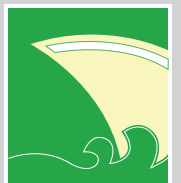


Annual Report 2010



Precious Shipping Public Company Limited

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FINANCIAL HIGHLIGHTS

Unit : Baht Million

Details	2010	2009	2008	2007	2006
Vessel Operating Income	2,953.10	5,523.65	8,535.80	7,288.37	9,056.30
Vessel Operating Costs	873.25	1,711.84	1,926.25	1,872.37	2,949.98
Gross Profit	2,079.85	3,811.81	6,609.55	5,416.00	6,106.32
Total Revenues	3,380.17	6,408.88	8,649.78	8,998.91	9,230.87
Total Expenses (excl. depreciation)	1,616.52	2,403.99	2,614.83	2,836.94	3,442.20
Depreciation	796.56	934.61	1,085.16	1,824.37	2,093.43
Share of income from investment in associate held by a subsidiary	19.52	22.32	10.17	34.13	19.88
Net Income before Corporate Income Tax	986.61	3,092.60	4,959.96	4,371.73	3,715.12
Corporate Income Tax	81.92	45.54	21.37	215.57	0.00
Net Income	904.69	3,047.06	4,938.59	4,156.16	3,715.12
Total Current Assets	4,336.71	6,043.72	3,637.92	1,762.90	1,602.97
Fixed Assets (net)	7,518.08	7,780.92	9,080.51	9,525.66	11,023.85
Total Assets	22,071.63	22,140.13	17,960.53	15,018.14	12,758.15
Total Current Liabilities	442.69	503.75	777.63	788.31	720.44
Total Long-Term Loans	4,782.04	4,276.83	739.50	-	-
Total Liabilities	5,322.14	5,003.77	1,783.08	953.21	720.44
Total Shareholders' Equity	16,749.48	17,136.36	16,177.45	14,064.93	12,037.71
Paid-up Capital	1,039.52	1,039.52	1,039.52	1,039.52	520.00
Cash flow from Operating activities	609.02	2,688.33	6,122.25	4,651.36	5,896.56
Cash flow used in Investing activities	(1,749.58)	(1,619.01)	(2,067.33)	(2,014.81)	(308.66)
Cash flow from (used in) Financing activities	(519.22)	1,598.31	(2,220.23)	(2,391.33)	(5,032.94)
Book Value per share (Baht) *	16.11	16.48	15.56	13.53	11.58
Earnings per share (Baht) **	0.87	2.93	4.75	4.01	3.62
Dividend declared for the year per share (Baht) ***	0.87	1.80	2.80	2.25	2.56
Cash Dividend paid out per share (Baht) *	1.25	2.00	2.75	2.56	1.78
Gross Profit Margin (%)	70.43	69.01	77.43	74.31	67.43
Net Profit Margin (%)	26.76	47.54	57.09	46.19	40.25
Return on Equity (%)	5.34	18.29	32.66	31.84	33.80
Return on Total Assets (%)	4.09	15.20	29.95	29.93	28.00
Total Liabilities/Equity Ratio	0.32	0.29	0.11	0.07	0.06
Number of Ships (As At End of The Year)	21	25	44	44	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, 2010, to facilitate comparison of latest figures of year 2007, 2008, 2009 and 2010, after dividend stock issued in year 2006.

** 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

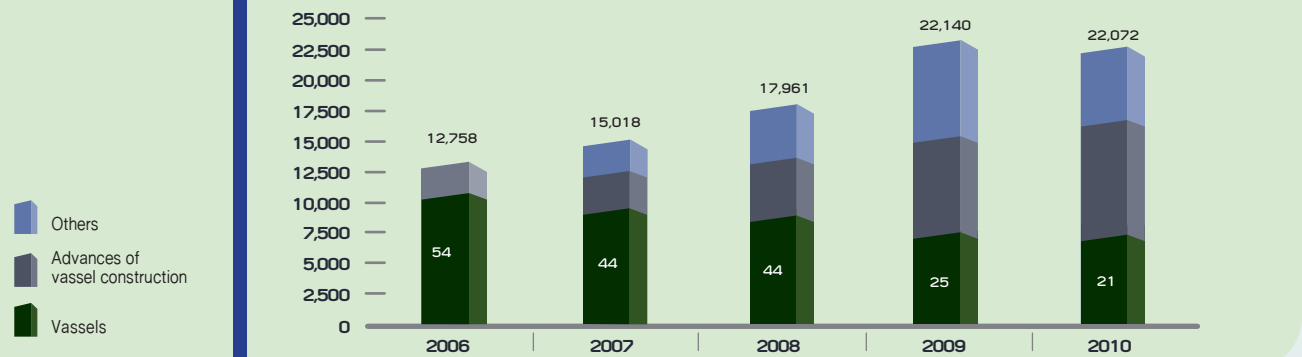
Net Income and Return on Equity

Unit : Baht Million



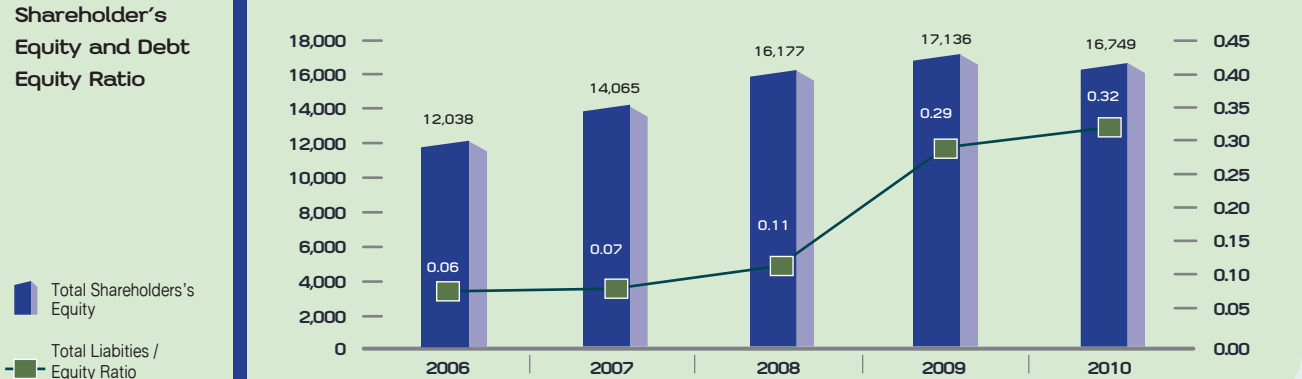
Total Assets

Unit : Baht Million



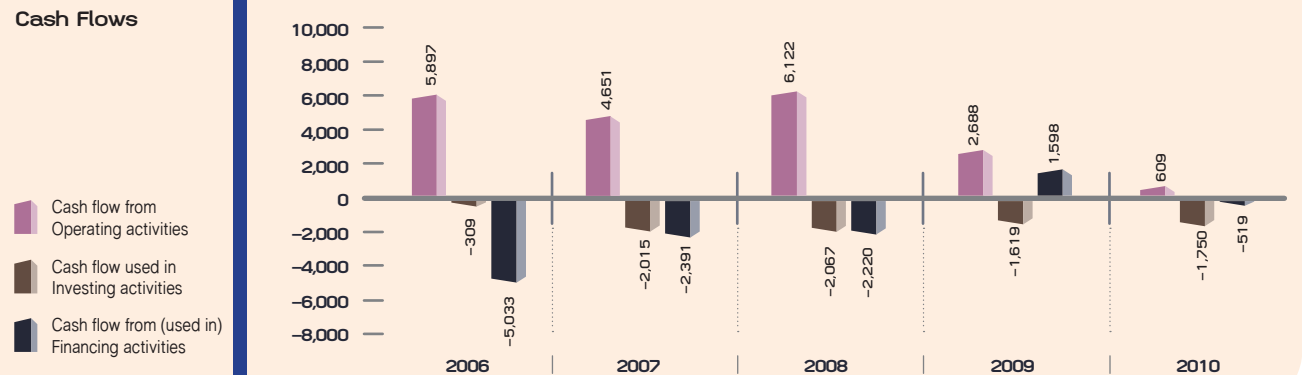
Shareholder's Equity and Debt Equity Ratio

Unit : Baht Million

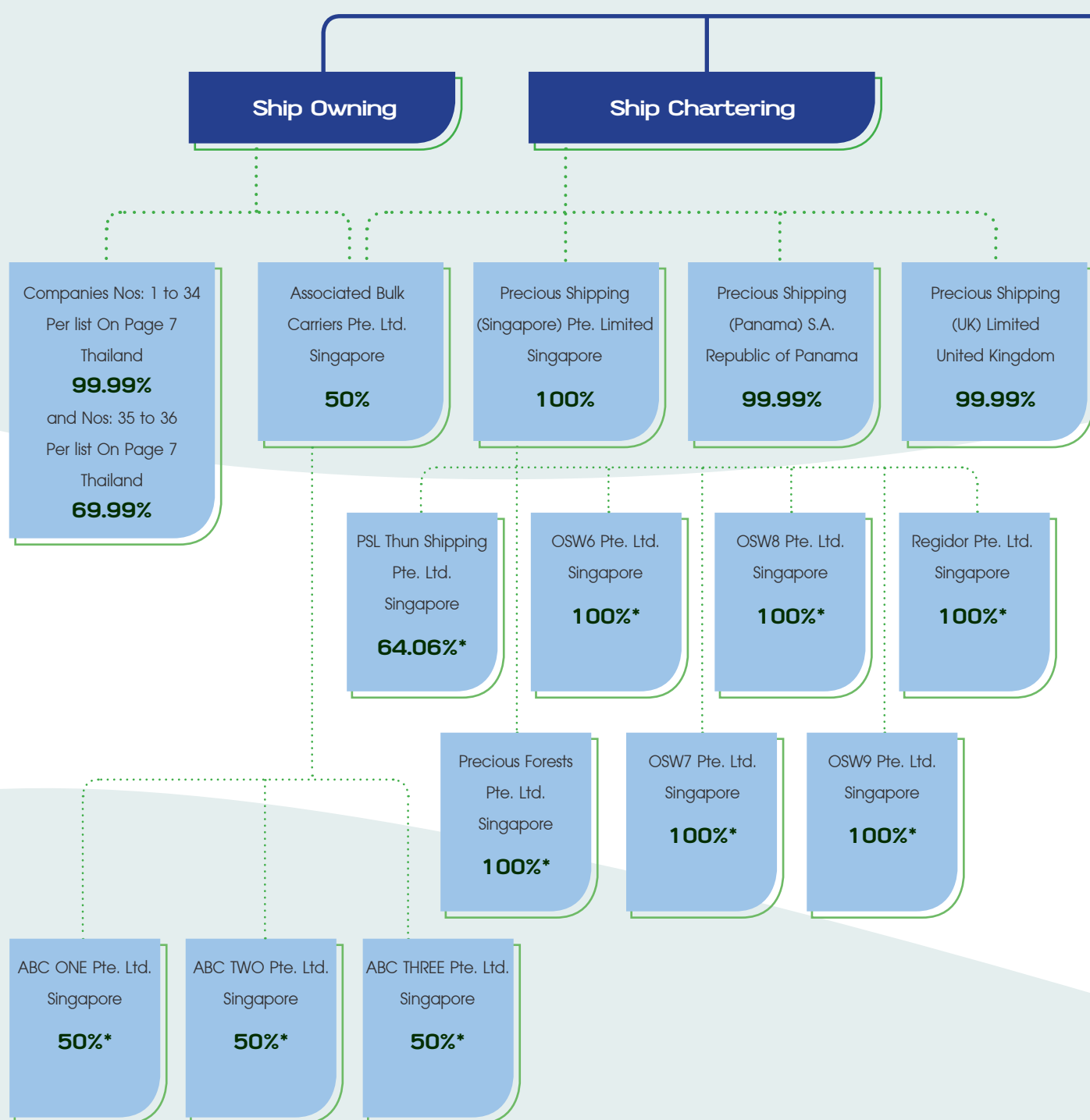


Cash Flows

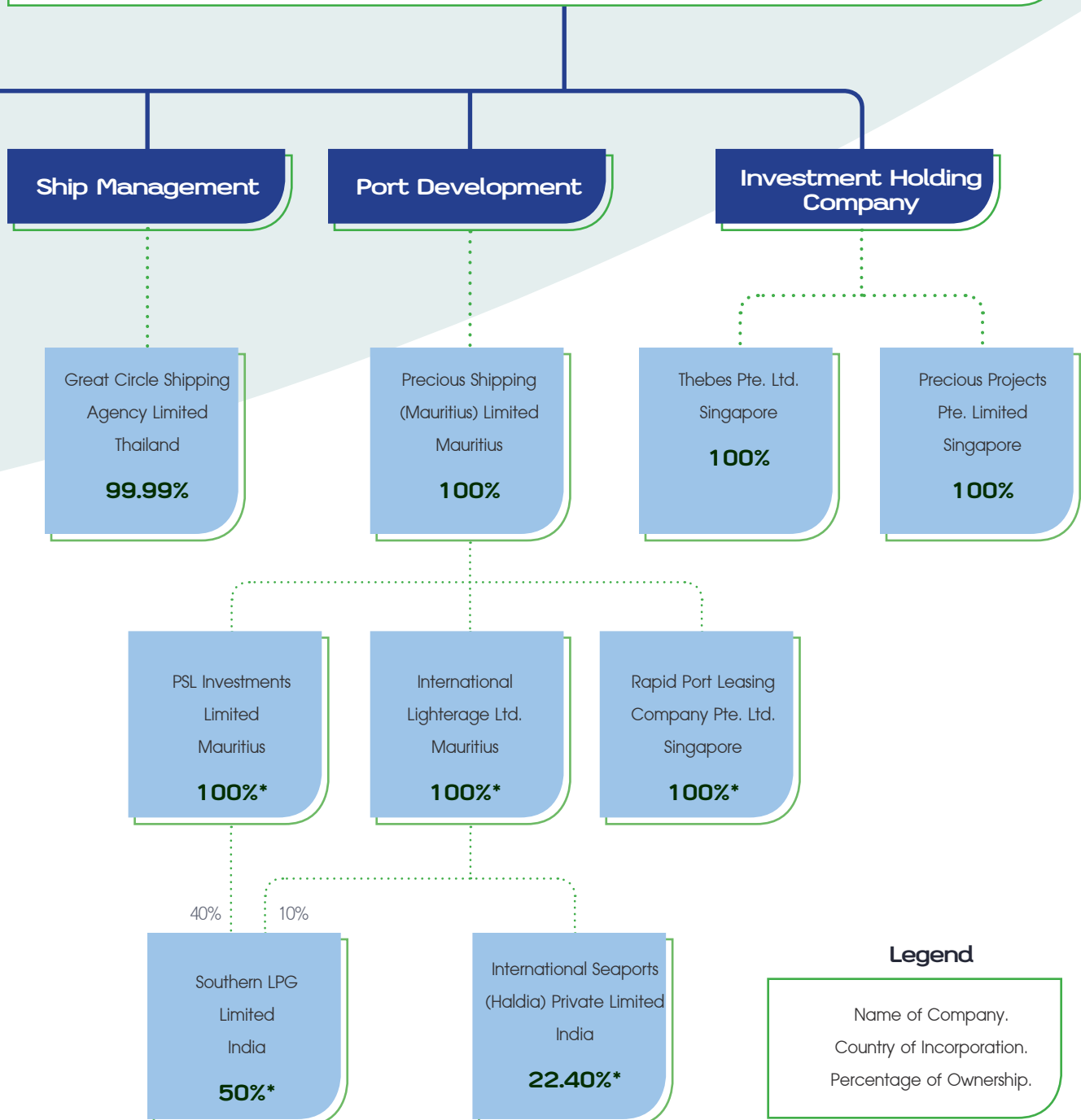
Unit : Baht Million



CORPORATE STRUCTURE



Precious Shipping Public Company Limited, Thailand (PSL)



* Represents indirect ownership of PSL

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

- ▶ 7th 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 SUBSIDIARIES AND ASSOCIATED COMPANIES IN WHICH THE COMPANY HOLDS MORE THAN 10% OF SHARES SOLD BY THEM.

Sr No.	Name of Subsidiaries and Associated Companies	Currency	Registered Capital	Issued and 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	147,000,000	147,000,000	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
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

Sr No.	Name of Subsidiaries and Associated Companies	Currency	Registered Capital	Issued and paid-up Share Capital	Percentage of Shareholding	Category of business
37	Great Circle Shipping Agency Limited	Baht	100,000,000	100,000,000	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	Precious Shipping (Singapore) Pte. Limited	SGD	20,000,000	15,000,000	100	Holding company /Chartering
42	PSL Thun Shipping Pte. Ltd.	USD	500,000	12,864	64.06*	Chartering
43	Regidor Pte. Ltd.	SGD	100,000	2	100*	Maritime Business
44	OSW6 Pte. Ltd.	SGD	1	1	100*	Shipowner
45	OSW7 Pte. Ltd.	SGD	1	1	100*	Shipowner
46	OSW8 Pte. Ltd.	SGD	1	1	100*	Shipowner
47	OSW9 Pte. Ltd.	SGD	1	1	100*	Shipowner
48	Precious Projects Pte. Limited	USD	1	1	100	Investment Holding company
49	Rapid Port Leasing Company Pte. Ltd.	USD	1,000,000	2	100*	Marine Construction
50	Thebes Pte. Ltd.	SGD	100,000	2	100	Maritime Business
51	Precious Forests Pte. Ltd.	SGD	1	1	100	Shipowner
52	Associated Bulk Carriers Pte. Ltd.	USD	2	2	50	Holding company
53	ABC ONE Pte. Ltd.	USD	1	1	50*	Shipowner
54	ABC TWO Pte. Ltd.	USD	1	1	50*	Shipowner
55	ABC THREE Pte. Ltd.	USD	1	1	50*	Shipowner
56	Precious Shipping (Panama) S.A.	USD	10,000	10,000	99.99	Shipowner/Chartering
57	Precious Shipping (UK) Limited	USD	10,000	10,000	99.99	Chartering
58	Southern LPG Limited	Indian Rs	100,000,000	64,592,200	50*	Terminal owning, bottling and distribution of LPG
59	International Seaports (Haldia) Private Limited	Indian Rs	445,000,000	440,580,200	22.40*	Berth construction and Development

* (represents indirect ownership of shares)

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

SUBSIDIARY 1–36	<p>▶ Registered Office is at 8/27-28, 7th Floor, Cathay House, North Sathorn Road, Silom, Bangrak, Bangkok 10500 Thailand.</p> <p>Tel : 66-2 696-8800 Fax : 66-2 236-7654, 633-8460</p>
SUBSIDIARY 37	<p>▶ Registered Office is at 8/35 Cathay House, North Sathorn Road, Silom, Bangrak, Bangkok 10500 Thailand.</p> <p>Tel : 66-2 696-8900 Fax : 66-2 237-7842, 633-8468</p>
SUBSIDIARY 38–40	<p>▶ Registered Office is at c/o Abax Corporate Services 6th Floor, Tower A, 1 Cybercity, Ebene, Mauritius.</p>
SUBSIDIARY 41–47	<p>▶ Registered Office is 72A Peck Seah Street 079329, Republic of Singapore.</p>
SUBSIDIARY 48	<p>▶ Registered Office is at 1 Marina Boulevard #28-00, 018989 Republic of Singapore.</p>
SUBSIDIARY 49–55	<p>▶ Registered Office is at 24 Raffles Place #18-00 Clifford Centre, 048621 Republic of Singapore.</p>
SUBSIDIARY 56	<p>▶ Registered Office is at c/o ADR Building, 13th Floor, Samuel Lewis Avenue, Panama.</p>
SUBSIDIARY 57	<p>▶ Registered Office is at The Quadrangle - 2nd Floor, 180 Wardour Street, London W1F 8FY United Kingdom.</p>
SUBSIDIARY 58	<p>▶ Registered Office is at ICM Business Centre, Ceebros Arcade 1st Floor, No.1, 3rd Cross Street, Kasturibai Nagar, Adyar, Chennai 600 020 India.</p>
ASSOCIATE 59	<p>▶ Registered Office is at 41, Jawahar Lal Nehru Road, Kanak Building, 3rd Floor, Kolkata - 700 071, India.</p>

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 2011) operates 20 bulkers and a cement carrier (the "Fleet"), representing 522,925 dwt. Of the entire Fleet, 20 ships are registered under the Thai flag, and 1 (the cement carrier) 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 6 Ships in years 2007-08 for delivery in 2011-13. During 2010, the Company expanded further in the Supramax sector by taking over 4 new shipbuilding contracts for 4 Supramax ships for delivery in 2012. PSL's Fleet is technically managed by Great Circle Shipping Agency Ltd, Bangkok, a wholly owned subsidiary of PSL is ISO 9001 and 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.

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.

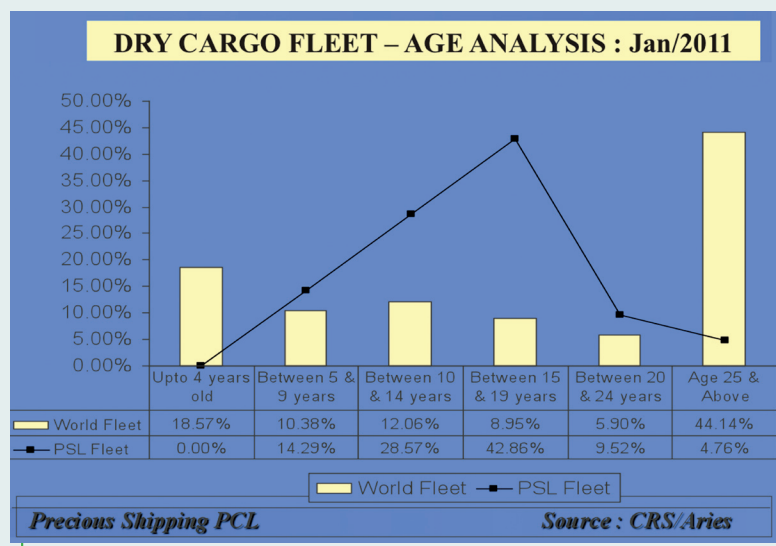
PSL's Fleet does not follow set voyage routes, but each ship keeps moving across the globe depending on its charters. The Fleet is hired on both, time charters as well as voyage charters, with typical voyage duration of 1-3 months. The mix between the two types of business has historically been equal, 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 2007-10 the equation changed again and about 99% of the journeys were time charters and only about 1% were voyage charters except during year 2009 where the proportion of voyage charters was marginally higher at 6 % compared to 1% in the years 2007, 2008 and now even in 2010.

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 15 years.

An age wise analysis as on 01 January 2011 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:

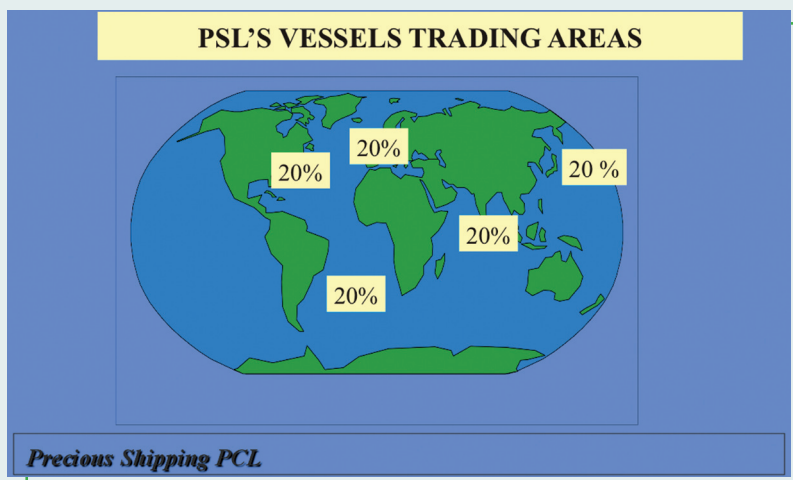
i. Commodities/Cargoes Carried

Commodity	(Number of Voyages and % of Total Voyages)		
	2008	2009	2010
Agricultural Commodities	138 (31.29%)	80 (24.25%)	50 (22.42%)
Steel	77 (17.46%)	41 (12.42%)	27 (12.11%)
Fertilisers	70 (15.87%)	72 (21.82%)	32 (14.35%)
Specialised Ores	63 (14.28%)	47 (14.24%)	33 (14.80%)
Forest Products/Logs	7 (1.59%)	13 (3.94%)	16 (7.17%)
Coal	27 (6.12%)	20 (6.06%)	19 (8.52%)
Others	59 (13.39%)	57 (17.27%)	46 (20.63%)
Total	441 (100%)	330 (100%)	223 (100%)

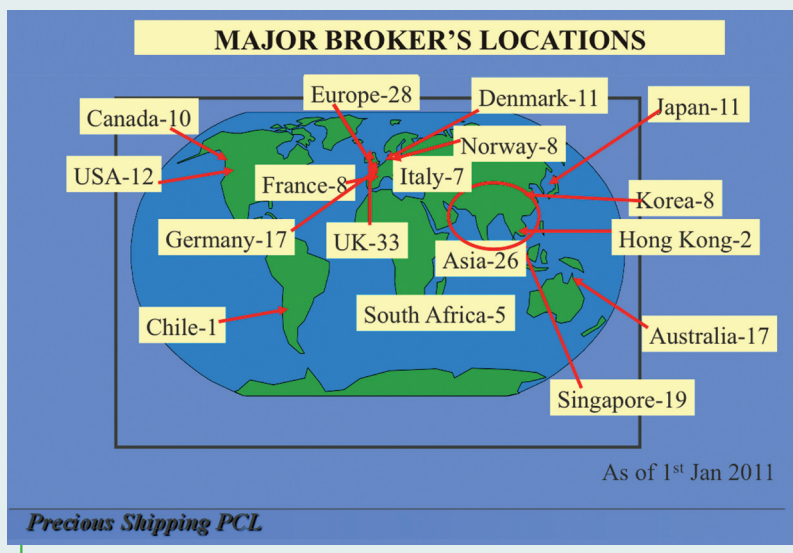
ii. Voyage Charters v/s Time Charters

Charter	(Number of Voyages and % of Total Voyages)		
	2008	2009	2010
Voyage Charters	6 1.35%	21 (6.36%)	1 (0.45%)
Time Charters	437 98.65%	309 (93.64%)	223 (99.55%)

iii. Vessel Trading Areas



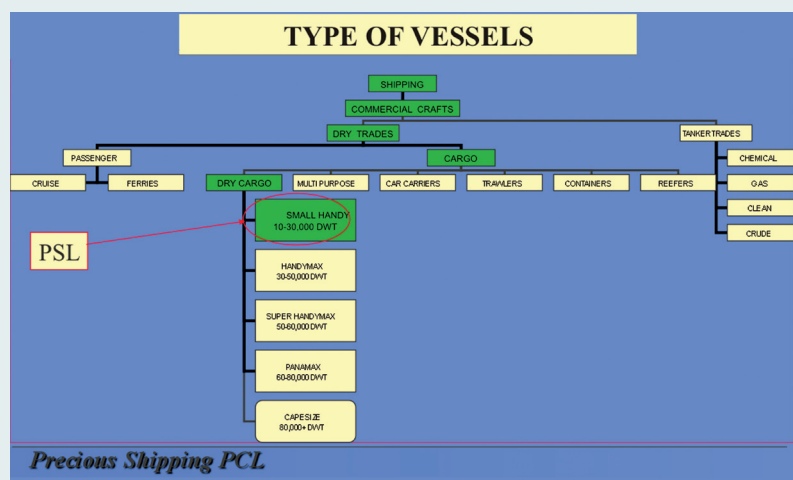
iv. Marketing network and major broker locations:



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.

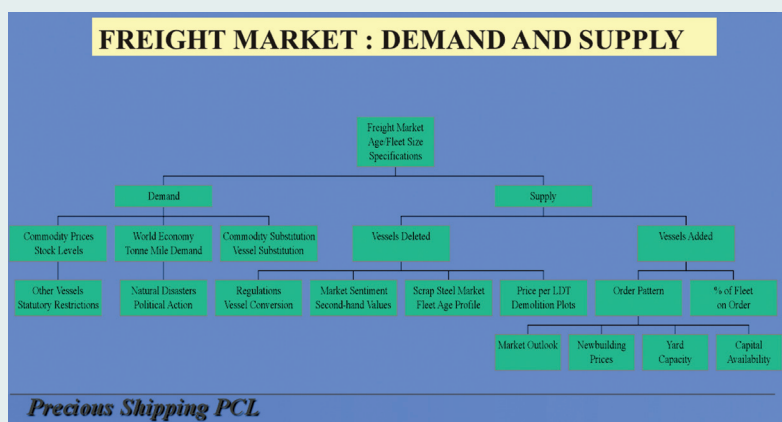
On the supply side also the industry is highly fragmented. The fleet of 3,151 ships (as at end 2010) has the largest operator having only about 100 ships or about 4 percent market share of capacity in DWT terms. The majority of the operators are private companies with a small number of vessels.

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, 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 ever 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 the year 2008.

During 2010, the Baltic Dry Index (BDI) fell from 3,140 points at the beginning of year to 1,773 points at the end of year 2010 mainly due to the increased supply of new Ships into the World Fleet. This supply is expected to continue for the next two years or so which leads us to conclude that the BDI should fall further in 2011 and may remain at such lower levels at least for 2011 and 2012.

2.2 Demand – Supply

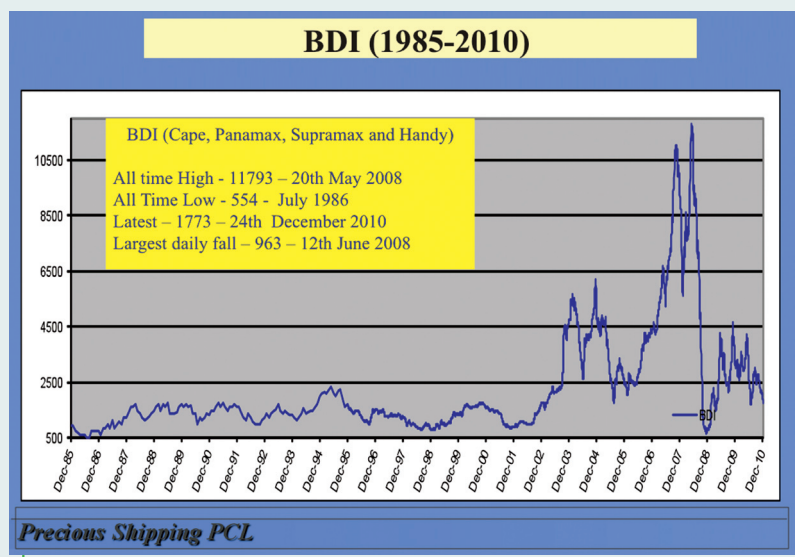
While the composition and the age of a Company’s fleet does have an effect on its earnings and expenses, the following table illustrates the various external factors governing demand and supply which drive the shipping industry and create the business cycle.



