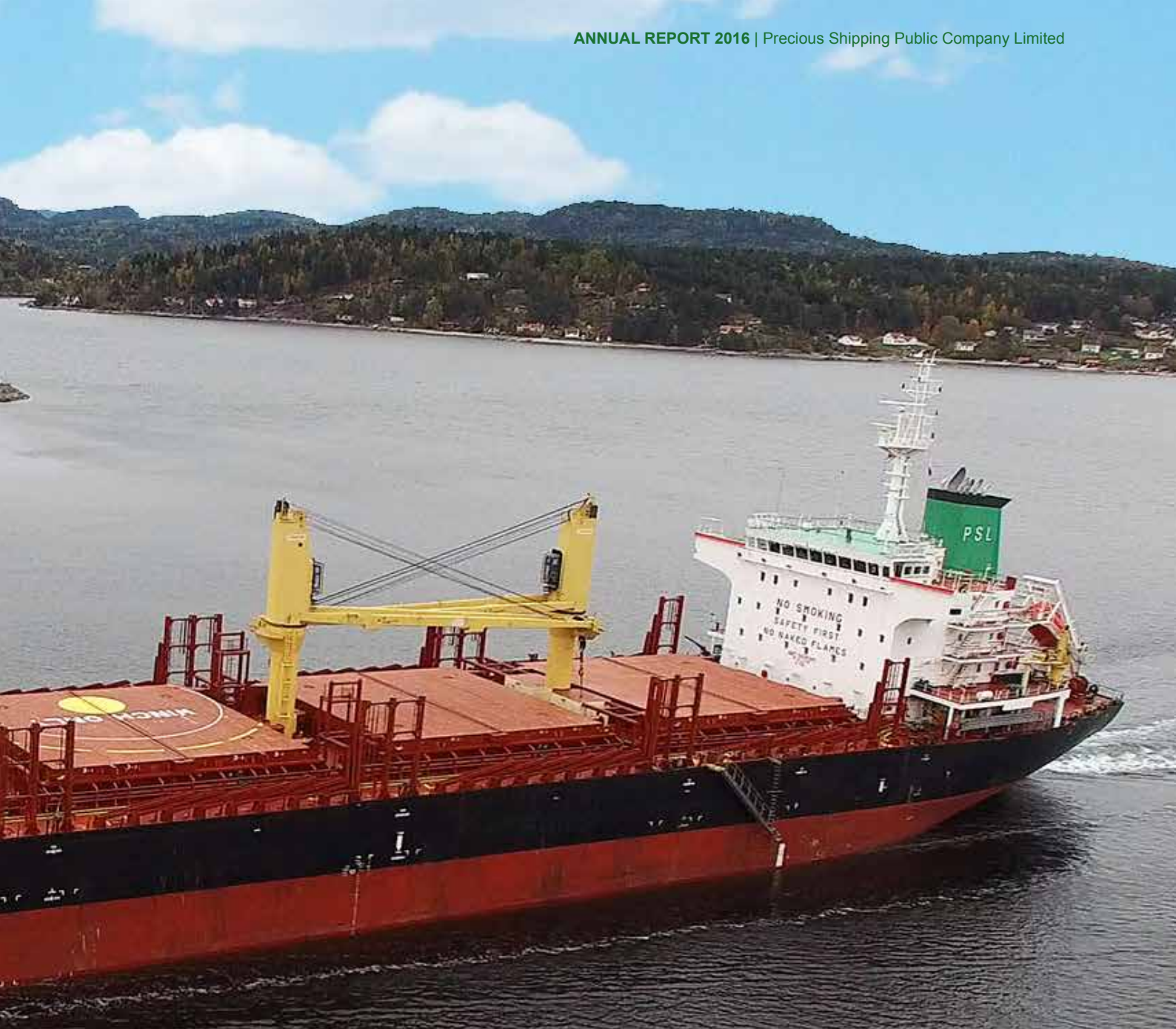
Precious Shipping Public Company Limited

ANNUAL REPORT 2016

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.

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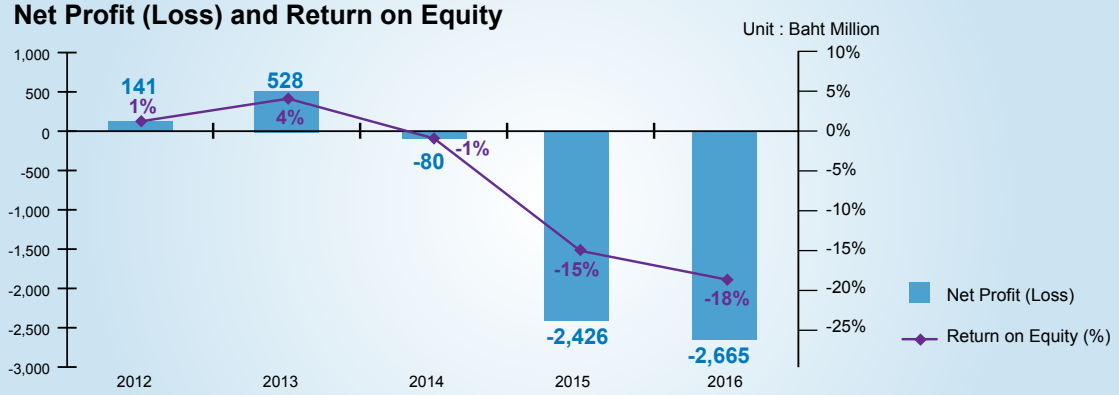
FINANCIAL HIGHLIGHTS

Unit : Baht Million

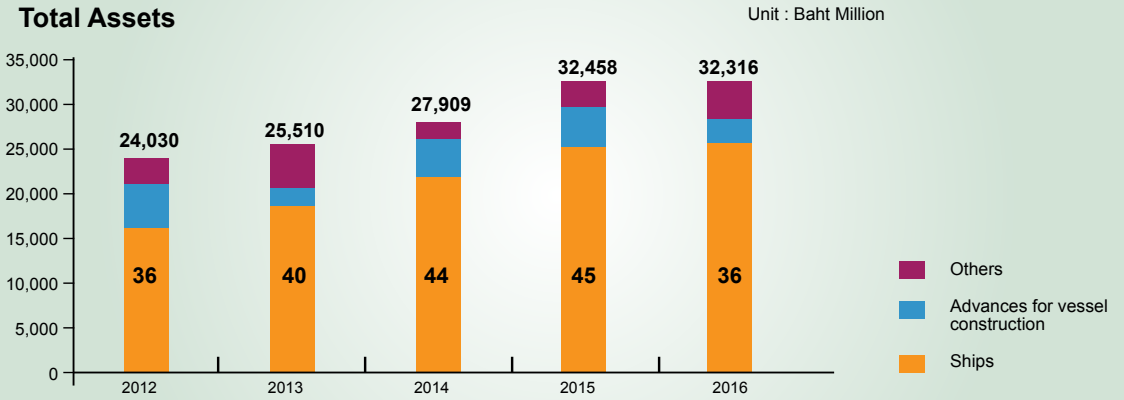
Details	2016	2015	2014	2013	2012
Vessel Operating Income	3,682.42	4,248.98	4,575.03	3,857.64	3,487.54
Vessel Operating Costs	2,485.96	3,083.78	2,723.61	2,385.93	2,045.64
Gross Profit	1,196.46	1,165.20	1,851.42	1,471.71	1,441.90
Total Revenues	**3,791.79**	**4,263.92**	**4,661.60**	**4,828.61**	**3,828.02**
Total Expenses (excluding depreciation & loss on impairment of asset & loss on sales of vessels)	3,846.67	4,071.28	3,480.13	3,187.80	2,770.11
Depreciation	1,366.40	1,505.20	1,267.08	1,136.72	910.30
Loss on Impairment of assets	566.56	840.77	0.00	0.00	0.00
Loss on Sales of vessels	680.29	279.03	0.00	0.00	0.00
Share of profit (loss) from investment in associate held by a subsidiary	3.29	8.24	7.63	31.58	(2.43)
Profit (Loss) before Corporate Income Tax	(2,664.84)	(2,424.12)	(77.98)	535.67	145.18
Corporate Income Tax	0.06	1.66	2.24	7.90	4.15
Net Profit (Loss)*	**(2,664.90)**	**(2,425.78)**	**(80.22)**	**527.77**	**141.03**
Total Current Assets	3,101.02	1,029.12	1,172.76	4,935.70	2,941.45
Property, plant and equipment	25,671.52	25,329.89	22,070.93	18,669.56	16,212.57
Total Assets	32,316.03	32,457.82	27,908.53	25,509.76	24,029.69
Total Current Liabilities	1,227.98	6,109.35	1,265.92	977.02	1,119.44
Long-Term Loans - net of current portion	10,846.82	9,206.50	11,101.33	8,618.85	8,265.02
Total Liabilities	18,683.46	15,971.65	12,624.67	9,878.73	9,545.46
Paid-up Capital	1,559.28	1,559.28	1,039.52	1,039.52	1,039.52
Total Shareholders' Equity	13,632.57	16,486.17	15,283.85	15,631.03	14,484.23
Cash flow from Operating activities	693.27	1,045.77	1,345.82	1,012.76	751.18
Cash flow from (used in) Investing activities	(805.66)	(3,561.11)	(5,511.84)	1,199.88	(4,537.03)
Cash flow from (used in) Financing activities	2,355.90	2,259.24	1,777.56	(1,289.36)	1,430.18
Book Value per share (Baht)	8.74	10.57	14.70	15.04	13.93
Earnings (loss) per share (Baht)	(1.71)	(1.82)	(0.08)	0.51	0.14
Dividend declared for the year per share (Baht)	0.00	0.00	0.20	0.40	0.40
Cash Dividend paid out per share (Baht)	0.00	0.00	0.30	0.40	0.45
Gross Profit Margin (%)	32.49	27.42	40.47	38.15	41.34
Net Profit Margin (%)	(70.28)	(56.89)	(1.72)	10.93	3.68
Return on Equity (%)	(17.70)	(15.27)	(0.52)	3.51	0.95
Return on Total Assets (%)	(8.23)	(8.04)	(0.30)	2.13	0.60
Total Liabilities/Equity Ratio	1.37	0.97	0.83	0.63	0.66
Number of Ships (As at end of the Year)	36	45	44	40	36

* Net Profit (Loss) means Net Profit (loss) attributable to equity holders of the Company

