowledge and promote teaching and learning for Nakhon Si Thammarat Industrial and Shipbuilding College (NASIC). Pursuant to this MOU, the Company is also building student dormitory facilities at NASIC which is expected to cost about Baht 23 million, and also providing financial assistance to the students and purchasing books & other materials for their library. For their part, NASIC has introduced new courses and curriculum under consultation with the Company to develop/train Engineering Officer graduates for

a career in shipping, thus developing a new career option for Thai youth. The Ministry of Education, Vocational Education Department, awarded a Honor Shield to the Company in recognition of its participation with NASIC.

- The Company has awarded Baht 165,000 Scholarship to a student of International Maritime College, Kasetsart University, Si Racha Campus to support his entire Maritime Science degree course in the University.
- The Company donated Baht 80,466 to the project Hom Bha Hai Nong 12th by cadets of Merchant Marine Training Centre to buy a projector and build the activities stage for Wat Bang Kra Jao School in Samut Sakorn province. This is further to the donation of Baht 100,000 made by the Company in the previous year to the project “Hom Bha Hai Nong 11th” by cadets of MMTC to repair classrooms and renovate the library for Ban Bhai See Thong School in Suphanburi province.
- The Company donated Baht 40,000 for Muslim youth center Bann Pak Lad at Prapadaeng, Samutprakarn to support educational equipments and scholarship for Children day activity held on January 19, 2008.
- The Company makes regular donations to the needy and poor and for various causes. For instance, the Company, in collaboration with employees, donated over Baht 1 million to the Thai Red Cross for those affected by the Tsunami in Thailand, and in early 2004, donated computers to four primary/secondary schools in Rayong province for use by the 877 students studying in these schools.
- The Company helped build a school for children affected by the earthquake which hit western India in 2001. The “Indo-Thai Friendship School” is now fully operational and can accommodate 700 students in Elementary, Middle and High School levels. This has been greatly appreciated by all concerned and projects a very favorable impression of Thailand.
- The Company readily responded to the needs of the people living in South Thailand affected by the deadly Tsunami of Dec 2004. As an immediate measure, the Company and its employees contributed Baht 590,000 to the villagers of Talay Nok in Ranong province, to renew /repair their fishing boats and resume earning their livelihood. The Company has adopted the Talay Nok village and undertakes regular visits there to ascertain their requirements. The Company has extended an open invitation to needy children to apply for study scholarships (one such girl child is presently studying in a Bangkok college). Moreover, with a view to provide a source of livelihood to the youth, the Company is also encouraging able-bodied youngsters from this village to come forward for basic seamanship training, to be provided at Company’s cost, following which they can become sailors on the Company’s ocean-going ships for a fruitful and fulfilling career in international shipping.

Honor Shield from Vocational Education



Admiral Dr. Amnad Chandhanamattha, PSL's Chairman of the Board of Directors receiving the honor shield in recognition of the outstanding participation with the NASIC College and Vocational Education Department from Ms. Narisra Chavaltanpipat, Deputy Minister of the Ministry of Education on the occasion of “68th Year Vocational Education of Thailand to the International.”

- The Company alongwith the staff and crew donated Baht 1,325,867 in year 2008 to construct a new building for housing the Physics, Chemistry and Computer laboratories in a school in Semmangudi, Tamil Nadu, India. This school is in a very poor village and was seriously affected by the Tsunami of Dec 2004.
- The Company organizes blood donation camps on a regular basis in collaboration with the Thai Red Cross. These blood donation camps have been organized since the past several years. In 2009, 2 donation camps were organized in January and July with a total collection of 36,400 cc .
- Every year, the Company organizes a 5-KM run “PSL Annual Maritime Day Run” at the Lumpini Park to encourage all its employees to inculcate a habit of doing regular exercise to maintain good health. In 2009 too this tradition was continued in which the Company’s employees and associates participated with great enthusiasm and camaraderie.
- The Company is one of the sponsors of the annual sport day function at the Merchant Marine Training Center. The co-operation with MMTC thus extends to Sports, besides academics (as outlined above), and helps in all-round development of Officer Cadets.
- The Company is setting up schemes to provide assistance by way of annual scholarships or otherwise, to our own staff members who are not able to afford school admission and/or tuition fees for their children.
- The Company is also considering a scholarship/incentive/award scheme which will be purely merit based to be awarded to our employees’ children who are the top performers and are excelling in their chosen field in High School/College/University.
- The Company donated money and equipments to make a scientific laboratory and supported in study activities at Ban Koh School in Surin province in September 2006. The Company donated Baht 100,000 and books to cadets of Merchant Marine Training Centre to repair classrooms and build up the library for Bannwangsanuan School in Nakornratchasima province in September 2007.
- The Company donated 15 computers for teaching program to Ban Koh School in Surin province in October 2007. The Company recently donated three computers of modern vintage (Dell Celeron 2 GHZ, Hard Disk 40 GB) to this school to upgrade the teaching facilities.
- The Company contributed Baht 100,000 to Council for Social Welfare of Thailand under The Patronage of His Majesty the King to develop, knowledge and foster career skills of disabled people, supporting them to seek their own income, on the 43rd Cripple Day in November 2007.
- The Company donated Baht 68,000 to Ban Koh School in Surin province in year 2008 to support the “Student Field Trip” to Skaerat Evironmental Research Station in Nakhon Ratchasima province.



Precious Shipping PCL. [PSL] awarded Baht 977,216 scholarship to selected students of Merchant Marine Training Center (MMTC) to support their entire education year at MMTC.

As seen in the photo:

Commander Vorakij Nithitanant, MMTC’s Director (left) along with Dr. Chalomsak Rabilwongs, Deputy Director General at the Marine Department (centre) and Mr. Koka V. Sudhakar, PSL’s Vice President in Fleet Management (right).



SIGNIFICANT RISK FACTORS

The Company has classified the various risk factors the Company is exposed to into three categories viz. Operating Risk, Financial Risk and Market Risk. In recognition of the Financial Crisis triggered in year 2008 and the consequent collapse in the Dry Bulk Shipping Market, the Company additionally identified and categorized in the previous year, a special risk associated with maintaining and expanding capacity, which has been classified as **“Capacity Replacement and Expansion Risk”**. This is retained in the current year as the Company continues to be exposed to this risk as explained hereunder. Further, for this year also, the Company remains exposed to the significant risk factors arising out of the Global Financial Crisis which are classified hereunder as **“Effect of Global Financial Crisis”**. The significant risk factors under each of these categories are explained as under:

OPERATING RISK

The Company, as an owner and operator of ocean-going vessels operating without any geographical limitations is exposed to risks of marine disaster, environmental mishaps resulting in substantial claims, cargo/property loss or damage and business interruptions due to accidents or other events caused by mechanical failure, human error, political action in various countries, labor strikes, terrorist actions, piracy, adverse weather conditions and other such circumstances and events. This could result in increased costs or loss of revenues. However, to cover against most of these risks, which are standard for an International Ship owner/Operator, insurance covers are available in the international insurance industry. Accordingly, the Company is adequately covered against such aforesaid circumstances and events.

The operations of the Company depend on extensive and changing environment protection laws and other maritime regulations, non-compliance with which may entail the risk of detention of ships leading to loss of time which would lead to loss of revenues or claims from charterers, significant expenses including expenses for ship modifications and changes in operating procedures. However, the Company is vigilant on these issues and maintains internationally prescribed safety and technical standards.

The operations of the ships and the management of the Company as a public company listed on the Stock Exchange of Thailand require skilled personnel to be employed as crew to operate its ships and managers at the corporate level with appropriate knowledge and experience. Sourcing and retaining such personnel is crucial for the business operations of the Company. However, due to the adoption of fair and reasonable staffing policies, the Company has hitherto been quite successful in sourcing and retaining such highly skilled and qualified personnel and the Company continues to take a number of initiatives to attract and retain talent, and therefore does not expect any future cause for serious concern in this regard, although International Shipping has recently emerged out of a tremendous shortage of qualified crew, particularly in the officers' cadre, required on board the ships.

As a publicly listed company, the Company is required to comply with various laws and regulations and failure to comply with any one or more of such laws and/or regulations could expose the Company to penalties or other legal action against the Company and its senior management. The Company remains vigilant on this issue and has taken adequate steps to employ qualified staff and also adopted adequate and effective systems to ensure full compliance with all laws and regulations.

The Company is not exposed to any risk of increased costs due to an increase in international oil prices, since, whenever the fuel costs are on the Company's account (in case of a Voyage Charter), increase in oil price is passed on to the Customers since the freight rates are quoted and charged after incorporating the increased fuel cost. In case the business is done on a Time Charter, the fuel cost is on the Customer's account.

FINANCIAL RISK

Almost the entire Revenues and Expenses of the Company are denominated in US Dollars. Further, almost all the Fixed Assets of the Company, viz., ships are US Dollar based assets, since they are readily salable in US Dollars in the International market. Therefore, the Company is exposed to the risk of realising a Foreign Exchange loss in respect of its liabilities in any currency other than US Dollars. The US Dollar equivalent figure of such “Non-USD” denominated debt may increase or decrease with a fluctuation in the respective exchange rate. In recognition of this risk, the Company has attempted to maintain least possible exposure in other currencies and accordingly always maintained US Dollar denominated credit facilities and loans. As on 31st December 2009 the Company’s loan for financing the new ships ordered by the Company is denominated in US Dollars only. However, due to the effect of the Global Financial Crisis and the inability of the Company’s Local Lenders to extend the loan in US Dollars in the beginning of this year (2009), one of the Company’s facilities originally denominated in US Dollars, was converted into Thai Baht when the availability period of the facility was extended by one year. However, in recognition of this risk, the Company has obtained commitment from the same Lenders to convert the Thai Baht liability into US Dollars through the use of a USD/THB Swap whereby the principal portion of the Loan as and when drawn by the Company shall immediately be converted into US Dollars, thereby eliminating the Foreign Exchange risk associated with the loan principal. However, the interest on the loan is payable in Thai Baht and to that extent, the Company continues to be exposed to this risk. The Company is currently attempting to convert even the future Interest payable in Thai Baht into US Dollars.

The Company also maintains almost all its Bank balances in US Dollars whereby there is no risk of realising any loss on these balances, in US Dollar terms. However, it must be noted that the Company is exposed to an exchange loss in Thai Baht terms on translation of its US Dollar denominated Assets, Liabilities, Income and Expenses, arising out of the Currency translation from US Dollars to Thai Baht in the Thai Baht Financial Statements.

The Company’s debt facilities carry interest at floating rates based on LIBOR (London Inter-Bank offered rate) and as such, the Company is exposed to fluctuations in its interest rates due to changes in the LIBOR. The Company monitors market interest rates regularly and remains vigilant on this issue.

The Company’s Assets, i.e. ships, have a finite life and as and when the ships reach a certain age, they need to be sold for onward trading or scrapped. This leads to a decrease in capacity as it has happened this year when the Company has sold 21 ships out of its fleet of 44 ships at the beginning of the year and if the Company wants to maintain capacity in terms of fleet size, the Company has to continuously follow a program of replacement of its older scrapped (or sold) vessels. Purchase of ships requires considerable funding, which may be through equity or debt or both. If the Company is not able to raise the necessary funds required for the purchases of ships to maintain capacity, the Company’s Capacity will continuously deplete, which is not desirable if the depletion is for a sustained period and as such, the Company is exposed to a funding risk. However, in recognition of this risk, the Company has not only ordered new ships and arranged credit facilities for the new ships, but also put in place credit facilities for acquisition of additional ships, which are available to the Company to purchase new (if delivered immediately) or second-hand vessels.

MARKET RISK

The shipping industry and market has been cyclical, experiencing volatility in profitability, vessel values and freight rates, resulting from changes in the supply of and demand for shipping capacity, as explained in the section on “Nature of Business and Industry” of this Report. The Company had traditionally marketed all its ships in the spot market and had therefore been exposed to market fluctuations and the cyclical nature of the business. However, the Company believed that by being in the ‘niche’ small handy size sector of the industry, wherein there is a fundamental advantage of demand over supply, some downside protection against the cyclical nature of the business was provided. Besides, traditional clients in this sector of the market did not take ships on long term contracts and preferred to do the majority or all their business only on the spot market. This situation has of course changed in the last 4 to 5 years because of the increase in freight market volatility leading to a change in strategy of the Company as well as that of our clients whereby we can now fix a major portion of the Company’s fleet on longer term charters, keeping the Company insulated somewhat from the volatility of the spot markets and ensuring stability in its revenue stream.

The demand side of the Company’s business is generated by the quantity of cargo its vessels are required to

transport. The generation of this demand is mainly dependent on World Trade and Economic Growth. Severe depression in Growth and Trade could reduce the demand for ships. The spurt in demand for dry bulk shipping capacity in the past 4/5 years has largely been driven by the demand from China (supplemented by India and countries in the Middle-East) which is importing commodities and raw materials in huge quantities for major infrastructure projects. If there is a significant reduction in the Demand from China on a sustained basis, particularly in the next few years when a significant number of new ships presently on order, are expected to enter the market, it could have an impact on the overall demand/supply balance in Shipping Capacity, which could lead to a significant fall in freight rates and could also be coupled with a fall in ship values. The Company had acquired a number of second hand ships at market values in 2004 while the market had been in the midst of this upturn, and therefore, the Company was exposed to the risk of reduced earnings and/or fall in asset values if there had been a significant downturn in the market. This did not happen and the Company was able to generate substantial revenues and extremely good returns on its acquisitions. Further, in December 2006/first Quarter 2007, the Company has sold 10 of its oldest vessels in the fleet with an average age greater than 26 years, at attractive sales prices which could be said to have reduced the risk to a large extent as this risk is higher in respect of the older vessels. The Company has also sold 21 of its oldest vessels this year at reasonably attractive prices and has thereby avoided exposure of these older vessels to unemployment and/or very low rates in the spot market once their long term contracts had expired. In respect of revenues on the rest of the fleet, the Company has attempted to continued its strategy to mitigate this risk for its fleet by entering into period charters or contracts for a longer period for most of its ships, wherever possible, whereby the Company is able to “lock-in” future earnings at higher freight rates. As mentioned above, this was a significant change made in 2004 in the Company’s strategy of doing business, whereby the Company had deviated from its traditional policy of trading on the spot market with Voyage Charters and/or Time Charters of very short durations. During the year 2007, the market continued to move significantly higher until it reached a peak in the middle of the year 2008, after which the Industry witnessed a sharp drop in market rates to levels close to all time lows. There has been a recovery in the dry bulk markets in this year from the second quarter but the situation remains uncertain and volatile, particularly because of the expected supply of new vessels. As expressed earlier, in the Company’s opinion, given the uncertainty and the extreme volatility in the market where rates can shoot up or collapse very quickly, it is always prudent to “lock-in” the future earnings, at reasonably high freight rates whenever possible, as a cushion against a sudden and, more particularly, a sustained collapse of the freight rates in the spot market which is what we witnessed since July 2008 through Q1 2009 before the onset of a slight recovery due to the resumption of commodity imports by China as a consequence of the Fiscal Stimulus introduced by the government in China. This strategy had been vindicated in the past when the spot freight markets witnessed a fall after early 2005 but the Company’s earnings outperformed the market during the year and in the market circumstances of the second half of the last year and the beginning of this year, this strategy has proved to be a winner beyond all doubts as a cushion against wild swings in revenues.

However, the above strategy exposes the Company to the counterparty risk of its Customers whereby, pursuant to a fall in the market and consequent fall in freight rates, the Company’s customers (Charterers) with whom the period charters have been signed could default on their obligations, as a result of which, the Company will not be able to achieve the higher contracted freight rates and would then be forced to contract these ships in the spot market in a depressed market when market freight rates would be lower. However, the Company is always conscious of the counterparty risk associated with its period charters and accordingly takes steps in analysing the counterparty risk of its potential charterers, particularly those with whom the Company signs longer period charters, and such contracts (Charters) are signed only with first class charterers with the highest possible credit ratings. It is for this reason that right through the depressed market upto the end of Q1 2009, the Company did not suffer any significant losses on account of defaults by Charterers.

The Company’s ships ply in international waters all over the world and the employment of its vessels is quite evenly distributed, without any concentration in any particular area. As such, the Company is not exposed to a risk of geographical concentration of the Company’s market and its customers. Therefore, any major adverse change in the market conditions in any one particular area of the world due to war, political action, or any other reason shall not result in a significant drop in revenues.

The Company's revenues are generated from a number of customers and the Company is not dependent on any single customer for the majority of its business. As such, the Company is not exposed to any risk of concentration of its business with any one customer and any loss of business from one such customer shall not have any significant impact on the Company's business and will not result in sudden and significant loss of revenues.

CAPACITY REPLACEMENT AND EXPANSION RISK

As explained above, the Company's Assets, i.e. ships, have a finite life and as and when the ships reach a certain age, they need to be scrapped. This leads to a decrease in capacity and if the Company wants to maintain capacity in terms of fleet size, the Company has to continuously follow a program of replacement of its older scrapped (or sold) vessels. In the current year (2009) the Company has sold 21 of its oldest vessels thereby reducing its Fleet size substantially. If the Company wishes to maintain capacity, a replacement of the sold ships have to be undertaken. Replacement of scrapped/sold ships could be achieved by purchase of second-hand ships from the open "Sale & Purchase" market. However, due to the boom in the International Shipping market in the past 4/5 years, the values (cost) of second-hand vessels were at unprecedented highs and the Company did not deem it prudent to be buying ships at these values and expose itself to the risks of an impairment charge on its assets as a result of the fall in the market values of ships in case of a sustained downturn that appeared to have been triggered in the latter half of the previous year but turned around somewhat this year as explained hereinabove. While the Company has managed to purchase one second-hand ship in the end of this year, if the ship values do not fall appreciably or in fact increase, although the Company wishes to replace all its scrapped/sold old ships with younger and bigger ships, the Company may not be able to buy enough second-hand (or new ships for immediate delivery) ships and the inability to buy reasonably priced ships exposes the Company to the risk that the Company has not, and may not for a sustained period of time, replace its capacity as a result of the sale/scrapping of the Company's very old ships.

The Company has attempted to mitigate the above Capacity Replacement risk, by entering into contracts for construction of new ships (newbuildings) at reasonable prices and specifications matching the Company's requirement and needs. This would ensure capacity replacement/expansion as and when the ships are delivered in accordance with the contracts. While the Operating and Market risks associated with the ships as and when delivered have been discussed above, the specific risks associated with the newbuilding contracts are summarized as under:

- **Risks associated with the Ship Builder:** The Company is exposed to a default risk by the Ship Builder in terms of adhering to delivery schedules and/or achieving the right quality of the ships whereby the ships may not be delivered for any reason or delivery of the ships is delayed and/or the ships delivered are not of the expected and contracted quality. The Company has attempted to mitigate these risks by carefully evaluating the capacity of the Ship Builder in terms of meeting contracted delivery schedules and maintaining quality and has obtained bank guarantees to cover refund of pre-delivery installments and/or delay in deliveries apart from including stringent penalties in the contracts, both, for delays as well as departure from specified quality parameters. Further, the Company has also appointed and deployed a team of highly qualified and experienced marine personnel to supervise the construction of the ships at the shipyard.
- **Risks associated with the Cyclical Industry:** The Company is exposed to the risk that when the newbuildings (particularly the larger Supramax vessels where the demand-supply outlook appears less favorable than in the smaller handysize vessels) are delivered or soon after acquiring a number of second-hand ships, the Shipping Market goes into a cyclical downturn and at such time, apart from a fall in the ship values, it may not be possible to charter out these ships at the expected rates. In order to mitigate this risk, the Company is attempting to book forward time charters at reasonably high rates, based on the expected delivery dates of the newbuildings and intends to book 2/3 years charters for second-hand ships immediately after they are bought and delivered.

Further, if the newbuildings are delivered while the industry is in the midst of a cyclical downturn, the market values of the new ships may drop to levels at which the Company may default under the "Loan to

Value” Covenant required to be maintained in accordance with the Loan facility Agreement. The Company is mindful of this risk and in order to mitigate this risk, apart from ensuring adequate cash reserves in the Company (to partially prepay the Debt), the Debt for the new ships is secured for only 15 out of the 18 new ships ordered by the Company which may allow the Company to provide these 3 unencumbered new ships as additional security for the Debt after they are delivered.

- **Risks associated with funding:** The Company was exposed to the risk that the funding required for the newbuildings could not be tied up through external sources in which case, the Company would have been forced to utilize internal operating cashflows for this purpose, which, may not have left sufficient or any excess cash for dividends or other capital expenditure. In order to mitigate this risk, the Company tied up credit facilities to fund 15 out of the 18 newbuilding contracts entered into by the Company in the previous year. Further, the Company also has other credit facilities available to fund the second-hand ships to replace the old vessels sold by the Company.

EFFECT OF GLOBAL FINANCIAL CRISIS

The most significant risk factors arising as a direct effect of the Global Financial Crisis on the Shipping Industry and consequently on the Company, are summarised as under:

- **Demand Loss Risk:** The financial crisis led to a closure or downsizing of a number of businesses and business units all over the world coupled with reduced access to Trade Finance, thereby affecting World Trade and resulting in a loss in demand for shipping services and consequent collapse in freight rates. Although there has been a small recovery in demand as explained hereinabove, the Company’s strategy of signing longer term charters for the Company’s ships at reasonably high rates, somewhat cushioned the Company’s revenues from the effects of this sudden and appreciably large fall in Freight rates. However, although there has been a recovery in demand, it is not certain whether this could be sustainable and whether the magnitude of the recovery will be able to compensate for the expected increase in supply of new ships. Therefore, in such case, if there is a sustained fall in the market, the Company’s revenues may be significantly affected because the Company shall be forced to charter those ships which are not chartered on long periods or those of which have expired, at very low rates on a sustained basis and/or may be forced to scrap its ships which are not very old because of the absence of demand for such ships or because of its inability to charter these ships at their respective break-even rates which would at least allow the recovery of the respective operating expenses of such ships.
- **Counterparty Risk:** In case of a relapse of the Global meltdown, a number of Companies which are users of shipping services including the Companies’ Customers or Charterers with whom the Company has signed longer term period charters at high rates may close down or become insolvent or face financial difficulties in future, resulting in non-payment of charter revenues to the Company and/or termination of the Charters. However, as explained hereinabove, the Company is conscious of the counter-party risk associated with its period charters and accordingly has taken steps in analysing the counter-party risk of its potential charterers, particularly those with whom the Company signed longer period charters, and such contracts (Charters) have been signed only with first class charterers with the highest possible credit ratings.
- **Credit Crunch:** The Financial Crisis has led to a Credit crunch because of the risk aversion policy adopted by Global banks to bolster or maintain Capital reserves, whereby it is still extremely difficult to raise new debt particularly from the International Banks who have been traditional Lenders to the Shipping Industry. If this situation continues further for a sustained period, the Company may not be able to raise new credit facilities or renew existing credit facilities required by the Company for capital expenditure, i.e. for purchase of ships to maintain or expand the Company’s fleet of ships. As explained hereinabove, the Company already has credit facilities in place to fund the newbuilding orders and is also in discussions with for renewal (extension of availability period) of existing credit facilities [and has also recently secured a new credit facility with a longer availability period] to fund additional second-hand vessels which the Company may want to buy.



MAJOR SHAREHOLDERS AND DIVIDEND POLICY STATEMENT

Major Shareholders per share register as on 31st December 2009 and 2008

No.	Name	As on 31 st December 2009		As on 31 st December 2008	
		No. of shares	Percentage	No. of shares	Percentage
	Globex Corporation Limited	266,625,206	25.65%	266,625,206	25.65%
	Ms. Nishita Shah	98,586,000	9.48%	98,586,000	9.48%
	Graintrade Limited	74,668,000	7.18%	74,668,000	7.18%
	Unistretch Limited	7,600,400	0.73%	7,600,400	0.73%
1.	* Total shares under control of Ms. Nishita Shah	447,479,606	43.04%	447,479,606	43.04%
	Mr. Khalid Moinuddin Hashim (includes 569,000 shares held at Thai NVDR Limited)	100,328,600	9.65%	100,328,600	9.65%
	Mr. Munir Moinuddin Hashim (includes 80,000 shares held at Thai NVDR Limited)	75,134,100	7.23%	75,134,100	7.23%
	Mrs. Ishrat Hashim (wife of Mr. Munir Moinuddin Hashim)	6,696,000	0.64%	6,696,000	0.64%
2.	** Total shareholding of Hashim family	182,158,700	17.52%	182,158,700	17.52%
3.	Thai NVDR Limited	64,077,411	6.16%	80,316,760	7.73%
4.	Fortis Global Custody Services N.V.	26,000,000	2.50%	29,000,000	2.80%
5.	Group of "NORTRUST NOMINEES LTD"	15,853,700	1.53%	4,776,200	0.46%
6.	Group of "THE BANK OF NEW YORK NOMINEES LIMITED"	15,419,722	1.48%	22,272,310	2.14%
7.	Group of "GOVERNMENT OF SINGAPORE INVESTMENT CORPORATION"	12,729,400	1.23%	9,506,800	0.91%
8.	Group of "CHASE NOMINEES LIMITED"	10,453,986	1.01%	19,041,054	1.83%
9.	PICTET & CIE	9,619,000	0.93%	9,619,000	0.93%
10.	Group of "STATE STREET BANK AND TRUST COMPANY"	8,613,536	0.83%	22,758,136	2.19%
11.	Other shareholders (apart from the Top Ten shareholders as mentioned above)	247,115,539	23.77%	212,592,034	20.45%
Grand Total	As at 31 st December 2009 : 8,369 shareholders As at 31 st December 2008 : 6,019 shareholders	1,039,520,600	100.00%	1,039,520,600	100.00%

Note : * Ms. Nishita Shah who is the Director of the Company is also the Director and shareholder of Globex Corporation Limited, Graintrade Limited and Unistretch Limited

** Mr. Khalid Moinuddin Hashim is the brother of Mr. Munir Moinuddin Hashim

Dividend Policy Statement

The Company's dividend policy approved by the Annual General Meeting of Shareholders No. 1/2004 dated 30th April 2004 is to pay out not less than 25% of Net Profits after taxes and appropriation to any reserves required by law. Upon approval by the Board of Directors, the annual dividend payout is to be presented to the shareholders' annual general meeting for approval. As regards the interim dividend, however, the Board is authorised to pay it and then report the payout at the next shareholders' general meeting.



MANAGEMENT STRUCTURE

The Company has 5 Boards / Committees

1. The Board of Directors
2. The Executive Board of Directors
3. The Audit Committee
4. The Remuneration Committee
5. The Nomination Committee

ELECTION OF THE BOARD OF DIRECTORS

The election of Directors is conducted by the meeting of shareholders. Each shareholder has one vote per share and each shareholder exercises all votes applicable in appointing one or more person to be a Director. The candidates are ranked in descending order from the highest number of votes to the lowest, and are appointed as Directors in that order until the Director positions are filled. Where the votes for candidates are tied, which would otherwise cause the number of directors to be exceeded, the Chairman has the casting vote.

1. THE BOARD OF DIRECTORS

Powers, duties and responsibilities of the Board of Directors are as follows:

1. The Board of Directors performs its duties in conformity with applicable laws, and carries on the business of the Company in accordance with the laws, the Company's objectives and the articles of association as well as the resolutions of the shareholders' meetings. The Board of Directors is authorized to carry out the Company's activities as prescribed in the memorandum or those related thereto under the Public Limited Companies Act B.E. 2535. The Board of Directors is responsible to the Company's shareholders. Each Director represents all shareholders and takes part in supervisory and regulatory functions in the Company's operations, in an independent and impartial manner, for the benefit of all shareholders and other stakeholders.

2. The Directors, in their business conduct, are expected to generally act with care to preserve the interest of the Company.

3. The Board of Directors or the Shareholders at their meeting is entitled to designate the authorized Directors to bind the Company and accordingly, any two of the following with the Company's Seal are the present authorized signatories:

- 1) Mr. Khalid Moinuddin Hashim
- 2) Mr. Munir Moinuddin Hashim
- 3) Mr. Khushroo Kali Wadia

4. The Board of Directors is inter alia authorized to sell or mortgage any of the Company's immovable properties, to let any of the Company's immovable properties for the period more than three years, to make a gift, to compromise, to file complaints to the Court and to submit the dispute to the Arbitration.

5. Approve the Mission Statement, Vision, Values and Code of Business Conduct.

6. Review and discuss Management's proposed strategies and options and approve major decisions in respect of the Company's business direction and policies. The Board of Directors also reviews and approves the Business and performance goals proposed by the Management.

7. Monitor the Company's performance and progress toward achieving set objectives as well as compliance with the laws, regulations and related policies.

8. Ensure the existence of an effective internal control system and appropriate risk management framework.

9. Ensure an effective audit system executed by both internal and external auditors.

10. Approve quarterly and annual financial reports to ensure that the reports are prepared under generally accepted applicable accounting standards.

11. Ensure that the Company has a proper system in place to communicate effectively with all stakeholders and the public.

2. THE EXECUTIVE BOARD OF DIRECTORS

The following 3 directors are appointed by the Board of Directors as the Executive Directors on the Executive Board of Directors.

- 1) Mr. Khalid Moinuddin Hashim
- 2) Mr. Munir Moinuddin Hashim
- 3) Mr. Khushroo Kali Wadia

Powers, duties and responsibilities of the Executive Board of Directors are summarized hereunder:

1. To manage the Company's business under the resolutions / regulations of the Board of Directors.
2. To execute any agreements / contracts binding the Company the terms and conditions of which must be in their scope of authority vested by the Board of Directors. Such agreements / contracts must be affixed with signatures of any two Executive Directors together with the Company's seal.
3. To generally act on behalf and in the interest of the Company and its subsidiaries as may be required to carry on the business.
4. The Executive Board of Directors shall report on the business operations conducted by the Executive Board to the Board of Directors for acknowledgement and discussions. However, policy-related issues, or issues likely to have significant and major impact on the Company's business, or issues requiring action by the Board of Directors in compliance with laws, or the Company's Articles of Association, must be approved by the Board of Directors. This also includes issues for which the Executive Board of Directors considers it appropriate to seek the approval of the Board of Directors on a case-by-case basis, or per the criteria designated by the Board of Directors.
5. Prepare and review strategic objectives, financial plans and key policies of the Company, to be submitted to the Board of Directors for approval.
6. Review management authority in various aspects stipulated in the approval authority hierarchy, to be submitted for approval to the Board of Directors.
7. Appoint, monitor and evaluate the performance of employees from the level of department head down to middle managers.
8. Monitor and report on the Company's operating results to the Board of Directors as well as on other work in progress to achieve the Company's objectives.
9. Communicate with external stakeholders, per designated authority, and as deemed appropriate.

3. THE AUDIT COMMITTEE

The Audit Committee has been appointed by Board of Directors with the objective of having a mechanism to assist the Board independently in accordance with the regulations and the recommendations in respect of Good Corporate Governance, to give an opinion of the accuracy of the Company's Financial Statements and their credibility and transparency, to encourage the good corporate governance including coordination with the Board of Directors for risk management and internal control systems in the Company. This is expected to create efficiencies in operations and also provide for an independent check on the functioning of the Management of the Company including checks on conflict of interest issues and connected party transactions, if any.

The Board of Directors has appointed the Audit Committee since 24th August 1998 with the term of 2 years for each member. The current Audit Committee Members are as follows:

Name	Position	Status	Duration on the Committee
1. Police Lt. Gen. Kiattisak Prabhavat *	Chairman of Audit Committee	Independent Director	2 Years
2. Mr. Suphat Sivasriumphai *, **	Audit Committee Member	Independent Director	2 Years
3. Mr. Thira Wipuchanin **, ***	Audit Committee Member	Independent Director	2 Years

* Police Lt. Gen. Kiattisak Prabhavat, Chairman of Audit Committee and Mr. Suphat Sivasriumphai, Audit Committee Member were reappointed by resolution of the Board of Directors in the Board Meeting No.3/2008 held on 14th August 2008.

** Audit Committee member with knowledge and experience in accounting and financial field that has been presented in detail in the “Board of Directors - Profile” section of this Annual Report.

*** Mr. Thira Wipuchanin was appointed to the Audit Committee to replace Admiral Dr. Amnad Chandanamatta who ended his term as Audit Committee Member on 28th February 2008 by resolution of the Board of Directors in the Board Meeting No.1/2008 held on 12th February 2008.

The Audit Committee is responsible for reviewing and reporting the following matters to the Board of Directors.