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 represents the capesize, panamax, supramax and handysize sectors with equal weightage being given to all four sectors.

The BDI started the year 2010 at 3,140 points and kept up the upward trajectory until 26th May 2010 when the Index reached a high of 4,209 points after which it steadily fell to reach the year's low on 15th July at 1,700 points before ending the year at 1,773 points.



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. For example, PSL's vessels frequently sail into Australia, U.S., Canada and the European Union where authorities are very harsh, whereas 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 owner.

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 in Brussels, after many shipping conferences were held among various European nations interested in shipping transportation; 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 ship but also the company managing the ship from ashore are subject to certification.

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)

The International Labour Organisation (ILO) has adopted the Maritime Labour Convention 2006 (MLC 2006).

The MLC 2006 will enter into force one year after 30 countries with a minimum of 33% of the world tonnage have ratified it; as per present indications, it is expected to **enter into force in December 2011.**

The Appendices to the MLC 2006 Convention contain two key model documents: a maritime labour certificate and a declaration of maritime labour compliance. These certificates would be issued by the Flag State to a ship that flies its flag, once the State (or a recognized organization that has been authorized to carry out the inspections) has verified that the labour conditions on the ship comply with national laws and regulations implementing the Convention. The MLC 2006 Convention addresses the following in respect of conditions on board the ship:

Title 1: Minimum requirements for seafarers to work on a ship.

Title 2: Conditions of employment.

Title 3: Accommodation, recreational facilities, food and catering.

Title 4: Health protection, medical care, welfare and social security protection.

Title 5: Compliance and enforcement - on board complaint procedures.

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.

Another major revision to the STCW Code has been adopted at a Diplomatic Conference in Manila in June 2010, thereby ensuring that the necessary global standards will be in place to train and certify seafarers to operate technologically advanced ships for some time to come. The amendments, to be known as "The Manila amendments to the STCW Convention and Code" are set to enter into force on 1 January 2012 under the tacit acceptance procedure and are aimed at bringing the Convention and Code up to date with developments since they were initially adopted in 1978 and further revised in 1995; and to enable them to address issues that are anticipated to emerge in the foreseeable future. Amongst the amendments adopted, there are a number of important changes to each chapter of the Convention and Code.

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 State Parties.

13. Various Regional and Local Regulations around the world

Shipping is regulated by various regional regulations and acts like:

US Environmental Protection Act (EPA)

US National Pollutant Discharge Elimination System (NPDES) is a system under the US environmental protection rules (Clean Water Act) to minimize pollution within US territorial waters (3 nm). For ships greater than 79 feet in length, all the requirements are laid out in a document called the Vessel General Permit (VGP). These requirements are additional to international environmental rules such as MARPOL. The VGP establishes technology-based effluent limits for all vessels and for 26 specific discharges incidental to the normal operation of a vessel. In addition to these discharge and vessel specific requirements, extensive requirements are included for inspections, monitoring, reporting and record-keeping. The VGP requires a detailed review of environmental protection systems, crew training and record-keeping. The rules have been in force since the beginning of 2009.

European Union directives on fuel burnt within EU territory, etc., continue to be developed.

14. Port State Control Inspections

Ships calling at ports in countries other than where the ship is registered are subject to inspections under Port State Control memoranda of understanding of various regions or under the authority of the local government. These inspections are targeted to identify and eliminate substandard vessels from trading. Any serious deficiency identified by the inspectors may result in detention of the vessel from sailing out until the deficiency is rectified to their satisfaction. The Port state control regime is receptive to complaints from crew members as well as any whistle blowers who disclose wrong doings or illegal activity carried out by the vessel.

FLEET LIST

(As on 31st December 2010)

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	1.23	7.00
2	Apisara Naree	Thai	1996	18,596	7.06	11.50
3	Bussara Naree	Thai	1997	18,573	7.53	12.00
4	Suchada Naree	Thai	1994	23,732	6.10	13.50
5	Parinda Naree	Thai	1995	23,720	6.90	14.50
6	Boontrika Naree	Thai	1990	27,881	4.47	12.00
7	Tharinee Naree	Thai	1994	23,724	6.35	13.50
8	Chollada Naree	Thai	1997	18,485	8.06	12.00
9	Dusita Naree	Thai	1997	18,486	8.26	12.00
10	Emwika Naree	Thai	1997	18,462	8.81	12.00
11	Ploypailin Naree	Thai	1995	26,472	7.60	14.50
12	Fonthida Naree	Thai	1995	28,484	8.05	15.50
13	Rattana Naree	Thai	2002	28,442	14.13	22.50
14	Chalothorn Naree	Thai	1996	27,079	10.79	16.50
15	Saranya Naree	Thai	1991	28,583	7.35	12.50
16	Sujitra Naree	Thai	1995	28,290	9.79	16.00
17	Vijitra Naree	Thai	1997	28,646	11.10	19.50
18	Urawee Naree	Thai	1997	28,415	16.88	19.50
19	Mathawee Naree	Thai	1996	28,364	16.41	18.50
20	Rojarek Naree	Thai	2005	29,870	20.81	26.00
21	Nalinee Naree	Thai	2005	31,699	22.72	26.50
21 Vessels		Total		522,925	210.40	327.50

Remarks: * 64% shares held by PSL Group

** Net Book Value is as per restated US Dollars financial statements as on 31st December 2010

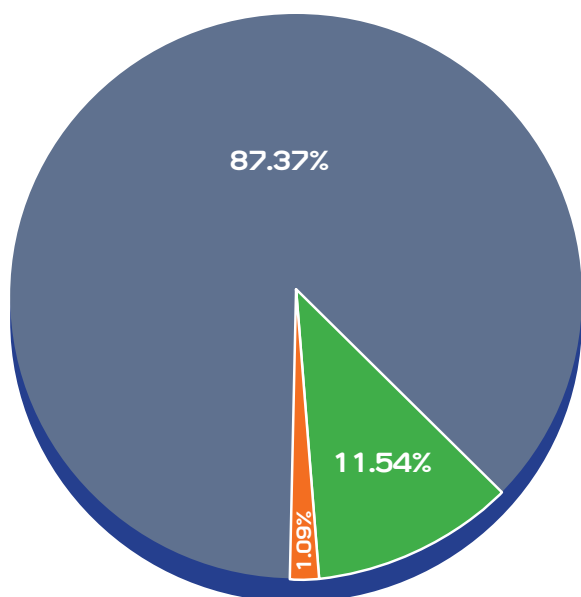
*** Insured Value means agreed value to be received from the insurer in case of total loss of the Vessel

REVENUE STRUCTURE

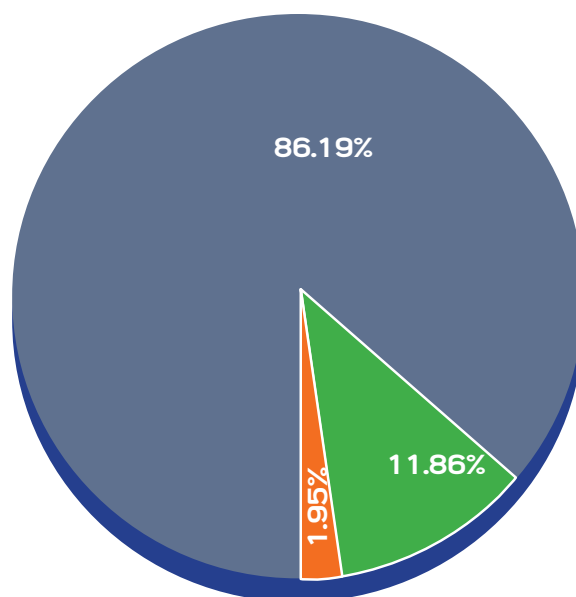
Revenue Structure from the Operation of the Company and Subsidiaries for the last 2 years

Revenues	2010		2009	
	Baht Million	%	Baht Million	%
Vessel Operating Income	2,953.10	87.37	5,523.65	86.19
Gain on sale of vessels and equipment	390.28	11.54	760.28	11.86
Other income	36.79	1.09	124.95	1.95
Total Revenues	3,380.17	100.00	6,408.88	100.00

2010



2009



Vessel Operating Income



Gain on sale of vessels and equipment



Other Income

THE BOARD OF DIRECTORS

1

Admiral Dr.Amnad Chandanamattha

Chairman of the Board of Directors
Independent Director

2

Mr.Thira Wipuchanin

Vice Chairman of the Board of Director
Chairman of the Remuneration Committee
Chairman of the Nomination Committee
Audit Committee Member,
Independent Director



1



2

3

Mr.Khalid Moinuddin Hashim

Managing Director
Executive Director

4

Mr.Munir Moinuddin Hashim

Director
Executive Director



3



4



5



6

5

Mr.Khushroo Kali Wadia

Director
Executive Director

6

Police LT. Gen. Kiattisak Prabhavat

Chairman of Audit Committee
Independent Director



7

7

Mr. Suphat Sivasriamphai

Audit Committee Member
Nomination Committee Member,
Independent Director



8

8

Mr. Chira Panupong

Remuneration Committee Member
Independent Director



9

9

Mr. Jaipal Mansukhani

Director



10

10

Ms. Nishita Shah

Director

11

Mr. Kirit Shah

Director
Remuneration Committee Member

12

Mr. Peter Feddersen

Nomination Committee Member
Independent Director



11



12

BOARD OF DIRECTORS' REPORT

TO THE SHAREHOLDERS:

The directors are pleased to present the Twenty-second Annual Report of the Company along with the Audited Financial Statements as on 31st December 2010

2010 has ended with even greater confusion on the total supply of brand new ships in the future than when we began the year. Slippage, the difference between the DWT of new ships on order at ship yards at the beginning of the year and the actual deliveries of DWT of new ships from ship yards at the end of the same year, which was at 23% in 2008 increased to 41% in 2009 but then fell to 38% in 2010. With Slippage having such elasticity, clarity on the DWT of ships to be delivered from ship yards in future years has become the ever illusory number that no one can seem to get a proper grip on. We think that Slippage will retain its unpredictability and will fluctuate inversely with the strength of the BDI. Ship Yards that had virtually seen no orders for 5 quarters, starting in Q4'08 and ending in Q4'09, were so hungry for fresh business that they enticed buyers during 2010 with low prices and even lower stage payments prior to delivery; as a result, 2010 will go down in history as one of the strongest years in terms of the buildup of the order book. In the meantime, we see that net increase on a DWT basis for 2010 for the Dry Bulk Sector as a whole was 76 Million DWT or 15.8% with the fleet reaching a gigantic 555 Million DWT with another 12.5% expected in 2011 with a further 15.25% in 2012. The increases for 2011 and 2012 are based on the twin assumptions that Slippage will run at 50% for each of these years and there would be no scrapping of older ships. As we have already seen, slippage in 2010 has decelerated to 38% and so the increase in supply during 2011 and 2012 could be even stronger as we have assumed a slippage factor of 50%. This must be tempered by the amount of ships that will be scrapped during these two years. The financial situation at the ship yards, especially those that have been newly developed over the recent past, will become near impossible with black holes appearing where there used to be cash. We suspect that in the near term some of the younger and newer ship yards will disappear, others will reduce their existing capacity, there will be further consolidation among others, and some yards will go back to block-building and ship repairing whilst others will be converted to 'green' recyclers. Anecdotal evidence suggests that 3 Japanese ship yards have shut down; at least 6 South Korean yards have collapsed with another 6 in some form of financial stress (Jinse has just announced that it is to be liquidated); and Vinashin, the Vietnamese state owned ship yard, is struggling under a mountain of about USD 4.4 Billion of debt with their top 5 executives thrown into jail for good measure. On the demand front, we see a few clouds on the horizon. With Quantitative Easing two (QE2) in full flow in USA we get the impression that all is not right economically in the largest market in the world. The European Union (EU) is struggling with its own 'bay of pigs' crisis which is the financial equivalent of a nuclear strike threat to their economic health and well being. With Greece and Ireland already in a mess, it is but a question of time before Italy, Portugal and Spain soon start squealing for help. China, the big mainstay of the dry bulk markets, has its own issues dealing with inflation and the asset bubble that is building in its real estate sector. China has tried to combat these twin evils by raising the reserve requirement ratio of their banking sector to a high of 18.5% at the same time increasing interest rates. These are the reasons why we feel that demand going forward may not live up to its billing as each of these three major players will have a dampening impact on the strength and direction of overall demand. As a result, if the freight markets as represented by the BDI were to stall and crash during 2011 then a lot of the orders placed during 2010 would fall by the wayside and die a natural death with the yards claiming the



Mr. Khalid Moinuddin Hashim



Mr. Khushroo Kali Wadia

consolation prize of the 5 - 10% down payments received when concluding these orders. At the same time scrapping of older ships which has so far remained dormant could spring to life with at least 20% in DWT terms, of the existing dry bulk fleet that are over 20 years of age, heading for the scrap yards under such circumstances. As a point of reference, during 1986 when the BDI had stayed below 1,000 points, some dry bulk ships as young as 10 to 14 years of age were scrapped with the majority of bulkers that were scrapped being between 15 and 19 years of age. If we were to apply the 1986 age profile for scrapping to the world fleet in 2011 then at least 30%, if not more, of the world dry bulk fleet in DWT terms would be ready to head for the scrap yards.

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	2003	2004	2005	2006	2007	2008	2009	2010
Av. BDI for the year	2,617	4,510	3,371	3,180	7,065	6,390	2,617	2,758
Net Profit - \$m	24.79	110.10	154.22	92.63	96.48	148.14	88.09	35.16
Av. No. of Ships	28.39	44.63	52.89	54.00	44.97	44.12	32.79	21.37
Net Profit/Ship - \$m	0.87	2.47	2.92	1.72	2.15	3.36	2.69	1.65

Our result for 2010 must be viewed against the average of the BDI prevalent for the year as well as the smaller fleet size that we had in operation after the disposal of the older ships from our fleet. 2010 will be remembered as the year of consolidation when we shrank our balance sheet, reduced our fleet size and prepared for the growth that is to follow in the years ahead.

Awards and Accolades:

2010 has been crowned with the December 2010/January 2011 issue of Asiamoney, under their Corporate Governance Poll 2010, conferring the title of Best Overall for Corporate Governance, Best for Disclosure and Transparency, Best for Shareholders' Rights and Equitable Treatment and Best for Investor Relations in Thailand to our Company!

The Marine Money June 2010 'ranking' issue had PSL as the 6th best shipping company in the world based on our financial results of 2009! 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. This is what Marine Money had to say about PSL in their ranking issue. *"But perhaps even more impressive was Precious Shipping's showing. In the six years the company has been ranked, Precious has been in the top ten, five of those years and the one year it missed it landed in 14th place. Consistency and transparency are its watchwords and the source of Precious Shipping's 6th place finish in the overall rankings and a 5th place finish in the financial strength rankings. It almost seems that it would not be an official ranking if Precious Shipping weren't at or near the top. While everyone thinks bigger is better, this company goes against the tide and sticks with its knitting, servicing its worldwide client base with its fleet of Handysize bulk carriers that are time chartered. What makes the finish even more remarkable is that it took place in the midst of a fleet renewal program, with 20 ships exiting the fleet during the year."*

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 2010/January 2011 issue of Asiamoney, under their Corporate Governance Poll 2010, conferred on our Managing Director the title of Best Investor Relations Officer in Thailand for the third 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 2010. We hope to continue actively with this important part of our Investor Relations Program in 2011 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 3,380.17 million (2009: Baht 6,408.88 million) and the Company earned a Net Profit of Baht 904.69 million (2009: Baht 3,047.06 million). The Shareholders' Equity of the Company has decreased to Baht 16,749.48 million (2009: Baht 17,136.36 million) and the Total Assets of the Company have decreased only marginally in spite of the sale of 5 ships during the year to Baht 22,071.63 million (2009: Baht 22,140.13 million) mainly due to the advance installments of Baht 1,651.51 million paid during the year towards our Newbuildings (Orders for new Ships) and due to the net profit earned during the year with a part thereof being retained.

During the year, the Company earned Baht 1,098.85 million as Net Profit before Exchange Loss of Baht 112.24 million (2009: Exchange Gain of Baht 43.63 million) and Income Tax of Baht 81.92 million (2009: Baht 45.54 million). In terms of the Earnings, the Company's ships achieved an average time-charter equivalent earnings of USD 12,304 per day per ship as compared to USD 13,459 per day per ship for year 2009. 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 5 older ships from our fleet and lower average earnings per day per ship in year 2010 as

compared to year 2009. Absolute ship operating expenses, also decreased by about 49%, due to decrease in average ship running cost per day per ship and the lower ship operating days during the year. The technical downtime was an average of 8.44 days per Ship, which is very good considering the average age of the fleet of about 15 years in 2010. As a result of the good profitability and robust cash flows, the Company has enjoyed high level of liquidity during 2010 and has paid dividends of Baht 1,299.20 million during the year 2010.

We also undertook an “in-house” exercise to determine Total Return to Shareholders, which was calculated for the 17 years that we have been operating as a listed entity. Based on the closing share price as on Thursday the 16th September 2010 of Baht 18.20 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 17 years, you would have 13.76 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:

The fleet strength at the end of 2010 was 21 vessels with an aggregate capacity of 522,925 DWT, an average 24,901 DWT per ship, and an average age of about 15.43 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.

ABG Shipyard: As you are all aware, the New Ships being built at ABG have still to be delivered even though the first few ships are delayed beyond their contractual delivery dates. This non-delivery gives rise to a few questions. Since the orders were signed much before the yard facilities were built, the first question which needs to be addressed is whether the facilities are now built and in place and if yes, whether these facilities at the yard are of the desired standards? We are pleased to report that the yard facilities and infrastructure have indeed been built and are of the highest standards and a very modern, top-class “state-of-the art” facility is now in place. As such, we do not have any concerns on this score. The next question which needs to be addressed is whether the ships built so far, and currently being built, are and will actually be of the desired high standards and specifications expected when the orders were placed and when the specifications and designs were developed by us jointly with the Shipyard? We are pleased to report that the Vessels that are being built are actually of the desired specifications and of the highest standards and as Long Term Ship-owners/operators, we keenly look forward to taking delivery of these vessels, which we shall be able to operate very efficiently with least trouble and minimum operating costs. The last question that needs to be addressed is whether the Shipyard is geared and ready now with the “execution capability” to deliver the series of contracted vessels on a “timely” basis? Unfortunately, this admittedly is the area of concern since the Shipyard does appear to be facing difficulties in this regard to build the necessary execution capability primarily because of their inability to secure sufficient number of skilled labor. Various efforts are being undertaken in this regard by the Shipyard and we continue to monitor the situation closely and we do hope to see a lot of progress on this front in the next few months to come. Under these circumstances we always have the option of either cancelling any of the ships that are later than their contractual delivery dates or of re-selling these ‘late’ ship building contracts to others or of re-negotiating a fresh contract/price for these ‘late’ ships. Discussions with the Shipyard regarding the problem of the first 3/4 delayed vessels are ongoing, and we hope to reach an agreement on the terms of a good solution very shortly now.

In accordance with our stated plan, we have already sold 25 ships during 2009/2010, completing the first phase of our rejuvenation plan. With the purchase of the *Rojarek Naree* (29,870 DWT, built in 2005 in Japan) and the *Nalinee Naree* (32,000 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. We have recently announced the purchase of four new building resale Supramax ships from a Chinese ship yard for delivery during the year 2012. We have to complete the renewal program by buying another 19 more ships from the second hand market or resale candidates from the new building market. This will be the last piece of the puzzle to fall into place and should stand the Company in good stead for years to come. 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 19 second hand ships when the freight market is going to be range bound between BDI levels of 1,000 and 2,000 points. The expected market environment between now and the end of 2011 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 19 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 in weak hands to complete our replacement program. 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.

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 2010:

The effect of the Global Financial Crisis still lingers with the baton being passed from the Banks to the various Sovereign States that are on the verge of collapse with Portugal, Ireland, Italy, Greece and Spain creating their own 'bay of pigs' crisis for the European Union. The EU has taken the route of fiscal tightening coupled with tight monetary policy as a way out of their current predicament. This will of course reduce demand emanating from these countries. The US has gone the other way. They have 'opened the taps' with QE2 and are hoping that this monetary stimulus will pave the way to better economic health. Whilst in China the mandarins have decided that they need to deflate the bubble in the real

estate sector without popping it. To that end they have been increasing the Reserve Requirement Ratios of their banks to levels that are more than double those that are prevalent in the rest of the world. Despite this reduction in the availability of credit from the Chinese Banks, inflation has shown no signs of being tamed and has reared its ugly head leading the mandarins to raise interest rates. So there you have it, the three largest markets on the demand side are all suffering from the excesses of the various stimulus plans put in place at the height of the Global Financial Crisis by their governments. With no more stimulus left, it is up to the common man in the street to pick up the slack and support the transition from a stimulus/inventory-driven recovery to a demand-driven recovery.

China's Iron Ore imports according to preliminary Customs data, was an underwhelming 619 MMT or about 2% lower than the impressive new record set for 2009 at 628 MMT and the very first time in 12 years that imports have fallen! China is expected to import 740 MMT of Iron Ore in 2011. This import figure is contingent on import pricing parity versus domestic production/transportation costs. Provisional Chinese steel production for 2010 reached a staggering figure of about 625 MMT about 10% higher than the already phenomenal figure of 566 MMT in 2009. China is expected to produce 665+ MMT of Steel in 2011. Coal represents about 80% of China's energy requirements. Historically, China was self-sufficient in coal, but that is no longer the case. China imported about 126 MMT in 2009 and about 164 MMT in 2010. This figure is expected to reach 190+ MMT in 2011. Coal imports are expected to grow steadily but are contingent on import pricing parity versus domestic coal production/transportation costs.

The Baltic Dry Index (BDI) ended the year at 1,773 points, about 43% lower than from where it had started the year at 3,140 points, after having peaked at 4,209 points on the 26th of May 2010. The main reason why the BDI did not collapse during the year was due to the inordinate amount of congestion (by the end of 2010, global port congestion had reached record levels with nearly 7% of the entire dry bulk fleet at anchorage) especially in the Cape size sector. Coupled with the almost 164 MMT of Coal that China imported during the year 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 system resulting in trade imbalances being exacerbated leading to under-utilization of ships was the unexpected item that helped reduce the available supply of ships. It would be remiss not to mention the slower than expected delivery of new ships from yards, slippage was 38% for the year, which gave a big helping hand in supporting the index.

The BDI average for the year was 2,758 points, almost identical to the average of 2,617 recorded in 2009. 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 — 2010) was 2,133; and during the Bull Run (2004 — 2010) was 4,265 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 wiggle 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 2011 and, maybe, 2012 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 2010 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 2010, we averaged earnings of USD 12,304 per day per ship which was very close to our forecast of USD 12,500. In terms of Operating Expenses, we managed to beat our target of USD 4,750 per day per ship reaching a figure of USD 4,725 per day per ship for 2010.

THE INDUSTRY OUTLOOK:

Ship scrapping was very anemic with just 125 ships being scrapped but 150 ships being delivered, resulting in a growth of 25 ships or 0.8%, with the world fleet increasing from 3,126 ships to 3,151 ships in our sector (10 — 30,000 DWT) during 2010. The reason for scrapping rates to have slowed down during 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 very near future.

Strong supply of new ships expected for 2011 and 2012:

The Cape sector (90,000+ DWT – 1,287 ships of 220 MDWT at the start of 2011): 448 ships of 73.4 MDWT or 33.3% of the existing DWT are scheduled for delivery in 2011, another 278 ships of 50.9 MDWT or 23.1% to follow in 2012, another 91 ships of 16.8 MDWT or 7.6% to follow in 2013 with 22 ships of 4.2 MDWT or 1.9% to follow in 2014. In this sector, 147 ships of 25 MDWT or 11.3% will be over 22 years of age by 2014 and likely to be scrapped during 2011 to 2014 should freight rates remain at current levels.

The Panamax sector (60 – 90,000 DWT – 1,678 ships of 124 MDWT at the start of 2011): 302 ships of 23.5 MDWT or 19% of the existing DWT are to be delivered during 2011, another 341 ships of 26.8 MDWT or 21.3% contracted for delivery in 2012, another 109 ships of 8.3 MDWT or 6.7% contracted for delivery in 2013 with 11 ships of 0.9 MDWT or 0.7% for delivery in 2014. The saving grace in the Panamax sector is that 306 ships of 20.5 MDWT or 16.5% of the fleet will be over 24 years of age by 2014 and would likely be scrapped during 2011 to 2014 should freight rates remain at the current levels, thereby balancing out the fresh supply and restoring freight rates in the near future.

The Supramax sector (40 – 60,000 DWT – 2,163 ships of 109 MDWT at the start of 2011): 434 ships of 24.3 MDWT or 22.3% of the existing DWT are scheduled for delivery in 2011, another 269 ships of 14.8 MDWT or 13.6% are scheduled for delivery in 2012, another 98 ships of 5.3 MDWT or 4.9% are scheduled for delivery in 2013 with 24 ships of 1.3 MDWT or 1.2% to follow in 2014. In this sector, 327 ships of 14.5 MDWT or 13.3% will be over 25 years of age by 2014 and likely to be scrapped during 2011 to 2014, if freight rates remain at their current levels.

The Handymax sector (30 – 40,000 DWT – 1,109 ships of 39 MDWT at the start of 2011): 397 ships of 13.5 MDWT or 35% of the existing DWT are scheduled for delivery in 2011, another 222 ships of 7.8 MDWT or 20.1% in 2012, another 53 ships of 1.9 MDWT or 4.8% in 2013, with another 9 ships of 0.3 MDWT or 0.8% to follow in 2014. In this sector, 475 ships of 17 MDWT or 44.2% will be over 25 years of age by 2014 and likely to be scrapped during 2011 to 2014 if freight rates remain at current levels for any length of time.

The Small Handy sector (10 – 30,000 DWT – 3,151 ships of 63 MDWT at the start of 2011): 288 ships of 5.7 MDWT or 9% of the existing DWT are scheduled for delivery in 2011, another 104 ships of 2.2 MDWT or 3.5% are scheduled for delivery in 2012, another 22 ships of 0.5 MDWT or 0.7% in 2013, with no further ships

for delivery in 2014. In our sector, 1,159 ships of 22.5 MDWT or 35.7% will be over 27 years of age by 2014 and likely to be scrapped during 2011 to 2014 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 23%, in 2009 this had widened to 41%, but then dropped to 38% during 2010. It remains to be seen what this figure will look like for 2011, 2012 and 2013 but we would not be surprised to see it cross 50 to 60% if the BDI were to come down and stay below 1,500 points.

Our Competitive Position based on our existing 21 ships plus the 25 ships on order (18 bulk carrier and 3 Cement ships in India and the 4 Supramaxes in China) and the roughly USD 600 million of funds available to buy another 20 second-hand replacement ships in lieu of the older ships that we have sold, 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 clients 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 our fleet 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 and 2010 emerging as years characterized by freight market confusion, most prudent companies that have very little debt on their balance sheets and a lot of cash in their pockets would likely consolidate the industry. This could happen through the judicious purchase of second-hand tonnage or new building ships 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 generally eased in 2010 which was a welcome relief from the increasing trend witnessed for the past several years and which might have continued if not for the severe downturn in 2008. Almost all the cost components reduced from their previous levels, some more than the others, most notable being lube oils, repairs, maintenance, stores/spares and insurance. Younger ships are naturally less expensive to operate and maintain and the cost of stores/spares & repairs are also proportionately less. Most quality operators took advantage of the situation to rejuvenate their fleets by disposing off older ships. We expect this trend, of improving efficiency and saving costs through fleet rejuvenation will become more popular in 2011 also.

Lubricating Oil prices dropped in 2010, in line with the drop in prices of crude oil and other commodities. However, we expect these prices to increase in 2011 both because of an upsurge in oil prices and also because of the weakness of US Dollar currency.

As reported in our last Annual Review, the demand for officers and crews reduced from the peak levels witnessed in 2008 because of the drop in the number of ships trading, and with fewer than expected new-building deliveries from the shipyards. As a result, Crew costs plateaued out in 2010, but did not reduce, since most quality owners-operators did not cut wage levels and instead used it as a means to retain quality personnel.

Vessel values increased at the start of the year but then dropped during the second half. We expect values to remain volatile but could witness an increase in the second half, reverse of what was seen in 2010.

2010 was a benign claims year for most of the Protection & Indemnity ("P&I") insurers, or 'P&I Clubs' as they are known in the industry, and this provided a welcome respite from the high claims witnessed for the past 4-5 years when the shipping market was at its peak. The P&I insurance is unique for the shipping industry since it provides almost limitless insurance cover and top-quality claims-handling service for any and all sorts of situations that could arise from owning/operating ships. It is therefore extremely important that the P&I Clubs which provide such an insurance/service remain financially strong, and the low-claims scenario also helps keep down the premium. More importantly, all the insurers who were affected by the 2008 financial crisis and the resultant depression in 2008 and 2009, made modest to significant recovery on their investments because of the upswing in the equity markets. This investment income has helped shore up the finances of most insurers and lent stability to the insurance market as a whole. As a result, we expect the insurance premium rates to remain stable in 2011.

For all the reasons cited above, our average operating costs per day per ship for 2010 was about 5% lower than the previous year; whilst we do not have figures for the industry norm, we expect we would have done better than others 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. The Bulk Cargo Code (BC Code) has been replaced by the new International Maritime Solid Bulk Cargo code (IMSBC code). More countries are insisting on stringent ballast water management practices on board ships. As a result of initiatives from the International Labor Organization, working and living conditions of crewmembers on board are receiving increased importance. In order to formalize this and ensure uniform compliance, The International Labour Organisation (ILO) has adopted the Maritime Labour Convention 2006 (MLC 2006). A Maritime Labour Certificate (MLC) and a Declaration of Maritime Labour Compliance (DMLC) will be required to be obtained and placed on board to ensure compliance with the Convention for all ships above 500 tons in international trade. These certificates are to be obtained from the Flag state and their recognized organizations after thorough verification and surveys on board each vessel. The MLC 2006 will enter into force one year after 30 countries with a minimum of 33% of the world tonnage have ratified it. We expect the MLC 2006 to enter into force in December 2011 based upon EU's planned ratifications before 31 December 2010, and we are preparing in all respects to comply with this new requirement well before the dead line.