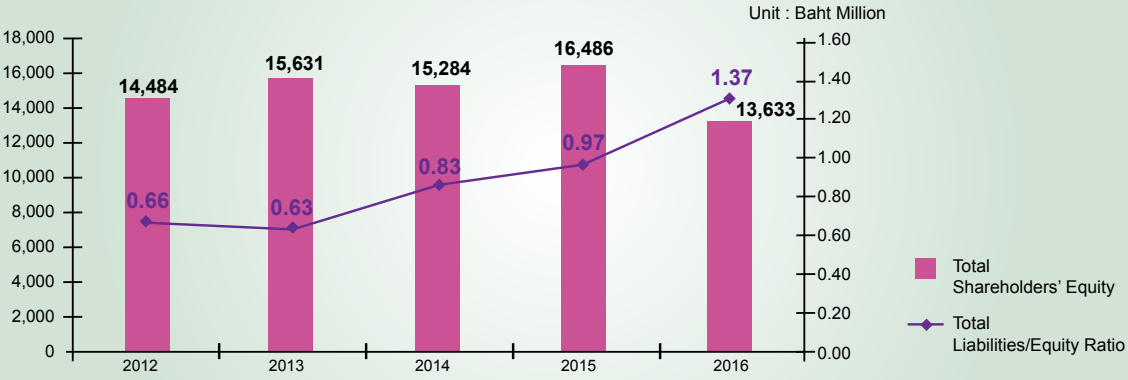
Net Profit (Loss) and Return on Equity



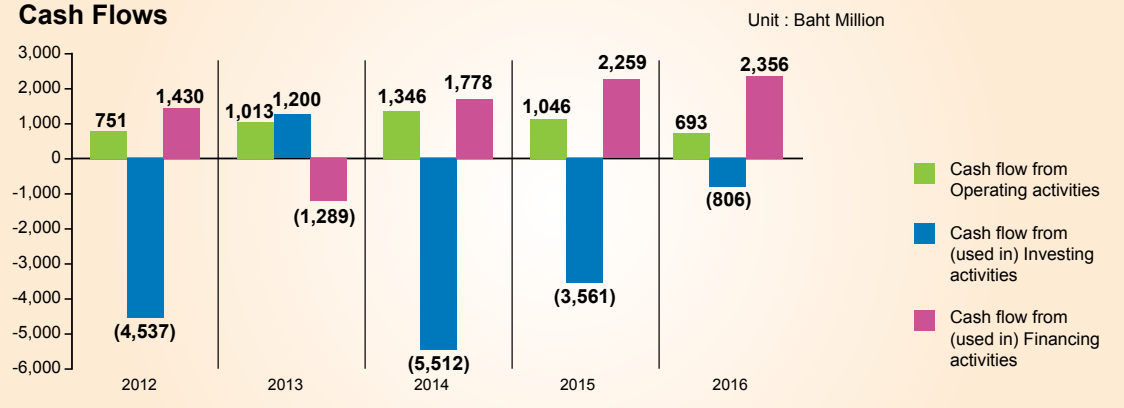
Total Assets



Shareholder's Equity and Total Liabilities / Equity Ratio

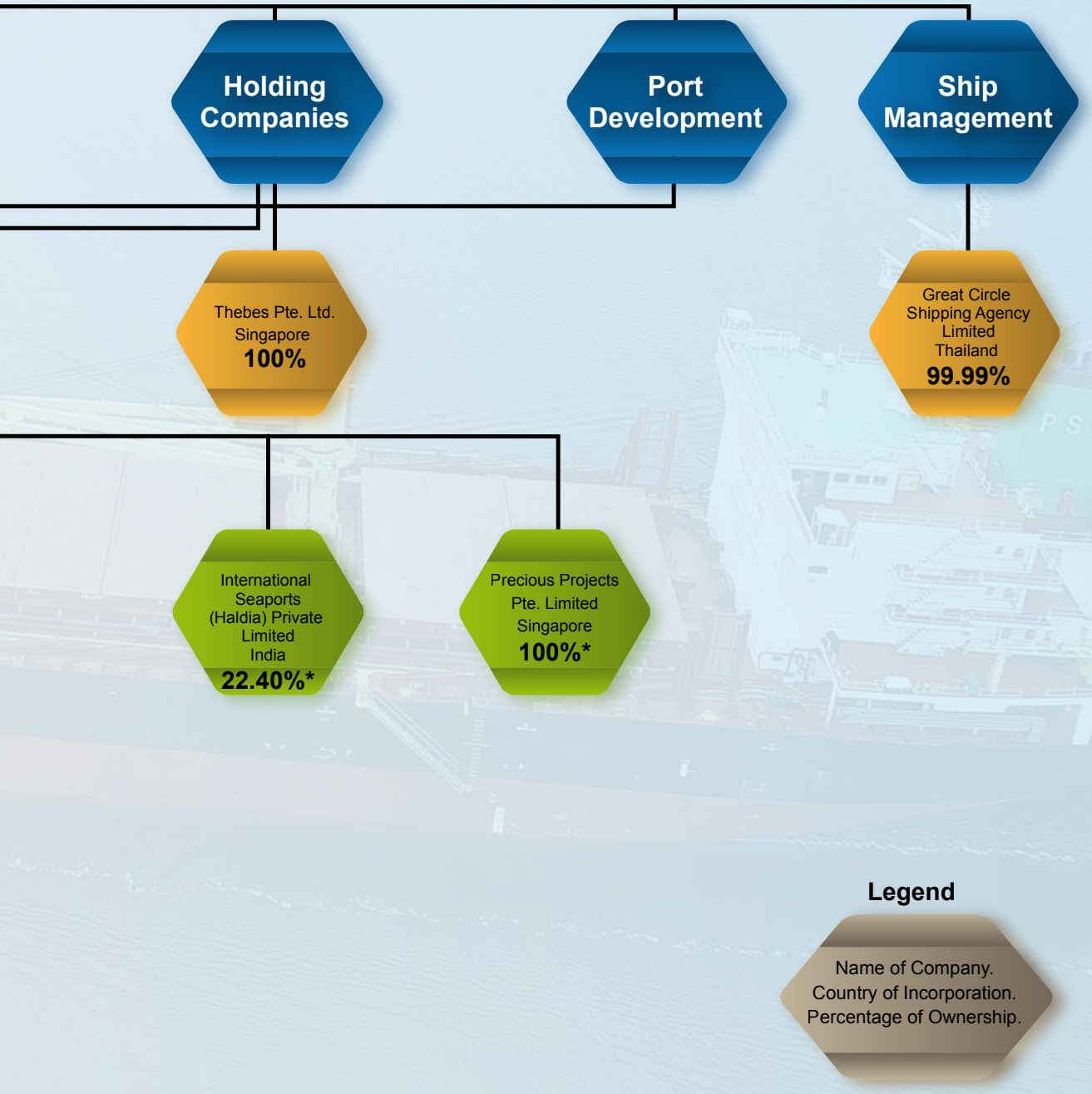


Cash Flows



CORPORATE STRUCTURE

* Represents indirect ownership of PSL


Holding Companies
Port Development
Ship Management
Thebes Pte. Ltd.
Singapore
100%
Great Circle Shipping Agency Limited
Thailand
99.99%
International Seaports (Haldia) Private Limited
India
22.40%*
Precious Projects Pte. Limited
Singapore
100%*
Legend
Name of Company.
Country of Incorporation.
Percentage of Ownership.

CORPORATE INFORMATION

(As of 31 December 2016)

Name of Company	Precious Shipping Public Company Limited
SET Symbol	PSL
Business	Shipowner and Holding Company
Registration No.	0107537000629
Date of establishment	1 December 1989
Date of conversion to public limited company	18 February 1994
Date of listing on the SET	16 September 1993
Contact details	Registered address: 7th Floor, Cathay House, 8 North Sathorn Road, Silom, Bangrak, Bangkok 10500 Thailand Telephone: 66-2 696-8800 Facsimile: 66-2 236-7654 E-mail: ir@preciousshipping.com Home page: http://www.preciousshipping.com
Latest Company Rating	BBB- by TRIS Rating Co., Ltd., announced on 26 August 2016
Ordinary Shares	
Authorized share capital	Baht 1,611,256,930 (1,611,256,930 shares of Baht 1 each)
Issued and fully paid-up share capital	Baht 1,559,280,897 (1,559,280,897 shares of Baht 1 each)
Warrants (PSL-W1)	
Number of Warrants Issued	51,975,666 units
Warrant Issue Date	16 June 2015
Exercise Price	Baht 17.50 per share
Conversion Ratio	1 unit of Warrant to 1 ordinary share
Term of Warrant	Not exceeding 3 years from the Warrant Issue Date.
Exercise Period	The last business day of every calendar quarter (March, June, September, December) of the year after the 2nd anniversary from the Warrant Issue Date until the Last Exercise Date.
The first and the last Exercise Dates	30 June 2017 and 15 June 2018 respectively.
Debentures of Precious Shipping Public Company Limited No. 1/2016 Due 2021	
ThaiBMA Symbol	PSL211A
Issue Size	Baht 3,590 million
Type of Debentures	Unsubordinated and Unsecured Debentures
Issue Date	22 January 2016
Offering to	Public offering
Par Value	1,000 Baht per unit
Tenor	5 years
Maturity Date	22 January 2021
Interest Rate (Coupon)	5.25% per annum
Interest Payment	Quarterly
Early Redemption	None
Issue Rating	1. BBB- by TRIS Rating Co., Ltd., announced on 13 November 2015 2. BB+ by TRIS Rating Co., Ltd., announced on 26 August 2016
Debenture Holder's Representative	Krung Thai Bank Public Co., Ltd.
Registrar	Krung Thai Bank Public Co., Ltd.
Debentures of Precious Shipping Public Company Limited No. 2/2016 Due 2020	
ThaiBMA Symbol	PSL206A
Issue Size	Baht 1,960 million
Type of Debentures	Unsubordinated and Unsecured Debentures
Issue Date	9 December 2016
Offering to	Private Placement to II & HNW
Par Value	1,000 Baht per unit
Tenor	3.5 years
Maturity Date	9 June 2020
Interest Rate (Coupon)	5.00% per annum
Interest Payment	Quarterly
Early Redemption	None
Issue Rating	Unrated
Debenture Holder's Representative	Krung Thai Bank Public Co., Ltd.
Registrar	Krung Thai Bank Public Co., Ltd.

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	275,000,000	275,000,000	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	306,000,000	306,000,000	99.99	Shipowner
6	Precious Rivers Limited	Baht	234,000,000	234,000,000	99.99	Shipowner
7	Precious Lakes Limited	Baht	184,000,000	184,000,000	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	270,000,000	270,000,000	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	259,360,000	259,360,000	99.99	Shipowner
16	Precious Opals Limited	Baht	249,360,000	249,360,000	99.99	Shipowner
17	Precious Garnets Limited	Baht	379,000,000	379,000,000	99.99	Shipowner
18	Precious Pearls Limited	Baht	173,000,000	173,000,000	99.99	Shipowner
19	Precious Flowers Limited	Baht	336,000,000	336,000,000	99.99	Shipowner
20	Precious Forests Limited	Baht	286,000,000	286,000,000	99.99	Shipowner
21	Precious Trees Limited	Baht	202,000,000	202,000,000	99.99	Shipowner
22	Precious Ponds Limited	Baht	124,000,000	124,000,000	99.99	Shipowner
23	Precious Ventures Limited	Baht	202,000,000	202,000,000	99.99	Shipowner
24	Precious Capitals Limited	Baht	200,000,000	200,000,000	99.99	Shipowner
25	Precious Jasmines Limited	Baht	147,000,000	147,000,000	99.99	Shipowner
26	Precious Orchids Limited	Baht	217,000,000	217,000,000	99.99	Shipowner
27	Precious Lagoons Limited	Baht	140,000,000	140,000,000	99.99	Shipowner
28	Precious Cliffs Limited	Baht	140,000,000	140,000,000	99.99	Shipowner
29	Precious Hills Limited	Baht	140,000,000	140,000,000	99.99	Shipowner
30	Precious Mountains Limited	Baht	140,000,000	140,000,000	99.99	Shipowner
31	Precious Resorts Limited	Baht	140,000,000	140,000,000	99.99	Shipowner
32	Precious Cities Limited	Baht	170,000,000	170,000,000	99.99	Shipowner
33	Precious Comets Limited	Baht	141,000,000	141,000,000	99.99	Shipowner
34	Precious Ornaments Limited	Baht	156,000,000	156,000,000	99.99	Shipowner
35	Precious Moons Limited	Baht	1,000,000	1,000,000	99.99	Shipowner
36	Precious Venus Limited	Baht	298,800,000	298,800,000	99.99	Shipowner
37	Precious Neptune Limited	Baht	298,800,000	298,800,000	99.99	Shipowner
38	Precious Storage Terminals Limited *(Under liquidation process)*	Baht	6,000,000	6,000,000	69.99	Bulk Storage Barges

Sr No.	Name of Subsidiaries and Associated Companies	Currency	Registered Capital	Issued and paid-up Share Capital	Percentage of Shareholding	Category of business
39	Nedtex Limited *(Under liquidation process)*	Baht	10,000,000	2,500,000	69.99	Bulk Storage Barges
40	Great Circle Shipping Agency Limited	Baht	210,000,000	210,000,000	99.99	Technical Manager of Ships
41	Precious Shipping (Singapore) Pte. Limited	SGD	20,000,000	15,000,000	100	Holding company/ Chartering
42	Regidor Pte. Ltd.	SGD	100,000	2	100*	Maritime Business
43	Precious Comforts Pte. Ltd.	SGD	50,000	50,000	100*	Shipowner
44	Precious Sparks Pte. Ltd.	SGD	50,000	50,000	100*	Shipowner
45	Precious Visions Pte. Ltd.	SGD	50,000	50,000	100*	Shipowner
46	Precious Bridges Pte. Ltd.	SGD	50,000	50,000	100*	Shipowner
47	Precious Forests Pte. Ltd.	SGD	50,000	50,000	100*	Shipowner
48	Precious Fragrance Pte. Ltd.	SGD	50,000	50,000	100*	Shipowner
49	Precious Thoughts Pte. Ltd.	SGD	50,000	50,000	100*	Shipowner
50	Precious Tides Pte. Ltd.	SGD	50,000	50,000	100*	Shipowner
51	Precious Skies Pte. Ltd.	SGD	50,000	50,000	100*	Shipowner
52	Precious Glories Pte. Ltd.	SGD	50,000	50,000	100*	Shipowner
53	Precious Wisdom Pte. Ltd.	SGD	50,000	50,000	100*	Shipowner
54	Precious Grace Pte. Ltd.	SGD	1	1	100*	Shipowner
55	Precious Sonnets Pte. Ltd.	SGD	1	1	100*	Shipowner
56	Precious Projects Pte. Limited	USD	1	1	100*	Investment Holding Company
57	Thebes Pte. Ltd.	SGD	100,000	2	100	Maritime Business
58	Associated Bulk Carriers Pte. Ltd.	USD	2	2	100	Holding company
59	ABC ONE Pte. Ltd.	USD	50,000	50,000	100*	Shipowner
60	ABC TWO Pte. Ltd.	USD	50,000	50,000	100*	Shipowner
61	ABC THREE Pte. Ltd.	USD	50,000	50,000	100*	Shipowner
62	ABC FOUR Pte. Ltd.	USD	50,000	50,000	100*	Shipowner
63	Precious Shipping (Panama) S.A.	USD	10,000	10,000	99.99	Shipowner/ Chartering
64	Precious Shipping (UK) Limited	USD	10,000	10,000	100	Chartering
65	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 1-39	Registered Office is at 8/27-28, 7th Floor, Cathay House, North Sathorn Road, Silom, Bangrak, Bangkok 10500 Thailand. Tel : 66-2 696-8800 Fax : 66-2 236-7654, 633-8460
SUBSIDIARY 40	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 41-55, 57-62	Registered Office is 72A Peck Seah Street 079329, Republic of Singapore.
SUBSIDIARY 56	Registered Office is at 24 Raffles Place #18-00 Clifford Centre, 048621 Republic of Singapore.
SUBSIDIARY 63	Registered Office is at c/o ADR Building, 13th Floor, Samuel Lewis Avenue, Republic of Panama.
SUBSIDIARY 64	Registered Office is at 130 Shaftesbury Avenue, 2nd Floor London W1D 5EU United Kingdom.
ASSOCIATE 65	Registered Office is at 105, Park Street, Flat No. 27 Kohinoor Building, 5th Floor, Kolkata - 700 016, West Bengal, India.

NATURE OF BUSINESS AND INDUSTRY

1. NATURE OF BUSINESS

1.1 Background

Precious Shipping Public Company Limited ("PSL" or "the Company"), established in 1989 and listed on the Stock Exchange of Thailand in 1993, owns and operates dry bulk ships, on a tramp shipping basis. 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 31 December 2016) operates 36 dry bulk ships including 4 cement carriers (the "Fleet"), representing 1,541,244 DWT. Of the entire Fleet, 21 ships are registered under the Thai flag and 15 ships under the Singapore flag. 7 ships are in the Ultramax sector, 9 ships are in the Supramax sector and the balance 20 ships (including 4 cement carriers) are in the Handy Size sector of the dry bulk market.

