

» Annual Report
2011



Precious Shipping Public Company Limited

FINANCIAL HIGHLIGHTS	2
CORPORATE STRUCTURE	4
OTHER INFORMATION PURSUANT TO SEC. 114 OF PUBLIC LIMITED COMPANIES ACT B.E. 2535	6
NATURE OF BUSINESS AND INDUSTRY	10
FLEET LIST	22
REVENUE STRUCTURE	23
THE BOARD OF DIRECTORS	24
BOARD OF DIRECTORS' REPORT	26
AUDIT COMMITTEE REPORT	42
CORPORATE GOVERNANCE REPORT	45
INSIDER TRADING CONTROLS	61
INTERNAL CONTROL	62
MESSAGE FROM THE BOARD OF DIRECTORS ON CORPORATE SOCIAL RESPONSIBILITY	64
CORPORATE SOCIAL RESPONSIBILITY (CSR) REPORT	65



CONTENTS

SUSTAINABILITY REPORT	73
SIGNIFICANT RISK FACTORS	83
MAJOR SHAREHOLDERS AND DIVIDEND POLICY STATEMENT	90
MANAGEMENT STRUCTURE	91
BOARD OF DIRECTORS - PROFILE	98
MANAGEMENT TEAM	107
MANAGEMENT DISCUSSION AND ANALYSIS	110
REPORT ON THE BOARD OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS	144
REPORT OF INDEPENDENT AUDITOR	145
FINANCIAL STATEMENTS	146
NOTES TO FINANCIAL STATEMENTS	157
CONNECTED TRANSACTIONS	215
INDEX OF REPORT IN ACCORDANCE WITH FORM 56-2	219
REFERENCES	220

FINANCIAL HIGHLIGHTS

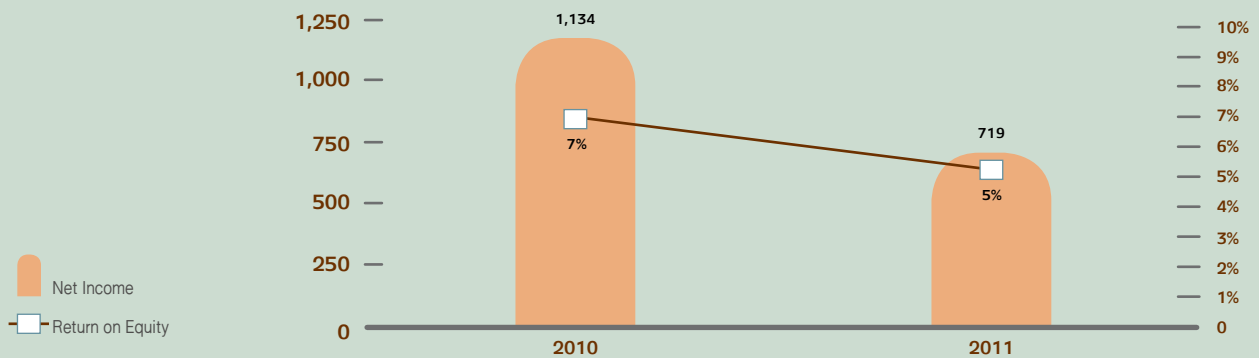
Unit : Baht Million

Details	2011	2010
		Restated
Vessel Operating Income	3,078.92	2,928.29
Vessel Operating Costs	1,333.29	873.29
Gross Profit	1,745.63	2,055.00
Total Revenues	3,433.51	3,403.36
Total Expenses (excl. depreciation)	2,072.43	1,527.47
Depreciation	646.56	678.21
Share of income from investment in associate held by a subsidiary	7.64	18.66
Profit before Corporate Income Tax	722.16	1,216.34
Corporate Income Tax	3.64	82.61
Net Profit	718.52	1,133.73
Total Current Assets	6,021.55	4,348.30
Property, plant and equipment	9,445.53	6,400.33
Total Assets	22,893.25	19,961.89
Total Current Liabilities	1,047.24	440.10
Long-Term Loans - net of current portion	6,307.83	4,766.30
Total Liabilities	7,536.75	5,349.92
Paid-up Capital	1,039.52	1,039.52
Total Shareholders' Equity	15,356.50	14,611.97
Cash flow from Operating activities	1,050.60	1,179.69
Cash flow from (used in) Investing activities	(2,274.38)	(1,763.14)
Cash flow from (used in) Financing activities	1,150.56	(514.87)
Book Value per share (Baht)	14.77	14.06
Earnings per share (Baht)	0.69	1.09
Dividend declared for the year per share (Baht)	0.55	0.87
Cash Dividend paid out per share (Baht)	0.62	1.25
Gross Profit Margin (%)	56.70	70.18
Net Profit Margin (%)	20.93	33.31
Return on Equity (%)	4.80	7.33
Return on Total Assets (%)	3.35	5.48
Total Liabilities/Equity Ratio	0.49	0.37
Number of Ships (As at end of the Year)	25	21

Note: With the adoption of IFRS in year 2011, the Company has restated the financial statements for year 2010 to make it comparable to year 2011. Therefore the Company has given financial highlights only for 2010-2011 as restated and comparable financial statements for years prior to 2010 are not available.

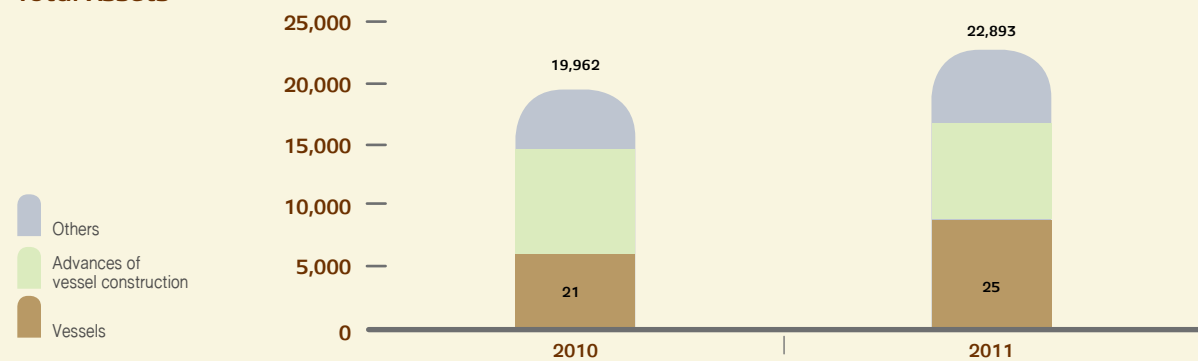
Net Profit and Return on Equity

Unit : Baht Million



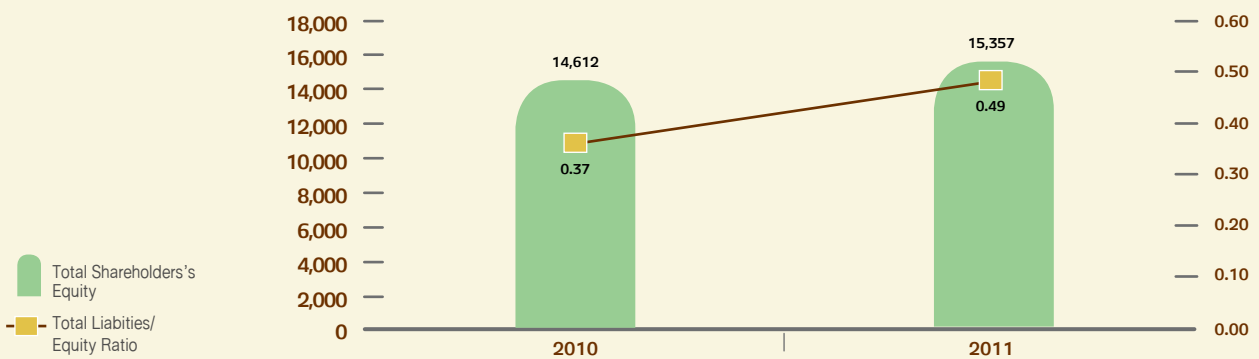
Total Assets

Unit : Baht Million



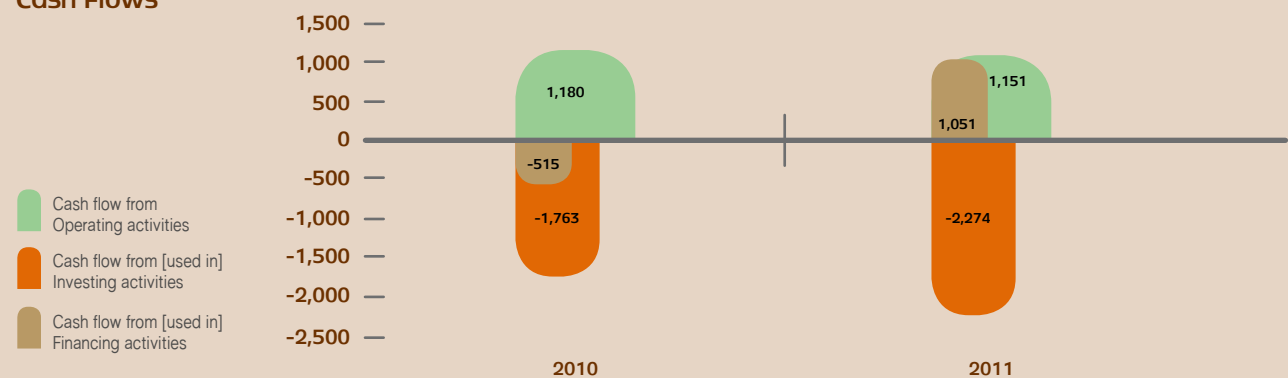
Shareholder's Equity and Total Liabilities / Equity Ratio

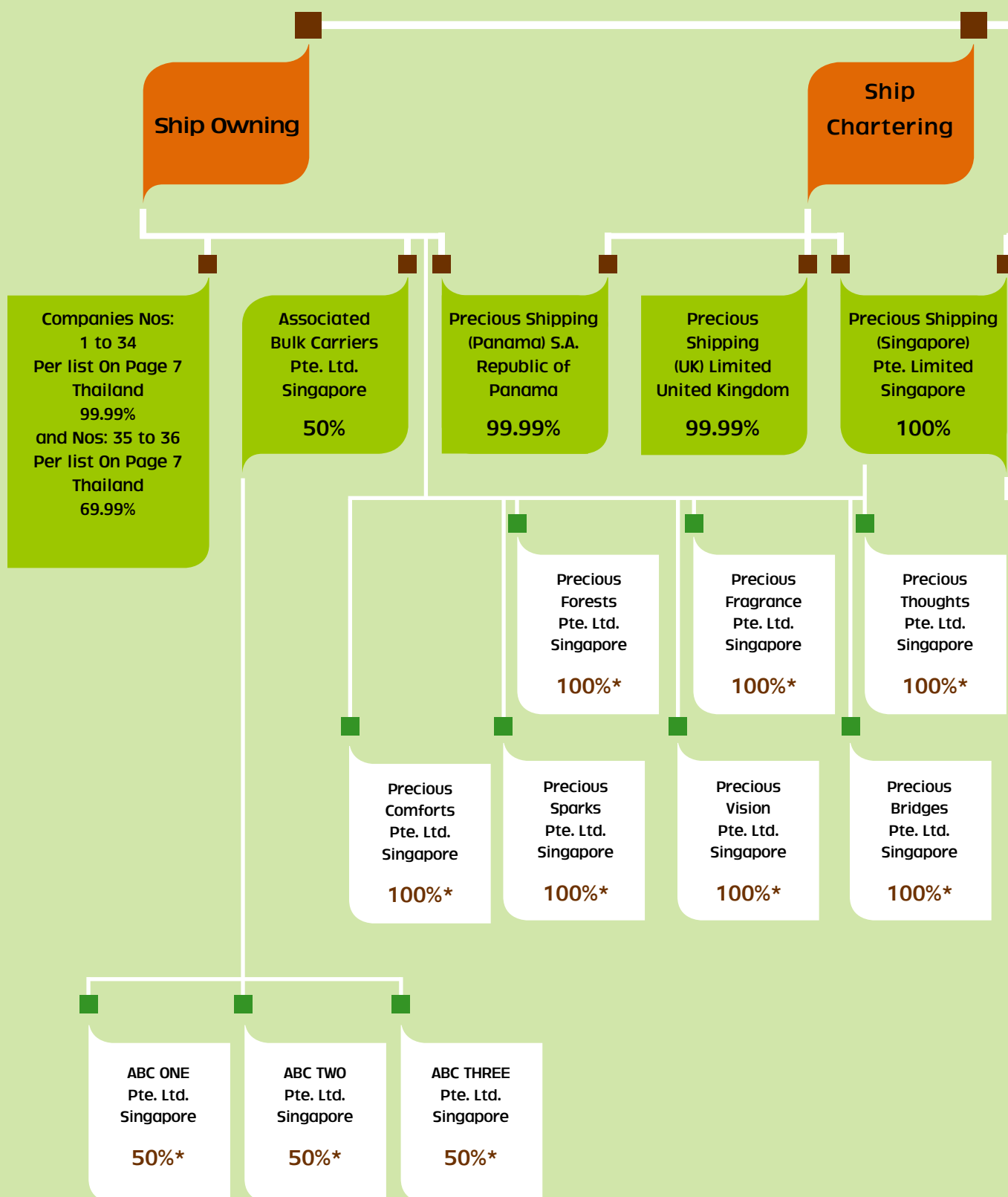
Unit : Baht Million



Cash Flows

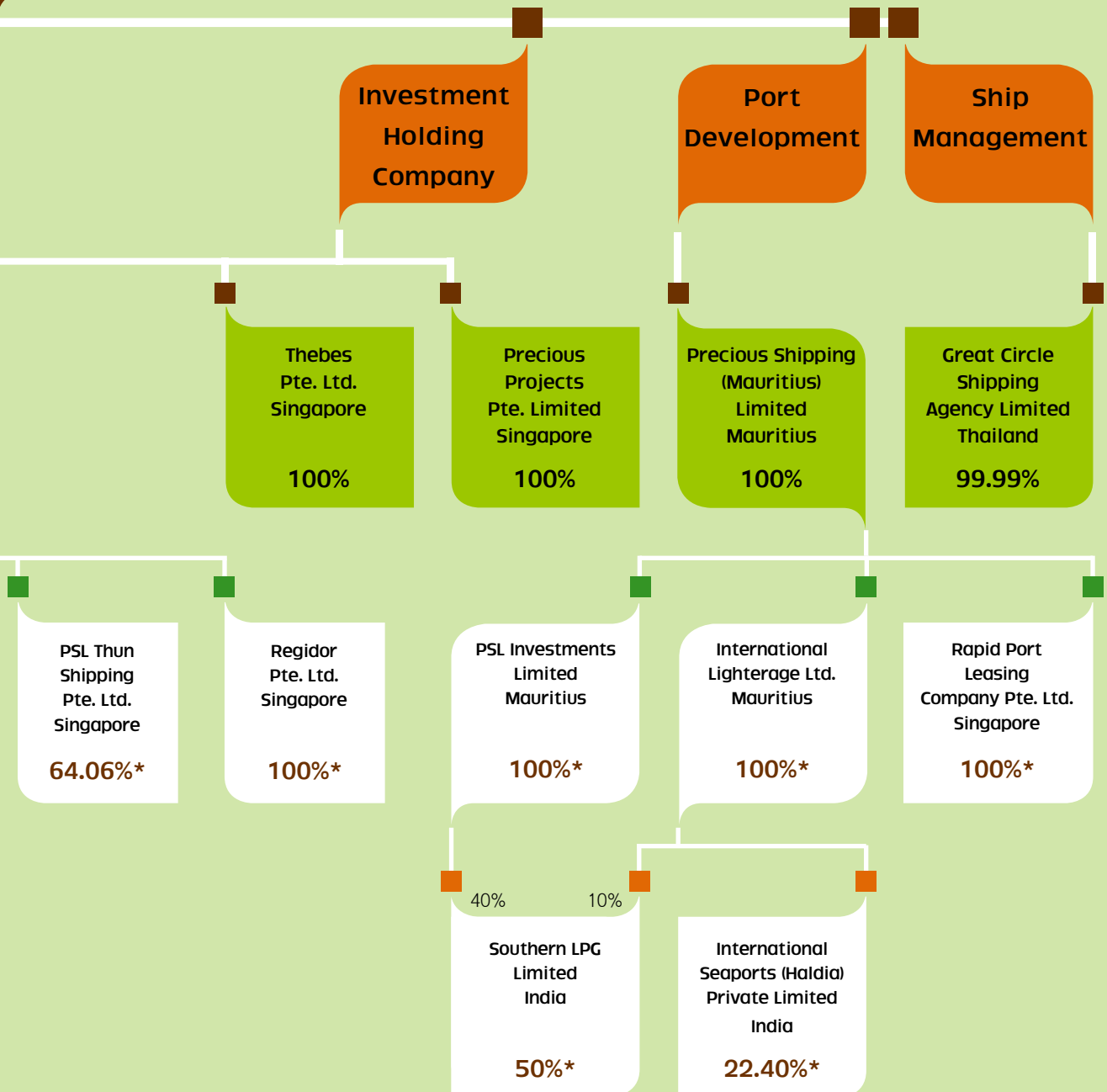
Unit : Baht Million





CORPORATE STRUCTURE

Precious Shipping Public Company Limited, Thailand (PSL)



Legend

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

* Represents indirect ownership 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	» 7 th Floor, Cathay House, 8 North Sathorn Road, Silom, Bangrak, Bangkok 10500
Telephone	» 66-2 696-8800
Fax	» 66-2 236-7654
E-mail	» ir@preciousshipping.com
Home page	» http://www.preciousshipping.com

**NAME AND CATEGORY OF 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	98,000,000	98,000,000	99.99	Shipowner
26	Precious Orchids Limited	Baht	217,000,000	217,000,000	99.99	Shipowner
27	Precious Lagoons Limited	Baht	140,000,000	140,000,000	99.99	Shipowner
28	Precious Cliffs Limited	Baht	140,000,000	140,000,000	99.99	Shipowner
29	Precious Hills Limited	Baht	140,000,000	140,000,000	99.99	Shipowner
30	Precious Mountains Limited	Baht	140,000,000	140,000,000	99.99	Shipowner
31	Precious Resorts Limited	Baht	140,000,000	140,000,000	99.99	Shipowner
32	Precious Comets Limited	Baht	71,100,000	71,100,000	99.99	Shipowner
33	Precious Ornaments Limited	Baht	68,100,000	68,100,000	99.99	Shipowner
34	Precious Cities Limited	Baht	170,000,000	170,000,000	99.99	Shipowner
35	Precious Storage Terminals Limited	Baht	6,000,000	6,000,000	69.99	Bulk Storage Barges
36	Nedtex Limited	Baht	10,000,000	2,500,000	69.99	Bulk Storage Barges
37	Great Circle Shipping Agency Limited	Baht	60,000,000	60,000,000	99.99	Technical Manager of ships
38	Precious Shipping (Mauritius) Limited	USD	10,000	10,000	100	Holding company
39	PSL Investments Limited	USD	10,000	1,160	100*	Holding company

Annual Report 2011

Precious Shipping Public Company Limited

Sr No.	Name of Subsidiaries and Associated Companies	Currency	Registered Capital	Issued and paid-up Share Capital	Percentage of Shareholding	Category of business
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	Precious Comforts Pte. Ltd. (formerly known as OSW6 Pte. Ltd.)	SGD	1	1	100*	Shipowner
45	Precious Sparks Pte. Ltd. (formerly known as OSW7 Pte. Ltd.)	SGD	1	1	100*	Shipowner
46	Precious Visions Pte. Ltd. (formerly known as OSW8 Pte. Ltd.)	SGD	1	1	100*	Shipowner
47	Precious Bridges Pte. Ltd. (formerly known as OSW9 Pte. Ltd.)	SGD	1	1	100*	Shipowner
48	Precious Forests Pte. Ltd.	SGD	50,000	50,000	100*	Shipowner
49	Precious Fragrance Pte. Ltd.	SGD	50,000	50,000	100*	Shipowner
50	Precious Thoughts Pte. Ltd.	SGD	50,000	50,000	100*	Shipowner
51	Precious Projects Pte. Limited	USD	1	1	100	Investment Holding company
52	Rapid Port Leasing Company Pte. Ltd.	USD	1,000,000	2	100*	Marine Construction
53	Thebes Pte. Ltd.	SGD	100,000	2	100	Maritime Business
54	Associated Bulk Carriers Pte. Ltd.	USD	2	2	50	Holding company
55	ABC ONE Pte. Ltd.	USD	40,000	40,000	50*	Shipowner
56	ABC TWO Pte. Ltd.	USD	40,000	40,000	50*	Shipowner
57	ABC THREE Pte. Ltd.	USD	40,000	40,000	50*	Shipowner
58	Precious Shipping (Panama) S.A.	USD	10,000	10,000	99.99	Shipowner/Chartering
59	Precious Shipping (UK) Limited	USD	10,000	10,000	99.99	Chartering
60	Southern LPG Limited	Indian Rs	100,000,000	64,592,200	50*	Terminal owning, bottling and distribution of LPG
61	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	» Registered Office is at 8/27-28, 7 th Floor, Cathay House, North Sathorn Road, Silom, Bangrak, Bangkok 10500 Thailand. Tel : 66-2 696-8800 Fax : 66-2 236-7654, 633-8460
SUBSIDIARY 37	» Registered Office is at 8/35 Cathay House, North Sathorn Road, Silom, Bangrak, Bangkok 10500 Thailand. Tel : 66-2 696-8900 Fax : 66-2 237-7842, 633-8468
SUBSIDIARY 38-40	» Registered Office is at c/o Abax Corporate Services 6th Floor, Tower A, Cybercity, Ebene, Mauritius.
SUBSIDIARY 41-47	» Registered Office is 72A Peck Seah Street 079329, Republic of Singapore.
SUBSIDIARY 48-57	» Registered Office is at 24 Raffles Place #18-00 Clifford Centre, 048621 Republic of Singapore.
SUBSIDIARY 58	» Registered Office is at c/o ADR Building, 13 th Floor, Samuel Lewis Avenue, Republic of Panama.
SUBSIDIARY 59	» Registered Office is at The Quadrangle – 2 nd Floor, 180 Wardour Street, London W1F 8FY United Kingdom.
SUBSIDIARY 60	» Registered Office is at ICM Business Centre, Ceebros Arcade 1 st Floor, No.1, 3 rd Cross Street, Kasturibai Nagar, Adyar, Chennai 600 020 India.
ASSOCIATE 61	» Registered Office is at 41, Jawahar Lal Nehru Road, Kanak Building, 3 rd Floor, Kolkata – 700 071, India.

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 operates 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 December 2011) operates 24 bulkers and a cement carrier (the "Fleet"), representing 704,258 DWT. Of the entire Fleet, 23 ships are registered under the Thai flag, 1 ship under Singapore 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. The company expanded into this sector further in year 2011 by acquiring 2 more Ships during the last quarter of 2011. 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 Dry Bulk 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.

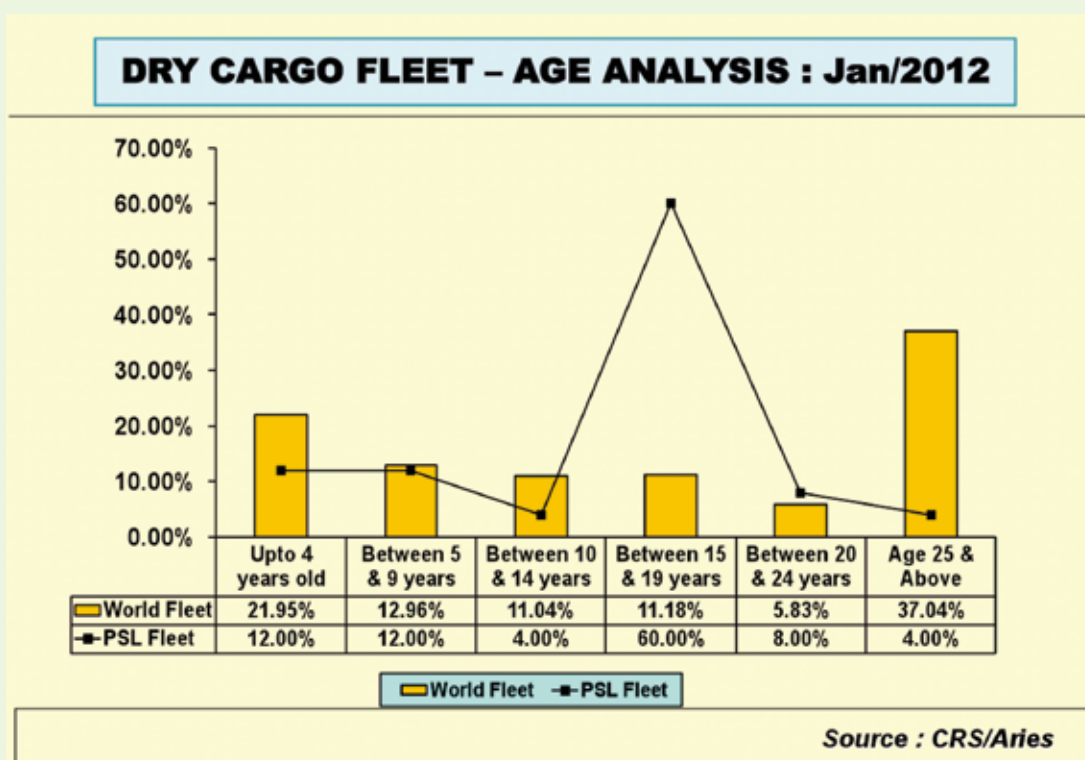
PSL's Fleet does not follow set voyage routes, but each ship keeps moving across the globe depending on its charters. The Fleet is hired on both, time charters as well as voyage charters, with typical voyage duration of 1-3 months. The mix between the two types of business has historically been equal, 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 2010. However during 2011, the Proportion of Voyage/Time Charters changed with an increase in percentage of Voyage Charters to 14 percent from 0.5 percent 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 14 years.

An age wise analysis as on 01 January 2012 of PSL's fleet vis-a-vis the World Fleet is given in the following graph



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)		
	2009	2010	2011
Agricultural Commodities	80 (24.25%)	50 (22.42%)	51 (24.76%)
Steel	41 (12.42%)	27 (12.11%)	28 (13.59%)
Fertilisers	72 (21.82%)	32 (14.35%)	29 (14.08%)
Specialised Ores	47 (14.24%)	33 (14.80%)	33 (16.02%)
Forest Products/Logs	13 (3.94%)	16 (7.17%)	15 (7.28%)
Coal	20 (6.06%)	19 (8.52%)	10 (4.85%)
Others	57 (17.27%)	46 (20.63%)	40 (19.42%)
Total	330 (100%)	223 (100%)	206 (100%)

ii. Voyage Charters v/s Time Charters

Charter	(Number of Voyages and % of Total Voyages)		
	2009	2010	2011
Voyage Charters	21 (6.36%)	1 (0.45%)	29 (14.08%)
Time Charters	309 (93.64%)	223 (99.55%)	177 (85.92%)

iii. Vessel Trading Areas



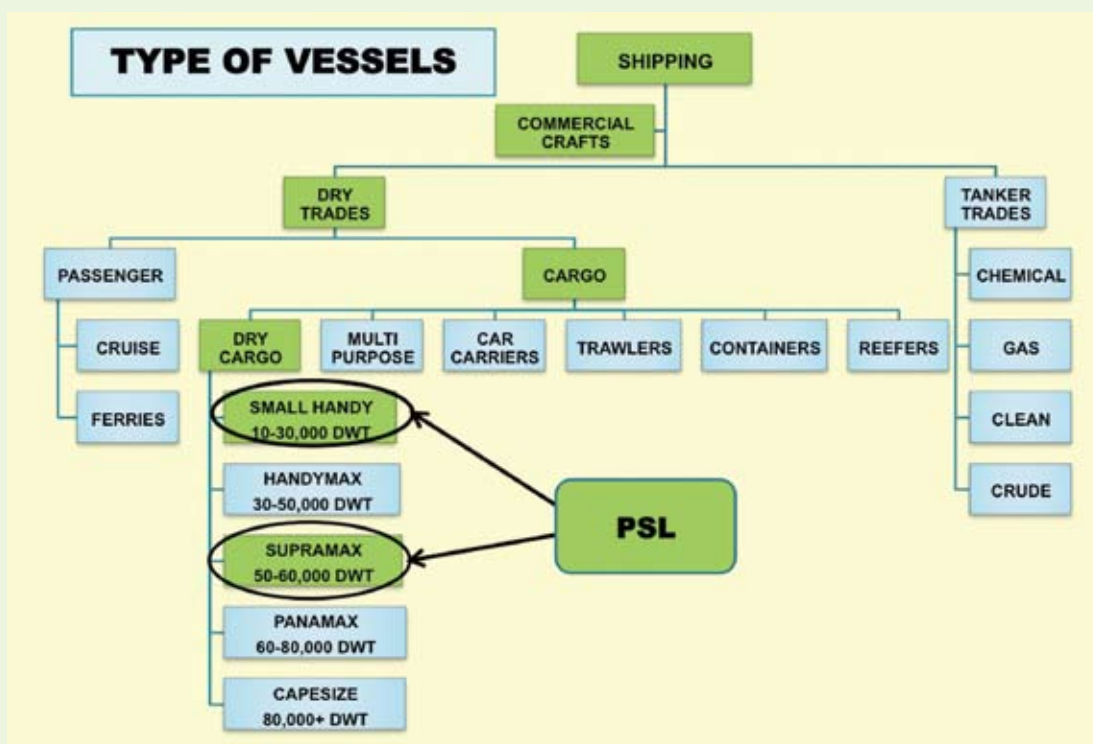
iv. Marketing network and major broker locations:



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.

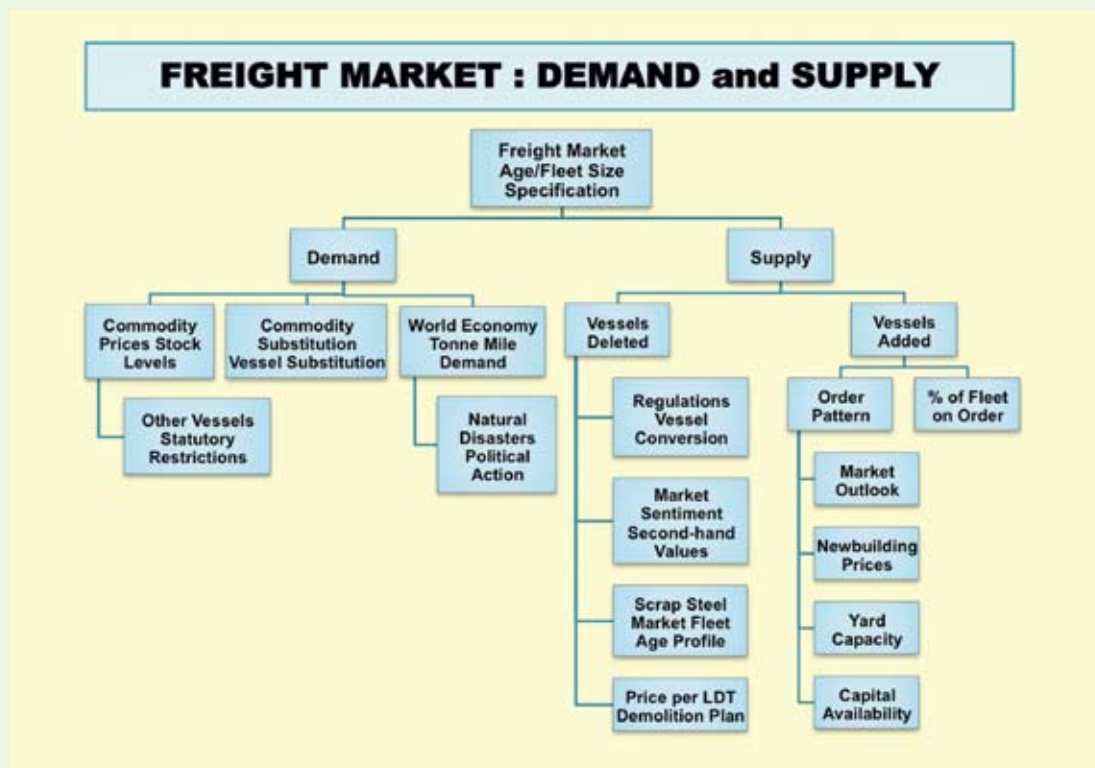
On the supply side also the industry is highly fragmented. The fleet of 2,916 ships (as at end 2011) has the largest operator having only about 100 ships or about 4 percent market share of capacity in DWT terms. The majority of the operators are private companies with a small number of vessels.

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 on the 20th 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 2008 and was at 774 points at the end of the year 2008.

During 2011, the Baltic Dry Index (BDI — as described in 2.3 hereunder) fell from 1,773 points at the beginning of year to 1,738 points at the end of year 2011 with sluggish movement as increased supply of new ships into the world fleet outpaced the record scrapping rate in 2011. This supply is expected to continue for the next 1–2 years or so which leads us to conclude that the BDI should fall further in 2012 and may remain at such lower levels at least for 2012 and 2013.

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 Baltic Dry Index (BDI), is the leading indicator of spot dry bulk cargo market rates, calculated by the London-based Baltic Exchange. A description of the BDI and its computation method is provided hereunder.

The Baltic Dry Index

The BALTIC DRY INDEX (BDI) is the successor to the Baltic Freight Index (BFI) and came into operation on 1 November 1999. Since the 1st of July 2009, the Index is a composite of an Average of Time Charter rates (TC) of Capesize, Panamax, Supramax and Handysize Vessels on certain Shipping routes.

The BDI is computed by applying the following formula:

$$((\text{Capesize TC} + \text{Panamax TC} + \text{Supramax TC} + \text{Handysize TC})/4) \times 0.113473601.$$

The multiplier was first applied when the BDI replaced BFI, and has changed over the years as the contributing indices and the methods of calculation have been modified.

Baltic Supramax Index (BSI)

The Baltic Supramax Index is based on the following type of Vessel as described below:

Standard "Tess 52" type vessel with grabs as follows:

- » 52,454 DWT self trimming single deck bulk carrier on 12.02 m draught.
- » 189.99 m Length, 32.26 m Breadth, 5 hatches, 67,756 cubic metres space for loading cargo.
- » Speed of 14 knots loaded with cargo, speed of 14.5 knots without any cargo on a consumption of 30mt of fuel oil per day at sea.
- » 4 Cranes, each of 30mt lifting capacity with 12 cubic metre grabs for loading and or discharging cargoes.
- » Maximum age of Vessel - 10 years.

Route definitions

Route 1A: Delivery of the ship within Antwerp/Skaw range for one single time charter. Duration of the time charter about 60/65 days. Redelivery of the ship within Singapore/Japan range including China. Weightage applied: 12.5 percent.

Route 1B: Delivery of the ship passing Canakkale for one single time charter. Duration of the time charter about 50/55 days. Redelivery of the ship within Singapore/Japan range including China. Weightage applied: 12.5 percent.

Route 2: Delivery of the ship within South Korea/Japan range for one single time charter via Australia or cross the Pacific Ocean. Duration of the time charter about 35/40 days. Redelivery of the ship within South Korea/Japan range. Weightage applied: 25 percent.

Route 3: Delivery of the ship within South Korea/Japan range for one single time charter. Duration of the time charter about 60/65 days. Redelivery of the ship within Gibraltar/Skaw range. Weightage applied: 25 percent.

Route 4A: Delivery of the ship within the US Gulf for one single time charter. Duration of the time charter about 30 days. Redelivery of the ship within Skaw/Passero range. Weightage applied: 12.5 percent.

Route 4B: Delivery of the ship within Skaw/Passero range for one single time charter. Duration of the time charter about 30 days. Redelivery of the ship within the US Gulf. Weightage applied: 12.5 percent.

Route 5: Delivery of the ship within Dakar/Douala range for one single time charter via East Coast South America. Duration of the time charter about 60/65 days. Redelivery of the ship within Singapore/Japan range. (Route 5 does not contribute towards the BSI or TC Average).

Route 9: Delivery of the ship within Dakar/Douala range for one single time charter via East Coast South America. Duration of the time charter about 45 days. Redelivery of the ship within Skaw/Passero range. (Route 9 does not contribute towards the BSI or TC Average).

In all above, it is assumed that 5% total commission on the Gross Time Charter Hire would be payable and business is done within 5/10 days in advance of the ship being free of her last cargo.

Baltic Handysize Index (BHSI)

The Baltic Handysize Index is based on the following type of Vessel as described below:

- » 28,000 DWT self trimming single deck bulk carrier on 9.78m draught.
- » 169m length, 27m breadth. 5 holds and 5 hatches. 37,523 cubic metres space for loading cargo.
- » Speed of 14 knots on average with a consumption of 22mt fuel per day at sea.
- » 4 Cranes each of 30mt capacity for loading and or discharging cargoes.
- » Maximum age of Vessel - 15 years.

Route definitions

Route 1: Delivery of the ship within Skaw/Passero range for one single time charter. Duration of the time charter about 35/45 days. Redelivery of the ship within Recalada/Rio de Janeiro range. Weightage applied: 12.5 percent.

Route 2: Delivery of the ship within Skaw/Passero range for one single time charter. Duration of the time charter about 35/45 days. Redelivery of the ship within Boston/Galveston range. Weightage applied: 12.5 percent.

Route 3: Delivery of the ship within Recalada/Rio de Janeiro range for one single time charter. Duration of the time charter about 35/45 days. Redelivery of the ship within Skaw/Passero range. Weightage applied: 12.5 per cent.

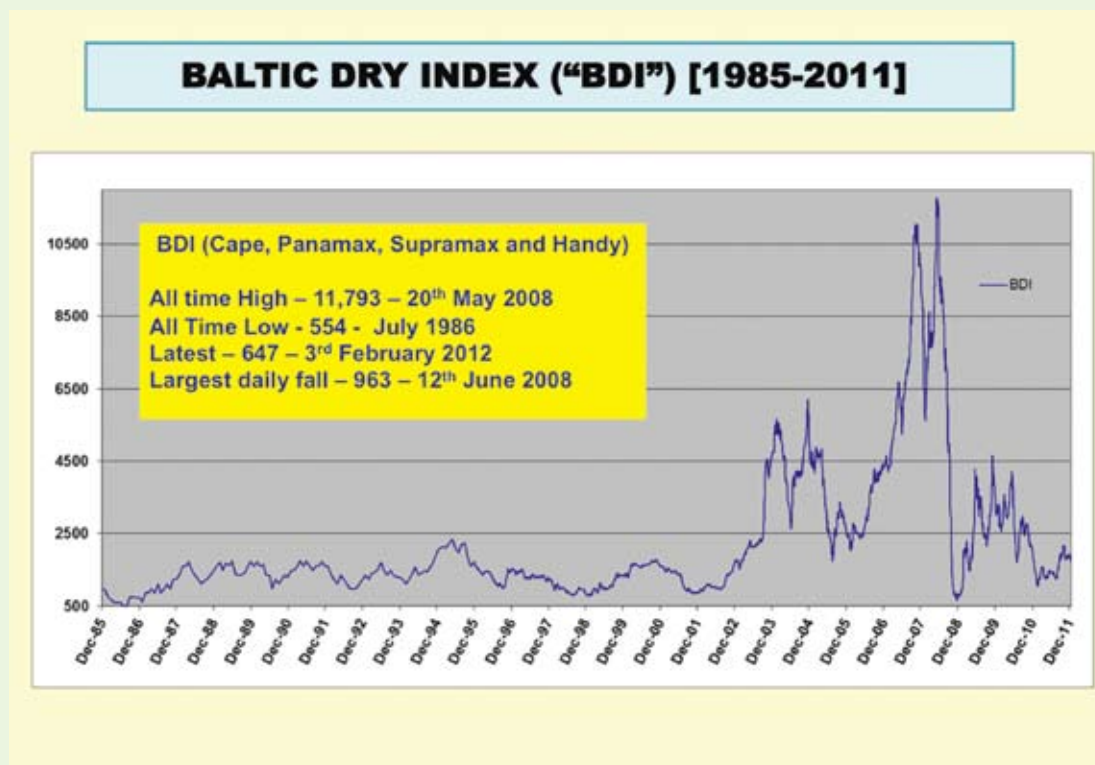
Route 4: Delivery of the ship within US Gulf for one single time charter. Duration of the time charter about 35/45 days via US Gulf or North Coast South America. Redelivery of the ship within Skaw/Passero range. Weightage applied: 12.5 per cent.