Focus on environment is becoming even more important. It is no longer just fashionable to say we are "Going Green"; organisations world-over are being pushed by their stakeholders to become more environment-conscious, not to speak of the newer regulations to ensure compliance. The Shipping industry, as reported earlier, gets an even closer

inspection due to the sensational media coverage of oil-spill accidents such as the Exxon Valdez. The various measures adopted voluntarily by the Company to reduce its Carbon footprint has been explained in our CSR Statement; besides, there are specific IMO Conventions and regulations mandated by individual countries, to control the emission of Sulphur dioxide, Nitrogen oxides, Halons and CFCs from our ships which contribute to Green House Gases. These regulations are 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. To formalize the Company's commitment towards preserving and conserving environment and to reduce carbon footprint, the Company has obtained ISO 14001:2004 certification from Class NK of Japan. The ISO 14001:2004 provides a framework for a holistic and strategic approach to the Company's environmental policy, plans and actions, and will demonstrate that the Company is an environmentally responsible organization.

Maritime Training Center & Maritime Resource Management: As reported earlier, the Company has set up a full-fledged Maritime Training Center at its Head Office in Bangkok in March 2008. The PSL Training Center includes a state-of-the-art Bridge Navigation Simulator for training of maritime personnel. 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'.

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, a member of the International Group of P&I Clubs, and one of the few insurers providing Hull as well as P&I insurance covers. Apart from the MRM courses, the PSL Training Center has classrooms, Video-Based Training (VBT) and Computer based training (CBT) for the 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. During 2010, the Training Center has introduced lectures on VTS (Vessel Traffic Separation) & SMCP (Standard Marine Communication Phrases) within the BTM and MRM courses, with the aim of developing our officers' communication skills in communicating with a VTS

officer using standard maritime phrases in various simulation exercises. 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 PSL Training Center liaises very closely with the Technical Department in order to identify the training needs of officers and crew and special training courses are designed to suit them. In this manner, new training courses were introduced for Engineer officers ("Engine Room Management and Competency Enhancement" - "EMC" for Senior Engineers, and "Engineer on Watch" - "EOW" for Junior Engineers); future plans include courses on "stern tube sealing systems" and "ships' cargo gears with special focus on hydraulic", and "Shipboard Safety for Ratings"(SSR) for crew. The PSL Training Center has certain basic (but important) equipment such as a turbocharger and a purifier 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.

The scourge of piracy, predominantly originating from Somalia, continues to be a cause for great concern. What was initially restricted to the Gulf of Aden area, has now spread to the whole of Arabian Sea/Indian Ocean. The entire ocean area from India to Africa and between Gulf of Oman and Madagascar has been notified as breach area by London war risks insurers. The so-called 'safe corridor' in the Gulf of Aden, which is patrolled by the naval war-ships of UN and other world powers, has little or no effect on combating piracy and the pirates seem to be able to pick up any ship at their will.

Although the shipping industry has been afflicted by piracy for centuries, it has assumed a totally new dimension in recent times ever since the Somalis turned it into a lucrative commercial enterprise. The swashbuckling pirate of the past is tame compared with today's heavily armed criminals scouring the expanse of ocean from Somalia to India 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.

The pirates now possess a number of fishing boats which are being used as 'mother-ships'. These provide the pirates with a degree of camouflage at sea, but more importantly, allow them to operate at much greater distances from the shore. They can carry greater supplies of food and water, and these fishing vessels are far more seaworthy than the Somali skiffs designed for fishing in coastal waters and calmer seas. Vessels operating in areas previously considered well beyond the range of Somalia are now under serious threat. We have urged all our vessels to initiate Best Management Practices. The Indian Ocean lacks the naval coverage provided by patrols in the Gulf of Aden. Commercial vessels are therefore left vulnerable when transiting the area. Naval warships appear to have a negligible impact on the success rate of pirate hijackings in the Indian Ocean.

Piracy attacks have also been reported in Bab el Mandeb (South of Red Sea) for a number of weeks. Attacks are also spreading further and further south, almost reaching the Mozambique Channel. Recently, ships have been hijacked virtually off the Indian coast!

The worrying developments that are taking place in Somalia indicate the threat to shipping in the Gulf of Aden and Indian Ocean will not subside in the near future. As there is no fear of retribution, not least because of the confusion as to what, if any, laws will apply to the pirates, the activities of the pirate groups continue unabated.

Ransom payments for the release of hijacked vessels continue to escalate. From an average of \$1m in 2008 to around \$4m this year, there seems to be no limit to the extortionate ransoms demanded by Somali Pirates.

According to the International Maritime Bureau ("IMB"), 39 vessels were hijacked in the first nine months of 2010, compared to 36 in the same period last year. This figure was only 11 in the first nine months of 2006 and shows that the problem has grown three-fold in the last 4 years. The IMB holds Somalia responsible for 35 out of the 39 hijackings. According to the EU's anti-piracy force, as at the end of 2010, 26 vessels and 613 hostage seafarers remain under the control of Somali pirates, the vessels being anchored off the Somali coast.

The Royal Thai Navy: In view of the alarming situation, the Royal Thai Navy also despatched two of their warships to patrol the Gulf of Aden strip, primarily with a view to protect Thai flag vessels transiting the area in October 2010. This move was heartening and provided a degree of comfort to us. However, these warships have since been ordered to return to Thailand, and we take this opportunity to thank the Royal Thai Navy for their services.

MAST, our security service provider, has also extended their reach and service to the full stretch of the Indian Ocean. With their expertise, the vigilance and due diligence exercised by our ship staff, and strict adherence to the Best Management Practices at all times that our vessels are in this area, we have been able to navigate our vessels without any incident.

Apart from the Somali pirates and their attacks in the Arabian Sea/Indian Ocean, Nigeria and its offshore oil installations continues to be vulnerable to pirate attacks. The primary difference between the two is that Nigeria has an elected Government with clear policies to deter piracy in its waters and that helps localize the menace and also control/handle it.

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 have completed the sale of all the major assets in this company with full receipt of sale proceeds and are now proceeding to close this Company in an orderly manner..

► **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 1.23 million, which works out to about 60% 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 was not successful because of inability of the Seller obtaining regulatory approvals, and therefore, we were forced to cancel our Share Purchase Agreement since we did not wish to wait any longer. We have received full refund of advances paid for this purpose but, we hope to increase our shareholding at an opportune time in future.

IN CONCLUSION:

Demand

With the current business climate of a very fragile banking system coupled with demand from three of the largest markets in the world (US, EU and China) looking a bit shaky, 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 and 2010. 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 which would have an adverse impact on demand growth. These will be the key trigger points to watch out for to 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% of the existing world fleet should have been scrapped. Under the present market conditions, this figure could rise 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 51% by DWT of brand new Dry Bulk ships scheduled to be delivered over the next 3 years to end of 2014, the financial crisis would subject their delivery 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 23% in 2008 increasing to 41% for 2009, 38% in 2010 and expected to cross 50% in 2011 and possibly 2012.

The supply side could 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 2012. We think that 2011 and 2012 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 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 half 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 cash flow 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 cash flows being unable to cover interest and/or principal repayment and the loan to value covenants having been breached.

Financial procrastination which characterised 2009 and 2010 with a "see no defaults, do no foreclosures, hear of no defaults" attitude may be something that will change dramatically in 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 2014 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

January 27, 2011

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. Mr. Thira Wipuchanin who ended his term on 28th February 2010 was re-elected by resolution of the Board of Directors in the Board meeting No.1/2010 held on 2nd February 2010. Moreover, Police LT. Gen. Kiattisak Prabhavat and Mr. Suphat Sivasriumphai who ended their term on 24th August 2010 were also re-elected by resolution of the Board of Directors in the Board meeting No.3/2010 held on 5th August 2010. 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 2010, 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 2010, 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, Securities and Exchange Act including regulations and notifications of the SET and the SEC. 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, Securities and Exchange Act including regulations and notifications of the SET and the SEC.

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 as amended from time to time including 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 5 connected transactions of which 4 are classified as type 2 transaction and 1 is classified as type 3 transaction under these notifications. Air ticket expenses, insurance premium expenses, computer purchases 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. 1/2011 held on 27th January 2011. 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 2010, Internal Auditors reviewed the Asset Acquisition and 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 as amended from time to time including 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 as amended from time to time. The Audit Committee was of the opinion that the asset acquisition and disposal transactions of the Company's subsidiaries were reasonable and for the best benefit of the Company.

In the year 2010, the Internal Audit department also commenced the review of the management's plan and implementation 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 2010.

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 2010, Audit Committee held 4 regular meetings (2009: 4 regular meetings) and no special meeting (2009: no special meeting). The record of attendance of the members of Audit Committee is summarized as follows:

Name	Number of Attendance / Total Meeting (Times)	
	2010	2009
	Regular Meeting	Regular Meeting
1. Police Lt. Gen Kiattisak Prabhavat	4/4	4/4
2. Mr. Suphat Sivasriamphai	4/4	4/4
3. Mr. Thira Wipuchanin	4/4	4/4

Audit Committee Meeting No.1/2011 held on 24th January 2011 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 2011.

1. Ms. Sumalee Reewarabandith (Certified Public Accountant (Thailand) No. 3970). She was the Company's Auditor from the year 2003 until 2007 and again for the year 2010.
2. Mr. Chayapol Suppasertanon (Certified Public Accountant (Thailand) No. 3972). He has been the Company's Auditor for the years 2008 and 2009.
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 2011 (2010 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 2010 for total Audit Fees of Baht 3.15 million and is expected to continue in a similar role for 2011 for total proposed Audit Fees of Baht 3.08 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 0.24 million (2010 actual: Baht 0.27 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

27th January 2011

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:

- ▶ Classified as one of the Companies with "Excellent" Corporate Governance for 2010, by the National CG Committee.
- ▶ Classified as one of the Companies as "Excellent and should be a role model" for conducting Annual General Meeting in 2010, by Thai Investors Association.
- ▶ In 2010, the Company was selected to present information about Corporate Social Responsibility of the Company for CSR Awards 2010 by the Stock Exchange of Thailand.
- ▶ Adjudged as the Best Managed Company in Thailand in the medium market cap sector and one of the Best in Investor Relations in the Asia's Best Managed Companies Poll conducted by "FinanceAsia", the results of which were published in April 2010.
- ▶ Nominated as a finalist for "The Bulk Operator Award" at the Seatrade Asia Awards 2010.
- ▶ Adjudged as the Best Company in Thailand for Overall Corporate Governance, Disclosure and Transparency, Shareholders' Rights and Equitable Treatment, Investor Relations and also Best Investor Relations Officer (Mr. Khalid Hashim, Managing Director) in the Corporate Governance Poll 2010 conducted by "ASIAMONEY".
- ▶ 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.
- ▶ 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.
- ▶ 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 2010, the Company provided an opportunity to the shareholders to propose agenda items for the AGM and opportunity to the shareholders to nominate suitable candidates to be a member of the Board of Directors of the Company. This practice is continued for AGM 2011 as well. In practice, shareholders with a combined holding of at least 200,000 shares could propose agenda items or nominate qualified directors before the AGM, which exceeds the privileges provided by law to shareholders. 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 30 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 2010, the Company held one shareholders' meeting which was the Annual General Meeting (AGM), on 17th March 2010 at Amari Atrium Hotel. All Board members (except one: Ms. Nishita Shah) attended the AGM of 2010 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.

Respect for International Human Rights Principles: The Company requires that all of its directors, the management and staff strictly respect International human rights principles as part of the operations and the Company does not tolerate any violations thereof.

Ethics for Intellectual Property Rights: The Company requires that all of its directors, the management and staff respect the intellectual property rights of others with care and caution.

Policy on preventing corruption and offering a bribe: The Company has guidelines for preventing corruption and offering a bribe as follows:

- ▶ Giving and receiving benefits that could improperly influence decision making should be conducted correctly, honestly, and in ways that are certain not to cause condemnation or loss of reputation. Gifts received by Directors are generally retained within the Company or distributed within office staff.
- ▶ Procurement is to be conducted according to the Company's guidelines and should be fair to all involved. The procurement's decisions are to be made on the basis of reasonable prices, quality, and service, and should stand scrutiny if an investigation occurs.
- ▶ Transaction with government must not be such as to persuade the government or government officials to do anything wrong or inappropriate. Mutual acknowledgement and building relations, within the proper bounds and normal practices, such as offering congratulatory messages and flowers on public occasions is acceptable.

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 2010 and 2009, 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					
		2010			2009		
		Board of Director	Audit Committee	Total	Board of Director	Audit Committee	Total
1 Admiral Dr. Amnad Chandanamattha	Chairman of the Board of Directors, Independent Director	1.20		1.20	1.20		1.20
2 Mr. Thira Wipuchanin *	Vice Chairman of the Board of Directors, Independent Director	0.55	0.20	0.75	0.55	0.20	0.75
3 Mr. Khalid Moinuddin Hashim	Managing Director	0.55		0.55	0.55		0.55
4 Mr. Munir Moinuddin Hashim	Executive Director	0.55		0.55	0.55		0.55
5 Mr. Khushroo Kali Wadia	Executive Director	0.55		0.55	0.55		0.55
6 Mr. Jaipal Mansukhani **	Director	0.55		0.55	0.55		0.55
7 Police Lt.Gen. Kiattisak Prabhavat ***	Independent Director	0.55	0.40	0.95	0.55	0.40	0.95
8 Mr. Chira Panupong	Independent Director	0.55		0.55	0.55		0.55
9 Mr. Suphat Sivasriumphai *	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.

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 2010 and 2009, 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	
		2010	2009
1 Mr. Khalid Moinuddin Hashim	Managing Director	25.99	24.29
2 Mr. Munir Moinuddin Hashim	Director (Commercial)	20.97	19.67
3 Mr. Khushroo Kali Wadia	Director (Finance)	19.12	17.92
4 Mr. Jaipal Mansukhani	Director (full time employed in the Company's subsidiary)	17.44	16.56
5 Mr. Shrilal Gopinathan	Vice President (Commercial)	10.56	9.94
6 Mr. Koka Venkataramana Sudhakar	Vice President (Fleet Management)	9.11	8.84
7 Mr. Kodakara Veettil Murali Menon	Vice President (Technical)	8.83	8.47
8 Mr. Neelakantan Vasudevan	Vice President (Risk Management)	8.87	8.35
9 Mr. Stephen Korah	Vice President (International Safety Management)	6.38	6.15
10 Mr. Kamal Kumar Dua	Vice President (Information Technology)	7.64	7.22
11 Mr. Nishikant Govind Desai*	Vice President (Projects)	7.69	-
12 Ms. Somprathana Thepnapaplen	Assistant Vice President (Finance & Account) & Company Secretary	4.76	4.35
13 Mr. Kiran Kesarinath Vaidya	Senior Manager (Accounts & MIS)	5.93	5.56
14 Mr. Yingyong Kanghae	Senior Manager - Group Accounts	3.50	3.19
Total		156.79	140.51

*Mr. Nishikant Govind Desai was promoted to the position of Vice President (Projects) from November 2010.

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					
	2010	2009	Services Sector			All Listed Companies		
			Mean	Min	Max	Mean	Min	Max
Chairman of the Board of Directors	1,200.00	1,200.00	774.89	15.00	3,576.00	797.97	15.00	5,400.00
Executive Directors	550.00	550.00	321.68	12.00	1,122.00	321.65	12.00	3,000.00
Non-executive Directors	550.00	550.00	336.75	12.00	1,200.00	392.17	12.00	3,120.00
Management	11,199.29	10,808.46	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Chairman of Audit Committee***	400.00	400.00	331.63	12.50	1,320.00	327.39	12.50	3,600.00
Audit Committee***	200.00	200.00	227.65	10.00	1,080.00	230.35	10.00	2,400.00

(In Thousand Baht/Person/Year)

Description	*PSL		** Other Listed Companies					
	2010	2009	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	524.66	30.00	1,900.40	797.97	15.00	5,400.00
Executive Directors	550.00	550.00	224.10	90.00	550.20	321.65	12.00	3,000.00
Non-executive Directors	550.00	550.00	386.32	75.00	3,120.00	392.17	12.00	3,120.00
Management	11,199.29	10,808.46	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Chairman of Audit Committee***	400.00	400.00	299.19	75.00	840.00	327.39	12.50	3,600.00
Audit Committee***	200.00	200.00	214.32	50.00	720.00	230.35	10.00	2,400.00

- * PSL's figures are actuals of respective years.
- ** From IOD's Remuneration Survey Report for the year 2010.
- *** 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 Thepnapaplern	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
2010	46	40	17	1	104
2009	44	33	21	4	102
2008	62	33	14	3	112

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.

Definition

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 each, 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.

In the Board of Directors meeting in 2010, the Board conducted a corporate governance self-assessment through a questionnaire following the SET and IOD guidelines. The scores of corporate governance self-assessment fall in the level of "Very Good". The Board of Directors intends to use this result to further improve its corporate governance. The Company intends that the corporate governance self-assessment be done every year in order to comply with Good Corporate Governance practice and accordingly, this exercise will be conducted again in year 2011.

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 2010, the internal auditors audited the aforesaid transactions and reported the results thereof to the Audit Committee in the Audit Committee's Meeting No. 1/2011 in January 2011. 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: 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 as amended from time to time including 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 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.

Reporting changes in Company share ownership

To prevent abuse of inside information, all company directors, including their spouses, must report any changes in their company share ownership to the Company in case of sale or purchase of Company's shares. The changes in Company share ownership is reported to the Board of Directors meeting every quarter.

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 2010, the Board of Directors held 4 ordinary meetings (2009: 4 times) and no extraordinary meetings (2009: no extraordinary meeting). The record of attendance of the Directors is summarized as follows:

Name of Director	Attendance / Total Meetings (Times)	
	Year 2010 Ordinary Meeting	Year 2009 Ordinary Meeting
1 Admiral Dr. Amnad Chandanamattha	4/4	4/4
2 Mr. Thira Wipuchanin	4/4	4/4
3 Mr. Khalid Moinuddin Hashim	4/4	4/4
4 Mr. Munir Moinuddin Hashim	4/4	4/4
5 Mr. Khushroo Kali Wadia	4/4	4/4
6 Mr. Jaipal Mansukhani	4/4	4/4
7 Police Lt.Gen. Kiattisak Prabhavat	4/4	4/4
8 Mr. Chira Panupong	4/4	4/4
9 Mr. Suphat Sivasriamphai	3/4	3/4
10 Miss Nishita Shah	3/4	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 6th May 2010, 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 2011.

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).

For instance, Mr. Peter Feddersen, Independent Director, attended "Financial Statements Demystified for Directors (FDD)", an English Program conducted by the Thai Institute of Directors.

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 through 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 2010 have been provided in the "Audit Committee Report" section of the Annual Report.

At the Board of Directors' Meeting No.1/2011 on 27 January 2011, 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 2010 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.

MESSAGE FROM THE BOARD OF DIRECTORS ON CORPORATE SOCIAL RESPONSIBILITY

To the Shareholders,

We are pleased to present this report on the Company's Corporate Social Responsibility ("CSR") activities, as it relates to Customers, Compliance with Regulations & Conventions, Employees - Safety & Occupational Health, Training & Development, Protection & Conservation of Environment, and Community & Society.

The Company's mission is to be the most respected shipping company in the world, providing best services and solutions to facilitate International dry-bulk trade. We believe this can be achieved with an unwavering focus on the Company's stakeholders, namely customers, governments & other statutory/industry organisations, employees, shareholders, and society & the community, and serving their respective needs in a constructive manner. The Company has also included elements of CSR as its core values which are followed at all times on a day-to-day level by all in the Company.

The CSR report summarises the Company's interactions with its stakeholders and reflects our continuous search for ways to improve at all levels. We are heartened by the large number of suggestions/views sent in by readers of our past reports, and we confirm that each and every response is taken very seriously and considered for immediate action.

On behalf of the Board of Directors of Precious Shipping Public Company Limited, we would like to express our gratitude to all those who have contributed to the success of the Company.

**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

January 27, 2011

CORPORATE SOCIAL RESPONSIBILITY (CSR) REPORT

The Company is committed to conducting business under Good Corporate Governance principles; doing business ethically and striving for the betterment of 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 ambassadors to the world and the Company takes this responsibility very seriously.

The Company places the 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 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 & Conventions, 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:

“...Charterers hereby thank very much owners approach to solve this urgent issue..”

“...Charterers find it very admirable from owners to give us the opportunity to solve this issue smoothly without being bound by time zones..”

“...would like to thank you from our and charterers side as well for your great cooperation and quick movements to find a solution to this problem which we do appreciate a lot. ..”

New computer-based Management Information System: As reported in the previous years, 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 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.

PSL DONATES DORMITORY BUILDING WORTH BAHT 25 MILLION



Precious Shipping Public Co., Ltd. (PSL)

recently handed over a dormitory building built by PSL at an approximate cost of about Baht 25 million, to Nakhon Si Thammarat Seaboard Industrial College (NASIC) in Nakhon Sri Thammarat Province. This building will be used as residential quarters by students coming from all over the province and neighbouring provinces.

As seen in the photograph: Guest of Honor H. E. Mr. Chinnaworn Boonyakiat (front row 4th from left), Minister of Education, formally receiving the donation on behalf of NASSIC from Mr. Khushroo Wadia, PSL's Executive Director (front row 3rd from right) with Mr. Jaipal Mansukhani, PSL Director (front row 2nd from right) and other dignitaries.

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.

7TH ANNUAL PSL MARITIME DAY RUN



Precious Shipping PCL, observed World Maritime Day by organizing “The 7th PSL Maritime Day Run” at Lumpini Park on Friday, 15th January, 2010.

World Maritime Day is used to focus attention on the importance of shipping safety, maritime security and the marine environment and to emphasize a particular aspect of IMO's work.

The World Maritime Day theme for this year was “2010 : The Year of the Seafarer”; befittingly, the PSL run this year had a sizeable number of participants serving onboard PSL ships as well as students from the Merchant Marine Training Center, who will be seafarers in years to come.

As seen in the photograph: Staff members before the run

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.



BLOOD DONATION 2010

The Company organizes blood donation camps on a regular basis in collaboration with The Thai Red Cross. In 2010 the Company organizes 2 blood donations in January and July with a total collection of 37,450 cc.

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.

The Company is introducing a mechanism whereby the officers and crew serving onboard our ships can send in their complaints and/or suggestions to the office. This, we expect will encourage the ship-staff to make effective contribution to the shipboard operations, and help us further improve the Company's performance.

PRECIOUS SHIPPING PCL. (PSL)

awarded Baht 1,284,800 worth of scholarships to selected students of Merchant Marine Training Center (MMTC) to support their entire education year at MMTC.

The photograph above shows Commander Vorakij Nitthitanant, MMTC's Director (left) along with Mr. Koka V. Sudhakar, PSL's Vice President in Fleet Management (right).



HOM BHA HAI NONG 13TH BY CADETS OF MERCHANT MARINE TRAINING CENTRE



The Company donated Baht 139,000 to the project Hom Bha Hai Nong 13th by cadets of Merchant Marine Training Centre to build 6 toilet rooms for Bann Non Pha Suk school, Sa Kaew province.

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 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. During the year 2010, new training courses specially developed for marine engineers at senior and junior levels, were introduced. The PSL Maritime Training Center 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:

ISO 14001 Certification: To formalize the Company's commitment towards preserving and conserving the environment and to reduce carbon footprint, the Company obtained ISO 14001:2004 certification in 2009. 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. Upon completion of one year after initial certification, the Company has successfully completed annual verification audit conducted by Class NK, confirming compliance with the standards.

Increasing demand for environmental conservation has been felt by all industries in the recent years. The Maritime industry is no exception. The Company has established an "Environment Protection Policy". In addition to minimum requirements based on international conventions and regulations, the Company implements an Environment Management System (EMS) complying with the ISO 14001 standards. The EMS supplements the 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.

The Company has developed procedure manuals with in-house expertise. After scrutiny and essential modifications, Class NK, the certifying body, has issued the certificate, and in the process, has moved 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 planet earth for a better life for the present and future generations. The 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 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 in-house training described hereinabove.

3) The Company has evaluated significant environmental impacts for all shipboard and company activities that 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 EMS 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.

COMPUTERS DONATION

The Company donated 28 used computers to Mathayom Warichpoom School, Sukhothai School, Bann Koh School, Sathya Sai School and Pak-Kret Community Administration Office .

Mr. Khushroo Wadia, Director and Mr. Yingyong Kanghae, Senior Manager, presenting the computers to Ms. Supaporn Phudinsai of Mathayom Warichpoom School





SCHOLARSHIP TO A STUDENT OF INTERNATIONAL MARITIME COLLEGE, KASETSART UNIVERSITY, SI RACHA CAMPUS

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 last instalment of this scholarship, Baht 55,000, was paid in April, 2010.

As seen in the photo: Mr. Koka V. Sudhakar, PSL's Vice President - Fleet Management (the second right) along with Mr. Narit Likkasittiphan, PSL's Senior Technical Manager (far right).

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 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.

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, the Company:

- ▶ 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.

The Company has identified the following major aspects of ship-operations which impact the environment:

- ▶ Emission of green house gases into the atmosphere: Carbon dioxide (CO₂), Sulphur dioxide (Sox), Nitrogen oxides (NO_x), Halons and Chlorofluro carbons (CFCs).
- ▶ Emissions to water: Oil, Garbage, Cargo, Harmful species, Harmful Anti-fouling (paint) Systems.
- ▶ Release to land: Garbage, Cargo spill and remnants.
- ▶ Use of raw materials and natural resources: Fossil fuel, water, paper.
- ▶ Use of new technological developments: New ships built to improved standards with due consideration for environmental aspects.
- ▶ Good environmental practices that can be achieved by influencing subcontractors like dry-docking companies, suppliers, waste disposal parties.

ISO 14001/2004 ENVIRONMENT MANAGEMENT SYSTEM



Mr. Khalid Hashim, Managing Director, receiving the ISO 14001 award & certificate from Mr. K. Kuno, General Manager of Class NK, Bangkok Office.

Capt. Nares Singsa-ard, Lead Safety Auditor, explaining the significance of environment management and the ISO 14001 to ship's officers.



Environmental Objectives and Goals

Based on the environmental aspects identified above, the Company has set measurable environmental objectives and goals for all employees, both onshore at the Head Office as well onboard the ships. These objectives and goals and the Company's performance against them are reviewed periodically.

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 incinerators), eliminate use of Halon (greenhouse gas) in fire extinguishing systems. Likewise, objectives for shore-based administrative office include reducing electricity consumption and paper consumption.

At the Head Office, the Company has analyzed the electricity consumption data over the past few years and as a small beginning, is constantly 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.

Assessment of the Company's performance in environmental conservation

It is a widely known fact that every liter of oil burnt generates approximately 3 kg of CO₂ emission which forms the largest component of greenhouse gases. The only alternative available is to reduce the fossil fuel burnt but that is not possible without sacrificing growth and development. The need therefore is to achieve higher efficiency while reducing the quantity of fuel oil burnt, and the Company has taken steps to achieve this.

Measures being adopted in general to reduce fuel consumption and improve CO₂ index / footprint are:

- ▶ Improved voyage planning with reduced/minimized ballast passage.
- ▶ Weather routing.
- ▶ Speed Optimization.
- ▶ Optimized ship handling by Trim, Ballast condition.
- ▶ Hull Maintenance.
- ▶ Use of improved Hull coatings like the Silicon based fouling release which does not release biocides like other anti-fouling paints.
- ▶ Improved cargo handling.
- ▶ Good Engine Maintenance.

Minimum incineration of Waste oil and Oil Sludge.

Sludge disposal ashore has been encouraged on all our vessels where suitable reception facility is available. Data available from vessels is showing encouraging results. Data collected from last 12 months show that our vessels have disposed ashore about 370 Tons of sludge (370,000 Liters).

Waste oil or sludge generated on each ship is about 1% of all fuel burnt. This amounts to approximately 200 Liters per day per vessel. Normally this sludge is burnt off in the incinerator on board. If delivered to suitable reception facility, this waste can be recycled to make products like grease which is a lubricant widely used. In most cases company bears the cost for such disposals. By adhering to this disposal practice on all ships, we have emitted 1,100 tons of carbon dioxide less into the atmosphere.

PSL TRAINING CENTER – BRIDGE NAVIGATION SIMULATOR & CLASS-ROOM TRAINING



Environment Management System's Training on Board



Testing Oily Water Separator



Sewage Treatment Plan



Bridge Navigation Simulator & Maritime Training Center

Vessels are also encouraged to Minimize Garbage generated and maximize disposal of Garbage ashore.

We have had no major contingency situations during the past year causing significant environmental damage.

Our Safety Management System ensure that we are well prepared for all anticipated contingencies so that their environmental impact is minimal should one occur.

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 situation that would have a negative impact on the environment. There have been no major events from the Company's operations, which have affected the environment.

Use of New Technology and Innovations:

The Company's commitment to protection and conservation of environment and prevention of pollution is reflected in the new building contracts the Company has signed with ABG Shipyard in India for building 21 vessels (18 bulk carriers and 3 special-purpose cement carriers). 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 the environment.

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

1. Double Hull construction is utilized to minimize environmental pollution in case of hull damage.
2. 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.
3. Engines fitted will be in compliance with Nitrogen oxide (NOx) emission standards.
4. 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.
5. 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.
6. Improved propeller design will reduce fuel consumption: 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.
7. Shaft generators will be fitted on all ships which will reduce fuel consumption for on board power generation.
8. Large capacity Incinerator compliant with IMO performance standards (capable of incinerating plastics if required).
9. 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.
10. Larger capacity 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.
11. Improved Sewage Treatment Plants are being installed on the ships.
12. These ships will be in compliance with IMO’s “Ship Recycling Convention”: The Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships, 2009, was adopted in May 2009. It is aimed at ensuring that ships, when being recycled after reaching the end of their operational lives, do not pose any unnecessary risk to human health and safety or to the environment. Our new vessels will be maintaining an inventory of Hazardous material in compliance with the convention recommendation, 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’.