PSL is one of the largest pure dry cargo ship-owning companies operating in the Geared (10,000 to 64,000 DWT) sector of the tramp freight market. The Geared sector consists of 4 sub-sectors which are 1. Handy Size sector, ships with 10,000 - 30,000 DWT, although lately the industry has begun including ships of 30,000 - 40,000 DWT also in this sector, 2. Handymax sector, ships with 30,000 - 50,000 DWT, 3. Supramax sector, ships with 50,000 - 60,000 DWT and 4. The new Ultramax sector, ships with 60,000 - 70,000 DWT. Firstly, the Company operates mainly in the Handy Size sector. However, the Company's strategy has been to expand its fleet by acquiring larger, younger, modern and fuel efficient vessels, as explained hereunder.

During 2010, the Company entered the Supramax sector in which vessels are bigger but are still able to enter into small ports by taking over 4 new shipbuilding contracts for 4 Supramax ships which were delivered in 2012. The Company expanded into this sector further by acquiring 5 more ships during 2011 - 2013. Naval architects have improved the design of Supramax (upto 57,000 DWT traditional size) further and increased the cargo carrying capacity to 64,000 DWT (known in the Industry as Ultramax) with eco-friendly fuel, efficient engines without compromising much on draft restrictions. In view of the importance of controlling fuel costs and increasingly stringent pollution regulations, the Ultramax design has been gaining popularity among ship owners. Therefore, in 2013 - 2014, PSL also entered into this segment by signing shipbuilding contracts for 24 Ultramax ships for delivery in 2014 - 2016. However, out of these orders, only 7 Ultramax ships were delivered in 2014 - 2016 and 15 shipbuilding contracts for 15 Ultramax ships were cancelled by the Company since the shipyards were unable to deliver these vessels within the maximum period allowed under the relevant shipbuilding contracts. Therefore, there are now 2 Ultramax ships to be delivered by Q1'2018. Similar to Supramax ships, Handy Size ship design has also improved significantly and next generation Handy Size ships are upto 39,000 DWT. In 2015 - 2016, PSL took delivery of 2 such next generation Handy Size ships.

PSL's Fleet is technically managed by Great Circle Shipping Agency Ltd, Bangkok, a wholly owned subsidiary of PSL that is ISO 9001 and ISO 14001 certified, which makes it one of the very few dry bulk ship management Companies which is compliant with an 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, cement, steel, fertilizers, ore and concentrates, coal, logs and other items. Geographically, PSL estimates its business to be divided evenly across five regions: i) USA/Canada, ii) Europe, iii) Latin America - Africa, iv) Indian sub-continent - Middle East, and v) South East & Far East Asia. PSL operates majority of 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 provides a comparative advantage and allows PSL to enjoy stable charter rates compared to other operators. PSL's geared ships are therefore 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 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 and 2006, the proportion of voyage charters increased marginally as compared to the year 2004. However during the years 2007 - 2010, the equation changed again and about 99% of the journeys were time charters and only about 1% was voyage charters, except during year 2009 where the proportion of voyage charters was marginally higher at 6%. However during the years 2011 - 2016, the proportion of voyage/time charters changed with an increase in percentage of voyage charters to around 8% to 17% from 0.5% in 2010.

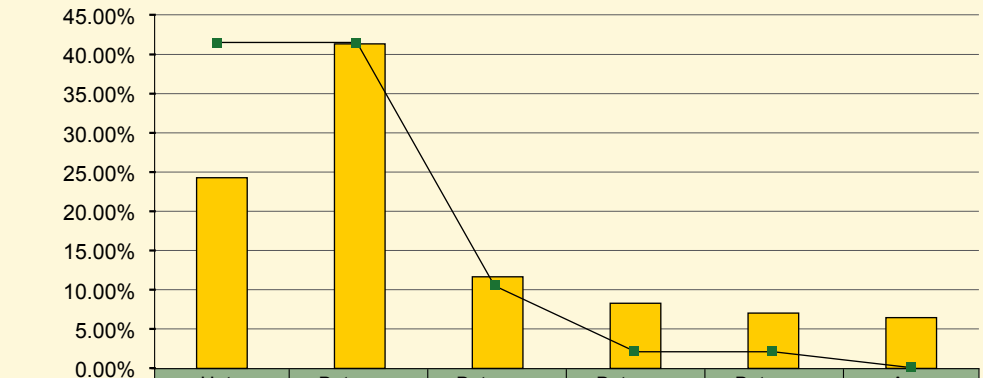
The well spread diversification and nature of majority of its operations (dry bulk shipping in the geared sectors carrying 'essential' basic commodities) enables PSL to minimise the impact of concentration risks in terms of regions or commodities covered, and economic cycles.

1.2 Fleet Age

PSL's fleet as compared to the world average is younger, with present average age of about 6 years.

An age wise analysis as on 1 January 2017 of PSL's fleet vis-a-vis the World Fleet (10,000 - 70,000 DWT) is given in the following graph.

DRY CARGO WORLD FLEET (10,000 - 70,000 DWT) - AGE ANALYSIS : Jan/2017



	Upto 4 years old	Between 5 & 9 years	Between 10 & 14 years	Between 15 & 19 years	Between 20 & 24 years	Age 25 & Above
World Fleet	24.12%	41.50%	11.89%	8.67%	7.07%	6.75%
PSL Fleet	41.67%	41.67%	11.10%	2.78%	2.78%	0.00%

Source : CRS/Aries

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

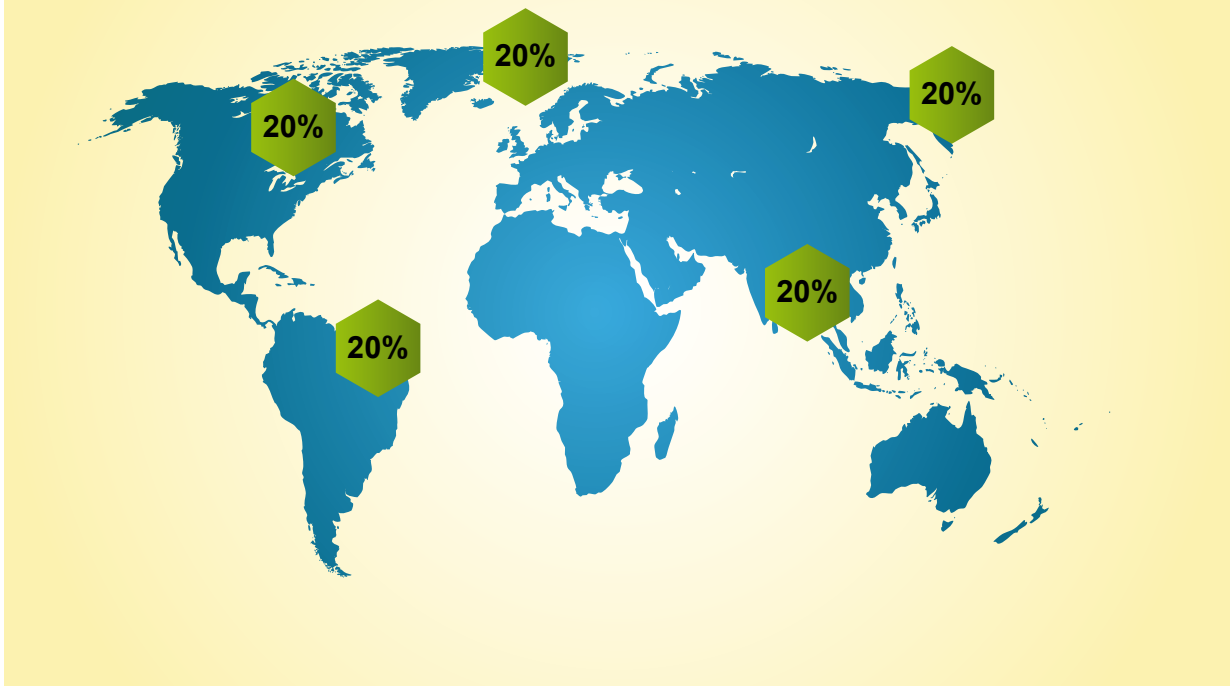
Commodity	(Number of Voyages and % of Total Voyages)					
	2014		2015		2016	
Agricultural Commodities	96	26.96%	95	21.03%	80	19.18%
Cement	42	11.80%	94	20.80%	114	27.34%
Steel	49	13.76%	71	15.70%	51	12.23%
Fertilisers	50	14.05%	44	9.73%	32	7.66%
Specialised Ores	41	11.52%	44	9.73%	60	14.38%
Coal	34	9.55%	47	10.40%	45	10.76%
Forest Products/Logs	17	4.78%	15	3.32%	9	2.16%
Others	27	7.58%	42	9.29%	26	6.29%
Total	**356**	**100.00%**	**452**	**100.00%**	**417**	**100.00%**

ii. Voyage Charters v/s Time Charters

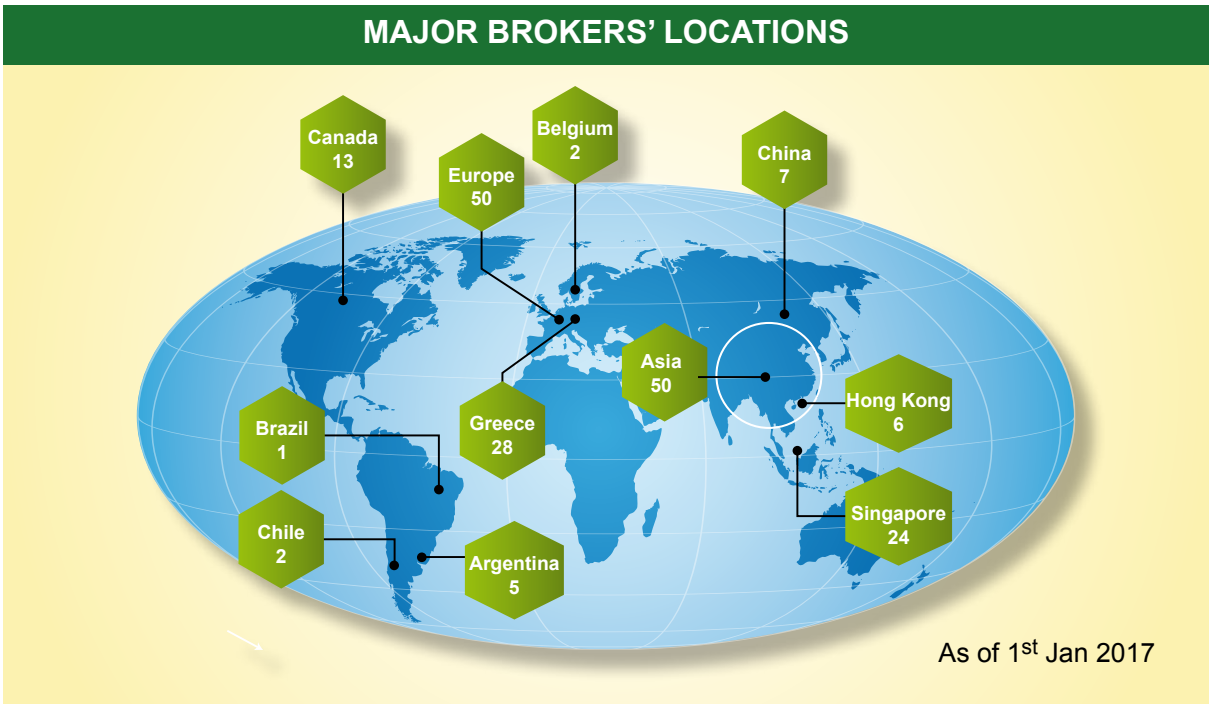
Charter	(Number of Voyages and % of Total Voyages)					
	2014		2015		2016	
Voyage Charters	45	12.64%	67	14.82%	34	8.15%
Time Charters	311	87.36%	385	85.18%	383	91.85%

iii. Vessel Trading Areas

PSL'S VESSELS TRADING AREAS



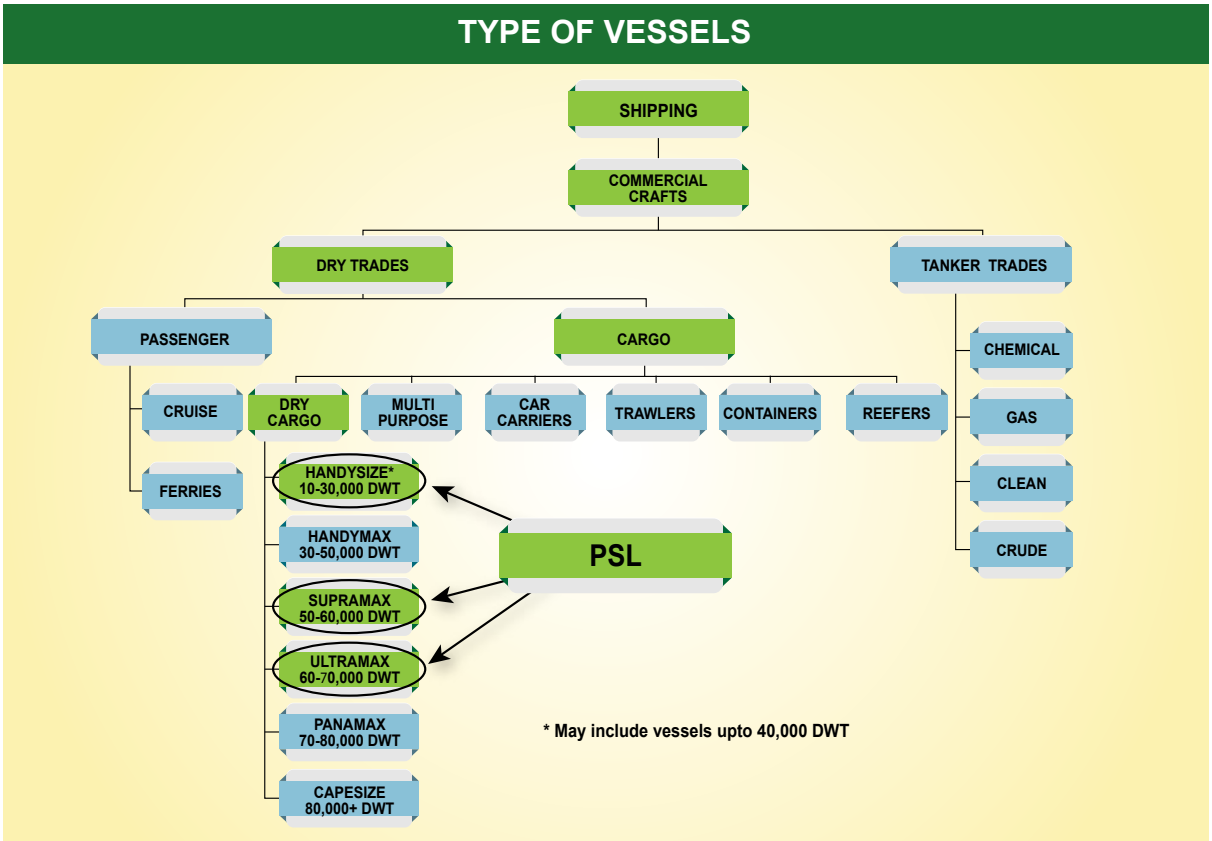
iv. Marketing network and major broker locations



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 Dry Bulk Market

Dry Bulk Commodities are divided into 2 categories, viz. Major Bulk and Minor Bulk. Major Bulk commodities are iron ore, coal, and certain grains. Minor Bulk commodities are agricultural commodities, cement, steel, fertilisers, specialized ores, forest products, etc.