1. To review the Company’s financial reporting process to ensure accuracy with adequate and complete disclosure.

2. To ensure that the Company has an appropriate and efficient internal control system subject to internal audit and to also ensure that there is an efficient internal audit system in place and to ensure the independence of internal audit department, including approval of the selection, promotion, rotation or termination process of the internal audit head.

3. To review the performance of the Company to ensure compliance with the securities and exchange law, regulations of the Exchange and other laws relating to the business of the Company.

4. To select and nominate for the shareholders’ approval, the external auditor of the Company, including recommendation of remuneration of the external auditor after considering the independence of the external auditor and to freely discuss significant matters, the audit committee shall meet privately with the external auditor at least once a year, without the management team being present.

5. To review connected party transactions that may lead to conflict of interest to comply with all related rules and to ensure the transactions are reasonable and for the full benefit of the Company and to ensure accurate and complete disclosure of the same.

6. To prepare a report on the monitoring activities of the Audit Committee, in accordance with the required details per SET regulations and disclose it in the annual report, such report to be signed by the Chairman of the Audit Committee.

7. To perform any other acts as delegated by the Board of Directors and accepted by the Audit Committee.

4. THE REMUNERATION COMMITTEE

The Remuneration Committee has been appointed by the Board of Directors as a mechanism to assist the Board in independently proposing the criteria of and setting guidelines for the Remuneration of Directors and Senior Management and to propose the remuneration of the Board of Directors who will then act (accept fully, partially or reject totally) in accordance with the regulations and good governance practices based on the recommendations made by the Remuneration Committee. The Board of Directors is not empowered to fix the Remuneration of the Directors but is required to place their recommendations on the same to the shareholders for their approval.

The Board of Directors appointed the Remuneration Committee in their meeting held on 15th November 2007, which consists of 3 Directors as follows:

Name	Position	Status	Duration on the Committee
1. Mr. Thira Wipuchanin	Chairman	Independent Director	2 Years
2. Mr. Chira Panupong	Member	Independent Director	2 Years
3. Mr. Kirit Shah	Member	Director	2 Years

For the year 2009, in performing its role as assigned by the Board, the remuneration committee put in its best efforts with due care, prudence, independence, and thoroughness in compliance with its mandate. One meeting was held during the year with 100% attendance. Mr. Thira Wipuchanin, Chairman of Remuneration Committee Mr. Chira Panupong and Mr. Kirit Shah, Member of Remuneration Committee were reappointed by resolution of the Board of Directors in the Board Meeting No.4/2009 held on 9th November 2009.

Duties and Responsibilities of the Remuneration Committee.

The Remuneration Committee is responsible for duties assigned by the Board of Directors as follows:

1. Set out compensation guidelines for Directors and Senior Management and propose the same to the Board of Directors.
2. Propose the Directors' Remuneration for the Board to make its recommendations and express its opinion for approval in shareholders' meeting.
3. Update the Board of Directors about compensation norms being followed by Companies in Thailand and abroad.
4. Other specific jobs assigned by the Board of Directors.

5. THE NOMINATION COMMITTEE

The Nomination Committee has been appointed by the Board of Directors in order to set up a mechanism to assist the Board to independently propose the criteria and set guidelines for nomination of new Directors and recruitment and selection of Senior Management and thereafter propose to the Board of Directors who could then consider the proposal and decide to accept or reject the same or amend it for further approval by shareholders if required (for the appointment of Directors).

The Board of Directors appointed the Nomination Committee in their meeting held on 15th November 2007, which consists of 3 Directors as follows:

Name	Position	Status	Duration on the Committee
1. Mr. Thira Wipuchanin	Chairman	Independent Director	2 Years
2. Mr. Suphat Sivasriumphai	Member	Independent Director	2 Years
3. Mr. Peter Feddersen	Member	Independent Director	2 Years

For the year 2009, in performing its roles as assigned by the Board, the nomination committee put in its best efforts with due care, prudence, independence, and thoroughness in compliance with its mandate. Two meetings were held during the year. Mr. Thira Wipuchanin, Chairman of Nomination Committee and Mr. Peter Feddersen, Member

of Nomination Committee attended the two meetings. Mr. Suphat Sivasriamphai, Member of Nomination Committee attended one meeting. Mr. Thira Wipuchanin, Chairman of Nomination Committee, Mr. Suphat Sivasriamphai and Mr. Peter Feddersen, Members of Nomination Committee were reappointed by resolution of the Board of Directors in the Board Meeting No.4/2009 held on 9th November 2009.

Duties and Responsibilities of the Nomination Committee

The Nomination Committee is responsible for duties assigned by the Board of Directors as follows:

1. Set out selection and nomination guidelines of appropriate persons and propose the same to the Board of Directors.
2. Review the Board structure and propose a succession plan for Directors and Senior Management.
3. Propose to the Board, names of potential candidates for appointment as Directors.
4. If requested by the Board of Directors, assist in the process of review of performance of Directors.
5. Prepare specific reports on latest trends and practices in the appointment of the Directors and Senior Management for consideration by the Board of Directors.
6. Other jobs assigned by the Board of Directors.

6. COMPANY SECRETARY

In keeping with good Corporate Governance, the Company designated a Company Secretary viz. Ms. Somprathana Thepnaphaplern, having duties and responsibilities in accordance with the Securities and Exchange Act and to be responsible for overseeing and advising the Board and the Management regarding applicable laws, rules, regulations and Good Corporate Governance, and responsible for holding the Board and shareholders' meetings. The additional tasks include assisting the Board to comply with resolutions and safeguard the Company's documents and information.



BOARD OF DIRECTORS - PROFILE

ADMIRAL DR. AMNAD CHANDANAMATTHA

POSITION	Chairman of the Board of Directors Independent Director
AGE	79 years
EDUCATION	B.Sc. First - Class Hons. Ph.D in Mechanical Engineering, University of Leeds, England. Year 1990, Honorary Ph.D in Mechanical Engineering, King Mongkut's University of Technology, Thonburi. National Defence College Group No. 28.
TRAINING	
11 - Jan - 2006	Attended the seminar on the topic "Trend and Economics' policy of Government for the year 2006" speech by former Prime Minister Thaksin Shinawatra.
21 - Sep - 2004	Attended the training course on the topic "Director Accreditation Program" (DAP) held by Thai Institute of Directors Association.
3 - Dec - 2001	Attended the training course on the topic "Chairman 2000" held by Thai Institute of Directors Association.
16 - Nov - 2001	Attended the training course on the topic "Effective Audit Committees & Best Practices" held by Thai Institute of Directors Association.
31 - Oct - 2000	Attended the training course on the topic "The State of Corporate Governance in Europe" held by Thai Institute of Directors Association.
EXPERIENCE	
1991 - Present	Chairman of the Board of Directors, Precious Shipping Public Company Limited.
May 2008 - Present	Advisor to the Ad Hoc Senate Committee studying and following up on fishery problems.
2000 - Feb 2008	Member of the Audit Committee, Precious Shipping Public Company Limited.
1999 - 2006	Commissioner of Parliament.
1991	Admiral, General Headquarters, Royal Thai Navy.
1989 - 1991	Director General, Naval Dockyard.
1988 - 1989	Deputy Director General, Naval Dockyard.
OCCUPATION	Retired Government officer - Admiral of General Headquarters, Royal Thai Navy. Businessman.
DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS	
- LISTED COMPANIES	Nil
- NON - LISTED COMPANIES	2 Companies : 1. Chairman, Hospital Network Company Limited. 2. Chairman, Bangkok 9 International Hospital Company Limited.
- CONNECTED COMPANIES	Nil
- OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)	Nil
- OTHER ORGANISATIONS	Nil
NO. OF SHARES HELD AS OF YEAR END 2009	2,811,500 shares (0.27% of total paid - up shares)
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2009	(38,500 shares)

MR. KHALID MOINUDDIN HASHIM

POSITION	Managing Director / Executive Director
AGE	57 years
EDUCATION	Master's Degree in Management Studies specializing in Finance from the University of Bombay.
TRAINING	
2005	Graduate member of Thai Institute of Directors (IOD) - Completed "Directors Certificate Program" (DCP), Class 57/2005.
EXPERIENCE	
1991 - Present	Managing Director, Precious Shipping Public Company Limited.
1984 - 1991	Head of Shipping Department, Geepee Corporation Limited.
1979 - 1983	Senior Executive, Pan Ocean Navigation & Trading Pte. Ltd.
OCCUPATION	Managing Director and Executive Director, Precious Shipping Public Company Limited.
DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS	
- LISTED COMPANIES	Nil
- NON - LISTED AND CONNECTED COMPANIES	Nil
- OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)	51 Companies : Director in the Company's 50 subsidiaries and 1 associated company (Subsidiary Companies Nos.1 - 49 and No.51 and Associated Company No.50 on page 7-8 of this Annual Report)
- OTHER ORGANISATIONS	1. Deputy Chairman of the Board of Directors, The Swedish Club, Sweden. 2. Regional Committee Member, American Bureau of Shipping. 3. Austral - Asia Regional Committee Member, Bureau Verittas.
NO. OF SHARES HELD AS OF YEAR END 2009	100,328,600 shares (9.65% of total paid - up shares)
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2009	Nil

MR. MUNIR MOINUDDIN HASHIM

POSITION	Director / Executive Director
AGE	55 years
EDUCATION	Master's Degree in Management Studies specializing in Marketing from the University of Bombay.
TRAINING	
2005	Graduate member of Thai Institute of Directors (IOD) - Completed "Directors Certificate Program" (DCP), Class 57/2005.
EXPERIENCE	
1991 - Present	Director (Commercial), Precious Shipping Public Company Limited.
1986 - 1991	Head of Operations, Geepee Corporation Limited.
1981 - 1985	Head of Commercial Operations, Maldives Shipping Limited.
OCCUPATION	Director (Commercial) and Executive Director, Precious Shipping Public Company Limited.
DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS	
- LISTED COMPANIES	Nil
- NON - LISTED AND CONNECTED COMPANIES	Nil
- OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)	49 Companies : Director in the Company's subsidiaries (Subsidiary Companies Nos.1 - 48 and No.51 on page 7-8 of this Annual Report)
- OTHER ORGANISATIONS	1. Director, UK Defence Club, U.K.
NO. OF SHARES HELD AS OF YEAR END 2009	75,134,100 shares (7.23% of total paid - up shares)
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2009	Nil

MR. KHUSHROO KALI WADIA

POSITION	Director Executive Director
AGE	47 years
EDUCATION	Bachelor's Degree in Science from University of Bombay. Chartered Accountant from Institute of Chartered Accountants of India.
TRAINING	
2005	Graduate member of Thai Institute of Directors (IOD) - Completed "Directors Certificate Program" (DCP), Class 64/2005.
EXPERIENCE	
1999 - Present	Director (Finance), Precious Shipping Public Company Limited.
1994 - 1999	Director (Finance & Accounts), Maxwin Group of Companies.
1997 - 1998	Vice President (Finance & Administration), Suretex Limited.
1990 - 1994	Financial Controller, Maxwin Group of Companies.
1988 - 1990	Assistant Manager, A.F. Ferguson & Co.
OCCUPATION	Director (Finance) and Executive Director, Precious Shipping Public Company Limited.
DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS	
- LISTED COMPANIES	Nil
- NON - LISTED AND CONNECTED* COMPANIES	3 Companies : 1. Director, Maxwin Builders Ltd.* (Service provider of management of the offices leased and apartments owned by the Company and its subsidiary respectively) 2. Director, Maxwin Apartments Ltd. 3. Director, The Atrium Hotel Ltd.
* Note : Please refer to "CONNECTED TRANSACTIONS" on page 162 of this Annual Report	
- OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)	50 Companies : Director in the Company's subsidiaries (Subsidiary Companies Nos.1 - 49 and No.51 on page 7-8 of this Annual Report)
- OTHER ORGANISATIONS	Nil
NO. OF SHARES HELD AS OF YEAR END 2009	715,100 shares (0.07% of total paid - up shares)
INCREASE [DECREASE] IN SHAREHOLDING IN THE YEAR 2009	2,500 shares

MISS NISHITA SHAH

POSITION	Director
AGE	30 years
EDUCATION	Bachelor of Science in Business Administration; concentration in Finance and Business Law, Boston University, School of Management.
TRAINING	
2007	Graduate member of Thai Institute of Directors (IOD) - Completed "Directors Certificate Program" (DCP) Class 83/2007.
2006	Completed "Director Accreditation Program" (DAP), Class 57/2006 of Thai Institute of Directors (IOD).
2004	Completed "Anatomy of Shipping" course, Seatrade Academy/Cambridge Academy of Transport.
EXPERIENCE	
2002 - Present	Director, Precious Shipping Public Company Limited.
OCCUPATION	Management, GP Group of Companies.
DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS	
- LISTED COMPANIES	Nil

- NON - LISTED AND CONNECTED* COMPANIES

- 7 Companies :
1. Director, Globex Corporation Limited.
 2. Director, Graintrade Limited.
 3. Director, Unistretch Limited.*
(Lessor of the main operations office space leased by the Company)
 4. Director, Ambika Tour Agency Limited.*
(Seller of air - tickets to the Company)
 5. Director, Geepee Air Service Limited.*
(Seller of air - tickets to the Company)
 6. Director, Maxwin Engineering Limited.*
(Provider of maintenance and management services for the air - conditioning systems of Company's main operations offices and apartments owned by a subsidiary)
 7. Director, Maestro Controls Limited.*
(Provider of maintenance and management services for the air - conditioning systems of Company's main operations offices and apartments owned by a subsidiary)

* Note : Please refer to "CONNECTED TRANSACTIONS" on page 161-163 of this Annual Report

- OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)

37 Companies : Director in the Company's subsidiaries

(Subsidiary Companies Nos.1 - 37 on page 7-8 of this Annual Report)

- OTHER ORGANISATIONS Nil

NO. OF SHARES HELD AS OF YEAR END 2009 98,586,000 shares (9.48% of total paid - up shares)

INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2009 Nil

MR. SUPHAT SIVASRIAUMPHAI

POSITION	Independent Director Audit Committee Member* Nomination Committee Member
AGE	63 years
EDUCATION	Assumption Commercial College.
TRAINING	Working/training & Experience with many joint venture companies including large Japanese, American and Indian companies.
2006	Completed "Director Accreditation Program" (DAP), Class 57/2006 of Thai Institute of Directors (IOD).
EXPERIENCE TO REVIEW CREDITABILITY OF THE FINANCIAL STATEMENT	
1998 - Present	Audit Committee Member, Precious Shipping Public Company Limited.
OTHER EXPERIENCE	
1989 - Present	Director, Precious Shipping Public Company Limited.
OCCUPATION	Managing family owned companies.
DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS	
- LISTED COMPANIES	Nil
- NON - LISTED COMPANIES	3 Companies : <ol style="list-style-type: none"> 1. Managing Director, Thai Filament Textiles Company Limited. 2. Managing Director, Thai Ambika Chemicals Company Limited. 3. Managing Director, Rembrandt Hotel Corporation Limited.
- CONNECTED COMPANIES	Nil
- OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)	Nil
- OTHER ORGANISATIONS	1. President, India - Thai Chamber of Commerce.
NO. OF SHARES HELD AS OF YEAR END 2009	3,300,000 shares (0.32% of total paid - up shares)
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2009	Nil

Note: * Audit Committee Member who has adequate expertise and experience to review creditability of the financial statement

POLICE LT. GEN. KIATTISAK PRABHAVAT

POSITION	Chairman of Audit Committee Independent Director
AGE	74 years
EDUCATION	
1955 - 1959	Graduated from Royal Military Academy, England. Police Academy, England. Hendon Detective Training School, England.
1966 - 1967	Federal Bureau of Investigation, USA.
1993 - 1994	High Executive Training School of Civil Service Commission.
TRAINING	
26 - Sep - 2005	Attended Seminar on the topic "Corporate Governance Roundtable" held by Sub - Committee of the National Corporate Governance Committee.
21 - Sep - 2004	Attended training course on the topic "Director Accreditation Program" (DAP) held by Thai Institute of Directors Association.
30 - Jul - 2002	Attended training course on the topic "Chairman 2000" held by Thai Institute of Directors Association.
16 - Nov - 2001	Attended training course on the topic "Effective Audit Committees & Best Practices" held by Thai Institute of Directors Association.
30 - Oct - 2000	Attended training course on the topic "The Increased Liabilities of Company Directors according to Accounting Act 2000" held by Thai Institute of Directors Association.
EXPERIENCE	
1996 - Present	Director, Precious Shipping Public Company Limited.
2004 - 2006	Advisor to Chairman on Company Affairs of Anxir Company Limited.
2003 - 2006	Advisor, All Seasons Property Company Limited. Chairman, Perfect Place Condominium Company Limited. Advisor, Company Affairs of V. Group Building.
2002	Advisor to the Minister of Communications.
1996 - 1998	Advisor, Sahaviriya City Public Company Limited. Advisor, Guang Dong Enterprise Co., Ltd.
1995 - 1996	Director, Aviation Authority of Thailand.
1994 - 1996	Commissioner of the Immigration Bureau.
1994	Inspector General of Police.
1992 - 1994	Deputy Inspector General of Police.
1991 - 1992	Deputy Commissioner of the Police Education Bureau.
1990 - 1991	Assistant Commissioner of the Metropolitan Police.
1989 - 1990	Commander Chief of General Staff.
1988 - 1989	Commander Traffic Police Division.
1983 - 1988	Deputy Commander, Southern Bangkok Police Division.
OCCUPATION	Retired Government officer - Police Lieutenant General, Commissioner of the Immigration Bureau. Businessman.
DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS	
- LISTED COMPANIES	Nil
- NON - LISTED COMPANIES	1 Company : Director, Usha Siam Steel Industries Public Company Limited.
- CONNECTED COMPANIES	Nil
- OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)	Nil
- OTHER ORGANISATIONS	Nil
NO. OF SHARES HELD AS OF YEAR END 2009	Nil
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2009	Nil

MR. JAIPAL MANSUKHANI

POSITION	Director
AGE	60 years
EDUCATION	Directorate of Marine Engineering Training 1967 - 1971
TRAINING	
2005	Graduate member of Thai Institute of Directors (IOD) - Completed "Directors Certificate Program" (DCP), Class 64/2005.
EXPERIENCE	
1993 - Present	Director, Precious Shipping Public Company Limited.
1988 - 2001	Technical Manager, Great Circle Shipping Agency Limited.
1985 - 1987	Deputy Engineer Superintendent, Scindia Steam Navigation Limited.
1981 - 1984	Assistant Engineer Superintendent, Scindia Steam Navigation Limited.
1977 - 1981	Chief Engineer, Scindia Steam Navigation Limited.
1971 - 1976	Marine Engineer, Scindia Steam Navigation Limited.
OCCUPATION	Director, Precious Shipping Public Company Limited. Director, Great Circle Shipping Agency Limited. (Company's subsidiary)
DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS	
- LISTED COMPANIES	Nil
- NON - LISTED COMPANIES AND CONNECTED COMPANIES	Nil
- OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)	2 Companies : 1. Director, Great Circle Shipping Agency Limited. 2. Director, Precious Projects Pte. Limited, Singapore. (Subsidiary Companies Nos.37 and 51 on page 8 of this Annual Report)
- OTHER ORGANISATIONS	1. Member, Regional Technical Committee, Nippon Kaiji Kyokai. 2. Member, Regional Technical Committee, American Bureau of Shipping. 3. Member, Regional Technical Committee, Bureau Veritas.
NO. OF SHARES HELD AS OF YEAR END 2009	200,000 shares (0.02% of total paid - up shares)
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2009	Nil

MR. CHIRA PANUPONG

POSITION	Independent Director Remuneration Committee Member
AGE	77 years
EDUCATION	LL.B., Thammasat University. B. Com. (Accountancy) Hons., University of Leeds, England. M.Sc. (Econ.), School of Economics and Political Science, University of London. Industrial Project Evaluation Course, Economic Development Institute from IBRD. National Defense College Group No.20.
TRAINING	
2003	Attended training course on the topic "Director Accreditation Program No.2/2003" (DAP 2/2003) held by Thai Institute of Directors Association.
2002	Attended training course on the topic "Chairman 2000" held by Thai Institute of Directors Association.
EXPERIENCE	
2000 - Present	Director, Precious Shipping Public Company Limited.
2004 - End 2007	Chairman of the Board of Directors and the Executive Board of Directors, Somboon Advance Technology Public Company Limited.
1994 - 2007	Vice Chairman of the Board of Directors and Independent Director, Amata Corporation Public Company Limited.

2001 - 2005	Chairman of the Board of Directors, Banpu Public Company Limited.
1996 - 2003	Chairman of the Board of Directors, Tri Energy Company Limited.
1986 - 1991	Secretary General, Board of Investment.
Before year 1992	Office of the Under Secretary of State, Ministry of Foreign Affairs. Department of Commercial Registration, Ministry of Commerce. Technical Planning Office, Ministry of National Development.
OCCUPATION	Retired Government officer.

DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS

- LISTED COMPANIES	Nil
- NON - LISTED COMPANIES	3 Companies : 1. Vice Chairman, TPT Petrochemicals Public Company Limited. 2. Director, Usha Siam Steel Industries Public Company Limited. 3. Chairman of the Board of Directors and Independent Director, Indorama Polyester Industries Public Company Limited.
- CONNECTED COMPANIES	Nil
- OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)	Nil
- OTHER ORGANISATIONS	Nil
NO. OF SHARES HELD AS OF YEAR END 2009	Nil
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2009	Nil

MR. THIRA WIPUCHANIN

POSITION	Independent Director Chairman of the Remuneration Committee Chairman of the Nomination Committee Audit Committee Member*
AGE	60 years
EDUCATION	B.Sc. in Economics and Business Administration, University of Wisconsin - Stevens Point, U.S.A.
TRAINING	
2005	Attended training course on the topic "Audit Committee Program" (ACP) held by Thai Institute of Directors Association.
2001	Graduate member of Thai Institute of Directors (IOD) - Completed "Directors Certificate Program" (DCP), Class 6/2001.
EXPERIENCE TO REVIEW CREDITIBILITY OF THE FINANCIAL STATEMENT	
2008 - Present	Audit Committee Member, Precious Shipping Public Company Limited.
2005 - Present	Chairman of the Audit Committee, United Palm Oil Industry Public Company Limited.
2003 - Present	Audit Committee Member, Siam Makro Public Company Limited.
Present	Chairman of the Audit Committee Bangkok First Investment & Trust Public Company Limited.
OTHER EXPERIENCE	
2000 - Present	Director, Precious Shipping Public Company Limited.
2000 - 2003	Senior Executive Vice President, Export - Import Bank of Thailand. Director, Sanyo Universal Electric Public Company Limited. Treasurer, the Community Support Foundation, Thailand. Member, Company Establishment Preparatory Committee / T.O.T. and C.A.T. Member, Company Establishment Preparatory Committee / P.T.T. Board member, Capital Market Opportunity Center / SET
1994 - 1997	Senior Vice President, Premier Group of Companies.
1990 - 1994	Thailand Representative, Prudential Asset Management Asia Limited.
1975 - 1990	Vice President (Investment), American International Assurance Company Limited.
1974 - 1975	Business Loan Manager, Commercial Credit Corporation (Thailand) Limited.
1973 - 1974	Served the Royal Thai Army.

OCCUPATION Company Director.

DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS

- LISTED COMPANIES 4 Companies :
1. Chairman of the Audit Committee, Independent Director, Nomination Committee Member and Remuneration Committee Member, United Palm Oil Industry Public Company Limited.
 2. Independent Director and Audit Committee Member, Siam Makro Public Company Limited.
 3. Chairman of the Audit Committee, Independent Director, Nomination and Remuneration Committee Member, Bangkok First Investment & Trust Public Company Limited.
 4. Chairman of the Board of Directors and Independent Director, Interhides Public Company Limited.
- NON - LISTED COMPANIES 2 Companies :
1. Chairman of the Board of Director, Environment Care Management Company Limited.
 2. Director, Innovex Inc., USA
- CONNECTED COMPANIES Nil
- OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES) Nil
- OTHER ORGANISATIONS Nil

NO. OF SHARES HELD AS OF YEAR END 2009 Nil

INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2009 Nil

Note : * Audit Committee Member who has adequate expertise and experience to review creditability of the financial statement

MR. KIRIT SHAH

POSITION Director

Remuneration Committee Member

AGE 57 years

EDUCATION Bachelor's Degree in Commerce from H.R. College of Commerce, Bombay, India.

TRAINING

2005 Graduate member of Thai Institute of Directors (IOD) - Completed "Directors Certificate Program" (DCP), Class 57/2005.

EXPERIENCE

24 Apr 2007 - Present Director, Precious Shipping Public Company Limited.

1999 - 2003 Vice Chairman and Executive Director, Phoenix Pulp and Paper PCL, Bangkok.

1989 - 2002 Director, Precious Shipping PCL, Bangkok.

1980 - 2003 Managing Director, G. Premjee Ltd., Bangkok.

OCCUPATION Company Executive.

DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS

- LISTED COMPANIES Nil

- NON - LISTED AND CONNECTED* COMPANIES

- 6 Companies :
1. Director, Globex Corporation Limited.
 2. Executive Director, Graintrade Limited.
 3. Director, Premthai International Limited.
 4. Director, Unistretch Limited.*
(Lessor of the main operations office space leased by the Company)
 5. Director, Maxwin Builders Ltd.*
(Service provider of management of the offices leased and apartments owned by the Company and its subsidiary respectively)

6. Director, Maestro Controls Limited.*
(Service provider of management of the offices leased and apartments owned by the Company and its subsidiary respectively)

* Note : Please refer to “CONNECTED TRANSACTIONS” on page 161-162 of this Annual Report

- OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)

1 Company : Director, Southern LPG Limited, India

(Subsidiary Company No.49 on page 8 of this Annual Report)

- OTHER ORGANISATIONS Nil

NO. OF SHARES HELD AS OF YEAR END 2009 Nil

INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2009 Nil

MR. PETER FEDDERSEN

POSITION	Independent Director Nomination Committee Member
AGE	69 years
EDUCATION	Graduated in International Business from Thunderbird Graduate School of International Management, Glendale, Arizona, USA.
TRAINING	
Aug - 06	Completed the Thai IOD's one day Director Accreditation Program in August 2006.
EXPERIENCE	
24 Apr 2007 - Present	Independent Director, Precious Shipping Public Company Limited.
1987 - 1994	General Manager and Advisor, G.Premjee Ltd., Bangkok.
1985 - 1987	General Manager, Continental Overseas Corp., Bangkok.
1982 - 1985	Managing Director, Continental Grain Co. (Australia), Sydney, Australia.
1973 - 1982	General Manager, Vice President, Continental Overseas Corp., Bangkok.
2002 - end 2007	General Committee Member, the Royal Bangkok Sports Club (RBSC).
OCCUPATION	Grain Trader, Investor.
DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS	
- LISTED COMPANIES Nil	
- NON - LISTED COMPANIES	
2 Companies : 1. Director, Pataya Food Industries Limited. 2. Director, Fastrak Services Limited.	
- CONNECTED COMPANIES Nil	
- OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES) Nil	
- OTHER ORGANISATIONS Nil	
NO. OF SHARES HELD AS OF YEAR END 2009	364,000 shares (0.04% of total paid - up shares)
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2009	(25,000 shares)



MANAGEMENT TEAM

Mr. Khalid Moinuddin Hashim*	Managing Director
Mr. Munir Moinuddin Hashim*	Director (Commercial)
Mr. Khushroo Kali Wadia*	Director (Finance)
Mr. Jaipal Mansukhani*	Director of Great Circle Shipping Agency Ltd. (Company's Subsidiary)

* For profile and shareholding changes, please refer to BOARD OF DIRECTORS - PROFILE.