The Company is also continuously looking out for other ways and means of reducing our carbon footprint.

Reducing Carbon footprint: In addition to protecting & conserving the environment by the afore mentioned methods, the Company is also achieving reduction in its carbon footprint. The Company’s ships are as such well geared to do 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. The ship's 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.

We are happy to report that the Company's Annual Report this year is printed on recycled paper, our token contribution to the conservation of the natural environment and in line with our stated desire to reduce our 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-based 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 textbooks to MMTC on a regular basis.
- ▶ The Company has instituted Scholarship scheme for students of MMTC. In 2010, an aggregate of Baht 2,355,120 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.
- ▶ As reported in the previous report, the Company had 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 has successfully completed the project of building and has handed over a student dormitory facility at NASIC which was built by the Company at a total cost of about Baht 25.40 million. The Company continues to provide financial assistance to the students by 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 The International Maritime College, Kasetsart University, Si Racha Campus to support his entire Maritime Science degree course in the University. The final installment under this scholarship award was paid in April 2010.

- ▶ The Company donated Baht 139,000 to the project Hom Bha Hai Nong 13th by cadets of Merchant Marine Training Centre to build toilet facilities at Bann Non Pha Suk School, Sa Kaew province. This is further to the donation made by the Company in the previous years of: 1) Baht 80,466 to the project Hom Bha Hai Nong 12th by cadets of MMTC to buy a projector and build an activities stage for Wat Bang Kra Jao School in Samut Sakorn province; and 2) Baht 100,000 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.
- ▶ During the year 2010, the Company donated 28 used computers to Mathayom Warichpoom School, Sukhothai School, Bann Koh School, Sathya Sai School and to Pak-Kret Community Administration Office. This is in continuation of the Company's tradition to assist in the education of needy children, when the Company has reported the donation of 15 computers for teaching program to Bann Koh School in Surin province which was followed up by further three computers of modern vintage (Dell Celeron 2 GHZ, Hard Disk 40 GB) to upgrade the teaching facilities.
- ▶ 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 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.
- ▶ 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 2010, 2 donation camps were organized in January and July with a total collection of 37,450 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 2010, the PSL Run was held on 15th January 2010 in which the Company’s employees and associates participated with great enthusiasm and camaraderie.
- ▶ The Company is one of the sponsors of the annual sports 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 equipment to make a scientific laboratory that supported 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 Nakhonratchasima province in September 2007.
- ▶ The Company contributed Baht 100,000 to The 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.

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 and the continued weakness 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 and its aftermath 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 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 directly exposed to any risk of increased costs due to fluctuations in international oil prices, since, whenever the fuel costs are on the Company’s account (in case of a Voyage Charter), increase/decrease in oil price is passed on to the Customers since the freight rates are quoted and charged after incorporating the increased/decreased 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 2010 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 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 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. Accordingly, the liability against this facility of Thai Baht 1,502.35 million drawn for financing two vessels was immediately converted (swapped) to US Dollars with a matching amortization schedule to the Thai Baht Loan. 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. Further, the Company has now not only successfully extended the availability period of the undrawn balance of this Facility (USD 200 million) but has been able to reconvert the facility back into USD Dollars whereby the exchange risk on this facility is now removed.

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 in the previous two years when the Company had sold 25 ships out of its fleet of 44 ships at the beginning of the year 2009 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 believes 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 is 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 5 to 6 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 visibility and 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 5/6 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 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 now sold 25 of its oldest vessels in the previous two years 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 continue 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 was a recovery in the dry bulk markets in 2009 from the second quarter but the situation still remains uncertain and extremely volatile, particularly because of the large potential supply of new vessels which has commenced arriving this year and is expected to continue in the next 2/3 years. 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" 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 current volatile market circumstances of the previous two years, 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 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 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 credibility. 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 the Company's 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 last two years (2009 and 2010) the Company has sold 25 of its oldest vessels thereby reducing its Fleet size substantially. If the Company wishes to maintain

capacity, a replacement of the sold ships has 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 few 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 those inflated 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 year 2008 but turned around somewhat in 2009 as explained hereinabove. While the Company has managed to purchase two second-hand ships so far, 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/early 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 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) in years 2007 and 2008 with ABG Shipyards 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. The Shipyard has recently indicated a delay in delivery schedules of the first 4 Vessels ordered by the Company and should one or more of these vessels not be delivered because the orders are cancelled by the Company in accordance with the Contracts, although there would not be any direct financial loss for the Company, the Company loses the opportunity of replacing capacity and earning revenues from the delayed/cancelled vessels.
- **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 lower than cost which will expose the Company to an impairment charge in the Company's accounts and the Company may also default under the "Loan to Value" Covenant required to be maintained in accordance with the Loan facility Agreement. The Company is mindful of this default 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 which would however require that enough cash is conserved by the Company to fund these 3 new ships.

In view of the continued strength in the second-hand values of ships and consequent disinterest of the Company to acquire second-hand ships at such inflated values, the Company has recently made an opportunistic resale acquisition of 4 newbuilding contracts for 4 new Supramax vessels for delivery in 2012 from a Shipyard in China. Accordingly, the risks associated with the earlier newbuilding contracts as explained above are now similarly applicable for these latest newbuilding contracts too although due to the very low price of these newbuildings, the risk of a potential impairment charge in the accounts is very low.

- **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 year 2008. Further, the Company also has other credit facilities available to fund the second-hand ships to replace the old vessels sold by the Company. However, the Company is exposed to the risk of funding not being available, if required, for the latest 4 newbuilding contracts acquired 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 in 2008 and early 2009. Although there has been a small recovery in demand in second half 2009 and early part of this year, 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 any sudden and appreciably large falls 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 at least allow the recovery of the respective operating expenses of such ships.
- **Counterparty Risk:** In case of a relapse of the Global Financial Crisis, 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 the 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 credibility.
- **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 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 renewed (extension of availability period) existing credit facilities 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 2010 and 2009

No.	Name	As on 31 st December 2010		As on 31 st December 2009	
		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	87,590,850	8.43%	100,328,600	9.65%
	Mr. Munir Moinuddin Hashim (includes 1,728,000 shares held at Securities Company)	87,871,850	8.45%	75,134,100	7.23%
	Mrs. Ishrat Hashim (spouse 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	55,201,788	5.31%	64,077,411	6.16%
4	Group of "NORTRUST NOMINEES LTD."	32,496,000	3.13%	15,853,700	1.53%
5	ABN AMRO GLOBAL CUSTODY SERVICES N.V.	24,000,000	2.31%	0	0.00%
6	Group of "HSBC"	12,518,300	1.20%	3,003,600	0.29%
7	Group of "GOVERNMENT OF SINGAPORE INVESTMENT CORPORATION"	12,486,000	1.20%	12,729,400	1.22%
8	Group of "CHASE NOMINEES LIMITED"	11,722,304	1.13%	10,453,986	1.01%
9	GEDRA ENTERPRISES INC	11,634,294	1.12%	8,384,294	0.81%
10	Group of "GERLACH & CO"	10,054,000	0.97%	8,430,140	0.81%
11	"Other shareholders (apart from the Top Ten shareholders as mentioned above)"	239,769,608	23.07%	286,949,763	27.61%
Grand total		1,039,520,600	100.00%	1,039,520,600	100.00%
		Total : 6,833 shareholders		Total : 8,369 shareholders	

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.
12. Define policy and guidelines for risk management and monitor the management to ensure the efficiency of risk management system.
13. Define policy and guidelines for good corporate governance and ensure that the duties and responsibilities of Directors and the management comply with Corporate Governance principles.
14. Define policy and guidelines to implement Corporate Social Responsibility.

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.
10. Prepare and review policy and guidelines for risk management and monitor the management to ensure the efficiency of risk management system.
11. Prepare and review policy and guidelines for good Corporate Governance and guidelines to implement Corporate Social Responsibility.

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.3/2010 held on 5th August 2010 and Mr. Thira Wipuchanin, Audit Committee Member was reappointed by resolution of the Board of Directors in the Board Meeting No.1/2010 held on 2nd February 2010.

** 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.

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. Review risk management system of the Company and recommend improvements on a regular basis.
4. Review guidelines for the Company's Corporate Governance as compared with those of International organizations and present its recommendations to the Board of Directors.
5. 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.
6. 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.

7. 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.

8. 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.

9. 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 2010, 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 2010, 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 Sivasriumphai, Member of Nomination Committee attended one meeting. Mr. Thira Wipuchanin, Chairman of Nomination Committee, Mr. Suphat Sivasriumphai 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	80 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 2010		2,841,500 shares (0.27% of total paid-up shares)	
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2010		30,000 shares	

MR. THIRA WIPUCHANIN

POSITION Independent Director / Vice Chairman of the Board of Director
Chairman of the Remuneration Committee / Chairman of the Nomination Committee
Audit Committee Member*

AGE 61 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 CREDITABILITY 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, Audit Committee Member, Nomination and Remuneration 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

1 Company :

Chairman of the Board of Director, Environmental Care Management Company Limited.

- CONNECTED COMPANIES

Nil

- OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)

Nil

- OTHER ORGANISATIONS

Nil

NO. OF SHARES HELD AS OF YEAR END 2010

Nil

INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2010

Nil

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

MR. KHALID MOINUDDIN HASHIM**POSITION** Managing Director / Executive Director**AGE** 58 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)

59 Companies : Director in the Company's 58 subsidiaries and 1 associated company

(Subsidiary Companies Nos. 1-58 and Associated Company No.59 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 Veritas.

NO. OF SHARES HELD AS OF YEAR END 2010 87,590,850 shares (8.43% of total paid-up shares)**INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2010** (12,737,750) shares**MR. MUNIR MOINUDDIN HASHIM****POSITION** Director / Executive Director**AGE** 56 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)

57 Companies : Director in the Company's subsidiaries

(Subsidiary Companies Nos. 1-53, 55-58 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 2010 87,871,850 shares (8.45% of total paid-up shares)**INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2010** 12,737,750 shares

MR. KHUSHROO KALI WADIA

POSITION Director / Executive Director

AGE 48 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

2 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, The Atrium Hotel Ltd.

* Note : Please refer to "CONNECTED TRANSACTIONS" on page 180 of this Annual Report

- OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)

58 Companies : Director in the Company's subsidiaries
(Subsidiary Companies Nos. 1-58 on page 7-8 of this Annual Report)

- OTHER ORGANISATIONS Nil

NO. OF SHARES HELD AS OF YEAR END 2010 745,100 shares (0.07% of total paid-up shares)

INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2010 30,000 shares

POLICE LT. GEN. KIATTISAK PRABHAVAT

POSITION Chairman of Audit Committee / Independent Director

AGE 75 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.
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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 2010	Nil
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2010	Nil

MR. SUPHAT SIVASRIAUMPHAI

POSITION	Independent Director / Audit Committee Member* / Nomination Committee Member
AGE	64 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.
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OTHER EXPERIENCE

1989 - Present	Director, Precious Shipping Public Company Limited.
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OCCUPATION	Managing family owned companies.
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DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS

- LISTED COMPANIES	Nil
- NON - LISTED COMPANIES	3 Companies : 1. Managing Director, Thai Filament Textiles Company Limited. 2. Managing Director, Thai Ambica 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 2010	3,300,000 shares (0.32% of total paid-up shares)
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INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2010	Nil
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Note: * Audit Committee Member who has adequate expertise and experience to review creditability of the financial statement

MR. CHIRA PANUPONG

POSITION	Independent Director / Remuneration Committee Member
AGE	78 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 2010	Nil
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2010	Nil

MR. JAIPAL MANSUKHANI

POSITION	Director
AGE	61 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 48 on page 8 of this Annual Report)
- OTHER ORGANISATIONS
 - 1. Member, Regional Committee, Nippon Kaiji Kyokai.
 - 2. Member, Regional Technical Committee, American Bureau of Shipping.
 - 3. Member, Regional Committee, Lloyds Register of Shipping.

NO. OF SHARES HELD AS OF YEAR END 2010 200,000 shares (0.02% of total paid-up shares)

INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2010 Nil

MISS NISHITA SHAH**POSITION**

Director

AGE

31 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 179-180 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 2010 98,586,000 shares (9.48% of total paid-up shares)
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2010 Nil

MR. KIRIT SHAH

POSITION Director / Remuneration Committee Member

AGE 58 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 179-180 of this Annual Report

- OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)

2 Companies : 1. Director, Southern LPG Limited, India

2. Director, International Seaports (Haldia) Private Limited, India

(Subsidiary Company No.54 and Associated Company No.59 on page 8 of this Annual Report)

- OTHER ORGANISATIONS Nil

NO. OF SHARES HELD AS OF YEAR END 2010 Nil

INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2010 Nil

MR. PETER FEDDERSEN

POSITION	Independent Director / Nomination Committee Member
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AGE	70 years
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EDUCATION	Graduated in International Business from Thunderbird Graduate School of International Management, Glendale, Arizona, USA.
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TRAINING

Oct 2009	Completed the Thai IOD's Financial Statements Demystified for Directors (FDD1/2009)
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Aug 2006	Completed the Thai IOD's one day Director Accreditation Program in August 2006.
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EXPERIENCE

24 Apr 2007 - Present	Independent Director, Precious Shipping Public Company Limited.
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1987 - 1994	General Manager and Advisor, G.Premjee Ltd., Bangkok.
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1985 - 1987	General Manager, Continental Overseas Corp., Bangkok.
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1982 - 1985	Managing Director, Continental Grain Co. (Australia), Sydney, Australia.
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1973 - 1982	General Manager, Vice President, Continental Overseas Corp., Bangkok.
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2002 - end 2007	General Committee Member, the Royal Bangkok Sports Club (RBSC).
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OCCUPATION	Grain Trader, Investor.
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DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS

- LISTED COMPANIES	Nil
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- NON - LISTED COMPANIES	2 Companies : 1. Director, Pataya Food Industries Limited. 2. Director, Fastrak Services Limited.
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- CONNECTED COMPANIES	Nil
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- OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)	Nil
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- OTHER ORGANISATIONS	Nil
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NO. OF SHARES HELD AS OF YEAR END 2010	364,000 shares (0.04% of total paid-up shares)
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INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2010	Nil
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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	53 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 2010	1,000,000 shares (0.09% of total paid-up shares)
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2010	(500,000) shares

MR. KOKA VENKATARAMANA SUDHAKAR

POSITION	Vice President (Fleet Management)
AGE	62 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 2010	10,000 shares (0.00% of total paid-up shares)
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2010	Nil

MR. NEELAKANTAN VASUDEVAN

POSITION	Vice President (Risk Management)
AGE	49 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 2010	60,000 shares (0.00% of total paid-up shares)
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2010	Nil

MR. STEPHEN KORAH

POSITION Vice President (International Safety Management) (ISM)

AGE 54 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 2010 10,000 shares (0.00% of total paid-up shares)

INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2010 (70,000) shares

MR. KODAKARAVEETIL MURALI MENON

POSITION Vice President (Technical)

AGE 55 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, Seacardland Ship management, Austria

POSITIONS HELD IN OTHER COMPANIES Nil

NO. OF SHARES HELD AS OF YEAR END 2010 248,000 shares (0.02% of total paid-up shares)

INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2010 Nil

MR. KAMAL KUMAR DUA

POSITION Vice President (Information Technology)

AGE 45 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 2010 Nil

INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2010 (255,200) shares

MR. NISHIKANT GOVIND DESAI

POSITION	Vice President (Projects)
AGE	58 years
EDUCATION	Naval Architecture Engineering from Indian Institute of Technology (IIT-Kgp)
EXPERIENCE	
Nov 2010 - Present	Vice President (Projects) of Precious Shipping Public Company Limited
1998 - Nov 2010	Assistant Vice President (Projects) of Precious Shipping Public Company Limited
1995 - 1998	Project Manager (New Building) at CKMI Shipyard, Korea
POSITIONS HELD IN OTHER COMPANIES	Nil
NO. OF SHARES HELD AS OF YEAR END 2010	40,000 shares (0.00% of total paid-up shares)
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2010	Nil

MR. KIRAN KESARINATH VAIDYA

POSITION	Senior Manager (Accounts & MIS)
AGE	41 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 2010	Nil
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2010	Nil

MS. SOMPRATHANA THEPNAPALERN

POSITION	Assistant Vice President (Finance & Accounts), Company Secretary
AGE	40 years
EDUCATION	Master of Science in Accounting, Thammasat University Certified Public Accountant of Federation of Accounting professions
TRAINING	
June 2010	Attended the training course on the topic "Effective Minute Taking" held by the Thai Institute of Directors
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 Thalung & Co., Ltd.
POSITIONS HELD IN OTHER COMPANIES	Nil
NO. OF SHARES HELD AS OF YEAR END 2010	Nil
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2010	Nil

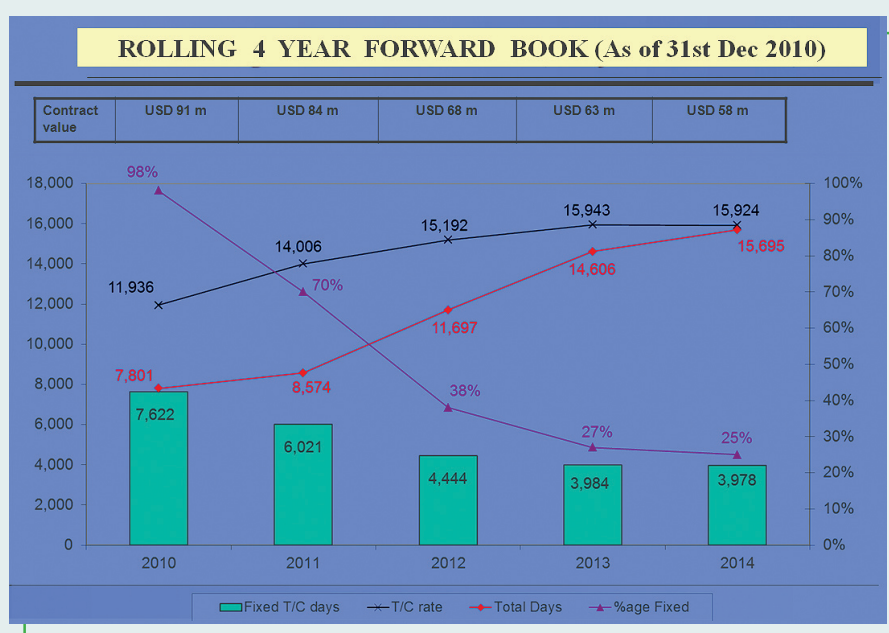
MR. YINGYONG KANGHAE

POSITION	Senior Manager - Group Accounts
AGE	40 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 2010	Nil
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2010	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 or longer 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 2010, the Company managed to enter into period charters of shorter duration whenever any charters expired, particularly in the second half of the year since the markets have been weakening considerably since then. Freight markets have continued the downward trend in 2011 and in this environment, the Company may have to resort to shorter duration charters on the spot markets rather than accept very low rates for slightly longer duration. However, 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:

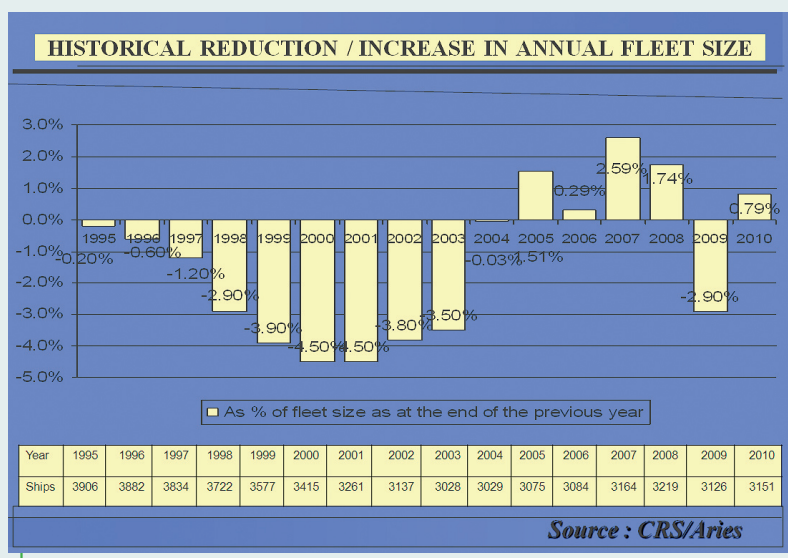


Total Days in above chart is based on our existing fleet of 21 ships as at the end of the year 2010. The Company has not assumed any ships acquired except the 4 new ships ordered by the Company during 4th quarter of year 2010, 18 new buildings and 3 cement carriers ordered during 2007-2009 which are assumed to be added to the fleet from their respective delivery dates.

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

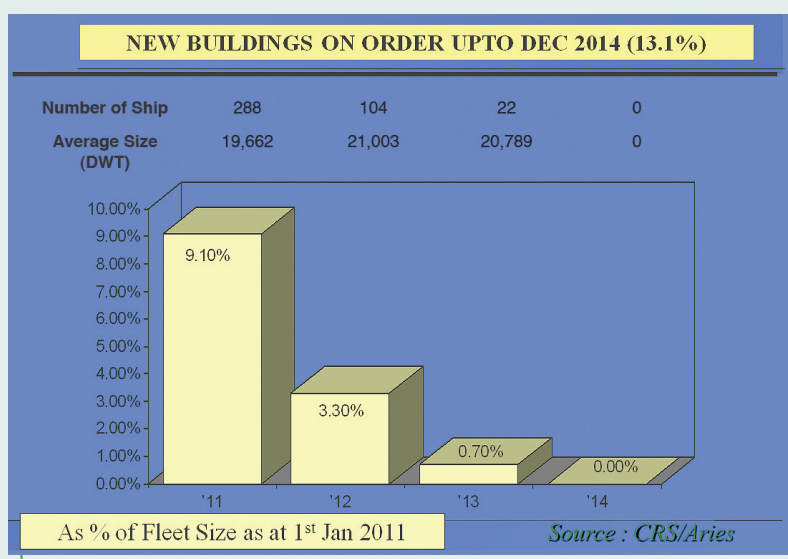
2. INDUSTRY OVERVIEW – WORLD DEMAND–SUPPLY OUTLOOK

(SMALL HANDY SIZE SECTOR ONLY) – (TO BE READ WITH THE BOARD OF DIRECTORS' REPORT PRESENTED SEPARATELY IN THIS ANNUAL REPORT)



CRS: Clarksons Research Studies

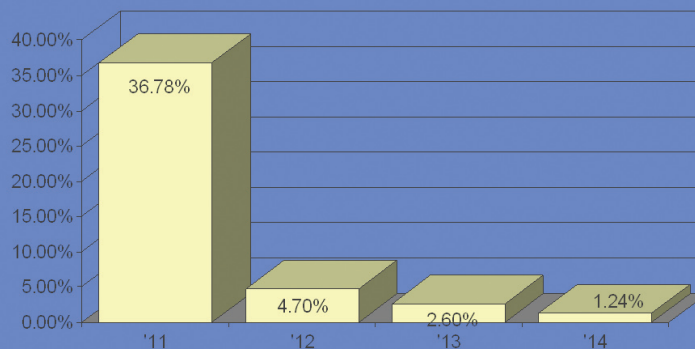
It will be observed from the above chart that there has been a continuous reduction in world fleet size until 2003. However, during the year 2004, a net increase of one ship to the world fleet took place as compared to that at the end of year 2003. During the years 2005, 2006, 2007 and 2008, 46, 9, 80 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 since the 4th quarter of 2008 the scrapping rate has increased due to the sharp downturn in the shipping market, thereby reducing the net supply rate and only 55 ships were added to the world fleet in 2008 as compared to 80 ships in year 2007. The increased scrapping rate continued during the early part of 2009 which resulted in a net reduction of 93 ships in the world fleet by the end of the year. However, due to the recovery in the freight markets from end 2009 with higher freight rates in the early part of 2010, the scrapping rates went down again, which, coupled with the increased supply of new ships, resulted in an increase in the world fleet at the end of the year 2010 by 0.79% of the fleet at the beginning of the year.



It is evident from the above chart that, although the supply of new ships in 2011 is slated to be marginally stronger than the immediate past, in the next three years after that, just about 4% more new ships have been contracted to be delivered as against the existing fleet, which has 45.3% of the fleet over 27 years of age. Therefore, the supply side in our sector appears to be quite favorable.

**POTENTIAL SCRAPPING OF SHIPS 27 YEARS OR OLDER UPTO DEC 2014
(45.3% !)**

Number of Ships	1,159	149	83	39
Average Size (DWT)	19,388	22,280	21,553	21,164

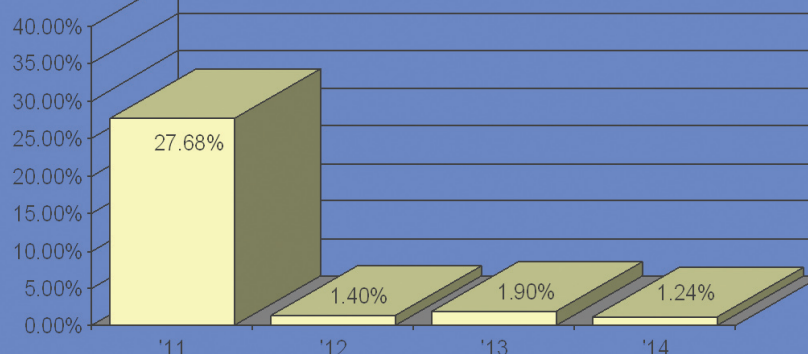


As % of Fleet Size as at 1st Jan 2011

Source : CRS/Aries

**POTENTIAL NET REDUCTION IN SUPPLY
UPTO DEC 2014 (32.2% !)**

No of Ships	871	45	61	39
Average Size (DWT)	19,388	22,280	21,553	21,164



As % of Fleet Size as at 1st Jan 2011

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 50% 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. The scrapping rate in 2010 dropped considerably from 2009 with shipowners continuing to operate very old vessels which is evident from the fact that the average scrapping age in recent years is closer to 30 years rather than the historical average of 27 years. Therefore, with the expected weakening in freight rates in the next 2 years or so, the scrapping rate is expected to pick up which would provide a natural self-correcting factor to balance supply and demand in the handysize sector.

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

3. BUYING AND SELLING OF SHIPS :

3.1 NEW SHIP BUILDING CONTRACTS FOR 18 SHIPS ORDERED IN YEARS 2007 AND 2008

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.

Delay in Delivery of Newbuildings:

The Company has received the revised Delivery Schedule for 18 drybulk Vessels (12 handysize vessels and 6 supramax vessels) ordered by the Company from ABG per following table.

The main reasons given by the Shipbuilder for the delays are summarized as under:

1. Delay in obtaining statutory approvals (particularly the environmental approvals) for the construction of the new shipyard facilities.
2. Delay in finalization of vessel designs since the Vessels are being built in advance compliance with very new regulations which came into force after orders were placed or not yet applicable but expected to come in force at a future date.
3. Record rainfall and flooding in 2010, particularly affecting the delivery schedule of the first 2-3 Vessels.
4. Time lost in rectification of the completed Hull no 329 (the first Vessel) which suffered damage when it slipped from top of the slipdock. This incident affected the expected delivery dates of the first 2/3 handysize Vessels and the first Supramax Vessel.

The Company is still in discussions with the Shipbuilder for remedial action for delay in delivery of hull numbers 329, 330, 331 and 313 and will update the delivery schedule as and when revisions in Delivery Dates and/or other Contractual terms are finalized.

The Details of cost,schedule of installment for New Buildings contracts for 18 ships as of 31st December 2010

Hull No.	Contract date	Revised Date of Delivery	DWT	Contract Amount US\$	Paid in 2007 US\$	Paid in 2008 US\$	Paid in 2009 US\$	Paid in 2010 US\$	Total As on 31st Dec 2010
329	20 th July 2007	Under Discussion	32,000	29,999,997	5,999,999	* 5,999,999	* 5,999,999	-	17,999,997
330	20 th July 2007	Under Discussion	32,000	29,999,997	5,999,999	-	* 11,999,998	-	17,999,997
331	20 th July 2007	Under Discussion	32,000	29,999,997	5,999,999	-	* 11,999,998	-	17,999,997
333	20 th July 2007	31 st July 2011	32,000	29,999,997	5,999,999	-	* 11,999,998	-	17,999,997
334	20 th July 2007	30 th November 2011	32,000	29,999,997	5,999,999	-	* 5,999,999	-	11,999,998
335	20 th July 2007	31 st March 2012	32,000	29,999,997	5,999,999	-	-	* 5,999,999	11,999,998
336	20 th July 2007	31 st July 2012	32,000	29,999,997	5,999,999	-	-	-	5,999,999
337	20 th July 2007	30 th September 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	31 st March 2013	32,000	29,999,997	5,999,999	-	-	-	5,999,999
340	20 th July 2007	30 th June 2013	32,000	29,999,997	5,999,999	-	-	-	5,999,999
342	20 th July 2007	30 th September 2013	32,000	29,999,997	5,999,999	-	-	-	5,999,999
313	14 th September 2007	Under Discussion	54,000	37,999,998	7,599,999	* 7,599,999	* 7,600,000	-	22,799,998
315	14 th September 2007	30 th November 2011	54,000	37,999,998	7,599,999	* 7,599,999	-	-	15,199,998
316	14 th September 2007	15 th April 2012	54,000	37,999,998	7,599,999	-	* 7,599,999	-	15,199,998
347	11 th February 2008	31 st August 2012	54,000	37,999,998	-	7,599,999	* 7,599,999	-	15,199,998
348	11 th February 2008	15 th January 2013	54,000	37,999,998	-	7,599,999	* 7,599,999	-	15,199,998
349	11 th February 2008	31 st May 2013	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	5,999,999	230,799,966

* Funded by loan drawn against the Newbuilding Credit Facility

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

Instalment Number	Milestone	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) is to 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 to be declared before 30th April 2011) new cement Carriers (the "Ships") to be delivered per details hereunder:

Delivery Schedule:

1 st Ship	- between 30 July 2011 and 15 August 2011
2 nd Ship	- between 1 November 2012 and 31 January 2013
3 rd Ship	- between 1 November 2013 and 31 January 2014
4 th 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 Varada Marine Pte Ltd. (formerly PFS Shipping (Singapore) Pte. Limited –part of the ABG Group):

The Company has entered into a Joint Venture agreement with Varada Marine Pte Ltd. ("Varada") 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:

PSL and the ABG Group (through its group Company, Varada) have entered into 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. 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 has also provided 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 Varada shall incorporate with equal ownership, a special purpose joint venture Company in Singapore with the name "Associated Bulk Carriers Pte. Ltd." (the "JV Company"). Accordingly, the JV Company was incorporated in Singapore.
- ▶ The MOU shall be novated from PSL to the JV Company. Accordingly, the 3 individual time Charter Contracts signed by the Company on the basis of the MOU have now been transferred to the 3 ship owning subsidiaries (of 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. This has now been done as explained in section (c) hereunder.
- ▶ 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. This has now been done as explained in section (c) hereunder.
- ▶ 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, Varada (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, Varada 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 Varada equally.
- ▶ PSL or its nominee 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.