Route 5: Delivery of the ship within South East Asia for one single time charter via Australia. Duration of the time charter about 25/30 days. Redelivery of the ship within Singapore/Japan range including China. Weightage applied: 25 percent.

Route 6: Delivery of the ship within South Korea/Japan range for one single time charter via North Pacific. Duration of the time charter about 40/45 days. Redelivery of the ship within Singapore/Japan range including China. Weightage applied: 25 percent.

In all above, it is assumed that 5% total commission on the Gross Time Charter Hire would be payable and business is done within 5/10 days in advance of the ship being free of her last cargo.

The following graph shows the movement of the BDI from 1985 to the end of the Previous Year (2011).



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. Under MARPOL requirements, major changes with regard to reducing air pollution will come into force from 1st July 2013. New ships built after this date are required to have an energy efficiency design index (EEDI) determined at the construction stage. The IMO will set a limiting value for EEDI which cannot be exceeded; IMO will also issue detailed guidelines for improving the EEDI in subsequent years. All ships are also required to have a Shipboard Energy Efficiency Management plan (SMEEP) from 1st July 2013.

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 and has been amended many times since. The most recent amendment was made in 1992.

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 the early part of the year 2013.**

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 related 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. This new regulation is expected to enter into force in the year 2013. Ships with keel laid after 1st January 2012 will have to comply when the regulation enters into force; older ships with keel laid before 1st January 2012 will have to comply with these rules in 2017.

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 2011)

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	1.36	7.00
2	Apisara Naree	Thai	1996	18,596	6.36	7.00
3	Bussara Naree	Thai	1997	18,573	6.71	7.50
4	Suchada Naree	Thai	1994	23,732	5.51	8.50
5	Parinda Naree	Thai	1995	23,720	6.28	9.00
6	Boontriaka Naree	Thai	1990	27,881	3.90	7.00
7	Tharinee Naree	Thai	1994	23,724	5.74	8.50
8	Chollada Naree	Thai	1997	18,485	7.18	7.50
9	Dusita Naree	Thai	1997	18,486	7.28	7.50
10	Emwika Naree	Thai	1997	18,462	7.75	8.00
11	Ploypailin Naree	Thai	1995	26,472	6.98	9.50
12	Fonthida Naree	Thai	1995	28,484	7.30	10.00
13	Rattana Naree	Thai	2002	28,442	13.18	16.50
14	Chalothorn Naree	Thai	1996	27,079	10.40	10.50
15	Saranya Naree	Thai	1991	28,583	6.82	7.50
16	Sujitra Naree	Thai	1995	28,290	8.89	10.00
17	Vijitra Naree	Thai	1997	28,646	10.08	12.00
18	Urawee Naree	Thai	1997	28,415	15.40	15.50
19	Mathawee Naree	Thai	1996	28,364	15.68	15.75
20	Rojarek Naree	Thai	2005	29,870	20.11	20.25
21	Nalinee Naree	Thai	2005	31,699	21.30	21.50
22	Ananya Naree	Singapore	2011	33,857	29.93	30.00
23	Chamchuri Naree	Thai	2005	33,733	19.44	20.00
Handysize-23 Vessels				590,515	243.58	276.50
24	Kanchana Naree	Thai	2011	56,920	26.55	26.50
25	Kirana Naree	Thai	2011	56,823	26.56	26.50
Supramax-2 Vessels				113,743	53.11	53.00
25 Vessels		Total		704,258	296.69	329.50

Remarks * 64% shares held by PSL Group

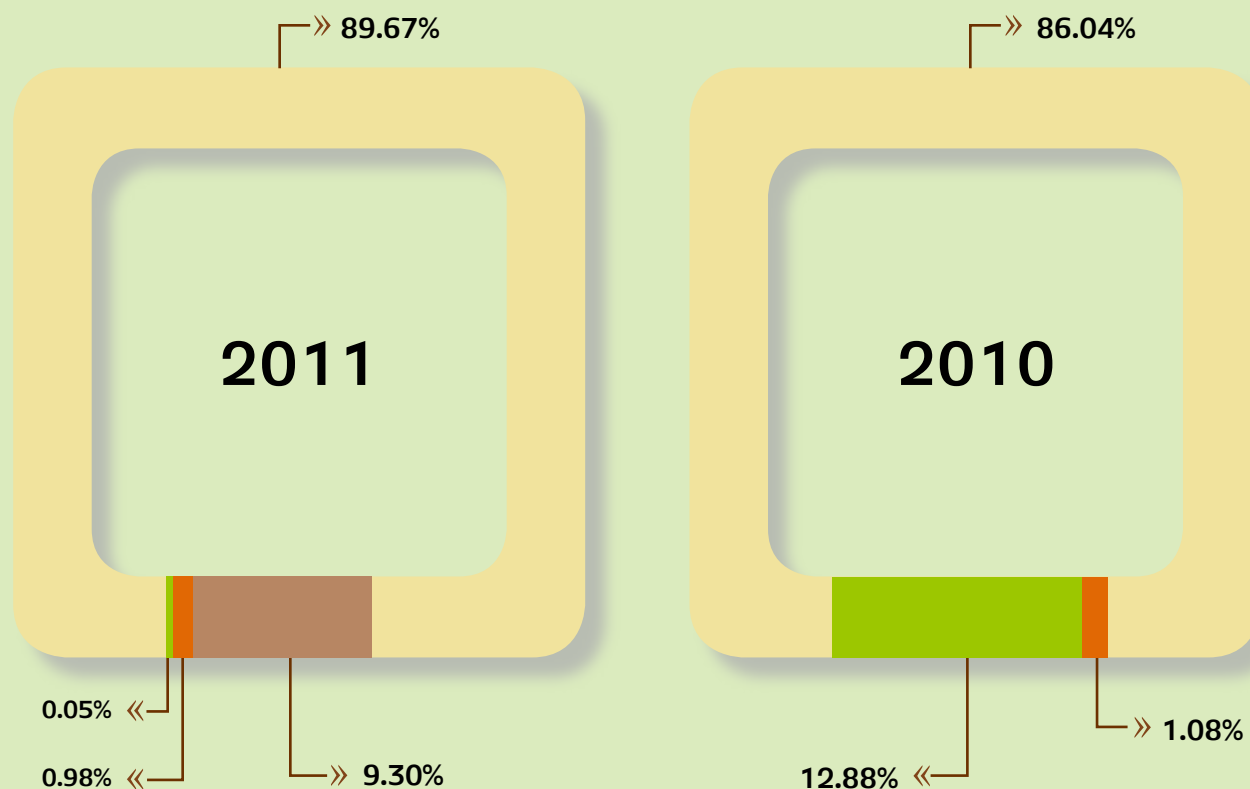
** Net Book Value is as per US Dollars (functional currency) financial statements as on 31st December 2011

*** 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	2011		2010 Restated	
	Baht Million	%	Baht Million	%
Vessel Operating Income	3,078.92	89.67	2,928.29	86.04
Gain on sale of vessels and equipment	1.83	0.05	438.38	12.88
Gain on sale of new shipbuildings under Novation Agreements	319.17	9.30	-	-
Other income	33.59	0.98	36.69	1.08
Total Revenues	3,433.51	100.00	3,403.36	100.00



THE BOARD OF DIRECTORS



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4	5	6

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|---|--|---|
| » 1 MR. THIRA WIPUCHANIN
Chairman of the Board of Directors
Independent Director | » 2 MR. SUPHAT SIVASRIAUMPHAI
Chairman of Audit Committee
Nomination Committee Member
Independent Director | » 3 MR. KHALID MOINUDDIN HASHIM
Managing Director
Executive Director |
| » 4 MR. MUNIR MOINUDDIN HASHIM
Director
Executive Director | » 5 MR. KHUSHROO KALI WADIA
Director
Executive Director | » 6 MR. JAIPAL MANSUKHANI
Director |



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» 7 **MISS NISHITA SHAH**

Director

» 8 **MR. KIRIT SHAH**

Director

Remuneration Committee Member

» 9 **MR. CHAIPATR SRIVISARVACHA**

Chairman of Nomination Committee

Independent Director

» 10 **ASSOCIATE PROFESSOR
PAVIDA PANANOND, Ph. D.**

Audit Committee Member

Remuneration Committee Member

Independent Director

» 11 **MR. KAMTORN SILA-ON**

Chairman of Remuneration Committee

Audit Committee Member

Nomination Committee Member

Independent Director

» 12 **MR. ISHAAN SHAH**

Director

BOARD OF DIRECTORS' REPORT



Mr. Khalid Moinuddin Hashim
Managing Director

TO THE SHAREHOLDERS:

The directors are pleased to present the 23rd Annual Report of the Company along with the Audited Financial Statements as on 31st December 2011.

In our last Annual Report we had alluded to the confusion existing on the net **supply side of ships** expected during 2011 due to uncertain slippage of new building and scrapping numbers. Slippage is 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 at the end of the same year. Scrapping in 2011 had a stellar all time record of 33.3 MDWT dry bulk ships being torched. Slippage on the other hand was nowhere near our estimate of 50%, but came in at a lowly 28%. As a result, the net increase in supply for 2011 was a bumper 68 MDWT with a yearend number of 622.27 MDWT! This amounted to a 12.25% net increase in the World Dry Bulk fleet against our expectation of 12.5% basis zero scrapping (actual scrapping was 33.3 MDWT). With slippage and scrapping demonstrating such volatility, the net increase in DWT of ships in future years will remain an ever illusory number that no one can seem to get a proper grip on. We think that slippage and scrapping will retain their unpredictability and will fluctuate inversely with the strength of the Baltic Dry Index (BDI). We foresee that the net increase on a DWT basis for the Dry Bulk Sector in 2012 may match the 10% increase observed in 2011. This is assuming slippage at 30% and scrapping at 35 MDWT resulting in the dry bulk fleet growing by 63+ MDWT to 686 MDWT at the end of 2012. There are a few things that could turn the supply side forecast on its proverbial head and these are discussed below.

The **financial situation** at the ship yards, especially those that had been newly developed in the recent past, has become impossible, with widespread disappearance of both younger and newer ship yards. Other ship yards that have barely managed to survive have reduced their existing capacity via consolidation; some have gone back to block-building and ship repairing whilst others have converted to 'green' recyclers. HSBC Shipping Services succinctly put the shipbuilding versus finance conundrum into sharp perspective in their recent Points of View.

"To quote one example, a Chinese shipyard is sitting on two defaulted 115,000-dwt bulk carriers that should be ready in September 2012 and May 2013. The buyers claim that they are unable to finance the vessels and have had to pull out, no doubt forfeiting any installments already paid. This must be the tip of the iceberg. We know of six VLCCs sitting ready at a major Korean shipyard that are in default or in dispute with buyers. They were ordered for about \$140m each and now worth arguably \$90m each. Many contracts that were ordered before the infamous Lehman line in the sand, 15 September 2008, are delivering now or soon. They are all high priced, and many of them are already very delayed in the hope that the banking market would open up, only to find it closing down. Under formerly typical 4x10/60% payment terms the buyer would pay the first 40% with own equity, expecting to pay the 60% delivery installment with a bank loan. The assumption of the availability of bank funding close to the time of delivery (for an order that was placed 3-5 years earlier) has in many cases proved to be wrong. In situations where ships are already substantially built, they will be finished and they will appear in the market. Many ships that have not yet been started, or those that are at the early stages of construction, will probably be terminated. The undercapitalized and incorrect assumers will be punished, while the well capitalized and prudent will get their rewards as lack of credit trims deliveries."



Mr. Khushroo Kali Wadia
Executive Director

On **the demand front**, we see large clouds on the horizon. **China**, the big mainstay of the dry bulk markets, has struggled in 2011 with issues such as inflation and the asset bubble building in its real estate sector. China had tried to combat these twin evils by raising the reserve requirement ratio of their banking sector to a high of 22% and simultaneously increasing interest rates multiple times during 2011. These measures have resulted in China's GDP growth decelerating quarterly from 9.7% to 9.5% to 9.2% before finally rounding off the year at 8.9%. At the same time, Inflation, which had peaked at 6.5%, appears to have been tamed to manageable numbers. Real estate prices have also come down and the mandarins running China have started to ease on the economic brakes. Reserve requirement ratios at their banks have been cut by 50 basis points. We suspect that this will be the first of many such measures to stimulate economic growth, and avoid economic hardship in 2012. A note of caution appears in the way that China has refused to ease restrictions on the real estate market - such as its tight lending rules, limitation on multi-home ownership, and constraining developers' demand for land. This may result in a more subdued construction sector for 2012, which accounts for almost 50% of all steel consumption in China. Despite expected slower growth, steel output and iron ore imports are forecasted to hit record levels in 2012, reflecting China's efforts to invest in public housing and infrastructure. According to Reuters, crude steel production is forecast to rise to 728 MMT and iron ore imports are expected to reach 720 MMT in 2012. Unfortunately, any stimulus measure adopted by China in 2012 would be nowhere near as steel intensive as the 2008-09 USD 586 billion stimulus that single handedly kept the dry bulk markets afloat during 2009 and 2010.

We have the distinct impression that all is not right economically in **the USA**, the largest market in the world. The **European Union (EU)**, including the UK, is struggling with its own 'bay of pigs' crisis which is the financial equivalent of a nuclear strike to their economic health and well being. Lingered debt problems at the sovereign and household levels in the US, UK and EU suggest that public and consumer spending will remain subdued for some time. As such, demand going forward may be more muted than expected.

The unintended consequence of diminished demand would be a dramatic increase in the **scrapping** of older ships, with 20% of the existing dry bulk fleet that are over 20 years of age, in DWT terms, heading for the scrap yards over the next few years. As a point of reference, during 1986 when the BDI was below 1,000 points, some dry bulk ships as young as 10 to 14 years of age were scrapped, with the majority being between 15 and 19 years of age. If we were to apply the 1986 age profile for scrapping to the world fleet in 2012 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 over the next few years.

To keep things in perspective with regards to Precious Shipping PCL, we would like to highlight the annual net profit/loss from our Financial Statements over the past few years.

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Av. BDI	1,137	2,617	4,510	3,371	3,180	7,065	6,390	2,617	2,758	1,549
Net Profit - \$m	(0.5)	24.8	110.10	154.2	92.6	125.1	148.1	88.1	35.5	23.6
Av. No. of Ships	29.22	28.39	44.63	52.89	54	44.97	44.12	32.79	21.39	21.91
Net Profit/Ship - \$m	(0.02)	0.87	2.47	2.92	1.72	2.78	3.36	2.69	1.66	1.08

Our results for 2011 must be viewed against the prevailing average of the BDI for the year, as well as the smaller fleet size that we had in operation after the disposal of older ships from our fleet. 2010 and 2011 will be remembered as the 'consolidation years' when we shrank our balance sheet, reduced our fleet size and prepared for future growth opportunities.

AWARDS AND ACCOLADES:

In 2011, **IR Magazine** distinguished PSL as the 'Best investor relations in the Singapore market by a Thai company.' IR magazine has been recognizing firms with the best investor relations in Asia for over a decade. All the awards and the rankings for 2011 are based on a survey of more than 300 investors and analysts in the region. These surveys are designed by IR Insight, the in-house research arm of IR magazine, and conducted by the independent research firm, Mary Maude Research.

The Marine Money June/July 2011 'worldwide ranking' issue had listed PSL as the 45th best shipping company in the whole world based on our results for 2010. 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. As our fleet rejuvenation plan is realized, we hope to be back, and stay in, the top 10 ranks in the years to come. However, we were also ranked number 10 in the Financial Strength category. This indicates that we are well poised to implement our fleet rejuvenation plan successfully without undue risks or strain on our financial position.

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 3,433.51 million (2010: Baht 3,403.36 million) and the Company earned a Net Profit of Baht 718.52 million (2010: Baht 1,133.73 million). The Shareholders' Equity of the Company has increased to Baht 15,356.50 million (2010: Baht 14,611.97 million) and the Total Assets of the Company have increased during the year to Baht 22,893.25 million (2010: Baht 19,961.89 million) mainly due to the advance installments of Baht 1,693.05 million paid during the year towards our Shipbuilding orders and due to the net profit earned during the year with a part thereof being retained.

During the year, the Company earned Baht 727.61 million as Net Profit before Exchange Loss of Baht 5.45 million (2010: Exchange Loss of Baht 6.52 million) and Income Tax of Baht 3.64 million (2010: Baht 82.61 million). In terms of the Earnings, the Company's ships achieved an average time-charter equivalent earnings of USD 11,265 per day per ship as compared to USD 12,304 per day per ship for year 2010. The Net Ship Operating Income (net of voyage disbursements and bunker consumption) in absolute terms was lower than that of the previous year, mainly due to a decrease in average time-charter equivalent earnings per day per ship in year 2011 as compared to year 2010. Absolute ship running expenses, also decreased by about 4%, due to decrease in average ship running cost per day per ship during the year. The technical downtime was an average of 7.61 days per Ship, which is very good considering the average age of the fleet of about 14 years in 2011. As a result of the good profitability and robust cash flows, the Company has enjoyed high level of liquidity during 2011 and has paid dividends of Baht 644.41 million during the year 2011.

We also undertook an "in-house" exercise to determine Total Return to Shareholders, which was calculated for the 18 years that we have been operating as a listed entity. Based on the closing share price as on Friday the 16th September 2011 of Baht 18.50 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 18 years, you would have 14.21 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:

At the end of 2011, our fleet had 25 vessels with an aggregate capacity of 704,258 DWT. This works out to an average 28,170 DWT per ship, and an average age of about 14.2 years. Our Fleet Rejuvenation Plan in terms of the New Ships being built at the ABG shipyard in India is discussed below.

ABG Shipyard: As explained in our last Annual Report, ABG appears to be facing difficulties in the timely deliveries of ships. We suspect that this is due to an insufficient supply of skilled labor, which has constrained their execution capacity. Various efforts are being undertaken by the Shipyard and we continue to monitor the situation closely. The first 34K ship was delivered to us in the middle of June 2011. The next two 34K ships should be delivered during 2012. If ABG continues at this rate of production, we will be lucky to get 3 ships a year from their facilities. Under these circumstances, we always have the option of cancelling the ships that are later than their contractual delivery dates, re-selling these 'late' ship building contracts to others, or re-negotiating a fresh contract/price for these 'late' ships. To date we have re-sold 5 such ship building contracts (3X34K and 2X54K) to unrelated third parties for a profit in excess of USD 3m per ship building contract.

We have started our **rejuvenation plan** with the purchase of the Rojarek in Q4 2009 (29,870 DWT, built in 2005 in Japan), the Nalinee in Q1 2010 (31,699 DWT, built in 2005 in Japan), Kanchana (56,920 DWT, built in China 2011), Kirana (56,823 DWT, built in China 2011) and Chamchuri in Q4 2011 (33,733 DWT, built in 2005 in Japan). The sister ship of the Chamchuri is delivered to us in Q1 2012. We will also get four new building resale Supramax ships of 57,000 DWT each from a Chinese ship yard during 2012. To complete the renewal program, expanding our fleet to between 60 and 70 ships, we plan to buy additional ships from the second hand market or resale candidates from the new building market over the next 12 to 24 months. 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, such a large expansion program would pose quite a challenge. However, our circumstances are different. From September 2003 to 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 program in a rising market. This time around, we wish to, once again, purchase between 15 and 25 ships when the BDI is range bound around 1,000 to 1,500 points. The expected market environment between now and the end of 2012 would be a much easier environment for us to execute our renewal plan 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 plan in less than 3 to 6 months time! It is just our expectation of softening prices that is holding us back, 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 ships they had ordered in great excitement and haste just a few years ago. In this environment, we can complete our renewal plan by arranging good deals for second-hand ships from weakened sellers, or for troubled new building re-sales.

In a highly capital intensive business with very high leverage and characterized by unpredictable and wildly swinging cycles, the timing of the purchase of ships 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, PSL 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 60 and 70 ships within the next two years.

HIGHLIGHTS OF 2011:

The dry bulk market did not get off to a good start in 2011 with natural disasters playing a big part. Dry bulk cargoes were hit by the effects of some of the worst weather to knock Australia in years. Severe flooding damaged coal mines and railroads resulting in a major decline in cargo. Then Asia was hit by another natural disaster; in March one of the largest ever earthquakes struck Japan and created a vast tsunami. This created massive damage to ports, infrastructure, industry and another blow to seaborne bulk trade, as Japan's imports dropped.

Record numbers of dry bulk new-buildings were delivered from shipyards, smashing highs set in 2010. A total of 1,248 dry bulk ships of 101.17 MDWT were delivered during 2011. At the same time, owners have made efforts to recycle ships when scrap prices were high. This year has smashed the previous record for demolition volumes, with almost 33.3 MDWT dry bulk ships being scrapped. This has resulted in the global dry bulk fleet strength reaching 622.27 MDWT at the start of 2012.

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 default with Portugal, Ireland, Italy, Greece and Spain creating their own 'bay of pigs' crisis for the EU. 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 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.

China, the big mainstay of the dry bulk markets, has struggled during 2011 with its own issues dealing with inflation and the asset bubble that was building in its real estate sector. China had tried to combat these twin evils by raising the reserve requirement ratio of their banking sector to a high of 22% at the same time increasing interest rates multiple times during 2011. These measures have resulted in GDP numbers in China decreasing quarterly from 9.7% to 9.5% and then to 9.2% before finally rounding off the year at 8.9%. However, Inflation which had peaked at 6.5% appears to have been tamed to manageable numbers and real estate prices have come down. Reserve requirement ratios at banks have been cut by 50 basis points and we suspect that this will be the first of many such measures to stimulate economic growth and avoid any economic hard landing during 2012. A note of caution appears in the way that China has refused to lower the restrictions placed on the real estate mortgage market. This may result in a more subdued real estate sector for 2012 which accounts for almost 50% of all steel consumption in China.

The huge drop in ship asset values since 2008 has crippled ship-owners balance sheets. It has exposed shipping banks to elevated default risks with the number of financial restructuring and bankruptcies in the public domain skyrocketing. The maritime industry is headed into a credit crunch which will certainly constrain the supply side of shipping, a capital-intensive and highly leveraged business. We have already shown how this lack of funding has crippled many shipyards and hope that this will help further constrain the supply side.

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. With no more stimuli left, it is up to the common man in the street, especially in Asia and the other Emerging Market countries, to pick up the slack and support the transition from a stimulus/inventory-driven economic recovery to demand-driven growth. On the supply side, high balance sheet distress levels amongst owners, shipyards and banks are the silver lining over the dark clouds that loom ahead. This would help constrain and reduce the supply of new ships so that demand-side growth will eventually ignite the market, setting us up for the next cyclical recovery post 2013.

China's Iron Ore imports, according to preliminary Custom's data, was an astonishing 686 MMT in 2011 or about 11% higher than 618 MMT in 2010! According to Reuters, China is expected to import 720 MMT of Iron Ore in 2012. This import figure is contingent on import pricing parity versus domestic production and transportation costs. Provisional **Chinese steel production** for 2011 reached a staggering figure of about 684 MMT or about 9.5% higher than the already phenomenal figure of 625 MMT in 2010. According to Reuters, China is expected to produce 728 MMT of Steel in 2012. 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 126 MMT of coal in 2009; 164 MMT in 2010; and 11% higher at 182 MMT making it the single largest importer of coal in the world in 2011 displacing Japan from the pole position it had occupied continuously since 1975! Coal imports are expected to grow steadily but are contingent on import pricing parity versus domestic coal production/transportation costs. In a country that currently produces and consumes some 3,600 MMT of **Coal** per annum, with the figure expected to grow to 4,100 MMT by 2015, even a small change in China's coal imports could have a dramatic impact on the Dry Bulk freight markets.

The BDI ended the year at 1,738 points, 3% higher than its start of 1,693 points. The BDI bottomed out at 1,043 points on 4th February 2011 and peaked at 2,173 points on the 14th of October 2011. The main reason why the BDI recovered during the year was due to an inordinate amount of congestion in the Cape size sector and pent-up demand from Japan coming to the market in the second half of the year. Another factor supporting the index was the 182 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. The clogged financial system, which exacerbated trade imbalances resulted in under-utilization of ships, reduced the available supply of ships. Finally, it was the dramatic increase in the scrapping of 33.3 MDWT of dry bulk ships that supported the BDI.

The BDI average for 2011 was 1,549 points, 44% below the 2,758 recorded in 2010. To give this some 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 **counter-party risk** came home to roost. Long term contracts were only as good as the signature of the counterparty. Many large charterers were loath to honor these long term contracts, and were using all means, legal and some not so legal, to wiggle out of their commitments. In our last Annual Report we had suspected that 2011, and maybe 2012, would not be so kind, with many entities being forced to the wall due to the pressures being exerted on the freight market. We have been surprised by the spate of financial restructuring and bankruptcies that we have seen during 2011 but will be shocked if this does not escalate during 2012 before tailing off in 2013. Be warned, there is more pain on the horizon.

The earnings per day per ship during 2011 for our fleet continued to reflect our strategy of relying upon long term charters to lend stability and visibility to our earnings, thereby avoiding the dramatic changes that would have been the case had our earnings mimicked the BDI. For 2011, we averaged earnings of USD 11,265 per day per ship which was very close to our forecast of USD 11,500. In terms of Operating Expenses, we managed to beat our target of USD 4,650 per day per ship reaching a figure of USD 4,613 per day per ship for 2011. The combined average DWT of PSL's fleet, 28,170 DWT, closely mirrors the DWT of vessel used as the benchmark for the BHSI index. The BHSI had an annual average Time Charter rate of USD 10,902 therefore, given PSL's performance of USD 11,265 during 2011, it is clear that PSL's earnings outperformed the BHSI.

Industry Segmentation:

Handysize	2011 Combined Annual Average	2011 Annual Average	2011 Q4 Average	2011 Q4 Max	2011 Q4 Min
BHSI	\$10,902	718	698	829	577
Pacific Rates	-	\$9,500	\$7,817	\$11,298	\$5,710
Atlantic Rates	-	\$11,603	\$12,209	\$12,929	\$9,887
PSL Handysize Rates	-	\$11,291	\$9,959	-	-
PSL Fleet Rates	-	\$11,265	\$9,922	-	-

The above table displays average time charter (TC) rates for Handysize ships operating in the Pacific and Atlantic basins on an annual and quarterly basis for 2011, and the combined 2011 average of all TC rates that make up the index. The table indicates that there is a substantial difference in the rates in the Atlantic basin compared to the Pacific basin. However, it is worth noting that on an annual basis, PSL was able to outperform the combined average rate, for the Handysize fleet.

Supramax	2011 Combined Annual Average	2011 Annual Average	2011 Q4 Average	2011 Q4 Max	2011 Q4 Min
BSI	\$16,066	1378	1404	1612	1176
Pacific Rates	-	\$10,278	\$8,780	\$12,477	\$4,161
Atlantic Rates	-	\$15,838	\$16,256	\$18,392	\$14,025
PSL Supramax Rates	-	\$9,249	\$9,249	-	-
PSL Fleet Rates	-	\$11,265	\$9,922	-	-

The above table displays exactly the same information as the previous table, except that it contains Supramax TC rates and BSI data as opposed to Handysize data. Unlike the Handysize fleet, PSL's Supramax vessels only operated in the Pacific. Furthermore, as only 2 vessels were added during the latter part of the quarter, PSL did not have the benefit of a full quarter's worth of operations, as such the rates earned appear lower than the averages seen in the above table.

THE INDUSTRY OUTLOOK:

Scrapping was robust. 388 ships were removed or scrapped whilst 153 ships were delivered, resulting in a reduction of 235 ships or 7.5%, with the world fleet decreasing from 3,151 ships to 2,916 ships in our sector (10 — 30,000 DWT) during 2011. The continued weakness of the freight market is the main force driving the acceleration of scrapping rates. It also helps that scrap steel prices have remained reasonably robust during 2011. It is, however, impossible to escape the conclusion that the increasing age of ships and the depressed levels of the freight markets, will lead to an even greater upswing in scrapping rates in the very near future.

Strong supply of new ships expected for 2012 and 2013:

The Cape sector (90,000+ DWT - 1,561 ships of 265 MDWT at the start of 2012):

519 ships of 94.9 MDWT or 35.8% of the existing DWT are scheduled for delivery up to end of 2015. In this sector, 128 ships of 43.91 MDWT or 16.6% will be over 22 years of age by 2015 and likely to be scrapped during 2012 to 2015 should freight rates remain at current levels.

The Panamax sector (60 - 90,000 DWT - 1,814 ships of 135 MDWT at the start of 2012):

665 ships of 51.9 MDWT or 38.4% of the existing DWT are to be delivered up to the end of 2015. The saving grace in the Panamax sector is that 270 ships of 24 MDWT or 17.8% of the fleet will be over 24 years of age by 2015 and would likely be scrapped during 2012 to 2015 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 - 2,325 ships of 119.5 MDWT at the start of 2012): 645 ships of 35 MDWT or 29.3% of the existing DWT are scheduled for delivery up to the end of 2015. In this sector, 293 ships of 14.9 MDWT or 12.4% will be over 25 years of age by 2015 and likely to be scrapped during 2012 to 2015, if freight rates remain at their current levels.

The Handymax sector (30 - 40,000 DWT - 1,248 ships of 43.2 MDWT at the start of 2012): 462 ships of 16.2 MDWT or 37.5% of the existing DWT are scheduled for delivery up to the end of 2015. In this sector, 434 ships of 16.7 MDWT or 38.5% will be over 25 years of age by 2015 and likely to be scrapped during 2012 to 2015 if freight rates remain at current levels for any length of time.

The Small Handy sector (10 - 30,000 DWT - 2,916 ships of 59.1 MDWT at the start of 2012): 243 ships of 4.75 MDWT or 8% of the existing DWT are scheduled for delivery up to the end of 2015. In our sector, 972 ships of 22.4 MDWT or 37.9% will be over 27 years of age by 2015 and likely to be scrapped during 2012 to 2015 if freight rates remain at the current depressed levels. With this extremely large overhang of very old ships, the supply dynamics appear to be the strongest in the small handy size sector, the sector in which we operate most of our ships, 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 figure widened to 41%, dropped to 38% in 2010 then reduced to 28% in 2011. It remains to be seen what this figure will look like in 2012, 2013 and 2014 but we will not be surprised to see it fluctuate inversely with the BDI, especially if the BDI were to come down and stay below 1,500 points.

Our Competitive Position based on our existing 26 ships plus the 19 ships on order (12 bulk carrier and 3 Cement ships at ABG 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 will 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 two decade lows, most prudent companies that have very little debt on their balance sheets and a lot of cash in their pockets will 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 remaining participants.

Operating Costs generally eased in 2010 and 2011, which was a welcome relief from the increasing trend witnessed for the past several years, and that might have continued, if not for the severe downturn in 2008. Almost all the components have decreased from their previous levels, some more than others. The most notable cost reductions include lube oils, repairs, maintenance, stores/spares and insurance. Younger ships are naturally less expensive to operate and maintain, and the cost of stores, spares and repairs are proportionately less. Most quality operators have taken advantage of the current situation to rejuvenate their fleets by disposing older ships. We expect this trend, of improving efficiency and saving costs, through fleet rejuvenation, to continue in 2012.

There were no major changes in costs in 2011 except that with older vessels having left the fleet, **drydocking costs** declined. In line with lower earnings, **administration costs** in the form of bonuses also declined.

The requirement for qualified senior personnel continues to increase amidst a shortage due to reasonable employment available ashore in a much safer environment. As a result **Crew costs** increased slightly in 2011 and are forecast to increase further in 2012.

The Protection & Indemnity ("P&I") insurers, or 'P&I Clubs' as they are known in the industry, are having a dream run of successive low-claims years and this has helped the Clubs improve their finances. This insurance is unique as it provides almost limitless cover with top-quality claims-handling service for any situation that could arise from owning/operating ships. It is therefore extremely important that the P&I Clubs remain financially strong. However, the Clubs have had to contend with little or no income on their investments due to the depressed equity and bond markets. This has brought into focus the importance of prudent underwriting, i.e. collecting the right amount of premium commensurate with the underlying risk. The Clubs with which we are associated are financially robust, and as a result we expect our premiums for 2012 to remain stable.

For all the reasons cited above, our **average operating costs per day per ship** for 2011 was about 2% 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.

International Maritime Organization (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. 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 (ILO), working and living conditions of crewmembers on board are receiving increased importance. In order to formalize this and ensure uniform compliance, (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 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 2013 based upon EU's planned ratifications in 2012, and we are preparing in all respects to comply with this new requirement well before the dead line.

Focus on the environment is becoming even more important. It is no longer just fashionable to say we are "Going Green"; organizations world-over are being pushed by their stakeholders to become more environment-conscious, guided by compliance with the newer regulations. The Shipping industry, 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: As previously reported, the Company 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): 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 (OOV), Chief Mate Course (CMC), Command Course (Command), Shipboard Safety Course (SSC), Maritime Professional Briefing (MPB), Maritime English training (divided into 5 course levels) programs for safety and efficient ship operations of deck and engine departments. The Training Center also conducts 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 simulations. 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 classroom theoretical courses. These will 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 use of "Electronic Chart Display and Information System" (ECDIS) is becoming mandatory for new ships built from July 2013. Many new vessels are already equipped with ECDIS. For existing vessels, ECDIS will become mandatory from 2018. ECDIS requires special generic training as well as specific training for each manufacturer's equipment. Navigating officers using ECDIS need to be suitably trained and certified before they can use it as a primary means for navigation.

With every other technical advance in navigation, such as radar, AIS and GPS, officers have gained an additional navigational aid. With mandatory ECDIS, on the other hand, a navigational aid will be taken away from them — the paper chart. ECDIS has to work and officers have to know how to work it. Any operational error could have disastrous consequence.

Realizing that there are not many institutes that can impart the required ECDIS training at present, the PSL training centre is preparing to equip itself suitably and get certification from the relevant authorities so that all our officers can be trained 'in house' and be fully prepared for the use of ECDIS on vessels.

The scourge of piracy, predominantly originating from Somalia, but now spread to the whole of Arabian Sea/Indian Ocean, continues to be a cause for great concern. The entire ocean area from India to Africa and between Gulf of Oman and Madagascar has been notified as a breach area by London war risks insurers.

In most cases, the added costs of protecting vessels and the additional insurance premium is directly or indirectly passed on to cargo interests, but the effect on crew morale is most visibly seen in declining officer and crew availability and a waning interest in a sea going career.

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 and dhows 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 fuel, food and water, and these 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 threat. The Indian Ocean lacks the naval coverage provided by patrols in the Gulf of Aden (GOA). 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.

Recently, a vessel was hijacked in a waiting area just off the port of Salalah, Oman. However the areas of heightened concern remain the Southern Red Sea, Bab Al Mandeb and GOA. The approach on a merchant vessel by a skiff in the intersection area of a protected corridor and the Mukalla/Bosaso route, despite the presence of naval assets, confirms the unpredictable and opportunistic nature of pirate action groups in this area. Attacks are also spreading further and further south, almost reaching the Mozambique Channel.

The worrying developments that are taking place in Somalia indicate the threat to shipping in the GOA 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. The increasing use of torture and violence by Somali pirates on crew members of hijacked vessels continues to prompt a change in opinion among industry members on the subject of armed guards for ships transiting the Gulf of Aden and Indian Ocean.

Reported pirate attacks worldwide reached 266 in the first six months of 2011. This was an increase from 196 incidents in the corresponding period in 2010, according to statistics released by the International Maritime Bureau. Over 60% of incidents were attributed to Somali pirates. As of June 30, Somali pirates were holding 20 vessels and 420 crew hostage. Some 50 incidents were also recorded for Indonesia, Malaysia, Singapore Straits and the South China Sea in the first half of 2011.

The Royal Thai Navy: In view of the alarming situation, the Royal Thai Navy also dispatches their warships to patrol the GOA strip, primarily with a view to protect Thai flag vessels transiting the area. This move is heartening and provides comfort to us and our crew 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 now our only operational investment in Ports in the Haldia Dock Complex (about 22.4% of the total capital) under our port projects investments. This JV continues to operate very well and we have to-date received total dividends of USD 1.34 million, which works out to about 66% of our original Investment made in years 2002-2003. We find strategic value in this investment and hope to increase our shareholding at an opportune time in the 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. 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, 2010 and 2011. 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 world GDP when the life-support-drug to the economy of massive coordinated Governmental stimuli starts to wear off. The fear, which is still largely in the background, is that 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 to around 30%, 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 32.5% by DWT of new ships (202.8 MDWT) scheduled to be delivered over the next 3 years to the end of 2015, 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, 28% in 2011, possibly rising to 30%+ in 2012 and beyond.

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 2013. We think that 2012 and 2013 will therefore remain extremely challenging years when 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 2012 and beyond. 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 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 repayment of all outstanding loans. 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 to 2011 with a "see no defaults, do no foreclosures, hear of no failures" attitude may be something that will change in 2012. We have already had a prelude in the form of the various financial restructurings and or bankruptcies of large and mainly publicly listed shipping companies during 2011. Banks are being forced to bite the bullet and call such loans into default, sell the ships at the best possible price and recoup a part of the loans made to ship-owners. This would stress the balance sheet of the banks and, most likely, make the ship-owner go bust. If such a ship-owner has new ships on order, and has got funding commitment from his banks, all such financial support would evaporate leaving the contract to build the new ships invalid. This in turn would pass the financial stress 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, shipyards and their banks.

This financial stress in the maritime world has given rise to statements from ship-owners and shipping analysts that the mountain of new ships for delivery between now and the end of 2015 could be just a mirage, as a lot of them may have already been cancelled. This might be the silver lining to the dark clouds threatening to engulf our 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. We hope to deliver to all our 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

3rd February 2012

AUDIT COMMITTEE REPORT

TO THE SHAREHOLDERS

The Audit Committee of Precious Shipping Public Company Limited consists of 3 independent directors viz., Mr. Suphat Sivasriumphai as Chairman of the Audit Committee, Mr. Kamton Sila-On and Associate Professor Pavida Pananond, Ph. D., both, as Audit Committee members. During year 2011, due to the resignation or retirement of certain Directors, Audit Committee has been changed by resolution of the Board of Directors in the Board meeting No. 2/2011 held on 14th March 2011. Mr. Suphat Sivasriumphai, then existing member of the Audit Committee, was nominated as Chairman of the Audit Committee. Mr. Kamton Sila-On was appointed to Audit Committee to replace Police LT. Gen. Kiatisak Prabhavat, who resigned before end of his term (24th August 2012) on 14th March 2011 to comply with the maximum age limit prescribed for Directors of the Company in its Corporate Governance Policy. Further, Associate Professor Pavida Pananond, Ph. D. was appointed to Audit Committee to replace Mr. Thira Wipuchanin, who was appointed as the Chairman of the Board of Directors of the Company and since in accordance with Good Governance practice he cannot be a member of other committees, he also resigned as member of the Audit Committee on 14th March 2011.

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 2011, 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 2011, 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. Tor Chor. 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. 1/2012 held on 3rd February 2012. 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 2011, 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. Tor Chor. 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.