MR. SHRILAL GOPINATHAN

POSITION	Vice President (Commercial)
AGE	52 years
EDUCATION	Bachelor of Commerce from the University of Bombay Diploma in Shipping from the Norattam Morarjee Institute of Shipping, Bombay
EXPERIENCE	
1999 - Present	Vice President (Commercial), Precious Shipping Public Company Limited
1989 - 1998	Chartering Manager, Precious Shipping Public Company Limited
POSITIONS HELD IN OTHER COMPANIES	Nil
NO. OF SHARES HELD AS OF YEAR END 2009	1,500,000 shares (0.14% of total paid-up shares)
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2009	186,000 shares

MR. KOKA VENKATARAMANA SUDHAKAR

POSITION	Vice President (Fleet Management)
AGE	61 years
EDUCATION	Cadet, Directorate of Marine Engineering Training
EXPERIENCE	
1999 - Present	Vice President (Fleet Management), Precious Shipping Public Company Limited
1989 - 1998	Fleet Manager, Great Circle Shipping Agency Limited
POSITIONS HELD IN OTHER COMPANIES	Nil
NO. OF SHARES HELD AS OF YEAR END 2009	10,000 shares (0.00% of total paid-up shares)
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2009	Nil

MR. NEELAKANTAN VASUDEVAN

POSITION	Vice President (Risk Management)
AGE	48 years
EDUCATION	Post Graduate Diploma in International Trade from Indian Institute of Foreign Trade Master's Degree in Management Studies (M.M.S)
EXPERIENCE	
2005 - Present	Vice President (Risk Management), Precious Shipping Public Company Limited
1999 - 2004	Assistant Vice President (Risk Management), Precious Shipping Public Company Limited
1995 - 1998	Insurance & Claims Manager, Precious Shipping Public Company Limited
1985 - 1995	Deputy Manager, Shipping Corporation of India Limited
POSITIONS HELD IN OTHER COMPANIES	Nil
NO. OF SHARES HELD AS OF YEAR END 2009	60,000 shares (0.00% of total paid-up shares)
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2009	(10,000 shares)

MR. STEPHEN KORAH

POSITION	Vice President (International Safety Management) (ISM)
AGE	53 years
EDUCATION	First Class Marine Engineer Graduate Directorate of Marine Engineering Training, Kolkatta, India
EXPERIENCE	
2005 - Present	Vice President (International Safety Management)(ISM), Precious Shipping Public Company Limited
2004 - 2005	Assistant Vice President (International Safety Management) (ISM), Precious Shipping Public Company Limited
1996 - 2004	Quality Systems Manager (ISM Team), Precious Shipping Public Company Limited
1994 - 1996	Technical Superintendent, Great Circle Shipping Agency Limited
1988 - 1994	Technical Superintendent, ESSAR SISCO Ship Management Co, Chennai, India
1986 - 1988	Chief Engineer on ships
1978 - 1986	Marine Engineer on ships
POSITIONS HELD IN OTHER COMPANIES	Nil
NO. OF SHARES HELD AS OF YEAR END 2009	80,000 shares (0.00% of total paid-up shares)
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2009	(27,000 shares)

MR. KODAKARAVEETIL MURALI MENON

POSITION	Vice President (Technical)
AGE	54 years
EDUCATION	Marine Engineer (Class One), Marine Engineering College, India Qualified for membership of the Institute of Chartered Shipbrokers
EXPERIENCE	
2005 - Present	Vice President (Technical), Precious Shipping Public Company Limited
1998 - 2004	Assistant Vice President (Technical), Precious Shipping Public Company Limited
1992 - 1998	Superintendent (Technical), Precious Shipping Public Company Limited
1988 - 1992	Chief Engineer, Precious Shipping Public Company Limited
1984 - 1988	Chief Engineer, Seaarland Ship management, Austria
POSITIONS HELD IN OTHER COMPANIES	Nil
NO. OF SHARES HELD AS OF YEAR END 2009	248,000 shares (0.02% of total paid-up shares)
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2009	Nil

MR. KAMAL KUMAR DUA

POSITION	Vice President (Information Technology)
AGE	44 years
EDUCATION	Master's Degree in Computer Science, Assumption University, Bangkok
EXPERIENCE	
2005 - Present	Vice President (Information Technology), Precious Shipping Public Company Limited
2000 - 2004	Assistant Vice President (Information Technology), Precious Shipping Public Company Limited
1996 - 2000	Senior Manager (ISM)
1996	Master, Great Circle Shipping Agency Limited
1988 - 1996	Deck Officer, Great Circle Shipping Agency Limited
POSITIONS HELD IN OTHER COMPANIES	Nil
NO. OF SHARES HELD AS OF YEAR END 2009	255,200 shares (0.02% of total paid-up shares)
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2009	11,000 shares

MR. KIRAN KESARINATH VAIDYA

POSITION	Senior Manager (Accounts & MIS)
AGE	40 years
EDUCATION	Bachelor of Commerce, University of Bombay, India Chartered Accountant from the Institute of Chartered Accountants of India
EXPERIENCE	1993 - Present Senior Manager (Accounts & MIS), Precious Shipping Public Company Limited
POSITIONS HELD IN OTHER COMPANIES	Nil
NO. OF SHARES HELD AS OF YEAR END 2009	Nil
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2009	Nil

MS. SOMPRATHANA THEPNAPAPLERN

POSITION	Assistant Vice President (Finance & Accounts) Company Secretary
AGE	39 years
EDUCATION	Master of Science in Accounting, Thammasat University Certified Public Accountant of Federation of Accounting professions
TRAINING	October 2004 Attended the training course on the topic "Company Secretary Program" held by the Thai Institute of Directors
EXPERIENCE	1999 - Present Assistant Vice President (Finance & Accounts), Precious Shipping Public Company Limited 1996 - 1999 Finance Executive, Precious Shipping Public Company Limited 1992 - 1996 Senior Auditor, SGV-Na Thalang & Co., Ltd.
POSITIONS HELD IN OTHER COMPANIES	Nil
NO. OF SHARES HELD AS OF YEAR END 2009	Nil
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2009	Nil

MR. YINGYONG KANGHAE

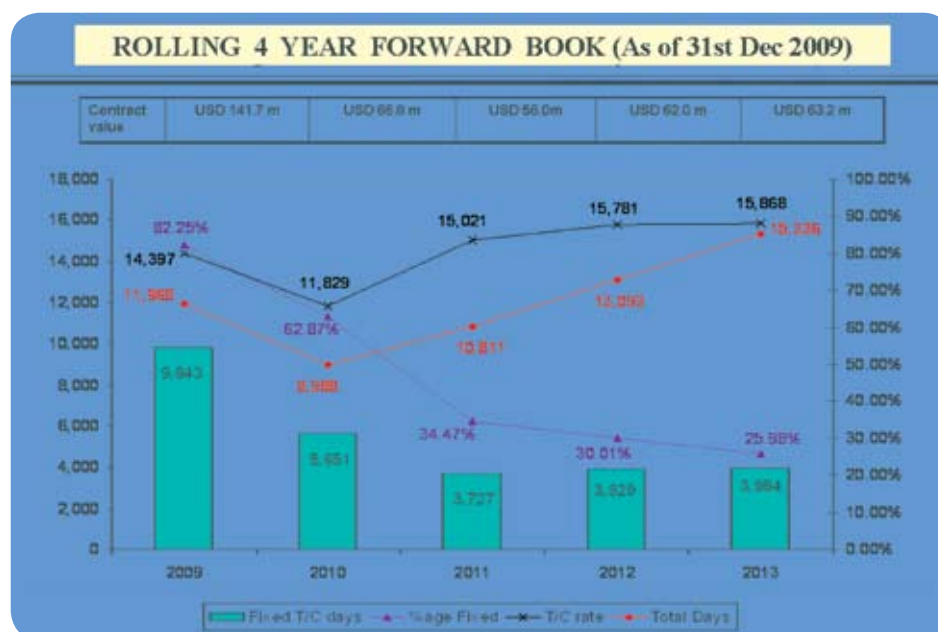
POSITION	Senior Manager - Group Accounts
AGE	39 years
EDUCATION	Master of Business Administration (Accounts), Ramkhamhaeng University
EXPERIENCE	1996 - Present Senior Manager - Group Accounts, Precious Shipping Public Company Limited 1993 - 1996 Auditor, Deloitte Touche Tohmatsu Jaiyos Co., Ltd.
POSITIONS HELD IN OTHER COMPANIES	Nil
NO. OF SHARES HELD AS OF YEAR END 2009	Nil
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2009	Nil



MANAGEMENT DISCUSSION AND ANALYSIS

1. MARKET CONDITIONS [TO BE READ WITH THE BOARD OF DIRECTORS' REPORT PRESENTED SEPARATELY IN THIS ANNUAL REPORT]

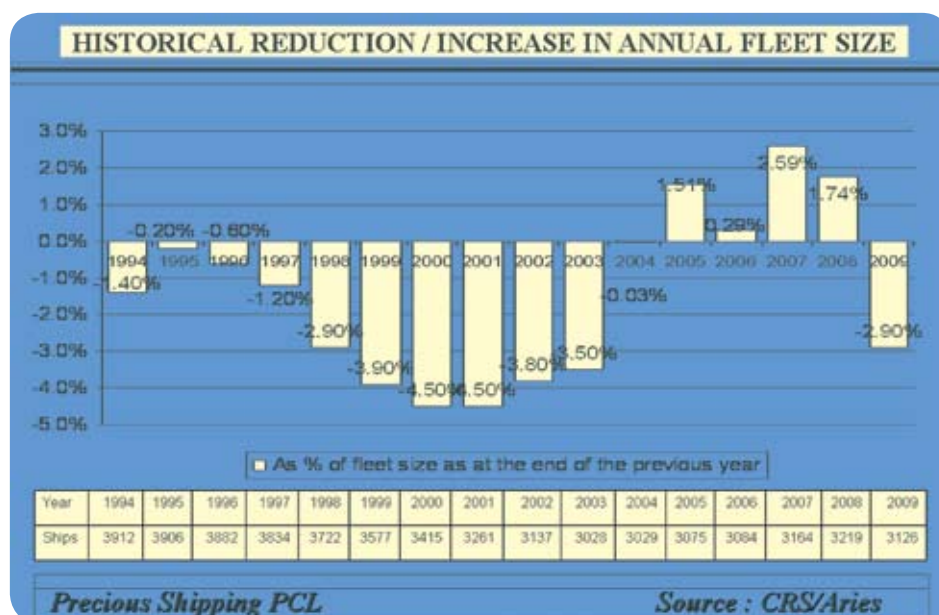
Precious Shipping PCL (hereinafter referred to as PSL or the Company) continues to own and operate its ships on a tramp-shipping basis in the small handy size sector of the Dry Bulk International Shipping market. PSL has continued its business strategy started from year 2004 to enter into long term time charters (Period Charters) at reasonably high freight rates, whenever possible, for periods ranging from 3 months to 5 years at opportune times. This policy was successfully applied right until the third quarter of 2008 after which the market dropped sharply due to which it was not possible to renew or enter into new period charters thereafter. During the year 2009, the Company has managed to enter into period charters for a few existing ships. However, the Company has fixed the newly acquired secondhand ship, Rojarek Naree which joined PSL fleet on 22nd December 2009 for a minimum period of 12 months to a maximum period of 28 months depending upon an option to be exercised by the Charterer within 90 days from the commencement of the Time Charter. The Company has also signed contracts for 3 definite and 1 optional new custom-built cement carriers, per details provided separately in section 3.2. As a result of the sustained strategy of entering into long term charters with solid Charterers, the Company's forward book still looks very healthy as under:



Total Days in above chart is based on existing fleet of 25 ships as at the end of the year 2009. The Company has not assumed any ships acquired except the new ships ordered by the Company (and the 3 cement carriers) which are assumed to be added in the fleet from their respective delivery dates. However 4 old ships which are more than 25 years old are assumed to be sold / scrapped in year 2010.

For further discussions and analysis of the market conditions, please refer to the Board of Directors' Report presented separately in this Annual Report

2. INDUSTRY OVERVIEW - WORLD DEMAND-SUPPLY OUTLOOK [SMALL HANDY SIZE SECTOR ONLY] – [TO BE READ WITH THE BOARD OF DIRECTORS’ REPORT PRESENTED SEPARATELY IN THIS ANNUAL REPORT]

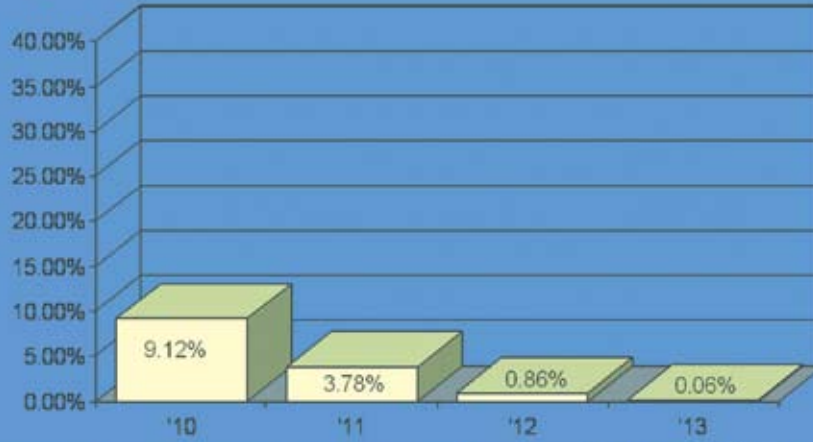


CRS: Clarksons Research Studies

It will be observed from the above chart that there has been a continuous reduction in world fleet size until 2003. However, during the year 2004, a net increase of one ship to the world fleet took place as compared to that at the end of year 2003. During the years 2005, 2006, 2007 and 2008 46 ships, 9 Ships, 80 ships and 55 ships respectively were added to the world fleet. This is on account of a slowdown in the scrapping rate, the reason for which, was the higher rates witnessed in the freight markets during the years 2004-2008, as compared to the immediately preceding years. However it is to be noted that since the 4th quarter of 2008 the scrapping rate increased due to the sharp downturn in the shipping market, thereby reducing the supply rate and only net 55 ships were added in 2008 as compared to 80 ships in year 2007. During 2009, as expected, scrapping rate increased considerably and there was a net reduction of 93 ships in the world fleet size thereby reducing it to 3,126 ships at the end of 2009. Shipyards have received very few orders for new buildings in 2009 as compared to 2008 and a number of orders were cancelled. There was an increase in average slippage between projected and actual delivery of new buildings during 2009 as compared to 2008.

NEW BUILDINGS ON ORDER UPTO DEC 2013 (13.82%)

Number of Ships	232	148	27	2
Average Size (DWT)	13,821	19,429	22,831	26,000



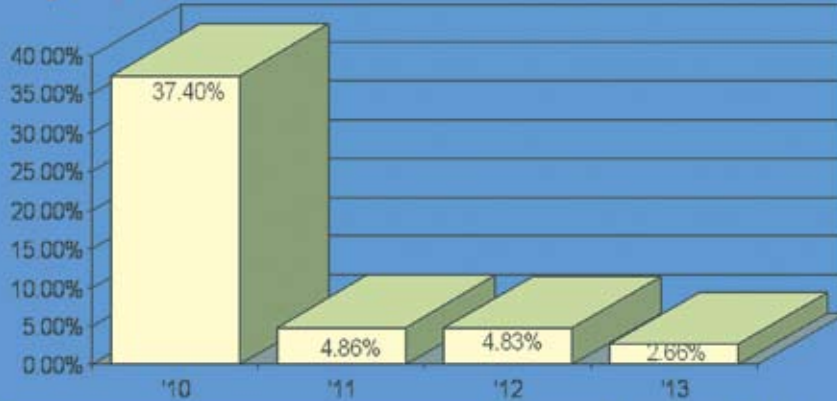
As % of Fleet Size as at 1st Jan 2010

Source : CRS/Aries

It is evident from the above chart that, although for the year 2010, the supply of new ships is slated to be marginally stronger than the immediate past but in the next three years just about 5% more new ships have been contracted to be delivered as against the existing fleet, which has 49.75% of the fleet over 27 years of age. Therefore, the supply side in our sector appears to be quite favorable as explained hereunder.

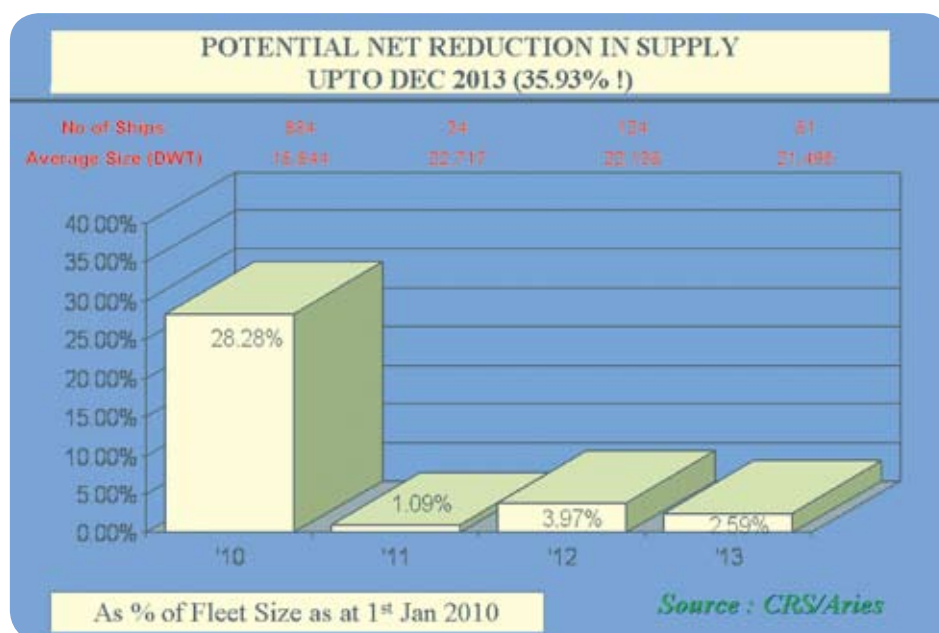
POTENTIAL SCRAPPING OF SHIPS 27 YEARS OR OLDER UPTO DEC 2013 (49.75%)

Number of Ships	1,159	152	151	82
Average Size (DWT)	18,544	22,717	22,136	21,485



As % of Fleet Size as at 1st Jan 2010

Source : CRS/Aries



As observed from the above charts and the chart for fleet age (please refer to No. 1.2 of Nature of Business and Industry section of this Annual Report), with over 54% of the world fleet in PSL's sector being greater than 20 years of age, very low scrapping during the most recent super-cycle until 2008 has resulted in an overhang of old tonnage still in operation. This has left the average scrapping age in recent years closer to 30 years rather than 27 years of age. Therefore, it is expected that the scrapping rate should pick up pace if new building ships start adding to the active fleet at a higher rate and the freight markets remain depressed for any significant period of time, thereby, providing a natural self-correcting factor to balance supply and demand, consequently putting resistance to a continuous and sustained fall in freight rates as witnessed during the latter part of year 2009.

For further discussions and analysis of the market conditions, please refer to the Board of Directors' Report presented separately in this Annual Report.

3. NEW SHIP BUILDING CONTRACTS FOR 18 SHIPS ORDERED IN YEARS 2007 AND 2008:

3.1 Summary

The Company entered into 12 contracts for construction of 12 handysize bulk carriers of a design deadweight size of 32,000 DWT (these ships are actually allowed to carry 34,000 DWT and therefore, these ships are classified as 34,000 DWT size in other sections of this Annual Report) with ABG Shipyard Limited, India (ABG or Builder) on 20th July 2007. Each ship is a modern semi box-shape, open hatch, and double hull type, bulk/log carrier. The Ships, including machinery and equipment, will be constructed in accordance with the rules and regulations of Nippon Kaiji Kyokai ("NKK" or "Classification Society"). The Company also entered into 3 contracts for construction of 3 Supramax bulk carriers of size 54,000 DWT with ABG Shipyard Limited, India on 14th September 2007. Further to the orders of 15 ships explained above, the Company also entered into 3 more contracts for construction of 3 Supramax bulk carriers of size 54,000 DWT with ABG Shipyard Limited, India on 11th February 2008. Each ship is a modern double hull type bulk carrier. The Ships, including machinery and equipment, will be constructed in accordance with the rules and regulations of the American Bureau of Shipping ("ABS" or "Classification Society"). The Classification Society has assigned a representative to the shipyard for supervising the construction of the Ships. Final decision on seaworthiness of ships and adherence to specifications will be determined and certified by the Classification Society. The Company also has its full time designated employees at the shipyard to monitor progress of the construction.

The details of cost, schedule of installments, drawdown of loan [as explained in 6.3 hereunder] and expected date of deliveries are as follows:

Hull No.	Contract date	Expected Date of Delivery	DWT	Contract Amount US\$	Paid in 2007 US\$	Paid in 2008 US\$	Paid in 2009 US\$	Total As on 31 st Dec 2009
329	20 th July 2007	30 th June 2010	32,000	29,999,997	5,999,999	* 5,999,999	* 5,999,999	17,999,997
330	20 th July 2007	31 st October 2010	32,000	29,999,997	5,999,999	-	* 11,999,998	17,999,997
331	20 th July 2007	31 st March 2011	32,000	29,999,997	5,999,999	-	* 11,999,998	17,999,997
333	20 th July 2007	30 th April 2011	32,000	29,999,997	5,999,999	-	* 11,999,998	17,999,997
334	20 th July 2007	31 st August 2011	32,000	29,999,997	5,999,999	-	* 5,999,999	11,999,998
335	20 th July 2007	31 st December 2011	32,000	29,999,997	5,999,999	-	-	5,999,999
336	20 th July 2007	30 th April 2012	32,000	29,999,997	5,999,999	-	-	5,999,999
337	20 th July 2007	31 st August 2012	32,000	29,999,997	5,999,999	-	-	5,999,999
338	20 th July 2007	31 st December 2012	32,000	29,999,997	5,999,999	-	-	5,999,999
339	20 th July 2007	30 th April 2013	32,000	29,999,997	5,999,999	-	-	5,999,999
340	20 th July 2007	31 st August 2013	32,000	29,999,997	5,999,999	-	-	5,999,999
342	20 th July 2007	31 st December 2013	32,000	29,999,997	5,999,999	-	-	5,999,999
313	14 th September 2007	31 st December 2010	54,000	37,999,998	7,599,999	* 7,599,999	* 7,600,000	22,799,998
315	14 th September 2007	30 th June 2011	54,000	37,999,998	7,599,999	* 7,599,999	-	15,199,998
316	14 th September 2007	31 st December 2011	54,000	37,999,998	7,599,999	-	* 7,599,999	15,199,998
347	11 th February 2008	31 st May 2012	54,000	37,999,998	-	7,599,999	* 7,599,999	15,199,998
348	11 th February 2008	31 st October 2012	54,000	37,999,998	-	7,599,999	* 7,599,999	15,199,998
349	11 th February 2008	31 st December 2012	54,000	37,999,998	-	7,599,999	* 7,599,999	15,199,998
Total			708,000	587,999,952	94,799,985	43,999,994	85,999,988	224,799,967

* Funded by a loan drawn against our Newbuilding Credit Facility

Details of installments due according to the stage of completion of 32K DWT and 54K DWT Ship

Instalment Number	Occasion	32K DWT Ship	54K DWT Ship
1 st	On signing the contract	5,999,999	7,599,999
2 nd	Steel cutting of the first steel plate	5,999,999	7,599,999
3 rd	After completion of Keel Laying of the Ship	5,999,999	7,600,000
4 th	Launching of the Ship	6,000,000	7,600,000
5 th	Delivery of the Ship	6,000,000	7,600,000
Total		29,999,997	37,999,998

Each of the above installments (except the last installment) shall be paid only on the receipt of a Bank Guarantee from a reputed bank, for an equivalent amount, to guarantee the refund of the installments in case of a default by the Builder.

3.2 Cement Carrier Contracts:

[a] MOU and Time Charter Contracts with Ultratech Cement Limited.

The Company signed a Memorandum of Understanding (MOU) on 14th October 2009 and Long Term Time Charter Contracts (the “Charters”) on 2nd December 2009 with Ultratech Cement Limited, Mumbai, India (the “Charterer”) for 4 (3 definite ships, plus an additional ship at Charterer’s option) new cement Carriers (the “Ships”) to be delivered per details hereunder:

Delivery Schedule:

- 1st Ship - between 30 July 2011 and 15 August 2011
- 2nd Ship - between 1 November 2012 and 31 January 2013
- 3rd Ship - between 1 November 2013 and 31 January 2014
- 4th Ship (if option exercised by the Charterer) - between 1 February 2014 and 30 April 2014.

Description of the Charters:

The Company or its nominee (the “Owners”) will own and charter 3 definite Ships, plus the additional Ship (at the Charterer’s option to be exercised within 30 April 2011), to the Charterer for a period of 15 years, plus in the Charterer’s option, for an additional 5 years’ period and further, in the Charterer’s option, another 5 years’ period (15+5+5=25 years) for each Ship.

Ships:

The Ships shall be new custom-built cement carriers built according to the specifications as laid down and agreed with the Charterer.

Charter Rate:

The Charter rate for the first 15 years’ period shall be USD 15,000 per day for each Ship and shall be reduced thereafter by USD 2,000 per day for each Ship, for each block of the 5 years’ option period if exercised by the Charterer. Accordingly, if the option for an additional 5 years’ period is exercised by the Charterer, the Charter rate for this 5 years’ period commencing from the 16th year upto the end of the 20th year shall be USD 13,000 per day for each Ship. Thereafter, if the option for a further 5 years’ period is also exercised by the Charterer, the Charter rate shall be USD 11,000 per day for each Ship for this 5 years’ period commencing from the 21st year upto the end of the 25th year.

However, in case the Charterer requires the Ships to be registered (flagged) in India, the Owners shall agree to do so, but, in such case, the charter rate shall be increased by USD 2,000 per day for each Ship in each of the above periods as may be applicable. Accordingly, the charter rate in such case shall then be USD 17,000 per day for each Ship for the first 15 years’ period and this shall be reduced thereafter by USD 2,000 per day for each Ship, for each block of the 5 years’ option periods.

Liquidated Damages:

If the Owners fail to deliver the Ships within the agreed respective delivery schedules as above, liquidated damages of USD 4,250 per Ship for each day of delay shall be payable by the Owners.

(b) Joint Venture with PFS Shipping (Singapore) Pte. Limited (part of the ABG Group):

The Company has entered into a Joint Venture agreement with PFS Shipping (Singapore) Pte. Limited (“PFS”) which is a Company incorporated under the laws of the Republic of Singapore and wholly owned by PFS Shipping (India) Ltd., which is part of the ABG Group from India for the purpose of execution and performance of the MOU and the Time Charters as well as other similar business of owning and operating cement carriers in India on equal sharing basis.

Objectives of the Joint Venture Agreement:

For the purpose of execution and performance of the MOU and the Time Charters as well as other similar business of owning and operating cement carriers in India, PSL and the ABG Group (through its group Company, PFS) have entered into the Joint Venture Agreement. It is also expected that the strong position and standing of the ABG Group in India shall allow PSL to secure similar business from other cement manufacturers in India in the future and the ABG Group could provide ready access to a reputed shipbuilder in India (namely, ABG Shipyard Limited, India (“ABG”), which is part of the ABG Group) to build the purpose-built specialised Ships (cement carriers) required for the performance of these and similar future contracts.

Material Terms and Conditions of the Joint Venture Agreement:

- PSL and PFS shall incorporate with equal ownership, a special purpose joint venture Company in Singapore with the name “Associated Bulk Carriers Pte. Ltd.” (the “JV Company”).
- The MOU shall be novated from PSL to the JV Company.

- The JV Company shall order the Ships from ABG at an expected price of USD 28.5 million per Ship. In this regard, the JV Company and ABG shall enter into a newbuilding agreement on the standard and normal terms and conditions customary for this kind of transaction.
- The JV Company shall form wholly owned special purpose companies in Singapore (the “SPV”) (if required) to own and operate each of the Ships on delivery. The respective SPV shall be nominated as the ship owner under the Time Charters as and when the Ships are delivered and the performance under the Time Charters takes effect.
- The entire management of the affairs and business of the JV Company, the SPV and the Ships shall be the responsibility of PSL.
- In the event that the extension option(s) under the MOU and/or the Time Charters is (are) not exercised by the Charterer, PFS (or its nominees) shall then charter the relevant Ship(s) at a daily charter rate reduced by USD 2,000 per day per Ship, which is lower than that would have been otherwise payable by the Charterer if the options were exercised. If the extension option(s) is (are) not exercised, PFS shall also have the right to purchase the Ship(s) at a purchase value based on the net present value of future cashflows computed at the aforesaid charter rate.
- The Ships are expected to be funded by bank debt to the maximum extent possible with the balance to be contributed by both PSL and PFS equally.
- PSL or its nominees shall have a right to charge the JV Company (or the relevant owning SPV) an all-inclusive Ship management fee at the rate specified in the Joint Venture Agreement plus actual cost of management. Further, while the Ships are under construction, a certain sum shall also be charged by PSL (or its nominees) as supervision fee at the rate specified in the Joint Venture Agreement over the construction period.

3.3 Buying of secondhand ships:

The Company has sold and delivered 20 Ships in 2009 as explained in 3.4. This has resulted in a decrease in capacity and if the Company wants to maintain capacity in terms of fleet size and age, the Company has to continuously follow a program of replacement of its older (scrapped or sold) ships. In line with the rejuvenation plan, the Company has bought one secondhand ship in 2009 per following details:

Details of vessel: The Name of the ship was M.V. “ROSELLA” which is renamed as the Rojarek Naree. The vessel is a 29,870 Deadweight Tonnes (DWT), bulk carrier, built in Japan in 2005. This vessel was delivered on 22nd December 2009.

Purchase price of Vessel: The purchase price of the vessel is USD 22.15 million or about Baht 734.27 million.

3.4 Sale of old Ships:

Ships have a finite life and as and when the ships reach a certain age, they need to be scrapped. Accordingly, the Company sold 21 Ships out of which 20 ships have been delivered to its buyers in year 2009 and 1 ship was delivered in January 2010.

The details of 20 Ships sold and delivered are as follows:

No.	Agreement Date (MOA)	Delivery Date	Ship Name	Year Built	DWT	Sale Price (THB million)	Gain on sale (THB million)	Sale Price (USD million)	Gain on sale (USD million)
1	12-Dec-08	10-Feb-09	Fonarun Naree	1984	22,835	108.79	(6.08)	3.12	0.06
2	21-Jan-09	16-Feb-09	Mallika Naree	1984	23,386	120.29	46.76	3.45	1.00
3	6-Jan-09	24-Feb-09	Sukarawan Naree	1985	25,729	115.06	(84.53)	3.30	(2.07)
4	5-Mar-09	18-Mar-09	Suthathip Naree	1983	25,404	63.09	(12.38)	1.79	(0.18)
5	13-Mar-09	30-Mar-09	Ramita Naree	1983	23,360	107.58	43.13	3.05	0.91
6	28-Feb-09	6-Apr-09	Vanda Naree	1985	23,849	117.92	45.15	3.30	0.73
7	8-Apr-09	21-Apr-09	Waralee Naree	1982	25,413	100.06	68.62	2.80	1.71
8	13-Mar-09	30-Apr-09	Manora Naree	1984	29,159	109.76	16.24	3.10	0.70
9	11-Apr-09	12-May-09	Sirorat Naree	1984	29,125	109.76	65.88	3.10	1.52
10	11-May-09	28-May-09	Worada Naree	1983	25,424	107.99	49.65	3.05	1.50
11	7-May-09	8-Jun-09	Patchara Naree	1984	25,403	131.24	52.19	3.80	1.80
12	24-Mar-09	12-Jun-09	Gomain Naree	1983	23,796	105.34	28.48	3.05	1.04
13	29-May-09	29-Jun-09	Opal Naree	1982	28,780	110.52	57.49	3.20	1.81
14	16-Jun-09	2-Jul-09	Pawitra Naree	1985	21,654	145.25	89.50	4.15	2.25
15	27-May-09	20-Jul-09	Darin Naree	1984	30,898	147.00	32.78	4.20	1.36
16	3-Jun-09	1-Sep-09	Manisamut Naree	1983	21,341	125.68	39.71	3.70	1.41
17	15-Sep-09	25-Sep-09	Urana Naree	1983	33,005	143.51	60.06	4.23	1.97
18	10-Sep-09	6-Oct-09	Sumana Naree	1984	23,423	146.94	83.75	4.35	2.14
19	28-Aug-09	15-Oct-09	Thamisa Naree	1982	34,072	131.74	38.33	3.90	1.35
20	23-Jul-09	12-Nov-09	Kanok Naree	1985	33,024	165.14	45.45	4.95	1.87
Total					529,080	2,412.68	760.21	69.59	22.87

3.5 Future Fleet Rejuvenation plan:

The Company's short/medium term plans for ordering new ships or buying second-hand ships after this are opportunistic. The Company would continue to pursue attractively priced secondhand ships as and when opportunities present themselves. Accordingly, the Company has already bought one ship as explained above in 3.3. In the meantime, the Company intends to sell/scrap 4 more of its older vessels still remaining after the sale of 21 ships explained in 3.4 (aged over 20 years) as and when they become free from their respective period charters in order to avoid any negative cashflows from these old ships in the present market conditions. At the same time, it appears that the Company should now get some opportunities to buy very reasonably priced second-hand ships and to this end, the Company is constantly on the look out for younger, better geared, modern Ships.

4. GLOSSARY OF TERMS

The Financial Analysis part of this Management Discussion and Analysis (MD&A) is based on the Company's consolidated financial statements prepared in accordance with Thai Generally Accepted Accounting Principles ("GAAP") and the restated US Dollar Financial Statements. A variety of financial and operational terms has been used in the MD&A and some of these terms are explained below:

Average Daily Ship Operating expenses in USD (Opex) - Average Ship Operating Expenses per day per ship is computed over a 365 days operating cycle. These exclude depreciation but include amounts amortised per accounting policy (note 4.7 of audited financial statements) for Dry-docking and Special Survey (DD/SS) expenses and the amortization is included as "depreciation" in the financial statements. Ship operating expenses generally represent fixed costs which include crewing, repairs and maintenance, insurance, stores, lube oils, management cost and amortised portion of Dry-docking and Special survey expenses.

Ship Running Expenses - Ship running expenses in the Financials Statements refer to Ship operating expenses excluding amortised Dry-docking and Special Survey expenses.

Voyage Expenses - Voyage expenses mean all expenses related to a particular voyage including bunker fuels and voyage disbursements at the port. Voyage disbursements include port fees, cargo loading and unloading expenses, canal tolls, agency fees and other expenses at the port. Voyage costs are typically paid by the client (charterer) under Time Charter and by the Company under Voyage Charter. However, when the Company pays the voyage expenses, Company typically adds them while calculating freight rate so that the desired Time Charter rate is achieved had the Company negotiated the Voyage as a Time charter.

Total Ship Operating Cost - Total Ship Operating cost in the Financial Statements means the aggregate of Ship running expenses and voyage expenses.

Average Daily Ship Earnings in USD (TC Rate) - Average time-charter equivalent earnings per day per ship computed over a 350 days cycle. The TC rate is calculated by dividing net Ship Operating Income by 350 days per Ship.

Ship Operating Income - Ship Operating Income in the financial statements means total of Hire and Freight received. In other words, this is total income earned through Time and Voyage Charters.

Net Ship Operating Income - Net Ship Operating Income means Ship Operating Income less Voyage expenses.

Dry-docking and Special survey - The Company must periodically dry-dock each of its ships for inspection, repairs and maintenance and any modifications to comply with industry certification and or various regulations applicable to the Company's ships. Generally each ship is dry-docked every 2.5 years and 5 years to carry out intermediate and special survey, respectively. The Company capitalizes these costs and depreciates over a period of 2 years for dry-docking cost related to Intermediate survey and 4 years for dry-docking cost related to special survey. The depreciation amount of dry-docking and special survey costs is included in Depreciation and do not form part of ship operating cost in the Financial Statements. However, while calculating average Ship Operating expenses per day per ship (Opex), The Company includes amortised portion of dry-dock and special survey cost for ascertaining complete Opex.

Depreciation - The main component of depreciation cost is depreciation on Ships. It also includes amortisation of Dry-docking and Special survey cost as explained above, in the Financial Statements.