(c) The signing of 3 shipbuilding contracts for 3 new cement bulk carriers:

In order to perform the long term Time Charters already signed by the Company and MOU signed as explained above in 3.2 (a) and (b), the Company through three special purpose subsidiaries (the SPV) of Associated Bulk Carriers Pte. Ltd, which is the joint venture company between the Company and Varada Marine Pte Ltd (50:50 shareholding), viz., ABC One Pte. Ltd., ABC Two Pte. Ltd. and ABC Three Pte. Ltd., have each entered on 22nd April 2010 into a Shipbuilding Contract for a Cement Bulk Carrier with ABG Shipyard Limited, India.

The main terms of each of the contracts are as follows:

1. Details of assets purchased:

Each Vessel is a 20,000 deadweight tonnes (DWT) cement carrier equipped with special cargo-handling equipment suitable for carrying bulk cement. The Vessels shall be registered in Singapore and shall fly the Singapore Flag.

2. The details of cost, schedule of installments, and expected date of deliveries as on 31st December 2010 are as follows:

Hull No.	Contract date	Expected Date of Delivery	22K "DWT" Ship	Contract Amount US\$	Paid in 2010 US\$	Total As on 31 st Dec 2010
378	22nd April 2010	30th July 2011	22,000	28,500,000	11,400,000	11,400,000
379	22nd April 2010	1st November 2012	22,000	28,500,000	5,700,000	5,700,000
380	22nd April 2010	1st November 2013	22,000	28,500,000	5,700,000	5,700,000
Total			66,000	85,500,000	22,800,000	22,800,000

The individual Contract for each Vessel has been entered into between each SPV and the Builder with individual price for each Vessel of USD 28.5 million. The aggregate Contract Price of the Vessels is USD 85.5 million. Therefore, since the Company holds 50% of the total 2 shareholding in each SPV Subsidiary (through ABC) the Company's interest in all the Contracts is 50% of the aggregate Contract Price, which is USD 42.75 million.

The individual Contract Price shall be paid in instalments as follows:

Instalment Number	Milestone	22K "DWT" Ship
1 st	On signing the contract	5,700,000
2 nd	Steel cutting of the first steel plate	5,700,000
3 rd	After completion of Keel Laying of the Ship	5,700,000
4 th	Launching of the Ship	5,700,000
5 th	Delivery of the Ship	5,700,000
Total		28,500,000

3.3 Acquisition of 4 New Shipbuilding Contracts for 4 Supramax Vessels (57,000 DWT) vide purchase of 4 Single Purpose Companies (SPCs):

Pursuant to the Company's Fleet rejuvenation plan, the Company purchased 4 new shipbuilding resale Supramax ships vide purchase of 4 single purpose companies as under:

Precious Shipping (Singapore) Pte. Limited, Singapore (wholly owned subsidiary of the Company) signed an Agreement on 10th December 2010 with Oswal Shipping Pte.Ltd. (the "Seller"), Singapore, the owner of the SPCs, for the purchase of the entire issued and paid-up share capital (Singapore Dollar 1 each) of OSW6 Pte. Ltd., OSW7 Pte. Ltd, OSW8 Pte. Ltd. and OSW9 Pte. Ltd.. Each of the four SPCs holds 1 New Shipbuilding Contract each with Wuhan Guoyu Logistics Group Co. Ltd and Yangzhou Guoyu Shipbuilding Co. Ltd (both Companies jointly referred to as the "Shipyard") for a new Supramax (57,000 DWT) Vessel.

Details of the transaction are as follows

i. Details of assets purchased:

A) The purchase of 4 SPCs: The Issued and Paid-up Capital of each SPC is SGD 1, fully paid up, made up of 1 ordinary share with a par value of SGD 1 each.

The Company entered into the Agreement to purchase the entire issued and paid-up share capital of the 4 SPCs from the Seller and became the Owner of the 4 SPCs who had entered into the 4 New Shipbuilding Contracts with the Shipyard to construct the 4 Supramax vessels in China. The Company paid a premium of app. US\$ 6.80 million to the Seller for the acquisition of the shares in the 4 SPCs.

B) 4 New Shipbuilding Contracts to construct 4 Supramax vessels: As explained above, the Company has now acquired the 4 New Shipbuilding Contracts for 4 Supramax drybulk Vessels of 57,000 Deadweight Tonnes (DWT) each.

ii. The details of cost, schedule of installments, and expected date of deliveries as on 31st December 2010 are as follows:

Hull No.	Contract date	Expected Date of Delivery	DWT	Contract Amount US\$	Paid in 2010 US\$	Total As on 31 st Dec 2010
GY807	10 th December 2010	On or before 15 March 2012	57,000	24,500,000	9,800,000	9,800,000
GY808	10 th December 2010	On or before 15 May 2012	57,000	24,500,000	9,800,000	9,800,000
GY809	10 th December 2010	On or before 15 June 2012	57,000	24,500,000	4,900,000	4,900,000
GY810	10 th December 2010	On or before 15 August 2012	57,000	24,500,000	4,900,000	4,900,000
Total			228,000	98,000,000	29,400,000	29,400,000

All the above installments, as well as the premium paid for acquisition of the SPCs were paid from internal cash resources and no credit facility has been arranged by the Company so far to finance these acquisitions.

iii. Details of installments due according to the stage of completion:

Instalment Number	Milestone	57K "DWT" Ship
1st	On signing the contract	4,900,000
2nd	Steel cutting of the first steel plate	4,900,000
3rd	After completion of Keel Laying of the Ship	4,900,000
4th	Launching of the Ship	4,900,000
5th	Delivery of the Ship	4,900,000
Total		24,500,000

Each of the above installments (except the last installment) is payable 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 delay in delivery of the Vessel.

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 or sold for further trading. Accordingly, the Company sold and delivered 4 Ships to its buyers in year 2010. Further, 1 ship sold in 2009 was delivered in Quarter 1 of 2010.

The details of 5 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	5-Dec-09	7-Jan-10	Kritika Naree	1982	34,072	144.35	92.94	4.35	2.99
2	15-Jan-10	28-Jan-10	Natcha Naree	1984	23,593	155.96	103.12	4.70	2.87
3	20-Jan-10	5-Feb-10	Nayana Naree	1985	23,846	136.90	35.51	4.15	1.52
4	4-Feb-10	2-Mar-10	Neera Naree	1986	25,309	208.06	94.89	6.29	3.39
5	3-Feb-10	22-Apr-10	Nipha Naree	1984	33,024	194.76	63.97	6.00	2.60
Total					139,844	840.03	390.43	25.49	13.38

3.5 Future Fleet Rejuvenation plan:

The Company's short/medium term plans for buying second-hand ships or acquiring newbuilding contracts remain opportunistic and the Company is always on the lookout for opportunities which may come its way to acquire newer and economically priced 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 Financial 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 ports of call. Voyage disbursements include port fees, cargo loading and unloading expenses, canal tolls, agency fees and other expenses at the ports of call. 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 them 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.

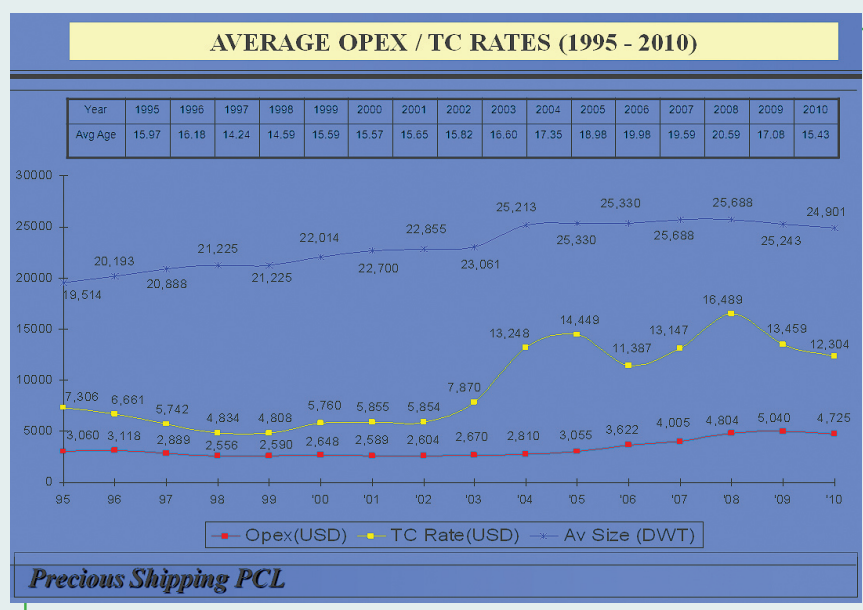
Ship Idle /Down Time – Ship idle time refers to downtime (in days) due to technical reasons only and it means the ship was "off-hire" at dry-dock or at sea or port for repairs of a routine nature or in case of breakdown.

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 2010 reached US\$ 12,304, while average daily operating expenses per ship (Opex) for 2010 was US\$ 4,725.

The freight market improved marginally in the beginning of 2010 as compared to the market in quarter 1 of 2009, but thereafter, particularly since the 4th of quarter of 2010 the market has been dropping quite consistently till date (January 2011). The average Baltic Dry Index (BDI) in 2010 was 2,758 points as compared to 2,617 points during 2009. However, the Company has achieved average daily earnings per ship (TC Rate) of US\$ 12,304 which is about 9% lower as compared to that of 2009, due to the fact that some vessels whose long term charters expired during the year 2010 had to be chartered at prevailing rates which are lower than the rates of the previous Charters signed prior to 2009.

PSL's daily Ship operating Expenses per ship (Opex) have decreased from US\$ 5,040 per day in 2009 to US\$ 4,725 per day in 2010 which is as always 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 2009 US\$ (Per Day)	PSL 2009 US\$ (Per Day)	PSL2010 US\$ (Per Day)
Crew Wages	1,843	1,709	1,760
Provisions	160	179	162
Crew Other	277	229	224
Crew Cost Total	2,280	2,117	2,145
Lubricants	359	304	257
Stores Other	310	196	196
Stores Total	669	500	453
Spares	359	227	219
Repairs & Maintenance	362	129	82
Repairs & Maintenance Total	721	356	302
P& I Insurance	306	340	233
Insurance	269	181	164
Insurance Total	575	521	397
Registration Costs	27	0	0
Management Fees	612	447	536
Sundries	231	70	18
Administration Total	870	517	554
Total Operating Costs	\$5,115	\$4,011	\$3,850

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

- ▶ Stores, Repairs and Other expenses for 2010 slightly reduced due to a younger fleet as compared to year 2009.
- ▶ Management expenses which are "fixed" in nature were higher in 2010 on an average per ship basis because of the lesser number of vessels operated in 2010 as compared to the previous year.
- ▶ Insurance costs per day per ship were lower because older ships, which attracted higher insurance premiums, were sold off.

6. CREDIT/LOAN FACILITIES

6.1 Secondhand Ships acquisition credit/loan facility 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 PCL, 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 (for IRS if necessary)	: BTMU, BAY and KBank
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 30th 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.

The Company has not drawn any amount against this facility as on 31 December 2010.

6.2 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 the above 3 local 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, was converted into Thai Baht and the availability period of the facility was extended upto 18th January 2010. However, in recognition of this risk, the Company 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 would immediately be converted into US Dollars, thereby eliminating the Foreign Exchange risk associated with the loan principal. Accordingly, the liability against this facility of Thai Baht 1,502.35 million drawn for financing two vessels was immediately converted (swapped) to US Dollars with a matching amortization schedule to the Thai Baht Loan. 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 main terms of the Credit Facility 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 18th 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: <ol style="list-style-type: none"> 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. First priority mortgage over the secondhand "handy-size" dry bulk ships to be acquired. Assignments of insurances and earnings of the secured ships. 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: <ol style="list-style-type: none"> Maximum Debt / Total Shareholder's Equity of 2.0 times; 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.

In Q2 2010, the company has drawn Baht 768.08 million against this facility to buy one secondhand ship, whereby the total drawdown (loan) amount is Baht 1,502.35 million as of 31st December 2010 against this facility. The Company swapped the Principal amount of Baht 1,502.35 Million to US\$ 45.90 Million through the hedging facility as explained above. The availability period of this facility expired on 29th December 2010. However, the Company is in discussions with the Lenders to amend certain terms including principal amount, currency and availability period and approval thereof is expected in early February 2011.

6.3 Credit facility from DnB NOR Bank ASA, Singapore Branch, Kasikornbank, and certain other International Banks (Newbuildings Facility)

With a view to availing long term funding for the new ships ordered by the Company from ABG Shipyard, 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 (out of the 18 ordered) new ships (9 Handysize ships of 32,000 DWT each and 6 Supramax ships of 54,000 DWT each,) ordered by the Company.

The main terms of the Credit Facility 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 : Kasikornbank PCL.

Lead Arranger

FACILITY:

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

Handysize Bulkiers:

9 Handysize Bulkiers 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 Bulkiers:

6 Supramax Bulkiers 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 Bulkiers, 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 / Drawing	: Pre-Delivery Facility:
	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 pledge over the shares of the Borrowers (wholly owned subsidiaries) other than PSL.
- Corporate Guarantee from the Guarantor if not a Joint Borrower.
- 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 USD 113.20 million against this facility as of 31st December 2010.

6.4 New credit facility of USD 22.80 million from NIBC BANK LTD, Singapore

On 28th October 2010, ABC One Pte. Ltd., one of the three Singapore registered subsidiaries (the "Subsidiary") of Associated Bulk Carriers Pte. Ltd., the Joint Venture Company (JV Company) where the Company holds 50% interest, entered into a Secured Loan Agreement of USD 22.80 million from NIBC BANK LTD, Singapore to fund 80% of the Contract Price of the new cement carrier ordered by the Subsidiary on 22 April 2010 as explained above.

Summary of Main terms and Conditions of Secured Loan of USD 22.80 million

Borrowers	ABC One Pte. Ltd., one of the three Singapore registered subsidiaries (the "Subsidiary") of Associated Bulk Carriers Pte. Ltd., the Joint Venture Company (JV Company)
Lenders	NIBC BANK LTD, Singapore
Facility Agent and Security Agent	NIBC BANK LTD, Singapore
Swap Provider	NIBC BANK N.V.
Facility Amount	Secured Term Loan Facility available for multiple drawdowns up to USD 22.80 million.
Purpose	To finance the pre and post-delivery of a new cement carrier of up to 80% of the Contract Price
Availability Period:	The facility shall be available for the period up to 90 days after the Shipbuilding Contractual Delivery Date of the Vessel
Interest Rate	3 months' LIBOR plus Margin of 2.40%.
Commitment Fees	1.20% per annum of undrawn amount of the Facility Amount during the availability period.
Financial Covenants	ABC One Pte. Ltd. (and the Shareholder, viz. Associated Bulk Carriers Pte. Ltd.) to maintain certain financial ratios: 1. EBITDA of no less than 1.1 times Total Debt Service 2. Total Shareholders' Equity to the aggregate of Total Shareholders' Equity and Total Debt of no less than 20%
Vessel Covenants	The Company (PSL) or Great Circle Shipping Agency Ltd to be the manager of the vessel at all times

Drawdown, Repayment and other Terms:

	Pre-Delivery Facility	Post-Delivery Facility
Drawdown	As per milestones in the shipbuilding contract whereby the aggregate of all drawings would be equivalent to 60% of the contracted price of the vessel.	100% of the post-delivery facility amount equivalent to 80% of the contracted price of vessel is to be drawn upon delivery of the vessel out of which the entire pre-delivery facility amount (60% of the contract price) will be repaid.
Final maturity	Delivery of vessel	10 years from delivery of the vessel
Repayment	To be repaid in one lump sum (from Post-Delivery Facility) upon delivery of vessel.	The aggregate drawings (the Post-Delivery Facility amount) are to be repaid in equal quarterly installments, each equivalent to 1/60th of the Post-Delivery Facility amount with the balance payable as Balloon with last Repayment installment. The first quarterly repayment shall commence 3 months after delivery of the vessel.
Security	a) Corporate Guarantee from Associated Bulk Carriers Pte. Ltd. (the Shareholder of the Subsidiary)	a) 1 st priority mortgage over the vessel b) 1 st priority assignment of Earnings and Time Charter with Charterer

	Pre-Delivery Facility	Post-Delivery Facility
	<p>b) Several but not Joint Corporate Guarantees from the Company and the JV Partner's 2 holding Companies in proportion to the respective partner's interest in the Subsidiary, which is 50% from the Company and 50% from the JV partner.</p> <p>c) 1st priority assignment of the shipbuilding contracts</p> <p>d) 1st priority assignment of the refund guarantees by the refund guarantors given in relation to the shipbuilding contract</p>	<p>c) Several but not Joint Corporate Guarantees from the Company and the JV Partner's 2 holding companies in proportion to the respective partner's interest (50% holding by each partner) in the Subsidiary for an aggregate amount of upto USD 8 million. Therefore, the maximum amount of the Guarantee of the Company shall be USD 4 million.</p> <p>d) Pledge of the shares of ABC One Pte. Ltd (the Subsidiary) by the JV Company</p> <p>e) 1st priority assignment of Insurance proceeds</p> <p>f) 1st priority assignment of the Earnings of the Vessel and a charge over the earnings account and retention account of the vessel</p>

The subsidiary has drawn US\$ 5.70 million against this facility as of 31st December 2010.

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-09 Million US\$	31 st Dec-10 Million US\$
Income Statement		
Total Revenues	184.95	107.13
Net Ship Operating Income	153.50	91.60
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)*	86.04	48.12
Depreciation*	14.23	15.58
EBIT	71.81	32.54
Financial cost	7.69	9.39
Operating profit	64.12	23.15
Other non-operating profit	25.27	14.53
Net Profit before Tax	89.39	37.68
Income Tax	1.30	2.52
Net Profit	88.09	35.16
Balance Sheet		
Investments in Associated Companies	3.51	4.12
Ships at Cost	357.87	342.16
Dry dock and Special Survey	21.76	18.16
Cash & Cash Equivalents	176.89	140.31
Current Assets	181.93	144.53
Advances for vessel constructions	227.56	283.51
Total Assets	644.58	665.34
Secured Debt	128.08	162.97
Current Liabilities	15.03	14.63
Non-Current Liabilities	6.46	3.21
Total Liabilities	149.13	175.92
Equity Share Capital	35.31	35.31
Total Shareholders Equity or Tangible Net Worth	495.44	489.42
Net Book Value per share (US\$)	0.48	0.47
Return on Assets	15%	5%
Return on Equity	18%	7%
Ratios (times)		
Current Ratio	12.10	9.88
Funded Debt/Equity	0.26	0.33
Total Liabilities/Equity	0.30	0.36
Funded Debt/EBITDA	1.49	3.39
Debt Service Cover	11.19	4.65
EBITDA/Interest	11.19	5.12
Dividend yield **	10%	5%

- * 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\$ 184.95 million in 2009 to US\$ 107.13 million (including gain on sale of Ships US\$ 13.37 million) in 2010. The net ship operating income has decreased from US\$ 153.50 million in 2009 to US\$ 91.60 million in 2010. This is mainly due to the lower number of vessels operated during the year, due to the sale of the older vessels of the fleet and also because of the decrease in average ship earnings per day per ship (TC Rate) in 2010 as compared to 2009. 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 in 2010 was 21 as compared to 33 in 2009. Consequently, operating cash flows or Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) have decreased from US\$ 86.04 million in 2009 to US\$ 48.12 million in 2010. The average earnings per day per ship have decreased from US\$ 13,459 in 2009 to US\$ 12,304 in 2010 while average vessel daily ship running expenses (Opex) have decreased from US\$ 5,040 in 2009 to US\$ 4,725 in 2010. As a result of lower ship operating days above, gross profit for 2010 was lower as compared to 2009.

The average daily ship operating expenses have decreased and remain far below Industry average as explained in No. 5 above.

Depreciation (excluding dry-dock and special survey) has increased from US\$ 14.23 million in 2009 to US\$ 15.58 million in 2010 even after reduction in average number of ships operated during 2010 as compared to 2009 as a result of the additional depreciation on 2 Ships that were bought in December 2009 and early 2010. It is to be noted that the 5 ships which were sold were fully written off to salvage value in the books before 2009 and there is therefore no corresponding reduction in the Depreciation due to their sale in year 2010. Financial cost has increased from US\$ 7.69 million in 2009 to US\$ 9.39 million in 2010 due to Interest on loans drawn for buying the 2 Ships. Apart from Interest cost on the loan for the 2 ships, the finance costs for 2010 mainly comprise of fees paid for extension of secured debt facilities during 2010, the commitment fees paid for maintaining the secured debt facilities during 2010, and deferred finance expenses written off for the reduction in loan amounts from the second-hand ship acquisition facilities. Interest on loans drawn for newbuilding orders have been capitalized to the respective vessels under construction.

Due to the appreciation of the Thai Baht against the US Dollar, the exchange rate (THB/US\$) applied at the end of 2010 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\$ 0.19 million in 2010.

With decrease in ship operating days, operating profit has decreased to US\$ 23.15 million as compared to US\$ 64.12 million in 2009.

Income Tax has increased from US\$ 1.30 million in 2009 to US\$ 2.52 million in 2010, due to the US\$ 2.51 million paid on gain on sale of ships.

As a result of the above factors, the Company's Net Profit decreased from US\$ 88.09 million in 2009 to US\$ 35.16 million in 2010.

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 2010 (figures in US Dollars):

Jt. Venture Projects	Investment		**Advance	Total	***Provision made for			Balance as on 31 st December 2010		
	Cost	*Equity Adj't			Investment	**Advance	Total	Investment	Advance	Total
Current Investments										
SLPG	872,727	(323,596)	549,131	1,116,960	549,131	567,829	1,116,960	-	-	-
Long Term Investments										
ISPL – Haldia	2,037,650	2,084,853	4,122,503	4,122,503	-	-	-	4,122,503	-	4,122,503
TOTAL	2,910,377	1,761,257	4,671,634	5,239,463	549,131	567,829	1,116,960	4,122,503	-	4,122,503

* 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 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 2010.

Current Assets

As compared to the end of the previous year (2009), there is a decrease of US\$ 37.40 million in the current assets as at 31st December, 2010, mainly due to lower Cash and cash equivalents. The cash balance has reduced because of the installment payments of US\$ 29.40 Million for the newbuilding contracts for 4 Ships in China plus the premium of USD 6.80 million for acquiring the 4 SPCs in December 2010 (as explained in 3.3 above) and dividends of US\$ 40.39 million paid during the year 2010. Receivables, net of all provisions, which are part of current assets decreased marginally by US\$ 0.14 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 5 ships and depreciation provided for year 2010. As at 31st December 2010, the Company owned 21 ships, details of which have been provided in the Fleet List separately in this Report.

The details of Ship Sales in 2010 have been provided 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. The Company has capitalized installments, supervision expenses and Interest of US\$ 235.90 million as on 31st December 2010 as explained in note 3.1 above. The company has also capitalized installments and Interest of US\$ 11.41 million (50 percent of our share in JV company) for 3 shipbuilding contracts for 3 new cement bulk carriers as explained in note 3.2 above.

The company further capitalized US\$ 36.20 million being aggregate of premium and installments paid for acquiring the 4 New Shipbuilding Contracts for 4 Supramax Vessels (57,000 DWT) to be built in China vide purchase of 4 Single Purpose Companies, for as explained in 3.3 above.

In accordance with the above, the company has a balance of US\$ 283.51 Million in aggregate for the newbuildings as of 31st December 2010 as Advances for Vessel Construction which is presented as a non-current asset.

Total Liabilities

The Company's secured debt balance is US\$ 162.97 million as at the end of year 2010, including Bank loans of US\$ 113.20 million against the newbuilding loan facility explained above, for the installments paid on newbuildings ordered from ABG Shipyard Limited (towards second and third installment of 12 Ships) as explained in 3.1 above. The Company has also drawn Thai Baht 1,502.35 million for buying 2 second hand Ships as explained in 6.2 above. The Company swapped the Principal amount of Baht 1,502.35 Million to US\$ 45.90 Million against the hedging facility as explained in 6.2 above. Deferred financial fees of US\$ 1.64 million are presented as deduction from Secured loan basis proportionate amount of drawdown made so far from all the secured loan facilities. The company has also drawn (50 percent of our share in JV Company) US\$ 2.85 million from NIBC Bank against newbuilding loan facility, for paying to ABG Shipyard Limited (Builder) towards second installment of 1 new Cement bulk carrier as explained in note 3.2 above.

Consequently, the total liabilities have increased from US\$ 149.13 million in 2009 to US\$ 175.92 million in 2010

Shareholders' Equity

Due to the net profits of US\$ 35.16 million earned during the year, dividends of US\$ 40.39 million (Baht 1.25 per share including Final Dividend of 2009) paid during 2010, and net decrease of US\$ 0.79 million on account of Revaluation surplus, translation adjustment and minority interest, the Shareholders' Equity is now at US\$ 489.42 million, which is a decrease of US\$ 6.02 million over the Shareholders' Equity as compared to the end of the previous year. As a result of the above decrease in Shareholder's Equity as explained above, the net book value per share has decreased from US\$ 0.48 per share as at the end of 2009 to US\$ 0.47 per share as at the end of 2010.

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 2010 and the Company had US\$ 162.97 million outstanding secured debt at the end of the year, the leverage ratios remain very strong. As at 31st December 2010, the Company's funded debt level (including the pre-delivery debt for payment of advances for newbuildings) is 3.39 times its EBITDA. The Company's overall gearing (Total Liabilities/Tangible Networth) is 0.36 times as at 31st December 2010, which has increased from 0.30 times as at 31st December 2009, due to marginal increase in secured debt as explained above.

The Company's debt service cover for 2010 was 4.65. The ratio of EBITDA/Interest has improved considerably since year 2000 and it is now 5.12 times as of 31st December 2010. 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 2010 has decreased by about 45 percent over the Net Ship Operating Income for 2009. This is mainly due to the lower number of vessels operated during the year, due to the sales of the older vessels of the fleet, also because of the decrease in average ship earnings per day per ship (TC Rate) and the lower THB/USD exchange rate applied for translation of the US Dollar Income into Thai Baht. The Average exchange rate of Thai Baht to US dollar for 2010 was lower by about 8 percent as compared to 2009. Therefore, all income and even expenses in 2010 as compared to 2009 were less accordingly due to the translation from Functional Currency (U.S.Dollars) to Reporting Currency (Thai Baht)

During 2010, the ship running expenses decreased by 44 percent in absolute terms as compared to 2009 mainly due to the lower ship operating days and lower average ship running expenses per day per ship, apart from the lower THB/USD exchange rate of course.

During 2010, the total ship operating costs decreased by about 49 percent in absolute terms, over the total ship operating costs of the previous year. During 2010, ship disbursements and bunker consumption decreased due to decrease 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 2010 as explained hereinabove.

Absolute Gross Profit has decreased by about 45 percent as compared to the previous year. However, the Gross Profit Margin has increased marginally from 69 percent to 70 percent as compared to the previous year because of the lower operating costs. 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 2010 have decreased by Baht 60.00 million as compared to 2009 due to a decrease in personnel expenses, mainly lower Bonus accruals for the year due to lower Net Profit.

Financial costs for 2010 have increased by Baht 35.58 million as compared to 2009 due to Interest on loan drawn down for buying 2 Ships during December 2009 and early 2010. It is to be noted that apart from Interest cost for buying the 2 ships, the finance costs for 2010 mainly comprise of fees paid for extension of secured debt facilities during 2010, the commitment fees paid for maintaining the secured debt facilities during 2010 and deferred expenses written off for the reduction in loan amounts from the second-hand ship acquisition facilities (which is explained separately in 6.3 above) but Interest on loans drawn for payment of installments against the newbuilding orders has been capitalized.

The total expenses (excluding depreciation) in 2010, as compared to the previous year, are lower due to the reduction in average number of ships operated during 2010 as compared to 2009 as a result of the sale and delivery of 5 ships in 2010.

The Depreciation for 2010 has decreased from Baht 934.61 million in 2009 to Baht 796.56 million in 2010 due to a reduction in average number of ships operated during 2010 as compared to 2009 as a result of the sale and delivery of 5 ships in 2010.

The Company recorded exchange loss of Baht 112.24 million for 2010 as against exchange gain of Baht 43.63 million for 2009. The exchange loss is mainly from the translation of the net current assets denominated in US Dollar into Thai Baht at lower rate due to the appreciation of the Thai Baht against the US Dollar as on 31st December 2010 as compared to 31st December 2009.

As a result of the above factors, the Company has reported Net Profit of Baht 904.69 million for 2010 as compared to Baht 3,047.06 million in the previous year.

8.2 Analysis of Balance Sheet

As compared to the end of the previous year (2009), there is a decrease of Baht 1,707.01 million in current assets as at 31st December, 2010, mainly due to lower Cash and cash equivalents because of the payments of installments of Baht 886.45

million for the newbuilding contracts for 4 Ships in China plus the premium of Baht 205.03 million for acquiring the 4 SPCs in December 2010 (as explained in 3.3 above) and dividends of Baht 1,299.20 million paid during the year 2010. Receivables, net of all provisions which are part of current assets decreased by Baht 8.22 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 5 ships and depreciation provided during 2010. The Company has paid Baht 9,349.33 million towards advance for new building ships as explained in 3 above. The Total Assets have decreased only marginally in spite of sale of 5 Ships mainly due to advance of Baht 1,634.36 million paid in 2010 for New Buildings which was funded through secured loans from banks.