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 2011, Audit Committee held 4 regular meetings (2010: 4 regular meetings) and no special meeting (2010: no special meeting). The record of attendance of the members of Audit Committee is summarized as follows:

Name	Number of Attendance / Total Meeting (Times)	
	2011	2010
	Regular Meeting	Regular Meeting
1. Police Lt. Gen Kiattisak Prabhavat *	1/1	4/4
2. Mr. Suphat Sivasriamphai	4/4	4/4
3. Mr. Thira Wipuchanin *	1/1	4/4
4. Mr. Kamtorn Sila-On **	3/3	-
5. Associate Professor Pavida Pananond, Ph.D. **	3/3	-

* Audit Committee members who resigned in year 2011.

** Audit Committee members appointed in year 2011.

Audit Committee Meeting No.1/2012 held on 31st January 2012 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 years 2012.

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 years 2010 and 2011.

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 2012 (2011 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 2011 for total Audit Fees of Baht 3.08 million and is expected to continue in a similar role for 2012 for total proposed Audit Fees of Baht 3.29 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 0.35 million (2011 actual: Baht 0.24 million).

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



Mr. Suphat Sivasriamphai

Chairman of the Audit Committee

3rd February 2012

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 2011 and 2010, by the National CG Committee.
- » Classified as one of the Companies as **"Excellent"** and **"Excellent and should be a role model"** for conducting Annual General Meeting in 2011 and 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:

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 in the year 2003, 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 2011, 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 2012 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 2011, the Company held one shareholders' meeting which was the Annual General Meeting (AGM), on 14th March 2011 at Amari Atrium Hotel. All Board members (except two: Mr. Kirit Shah and Mr.Chira Panupong) attended the AGM of 2011 which also included all Audit Committee Members and Independent Directors (except one). 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:

- » Ascertaining that the 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 **“Sustainability Report”** of this Annual Report detailing the steps taken by the Company and its compliance with various regulations/norms.

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 2011 and 2010, 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					
		2011			2010		
		Board of Director	Audit Committee	Total	Board of Director	Audit Committee	Total
1 Admiral Dr. Amnad Chandanamattha *	Chairman of the, Board of Directors	0.30		0.30	1.20		1.20
2 Mr. Thira Wipuchanin***	Independent Director						
	Chairman of the Board of Directors, Independent Director	1.04	0.05	1.09	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 ^C	Director	0.55		0.55	0.55		0.55
7 Police Lt.Gen. Kiattisak Prabhavat *	Independent Director	0.14	0.10	0.24	0.55	0.40	0.95
8 Mr. Chira Panupong *	Independent Director	0.14		0.14	0.55		0.55
9 Mr. Suphat Sivasriamphai ^B	Independent Director	0.55	0.35	0.90	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	0.14		0.14	0.55		0.55
13 Mr. Chaipatr Srivisarvacha **	Independent Director	0.41		0.41	-		-
14 Mr. Kamtorn Sila-On ** ^A	Independent Director	0.41	0.15	0.56	-		-
15 Associate Professor Pavida Pananond, Ph. D. ** ^A	Independent Director	0.41	0.15	0.56	-		-
16 Mr. Ishaan Shah **	Director	0.41		0.41	-		-
	Total	7.25	0.80	8.05	7.25	0.80	8.05

* Directors who resigned in year 2011 with effect from 14 March 2011 to comply with the age limit prescribed in the CG Policy.

** New Directors who were appointed in year 2011 to replace the Directors who resigned.

*** Appointed as Chairman of the Board of Directors with effect from 14 March 2011

^A Inclusive of remuneration as Audit Committee Member.

^B Inclusive of remuneration as Audit Committee Chairman.

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

The remuneration of the senior management included their salary, bonus (which was paid during the year but the amount is mainly based on the Company's performance in the last 3 years), and other remuneration (income tax, and house rental). During the years 2011 and 2010, 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	
		2011	2010
1 Mr. Khalid Moinuddin Hashim	Managing Director	22.26	25.99
2 Mr. Munir Moinuddin Hashim	Director (Commercial)	17.93	20.97
3 Mr. Khushroo Kali Wadia	Director (Finance)	16.32	19.12
4 Mr. Jaipal Mansukhani	Director (full time employed in the Company's subsidiary)	14.91	17.44
5 Mr. Shrilal Gopinathan	Vice President (Commercial)	9.01	10.56
6 Mr. Koka Venkataramana Sudhakar	Vice President (Fleet Management)	7.72	9.11
7 Mr. Kodakara Veettil Murali Menon	Vice President (Technical)	7.54	8.83
8 Mr. Neelakantan Vasudevan	Vice President (Risk Management)	7.56	8.87
9 Mr. Stephen Korah	Vice President (International Safety Management)	5.43	6.38
10 Mr. Kamal Kumar Dua	Vice President (Information Technology)	6.51	7.64
11 Mr. Nishikant Govind Desai	Vice President (Projects)	6.85	7.69
12 Ms. Somprathana Thepnapaplern	Assistant Vice President (Finance & Account) & Company Secretary	4.25	4.76
13 Mr. Kiran Kesarinath Vaidya	Senior Manager (Accounts & MIS)	5.05	5.93
14 Mr. Yingyong Kanghae	Senior Manager - Group Accounts	3.08	3.50
	Total	134.42	156.79

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					
	2011	2010	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	9,601.43	11,199.29	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					
	2011	2010	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	9,601.43	11,199.29	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

Annual Report 2011

Precious Shipping Public Company Limited

- * PSL's figures are actuals of respective years.
- ** From IOD's Remuneration Survey Report for the year 2010 (latest available Survey Results - No survey conducted in Year 2011).
- *** 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 2010 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 8840 Email at corp@preciousshipping.com
Khun Somprathana Thepnaplern	AVP (Finance & Accounts) and Company Secretary Telephone 66 2696 8856 Email at som@preciousshipping.com

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

Year / Times	Analyst Meetings	Investor Meetings	Presentations Road shows	Press & TV Interview	Total
2011	38	33	13	2	86
2010	46	40	17	1	104
2009	44	33	21	4	102

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), 3 Non-Executive Directors and 5 Independent Directors (more than one-third 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 be 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. In 2011, Remuneration Committee members and Nomination Committee members were appointed and reappointed by the resolution of the Board meeting No.2/2011 held on 14th March 2011 and the Board meeting No. 5/2011 held on 3rd November 2011. 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 2011, 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 2012.

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

Any transaction which could lead to a potential conflict of interest and/or a related party transaction is considered very carefully by the Board of Directors 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 2011, the internal auditors audited the aforesaid transactions and reported the results thereof to the Audit Committee in the Audit Committee's Meeting No. 1/2012 held in January 2012. 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 the 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 2011, the Board of Directors held 4 ordinary meetings (2010: 4 times) and 1 extraordinary meeting (2010: no extraordinary meeting). The record of attendance of the Directors is summarized as follows:

Name of Director	Attendance / Total Meetings (Times)		
	Year 2011		Year 2010
	Ordinary Meeting	Extraordinary Meeting	Ordinary Meeting
1 Admiral Dr. Amnad Chandanammattha *	1/1	-	4/4
2 Mr. Thira Wipuchanin	4/4	1/1	4/4
3 Mr. Khalid Moinuddin Hashim	4/4	1/1	4/4
4 Mr. Munir Moinuddin Hashim	4/4	1/1	4/4
5 Mr. Khushroo Kali Wadia	4/4	1/1	4/4
6 Mr. Jaipal Mansukani	4/4	1/1	4/4
7 Police Lt.Gen. Kiattisak Prabhavat *	1/1	-	4/4
8 Mr. Chira Panupong *	1/1	-	4/4
9 Mr. Suphat Sivasriamphai	4/4	1/1	3/4
10 Miss Nishita Shah	4/4	1/1	3/4
11 Mr. Kirit Shah	4/4	0/1	4/4
12 Mr. Peter Feddersen *	1/1	-	4/4
13 Mr. Chaipatr Srivisarvacha **	2/3	1/1	-
14 Associate Professor Pavida Pananond, Ph. D. **	3/3	0/1	-
15 Mr. Kamtorn Sila-On **	3/3	1/1	-
16 Mr. Ishaan Shah **	3/3	0/1	-

* Directors who resigned in year 2011 with effect from 14 March 2011 to comply with the age limit prescribed in the Company's CG Policy.

** New Directors appointed in year 2011 to replace the Directors who resigned.

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 4th August 2011, 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 2012.

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 the Director Certification Program (DCP) or at least the Director Accreditation Program (DAP) held by the Thai Institute of Directors Association (IOD).

In year 2011, the 3 new Directors, Mr. Kamtorn Sila-On, Associate Professor Pavida Pananond, Ph. D. and Mr. Ishaan Shah attended the "Director Certification Program (DCP)" 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.

The Company arranged such a Directors' Orientation program for the 4 new Directors who were appointed in year 2011.

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 results) 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 for the activities of each of the individual departments. To ensure suitable control measures in keeping with prevailing circumstances, environment, and risks, the internal audit department regularly monitors the internal controls in place and the 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 setting up a proper control environment and accordingly 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. This 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 2011 have been provided in the "Audit Committee Report" section of the Annual Report.

At the Board of Directors' Meeting No.1/2012 on 3 February 2012, 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 2011 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

3rd February 2012

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.

In keeping with the times and the need of the day and requests received from International Investors and Institutions, the Company has included a separate 'Sustainability Report' in the Company's Annual Report starting from this year. Accordingly, in respect of the aforesaid issues, kindly refer to The Sustainability Report on Page 73-82 of this Annual Report, which outlines all issues of Environment, Piracy, Regulations in the Maritime world and the initiatives and steps the Company is taking to reduce its carbon footprint and to better the environment and go green. This report uses pictures and graphs to show how the Company measures up in terms of compliance with various regulations.

We outline hereunder the Company's CSR activities as it relates to: 1. Customers, 2. Employees 3. 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 one of the typical comments from Customers is quoted below:

"...our agency staff advise the vessel worked well in all ports and Master /crew were very co-operative/helpful..."

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. 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 Company's Safety Management System (SMS) 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.

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. Both these conventions have undergone considerable amendments. As a result, the requirements have become more stringent. STCW 2010 Manila amendments are effective from January 2012 whereas ILO 2006 is expected to be ratified by end of year 2011 and will be effective by the end of 2012.

8th Annual PSL Maritime Day Run

Precious Shipping PCL, observed World Maritime Day by organizing “8th PSL Maritime Day Run” at Lumpini Park on Wednesday, 19th January, 2011.

World Maritime Day helps 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 is “**World Maritime Day 2011: Piracy: Orchestrating the response**” The lives, safety of the seafarers and the marine environment is very much dependent on the smooth sailing of the vessels at sea. With piracy in the Gulf of Aden / Indian Ocean on the upsurge, it is important that this serious concern is brought to the attention of all the citizens of the world in whose service the ships and seafarers go out to sea.



As seen in the photograph: Staff members before the run

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 certified for Quality Management System “ISO 9001: 2008”, and has obtained certification for their Environment Management System “ISO 14001:2004”

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.

Blood Donation 2011



The company organizes blood donation camps on a regular basis in collaboration with The Thai Red Cross. In 2011, the company organizes 2 blood donations in January and July with a total collection of 35,000 cc

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.

The Company has provided on board the vessels, selected video training programs from the best 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.

scholarships to MMTC 2011

Precious Shipping PCL. (PSL) Awarded Baht 2,339,800 worth of scholarships to selected students of Merchant Marine Training Center (MMTC) to support their entire education year.



The photograph shows MMTC scholarship students along with Mr. Koka V. Sudhakar, PSL's Vice President in Fleet Management. (2nd from right)

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.

"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. A quote from the USCG citation letter would perhaps reflect what this award is all about: "...you can take pride in the voluntary commitment of your officers and crew to the safety of life at sea."

3. 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.

The unprecedented floods in Thailand in 2011 affected millions of people and wrought damage and destruction not



Hom Bha Hai Nong 14th by cadets of Merchant Marine Training Centre

The Company donated Baht 113,160 to the project Hom Bha Hai Nong 14th by cadets of Merchant Marine Training Centre to build canteen for Wat Ta Phang Klee school, Chachoengsao province. The photograph shows MMTC's students along with Mr. Koka V. Sudhakar, PSL's Vice President in Fleet Management.

Congratulation to MMTC'S Students

Precious Shipping PCL. (PSL) congratulates newly graduated students at MMTC



The photograph shows MMTC students along with Mr. Koka V. Sudhakar, PSL's Vice President in Fleet Management on the graduation day at MMTC.

witnessed before. The Company's employees were also affected and many had their homes under 2 meters of water! Keeping aside the misery of living in such appalling conditions and despite their precious valuables being completely damaged, the Company's employees continued to perform their duties normally and the Company records its appreciation of the employees' commitment. The Company, for its part, issued a policy directive that all possible assistance be extended to those affected by the floods, and the Human Resources Development ('HRD') Department was designated as the nodal point for this purpose. Those who were unable to travel to the office were granted special leave and excused from attending office; where the houses were inundated, the employees and their families were provided accommodation in the city center, and for others who made their own arrangements, their expenses were reimbursed by the Company.

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

- » The Company takes an active interest in the Merchant Marine Training Center, Thailand (MMTC) and has awarded Gold medals for graduates finishing at the top of the class since 1998. Besides, the Company also donates text-books to MMTC on a regular basis.
- » The Company has instituted Scholarship scheme for students of MMTC. In 2011 and 2010, an aggregate of Baht 2,339,800 and Baht 2,355,120, respectively, have 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 built and handed over a student dormitory facility at NASIC, 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 113,160 to the project Hom Bha Hai Nong 14th by cadets of Merchant Marine Training Centre to build canteen for Wat Ta Phang Klee school, Chachoengsaoprovence. This is further to the donation made by the Company in the previous years of: 1) Baht 139,000 to the project Hom Bha Hai Nong 13th by cadets of MMTC to build toilet facilities at Bann Non Pha Suk School, Sa Kaew province. 2) 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 3) 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 19th January 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 along with 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 2011, the PSL Run was held on 19th January 2011 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 Environmental Research Station in Nakhon Ratchasima province.

SUSTAINABILITY REPORT

The Company recognizes that irresponsible shipping operations will inevitably lead to catastrophic environmental impact, particularly in terms of air and/or water pollution. Therefore, The Company is firmly committed to the protection and conservation of the environment, and ranks environmental considerations equally with commercial and operational factors.

However, over years of operation the Company's senior management has realized that simply complying with regulations is not enough, but what is needed is to go above and beyond the mandatory regulations by developing internal emergency response plans and quality control systems, constantly searching for new technologies to employ to help reduce our environmental impact, and also a firm commitment to reducing CO₂ emissions and waste generation.

The following is an explanation of the most significant maritime regulations and what the Company is doing to remain compliant. After which the Company's internal emergency and quality control systems will be outlined, followed by CO₂ reduction efforts. This report concludes with a statement of goals and objectives set by the Company for the coming year.

Compliance with Regulations & Conventions

In order to have the Company's ships sailing in international waters, the Company is legally required to be fully compliant with the following regulations imposed by the International Maritime Organization (IMO) and other regulatory bodies:

- » 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.
- » International Convention on Civil Liability for Bunker Oil Pollution Damage 2001.
- » International Maritime Dangerous Goods Code.
- » National Regional and Local regulations more stringent than the international requirements like US environment protection acts, European Union air pollution directives etcetera.

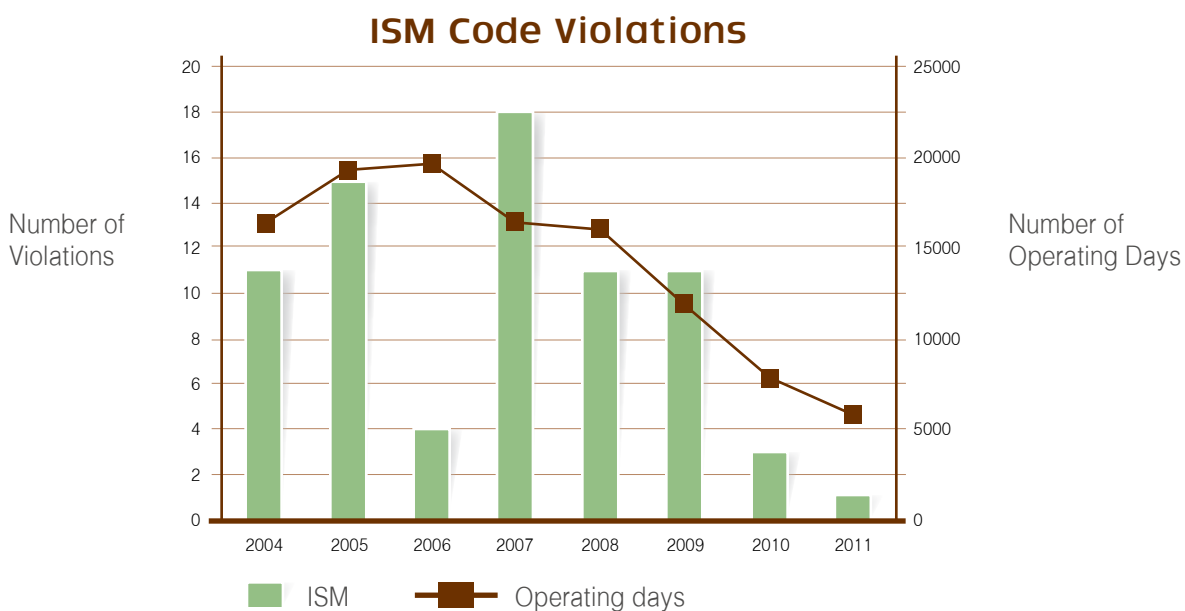
In addition to the above, the most significant regulations are outlined below, and the Company's efforts to remain compliant.

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 gt 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 following objectives:

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

Below is a graphical account of the Company's ISM Code violations viewed against Operating days from 2004-2011. For the purpose of this analysis, violations are considered as any incident that results in a fire, explosion, injury or death to crew members, collisions, and groundings. Operating days hit a peak with 19,710 days in 2006, while ISM code violations peaked in 2007 with 18 violations. However, between 2007 and 2011 a definitive trend appears with code violations declining by 94%. On violations per operating day basis, 2006 and 2011 were The Company's best years with the violation at the lowest at 0.02%, while even at worst, in 2007, the violations were a negligible fraction, at only 0.11%. Across the period, the average violation for the whole fleet was only 0.06%.



As per the ISM code requirements, annual internal audits are conducted on board 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, after which procedures are reviewed immediately. Furthermore, 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 sharing "lessons to learn" incidents and case studies from own fleet for the benefit of the industry. This is in compliance with our highest ideals of quality management and social responsibility.

In addition to the above, the Company is undertaking following initiatives to limit ISM Code violations through preventative action:

- » **Enhanced staff training:** An increasing trend in the industry is that Port State Control inspectors are getting more stringent in their enforcement of the ISM Code. As such our ship staff are given regular checks on their ISM knowledge, sharing of experiences from across the fleet.
- » **Enhanced maintenance of vessels:** The head office has stressed that all machinery checks and inspections be carried out with greater frequency, and any difference observed by ship staff are immediately reported. Also the Company's management has stressed that internal auditors enforce the code more stringently than ordinary inspectors to achieve a higher level of compliance and safety for our ships, cargoes and crew.
- » **Timely warnings and reminders to vessels:** Vessel's entering North American and Australian waters often require additional certificates for compliance with local regulations. As a preventative measure the head office gives instructions to the crew well in advance of the vessel's arrival in such waters to ensure that all documents are in order and the vessel is in full compliance.

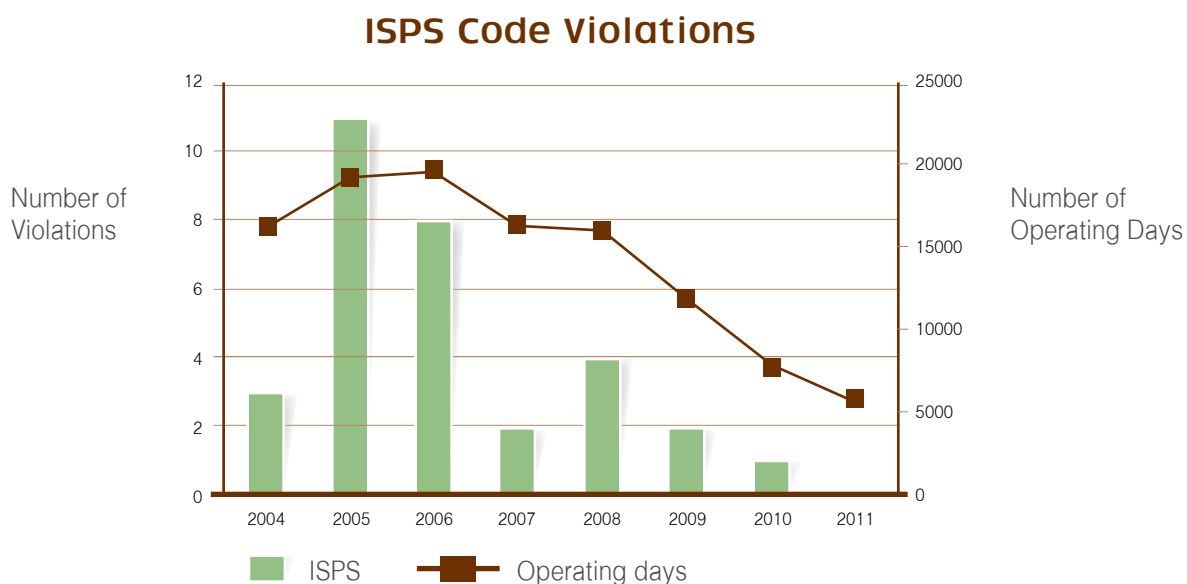
Keeping in line with the declining trend observed in the previous graph, the Company has set an internal target of zero ISM Code violations resulting in injury or death, fire, collisions or groundings or any vessel detentions resulting from an ISM Code violation.

International Ship and Port Safety (ISPS) Code: In light of changing security circumstances across the globe, the International Ship and Port Safety Code was adopted in 2004. The code is an amendment to the Safety of Life At Sea (SOLAS) Convention that encompasses a greater level of security arrangements for ships and ports. The code assigns responsibilities to governments, shipping companies, shipboard personnel, and port/facility personnel to "detect security threats and take preventative measures against security incidents affecting ships or port facilities used in international trade" (ISPS Code Part A 1.2.1).

In implementing the ISPS Code the Company has developed standard operating procedures for vessels entering ports prone to drug smuggling, and stowaways. This includes employing sniffer dogs and armed guards where appropriate. Furthermore, standard policies are employed whenever vessels call European, British, American, Australian or Canadian ports, and to date the Company has had only 1 detention from an ISPS violation.

Annual internal reviews are conducted on preventative measures including the performance of the companies providing the sniffer dogs and guards. Like the ISM audits mentioned above, these are carried out by a dedicated team of qualified and experienced ship auditors reporting directly to the Managing Director. All incidents of non-compliance, accidents and near misses are thoroughly investigated and analyzed. In the event of any failures of the standard operating procedures, reviews are immediately conducted.

Below is a graph displaying the number of ISPS Code Violations (left-hand axis) against the number of Operating days (right-hand axis) from 2004-2011. ISPS violations peaked in 2005 with 11 violations occurring that year, while operating days peaked in 2006 with 19,710 days. Both operating and ISPS violations reached their lowest levels in 2011 with 0 code violations during 5,842 operating days. From 2005-2011 ISPS code violations dropped by 100%.



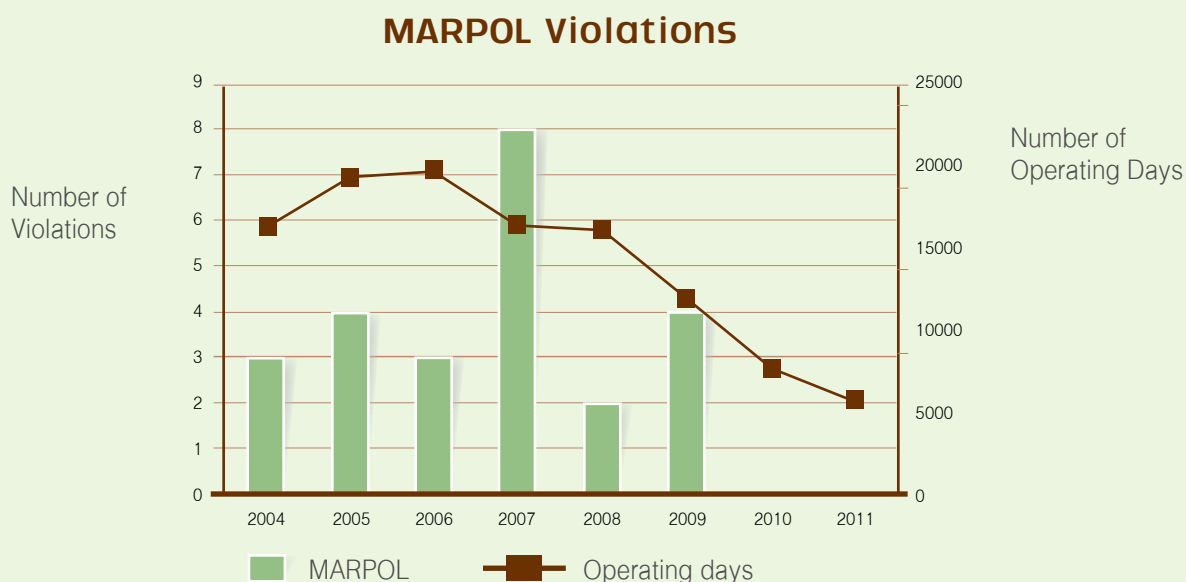
The Company has set an internal target of zero violations for the coming year.

MARPOL: Is one of the most important environmental regulations in the maritime industry and aims "to preserve the marine environment through the complete elimination of pollution by oil and other harmful substances and the minimization of accidental discharge of such substances." This convention is divided into 6 distinct sub-areas (IMO, 2011) :

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.

There is a companywide acknowledgment that the risk posed to the marine environment from a marine incident is severe. The Company has adopted a great deal of preventative measures to limit this risk factor. The first is to limit human error, and the second is to maintain the vessel's machinery to the highest possible standard.

In order to limit human error the Company has developed an internal training programme for all seagoing staff. This includes simulator exercises designed to improve navigational skills and awareness by putting officers through various weather, sea and port conditions. Furthermore, the Company also ensures that all engineers employed are put through their own specific rigorous programme aimed at enhancing their ability to maintain engines and avoid any fuel or sludge discharge while the vessel is in port or at sea.



The above graph demonstrates the number of MARPOL violations (left-hand axis) resulting in an insurance claim and Operating days (right-hand axis) from 2004-2011. For the purpose of the analysis, any incident counts as a violation if it is resulted in an insurance claim. MARPOL violations were most numerous in 2007 with 8 violations, while Operating days peaked in 2006. The average number of violations for the period was 3, while the average number of operating days was 14,179 days. From 2007 to 2011, the total number of incidents declined by 100% while Operating days declined by 64%. On a per day basis in 2007, the Company violated MARPOL 0.03% of all Operating days, while in 2010, and 2011, the Company obtained a rate of 0% violations per Operating day. As is the case with the 2 previous codes outlined, the Company aims to have zero MARPOL violations in 2012 and no vessels detained as a result of a MARPOL violation.

Upcoming Regulations: The following regulations are coming into force within the next few years and the Company is already inducting them into our business operations.

SEEMP (Ship board energy efficiency Management plan) - Jan 2013

EEDI (Energy efficiency design index) for new buildings - Jan 2013

Having successfully outlined and explained the significant maritime regulations that safe guard the environment and those that will soon play a significant role, the next section details the Company's internal environmental control system.

Protection and conservation of the environment:

ISO 14001 Certification: With an increasing demand for environmental conservation 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. ISO 14001:2004 provides a framework for a holistic, strategic approach to the Company's environmental policy, plans and actions, and demonstrates that the Company is an environmentally responsible organization. Upon completion of one year after initial certification, the Company has successfully completed annual audit verification conducted by Class NK, confirming compliance with the standards. The EMS supplements the Quality Management System, meeting ISO 9001 standard, and the International Safety Management (ISM) code. This integrated Management System is known as Safety Quality and Environment Management System (SQEMS). According to the SQEMS, the Technical Manager, who also heads the Management Company, is appointed as the "Management Representative" and is also the "Designated Person" for the purpose of the ISM code. In 2008, ClassNK issued the Company a QMS certificate - the new 2008 version of ISO 9001. In general, dry bulk shipping companies do not go for this certification which is more or less the exclusive preserve of tanker companies where protection of the environment is the paramount issue.

Objectives of the EMS:

- » Minimize pollution caused to the environment.
- » Comply with all national, international legislations and other regulations pertaining to pollution of the 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.

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 the environment and reducing the Company's carbon footprint. Another tangible effort being made by the Company to reduce the environmental impact of the business is the adoption of new environment friendly technology on new ships acquired.

Use of New Technology and Innovations:

The Company's commitment to protection and conservation of the 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) out of which 4 bulk carriers were novated and 1 bulk carrier was delivered to the Company during 2011 thereby reducing our order to 16 vessels (13 bulk carriers and 3 special-purpose cement carriers) at the end of year 2011. 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 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 accidental 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. 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. Presently the Convention is open for accession by States. It will enter into force 24 months after the date on which 15 States, representing 40 percent of world merchant shipping by gross tonnage, have either signed it without reservation as to ratification, acceptance or approval or have deposited instruments of ratification, acceptance, approval or accession with the Secretary General. Furthermore, the combined maximum annual ship recycling volume of those States must, during the preceding 10 years, constitute not less than 3 percent of their combined merchant shipping tonnage. As it stands, all ships contracted for building before 2015 will need to comply by the year 2020. New ships contracted from 2015 need

to comply upon delivery. Our new building contracts will ensure compliance with this requirement. We will also be preparing all existing vessels to meet the requirements before the deadline arrives. 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.

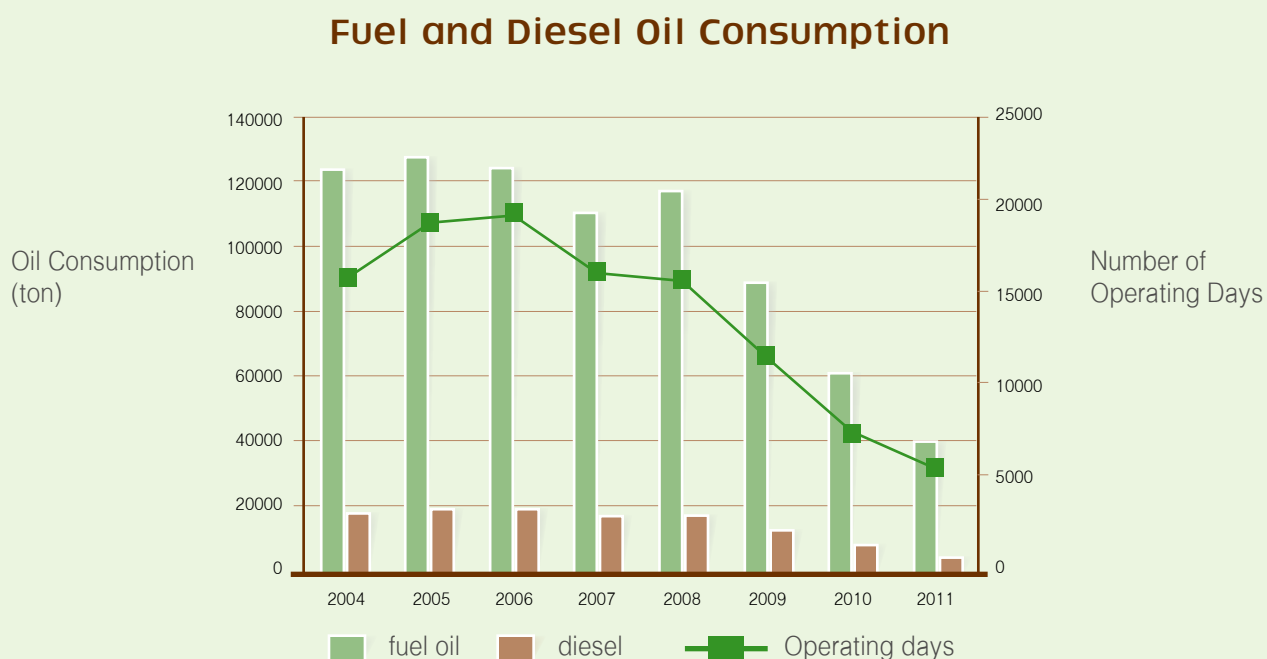
All efforts outlined thus far will have no significant impact unless there is a firm commitment from management to reduce CO₂ emissions. Thus the following sections details what efforts are currently being undertaken to limit the Company's CO₂ and waste output.

Carbon Footprint and Waste Generation:

The most recognized and constant source of CO₂ comes from the burning of fuel oil onboard ships. In order to reduce CO₂ emission, 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 the following steps to achieve this.

- » 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 Silicon based anti-fouling that does not release biocides like other anti-fouling paints.
- » Improved cargo handling.
- » Good Engine Maintenance.

The graph below displays the Company's annual fuel oil and diesel oil consumption from 2004-2011 (left hand axis) against the number of operating days (right hand axis). In 2005, fuel oil consumption peaked at 127,666 tons while diesel oil consumption peaked in 2006 with 20,867 tons and the number of operating days peaked in 2006 with 19,710 days. The average consumption over a 7-year period was 99,484 tons of fuel oil and 15,353 tons of diesel oil, while the average number of operating days over the period was 14,179.



However, since 2006 there has been a decline in consumption of both fuel oil and diesel oil and operating days due to a reduction in the number of ships. Between 2006 and 2011, fuel and diesel oil consumption declined 67.5% and 75.5% respectively, while operating days fell by 64%. 2011 proved to be the Company's lowest year in terms of fuel and diesel oil consumption, and operating days.

A visible trend in the above graph is the positive relationship between operating days and the consumption of fuel and diesel oil. Between 2004 and 2006, consumption of oil and operating days all hit their respective peaks, but then began to decline to the levels seen in 2011. The Company is also continuously looking out for other ways and means of reducing our carbon footprint.

The Company's stated goal is to own approximately 60-70 ships in the future, and as such the aim is to endeavor to reduce the fuel and diesel oil consumption by 3-5 percent every year. To accomplish this, the Company will look very closely at the machinery installed on all new acquisitions, whether new buildings or second hand vessels, and monitor their performance very carefully to arrive at optimum speed and consumption variables, while ensuring that emissions are kept to a minimum.

Another source of harmful substances generated by our ship's consumption of fuel and diesel oil is sludge. Sludge is a product of 'on board' fuel oil purification and as an alternative to incinerating sludge and releasing even more harmful gasses into the environment. The Company has made a substantial effort to dispose of such material to shore based reception facilities. This is a much more expensive way for dealing with this issue but the Company is committed to reducing its carbon footprint and reflects the Company's efforts towards environmental conservation. Between the first half of 2010 to the first half of 2011, the Company increased the disposal of sludge ashore by 114% from 155 tons to 333 tons of sludge. This accounts for the highest quantity of sludge disposed ashore in recent years. By delivering sludge to a suitable reception facility, this waste can be recycled to make products like grease which is a lubricant widely used in multiple industries.

Conclusion and Environmental Objectives and Goals

Having explained all facets of the Company's efforts to protect the environment this section concludes with a summary of all objectives put forward and how each will be monitored. Compliance with the ISM, ISPS and MARPOL codes will be monitored by the Company's internal audit team, and all initiatives subsequently employed to minimize violations will be subject to half-yearly reviews by the Company's senior management and technical team. As previously stated the target set by the Company's management is to have zero violations in 2012. Additionally, the Company will also strive to maintain our SQEMS ISO certification. The Company will constantly look for ways to improve the SQEMS and look to incorporate all new regulations into the initiative even before they become effective. Likewise, the Company will also constantly be on the lookout for newer technology that can be employed on our ships to reduce our environmental impact. And finally, given the Company's rapid fleet expansion programme, the Company has set a highly ambitious target of a 3-5 percent reduction for fuel and diesel oil consumption.

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.

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. The continued weakness in the Dry Bulk Shipping Market since the second half of 2008, the Company additionally identified and categorized a special risk associated with maintaining and expanding capacity, which has been classified as **“Capacity Replacement and Expansion Risk”**. This has been retained in the previous two years as the Company continues to be exposed to this risk. Further, the Company remains exposed to the significant risk factors arising out of the Global Financial Crisis and its aftermath, exacerbated by the recent crisis in the Euro Zone, 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. The Company continues to take a number of initiatives to attract and retain talent, and therefore does not expect any future cause for 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. 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 2011 the Company's loans and Credit Facilities for financing the new ships ordered by the Company are 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. 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 then not only successfully extended the availability period of the undrawn balance of this Facility (USD 200 million) to 29 December 2011 but was also able to reconvert the facility back into US Dollars whereby the exchange risk on this facility was removed. The Company has accordingly drawn some amounts against this facility in 2011 in US Dollars only.

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 years when the Company had sold 35 ships out of its fleet of 54 ships 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, 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 via second-hand vessels. In previous years, the Company acquired brand new and second-hand vessels against these facilities.

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. This has been 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. The Company believes that by being in the 'niche' small handy size sector of the industry there is a fundamental advantage of demand over supply hence there is some downside protection against the cyclical nature of the business. Traditionally 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. We can now fix a 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, 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 adverse impact on the overall demand/supply balance in Shipping Capacity, which could lead to a significant fall in freight rates coupled with a fall in ship values. The Company had acquired a number of second hand ships at market values mainly in 2003 and a couple in 2004, 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 reduced the risk to a large extent as this risk is higher in respect of the older vessels. The Company also sold 25 of its oldest vessels in 2009-2010 at reasonably attractive prices and 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 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 was 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 has since deteriorated because of the large supply of new vessels which continue to enter the market. 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 reasonable freight rates whenever possible, as a cushion against a sudden and, more particularly, sustained collapse of the freight rates in the spot market. This strategy had been vindicated with the Company's earnings outperforming the market in the volatile market circumstances of the previous few years.

However, the above strategy exposes the Company to counterparty risk of its Customers. 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 be forced to contract these ships in a depressed market when rates would be lower. 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 losses on account of defaults by the Company's Charterers and even during the current weak period, there has been no default by any of the Company's long term contracts.

The Company's ships ply in international waters quite evenly distributed all over the world 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 sold or 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 two years (2009 and 2010) the Company 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 such inflated values and expose itself to the risks of an impairment charge on its assets as a result of a 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. If the ship values do not fall appreciably or in fact increase, although the Company may want to replace all its scrapped/sold 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. In recent months the Company has been able to acquire new/second-hand vessels at reasonable values and it does appear that this risk of not being able to replenish or rejuvenate the Fleet is on its way to being reduced considerably, if not totally eliminated, in the immediate future.

Considering the prolonged period of high Ship Values, the Company 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 was done to 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 attempted to mitigate these risks by not only carefully evaluating the capacity of the Ship Builder in terms of meeting contracted delivery schedules and maintaining quality but also 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 also appointed and deployed a team of highly qualified and experienced marine personnel to supervise the construction of the ships at the shipyard. In the event that one or more of the vessels are not delivered in time, the Company could sell/novate these Contracts as was done in 2011 or could cancel the respective Vessel's order in accordance with the Contracts, against which, there would not be any direct financial loss for the Company since all payments made would be refunded with Interest although the Company loses the opportunity of replacing capacity and earning revenues from the delayed/cancelled vessels and loses the Charter Contracts already signed specifically for the ordered Vessels, if any.
- » **Risks associated with a 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 reasonable rates, based on the expected delivery dates of the newbuildings and intends to book at least 1 year charters for second-hand ships immediately after they are bought and delivered, if the same is practical.

Further, if the newbuildings are delivered while the industry is in the midst of a cyclical and prolonged downturn, the market values of the new ships may drop to levels lower than cost and if this drop is considered permanent, it may 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. 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 11 out of the 14 new ships ordered by the Company at ABG which may allow the Company to provide these 3 unencumbered new ships as additional security for the Debt after they are delivered. This would require enough cash be 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 until the recent drop in values the Company made an opportunistic resale acquisition in late 2010 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 at ABG 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 11 out of the 14 newbuilding contracts entered into by the Company in the year 2008 with ABG. Further, the Company also has other credit facilities available to fund the second-hand ships to replace the old vessels sold by the Company. The Company has also tied up financing required for the latest 4 Chinese newbuilding contracts acquired by the Company and accordingly is not exposed to any significant funding risk.