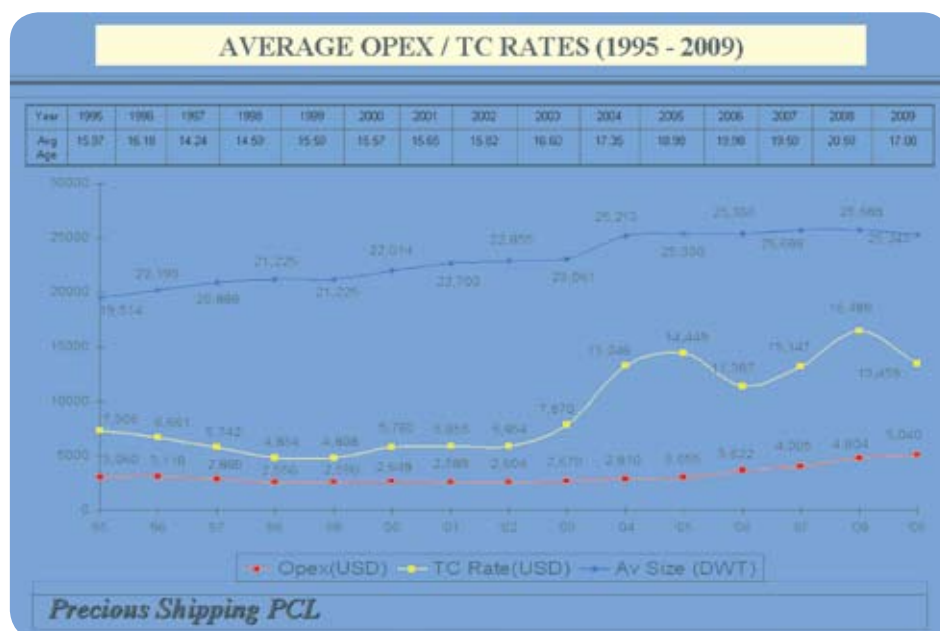
Ship Idle /Down Time - Ship idle time refers to downtime (in days) due to technical reasons only and it means the ship was "off-hire" at dry-dock or at sea or port for repairs of a routine nature or in case of breakdown.

Gross Profit - Gross Profit means Ship operating income less Ship operating costs.

Gross Profit Margin - Gross Profit margin means gross profit divided by Ship operating income denominated in percentage.

Administrative Expenses - Administrative expenses include onshore (office) personnel payroll costs, office rent, legal and professional expenses and other expenses of an administrative nature. Administrative expenses in the financial statements also include cost of personnel employed for technical management of ships. However, for calculating average Ship operating expenses per day per ship (Opex), such relevant portion of administrative expenses is considered and included in the Opex as Management Fees.

5. SHIP OPERATING EXPENSES AND SHIP EARNINGS



The average earnings per day per ship (TC Rate) during 2009 reached US\$ 13,459 while average daily operating expenses per ship (Opex) for 2009 was US\$ 5,040.

Although the freight market improved in 2009 as compared to the market in quarter 4 of 2008, the average BDI for 2009 was 2,617 points as compared to 6,390 points during 2008. As a result of this, the Company has achieved average daily earnings per ship (TC Rate) of US\$ 13,459 which is about 18% lower as compared to that of 2008.

PSL's daily Ship operating Expenses per ship (Opex) have increased from US\$ 4,804 per day in 2008 to US\$ 5,040 per day in 2009. However it is still far below the industry's average (excluding Dry-dock and Special Survey costs which are not reported) as explained in the following Table:

PSL Opex comparison with Industry [compiled by Moore Stephens & Co.]

For years Particulars	Industry 2008 US\$ (Per Day)	PSL 2008 US\$ (Per Day)	PSL 2009 US\$ (Per Day)
Crew Wages	1,768	1,622	1,709
Provisions	169	184	179
Crew Other	287	224	229
Crew Cost Total	2,224	2,030	2,117
Lubricants	334	279	304
Stores Other	377	260	196
Stores Total	711	539	500
Spares	422	263	227
Repairs & Maintenance	410	119	129
Repairs & Maintenance Total	832	382	356

For years Particulars	Industry 2008 US\$ (Per Day)	PSL 2008 US\$ (Per Day)	PSL 2009 US\$ (Per Day)
P& I Insurance	290	188	340
Insurance	290	229	181
Insurance Total	580	417	521
Registration Costs	36	0	0
Management Fees	559	367	447
Sundries	197	50	70
Administration Total	792	417	517
Total Operating Costs	\$5,139	\$3,785	\$4,011

Further, specifically for the Company, the major reasons for the increase in the daily operating expenses as compared to previous years are summarised as under:

- Crew salaries had increased during 2008 owing to higher demand for qualified officers and engineers crew and these increases had to be maintained in 2009 as well. Crew manning costs remained unchanged.
- Dry-dock and Special Survey costs increased marginally, but the cost of stores, supplies, etc. came down due to the slump in the world economy.
- Insurance costs increased mainly due to the additional premiums called by the P&I insurers to shore up their finances which were badly affected by the financial melt-down.

6. CREDIT/LOAN FACILITIES

6.1 Secondhand Ships acquisition credit facilities from DNB NOR Bank (DNB) as Mandated Lead Arranger and a consortium of other International Banks (DNB & Lenders)

During the year 2008, the Company had in place, a loan facility of US\$ 200 million with 4 banks to fund the acquisition of second-hand ships, the availability period of which expired on 31st December 2008. During 2009 the Company extended the availability period by twelve months upto 31st December 2009 with facility amount reduced to US\$ 100 million. Thereafter, the Company has voluntarily cancelled this credit facility with effect from 29th October 2009, since the Company felt that the Company would not utilize this facility till the end of the availability period upto the end of 2009. The Company has cash reserves and other Credit facilities (as explained in 6.2 and 6.3) available for acquisition of secondhand ships, which could always be utilised if the Company acquired one or more secondhand ships in future and therefore, since it was almost certain that the Company would not draw the aforesaid facility during 2009, the Company felt it prudent to cancel the facility and save payment of commitment fees thereon.

6.2 Secondhand Ships acquisition credit/loan facilities from BTMU and other 4 Banks

The Company executed a USD 250 million Secured Term Loan Facility Agreement with The Bank of Tokyo-Mitsubishi UFJ, Ltd., Bank of Ayudhya PCL, KASIKORNBANK PLC, Export-Import Bank of Thailand and Thanachart Bank PCL (as Mandated Lead Arrangers and Lenders) to fund the Company's acquisition of additional second-hand vessels on 14th January 2010.

The main terms of the Secured Term Loan Facility are:

- Borrowers** : Precious Shipping Public Company Limited ("PSL") and it's wholly Owned Subsidiaries incorporated in Singapore and / or Thailand which shall be the shipowning subsidiaries.
- Lenders** : The Bank of Tokyo-Mitsubishi UFJ, Ltd. ("BTMU"); Bank of Ayudhya PCL ("BAY"); KASIKORNBANK PCL ("KBank"); Export-Import Bank of Thailand ("EXIM") and Thanachart Bank PCL ("Thanachart")

Swap Provider	: BTMU, BAY and KBank (for IRS if necessary)
Facility Agent	: KBank
Security Agent	: BTMU
Facility Amount	: Secured Term Loan Facility available for multiple drawdowns up to USD 250 million.
Purpose	: To finance up to 60% of the acquisition cost of Dry Bulk Ships of deadweight ton ("DWT") not lower than 18,000 DWT and not higher than 58,000 DWT and not more than 10 years of age. The vessels have to be registered and flagged in Thailand or Singapore (or other acceptable flagging state). At least one out of every four Vessels purchased shall be a Singapore flagged vessel.
Availability Period	: Upto 30 th June 2011
Principal Repayment	: Beginning 3 months after the end of the Availability Period vide equal quarterly repayment installments (over 8 years) each representing 1/32 of the aggregate Loan Amount which shall be the aggregate of all drawdowns made till aforesaid date.
Interest Rate	: 3 months' LIBOR plus Interest Margin.
Interest Rate Hedging	: At the Borrowers request, Interest Rate Hedging arrangements shall be entered into between the Borrowers and the Swap Provider. The Interest Rate Hedging arrangements will share the security on a pari-passu basis with the Loan Facility.
Arrangement Fee	: 1.25% of the Loan Facility Amount
Commitment Fees	: 0.70% per annum of undrawn amount of the Facility Amount.
Security	: The Borrowers shall deliver/ execute the following securities: A. First priority mortgage over the Vessels (such that the total loan outstanding at the end of the Availability Period does not exceed 65% of the total value of the Vessels); B. Other than that of PSL, share pledge of the Borrowers; C. First priority assignment of Earnings of the Vessels and the Earnings, Retention and Collateral Accounts; D. First priority assignment of the Requisition Compensation of the Vessels; and E. First priority assignment of Insurance of the Vessels. All the above securities to be cross collateralized.
Financial Covenants	: PSL will be subject to the following financial covenants, measured quarterly based on its consolidated financial statements in US Dollars: - 1. The ratio of Net Funded Debt to Total Shareholders Equity in respect of any Relevant Period will not be more than 2:1. 2. The ratio of Net Funded Debt to EBITDA (of the previous four quarters) in respect of any Relevant Period will not be more than 5:1. 3. Maintain a minimum Free Cash Balance of USD 100,000 per vessel that is owned by the PSL Group. 4. Debt Service Coverage Ratio ("DSCR") of no less than 1.1 times.
Vessel Covenants	: On a portfolio basis, the Fair Market Value (the "FMV") of the Vessels during the Loan Term must not be less than 125% of the outstanding balance of the Loan.

- Other Covenants**
- : **Dividends:** PSL and other Joint Borrowers (wholly owned subsidiaries) allowed to pay out dividends to shareholders without any restriction unless an Event of Default or Potential Event of Default has occurred and is continuing and there is an outstanding amount due on the Loan.
 - : **Listing:** PSL to remain listed on the Stock Exchange of Thailand at all times during the period of the Facility.
 - : **Management Covenant:** It will be an Event of Default if any of Khalid Hashim, Munir Hashim and Khushroo Wadia cease to play an active role in the management of PSL (save by reason of death or incapacity) unless an acceptable replacement is in place within 90 days.

6.3 Secondhand Ships acquisition credit/loan facilities from Krung Thai Bank PCL (KTB) and 2 other local Banks

During the year 2008, the Company also had in place, a loan facility of US\$ 300 million with 3 banks to fund the acquisition of second-hand ships the availability period of which expired on 18th January 2009. Due to the effect of the Global Financial Crisis and the inability of the Company's Local Lenders to extend the loan in US Dollars in the beginning of year 2009, this facility which was originally denominated in US Dollars, converted into Thai Baht when the availability period of the facility was extended upto 18th January 2010. However, in recognition of this risk, the Company has obtained commitment of a Swap facility from the same Lenders to convert the Thai Baht liability into US Dollars through the use of a USD/THB Swap whereby the principal portion of the Loan as and when drawn by the Company shall immediately be converted into US Dollars, thereby eliminating the Foreign Exchange risk associated with the loan principal.

The main terms of the Credit Facilities are:

- | | |
|--|---|
| Borrowers | : Precious Shipping Public Company Limited ("PSL") / jointly and severally with the respective ship-owning subsidiaries (collectively defined as "the Borrowers") |
| Lender[s] | : Krung Thai Bank PCL, Bank of Ayudhya PCL and Siam City Bank PCL. |
| Facility Amounts | : Tranche A: Term Loan of upto Thai Baht 8.75 Billion
Tranche B : Foreign Currency Exchange facility upto US\$ 5 Million
Hedging Facility : Hedging commitment upto Baht 8.75 Billion |
| Purpose | : Tranche A: To finance the acquisition of new or secondhand "handy-size" dry bulk ships of age up to 10 years and/or over 10 years but less than 15 years for up to 20% of the Facility amount
Tranche B: To use as protection against foreign Currency exposure as a result of inward and outward remittances incurred by the normal business operations on account of termination of foreign currency contracts based on mark to market valuations.
Hedging Facility: To use as cover against a change in Baht value of Tranche A outstanding in the form of Principal swap and cross currency Swap. |
| Availability Period | : Upto 18 th January 2010. |
| Facility Period | : 13 years from the date of first drawdown |
| Grace Period –
for Principal
Repayments | : 12 months from first drawdown |
| Interest Rate | : Three months' Thai Baht MLR minus 1% |
| Principal Repayment | : 48 equal quarterly installments (i.e. over twelve years) of the aggregate loan outstanding from the first Repayment date which shall be 12 months after the first drawdown. |

Commitment Fee	: 1% per annum of undrawn facility payable quarterly
Security	: The Facility shall be secured mainly by: <ul style="list-style-type: none"> i) Before first drawdown, first priority mortgage over certain ships owned by the Borrowers valued at least at US\$ 50 million in aggregate. However, it will not be less than baht 1.75 Billion Baht if converted at spot rate. ii) First priority mortgage over the secondhand “handy-size” dry bulk ships to be acquired. iii) Assignments of insurances and earnings of the secured ships. iv) Pledge of shares of each of the subsidiary borrowers.
Security Covenant	: During Availability Period: The aggregate valuations of the ships secured to be at least 167% of the total outstanding amount of the facility. After Availability Period: The aggregate valuations of the ships secured to be at least 154% of the total outstanding amount of the facility.
Financial Covenants	: The Borrowers to comply with the following, to be measured quarterly based on PSL’s consolidated Restated Financial Statements in US Dollars: <ul style="list-style-type: none"> i) Maximum Debt / Total Shareholder’s Equity of 2.0 times; ii) Maximum Debt / EBITDA of 5.0 times iii) Maintain a minimum Free Cash Balance of US\$100,000 per ship that PSL owns. iv) Minimum Debt Service Cover of 1.1 times.
Non-Financial Covenants	: The Borrowers are not subject to any significant restrictive non-financial covenants.

The Company has drawn Thai Baht 734.27 million from this facility as of 31st December 2009 for buying 1 Ship as explained in 3.3 above. The Company swapped the Principal amount of Baht 734.27 Million to US\$ 22.15 Million through the hedging facility as explained above. The availability period of this facility expired on 18th January 2010. However, the Company is in discussions with the Lenders to extend the availability period upto the end of year 2010. The Company expects to secure approval for the extension with no significant changes in the terms.

6.4 Credit facilities from DnB NOR Bank ASA, Singapore Branch, Kasikornbank, and certain other International Banks (New Buildings Facility)

With a view to availing long term funding for the new ships ordered by the Company, on 3rd July 2008, the Company executed a USD 398,400,000 Secured Loan Agreement with DnB NOR Bank ASA, Singapore Branch, Kasikornbank, and certain other International Banks to finance 15 new ships (9 Handysize ships of 32,000 DWT each and 6 Supramax ships of 54,000 DWT each, all to be delivered between years 2010 and 2012) ordered by the Company.

The main terms of the Credit Facilities are summarized as follows:

Borrowers	: Precious Shipping Public Company Limited (“PSL”) and / or upto 15 wholly owned subsidiaries to be incorporated in Singapore or Thailand or any other jurisdiction acceptable to the Lenders.
Guarantor	: PSL.
Lenders	: DnB Nor Bank ASA, Singapore Branch (“DnB NOR”), Kasikornbank, and certain other International Banks.
Bookrunners /	: DnB NOR.
Underwriters / Mandated Lead Arranger (“MLA”) /	
Facility Agent and Security Agent	

Joint Mandated Lead Arranger : Kasikornbank PCL.

FACILITY:

Purpose : Pre and Post Delivery Secured Term Loan Facility to finance the construction and acquisition of the 15 Ships (Vessels) as follows:

Handysize Bulkers:

9 Handysize Bulkers of 32,000 DWT each to be constructed by ABG Shipyard Ltd, India. The Construction Price of each Vessel is about USD 30 million.

Supramax Bulkers:

6 Supramax Bulkers of 54,000 DWT each to be constructed by ABG Shipyard Ltd, India. The Construction Price of each Vessel is about USD 38 million.

Facility Amount : Up to USD 398.40 million (80% of Construction Price as above) divided into 15 tranches comprising:

For the Handysize Bulkers, upto USD 216 million divided into 9 Tranches.

Pre-Delivery Facility Amount (Per Tranche):

USD 18 million per Vessel or 60% of the Construction Price of the Vessel, whichever is lower.

Post-Delivery Facility Amount (Per Tranche):

USD 24 million per Vessel or 80% of the Construction Price of the Vessel, whichever is lower.

For the Supramax Bulkers, upto USD 182.40 million divided into 6 Tranches.

Pre-Delivery Facility Amount (Per Tranche):

USD 22.80 million per Vessel or 60% of the Construction Price of Vessel, whichever is lower.

Post-Delivery Facility Amount (Per Tranche):

USD 30.40 million per Vessel or 80% of the Construction Price of the Vessel, whichever is lower.

UTILISATION / AVAILABILITY AND REPAYMENT:

Availability / : **Pre-Delivery Facility:**

Drawing

As per milestones in the shipbuilding contracts.

Post-Delivery Facility:

100% of the Post-Delivery Facility Amount is to be drawn upon delivery of the respective vessels.

Repayment : **Pre-Delivery Facility:**

The Pre-Delivery Facility shall be repaid in one lump sum upon delivery of the respective vessel.

Post-Delivery Facility:

Each Tranche shall be amortised (repaid) as quarterly repayment installments, each equivalent to 1/60th of the Post-Delivery Facility Amount and a balloon amount equal to the balance under such Tranche on Final Maturity. The first quarterly repayment shall commence 3 months after delivery of each respective vessel.

At Final Maturity, all amounts outstanding shall be repaid and the respective Tranches reduced to Zero.

Final Maturity : 10 years from the delivery drawdown of the first Vessel, and accordingly, Final Maturity is expected to be in March 2020.

INTEREST AND FEES:

Interest Rate	: The aggregate of LIBOR and the Margin.
Margin	: 1.20% per annum.
Interest Period	: 3 months.
Commitment fee	: 0.35% per annum of undrawn amount of the aggregate facility amount.

SECURITY : The Borrowers and Guarantor shall deliver / execute the following security:

Pre-Delivery Facility:

- a) A pledge over the shares of the Borrowers (wholly owned subsidiaries) other than PSL.
- b) Corporate Guarantee from the Guarantor if not a Joint Borrower.
- c) 1st priority assignment of the shipbuilding contracts.
- d) 1st priority assignment of the refund guarantees by the refund guarantors given in relation to the shipbuilding contracts with PSL.

Post-Delivery Facility:

- a) 1st priority mortgage over the vessels.
- b) A pledge over the shares of the Borrowers (wholly owned subsidiaries) other than PSL.
- c) Corporate Guarantee from the Guarantor if not a Joint Borrower.
- d) 1st priority assignment of requisition compensation in respect of the vessels.
- e) 1st priority assignments of all insurance proceeds.
- f) 1st priority assignment of the earnings of the vessels and pledge over the Earnings Accounts (accounts to be opened up for each of the Vessels) and Retention Account.

All of the above securities to be cross collateralised.

COVENANTS:

Financial Covenants : PSL shall comply with the following to be measured quarterly based on its consolidated Restated Financial Statements in USD:

- a) Maximum Funded Debt / Total Shareholder's Equity of 2.0 times.
- b) Maximum Funded Debt / Earnings Before Income Tax Depreciation and Amortisation (EBITDA) of 5.0 times.
- c) Maintain a minimum Free Cash Balance of USD 100,000 per vessel that the Guarantor owns.

Vessel Covenants : **Vessel registration:** The Vessels shall be registered in a Registry acceptable to the Facility Agent, if other than Thailand or Singapore, but, only a maximum of 7 vessels can be registered in Thailand.

Minimum Value Clause: The combined fair market value of all the delivered Vessels shall always be at least 125% of the combined outstanding amount under the Post-Delivery Facility.

Other Covenants : **Dividends:** No restrictions on dividend payments by PSL. The other Joint Borrowers (wholly owned subsidiaries) are also allowed to pay out dividends or make any other distributions to shareholders without any restrictions unless an Event of Default or Potential Event of Default has occurred and is continuing.

Listing: PSL to remain listed on the Stock Exchange of Thailand at all times during the period of the Facility.

The Company has drawn US\$ 107.20 million against this facility as of 31st December 2009.

7. FINANCIAL PERFORMANCE BASED ON RESTATED US DOLLAR FINANCIAL STATEMENTS

The Thai Baht Financial Statements are audited by Ernst & Young and restated by the Company in US Dollars, which are then certified by Baker Tilly Corporate Advisory Services (Thailand) Limited, Independent Accountants. Due to the reasons explained in the cover note to the restated US Dollar Financial Statements (presented separately in this Annual Report), the Company is of the opinion that these restated US Dollar statements provide a more realistic, true and fair view of the financial performance of the Company during the year and also of its Assets and Liabilities on the Balance Sheet date.

The following table summarises the performance of the Company for the last 2 years. All figures quoted are from the restated US Dollar Financial Statements certified by Baker Tilly Corporate Advisory Services (Thailand) Limited.

For the year ended / as at	31 st Dec-08 Million US\$	31 st Dec-09 Million US\$
Income Statement		
Total Revenues	258.60	184.95
Net Ship Operating Income	254.87	153.50
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)*	167.10	86.04
Depreciation*	15.02	14.23
EBIT	152.08	71.81
Finance cost	3.86	7.69
Operating profit	148.22	64.12
Non-operating profit	0.56	25.27
Net Profit before Tax	148.78	89.39
Income Tax	0.64	1.30
Net Profit	148.14	88.09
Balance Sheet		
Investments in Associated Companies	2.91	3.51
Ships at Cost	480.08	357.87
Dry dock and Special Survey	48.95	21.76
Cash & Cash Equivalents	96.25	176.06
Current Assets	104.52	181.93
Advances for vessels construction	139.18	227.56
Total Assets	514.37	644.58
Secured Debt	21.07	128.08
Current Liabilities	22.17	14.59
Non-Current Liabilities	7.58	6.46
Total Liabilities	50.82	149.13

For the year ended / as at	31 st Dec-08 Million US\$	31 st Dec-09 Million US\$
Equity Share Capital	35.31	35.31
Total Shareholders Equity or Tangible Net Worth	463.55	495.44
Net Book Value per share (US\$)	0.45	0.48
Dividend per share (Total dividend declared for the year)	2.80	1.80
Dividend yield**	16%	10%
Return on Assets	31%	15%
Return on Equity	34%	18%
Ratios (times)		
Current Ratio	4.71	12.47
Funded Debt/Equity	0.05	0.26
Total Liabilities/Equity	0.11	0.30
Funded Debt/EBITDA	0.13	1.49
Debt Service Cover	43.29	11.19
EBITDA/Interest	43.29	11.19

* EBITDA and Depreciation are considered after depreciation on dry-docking and special survey expenses. These expenses are included in ship operating cost for the purpose of computing EBITDA, which is in line with Company's policy of disclosing average daily ship operating expenses (opex) including dry docking and special survey expenses.

** Dividend yield is presented as percentage of closing share price as at end of the year

7.1 Revenues and Profitability

Total revenues have decreased from US\$ 258.60 million in 2008 to US\$ 184.95 million (including gain on sale of Ships US\$ 22.87 million) in 2009. The net ship operating income has decreased from US\$ 254.87 million in 2008 to US\$ 153.50 million in 2009. This is mainly due to the decrease in average ship earnings per day per ship (TC Rate) in 2009 as compared to 2008 and also because of the lower number of vessels operated during the year, due to the sale of the older vessels of the fleet. The lower average daily earnings could be attributed to the fact that some vessels whose long term charters expired during the year had to be chartered at prevailing rates which were lower than that prevailing when the Charters were fixed. The average number of ships operated were 33 during 2009 as compared to 44 during 2008. Consequently, operating cash flows or Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) have decreased from US\$ 167.10 million in 2008 to US\$ 86.04 million in 2009. The average earnings per day per ship have decreased from US\$ 16,489 in 2008 to US\$ 13,459 in 2009 while average vessel daily ship running expenses (Opex) have increased from US\$ 4,804 in 2008 to US\$ 5,040 in 2009. As a result of the above, gross profit for 2009 was lower as compared to 2008.

Although average daily ship operating expenses have increased, it remained far below the industry's average as explained in No. 5 above.

Depreciation has decreased from US\$ 15.02 million in 2008 to US\$ 14.23 million in 2009 due to the reduction in average number of ships operated during 2009 as compared to 2008 as a result of the sale and delivery of 20 ships in 2009. Finance cost has increased from US\$ 3.86 million in 2008 to US\$ 7.69 million in 2009. It is to be noted that the finance costs for this period mainly comprises of fees paid on new loan facilities availed during 2009, the commitment fees paid for maintaining the secured debt facilities during 2009, and deferred expenses written off for the reduction in loan amounts from the second-hand ship acquisition facilities (which is explained separately above in 6.1) and Interest on loans drawn for newbuilding orders have been capitalized.

Due to the appreciation of the Thai Baht against the US Dollar, the exchange rate (THB/US\$) at the end of 2009 was lower as compared to the previous year. As a result of the translation of the Thai Baht denominated net current assets into U.S. Dollars, at the lower rate, there was an exchange gain of US\$ 0.16 million in 2009.

With decrease in gross margins per ship and decrease in ship operating days, operating profit has decreased to US\$ 64.12 million as compared to US\$ 148.22 million in 2008.

Income Tax has increased from US\$ 0.64 million in 2008 to US\$ 1.30 million in 2009, which comprises of Income Tax provision of US\$ 1.25 million made on the “pre-delivery hire” received from customers for delivering the Ship before the contracted delivery date.

As a result of the above factors, the Company’s Net Profit decreased from US\$ 148.14 million in 2008 to US\$ 88.09 million in 2009.

7.2 Assets, Liabilities and Shareholders Equity

■ Investments

The following table summarises the position of all Investments in Foreign Joint Ventures in the Financial Statements as of 31st December 2009 (figures in US Dollars):

Jt. Venture Projects	Investment		**Advance	Total	***Provision made for			Balance as on	
	Cost	*Equity Adjts			Investment	**Advance	Total	Investment	Advance
Current Investments									
SLPG	872,727	(323,596)	549,131	1,116,791	549,131	567,660	1,116,791	0	0
Long Term Investments									
ISPL - Haldia	2,037,650	1,471,090	3,508,740	3,508,740	0	0	0	3,508,740	0
TOTAL	2,910,377	1,147,494	4,057,871	4,625,531	549,131	567,660	1,116,791	3,508,740	0
								3,508,740	

* Equity adjustment means adjustments (+/-) made to value at equity method.

** Advance means contributions made as shareholders and are presented under “other current assets”.

*** Provisions made for “Investments” towards “Equity” component were presented as “Allowance for loss on current investments” and Provisions made for “Others” towards “Advance” were presented as “Bad debts and allowance for doubtful accounts” both of which were made in the year 2002.

During the year 2008, the Company’s subsidiary signed an agreement on 30th December 2008 for buying 4.92 million shares of International Seaports (Haldia) Pvt Ltd at INR 110.46 million. The Company hopes to complete this transaction in year 2010 and with this additional investment, the Company’s final stake in this joint venture will increase to 33.55 percent.

During the year 2006, the Company invested in 2,026,086 ordinary shares of par value of Baht 10 each, in TMN Company Limited, registered in Thailand (TMN) of which Baht 5 per share is paid-up, which works out to US\$ 0.26 million. The Company has not made any further investment in TMN in year 2009.

■ **Current Assets**

As compared to the end of the previous year (2008), there is an increase of US\$ 77.41 million in the current assets as at 31st December, 2009, mainly due to higher Cash and cash equivalents. With no repayments of any loan during 2009, the Company has accumulated excess cash generated from operations. This cash balance was after paying dividends of US\$ 60.36 million during the year 2009. Receivables, net of all provisions, which are part of current assets decreased marginally by US\$ 0.08 million as compared to the previous year. In any case, as is customary in the shipping business, the Company actually collects almost all its income in advance (95% of Freight in case of a Voyage Charter and 15 days' Hire in case of Time Charter) and as such, there is no concern on collection of receivables and consequently, the amount presented as receivables is only on account of miscellaneous dues from Agents, Charterers and accrual of income on the basis of percentage of voyage completed.

■ **Fixed Assets**

The value of fixed assets of the Company has decreased from previous year's levels mainly on account of sale and delivery of 20 ships and depreciation provided during year 2009. As at 31st December 2009, the Company owned 25 ships (24 existing vessels plus one vessel bought in October and delivered in December 2009), details of which have been provided in the Fleet List separately in this Report. The Company signed Memorandum of Agreements for sale of 21 ships out of which, 20 ships were delivered to the buyers in year 2009 and 1 ship is delivered in 2010.

The details of Ship Sales in 2009 have been given in 3.4 above.

■ **Advance for construction of New Ships:**

The Company has entered into 12 Shipbuilding contracts for 12 handysize bulk carriers of size 32,000 DWT and 6 Shipbuilding contracts for 6 supramax bulk carriers of size 54,000 DWT with ABG Shipyard Limited, India during years 2007-2008. As on 31st December 2009, the Company has paid installments of US\$ 224.80 million as explained in note 3 above.

■ **Total Liabilities**

The Company's secured debt balance is US\$ 128.08 million as at the end of year 2009, on account of Bank loans of US\$ 107.20 million against newbuilding loan facility explained above, for paying to ABG Shipyard Limited (Builder) towards second and third installment of 10 Ships ordered as explained in note 3 above. The Company has also drawn Thai Baht 734.27 million for buying Ship Rosella as explained in 3.3 above. The Company swapped the Principal amount of Baht 734.27 Million to US\$ 22.15 Million per hedging facility as explained in 6.3 above. Deferred financial fees of US\$ 1.27 million is presented as deduction from Secured loan basis proportionate amount of drawdown made so far from this facility. Consequently, the total liabilities have increased from US\$ 50.82 million in 2008 to US\$ 149.13 million in 2009

■ **Shareholders Equity**

Due to the net profits of US\$ 88.09 million earned during the year, dividends of US\$ 60.36 million (Baht 2.00 per share) paid during 2009, and net increase of US\$ 4.16 million on account of Revaluation surplus, translation adjustment and minority interest, the Shareholders' Equity is now at US\$ 495.44 million, which is an increase of US\$ 31.89 million over the Shareholders' Equity as compared to the end of the previous year. As a result of the above increase in Shareholder's Equity as explained above, the net book value per share has increased from US\$ 0.45 per share as at the end of 2008 to US\$ 0.48 per share as at the end of 2009.

7.3 Leverage, Liquidity and Coverage

■ The Company's credit risk profile has consistently improved since the debt restructure of year 2000. As the Company's EBITDA remained at respectable levels during 2009 and the Company had US\$ 128.08 million outstanding secured debt at the end of the year, the leverage ratios remain very strong. As at 31st December 2009, the Company's funded debt level is 1.49 times its EBITDA. The Company's overall gearing (Total Liabilities/Tangible Networth) is at 0.30 times as at 31st December 2009, which has increased from 0.11 times as at 31st December 2008, due to increase in secured debt as explained above.

■ The Company's debt service cover for 2009 was 11.19. The ratio of EBITDA/Interest has improved considerably since year 2000 and it is now 11.19 times as of 31st December 2009. Both these ratios show the Company's strong ability to service the existing debt or conversely its capacity to draw more debt for fleet rejuvenation.

8. REVIEW AND ANALYSIS OF AUDITED CONSOLIDATED THAI BAHT FINANCIAL STATEMENTS

8.1 Analysis of Profit and Loss Account (Statement of Earnings)

■ The Net Ship Operating Income (net of voyage disbursements and bunker consumption) for 2009 has decreased by about 37 percent over the Net Ship Operating Income for 2008. This is mainly due to the decrease in average ship earnings per day per ship (TC Rate) in 2009 as compared to 2008 and also because of the lower number of vessels operated during the year, due to the sales of the older vessels of the fleet. The lower average daily earnings could be attributed to the fact that some vessels whose long term charters expired during the year had to be chartered at prevailing rates which are lower than the rates of the previous Charters. The average earnings per day per Ship were US\$ 13,459 for 2009 as compared to US\$ 16,489 for 2008. This represents a decrease of about 18 percent over the previous year. The average numbers of ships operated were 33 during 2009 as compared to 44 during 2008.

■ During 2009, the ship running expenses decreased by 19 percent in absolute terms as compared to 2008 mainly due to the lower number of vessels operated during the year.

■ During 2009, the total ship operating costs decreased by about 11 percent in absolute terms, over the total ship operating costs of the previous year. During 2009, ship disbursements and bunker consumption increased due to increase in voyage charters during the year as compared to the previous year. The decrease in total ship operating costs is mainly due to decrease in ship running expenses during 2009 as explained hereinabove.

■ Gross Profit has decreased by about 42 percent as compared to the previous year. It may be noted that the Gross Profit Margin has decreased from 77 percent to 69 percent as compared to the previous year due to the lower average earnings per day per ship (TC Rate) and higher Opex.

■ As a result of the lower ship operating revenues, the total revenues during the year, in absolute terms, are also lower than that of the previous year.

■ Administrative expenses for 2009 have decreased by Baht 122.48 million as compared to 2008 due to a decrease in personnel expenses, mainly lower Bonus accruals for the year due to lower Net Profit.