Total current liabilities have decreased by Baht 61.06 million as compared to the previous year in line with number of vessels owned at the end of 2010. The Company's secured debt is Baht 4,929.65 million as at the end of 2010, mainly on account of Bank loans of Baht 3,429.54 million against new building loan facility explained above, for paying to ABG Shipyard Limited (Builder) towards second and third installments of 12 Ships ordered as explained in 3.1 above. The Company has also drawn Thai Baht 1,502.35 million for buying 2 second hand Ships as explained in 6.2 above. The company has also drawn (50 percent of Company's share in JV Company) Baht 85.93 million against newbuilding loan facility explained above, for paying to ABG Shipyard Limited (Builder) towards second installment of 1 new cement carrier as explained in 3.2 above. Deferred financial fees of Baht 56.87 million are presented as deduction from Secured loan basis proportionate amount of drawdown made so far from all the secured loan facilities.

The total liabilities have increased from Baht 5,003.77 million in 2009 to Baht 5,322.14 million in 2010. This is mainly due to increase in secured debt as explained above.

Due to the net profits of Baht 904.69 million earned during the year, dividends of Baht 1,299.20 million (Baht 1.25 per share including final dividend of 2009) paid during 2010, and net increase of Baht 7.63 million on account of Revaluation surplus, translation adjustment and minority interest, the Shareholders' Equity is now at Baht 16,749.48 million, which is lower by Baht 386.88 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 986.95 million was generated from operations. This is about 69 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 609.02 million was available for use in investing and financing activities.

During the year, Baht 827.31 million was received as proceeds from sale and delivery of 5 Vessels and Baht 960.96 million was paid on capital account towards dry docking & special survey expenses. The Company has also paid Baht 1,651.51 million towards advances against orders for new ships (including capitalized interest paid on amount funded through secured loan drawn against the newbuilding facility). After adjustments, the net cash flow used in investing activities was Baht 1,749.58 million.

During the year, the Company has drawn Baht 199.10 million against the Newbuilding credit facility for paying to ABG Shipyard Limited (Builder) on account of second installment of 1 Ship as explained in 3 above and drawn Baht 768.08 million for buying 1 second-hand Ship as explained in 6.2 above. The company has also drawn (50 percent of Company's share in JV company) Baht 85.93 million against newbuilding loan facility for paying to ABG Shipyard Limited (Builder) towards second installment of 1 new cement carrier as explained in 3.2 above, resulting in total loans drawn of Baht 1,053.11 million during 2010. Baht 1,299.20 million was paid out as Dividends. After adjustments, the net cash flow used in financing activities was Baht 519.22 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, 2010.

**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

27 January 2011

REPORT OF INDEPENDENT AUDITOR

To the Shareholders of Precious Shipping Public Company Limited

I have audited the accompanying consolidated balance sheet of Precious Shipping Public Company Limited and subsidiaries as at 31 December 2010, the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, and the separate financial statements of Precious Shipping Public Company Limited for the same period. 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 audit. I did not audit the financial statements of a subsidiary incorporated overseas which is included in these consolidated financial statements. The assets, revenues and net income of this subsidiary as included in the consolidated financial statements constitute 11.85% of the consolidated total assets as at 31 December 2010, 3.61% and 5.21% of the consolidated total revenues and net income for the year then ended, respectively. The financial statements of this subsidiary was audited by other auditor, whose report has been furnished to me, and my opinion, insofar as it relates to the amounts included for that subsidiary in the consolidated financial statements, is based solely on that auditor's report. The consolidated financial statements of Precious Shipping Public Company Limited and subsidiaries for the year ended 31 December 2009, and the separate financial statements of Precious Shipping Public Company Limited for the same period, were audited by another auditor of our firm who expressed an unqualified opinion on those financial statements under his report dated 2 February 2010.

I conducted my audit 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 audit and the report of other auditor, as referred to in the first paragraph, provide a reasonable basis for my opinion.

In my opinion, based on my audit and the report of other auditor, 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 2010, and the results of their operations and cash flows for the year then ended, in accordance with generally accepted accounting principles.



Sumalee Reewarabandith

Certified Public Accountant (Thailand) No. 3970

Ernst & Young Office Limited
Bangkok: 27 January 2011

BALANCE SHEETS

Precious Shipping Public Company Limited and subsidiaries as at 31 December 2010 and 2009

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
Assets					
Current assets					
Cash and cash equivalents	6, 20	4,210,310,366	5,876,282,201	2,031,531,929	2,274,181,628
Current investment - net	7	-	-	-	-
Trade accounts receivable - net	8	33,855,480	42,078,391	-	-
Receivables from and advances to related parties	9	-	-	317,567,591	282,681,149
Short-term loans to subsidiary	10	-	-	1,914,401,940	2,119,480,660
Bunker oil		5,688,873	-	-	-
Other current assets					
Advances to vessel masters		42,573,234	54,093,717	-	-
Claim recoverables		8,265,020	35,304,785	-	-
Others		36,014,929	35,959,713	16,199,556	18,475,916
Total other current assets		86,853,183	125,358,215	16,199,556	18,475,916
Total current assets		4,336,707,902	6,043,718,807	4,279,701,016	4,694,819,353
Non-current assets					
Investments in subsidiaries - net	12	-	-	5,752,026,341	5,703,026,841
Investment in jointly controlled entity	13	-	-	33	-
Investment in associate held by a subsidiary	14	163,110,453	143,219,374	-	-
Other long-term investment	15	10,130,430	10,130,430	10,130,430	10,130,430
Long-term loan to jointly controlled entity	11	-	-	256,553,865	-
Receivables from cross currency swap contracts - net		109,419,261	-	-	-
Property, plant and equipment - net	16	7,518,077,759	7,780,922,468	12,033,119	17,222,574
Other non-current assets					
Intangible assets - net	17	37,109,623	46,911,635	37,109,623	46,911,635
Advances for vessel constructions	18	9,517,340,798	7,809,282,007	8,081,916,657	7,809,282,007
Deferred financial fees - net	19	376,807,655	291,253,234	372,547,063	291,253,234
Advance for share acquisition in associate held by a subsidiary	14.2	-	11,538,699	-	-
Others		2,921,834	3,152,306	2,395,192	2,615,865
Total other non-current assets		9,934,179,910	8,162,137,881	8,493,968,535	8,150,062,741
Total non-current assets		17,734,917,813	16,096,410,153	14,524,712,323	13,880,442,586
Total assets		22,071,625,715	22,140,128,960	18,804,413,339	18,575,261,939

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 2010 and 2009

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
Note					
Liabilities and shareholders' equity					
Current liabilities					
Trade accounts payable		11,099,641	44,727,575	658,178	2,363,783
Payables to and advances from related parties	9	-	-	3,016,658,963	2,183,872,302
Advances received from vessel sales	20	-	29,158,895	-	-
Advances received from charterers		47,682,723	79,029,033	-	-
Current portion of long-term loans	19, 22	147,610,132	14,863,823	24,100,228	-
Other current liabilities					
Accrued crew accounts		41,290,184	49,382,671	-	-
Current portion of accrued employee bonus	21	137,113,895	165,690,296	126,013,506	152,196,487
Accrued expenses		32,390,928	45,489,571	8,849,027	9,119,622
Provision for income tax		3,934,172	24,631,203	-	-
Withholding tax payable		4,023,118	31,427,877	2,438,019	30,273,349
Others		17,540,232	19,347,683	8,898,292	4,378,906
Total other current liabilities		236,292,529	335,969,301	146,198,844	195,968,364
Total current liabilities		442,685,025	503,748,627	3,187,616,213	2,382,204,449
Non-current liabilities					
Accrued employee bonus - net of current portion	21	76,645,113	173,011,023	70,382,541	159,089,829
Provisions for maritime claims		20,768,114	42,050,177	-	-
Payables to cross currency swap contracts - net		-	8,124,620	-	-
Long-term loans - net of current portion	19, 22	4,782,042,586	4,276,834,978	3,386,349,054	3,578,235,298
Total non-current liabilities		4,879,455,813	4,500,020,798	3,456,731,595	3,737,325,127
Total liabilities		5,322,140,838	5,003,769,425	6,644,347,808	6,119,529,576

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 2010 and 2009

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
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	23	147,287,957	203,452,059	-	-
Translation adjustments		(25,251,684)	(22,850,674)	-	-
Retained earnings					
Appropriated					
Statutory reserve - the Company	24	103,952,060	103,952,060	103,952,060	103,952,060
- subsidiaries	24	518,120,000	513,220,000	-	-
Corporate social responsibility reserve	25	14,335,865	37,782,784	14,335,865	37,782,784
Unappropriated		14,333,075,039	14,652,874,052	10,418,381,449	10,690,601,362
Total equity attributable to Company's shareholders		16,714,915,394	17,111,826,438	12,160,065,531	12,455,732,363
Minority interest - equity attributable to minority shareholders of subsidiaries		34,569,483	24,533,097	-	-
Total shareholders' equity		16,749,484,877	17,136,359,535	12,160,065,531	12,455,732,363
Total liabilities and shareholders' equity		22,071,625,715	22,140,128,960	18,804,413,339	18,575,261,939

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 2010 and 2009

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
Revenues					
Vessel operating income					
Hire income		2,810,420,920	5,109,100,239	-	-
Freight income		142,682,920	414,544,962	-	-
Total vessel operating income		2,953,103,840	5,523,645,201	-	-
Service income	9	10,379,268	16,753,312	71,462,855	150,529,957
Gains on sales of vessels and equipment	16	390,280,114	760,279,523	-	71,428
Interest income	9	25,978,190	38,065,092	20,571,310	20,794,985
Exchange gains		-	43,626,627	-	-
Other income		426,247	26,508,055	5,166	2,145,200
Dividend received	9, 12	-	-	1,530,297,884	4,700,110,297
Total revenues		3,380,167,659	6,408,877,810	1,622,337,215	4,873,651,867
Expenses					
Vessel operating costs					
Vessel running expenses		847,171,526	1,500,155,882	-	-
Voyage disbursements		20,905,339	106,262,509	-	-
Bunker consumption		5,173,942	105,422,379	-	-
Total vessel operating costs		873,250,807	1,711,840,770	-	-
Depreciation	16	796,564,123	934,609,148	8,560,840	9,285,209
Cost of services		4,818,692	9,614,509	-	-
Administrative expenses	9	195,347,791	255,345,894	169,330,819	209,618,020
Management remuneration including perquisites		104,135,693	138,106,205	98,006,255	122,848,778
Bad debts and doubtful accounts		15,288,747	9,698,521	-	1,124,608
Exchange losses		112,243,482	-	120,353,284	3,866,778
Total expenses		2,101,649,335	3,059,215,047	396,251,198	346,743,393

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 2010 and 2009

(Unit: Baht)

statements Note	Consolidated financial statements		Separate financial	
	2010	2009	2010	2009
Income before share of income from investment in associate, finance cost and corporate income tax	1,278,518,324	3,349,662,763	1,226,086,017	4,526,908,474
Share of income from investment in associate held by a subsidiary 14.1	19,520,139	22,317,306	-	-
Income before finance cost and corporate income tax	1,298,038,463	3,371,980,069	1,226,086,017	4,526,908,474
Finance cost	(301,394,253)	(265,811,637)	(222,557,277)	(253,961,304)
Income before corporate income tax	996,644,210	3,106,168,432	1,003,528,740	4,272,947,170
Corporate income tax 27	(81,922,286)	(45,536,596)	-	-
Net income for the year	914,721,924	3,060,631,836	1,003,528,740	4,272,947,170
Net income attributable to:				
Equity holders of the parent	904,685,426	3,047,056,978	1,003,528,740	4,272,947,170
Minority interests of the subsidiaries	10,036,498	13,574,858	-	-
Net income for the year	914,721,924	3,060,631,836	1,003,528,740	4,272,947,170
Basic earnings per share 29				
Net income attributable to equity holders of the parent	0.87	2.93	0.97	4.11

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 2010 and 2009

(Unit: Baht)

Note	Consolidated financial statements									
	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 – equity attributable to minority shareholders of subsidiaries
						Appropriated		Unappropriated		
						Statutory reserve	Corporate social responsibility reserve			Total
						The Company	Subsidiaries			
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	16,177,448,746
Income (expenses) recognised directly in equity:	-	-	-	-	(143,034,045)	-	-	-	-	(143,034,045)
Translation adjustments	-	-	-	120,053,134	-	-	-	-	-	120,053,134
Increase from revaluation of assets 16, 23	-	-	-	-	-	-	-	-	-	-
Amortisation of revaluation surplus on assets of subsidiary for the year 23	-	-	-	(20,312,875)	-	-	-	-	20,313,505	(630)
Net income (expenses) recognised directly in equity	-	-	-	99,740,259	(143,034,045)	-	-	-	20,313,505	(630)
Net income for the year	-	-	-	-	-	-	-	-	3,047,056,978	3,047,056,978
Total income (expenses) for the year	-	-	-	99,740,259	(143,034,045)	-	-	-	3,067,370,483	3,067,370,483
Appropriated to statutory reserve 24	-	-	-	-	-	-	17,200,000	-	(17,200,000)	-
Appropriated to corporate social responsibility reserve - net 25	-	-	-	-	-	-	-	13,089,823	(13,089,823)	-
Dividends paid to the Company's shareholders 32	-	-	-	-	-	-	-	-	(2,078,740,136)	(2,078,740,136)
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	17,136,359,535
Income (expenses) recognised directly in equity:	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	17,136,359,535
Translation adjustments	-	-	-	-	(2,401,010)	-	-	-	-	(2,401,010)
Amortisation of revaluation surplus on assets of subsidiary for the year 23	-	-	-	(56,164,102)	-	-	-	-	56,164,214	(112)
Net income (expenses) recognised directly in equity	-	-	-	(56,164,102)	(2,401,010)	-	-	-	56,164,214	(112)
Net income for the year	-	-	-	-	-	-	-	-	56,164,214	(112)
Total income (expenses) for the year	-	-	-	(56,164,102)	(2,401,010)	-	-	-	56,164,214	(112)
Appropriated to statutory reserve 24	-	-	-	-	-	-	4,900,000	-	(4,900,000)	-
Appropriated to corporate social responsibility reserve - net 25	-	-	-	-	-	-	-	(23,446,919)	23,446,919	-
Dividends paid to the Company's shareholders 32	-	-	-	-	-	-	-	-	(1,299,195,572)	(1,299,195,572)
Balance as at 31 December 2010	1,039,520,600	411,429,745	172,445,812	147,287,957	(25,251,684)	103,952,060	518,120,000	14,335,865	14,333,075,039	16,749,484,877

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 2010 and 2009

(Unit: Baht)

	Note	Separate financial statements						
		Issued and paid-up share capital	Premium on ordinary shares	Premium on treasury stock	Retained earnings			Total
					Appropriated		Unappropriated	
					Statutory reserve	Corporate social responsibility reserve		
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	10,261,525,329
Net income for the year		-	-	-	-	-	4,272,947,170	4,272,947,170
Appropriated to corporate social responsibility reserve - net	25	-	-	-	-	13,089,823	(13,089,823)	-
Dividends paid to the Company's shareholders	32	-	-	-	-	-	(2,078,740,136)	(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
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
Net income for the year		-	-	-	-	-	1,003,528,740	1,003,528,740
Appropriated to corporate social responsibility reserve - net	25	-	-	-	-	(23,446,919)	23,446,919	-
Dividends paid to the Company's shareholders	32	-	-	-	-	-	(1,299,195,572)	(1,299,195,572)
Balance as at 31 December 2010		1,039,520,600	411,429,745	172,445,812	103,952,060	14,335,865	10,418,381,449	12,160,065,531

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 2010 and 2009

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Cash flows from operating activities				
Income before corporate income tax	996,644,210	3,106,168,432	1,003,528,740	4,272,947,170
Adjustments to reconcile income before corporate income tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	807,490,480	945,195,421	19,487,197	19,871,483
Bad debt and doubtful accounts	15,288,747	9,698,521	-	1,124,608
Write-off and donation of equipment and computer software	893	198,980	893	198,980
Allowance for loss on investments in subsidiaries	-	-	500	-
Losses (gains) on sales of vessels and equipment	(390,280,114)	(760,279,523)	140,503	(71,428)
Share of income from investment in associate held by a subsidiary	(19,520,139)	(22,317,306)	-	-
Write-off deferred financial fees	-	2,658,544	-	2,658,544
Reversal of provisions for maritime claims	(21,282,064)	(6,056,564)	-	-
Transfer deferred financial fees to interest expense	6,214,679	-	-	-
Unrealised exchange gains	(478,037,902)	(147,277,207)	(138,036,266)	(71,439,641)
Interest expense	71,983,192	-	-	-
Interest income	(21,553,183)	(30,604,061)	(19,879,609)	(18,539,772)
Income from operating activities before changes in operating assets and liabilities	966,948,799	3,097,385,237	865,241,958	4,206,749,944
Operating assets (increase) decrease				
Trade accounts receivable	(9,054,378)	11,421,117	-	-
Receivables from and advances to related parties	-	-	(13,119,495)	841,073,193
Bunker oil	(40,818,639)	(101,540,115)	-	-
Other current assets	39,143,176	99,778,639	6,096,691	10,973,907
Other non-current assets	230,472	170,000	220,672	-
Operating liabilities increase (decrease)				
Trade accounts payable	(33,521,417)	(71,222,999)	(1,705,130)	(1,088,338)
Payables to and advances from related parties	-	-	832,786,661	565,040,441
Advances received from charterers	(31,495,386)	(132,863,640)	-	-
Other current liabilities	(78,590,605)	(126,415,743)	(49,501,429)	(8,382,805)
Other non-current liabilities	(96,365,910)	(44,839,047)	(88,707,287)	(40,345,547)
Cash flows from operating activities	716,476,112	2,731,873,449	1,551,312,641	5,574,020,795
Cash paid for corporate income tax and withholding tax deducted at source	(107,454,845)	(43,542,340)	(3,820,331)	(8,037,035)
Net cash flows from operating activities	609,021,267	2,688,331,109	1,547,492,310	5,565,983,760

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 2010 and 2009

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Cash flows from investing activities				
Dividend received from associate held by a subsidiary	3,413,510	-	-	-
Acquisitions of equipment and payment of dry-dock and special survey expenses	(960,957,975)	(1,017,346,044)	(3,868,030)	(462,474)
Acquisitions of computer software	(930,250)	(2,871,500)	(930,250)	(2,871,500)
Cash paid for advances for vessel constructions	(1,651,508,412)	(3,016,580,891)	(216,147,434)	(3,016,580,891)
Proceeds from sales of vessels and equipment	827,307,252	2,369,562,680	161,154	308,410
Increase in investments in subsidiaries	(92)	-	(49,000,000)	(40,014,500)
Increase in investment in jointly controlled entity	-	-	(33)	-
Cash received (paid) in advance for share acquisition in associate held by a subsidiary	11,538,699	(11,538,699)	-	-
Advances received from vessel sales	-	29,158,895	-	-
Increase in short-term loans to subsidiary	-	-	-	(2,029,593,961)
Increase in long-term loan to jointly controlled entity	-	-	(275,970,060)	-
Interest income	21,553,183	30,604,061	19,879,609	18,539,772
Net cash flows used in investing activities	(1,749,584,085)	(1,619,011,498)	(525,875,044)	(5,070,675,144)
Cash flows from financing activities				
Cash paid for interest expense	(131,772,428)	(61,612,094)	(59,789,236)	(61,612,094)
Cash paid for deferred financial fees	(110,062,114)	(2,948,050)	(104,381,324)	(2,948,050)
Cash received from long-term loans	1,053,105,372	3,741,608,040	199,099,167	3,007,335,540
Repayment of long-term loans	(31,298,906)	-	-	-
Dividends paid to the Company's shareholders	(1,299,195,572)	(2,078,740,136)	(1,299,195,572)	(2,078,740,136)
Net cash flows from (used in) financing activities	(519,223,648)	1,598,307,760	(1,264,266,965)	864,035,260
Decrease in translation adjustments	(6,185,461)	(141,369,911)	-	-
Net increase (decrease) in cash and cash equivalents	(1,665,971,927)	2,526,257,460	(242,649,699)	1,359,343,876
Cash and cash equivalents at beginning of year	5,876,282,201	3,350,024,741	2,274,181,628	914,837,752
Add: Cash and cash equivalents of subsidiaries as at acquisition date	92	-	-	-
Cash and cash equivalents at end of year	4,210,310,366	5,876,282,201	2,031,531,929	2,274,181,628

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 2010 and 2009

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Supplemental cash flows information				
Non-cash transactions				
Dividend income from subsidiaries offset against receivables from/payables to subsidiaries	-	-	1,530,297,884	4,700,110,297
Amortisation of revaluation surplus on assets of subsidiary - the Company's interest	56,164,102	20,312,875	-	-
Amortisation of revaluation surplus on assets of subsidiary - minority interest	112	630	-	-
Transfer of deferred financial fees to advances for vessel constructions	3,200,761	8,453,843	3,195,662	8,453,843
Transfer of interest expense to advances for vessel constructions	59,550,965	63,727,140	59,492,900	63,727,140
Transfer of deferred financial fees to present as a deduction from long-term loans	21,293,600	31,322,921	4,326,233	10,513,924
Transfer of deferred financial fees to subsidiary in proportion to the drawdown amount	-	-	21,766,947	20,808,997
Transfer of deferred financial fees to interest expense	6,214,679	-	-	-
Adjustment of deferred financial fees and advances for vessel constructions	(6,201,347)	-	(6,201,347)	-

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 2010 and 2009

1. Corporate information

Precious Shipping Public Company Limited ("the Company") is a public 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 have been prepared in accordance with accounting standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation 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"), associate and jointly controlled entity:

Company’s name	Nature of business	Country of incor- poration	Percentage directly and indirectly owned by the Company		Assets as 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	
			2010	2009	2010	2009	2010	2009
			%	%	%	%	%	%
Subsidiaries held by the Company								
1. Precious Metals Limited	Shipowner	Thailand	99.99	99.99	0.01	0.13	-	5.60
2. Precious Wishes Limited	Shipowner	Thailand	99.99	99.99	3.65	1.08	11.03	6.41
3. Precious Stones Shipping Limited	Shipowner	Thailand	99.99	99.99	2.69	2.68	2.65	1.57
4. Precious Minerals Limited	Shipowner	Thailand	99.99	99.99	1.80	1.95	4.49	6.47
5. Precious Lands Limited	Shipowner	Thailand	99.99	99.99	0.01	0.01	-	1.99
6. Precious Rivers Limited	Shipowner	Thailand	99.99	99.99	2.19	2.30	4.31	2.32
7. Precious Lakes Limited	Shipowner	Thailand	99.99	99.99	0.03	0.63	4.17	4.64
8. Precious Seas Limited	Shipowner	Thailand	99.99	99.99	0.86	0.91	4.15	2.36
9. Precious Stars Limited	Shipowner	Thailand	99.99	99.99	0.74	0.85	4.34	2.10
10. Precious Oceans Limited	Shipowner	Thailand	99.99	99.99	0.70	0.74	4.53	2.38
11. Precious Planets Limited	Shipowner	Thailand	99.99	99.99	-	-	-	0.85
12. Precious Diamonds Limited	Shipowner	Thailand	99.99	99.99	1.56	1.71	4.85	3.71
13. Precious Sapphires Limited	Shipowner	Thailand	99.99	99.99	1.46	1.53	4.42	2.38
14. Precious Emeralds Limited	Shipowner	Thailand	99.99	99.99	3.23	3.40	3.66	4.31
15. Precious Rubies Limited	Shipowner	Thailand	99.99	99.99	-	-	-	1.41
16. Precious Opals Limited	Shipowner	Thailand	99.99	99.99	-	0.01	-	3.02
17. Precious Garnets Limited	Shipowner	Thailand	99.99	99.99	3.30	3.46	2.70	3.75
18. Precious Pearls Limited	Shipowner	Thailand	99.99	99.99	0.01	0.01	-	2.74
19. Precious Flowers Limited	Shipowner	Thailand	99.99	99.99	-	-	-	1.25
20. Precious Forests Limited	Shipowner	Thailand	99.99	99.99	-	0.01	-	1.60
21. Precious Trees Limited	Shipowner	Thailand	99.99	99.99	0.01	0.07	0.05	0.22
22. Precious Ponds Limited	Shipowner	Thailand	99.99	99.99	0.01	0.63	1.78	4.52
23. Precious Ventures Limited	Shipowner	Thailand	99.99	99.99	-	-	-	1.46
24. Precious Capitals Limited	Shipowner	Thailand	99.99	99.99	0.87	0.85	4.74	2.38
25. Precious Jasmynes Limited	Shipowner	Thailand	99.99	99.99	3.48	3.76	4.17	5.79
26. Precious Orchids Limited	Shipowner	Thailand	99.99	99.99	2.15	2.27	2.69	3.13

Company's name	Nature of business	Country of incorporation	Percentage directly and indirectly owned by the Company		Assets as 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	
			2010	2009	2010	2009	2010	2009
			%	%	%	%	%	%
27. Precious Lagoons Limited	Shipowner	Thailand	99.99	99.99	0.91	0.97	3.85	1.67
28. Precious Cliffs Limited	Shipowner	Thailand	99.99	99.99	1.09	1.05	3.48	1.82
29. Precious Hills Limited	Shipowner	Thailand	99.99	99.99	1.27	1.15	3.36	1.97
30. Precious Mountains Limited	Shipowner	Thailand	99.99	99.99	1.30	1.23	3.35	1.96
31. Precious Resorts Limited	Shipowner	Thailand	99.99	99.99	1.35	1.33	3.25	1.96
32. Precious Cities Limited	Shipowner	Thailand	99.99	99.99	1.66	1.70	5.39	2.41
33. Precious Comets Limited	Shipowner	Thailand	99.99	99.99	0.02	0.41	2.78	1.95
34. Precious Ornaments Limited	Shipowner	Thailand	99.99	99.99	0.02	0.03	-	3.02
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	0.56	0.37	0.01	0.01
39. Precious Shipping (Mauritius) Limited	Holding company*	Mauritius	100.00	100.00	-	-	0.58	0.35
40. Precious Shipping (Singapore) Pte. Limited	Holding company/Chartering	Singapore	100.00	100.00	6.98	12.47	0.37	0.32
41. Precious Shipping (UK) Limited	Chartering	England	99.99	99.99	0.03	0.04	-	0.01
42. Great Circle Shipping Agency Limited	Technical manager of ships	Thailand	99.99	99.99	0.95	1.25	0.28	0.26
43. Precious Projects Pte. Limited	Investment holding company	Singapore	100.00	100.00	-	-	-	-
<u>Subsidiaries held by subsidiaries</u>								
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	-	-	-	-
46. PSL Investments Limited	Holding company*	Mauritius	100.00	100.00	-	-	-	-
47. International Lighterage Limited	Holding company	Mauritius	100.00	100.00	0.74	0.70	-	-
48. PSL Thun Shipping Pte. Limited	Chartering	Singapore	64.06	64.06	0.86	1.02	4.83	2.75
49. Regidor Pte. Limited	Maritime Business *	Singapore	100.00	100.00	-	-	-	-
50. Precious Forests Pte. Limited	Shipowner	Singapore	100.00	-	-	-	-	-
51. OSW6 Pte. Limited	Shipowner	Singapore	100.00	-	1.34	-	-	-
52. OSW7 Pte. Limited	Shipowner	Singapore	100.00	-	1.34	-	-	-
53. OSW8 Pte. Limited	Shipowner	Singapore	100.00	-	0.67	-	-	-
54. OSW9 Pte. Limited	Shipowner	Singapore	100.00	-	0.67	-	-	-
<u>Jointly controlled entity</u>								
55. Associated Bulk Carriers Pte. Limited	Holding company	Singapore	50.00	-	-	-	-	-
<u>Subsidiaries of jointly controlled entity</u>								
56. ABC One Pte. Limited	Shipowner	Singapore	50.00	-	0.80	-	-	-
57. ABC Two Pte. Limited	Shipowner	Singapore	50.00	-	0.39	-	-	-
58. ABC Three Pte. Limited	Shipowner	Singapore	50.00	-	0.39	-	-	-
<u>Associate held by a subsidiary</u>								
59. International Seaports (Haldia) Private Limited	Berth construction and development	India	22.40	22.40	-	-	-	-

* Business suspended

** The relevant authority in Mauritius approved the dissolution of this company in 2010.

- 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.

Jointly controlled entity is accounted for in the consolidated financial statements using the proportionate shares of the assets, liabilities, revenues and expenses (proportionate consolidation method).

Investment in associate is accounted for using the equity method and is recognised initially at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investee from the date that significant influence incurs until the date that significant influence ceases.

- c) The financial statements of the subsidiaries and jointly controlled entity are prepared for the same reporting period as the Company and using consistent significant accounting policies as the Company.

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 as the Company.

- d) The assets and liabilities in the financial statements of overseas subsidiaries and jointly controlled entity are translated into Thai Baht using the exchange rate prevailing on the balance sheet date, and revenues and expenses translated using monthly average exchange rates. The resulting differences are 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.

Material balances and transactions between the Company and jointly controlled entity, and investment in jointly controlled entity by the Company and shareholders' equity of the jointly controlled entity have been eliminated from the consolidated financial statements in proportion with the Company's shareholding in the jointly controlled entity.

- f) Minority interests represent the income or loss and net assets that is not held by the Group and are presented separately in the consolidated income statement and shareholders' equity in the consolidated balance sheet.

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

3. Adoption of new accounting standards

During the current year, the Federation of Accounting Professions issued a number of revised and new accounting standards as listed below.

- a) Accounting standards that are effective for fiscal years beginning on or after 1 January 2011 (except Framework for the Preparation and Presentation of Financial Statements, which is immediately effective):

Framework for the Preparation and Presentation of Financial Statements (revised 2009)

TAS 1 (revised 2009) Presentation of Financial Statements

TAS 2 (revised 2009) Inventories

TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property
TFRS 2	Share-Based Payment
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources
TFRIC 15	Agreements for the Construction of Real Estate
b) Accounting standards that are effective for fiscal years beginning on or after 1 January 2013:	
TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

The Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for the following accounting standards which management expects the impact on the financial statements in the year when they are adopted.

TAS 19 Employee Benefits

This accounting standard requires employee benefits to be recognised as expense in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make a provision for post-employment benefits using actuarial techniques. Currently, the Company accounts for such employee benefits when they are incurred. The adoption of this TAS in 2011 will have the effect of decreasing the beginning balance of retained earnings by approximately Baht 57.00 million.

TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognise deferred tax assets and liabilities under the stipulated guidelines.

The Company has elected to adopt this TAS in 2011. The adoption of this TAS in 2011 will have no significant effect on the Company's retained earnings.