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 was a small recovery in demand in second half 2009 and part of 2010, 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, with the continued crisis in the Euro Zone and the absence of appreciable Growth in US, it is not certain whether demand growth will keep pace with the supply of new Vessels. Alongwith a slowdown in the emerging markets, these factors could lead to a sustained fall in the market. In such a case 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.
- » **Counterparty Risk:** In case of a relapse of the Global Financial Crisis or its spread to other regions after the US and Europe, 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 nonpayment 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 from International Banks particularly European Banks which are the traditional Lenders to the Shipping Industry. If this situation continues 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. The Company already has credit facilities in place to fund the newbuilding orders and has also renewed (extension of availability period) existing credit facilities to purchase additional second-hand vessels.

MAJOR SHAREHOLDERS AND DIVIDEND POLICY STATEMENT

Major Shareholders per share register as on 31st December 2011 and 2010

No.	Name	As on 31 st December 2011		As on 31 st December 2010	
		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 (20,000 shares held at Securities Company included)	87,610,850	8.43%	87,590,850	8.43%
	Mr. Munir Moinuddin Hashim (1,728,000 shares held at Securities Company included)	94,567,850	9.10%	87,871,850	8.45%
	Mrs. Ishrat Hashim (spouse of Mr. Munir Moinuddin Hashim)	-	-	6,696,000	0.64%
2	** Total shareholding of Hashim family	182,178,700	17.53%	182,158,700	17.52%
3	Thai NVDR Limited	61,974,538	5.96%	55,201,788	5.31%
4	Group of "STATE STREET BANK"	35,007,512	3.37%	8,827,112	0.85%
5	Group of "BNP PARIBAS"	29,886,300	2.88%	5,185,400	0.50%
6	GEDRA ENTERPRISES INC	11,634,294	1.12%	11,634,294	1.12%
7	Group of "HSBC"	10,550,000	1.01%	12,518,300	1.20%
8	Group of "CHASE NOMINEES LIMITED"	10,389,800	1.00%	11,722,304	1.13%
9	PICTET & CIE	9,619,000	0.93%	9,619,000	0.93%
10	Group of "GOVERNMENT OF SINGAPORE INVESTMENT CORPORATION"	9,154,200	0.88%	12,486,000	1.20%
11	Other shareholders (apart from the Top Ten shareholders as mentioned above)	231,646,650	22.28%	282,688,096	27.20%
	Grand total	1,039,520,600	100.00%	1,039,520,600	100.00%
		Total : 6,330 shareholders		Total : 6,833 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 persons 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

There are 12 Directors on the Board of Directors of the Company which consists of

- 9 Non-Executive Directors 5 of whom are Independent Directors.
- 3 Executive Directors.

The Board of Directors' members as of 31st December 2011 are as follows:

Director's Name	Position	Appointment Date
1. Mr. Thira Wipuchanin	The Chairman of the Board of Directors, Independent Director	18 th March 2009
2. Mr. Khalid Moinuddin Hashim	Managing Director	18 th March 2009
3. Mr. Munir Moinuddin Hashim	Executive Director	14 th March 2011
4. Mr. Khushroo Kali Wadia	Executive Director	14 th March 2011
5. Mr. Jaipal Mansukhani	Director	14 th March 2011
6. Mr. Suphat Sivasriumphai	Independent Director	14 th March 2011
7. Ms. Nishita Shah	Director	17 th March 2010
8. Mr. Kirit Shah	Director	18 th March 2009
9. Mr. Chaipatr Srivisarvacha *	Independent Director	14 th March 2011
10. Associate Professor Pavida Pananond, Ph. D.*	Independent Director	14 th March 2011
11. Mr. Kamtorn Sila-On *	Independent Director	14 th March 2011
12. Mr. Ishaan Shah *	Director	14 th March 2011

* The new Directors who were appointed by Shareholders' resolution in the Annual General Meeting of the Shareholders (AGM) No. 1/2011 held on 14th March 2011 to replace Admiral Dr. Amnad Chandanamatttha, Police LT, Gen. Kiattisak Prabhavat, Mr. Chira Panupong and Mr. Peter Feddersen, who resigned on 14th March 2011 to comply with the maximum age limit prescribed for Directors of the Company in its Corporate Governance Policy.

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.

Name	Position
1. Mr. Khalid Moinuddin Hashim	Managing Director
2. Mr. Munir Moinuddin Hashim	Director (Commercial)
3. Mr. Khushroo Kali Wadia	Director (Finance)

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. Mr. Suphat Sivasriamphai * **	Chairman of the Audit Committee	Independent Director	2 Years
2. Mr. Kamtorn Sila-on * **	Audit Committee Member	Independent Director	2 Years
3. Associate Professor Pavida Pananond, Ph. D. * **	Audit Committee Member	Independent Director	2 Years

* In year 2011, the Audit Committee was changed by resolution of the Board of Directors in the Board meeting No. 2/2011 held on 14th March 2011, summarized as follows:

1. Mr. Suphat Sivasriamphai, existing member of the Audit Committee, was nominated as the Chairman of the Audit Committee.
2. Mr. Kamtorn Sila-On was appointed as the Audit Committee member to replace Police LT. Gen. Kiattisak Prabhavat, who resigned before end of his term (24th August 2012) on 14th March 2011, to comply with the maximum age limit prescribed for Directors of the Company in its Corporate Governance Policy.
3. Associate Pavida Pananond, Ph. D. was appointed as the Audit Committee member to replace Mr. Thira Wipuchanin, who was appointed as the Chairman of the Board of Directors of the Company and since in accordance with Good Governance practice he cannot be a member of other committees, he resigned from the Audit Committee.

** Each of the above three Audit Committee members have 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. Kamtorn Sila-On *	Chairman of the Remuneration Committee	Independent Director	2 Years
2. Associate Professor Pavida Pananond, Ph.D. *	Remuneration Committee	Independent Director	2 Years
3. Mr. Kirit Shah **	Remuneration Committee	Director	2 Years

* In year 2011, the Remuneration Committee has been changed by resolution of the Board of Directors in the Board meeting No. 2/2011 held on 14th March 2011, summarized as follows:

1. Mr. Kamtorn Sila-On was appointed as the Chairman of the Remuneration Committee to replace Mr. Thira Wipuchanin, who was appointed as the Chairman of the Board of Directors of the Company resigned from the Remuneration Committee since in accordance with Good Governance practice he cannot be a member of other committees.
2. Associate Pavida Pananond, Ph. D. was appointed as a member of the Remuneration Committee to replace Mr. Chira Panupong, who resigned before end of his term (15th November 2012) on 14th March 2011, to comply with the maximum age limit prescribed for Directors of the Company in its Corporate Governance Policy.

** Mr. Kirit Shah, member of the Remuneration Committee, was reappointed by resolution of the Board of Directors in the Board meeting No.5/2011 held on 3rd November 2011.

For the year 2011, 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.

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. Chaipatr Srivisarvacha *	Chairman of the Nomination Committee	Independent Director	2 Years
2. Mr. Suphat Sivasriamphai **	Nomination Committee	Independent Director	2 Years
3. Mr. Kamtorn Sila-On *	Nomination Committee	Independent Director	2 Years

* In year 2011, the Nomination Committee has been changed by resolution of the Board of Directors in the Board meeting No. 2/2011 held on 14th March 2011, summarized as follows:

1. Mr. Chaipatr Srivisarvacha was appointed as the Chairman of the Nomination Committee to replace Mr. Thira Wipuchanin, who was appointed as the Chairman of the Board of Directors of the Company and resigned from the Nomination Committee since in accordance with Good Governance practice he cannot be a member of other committees.
2. Mr. Kamtorn Sila-On was appointed as a member of the Nomination Committee to replace Mr. Peter Feddersen, who resigned before end of his term (15th November 2011) on 14th March 2011, to comply with the maximum age limit prescribed for Directors of the Company in its Corporate Governance Policy.

** Mr. Suphat Sivasriamphai, member of the Nomination Committee, was reappointed by resolution of the Board of Directors in the Board meeting No.5/2011 held on 3rd November 2011.

For the year 2011, 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 with 100% attendance.

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

MR. THIRA WIPUCHANIN

POSITION	Chairman of the Board of Directors / Independent Director
AGE	62 years
EDUCATION	B.Sc. in Economics and Business Administration, University of Wisconsin - Stevens Point, U.S.A.
TRAINING	
» 2005	Attended training course on the topic "Audit Committee Program" (ACP) held by Thai Institute of Directors Association.
» 2001	Graduate member of Thai Institute of Directors (IOD) - Completed "Directors Certificate Program" (DCP), Class 6/2001.
EXPERIENCE TO REVIEW CREDITIBILITY OF THE FINANCIAL STATEMENT	
» 2008 - March 2011	Chairman of the Audit Committee, 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 Board of Directors, 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	Nil
» CONNECTED COMPANIES	Nil
» OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)	Nil
» OTHER ORGANISATIONS	Nil
NO. OF SHARES HELD AS OF YEAR END 2011	Nil
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2011	Nil

MR. SUPHAT SIVASRIUMPHAI

POSITION	Chairman of the Audit Committee* / Independent Director / Nomination Committee Member		
AGE	65 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 CREDITIBILITY OF THE FINANCIAL STATEMENT			
» March 2011 - Present	Chairman of the Audit Committee, Precious Shipping Public Company Limited.		
» 1998 - 2011	Audit Committee Member, Precious Shipping Public Company Limited.		
OTHER EXPERIENCE			
» 1989 - Present	Director, Precious Shipping Public Company Limited.		
» 2007 - 2011	President, India - Thai Chamber of Commerce (2 terms).		
OCCUPATION	Managing family owned companies.		
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			Nil
NO. OF SHARES HELD AS OF YEAR END 2011	800,000 shares (0.08% of total paid-up shares)		
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2011	(2,500,000) shares		
* 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, University of Bombay.		
TRAINING	Graduate member of Thai Institute of Directors (IOD) - Completed "Directors Certificate Program" (DCP), Class 57/2005.		
» 2005			
EXPERIENCE	Managing Director, Precious Shipping Public Company Limited.		
» 1991 - Present			
» 1984 - 1991			
» 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)	60 Companies : Director in the Company's 60 subsidiaries (Subsidiary Companies Nos. 1-60 on page 7 - 8 of this Annual Report)		
» OTHER ORGANISATIONS	3 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 2011		87,610,850 shares (8.43% of total paid-up shares)	
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2011		20,000 shares	

MR. MUNIR MOINUDDIN HASHIM

POSITION	Director / Executive Director
AGE	56 years
EDUCATION	Master's Degree in Management Studies specializing in Marketing, 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)	59 Companies : Director in the Company's subsidiaries (Subsidiary Companies Nos. 1 - 59 on page 7 - 8 of this Annual Report)
» OTHER ORGANISATIONS	1 Organisation : Director, UK Defence Club, U.K.
NO. OF SHARES HELD AS OF YEAR END 2011	94,567,850 shares (9.10% of total paid-up shares)
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2011	6,696,000 shares

MR. KHUSHROO KALI WADIA

POSITION	Director / Executive Director
AGE	48 years
EDUCATION	Bachelor's Degree in Science, University of Bombay. Chartered Accountant, 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	1 Company : Director, Christiani & Nielsen (Thai) Public Company Limited.
» 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 216 of this Annual Report.	
» OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)	60 Companies : Director in the Company's subsidiaries (Subsidiary Companies Nos. 1 - 60 on page 7 - 8 of this Annual Report)
» OTHER ORGANISATIONS	Nil
NO. OF SHARES HELD AS OF YEAR END 2011	745,100 shares (0.07% of total paid-up shares)
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2011	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 50 on page 7 - 8 of this Annual Report)

» OTHER ORGANISATIONS 4 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.
4. Member, Regional Technical Committee, Bureau Veritas.

NO. OF SHARES HELD AS OF YEAR END 2011 260,000 shares (0.03% of total paid-up shares)

INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2011 60,000 shares

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 215 – 216 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 of this Annual Report)
» OTHER ORGANISATIONS	Nil
NO. OF SHARES HELD AS OF YEAR END 2011	98,586,000 shares (9.48% of total paid-up shares)
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2011	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

» 2007 - Present Director, and Remuneration Committee Member, 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 1 Company : Director & Vice-Chairman,
Christiani & Nielsen (Thai) Public Company Limited.

» 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 215 - 216 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. 60 and Associated Company No. 61 on page 8 of this Annual Report)

» OTHER ORGANISATIONS Nil

NO. OF SHARES HELD AS OF YEAR END 2011 Nil

INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2011 Nil

MR. CHAIPATR SRIVISARVACHA

POSITION Chairman of Nomination Committee / Independent Director
AGE 52 years

EDUCATION

- » 1984 Illinois Benedictine College, MBA (Finance).
- » 1981 Lehigh University, Bachelor of Science (Metallurgy).

TRAINING

- » 2003 Diploma, Directors Certification Program (DCP), Thai Institute of Directors Association (IOD).
- » 2005 Certificate, Chairman 2000, Thai Institute of Directors Association (IOD).

EXPERIENCE TO REVIEW CREDITIBILITY OF THE FINANCIAL STATEMENT

- » 2003 - Present Independent Director and Audit Committee, The Brooker Group Public Co. Ltd.
- » 2010 - November 2011 Independent Director and Chairman of the Audit Committee, Dhanarak Asset Development Company Limited.
- » 2001 - 2007 Independent Director and Audit Committee, Thanachart Bank Public Company Limited.

OTHER EXPERIENCE

- » March 2011 - Present Independent Director and Chairman of Nomination Committee, Precious Shipping Public Company Limited.
- » 2009 - Present Executive Chairman and Chief Executive Officer, KT ZMICO Securities Company Limited.
- » 2007 - Present Executive Chairman and Chief Executive Officer, Seamico Securities Public Company Limited.
- » Present Director and Secretary, The Srivisarvacha Foundation.
- » Present Director, Population and Community Development Association (PDA).
- » 2004 - 2009 Director (Independent), G Steel Public Company Limited.
- » 2003 - 2008 President of the Board, New International School of Thailand (Affiliated with United Nations).
- » 2003 - 2007 Chairman of the Board, EQHO Communications Limited.
- » 1999 - 2007 Managing Partner, CapMaxx Company Limited.
- » 1999 - 2003 Director (Independent), Pacific Assets Public Company Limited.
- » 1999 - 2000 Advisor to the Chairman of the Board of Directors, The Telephone Organization of Thailand.
- » 1999 Director and Executive Director, Krung Thai Bank Public Company Limited.
- » 1995 - 1999 Director and Head of Thailand Investment Banking, Salomon Smith Barney.
- » 1995 - 1999 Director, Phoenix Pulp & Paper Public Company Limited.
- » 1993 - 1995 Deputy Managing Director, Premier Finance & Securities.
- » 1991 - 1995 Director, Head of Thailand Investment Banking, Swiss Bank / SBC Warburg.
- » 1989 - 1991 Manager, Thailand Private Banking, Lloyds Bank.
- » 1988 - 1989 Manager, Investment Banking Department, Phatra Thanakit.
- » 1985 - 1988 Business Development Officer, Industrial Finance Corporation of Thailand.

OCCUPATION Executive Chairman and Chief Executive Officer, KT ZMICO Securities Company Limited.

DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS

- » LISTED COMPANIES 2 Companies : 1. Executive Chairman and Chief Executive Officer, Seamico Securities Public Company Limited.
2. Independent Director and Audit Committee Member, The Brooker Group Public Company Limited.
- » NON-LISTED COMPANIES 1 Company : Executive Chairman and Chief Executive Officer, KT ZMICO Securities Co. Ltd.
- » CONNECTED COMPANIES Nil
- » OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES) Nil
- » OTHER ORGANISATIONS 2 Organisations : 1. Director and Secretary, The Srivisarvacha Foundation.
2. Director, Population & Community Development Association (PDA).

NO. OF SHARES HELD AS OF YEAR END 2011 Nil

INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2011 Nil

ASSOCIATE PROFESSOR PAVIDA PANANOND, Ph.D.

POSITION Independent Director / Audit Committee Member* / Remuneration Committee Member
AGE 44 years

EDUCATION

- » 2001 Doctor of Philosophy, Department of Economics, University of Reading, United Kingdom.
- » 1992 Master of Business Administration (International Business), Diploma in Management (Asian Studies), McGill University, Canada.
- » 1989 Bachelor of Accountancy (Accounting), Chulalongkorn University.

TRAINING

- » 2011 Director Certificate Program (DCP) by Institute of Directors (IOD).

EXPERIENCE

- » March 2011 - Present Independent Director, Audit Committee Member and Remuneration Committee Member, Precious Shipping Public Company Limited.
- » 2010 - Present Department Head, Department of International Business, Logistics and Transport, Thammasat Business School, Thammasat University.
- » 2006 - Present Associate Professor, Thammasat Business School, Thammasat University.
- » 2003 - 2006 Assistant Professor, Thammasat Business School, Thammasat University.
- » 1992 - 2003 Lecturer, Thammasat Business School, Thammasat University.

OCCUPATION University Professor.

DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS

- » LISTED COMPANIES Nil
- » NON-LISTED COMPANIES Nil
- » CONNECTED COMPANIES Nil
- » OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES) Nil
- » OTHER ORGANISATIONS Nil

NO. OF SHARES HELD AS OF YEAR END 2011 Nil

INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2011 Nil

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

MR. KAMTORN SILA-ON

POSITION Chairman of Remuneration Committee / Independent Director / Audit Committee Member* / Nomination Committee Member
AGE 41 years

EDUCATION

- » 1995 - 1997 MIT Sloan School, Massachusetts, USA Master of Business Administration; Financial Engineering Track GPA: 4.6/5.0.
- » 1988 - 1992 Imperial College of Science Technology and Medicine, London, England Master of Engineering; Chemical Engineering; Associate of the City and Guilds Institute Upper Second Class Honours.

TRAINING

- » Completed Executive Development Program (EDP) by the Capital Markets Academy and Thai Listed Companies Assoc. Director Certification Program (DCP) by Institute of Directors (IOD).

EXPERIENCE

- » March 2011- Present Independent Director, Chairman of Remuneration Committee, Audit Committee Member, and Nomination Committee Member, Precious Shipping Public Company Limited.
- » 2011 - Present Deputy Managing Director, Head of Private Client Investment Management Group, Bualuang Securities Plc., Bangkok, Thailand.
- » 2004 - 2011 Deputy Managing Director, Co-head of Investment Banking, Bualuang Securities Plc., Bangkok, Thailand.
- » 1999 - 2004 Senior Vice President, Investment Banking Asset Plus Securities Plc., Bangkok, Thailand.
- » 1997 - 1999 Associate, Global Investment Banking Chase Securities, Inc., New York, USA and Singapore.
- » 1994 - 1995 Analyst, Investment Banking Dept. SCB Securities Co., Ltd., Bangkok, Thailand.
- » 1992 - 1994 Manager, Money Market Dept. Tisco Plc., Bangkok, Thailand.

OCCUPATION

Private Fund Management Executive of Bualuang Securities Plc.

DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS

» LISTED COMPANIES	1 Company	:	Deputy Managing Director, Head of Private Client Investment Management, Bualuang Securities Plc., Bangkok, Thailand.
» NON-LISTED COMPANIES			Nil
» CONNECTED COMPANIES			Nil
» OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)			Nil
» OTHER ORGANISATIONS			Nil

NO. OF SHARES HELD AS OF YEAR END 2011

Nil

INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2011

Nil

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

MR. ISHAAN SHAH**POSITION
AGE**

Director
23 years

EDUCATION

» 2010	Bachelor of Science in Business Administration, Concentrations in Finance and Law, University of Southern California, Los Angeles, CA, The United States.
» 2006	Rugby School, Rugby, The United Kingdom.

TRAINING

» 2011	Director Certificate Program (DCP) by Institute of Directors (IOD).
» 2011	Seatrade Academy, University of Cambridge, The United Kingdom.

EXPERIENCE

» March 2011 - Present	Director, Precious Shipping Public Company Limited.
» 2008 - Present	Director, Globex Corporation Limited.
» 2008 - Present	Director, Graintrade Limited.

OCCUPATION

Company Director

DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS

» LISTED COMPANIES	Nil
» NON-LISTED AND CONNECTED* COMPANIES	5 Companies : <ol style="list-style-type: none">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 Limited.* (Seller of air-tickets to the Company)5. Director, Geepee Air Service Limited.* (Seller of air- tickets to the Company)

* Note: Please refer to "CONNECTED TRANSACTIONS" on page 215 - 216 of this Annual Report.

» OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)	Nil
» OTHER ORGANISATIONS	Nil

NO. OF SHARES HELD AS OF YEAR END 2011

Nil

INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2011

Nil

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	54 years
EDUCATION	Bachelor of Commerce, the University of Bombay, India Diploma in Shipping, the Norattam Morarjee Institute of Shipping, Bombay, India
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 2011	700,000 shares (0.07% of total paid-up shares)
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2011	(300,000) shares

MR. KOKA VENKATARAMANA SUDHAKAR

POSITION	Vice President (Fleet Management)
AGE	63 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 2011	10,000 shares (0.00% of total paid-up shares)
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2011	Nil

MR. NEELAKANTAN VASUDEVAN

POSITION	Vice President (Risk Management)
AGE	50 years
EDUCATION	Post Graduate Diploma in International Trade from Indian Institute of Foreign Trade, New Delhi, India Master's Degree in Management Studies (M.M.S), University of Mumbai, Mumbai, India
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 2011	60,000 shares (0.00% of total paid-up shares)
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2011	Nil

MR. STEPHEN KORAH

POSITION	Vice President (International Safety Management) (ISM)
AGE	55 years
EDUCATION	First Class Marine Engineer Graduate Directorate of Marine Engineering Training, Kolkatta, India
EXPERIENCE	<ul style="list-style-type: none"> » 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 2011	10,000 shares (0.00% of total paid-up shares)
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2011	Nil

MR. KODAKARAVEETIL MURALI MENON

POSITION	Vice President (Technical)
AGE	56 years
EDUCATION	Marine Engineer (Class One), Marine Engineering College, India Qualified for membership of the Institute of Chartered Shipbrokers
EXPERIENCE	<ul style="list-style-type: none"> » 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, Seacard Ship management, Austria
POSITIONS HELD IN OTHER COMPANIES	Nil
NO. OF SHARES HELD AS OF YEAR END 2011	248,000 shares (0.02% of total paid-up shares)
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2011	Nil

MR. KAMAL KUMAR DUA

POSITION	Vice President (Information Technology)
AGE	46 years
EDUCATION	Master's Degree in Computer Science, Assumption University
EXPERIENCE	<ul style="list-style-type: none"> » 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), Precious Shipping Public Company Limited » 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 2011	Nil
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2011	Nil

MR. NISHIKANT GOVIND DESAI

POSITION	Vice President (Projects)
AGE	59 years
EDUCATION	Naval Architecture Engineering, Indian Institute of Technology (IIT-Kgp), India
EXPERIENCE	
» November 2010 - Present	Vice President (Projects) of Precious Shipping Public Company Limited
» 1998 - November 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 2011	40,000 shares (0.00% of total paid-up shares)
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2011	Nil

MR. KIRAN KESARINATH VAIDYA

POSITION	Senior Manager (Accounts & MIS)
AGE	42 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 2011	Nil
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2011	Nil

MS. SOMPRATHANA THEPNAPAPLERN

POSITION	Assistant Vice President (Finance & Accounts), Company Secretary
AGE	41 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	
» May 2008 - Present	Company Secretary, Precious Shipping Public Company Limited
» 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 2011	Nil
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2011	Nil

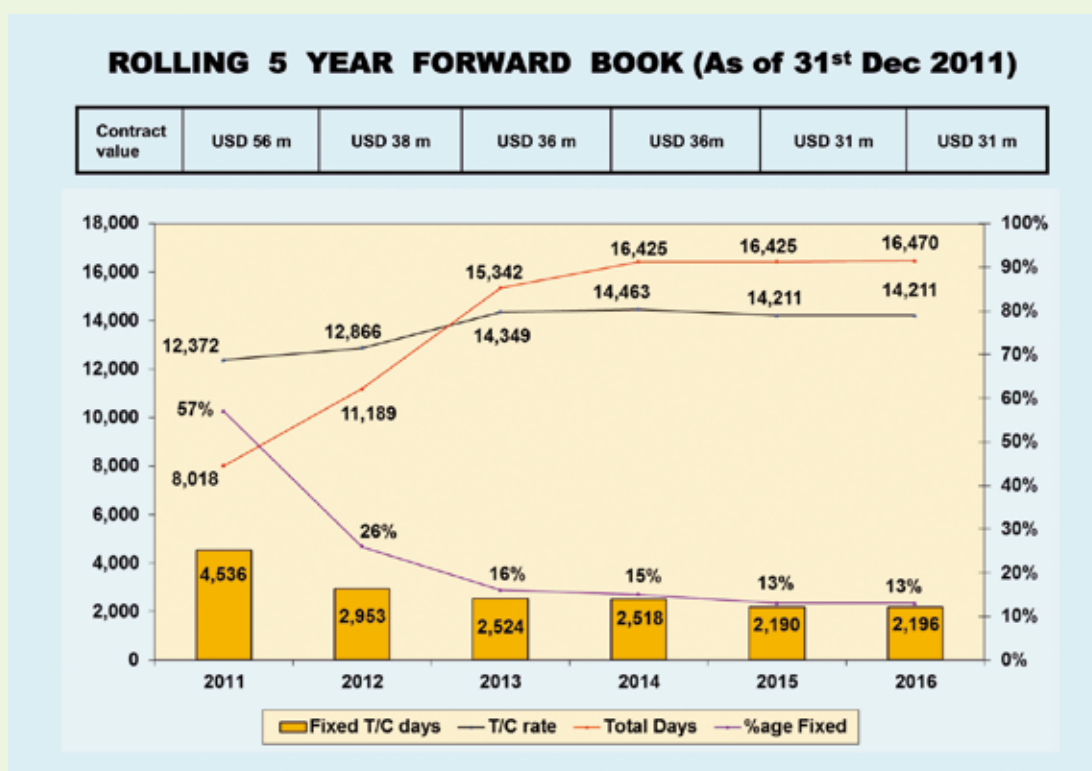
MR. YINGYONG KANGHAE

POSITION	Senior Manager - Group Accounts
AGE	41 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 2011	Nil
INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2011	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. However, with the acquisition of 2 Supramax vessels in the 4th Quarter of 2011, the Company also started operating in the Supramax Sector. 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 at attractive rates. During 2011, the Company managed to enter into a few period charters of shorter duration till the BDI peaked at 2,173 points on the 14th October 2011. Thereafter the BDI has fallen to almost 3 decade lows. Freight markets will remain challenging in the next year or two, as a result of which, the Company's forward book reproduced below may not remain as healthy as it used to be in the past. :

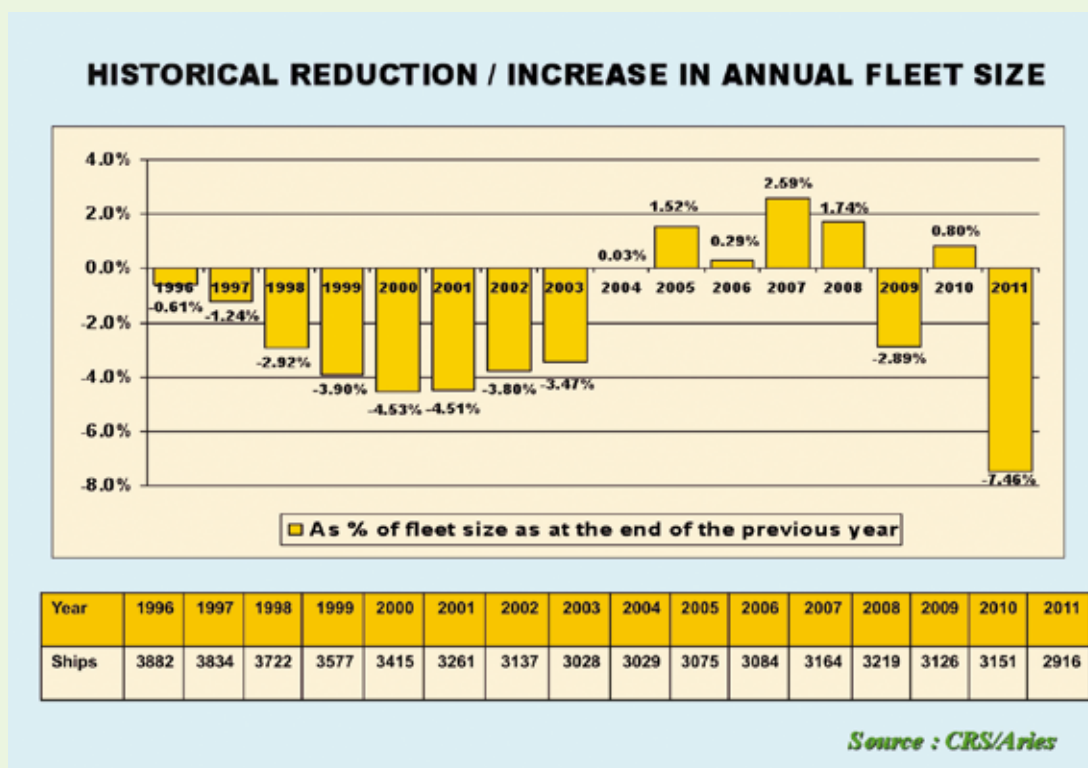


Total Days in above chart is based on our existing fleet of 25 ships as at the end of the year 2011. The Company has not assumed any ships acquired except one 34K secondhand 2005 Japanese Built Ship delivered during January 2012, the 4 new ships order acquired by the Company during Q4 2010 to be built in China, 13 newbuildings and 3 cement carriers ordered during 2007-2009 to be built at ABG Shipyard in India which are assumed to be added to the fleet on 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

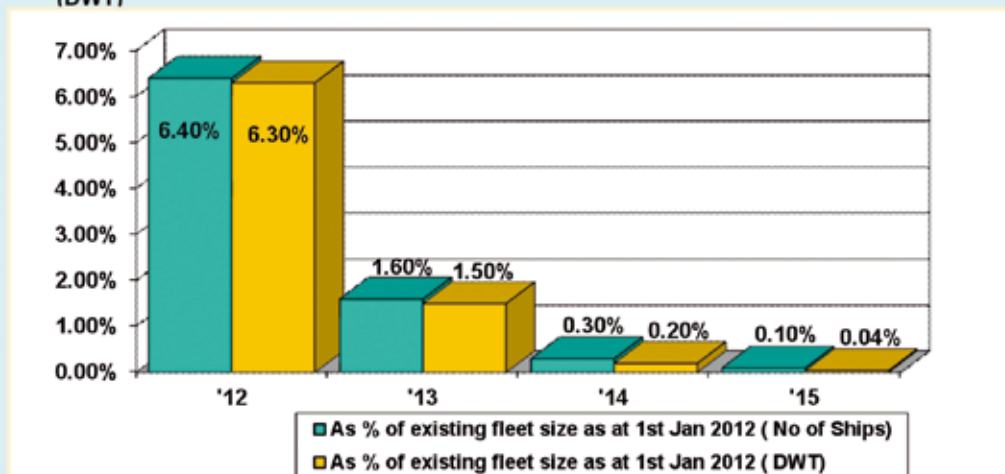
(SMALL HANDY SIZE SECTOR ONLY) – (TO BE READ WITH THE BOARD OF DIRECTORS' REPORT PRESENTED SEPARATELY IN THIS ANNUAL REPORT)



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. During the years 2005, 2006, 2007 and 2008, 46, 9, 80 and 55 ships respectively were added to the world fleet. This is due to the slowdown in the scrapping rate, the reason for which, was the higher rates witnessed in the freight markets during the years 2004-2008. However since the Q4 2008 the scrapping rate 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 in year 2009. However, due to the recovery in the freight markets from end 2009, the scrapping rates went down again, which, coupled with the increased supply of new ships, resulted in an increase of 25 Ships in year 2010. During 2011, the freight market witnessed very sluggish movement due to increased supply of new Ships into the World Fleet, thereby resulting in record scrapping of Ships which reduced the world fleet size by 235 Ships.

NEW BUILDINGS ON ORDER UPTO DEC 2015 (8.04% of existing Fleet in DWT)

Number of Ships	187	46	8	2
Average Size (DWT)	20,000	18,913	15,000	10,000

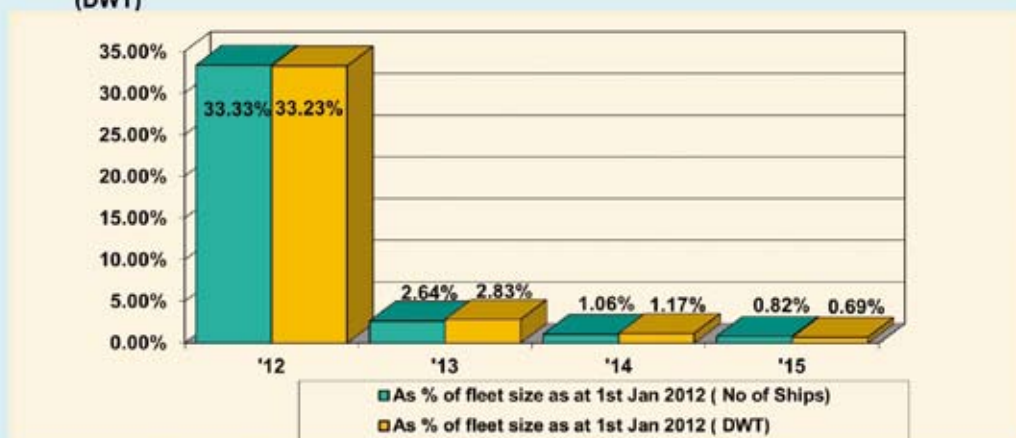


Source : CRS/Aries

It is evident from the above chart that, although the supply of new ships in 2012 is slated to be marginally stronger than the immediate past, in the next three years after that, just about 2% more new ships have been contracted to be delivered as against the existing fleet, which has 37.85% aged over 27 years of age in terms of number of ships. Therefore, the supply side in our sector appears to be quite favorable.

POTENTIAL SCRAPPING OF SHIPS 27 YEARS OR OLDER UPTO DEC 2015 (37.92% of existing Fleet in DWT)

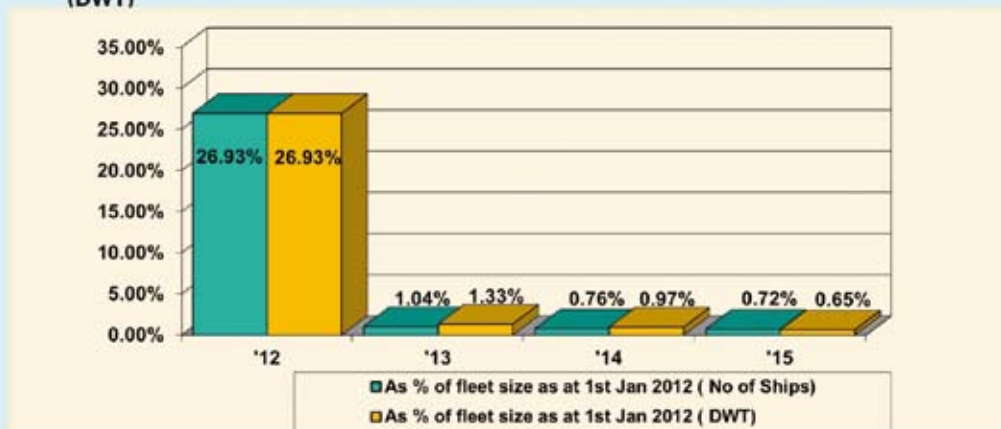
Number of Ships	972	77	31	24
Average Size (DWT)	20,198	21,728	22,403	17,173



Source : CRS/Aries

POTENTIAL NET REDUCTION IN SUPPLY UPTO DEC 2015 (29.88% of existing Fleet in DWT)

Number of Ships	785	31	23	22
Average Size (DWT)	20,198	21,728	22,403	17,173



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 about 43% of the world fleet in PSL's sector being greater than 20 years of age in terms of number of ships, depressed freight markets will further increase the scrapping rate of old tonnage. The scrapping rate in 2011 increased considerably from 2010 due to depressed freight markets. Therefore, with an expected weak freight market over the next 2 years or so, the scrapping rate will probably 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 is 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 13 drybulk Vessels (8 handysize vessels and 5 supramax vessels) ordered by the Company from ABG per following table.

The main reasons given by the Shipbuilder for the initial 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 3-4 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 3-4 handysize Vessels and the first 1-2 Supramax Vessels.
5. Insufficient supply of skilled labor, which has constrained the execution capacity of the Yard.
6. Delay in completion of the Ship Lift system.

The company received the delivery of first 32K Hull 331 (Ananya Naree) on 14th June 2011 with the reduction of US\$ 1.13 million in the cost of the Ship on account of delay in delivery. The Company novated 4 new shipbuilding contracts in 2011 as explained below. The Company is still in discussions with the Shipbuilder for remedial action for delay in delivery of remaining hull numbers and will update the delivery schedule as and when revisions in Delivery Dates and/or other Contractual terms are finalized.

Details of cost, schedule of installment for New Buildings contracts for 13 ships as of 31st December 2011

Hull No.	Contract date	Expected Date of Delivery	DWT	Contract Amount US\$	Paid in 2007 US\$	Paid in 2008 US\$	Paid in 2009 US\$	Paid in 2010 US\$	Paid in 2011 US\$	Total As on 31 st Dec 2011
334	20 th July 2007	Q1 2012	32,000	29,999,997	5,999,999	-	* 5,999,999	-	* 11,999,999	23,999,997
335	20 th July 2007	Q2 2012	32,000	29,999,997	5,999,999	-	-	* 5,999,999	* 5,999,999	17,999,997
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	31 st October	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
315	14 th September 2007	Novated	54,000	37,999,998	7,599,999	* 7,599,999	-	-	* 7,599,999	22,799,997

Hull No.	Contract date	Expected Date of Delivery	DWT	Contract Amount US\$	Paid in 2007 US\$	Paid in 2008 US\$	Paid in 2009 US\$	Paid in 2010 US\$	Paid in 2011 US\$	Total As on 31 st Dec 2011
316	14 th September 2007	Q2 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			526,000	429,999,966	63,199,990	30,399,996	36,399,995	5,999,999	25,599,997	161,599,977

* 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 US\$	54K DWT Ship US\$
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.

Disposal (vide Novation) of 4 new Shipbuilding Contracts of Hull Nos. 329, 330, 313 and 333 in 2011

Since, the estimated revised Delivery Dates under the terms of the existing Shipbuilding Contracts for the above Hulls were not suitable for the Company, the Company opted to dispose of the Contracts because the disposal allowed the Company to fully recover all installments paid to the Builder plus Interest @7.50% per annum from the dates of payment of the respective installments plus an additional amount of US Dollars 100,000 per Shipbuilding Contract. The proceeds of these disposals can then be more efficiently deployed by the Company to acquire other Vessels with more definitive and suitable delivery dates for the Company and possibly at lower prices.