■ Finance costs for 2009 have increased by Baht 135.17 million as compared to 2008. It is to be noted that the finance costs for this period mainly comprises of fees paid on new loan facilities availed during 2009, the commitment fees paid for maintaining the secured debt facilities during 2009 and deferred expenses written off for the reduction in loan amounts from the second-hand ship acquisition facilities (which is explained separately above in 6.1) and Interest on loans drawn for newbuilding orders have been capitalized.

■ The total expenses (excluding depreciation) in 2009, as compared to the previous year, are lower due to the reduction in average number of ships operated during 2009 as compared to 2008 as a result of the sale and delivery of 20 ships in 2009.

■ The Depreciation for 2009 has decreased from Baht 1,085.16 million in 2008 to Baht 934.61 million in 2009 due to a reduction in average number of ships operated during 2009 as compared to 2008 as a result of the sale and delivery of 20 ships in 2009.

■ The Company recorded exchange gain of Baht 43.63 million for 2009 as against exchange gain of Baht 61.13 million for 2008. The exchange gain is due to the appreciation of the Thai Baht against the US Dollar, which resulted mainly from the translation of the US Dollar loans into Thai Baht.

As a result of the above factors, the Company has reported Net Profit of Baht 3,047.06 million for 2009 as compared to Baht 4,938.59 million in the previous year.

8.2 Analysis of Balance Sheet

■ As compared to the end of the previous year (2008), there is an increase of Baht 2,405.80 million in current assets as at 31st December, 2009, mainly due to higher Cash and cash equivalents. With no repayments of any loan during 2009, the Company has accumulated excess cash generated from operations. This Cash balance was after paying dividends of Baht 2,078.74 million during 2009. Receivables, net of all provisions which are part of current assets decreased marginally by Baht 4.69 million as compared to the previous year. The Company continues to be in an extremely comfortable position in terms of liquidity with more than adequate cash balances at all times.

■ The value of fixed assets of the Company has decreased from previous year's levels on account of the sale and delivery of 20 ships and depreciation provided during 2009. The Company has paid Baht 7,714.97 million towards advance for new building ships as explained in note 3 above. The Total Assets have increased mainly due to advance of Baht 3,007.34 million paid in 2009 for New Buildings which was funded through secured loans from banks and net profit earned with a substantial part thereof being retained during the year.

■ Total current liabilities have decreased by Baht 288.75 million as compared to the previous year in line with number of vessels owned at the end of 2009. The Company's secured debt is Baht 4,291.70 million as at the end of 2009, on account of drawdown of loans of Baht 3,593.00 million against new building loan facility explained above, for paying to ABG Shipyard Limited (Builder) towards second and third installment of 10 Ships ordered as explained in note 3 above. The Company has also drawn Thai Baht 734.27 million for buying Ship Rosella as explained in 3.3 above. Deferred financial fees of Baht 35.57 million were shown as deduction from Secured loan basis proportionate amount of drawdown made so far from this facility.

■ The total liabilities have increased from Baht 1,783.08 million in 2008 to Baht 5,003.77 million in 2009. This is mainly due to increase in secured debt as explained above.

■ Due to the net profits of Baht 3,047.06 million earned during the year, dividends of Baht 2,078.74 million (Baht 2.00 per share) paid during 2009, and net decrease of Baht 9.41 million on account of Revaluation surplus, translation adjustment and minority interest, the Shareholders' Equity is now at Baht 17,136.36 million, which is an increase of Baht 958.91 million over the Shareholders' Equity as compared to the end of the previous year.

8.3 Analysis of Statements of Cash flows

■ During the year under review, Baht 3,096.56 million was generated from operations. This is about 49 percent lower than the cash generated from operations in the previous year. The decrease is due to the lower Gross Profit earned for the reasons explained hereinabove.

■ After adjusting for the Working Capital Changes, the net cash generated from operations of Baht 2,625.89 million was available for use in investing and financing activities.

■ During the year, Baht 2,369.56 million was received as proceeds from sale and delivery of 20 Vessels and Baht 1,017.35 million was paid on capital account towards dry docking & special survey expenses. The Company has also paid Baht 3,016.58 million towards advances against orders for new ships (including capitalized interest paid on this amount funded entirely through secured loan drawn against the newbuilding facility). After adjustments, the net cash flow used in investing activities was Baht 1,645.68 million.

■ During the year, the Company has drawn Baht 3,007.34 million against the Newbuilding credit facility for paying to ABG Shipyard Limited on account of second and third installment of 10 Ships ordered as explained in note 3 above and drawn Baht 734.27 million for buying a Ship as explained in 3.3 above. Baht 2,078.74 million was paid out as Dividends. After adjustments, the net cash flow from financing activities was Baht 1,659.92 million. Through healthy operating cash flows and efficient working capital management the Company maintained sufficient cash balances at all times without any kind of liquidity problems.



REPORT ON THE BOARD OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Board of Directors is responsible for the Company's financial statements and financial information presented in this annual report. The aforementioned financial statements have been prepared in accordance with Thai Generally Accepted Accounting Principles, using appropriate accounting policies consistently employed by the Company after applying prudent judgment and best estimation. Important information is adequately disclosed in the notes to the financial statements.

The Board of Directors has provided for and maintained an efficient internal control system to ensure that accounting records are accurate, complete and adequate to protect the Company's assets and uncover weaknesses in order to prevent fraud or materially irregular operations.

To accomplish this task, the Board of Directors has appointed an audit committee, which consists fully of Independent Directors and the committee is, inter alia responsible for the quality of financial statements and internal control systems, whose comments on these issues are readily included in the Audit Committee Report in this annual report.

The Board of Directors is of the opinion that the Company's overall internal control system has functioned up to a satisfactory level to render credibility and reliability to the Company's financial statements for the year ended December 31, 2009.

For and on behalf of the Board of Directors of
Precious Shipping Public Company Limited

Khalid Moinuddin Hashim
Managing Director

Khushroo Kali Wadia
Executive Director

REPORT OF INDEPENDENT AUDITOR

To the Shareholders of Precious Shipping Public Company Limited

I have audited the accompanying consolidated balance sheets of Precious Shipping Public Company Limited and subsidiaries as at 31 December 2009 and 2008, the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, and the separate financial statements of Precious Shipping Public Company Limited for the same periods. These financial statements are the responsibility of the management of the Company and subsidiaries as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits. I did not audit the financial statements of 5 subsidiaries incorporated overseas which are included in these consolidated financial statements. The assets and revenues of these subsidiaries as included in the consolidated financial statements constitute 14.23% and 9.49% of the consolidated total assets as at 31 December 2009 and 2008, respectively, and 3.87% and 1.43% of the consolidated total revenues for the years then ended, respectively. The financial statements of these subsidiaries were audited by other auditors, whose reports have been furnished to me, and my opinion, insofar as it relates to the amounts included for those subsidiaries in the consolidated financial statements, is based solely on the reports of these other auditors.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits and the reports of other auditors, as referred to in the first paragraph, provide a reasonable basis for my opinion.

In my opinion, based on my audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Precious Shipping Public Company Limited and subsidiaries and of Precious Shipping Public Company Limited as at 31 December 2009 and 2008, and the results of their operations and cash flows for the years then ended, in accordance with generally accepted accounting principles.



Chayapol Suppasertanon

Certified Public Accountant (Thailand) No. 3972

Ernst & Young Office Limited
Bangkok: 2 February 2010

BALANCE SHEETS

Precious Shipping Public Company Limited and subsidiaries As at 31 December 2009 and 2008

(Unit : Baht)

		Consolidated financial statements		Separate financial statements	
		2009	2008	2009	2008
Assets					
Current assets					
Cash and cash equivalents	17	5,848,782,201	3,350,024,741	2,246,681,628	914,837,752
Current investments - net	6	27,500,000	-	27,500,000	-
Trade accounts receivable - net	7	42,078,391	46,765,842	-	-
Receivables from and advances to subsidiaries	8	-	-	282,681,149	1,102,945,345
Short-term loans to subsidiary	9	-	-	2,119,480,660	176,287,039
Bunker oil		-	6,667,192	-	-
Other current assets					
Advances to vessel masters		54,093,717	102,137,723	-	-
Claim recoverables		35,304,785	89,737,672	-	-
Others		35,959,713	42,589,372	18,475,916	20,632,606
Total other current assets		125,358,215	234,464,767	18,475,916	20,632,606
Total current assets		6,043,718,807	3,637,922,542	4,694,819,353	2,214,702,742
Non-current assets					
Investments in subsidiaries - net	10	-	-	5,703,026,841	5,663,012,341
Investment in associate held by a subsidiary	11	143,219,374	122,566,201	-	-
Other long-term investment	12	10,130,430	10,130,430	10,130,430	10,130,430
Property, building and equipment - net	13	7,780,922,468	9,080,505,371	17,222,574	26,282,292
Other non-current assets					
Computer software - net	14	46,911,635	54,825,388	46,911,635	54,825,388
Advances for vessel constructions	15	7,809,282,007	4,720,520,133	7,809,282,007	4,720,520,133
Deferred financial fees - net	16	291,253,234	330,740,492	291,253,234	330,740,492
Advance from share acquisition in associate held by a subsidiary	11.2	11,538,699	-	-	-
Others		3,152,306	3,322,306	2,615,865	2,615,865
Total other non-current assets		8,162,137,881	5,109,408,319	8,150,062,741	5,108,701,878
Total non-current assets		16,096,410,153	14,322,610,321	13,880,442,586	10,808,126,941
Total assets		22,140,128,960	17,960,532,863	18,575,261,939	13,022,829,683

The accompanying notes are an integral part of the financial statements.

BALANCE SHEETS (Continued)

Precious Shipping Public Company Limited and subsidiaries As at 31 December 2009 and 2008

(Unit : Baht)

Note	Consolidated financial statements		Separate financial statements	
	2009	2008	2009	2008
Liabilities and shareholders' equity				
Current liabilities				
Trade accounts payable	44,727,575	96,213,245	2,363,783	1,209,938
Payables to and advances from subsidiaries 8	-	-	2,183,872,302	1,618,831,861
Advances received from vessel sales 17	29,158,895	21,891,418	-	-
Advances received from charterers	79,029,033	211,642,085	-	-
Other current liabilities				
Accrued crew accounts	49,382,671	101,031,624	-	-
Current portion of accrued employee benefits 18	165,690,296	147,794,957	152,196,487	135,676,932
Accrued expenses	45,489,571	112,153,882	9,119,622	8,419,749
Provision for income tax	24,631,203	11,082,386	-	-
Withholding tax payable	31,427,877	54,438,912	30,273,349	53,084,164
Others	19,347,683	21,383,258	4,378,906	5,150,796
Total other current liabilities	335,969,301	447,885,019	195,968,364	202,331,641
Total current liabilities	488,884,804	777,631,767	2,382,204,449	1,822,373,440
Non-current liabilities				
Accrued employee benefits - net of current portion 18	173,011,023	217,850,070	159,089,829	199,435,375
Provisions for maritime claims	42,050,177	48,106,741	-	-
Payables from cross currency swap contracts	8,124,620	-	-	-
Long-term loans - net 16, 19	4,291,698,801	739,495,539	3,578,235,298	739,495,539
Total non-current liabilities	4,514,884,621	1,005,452,350	3,737,325,127	938,930,914
Total liabilities	5,003,769,425	1,783,084,117	6,119,529,576	2,761,304,354

The accompanying notes are an integral part of the financial statements.



BALANCE SHEETS (Continued)

Precious Shipping Public Company Limited and subsidiaries As at 31 December 2009 and 2008

(Unit : Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2009	2008	2009	2008
Shareholders' equity					
Share capital					
Registered share capital					
1,039,520,600 ordinary shares					
of Baht 1 each					
		1,039,520,600	1,039,520,600	1,039,520,600	1,039,520,600
Issued and paid-up share capital					
1,039,520,600 ordinary shares					
of Baht 1 each					
		1,039,520,600	1,039,520,600	1,039,520,600	1,039,520,600
Paid-in capital					
Premium on ordinary shares					
		411,429,745	411,429,745	411,429,745	411,429,745
Premium on treasury stock					
		172,445,812	172,445,812	172,445,812	172,445,812
Revaluation surplus on assets of					
subsidiary - net	21	203,452,059	103,711,800	-	-
Translation adjustments					
		(22,850,674)	120,183,371	-	-
Retained earnings					
Appropriated					
Statutory reserve - the Company	22	103,952,060	103,952,060	103,952,060	103,952,060
- subsidiaries	22	513,220,000	496,020,000	-	-
Corporate social responsibility reserve	23	37,782,784	24,692,961	37,782,784	24,692,961
Unappropriated		14,652,874,052	13,694,533,528	10,690,601,362	8,509,484,151
Total equity attributable to Company's shareholders					
		17,111,826,438	16,166,489,877	12,455,732,363	10,261,525,329
Minority interest - equity attributable to minority shareholders of subsidiaries					
		24,533,097	10,958,869	-	-
Total shareholders' equity					
		17,136,359,535	16,177,448,746	12,455,732,363	10,261,525,329
Total liabilities and shareholders' equity					
		22,140,128,960	17,960,532,863	18,575,261,939	13,022,829,683

The accompanying notes are an integral part of the financial statements.

INCOME STATEMENTS

Precious Shipping Public Company Limited and subsidiaries For the years ended 31 December 2009 and 2008

(Unit : Baht)

		Consolidated financial statements		Separate financial statements	
		2009	2008	2009	2008
Note					
Revenues					
Vessel operating income					
	Hire income	5,109,100,239	8,337,105,438	-	-
	Freight income	414,544,962	198,694,145	-	-
Total vessel operating income		5,523,645,201	8,535,799,583	-	-
	Service income	816,753,312	2,831,834	150,529,957	94,428,000
	Gains on sales of vessels and equipment	13760,279,523	137,933	71,428	-
	Interest income	838,065,092	49,565,052	20,794,985	14,587,830
	Exchange gains	43,626,627	61,130,752	-	33,925,762
	Other income	26,508,055	319,174	2,145,200	27,687
	Dividend received	8, 10-	-	4,700,110,297	4,700,417,749
Total revenues		6,408,877,810	8,649,784,328	4,873,651,867	4,843,387,028
Expenses					
Vessel operating costs					
	Vessel running expenses	1,500,155,882	1,855,744,943	-	-
	Voyage disbursements	106,262,509	32,696,621	-	-
	Bunker consumption	105,422,379	37,805,454	-	-
Total vessel operating costs		1,711,840,770	1,926,247,018	-	-
	Depreciation	13934,609,148	1,085,164,801	9,285,209	9,545,256
	Cost of services	9,614,509	23,322,154	-	-
	Administrative expenses	8255,345,894	377,828,499	209,618,020	359,087,002
	Management remuneration including perquisites	138,106,205	147,374,215	122,848,778	130,907,756
	Bad debts and doubtful accounts	9,698,521	11,131,965	1,124,608	1,477,044
	Exchange losses	-	-	3,866,778	-
Total expenses		3,059,215,047	3,571,068,652	346,743,393	501,017,058

The accompanying notes are an integral part of the financial statements.



INCOME STATEMENTS [Continued]

Precious Shipping Public Company Limited and subsidiaries For the years ended 31 December 2009 and 2008

(Unit : Baht)

Note	Consolidated financial statements		Separate financial statements	
	2009	2008	2009	2008
Income before share of income from investment in associate	3,349,662,763	5,078,715,676	4,526,908,474	4,342,369,970
Share of income from investment in associate held by a subsidiary 11.1	22,317,306	10,167,494	-	-
Income before finance cost and corporate income tax	3,371,980,069	5,088,883,170	4,526,908,474	4,342,369,970
Finance cost	(265,811,637)	(130,644,868)	(253,961,304)	(129,918,973)
Income before corporate income tax	3,106,168,432	4,958,238,302	4,272,947,170	4,212,450,997
Corporate income tax 25	(45,536,596)	(21,374,441)	-	-
Net income for the year	3,060,631,836	4,936,863,861	4,272,947,170	4,212,450,997
Net income (loss) attributable to:				
Equity holders of the parent	3,047,056,978	4,938,592,249	4,272,947,170	4,212,450,997
Minority interests of the subsidiaries	13,574,858	(1,728,388)	-	-
Net income for the year	3,060,631,836	4,936,863,861	4,272,947,170	4,212,450,997
Basic earnings per share 27				
Net income attributable to equity holders of the parent	2.93	4.75	4.11	4.05

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Precious Shipping Public Company Limited and subsidiaries For the years ended 31 December 2009 and 2008

(Unit : Baht)

Consolidated financial statements												
Note	Equity attributable to the parent's shareholders											
	Issued and paid-up share capital	Premium on ordinary shares	Premium on treasury stock	Revaluation surplus on assets of subsidiary	Translation adjustments	Retained earnings				Total equity attributable to the parent's shareholders	Minority interest - attributable to minority shareholders of subsidiaries	Total
						Appropriated		Unappropriated				
						Statutory reserve						
						The Company	Subsidiaries					
Balance as at 31 December 2007	1,039,520,600	411,429,745	172,445,812	123,965,882	86,324,046	103,952,060	467,720,000	-	11,646,881,980	14,052,240,125	12,691,179	14,064,931,304
Income and expenses recognised directly in equity:	-	-	-	-	33,859,325	-	-	-	-	33,859,325	-	33,859,325
Translation adjustments	-	-	-	(20,254,082)	-	-	-	-	20,258,004	3,922	(3,922)	-
Amortisation of revaluation surplus on assets of subsidiary for the year	-	-	-	-	-	-	-	-	-	-	-	-
21												
Net income and expenses recognised directly in equity	-	-	-	(20,254,082)	33,859,325	-	-	-	20,258,004	33,863,247	(3,922)	33,859,325
Net income (loss) for the year	-	-	-	-	-	-	-	-	4,938,592,249	4,938,592,249	(1,728,388)	4,936,863,861
Total income and expenses for the year	-	-	-	(20,254,082)	33,859,325	-	-	-	4,958,850,253	4,972,455,496	(1,732,310)	4,970,723,186
Appropriated to statutory reserve	-	-	-	-	-	-	28,300,000	-	(28,300,000)	-	-	-
Appropriated to corporate social responsibility reserve	-	-	-	-	-	-	-	24,692,961	(24,692,961)	-	-	-
Dividend paid to the Company's shareholders	-	-	-	-	-	-	-	-	(2,858,205,744)	(2,858,205,744)	-	(2,858,205,744)
30												
Balance as at 31 December 2008	1,039,520,600	411,429,745	172,445,812	103,711,800	120,183,371	103,952,060	496,020,000	24,692,961	13,694,533,528	16,166,489,877	10,958,869	16,177,448,746
Balance as at 31 December 2008	1,039,520,600	411,429,745	172,445,812	103,711,800	120,183,371	103,952,060	496,020,000	24,692,961	13,694,533,528	16,166,489,877	10,958,869	16,177,448,746
Income and expenses recognised directly in equity:	-	-	-	-	(143,034,045)	-	-	-	-	(143,034,045)	-	(143,034,045)
Translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-
Increase from revaluation of assets	-	-	-	120,053,134	-	-	-	-	-	120,053,134	-	120,053,134
Amortisation of revaluation surplus on assets of subsidiary for the year	-	-	-	(20,312,875)	-	-	-	-	20,313,505	630	(630)	-
21												
Net income and expenses recognised directly in equity	-	-	-	99,740,259	(143,034,045)	-	-	-	20,313,505	(22,980,281)	(630)	(22,980,911)
Net income for the year	-	-	-	-	-	-	-	-	3,047,056,978	3,047,056,978	13,574,858	3,060,631,836
Total income and expenses for the year	-	-	-	99,740,259	(143,034,045)	-	-	-	3,067,370,483	3,024,076,697	13,574,228	3,037,650,925
Appropriated to statutory reserve	-	-	-	-	-	-	17,200,000	-	(17,200,000)	-	-	-
Appropriated to corporate social responsibility reserve - net	-	-	-	-	-	-	-	13,089,823	(13,089,823)	-	-	-
Dividend paid to the Company's shareholders	-	-	-	-	-	-	-	-	(2,078,740,136)	(2,078,740,136)	-	(2,078,740,136)
30												
Balance as at 31 December 2009	1,039,520,600	411,429,745	172,445,812	203,452,059	(22,850,674)	103,952,060	513,220,000	37,782,784	14,652,874,052	17,111,826,438	24,533,097	17,136,359,535

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY [continued]

Precious Shipping Public Company Limited and subsidiaries For the years ended 31 December 2009 and 2008

(Unit : Baht)

	Note	Separate financial statements					
		Issued and paid-up share capital	Premium on ordinary shares	Premium on treasury stock	Retained earnings		
					Appropriated		Unappropriated
					Statutory reserve	Corporate social responsibility reserve	
Balance as at 31 December 2007		1,039,520,600	411,429,745	172,445,812	103,952,060	-	7,179,931,859
Net income for the year		-	-	-	-	-	4,212,450,997
Appropriated to corporate social responsibility reserve	23	-	-	-	-	24,692,961	(24,692,961)
Dividend paid to the Company's shareholders	30	-	-	-	-	-	(2,858,205,744)
Balance as at 31 December 2008		1,039,520,600	411,429,745	172,445,812	103,952,060	24,692,961	8,509,484,151
Balance as at 31 December 2008		1,039,520,600	411,429,745	172,445,812	103,952,060	24,692,961	8,509,484,151
Net income for the year		-	-	-	-	-	4,272,947,170
Appropriated to corporate social responsibility reserve - net	23	-	-	-	-	13,089,823	(13,089,823)
Dividend paid to the Company's shareholders	30	-	-	-	-	-	(2,078,740,136)
Balance as at 31 December 2009		1,039,520,600	411,429,745	172,445,812	103,952,060	37,782,784	10,690,601,362
							12,455,732,363

The accompanying notes are an integral part of the financial statements.

CASH FLOW STATEMENTS

Precious Shipping Public Company Limited and subsidiaries For the years ended 31 December 2009 and 2008

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2009	2008	2009	2008
Cash flows from operating activities				
Income before corporate income tax	3,106,168,432	4,958,238,302	4,272,947,170	4,212,450,997
Adjustments to reconcile income before corporate income tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	945,195,421	1,085,862,357	19,871,483	10,242,812
Bad debt and doubtful accounts	9,698,521	11,131,965	1,124,608	1,477,044
Write-off equipment and computer software	198,980	538,428	198,980	15,338
Losses (gains) on sales of vessels and equipment	(760,279,523)	(137,933)	(71,428)	-
Amortisation of discount on investments in debt securities	(828,916)	(4,196,977)	(828,916)	(4,196,977)
Share of income from investment in associate held by a subsidiary	(22,317,306)	(10,167,494)	-	-
Write-off deferred financial fees	2,658,544	50,669,413	2,658,544	50,669,413
Reversal of provisions for maritime claims	(6,056,564)	(20,844,998)	-	-
Unrealised exchange losses (gains)	(155,401,827)	17,360,454	(71,439,641)	17,805,239
Unrealised losses from cross currency swap contracts	8,124,620	-	-	-
Interest income	(30,604,061)	(22,309,161)	(18,539,772)	(9,008,244)
Income from operating activities before changes in operating assets and liabilities	3,096,556,321	6,066,144,356	4,205,921,028	4,279,455,622
Operating assets (increase) decrease				
Trade accounts receivable	11,421,117	(19,347,427)	-	-
Receivables from and advances to subsidiaries	-	-	841,073,193	(280,676,049)
Bunker oil	(101,540,115)	(1,030,667)	-	-
Other current assets	99,778,639	22,160,705	10,973,907	10,033,529
Other non-current assets	170,000	702,147	-	780,294
Operating liabilities increase (decrease)				
Trade accounts payable	(71,222,999)	27,821,702	(1,088,338)	(225,048)
Payables to and advances from subsidiaries	-	-	565,040,441	258,390,227
Advances received from charterers	(132,863,640)	40,147,963	-	-
Other current liabilities	(126,415,743)	94,444,843	(8,382,805)	93,309,732
Non-current liabilities	(44,839,047)	121,903,070	(40,345,547)	110,836,842
Cash flows from operating activities	2,731,044,533	6,352,946,692	5,573,191,879	4,471,905,149
Cash paid for interest expense	(61,612,094)	-	(61,612,094)	-
Cash paid for corporate income tax and withholding tax deducted at source	(43,542,340)	(230,699,349)	(8,037,035)	(2,976,959)
Net cash flows from operating activities	2,625,890,099	6,122,247,343	5,503,542,750	4,468,928,190

The accompanying notes are an integral part of the financial statements.

CASH FLOW STATEMENTS (Continued)

Precious Shipping Public Company Limited and subsidiaries For the years ended 31 December 2009 and 2008

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2009	2008	2009	2008
Cash flows from investing activities				
Acquisitions of current investments	(1,824,020,000)	(1,957,368,497)	(1,824,020,000)	(1,957,368,497)
Proceeds from sales of current investments	1,797,348,916	1,961,565,474	1,797,348,916	1,961,565,474
Dividend received from associate held by a subsidiary	-	10,653,816	-	-
Acquisitions of equipment and payment of dry-dock and special survey expenses	(1,017,346,044)	(640,549,919)	(462,474)	(11,075,123)
Acquisitions of computer software	(2,871,500)	(12,027,328)	(2,871,500)	(12,027,328)
Cash paid for advances for vessel constructions	(3,016,580,891)	(1,473,937,448)	(3,016,580,891)	(1,473,937,448)
Proceeds from sales of vessels and equipment	2,369,562,680	137,944	308,410	-
Increase in investment in a subsidiary	-	-	(40,014,500)	(45,000,000)
Advance payment for share acquisition in associate held by a subsidiary	(11,538,699)	-	-	-
Advances received from vessel sales	29,158,895	21,891,418	-	-
Increase in short-term loans to subsidiary	-	-	(2,029,593,961)	-
Interest income	30,604,061	22,309,161	18,539,772	9,008,244
Net cash flows used in investing activities	(1,645,682,582)	(2,067,325,379)	(5,097,346,228)	(1,528,834,678)
Cash flows from financing activities				
Cash paid for deferred financial fees	(2,948,050)	(87,933,966)	(2,948,050)	(87,933,966)
Cash received from long-term loans	3,741,608,040	725,909,097	3,007,335,540	725,909,097
Dividend paid to the Company's shareholders	(2,078,740,136)	(2,858,205,744)	(2,078,740,136)	(2,858,205,744)
Net cash flows from (used in) financing activities	1,659,919,854	(2,220,230,613)	925,647,354	(2,220,230,613)
Increase (decrease) in translation adjustments	(141,369,911)	45,089,134	-	-
Net increase in cash and cash equivalents	2,498,757,460	1,879,780,485	1,331,843,876	719,862,899
Cash and cash equivalents at beginning of year	3,350,024,741	1,470,244,256	914,837,752	194,974,853
Cash and cash equivalents at end of year	5,848,782,201	3,350,024,741	2,246,681,628	914,837,752
Supplemental cash flows information				
Non-cash transactions				
Dividend income from subsidiaries offset against receivables from/payables to subsidiaries	-	-	4,700,110,297	4,700,417,749
Amortisation of revaluation surplus on assets of subsidiary - the Company's interest	20,312,875	20,254,082	-	-
Amortisation of revaluation surplus on assets of subsidiary - minority interest	630	3,922	-	-
Transfer of deferred financial fees to advances for vessel constructions	8,453,843	374,800	8,453,843	374,800
Transfer of interest expenses to advances for vessel constructions	2,115,046	6,660,769	2,115,046	6,660,769
Deferred financial fees presented as a deduction from long-term loans	31,322,921	4,251,235	10,513,924	4,251,235
Transfer of deferred financial fees to subsidiary in proportion to the drawdown amount	-	-	20,808,997	-

The accompanying notes are an integral part of the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Precious Shipping Public Company Limited and subsidiaries For the years ended 31 December 2009 and 2008

1. Corporate information

Precious Shipping Public Company Limited (“the Company”) is a public limited company incorporated and domiciled in Thailand. The Company is principally engaged as a holding company for investment in the marine transportation business. Its registered address is Cathay House, 7th Floor, 8 North Sathorn Road, Silom, Bangrak, Bangkok 10500.

2. Basis of preparation

2.1 The financial statements in Thai language have been prepared in accordance with accounting standards enunciated under the Accounting Professions Act B.E. 2547. The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 30 January 2009, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

2.2 Basis of consolidation

- a) The consolidated financial statements include the financial statements of Precious Shipping Public Company Limited (“the Company”) and the following subsidiaries (“the subsidiaries”):

Company's name	Nature of business	Country of incorporation	Percentage directly and indirectly owned by the Company		Assets as a percentage to the consolidated total assets as at 31 December		Revenues as a percentage to the consolidated total revenues for the years ended 31 December	
			2009	2008	2009	2008	2009	2008
			%	%	%	%	%	%
<u>Subsidiaries held by the Company</u>								
1. Precious Metals Limited	Shipowner	Thailand	99.99	99.99	0.13	1.21	5.60	4.32
2. Precious Wishes Limited	Shipowner	Thailand	99.99	99.99	1.08	0.94	6.41	4.63
3. Precious Stones Shipping Limited	Shipowner	Thailand	99.99	99.99	2.68	3.68	1.57	1.24
4. Precious Minerals Limited	Shipowner	Thailand	99.99	99.99	1.95	3.15	6.47	4.73
5. Precious Lands Limited	Shipowner	Thailand	99.99	99.99	0.01	0.47	1.99	2.96
6. Precious Rivers Limited	Shipowner	Thailand	99.99	99.99	2.30	3.01	2.32	1.76
7. Precious Lakes Limited	Shipowner	Thailand	99.99	99.99	0.63	0.91	4.64	3.00
8. Precious Seas Limited	Shipowner	Thailand	99.99	99.99	0.91	1.33	2.36	4.02
9. Precious Stars Limited	Shipowner	Thailand	99.99	99.99	0.85	1.02	2.10	1.95
10. Precious Oceans Limited	Shipowner	Thailand	99.99	99.99	0.74	1.05	2.38	1.61
11. Precious Planets Limited	Shipowner	Thailand	99.99	99.99	-	1.44	0.85	6.75
12. Precious Diamonds Limited	Shipowner	Thailand	99.99	99.99	1.71	2.43	3.71	3.53
13. Precious Sapphires Limited	Shipowner	Thailand	99.99	99.99	1.53	2.04	2.38	1.63
14. Precious Emeralds Limited	Shipowner	Thailand	99.99	99.99	3.40	4.88	4.31	2.79
15. Precious Rubies Limited	Shipowner	Thailand	99.99	99.99	-	0.58	1.41	2.76
16. Precious Opals Limited	Shipowner	Thailand	99.99	99.99	0.01	0.39	3.02	3.46
17. Precious Garnets Limited	Shipowner	Thailand	99.99	99.99	3.46	5.24	3.75	2.45
18. Precious Pearls Limited	Shipowner	Thailand	99.99	99.99	0.01	0.39	2.74	3.14

Company's name	Nature of business	Country of incorporation	Percentage directly and indirectly owned by the Company		Assets as a percentage to the consolidated total assets as at 31 December		Revenues as a percentage to the consolidated total revenues for the years ended 31 December	
			2009	2008	2009	2008	2009	2008
			%	%	%	%	%	%
19. Precious Flowers Limited	Shipowner	Thailand	99.99	99.99	-	0.68	1.25	4.26
20. Precious Forests Limited	Shipowner	Thailand	99.99	99.99	0.01	0.70	1.60	1.40
21. Precious Trees Limited	Shipowner	Thailand	99.99	99.99	0.07	0.92	0.22	3.48
22. Precious Ponds Limited	Shipowner	Thailand	99.99	99.99	0.63	0.95	4.52	2.44
23. Precious Ventures Limited	Shipowner	Thailand	99.99	99.99	-	0.43	1.46	2.86
24. Precious Capitals Limited	Shipowner	Thailand	99.99	99.99	0.85	1.11	2.38	2.79
25. Precious Jasmines Limited	Shipowner	Thailand	99.99	99.99	3.76	0.94	5.79	5.98
26. Precious Orchids Limited	Shipowner	Thailand	99.99	99.99	2.27	3.70	3.13	5.16
27. Precious Lagoons Limited	Shipowner	Thailand	99.99	99.99	0.97	1.17	1.67	1.32
28. Precious Cliffs Limited	Shipowner	Thailand	99.99	99.99	1.05	1.34	1.82	1.41
29. Precious Hills Limited	Shipowner	Thailand	99.99	99.99	1.15	1.47	1.97	1.43
30. Precious Mountains Limited	Shipowner	Thailand	99.99	99.99	1.23	1.48	1.96	1.40
31. Precious Resorts Limited	Shipowner	Thailand	99.99	99.99	1.33	1.77	1.96	1.40
32. Precious Cities Limited	Shipowner	Thailand	99.99	99.99	1.70	2.00	2.41	1.83
33. Precious Comets Limited	Shipowner	Thailand	99.99	99.99	0.41	0.39	1.95	1.43
34. Precious Ornaments Limited	Shipowner	Thailand	99.99	99.99	0.03	0.64	3.02	2.46
35. Nedtex Limited	Bulk storage barges*	Thailand	69.99	69.99	-	-	-	-
36. Precious Storage Terminals Limited	Bulk storage barges*	Thailand	69.99	69.99	-	-	-	-
37. Thebes Pte. Limited	Maritime Business*	Singapore	100.00	100.00	-	-	-	-
38. Precious Shipping (Panama) S.A.	Shipowner/Chartering	Panama	99.99	99.99	0.37	1.86	0.01	0.21
39. Precious Shipping (Mauritius) Limited	Holding company*	Mauritius	100.00	100.00	-	-	0.35	-
40. Precious Shipping (Singapore) Pte. Limited	Holding company/Chartering	Singapore	100.00	100.00	12.47	7.81	0.32	0.16
41. Precious Shipping (UK) Limited	Chartering	England	99.99	99.99	0.04	0.04	0.01	(0.09)
42. Great Circle Shipping Agency Limited	Technical manager of ships	Thailand	99.99	99.99	1.25	0.95	0.26	0.04
43. Precious Projects Pte. Limited	Investment holding company	Singapore	100.00	100.00	-	-	-	-
Subsidiaries held by subsidiaries								
44. Rapid Port Leasing Company Pte. Limited	Marine Construction*	Singapore	100.00	100.00	-	-	-	-
45. PSL Bulk Terminal Company Limited	Holding company*	Mauritius	100.00	100.00	-	-	-	-
46. PSL Investments Limited	Holding company*	Mauritius	100.00	100.00	-	-	-	-
47. International Lighterage Limited	Holding company	Mauritius	100.00	100.00	0.70	0.75	-	0.12
48. PSL Thun Shipping Pte. Limited	Chartering	Singapore	64.06	64.06	1.02	0.89	2.75	1.24
49. Regidor Pte. Limited	Maritime Business*	Singapore	100.00	100.00	-	-	-	-

* Suspended their businesses

- b) Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.
- c) The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent significant accounting policies.