TAS 21 (revised 2009) The Effects of Changes in Foreign Exchange Rates

This accounting standard requires an entity to identify its functional currency in accordance with certain conditions in the standard and to record transactions and report its financial position and operating results in this functional currency, which may not be Baht.

The Company has elected to adopt this TAS in 2011. The adoption of this TAS in 2011 will have no significant effect on the Company's retained earnings.

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 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).
- b) Investment in associate is accounted for in the consolidated financial statements using the equity method.
- c) Investments in subsidiaries and jointly controlled entity are accounted for in the separate financial statements using the cost method.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised as income or expenses in the income statement. If the Company disposes only part of the investment, the carrying value per share used to calculate the cost of the portion sold is determined using the weighted average method.

4.6 Property, plant 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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

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	5 - 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 expensed in the period they 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 through business combination are initially recognised at their fair value on the date of business acquisition while intangible assets acquired in other cases are recognised at cost. Following the initial recognition, the 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 economic useful life and tested 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 are reviewed at least at each financial year end. The amortisation expense is charged to the income statement.

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

Computer software	5 years and 10 years
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4.10 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 Long-term leases

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

4.13 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.

4.14 Impairment of assets

At each reporting date, the Company and subsidiaries perform impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining 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 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.

In the assessment of asset impairment, if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company and subsidiaries estimate the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case the reversal, which exceeds the carrying amount that would have been determined, is treated as a revaluation increase.

4.15 Employee benefits

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

4.16 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.

4.17 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.

4.18 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.

4.19 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:

Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

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 plant 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.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

Intangible assets

The initial recognition and measurement of intangible assets and subsequent impairment testing require management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

6. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Cash	633	693	622	682
Bank deposits	4,209,677	5,848,089	2,030,910	2,246,000
Bills of exchange	-	27,500	-	27,500
Total	4,210,310	5,876,282	2,031,532	2,274,182

As at 31 December 2010, bank deposits in savings accounts, fixed deposits and bills of exchange carried interests between 0.14% and 2.00% per annum (2009: between 0.16% and 1.22% per annum).

7. Current investment

(Unit: Thousand Baht)

	Consolidated financial statements							
	Paid-up capital		Shareholding percentage		Cost		Carrying amount based on equity method	
	2010	2009	2010	2009	2010	2009	2010	2009
	Thousand INR	Thousand INR	%	%				
Investment in associate held by a subsidiary								
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 provision for loss on investment in full has been set up. Currently, the associated company is still in the process of liquidation being arranged by the relevant authority entity in India.

8. Trade accounts receivable

The outstanding balances of trade accounts receivable as at 31 December 2010 and 2009 are aged, based on invoice date, as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	
	2010	2009
Age of receivables		
Not over 3 months	32,941	29,378
3 – 6 months	–	1,528
6 – 12 months	914	15,422
Over 12 months	18,917	8,944
Total	52,772	55,272
Less: Allowance for doubtful accounts	(18,917)	(13,194)
Trade accounts receivable – net	33,855	42,078

9. Related party transactions

During the years, the Company, subsidiaries and jointly controlled entity 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		Transfer pricing policy
	2010	2009	2010	2009	
Transactions with subsidiaries (Eliminated from consolidated financial statements)					
Service income - management fees	-	-	44,658	69,432	Fixed rate per vessel per day set with reference the to administrative cost of the Company
Service income - commission from vessel sales	-	-	24,992	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	-	-	1,530,298	4,700,110	As declared
Interest income	-	-	8,090	5,293	At interest rate of 0.70% per annum (2009: 0.50% per annum)
Condominium rental expenses	-	-	9,333	9,297	Market price
Transaction with jointly controlled entity (Eliminated from consolidated financial statements in proportion with the Company's shareholding)					
Vessel construction supervision income	907	-	1,813	-	USD 200,000 per vessel in accordance with contract based on market practice
Transaction with associate					
Dividend received	3,414	-	-	-	As declared
Transactions with related companies					
Air ticket expenses	9,351	14,579	3,709	3,034	Market price
Rental and service expenses	5,769	6,145	4,457	4,831	Market price
Computer purchases	4,617	-	3,896	-	Market price

The balances of the accounts as at 31 December 2010 and 2009 between the Company and those related parties are as follows:

(Unit: Thousand Baht)

	Separate financial statements	
	2010	2009
Receivables from and advances to related parties		
Subsidiaries		
Precious Minerals Limited	-	9,509
Precious Orchids Limited	33,169	-
Nedtex Limited	202	182
Precious Storage Terminals Limited	128	108
Thebes Pte. Limited	1,143	1,059
Precious Shipping (Panama) S.A.	17,701	7,151
Precious Shipping (Mauritius) Limited	109,880	120,756
Precious Shipping (UK) Limited	15,120	15,810

(Unit: Thousand Baht)

	Separate financial statements	
	2010	2009
Great Circle Shipping Agency Limited	130,532	127,746
Precious Projects Pte. Limited	665	360
Total	308,540	282,681
Jointly controlled entity		
Associated Bulk Carriers Pte. Limited	9,028	-
Total receivables from and advances to related parties	317,568	282,681
Payables to and advances from related parties		
Subsidiaries		
Precious Metals Limited	255,808	301,948
Precious Wishes Limited	217,037	124,193
Precious Stones Shipping Limited	23,090	35,847
Precious Minerals Limited	77,031	-
Precious Lands Limited	67,436	90,827
Precious Rivers Limited	84,723	5,355
Precious Lakes Limited	114,775	57,538
Precious Seas Limited	97,259	31,044
Precious Stars Limited	96,895	38,514
Precious Oceans Limited	92,352	68,285
Precious Planets Limited	114,754	114,825
Precious Diamonds Limited	94,983	35,396
Precious Sapphires Limited	88,151	43,963
Precious Emeralds Limited	48,380	44,393
Precious Rubies Limited	93,756	94,010
Precious Opals Limited	92,218	92,388
Precious Garnets Limited	1	35,815
Precious Pearls Limited	83,806	88,189
Precious Flowers Limited	93,490	93,455
Precious Forests Limited	110,841	107,660
Precious Trees Limited	78,647	78,886
Precious Ponds Limited	100,784	28,668
Precious Ventures Limited	75,426	88,232
Precious Capitals Limited	93,011	59,411
Precious Jasmines Limited	107,859	76,292
Precious Orchids Limited	-	9,779
Precious Lagoons Limited	99,630	28,591
Precious Cliffs Limited	52,104	25,764
Precious Hills Limited	30,373	32,658
Precious Mountains Limited	24,006	23,636
Precious Resorts Limited	44,615	40,152
Precious Cities Limited	55,830	30,540
Precious Comets Limited	76,999	42,601
Precious Ornaments Limited	69,347	69,476
Precious Shipping (Singapore) Pte. Limited	161,242	45,541
Total payables to and advances from related parties	3,016,659	2,183,872

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

10. Short-term loans to subsidiary

As at 31 December 2010, short-term loans to wholly owned subsidiary are in the form of promissory notes in US Dollar, amounting to USD 63.80 million (2009: USD 63.80 million), which carry interest at the rate of 0.70% per annum (2009: 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			
	2009	Increase	Unrealised loss on exchange	2010
Short-term loans to subsidiary				
Precious Shipping (Singapore) Pte. Limited	2,119,481	–	(205,079)	1,914,402

11. Long-term loan to jointly controlled entity

As at 31 December 2010, long-term loan to jointly controlled entity is in the form of promissory note in US Dollar, amounting to USD 8.55 million, has no interest, and is due at call. However, the Company does not intend to call for the loan repayment in the foreseeable future; therefore, the loan is classified as long-term loan. The loan represents Company's contribution (in lieu of equity capital) to the jointly controlled entity in proportion with the Company's shareholding (50%) in the jointly controlled entity. An equal amount is also received by the jointly controlled entity from the other partner shareholder. These loans have been made to enable the 3 SPV subsidiaries of the jointly controlled entity to pay the installments due to the shipbuilder as explained in Note 18. Movements in the balance of the loan during the year were as follows:

(Unit: Thousand Baht)

	Separate financial statements			
	2009	Increase	Unrealised loss on exchange	2010
Long-term loan to jointly controlled entity				
Associated Bulk Carriers Pte. Limited	–	275,970	(19,416)	256,554

12. Investments in subsidiaries

These represent investments in ordinary shares in the following subsidiaries:

(Unit: Thousand Baht)

Subsidiaries' name	Separate financial statements							
	Shareholding						Dividend received	
	Paid-up capital		percentage		Cost		for the years ended	
	2010	2009	2010	2009	2010	2009	2010	2009
			%	%				
Precious Metals Limited	250,000	250,000	99.99	99.99	250,000	250,000	45,000	255,000
Precious Wishes Limited	230,000	230,000	99.99	99.99	230,000	230,000	345,000	289,800
Precious Stones Shipping Limited	260,000	260,000	99.99	99.99	260,000	260,000	26,000	39,000
Precious Minerals Limited	230,000	230,000	99.99	99.99	230,000	230,000	23,000	482,999
Precious Lands Limited	84,000	84,000	99.99	99.99	84,000	84,000	-	142,799
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	188,099	257,399
Precious Seas Limited	100,000	100,000	99.99	99.99	100,000	100,000	30,000	120,000
Precious Stars Limited	105,000	105,000	99.99	99.99	105,000	105,000	36,750	31,500
Precious Oceans Limited	175,000	175,000	99.99	99.99	175,000	175,000	35,000	70,000
Precious Planets Limited	100,000	100,000	99.99	99.99	100,000	100,000	-	115,000
Precious Diamonds Limited	205,000	205,000	99.99	99.99	205,000	205,000	20,500	174,250
Precious Sapphires Limited	144,000	144,000	99.99	99.99	144,000	144,000	50,400	7,200
Precious Emeralds Limited	366,000	366,000	99.99	99.99	366,000	366,000	54,900	183,000
Precious Rubies Limited	84,000	84,000	99.99	99.99	84,000	84,000	-	50,400
Precious Opals Limited	74,000	74,000	99.99	99.99	74,000	74,000	-	210,899
Precious Garnets Limited	379,000	379,000	99.99	99.99	379,000	379,000	56,850	151,600
Precious Pearls Limited	73,000	73,000	99.99	99.99	73,000	73,000	-	197,099
Precious Flowers Limited	76,000	76,000	99.99	99.99	76,000	76,000	-	110,200
Precious Forests Limited	96,000	96,000	99.99	99.99	96,000	96,000	-	81,600
Precious Trees Limited	80,000	80,000	99.99	99.99	80,000	80,000	-	68,000
Precious Ponds Limited	84,000	84,000	99.99	99.99	84,000	84,000	100,800	226,799
Precious Ventures Limited	80,000	80,000	99.99	99.99	80,000	80,000	-	76,000
Precious Capitals Limited	200,000	200,000	99.99	99.99	200,000	200,000	60,000	90,000
Precious Jasmines Limited	147,000	98,000	99.99	99.99	147,000	98,000	110,250	328,299
Precious Orchids Limited	217,000	217,000	99.99	99.99	217,000	217,000	65,100	260,400
Precious Lagoons Limited	140,000	140,000	99.99	99.99	139,999	139,999	-	35,000
Precious Cliffs Limited	140,000	140,000	99.99	99.99	139,999	139,999	-	42,000
Precious Hills Limited	140,000	140,000	99.99	99.99	139,999	139,999	28,000	63,000
Precious Mountains Limited	140,000	140,000	99.99	99.99	139,999	139,999	35,000	42,000
Precious Resorts Limited	140,000	140,000	99.99	99.99	139,999	139,999	28,000	56,000
Precious Cities Limited	170,000	170,000	99.99	99.99	170,000	170,000	85,000	76,500
Precious Comets Limited	71,100	71,100	99.99	99.99	71,100	71,100	106,649	78,210
Precious Ornaments Limited	68,100	68,100	99.99	99.99	68,099	68,099	-	194,084
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	100,000	99.99	99.99	206,995	206,995	-	-
Precious Projects Pte. Limited	0.0345	0.0345	100.00	100.00	0.0345	0.0345	-	-
Total investments in subsidiaries					5,757,124	5,708,124	1,530,298	4,700,110
Less: Allowance for loss on investments in subsidiaries					(5,098)	(5,097)		
Total investments in subsidiaries – net					5,752,026	5,703,027		

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

During the year ended 31 December 2010, there had been the following changes in the investments in subsidiaries.

On 10 February 2010, a local subsidiary (Precious Jasmines 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 49.00 million.

On 10 December 2010, Precious Shipping (Singapore) Pte. Limited which is the Company's wholly owned Singaporean subsidiary signed an Agreement with Oswal Shipping Pte. Limited (the "Seller"), a company incorporated in Singapore, the owner of 4 Single Purpose Companies (SPCs), for the purchase of the entire issued and paid-up share capital (Singapore Dollar 1.00 each) of the 4 SPCs, OSW6 Pte. Limited, OSW7 Pte. Limited, OSW8 Pte. Limited and OSW9 Pte. Limited. Each of the 4 SPCs holds 1 New Shipbuilding Contract (Supramax vessel) each with Wuhan Guoyu Logistics Group Co. Ltd and Yangzhou Guoyu Shipbuilding Co. Ltd (both companies jointly referred to as the "Shipyard"). The closing of the transaction including the transfer of the shares in the SPC's to the Buyer was completed in December 2010. The aggregate purchase price of the shares in the 4 SPCs is USD 6,800,004 (USD 1,700,001 for each SPC). The purchase price was paid in installments to the Seller as stipulated in the Agreement after the SPCs' received Refund Guarantees (RGs), from the Shipyard's Bank and hence the 4 SPCs are now the Company's indirect subsidiaries since the date the shares were transferred.

During the year ended 31 December 2009, 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.

13. Investment in jointly controlled entity

13.1 Details of investment in jointly controlled entity

On 11 January 2010, the Company has entered into a joint venture agreement on equal sharing basis with Varada Marine Pte. Limited (formerly named is "PFS Shipping (Singapore) Pte. Limited") which is a company incorporated under the laws of the Republic of Singapore and wholly owned by PFS Shipping (India) Limited, which is part of the ABG Group from India for the purpose of execution and performance of the MOU and the Long-Term Time Charter Contracts (explained in Note 33.4) as well as other similar business of owning and operating cement carriers in India. According to the agreement, a company has been set up in Singapore as the jointly controlled entity, named Associated Bulk Carriers Pte. Limited, ("the ABC Company"). On 11 January 2010, the Company acquired a 50% equity interest in the ABC Company by acquiring 1 share at par of USD 1. Details of the investment in jointly controlled entity are as follows:

(Unit: Baht)

Separate financial statements							
Jointly controlled entity	Nature of business	Shareholding percentage		Cost		Carrying amounts based on cost method	
		2010	2009	2010	2009	2010	2009
		(%)	(%)				
Associated Bulk Carriers Pte. Limited	Holding company	50	-	33	-	33	-

13.2 Summarised financial information of jointly controlled entity

The consolidated financial statements include the Company's proportionate shares of the assets, liabilities, revenues and expenses of Associated Bulk Carriers Pte. Limited, according to the proportion under the joint venture agreement as follows.

(Unit: Thousand Baht)

	31 December 2010
Cash and cash equivalents	2,086
Advances for vessel constructions	343,887
Deferred financial fees	4,261
Total assets	350,234
Current liabilities	1,776
Long term loan - net of current portion	83,107
Total liabilities	84,883
Net assets	265,351

(Unit: Thousand Baht)

	For the year ended 31 December 2010
Revenues	15
Administrative expenses	(499)
Exchange gains	1
Finance cost	(7)
Net loss	(490)

On 12 April 2010, the ABC Company has formed the three wholly owned Special Purpose Vehicle subsidiaries (the "SPV subsidiaries") named ABC One Pte. Limited, ABC Two Pte. Limited and ABC Three Pte. Limited which are incorporated under the laws of the Republic of Singapore. Each SPV subsidiary has been incorporated to specifically order, own and operate one cement carrier vessel to perform the Long-Term Time Charter Contracts signed on 2 December 2009 by the Company with Ultratech Cement Limited, Mumbai, India for 3 vessels. The initial registered capital of each SPV subsidiary is US Dollar 1.00, fully paid-up, divided into 1 ordinary share with a par value of US Dollar 1.00 each held by the ABC Company.

14. Investment in associate held by a subsidiary

14.1 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	
			2010	2009	2010	2009	2010	2009
			%	%				
International Seaports (Haldia) Private Limited	Berth construction and development	India	22.40	22.40	87,701	87,701	163,110	143,219

(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	
	2010	2009	2010	2009
International Seaports (Haldia) Private Limited	3,414	-	19,520	22,317

Share of income from investment in associate held by a subsidiary for the years ended 31 December 2010 and 2009, included in the consolidated income statements, was calculated based on the reviewed financial statements of that associate as at 30 September 2010 and 2009.

14.2 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	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	Thousand INR	Thousand INR								
International Seaports (Haldia) Private Limited	440,580	440,580	739,866	837,200	184,961	314,511	538,119	455,557	87,143	99,631

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. During the year 2009, 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. Subsequently, the transaction was not completed since the conditions precedent to the completion of the transaction (particularly the receipt of statutory approvals) were not satisfied. Therefore, the agreement was cancelled and the subsidiary received the repayment in September 2010 of the whole amount of advance paid for the share acquisition.

15. 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.

(Unit: Thousand Baht)

Consolidated financial statements								
	Revaluation basis	Cost basis						
	Land and condominium units	Vessels and equipment			Furniture, fixtures and office equipment	Motor vehicles	Leasehold improvement	Total
		Vessels and equipment	Dry-dock and special survey expenses	Total				
Cost/Revaluation amount	446,528	12,225,817	740,518	12,966,335	56,110	20,074	13,662	13,502,709
	249	724,427	231,642	956,069	4,917	-	-	961,235
	-	(1,378,937)	(369,490)	(1,748,427)	(8,010)	-	-	(1,756,437)
31 December 2010	446,777	11,571,307	602,670	12,173,977	53,017	20,074	13,662	12,707,507
Accumulated depreciation	197,601	5,114,345	342,574	5,456,919	42,116	15,315	9,836	5,721,787
	9,836	466,329	253,116	719,445	6,112	2,412	2,595	740,400
	56,164	-	-	-	-	-	-	56,164
	-	(1,007,181)	(314,524)	(1,321,705)	(7,217)	-	-	(1,328,922)
31 December 2010	263,601	4,573,493	281,166	4,854,659	41,011	17,727	12,431	5,189,429
Net book value								
31 December 2009	248,927	7,111,472	397,944	7,509,416	13,994	4,759	3,826	7,760,922
31 December 2010	183,176	6,997,814	321,504	7,319,318	12,006	2,347	1,231	7,518,078
Depreciation for the year								
	2009							934,609
	2010							796,564

(Unit: Thousand Baht)

	Separate financial statements			
	Furniture, fixtures and office equipment	Motor vehicles	Leasehold improvement	Total
Cost				
31 December 2009	28,342	18,898	10,321	57,561
Acquisitions/transfer in	4,157	-	-	4,157
Disposals/transfer out/write-off	(7,896)	-	-	(7,896)
31 December 2010	24,603	18,898	10,321	53,822
Accumulated depreciation				
31 December 2009	19,030	14,140	7,169	40,339
Depreciation for the year	4,228	2,411	1,922	8,561
Depreciation on disposals/transfer out/write-off	(7,111)	-	-	(7,111)
31 December 2010	16,147	16,551	9,091	41,789
Net book value				
31 December 2009	9,312	4,758	3,152	17,222
31 December 2010	8,456	2,347	1,230	12,033
Depreciation for the year				
2009				9,285
2010				8,561

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 2010 and 2009 would have been as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	
	2010	2009
Land and condominium units	25,037	29,935

During the year ended 31 December 2010, local subsidiaries sold and delivered 5 vessels (2009: 20 vessels) and had gains on sales of vessels and equipment totaling Baht 390.28 million (2009: Baht 760.28 million) as presented in the consolidated income statements.

As at 31 December 2010, certain vessels and equipment items have been fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation) of those assets amounted to Baht 53.50 million (2009: Baht 604.99 million) in the consolidated financial statements and Baht 28.44 million (2009: Baht 9.67 million) in the separate financial statements.

As at 31 December 2010, the subsidiaries have mortgaged 7 vessels (2009: 5 vessels) with net book value of Baht 2,912.19 million (2009: Baht 1,574.00 million) with banks to secure long-term loans as referred to in Note 22.

17. Intangible assets

Details of intangible assets which is computer software are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements/ Separate financial statements
Cost	
31 December 2009	58,969
Acquisitions	930
Transfer in from equipment	1,901
31 December 2010	61,800
Accumulated amortisation	
31 December 2009	12,057
Amortisation for the year	10,926
Transfer in from equipment	1,707
31 December 2010	24,690
Net book value	
31 December 2009	46,912
31 December 2010	37,110
Amortisation for the year	
2009	10,586
2010	10,926

18. Advances for vessel constructions

The Company

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.

Subsidiaries

The four SPCs acquired as explained in Note 12 holds 1 New Shipbuilding Contract each with Wuhan Guoyu Logistics Group Co. Ltd and Yangzhou Guoyu Shipbuilding Co. Ltd (both companies jointly referred to as the "Shipyard"). The aggregate Contract Prices of the 4 New Shipbuilding Contracts to construct 4 Supramax vessels in China is USD 98.00 million (USD 24.50 million per each New Shipbuilding Contract or vessel). The contract price is payable in 5 installments of 20% each, with each installment (except the fifth) paid only on the submission of a bank guarantee in favor of each SPCs covering the refund of all the installments paid to the Shipyard along with the certificate from Classification Society of relevant stage completion of the ship. The vessels are expected to be delivered in the year 2012.

Jointly controlled entity

On 22 April 2010, the three SPV subsidiaries signed the respective shipbuilding contracts with the ABG Shipyard Limited, India (the "builder") to construct 1 vessel each classified as cement bulk carrier at price of USD 28.50 million per vessel or USD 85.50 million in aggregate for all the three vessels. Since the Company holds 50% of the total shareholding in each SPV subsidiary (through the ABC Company), the Company's interest in all the contracts is 50% of the aggregate contract price, which is USD 42.75 million. The contract price will be paid in 5 installments of 20% each, with each installment (except the last installment which would be payable on delivery) paid only on the submission of a bank guarantee in favor of each SPV subsidiary, guaranteeing the refund of each respective installment (with interest at 7.50% per annum) in case of a failure by the builder to perform per the contract. The vessels are expected to be delivered in the years 2011 to 2013.

The ABC Company may order one more vessel (through another wholly owned SPV subsidiary) if the charterer exercises the option to take one more vessel on time charter. The total amount to be paid for acquiring 4 vessels (if the option for the 4th vessel is exercised) would be USD 114.00 million out of which the Company's share (50%) would be USD 57.00 million.

As at 31 December 2010 and 2009, advances for vessel construction are presented below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Balance at beginning of year	7,809,282	4,720,520	7,809,282	4,720,520
Additions	1,429,272	3,007,335	199,099	3,007,335
Acquisitions of subsidiaries (Note 12)	205,029	-	-	-
Interest costs	59,551	63,727	59,493	63,727
Transfer from deferred financial fees	3,201	8,454	3,195	8,454
Adjustment	(6,201)	-	(6,201)	-
Other costs	17,207	9,246	17,049	9,246
Balance at end of year	9,517,341	7,809,282	8,081,917	7,809,282

During the year 2010, the Company made payment of installments to a shipbuilder, amounting to USD 6.00 million or approximately Baht 199.10 million (2009: USD 86.00 million or approximately Baht 3,007.34 million). All of these have been financed by overseas and local commercial banks.

During the year 2010, the 4 SPC subsidiaries (shareholding through Precious Shipping (Singapore) Pte. Limited) made payment of installments to the shipyard in China, amounting to USD 29.40 million or approximately Baht 886.45 million (2009: nil).

During the year 2010, 3 SPV subsidiaries wholly held by the ABC Company (the jointly controlled entity) made payment of installments against the respective 3 shipbuilding contracts signed by each of the 3 SPV subsidiaries to the shipbuilder, amounting to USD 22.80 million in aggregate or approximately Baht 687.77 million. Since the Company holds 50% of the total shareholding in each SPV subsidiary (through the ABC Company), the Company's portion is 50% of the aggregate amount, which is USD 11.40 million or approximately Baht 343.72 million.

During the year ended 31 December 2010, the amount of borrowing costs capitalised was approximately Baht 59.55 million (2009: Baht 63.73 million) in the consolidated financial statements and approximately Baht 59.49 million (2009: Baht 63.73 million) in the separate financial statements. The weighted average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 1.45% - 2.70% (2009: 1.45% - 1.74%) in the consolidated financial statements and was 1.45% - 1.74% (2009: 1.45% - 1.74%) in the separate financial statements.

19. Deferred financial fees

As at 31 December 2010 and 2009, deferred financial fees are presented below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Balance at beginning of year	291,253	330,740	291,253	330,740
Additions	110,062	2,948	104,381	2,948
Write-off	-	(2,658)	-	(2,658)
Transfer to advances for vessel constructions	(3,201)	(8,454)	(3,195)	(8,454)
Transfer to interest expense	(6,214)	-	-	-
Transfer to subsidiaries as a borrower	-	-	(21,767)	(20,809)
Adjustment	6,201	-	6,201	-
Transfer to present as a deduction against long-term loans	(21,293)	(31,323)	(4,326)	(10,514)
Balance at end of year	376,808	291,253	372,547	291,253

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

During the year 2010, deferred financial fee amounting to Baht 21.29 million (2009: Baht 31.32 million) was transferred to present as a deduction against long-term loans in liabilities in the consolidated balance sheet and amounting to Baht 4.33 million (2009: Baht 10.51 million) in the separate balance sheet, in proportion to the drawdown amount, as discussed in Note 22.

20. Advances received from vessel sales

In December 2009, a local subsidiary entered into a Sale Agreement termed as Memorandum of Agreement with an overseas company to sell the subsidiary's second-hand vessel. The buyer paid deposit 20% of the selling price of the vessel and the remaining balance is to be paid on delivery of the vessel.

As at 31 December 2009, cash and cash equivalents included advance received amounting to USD 0.87 million or approximately Baht 29.16 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.

21. Accrued employee bonus

As at 31 December 2010 and 2009, accrued employee bonus 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	
	2010	2009	2010	2009
1 year	137,114	165,690	126,013	152,196
2 - 3 years	76,645	173,011	70,383	159,090
Total	213,759	338,701	196,396	311,286

22. Long-term loan facilities

As at 31 December 2010 and 2009, long-term loans accounts are presented below.

(Unit: Thousand Baht)

Consolidated financial statements								
	Loan facilities for financing the construction and acquisition of new vessels				Loan facilities for purchasing of vessels			
	Facility 1		Facility 2		Facility 1		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Total long-term loans	3,429,541	3,593,000	85,931	-	1,471,049	734,273	4,986,521	4,327,273
Less: Deferred financial fees	(19,092)	(14,765)	(1,415)	-	(36,361)	(20,809)	(56,868)	(35,574)
Total	3,410,449	3,578,235	84,516	-	1,434,688	713,464	4,929,653	4,291,699
Less: Current portion of long-term loans	(24,100)	-	(1,409)	-	(122,101)	(14,864)	(147,610)	(14,864)
Long-term loans – net of current portion	3,386,349	3,578,235	83,107	-	1,312,587	698,600	4,782,043	4,276,835

(Unit: Thousand Baht)

	Separate financial statements	
	Loan facilities for financing the construction and acquisition of new vessels	
	Facility 1	
	2010	2009
Total long-term loans	3,429,541	3,593,000
Less Deferred financial fees	(19,092)	(14,765)
Total	3,410,449	3,578,235
Less: Current portion of long-term loans	(24,100)	-
Long-term loans – net of current portion	3,386,349	3,578,235

Movements in the long-term loan accounts during the year ended 31 December 2010 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements			
	Loan facilities for financing the construction and acquisition of new vessels		Loan facilities for purchasing of vessels	Total
	Facility 1	Facility 2	Facility 1	
Balance as at 31 December 2009	3,578,235	-	713,464	4,291,699
Add: Additional borrowings	199,099	85,931	768,075	1,053,105
Less: Repayment	-	-	(31,299)	(31,299)
Unrealised exchange gains	(362,559)	-	-	(362,559)
Deferred financial fees	(4,326)	(1,415)	(15,552)	(21,293)
Balance as at 31 December 2010	3,410,449	84,516	1,434,688	4,929,653

(Unit: Thousand Baht)

	Separate financial statements
	Loan facilities for financing the construction and acquisition of new vessels
	Facility 1
Balance as at 31 December 2009	3,578,235
Add: Additional borrowings	199,099
Less: Unrealised exchange gains	(362,559)
Deferred financial fees	(4,326)
Balance as at 31 December 2010	3,410,449

The details of each loan facility are summarised as follows:

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

Facility 1

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 handysize vessels and 6 supramax vessels) 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

Facility / Description	Pre-delivery facility	Post-delivery facility
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 1/60th 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	<ul style="list-style-type: none"> a) Corporate guarantee from the Company if the Company is not a joint borrower b) 1st priority assignment of the shipbuilding contracts c) 1st priority assignment of the refund guarantees by the refund guarantors given in relation to the shipbuilding contracts with the Company 	<ul style="list-style-type: none"> a) 1st 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) 1st priority assignment of requisition compensation in respect of the vessels e) 1st priority assignment of all insurance proceeds f) 1st 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 2010, this long-term loan facility which has not yet been drawn down amounted to USD 285.20 million (2009: USD 291.20 million).