Details of Novation of 4 new Shipbuilding Contracts in 2011:

No.	Agreement Date	Hull No.	DWT	Shipbuilding Contract Date	Installments paid to the Builder by the company	Date of Receipt of Novation Proceeds	Sale Price (THB million)	Gain on sale (THB million)	Sale Price (USD million)	Gain on sale (USD million)
1	18 March 2011	329	32,000	20 July 2007	17,999,997	27 April 2011	660.86	94.44	21.79	3.11
2	18 March 2011	330	32,000	20 July 2007	17,999,997	27 April 2011	657.14	94.05	21.66	3.10
3	18 March 2011	313	54,000	14 September 2007	22,799,998	5 August 2011	849.57	130.68	28.02	4.31
4	21 December 2011	333	32,000	20 July 2007	17,999,997	expected during July 2012				
Gain on Novation of Newbuildings							2,167.57	319.17	71.47	10.52

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 25th February 2012) new cement Carriers (the "Ships") to be delivered per details hereunder:

Delivery Schedule per Charters:

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

Description of the Charters:

The Company or its nominee (the "Owners") will own and charter 3 definite Ships, plus the additional Ship (at the Charterer's option to be exercised within 25th February 2012), 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. ABC One Pte Limited, Owners of Hull 378 (ABC 1) failed to deliver the Ship to the Charterer on or before 15th August 2011 and therefore started paying liquidated damages of USD 4,250 per day w.e.f. 16th August 2011. ABC 1 has paid US\$ 586,500 to the Charterers as of 31st December 2011 on account of Liquidated Damages. However, this shall be fully recovered from the Builder against the Newbuilding Contract of this Ship when the Ship is delivered by the Builder to ABC 1.

(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 a 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 shareholdings), 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. (Builder)

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 2011 are as follows:

Hull No.	Contract date	Expected Date of Delivery	20K DWT Ship	Contract Amount US\$	Paid in 2010 US\$	Paid in 2011 US\$	Total As on 31 st Dec 2011
378	22 nd April 2010	31 st May 2012	20,000	28,500,000	11,400,000	5,700,000	17,100,000
379	22 nd April 2010	1 st November 2012	20,000	28,500,000	5,700,000	-	5,700,000
380	22 nd April 2010	1 st November 2013	20,000	28,500,000	5,700,000	-	5,700,000
Total			60,000	85,500,000	22,800,000	5,700,000	28,500,000

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 delivery of the first Ship (Hull 378) is delayed by the Builder. The delivery of this Ship (Hull 378) is now expected in May 2012. The builder is liable to pay Liquidated damages of US\$ 4,250 per day from the end of 15 days (Grace period) after contractual Delivery date (30th July 2011). The liquidated damages are to be reduced from the last installment to be paid to the Builder on Delivery of the Ship. The individual Contract Price is to be paid in installments as follows:

Instalment Number	Milestone	US\$
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) to be built in China 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 Precious Comforts Pte Ltd. (*formerly OSW6 Pte. Ltd.*), Precious Sparks Pte Ltd. (*formerly OSW7 Pte. Ltd.*), Precious Visions Pte Ltd. (*formerly OSW8 Pte. Ltd.*) and Precious Bridges Pte Ltd. (*formerly OSW9 Pte. Ltd.*). Each of the four SPCs holds 1 New Shipbuilding Contract each with Wuhan Guoyu Logistics Group Co. Ltd, China and Yangzhou Guoyu Shipbuilding Co. Ltd, China (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 2011 are as follows:

Hull No.	Contract date	Expected Date of Delivery	DWT	Contract Amount US\$	Additional cost per contract	Total cost per contract	Paid in 2010 US\$	Paid in 2011 US\$	Total As on 31 st Dec 2011
GY807	10th December 2010	On or before 15 March 2012	57,000	24,500,000	350,000	24,850,000	9,800,000	4,900,000	14,700,000
GY808	10th December 2010	On or before 15 May 2012	57,000	24,500,000	350,000	24,850,000	9,800,000	-	9,800,000
GY809	10th December 2010	On or before 15 June 2012	57,000	24,500,000	350,000	24,850,000	4,900,000	4,900,000	9,800,000
GY810	10th December 2010	On or before 15 August 2012	57,000	24,500,000	350,000	24,850,000	4,900,000	4,900,000	9,800,000
Total			228,000	98,000,000	1,400,000	99,400,000	29,400,000	14,700,000	44,100,000

All the above installments, as well as the premium paid for acquisition of the SPCs were paid from internal cash resources and no drawdown has yet been made from the credit facility signed by the Company on 14th October 2011 with ING Bank N.V., Singapore and DnB NOR Bank ASA, Singapore for the financing of these Vessels.

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

Instalment Number	Milestone	US\$
1 st	On signing the contract	4,900,000
2 nd	Steel cutting of the first steel plate	4,900,000
3 rd	After completion of Keel Laying of the Ship	4,900,000
4 th	Launching of the Ship	4,900,000
5 th	Delivery of the Ship	5,250,000
Total		24,850,000

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 Fleet Rejuvenation plan:

In our Annual Reports of recent years, we had mentioned that the Company's short/medium term plans for buying second-hand ships or acquiring newbuilding contracts are opportunistic and the Company would be always on the lookout for opportunities which may come its way to acquire newer and economically priced ships. These opportunities started coming in the latter part of 2011, when the Company received a number of offers to sell very economically priced newer Vessels. Accordingly, the Company (through its wholly owned subsidiaries) acquired the following Ships in 2011:

No	Ship Owning Subsidiary	Ship	Year Built	Shipyard Built	DWT	Delivery Date	Purchase Price Cost (US\$ Million)
1	Precious Trees Limited	Chamchuri Naree	2005	Shin Kurushima, Japan	33,733	14-Dec-11	19.50
2	Precious Ventures Limited	Charana Naree	2005	Shin Kurushima, Japan	33,720	12-Jan-12	19.50
Handy Size-2 Vessels					67,453		39.00
1	Precious Metals Limited	Kanchana Naree	2011	Taizhou Sanfu Ship Engineering Co., Ltd., China	56,920	28-Oct-11	26.50
2	Precious Planets Limited	Kirana Naree	2011	Taizhou Sanfu Ship Engineering Co., Ltd., China	56,823	14-Nov-11	26.50
Supramax-2 Vessels					113,743		53.00
Total-4 Vessels					181,196		92.00

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 US Dollar(Functional Currency) 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 6.6 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. CREDIT/LOAN FACILITIES

5.1 Secondhand Ships acquisition credit/loan facility from BTMU and other 3 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.

On 18 July 2011, the Company executed the Amending and Restating Agreement of the Secured Term Loan Facility Agreement to give effect to the following amendments:

- (a) Extend the availability period of the Facility up to 30 June 2012;
- (b) Withdrawal of the Export-Import Bank of Thailand as one of the original Lenders and thereby reducing the amount of the total credit facility to US\$ 200 million.

Therefore the amended 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"); 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 200 million.
Purpose	<p>: 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.</p> <p>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.</p>
Availability Period	: Upto 30th June 2012
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	<p>: At the Borrowers request, Interest Rate Hedging arrangements shall be entered into between the Borrowers and the Swap Provider.</p> <p>The Interest Rate Hedging arrangements will share the security on a pari-passu basis with the Loan Facility.</p>
Arrangement Fee	: 1.25% of the Loan Facility Amount
Commitment Fees	: 0.70% per annum of undrawn amount of the Facility Amount.
Security	<p>: The Borrowers shall deliver/ execute the following securities:</p> <ol style="list-style-type: none"> 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); Other than that of PSL, share pledge of the Borrowers; First priority assignment of Earnings of the Vessels and the Earnings, Retention and Collateral Accounts; First priority assignment of the Requisition Compensation of the Vessels; and First priority assignment of Insurance of the Vessels. <p>All the above securities to be cross collateralized.</p>
Financial Covenants	<p>: PSL will be subject to the following financial covenants, measured quarterly based on its consolidated financial statements in US Dollars: -</p> <ol style="list-style-type: none"> The ratio of Net Funded Debt to Total Shareholders' Equity in respect of any Relevant Period will not be more than 2:1. 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. Maintain a minimum Free Cash Balance of USD 100,000 per vessel that is owned by the PSL Group. 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 2011.

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

Since 2008, the Company has also had in place, a loan facility of US\$ 300 million with 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 have immediately been 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 acquired in 2010 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.

On 31 January 2011, the Company executed the amendment of the Secured Loan Facility Agreement to (i) convert the unutilised portion of the Tranche A Facility at the end of the Tranche A Availability Period into a USD facility in the amount of USD 200 million which was be designated as the Tranche C Facility, (ii) extend the availability period of the Tranche C Facility upto 29 December 2011, (iii) expand the scope of the utilisation of the Hedging Facility to allow for interest rate swaps and extend the Hedging Availability Period.

The main terms (after the amendment) of the extended and amended facility were as follows:

- | | |
|-------------------------|---|
| 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 Thai Baht 1,502.35 million (already drawn)
Tranche B : Foreign Currency Exchange facility upto US\$ 5 Million
Tranche C : Term Loan of upto USD 200 Million
Hedging Facility : Hedging commitment upto Baht 8.75 Billion |

Purpose	<p>: 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</p> <p>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.</p> <p>Tranche C: 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</p> <p>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.</p>
Availability Period	<p>: with respect to the Tranche A Facility, Completely drawn.</p> <p>with respect to the Tranche B, C and Hedging Facility, upto 29 December 2011</p>
Facility Period	<p>: with respect to the Tranche A Facility, 13 years from December 2009</p> <p>with respect to the Tranche C Facility, 12 years from the date of first drawdown</p>
Grace Period (for principal Repayments)	<p>: with respect to the Tranche A Facility, the period of twelve (12) months, starting on 11 December 2009. Accordingly, repayment commenced on 30 December 2010.</p> <p>with respect to the Tranche C Facility, the period from 30 December 2010 and ending on 11 December 2011;</p>
Interest Rate	<p>: with respect to the Tranche A Facility, Three months’ Thai Baht MLR minus 1%.</p> <p>with respect to the Tranche C Facility, LIBOR plus 2.75% for first five years and LIBOR plus 2.85% thereafter</p>
Principal Repayment	<p>: with respect to the Tranche A Facility, 48 equal quarterly installments (i.e. over twelve years) of the aggregate loan outstanding from 30 December 2010. Accordingly, repayment commenced on 30 December 2010.</p> <p>with respect to the Tranche C Facility, 44 equal quarterly installments of the aggregate loan outstanding from the end of Tranche C Availability Period.</p>
Commitment Fee	: 1% per annum of undrawn facility payable quarterly
Security	<p>: The Facility shall be secured mainly by:</p> <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. 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	<p>: During Availability Period: The aggregate valuations of the ships secured to be at least 167% of the total outstanding amount of the facility.</p> <p>After Availability Period: The aggregate valuations of the ships secured to be at least 154% of the total outstanding amount of the facility.</p>
Financial Covenants	: PSL to comply with the following, to be measured quarterly based on PSL’s consolidated Restated Financial Statements in US Dollars:

- i) Maximum Debt / Total Shareholder's Equity of 2.0 times;
- ii) Maximum Debt / EBITDA of 5.0 times
- iii) Maintain a minimum Free Cash Balance of US\$100,000 per ship that PSL owns.
- iv) Minimum Debt Service Cover of 1.1 times.

Non-Financial covenants : PSL is not subject to any significant restrictive non-financial covenants.

During 2011, the Company has drawn US\$ 92 Million for funding the purchase of 4 Ships out of which, Company took delivery of 3 Ships in year 2011 and one Ship in January 2012.

The availability period of this facility expired on 29th December 2011. However, the Company is in discussions with the Lenders to extend the availability period for USD 50 million of the balance facility after cancelling the balance undrawn amount of USD 58 million, and approval thereof is expected in February 2012.

5.3 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 Bulkers:

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

Supramax Bulkers:

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

Facility Amount	<p>: Up to USD 398.40 million (80% of Construction Price as above) divided into 15 tranches comprising:</p> <p>For the Handysize Bulkers, upto USD 216 million divided into 9 Tranches.</p> <p>Pre-Delivery Facility Amount (Per Tranche):</p> <p>USD 18 million per Vessel or 60% of the Construction Price of the Vessel, whichever is lower.</p> <p>Post-Delivery Facility Amount (Per Tranche):</p> <p>USD 24 million per Vessel or 80% of the Construction Price of the Vessel, whichever is lower.</p> <p>For the Supramax Bulkers, upto USD 182.40 million divided into 6 Tranches.</p> <p>Pre-Delivery Facility Amount (Per Tranche):</p> <p>USD 22.80 million per Vessel or 60% of the Construction Price of Vessel, whichever is lower.</p> <p>Post-Delivery Facility Amount (Per Tranche):</p> <p>USD 30.40 million per Vessel or 80% of the Construction Price of the Vessel, whichever is lower.</p>
UTILISATION / AVAILABILITY AND REPAYMENT:	
Availability / Drawing	<p>: Pre-Delivery Facility:</p> <p>As per milestones in the shipbuilding contracts.</p> <p>Post-Delivery Facility:</p> <p>100% of the Post-Delivery Facility Amount is to be drawn upon delivery of the respective vessels.</p>
Repayment	<p>: Pre-Delivery Facility:</p> <p>The Pre-Delivery Facility shall be repaid in one lump sum upon delivery of the respective vessel.</p> <p>Post-Delivery Facility:</p> <p>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.</p> <p>At Final Maturity, all amounts outstanding shall be repaid and the respective Tranches reduced to Zero.</p>
Final Maturity	<p>: 10 years from the delivery drawdown of the first Vessel, and accordingly, Final Maturity is expected to be in March 2020.</p>
INTEREST AND FEES:	
Interest Rate	: The aggregate of LIBOR and the Margin.
Margin	: 1.20% per annum.
Interest Period	: 3 months.
Commitment fee	: 0.35% per annum of undrawn amount of the aggregate facility amount.
SECURITY	: The Borrowers and Guarantor shall deliver / execute the following security:

Pre-Delivery Facility:

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

Post-Delivery Facility:

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

All of the above securities to be cross collateralised.

COVENANTS:

Financial Covenants

- : PSL shall comply with the following to be measured quarterly based on its consolidated Restated Financial Statements in USD:
- a) Maximum Funded Debt / Total Shareholder's Equity of 2.0 times.
 - b) Maximum Funded Debt / Earnings Before Income Tax Depreciation and Amortisation (EBITDA) of 5.0 times.
 - c) Maintain a minimum Free Cash Balance of USD 100,000 per vessel that the Guarantor owns.

Vessel Covenants

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

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

Other Covenants

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

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

During the year 2011, the Company prepaid and cancelled the facility for the newbuildings novated and Ship (Hull 331) delivered (as explained above in 3.1) as under :

Hull No.	Prepayment	Cancellation	Total
329	\$11,999,998	\$12,000,000	\$23,999,998
330	\$11,999,998	\$12,000,000	\$23,999,998
313	\$15,199,999	\$15,200,000	\$30,399,999
331	\$0	\$2,400,000	\$2,400,000
333	\$11,999,998	\$12,000,000	\$23,999,998
Total	\$51,199,993	\$53,600,000	\$104,799,993

Therefore, the revised Facility amounts against each Hull, drawdowns made against each Hull and Loan outstanding as on 31st December 2011 (after repayment/prepayment) is as under:

Hull No.	Post delivery facility	Drawdown made	Loan outstanding
331 (Ananya Naree)	\$21,600,000	\$21,600,000	\$19,792,500
334	\$24,000,000	\$17,999,998	\$17,999,998
335	\$24,000,000	\$11,999,998	\$11,999,998
336	\$24,000,000	\$0	\$0
337	\$24,000,000	\$0	\$0
338	\$24,000,000	\$0	\$0
315	\$30,400,000	\$7,599,999	\$7,599,999
316	\$30,400,000	\$7,599,999	\$7,599,999
347	\$30,400,000	\$7,599,999	\$7,599,999
348	\$30,400,000	\$7,599,999	\$7,599,999
349	\$30,400,000	\$7,599,999	\$7,599,999
Total	\$293,600,000	\$89,599,991	\$87,792,491

5.4 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)
- 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.
- c) 1st priority assignment of the shipbuilding contracts
- d) 1st priority assignment of the refund guarantees by the refund guarantors given in relation to the shipbuilding contract
- 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 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.
- d) Pledge of the shares of ABC One Pte. Ltd (the Subsidiary) by the JV Company
- 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 Borrower has drawn US\$ 11.40 million against this facility as of 31st December 2011.

5.5 New credit facility of USD 84.96 million from ING Bank N.V., Singapore and DnB NOR Bank ASA, Singapore

On 14 October 2011, the four Single Purpose Subsidiaries (SPCs) in Singapore of the Company's Singapore subsidiary, viz. Precious Comforts Pte Ltd. (formerly OSW6 Pte. Ltd.), Precious Sparks Pte Ltd. (formerly OSW7 Pte. Ltd), Precious Visions Pte Ltd. (formerly OSW8 Pte. Ltd.) and Precious Bridges Pte Ltd. (formerly OSW9 Pte. Ltd)., executed a USD 84.96 million Term Loan Facility with ING Bank N.V., Singapore Branch and DnB NOR Bank ASA, Singapore Branch to finance up to 80% of the Total Acquisition Cost of the 4 new Supramax 57,000 dwt Dry Bulk vessels ordered by the SPCs to be built in China.

Summary of Main terms and Conditions

Borrowers/Owners Precious Comforts Pte Ltd. (formerly OSW6 Pte. Ltd.)
Precious Sparks Pte Ltd. (formerly OSW7 Pte. Ltd)
Precious Visions Pte Ltd. (formerly OSW8 Pte. Ltd.) and
Precious Bridges Pte Ltd. (formerly OSW9 Pte. Ltd)

Lenders: ING Bank N.V., Singapore Branch ("ING") and
DnB NOR Bank ASA, Singapore Branch ("DnB NOR")

Swap ING and DnB NOR

Providers:

Facility Agent: ING

Annual Report 2011

Precious Shipping Public Company Limited

Security	DnB NOR	
Agent:		
Guarantor:	Precious Shipping Public Company Limited, Thailand ("PSL")	
Purpose:	<p>To provide up to 80% financing of the Total Acquisition Cost of USD 106,200,004 (i.e. USD 26,550,001 per Vessel) of four new 57,000 dwt dry bulk Vessels.</p> <p>Total Acquisition Cost being the aggregate of:</p> <ul style="list-style-type: none">i) Total purchase price of shares acquired in the 4 Borrowers: USD 6,800,004 andii) Total shipbuilding contract price of the Vessels: USD 98,000,000 andiii) Expenses relating to fulfillment of PSPC regulations: USD 1,400,000.	
Facility	Maximum USD84,960,000 to be divided into 4 Vessel Tranches comprising:	
Amount:	<p>Pre-Delivery Facility Amount per Vessel Tranche</p> <p>Up to USD16,060,000</p> <p>Post-Delivery Facility Amount per Vessel Tranche</p> <p>Up to USD21,240,000 or 80% of the Fair Market Value, whichever is lower.</p> <p>The Facility Amount shall be split among the Lenders as follows:</p> <p>ING: USD 53,960,000</p> <p>DnB NOR: USD 31,000,000</p>	
Interest Rate:	USD LIBOR plus Margin.	
Commitment Fees:	50% of margin per annum of undrawn facility payable quarterly.	
Final Maturity Dates	8 years after Final Drawdown of each Vessel Tranche.	
Availability Period and Drawdown:	<p>Pre-Delivery Facility:</p> <p>Each request for drawdown, other than the portion of acquisition cost pertaining to the share purchase consideration shall be in accordance with the relevant shipbuilding contract(s).</p>	<p>Post-Delivery Facility:</p> <p>100% of the Post-Delivery Facility Amount is to be drawn upon delivery of the respective vessels.</p>
Repayment:	<p>Pre-Delivery Facility:</p> <p>The Pre-Delivery Facility shall be repaid in one lump sum upon delivery of the respective Vessel from the proceeds of the post-delivery drawdown.</p>	<p>Post-Delivery Facility:</p> <p>For each Vessel, in 32 equal quarterly installments of USD 354,000 and a balloon repayment of USD 9,912,000 together with the last installment.</p> <p>The first repayment installment to be due 3 months after the Final Drawdown of each Vessel.</p> <p>At Final Maturity, all amounts outstanding shall be repaid and the respective Vessel Tranches reduced to zero.</p> <p>Corporate Guarantee from the Guarantor; and</p> <p>All the above Post- Delivery securities to be cross collateralised.</p>

Security:**Pre-Delivery Facility:**

- >> Pledge of shares of the Borrowers;
- >> First priority assignment of Refund Guarantees issued by the China Merchants Bank, or any other banks/financial institutions acceptable to the Lenders;
- >> First priority assignment of the Shipbuilding Contracts; and
- >> Corporate Guarantee from the Guarantor.

Post-Delivery Facility:

- >> Pledge of shares of the Borrowers;
- >> First priority mortgage on the Vessels;
- >> First priority assignment of earnings and time charters;
- >> First priority charge over the Earnings Accounts with the Security Agent;
- >> First priority assignment of all insurances and requisition compensation of the Vessels;
- >> Corporate Guarantee from the Guarantor; and
- >> All the above Post-Delivery securities to be cross collateralised.

**Financial
Covenants:**

The Guarantor shall comply with the following to be measured quarterly based on its consolidated USD Financial Statements:

- a) Maximum Funded Debt to Total Shareholders' Equity ratio of 2:1;
- b) Maximum Funded Debt to EBITDA ratio of 5:1; and
- c) Maintain a minimum Free Cash Balance of USD100,000 per vessel owned by the Precious Group.

**Vessel
Covenants:**

The aggregate market value of the Vessels shall be at least 125% of the aggregate loan outstanding under the Post-Delivery Facility at all times.

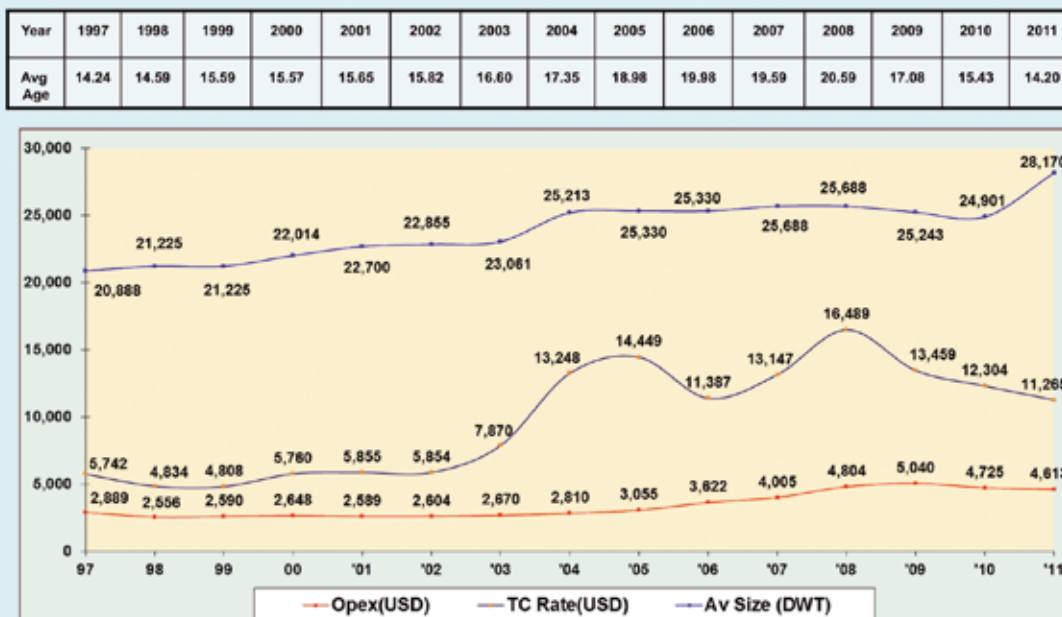
**Other
Covenants:**

- >> The Guarantor shall remain listed on the Stock Exchange of Thailand at all times;
- >> It will be an Event of Default if any of Khalid Moinuddin Hashim, Munir Moinuddin Hashim and Khushroo Kali Wadia cease to play an active role in the management of the Guarantor save by reason of death or incapacity except if a replacement acceptable to the Lenders is in place within 90 days.
- >> No restrictions on dividend payments by PSL. Borrowers 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.

The Company has not drawn any amount against this facility as on 31 December 2011

6. SHIP OPERATING EXPENSES AND SHIP EARNINGS

AVERAGE OPEX / TC RATES (1997 - 2011)



The average earnings per day per ship (TC Rate) during 2011 reached US\$ 11,265, while average daily operating expenses per ship (Opex) for 2011 was US\$ 4,613.

The freight market started falling in the beginning of 2011, after which it improved upto 14th October 2011 but thereafter has fallen consistently till 3rd February 2012 when the BDI reached a paltry 647 points an almost 3 decade low. The average Baltic Dry Index (BDI) in 2011 was 1,549 points as compared to 2,758 points during 2010. However, the Company has achieved average daily earnings per ship (TC Rate) of US\$ 11,265 which is about 8% lower as compared to that of 2010, due to the fact that some vessels whose long term charters expired during the year 2011 had to be chartered at then prevailing rates in 2011 which were lower than the rates of the previous Charters signed prior to 2011.

PSL's daily Ship operating Expenses per ship (Opex) have decreased from US\$ 4,725 per day (including US\$ 875 per day on account of Dry-dock and Special Survey costs) in 2010 to US\$ 4,613 per day (including US\$ 690 per day on account of Dry-dock and Special Survey costs) in 2011 which is, as always, far below the Industry Average (excluding Dry-dock and Special Survey costs which are not reported in Opex) as explained in the following Table:

PSL OPEX comparison with Industry (compiled by Moore Stephens & Co.)

For years Particulars	Industry 2010 US\$ (Per Day)	PSL 2010 US\$ (Per Day)	PSL 2011 US\$ (Per Day)
Crew Wages	1,925	1,760	1,766
Provisions	163	162	172
Crew Other	299	223	207
Crew Cost Total	2,387	2,145	2,145
Lubricants	345	257	287
Stores Other	342	196	243
Stores Total	687	453	530
Spares	398	219	204
Repairs & Maintenance	409	82	121
Repairs & Maintenance Total	807	301	325
P& I Insurance	276	233	197
Insurance	279	164	235
Insurance Total	555	397	432
Registration Costs	27	0	0
Management Fees	615	536	424
Sundries	200	18	67
Administration Total	842	554	491
Total Operating Costs	\$5,278	\$3,850	\$3,923

Further, specifically for the Company, the major reasons for the decrease in certain components of Opex as compared to previous years are summarised as under:

- » Management expenses which are “fixed” in nature did not increase due to the tight control exercised on costs and were lower in 2011 on an average per ship basis because of the slightly higher number of vessels operated in 2011 as compared to the previous year. Management expenses which are “variable” in nature and depend mainly on the remuneration of the technical staff were lower as total remuneration paid was lower in year 2011 as compared to the previous year due to the reduced profitability of the Company.
- » Drydocking and Special Survey Amortisation expenses were lower due to the reduction in average age of the fleet employed in 2011 as compared to the previous year.

7. FINANCIAL PERFORMANCE BASED ON US DOLLAR (FUNCTIONAL CURRENCY) FINANCIAL STATEMENTS

Due to the early adoption of TAS 21 as explained in Note 3 to the Financial Statements, which is considered to be a change in accounting policy, the effects of changes in accounting policy have been applied retrospectively as though the financial statements had originally been prepared using USD functional currency and accordingly the Company has restated the financial statements for year 2010 for making them comparable to that of year 2011 and which are presented in note 42 to the Audited Financial Statements.

The following table summarises the financial performance of the Company for the last 2 years. All figures quoted are from the US Dollar (Functional Currency) Financial Statements (per Note 42 to Audited Consolidated Financial Statements)

Annual Report 2011

Precious Shipping Public Company Limited

For the year ended / as at	31 st Dec-10 Million US\$	31 st Dec-11 Million US\$
Income Statement		
Total Revenues	106.93	112.19
Net Ship Operating Income	91.40	85.58
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)*	47.22	41.42
Depreciation*	13.89	14.90
EBIT	33.33	26.52
Finance cost	9.41	14.35
Operating profit	23.92	12.17
Other non-operating profit	14.14	11.59
Net Profit before Tax	38.06	23.76
Income Tax	2.54	0.12
Net Profit	35.52	23.64
Financial Position		
Investments in Associated Companies	4.12	3.52
Ships at Cost	342.16	445.03
Dry-docking and Special Survey	18.16	14.68
Cash & Cash Equivalents	140.07	138.04
Current Assets	144.22	190.01
Advances for vessels constructions - net of current portion	283.51	207.37
Total Assets	662.06	722.39
Long-term loans - net of current portion	158.08	199.04
Current Liabilities	14.60	33.05
Non-Current Liabilities	4.76	5.73
Total Liabilities	177.44	237.82
Equity Share Capital	35.31	35.31
Total Shareholders Equity or Tangible Net Worth	484.62	484.57
Net Book Value per share (US\$)	0.47	0.47
Return on Assets	5%	3%
Return on Equity	7%	5%
Ratios (times)		
Current Ratio	9.88	5.75
Funded Debt/Equity	0.34	0.46
Total Liabilities/Equity	0.37	0.49
Funded Debt/EBITDA	3.45	5.35
Debt Service Cover	4.55	1.88
EBITDA/Interest	5.02	2.89
Dividend yield **	5%	3%

* 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) after including dry docking and special survey expenses.

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

7.1 Revenues and Profitability

Total revenues have increased from US\$ 106.93million (including gain on sale of Ships of US\$ 13.37 million) in 2010 to US\$ 112.19 million (including gain on novation of Newbuilding Contracts of US\$ 10.52 million) in 2011. However, the net ship operating income has decreased from US\$ 91.40 million in 2010 to US\$ 85.58 million in 2011 mainly due to decrease in average ship earnings per day per ship (TC Rate) in 2011 as compared to 2010. 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 then prevailing rates in 2011 which were lower than that prevailing when the Charters were originally fixed. The average number of ships operated in 2011 was 22 as compared to 21 in 2010. Consequently, operating cash flows or Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) have decreased from US\$ 47.22 million in 2010 to US\$ 41.42 million in 2011. The average earnings per day per ship (TC rate) have decreased from US\$ 12,304 in 2010 to US\$ 11,265 in 2011 while average vessel daily ship running expenses (Opex) have decreased from US\$ 4,725 in 2010 to US\$ 4,613 in 2011. As a result of lower net ship operating income above, gross profit for 2011 was lower as compared to 2010.

The average daily ship operating expenses have decreased and remain far below the Industry average as explained in No. 6 above.

Depreciation (excluding depreciation of dry-dock and special survey cost) has increased from US\$ 13.89 million in 2010 to US\$ 14.90 million in 2011 due to increase in average number of ships operated during 2011 as compared to 2010 as a result of the additional depreciation on 4 Ships (Hull number 331 and 3 other Ships) that were acquired in 2011. Finance cost has increased from US\$ 9.41 million in 2010 to US\$ 14.35 million in 2011 due to Interest on loans drawn for buying the 4 Ships in year 2011, fees paid for extension of secured debt facilities during 2011, the commitment fees paid for maintaining the secured debt facilities during 2011, and deferred finance expenses written off for the reduction in loan amounts(due to prepayments and cancellations) of the loan facilities. Interest on loans drawn for newbuilding orders have been capitalized to the respective vessels under construction.

Due to the depreciation of the Thai Baht against the US Dollar in the year, the exchange rate (THB/US\$) applied at the end of 2011 was higher 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 higher rate, there was an exchange loss which is one of the main reasons for exchange loss of US\$ 0.17 million in 2011.

With decrease in net ship operating Income, operating profit has decreased to US\$ 12.17 million as compared to US\$ 23.92 million in 2010.

Income Tax has decreased from US\$ 2.54 million in 2010 which was mainly on account of tax on Capital Gains on sale of Vessels to US\$ 0.12 million in 2011 with no taxable Capital Gains.

As a result of the above factors, the Company's Net Profit decreased from US\$ 35.52 million in 2010 to US\$ 23.64 million in 2011.

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 2011 (figures in US Dollars):

Jt. Venture Projects	Investment			**Advance	Total	***Provision made for			Balance as on 31 st December 2011		
	Cost	*Equity Adj	Total			Investment	**Advance	Total	Investment	Advance	Total
Current Investments											
SLPG	872,727	-323,596	549,131	567,829	1,116,960	549,131	567,829	1,116,960	0	0	0
Long Term Investments											
ISPL - Haldia	2,037,650	1,486,394	3,524,044	0	3,524,044	0	0	0	3,524,044	0	3,524,044
TOTAL	2,910,377	1,162,798	4,073,175	567,829	4,641,004	549,131	567,829	1,116,960	3,524,044	0	3,524,044

- * 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 2011. During 2011, The Company received US\$ 0.02 million as Dividend.

Current Assets

As compared to the end of the previous year (2010), there is an increase of US\$ 45.79 million in the current assets as at 31st December, 2011, mainly due to Advances of US\$ 41.88 million for vessel constructions of Hull 333 and 315 classified under Current Assets as their new buildings contracts are novated in December 2011 and January 2012 respectively. This is also due to higher Trade Receivables and Bunker oil. Receivables, net of all provisions, which are part of current assets increased by US\$ 2.82 million as a result of an increase in voyage charters during the year 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. Bunker oil Stock increased from US\$ 0.19 million to US\$ 2.18 million due to Stock on higher number of Ships fixed on Voyage Charter as at the end of 2011 as compared to 2010.

Property, Plant and Equipment

The value of Property, Plant and Equipment of the Company has increased from previous year's levels mainly on account of delivery of Hull number 331 (Ananya Naree) from ABG Shipyard and acquisition of 4 ships(out of which 3 were delivered in 2011 and 1 in January 2012). As at 31st December 2011, the Company owned 25 ships, details of which have been provided in the Fleet List separately in this Report.

The details of Ship Purchases in 2011 have been provided in 3.4 above.

Advance for construction of New Ships:

The Company had 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 novated 3 Shipbuilding contracts of Handysize Bulk Carriers and 1 Shipbuilding Contract for Supramax as explained in 3.1 above. The Company has capitalized installments paid for construction, supervision expenses and Interest aggregating US\$ 183.49 million as on 31st December 2011 as explained in note 3.1 above. The company has also capitalized Installments, Supervision expenses and Interest aggregating US\$ 14.38 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\$ 51.38 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, as explained in 3.3 above.

The Company has classified US\$ 41.88 million for vessel constructions of Hull 333 and 315 under Current Assets as their new buildings contracts are novated in December 2011 and January 2012 respectively. In accordance with the above, the company has a balance of US\$ 207.37 for Advances for vessel constructions net of current portion and US\$ 249.25 Million in aggregate for as Advances for Vessel Construction as of 31st December 2011 which is presented mainly as a non-current asset.

Total Liabilities

The Company's secured debt net of current portion is US\$ 199.04 million and secured debt balance is US\$ 221.71 million as at the end of year 2011, including Bank loans of US\$ 87.79 million against the newbuilding loan facility explained above for the installments paid on newbuildings ordered from ABG Shipyard Limited (towards second, Third and Fourth installment of 8 Ships) as explained in 5.3 above. The Company has also drawn Thai Baht 1,502.35 million for buying 2 second hand Ships as explained in 5.2 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 5.2 above out of which US\$ 42.28 million is outstanding as at the end of year 2011. During 2011, the Company has drawn US\$ 92 Million for funding the purchase of 4 Ships out of which, Company took delivery of 3 Ships in year 2011 and one Ship in January 2012 out of which US\$ 89.91 million is outstanding as at the end of year 2011. The company has also drawn US\$ 11.40 million (out of which US\$ 5.70 million being Companys' 50 percent share in JV Company) from NIBC Bank against newbuilding loan facility, for paying to ABG Shipyard Limited (Builder) towards second and Third installments of 1 new Cement bulk carrier as explained in note 3.2 above. Deferred financial fees of US\$ 3.97 million are presented as deduction from Secured loan basis proportionate amount of drawdown made so far from all the secured loan facilities.

Consequently, the total liabilities have increased from US\$ 177.44 million in 2010 to US\$ 237.82 million in 2011.

Shareholders' Equity

Due to the net profits of US\$ 23.64 million earned during the year, dividends of US\$ 21.14 million (Baht 0.62 per share including Final Dividend of 2010) paid during 2011, and net decrease of US\$ 2.55 million on account of cumulative effect of change in Accounting policy for employee benefits, CSR Reserve, other components of shareholders equity, translation adjustment and minority interest, the Shareholders' Equity is now at US\$ 484.57 million, which is a marginal decrease of US\$ 0.05 million in the Shareholders' Equity as compared to the end of the previous year. As a result of just a marginal decrease in Shareholder's Equity as explained above, the net book value per share as at the end of 2011 and 2010 has remained at nearly the same level at US\$ 0.47 per share.

7.3 Leverage, Liquidity and Coverage

As the Company's EBITDA remained at respectable levels during 2011 and the Company had US\$ 221.71 million outstanding secured debt (including the pre-delivery debt for payment of advances for newbuildings) at the end of the year, the leverage ratios remain very strong. As at 31st December 2011, the Company's funded debt level (including the pre-delivery debt for payment of advances for newbuildings) is 5.35 times its EBITDA. This ratio is 3.10 if we exclude the pre-delivery debt for payment of advances for newbuildings and one secondhand Ship. The Company's overall gearing (Total Liabilities/Tangible Networth) is 0.49 times as at 31st December 2011, which has increased from 0.37 times as at 31st December 2010, due to increase in secured debt as explained above.

The Company's debt service cover for 2011 was a healthy 1.88 times. The ratio of EBITDA/Interest is 2.89 times as of 31st December 2011. This ratio is only 11.26 if we include just interest paid for funded debt and exclude all other finance costs such as loan arrangement fees and extension fees for arranging various credit facilities. 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

Since the early adoption of TAS 21 as explained in Note 3 to the Financial Statements is considered to be a change in accounting policy, the effects of changes in accounting policy have been applied retrospectively as though the financial statements had originally been prepared using USD functional currency and accordingly the Company has restated the financial statements for year 2010 for making comparable to that of year 2011 and also prepared the financial statements for year 2010 in presentation currency (Thai Baht) by translating all the Assets and Liabilities and Income Statements prepared in functional currency per TAS 21.

8.1 Analysis of Income Statements

The Net Ship Operating Income (net of voyage disbursements and bunker consumption) for 2011 has decreased by about 10 percent over the Net Ship Operating Income for 2010. This is mainly due to decrease in average ship earnings per day per ship (TC Rate) in 2011 as compared to 2010. 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 then prevailing rates in 2011 which were lower than that prevailing when the Charters were originally fixed. The average number of ships operated in 2011 was 22 as compared to 21 in 2010

During 2011, the ship running expenses increased by 4 percent in absolute terms as compared to 2010 mainly due to higher average number of vessels operated during the year as explained above. However, in fact average Vessel operating expenses per day per Vessel (Opex.) has come down from USD 4,725 for the year 2010 to USD 4,613 in the year 2011 (including depreciation/amortisation of the Drydocking/Special Survey expenses in both years).

During 2011, the total ship operating costs increased by about 53 percent in absolute terms, over the total ship operating costs of the previous year. During 2011, ship disbursements and bunker consumption increased due to increase in voyage charters during the year as compared to the previous year. The increase in total ship operating costs is mainly due to increase in ship disbursements and bunker consumption as a result of more Voyage Charters during 2011.

Absolute Gross Profit has decreased by about 15 percent as compared to the previous year and the Gross Profit Margin has also decreased from 70 percent to 57 percent as compared to the previous year because of the higher total Ship operating costs. As a result of the lower net ship operating revenues, the total revenues during the year, in absolute terms, are also lower than that of the previous year.

Administrative expenses for 2011 have decreased by Baht 19.29 million as compared to 2010 due to a decrease in personnel expenses, mainly lower Bonus accruals for the year due to lower Net Profit.

Finance costs for 2011 have increased by Baht 141.47 million as compared to 2010 due to Interest on loan drawn down for buying 4 Ships during December 2011. It is to be noted that apart from Interest cost for buying the 4 ships, the finance costs for 2011 mainly comprise of fees paid for extension of secured debt facilities during 2011, the commitment fees paid for maintaining the secured debt facilities during 2011 and deferred expenses written off for the reduction in loan amounts which is explained separately in 5.1 and 5.2 above but Interest on loans drawn for payment of installments against the newbuilding orders has been capitalized.