The financial statements of the associated company are prepared for a reporting date that differs from that of the Company by no more than three months. In this respect, the accounting periods and differences are consistent and the financial statements are prepared using the same significant accounting policies.

- d) The financial statements of overseas subsidiary and associated companies are translated into Thai Baht at the closing exchange rate in respect of assets and liabilities, and at monthly average exchange rates in respect of revenues and expenses. The resultant differences have been shown under the caption of "Translation adjustments" in shareholders' equity.
- e) Material balances and transactions between the Company and subsidiaries, and investments in subsidiaries by the Company and shareholders' equity of the subsidiaries have been eliminated from the consolidated financial statements.
- f) Minority interests represent the portion of income or loss and net assets that is not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

2.3 The separate financial statements, which present investments in subsidiaries presented under the cost method, have been prepared solely for the benefit of the public.

3. Adoption of new accounting standards

In June 2009, the Federation of Accounting Professions issued Notification No. 12/2552, assigning new numbers to Thai Accounting Standards that match the corresponding International Accounting Standards. The numbers of Thai Accounting Standards as referred to these financial statements reflect such change.

The Federation of Accounting Professions has issued Notification No. 86/2551 and No. 16/2552, mandating the use of new accounting standards, financial reporting standard and accounting treatment guidance as follows.

3.1 Accounting standards, financial reporting standard and accounting treatment guidance which are effective for the current year

Framework for Preparation and Presentation of Financial Statements (revised 2007)

TAS 36 (revised 2007) Impairment of Assets

TFRS 5 (revised 2007) Non-current Assets Held for Sale and Discontinued Operations

Accounting Treatment Guidance for Leasehold right

Accounting Treatment Guidance for Business Combination under Common Control

These accounting standards, financial reporting standard and accounting treatment guidance became effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management has assessed the effect of these standards and believes that TFRS 5 (revised 2007) and Accounting Treatment Guidance for Business Combination under Common Control are not relevant to the business of the Company, while Framework for Preparation and Presentation of Financial Statements (revised 2007), TAS 36 (revised 2007) and Accounting Treatment Guidance for leasehold right do not have any significant impact on the financial statements for the current year.

3.2 Accounting standards which are not effective for the current year

		<u>Effective date</u>
TAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2012
TAS 24 (revised 2007)	Related Party Disclosures	1 January 2011
TAS 40	Investment Property	1 January 2011

However, TAS 24 (revised 2007) and TAS 40 allow early adoption by the entity before the effective date.

The management of the Company has assessed the effect of these standards and believes that TAS 20 and TAS 40 are not relevant to the business of the Company, while TAS 24 (revised 2007) will not have any significant impact on the financial statements for the year in which it is initially applied.

4. Significant accounting policies

4.1 Revenue and expense recognition

Vessel operating income

Vessel operating income (consisting of Hire income from Time charter and Freight income from Voyage charter) and related expenses are recognised on an accrual basis.

Rendering of services

Service revenue is recognised when services have been rendered taking into account the stage of completion.

Interest income

Interest income is recognised as interest accrues based on the effective rate method.

Dividend received

Dividends received are recognised when the right to receive the dividends is established.

4.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

4.3 Trade accounts receivable

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debt aging.

4.4 Bunker oil

Bunker oil is valued at the lower of cost (first-in, first-out method) and net realisable value and is charged to vessel operating costs whenever consumed.

4.5 Investments

- a) Investments in debt securities, both due within one year and expected to be held to maturity, are recorded at amortised cost. Premiums/discounts on debt securities are amortised by the effective rate method, with the amortised amount presented as an adjustment to the interest income.
- b) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for loss on diminution in value (if any).
- c) Investment in associate is accounted for in the consolidated financial statements using the equity method.
- d) Investments in subsidiaries are accounted for in the separate financial statements using the cost method.

4.6 Property, building and equipment

Land and condominium units are stated at revalued amount less accumulated depreciation (for condominium units). Vessels and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Land and condominium units of a subsidiary are initially recorded at cost on the acquisition date, and subsequently revalued by an independent professional appraiser to their fair values. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the balance sheet date.

Differences arising from the revaluation are dealt with in the financial statements as follows:

- When an asset's carrying amount is increased as a result of a revaluation of the subsidiary's assets, the increase is credited directly to equity under the heading of "Revaluation surplus on assets of subsidiary".

However, a revaluation increase will be recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense.

- When an asset's carrying amount is decreased as a result of a revaluation of the subsidiary's assets, the decrease is recognised as an expense in the income statement. However, a revaluation decrease is to be charged directly against the related "Revaluation surplus on assets of subsidiary" to the extent that the decrease does not exceed the amount held in the "Revaluation surplus on assets of subsidiary" in respect of those same assets. Any excess amount is to be recognised as an expense in the income statement.

4.7 Depreciation

Depreciation of vessels, condominium units and equipment is calculated by reference to their costs or the revalued amounts, after deducting residual value, on the straight-line basis over the following estimated useful lives:

Vessels and equipment	3 - 25 years
Dry-dock and special survey expenses	2 years and 4 years respectively
Condominium units	20 years
Leasehold improvement	5 years
Others	5 years

Depreciation is included in determining income.

No depreciation is provided on land.

4.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are treated as expenses in the period these are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.9 Intangible assets and amortisation

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised on a systematic basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. The amortisation expense is recognised in the income statement as an expense.

A summary of the useful lives of intangible assets with finite useful lives is as following:

Computer software	5 years and 10 years
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No amortisation is provided on computer software under development.

4.18 Deferred financial fees

Financial expenses related to borrowings that are typically incurred on or before signing facility agreements and before actual draw down of the loans are recorded as deferred financial fees. A portion of deferred financial fees proportionate to the amount of the loan facility already drawn is presented as a deduction against the related loan account and amortised using the effective interest rate method over the term of the loans.

The amortisation of deferred financial fees is included in determining borrowing costs.

4.11 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

4.12 Foreign currencies

Foreign currency transactions during a particular month are translated into Baht at the average exchange rates ruling during the previous transaction month. Assets and liabilities denominated in foreign currencies outstanding at the balance sheet date are translated into Baht at the exchange rates ruling on the balance sheet date. Gains and losses on exchange are included in determining income.

4.13 Impairment of assets

The Company and subsidiaries assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company and subsidiaries estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company and subsidiaries could obtain at the balance sheet date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

Impairment losses are generally recognised in the income statement. However in cases where land and condominium units were previously revalued and the revaluation was taken to equity, the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company and subsidiaries estimate the asset's recoverable amount in which case an impairment loss recognised in prior periods for an asset other than goodwill shall be reversed.

4.14 Employee benefits

Salaries, wages, bonuses and contributions to the social security fund and provident fund are recognised as expenses when incurred.

4.15 Provisions

Provisions are recognised when the Company and subsidiaries have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions for maritime claims

Provisions for maritime claims are recorded by the subsidiaries upon receipt of the claim advices from the charterers, based on the maximum liabilities of the subsidiaries which may arise after considering amounts recoverable from insurances as stipulated in the relevant policies.

4.16 Income tax

Income tax of the Company and subsidiaries in Thailand is provided for in the accounts based on the taxable income determined in accordance with tax legislation.

Overseas subsidiaries calculate corporate income tax in accordance with the method and tax rates stipulated by tax laws in those countries.

4.17 Premium on treasury stock

Gains on disposal of treasury stock are determined by reference to the carrying amount and are presented as premium on treasury stock. Losses on disposal of treasury stock are determined by reference to the carrying amount and are presented in premium on treasury stock and retained earnings, consecutively.

4.18 Derivatives

Cross currency swap contracts

Receivables and payables arising from cross currency swap contracts are translated into Baht at the exchange rates ruling on the balance sheet date. Gains and losses from the translation are included in determining income.

5. Significant accounting judgments and estimates

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ. The significant accounting judgments and estimates are as follows:

Allowance for doubtful accounts

Allowances for doubtful accounts are intended to adjust the value of receivables for probable credit losses. The management uses judgment to establish reserves for estimated losses for each outstanding debtor. The allowances for doubtful accounts are determined through a combination of specific reviews, collection experience, and analysis of debtor aging, taking into account changes in the current economic conditions. However, the use of different estimates and assumptions could affect the amounts of allowances for receivable losses and adjustments to the allowances may therefore be required in the future.

Fair value of financial instruments

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercises judgment, using a variety of valuation techniques. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and long-term volatility of financial instruments.

Property building and equipment/Depreciation

In calculating depreciation on vessels, condominium units and equipment, the management estimates useful lives and salvage values of the Company's and subsidiaries' vessels, condominium units and equipment and reviews estimated useful lives and salvage values if there are any changes.

A subsidiary measures land and condominium units at revalued amounts. Fair value from revaluation is determined by independent valuation specialists using market approach. Management determined the assumptions and estimates for independent valuation specialists to use in determining fair value.

Intangible assets

Intangible assets are systematically amortised over their estimated useful lives, and are subject to impairment if there is an indication they may be impaired. The initial recognition and measurement of intangible assets, and subsequent impairment analysis, require management to make subjective judgments concerning estimates of how the acquired asset will perform in the future using a discounted cash flow analysis. Events and factors that may significantly affect the estimates include, among others, competitive forces, changes in revenue growth trends, cost structures, changes in discount rates and specific industry or market sector conditions.

6. Current investments

(Unit : Thousand Baht)

	Consolidated financial statements / Separate financial statements	
	2009	2008
<u>Investment in debts securities</u>		
Bill of exchange	27,500	-

As at 31 December 2009, investment in debts securities of the Company amounting to Baht 27.50 million are bill of exchange in Baht currency and due within January 2010, bearing interest at the rate of 1.22% per annum.

(Unit : Thousand Baht)

	Consolidated financial statements							
	Paid-up capital		Shareholding percentage		Cost		Carrying amount based on equity method	
	2009	2008	2009	2008	2009	2008	2009	2008
	Thousand INR	Thousand INR	%	%				
<i>Investment in associate held by a subsidiary</i>								
Southern LPG Limited	64,592	64,592	50.00	50.00	31,716	31,716	19,365	19,365
Less: Allowance for loss on investment							(19,365)	(19,365)
Current investment - net							-	-

A subsidiary (Precious Shipping (Mauritius) Limited) recorded investment in an associated company incorporated in India under equity method only until 31 December 2000, since the Company's management is making efforts to sell this investment. The investment has therefore been classified as current investment, under current assets, and allowance for loss on investment in full has been set up.

7. Trade accounts receivable

The outstanding balances of trade accounts receivable as at 31 December 2009 and 2008 are aged, based on invoice date, as follows:

(Unit : Thousand Baht)

	Consolidated financial statements	
	2009	2008
Age of receivables		
Not over 3 months	29,378	61,271
3 - 6 months	1,528	3,203
6 - 12 months	15,422	190
Over 12 months	8,944	8,000
Total	55,272	72,664
Less: Allowance for doubtful accounts	(13,194)	(25,898)
Trade accounts receivable - net	42,078	46,766

8. Related party transactions

During the years, the Company and its subsidiaries had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements		Pricing policy
	2009	2008	2009	2008	
Transactions with subsidiaries (Eliminated from consolidated financial statements)					
Service income - management fees	-	-	69,432	94,428	Fixed rate per vessel per day set with reference to the administrative cost of the Company
Service income - commission from vessel sales	-	-	71,732	-	3% of vessels' selling price
Service income - commission from compensation from cancellation of vessel hire contracts	-	-	9,366	-	5% of the compensation from cancellation of vessel hire contracts
Dividend received	-	-	4,700,110	4,700,418	As declared
Interest income	-	-	5,293	-	At interest rate of 0.50% per annum
Condominium rental expenses	-	-	9,297	9,249	Market price
Transactions with related companies					
Dividend received	-	10,654	-	-	As declared
Air ticket expenses	14,579	15,801	3,034	3,806	Market price
Rental and service expenses	6,145	8,310	4,831	4,882	Market price

The balances of the accounts as at 31 December 2009 and 2008 between the Company and those subsidiaries are as follows:

(Unit : Thousand Baht)

	Separate financial statements			
	2008	Increase	Decrease	2009
Receivables from and advances to subsidiaries				
Precious Stones Shipping Limited	21,445	-	21,445	-
Precious Minerals Limited	-	571,884	562,375	9,509
Precious Sapphires Limited	33,590	-	33,590	-
Precious Emeralds Limited	12,468	-	12,468	-
Nedtex Limited	160	22	-	182
Precious Storage Terminals Limited	86	22	-	108
Thebes Pte. Limited	990	69	-	1,059
Precious Shipping (Panama) S.A.	300,134	48,269	341,252	7,151
Precious Shipping (Mauritius) Limited	119,400	1,356	-	120,756
Precious Shipping (Singapore) Pte. Limited	438,366	-	438,366	-
Precious Shipping (UK) Limited	13,653	9,160	7,003	15,810
Great Circle Shipping Agency Limited	162,362	460,904	495,520	127,746
Precious Projects Pte. Ltd.	291	69	-	360
Total	1,102,945	1,091,755	1,912,019	282,681

(Unit : Thousand Baht)

	Separate financial statements			
	2008	Increase	Decrease	2009
Payables to and advances from subsidiaries				
Precious Metals Limited	139,634	525,024	362,710	301,948
Precious Wishes Limited	193,566	333,082	402,455	124,193
Precious Stones Shipping Limited	-	142,766	106,919	35,847
Precious Minerals Limited	81,311	-	81,311	-
Precious Lands Limited	83,262	199,251	191,686	90,827
Precious Rivers Limited	4,047	156,026	154,718	5,355
Precious Lakes Limited	71,922	280,026	294,410	57,538
Precious Seas Limited	41,140	141,542	151,638	31,044
Precious Stars Limited	28,167	131,509	121,162	38,514
Precious Oceans Limited	49,552	149,695	130,962	68,285
Precious Planets Limited	15,450	258,563	159,188	114,825
Precious Diamonds Limited	51,237	289,447	305,288	35,396
Precious Sapphires Limited	-	124,418	80,455	43,963
Precious Emeralds Limited	-	339,168	294,775	44,393
Precious Rubies Limited	8,257	185,600	99,847	94,010
Precious Opals Limited	90,395	237,968	235,975	92,388
Precious Garnets Limited	3,114	341,180	308,479	35,815
Precious Pearls Limited	87,273	230,236	229,320	88,189
Precious Flowers Limited	60,609	174,372	141,526	93,455
Precious Forests Limited	8,168	235,533	136,041	107,660
Precious Trees Limited	20,699	136,353	78,166	78,886
Precious Ponds Limited	36,120	256,920	264,372	28,668
Precious Ventures Limited	49,706	147,827	109,301	88,232
Precious Capitals Limited	74,743	151,769	167,101	59,411
Precious Jasmines Limited	109,676	493,355	526,739	76,292
Precious Orchids Limited	72,051	264,992	327,264	9,779
Precious Lagoons Limited	27,777	97,004	96,190	28,591
Precious Cliffs Limited	5,454	127,045	106,735	25,764
Precious Hills Limited	25,228	112,545	105,115	32,658
Precious Mountains Limited	18,211	88,671	83,246	23,636
Precious Resorts Limited	21,267	123,494	104,609	40,152
Precious Cities Limited	42,850	126,043	138,353	30,540
Precious Comets Limited	48,216	149,074	154,689	42,601
Precious Ornaments Limited	49,730	297,596	277,850	69,476
Precious Shipping (Singapore) Pte. Limited	-	2,089,992	2,044,451	45,541
Total	1,618,832	9,138,086	8,573,046	2,183,872

The outstanding balances of the amounts due from/to subsidiaries represent current accounts between the Company and those subsidiaries. The Company's management believes that no allowance for doubtful accounts is necessary. No interest was charged on advances to/from subsidiaries.

9. Short-term loans to subsidiary

Short-term loans to wholly owned subsidiary are in the form of promissory notes in US Dollar, which carry interest at the rate of 0.50% per annum, and are due at call. Movements in the balance of the loans during the year were as follows:

(Unit : Thousand Baht)

	Separate financial statements			
	2008	Increase	Unrealised loss on exchange	2009
Short-term loans to subsidiary				
Precious Shipping (Singapore) Pte. Limited	176,287	2,029,594	(86,400)	2,119,481

10. Investments in subsidiaries

These represent investments in ordinary shares in the following subsidiaries:

(Unit : Thousand Baht)

Subsidiaries' name	Separate financial statements							
	Paid-up capital		Shareholding percentage		Cost		Dividend received for the years ended 31 December	
	2009	2008	2009	2008	2009	2008	2009	2008
			%	%				
Precious Metals Limited	250,000	250,000	99.99	99.99	250,000	250,000	255,000	217,499
Precious Wishes Limited	230,000	230,000	99.99	99.99	230,000	229,999	289,800	227,699
Precious Stones Shipping Limited	260,000	260,000	99.99	99.99	260,000	260,000	39,000	-
Precious Minerals Limited	230,000	230,000	99.99	99.99	230,000	230,000	482,999	218,499
Precious Lands Limited	84,000	84,000	99.99	99.99	84,000	84,000	142,799	150,359
Precious Rivers Limited	234,000	234,000	99.99	99.99	234,000	234,000	93,600	-
Precious Lakes Limited	99,000	99,000	99.99	99.99	99,000	99,000	257,399	100,979
Precious Seas Limited	100,000	100,000	99.99	99.99	100,000	100,000	120,000	261,998
Precious Stars Limited	105,000	105,000	99.99	99.99	105,000	105,000	31,500	124,949
Precious Oceans Limited	175,000	175,000	99.99	99.99	175,000	175,000	70,000	68,250
Precious Planets Limited	100,000	100,000	99.99	99.99	100,000	100,000	115,000	431,997
Precious Diamonds Limited	205,000	205,000	99.99	99.99	205,000	205,000	174,250	174,249
Precious Sapphires Limited	144,000	144,000	99.99	99.99	144,000	143,999	7,200	136,799
Precious Emeralds Limited	366,000	366,000	99.99	99.99	366,000	366,000	183,000	73,200
Precious Rubies Limited	84,000	84,000	99.99	99.99	84,000	84,000	50,400	168,839
Precious Opals Limited	74,000	74,000	99.99	99.99	74,000	74,000	210,899	205,718
Precious Garnets Limited	379,000	379,000	99.99	99.99	379,000	378,999	151,600	37,900
Precious Pearls Limited	73,000	73,000	99.99	99.99	73,000	72,999	197,099	148,919
Precious Flowers Limited	76,000	76,000	99.99	99.99	76,000	75,999	110,200	278,918
Precious Forests Limited	96,000	96,000	99.99	99.99	96,000	95,999	81,600	43,200
Precious Trees Limited	80,000	80,000	99.99	99.99	80,000	79,999	68,000	185,599

(Unit : Thousand Baht)

Subsidiaries' name	Separate financial statements							
	Paid-up capital		Shareholding percentage		Cost		Dividend received for the years ended 31 December	
	2009	2008	2009	2008	2009	2008	2009	2008
			%	%				
Precious Ponds Limited	84,000	84,000	99.99	99.99	84,000	83,999	226,799	50,400
Precious Ventures Limited	80,000	80,000	99.99	99.99	80,000	79,999	76,000	187,999
Precious Capitals Limited	200,000	200,000	99.99	99.99	200,000	199,999	90,000	145,000
Precious Jasmines Limited	98,000	98,000	99.99	99.99	98,000	97,999	328,299	327,318
Precious Orchids Limited	217,000	217,000	99.99	99.99	217,000	216,999	260,400	249,549
Precious Lagoons Limited	140,000	140,000	99.99	99.99	139,999	139,999	35,000	56,000
Precious Cliffs Limited	140,000	140,000	99.99	99.99	139,999	139,999	42,000	60,200
Precious Hills Limited	140,000	140,000	99.99	99.99	139,999	139,999	63,000	44,800
Precious Mountains Limited	140,000	140,000	99.99	99.99	139,999	139,999	42,000	67,200
Precious Resorts Limited	140,000	140,000	99.99	99.99	139,999	139,999	56,000	49,000
Precious Cities Limited	170,000	170,000	99.99	99.99	170,000	169,999	76,500	68,000
Precious Comets Limited	71,100	71,100	99.99	99.99	71,100	71,099	78,210	27,018
Precious Ornaments Limited	68,100	68,100	99.99	99.99	68,099	68,099	194,084	112,364
Nedtex Limited	2,500	2,500	69.99	69.99	648	648	-	-
Precious Storage Terminals Limited	6,000	6,000	69.99	69.99	4,199	4,199	-	-
Thebes Pte. Limited	0.0365	0.0365	100.00	100.00	0.0365	0.0365	-	-
Precious Shipping (Panama) S.A.	250	250	99.99	99.99	250	250	-	-
Precious Shipping (Mauritius) Limited	250	250	100.00	100.00	250	250	135	-
Precious Shipping (Singapore) Pte. Limited	363,338	363,338	100.00	100.00	363,338	363,338	338	-
Precious Shipping (UK) Limited	250	250	99.99	99.99	250	250	-	-
Great Circle Shipping Agency Limited	100,000	60,000	99.99	99.99	206,995	166,995	-	-
Precious Projects Pte. Limited	0.0345	0.0345	100.00	100.00	0.0345	0.0345	-	-
Total investments in subsidiaries					5,708,124	5,668,110	4,700,110	4,700,418
Less: Allowance for loss on investments in subsidiaries					(5,097)	(5,097)		
Total investments in subsidiaries - net					5,703,027	5,663,013		

The Company offsets the dividend income against amounts receivables from/payables to subsidiaries in the balance sheets.

During the current year, there had been the following changes in the investments in subsidiaries:

On 5 January 2009, the Company purchased 4 more shares in each of 37 local subsidiaries from the minority shareholders at par value. However, these share purchases did not affect the Company's shareholding in these subsidiaries.

On 29 January 2009, a local subsidiary (Great Circle Shipping Agency Limited) issued new ordinary shares, which the Company purchased in proportion to its shareholding at that date, at par value, for a total of Baht 40.00 million.

During the year 2008, there had been the following changes in the investments in subsidiaries:

On 22 January 2008, a local subsidiary (Great Circle Shipping Agency Limited) issued new ordinary shares, to the Company at par value, for a total value of Baht 45.00 million.

11. Investment in associate held by a subsidiary

11.1 Details of associate held by a subsidiary

(Unit : Thousand Baht)

Associate's name	Consolidated financial statements							
	Nature of business	Country of incorporation	Shareholding percentage		Cost		Carrying amounts based on equity method	
			2009	2008	2009	2008	2009	2008
			%	%				
International Seaports (Haldia) Private Limited	Berth construction and development	India	22.40	22.40	87,701	87,701	143,219	122,566

(Unit : Thousand Baht)

Associate's name	Consolidated financial statements			
	Dividend received from associate held by a subsidiary for the years ended 31 December		Share of income from investment in associate held by a subsidiary for the years ended 31 December	
	2009	2008	2009	2008
International Seaports (Haldia) Private Limited	-	10,654	22,317	10,167

Shares of income from investment in associate held by a subsidiary for the years ended 31 December 2009 and 2008, included in the consolidated income statements, was recorded based on the audited financial statements of that associate as at 30 September 2009 and 2008.

11.2 Summarised financial information of associate held by a subsidiary

(Unit : Thousand Baht)

Associate's name	Paid-up capital as at 30 September		Total assets as at 30 September		Total liabilities as at 30 September		Total revenues for the years ended 30 September		Net income for the years ended 30 September	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	Thousand INR	Thousand INR								
International Seaports (Haldia) Private Limited	440,580	440,580	837,200	790,178	314,511	336,002	455,557	489,526	99,631	45,391

On 30 December 2008, International Lighterage Limited, a subsidiary of the Company (shareholding is through Precious Shipping (Mauritius) Limited), signed an agreement to buy 4.92 million shares of International Seaports (Haldia) Private Limited for a price of INR 110.46 million, from an existing shareholder. This transaction was to be effective only upon receipt of the appropriate approval from the relevant government agency in the associate's country, and the Company therefore did not record the transaction in the prior year. During the current year, in accordance with the agreement, the subsidiary made an advance payment for the share acquisition to the existing shareholder, amounting to INR 15.93 million or approximately Baht 11.54 million. This amount was recorded as advance for share acquisition in associate held by a subsidiary, under other non-current assets in the balance sheet. The appropriate government approvals have not been received and therefore the Company could not close the transaction in the year 2009 but is expected to be completed in 2010. After the transaction is closed and the shares are acquired, such additional investment will raise the Company's stake in this company (International Seaports (Haldia) Private Limited) to 33.55%.

12. Other long-term investment

The Company acquired 2,026,086 ordinary shares in TMN Company Limited with a par value of Baht 10 each, representing a 3% equity interest. The Company has paid up Baht 5 per share, or a total of Baht 10.13 million.

13. Property, building and equipment

(Unit : Thousand Baht)

	Consolidated financial statements						
	Revaluation basis	Cost basis					
		Vessels and equipment			Furniture, fixtures and office equipment	Motor vehicles	Leasehold improve-ment
		Vessels and equipment	Dry-dock and special survey expenses	Total			
Land and condo-minium units							Total
Cost/Revaluation amount	326,208	16,261,193	1,703,584	17,964,777	55,204	20,568	18,380,419
	267	710,503	305,644	1,016,147	931	-	1,017,345
	120,053	-	-	-	-	-	120,053
	-	(4,745,879)	(1,268,710)	(6,014,589)	(25)	(494)	(6,015,108)
31 December 2009	446,528	12,225,817	740,518	12,966,335	56,110	20,074	13,502,709
Accumulated depreciation							
	167,468	8,289,800	786,840	9,076,640	36,048	12,504	9,299,914
	9,820	467,130	425,602	892,732	6,084	3,078	914,296
	20,313	-	-	-	-	-	20,313
Reversal for disposals	-	(3,642,585)	(869,868)	(4,512,453)	(16)	(267)	(4,512,736)
31 December 2009	197,601	5,114,345	342,574	5,456,919	42,116	15,315	5,721,787
Net book value							
31 December 2008	158,740	7,971,393	916,744	8,888,137	19,156	8,064	9,080,505
31 December 2009	248,927	7,111,472	397,944	7,509,416	13,994	4,759	7,780,922
Depreciation for the year							
	2008						1,085,165
	2009						934,609

(Unit : Thousand Baht)

	Separate financial statements			
	Furniture, fixtures and office equipment	Motor vehicles	Leasehold improvement	Total
Cost				
31 December 2008	27,905	19,392	10,321	57,618
Acquisitions	462	-	-	462
Disposals	(25)	(494)	-	(519)
31 December 2009	28,342	18,898	10,321	57,561
Accumulated depreciation				
31 December 2008	14,753	11,328	5,255	31,336
Depreciation for the year	4,293	3,078	1,914	9,285
Reversal for disposals	(16)	(266)	-	(282)
31 December 2009	19,030	14,140	7,169	40,339
Net book value				
31 December 2008	13,152	8,064	5,066	26,282
31 December 2009	9,312	4,758	3,152	17,222
Depreciation for the year				
2008				9,546
2009				9,285

In December 2009, a subsidiary arranged for an independent professional valuer to appraise the value of its land and condominium units, using the market approach as per the appraisal report dated 4 December 2009. The subsidiary already recorded the increase from revaluation amounting to Baht 120.05 million.

Had the land and condominium units been carried in the financial statements based on historical cost, their net book value as of 31 December 2009 and 2008 would have been as follows:

(Unit : Thousand Baht)

	Consolidated financial statements	
	2009	2008
Land and condominium units	29,935	34,799

During the current year, local subsidiaries have sold and delivered 20 vessels and had gain on sales of vessels and equipment totaling Baht 760.28 million as presented in the current year consolidated income statement.

As at 31 December 2009, certain vessels and equipment items have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 604.99 million (2008: Baht 4,151.08 million) in the consolidated financial statements and approximately Baht 9.67 million (2008: Baht 6.16 million) in the separate financial statements.

As at 31 December 2009, the subsidiaries have mortgaged 5 vessels with net book value of Baht 1,574.00 million with banks to secure long-term loans as referred to in Note 19.2.

Change in accounting estimate

On 1 January 2008, the Group changed the estimated residual value of its vessels by increasing the assumed steel price to USD 400.00 per tonne from USD 135.00 per tonne (residual value is calculated by multiplying steel weight of the vessel (Light Displacement Tonnage) with assumed steel price per tonne). This change in estimation was made in line with prevailing steel prices in the market which had significantly increased from previous estimation. However, there was no change made in estimated useful life of vessels. This change in estimation has resulted in increase of net income for the year ended 31 December 2008 by Baht 642.20 million (Baht 0.62 per share), in the Group's consolidated income statements and the net book value of its vessels increased by the same amount.

The review and adjustment of the estimates of the residual value of vessels was in line with IAS 16 Property, Plant and Equipment, and was a normal practice in the marine transportation industry. In addition, draft TAS 16 (revised), which has been concurred by the committee of the Federation of Accounting Professions (FAP) but is still to be announced in the Royal Gazette, states that the residual value of an asset shall be reviewed at least at each financial year-end, if such residual value differs from the previous estimates.

14. Computer software

(Unit : Thousand Baht)

	Consolidated financial statements / Separate financial statements	
	2009	2008
Computer software	56,296	44,269
Additions	2,872	12,027
Adjustment	(199)	-
Accumulated amortisation	(12,057)	(1,471)
Net	46,912	54,825
Amortisation expenses included in the income statements for the year	10,586	697

15. Advances for vessel constructions

On 20 July 2007, 14 September 2007 and 11 February 2008, the Company entered into 18 contracts with a shipbuilder to construct 18 vessels (12 handysize vessels and 6 supramax vessels) classified as bulk carriers at an aggregate price of approximately USD 588.00 million (or approximately USD 30.00 million per handysize vessel and USD 38.00 million per supramax vessel). The contract price will be paid in 5 installments of 20% each, with each installment (except the fifth) paid only on the submission of a bank guarantee in favour of the Company, guaranteeing the refund of each installment (with interest at 7.5% per annum) in case of a failure by the shipbuilder to perform per the contract. The vessels are expected to be delivered in the years 2010 to 2013. However, if the shipbuilder can deliver the vessels earlier, the Company has to pay an aggregate sum of incentive amount not exceeding USD 18.52 million to the shipbuilder for all the 18 vessels.