PSL's fleet is in the geared ships sector. The demand for this sector is fragmented because of the broad cargo base and multitude of ports serviced by this 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 gearless ships.

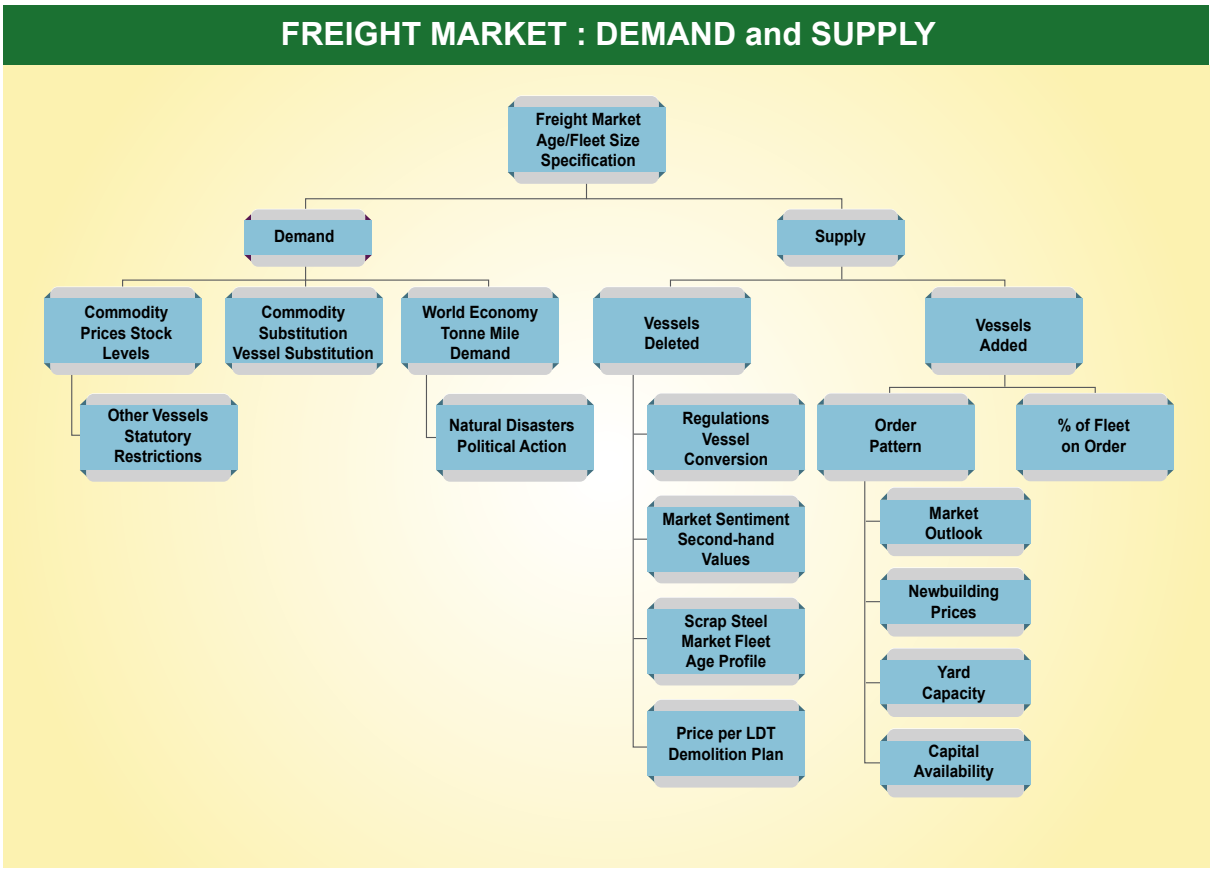
On the supply side also the Industry is highly fragmented. As at 31 December 2016, the World Fleet (10,000 - 70,000 DWT) of 6,945 ships has the largest operator having only about 92 ships or about 1% market share of capacity in DWT terms. The majority of the operators are private companies with a small 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 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 the first half of 2001. Also helping the bullish freight rates was increased scrap prices, which 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 then witnessed an unprecedented upward trend starting in the third/fourth quarter of 2003, and remained firm throughout 2004 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– as described in 2.3 hereunder) touching 11,039 points on 13 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, with the BDI reaching 11,793 points on 20 May 2008, after which, with the onset of the Global Financial Crisis (GFC) and the threat of sustained global recessionary conditions, it has fallen consistently, reaching 663 points on 5 December 2008, and was at 774 points at the end of the year 2008.

The BDI increased from 478 points at the end of 2015 to 961 points at the end of year 2016, with a lot of volatility within the year. During 2016, the BDI hit the lowest level in its history, dropping to 290 points on 10 February 2016 and the scrapping rates reached 13.83 Million DWT in the first quarter. Thereafter, the BDI rebounded which also slowed down the scrapping rates, with the BDI reaching its intra- year peak of 1,257 points on 18 November 2016. Due to the low market rates, newbuilding orders are currently hovering near zero levels, and the supply of new ships into the World Fleet is slowing down now. The ballast water management convention will come into force on 8 September 2017, which could possibly increase the scrapping rates, thereby bringing supply and demand into some semblance of order. The current BDI trend however suggests a challenging market ahead in year 2017 but the Company is hopeful that the market may improve in the latter part of the year or early next year.

2.2 Demand - Supply

While the composition and the age of a company's fleet do 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 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 BDI is the successor to the Baltic Freight Index (BFI) and came into operation on 1 November 1999. Since 1 July 2009, the BDI has been a composite of an average of the time charter rates (TC) of Capesize, Panamax, Supramax and Handysize vessels on certain shipping routes. The BDI is computed by applying the following formula:

((Capesize TC + Panamax TC + Supramax TC + Handysize TC)/4) X 0.113473601.

The multiplier was first applied when the BDI replaced the 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.

In all the 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 9.78 m draught.
- 169 m length, 27 m 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 percent.

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 percent.

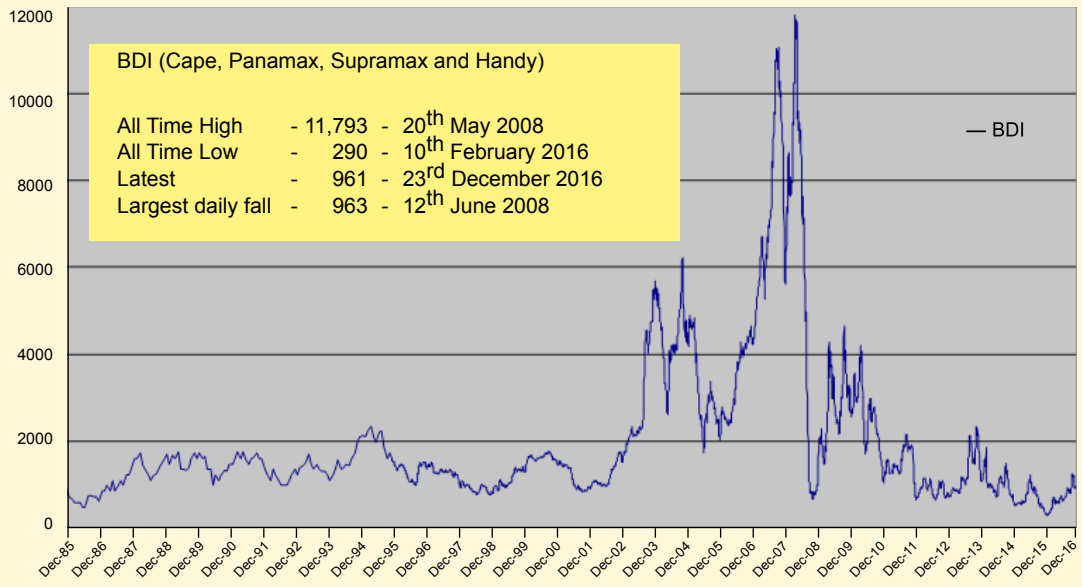
Route 5: Delivery of the ship within South East Asia for one single time charter via Australia. Duration of the time charter about 25/30 days. Redelivery of the ship within Singapore/Japan range including China. Weightage applied: 25 percent.

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 the 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 (2016).

BALTIC DRY INDEX ("BDI") [1985-2016]



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 similar 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 where 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 U.N. body, which regulates the International Shipping Industry for safety of life, property and the environment.

IMO has adopted numerous conventions, of which the most important are: Safety of Life at Sea (SOLAS), Maritime Regulations for Prevention of Pollution (MARPOL), Standards for Training Certification and Watch-keeping (STCW) & Maritime Labour Convention (MLC); these are the four pillars of the International Maritime Industries regulatory frame work.

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 came into force from 1 January 2013. New ships built after this date are required to have an Energy Efficiency Design Index (EEDI) determined at the construction stage. The IMO has set a limiting value for EEDI which cannot be exceeded; IMO has also issued detailed guidelines for improving the EEDI in subsequent years. All ships are also required to have a Ship Energy Efficiency Management Plan (SMEEP) from 1 January 2013. Engine exhaust emission standards are also controlled by the MARPOL regulations. Caribbean Emission Control Area (ECA) became mandatory from 1 January 2014. The emission standards applicable will be the same as those for the North American, North Sea and Baltic ECA, i.e. vessels were allowed to use only Low Sulphur Fuel Oil (LSFO) with maximum 1% sulphur content during the first phase from January 2014 until January 2015. The second phase began in January 2015, when vessels in all ECAs must use fuel with a maximum sulphur content of 0.1%. Due to non availability of suitable fuel worldwide, ships need to burn Low Sulphur Marine Gas Oil (MGO) which is much more expensive than heavy fuel oil being used now. Use of Low Sulphur MGO in the Main Engines of existing vessels is also a very big challenge technically, due to low viscosity and poor lubricity of such fuels.

Please note that unlike “Wider Caribbean area for Garbage Special area”, the United States Caribbean Sea ECA for LSFO includes the sea area located off the Atlantic and Caribbean coasts of the Commonwealth of Puerto Rico and the United States Virgin Islands only.

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 a Classification Society. 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 1 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 and Washington D.C. 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 convention is referred to as the "fourth pillar" of the maritime regulations, the others being SOLAS, MARPOL & STCW.

The MLC 2006 achieved the required ratification criteria in August 2012, and entered into force on 20 August 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 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.

Thailand has ratified the Maritime Labour Convention recently on 7 June 2016. It will enter into force from 7 June 2017. By this time, all Thai flag vessels will be fully compliant.

Singapore had already ratified the MLC earlier. Hence the Company's vessels flying the Singapore flag vessels are fully compliant with the MLC requirements.

In April 2014, the International Labour Organization (ILO) agreed several amendments to the MLC to implement the principles agreed back in 2009 by the joint IMO/ILO financial security working group. These amendments will enter into force on 18 January 2017. Ships that are subject to the MLC, after this date, will be required to display certificates issued by an insurer or other financial security provider confirming that insurance or other financial security is in place for the cost and expense of crew repatriation, as well as up to four months contractually entitled arrears of wages and entitlements following abandonment. A further certificate will be required for liabilities for contractual claims arising from seafarer personal injury, disability or death. P+I Clubs of the respective vessels have provided such certificates for all ships in our fleet.

8. International Health Organization (IHO)

Ships have to maintain a valid Ship Sanitation Exemption/Control Certificate. Previously, ships were required to comply with a De-rat/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 Certificate replace the De-rat/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 a 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 (AFS) 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, known as “The Manila amendments to the STCW Convention and Code” entered into force on 1 January 2012, under the tacit acceptance procedure and were 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. The five-year transitional period ended on 1 January 2017 and the Manila Amendments will henceforth be fully implemented.

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 Ballast Water Treatment System (BWTS) which needs to be installed on board. When the Ballast Water Management Convention enters into force 12 months after ratification by 30 States, representing 35% of world merchant shipping tonnage, ballast water on board will need to be treated to achieve standards specified by the IMO. Recently, on 8 September 2016, the convention has achieved the required mandate and hence will enter into force from 8 September 2017. All vessels are required to carry a Ballast Water Management certificate. All new vessels’ keel laid from this date are required to be fitted with IMO approved ballast treatment plants. All existing vessels are required to retrofit such plants in a phased manner along with surveys associated with first renewal of IOPP (International Oil Pollution Prevention) certificate after 8 September 2017. IMO approved treatment plants presently in the market have not yet met the stringent USCG approval requirements.