The total expenses (excluding depreciation) in 2011, as compared to the previous year, are higher due to the increase in total ship operating costs as explained hereinabove. The Depreciation for 2011 has decreased from Baht 678.21 million in 2010 to Baht 646.56 million in 2011 due to a reduction of depreciation on drydocking and special survey cost due to lower drydocking and special survey costs because of the reduction in average age of the fleet employed in 2011 as compared to the previous year.

The Company recorded exchange loss of Baht 5.45 million for 2011 as against exchange loss of Baht 6.52 million for 2010. The corporate income tax was Baht 82.61 million for the year 2010 which represented the income tax on gain on sale of vessels as against Baht 3.64 million for the year 2011 which mainly represented the income tax on interest income.

As a result of the above factors, the Company has reported Net Profit of Baht 718.52 million for 2011 as compared to Baht 1,133.73 million in the previous year.

8.2 Analysis of Statements of Comprehensive Income

The Company reported Baht 725.54 Million as other comprehensive income for year 2011 as compared to Loss of Baht 1,551.14 million for year 2010. This was mainly due to appreciation of U.S. Dollars in terms of Thai Baht, thereby increasing the value of Plant, Property and Equipment and advances paid to Ship Builders under new shipbuilding Contracts as explained in point 3 above, while translating into Thai Baht which is Company's Presentation Currency in 2011. Due to the above, the company reported Baht 1,446.35 Million as Total Comprehensive Income as against Loss of 407.52 Million for Year 2010

8.3 Analysis of Statements of Financial Position

As compared to the end of the previous year (2010), there is an increase of Baht 1,673.25 million in current assets as at 31st December, 2011, mainly due to Advances of Baht 1,327.30 million for vessel constructions of Hull 333 and 315 classified under Current Assets as their new buildings contracts are novated in December 2011 and January 2012 respectively. Trade Receivables and Bunker oil were also higher as result of an increase in voyage charters during the year as compared to the previous year.

Receivables, net of all provisions which are part of current assets increased by Baht 91.09 million and Bunker oil Stock increased by Baht 63.22 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 Property, Plant and Equipment of the Company has increased from previous year's levels on account of delivery of Hull number 331 (Ananya Naree) per Newbuilding Contract and acquisition of 4 ships (out of which 3 were delivered in 2011 and 1 in January 2012) as explained in 3.4. The Company has paid Baht 7,899.19 million towards advance for new building ships as at the end of 2011 as explained in 3 above. The Total Assets have increased mainly due to purchase of 4 ships (out of which 3 were delivered in 2011 and 1 in January 2012) and advance of Baht 1,693.05 million paid in 2011 for New Buildings out of which Baht 970.29 million was funded through secured loans from banks. It is also to be noted that the Company has adopted TAS 21 (revised 2009) "The Effects of Changes in Foreign Exchange Rates" which translates all assets and liabilities in company's functional Currency (US. Dollar) into its Presentation Currency (Thai Baht) at exchange rates prevailing at the end of the financial Year. Due to the depreciation of Thai Baht as compared to the U.S. Dollar at the end of 2011 as compared to 2010, the Company's assets and liabilities have also increased to that extent.

Total current liabilities have increased by Baht 607.13 million as compared to the previous year mainly due to increase in current portion of long term loan. The Company's total long term loans are Baht 7,026.37 million and Long term Loan (net of current portion) is Baht 6,307.83 million as at the end of 2011, on account of Bank loans of Baht 2,782.25 million against new building loan facility explained above, for paying to ABG Shipyard Limited (Builder) towards installments of 7 Ships ordered as explained in 3.1 above and also for Hull number 331 (Ananya Naree) which was delivered in year 2011. The Company has also drawn Thai Baht 1,502.35 million for buying 2 second hand Ships as explained in 5.2 above out of which Baht 1,339.90 million is outstanding as at the end of year 2011. During 2011, the Company has drawn Baht 2,915.59 Million for funding the purchase of 4 Ships out of which, Company took delivery of 3 Ships in year 2011 and one Ship in January 2012 out of which Baht 2,849.33 million is outstanding as at the end of year 2011. The company has also drawn Baht 361.28 million (out of which Baht 180.64 million is Company's 50 percent share in JV Company) from NIBC Bank against newbuilding loan facility, for paying to ABG Shipyard Limited (Builder) towards second and third installments of 1 new Cement bulk carrier as explained in note 3.2 above. Deferred financial fees of Baht 125.75 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 5,349.92 million in 2010 to Baht 7,536.75 million in 2011. This is mainly due to increase in long term loans as explained above.

Due to the net profits of Baht 718.52 million and other comprehensive income of Baht 725.54 million of the year, dividends of Baht 644.41 million (Baht 0.62 per share including final dividend of 2010) paid during 2011, and net decrease of Baht 55.12 million on account of cumulative effect of change in Accounting policy for employee benefits, CSR Reserve other components of shareholders equity and minority interest, the Shareholders' Equity is now at Baht 15,356.50 million, which is higher by Baht 744.53 million over the Shareholders' Equity as compared to the end of the previous year.

8.4 Analysis of Statements of Cash flows

During the year under review, Baht 1,246.35 million was generated from operations. This is about 17 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 1,050.60 million was available for use in investing and financing activities.

During the year, Baht 2,167.57 million was received as proceeds from novation of 3 newbuilding contracts and Baht 2,777.63 million was paid for purchase of 3 Ships, dry docking & special survey expenses and towards advance for 1 secondhand Ship which was delivered in January 2012. The Company has also paid Baht 1,693.05 million towards advances against orders for new ships (including capitalized interest paid on amount funded through secured loan drawn against the newbuilding financing facility). After adjustments, the net cash flow used in investing activities was Baht 2,274.38 million.

During the year, the Company has drawn Baht 842.23 million against the Newbuilding credit facility for paying to ABG Shipyard Limited (Builder) on account of installment of 3 Ships as explained in 3 above, Baht 655.17 million for post-delivery tranche of Hull 331 (Ananya Naree) and drawn Baht 2,869.73 million for buying 4 second-hand Ships as explained in 3.4 above. The company has also drawn (50 percent of Company's share in JV company) Baht 86.40 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 4,453.53 million during 2011. The company paid Baht 203.38 Million on account of contractual principal repayments, Baht 689.27 million against loan tranche of Hull 331 (Ananya Naree) delivered during the year (including prepayment of Baht 34.10 million) and other pre-payments of Baht 1,563.07 million made as explained in 5.3 above, resulting in total repayments (including prepayments) of Baht 2,455.72 million of long term loans. Baht 644.41 million was paid out as Dividends. After adjustments, the net cash flow from financing activities was Baht 1,150.56 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, 2011.

**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

3rd February 2012

REPORT OF INDEPENDENT AUDITOR

To the Shareholders of Precious Shipping Public Company Limited

I have audited the accompanying consolidated statements of financial position of Precious Shipping Public Company Limited and subsidiaries as at 31 December 2011 and 2010, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and the separate financial statements of Precious Shipping Public Company Limited for the same periods. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits. I did not audit the financial statements of a subsidiary incorporated overseas which is included in these consolidated financial statements. The assets of this subsidiary constitute 18.00% of the consolidated total assets as at 31 December 2011 (2010: 13.09%), the revenues constitute 6.54% of the consolidated total revenues and the profit constitutes 4.28% of the consolidated profit for the year ended 31 December 2011 (2010: the revenues constitute 5.15% of the consolidated total revenues and the profit constitutes 3.03% of the consolidated profit). 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.

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

In my opinion, based on my audits 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 2011 and 2010, and the results of their operations and cash flows for the years then ended, in accordance with generally accepted accounting principles.

Without qualifying my opinion on the above financial statements, I draw attention to the matters as discussed in Note 3 and Note 5 to the financial statements, during the current year, the Company adopted the revised and new accounting standards issued by the Federation of Accounting Professions, and applied them in its preparation and presentation of the financial statements. The Company has restated the financial statements as at 31 December 2010 and for the year then ended to reflect the changes in accounting policies resulting from the adoption of these new accounting standards.



Sumalee Reewarabandith

Certified Public Accountant (Thailand) No. 3970

Ernst & Young Office Limited

Bangkok: 3 February 2012

STATEMENTS OF FINANCIAL POSITION

Precious Shipping Public Company Limited and subsidiaries as at 31 December 2011 and 2010

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
			(Restated)		(Restated)
Assets					
Current assets					
Cash and cash equivalents	8	4,374,710,831	4,223,423,116	2,719,518,786	2,041,348,939
Current investment	9	-	-	-	-
Trade and other receivables	10	125,093,908	34,005,563	771,932,752	288,402,207
Short-term loans to subsidiary	12	-	-	2,275,428,160	1,923,652,940
Current portion of advances for vessel constructions	21	1,327,296,167	-	1,327,296,167	-
Bunker oil		68,962,534	5,739,374	-	-
Other current assets					
Advances to vessel masters		63,297,992	42,054,433	-	-
Claim recoverables		18,717,858	8,899,886	-	-
Others		43,465,857	34,175,915	13,874,730	16,856,102
Total other current assets		125,481,707	85,130,234	13,874,730	16,856,102
Total current assets		6,021,545,147	4,348,298,287	7,108,050,595	4,270,260,188
Non-current assets					
Investments in subsidiaries	14	-	-	6,003,737,796	5,712,011,518
Investment in joint venture	15	-	-	32	30
Investment in associate held by a subsidiary	16	111,681,183	124,298,823	-	-
Other long-term investment	17	8,246,419	7,845,719	8,246,419	7,845,719
Long-term loan to jointly controlled entity	13	-	-	270,959,760	257,793,615
Receivables from cross currency swap contracts		48,752,293	123,044,680	-	-
Property, plant and equipment	18	9,445,533,320	6,400,332,615	6,734,944	10,869,913
Intangible assets	19	22,782,018	30,349,390	22,725,080	30,349,390
Other non-current assets					
Claim recoverables - maritime claims		41,564,593	47,623,978	-	-
Advances for vessel purchase	20	396,140,000	-	-	-
Advances for vessel constructions - net of current portion	21	6,571,893,082	8,548,112,532	4,487,724,751	7,112,688,392
Deferred financial fees	22	211,831,896	329,044,413	168,154,793	324,783,820
Others	37.4	13,278,643	2,935,953	2,405,874	2,406,766
Total other non-current assets		7,234,708,214	8,927,716,876	4,658,285,418	7,439,878,978
Total non-current assets		16,871,703,447	15,613,588,103	10,970,689,449	13,458,749,163
Total assets		22,893,248,594	19,961,886,390	18,078,740,044	17,729,009,351

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

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

Precious Shipping Public Company Limited and subsidiaries as at 31 December 2011 and 2010

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
Liabilities and shareholders' equity			(Restated)		(Restated)
Current liabilities					
Trade and other payables	23	33,149,672	11,020,525	3,431,104,300	2,527,583,534
Advances received from charterers		86,237,567	47,462,373	-	-
Current portion of long-term loans	26	718,548,807	147,396,006	286,950,863	23,996,843
Income tax payable		505,569	3,934,172	-	-
Other current liabilities					
Accrued crew accounts		47,659,255	40,491,614	-	-
Current portion of accrued employee bonus	24	66,761,343	136,457,659	61,556,221	125,410,398
Accrued expenses		59,641,166	32,541,269	5,421,211	8,806,675
Withholding tax payable		14,205,822	4,008,263	12,778,024	2,426,350
Others		20,525,852	16,790,768	9,706,563	9,520,280
Total other current liabilities		208,793,438	230,289,573	89,462,019	146,163,703
Total current liabilities		1,047,235,053	440,102,649	3,807,517,182	2,697,744,080
Non-current liabilities					
Accrued employee bonus - net of current portion	24	54,027,882	76,278,284	49,836,307	70,045,686
Provision for maritime claims	25	64,637,371	67,237,399	-	-
Long-term loans - net of current portion	26	6,307,825,838	4,766,301,811	1,856,651,461	3,371,798,720
Provision for long-term employee benefits	27	63,023,284	-	57,001,255	-
Total non-current liabilities		6,489,514,375	4,909,817,494	1,963,489,023	3,441,844,406
Total liabilities		7,536,749,428	5,349,920,143	5,771,006,205	6,139,588,486

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

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

Precious Shipping Public Company Limited and subsidiaries as at 31 December 2011 and 2010

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
Shareholders' equity		(Restated)	(Restated)		
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
Retained earnings					
Appropriated					
Statutory reserve - the Company	28	103,952,060	103,952,060	103,952,060	103,952,060
- subsidiaries	28	518,120,000	518,120,000	-	-
Corporate social responsibility reserve	29	15,332,951	14,335,865	15,332,951	14,335,865
Unappropriated		14,521,658,969	14,505,952,943	10,624,883,723	10,510,150,514
Other components of shareholders' equity		(1,459,090,358)	(2,183,073,693)	(59,831,052)	(662,413,731)
Equity attributable to owners of the Company		15,323,369,779	14,582,683,332	12,307,733,839	11,589,420,865
Non-controlling interests of the subsidiaries		33,129,387	29,282,915	-	-
Total shareholders' equity		15,356,499,166	14,611,966,247	12,307,733,839	11,589,420,865
Total liabilities and shareholders' equity		22,893,248,594	19,961,886,390	18,078,740,044	17,729,009,351

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 2011 and 2010

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
Revenues			(Restated)		(Restated)
Vessel operating income					
Hire income		2,102,650,117	2,745,953,055	-	-
Freight income		976,265,257	182,337,727	-	-
Total vessel operating income		3,078,915,374	2,928,290,782	-	-
Service income	11	4,845,459	10,439,658	52,232,890	71,423,294
Gains on sales of vessels and equipment	18	1,831,319	438,383,131	1,412,510	-
Gains on sales of new shipbuildings under Novation Agreements	21	319,167,621	-	319,167,621	-
Interest income	11	26,071,027	25,827,298	24,156,135	20,670,634
Exchange gains		-	-	684,684	-
Other income		2,170,014	421,216	14,370	5,181
Dividend received	11, 14, 17	506,521	-	982,335,321	1,530,297,884
Total revenues		3,433,507,335	3,403,362,085	1,380,003,531	1,622,396,993
Expenses					
Vessel operating costs					
Vessel running expenses		874,904,589	841,687,513	-	-
Voyage disbursements		131,305,127	26,434,940	-	-
Bunker consumption		327,083,608	5,169,079	-	-
Total vessel operating costs		1,333,293,324	873,291,532	-	-
Depreciation	18	646,563,290	678,208,471	4,833,128	7,406,486
Cost of services		5,586,962	4,865,927	-	-
Administrative expenses	11	185,530,467	204,821,733	155,949,276	178,083,051
Management remuneration including perquisites	11	99,390,770	112,979,663	93,976,987	105,797,843
Bad debts and doubtful accounts		124,468	15,809,182	-	-
Exchange losses		5,447,550	6,516,027	-	14,273,561
Total expenses		2,275,936,831	1,896,492,535	254,759,391	305,560,941
Profit before share of income from investment in associate, finance cost and corporate income tax		1,157,570,504	1,506,869,550	1,125,244,140	1,316,836,052
Share of income from investment in associate held by a subsidiary	16.1	7,637,073	18,658,503	-	-
Profit before finance cost and corporate income tax		1,165,207,577	1,525,528,053	1,125,244,140	1,316,836,052
Finance cost		(440,757,218)	(299,289,850)	(313,548,816)	(221,538,247)
Profit before corporate income tax		724,450,359	1,226,238,203	811,695,324	1,095,297,805
Corporate income tax	31	(3,638,021)	(82,611,388)	-	-
Profit for the year		720,812,338	1,143,626,815	811,695,324	1,095,297,805

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 2011 and 2010

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
			(Restated)		(Restated)
Profit attributable to:					
Equity holders of the Company		718,524,855	1,133,727,544	811,695,324	1,095,297,805
Non-controlling interests of the subsidiaries		2,287,483	9,899,271	-	-
Profit for the year		720,812,338	1,143,626,815	811,695,324	1,095,297,805
Basic earnings per share	33				
Profit attributable to equity holders of the Company		0.69	1.09	0.78	1.05

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

STATEMENTS OF COMPREHENSIVE INCOME

Precious Shipping Public Company Limited and subsidiaries for the years ended 31 December 2011 and 2010

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
		(Restated)		(Restated)
Profit for the year	720,812,338	1,143,626,815	811,695,324	1,095,297,805
Other comprehensive income:				
Exchange differences on translation of foreign operation's financial statements	(23,873,553)	5,043,936	-	-
Exchange differences on translation of functional currency to presentation currency financial statements	749,415,877	(1,556,188,625)	602,582,679	(1,238,444,238)
Other comprehensive income for the year	725,542,324	(1,551,144,689)	602,582,679	(1,238,444,238)
Total comprehensive income for the year	1,446,354,662	(407,517,874)	1,414,278,003	(143,146,433)
Total comprehensive income attributable to:				
Equity holders of the Company	1,442,508,190	(414,879,086)	1,414,278,003	(143,146,433)
Non-controlling interests of the subsidiaries	3,846,472	7,361,212	-	-
	1,446,354,662	(407,517,874)	1,414,278,003	(143,146,433)

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 2011 and 2010

(Unit: Baht)

Consolidated financial statements														
	Equity attributable to the parent's shareholders													
	Issued and paid-up share capital	Premium on ordinary shares	Premium on treasury stock	Retained earnings				Unappropriated	Other components of shareholders' equity			Total equity attributable to shareholders' of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total shareholders' equity
				Appropriated		Corporate Social responsibility reserve	Exchange differences on Translation of finance statements		Revaluation Surplus on assets of subsidiary	Total other components of shareholders' equity				
				The Company	Subsidiaries									
Balance as at 31 December 2009 - as previously reported Cumulative effect of change in accounting policy for the effects of changes in foreign exchange rates (Note 3 and 5) Cumulative effect of change in accounting policy for land and condominium units of a subsidiary (Note 3 and 5)	1,039,520,600	411,429,745	172,445,812	103,952,060	513,220,000	37,782,784	14,652,874,052	(22,850,674)	203,452,059	180,601,385	17,111,826,438	24,533,097	17,136,359,535	
Balance as at 31 December 2009 - as restated Dividend paid to the Company's shareholders (Note 36) Total comprehensive income for the year (restated) Appropriated to statutory reserve (Note 28) Appropriated to corporated social responsibility reserve (Note 29)	1,039,520,600	411,429,745	172,445,812	103,952,060	513,220,000	37,782,784	14,652,874,052	(634,467,063)	-	(634,467,063)	16,296,757,990	21,921,703	16,318,679,693	
	-	-	-	-	-	-	(1,299,195,572)	-	-	-	(1,299,195,572)	-	(1,299,195,572)	
	-	-	-	-	-	-	1,133,727,544	(1,548,606,630)	-	(1,548,606,630)	(414,879,086)	7,361,212	(407,517,874)	
	-	-	-	-	4,900,000	-	(4,900,000)	-	-	-	-	-	-	
	-	-	-	-	-	(23,446,919)	23,446,919	-	-	-	-	-	-	
Balance as at 31 December 2010 - as restated	1,039,520,600	411,429,745	172,445,812	103,952,060	518,120,000	14,335,865	14,505,952,943	(2,183,073,693)	-	(2,183,073,693)	14,582,683,332	29,282,915	14,611,966,247	
Balance as at 31 December 2010 - as previously reported Cumulative effect of change in accounting policy for the effects of changes in foreign exchange rates (Note 3 and 5) Cumulative effect of change in accounting policy for land and condominium units of a subsidiary (Note 3 and 5)	1,039,520,600	411,429,745	172,445,812	103,952,060	518,120,000	14,335,865	14,333,075,039	(25,251,684)	147,287,957	122,036,273	16,714,915,394	34,569,483	16,749,484,877	
	-	-	-	-	-	-	172,877,904	(2,157,822,009)	-	(2,157,822,009)	(1,984,944,105)	(5,286,568)	(1,990,230,673)	
	-	-	-	-	-	-	-	-	(147,287,957)	(147,287,957)	(147,287,957)	-	(147,287,957)	
Balance as at 31 December 2010 - as restated Cumulative effect of change in accounting policy for employee benefits (Note 3 and 5) Dividend paid to the Company's shareholders (Note 36) Total comprehensive income for the year Appropriated to corporated social responsibility reserve (Note 29)	1,039,520,600	411,429,745	172,445,812	103,952,060	518,120,000	14,335,865	14,505,952,943	(2,183,073,693)	-	(2,183,073,693)	14,582,683,332	29,282,915	14,611,966,247	
	-	-	-	-	-	-	(57,407,906)	-	-	-	(57,407,906)	-	(57,407,906)	
	-	-	-	-	-	-	(644,413,837)	-	-	-	(644,413,837)	-	(644,413,837)	
	-	-	-	-	-	-	718,524,855	723,983,335	-	723,983,335	1,442,508,190	3,846,472	1,446,354,662	
	-	-	-	-	-	997,086	(997,086)	-	-	-	-	-	-	
Balance as at 31 December 2011	1,039,520,600	411,429,745	172,445,812	103,952,060	518,120,000	15,332,951	14,521,658,969	(1,459,090,358)	-	(1,459,090,358)	15,323,369,779	33,129,387	15,356,499,166	

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 2011 and 2010

(Unit: Baht)

	Separate financial statements							Total shareholders' equity
	Issued and paid-up share capital	Premium on ordinary shares	Premium on treasury stock	Retained earnings			Other components of shareholders' equity - other comprehensive income	
				Statutory reserve	Corporate social responsibility reserve	Unappropriated		
Balance as at 31 December 2009 - as previously reported	1,039,520,600	411,429,745	172,445,812	103,952,060	37,782,784	10,690,601,362	-	12,455,732,363
Cumulative effect of change in accounting policy for the effects of changes in foreign exchange rates (Note 3 and 5)	-	-	-	-	-	-	-	576,030,507
Balance as at 31 December 2009 - as restated	1,039,520,600	411,429,745	172,445,812	103,952,060	37,782,784	10,690,601,362	576,030,507	13,031,762,870
Dividend paid to the Company's shareholders (Note 36)	-	-	-	-	-	(1,299,195,572)	-	(1,299,195,572)
Total comprehensive income for the year (restated)	-	-	-	-	-	1,095,297,805	(1,238,444,238)	(143,146,433)
Appropriated to corporated social responsibility reserve (Note 29)	-	-	-	-	(23,446,919)	23,446,919	-	-
Balance as at 31 December 2010 - as restated	1,039,520,600	411,429,745	172,445,812	103,952,060	14,335,865	10,510,150,514	(662,413,731)	11,589,420,865
Balance as at 31 December 2010 - as previously reported	1,039,520,600	411,429,745	172,445,812	103,952,060	14,335,865	10,418,381,449	-	12,160,065,531
Cumulative effect of change in accounting policy for the effects of changes in foreign exchange rates (Note 3 and 5)	-	-	-	-	-	91,769,065	(662,413,731)	(570,644,666)
Balance as at 31 December 2010 - as restated	1,039,520,600	411,429,745	172,445,812	103,952,060	14,335,865	10,510,150,514	(662,413,731)	11,589,420,865
Cumulative effect of change in accounting policy for employee benefits (Note 3 and 5)	-	-	-	-	-	(51,551,192)	-	(51,551,192)
Dividend paid to the Company's shareholders (Note 36)	-	-	-	-	-	(644,413,837)	-	(644,413,837)
Total comprehensive income for the year	-	-	-	-	-	811,695,324	602,582,679	1,414,278,003
Appropriated to corporated social responsibility reserve (Note 29)	-	-	-	-	997,086	(997,086)	-	-
Balance as at 31 December 2011	1,039,520,600	411,429,745	172,445,812	103,952,060	15,332,951	10,624,883,723	(59,831,052)	12,307,733,839

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 2011 and 2010

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
		(Restated)		(Restated)
Cash flows from operating activities				
Profit before tax	724,450,359	1,226,238,203	811,695,324	1,095,297,805
Adjustments to reconcile profit before tax to to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	655,730,565	687,459,304	13,993,535	16,657,318
Bad debt and doubtful accounts	124,468	15,809,182	-	-
Write-off and donation of equipment	5	683	5	682
Allowance for loss on investments in subsidiaries	-	-	-	444
Losses (gains) on sales of vessels and equipment	(1,831,319)	(438,383,131)	(1,412,510)	100,047
Gains on sales of new shipbuildings under Novation Agreements	(319,167,621)	-	(319,167,621)	-
Write-off deferred financial fees	89,513,976	-	89,513,976	-
Share of income from investment in associate held by a subsidiary	(7,637,073)	(18,658,503)	-	-
Provision for maritime claims (reversal)	2,507,343	(17,917,902)	-	-
Provision for long-term employee benefits	5,930,849	-	5,737,637	-
Unrealised exchange losses (gains)	620,599	(8,461,692)	(2,677,699)	11,072
Amortised financial fees to interest expense	8,466,799	5,461,474	-	-
Interest expense	111,417,070	71,848,735	-	-
Interest income	(23,780,098)	(21,434,322)	(23,183,401)	(19,979,092)
Profit from operating activities before changes in operating assets and liabilities	1,246,345,922	1,501,962,031	574,499,246	1,092,088,276
Operating assets (increase) decrease				
Trade and other receivables	(85,696,364)	(9,239,211)	550,553,738	97,523,092
Bunker oil	(61,473,623)	(40,650,653)	-	-
Other current assets	(32,829,749)	32,094,933	5,809,686	4,932,022
Other non-current assets	(10,096,275)	240,432	-	224,791
Operating liabilities increase (decrease)				
Trade and other payables	21,187,748	(30,333,868)	760,533,514	700,602,803
Advances received from charterers	36,434,741	(24,019,910)	-	-
Other current liabilities	(27,279,154)	(54,639,991)	(57,888,004)	(34,148,856)
Other non-current liabilities	(24,973,142)	(88,382,805)	(22,712,672)	(81,372,878)
Cash flows from operating activities	1,061,620,104	1,287,030,958	1,810,795,508	1,779,849,250
Cash paid for corporate income tax and withholding tax deducted at source	(11,022,168)	(107,341,242)	(3,115,275)	(3,826,459)
Net cash flows from operating activities	1,050,597,936	1,179,689,716	1,807,680,233	1,776,022,791

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 2011 and 2010

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
		(Restated)		(Restated)
Cash flows from investing activities				
Acquisitions of vessels, equipment and payment of dry-dock and special survey expenses	(2,387,724,255)	(962,066,739)	(391,116)	(3,783,109)
Acquisitions of computer software	(351,100)	(908,772)	(289,821)	(908,772)
Cash paid for advances for vessel constructions and other direct costs	(1,693,046,873)	(1,658,069,733)	(1,138,214,584)	(214,097,522)
Cash paid for advances for vessel purchase	(389,908,750)	-	-	-
Cash received from sales of new shipbuildings under Novation Agreements	2,167,572,480	-	2,167,572,480	-
Proceeds from sales of vessels and equipment	1,923,077	822,849,716	1,501,388	160,014
Cash received in advance for share acquisition in associate held by a subsidiary	-	10,334,960	-	-
Dividend received from associate held by a subsidiary	3,375,001	3,288,306	-	-
Increase in investment in a subsidiary	-	(92)	-	(49,000,000)
Increase in investment in joint venture	-	-	-	(33)
Increase in short-term loans to subsidiary	-	-	(249,541,600)	-
Increase in long-term loan to jointly controlled entity	-	-	-	(267,865,515)
Interest income	23,780,098	21,434,322	23,183,400	19,979,092
Net cash flows from (used in) investing activities	(2,274,380,322)	(1,763,138,032)	803,820,147	(515,515,845)
Cash flows from financing activities				
Cash paid for interest expense	(162,738,434)	(131,054,753)	(47,804,213)	(59,206,018)
Cash paid for deferred financial fees	(40,085,098)	(109,052,216)	-	(103,375,521)
Cash received from long-term loans	4,453,525,405	1,053,227,382	842,227,200	197,218,767
Repayment of long-term loans	(2,455,723,895)	(28,796,417)	(2,218,243,946)	-
Dividends paid to the Company's shareholders	(644,413,837)	(1,299,195,572)	(644,413,837)	(1,299,195,572)
Net cash flows from (used in) financing activities	1,150,564,141	(514,871,576)	(2,068,234,796)	(1,264,558,344)
Increase (decrease) in translation adjustments	224,505,960	(567,616,214)	134,904,263	(238,920,526)
Net increase (decrease) in cash and cash equivalents	151,287,715	(1,665,936,106)	678,169,847	(242,971,924)
Cash and cash equivalents at beginning of year	4,223,423,116	5,889,359,130	2,041,348,939	2,284,320,863
Add: Cash and cash equivalents of subsidiaries as at acquisition date	-	92	-	-
Cash and cash equivalents at end of year	4,374,710,831	4,223,423,116	2,719,518,786	2,041,348,939

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 2011 and 2010

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
		(Restated)		(Restated)
Supplemental cash flows information				
Non-cash transactions				
Dividend income from subsidiaries offset against receivable from/payable to subsidiaries	-	-	981,828,800	1,530,297,884
Amortisation of financial fees to advances for vessel constructions	1,802,291	3,043,438	1,565,209	3,038,346
Transfer of interest expense to advances for vessel constructions	47,744,245	59,927,141	44,170,852	59,869,148
Transfer of deferred financial fees to present as a deduction from long-term loans	89,849,508	28,495,967	6,063,432	7,361,675
Amortisation of financial fees to interest expense	8,466,799	5,461,474	-	-
Transfer of deferred financial fees to subsidiary in proportion to the drawdown amount	-	-	86,586,466	19,715,856
Transfer of advances for vessel constructions to vessel and equipment of a subsidiary	918,294,404	-	918,294,404	-
Adjustment of deferred financial fee and advances for vessel constructions	(979,265)	(6,054,799)	(979,265)	(6,054,799)
Adjustment of provision for long-term employee benefits with the beginning balance of retained earnings	(57,407,906)	-	(51,551,192)	-

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 2011 and 2010

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. The registered office of the Company is at 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 28 September 2011, issued under the Accounting Act B.E. 2543.

These financial statements are presented in Thai Baht which is different from the functional currency of the Company, which is USD. The presentation is in Thai Baht in accordance with the regulatory requirements in Thailand.

The USD functional currency financial statements are translated into the Thai Baht presentation currency financial statements at the rate of exchange prevailing on the end of reporting period in respect of assets and liabilities, and at a rate that approximates the actual rate at the date of the transaction in respect of revenues and expenses, differences being recorded as "Exchange differences on translation of financial statements" in other comprehensive income, other components of shareholders' equity.

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 joint venture:

Company's name	Nature of business	Country of incorporation	Percentage directly and indirectly owned by the Company	
			2011	2010
			%	%
Subsidiaries held by the Company				
1. Precious Metals Limited	Shipowner	Thailand	99.99	99.99
2. Precious Wishes Limited	Shipowner	Thailand	99.99	99.99
3. Precious Stones Shipping Limited	Shipowner	Thailand	99.99	99.99
4. Precious Minerals Limited	Shipowner	Thailand	99.99	99.99
5. Precious Lands Limited	Shipowner	Thailand	99.99	99.99
6. Precious Rivers Limited	Shipowner	Thailand	99.99	99.99
7. Precious Lakes Limited	Shipowner	Thailand	99.99	99.99
8. Precious Seas Limited	Shipowner	Thailand	99.99	99.99
9. Precious Stars Limited	Shipowner	Thailand	99.99	99.99
10. Precious Oceans Limited	Shipowner	Thailand	99.99	99.99
11. Precious Planets Limited	Shipowner	Thailand	99.99	99.99

Company's name	Nature of business	Country of incorporation	Percentage directly and indirectly owned by the Company	
			2011	2010
			%	%
12. Precious Diamonds Limited	Shipowner	Thailand	99.99	99.99
13. Precious Sapphires Limited	Shipowner	Thailand	99.99	99.99
14. Precious Emeralds Limited	Shipowner	Thailand	99.99	99.99
15. Precious Rubies Limited	Shipowner	Thailand	99.99	99.99
16. Precious Opals Limited	Shipowner	Thailand	99.99	99.99
17. Precious Garnets Limited	Shipowner	Thailand	99.99	99.99
18. Precious Pearls Limited	Shipowner	Thailand	99.99	99.99
19. Precious Flowers Limited	Shipowner	Thailand	99.99	99.99
20. Precious Forests Limited	Shipowner	Thailand	99.99	99.99
21. Precious Trees Limited	Shipowner	Thailand	99.99	99.99
22. Precious Ponds Limited	Shipowner	Thailand	99.99	99.99
23. Precious Ventures Limited	Shipowner	Thailand	99.99	99.99
24. Precious Capitals Limited	Shipowner	Thailand	99.99	99.99
25. Precious Jasmines Limited	Shipowner	Thailand	99.99	99.99
26. Precious Orchids Limited	Shipowner	Thailand	99.99	99.99
27. Precious Lagoons Limited	Shipowner	Thailand	99.99	99.99
28. Precious Cliffs Limited	Shipowner	Thailand	99.99	99.99
29. Precious Hills Limited	Shipowner	Thailand	99.99	99.99
30. Precious Mountains Limited	Shipowner	Thailand	99.99	99.99
31. Precious Resorts Limited	Shipowner	Thailand	99.99	99.99
32. Precious Cities Limited	Shipowner	Thailand	99.99	99.99
33. Precious Comets Limited	Shipowner	Thailand	99.99	99.99
34. Precious Ornaments Limited	Shipowner	Thailand	99.99	99.99
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
39. Precious Shipping (Mauritius) Limited	Holding company*	Mauritius	100.00	100.00
40. Precious Shipping (Singapore) Pte. Limited	Holding company/ Chartering	Singapore	100.00	100.00
41. Precious Shipping (UK) Limited	Chartering	England	99.99	99.99
42. Great Circle Shipping Agency Limited	Technical manager of ships	Thailand	99.99	99.99
43. Precious Projects Pte. Limited	Investment holding company	Singapore	100.00	100.00
Subsidiaries held by subsidiaries				
44. Rapid Port Leasing Company Pte. Limited	Marine construction**	Singapore	100.00	100.00
45. PSL Investments Limited	Holding company*	Mauritius	100.00	100.00
46. International Lighterage Limited	Holding company	Mauritius	100.00	100.00
47. PSL Thun Shipping Pte. Limited	Chartering	Singapore	64.06	64.06
48. Regidor Pte. Limited	Maritime business*	Singapore	100.00	100.00

Company's name	Nature of business	Country of incorporation	Percentage directly and indirectly owned by the Company	
			2011	2010
			%	%
49. Precious Forests Pte. Limited	Shipowner	Singapore	100.00	100.00
50. Precious Fragrance Pte. Limited	Shipowner	Singapore	100.00	-
51. Precious Thoughts Pte. Limited	Shipowner	Singapore	100.00	-
52. Precious Comforts Pte. Limited (Formerly known as OSW6 Pte. Limited)	Shipowner	Singapore	100.00	100.00
53. Precious Sparks Pte. Limited (Formerly known as OSW7 Pte. Limited)	Shipowner	Singapore	100.00	100.00
54. Precious Visions Pte. Limited (Formerly known as OSW8 Pte. Limited)	Shipowner	Singapore	100.00	100.00
55. Precious Bridges Pte. Limited (Formerly known as OSW9 Pte. Limited)	Shipowner	Singapore	100.00	100.00
Joint venture				
56. Associated Bulk Carriers Pte. Limited	Holding company	Singapore	50.00	50.00
Subsidiaries of joint venture (SPC Subsidiaries)				
57. ABC One Pte. Limited	Shipowner	Singapore	50.00	50.00
58. ABC Two Pte. Limited	Shipowner	Singapore	50.00	50.00
59. ABC Three Pte. Limited	Shipowner	Singapore	50.00	50.00
Associate held by a subsidiary				
60. International Seaports (Haldia) Private Limited	Berth construction and development	India	22.40	22.40

*Business suspended

**The relevant authority in Singapore approved the dissolution of this company on 12 January 2012.

- b) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.

Joint venture is accounted for in the consolidated financial statements using the proportionate shares of the assets, liabilities, revenues and expenses with the Company's shareholding in the joint venture (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 joint venture are prepared for the same reporting period as the Company and using the same 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 financial statements of all subsidiaries and joint venture are prepared in their respective functional currencies. Where the functional currency is not USD, the financial statements are translated into USD using the exchange rate prevailing on the end of reporting period in respect of assets and liabilities, and at a rate that approximates the actual rate at the date of the transaction in respect of revenues and expenses. The resultant differences have been shown under the caption of "Exchange differences on translation of financial statements" in other comprehensive income, other components of 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 joint venture, and investment in joint venture by the Company and shareholders' equity of the joint venture have been eliminated from the consolidated financial statements in proportion with the Company's shareholding in the joint venture.

- f) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.

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

3. Adoption of new accounting standards during the year

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

Accounting standards:

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 12	Income Tax
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates
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

Financial Reporting Standards:

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

Financial Reporting Standard Interpretations:

TFRIC 15	Agreements for the Construction of Real Estate
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Accounting Standard Interpretations:

SIC 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
SIC 25	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
SIC 31	Revenue-Barter Transactions Involving Advertising Services

These accounting standards do not have any significant impact on the financial statements for the current year, except for the following accounting standards.

TAS 1 (revised 2009) Presentation of Financial Statements

The Group applies TAS 1 (revised 2009) Presentation of Financial Statements, which became effective as of 1 January 2011. As a result, the Group presents in the statement of changes in shareholders' equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income.

Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation, earnings per share remains unchanged.

TAS 12 Income Tax

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 Group has early adopted TAS 12 Income Tax which would otherwise become effective in 2013. The change has no significant impact on the Company's retained earnings as at 31 December 2010 and profit for the years ended 31 December 2011 and 2010 since management considered that there are no deferred tax assets to be recognised because it is not probable that future taxable profit will be available against which the Group can utilise the benefits thereof.

TAS 16 (revised 2009) Property, Plant and Equipment

The Group changed its accounting policy for land and condominium units from the revaluation model to the cost model, as permitted under TAS 16 (revised 2009) Property, Plant and Equipment. In this regard, the Group has restated the previous period's consolidated financial statements as though the land and condominium units had originally been recorded using the cost model. This change results in the reversal of the revaluation surplus previously held in equity as at 31 December 2010 and 2009, of Baht 147.29 million and Baht 203.45 million, respectively, with a corresponding decrease in the carrying amount of land and condominium units under property, plant and equipment as at 31 December 2010 and 2009 of Baht 147.29 million and Baht 203.45 million, respectively, and increasing the profit of the consolidated income statement for the year ended 31 December 2011 by Baht 50.09 million (or 0.05 Baht per share) (2010: Baht 50.09 million

(or Baht 0.05 per share)). The cumulative effect of the change in the accounting policy has been presented under the heading of "Cumulative effect of change in accounting policy for land and condominium units of a subsidiary" in the consolidated statements of changes in shareholders' equity. This has no impact on the separate financial statements. It may be noted that this is not a requirement of TAS 16 (revised 2009) Property, Plant and Equipment but is a voluntary change in accounting policy to simplify the financial statements by eliminating the periodic increase in revaluation surplus and the associated depreciation of this revaluation surplus through the income statement.

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 or liabilities arising from other defined benefit plans and other long-term employee benefits using actuarial techniques. The Group previously accounted for such employee benefits when they were incurred.

The Group has changed this accounting policy in the current year and recognised the liability in the transition period through an adjustment to the beginning balance of retained earnings in the current period, with no restatement of the comparative period. This change results in decreasing the consolidated retained earnings and increasing provision for long-term employee benefits as at 1 January 2011, amounting to Baht 57.41 million (separate financial statement: Baht 51.55 million) and decreasing the profit of the consolidated income statements for the year ended 31 December 2011 by Baht 5.93 million (or Baht 0.0057 per share) (separate financial statement: decreasing profit by Baht 5.74 million (or Baht 0.0055 per share)). The cumulative effect of the change in the accounting policy has been presented under the heading of "Cumulative effect of change in accounting policy for employee benefits" in the consolidated and separate statements of changes in shareholders' equity.