As at 31 December 2009 and 2008, advances for vessel construction are presented below.

(Unit : Thousand Baht)

	Consolidated financial statements / Separate financial statements	
	2009	2008
Balance at beginning of year	4,720,520	3,239,547
Additions	3,007,335	1,468,444
Interest costs	63,727	6,956
Transfer from deferred financial fees	8,454	375
Other costs	9,246	5,198
Balance at end of year	7,809,282	4,720,520

During the year 2009, the Company made payment of installments to the shipbuilder, amounting to USD 86.00 million or approximately Baht 3,007.34 million (2008: USD 44.00 million or approximately Baht 1,468.44 million). All of these have been financed by overseas and local commercial banks and the amount of borrowing costs capitalised during the year ended 31 December 2009 was approximately Baht 63.73 million (2008: Baht 6.96 million). The weighted average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 1.45% - 2.02% (2008: 4.74% - 5.14%).

16. Deferred financial fees

As at 31 December 2009 and 2008, deferred financial fees are presented below.

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2009	2008	2009	2008
Balance at beginning of year	330,740	298,102	330,740	298,102
Additions	2,948	87,934	2,948	87,934
Write-off	(2,658)	(50,670)	(2,658)	(50,670)
Transfer to advances for vessel constructions	(8,454)	(375)	(8,454)	(375)
Transfer to subsidiary as a borrower	-	-	(20,809)	-
Presented as a deduction from long-term loans	(31,323)	(4,251)	(10,514)	(4,251)
Balance at end of year	291,253	330,740	291,253	330,740

During the year 2009, the Company has written off Baht 2.66 million (2008: Baht 50.67 million) being a part of the deferred financial fees paid in earlier years for credit facilities. The amount of write-off has been estimated on a pro-rata basis to the amount of reduction of the facilities.

As at 31 December 2009, deferred financial fee amounting to Baht 31.32 million (2008: Baht 4.25 million) was presented as a deduction against long-term loans in liabilities in the consolidated balance sheet and amounting to Baht 10.51 million (2008: Baht 4.25 million) in the separate balance sheet, in proportion to the drawdown amount.

17. Advances received from vessel sales

During the year 2009, local subsidiaries entered into Sale Agreements termed as Memorandum of Agreement with overseas companies to sell the subsidiaries' second-hand vessels. The buyers paid deposits 20% of the selling price of each of the vessels and the remaining balances are to be paid on delivery of the vessels.

As at 31 December 2009, cash and cash equivalents included advance received amounting to USD 0.87 million or approximately Baht 29.16 million (2008: USD 0.62 million or approximately Baht 21.89 million) which was deposited in nominated joint bank account of the buyer and seller. Such advance received along with the balance of the sale price (80% of the selling price of each of the vessels) was subsequently transferred to the bank account of the subsidiary on 7 January 2010 and the respective vessel was delivered to the buyer, in accordance with the respective Memorandum of Agreement.

18. Accrued employee benefits

As at 31 December 2009 and 2008, accrued employee benefits can be separated based on the year the payment is to be made to employees, as follows:

(Unit : Thousand Baht)

Payable within	Consolidated financial statements		Separate financial statements	
	2009	2008	2009	2008
1 year	165,690	147,795	152,196	135,677
2 - 3 years	173,011	217,850	159,090	199,435
Total	338,701	365,645	311,286	335,112

19. Long-term loan facilities

19.1 Loan facility for financing the constructions and acquisitions of new vessels

On 3 July 2008, the Company entered into a secured loan agreement with overseas and local commercial banks to obtain a loan facility of USD 398.40 million carrying interest at LIBOR plus margin. The loan is to be used to finance the construction and acquisition of 15 new vessels (9 handysizes and 6 supramaxes) out of the 18 new vessels already ordered by the Company and the total loan amount is equivalent to 80% of the aggregate contract prices of the 15 vessels. The drawing, final maturity, repayment and security of the loan are summarised as follows:

Facility / Description	Pre-delivery facility	Post-delivery facility
Drawing	As per milestones in the shipbuilding contracts whereby the aggregate of all drawings per vessel would be equivalent to 60% of the contracted price of each vessel	100% of the post-delivery facility amount equivalent to 80% of the contracted price of each vessel is to be drawn upon delivery of the respective vessel out of which the entire pre-delivery facility amount of each vessel will be repaid
Final maturity	Delivery of each vessel	10 years from delivery of the first vessel
Repayment	To be repaid in one lump sum upon delivery of the respective vessel	Each tranche (aggregate drawings in respect of each vessel) is to be amortised (repaid) in quarterly installments, each equivalent to 1/60 th of the post-delivery facility amount, and in a balloon amount equal to the balance under such tranche on final maturity. The first quarterly repayment of each tranche shall commence 3 months after delivery of each respective vessel
Security	a) Corporate guarantee from the Company if the Company is not a joint borrower b) 1 st priority assignment of the shipbuilding contracts c) 1 st priority assignment of the refund guarantees by the refund guarantors given in relation to the shipbuilding contracts with the Company	a) 1 st priority mortgage over the vessels b) Pledge of the vessel-owning subsidiaries' shares c) Corporate guarantee from the Company if the Company is not a joint borrower d) 1 st priority assignment of requisition compensation in respect of the vessels e) 1 st priority assignment of all insurance proceeds f) 1 st priority assignment of the earnings of the vessels and pledge over the earnings and retention account of each vessel

The credit facility agreement contains covenants that, among other things, require the Company to maintain certain financial ratios which include:

- a) maintenance of a funded debt to total shareholders' equity ratio not exceeding 2:1
- b) maintenance of a funded debt to EBITDA ratio not exceeding 5:1
- c) maintenance of minimum free liquidity of USD 100,000 per vessel

As at 31 December 2009 and 2008, long-term loans presented below.

(Unit : Thousand Baht)

	Consolidated financial statements / Separate financial statements	
	2009	2008
Long-term loans	3,593,000	743,747
Less: Deferred financial fees	(14,765)	(4,251)
Long-term loans - net	3,578,235	739,496

Movements in the long-term loans account during the year ended 31 December 2009 are summarised below.

(Unit : Thousand Baht)

	Consolidated financial statements / Separate financial statements
Balance at beginning of year	739,496
Add: Additional borrowings	3,007,335
Less: Unrealised exchange gain	(158,082)
Deferred financial fees	(10,514)
Balance at end of year	3,578,235

As at 31 December 2009, the long-term loan facility which has not yet been drawn down amounted to USD 291.20 million (2008: USD 377.20 million).

19.2 Loan facilities for purchasing of vessels

During the current year, the Company and local subsidiaries entered into amended credit agreements with banks to fund vessel purchases. Details are as follows:

Facility 1

On 13 February 2009, the Company and local subsidiaries entered into an amended and restated agreement (of the main secured revolving loan facility agreement dated 22 August 2005), to extend the availability period of the facility to 31 December 2009, with overseas banks for a credit facility of USD 100.00 million carrying interest at LIBOR plus a margin of 2.50% per annum (2008: USD 200.00 million carrying interest at LIBOR plus margin of 1.00% to 1.40% per annum). Subsequently, on 22 October 2009, the Company and local subsidiaries voluntarily cancelled this credit facility with overseas banks, with effect from 29 October 2009, because the Company and local subsidiaries did not expect to draw the facility this year and therefore the Company and local subsidiaries decided to cancel the facility to save payment of commitment fees for the rest of the year.

Facility 2

On 23 February 2009 and 29 October 2009, the Company and local subsidiaries entered into an amended and restated agreement (of the main agreement dated 18 January 2007), with local commercial banks to obtain credit facilities, as detailed below.

- A term loan of Baht 8,750.00 million carrying interest at MLR minus 1.00% per annum. The loan is to be used for purchase of vessels, to be drawn down within 18 January 2010 (availability period), and to be repaid in equal quarterly installments over a period of 12 years (commencing after the completion of a grace period of one year from the date of first drawdown).
- A foreign currency exchange facility of USD 5.00 million.
- A swap facility of Baht 8,750.00 million is to be used for convert the Thai Baht loan (as and when the facility is drawn) to convert into US Dollar so that there is no foreign exchange exposure for the Company and local subsidiaries when the loan facility is utilised. The swap period and payments correspond to the drawdown and loan repayment schedule. A swap fee is payable at a fixed rate per annum based on the market rates as and when the loan drawdowns are made and converted into US Dollar.

The credit facilities secured by the mortgage of the subsidiaries' vessels, the pledge of the subsidiaries' shares, the assignment of the beneficiary rights under the insurance policies for the mortgaged vessels of the subsidiaries, and the assignment of the revenues earned from the mortgaged vessels of the subsidiaries to the lenders.

The credit facility agreement contains covenants that, among other things, require the Company and subsidiaries to maintain certain financial ratios which include:

- maintenance of a total debt to total shareholders' equity ratio not exceeding 2:1
- maintenance of a total debt to EBITDA ratio not exceeding 5:1
- maintenance of minimum free liquidity of USD 100,000 per vessel
- maintenance of debt service coverage ratio of at least 1.1:1

As at 31 December 2009 and 2008, long-term loans presented below.

(Unit : Thousand Baht)

	Consolidated financial statements	
	2009	2008
Long-term loans	734,273	-
Less: Deferred financial fees	(20,809)	-
Long-term loans - net	713,464	-

Movements in the long-term loan account during the year ended 31 December 2009 are summarised below.

(Unit : Thousand Baht)

	Consolidated financial statements
Balance at beginning of year	-
Add: Additional borrowings	734,273
Less: Deferred financial fees	(20,809)
Balance at end of year	713,464

During the year 2009, a local subsidiary had drawn down Baht 734.27 million from the facility from the local commercial banks and the entire loan has been converted to a dollar loan of USD 22.15 million with the said local commercial banks.

As at 31 December 2009, the long-term facility and swap facility that have not yet been drawn down amounted to Baht 8,015.73 million. The Company and subsidiaries are currently in discussions with the lenders to extend the availability period of the facility up to the end of December 2010 and expect to sign extension agreements with the lenders shortly.

20. Debentures offering plan

On 6 July 2007, the Extraordinary General Meeting of shareholders passed a resolution to approve the Company or a newly established subsidiary of the Company to issue debentures in an amount not exceeding USD 1,000.00 million or the equivalent in another currency to foreign investors, and to empower the Board of Directors to subsequently determine details of the debenture issue and offering such as the nature of the debentures, the value, the currency, the interest rate, the maturity, the redemption period, the selling method, the subscription period, the allocation method and others. As at 31 December 2009, the debentures have yet to be issued by either the Company or the subsidiary.

21. Revaluation surplus on assets of subsidiary

This represents surplus arising from revaluation of land and condominium units. The surplus is amortised to retained earnings on a straight-line basis over the remaining life of the related assets.

(Unit : Thousand Baht)

	Consolidated financial statements	
	2009	2008
Balance at beginning of year	103,712	123,966
Add: Revaluation increase	120,053	-
Less: Amortisation	(20,313)	(20,254)
Balance at end of year	203,452	103,712

The revaluation surplus can neither be offset against deficit nor used for dividend payment.

22. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5% of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10% of the registered capital. The statutory reserve is not available for dividend distribution.

According to Section 1202 of the Thai Civil and Commercial Code, a subsidiary (incorporated under Thai Laws) is required to set aside a statutory reserve equal to at least 5% of its income each time the company pays out a dividend, until such reserve reaches 10% of its registered share capital. The statutory reserve can neither be offset against deficit nor used for dividend payment.

23. Corporate social responsibility (CSR) reserve

The Company has earmarked 0.5% of its net income every year as a reserve towards CSR activities. The Company expects to earmark amounts based on the same percentage of net income annually on a cumulative basis, but subject to a minimum of Baht 1.75 million and a maximum of Baht 25.00 million per year. The reserve was approved by a meeting of the Board of Directors of the Company on 14 August 2008.

During the year 2009, the Company set aside Baht 15.24 million (2008: Baht 24.69 million) to a reserve for corporate social responsibility activities and reversed Baht 2.15 million (2008: none) of such reserve when the Company made related donation payments.

24. Expenses by nature

Significant expenses by nature are as follows:

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2009	2008	2009	2008
Salary, wages and other benefits of employees and crews	1,182,599	1,580,625	281,687	453,474
Rental expenses	5,589	3,012	3,539	2,235

25. Corporate income tax

No corporate income tax was payable for the years 2009 and 2008, since the Company had tax losses brought forward from previous years.

In accordance with the Director - General's Notification on Income Tax No. 72 dated 1 January 1998, the subsidiaries are exempted from the payment of income tax on their marine transportation income. In addition, the subsidiaries are exempted from the payment of income tax on their marine transportation business under the provisions of the Investment Promotion Act B.E. 2520.

Income tax on income from sales of vessels of subsidiaries can be exempted subject to certain imposed conditions as stipulated in the Royal Decree issued under the Revenue Code No. 299 on reduction of or exemption from income taxes, dated 21 September 1996. The conditions include the purchase of vessels to replace sold vessels and registration of the vessel under the Thai flag, within one year of the sale. The replacement vessel must also have a useful life no shorter and a capacity no smaller than the sold vessel. If income from sales of vessels is qualified for exemption, the remaining cost of the sold vessel may not be treated as an expense in determining net income for tax purposes.

Corporate income tax of the local subsidiaries has been calculated at the rate of 30% on the income from the non-exempt activities, after adding back certain provisions and expenses which are disallowed for tax computation purposes.

Corporate income tax of the overseas subsidiaries has been calculated by applying the applicable statutory rates of the relevant countries.

26. Promotional privileges

The Company has been granted promotional privileges under the Investment Promotion Act, as approved by the Board of Investment under BOI certificate No. 1405/2550 dated 23 March 2007. Subject to certain imposed conditions, the significant privileges are the rights to employ skilled foreigners to work within the scope of duties approved by the Board of Investment and for the period for which they are permitted to stay in Thailand, permission to own land in an amount considered appropriate by the Board of Investment, and permission to transfer funds in or out of Thailand in foreign currencies.

Under the provisions of the Investment Promotion Act B.E. 2520, the subsidiaries were granted certain promotional privileges for their marine transportation. The promotional privileges include, among other things, exemption from the payment of income tax for a period of 8 years commencing as from the date of first earning operating income on the condition that the vessels owned by the subsidiaries are registered in Thailand. As at 31 December 2009, the subsidiaries have registered their 24 vessels (2008: 43 vessels) under the Thai flag.

Revenues and expenses for 2009 and 2008 (before eliminating related transactions), classified between promoted and non-promoted operations can be summarised below.

(Unit : Thousand Baht)

			Non-promoted operations				Total	
			Operations exempted from corporate income tax in accordance with the Director-General's Notification on Income Tax No. 72		Operations not eligible for corporate income tax exemption			
	Promoted operations							
	2009	2008	2009	2008	2009	2008	2009	2008
Revenues	3,600,776	4,889,451	1,888,664	3,576,784	5,877,757	5,118,303	11,367,197	13,584,538
Costs and expenses	(1,681,026)	(1,901,146)	(992,584)	(1,151,634)	(1,030,609)	(905,871)	(3,704,219)	(3,958,651)
Net income	1,919,750	2,988,305	896,080	2,425,150	4,847,148	4,212,432	7,662,978	9,625,887

27. Basic earnings per share

Basic earnings per share is calculated by dividing net income for the year by the weighted average number of ordinary shares in issue during the year.

28. Segment information

The Company and its subsidiaries' operations involve the business of owning and internationally operating (chartering) small handy sized dry bulk ships, on a tramp shipping basis without any set routes. This is the only industry segment in which the Company and its subsidiaries mainly operate and almost entire revenues are generated from this segment. As such, no segmental bifurcation is applicable since the operations are mainly limited to only one aforesaid segment.

The business activity in the segment, i.e. the chartering of the ships, is undertaken in two ways, viz., Time charter and Voyage charter. Under Time charter, the charterer (customer) pays charter hire (at an agreed daily rate, almost always in US Dollars) to operate the vessel for an agreed time period. In this case, the charterer bears all voyage expenses including port disbursements and costs of bunker fuel. Under Voyage charter, the charterer pays freight on a per ton basis (almost always in US Dollars) to transport a particular cargo between two or more designated ports. In this case, the Company (or subsidiary) bears all the voyage expenses. The voyage expenses are presented in the financial statements as voyage disbursements and bunker consumption. Under Time charter, the ship routes are determined or controlled exclusively by the charterers and under Voyage charters, the route varies from time to time for each voyage, which is determined by a number of factors which are totally beyond the Company's and subsidiaries' control. As such, reporting by geographical segments would not be practical or meaningful, and could in fact be misleading.

In view of the above, segment information is limited to the bifurcation of the total vessel operating income (and voyage expenses in respect of Voyage charter) derived from Time charter and Voyage charter presented as "Hire income" and "Freight income" respectively, as under:

(Unit : Thousand Baht)

	Consolidated financial statements									
	Time charter		Voyage charter		Total		Elimination		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Hire income	5,153,491	8,372,920	-	-	5,153,491	8,372,920	(44,391)	(35,815)	5,109,100	8,337,105
Freight income	-	-	503,231	251,430	503,231	251,430	(88,686)	(52,735)	414,545	198,695
Total vessel operating income	5,153,491	8,372,920	503,231	251,430	5,656,722	8,624,350	(133,077)	(88,550)	5,523,645	8,535,800
Voyage disbursements	-	-	(239,339)	(121,246)	(239,339)	(121,246)	133,077	88,550	(106,262)	(32,696)
Bunker consumption	-	-	(105,422)	(37,805)	(105,422)	(37,805)	-	-	(105,422)	(37,805)
Total voyage expenses	-	-	(344,761)	(159,051)	(344,761)	(159,051)	133,077	88,550	(211,684)	(70,501)
Net vessel operating income/time charter equivalent income	5,153,491	8,372,920	158,470	92,379	5,311,961	8,465,299	-	-	5,311,961	8,465,299

During the year 2009, compensation from cancellation of vessel hire contracts amounting to approximately Baht 184.53 million (2008: Baht 31.27 million) has been recorded in "Hire income" account in the income statement.

29. Provident fund

The Company and subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company/the subsidiaries contributed to the fund monthly at the rate of 5% of basic salary. The fund, which is managed by Bangkok Bank Public Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2009, the Company and subsidiaries contributed Baht 2.66 million (2008: Baht 2.45 million) to the provident fund (Separate financial statements: Baht 2.40 million, 2008: Baht 2.22 million). The Company and subsidiaries changed the Fund Manager to Kasikornbank Public Company Limited, effective from 1 January 2010.

30. Dividend paid

Dividends declared in the year 2009 consist of the following:

	Approved by	Total dividend	Dividend per share
		[Million Baht]	[Baht]
a) Interim dividend on operating results for the nine-month period ended 30 September 2009	Board of Directors' meeting on 9 November 2009	415.74	0.40

As at the closing date of the share register, 1,039,350,820 of the Company's ordinary shares were qualified to receive dividend, after deduction of the 169,780 shares held by the registrar (Thailand Securities Depository Co., Ltd. for Depositors who are both Thai and Foreign shareholders), which are disqualified from receiving dividend, from the total number of shares outstanding (1,039,520,600 shares). The total dividend paid was thus Baht 415.74 million and this was paid by the Company on 4 December 2009.

	Approved by	Total dividend	Dividend per share
		[Million Baht]	[Baht]
b) Interim dividend on operating results for the six-month period ended 30 June 2009	Board of Directors' meeting on 5 August 2009	415.74	0.40

As at the closing date of the share register, 1,039,360,620 of the Company's ordinary shares were qualified to receive dividend, after deduction of the 159,980 shares held by the registrar (Thailand Securities Depository Co., Ltd. for Depositors who are both Thai and Foreign shareholders), which are disqualified from receiving dividend, from the total number of shares outstanding (1,039,520,600 shares). The total dividend paid was thus Baht 415.74 million and this was paid by the Company on 2 September 2009.

	Approved by	Total dividend	Dividend per share
		[Million Baht]	[Baht]
c) Interim dividend on operating results for the three-month period ended 31 March 2009	Board of Directors' meeting on 12 May 2009	415.75	0.40

As at the closing date of the share register, 1,039,378,300 of the Company's ordinary shares were qualified to receive dividend, after deduction of the 142,300 shares held by the registrar (Thailand Securities Depository Co., Ltd. for Depositors who are both Thai and Foreign shareholders), which are disqualified from receiving dividend, from the total number of shares outstanding (1,039,520,600 shares). The total dividend paid was thus Baht 415.75 million and this was paid by the Company on 8 June 2009.

	Approved by	Total dividend	Dividend per share
		[Million Baht]	[Baht]
d) Final dividend of 2008 income	Annual General Meeting of the shareholders on 18 March 2009	831.50	0.80

As at the closing date of the share register, 1,039,380,300 of the Company's ordinary shares were qualified to receive final dividend, after deduction of the 140,300 shares held by the registrar (Thailand Securities Depository Co., Ltd. for Depositors who are both Thai and Foreign shareholders), which are disqualified from receiving final dividend, from the total number of shares outstanding (1,039,520,600 shares). The total dividend paid was thus Baht 831.50 million and this was paid by the Company on 27 March 2009.

Dividends declared in the year 2008 consist of the following:

	Approved by	Total dividend	Dividend per share
		[Million Baht]	[Baht]
a) Interim dividend on operating results for the nine-month period ended 30 September 2008	Board of Directors' meeting on 13 November 2008	779.53	0.75

As at the closing date of the share register, 1,039,379,300 of the Company's ordinary shares were qualified to receive dividend, after deduction of the 141,300 shares held by the registrar (Thailand Securities Depository Co., Ltd. for Depositors who are both Thai and Foreign shareholders), which are disqualified from receiving dividend, from the total number of shares outstanding (1,039,520,600 shares). The total dividend paid was thus Baht 779.53 million and this was paid by the Company on 12 December 2008.

	Approved by	Total dividend	Dividend per share
		[Million Baht]	[Baht]
b) Interim dividend on operating results for the six-month period ended 30 June 2008	Board of Directors' meeting on 14 August 2008	779.54	0.75

As at the closing date of the share register, 1,039,389,300 of the Company's ordinary shares were qualified to receive dividend, after deduction of the 140,300 shares held by the registrar (Thailand Securities Depository Co., Ltd. for Depositors who are both Thai and Foreign shareholders), which are disqualified from receiving dividend, from the total number of shares outstanding (1,039,520,600 shares). The total dividend paid was thus Baht 779.54 million and this was paid by the Company on 11 September 2008.

	Approved by	Total dividend	Dividend per share
		[Million Baht]	[Baht]
c) Interim dividend on operating results for the three-month period ended 31 March 2008	Board of Directors' meeting on 22 May 2008	519.65	0.50

As at the closing date of the share register, 1,039,304,995 of the Company's ordinary shares were qualified to receive dividend, after deduction of the 215,605 shares held by the registrar (Thailand Securities Depository Co., Ltd. for Depositors who are both Thai and Foreign shareholders), which are disqualified from receiving dividend, from the total number of shares outstanding (1,039,520,600 shares). The total dividend paid was thus Baht 519.65 million and this was paid by the Company on 17 June 2008.

	Approved by	Total dividend	Dividend per share
		[Million Baht]	[Baht]
d) Final dividend of 2007 income	Annual General Meeting of the shareholders on 27 March 2008	779.48	0.75

As at the closing date of the share register, 1,039,311,395 of the Company's ordinary shares were qualified to receive final dividend, after deduction of the 209,205 shares held by the registrar (Thailand Securities Depository Co., Ltd. for Depositors who are both Thai and Foreign shareholders), which are disqualified from receiving final dividend, from the total number of shares outstanding (1,039,520,600 shares). The total dividend paid was thus Baht 779.48 million and this was paid by the Company on 10 April 2008.

31. Commitments and contingent liabilities

31.1 Vessel building contracts commitments

As at 31 December 2009, the Company's future payment commitments under vessel building contracts amounting to USD 363.20 million or approximately Baht 12,173.30 million (2008: USD 449.20 million or approximately Baht 15,759.01 million).

31.2 Obligations in respect of charges for management of the undrawn portion of loan facilities

As at 31 December 2009, the Company and subsidiaries had obligations in respect of the charges for management of the undrawn portion of loan facilities, which can be summarised as follows:

Facility	Percentage of obligation	Currency	Maximum facility amount per contract	Undrawn loan balance as at 31 December 2009	Term of payment	Drawdown period ending
Loan facility for financing the construction and acquisition of new vessels						
Facility 1	0.35% per annum of undrawn loan balance	million USD	398.40	291.20	Every three months starting from 3 July 2008 until the end of the drawdown period	Upon delivery of each vessel
Loan facilities for purchasing of vessels						
Facility 2	1% per annum of undrawn loan balance	million Baht	8,750.00	8,015.73	Quarterly starting from 19 January 2009 until the end of the drawdown period	18 January 2010

Availability period of Facility 2 expired on 18 January 2010. As such, the obligation in respect of commitment fee stated above for the facility is no longer valid but shall be replaced by new obligation which is presently being discussed with the respective lenders.

31.3 Uncalled portion of other long-term investment

As at 31 December 2009, the Company has a commitment of Baht 10.13 million in respect of the uncalled portion of other long-term investment (2008: Baht 10.13 million).

31.4 Vessel sale contract commitments

On 5 December 2009, a local subsidiary enters into Memorandum of Agreement with an overseas company to sell the subsidiary's second-hand vessel for USD 4.35 million which the vessel is delivered on 7 January 2010.

31.5 Long-term time charter commitments

Pursuant to a Memorandum of Understanding signed in October 2009, on 2 December 2009, the Company signed Long-Term Time Charter Contracts with a company incorporated in India (the charterer) for 4 (3 definite ships, plus an additional ship at Charterer's option to be declared within 30 April 2011) new cement carriers. The charter periods under the contracts are 15 years, with a fixed charter rate per day as stipulated in the contracts. There is an option to extend the charter period twice by blocks of 5 years, with reduced charter rates as stipulated in the contracts. The ships are new custom-built cement carriers, which have to be delivered to the charterer as per the committed schedule during 2011 to 2014. If the ships are not delivered to the charterer within the agreed schedule, there is a fine payable of USD 4,250 per ship per day.

32. Financial instruments

32.1 Financial risk management

The Company and subsidiaries' financial instruments, as defined under Thai Accounting Standard No.32 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable, investments, trade accounts payable and loans. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company and subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable. The Company and subsidiaries manage the risk by adopting a credit policy whereby they evaluate the creditworthiness of charterers and other parties and restrict dealings to financially sound parties, and strictly attend to the preparation and completeness of documentation and therefore do not expect to incur material financial losses. In addition, the Company

and subsidiaries do not have high concentration of credit risk since they have a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables as stated in the balance sheets.

Interest rate risk

The Company and subsidiaries' exposure to interest rate risk relates primarily to its cash at banks, investment in debts securities and long-term loans. However, since most of the Company and subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at 31 December 2009 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit : Thousand Baht)

	Fixed interest rate within 1 year	Floating interest rate	Non-interest bearing	Total	Interest rate [% p.a.]	
					Fixed USD	Floating USD
					currency	currency
Financial assets						
Cash and cash equivalents	3,785,523	2,058,811	4,448	5,848,782	0.6300	0.1550
Current investment - Bill of exchange	27,500	-	-	27,500	-	-
Trade accounts receivable	-	-	42,078	42,078	-	-
Total	3,813,023	2,058,811	46,526	5,918,360		
Financial liabilities						
Trade accounts payable	-	-	44,728	44,728	-	-
Long-term loans	-	4,291,699	-	4,291,699	-	1.4759
Total	-	4,291,699	44,728	4,336,427		

Foreign currency risk

Almost all revenues and expenditures of the Company and subsidiaries are denominated in US Dollars, which provide a natural hedge against the currency risk associated with transactions in US Dollars. Consequently, the Company and subsidiaries are exposed to a currency risk in respect of financial instruments denominated in other currencies. However, the Company and subsidiaries' management has decided to maintain an open position with regard to this exposure, but endeavors to limit this exposure to the minimum possible amounts by not holding significant amounts of financial instruments denominated in other currencies or use derivative instruments, as and when it considers appropriate, to manage such risks. The Company and its subsidiaries do not use foreign currency forward contracts or purchased currency options for trading purposes.

32.2 Fair values of financial instruments

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instruments or by using an appropriate valuation technique, depending on the nature of the instruments.

Since the majority of the Company and subsidiaries' financial assets and liabilities are short-term in nature or bear floating interest rates and long-term loans bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in the balance sheets.

33. Capital management

The primary objectives of the Company and subsidiaries' capital management are to maintain their ability to continue as a going concern and to maintain an appropriate capital structure.

As at 31 December 2009, debt-to-equity ratio in the consolidated financial statements was 0.29:1.00 (2008: 0.11:1.00) and the separate financial statements was 0.49:1.00 (2008: 0.27:1.00).

34. Subsequent events

- a) On 7 January 2010 a local subsidiary, received the remaining balance of price of vessel it had sold to an overseas company under a Memorandum of Agreement (80% of the selling price of each vessel), amounting to USD 3.48 million. The subsidiary has already delivered the respective vessel to the buyer.
- b) On 11 January 2010, the Company has entered into a Joint venture agreement with PFS Shipping (Singapore) Pte. Limited ("PFS") which is a company incorporated under the laws of the Republic of Singapore and wholly owned by PFS Shipping (India) Ltd., which is part of the ABG Group from India for the purpose of execution and performance of the MOU and the Time Charters (explained in Note 31.5) as well as other similar business of owning and operating cement carriers in India on equal sharing basis. According to the agreement, a company will be set up in Singapore as the jointly controlled entity ("jointly controlled entity") which shall order 3 new ships (Cement Carriers) from ABG Shipyard Ltd., at an expected price of USD 28.50 million per ship. The jointly controlled entity may order one more ship if the Charterer exercises the option to take one more ship on time charter. The total amount to be paid for acquiring 4 ships (if the option for the 4th ship is exercised) is expected to be USD 114.00 million out which the Company's share would be USD 57.00 million (50%).

On 14 January 2010, the Company acquired a 50% equity interest in the jointly controlled entity by acquiring 1 share at par of USD 1.

- c) On 14 January 2010, the Company has entered into a new Secured Term Loan Facility Agreement of USD 250.00 million from one International Bank's Bangkok Branch and 4 local banks to fund additional second-hand vessels which the Company may want to buy. The loan is carrying interest at LIBOR plus margin. The loan is to be used for purchase of vessels, to be drawn down within 30 June 2011 (availability period), and to be repaid in equal quarterly installments over a period of 8 years commencing from the end of the availability period.

The credit facility has to be secured by the mortgage of the shipowning subsidiaries' vessels, the pledge of the subsidiaries' shares, the assignment of the beneficiary rights under the insurance policies for the mortgaged vessels of the subsidiaries, and the assignment of the revenues earned from the mortgaged vessels of the subsidiaries to the lenders when the facility is drawn down.

The credit facility agreement contains covenants that, among other things, require the Company and subsidiaries to maintain certain financial ratios which include:

- a) maintenance of net funded debt to total shareholders' equity ratio not exceeding 2:1
 - b) maintenance of net funded debt to EBITDA ratio not exceeding 5:1
 - c) maintenance of minimum free cash balance of USD 100,000 per vessel
 - d) maintenance of debt service coverage ratio of at least 1.1:1
- d) On 15 January 2010 and 20 January 2010, two local subsidiaries separately entered into Memorandum of Agreements with two overseas companies to sell the subsidiaries' 2 second-hand vessels for USD 4.70 million and USD 4.15 million, respectively. A subsidiary already delivered one vessel on 28 January 2010 and the other is to be delivered in the first quarter of 2010.

- e) On 2 February 2010, the Company's Board of Directors passed a resolution to propose to the Annual General Meeting of shareholders to be held in March 2010 to adopt a resolution to pay a dividend of Baht 0.60 per share, or a total of Baht 623.71 million, to the shareholders in respect of the 2009 income. Such dividend will be paid and recorded after it is approved by the Annual General Meeting of the Company's shareholders.

35. Reclassifications

Certain amounts in the financial statements for the year ended 31 December 2008 have been reclassified to conform to the current year's classification but with no effect to previously reported net income or shareholders' equity. The reclassifications are as follows:

(Unit : Thousand Baht)

	Separate financial statements		
	Previously reported	Increase (Decrease)	As reclassified
Receivables from and advances to subsidiaries	1,279,232	(176,287)	1,102,945
Short-term loans to subsidiary	-	176,287	176,287

36. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 2 February 2010.