There is a separate US Coast Guard schedule for BWTS installation, but this was relaxed because the US Coast Guard had not granted approval to any BWMS till December 2015. However by end of Deccember 2016 three BWTS have been granted approval by the coast guard. Vessels scheduled to drydock after January 2018 may not be granted extension by USCG as they expect that the owners can fit one of the USCG approved system by that time. This conflicting requirement may pose a risk to company vessels calling US ports. While company vessels will need to fit IMO approved system in compliance with IMO requirements, such system may not meet the approval of USCG in which case the system will need to be replaced as soon as the USCG requirements come into force. As per USCG schedule, on some vessels fitment of BWTS will be required earlier than the IMO stipulated date.

12. International Code for Ships Operating in Polar Waters (Polar Code)

IMO has adopted the Polar Code and related amendments in 2014 - 2015 to make it mandatory under both the International Convention for the Safety of Life at Sea (SOLAS) and the International Convention for the Prevention of Pollution from Ships (MARPOL). The Polar Code will enter into force on 1 January 2017. This marks a historic milestone in the IMO's work to protect ships and people aboard them, both seafarers and passengers, in the harsh environment of the waters surrounding the two poles. By the amendment to the code, additional more stringent regulations to prevent discharge of Oil, Noxious liquid substances in bulk, Sewage and Garbage will be imposed in order to protect the environment. However, as our vessels do not trade in the Polar region, the code does not apply to us.

13. 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.

14. The Nairobi International Convention on the removal of Wrecks, 2007 (the "Wrecks Convention")

The convention entered into force on 14 April 2015. The convention requires the registered owner of any seagoing vessel of 300 GT and over to maintain insurance or other financial security to cover the costs of locating, marking and removing of wrecks. Any seagoing vessel of 300 GT and over is required to carry a certificate issued by a state party to the convention attesting that the necessary insurance is in place.

15. 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. VGP requirements of the Environment Protection Agency (EPA) have become more stringent since January 2014.

- Since the year 2009 bulk cargo vessels (Non-tank vessels) were required to have in place a Non-tank vessel response plan (NTVRP) as per the US Code of Federal Regulations. The scope and requirements for US NTVRP is becoming larger and more vessel-specific from January 2014. Contracts and funding agreements are required with Salvage and Marine Fire Fighting companies as well as oil spill response organizations.
- As per California Air Resources Board (CARB), vessels are to comply with stringent fuel regulations within 24 nautical miles of the California State coast. Beginning 1 January 2014, the maximum permitted sulphur content in fuels used on board is 0.1%, for both marine gas oil and marine diesel oil.
- US EPA has made it mandatory from 1 July, 2012, for all vessels to have in place control measures and records against bio-fouling activity while in US waters.
- As per European Union directives, fuel burnt in ports within EU territory continues to be capped at 0.1% sulphur content.
- Black sea ports Bulgaria, Georgia, Romania, Russian Federation, Ukraine & Turkey are members of "The Commission on the Protection of the Black Sea Against Pollution". Ships calling at these ports are subject to controls more stringent than MARPOL regulations and US requirements. Discharge of ballast water, sewage, grey water from wash rooms and even deck wash water are subject to scrutiny by the authorities.
- China requires ships to use Low Sulphur Fuel (LSFO) in certain coastal regions of China in a phased manner beginning 1 January 2016, as detailed below:
  - Effective 1 January 2016, Ships calling the eleven core ports of Shenzhen, Guangzhou, Zhujiang, Shanghai, Ningbo, Zhoushan, Suzhou, Nantong, Tianjin, Qinhuangdao and Tangshan/Huanghua will be part of a voluntary scheme for ships to use LSFO containing max 0.5% sulphur while at berth.
  - Effective 1 January 2017, use of LSFO containing max 0.5% Sulphur will become mandatory in the eleven core ports.
  - Effective 1 January 2018, at-berth fuel switching requirement will be extended to all ports in the three Chinese port regions, namely the Pearl River Delta (PRD), the Yangtze River Delta (YRD) and the Bohai Bay.
  - Effective 1 January 2019, the clean fuel requirement will be further extended to cover all ships operating anywhere within the emission control zones (ECZs) in the three port regions. These ECZs cover the territorial waters (12 nautical miles off the coastline) of the PRD and YRD, as well as the Bohai Bay.
- New regulations applicable at European Union (EU) ports:

  1) With effect from 31 August 2017 all vessels calling EU ports should have an approved vessel specific CO2 Monitoring, Reporting & Verification Plan (RVM)
     - Plans are to be submitted to competent authority before 31 August 2017
     - Monitoring of ship's CO2 emissions is to be carried out from the year 2018
     - Measured reports are to be submitted for year 2018 by 30 April 2019
     - Document of Compliance is to be available on board by 30 June 2019
  2) With effect from 31 December 2020, EU Regulation on Ship Recycling will be applicable to foreign ships in EU waters. Ships are to comply with Inventory of Hazardous Material (IHM)

16. 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 verify their compliance with international rules on safety, pollution prevention and seafarers' living and working conditions. 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 31 December 2016)

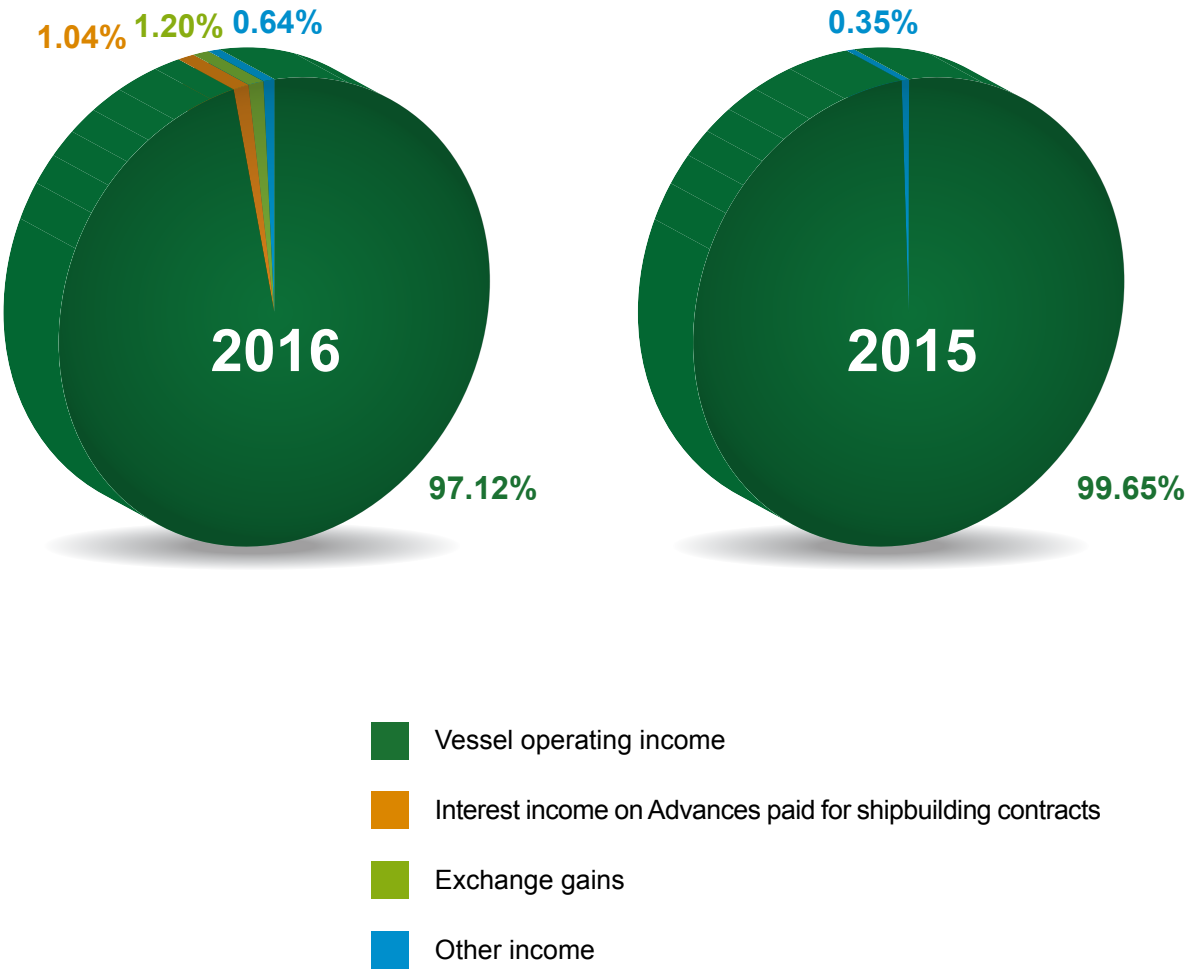
No.	Vessel Name	Flag	Year Built	Dead Weight Tonnes (DWT)	*Net Book Value (Million US$)	**Insured Value (Million US$)
1	Dusita Naree	Thai	1997	18,486	1.17	4.60
2	Rattana Naree	Thai	2002	28,442	9.71	9.50
3	Rojarek Naree	Thai	2005	29,870	14.77	13.00
4	Nalinee Naree	Thai	2005	31,699	16.22	14.50
5	Chamchuri Naree	Thai	2005	33,733	14.78	13.00
6	Charana Naree	Thai	2005	33,720	14.87	13.50
7	Mookda Naree	Thai	2009	30,162	14.55	13.00
8	Mayuree Naree	Thai	2008	30,193	13.62	12.00
9	Mallika Naree	Thai	2008	30,195	13.89	12.00
10	Lanna Naree	Thai	2012	33,843	17.04	15.00
11	Latika Naree	Thai	2012	33,869	17.00	15.00
12	Ananya Naree	Singapore	2011	33,857	25.08	23.00
13	Benjamas Naree	Singapore	2012	33,780	25.44	23.50
14	Chintana Naree	Singapore	2013	33,945	21.46	19.50
15	Vipha Naree	Singapore	2015	38,851	21.61	19.50
16	Viyada Naree	Singapore	2016	38,716	22.22	20.50
Handysize 16 Vessels		**Total**		**513,361**	**263.43**	**241.10**
		Average		**32,085**	**16.46**	**15.07**
17	Kanchana Naree	Thai	2011	56,920	22.43	20.50
18	Kirana Naree	Thai	2011	56,823	22.49	20.50
19	Warisa Naree	Thai	2010	53,839	12.02	10.00
20	Wariya Naree	Thai	2011	53,833	12.93	11.00
21	Wikanda Naree	Thai	2013	53,857	14.46	12.50
22	Apiradee Naree	Singapore	2012	56,512	23.78	21.50
23	Baranee Naree	Singapore	2012	56,441	23.70	21.50
24	Chayanee Naree	Singapore	2012	56,548	23.76	21.50
25	Daranee Naree	Singapore	2012	56,588	24.11	21.50
Supramax 9 Vessels		**Total**		**501,361**	**179.68**	**160.50**
		Average		**55,707**	**19.96**	**17.83**
26	Inthira Naree	Thai	2014	63,468	25.94	23.50
27	Issara Naree	Thai	2014	63,516	25.99	23.50
28	Sarita Naree	Thai	2015	62,964	25.57	20.00
29	Sarika Naree	Thai	2015	63,023	25.38	23.00
30	Savitree Naree	Singapore	2016	63,016	25.36	23.50
31	Savita Naree	Singapore	2016	62,970	25.77	24.00
32	Sunisa Naree	Thai	2016	63,007	25.96	26.00
Ultramax 7 Vessels		**Total**		**441,964**	**179.97**	**163.50**
		Average		**63,138**	**25.71**	**23.36**
33	Apinya Naree	Singapore	2014	21,136	22.71	32.50
34	Boonya Naree	Singapore	2014	21,159	23.15	32.50
35	Chanya Naree	Singapore	2014	21,114	22.91	32.50
36	Danaya Naree	Singapore	2015	21,149	23.70	32.50
Cement Carriers 4 Vessels		**Total**		**84,558**	**92.47**	**130.00**
		Average		**21,140**	**23.12**	**32.50**
36 Vessels		**Total**		**1,541,244**	**715.55**	**695.10**
		Average		**42,812**	**19.88**	**19.31**

Remarks * Net Book Value is as per US Dollars (functional currency) financial statements as on 31 December 2016.
** Insured Value means agreed value to be received from the insurer in case of total loss of the Vessel.