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

The Group has early adopted TAS 21 (revised 2009) The Effects of Changes in Foreign Exchange Rates which would otherwise become effective in 2013. When a reporting entity prepares financial statements, TAS 21 (revised 2009) requires each individual entity to determine its functional currency and measure its results and financial position in that functional currency. TAS 21 (revised 2009) defines the functional currency as the currency of the primary economic environment in which the entity operates and the presentation currency as the currency in which the financial statements are presented.

The Group operates in a USD environment, with purchases and sales predominantly quoted and settled in USD. Accordingly, the management determines that USD is the functional currency of Group's vessel operating entities whilst Thai Baht is the presentation currency of the Group.

TAS 21 (revised 2009) requires all transactions to be initially recorded in the functional currency, USD. All transactions that are not denominated in USD are foreign currency transactions; exchange differences arising on translation generally are recognised in profit or loss. Exchange differences arising from translation of functional currency to presentation currency are recognised in other comprehensive income, other components of shareholders' equity. In general, when the Thai Baht presentation currency appreciates against the USD functional currency, the carrying amount of assets, liabilities and the exchange differences on translation of financial statements in equity is likely to reduce. Conversely, when the Thai Baht depreciates against the USD, the carrying amount of assets, liabilities and the exchange differences on translation of financial statements in equity is likely to increase.

The adoption of TAS 21 (revised 2009) is considered to be a change in accounting policy under TAS 8 (revised 2009) Accounting Policies, Changes in Accounting Estimates and Errors whereby the effects of changes in accounting policy have been applied retrospectively as though the financial statements had originally been prepared using USD functional currency.

The cumulative effect of change in the accounting policy has been presented under the heading of "Cumulative effect of change in accounting policy for the effects of changes in foreign exchange rates" in the consolidated and separate statements of changes in shareholders' equity.

A summary of how these adjustments arising from TAS 21 (revised 2009) have affected the Group's financial statements and explanation for the key movements are set out in the Note 5 to the financial statements.

TAS 24 (revised 2009) Related Party Disclosures

The Group adopted TAS 24 (revised 2009) Related Party Disclosures, which became effective as of 1 January 2011. Under this standard, the Group is required to disclose key management personnel's remuneration both in total and for each category of employee benefit type. Details of connected transactions are now included in the notes to the financial statements as required by TAS 24 (revised 2009).

4. New accounting standards issued during the years not yet effective

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting Standard:

TAS 20 (revised 2009) Accounting for Government Grants and Disclosure of Government Assistance

Accounting Standard Interpretations:

SIC 10 Government Assistance – No Specific Relation to Operating Activities

SIC 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets

SIC 25 Income Taxes – Changes in the Tax Status of an Entity or its Shareholders

The Company has elected to adopt SIC 21 and SIC 25 in 2011. The adoption of these SIC in 2011 has no significant effect on the Company's retained earnings as at 31 December 2010 and profit for the years ended 31 December 2011 and 2010. For TAS 20 (revised 2009) and SIC 10, 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.

5. Cumulative effect of changes in accounting policies due to the adoption of new accounting standards

During the current year, the Company made the changes to its significant accounting policies described in Note 3 to the financial statements, as a result of the adoption of revised and new accounting standards. The cumulative effect of the changes in the accounting policies has been separately presented in the statements of changes in shareholders' equity, under other components of shareholders' equity.

The amounts of adjustments affecting the statement of financial position as at 31 December 2010 and the income statement for the year ended 31 December 2010 are summarised below.

(Unit: Thousand Baht)

	Statements of financial position as at 31 December 2010					
	Consolidated financial statements			Separate financial statements		
	As previously reported	Effect of the changes in accounting policies	As restated	As previously reported	Effect of the changes in accounting policies	As restated
Assets						
Cash and cash equivalents	4,210,310	13,113	4,223,423	2,031,532	9,817	2,041,349
Trade and other receivables	33,855	151	34,006	317,568	(29,166)	288,402
Short-term loans to subsidiary	-	-	-	1,914,402	9,251	1,923,653
Other current assets	92,543	(1,675)	90,868	16,199	657	16,856
Total current assets	4,336,708	11,589	4,348,297	4,279,701	(9,441)	4,270,260
Investments	173,241	(41,096)	132,145	5,762,157	(42,300)	5,719,857
Long-term loan to jointly controlled entity	-	-	-	256,554	1,240	257,794
Property, plant and equipment (a)	7,518,078	(1,117,745)	6,400,333	12,033	(1,163)	10,870
Advances for vessel constructions (a)	9,517,341	(969,228)	8,548,113	8,081,917	(969,229)	7,112,688
Claim recoverables - maritime claims (b)	-	47,624	47,624	-	-	-
Other non-current assets	526,258	(40,884)	485,374	412,051	(54,511)	357,540
Total non-current assets	17,734,918	(2,121,329)	15,613,589	14,524,712	(1,065,963)	13,458,749
Total assets	22,071,626	(2,109,740)	19,961,886	18,804,413	(1,075,404)	17,729,009
Liabilities						
Trade and other payables	11,100	(79)	11,021	3,017,317	(489,733)	2,527,584
Advances received from charterers	47,683	(221)	47,462	-	-	-
Current portion of long-term loans	147,610	(214)	147,396	24,100	(103)	23,997
Other current liabilities	236,292	(2,068)	234,224	146,199	(36)	146,163
Total current liabilities	442,685	(2,582)	440,103	3,187,616	(489,872)	2,697,744
Accrued employee bonus - net of current portion	76,645	(367)	76,278	70,382	(337)	70,045
Provision for maritime claims (b)	20,768	46,469	67,237	-	-	-
Long-term loans - net of current portion	4,782,043	(15,741)	4,766,302	3,386,349	(14,550)	3,371,799
Total non-current liabilities	4,879,456	30,361	4,909,817	3,456,731	(14,887)	3,441,844
Total liabilities	5,322,141	27,779	5,349,920	6,644,347	(504,759)	6,139,588
Shareholders' equity						
Share capital	1,039,521	-	1,039,521	1,039,521	-	1,039,521
Premium on ordinary shares	411,430	-	411,430	411,430	-	411,430
Premium on treasury stock	172,446	-	172,446	172,446	-	172,446
Retained earnings - appropriated	636,408	-	636,408	118,288	-	118,288
Retained earnings - unappropriated	14,333,075	172,878	14,505,953	10,418,381	91,770	10,510,151

(Unit: Thousand Baht)

Statements of financial position as at 31 December 2010						
	Consolidated financial statements			Separate financial statements		
	As previously reported	Effect of the changes in accounting policies	As restated	As previously reported	Effect of the changes in accounting policies	As restated
Other components of shareholders' equity						
Revaluation surplus on assets of subsidiary - net (c)	147,288	(147,288)	-	-	-	-
Exchange differences on translation of financial statements (d)	(25,252)	(2,157,823)	(2,183,075)	-	(662,415)	(662,415)
Equity attributable to owner of the Company	16,714,916	(2,132,233)	14,582,683	12,160,066	(570,645)	11,589,421
Non-controlling interests of subsidiaries	34,569	(5,286)	29,283	-	-	-
Total shareholders' equity	16,749,485	(2,137,519)	14,611,966	12,160,066	(570,645)	11,589,421
Total liabilities and shareholders' equity	22,071,626	(2,109,740)	19,961,886	18,804,413	(1,075,404)	17,729,009

(Unit: Thousand Baht)

Income statements for the year ended 31 December 2010						
	Consolidated financial statements			Separate financial statements		
	As previously reported	Effect of the changes in accounting policies	As restated	As previously reported	Effect of the changes in accounting policies	As restated
Revenues						
Vessel operating income						
Hire income	2,810,421	(64,468)	2,745,953	-	-	-
Freight income	142,683	39,655	182,338	-	-	-
Total vessel operating income	2,953,104	(24,813)	2,928,291	-	-	-
Service income	10,379	61	10,440	71,463	(40)	71,423
Gains on sales of vessels and equipment	390,280	48,103	438,383	-	-	-
Interest income	25,978	(151)	25,827	20,571	100	20,671
Other income	426	(5)	421	5	-	5
Dividend received	-	-	-	1,530,298	-	1,530,298
Total revenues	3,380,167	23,195	3,403,362	1,622,337	60	1,622,397
Expenses						
Vessel operating costs						
Vessel running expenses	847,172	(5,484)	841,688	-	-	-
Voyage disbursements	20,905	5,530	26,435	-	-	-
Bunker consumption	5,174	(5)	5,169	-	-	-
Total vessel operating costs	873,251	41	873,292	-	-	-
Depreciation	796,564	(118,356)	678,208	8,561	(1,155)	7,406

(Unit: Thousand Baht)

Income statements for the year ended 31 December 2010

	Consolidated financial statements			Separate financial statements		
	As previously reported	Effect of the changes in accounting policies	As restated	As previously reported	Effect of the changes in accounting policies	As restated
Cost of services	4,818	48	4,866	-	-	-
Administrative expenses	195,348	9,474	204,822	169,331	8,752	178,083
Management remuneration including perquisites	104,136	8,844	112,980	98,006	7,792	105,798
Bad debts and doubtful accounts	15,289	520	15,809	-	-	-
Exchange losses	112,243	(105,727)	6,516	120,353	(106,079)	14,274
Total expenses	2,101,649	(205,156)	1,896,493	396,251	(90,690)	305,561
Profit before share of income from investment in associate, finance cost and corporate income tax	1,278,518	228,351	1,506,869	1,226,086	90,750	1,316,836
Share of income from investment in associate held by a subsidiary	19,520	(861)	18,659	-	-	-
Profit before finance cost and corporate income tax	1,298,038	227,490	1,525,528	1,226,086	90,750	1,316,836
Finance cost	(301,394)	2,104	(299,290)	(222,557)	1,019	(221,538)
Profit before corporate income tax	996,644	229,594	1,226,238	1,003,529	91,769	1,095,298
Corporate income tax	(81,922)	(689)	(82,611)	-	-	-
Profit for the year	914,722	228,905	1,143,627	1,003,529	91,769	1,095,298
Profit attributable to:						
Equity holders of the Company	904,685	229,043	1,133,728	1,003,529	91,769	1,095,298
Non-controlling interest of the subsidiaries	10,037	(138)	9,899	-	-	-
Profit for the year	914,722	228,905	1,143,627	1,003,529	91,769	1,095,298
Basic earnings per share						(Unit: Baht)
Profit attributable to equity holders of the Company	0.87	0.22	1.09	0.97	0.08	1.05

Notes:

- (a) It is noted that the USD is the functional currency of reporting entities of the Group whilst the Thai Baht is the presentation currency of the Group. The value of the USD against the Thai Baht has been declining over the past few years. This change in the value of the USD has substantial effects on the amount of assets and liabilities translated from USD to Thai Baht especially those assets acquired and liabilities incurred prior to 1 January 2011, the date of transition of the adoption of TAS 21 (revised 2009). As a result, due to the declining value of the USD, the amounts of property, plant and equipment and advances for vessel constructions have reduced substantially as at 31 December 2010 in the presentation currency when compared to the balances as previously reported under the previous accounting policy.
- (b) This impact arises from a reclassification of provisions and contingencies, recognising the provision for maritime claims and related claim recoverable - maritime claim gross instead of net.

- (c) This impact arises from the change in accounting policy for measurement of land and condominium units from revaluation model to cost model, as discussed in Note 3 to the financial statements.
- (d) The change in carrying amounts of assets and liabilities due to a change in functional currency is recorded in the cumulative translation adjustments in equity. The two main changes described above, in relation to vessels and advances for vessel constructions, are the main components of the change in the cumulative translation adjustments.

6. Significant accounting policies

6.1 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.

6.2 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.

6.3 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.

6.4 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.

6.5 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 joint venture 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 in profit or loss 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.

6.6 Property, plant and equipment

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

Depreciation of vessels, condominium units and equipment is calculated by reference to their costs, 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 and asset under construction.

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 profit or loss when the asset is derecognised.

6.7 Borrowing costs

Borrowing costs directly attributable to the acquisition or construction 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.

6.8 Intangible assets and amortisation

Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

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 profit or loss.

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

Computer software	5 years and 10 years
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6.9 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.

6.10 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.

6.11 Long-term leases

Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

6.12 Foreign currencies

The Group's financial statements are presented in Thai Baht, which is different from the Group's functional currency of USD. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

a) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency. Foreign currency transactions during a particular month are translated into functional currency at the average exchange rates ruling during the previous transaction month.

Monetary assets and liabilities denominated in foreign currencies are retranslated into functional currency at the exchange rate ruling at the end of reporting period. All differences are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

b) Group companies

The assets and liabilities of Group companies whose functional currency is not USD are translated into USD at the exchange rate ruling at the end of reporting period and their income statements and statements of comprehensive income are translated at a rate that approximates the actual rate at the date of the transaction.

The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

6.13 Impairment of assets

At the end of each reporting period, 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.

An impairment loss is recognised in profit or loss.

6.14 Employee benefits

a) Short-term employee benefits

Short-term employee benefit obligations, which include salaries, wages, bonuses, and contributions to the social security fund, are measured on an undiscounted basis and are expensed when they are incurred.

b) Post-employment benefits

The Group provides post-employment benefits through a defined contribution plan (under the Provident Fund Act B.E. 2530 (1987)) and a defined benefit plan (obligations for retired employees under the Thai Labor Protection Act B.E. 2541 (1998)).

- Defined contribution plan

A defined contribution plan comprises a provident fund which is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions. Obligations for contributions to defined

contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

- Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. Such benefits are discounted to determine its present value using the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed by an independent actuary using the Projected Unit Credit Method.

When the benefits under the plans are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average remaining period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Group recognises all actuarial gains or losses arising from defined benefit plans in other comprehensive income in the period in which they arise.

c) Other long-term employee benefits

The Group's obligation in respect of accrued bonuses is classified as long-term employee benefits other than retirement benefit plans, and is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Actuarial gains and losses arising from other long-term benefits are recognised immediately in profit and loss.

d) Termination benefits

The Group recognises termination benefits when it is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

For the first-time adoption of TAS 19 Employee Benefits, the Company elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in the current year.

6.15 Provisions

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

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

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 best estimate of the expenditure required to settle the subsidiaries present obligation.

6.16 Income tax

Income tax expense for the year comprises current and deferred 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 in Thailand. Overseas subsidiaries calculate corporate income tax in accordance with the method and tax rates stipulated by tax laws in those countries.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries and joint venture to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

6.17 Premium on treasury stock

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

6.18 Derivatives

Cross currency swap contracts

Receivables and payables arising from cross currency swap contracts are translated into USD at the exchange rates ruling at the end of reporting period. Unrecognised gains and losses from the translation are recognised in profit or loss.

7. 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 residual values of the Company's and subsidiaries' vessels, condominium units and equipment and reviews estimated useful lives and residual values if there are any changes.

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.

Deferred tax assets

Deferred tax assets are recognised in respect of temporary differences only to the extent that it is probable that taxable profit will be available against which these differences can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future profits.

Post-employment benefits under defined benefit plans and other long-term employee benefits

The obligation under the defined benefit plan and other long-term employee benefit plans is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

8. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
		(Restated)		(Restated)
Cash	674	637	663	625
Bank deposits	4,374,037	4,222,786	2,718,856	2,040,724
Total	4,374,711	4,223,423	2,719,519	2,041,349

As at 31 December 2011, bank deposits carried interest between 0.10% - 0.50% per annum for USD savings accounts, 0.75% per annum for Baht savings accounts, 0.20% - 1.30% per annum for USD fixed deposits and 1.37% - 2.25% per annum for EUR fixed deposits (2010: between 0.05% - 0.26% per annum for USD savings accounts, 0.25% per annum for Baht savings accounts and 0.25% - 2.00% per annum for USD fixed deposits).

9. Current investment

(Unit: Thousand Baht)

	Consolidated financial statements							
	Paid-up capital		Shareholding percentage		Cost		Carrying amount based on equity method	
	2011	2010	2011	2010	2011	2010	2011	2010
	Thousand INR	Thousand INR	%	%		(Restated)		(Restated)
Investment in associate held by a subsidiary								
Southern LPG Limited	64,592	64,592	50.00	50.00	27,658	26,314	17,403	16,557
Less: Allowance for loss on investment							(17,403)	(16,557)
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.

10. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
		(Restated)		(Restated)
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of invoice date				
Past due				
Up to 3 months	104,741	33,087	-	-
3 - 6 months	117	-	-	-
6 - 12 months	20,236	919	-	-
Over 12 months	20,109	19,008	-	-
Total	145,203	53,014	-	-
Less: Allowance for doubtful debts	(20,109)	(19,008)	-	-
Total trade receivables - unrelated parties, net	125,094	34,006	-	-
<u>Other receivables - related parties</u>				
Advances to related parties	-	-	771,933	288,402
Total other receivables	-	-	771,933	288,402
Trade and other receivables - net	125,094	34,006	771,933	288,402

11. Related party transactions

In addition to relationship between the Company and its subsidiaries as stated in Note 14, its joint venture as stated in Note 15, and its associates as stated in Note 16, the other related party transactions and relationship are summarised below.

Related party's name	Transaction	Relationship
Globex Corporation Limited	None	Major shareholder holding 25.65% ordinary shares in the Company and related by way of the Company's directors as shareholders and directors in the related party
Unistretch Limited	Office rental and service expenses	Related by way of common shareholders and directors
Ambika Tour Agency Limited	Air ticket expenses	Related by way of common shareholders and directors
Geepee Air Service Limited	Air ticket expenses	Related by way of common shareholders and directors
Maestro Controls Limited	Air-conditioning service expenses	Related by way of common shareholders and directors
Maxwin Builders Limited	Office and apartment management expenses	Related by way of common shareholders and directors
InsurExcellence Insurance Brokers Limited	Insurance expense	Related by way of Company Directors' close family member as the related party's shareholder
InsurExcellence Life Insurance Brokers Limited	Insurance expense	Related by way of Company Directors' close family member as the related party's shareholder
Quidlab Company Limited	Computer hardware or software purchases	Related by way of Company Senior Manager's close family member as the related party's shareholder and director

During the years, the Company, subsidiaries and jointly controlled entities 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 agreed upon between the Company and those related parties.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements		Transfer pricing policy
	2011	2010	2011	2010	
		(Restated)		(Restated)	
Transactions with subsidiaries (Eliminated from consolidated financial statements)					
Service income - management fees	-	-	46,094	44,564	Fixed rate per vessel per day set with reference to the administrative cost of the Company
Service income - commission from vessel sales	-	-	-	25,053	3% of vessels' selling price
Dividend received	-	-	981,829	1,530,298	As declared
Interest income	-	-	10,914	8,111	At interest rate of 0.40% and 0.70% per annum (2010: 0.70% per annum)
Condominium rental expenses	-	-	9,404	9,258	Market price

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements		Transfer pricing policy
	2011	2010	2011	2010	
		(Restated)		(Restated)	
Transaction with jointly controlled entity (Eliminated from consolidated financial statements in proportion with the Company's shareholding)					
Vessel construction supervision income	3,069	903	6,139	1,807	USD 350,000 per vessel in accordance with contract based on market practice
Transaction with associate Dividend received	3,375	3,288	-	-	As declared
Transactions with related companies					
Air ticket expenses	7,731	9,500	3,488	3,686	Market price
Rental and service expenses	5,793	5,725	4,507	4,415	Market price
Computer purchases	1,764	4,506	626	3,806	Market price

The balances of the accounts as at 31 December 2011 and 2010 between the Company and those related parties are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
		(Restated)		(Restated)
Other receivables - related parties (Note 10)				
Subsidiaries	-	-	731,132	279,477
Jointly controlled entity	-	-	40,801	8,925
Total other receivables - related parties	-	-	771,933	288,402
Trade and other payables - related parties (Note 23)				
Subsidiaries	-	-	3,430,581	2,526,929
Related companies	91	853	32	433
Total trade and other payables - related parties	91	853	3,430,613	2,527,362

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

Directors and management's benefits

During the years ended 31 December 2011 and 2010, the Company and its subsidiaries had employee benefit expenses of their directors and management as below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
		(Restated)		(Restated)
Short-term employee benefits	72,631	77,536	69,878	74,328
Post-employment benefits	2,363	-	2,363	-
Other long-term benefits	24,397	35,444	21,736	31,470
Total	99,391	112,980	93,977	105,798

Guarantee obligations with related parties

The Company has outstanding guarantee obligations with its subsidiaries and jointly controlled entity, as described in Note 26 to the financial statements. There was no guarantee fee charged.

12. Short-term loans to subsidiary

As at 31 December 2011, short-term loans to wholly owned subsidiary are in the form of promissory notes in US Dollar, amounting to USD 71.80 million (2010: USD 63.80 million), which carry interest at the rate of 0.40% per annum (2010: 0.70% 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			
	2010	Addition	Translation adjustment	2011
	(Restated)			
Short-term loans to subsidiary				
Precious Shipping (Singapore) Pte. Limited	1,923,653	249,542	102,233	2,275,428

13. Long-term loan to jointly controlled entity

As at 31 December 2011, long-term loan to jointly controlled entity is in the form of promissory note in US Dollar, amounting to USD 8.55 million (2010: 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 SPC subsidiaries of the jointly controlled entity to pay the installments due to the shipbuilder. Movements in the balance of the loan during the year were as follows:

(Unit: Thousand Baht)

	Separate financial statements		
	2010	Translation adjustment	2011
	(Restated)		
Long-term loan to jointly controlled entity			
Associated Bulk Carriers Pte. Limited	257,794	13,166	270,960

14. Investments in subsidiaries

These represent investments in ordinary shares in the following subsidiaries.

(Unit: Thousand Baht)

Subsidiaries' name	Separate financial statements							
			Shareholding percentage		Cost		Dividend received for the years ended 31 December	
	Paid-up capital							
	2011	2010	2011	2010	2011	2010	2011	2010
			%	%		(Restated)		(Restated)
Precious Metals Limited	250,000	250,000	99.99	99.99	310,698	295,601	-	45,000
Precious Wishes Limited	230,000	230,000	99.99	99.99	285,842	271,952	23,000	345,000
Precious Stones Shipping Limited	260,000	260,000	99.99	99.99	267,012	254,037	18,200	26,000
Precious Minerals Limited	230,000	230,000	99.99	99.99	242,802	231,006	32,200	23,000
Precious Lands Limited	84,000	84,000	99.99	99.99	78,088	74,294	-	-
Precious Rivers Limited	234,000	234,000	99.99	99.99	201,966	192,152	84,240	-
Precious Lakes Limited	99,000	99,000	99.99	99.99	89,474	85,126	-	188,099
Precious Seas Limited	100,000	100,000	99.99	99.99	124,279	118,240	72,000	30,000
Precious Stars Limited	105,000	105,000	99.99	99.99	130,493	124,152	51,450	36,750
Precious Oceans Limited	175,000	175,000	99.99	99.99	217,488	206,920	63,000	35,000
Precious Planets Limited	100,000	100,000	99.99	99.99	124,279	118,240	-	-
Precious Diamonds Limited	205,000	205,000	99.99	99.99	184,630	175,658	116,850	20,500
Precious Sapphires Limited	144,000	144,000	99.99	99.99	125,262	119,176	95,040	50,400
Precious Emeralds Limited	366,000	366,000	99.99	99.99	300,361	285,766	36,600	54,900
Precious Rubies Limited	84,000	84,000	99.99	99.99	78,088	74,294	-	-
Precious Opals Limited	74,000	74,000	99.99	99.99	70,044	66,641	-	-
Precious Garnets Limited	379,000	379,000	99.99	99.99	309,803	294,749	7,580	56,850
Precious Pearls Limited	73,000	73,000	99.99	99.99	75,817	72,133	-	-
Precious Flowers Limited	76,000	76,000	99.99	99.99	78,230	74,428	-	-
Precious Forests Limited	96,000	96,000	99.99	99.99	94,755	90,151	-	-
Precious Trees Limited	80,000	80,000	99.99	99.99	81,886	77,907	-	-
Precious Ponds Limited	84,000	84,000	99.99	99.99	81,595	77,631	-	100,800
Precious Ventures Limited	80,000	80,000	99.99	99.99	99,423	94,592	-	-
Precious Capitals Limited	200,000	200,000	99.99	99.99	248,558	236,480	100,000	60,000
Precious Jasmines Limited	147,000	147,000	99.99	99.99	168,869	160,663	-	110,250

(Unit: Thousand Baht)

Subsidiaries' name	Separate financial statements							
	Paid-up capital		Shareholding percentage		Cost		Dividend received for the years ended 31 December	
	2011	2010	2011	2010	2011	2010	2011	2010
			%	%		(Restated)		(Restated)
Precious Orchids Limited	217,000	217,000	99.99	99.99	190,827	181,555	2,170	65,100
Precious Lagoons Limited	140,000	140,000	99.99	99.99	173,990	165,536	60,200	-
Precious Cliffs Limited	140,000	140,000	99.99	99.99	173,990	165,536	43,400	-
Precious Hills Limited	140,000	140,000	99.99	99.99	173,990	165,536	53,200	28,000
Precious Mountains Limited	140,000	140,000	99.99	99.99	173,990	165,536	39,200	35,000
Precious Resorts Limited	140,000	140,000	99.99	99.99	173,990	165,536	7,000	28,000
Precious Cities Limited	170,000	170,000	99.99	99.99	197,849	188,236	76,499	85,000
Precious Comets Limited	71,100	71,100	99.99	99.99	57,233	54,452	-	106,649
Precious Ornaments Limited	68,100	68,100	99.99	99.99	54,820	52,156	-	-
Nedtex Limited	2,500	2,500	69.99	69.99	806	766	-	-
Precious Storage Terminals Limited	6,000	6,000	69.99	69.99	5,219	4,966	-	-
Thebes Pte. Limited	0.0365	0.0365	100.00	100.00	-	-	-	-
Precious Shipping (Panama) S.A.	250	250	99.99	99.99	317	301	-	-
Precious Shipping (Mauritius) Limited	250	250	100.00	100.00	317	301	-	-
Precious Shipping (Singapore)Pte. Limited	363,338	363,338	100.00	100.00	332,457	316,303	-	-
Precious Shipping (UK) Limited	250	250	99.99	99.99	317	301	-	-
Great Circle Shipping Agency Limited	100,000	100,000	99.99	99.99	230,226	219,039	-	-
Precious Projects Pte. Limited	0.0345	0.0345	100.00	100.00	-	-	-	-
Total investments in subsidiaries					6,010,080	5,718,045	981,829	1,530,298
Less: Allowance for loss on investments in subsidiaries					(6,342)	(6,034)		
Total investments in subsidiaries - net					6,003,738	5,712,011		

The Company offsets the dividend income against amounts receivables from/payables to subsidiaries in the statements of financial position.

The change in cost of investments in subsidiaries is from the exchange differences on translation of functional currency to presentation currency.

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 (In 2011, the subsidiaries changed company name to Precious Comforts Pte. Limited, Precious Sparks Pte. Limited, Precious Visions Pte. Limited, Precious Bridges Pte. Limited, respectively). 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.

15. Investment in joint venture

15.1 Details of investment in joint venture

Investment in joint venture represents investment under joint venture agreement in Associated Bulk Carriers Pte. Limited ("the ABC Company") which is jointly controlled by the Company and Varada Marine Pte. Limited for the purpose of owning and operating cement carriers. Details of the investment are as follows:

(Unit: Baht)

Jointly controlled entity	Separate financial statements						
	Nature of business	Shareholding percentage		Cost		Carrying amounts based on cost method	
		2011	2010	2011	2010	2011	2010
		(%)	(%)		(Restated)		(Restated)
		Associated Bulk Carriers Pte. Limited	Holding company	50	50	32	30

The change in cost of investment in joint venture is from the exchange differences on translation of functional currency to presentation currency.

15.2 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)

	2011	2010
		(Restated)
Cash and cash equivalents	12,174	2,086
Other current assets	1,016	-
Advances for vessel constructions	455,719	342,983
Deferred financial fees	3,289	4,261
Other non-current assets	10,304	-
Total assets	482,502	349,330
Other current liabilities	1,860	367
Current portion of long-term loan	8,893	1,409
Long term loan - net of current portion	168,969	83,107
Total liabilities	179,722	84,883
Net assets	302,780	264,447

(Unit: Thousand Baht)

	For the years ended 31 December	
	2011	2010
		(Restated)
Revenues	4	15
Administrative expenses	(603)	(1,445)
Exchange loss	(3)	-
Finance cost	(3,647)	(7)
Loss for the year	(4,249)	(1,437)

16. Investment in associate held by a subsidiary

16.1 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	
			2011	2010	2011	2010	2011	2010
			%	%		(Restated)		(Restated)
International Seaports (Haldia) Private Limited	Berth construction and development	India	22.40	22.40	64,576	61,438	111,681	124,299

The change in cost of investment in associate held by a subsidiary is from the exchange differences on translation of functional currency to presentation currency.

(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 the years ended 31 December	
	2011	2010	2011	2010
		(Restated)		(Restated)
International Seaports (Haldia) Private Limited	3,375	3,288	7,637	18,659

Share of income from investment in associate held by a subsidiary for the years ended 31 December 2011 and 2010, included in the consolidated income statements, was calculated based on the reviewed financial statements of that associate as at 30 September 2011 and 2010.

16.2 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		Profit for the years ended 30 September	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	Thousand INR	Thousand INR		(Restated)		(Restated)		(Restated)		(Restated)
International Seaports (Haldia) Private Limited	440,580	440,580	635,935	808,225	137,358	257,181	245,273	541,657	34,094	83,297

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 consolidated statement of financial position. 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.

17. Other long-term investment

In 2006, 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 paid up Baht 5 per share, or a total of Baht 10.13 million. The change in cost of other long-term investment is from the exchange differences on translation of functional currency to presentation currency.

During the year ended 31 December 2011, the Company received dividend income from TMN Company Limited amounting to Baht 0.51 million (2010: none).

[illegible]

	Consolidated financial statements							
	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 (Restated)								
31 December 2009	238,259	11,941,816	726,070	12,667,886	58,187	17,450	11,722	12,993,504
Acquisitions/transfer in	245	726,506	230,778	957,284	4,783	-	-	962,312
Disposals/transfer out/write-off	-	(1,249,086)	(346,661)	(1,595,747)	(6,327)	-	-	(1,602,074)
Translation adjustment	(22,987)	(1,102,709)	(62,761)	(1,165,470)	(5,774)	(1,683)	(1,130)	(1,197,044)
31 December 2010	215,517	10,316,527	547,426	10,863,953	50,869	15,767	10,592	11,156,698
Accumulated depreciation (Restated)								
31 December 2009	178,866	5,228,878	336,385	5,565,263	44,656	13,039	8,243	5,810,067
Depreciation for the year	12,188	418,034	238,333	656,367	5,434	2,094	2,125	678,208
Depreciation on disposals/transfer out/write-off	-	(927,082)	(294,762)	(1,221,844)	(5,633)	-	-	(1,227,477)
Translation adjustment	(17,834)	(449,991)	(29,786)	(479,777)	(4,561)	(1,364)	(897)	(504,433)
31 December 2010	173,220	4,269,839	250,170	4,520,009	39,896	13,769	9,471	4,756,365
Net book value (Restated)								
31 December 2009	59,393	6,712,938	389,685	7,102,623	13,531	4,411	3,479	7,183,437
31 December 2010	42,297	6,046,688	297,256	6,343,944	10,973	1,998	1,121	6,400,333
Depreciation for the year 2010 (Restated)								678,208

(Unit: Thousand Baht)

	Separate financial statements			
	Furniture, fixtures and office equipment	Motor vehicles	Leasehold improvement	Total
Cost				
31 December 2010 (Restated)	21,084	14,947	8,055	44,086
Acquisitions/transfer in	391	-	-	391
Disposals/transfer out/write-off	(567)	(3,380)	-	(3,947)
Translation adjustment	1,068	653	411	2,132
31 December 2011	21,976	12,220	8,466	42,662
Accumulated depreciation				
31 December 2010 (Restated)	13,333	12,948	6,935	33,216
Depreciation for the year	2,734	1,597	502	4,833
Depreciation on disposals/transfer out/write-off	(478)	(3,380)	-	(3,858)
Translation adjustment	758	607	371	1,736
31 December 2011	16,347	11,772	7,808	35,927
Net book value				
31 December 2010 (Restated)	7,751	1,999	1,120	10,870
31 December 2011	5,629	448	658	6,735
Depreciation for the year 2011				4,833

(Unit: Thousand Baht)

	Separate financial statements			
	Furniture, fixtures and office equipment	Motor vehicles	Leasehold improvement	Total
Cost (Restated)				
31 December 2009	25,912	16,542	8,913	51,367
Acquisitions/transfer in	4,028	-	-	4,028
Disposals/transfer out/write-off	(6,224)	-	-	(6,224)
Translation adjustment	(2,632)	(1,595)	(858)	(5,085)
31 December 2010	21,084	14,947	8,055	44,086
Accumulated depreciation (Restated)				
31 December 2009	16,969	12,131	5,999	35,099
Depreciation for the year	3,723	2,094	1,589	7,406
Depreciation on disposals/transfer out/write-off	(5,549)	-	-	(5,549)
Translation adjustment	(1,810)	(1,277)	(653)	(3,740)
31 December 2010	13,333	12,948	6,935	33,216
Net book value (Restated)				
31 December 2009	8,943	4,411	2,914	16,268
31 December 2010	7,751	1,999	1,120	10,870
Depreciation for the year 2010 (Restated)				7,406

During the year ended 31 December 2010, local subsidiaries sold and delivered 5 vessels and had gains on sales of vessels and equipment totaling Baht 438.38 million as presented in the 2010 consolidated profit or loss.

As at 31 December 2011, 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 128.04 million (2010: Baht 122.90 million) in the consolidated financial statements and Baht 21.56 million (2010: Baht 21.42 million) in the separate financial statements.

As at 31 December 2011, the subsidiaries have mortgaged 14 vessels (2010: 7 vessels) with net book value of Baht 6,394.78 million (2010: Baht 2,576.03 million) with banks to secure long-term loans as referred to in Note 26 to the financial statements.

19. Intangible assets

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

(Unit: Thousand Baht)

	Consolidated financial statements		Separated financial statements	
	2011	2010	2011	2010
	(Restated)		(Restated)	
Cost				
Cost at beginning of year	50,217	52,900	50,217	52,900
Acquisitions	351	909	290	909
Transfer in from equipment	-	1,536	-	1,536
Translation adjustment	2,581	(5,128)	2,578	(5,128)
Cost at end of year	53,149	50,217	53,085	50,217
Accumulated amortisation				
Accumulated amortisation at beginning of year	19,868	10,726	19,868	10,726
Amortisation for the year	9,167	9,251	9,160	9,251
Transfer in from equipment	-	1,367	-	1,367
Translation adjustment	1,332	(1,476)	1,332	(1,476)
Accumulated amortisation at end of year	30,367	19,868	30,360	19,868
Net book value as at 31 December	22,782	30,349	22,725	30,349
Amortisation for the year	9,167	9,251	9,160	9,251

20. Advances for vessel purchase

During the year 2011, a local subsidiary entered into a Purchase Agreement termed as Memorandum of Agreement with an overseas company to purchase a second-hand vessel for a total of USD 19.50 million. The local subsidiary paid deposit of USD 12.50 million or approximately Baht 396.14 million. Subsequently, on 12 January 2012 the local subsidiary made the final balance payment and took the delivery of the vessel.

21. Advances for vessel constructions

The Company had Orders for Newbuilding Vessels as follows:

Vessel type	18 Bulk Carriers (12 Handysize vessels and 6 Supramax vessels)	4 Bulk Carriers (Supramax vessels)	3 Cement Carriers*
Acquirer	The Company	Special Purpose Subsidiaries (Acquired by the Company's subsidiary as mentioned in Note 14)	Jointly Controlled Entities (Special Purpose Subsidiaries)*
Shipbuilder	ABG Shipyard Ltd., India	Wuhan Guoyu Logistics Group Co. Ltd. and Yangzhou Guoyu Shipbuilding Co. Ltd., China	ABG Shipyard Ltd., India
Contract date	20 July 2007 for the 12 Handysize vessels, 14 September 2007 for 3 Supramax vessels and 11 February 2008 for 3 more Supramax vessels	10 December 2010 (Date of acquisition of the Special Purpose Subsidiaries which had placed the orders for the vessels in year 2006)	22 April 2010
Contract value	USD 30.00 million per Handysize vessel and USD 38.00 million per Supramax vessel (or USD 588.00 million in aggregate)	USD 24.50 million per vessel (or USD 98.00 million in aggregate)	USD 28.50 million per vessel (or USD 85.50 million in aggregate) The Company's shareholding is 50% and therefore, in all the contracts the Company's portion is 50% of the aggregate contract prices, which is USD 42.75 million.
Payment terms	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 the Company.	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 SPC subsidiary.	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 SPC subsidiary.
Expected delivery schedule	2011 to 2014	2012	2012 to 2013

* The Jointly Controlled Entity may order one more vessel (through another wholly owned SPC subsidiary) if the charterer, as mentioned in Note 37.4 to the financial statements 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 2011 and 2010, advances for vessel constructions are presented below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
		(Restated)		(Restated)
Balance at beginning of year	8,548,113	7,593,351	7,112,688	7,593,351
Additions	1,651,253	1,436,258	1,111,297	197,219
Acquisitions of subsidiaries (Note 14)	-	204,774	-	-
Interest costs	47,744	59,927	44,171	59,869
Amortisation of financial fees	1,802	3,043	1,565	3,038
Other direct costs	41,794	17,038	26,918	16,879
Sales of new shipbuildings under Novation Agreements	(1,848,405)	-	(1,848,405)	-
Transfer to cost of vessel and equipment of a subsidiary	(918,294)	-	(918,294)	-
Adjustment	(979)	(6,055)	(979)	(6,055)
Translation adjustment	376,161	(760,223)	286,060	(751,613)
Balance at end of year	7,899,189	8,548,113	5,815,021	7,112,688
Less: Current portion of advances for vessel constructions	(1,327,296)	-	(1,327,296)	-
Advances for vessel constructions - net of current portion	6,571,893	8,548,113	4,487,725	7,112,688

During the years, the Company, subsidiaries and jointly controlled entities made payment of installments to the shipbuilders as below.

	2011		2010	
	(Million USD)	(Equivalent to Million Baht)	(Million USD)	(Equivalent to Million Baht)
The Company	36.47	1,111.30	6.00	197.22
Subsidiaries	14.70	453.55	29.40	885.35
Jointly controlled entity - proportion with the Company's shareholding (50%)	2.85	86.40	11.40	353.69
Total	54.02	1,651.25	46.80	1,436.26

During the year ended 31 December 2011, the amount of borrowing costs capitalised was Baht 47.74 million (2010: Baht 59.93 million) in the consolidated financial statements and Baht 44.17 million (2010: Baht 59.87 million) in the separate financial statements. The weighted average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 1.44% - 2.97% (2010: 1.45% - 2.70%) in the consolidated financial statements and was 1.44% - 1.74% (2010: 1.45% - 1.74%) in the separate financial statements.

Novation of new Shipbuilding Contracts

On 18 March 2011 and 21 December 2011, the Company signed 4 Novation Agreements with Global Bulk Carriers Pte. Ltd. (the "New Buyer"), for disposal of the 4 new Shipbuilding Contracts, signed between the Company and ABG Shipyard Ltd., India. Since the estimated revised Delivery Dates under the terms of the existing Shipbuilding Contracts were not suitable for the Company, the Company opted to dispose of the Contracts because the disposal in this manner and on these terms allowed the Company to fully recover all installments paid to the Builder plus interest at 7.50% per annum from the dates of payment of the respective installments plus an additional amount of USD 100,000 per new Shipbuilding Contract.