RESTATED US DOLLAR FINANCIAL STATEMENTS

BACKGROUND OF THE RESTATED FINANCIAL STATEMENTS FROM THB TO USD CURRENCY

The restatement has been done on the basis of the Thai Baht Financial Statements as audited by the Company's Auditors and the subsequent restatement into US Dollars has been reviewed by the Independent accountants - BAKER TILLY CORPORATE ADVISORY SERVICES (THAILAND) LIMITED. We feel it is necessary to provide the Consolidated Restated US Dollar Financial Statements to investors, since these would give a more accurate financial position of the Company because our shipping assets are bought and sold in US Dollars apart from all our shipping revenues which are also in US Dollars. These constitute almost 98% of our total assets and revenues. Similarly, all of our liabilities and most of our expenses are also incurred in US Dollars. This leads to a mismatch in our Thai Baht Denominated Balance Sheet where some of the fixed assets (vessels acquired before 1st July 1997) are expressed in Thai Baht at the original exchange rates (at the conversion of about Baht 25-26 per USD 1), but the liabilities are expressed in Thai Baht at the closing exchange rates at the end of this year (at the conversion of about Baht 33.5168 per USD 1) resulting in an understatement of the value of the fixed assets in Thai Baht terms, since the exchange rate for the conversion of the Fixed Assets (Vessels) from US Dollars to Thai Baht remains at the rate applied at the time of purchase of the Vessels.

Since almost all the fixed assets are in US Dollars, fixed assets are now restated in US Dollars at the original US Dollar value and the restatement thus removes the mismatch between asset and liability values.

Moreover, in recognition of the above, as a part of our credit facility agreements, it is the Company's obligation to additionally provide these Consolidated Restated US Dollar Financial Statements to the Lenders and also to compute the Financial Covenants based on these Consolidated Restated Financial Statements. Accordingly, these are being provided to all interested investors and shareholders too.



BAKER TILLY
THAILAND

Baker Tilly Corporate Advisory Services (Thailand) Limited

Precious Shipping Public Company Limited

**USD Restatement Report for the Year Ended
31st December 2009**

Baker Tilly Corporate Advisory Services (Thailand) Limited

21st Floor Sathorn City Tower, 175 South Sathorn Road
Thungmahamek, Sathorn, Bangkok 10120
Tel : 02 679 5440 Fax : 02 679 5401

SCOPE OF WORK

Baker Tilly Corporate Advisory Services (Thailand) Limited (“BTCAS”) has not performed an audit examination of Precious Shipping Public Company Limited’s (“PSL” or “the Company”) accounts or of the management information, nor has BTCAS verified the underlying transactions. Therefore, BTCAS give no opinion on the financial statements. This is only a restatement of the Thai Baht audited financial statements into US dollars.

In no event shall BTCAS be liable for any loss liability, cost, damage or expense arising in any way from fraudulent acts, misrepresentation or willful default on the part of the Company, its directors, employees, or agents.

The Report has been prepared for the use of the Company, its creditors, legal and financial advisors. BTCAS does not accept any responsibility or liability to other parties.

EXECUTIVE SUMMARY

Precious Shipping Public Company Limited (“PSL” or “the Company”) on 3 February 2004 engaged Baker Tilly Corporate Advisory Services (Thailand) Limited¹ (formerly Baker Tilly FAS (Thailand) Limited) (“BTCAS”) to prepare a quarterly report on the restatement of the Thai Baht audited / reviewed consolidated financial statements into US dollars, prepared by the Company. The engagement includes a review of the Company’s mathematical calculation and the basis of US dollar restatement of both the balance sheet and income statement.

Accordingly, a summary of the basis of the restatement of the Thai Baht financial statements into US dollars is attached- see Policy of restatement from Thai Baht to US dollar currency.

BTCAS has undertaken to report on its review of the restated US dollar consolidated financial statements for the year ended 31st December 2009. In undertaking the above, BTCAS was accorded the full assistance and co-operation of the PSL staff and management.

The restated US dollar Balance Sheet as at 31st December 2009 indicates that the total assets and liabilities of PSL were US\$ 644 million and US\$ 149 million, respectively. The equity of PSL as at 31st December 2009 was therefore US\$ 495 million.

With regards to the income statement, PSL’s total revenue and expenses, excluding interest and finance cost, for the year ended 31st December 2009 were US\$ 185 million and US\$ 88 million, respectively. Net income, after deducting interest and finance cost and corporate income tax of US\$ 9 million, equates to US\$ 88 million. The retained earnings at the end of the year stood at US\$ 408 million.

¹ Baker Tilly FAS (Thailand) Limited changed its name to Baker Tilly Corporate Advisory Services (Thailand) Limited effective from 25 April 2006.



FINANCIAL STATEMENTS

Consolidated Balance Sheet

as at 31st December 2009 - Assets

Assets	31/12/2009		31/12/2008	
	BAHT	US\$	BAHT	US\$
Current assets				
Cash and cash equivalents	5,848,782,201	176,058,367	3,350,024,741	96,250,973
Current investments - net	27,500,000	827,797	-	-
Trade accounts receivable - net	42,078,391	1,266,632	46,765,842	1,343,649
Bunker oil	-	-	6,667,192	191,558
Other current assets				
Advances to vessel masters	54,093,717	1,628,314	102,137,723	2,934,562
Claim recoverable	35,304,785	1,062,734	89,737,672	2,578,291
Others	35,959,713	1,082,449	42,589,372	1,223,653
<i>Total other current assets</i>	<i>125,358,215</i>	<i>3,773,497</i>	<i>234,464,767</i>	<i>6,736,506</i>
<i>Total current assets</i>	<i>6,043,718,807</i>	<i>181,926,293</i>	<i>3,637,922,542</i>	<i>104,522,686</i>
Non-current assets				
Investment in associate held by a subsidiary	143,219,374	3,508,740	122,566,201	2,911,399
Other long-term investment	10,130,430	260,212	10,130,430	260,212
Property, building and equipment at cost				
Vessels and vessels equipment	12,225,818,775	357,873,703	16,261,193,994	480,077,929
Drydock and special survey	740,517,966	21,758,957	1,703,583,190	48,950,647
Office equipment	27,958,925	841,612	27,421,582	787,861
Leasehold improvement	13,661,808	411,244	13,661,808	392,523
Vehicles	20,074,283	604,270	20,568,282	590,956
Buildings and improvement	446,527,928	14,710,024	326,207,794	11,087,043
Furniture and fixtures	28,153,256	847,461	27,784,493	798,288
<i>Total</i>	<i>13,502,712,941</i>	<i>397,047,271</i>	<i>18,380,421,143</i>	<i>542,685,247</i>
Less: Accumulated depreciation	(5,721,790,473)	(175,835,167)	(9,299,915,772)	(286,271,429)
<i>Property, building and equipment - net</i>	<i>7,780,922,468</i>	<i>221,212,104</i>	<i>9,080,505,371</i>	<i>256,413,818</i>
Other non-current assets				
Computer software - net	46,911,635	1,412,121	54,825,388	1,575,211
Advances for vessel constructions	7,809,282,007	227,557,748	4,720,520,133	139,175,178
Deferred financial fees - net	291,253,234	8,274,534	330,740,492	9,418,797
Advance for share acquisition in associate held by a subsidiary	11,538,699	329,882	-	-
Others	3,152,306	94,890	3,322,306	95,454
<i>Total other non-current assets</i>	<i>8,162,137,881</i>	<i>237,669,175</i>	<i>5,109,408,319</i>	<i>150,264,640</i>
<i>Total non-current assets</i>	<i>16,096,410,153</i>	<i>462,650,231</i>	<i>14,322,610,321</i>	<i>409,850,069</i>
<i>Total Assets</i>	<i>22,140,128,960</i>	<i>644,576,524</i>	<i>17,960,532,863</i>	<i>514,372,755</i>

FINANCIAL STATEMENTS (Continued)

Consolidated Balance Sheet

as at 31st December 2009 - Liabilities and Shareholders' Equity

Liabilities and Shareholders' Equity	31/12/2009		31/12/2008	
	BAHT	US\$	BAHT	US\$
Liabilities				
Current liabilities				
Trade accounts payable	44,727,575	1,334,482	96,213,245	2,742,493
Advances received from vessel sales	29,158,895	869,979	21,891,418	624,000
Advances received from charterers	79,029,033	2,357,893	211,642,085	6,032,714
Other current liabilities				
Accrued crew accounts	49,382,671	1,473,371	101,031,624	2,879,838
Current portion of accrued employee benefits	165,690,296	4,943,500	147,794,957	4,212,795
Accrued expenses	45,489,571	1,357,217	112,153,882	3,196,870
Provision for income tax	24,631,203	734,891	11,082,386	315,896
Withholding tax payable	31,427,877	937,675	54,438,912	1,551,745
Others	19,347,683	577,253	21,383,258	609,515
<i>Total other current liabilities</i>	<i>335,969,301</i>	<i>10,023,907</i>	<i>447,885,019</i>	<i>12,766,659</i>
<i>Total current liabilities</i>	<i>488,884,804</i>	<i>14,586,261</i>	<i>777,631,767</i>	<i>22,165,866</i>
Non-current liabilities				
Accrued employee benefits - net of current portion	173,011,023	5,161,920	217,850,070	6,209,668
Provisions for maritime claims	42,050,177	1,254,600	48,106,741	1,371,250
Payables from cross currency swap contracts	8,124,620	47,140	-	-
Long-term loans - net	4,291,698,801	128,081,813	739,495,539	21,071,938
<i>Total non-current liabilities</i>	<i>4,514,884,621</i>	<i>134,545,473</i>	<i>1,005,452,350</i>	<i>28,652,856</i>
<i>Total Liabilities</i>	<i>5,003,769,425</i>	<i>149,131,734</i>	<i>1,783,084,117</i>	<i>50,818,722</i>
Shareholders' Equity				
Share capital - Issued and paid-up	1,039,520,600	35,308,137	1,039,520,600	35,308,137
Paid-in capital				
Premium on ordinary shares	411,429,745	16,134,500	411,429,745	16,134,500
Premium on treasury stock	172,445,812	4,818,466	172,445,812	4,818,466
Revaluation surplus on assets of subsidiary - net	203,452,059	5,897,294	103,711,800	2,841,271
Translation adjustments	(22,850,674)	6,210,819	120,183,371	6,077,761
Retained earnings				
Appropriated				
Statutory reserve - the Company	103,952,060	2,796,327	103,952,060	2,796,327
Statutory reserve - subsidiaries	513,220,000	14,161,363	496,020,000	13,673,730
Corporate social responsibility reserve	37,782,784	1,086,170	24,692,961	704,744
Unappropriated	14,652,874,052	408,299,750	13,694,533,528	380,886,722
<i>Total equity attributable to the Company's shareholders</i>	<i>17,111,826,438</i>	<i>494,712,826</i>	<i>16,166,489,877</i>	<i>463,241,658</i>
Minority interest - equity attributable to minority shareholders of subsidiaries	24,533,097	731,964	10,958,869	312,375
<i>Total Shareholders' Equity</i>	<i>17,136,359,535</i>	<i>495,444,790</i>	<i>16,177,448,746</i>	<i>463,554,033</i>
<i>Total Liabilities and Shareholders' Equity</i>	<i>22,140,128,960</i>	<i>644,576,524</i>	<i>17,960,532,863</i>	<i>514,372,755</i>



FINANCIAL STATEMENTS [Continued]

Consolidated Income Statements

for the Year Ended 31st December 2009 and 2008

Consolidated Income Statement	31/12/2009		31/12/2008	
	BAHT	US\$	BAHT	US\$
Revenues				
Vessel operating income				
Hire income	5,109,100,239	147,706,630	8,337,105,438	251,051,326
Freight income	414,544,962	11,868,455	198,694,145	5,958,793
<i>Total vessel operating income</i>	<i>5,523,645,201</i>	<i>159,575,085</i>	<i>8,535,799,583</i>	<i>257,010,119</i>
Service income	16,753,312	481,383	2,831,834	85,366
Gain on sales of vessels and equipment	760,279,523	22,869,959	137,933	3,992
Interest income	38,065,092	1,106,201	49,565,052	1,490,884
Exchange gains	43,626,627	162,198	61,130,752	-
Other income	26,508,055	759,405	319,174	9,436
<i>Total revenues</i>	<i>6,408,877,810</i>	<i>184,954,231</i>	<i>8,649,784,328</i>	<i>258,599,797</i>
Expenses				
Vessel operating costs				
Vessel running expenses	1,500,155,882	43,366,133	1,855,744,943	55,858,913
Voyage disbursements	106,262,509	3,054,433	32,696,621	1,025,651
Bunker consumption	105,422,379	3,018,393	37,805,454	1,113,029
<i>Total vessel operating costs</i>	<i>1,711,840,770</i>	<i>49,438,959</i>	<i>1,926,247,018</i>	<i>57,997,593</i>
Depreciation	934,609,148	26,656,269	1,085,164,801	30,626,121
Cost of services	9,614,509	280,042	23,322,154	698,036
Administrative expenses	255,345,894	7,448,023	377,828,499	11,328,228
Management remuneration including perquisites	138,106,205	4,028,476	147,374,215	4,440,674
Bad debts and doubtful accounts	9,698,521	276,703	11,131,965	299,871
Exchange losses	-	-	-	923,998
<i>Total expenses</i>	<i>3,059,215,047</i>	<i>88,128,472</i>	<i>3,571,068,652</i>	<i>106,314,521</i>
<i>Income before share of income from investment in associate</i>	<i>3,349,662,763</i>	<i>96,825,759</i>	<i>5,078,715,676</i>	<i>152,285,276</i>
Share of income from investment in associate held by a subsidiary	22,317,306	643,322	10,167,494	305,337
<i>Income before finance cost and corporate income tax</i>	<i>3,371,980,069</i>	<i>97,469,081</i>	<i>5,088,883,170</i>	<i>152,590,613</i>
Less: Finance cost	(265,811,637)	(7,690,832)	(130,644,868)	(3,860,824)
<i>Income before corporate income tax</i>	<i>3,106,168,432</i>	<i>89,778,249</i>	<i>4,958,238,302</i>	<i>148,729,789</i>
Less: Corporate income tax	(45,536,596)	(1,296,688)	(21,374,441)	(644,817)
<i>Net income for the year</i>	<i>3,060,631,836</i>	<i>88,481,561</i>	<i>4,936,863,861</i>	<i>148,084,972</i>
Net income (loss) attributable to:				
Equity holders of the parent	3,047,056,978	88,086,604	4,938,592,249	148,137,556
Minority interests of the subsidiaries	13,574,858	394,957	(1,728,388)	(52,584)
<i>Net income for the year</i>	<i>3,060,631,836</i>	<i>88,481,561</i>	<i>4,936,863,861</i>	<i>148,084,972</i>

FINANCIAL STATEMENTS (Continued)

Consolidated Income Statements

for the Year Ended 31st December 2009 and 2008 (Continued)

Consolidated Income Statement	31/12/2009		31/12/2008	
	BAHT	US\$	BAHT	US\$
Net income attributable to equity holders of the parent	3,047,056,978	88,086,604	4,938,592,249	148,137,556
Statutory reserve - subsidiaries	(17,200,000)	(487,633)	(28,300,000)	(840,205)
Corporate social responsibility reserve - net	(13,089,823)	(381,426)	(24,692,961)	(704,744)
Amortisation of revaluation surplus on assets of subsidiary	20,313,505	556,506	20,258,004	554,985
Dividend paid	(2,078,740,136)	(60,361,023)	(2,858,205,744)	(85,453,182)
Retained earnings, Beginning of the year	13,694,533,528	380,886,722	11,646,881,980	319,192,312
<i>Retained earnings, Ending of the year</i>	<i>14,652,874,052</i>	<i>408,299,750</i>	<i>13,694,533,528</i>	<i>380,886,722</i>
Basic earning per share				
Net income attributable to equity holders of the parent	2.93	0.08	4.75	0.14



POLICY OF RESTATEMENT

FROM THAI BAHT TO US DOLLAR CURRENCY

In restating the Company's Thai Baht denominated financial statements into US dollars, consideration has been given to Thai GAAP. However, due to the unique nature of this restatement the provisions of Thai GAAP may not necessarily have been complied with. A significantly unique feature is that many of the assets, liabilities and transactions of the Company were originally denominated in US dollars ("US dollar") and translated into Thai Baht ("Baht") as required by the Stock Exchange of Thailand ("SET"). In these instances these assets, liabilities and transactions have been restated into US dollars at the exchange rate obtained from the Bank of Thailand ("BoT"), or estimated exchange rate, at which they were converted into Baht. This, however, was not always possible in relation to transactions recorded in the income statement, as this would require matching each transaction with the exchange rate at that date, in which case the weighted average exchange rate (as further explained below) was applied.

Based on the uniqueness of the restatement discussed above, BTCAS has sought to ensure the application of the most appropriate methods of restatement to reflect the underlying valuation and performance of the Company.

BTCAS's responsibility in this assignment is to check and certify that the US dollar Restated Financial Statements (quarterly, semi-annual and annual Thai Baht denominated financial statements prepared by the Company), are correctly based in terms of exchange rates used and formulae adopted. This includes verification of the Bank of Thailand rates on every given date. As such, the scope is limited only to a review on the accuracy of the restatement of the US dollar Restated Financial Statements based upon the existing set of Thai Baht accounts which have previously been reviewed and audited by the statutory auditors.

Accordingly, the policy regarding Company's balance sheet and income statement items can be described as follows:

Balance Sheet

Most items in the Company's audited or reviewed balance sheet are converted from Baht into US dollar using the exchange rate as at the balance sheet date announced by the BoT. The Baht to US dollar buying rate is applied on the asset side while the Baht to US dollar selling rate is used on the liability side. This policy, however, is not applied to some items as BTCAS and the Company considers an alternative policy, as described below, would provide a more accurate restatement into US dollars.

- Investments originally made in US dollars and translated by the Company into Baht at the historical exchange rate as at the date of the investment are reversed and restated back into US dollars at such historical exchange rate.
- Vessels, dry-dock and the special survey expenses that were originally purchased or incurred in US dollars and translated into Baht at the historical exchange rate as at the acquisition date are reversed and restated back into US dollars at such historical exchange rate.

Property, building and equipment originally purchased in Baht are converted into US dollars at the historical exchange rates as at the acquisition date for major Baht assets such as building and building improvement. However, others items such as office equipment, leasehold improvement, vehicles, furniture and fixtures, and work in process, are converted in US dollars as at the balance sheet date.

Please note that any items existing in the accounts before July 1997 such as building and building improvements are converted at an exchange rate of Baht 25.5 = US\$1.00 since the floatation of Baht commenced in July 1997 as before such date the Baht to US dollar exchange rate was relatively stable at Baht 25.5 = US\$1.00.

Depreciation of assets which were originally acquired in US dollars is restated using the historical exchange rate as at the date of acquisition. However, where the assets were originally purchased in Baht, the depreciation is converted into US dollars at the balance sheet date. As mentioned, the historical exchange rates as at the acquisition date is applied for the major Baht fixed assets.

- Advances for vessel constructions is mostly denominated in US dollars and are translated into Baht at the corresponding average exchange rate of the previous month in which the transaction had occurred. And therefore, the item was restated back into US dollars at such exchange rate.
- Accounts receivable and payable, and advances received from charterers originally denominated in US dollars and translated into Baht at the exchange rate as at the balance sheet date are reversed and restated back into US dollars at such exchange rate as at the balance sheet date.
- The nature of other current assets and liabilities is mostly very current and therefore the exchange rate as at the balance sheet date is applied.
- Other assets denominated in US dollars and translated into Baht at the exchange rate as at the balance sheet date are reversed and restated back into US dollars at such exchange rate.
- Deferred financial fees were originally denominated in US dollars and translated into Baht at the corresponding average exchange rate of the previous month in which the transaction had occurred. And therefore, the item was restated back into US dollars at such exchange rate.
- Advance for share acquisition in associate held by a subsidiary were originally denominated in US dollars and translated into Baht at the corresponding average exchange rate of the previous month in which the transaction had occurred. And therefore, the item was restated back into US dollars at such exchange rate.
- Loans from banks and interest payable are mostly denominated in US dollars and are translated into Baht at the exchange rate as at the balance sheet date. The restatement into US dollars therefore has been done at such exchange rate to reverse the translation.
- Minority interest is derived from minority shareholders' portion in the retained earnings of subsidiaries of the Company calculated at the balance sheet date and therefore the exchange rate as at the balance sheet date is applied.
- Translation adjustment primarily relates to Baht denominated assets and liabilities restated at different exchange rates to US dollars resulting in an imbalance in the balance sheet. This should not occur for assets and liabilities originally denominated in US dollars as we have sought to restate the Baht amounts to the original US dollar amounts. It should therefore be understood that the US dollar cumulative translation adjustment is not the translation of the Baht translation adjustment.
- Share capital and legal reserves are restated at the historical exchange rates. Any increase or decrease is restated at such corresponding average exchange rate of the previous month. However corporate social responsibility reserve is restated at the corresponding average exchange rate of the previous month in which the transaction has occurred.

Income Statement

Most items in the Company's audited or reviewed Baht denominated income statement were originally denominated in US dollars and translated into Baht at the prevailing exchange rate¹ at that time. In order to perfectly restate these transactions it would be necessary to match each transaction with its historical exchange rate. This is outside the scope of our review. These items have been translated using the weighted average exchange rates² for the three-month periods ended 31st December 2009, which should approximate (where income, expenses and exchange rates are relatively stable) the historical exchange rates of each transaction. This policy, again, is not applied to some items as BTCAS and the Company considers an alternative policy, as described below, would provide more accurate restatement in US dollars.

- Depreciation of assets originally acquired in US dollars is similar to the depreciation item in the balance sheet. This item is not directly translated using the weighted monthly average exchange rate but the historical acquisition exchange rates. As mentioned in the balance sheet section, the historical exchange rates are also applied to major Baht fixed assets. However, the other items such as vehicles, furniture and fixtures and office equipment are restated at the weighted monthly average exchange rate.
- Gains / losses on sales of vessels and equipment can be categorized into the following groups;
 1. Gains / losses on sales of vessels is converted at the corresponding average exchange rate of the previous month in which the asset had disposed.
 2. Gains / losses on sales of other assets (such as equipment etc.) is translated using the corresponding weighted average exchange rates for the three-month periods in which the transaction had occurred in such period.
- The exchange gain (loss) in the US dollar income statement arises from Baht denominated monetary assets and liabilities, minor fixed assets and current assets and liabilities which in US dollar terms have changed in value from the previous period. Due to the complexity in obtaining detailed figures for each item, it is then assumed that the total amount of these Baht denominated monetary assets and liabilities remain unchanged from the previous period and thus the gain (loss) in US dollar restated income statement is derived by comparing the US dollar amount of those items in the current period with that of the previous period.
- Dividend paid denominated in Baht is restated at the corresponding average exchange rates of the previous month in which the transaction occurred.
- Retained earnings at the beginning of the year are restated into US dollars at the actual historical exchange rate for the periods in which retained earnings were recorded.

¹ The foreign exchange rate used is the monthly average rate of the previous month, obtained from the Bank of Thailand, e.g. average Baht to US dollar rate of April is applied as the basis for the month of May.

² The weighted average rate is the monthly average rate, obtained from BoT, weighted by the number of operating days of the Company's vessels for each month.



CONNECTED TRANSACTIONS

The following significant transactions entered into by the Company and Subsidiaries constitute transactions with related parties

1. Office lease agreement between the Company and Unistretch Limited

The Relation

The Office lease agreement is between the Company and Unistretch Limited. Miss Nishita Shah, director of the Company, is directly interested as Director and Shareholder and Mr. Kirit Shah, Director of the Company, is also interested as director of Unistretch Limited.

The Significance of the related transaction

The Office lease agreement is necessary for operating the Company.

The Fairness of Terms and Conditions of the Transaction

For the year 2009, the Company has rental and related expenses for other services from such transaction amounting to Baht 2.08 million (2008: Baht 2.16 million) which is 0.01% (2008: 0.01%) of Net Tangible Assets. The Company has signed a lease for the office premises with Unistretch Limited at the rate of Baht 210 per square metre per month. The Company has also signed a lease for other office premises from a third party on other floors of the same building at the same rate of Baht 210 per square metre per month.

Policy in respect of future transactions with connected parties

The Office is essential for operating the business of the Company so the Company has to continue to enter into lease agreement for the year 2010 on similar (or more beneficial) terms as that of year 2009.

2. Purchase of air tickets from Ambika Tour Agency Limited and Geepee Air Service Limited

The Relation

The Company and subsidiaries purchased air tickets from Ambika Tour Agency Limited and Geepee Air Service Limited in which Miss Nishita Shah is directly interested as Director and Shareholder.

The Significance of the related transaction

Given the nature of business, air tickets are required for the crew on a regular basis to allow them to sign on/off in different ports around the world on commencement and completion of their contracts, respectively. Ambika Tour Agency Limited and Geepee Air Service Limited have been selected for this purpose in view of their competitive rates and service and also for their proximity to the Company's office since this allows much quicker and efficient service.

The Fairness of Terms and Conditions of the Transaction

For the year 2009, the Company and subsidiaries purchased air tickets amounting to Baht 14.58 million (2008: Baht 15.80 million) which is 0.09% (2008: 0.10%) of Net Tangible Assets.

Policy in respect of future transactions with connected parties

For the year 2010, the Company and subsidiaries would have similar air ticket expenses, possibly lesser in value than 2009 due to the smaller Fleet of the Company. The Company regularly reviews the pricing and service standards of the various Vendors of tickets including Ambika Tour Agency Limited and Geepee Air Service Limited. If the pricing and service standards of the present Vendors are found uncompetitive with market levels and/or if the terms and conditions are not for the benefit of the Company, the Company could change the Vendors.

3. Maintenance and Management services from Maxwin Group

The Relation

The Company and subsidiary paid maintenance expenses and related expenses for other services from such transaction to Maxwin Engineering Ltd. (For the period January - June 2009) and Maestro Controls Ltd. (For the period July - December 2009) for the air conditioning system at the main operational offices and the condominium apartments of the Company and its subsidiary respectively and also paid apartment management expenses and related expenses for other services from such transaction to Maxwin Builders Limited for the management of the offices and apartments of the Company and its subsidiary. This is a connected transaction since Miss Nishita Shah, Director of the Company is directly interested as Director and Shareholder of Maxwin Engineering Ltd. and in Maestro Controls Ltd., Mr. Kirit Shah, Director of the Company, is also Director of Maestro Controls Ltd. Mr. Khushroo Kali Wadia and Mr. Kirit Shah, Directors of the Company, are Directors and Miss Nishita Shah is Shareholder of Maxwin Builders Ltd.

The Significance of the related transaction

The maintenance of air conditioning system at the main operational offices and the condominium apartments including the management thereof is essential for operating the business of the Company and the assets of the Company's subsidiary, i.e. the residences of the Company's expatriate staff. Maxwin Engineering Ltd. and Maxwin Builders Ltd. have been selected for this purpose in view of their competitive rates and service.

The Fairness of Terms and Condition of the Transaction

For the year 2009, the Company and its subsidiary have paid for maintenance and management expenses for the air conditioning system and the offices and condominium apartments of the Company and its subsidiary amounting to Baht 1.55 million (2008: Baht 1.75 million) and no supply of air conditioners (2008: Baht 2.46 million) respectively, totally amounting to Baht 1.55 million (2008: Baht 4.21 million) which is 0.01% (2008: 0.03%) of Net Tangible Assets.

Policy in respect of future transactions with connected parties

For the year 2010, the Company would have similar expenses for the maintenance of air conditioning system and supply of air conditioners if required, from Maestro Controls Ltd. and expenses for management of the offices and condominium apartments of the Company and its subsidiary, from Maxwin Builders Ltd. The Company regularly reviews such maintenance and management contracts for pricing and service standards and if the same are not competitive and/or for the benefit of the Company, the Company could change the existing service provider.

4. Insurances from InsurExcellence Insurance Brokers Group as Insurance Brokers

The Relation

The Company and subsidiary paid insurance premiums for the cars and properties owned by the Company and subsidiary to InsurExcellence Insurance Brokers Limited and also paid life insurance premium for the Company's staff from such transaction to InsurExcellence Life Insurance Brokers Limited. This is a connected transaction since Miss Nishita Shah, Director of the Company is related to Miss Sameera Shah who is a Shareholder in InsurExcellence Insurance Brokers Limited and InsurExcellence Life Insurance Brokers Limited.

The Significance of the related transaction

The insurance of life of staff and motor vehicles and properties is part of the conduct of normal business of the Company and subsidiary and the insurances are essential for the security of the assets of the Company and Company's subsidiary. InsurExcellence Insurance Brokers Limited and InsurExcellence Life Insurance Brokers Limited have been selected for this purpose in view of their competitive rates and service after a thorough comparison of Insurance Premiums and allied services offered by other Insurance Brokers in the market.

The Fairness of Terms and Conditions of the Transaction

For the year 2009, the Company and its subsidiary have paid for various insurance premiums amounting to Baht 2.51 million (2008: Baht 1.94 million) which is 0.01% (2008: 0.01%) of Net Tangible Assets.

Policy in respect of future transactions with connected parties

For the year 2010, the Company would have similar expenses for insurance from InsurExcellence Insurance Brokers Limited and InsurExcellence Life Insurance Brokers Limited. The Company regularly reviews such insurance premiums for pricing and service standards and if the same are not competitive and/or for the benefit of the Company, the Company could change the existing service provider.

Director and Executives disclose their and their relatives' shareholdings, directorships and other interests in other Companies and Firms, and report their conflict of interest if any, to the Company for the company's use in complying with the regulations pertaining to connected party transactions. Such a report disclosing all their interests is also useful in monitoring their adherence to their duties regarding conflict of interest transactions. The Internal Auditors have reviewed the above connected transactions and reported the results of their review to the Audit Committee who in turn have discussed and reviewed the transactions in their Audit Committee Meeting No. 1/2010 held on 27 January 2010 and then reported these transactions to the Board of Directors. The Board of Directors Meeting No. 1/2010 reviewed the transactions and based on the findings and report of the Audit Committee, the Board is of the opinion that the Company has adequate rules, regulations and policies for prevention of conflict of interest transactions and that the above interested party transactions are entered solely based on the market prices and for the full benefit of the Company. Adequate disclosures have also been made in the financial statements and the Annual Report.



INDEX OF REPORT IN ACCORDANCE WITH FORM 56-2

[PURSUANT TO SECTION 56 OF SECURITIES AND EXCHANGE ACT B.E. 2535]

No.	Details	Page No.
1.	General information	
	1.1 Name, address and category of business of the Company	6
	1.2 Name, address and category of juristic person in which the Company holds shares exceeding 10%	7 - 9
	1.3 Name, address of other references	165
2.	Financial information	
	2.1 Summary of financial information	2 - 3
	2.2 Significant financial ratios	2 - 3
3.	Nature of Business	
	3.1 Nature of business	10 - 17
	3.2 Revenue Structure	19
	3.3 Summary of significant changes during the year	22 - 31
4.	Risk factors	63 - 67
5.	Shareholders structure and the Management	
	5.1 Major Shareholders	68
	5.2 Management	
	■ Management structure	69 - 73
	■ Election of Directors and Management	36, 69
	■ Independent Director - Definition of Independent Director	43 - 44
	■ Remuneration of Directors and Management	36, 40 - 42
	■ Corporate Governance	35 - 48
	■ Insider trading Controls	49
	■ Internal Control	50 - 51
	■ Opinion of the Board of Directors about Internal Control	32 - 34, 46
	■ Corporate Social Responsibility (CSR) Statement	52 - 62
	5.3 Dividend Policy Statement	68
6.	Related parties and connected transactions	
	6.1 Transactions between related parties	161 - 163
	6.2 The necessity and reasonableness of transactions	161 - 163
	6.3 Procedure to approve connected party transactions	161 - 163
	6.4 Policy in respect of future transactions with connected parties	161 - 163
7.	Explanation and Analysis of financial position and operating result	86 - 107
8.	Financial Statements	
	8.1 Financial Statements	109 - 157
	8.2 Remuneration of Auditor	
	■ Audit fees	33 - 34
	■ Non-Audit fees	33 - 34



REFERENCES

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