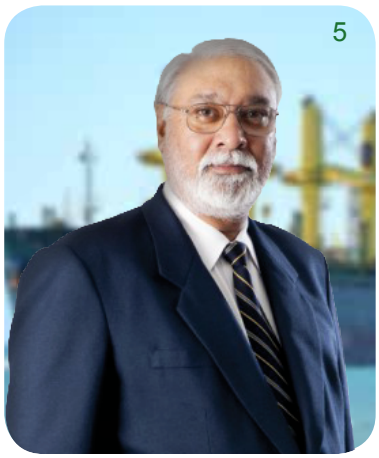
REVENUE STRUCTURE

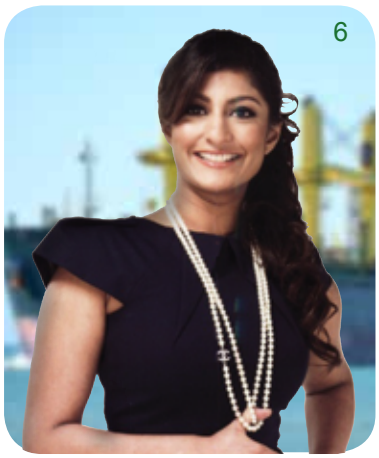
Revenue Structure from the Operation of the Company and Subsidiaries for the last 2 years

Revenues	2016		2015	
	Baht Million	%	Baht Million	%
Vessel operating income	3,682.42	97.12	4,248.98	99.65
Interest income on Advances paid for shipbuilding contracts	39.73	1.04	0.00	0.00
Exchange gains	45.43	1.20	0.00	0.00
Other income	24.21	0.64	14.94	0.35
Total Revenues	**3,791.79**	**100.00**	**4,263.92**	**100.00**



THE BOARD OF DIRECTORS





1. Mr. Thira Wipuchanin

- Chairman of the Board of Directors
- Independent Director

2. Mr. Suphat Sivasriaumphai

- Chairman of Audit and Corporate Governance Committee
- Nomination Committee Member
- Independent Director

3. Mr. Khalid Moinuddin Hashim

- Director & Executive Director
- Managing Director

4. Mr. Khushroo Kali Wadia

- Director & Executive Director
- Director - Finance

5. Mr. Jaipal Mansukhani

- Director & Executive Director

6. Ms. Nishita Shah

- Director

7. Mr. Kirit Shah

- Director
- Remuneration Committee Member

8. Mr. Chaipatr Srivisarvacha

- Chairman of Nomination Committee
- Independent Director

9. Associate Professor Pavida Pananond, Ph. D.

- Audit and Corporate Governance Committee Member
- Remuneration Committee Member
- Independent Director

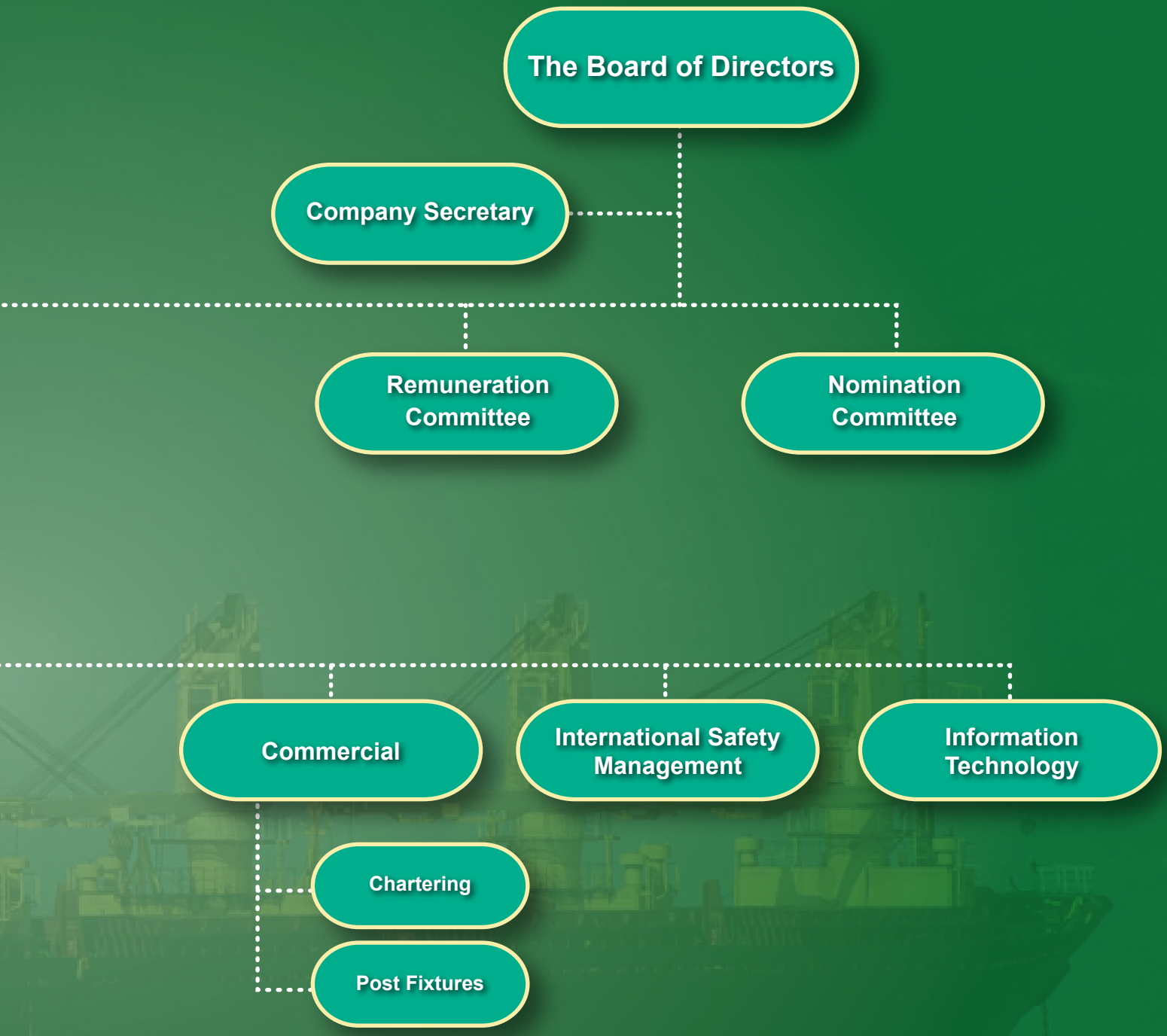
10. Mr. Kamtorn Sila-On

- Chairman of Remuneration Committee
- Audit and Corporate Governance Committee Member
- Nomination Committee Member
- Independent Director

11. Mr. Ishaan Shah

- Director

ORGANIZATION CHART


The Board of Directors
Company Secretary
Remuneration Committee
Nomination Committee
Commercial
International Safety Management
Information Technology
Chartering
Post Fixtures

BOARD OF DIRECTORS' REPORT

Mr. Khalid Moinuddin Hashim

Managing Director

TO THE SHAREHOLDERS:

The directors are pleased to present the 28th Annual Report of the Company along with the Audited Financial Statements as on 31 December 2016.

2016 will go down in history as the worst year ever for Dry Bulk shipping. The annual average BDI at 673 was 42 points or about 6% lower than the lowest annual average in history of 715 points reached in 1986.

The truly unthinkable happened to Dry Bulk shipping - the BDI plunged to a new absolute low of 290 points in February 2016. Other unthinkable and major events that defined 2016 were Brexit (June), Hanjin's receivership (August), Ballast Water Management became law (September), maximum 0.5% sulphur content in all fuel burnt on ships becomes law in 2020 (October), Trump winning the US Presidential elections (November), Demonetization in India (November) and, sadly, the Russian Ambassador to Turkey being shot and killed on live TV (December).

The Baltic Dry Index started the year at 473 points and then hit a new all time low of 290 points on the 10th of February 2016. The BDI then improved all the way up to 703 points by the end of April. It then struggled and slowly lost ground till it reached 580 points on the 21st of June. Traditionally, as you know, the summer months of June, July and August are the weakest months of the years, but not this year. The market surprised us by moving up to 748 points by 18th of July. The BDI continued to tread water till the end of August, where after it continued to gain strength till we touched a new annual high of 1,257 points on the 18th of November, traditionally the strongest time of the year. The BDI then gently drifted downwards till it closed out the year at 961 points on the 23rd of December.

New orders for ships are hovering near all time lows. All existing orders are being delayed and pushed back due to financial pressure either on the buyers or at the ship yard level. All of this has helped reduce the pressure from the Supply side of the equation, and as a result, the negative sentiment had started to disappear from the market by the middle of 2016.

The freight market is the single largest driver of ships to the scrap yards. The lower the freight market the greater the number of ships ending up at the scrap yards. 2016 is an ideal example of this logic. Q1 was a disaster in terms of the market with the BDI touching a new historic low every day before bottoming out at 290 points in February. The Q1 total for scrapped ships was 13.83m DWT, but as Q2 rates started to improve, scrapping took a sort of back seat with 'just' 8.68m DWT reaching the breakers yards. This was followed by a very poor showing of 2.8 MDWT in Q3 with an improved 3.43 MDWT in Q4 resulting in net supply of ships in the dry bulk space growing from 771.9 MDWT at the start of the year to an even higher number of 790.41 MDWT by the end of the year. But despite this growth in the supply side, the time charter rates during the year have risen from the ashes, just like Phoenix, to semi-reasonable levels by the end of the year. **This suggests that supply demand balance is not that far away.**

Mr. Khushroo Kali Wadia

Executive Director

Demand has certainly been stronger than what anyone had anticipated at the start of 2016. China has been the stellar performer, and this has helped to drive time charter rates higher as the year has progressed. Having said that, if, and it is a big if, Chinese policy that has recently been reversed on the number of days Coal mines can work back to 330 days is changed once again to the 'new' policy of 276 working days in a year, then, and only then, will Coal imports into China continue to surprise on the upside during 2017 as it did so helpfully in 2016. However, for the early part of 2017 the current reversal of this policy to the original 330 working days would increase domestic supply of coal and thereby reduce the requirement of coal imports till such time as policy is again, hopefully, changed back to the 'new' policy of 276 working days for Coal mines. This could result in lower coal imports into China in Q1 2017.

Then you have the onset of Chinese New Year with its traditional slowing down of demand coinciding with the January impact, when all delayed new building ships from October to December 2016 are delivered in January 2017, increasing the supply side significantly, and you could have the makings of the perfect storm for the BDI. We hope that the expected rate decline by these three factors - lowering of coal imports, Chinese New Year slowdown in demand and the January impact of additional ships entering the market - doesn't take the BDI back to the horrid levels that we experienced in the first two months of 2016.

Overall, 2017 will be similar to 2016 with a lower Q1 followed by improvements during the rest of the year PROVIDED ship owners scrap their older tonnage throughout 2017 as quickly, and in as large numbers, as they did in H1 2016. If scrapping doesn't get off the back burner, then we may experience pain, not just in Q1, but during the whole of 2017. Only a sustained increase in demand coupled with marginal growth in supply would result in a sustainable improvement in the freight market and the BDI.

There are two issues that drive the BDI. One is (over) supply of ships with which we have been struggling for quite a while. If ship scrapping during 2017 exceeds the levels achieved during 2012 (36 MDWT) then we have some chance of finally coming to grips with this issue. The other matter is of course the demand side. There is no doubt that overall world macroeconomic situation is one that remains quite patchy and confusing and does not inspire too much confidence to justify a significant increase in trade flows during 2017. However, the Federal Reserve has already raised interest rates by 25 bps and intends to raise it by a further 75 bps during 2017 especially as the economic picture emerging, not least because of the expansionary policies that incumbent President Trump has already indicated, looks quite robust. Fortune magazine captured it best by stating 'but there is no getting away from the fact that, after a decade of fretting about downside risks to the economy, the Federal Reserve now sees the balance of risks firmly in the other direction.' This tells us that the US, the largest economy in the world, is faring well enough for their central bank to push interest rates off the floor. With the current very low oil prices, and the prospects that this low-oil-price environment will continue for some time into the future, consumers should find they have much more spare change in their pockets to spend. Trump's stated Trillion Dollar infrastructure refurbishment plan should add fuel to the demand fire emanating

from the largest economy in the world. This is what will drive the US economy and should help to suck in a lot of cement, steel and other manufactured goods from China and the rest of Asia. This will help drive trade flows in a more positive direction.

Regulatory impacts should see many more ships heading for the scrap yard in 2018. With the Ballast Water Management (BWM) convention coming into force on the 8th of September 2017, all existing ships will have to retrofit a BWM system in place by their next dry-dock after the 8th September 2017 deadline. Any ship that is older than 15 years of age would then become a Scrapping candidate when its next dry-dock comes due after the effective date as the cost benefit to retrofit an expensive, and as yet largely untried system, would be too great a risk to run, especially when 15 year old ships are valued at scrap levels. It will make the 'to scrap' decision easier. At the start of this year, 114.94 MDWT or 14.54% of the existing dry bulk fleet are over 15 years of age and face a choice to either install an expensive BWM system after 8th September 2017 or become a likely scrap candidate.

The IMO decided on the 27th October 2016 to implement a global 0.5% limit on the sulphur content of fuel from 2020. We believe the impact on global shipping markets will be significant, indeed, as it will have consequences for scrapping, the spread between conventional bunker fuel and distillates and vessel speeds. First a very short explanation of the new regulation: Sulphur Dioxide (SOx) is a harmful pollutant that is emitted when fuels with Sulphur content are combusted. Hence SOx emissions are sought to be reduced by reducing the Sulphur content of the fuel used in ships and industry. Current regulations allow vessels at sea to use fuels with sulphur content upto 3.5%. New regulations, starting 1 January 2020, lowers this to 0.5%. And then all vessels would either 1) change fuel to "diesel" which now is ~USD200/ton more expensive than normal bunker fuel or 2) continue to use normal bunker fuel but clean the exhaust. The latter is done with scrubbers. Those cost USD3m/piece (this quote we have seen for a 10MW engine, typical for Supramax/Panamax, probably somewhat more expensive for a Capesize). On a stand-alone basis, assuming a Capesize to consume 40 tons of bunker per day and spend, say, 310 days at sea, will give savings of USD2.5m/year which makes an USD3m investment look like a very good deal. But will you invest that in a 15 year old vessel? Probably not. If you don't you would face the prospect of having daily bunker expenses increase from USD12,000/day (fuel price of USD300/ton) to USD19,000/day ("diesel" price of USD500/ton) which on a stand-alone basis will make the owner even more prone to scrap the vessel. Next, to the current spread of ~USD200/ton between Annex VI compliant and non-compliant fuel: In 2020 marine bunker demand is estimated to be ~320 MMT/year out of which almost 100 MMT/year will be covered from already compliant fuel-production, LNG and scrubbers. But there is still ~200 MMT/year left which needs to be converted. And assuming density of 6.35 barrel/ton this yields 3.5m bpd of switch from heavy fuel oil to the distillate pool. And what will happen with the current spread of USD200/ton in such a scenario? We believe it will widen. And with more expensive fuel, the speed of all vessels should come down. In sum, **new regulations will accelerate scrapping and reduce speed, which from a spot rate perspective should be very positive.** (DNB Markets)

The question is **how will owners react to the market conditions during 2017?** At PSL we have always believed in pre-empting compliance issues. As a result over the last 12 months we have sold 13 ships. We don't know of any other ship owner who has taken such drastic action. If the markets remain reasonably strong, then scrapping will slow down and that won't be good. If markets are bad, scrapping will be reasonably good in 2017. If that happens and 'forced' scrapping takes off due to the regulatory impact in 2018, we could have a few very interesting years ahead!