Details of the 4 new Shipbuilding Contracts' disposals during the year ended 31 December 2011 are as follows:

Vessel Hull No.	DWT	Shipbuilding Contract Date	Contract Amount (USD)	In stallments paid to the Builder by the Company (USD)
329	32,000	20 July 2007	29,999,997	17,999,997
330	32,000	20 July 2007	29,999,997	17,999,997
313	54,000	14 September 2007	37,999,998	22,799,998
333	32,000	20 July 2007	29,999,997	17,999,997

During the year ended 31 December 2011, the Company received in aggregate USD 71.47 million as the novation proceeds from the disposal of 3 new Shipbuilding Contracts (Vessel Hull Nos. 329, 330 and 313). The gains on sales of the new Shipbuilding Contracts under the Novation Agreements amounting to USD 10.52 million or approximately Baht 319.17 million were recorded in the consolidated and separate profit or loss for the year ended 31 December 2011.

Novation of the Shipbuilding Contract for the Vessel Hull No. 333 was signed on 21 December 2011. Under the terms of the Novation, the New Buyer shall pay to the Company as follows:

If the payment is made on Initial Payment Date (31 May 2012)	If the payment is made during the Extended Payment Period (1 – 20 June 2012)
An amount equal to USD 22,839,174	Aforesaid amount (USD 22,839,174) plus interest accrued on an amount of USD 17,999,997 (installments paid to the Builder) at a rate of 7.5% per annum from 31 May 2012 to the date of such payment. Therefore, if the payment is made on the last date of the Extended Payment Period above on 20 June 2012, the maximum Total Amount will be USD 22,913,147

Delivery of vessel under the new Shipbuilding Contract

On 14 June 2011, the first vessel under one of the Newbuilding Contracts with ABG Shipyard Ltd., India was completed and delivered to the Company's indirect subsidiary incorporated in Singapore (Precious Forests Pte. Limited). The Company therefore transferred advance for vessel construction and other direct costs which were relevant to the vessel, totaling USD 30.27 million or approximately Baht 918.29 million, and recorded as cost of vessel and equipment of the aforesaid indirect subsidiary.

22. Deferred financial fees

Movements of the deferred financial fees account during the years ended 31 December 2011 and 2010 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
		(Restated)		(Restated)
Balance at beginning of year	329,044	276,111	324,784	276,111
Additions	40,085	109,052	-	103,376
Transfer to present as a deduction against long-term loans	(89,849)	(28,496)	(6,063)	(7,362)
Transfer to subsidiaries as a borrower	-	-	(82,317)	(19,716)
Write-off	(81,749)	-	(81,749)	-
Adjustment	-	6,055	-	6,055
Translation adjustment	14,301	(33,678)	13,500	(33,680)
Balance at end of year	211,832	329,044	168,155	324,784

During the year 2011, the Company has written off Baht 81.75 million being a part of the deferred financial fees paid in earlier years due to the loan prepayment and reduction of loan facilities. The amount of write-off has been estimated on a pro-rata basis to the amount of reduction of the facilities.

23. Trade and other payables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
		(Restated)		(Restated)
Trade payables - related parties	91	853	32	433
Trade payables - unrelated parties	33,059	10,168	491	222
Advance received from related parties	-	-	3,430,581	2,526,929
Total trade and other payables	33,150	11,021	3,431,104	2,527,584

24. Accrued employee bonus

As at 31 December 2011 and 2010, accrued employee bonus can be separated based on the year the payment is to be made to employees, as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
		(Restated)		(Restated)
1 year	66,761	136,458	61,556	125,410
2 - 3 years	54,028	76,278	49,836	70,046
Total	120,789	212,736	111,392	195,456

25. Provision for maritime claims

(Unit: Thousand Baht)

	Consolidated financial statements	
	2011	2010
		(Restated)
Balance at beginning of year	67,237	192,431
Increase during the year	24,222	11,182
Decrease during the year	(29,780)	(119,548)
Translation adjustment	2,958	(16,828)
Balance at end of year	64,637	67,237

26. Long-term loan facilities

As at 31 December 2011 and 2010, 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	
	2011	2010	2011	2010	2011	2010	2011	2010
		(Restated)		(Restated)		(Restated)		(Restated)
Long-term loans	2,782,249	3,413,127	180,640	85,931	4,189,231	1,464,008	7,152,120	4,963,066
Less: Deferred financial fees	(15,536)	(17,331)	(2,778)	(1,415)	(107,431)	(30,622)	(125,745)	(49,368)
Total	2,766,713	3,395,796	177,862	84,516	4,081,800	1,433,386	7,026,375	4,913,698
Less: Current portion of long-term loans	(329,924)	(23,997)	(8,893)	(1,409)	(379,732)	(121,990)	(718,549)	(147,396)
Long-term loans - net of current portion	2,436,789	3,371,799	168,969	83,107	3,702,068	1,311,396	6,307,826	4,766,302

(Unit: Thousand Baht)

	Separate financial statements	
	Loan facilities for financing the construction and acquisition of new vessels	
	Facility 1	
	2011	2010
		(Restated)
Long-term loans	2,155,001	3,413,127
Less: Deferred financial fees	(11,399)	(17,331)
Total	2,143,602	3,395,796
Less: Current portion of long-term loans	(286,951)	(23,997)
Long-term loans - net of current portion	1,856,651	3,371,799

Movements in the long-term loan accounts during the year ended 31 December 2011 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	
	Facility 1	Facility 2	Facility 1	Total
Balance at beginning of year (Restated)	3,395,796	84,516	1,433,386	4,913,698
Add: Drawdown	1,497,398	86,399	2,869,728	4,453,525
Amortisation of financial fees	1,879	237	8,153	10,269
Write-off from sales of new shipbuildings under Novation Agreements	7,765	-	-	7,765
Less: Deferred financial fees	(6,063)	(1,469)	(82,317)	(89,849)
Repayment	(2,273,338)	-	(182,386)	(2,455,724)
Unrealised exchange gains	-	-	(75,065)	(75,065)
Adjustment	(979)	-	-	(979)
Translation adjustment	144,255	8,179	110,301	262,735
Balance at end of year	2,766,713	177,862	4,081,800	7,026,375

(Unit: Thousand Baht)

	Separate financial statements	
	Loan facilities for financing the construction and acquisition of new vessels	
	Facility 1	
Balance at beginning of year (restated)	3,395,796	
Add: Drawdown	842,227	
Amortisation of financial fees	1,565	
Write-off from sales of new shipbuildings under Novation Agreements	7,765	
Transfer to subsidiary	4,270	
Less: Deferred financial fees	(6,063)	
Repayment	(2,218,244)	
Adjustment	(979)	
Translation adjustment	117,265	
Balance at end of year	2,143,602	

The details of each loan facility are summarised as follows:

26.1 Loan facility for financing the construction and acquisitions of new vessels (Newbuildings)

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 was 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 was equivalent to 80% of the aggregate contract prices of the 15 vessels.

Subsequently, during the year ended 31 December 2011 the Company novated the 4 New Shipbuilding Contracts for Vessel Hull Nos. 329, 330, 313 and 333 per details provided in Note 21 to the financial statements, and thereafter, the Company prepaid the loans drawn against the aforesaid Contracts and cancelled the undrawn balance loan facility against the aforesaid Contracts.

The details of the prepayment and cancellation are as follows:

Hull No.	Loan Prepayment Amount (USD)	Loan Facility Cancellation Amount (USD)	Prepayment & Cancellation Date
329	11,999,998	12,000,000	26 April 2011
330	11,999,998	12,000,000	7 April 2011
313	15,199,999	15,200,000	26 July 2011
333	11,999,998	12,000,000	25 October 2011

The drawing, final maturity, repayment and security of the above loan facility is summarised as follows:

Facility / Description	Pre-delivery facility	Post-delivery facility
Drawing	As per milestones in the shipbuilding all contracts whereby the aggregate of 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 1/60 th of the post-delivery facility amount, and in a balloon amount equal to the balance under such tranche on final maturity. The first quarterly repayment to each tranche shall commence 3 months after delivery of each respective vessel.
Security	a) Corporate guarantee from the Company if the Company is not a joint borrower b) 1 st priority assignment of the shipbuilding contracts c) 1 st priority assignment of the refund guarantees by the refund guarantors given in relation to the shipbuilding contracts with the Company	a) 1 st priority mortgage over the vessels b) Pledge of the vessel-owning subsidiaries' shares c) Corporate guarantee from the Company if the Company is not a joint borrower d) 1 st priority assignment of requisition compensation in respect of the vessels e) 1 st priority assignment of all insurance proceeds f) 1 st priority assignment of the earnings of the vessels and pledge over the earnings and retention account of each vessel

The Loan 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

Facility 2

On 28 October 2010, ABC One Pte. Ltd., one of the three Singapore registered subsidiaries (referred to as the "SPC subsidiary" in this note) of Associated Bulk Carriers Pte. Ltd., the Jointly Controlled Entity (ABC 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 facility is 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 1/60 th 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 SPC 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 SPC 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 SPC 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 SPC subsidiary) e) 1st priority assignment of insurance proceeds

Facility / Description	Pre-delivery facility	Post-delivery facility
		f) 1 st priority assignment of the earnings of the vessel and pledge over the earnings account and retention account of the vessel

The Secured Loan 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 of Total Debt Service
- b) maintenance of Total Shareholders' Equity to the aggregate of Total Shareholders' Equity and Total Debt of no less than 20%.

Facility 3

On 14 October 2011, the four Single Purpose Companies (SPCs) in Singapore of the Company's subsidiary have executed an USD 84.96 million Loan Agreement with ING Bank N.V., Singapore Branch and DnB NOR Bank ASA, Singapore Branch to finance up to 80% of the Total Acquisition Cost of the 4 new Supramax 57,000 dwt Dry Bulk vessels ordered by the SPCs to be built in China. The loan carries interest at LIBOR plus margin. The drawing, final maturity, repayment and security of the loan facility is summarised as follows:

Facility / Description	Pre-delivery facility	Post-delivery facility
Drawing	Each request for drawdown, other than the portion of acquisition cost pertaining to the share purchase consideration shall be in accordance with the relevant shipbuilding contract(s).	100% of the post-delivery facility amount is to be drawn upon delivery of the respective vessels.
Final maturity	8 years after final drawdown of each vessel tranche	8 years after final drawdown of each vessel tranche
Repayment	To be repaid in one lump sum upon delivery of the respective Vessel from the proceeds of the post-delivery drawdown	For each Vessel, in 32 equal quarterly installments of USD 354,000 and a balloon repayment of USD 9,912,000 together with the last installment. The first repayment installment to be due 3 months after the final drawdown of each vessel. At final maturity, all amounts outstanding shall be repaid and the respective vessel tranches reduced to zero.

Facility / Description	Pre-delivery facility	Post-delivery facility
Security	a) Pledge of shares of the borrowers b) First priority assignment of refund guarantees issued by the China Merchants Bank, or any other banks /financial institutions acceptable to the lenders c) First priority assignment of the shipbuilding contracts d) Corporate guarantee from the Company	a) Pledge of shares of the borrowers b) First priority mortgage on the vessels c) First priority assignment of earnings and time charters d) First priority pledge over the earnings accounts with the security agent e) First priority assignment of all insurances and requisition compensation of the vessels f) Corporate guarantee from the Company g) All the above post-delivery securities to be cross collateralised

The Loan Agreement contains covenants that, among other things, require the Company to maintain certain financial ratios on its consolidated USD financial statements which include:

- a) maintenance of the maximum Funded Debt to Total Shareholders' Equity ratio of 2:1
- b) maintenance of the maximum Funded Debt to EBITDA ratio of 5:1
- c) maintenance of a minimum Free Cash Balance of USD 100,000 per vessel owned by the Precious Group

26.2 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 loan 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 loan 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 from the facility from the local commercial banks and the entire loan has been converted to a dollar loan of USD 23.75 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.

On 31 January 2011, the Company executed the amendment of the Secured Loan Facility Agreement (to fund the acquisition of second-hand vessels) with Krung Thai Bank PCL and two other local Banks to (i) convert the unutilised portion of the Tranche A Facility at the end of the Tranche A Availability Period into a USD facility in the amount of USD 200 million, (ii) extend the availability period of the Facility upto 29 December 2011, (iii) expand the scope of the utilisation of the Hedging Facility to allow for interest rate swaps and extend the Hedging Availability Period.

During the year 2011, 4 local subsidiaries had drawn down USD 92.00 million from this facility and the undrawn facility was reduced to USD 108.00 million.

The availability period of this facility for purchasing of vessels expired on 29 December 2011. The Company is in discussions with the Lenders to extend USD 50.00 million out of the undrawn facility of USD 108.00 million and the balance of USD 58.00 million will therefore be automatically cancelled.

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 loan 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 Loan 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

The availability period of facility 2 for purchasing of vessels expired on 30 June 2011. Subsequently, on 18 July 2011, the Company has executed the amending and restating agreement of the Secured Term Loan Facility Agreement (originally) up to USD 250.00 million to fund the acquisition of additional second-hand vessels with the lending Banks for the extension of the availability period of the Facility upto 30 June 2012 and for the withdrawal of one local Bank as one of the original Lenders, thereby reducing the amount of the total loan facility to USD 200.00 million.

As at 31 December 2011, the Company, subsidiaries and jointly controlled entity have long-term loan facilities which have not yet been drawn as summarised below.

(Unit: Million USD)

Facility	Maximum facility amount per loan agreement	Undrawn loan balance as at 31 December 2011
Loan facilities for financing the construction and acquisition of new vessels (Newbuildings)		
Facility 1	296.00	204.00
Facility 2	22.80	11.40
Facility 3	84.96	84.96
Loan facilities for purchasing of vessels		
Facility 1	200.00	108.00
Facility 2	200.00	200.00

The undrawn loan balance of loan facility for financing the construction and acquisition of new vessels facility 2 as at 31 December 2011 is USD 11.40 million. Since the Company holds 50% of the total shareholding in the SPC subsidiary (through the ABC Company), the maximum facility amount per contract and the undrawn loan balance as at 31 December 2011 of the Company's portion is 50% of the aggregate amount, which is USD 5.70 million.

27. Provision for long-term employee benefits

Provision for long-term employee benefits as at 31 December 2011, which is compensation payable on employees' retirement, is as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Cumulative effect of change in accounting policy for employee benefits adjusted against beginning balance of retained earnings (Note 5)	57,408	51,551
Current service cost	3,849	3,721
Interest cost	2,082	2,016
Translation adjustment	(316)	(287)
Balance at end of year	63,023	57,001

Long-term employee benefit expenses included in the profit or loss for the year ended 31 December 2011 amounted to Baht 5.93 million in the consolidated financial statements and Baht 5.74 million in the separate financial statements.

Principle actuarial assumptions at the valuation date were as follows:

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	4.7%	4.7%	4.7%	4.7%
Average future salary increase rate	6.5%	6.5%	6.5%	6.5%
Staff turnover rate	2.0% – 5.0%	2.0% – 5.0%	2.0% – 5.0%	2.0% – 5.0%

28. 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 profit for the year 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 profit 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.

29. Corporate social responsibility (CSR) reserve

The Company has earmarked 0.5% of its profit for the year as a reserve towards CSR activities. The Company expects to earmark amounts based on the same percentage of profit annually on a cumulative basis, but subject to a minimum of Baht 1.75 million and a maximum of Baht 25.00 million per year. The reserve was approved by a meeting of the Board of Directors of the Company on 14 August 2008.

During the year 2011, the Company set aside Baht 3.59 million (2010: Baht 4.52 million) to a reserve for CSR activities and reversed Baht 2.60 million (2010: Baht 27.97 million) from the reserve when the Company made related payments against the reserve.

30. Expenses by nature

Significant expenses by nature are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
		(Restated)		(Restated)
Salary, wages and other benefits of employees and crews	745,205	780,205	202,341	228,335
Rental expenses from operating lease agreements	5,321	5,101	3,887	3,704

31. Corporate income tax

No corporate income tax was payable for the years 2011 and 2010, 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 profit 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.

As at 31 December 2011, the Company and subsidiaries has unused tax losses of Baht 1,193.41 million (2010: Baht 1,276.98 million) (The Company only: Baht 1,009.47 million (2010: Baht 1,166.28 million)). Deferred tax assets have not been recognised in respect of those losses as they may not be used to offset future taxable profits.

32. 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 2011, the subsidiaries have registered their 11 vessels (2010: 11 vessels) under the Thai flag.

Revenues and expenses for 2011 and 2010 (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			
	2011	2010	2011	2010	2011	2010	2011	2010
		(Restated)		(Restated)		(Restated)		(Restated)
Revenues	1,557,487	1,893,213	1,310,063	1,206,702	1,522,956	1,984,274	4,390,506	5,084,189
Costs and expenses	(1,056,272)	(966,354)	(960,607)	(634,184)	(984,530)	(826,344)	(3,001,409)	(2,426,882)

33. Basic earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year.

34. Segment information

The Company and its subsidiaries' operations involve the business of owning and internationally operating (chartering) small handy sized and supramax dry bulk vessels, 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 vessels, 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 vessel 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	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
		(Restated)		(Restated)		(Restated)		(Restated)		(Restated)
Hire income	2,147,190	2,786,691	-	-	2,147,190	2,786,691	(44,540)	(40,738)	2,102,650	2,745,953
Freight income	-	-	1,133,442	185,132	1,133,442	185,132	(157,177)	(2,794)	976,265	182,338
Total vessel operating income	2,147,190	2,786,691	1,133,442	185,132	3,280,632	2,971,823	(201,717)	(43,532)	3,078,915	2,928,291
Voyage disbursements	-	-	(333,022)	(69,967)	(333,022)	(69,967)	201,717	43,532	(131,305)	(26,435)
Bunker consumption	-	-	(327,084)	(5,169)	(327,084)	(5,169)	-	-	(327,084)	(5,169)
Total voyage expenses	-	-	(660,106)	(75,136)	(660,106)	(75,136)	201,717	43,532	(458,389)	(31,604)
Net vessel operating income/time charter equivalent income	2,147,190	2,786,691	473,336	109,996	2,620,526	2,896,687	-	-	2,620,526	2,896,687

35. 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 2011, the Company and subsidiaries contributed Baht 2.66 million (2010: Baht 2.64 million) to the provident fund (Separate financial statements: Baht 2.41 million, 2010: Baht 2.40 million).

36. 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 2011 consist of the following:

204

	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 2011	Board of Directors' meeting on 3 November 2011	1,039,379,450	141,150	0.15	155.90	1 December 2011
b) Interim dividend based on the retained earnings as of 30 June 2011	Board of Directors' meeting on 4 August 2011	1,039,376,100	144,500	0.15	155.91	2 September 2011
c) Interim dividend based on the retained earnings as of 31 March 2011	Board of Directors' meeting on 12 May 2011	1,039,373,000	147,600	0.10	103.94	8 June 2011
d) Final dividend based on the retained earnings as of 31 December 2010	Annual General Meeting of the shareholders on 14 March 2011	1,039,378,200	142,400	0.22	228.66	25 March 2011
Total				0.62	644.41	

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 3 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	1,039,378,400	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	

37. Commitments and contingent liabilities

37.1 Vessel building contracts commitments

As at 31 December 2011 and 2010 the Company, subsidiaries and jointly controlled entity had future minimum payment commitments under vessel building contracts as detailed below.

	2011		2010	
	(Million USD)	(Equivalent to Million Baht)	(Million USD)	(Equivalent to Million Baht)
The Company	268.40	8,505.92	357.20	10,770.05
Subsidiaries	53.90	1,708.15	68.60	2,068.38
Jointly controlled entity - proportion with the Company's shareholding (50%)	28.50	903.20	31.35	945.24
Total	350.80	11,117.27	457.15	13,783.67

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

As at 31 December 2011, 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	Undrawn loan balance as at 31 December 2011 (Million USD)	Terms of payment of commitment fees	Payable upto
Loan facilities for financing the construction and acquisition of new vessels (Newbuildings)				
Facility 1	0.35% per annum of undrawn loan balance	204.00	Every three months until the end of the drawdown period	Upon delivery of each vessel
Facility 2	1.20% per annum of undrawn loan balance	11.40	Every three months until the end of the drawdown period	Upon delivery of the vessel
Facility 3	1.15% per annum of undrawn loan balance	84.96	Every three months 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	108.00	Every three months until the end of the drawdown period	29 December 2011
Facility 2	0.70% per annum of undrawn loan balance	200.00	Every three months until the end of the drawdown period	30 June 2012

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 2011 is USD 11.40 million. Since the Company holds 50% of the total shareholding in the SPC subsidiary (through the ABC Company), the maximum facility amount per contract and the undrawn loan balance as at 31 December 2011 of the Company's portion is 50% of the aggregate amount, which is USD 11.40 million and USD 5.70 million, respectively.

Availability period of Facility 1 for purchasing of vessels expired on 29 December 2011. 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.

37.3 Uncalled portion of other long-term investment

As at 31 December 2011, the Company has a commitment of Baht 10.13 million in respect of the uncalled portion of other long-term investment (2010: Baht 10.13 million).

37.4 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 vessels, plus an additional vessel at Charterer's option to be declared within 30 April 2011 as extended now upto 25 February 2012) 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 vessels 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 vessels are not delivered to the charterer within the agreed schedule, there is a fine payable of USD 4,250 per vessel per day.

As at 31 December 2011, the Company has nominated the 3 Long-Term Charter Contracts (3 definite vessels) to each SPC subsidiary of the jointly controlled entity. Since the Company holds 50% of the total shareholding in each SPC subsidiary (through the jointly controlled entity), the Company's portion is 50% of the commitments.

As at 31 December 2011, ABC One Pte. Limited (a SPC subsidiary of the jointly controlled entity) has paid the fine payable to the charterer due to the delay of vessel delivery amounting to USD 0.65 million or approximately Baht 20.60 million. The Company's portion is 50% of the amount, which is USD 0.33 million or approximately Baht 10.30 million included in other non-current assets in the consolidated statement of financial position. This amount will be deducted from the final payment to the shipbuilder, as stipulated in the shipbuilding agreement ordered by ABC One Pte. Limited (a SPC subsidiary of the jointly controlled entity).

37.5 Vessel purchase contract commitment

As of 31 December 2011, a local subsidiary has commitment according to a Memorandum of Agreement with an overseas company, as described in Note 20, to purchase one second-hand vessel amounting to USD 7.00 million or approximately Baht 221.84 million. Subsequently, on 12 January 2012 the local subsidiary made the final balance payment and took the delivery of the vessel.

38. Financial instruments

38.1 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 statement of financial position.

Interest rate risk

The Company and subsidiaries' exposure to interest rate risk relates primarily to its cash at banks 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 2011 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 with Maturity date within 1 year	Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)			
					Fixed		Floating	
					USD	EUR	USD	Baht
Financial assets								
Cash and cash equivalents	3,971,729	349,898	53,084	4,374,711	0.20% – 1.30%	1.37%, 2.25%	0.10% – 0.50%	0.75%
Trade and other receivables	-	-	125,094	125,094	-	-	-	-
Total	3,971,729	349,898	178,178	4,499,805				
Financial liabilities								
Trade and other payables	-	-	33,150	33,150	-	-	-	-
Long-term loans	-	7,026,375	-	7,026,375	-	-	1.42% – 3.31%	6.50%
Total	-	7,026,375	33,150	7,059,525				

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.

The subsidiaries have the following significant financial assets and liabilities denominated in foreign currencies (currencies other than US Dollars which is the Group's functional currency) as at 31 December 2011.

Foreign currency	Financial assets	Financial liabilities	Average exchange rate as at 31 December 2011
	(Million)	(Million)	(USD per 1 foreign currency unit)
Baht loan	-	1,345.85	0.0314
Euro fixed deposit	7.45	-	1.2905

Foreign currency swap contracts outstanding at 31 December 2011 are summarised below.

Bought amount	Sold amount	Contractual exchange rate		Contractual maturity date
		Bought	Sold	
		(USD per 1 foreign currency unit)		
Baht 1,345.85 million	USD 41.12 million	0.0302, 0.0309	-	Quarterly corresponding to the loan repayment schedule upto September 2022
USD 10.06 million	EUR 7.51 million	-	1.3313, 1.3503	February 2012 and March 2012 corresponding to the fixed deposit maturity dates

38.2 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 statement of financial position.

39. 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.

As at 31 December 2011, the Group's debt-to-equity ratio was 0.49:1 (2010: 0.37:1) and the Company's was 0.47:1 (2010: 0.53:1) which is calculated from USD functional currency financial statements.

40. Events after the reporting period

40.1 On 19 January 2012, the Company has executed the Third Supplemental Deed to the loan facility for financing the construction and acquisition of new vessels (Facility 1) to prepay the loan drawn against the new Shipbuilding Contract of Vessel Hull No. 315 and to cancel the undrawn balance loan facility against the aforesaid vessel. The Company prepaid the loan drawn of USD 7,599,999 on 25 January 2012.

40.2 On 24 January 2012, a local subsidiary entered into a Purchase Agreement termed as Memorandum of Agreement with an overseas company to purchase a second-hand vessel for a total of USD 17.70 million. The local subsidiary paid deposit of USD 1.77 million or approximately Baht 56.09 million (10% of the purchase price of the vessel) and the remaining balance is to be paid on delivery of the vessel.

40.3 On 25 January 2012, the Company has signed 1 Novation Agreement with Global Bulk Carriers Pte. Ltd. (the "New Buyer"), for disposal of 1 new Shipbuilding Contract for Vessel Hull No. 315, signed between the Company and ABG Shipyard Ltd., India. Since the estimated revised Delivery Date under the terms of the existing Shipbuilding Contract was not suitable for the Company, the Company opted to dispose of the Contract because the disposal in this manner and on these terms will allow the Company to fully recover all installments paid to the Builder plus interest at 7.50% per annum from the dates of payment of the respective installments plus an additional amount of USD 100,000 per Shipbuilding Contract. Detail of the new Shipbuilding Contract disposal is as follows:

Vessel Hull No.	DWT	Shipbuilding Contract Date	Contract Amount (USD)	Installments paid to the Builder by the Company (USD)
315	54,000	14 September 2007	37,999,998	22,799,998

The New Buyer shall pay to the Company as follows:

If the payment is made on Initial Payment Date (10 July 2012)	If the payment is made during the Extended Payment Period (11-26 July 2012)
An amount equal to USD 28,158,052	Aforesaid amount (USD 28,158,052) plus interest accrued on an amount of USD 22,799,998 (installments paid to the Builder) at a rate of 7.5% per annum from 10 July 2012 to the date of such payment. Therefore, if the payment is made on the last date of the Extended Payment Period above on 26 July 2012, the maximum Total Amount will be USD 28,233,011

40.4 On 3 February 2012, the Company's Board of Directors' meeting passed a resolution to propose to the Annual General Meeting of shareholders to be held in March 2012 to adopt a resolution to pay a dividend of Baht 0.15 per share, or a total of Baht 155.93 million, to the shareholders in respect of the 2011 profit.

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

41. Reclassifications

Certain amounts in the financial statements for the year ended 31 December 2010 have been reclassified to conform to the current year's classification, following the adoption of presentation of the financial statements in accordance with the stipulations of the Notification of the Department of Business Development described in Note 2 to the financial statements, and the adoption of new and revised accounting standards described in Note 3 and Note 5 to the financial statements.

42. Functional currency financial statements

The USD functional currency statements of financial position as at 31 December 2011 and 2010 and statements of income for the years ended 31 December 2011 and 2010 are as follows.

Statements of financial position

Precious Shipping Public Company Limited and subsidiaries as at 31 December 2011 and 2010

(Unit: Thousand USD)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
		(Restated)		(Restated)
Assets				
Current assets				
Cash and cash equivalents	138,042	140,074	85,813	67,703
Current investment	-	-	-	-
Trade and other receivables	3,947	1,128	24,358	9,565
Short-term loans to subsidiary	-	-	71,800	63,800
Current portion of advances for vessel constructions	41,882	-	41,882	-
Bunker oil	2,176	190	-	-
Other current assets				
Advances to vessel masters	1,997	1,395	-	-
Claim recoverables	591	295	-	-
Others	1,372	1,134	438	559
Total other current assets	3,960	2,824	438	559
Total current assets	190,007	144,216	224,291	141,627
Non-current assets				
Investments in subsidiaries	-	-	189,445	189,445
Investment in joint venture	-	-	-	-
Investment in associate held by a subsidiary	3,524	4,123	-	-
Other long-term investment	260	260	260	260
Long-term loan to jointly controlled entity	-	-	8,550	8,550

Statements of financial position (Continued)

Precious Shipping Public Company Limited and subsidiaries as at 31 December 2011 and 2010

(Unit: Thousand USD)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
		(Restated)		(Restated)
Receivables from cross currency swap contracts	1,538	4,081	-	-
Property, plant and equipment	298,049	212,274	213	360
Intangible assets	719	1,007	717	1,007
Other non-current assets				
Claim recoverables - maritime claim	1,312	1,579	-	-
Advances for vessel purchase	12,500	-	-	-
Advances for vessel constructions - net of current portion	207,373	283,507	141,608	235,900
Deferred financial fees	6,684	10,913	5,306	10,772
Others	419	97	76	80
Total other non-current assets	228,288	296,096	146,990	246,752
Total non-current assets	532,378	517,841	346,175	446,374
Total assets	722,385	662,057	570,466	588,001
Liabilities and shareholders' equity				
Current liabilities				
Trade and other payables	1,046	365	108,267	83,830
Advances received from charterers	2,721	1,574	-	-
Current portion of long-term loans	22,673	4,889	9,055	796
Income tax payable	16	131	-	-
Other current liabilities				
Accrued crew accounts	1,504	1,343	-	-
Current portion of accrued employee bonus	2,107	4,526	1,942	4,159
Accrued expenses	1,882	1,079	171	292
Withholding tax payable	448	133	403	80
Others	648	557	306	316
Total other current liabilities	6,589	7,638	2,822	4,847
Total current liabilities	33,045	14,597	120,144	89,473
Non-current liabilities				
Accrued employee bonus - net of current portion	1,704	2,530	1,572	2,323
Provision for maritime claims	2,040	2,230	-	-
Long-term loans - net of current portion	199,040	158,079	58,586	111,829
Provision for long-term employee benefits	1,989	-	1,799	-
Total non-current liabilities	204,773	162,839	61,957	114,152
Total liabilities	237,818	177,436	182,101	203,625

Statements of financial position (Continued)

Precious Shipping Public Company Limited and subsidiaries as at 31 December 2011 and 2010

(Unit: Thousand USD)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
		(Restated)		(Restated)
Shareholders' equity				
Share capital				
Registered share capital	35,308	35,308	35,308	35,308
Issued and paid-up share capital	35,308	35,308	35,308	35,308
Paid-in capital				
Premium on ordinary shares	16,135	16,135	16,135	16,135
Premium on treasury stock	4,819	4,819	4,819	4,819
Retained earnings				
Appropriated				
Statutory reserve - the Company	2,802	2,802	2,802	2,802
- subsidiaries	14,285	14,285	-	-
Corporate social responsibility reserve	473	429	473	429
Unappropriated	410,813	410,250	328,828	324,883
Other components of shareholders' equity	(1,113)	(378)	-	-
Equity attributable to owner of the Company	483,522	483,650	388,365	384,376
Non-controlling interests of the subsidiaries	1,045	971	-	-
Total shareholders' equity	484,567	484,621	388,365	384,376
Total liabilities and shareholders' equity	722,385	662,057	570,466	588,001

Income statements

Precious Shipping Public Company Limited and subsidiaries for the years ended 31 December 2011 and 2010

(Unit: Thousand USD)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
		(Restated)		(Restated)
Revenues				
Vessel operating income				
Hire income	68,661	86,654	-	-
Freight income	31,854	5,740	-	-
Total vessel operating income	100,515	92,394	-	-
Service income	158	329	1,705	2,232
Gains on sales of vessels and equipment	59	13,372	46	-
Gains on sales of new shipbuildings under Novation Agreements	10,525	-	10,525	-
Interest income	848	819	786	656
Exchange gains	-	-	25	-
Other income	72	13	-	-
Dividend received	17	-	32,278	47,856
Total revenues	112,194	106,927	45,365	50,744
Expenses				
Vessel operating costs				
Vessel running expenses	28,550	26,516	-	-
Voyage disbursements	4,287	834	-	-
Bunker consumption	10,650	161	-	-
Total vessel operating costs	43,487	27,511	-	-
Depreciation	21,102	21,406	158	234
Cost of services	183	153	-	-
Administrative expenses	6,056	6,452	5,092	5,610
Management remuneration including perquisites	3,246	3,562	3,069	3,335
Bad debts and doubtful accounts	4	481	-	-
Exchange losses	174	183	-	425
Total expenses	74,252	59,748	8,319	9,604
Profit before share of income from investment in associate, finance cost and corporate income tax	37,942	47,179	37,046	41,140
Share of income from investment in associate held by a subsidiary	248	604	-	-
Profit before finance cost and corporate income tax	38,190	47,783	37,046	41,140
Finance cost	(14,354)	(9,405)	(10,214)	(6,932)
Profit before corporate income tax	23,836	38,378	26,832	34,208
Corporate income tax	(119)	(2,541)	-	-
Profit for the year	23,717	35,837	26,832	34,208

Income statements (Continued)

Precious Shipping Public Company Limited and subsidiaries for the years ended 31 December 2011 and 2010

(Unit: Thousand USD)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
		(Restated)		(Restated)
Profit attributable to:				
Equity holders of the Company	23,643	35,523	26,832	34,208
Non-controlling interests of the subsidiaries	74	314	-	-
Profit for the year	23,717	35,837	26,832	34,208
				(Unit: USD)
Basic earnings per share				
Profit attributable to equity holders of the Company	0.0227	0.0342	0.0258	0.0329

43. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 3 February 2012.

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 and Mr. Ishaan Shah, Directors of the Company, are directly interested as Directors and Shareholders 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 2011, the Company has rental and related expenses for other services from such transaction amounting to Baht 1.84 million (2010: Baht 1.89 million) which is 0.01% (2010: 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 2012 on similar (or more beneficial) terms as that of year 2011.

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 and Mr. Ishaan Shah are directly interested as Directors and Shareholders.

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 2011, the Company and subsidiaries purchased air tickets amounting to Baht 7.73 million (2010 : Baht 9.50 million) which is 0.05 % (2010: 0.07%) of Net Tangible Assets.

Policy in respect of future transactions with connected parties

For the year 2012, the Company and subsidiaries would have similar air ticket expenses, possibly higher in value than 2011 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 these 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 Maestro Controls Ltd. and Maxwin Builders Ltd.

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., and Mr. Ishaan Shah, Director of the Company, is Shareholder of Maestro Controls Ltd. Mr. Khushroo Kali Wadia and Mr. Kirit Shah, Directors of the Company, are Directors of Maxwin Builders Ltd. and Miss Nishita Shah with Mr. Ishaan Shah are Shareholders 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 2011, 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 1.49 million (2010: Baht 1.79 million) which is 0.01 % (2010: 0.01%) of Net Tangible Assets.

Policy in respect of future transactions with connected parties

For the year 2012, 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 Mr.Ishaan Shah and Mr. Kirit Shah, Directors of the Company are related to Miss Sameera Shah who is a Director and 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 2011, the Company and its subsidiary have paid for various insurance premiums amounting to Baht 2.46 million (2010: Baht 2.05 million) which is 0.02 % (2010: 0.01%) of Net Tangible Assets.

Policy in respect of future transactions with connected parties

For the year 2012, 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, 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 2011, the Company and its subsidiary have paid for computer and software purchases amounting to Baht 1.76 million (2010: 4.51 million) which is 0.01 % (2010: 0.03%) 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 2012, 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).

Directors 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. 1/2012 held on 31 January 2012 and then reported these transactions to the Board of Directors. The Board of Directors Meeting No. 1/2012 held on 3 February 2012 reviewed the transactions and based on the findings and report of the Audit Committee, the Board is of the opinion that the Company has adequate rules, regulations and policies for prevention of conflict of interest transactions and that the above interested party transactions are entered solely based on the market prices and for the full benefit of the Company. Adequate disclosures have also been made in the financial statements and the Annual Report.

INDEX OF REPORT IN ACCORDANCE WITH FORM 56-2

(PURSUANT TO SECTION 56 OF SECURITIES AND EXCHANGE ACT B.E. 2535)

No.	Details	Page No.
1.	General information	
1.1	Name, address and category of business of the Company	6
1.2	Name, address and category of juristic person in which the Company holds shares exceeding 10%	7-9
1.3	Name, address of other references	220
2.	Financial information	
2.1	Summary of financial information	2-3
2.2	Significant financial ratios	2-3
3.	Nature of Business	
3.1	Nature of business	10-21
3.2	Revenue Structure	23
3.3	Summary of significant changes during the year	26-41
4.	Risk factors	83-89
5.	Shareholders structure and the Management	
5.1	Major Shareholders	90
5.2	Management	
»	Management structure	91-97
»	Election of Directors and Management	46, 91, 93
»	Independent Director - Definition of Independent Director	55
»	Remuneration of Directors and Management	46, 51-54
»	Corporate Governance	45-60
»	Insider trading Controls	61
»	Internal Control	62-63
»	Opinion of the Board of Directors about Internal Control	42-44, 58
»	Corporate Social Responsibility (CSR) Statement	64-72
»	Sustainability Report	73-82
5.3	Dividend Policy Statement	90
6.	Related parties and connected transactions	
6.1	Transactions between related parties	215-218
6.2	The necessity and reasonableness of transactions	215-218
6.3	Procedure to approve connected party transactions	215-218
6.4	Policy in respect of future transactions with connected parties	215-218
7.	Explanation and Analysis of financial position and operating result	110-143
8.	Financial Statements	
8.1	Financial Statements	144-214
8.2	Remuneration of Auditor	
»	Audit fees	44
»	Non-Audit fees	44

REFERENCES

Share Registrar

» THAILAND SECURITIES DEPOSITORY CO., LTD.

4th and 7th Floors, No. 62, the Stock Exchange of Thailand Building,
Ratchadapisek Road, Klongtoey District, Bangkok 10110
Telephone : 66-2 229-2800 Facsimile : 66-2 359-1259
Call Center : 66-2 229-2888
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
2/7 Moo 4, (North Park Project) Vibhavadi Rangsit Road, Km. 27,
Thungsohong 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
Website : <http://www.ktb.co.th>

» KASIKORNBANK PUBLIC COMPANY LIMITED

1 Soi Kasikornthai , Ratburana Road, Bangkok 10140
Telephone : 66-2 888 8800 Facsimile : 66-2 888 8882
Website : <http://www.kasikornbank.com>

» DNB BANK ASA, SINGAPORE BRANCH

8 Shenton Way, #48-02 Singapore 068811
Telephone : 65-6220-6144 Facsimile : 65-6224-9743
Website : <https://www.dnb.no>

Auditor

» ERNST & YOUNG OFFICE LIMITED

33rd Floor, Lake Rajada Office Complex 193/136-137 Rajadapisek Road,
Klongtoey District, Bangkok 10110
(Opposite Benjakitti Park / Near Queen Sirikit National Convention Centre)
G.P.O. Box 1047, Bangkok 10501, Thailand
Telephone : 66-2 264-0777, 66-2 661-9190 Facsimile : 66-2 264-0789-90
E-mail : ErnstYoung.Thailand@th.ey.com
Website : <http://www.ey.com/th>

Main Legal Counsel

» WATSON, FARLEY & WILLIAMS ASIA PRACTICE LLP

6 Battery Road #28-00 Singapore 049909
Telephone : 65-6532-5335 Facsimile : 65-6532-5454
E-mail : singaporeinfo@wfw.com
Website : <http://www.wfw.com>



Precious Shipping Public Company Limited

7th Floor, Cathay House, 8 North Sathorn Road, Silom, Bangrak, Bangkok 10500

Tel : 66-2 696-8800, 66-2 696-8840 Fax : 66-2 236-7654, 66-2 633-8460

Email : psl@preciousshipping.com, ir@preciousshipping.com

Home page : <http://www.preciousshipping.com>