Facility 2

On 28 October 2010, ABC One Pte. Ltd., one of the three Singapore registered subsidiaries (referred to as the "SPV subsidiary" in this note) of Associated Bulk Carriers Pte. Ltd., the Joint Venture Company (JV Company) where the Company holds 50% interest, entered into a Secured Loan Agreement of USD 22.80 million with an international bank to fund 80% of the Contract Price of the new cement carrier ordered by the subsidiary on 22 April 2010. The loan carries interest at LIBOR plus margin. 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 contract whereby the aggregate of all drawings would be equivalent to 60% of the contract price of the vessel	100% of the post-delivery facility amount equivalent to 80% of the contracted price of vessel is to be drawn upon delivery of the vessel out of which the entire pre-delivery facility amount (60% of the contract price) will be repaid.
Final maturity	Delivery of vessel	10 years from delivery of the vessel
Repayment	To be repaid in one lump sum (from post-delivery facility) upon delivery of vessel	The aggregate drawings (the post-delivery facility amount) are to be repaid in quarterly installments, each equivalent to 1/60th of the post-delivery facility amount with the balance payable as a balloon with last repayment installment on maturity. The first quarterly repayment shall commence 3 months after delivery of the vessel.
Security	<ul style="list-style-type: none"> a) Corporate Guarantee from Associated Bulk Carriers Pte. Limited (the Shareholder of the SPV subsidiary) b) Several but not Joint Corporate Guarantees from the Company and the JV Partner's 2 Companies in proportion to the respective partner's interest in the SPV subsidiary, which is 50% from the Company and 50% from the JV partner c) 1st priority assignment of the shipbuilding contract d) 1st priority assignment of the refund guarantees by the refund guarantors given in relation to the shipbuilding contract 	<ul style="list-style-type: none"> a) 1st priority mortgage over the vessel b) 1st priority assignment of Earnings and Time Charter with Charterer c) Several but not Joint Corporate Guarantees from the Company and the JV Partner's 2 companies in proportion to the respective partner's interest (50% holding by each partner) in the SPV subsidiary for an aggregate amount of upto USD 8 million. Therefore, the maximum amount of the Guarantee of the Company shall be USD 4 million. d) Pledge of the shares of ABC One Pte. Ltd. (the SPV subsidiary) e) 1st priority assignment of insurance proceeds f) 1st priority assignment of the earnings of the vessel and a charge over the earnings account and retention account of the vessel

The credit facility agreement contains covenants that, among other things, require ABC One Pte. Ltd. (and the Shareholder, viz. Associated Bulk Carriers Pte. Limited) to maintain certain financial ratios which include:

- a) maintenance of EBITDA of no less than 1.1 times Total Debt Service
- b) maintenance of Total Shareholders' Equity to the aggregate of Total Shareholders' Equity and Total Debt of no less than 20%.

As at 31 December 2010, the undrawn amount against this long-term loan facility was USD 17.10 million. Since the Company holds 50% of the total shareholding in each SPV subsidiary (through the ABC Company), the Company's portion is 50% of the aggregate amount, which is USD 8.55 million.

22.2 Loan facilities for purchasing of vessels

Facility 1

On 23 February 2009, 29 October 2009 and 5 February 2010, 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) 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 29 December 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).
- b) A foreign currency exchange facility of USD 5.00 million.
- c) 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:

- a) maintenance of a total debt to total shareholders' equity ratio not exceeding 2:1
- b) maintenance of a total debt to EBITDA ratio not exceeding 5:1
- c) maintenance of minimum free liquidity of USD 100,000 per vessel
- d) maintenance of debt service coverage ratio of at least 1.1:1

During the year 2010, a local subsidiary had drawn down Baht 768.08 million (2009: 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 23.75 million (2009: USD 22.15 million) with the said local commercial banks in order to hedge the foreign exchange rate exposure associated with the loans. 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.

As at 31 December 2010, the undrawn amount against this facility was Baht 7,247.65 million (2009: Baht 8,015.73 million). The Company and subsidiaries are currently in discussions with the lenders to revise some of the terms of the facility including the extension of the availability period of the balance facility and the Company expects to document the amendments to loan agreement with the lenders shortly.

Facility 2

On 14 January 2010, the Company entered into a new Secured Term Loan Facility Agreement of USD 250.00 million with the Bangkok Branch of an international bank 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

As at 31 December 2010, the Company and subsidiaries have not yet drawn down this long-term loan facility.

23. 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	
	2010	2009
Balance at beginning of year	203,452	103,712
Add: Revaluation increase	-	120,053
Less: Amortisation	(56,164)	(20,313)
Balance at end of year	147,288	203,452

The revaluation surplus can neither be offset against deficit nor used for dividend payment.

24. 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.

25. 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 and by the Annual General Meeting of the Company's shareholders on 17 March 2010.

During the year 2010, the Company set aside Baht 4.52 million (2009: Baht 15.24 million) to a reserve for corporate social responsibility activities and reversed Baht 27.97 million (2009: Baht 2.15 million) of such reserve when the Company made related donation payments.

26. Expenses by nature

Significant expenses by nature are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Salary, wages and other benefits of employees and crews	656,641	1,182,599	111,792	281,687
Rental expenses from operating lease agreements	5,136	5,589	3,724	3,539

27. Corporate income tax

No corporate income tax was payable for the years 2010 and 2009, since the Company had tax losses brought forward from previous years.

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.

In accordance with the Director - General's Notification on Income Tax No. 72 dated 1 January 1998, the local 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 local 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 overseas subsidiaries has been calculated by applying the applicable statutory rates of the relevant countries.

28. 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 2010, the subsidiaries have registered their 11 vessels (2009: 13 vessels) under the Thai flag.

Revenues and expenses for 2010 and 2009 (before eliminating related transactions), classified between promoted and non-promoted operations can be summarised below.

(Unit: Thousand Baht)

	Promoted operations		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			
	2010	2009	2010	2009	2010	2009	2010	2009
Revenues	1,858,538	3,600,776	1,219,530	1,888,664	1,999,747	5,877,757	5,077,815	11,367,197
Costs and expenses	(970,652)	(1,681,026)	(712,168)	(992,584)	(893,224)	(1,030,609)	(2,576,044)	(3,704,219)
Net income	887,886	1,919,750	507,362	896,080	1,106,523	4,847,148	2,501,771	7,662,978

29. 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.

30. 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	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Hire income	2,810,421	5,153,491	-	-	2,810,421	5,153,491	-	(44,391)	2,810,421	5,109,100
Freight income	-	-	186,757	503,231	186,757	503,231	(44,074)	(88,686)	142,683	414,545
Total vessel operating income	2,810,421	5,153,491	186,757	503,231	2,997,178	5,656,722	(44,074)	(133,077)	2,953,104	5,523,645
Voyage disbursements	-	-	(64,979)	(239,339)	(64,979)	(239,339)	44,074	133,077	(20,905)	(106,262)
Bunker consumption	-	-	(5,174)	(105,422)	(5,174)	(105,422)	-	-	(5,174)	(105,422)
Total voyage expenses	-	-	(70,153)	(344,761)	(70,153)	(344,761)	44,074	133,077	(26,079)	(211,684)
Net vessel operating income/time charter equivalent income	2,810,421	5,153,491	116,604	158,470	2,927,025	5,311,961	-	-	2,927,025	5,311,961

During the year 2009, compensation from cancellation of vessel hire contracts amounting to approximately Baht 184.53 million had been recorded in "Hire income" account in the income statement.

31. 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 Kasikornbank Public Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2010, the Company and subsidiaries contributed Baht 2.67 million (2009: Baht 2.66 million) to the provident fund (Separate financial statements: Baht 2.42 million, 2009: Baht 2.40 million).

32. Dividends paid

The dividends were approved for paying to the Company's ordinary shareholders as at the closing date of the share register, after deduction of the 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).

Details of dividends declared and payments in the year 2010 consist of the following:

	Approved by	Qualified ordinary share	Shares held by the registrar	Dividend per share	Dividend paid	Paid date
		(shares)	(shares)	(Baht)	(Million Baht)	
a) Interim dividend based on the retained earnings as of 30 September 2010	Board of Directors' meeting on 30 November 2010	1,039,380,600	140,000	0.20	207.88	30 November 2010
b) Interim dividend based on the retained earnings as of 30 June 2010	Board of Directors' meeting on 5 August 2010	1,039,260,900	259,700	0.20	207.85	2 September 2010
c) Interim dividend based on the retained earnings as of 31 March 2010	Board of Directors' meeting on 6 May 2010	1,039,377,400	142,200	0.25	259.84	4 June 2010
d) Final dividend based on the retained earnings as of 31 December 2009	Annual General Meeting of the shareholders on 17 March 2010	1,039,371,120	149,480	0.60	623.62	29 March 2010
Total				1.25	1,299.19	

Details of dividends declared and payments in the year 2009 consist of the following:

	Approved by	Qualified ordinary share	Shares held by the registrar	Dividend per share	Dividend paid	Paid date
		(shares)	(shares)	(Baht)	(Million Baht)	
a) Interim dividend based on the retained earnings as of 30 September 2009	Board of Directors' meeting on 9 November 2009	1,039,350,820	169,780	0.40	415.74	4 December 2009
b) Interim dividend based on the retained earnings as of 30 June 2009	Board of Directors' meeting on 5 August 2009	1,039,360,620	159,980	0.40	415.74	2 September 2009
c) Interim dividend based on the retained earnings as of 31 March 2009	Board of Directors' meeting on 12 May 2009	1,039,378,300	142,300	0.40	415.75	8 June 2009
d) Final dividend based on the retained earnings as of 31 December 2008	Annual General Meeting of the shareholders on 18 March 2009	1,039,380,300	140,300	0.80	831.50	27 March 2009
Total				2.00	2,078.73	

33. Commitments and contingent liabilities

33.1 Vessel building contracts commitments

As at 31 December 2010 and 2009 the Company, subsidiaries and jointly controlled entity had future minimum payment commitments under vessel building contracts as detailed below.

	2010		2009	
	(Million USD)	(Equivalent to Million Baht)	(Million USD)	(Equivalent to Million Baht)
The Company	357.20	10,821.84	363.20	12,173.30
Subsidiaries	68.60	2,078.33	-	-
Jointly controlled entity - proportion with the Company's shareholding (50%)	31.35	949.79	-	-
Total	457.15	13,849.96	363.20	12,173.30

33.2 Obligations in respect of charges for management of the undrawn portion of loan facilities

As at 31 December 2010, 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	Commitment fees payable by Company	Currency	Maximum facility amount per loan agreement	Undrawn loan balance as at 31 December 2010	Terms of payment	Payable upto
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	285.20	Every three months starting from 3 July 2008 until the end of the drawdown period	Upon delivery of each vessel

Facility	Commitment fees payable by Company	Currency	Maximum facility amount per loan agreement	Undrawn loan balance as at 31 December 2010	Terms of payment	Payable upto
Facility 2	1.20% per annum of undrawn loan balance	million USD	22.80	17.10	Every three months starting from 28 October 2010 until the end of the drawdown period	Upon delivery of the vessel
Loan facilities for purchasing of vessels						
Facility 1	1.00% per annum of undrawn loan balance	million Baht	8,750.00	7,247.65	Quarterly starting from 19 January 2009 until the end of the drawdown period	29 December 2010
Facility 2	0.70% per annum of undrawn loan balance	million USD	250.00	250.00	Quarterly starting from 31 March 2010 until the end of the drawdown period	30 June 2011

Loan facility for financing the construction and acquisition of new vessels facility 2 the maximum facility amount per contract is USD 22.80 million and the undrawn loan balance as at 31 December 2010 is USD 17.10 million. Since the Company holds 50% of the total shareholding in the SPV subsidiary (through the ABC Company), the maximum facility amount per contract and the undrawn loan balance as at 31 December 2010 of the Company's portion is 50% of the aggregate amount, which is USD 11.40 million and USD 8.55 million, respectively.

Availability period of facility 1 for purchasing of vessels expired on 29 December 2010. As such, the obligation in respect of commitment fees stated above for the facility is no longer valid but shall be replaced by new obligation after the facility is extended.

33.3 Uncalled portion of other long-term investment

As at 31 December 2010, the Company has a commitment of Baht 10.13 million in respect of the uncalled portion of other long-term investment (2009: Baht 10.13 million).

33.4 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.

34. Financial instruments

34.1 Financial risk management

The Company and subsidiaries' financial instruments, as defined under Thai Accounting Standard No.107 "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 2010 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	Non- interest rate bearing	Total	Average interest rate (% p.a.)			
					Fixed		Floating	
					USD	Baht	USD	Baht
Financial assets								
Cash and cash equivalents	3,202,494	1,005,240	2,576	4,210,310	0.55	1.67	0.14	0.25
Trade accounts receivable	-	-	33,855	33,855	-	-	-	-
Total	3,202,494	1,005,240	36,431	4,244,165				
Financial liabilities								
Trade accounts payable	-	-	11,100	11,100	-	-	-	-
Long-term loans	-	4,929,653	-	4,929,653	-	-	1.49	5.25
Total	-	4,929,653	11,100	4,940,753				

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.

34.2 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.

35. Capital management

The primary objective of the Company's capital management is to ensure that it has an appropriate financial structure and preserves the ability to continue its business as a going concern.

The Company manages its capital position with reference to its debt-to-equity ratio also to comply with a condition in the long-term loan agreements, which require the Company to maintain a consolidated debt-to-equity ratio of not more than 2:1.

No changes were made in the objectives, policies or processes during the years ending 31 December 2010 and 2009.

36. Subsequent events

On 27 January 2011, the Company's Board of Directors passed a resolution to propose to the Annual General Meeting of shareholders to be held in March 2011 to adopt a resolution to pay a dividend of Baht 0.22 per share, or a total of Baht 228.69 million, to the shareholders in respect of the 2010 income.

Such dividend will be paid and recorded after it is approved by the Annual General Meeting of the Company's shareholders.

37. Delay in new vessel building delivery

On 20 July 2007, 14 September 2007 and 11 February 2008, the Company entered into 18 contracts with ABG Shipyard Limited ("the 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 (approximately USD 30.00 million per handysize vessel and USD 38.00 million per supramax vessel). The delivery dates of Hull Nos. 329, 330 and 313 were on 15 March 2010, 31 July 2010 and 31 December 2010, respectively, per respective contracts. However, these vessels' deliveries have now been delayed due to various technical reasons at the Shipyard and the revised delivery dates of these vessels are under discussion with the shipbuilder. The Company also expects some delay in delivery of the remaining vessels per their respective vessel building contracts and is in continuous discussions with the shipbuilder in this respect.

38. Reclassifications

Certain amounts in the financial statements for the year ended 31 December 2009 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)

	Consolidated financial statements			Separate financial statements		
	Previously reported	Increase (Decrease)	As reclassified	Previously reported	Increase (Decrease)	As reclassified
Cash and cash equivalents	5,848,782	27,500	5,876,282	2,246,682	27,500	2,274,182
Current investment - net	27,500	(27,500)	-	27,500	(27,500)	-
Current portion of long-term loans	-	14,864	14,864	-	-	-
Long-term loans - net of current portion	4,291,699	(14,864)	4,276,835	3,578,235	-	3,578,235

39. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 27 January 2011.

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 30.2963 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 Corporate Advisory Services (Thailand) Limited

Precious Shipping Public Company Limited

**USD Restatement Report for the Year Ended
31st December 2010**

Baker Tilly Corporate Advisory Services (Thailand) Limited

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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 2010. 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 2010 indicates that the total assets and liabilities of PSL were US\$ 665 million and US\$ 176 million, respectively. The equity of PSL as at 31st December 2010 was therefore US\$ 489 million.

With regards to the income statement, PSL's total revenue and expenses, excluding interest and finance cost, for the year ended 31st December 2010 were US\$ 107 million and US\$ 60 million, respectively. Net income, after deducting interest and finance cost and corporate income tax of US\$ 12 million, equates to US\$ 35 million. The retained earnings at the end of the year stood at US\$ 405 million.

¹ Baker Tilly FAS (Thailand) Limited changed its name to Baker Tilly Corporate Advisory Service (Thailand) Limited effective from 25 April 2006.

FINANCIAL STATEMENTS

Consolidated Balance Sheet as at 31st December 2010 - Assets

Assets	31/12/2010		31/12/2009	
	BAHT	US\$	BAHT	US\$
Current assets				
Cash and cash equivalents	4,210,310,366	140,314,213	5,876,282,201	176,886,164
Current investment - net	-	-	-	-
Trade accounts receivable - net	33,855,480	1,128,279	42,078,391	1,266,632
Bunker oil	5,688,873	189,589	-	-
Other current assets				
Advances to vessel masters	42,573,234	1,418,810	54,093,717	1,628,314
Claim recoverables	8,265,020	275,443	35,304,785	1,062,734
Others	36,014,929	1,200,245	35,959,713	1,082,449
<i>Total other current assets</i>	<i>86,853,183</i>	<i>2,894,498</i>	<i>125,358,215</i>	<i>3,773,497</i>
<i>Total current assets</i>	<i>4,336,707,902</i>	<i>144,526,579</i>	<i>6,043,718,807</i>	<i>181,926,293</i>
Non-current assets				
Investment in associate held by a subsidiary	163,110,453	4,122,503	143,219,374	3,508,740
Other long-term investment	10,130,430	260,212	10,130,430	260,212
Receivables from cross currency swap contracts - net	109,419,261	4,080,908	-	-
Property, plant and equipment at cost				
Vessels and vessels equipment	11,571,308,485	342,158,618	12,225,818,775	357,873,703
Drydock and special survey	602,670,810	18,155,978	740,517,966	21,758,957
Office equipment	24,593,484	819,611	27,958,925	841,612
Leasehold improvement	13,661,808	455,298	13,661,808	411,244
Vehicles	20,074,282	669,002	20,074,283	604,270
Buildings and improvement	446,776,142	14,719,758	446,527,928	14,710,024
Furniture and fixtures	28,423,683	947,257	28,153,256	847,461
Total	12,707,508,694	377,925,522	13,502,712,941	397,047,271
Less: Accumulated depreciation	(5,189,430,935)	(161,333,510)	(5,721,790,473)	(175,835,167)
<i>Property, plant and equipment - net</i>	<i>7,518,077,759</i>	<i>216,592,012</i>	<i>7,780,922,468</i>	<i>221,212,104</i>
Other non-current assets				
Intangible asset - net	37,109,623	1,236,728	46,911,635	1,412,121
Advances for vessel constructions	9,517,340,798	283,509,892	7,809,282,007	227,557,748
Deferred financial fees - net	376,807,655	10,913,109	291,253,234	8,274,534
Advance for share acquisition in associate held by a subsidiary	-	-	11,538,699	329,882
Others	2,921,834	97,374	3,152,306	94,890
<i>Total other non-current assets</i>	<i>9,934,179,910</i>	<i>295,757,103</i>	<i>8,162,137,881</i>	<i>237,669,175</i>
<i>Total non-current assets</i>	<i>17,734,917,813</i>	<i>520,812,738</i>	<i>16,096,410,153</i>	<i>462,650,231</i>
Total Assets	22,071,625,715	665,339,317	22,140,128,960	644,576,524

FINANCIAL STATEMENTS

Consolidated Balance Sheet as at 31st December 2010 - Liabilities and Shareholders' Equity

Liabilities and Shareholders' Equity	31/12/2010		31/12/2009	
	BAHT	US\$	BAHT	US\$
Liabilities				
Current liabilities				
Trade accounts payable	11,099,641	366,370	44,727,575	1,334,482
Advances received from vessel sales	-	-	29,158,895	869,979
Advances received from charterers	47,682,723	1,573,879	79,029,033	2,357,893
Current portion of long-term loans	147,610,132	4,888,546	14,863,823	444,299
Other current liabilities				
Accrued crew accounts	41,290,184	1,362,879	49,382,671	1,473,371
Current portion of accrued employee bonus	137,113,895	4,525,764	165,690,296	4,943,500
Accrued expenses	32,390,928	1,069,138	45,489,571	1,357,217
Provision for income tax	3,934,172	129,857	24,631,203	734,891
Withholding tax payable	4,023,118	132,792	31,427,877	937,675
Others	17,540,232	578,956	19,347,683	577,253
<i>Total other current liabilities</i>	<i>236,292,529</i>	<i>7,799,386</i>	<i>335,969,301</i>	<i>10,023,907</i>
<i>Total current liabilities</i>	<i>442,685,025</i>	<i>14,628,181</i>	<i>503,748,627</i>	<i>15,030,560</i>
Non-current liabilities				
Accrued employee bonus - net of current portion	76,645,113	2,529,851	173,011,023	5,161,920
Provisions for maritime claims	20,768,114	685,500	42,050,177	1,254,600
Payables from cross currency swap contracts - net	-	-	8,124,620	47,140
Long-term loans - net of current portion	4,782,042,586	158,079,479	4,276,834,978	127,637,514
<i>Total non-current liabilities</i>	<i>4,879,455,813</i>	<i>161,294,830</i>	<i>4,500,020,798</i>	<i>134,101,174</i>
<i>Total Liabilities</i>	<i>5,322,140,838</i>	<i>175,923,011</i>	<i>5,003,769,425</i>	<i>149,131,734</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	147,287,957	4,262,010	203,452,059	5,897,294
Translation adjustments	(25,251,684)	4,999,246	(22,850,674)	6,210,819
Retained earnings				
Appropriated				
Statutory reserve - the Company	103,952,060	2,796,327	103,952,060	2,796,327
Statutory reserve - subsidiaries	518,120,000	14,310,471	513,220,000	14,161,363
Corporate social responsibility reserve	14,335,865	429,567	37,782,784	1,086,170
Unappropriated	14,333,075,039	405,216,536	14,652,874,052	408,299,750
<i>Total equity attributable to the Company's shareholders</i>	<i>16,714,915,394</i>	<i>488,275,260</i>	<i>17,111,826,438</i>	<i>494,712,826</i>
Minority interest - equity attributable to minority shareholders of subsidiaries	34,569,483	1,141,046	24,533,097	731,964
<i>Total Shareholders' Equity</i>	<i>16,749,484,877</i>	<i>489,416,306</i>	<i>17,136,359,535</i>	<i>495,444,790</i>
Total Liabilities and Shareholders' Equity	22,071,625,715	665,339,317	22,140,128,960	644,576,524

FINANCIAL STATEMENTS

Consolidated Income Statement for the years ended 31st December 2010 and 2009

Consolidated Income Statement	31/12/2010		31/12/2009	
	BAHT	US\$	BAHT	US\$
Revenues				
Vessel operating income				
Hire income	2,810,420,920	87,738,501	5,109,100,239	147,706,630
Freight income	142,682,920	4,670,800	414,544,962	11,868,455
<i>Total vessel operating income</i>	<i>2,953,103,840</i>	<i>92,409,301</i>	<i>5,523,645,201</i>	<i>159,575,085</i>
Service income	10,379,268	322,946	16,753,312	481,383
Gains on sales of vessels and equipment	390,280,114	13,370,144	760,279,523	22,869,959
Interest income	25,978,190	817,811	38,065,092	1,106,201
Exchange gains	-	194,281	43,626,627	162,198
Other income	426,247	12,923	26,508,055	759,405
<i>Total revenues</i>	<i>3,380,167,659</i>	<i>107,127,406</i>	<i>6,408,877,810</i>	<i>184,954,231</i>
Expenses				
Vessel operating costs				
Vessel running expenses	847,171,526	26,481,699	1,500,155,882	43,366,133
Voyage disbursements	20,905,339	649,165	106,262,509	3,054,433
Bunker consumption	5,173,942	160,665	105,422,379	3,018,393
<i>Total vessel operating costs</i>	<i>873,250,807</i>	<i>27,291,529</i>	<i>1,711,840,770</i>	<i>49,438,959</i>
Depreciation	796,564,123	23,085,738	934,609,148	26,656,269
Cost of services	4,818,692	150,795	9,614,509	280,042
Administrative expenses	195,347,791	6,097,439	255,345,894	7,448,023
Management remuneration including perquisites	104,135,693	3,249,704	138,106,205	4,028,476
Bad debts and doubtful accounts	15,288,747	466,255	9,698,521	276,703
Exchange losses	112,243,482	-	-	-
<i>Total expenses</i>	<i>2,101,649,335</i>	<i>60,341,460</i>	<i>3,059,215,047</i>	<i>88,128,472</i>
<i>Income before share of income from investment</i>				
<i>in associate, finance cost and corporate income tax</i>	<i>1,278,518,324</i>	<i>46,785,946</i>	<i>3,349,662,763</i>	<i>96,825,759</i>
Share of income from investment in associate held by a subsidiary	19,520,139	604,039	22,317,306	643,322
<i>Income before finance cost and corporate income tax</i>	<i>1,298,038,463</i>	<i>47,389,985</i>	<i>3,371,980,069</i>	<i>97,469,081</i>
Less: Finance cost	(301,394,253)	(9,394,227)	(265,811,637)	(7,690,832)
<i>Income before corporate income tax</i>	<i>996,644,210</i>	<i>37,995,758</i>	<i>3,106,168,432</i>	<i>89,778,249</i>
Less: Corporate income tax	(81,922,286)	(2,518,792)	(45,536,596)	(1,296,688)
<i>Net income for the year</i>	<i>914,721,924</i>	<i>35,476,966</i>	<i>3,060,631,836</i>	<i>88,481,561</i>
Net income attributable to:				
Equity holders of the parent	904,685,426	35,163,498	3,047,056,978	88,086,604
Minority interests of the subsidiaries	10,036,498	313,468	13,574,858	394,957
Net income for the year	914,721,924	35,476,966	3,060,631,836	88,481,561

FINANCIAL STATEMENTS

Consolidated Income Statement for the years ended 31st December 2010 and 2009 (continued)

Consolidated Income Statement	31/12/2010		31/12/2009	
	BAHT	US\$	BAHT	US\$
Net income attributable to equity holders of the parent	904,685,426	35,163,498	3,047,056,978	88,086,604
Statutory reserve - subsidiaries	(4,900,000)	(149,107)	(17,200,000)	(487,633)
Corporate social responsibility reserve - net	23,446,919	656,603	(13,089,823)	(381,426)
Amortisation of revaluation surplus on assets of subsidiary	56,164,214	1,635,287	20,313,505	556,506
Dividend paid	(1,299,195,572)	(40,389,495)	(2,078,740,136)	(60,361,023)
Retained earnings, Beginning of the year	14,652,874,052	408,299,750	13,694,533,528	380,886,722
<i>Retained earnings, Ending of the year</i>	<i>14,333,075,039</i>	<i>405,216,536</i>	<i>14,652,874,052</i>	<i>408,299,750</i>
Basic earning per share				
Net income attributable to equity holders of the parent	0.87	0.0338	2.93	0.0800

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 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. However, this is not applied to
 - Advances for vessel constructions of its foreign subsidiary companies included in the Company's consolidated balance sheet which were originally denominated in US dollars and translated into Baht at the corresponding average exchange rate of the balance sheet date. These transactions are then restated back into US dollars at the corresponding average exchange rate of the balance sheet date, and
 - Interest payment for vessel construction loan in US dollars and the respective withholding tax which are translated into Baht at the selling rate of the date before the transaction date and 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. However, this is not applied to
 - Deferred financial fees of its foreign subsidiary company included in the Company's consolidated balance sheet which were originally denominated in US dollars and translated into Baht at the corresponding average exchange rate of the balance sheet date. These transactions are then restated back into US dollars at the corresponding average exchange rate of the balance sheet date, and
 - Financial fee payment in US dollars and the respective withholding tax which is translated into Baht at the selling rate of the date before the transaction date and 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 2010, 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.

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

- ▶ 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.

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 2010, the Company has rental and related expenses for other services from such transaction amounting to Baht 1.90 million (2009: Baht 2.08 million) which is 0.01% (2009: 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 2011 on similar (or more beneficial) terms as that of year 2010.

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, apart from air tickets for foreign travel by office Executives, air tickets are also 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 2010, the Company and subsidiaries purchased air tickets amounting to Baht 9.35 million (2009 : Baht 14.58 million) which is 0.06% (2009: 0.09%) of Net Tangible Assets.

Policy in respect of future transactions with connected parties

For the year 2011, the Company and subsidiaries would have similar air ticket expenses, possibly higher in value than 2010 due to the bigger 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 Maestro Controls Ltd. 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 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. Maestro Controls 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 2010, 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 1.82 million (2009: Baht 1.55 million) which is 0.01% (2009: 0.01%) of Net Tangible Assets.

Policy in respect of future transactions with connected parties

For the year 2011, 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 and Mr. Kirit Shah, Directors of the Company are 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 2010, the Company and its subsidiary have paid for various insurance premiums amounting to Baht 2.05 million (2009: Baht 2.51 million) which is 0.01% (2009: 0.01%) of Net Tangible Assets.

Policy in respect of future transactions with connected parties

For the year 2011, 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.

5. Computer purchases from Quidlab Company Limited

The Relation

The Company and subsidiaries purchased computer hardware, software and computer related services from Quidlab Company Limited. This is a connected transaction since Mr. Kamal Kumar Dua, Vice President - IT and as part of Management of the Company is related to Mrs. Charu Dua who is directly interested as Director and Shareholder of Quidlab Company Limited.

The Significance of the related transaction

Given the nature of business, computer hardware, software and related services are required for operating the business. Quidlab Company Limited is just one of the Vendors considered on a case by case basis for this purpose and whenever selected for a particular service or supply, is selected because of their competitive rates and services after a thorough comparison of rates and services offered by other companies in the market.

The Fairness of Terms and Conditions of the Transaction

For the year 2010, the Company and its subsidiary have paid for computer and software purchases amounting to Baht 4.62 million (2009: Nil) which is 0.03% (2009: Nil) of Net Tangible Assets.

Policy in respect of future transactions with connected parties

The computer hardware, software and computer related services are essential for operating the business of the Company and subsidiaries so in the year 2011, the Company and subsidiaries may purchase computer hardware, software and related services from Quidlab Company Limited on a case-by-case basis after a thorough evaluation and comparison with other suppliers/service providers. Further, the Company will always review the pricing and service standards of other various Vendors of computer hardware, software and related services along with that of Quidlab Company Limited. If the pricing and service standards of Quidlab Company Limited are found uncompetitive with market levels and/or if the terms and conditions are not for the benefit of the Company, the Company will not enter into any such transaction with the Vendors (Quidlab).

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. 1/2011 held on 24 January 2011 and then reported these transactions to the Board of Directors. The Board of Directors Meeting No. 1/2011 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)

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REFERENCES

Share Registrar

▶ THAILAND SECURITIES DEPOSITORY CO., LTD.

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E-mail : contact.tsd@set.or.th
Website : <http://www.tsd.co.th>

▶ Registration Services Department – Issuer Services Unit 1

The Capital Market Academy Building, 2nd Floor
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Thungsonghong Subdistrict, Laksi District, Bangkok 10210
Telephone : 66-2 596-9000 Facsimile : 66-2 832-4994-6

Main Banks

▶ KRUNG THAI BANK PUBLIC COMPANY LIMITED

No.10, Sukhumvit Road, Klongtoey Subdistrict, Klongtoey District, Bangkok, 10110
Telephone : 66-2 208-7000, 8000 Facsimile : 66-2 255-9391-3
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▶ KASIKORNBANK PUBLIC COMPANY LIMITED

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