The dry bulk markets propensity to surprise, therefore, seems to be alive, and well! We were quite bearish this time last year about the prospects for 2016, we are similarly bearish about the prospects for Q1 2017, but more sanguine about the prospects for the rest of the year and beyond so we hope to be 'pleasantly surprised' with results that defy current expectations.

It is now almost 9 years since the dry bulk markets have been in a crisis. Even the scriptures forecast a maximum of 7 years of 'famine' so hopefully we have seen the last of the 'lean' years.

Shipping banks that contributed to the current debacle with 'easy loans', during the boom years prior to and including 2008, allowing ship owners to over-order/buy ships with little equity and no forward contract

coverage, have for the most part taken big hits and where possible have sold their existing loan books at cents to the dollar. Restructuring, inside or outside the bankruptcy courts, has happened in quite a few cases and others are in negotiation. As a result many traditional shipping banks have sold their loans in specifically targeted companies. Others have reduced their shipping loan portfolio via a bulk sale to others or have simply exited this business all together and have retired or disbanded their shipping teams. All these actions have resulted in losses so banks are loath to lend any more funds to our industry. Ship finance is, therefore, not getting easier.

The situation at the **ship building yards** has become untenable and quite a few of them have simply closed shop, including state-owned shipyards in China, something that was simply inconceivable in the past. Those shipyards that have managed to survive have reduced their existing capacity via consolidation; some have gone back to ship repairing; others have converted to 'green' recyclers; and many have simply changed over to some other business. China and South Korea are home to many ship building yards that have been reported in the shipping press as having closed down or being in deep financial distress including the 'big 3' yards in South Korea who have reported staggering losses approaching billions of dollars during 2015 and with similar/larger losses in 2016.

Depending on your perspective, an overall 71% drop in ordering (total orders also hit a 35 year record low) is either cause for optimism or for further gloom! In fact, **only 113 yards took orders** (for vessels 1,000+ GT) in the year, compared to 345 in 2013, with tanker orders down 83% and bulkers down 46%. (Clarksons)

Shipyards are likely to remain under pressure during 2017, with Chinese shipyards now facing the added challenge of higher steel prices. However, this is good news for shipowners, as the lower orders aid the shipping market in its rebalancing act from the current vessel oversupply. (Banchero Costa)

Analyst Chong Hui Ru of broker Banchero Costa stated that we have already seen news this year of Chinese shipyards going bankrupt, with **estimates that half to three-quarters of the shipyards that China had in the peak years may have, or will be closed.** (TradeWinds)

Oil Prices and its impact on slow steaming: Lower bunker prices in theory should result in a reduction of slow steaming but only if the daily time charter rates are strong enough. At current daily time charter rates no one will speed up their ships. In fact every charterer still insists on getting the ships 'eco' speed and they instruct Masters to prosecute voyages at these 'eco' speeds. Once the 0.5% sulphur ruling hits the market on 1st January 2020, the cost of oil will more than double for ship owners who do not opt to fix an expensive and untried 'scrubber' system to 'clean' the exhaust gasses from the excessive particulate matter and high Sulphur content resulting from burning heavy fuel oil. That should make slow steaming the norm even if time charter rates were to improve significantly. There are people who calculate that this doubling in cost of oil could result in the supply side of ships in the world fleet shrinking by ~10% (see the paragraphs under Regulatory Impact). That would certainly tilt the supply demand equation firmly in the ship owner's favour.

Scrapping in 2012 had a stellar all time record of 35.97 MDWT dry bulk ships being scrapped. However, 2013 and 2014 scrapping came in at a disappointing 21.39 and 16.72 MDWT respectively. 2015 was a far better year with a total of 32.09 MDWT being scrapped but was obviously not good enough as the BDI plunged to a fresh all time low of 290 points on the 10th February 2016. Of the 29.74 MDWT of ships scrapped in 2016 77.4% of the total was accounted for in the first half of the year. As freight rates improved during the second half of the year scrapping took a back seat and we had just 22.6% of the total. Scrapping rates are dependent on two main variables: the freight market (primary mover) and the price of scrap (secondary mover) and have no connection with lower or higher oil prices. The latest scrap price at below USD 300 per steel ton of scrapped dry bulk ships is probably at the trough and industry expectations are that scrap prices should not go down any further from this point. If scrap prices remain where they are, and the freight markets stays as low as it currently is, we expect more ships to be scrapped in 2017. Basically, in a poor rate environment, where charterers are spoiled for choice of ships, they will not fix an older ship as they generally consume more oil, are more expensive to insure for their cargoes, their customers don't want shipment in older ships and younger ships are available at almost the same rates as the older ships. Therefore, older ships don't get employed in a low rate environment and cost their owners even to keep idle. Hence in a low rate environment, with no hope for employment, most owners of older ships would examine the scrapping option more closely, and with the threat of a fall in scrap

prices, the decision making becomes easier. And the extremely costly regulatory burden that is just around the corner should tilt the decision to scrapping ships in a bigger way.

In the next four years time i.e. by the end of 2020, approximately 23.2% (183.30 MDWT) of the existing world fleet that would be over 15 years of age and should head for the breakers yards due to the upcoming expensive regulatory environment, the direction of the BDI and scrap prices.

With respect to the approximately 10.8% by DWT of new ships (85.22 MDWT) scheduled to be delivered to the end of 2020, the lack of funding coupled with delays in deliveries at ship yards would subject them to a very high degree of slippage (it was 47.5% in 2016), higher than the average of 35% over the 2010 to 2014 period.

Slippage is the difference between the DWT of new ships on order at shipyards at the beginning of the year and the actual deliveries of DWT of new ships at the end of the same year. Slippage in 2015 came in at 46.03% and at 47.5% in 2016 both of which were well above the average of about 35% for the preceding 5 years. As a result, the net increase in supply for 2016 was 18.51 MDWT with a yearend number of 790.41 MDWT. This amounted to a 2.4% net increase in the World Dry Bulk fleet, one of the smallest percentage increases in the past 10 years!

Future Supply: With slippage and scrapping demonstrating such volatility, the net increase in DWT of ships in future years will remain difficult to predict with any real accuracy. We think that slippage and scrapping will retain their unpredictability and will fluctuate inversely with the strength of the BDI. If we assume annual slippage at 50% (it was 47.5% in 2016) and scrapping at 30 MDWT (it was 29.74 MDWT in 2016), then net change in the Dry Bulk Sector would be -0.14% or -1.14 MDWT to 789.27 MDWT at the start of 2018. Applying the same assumptions we get fleet growth of -6.98 MDWT or -0.88% to 783.42 MDWT by the start of 2019.

On the **demand front,** the large clouds of uncertainty still loom ominously on the horizon. **China,** the big mainstay of the dry bulk markets, has struggled with GDP growth at an anemic, at least for China, 6.7% in 2016. China's economy, in the current 5 year plan that started in 2016, is supposed to grow at an average rate of not less than 6.5%. China is trying to stimulate its domestic economy and curb its dependence on its export markets. In terms of actual imports for 2016, China surprised the markets by increasing iron ore imports to 1,024.71 MMT (+7.5% y-o-y) becoming the first time in human history that any one country has imported more than one billion tons of any one commodity in any one calendar year! China's coal imports at 255.67 MMT (up 25.2% y-o-y) were the real pleasant surprise that the dry bulk market had been yearning for. Chinese steel exports at 108.99 MMT has marginally decreased by 3% over the 2015 figure of 112.41 MMT. All this has taken place whilst the headlines were screaming 'China is slowing down!'

Economic growth is beginning to take a firm hold in the **USA,** the largest market in the world, where the Federal Reserve has already raised interest rates by 25 bps and intends to raise it by a further 75 bps during 2017 especially as the economic picture emerging, not least because of the expansionary policies that incumbent President Trump has already indicated, looks quite robust. Trump's stated Trillion Dollar infrastructure refurbishment plan should add fuel to the demand fire emanating from the largest economy in the world. This is what will drive the US economy and should help to suck in a lot of cement, steel and other manufactured goods from China and the rest of Asia. This will help drive trade flows in a more positive direction.

The **EU** is the second largest economy in the world after the USA and one of the largest exporting blocs in the world. Their economy has disappointed to such an extent that the EU Central Bank is still continuing with their QE program. As a result the Euro has fallen versus the USD and there is talk that it could head to parity or below. This combination of QE and a falling currency could be the ingredients that finally spark the moribund EU economy into life. Their propensity to export must not be underestimated as Germany used to be one of the largest exporters in the world not too long ago. If they manage to grow their economy they will need more bulk imports to convert to semi-finished and finished products that would need to be shipped out requiring the services of our industry.

Japan, the second largest dry bulk player in the world, continues to struggle. However, Nuclear power remains shuttered so more coal is being imported. Japanese companies have made windfall profits, thanks to the

Yen depreciating from 75 to 120+ to the Dollar, and will likely reinvest in Japan as well as all their manufacturing plants in Asia/around the world requiring more dry bulk imports.

India, with its weaker currency and new market oriented government could become a large player in the Dry Bulk market. India is characterized with smaller, shallower drafted and inefficient ports which would result in massive congestion should import/export volumes climb appreciably. A consequent reduction in effective supply of smaller ships would result fairly quickly. This would push the geared handy to ultra sectors in the right direction. India is the world's third largest consumer of steel. Considerable home-grown demand will be generated as the government invests heavily in road, commercial and residential construction. Various reports suggest that Power, Coal and New & Renewable Energy would be given a USD 250 billion boost under the current Indian government, the hope for shipping being that coal imports into India will keep increasing.

The one industrial sign that could point to a higher level of demand especially for bulk ships is the 'One Belt One Road' silk route that the Chinese leader Xi Jinping has promoted. Under development is a planned network of overland road and rail routes, oil and natural gas pipelines, and other infrastructure projects that will stretch from Xi'an in central China, through Central Asia, and reach as far as Moscow, Rotterdam, London, Venice and Piraeus. This will do quite a few things not just for China but for the rest of the world.

- The monetary size of OBOR is anywhere between USD 1.4 and 21.0 trillion!!
- It covers 65 countries, 3 continents and 4.4 billion people.
- It is 12 times larger than the Marshall Plan, in today's inflation adjusted Dollars, at the minimum spend or 180 times at the maximum spend level!
- Funding will come from (1) the Asia Infrastructure Investment Bank which already has USD 40b in capital and commitments up to USD 100b from its 57 member countries. (2) Silk Road Fund of USD 40b. (3) New Development Bank or the BRICS Bank of USD 100b. (4) China Development Bank of USD 900b.
- Actual projects to date: (1) PWC February '16 report confirms that USD 250b of OBOR projects have been either committed/started/completed. (2) China Merchant Holdings has committed to build 10 ports in Russia, West Africa and South East Asia. (3) Power China has built 182 MW in Pakistan, 24 MW in Vietnam and 60 MW in Thailand. (4) The Bangladesh-China-India-Myanmar economic corridor has been completed. (5) Hydroelectric power plant in Belarus. (6) Ports in Pakistan (Gwadar), Myanmar, Bangladesh and Sri Lanka. (7) China-Pakistan-Economic-Corridor of USD 46b completed. (8) China-Belarus Industrial park. (9) 33 projects signed up in Kazakhstan from mining to oil to energy.
- The political turmoil and poverty in the areas within OBOR will probably reduce.
- China's benefits: (1) Utilize the approximate 30% idle steel mill capacity for OBOR projects. (2) Utilize the approximate 40% idle Cement plant capacity for OBOR projects. (3) No unemployment issues would be there in both these industries. (4) Shift labour intensive sunset industries from the expensive land/high labour cost coastal areas to low land cost, low labour cost inland areas giving these industries a new lease on life via well connected infrastructure to their major markets. (5) Transition from a fixed asset investment led economy to a consumption led model smoothly. (6) China would be independent from the potential choke point of the Malacca Straits. (7) Gain Diplomatic capital in 65 countries, 3 continents and 4.4 billion people. (8) USA has been conducting 'Regime Change' wars, declared or covert, in 20 countries, and Economic and other sanctions, where wars don't work, in Russia and Iran. USA's pivot towards Asia has increased tensions in countries bordering the South China Sea. China is removing this threat with a win-win, peaceful, OBOR solution, whilst securing free passage for its raw materials/finished goods!

All the above activities would require larger movements of iron ore, coal, limestone, coke, wood and other minerals like nickel ore, alumina etcetera than what are being shipped presently and that would benefit the dry bulk markets tremendously.

To keep things in perspective with regards to PSL, we would like to highlight the annual net profit/loss over the past few years.

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Av. BDI	3,180	7,065	6,390	2,617	2,758	1,549	920	1,206	1,105	719	673
Net Profit (loss) $m	92.6	125.1	148.1	88.1	35.5	23.6	4.5	17.5	(2.5)	(69.41)	(75.61)
Av. No. of Ships	54.00	44.97	44.12	32.79	21.39	21.91	30.44	38.93	41.66	45.46	40.29
Net Profit (loss)/Ship $m	1.72	2.78	3.36	2.69	1.66	1.08	0.15	0.45	(0.06)	(1.53)	(1.88)

Our results for 2016 must be viewed against the average BDI for the year of 673 points, being the lowest annual average in BDI history, 42 points or 6% lower than the lowest ever in 1986 of 715 points. Whilst most of our peers were seeking protection under Chapter 11 or undergoing restructuring of some sort or the other, we managed to keep costs under tight control; raised about USD 65 million from our shareholders via a rights offering in early 2015; raised about USD 100 million from a bullet repayment, 5 year maturity, unsecured bond in January 2016; raised additional USD 55 million from a bullet repayment, 3.5 year maturity, unsecured bond in December 2016; pre-paid a lot of our secured loans coming due in 2017 and 2018; and sold our older and inefficient ships to raise further cash (3 ships sold in 2015; 13 ships sold in 2016 and one more older ship to be sold in 2017).

AWARDS AND ACCOLADES:

Precious Shipping won the 'ASIA BEST EMPLOYER BRAND AWARD' at the Asia Best Employer Brand Awards, 7th edition, 2016. We were nominated for the "Best Investor Relations Award" at the SET Awards 2016. We were classified as one of the companies with "Excellent" Corporate Governance for seven consecutive years from 2010 to 2016, by Thailand's National CG Committee. We were the finalists for 'The ClassNK Dry Bulk Operator of the Year' at the Lloyd's List Asia Awards 2016. We were also the finalists for 'The Bulk Ship Operator of the Year' award at the IBJ Awards 2016.

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 3,791.79 million (2015: Baht 4,263.92 million) and the Company incurred a Net Loss of Baht 2,664.90 million (2015: Baht 2,425.78 million), including loss on sale of vessels, impairment loss on certain vessels and one-time write-off of deferred upfront fees totaling Baht 1,429.10 million (2015: Baht 1,124.02 million). The Shareholders' Equity of the Company is Baht 13,632.57 million (2015: Baht 16,486.17 million) and the Total Assets of the Company have marginally decreased during the year to Baht 32,316.03 million (2015: Baht 32,457.82 million). During the year, the Company took delivery of 4 ships, sold 13 older ships and issued 2 tranches of Thai Baht debentures.

During the year, the Company incurred Baht 2,710.27 million (2015: Baht 2,398.75 million) as Net Loss before Exchange Gain of Baht 45.43 million (2015: Exchange Loss of Baht 25.37 million) and Income Tax of Baht 0.06 million (2015: Baht 1.66 million). In terms of the Earnings, the Company's vessels achieved an average time-charter equivalent earnings of USD 6,476 per day per vessel as compared to USD 6,266 per day per vessel in year 2015. The Net Vessel Operating Income (net of voyage disbursements and bunker consumption) in absolute terms was lower than that of the previous year, due to the lower average number of vessels operated in year 2016 (40 vessels) as compared to that in year 2015 (45 vessels). Absolute vessel running expenses (Opex), decreased by about 11%, due to a decrease in average number of vessels operated in 2016 and a decrease in average vessel running cost per day per vessel (Average Opex per Day) as compared to the previous year. The technical downtime was reduced to an average of 4.78 days per vessel, because of the younger fleet with the average age of 5.8 years in 2016.

We conducted an "in-house" exercise again this year to determine Total Return to Shareholders, which was calculated for the 23 years that we have been operating as a listed entity. Based on the closing share

price as on Friday the 16 September 2016 of Baht 5.85 per share (we started trading on the SET on the 16 September 1993) and assuming you had subscribed at the IPO, then, at the end of 23 years, you would have 9.31 times your initial investment. This return does not assume any re-investment of the dividends into shares or any interest on the dividends received.

FLEET REJUVENATION:

At the start of 2017, our fleet had 36 ships in the water (7 Ultras, 9 Supras and 20 Handy sizes) with an aggregate capacity of 1,541,244 DWT. This worked out to an average 42,812 DWT per ship, and an average age of about 5.8 years. We sold 13 older ships during 2016, plan to dispose of another 1 older ship in 2017, and will take delivery of 2 more ships from Sanfu shipyard by the end of Q1 2018. After delivery of the last vessel, we would have 37 ships in the water with an average age of just 7.1 years and an average size of 44,615 DWT by the end of 2018.

In a highly capital intensive business with very high leverage 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.

Update on disputes with Sainty Marine Shipyard:

All 12 ships ordered with Sainty Marine were delayed and not delivered within the maximum period allowed under the relevant Shipbuilding Contracts for these ships. Therefore, the Company exercised its contractual right and cancelled all the 12 relevant shipbuilding contracts. The Company received the refunds of the instalments paid along with the interest thereon from the refund guarantor for 3 out of the 12 cancelled shipbuilding contracts. There are no more outstanding orders with Sainty Marine now. Arbitration proceedings have been commenced for 11 shipbuilding contracts including the 2 ships delivered to us in 2014 in respect of which, we have initiated arbitration to recover our Warranty claims.

HIGHLIGHTS OF 2016:

The Baltic Dry Index (BDI) started the year at 473 points and then hit a new all time low of 290 points on the 10th of February 2016. The BDI continued to gain strength till we touched a new annual high of 1,257 points on the 18th of November, traditionally the strongest time of the year. The BDI then gently drifted downwards till it closed out the year at 961 points on the 23rd of December.

As a result most shipping companies found their share values tanking to almost all time lows at the start of the year before touching annual highs towards the end of the year.

The BDI average for 2016 was 673 points the lowest annual average in BDI history, 42 points below the lowest levels ever reached in 1986 of 715 points. 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 points; and during the Bull Run (2004 – 2010) was 4,265 points.

The year 2016 was characterized by Brazil steadily gaining lost ground over its arch rivals the Australian iron ore exporters. Of the 1024.71 MMT of iron ore imported into China during 2016, Australia supplied 640.14 MMT (annual increase of 32.5 MMT or 5.35% over the 607.64 MMT in 2015) with Brazil supplying 214.86 MMT (annual increase of 23.1 MMT or 12.05% over the 191.76 MMT in 2015). Please keep in mind that the **Brazilian ton-mile is about 3.5 times more intensive than the Australian ton-mile.**

The Supply Side numbers are finally showing light at the end of the proverbial tunnel. A total of 626 dry bulk ships or 48.25 MDWT entered the supply side during 2016. At the same time, scrapping this year has come to 29.74 MDWT with 83 (14.13 MDWT) Capes, 79 (5.79 MDWT) Panamaxes, 34 (2.33 MDWT) Ultras/Supras, 128 (5.32 MDWT) Handymaxes and 90 (2.17 MDWT) Handy sizes being scrapped. This has resulted in the

global dry bulk fleet strength, at the start of 2017, reaching 790.41 MDWT. 2017 and 2018 have 57.72/19.47 MDWT of brand new ships scheduled for delivery. If we assume annual scrapping of 30 MDWT (it was 29.74 for 2016) and apply a 50% slippage (it was 47.5% in 2016) in expected annual deliveries, 2017 ends with a world fleet of 789.27 MDWT for a growth rate of -0.14 % over the year. Under the same assumptions, 2018 ends with 783.43 MDWT for a growth rate of -0.74% over the end-year total of 2017. The tsunami of newbuilding deliveries has finally come to an end!

The effect of the **Global Financial Crisis** is finally dissipating with the major economies starting on an upward economic growth pattern. As highlighted in earlier parts of this report, the **USA** has taken the decisive step of raising interest rates as the Federal Reserve feels confident that the US economy is well enough to stand on its own two feet.

The largest economies within the **EU** block are exhibiting mixed economic growth rates. As a result the EU Central Bank has continued with its QE program. This has resulted in the Euro falling sharply versus the USD and there is talk that the Euro could head to parity or below. This combination of QE and a falling currency could be the ingredients that finally spark the moribund EU economy into life. The EU is the second largest economy in the world, just a bit smaller than the massive US economy, and an extremely large exporter. Positive growth rates in the EU block would have a substantial impact on the dry bulk markets with large quantities of raw materials being shipped in and semi-finished/finished goods being shipped out.

Japan, the 'sick man' of the OECD has had mixed success in managing their economy. With the yen depreciating from 75 to about 120 to the USD acting as a 'get out of jail free' card, most Japanese corporate have been making record profits, which will be ploughed back into capital assets not just in Japan but including other countries where they have manufacturing units. This should have a multiplier effect with even greater demand for dry bulk commodities to feed the ever growing and hungry manufacturing facilities at Japanese units all over the world. Coal imports into Japan have increased as a result of the Japanese population's distaste for all things Nuclear following the Fukushima reactor melt-down post the Tsunami in March 2011.

India, the country that always flatters to deceive, may yet prove its support for the Dry Bulk markets, under its new market-oriented government, as more and more coal fired port based Power Plants come on stream.

China has struggled with GDP growth figures averaging 6.7% for 2016. However, China's economy over the next 5 years is expected to grow at not less than 6.5% per annum. China's Iron Ore imports were 1,024.71 MMT in 2016 or 7.5% higher than the 953.37 MMT in 2015. Future import figures are contingent on import pricing parity versus domestic production and transportation costs. Provisional Chinese steel production for 2016 reached a figure of about 806.68 MMT or about 0.8% higher than the figure of 800.53 MMT in 2015. China imported 255.67 MMT of coal in 2016 which was 25.2% higher than the 204.18 MMT imported in 2015. If, and it is a big if, Chinese policy that has recently been reversed on the number of days Coal mines can work back to 330 days is changed once again to the 'new' policy of 276 working days in a year, only then, will Coal imports into China continue to surprise on the upside during 2017 as it did so helpfully in 2016. However, for the early part of 2017 the current reversal of this policy to the original 330 working days would increase domestic supply of coal and thereby reduce the requirement of coal imports till such time as policy is again, hopefully, changed back to the 'new' policy of 276 working days for Coal mines. This would result in lower coal imports into China in Q1 2017. Coal imports are contingent on government policy and import pricing parity versus domestic coal production/transportation costs. In a country that currently produces and consumes some 3,900 MMT of Coal per annum even a small change in China's coal imports could have a dramatic impact on the Dry Bulk freight markets.

The Time Charter Equivalent (TCE) earnings of our Fleet during 2016 averaged USD 6,476 per day per ship. In terms of daily average Operating Expenses (Opex), we were marginally lower than our target of USD 4,600 per day per ship reaching a figure of USD 4,503 per day per ship.

Market Segmentation/Benchmarking: During 2016, the Baltic Handy Size Index averaged 360 points derived from the average Time Charter (TC) rate of USD 5,214. Compared to that, our Handies earned USD

6,847 outperforming the BHSI TC rate by 31.32%. Further, the Baltic Supramax Index (BSI) averaged 596 points derived from the average TC rate of USD 6,236. Compared to that, our Supramaxes earned USD 5,865, underperforming the BSI TC rate by 5.95%.

THE INDUSTRY OUTLOOK:

A more 'normal' supply of new ships is expected for the next few years.

The Cape sector (90,000+ DWT: 1,954 ships of 343.3 MDWT at the start of 2017): 171 ships of 41.19 MDWT or 12 % of the existing DWT are scheduled for delivery up to end of 2020. In this sector, 292 ships of 54.39 MDWT or 15.8 % will be over 15 years of age by end of 2020 and some or all of them are likely to be scrapped during 2017 to 2020.

The Panamax sector (70 – 90,000 DWT: 2068 ships of 162.66 MDWT at the start of 2017): 182 ships of 14.92 MDWT or 9.2 % of the existing DWT are to be delivered up to the end of 2020. In this sector, 532 ships of 39.81 MDWT or 24.5 % of the fleet will be over 15 years of age by end of 2020, and some or all of them are likely to be scrapped during 2017 to 2020.

The Ultramax sector (60 – 70,000 DWT: 679 ships of 42.84 MDWT at the start of 2017): 250 ships of 15.65 MDWT or 36.5 % of the existing DWT are scheduled for delivery up to the end of 2020. In this sector, 75 ships of 5.09 MDWT or 11.9 % will be over 15 years of age by end of 2020, and some or all of them are likely to be scrapped during 2017 to 2020.

The Supramax sector (40 – 60,000 DWT: 2720 ships of 144.31 MDWT at the start of 2017): 65 ships of 3.44 MDWT or 2.4 % of the existing DWT are scheduled for delivery up to the end of 2020. In this sector, 740 ships of 35.64 MDWT or 24.7 % will be over 15 years of age by end of 2020, and some or all of them are likely to be scrapped during 2017 to 2020.

The Handymax sector (30 – 40,000 DWT: 1650 ships of 57.72 MDWT at the start of 2017): 253 ships of 9.43 MDWT or 16.3 % of the existing DWT are scheduled for delivery up to the end of 2020. In this sector, 222 ships of 7.61 MDWT or 13.2 % will be over 15 years of age by end of 2020, and some or all of them are likely to be scrapped during 2017 to 2020.

The Handysize sector (10 – 30,000 DWT: 1896 ships of 39.58 MDWT at the start of 2017): 29 ships of 0.59 MDWT or 1.5 % of the existing DWT are scheduled for delivery up to the end of 2020. In this sector, 797 ships of 17.62 MDWT or 44.5 % will be over 15 years of age by 2020, and some or all of them are likely to be scrapped during 2017 to 2020.

When reading the above numbers please keep in mind that Slippage was 47.5% in 2016 and averaged about 35% over the recent past and fluctuates inversely with the BDI and availability of finance.

Our **Competitive Position** based on our existing 36 ships-in-the-water (as of date) plus the 2 ships on order expected to be delivered by Q1 2018, makes us one of the larger players in the market. With the ownership structure 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, and potentially weaker, players.

Additionally, our plan to rejuvenate our fleet with younger, larger, better geared and more economical vessels from the market at historically low levels will enhance our competitive position for years to come.

THE ISSUES FACING OUR INDUSTRY:

Most Dry Bulk shipping companies, especially the smaller and non-listed ones, will simply give up as they will not be able to weather the current challenging market conditions. The survivors, however, will be those companies that are able to:

- Cut operational costs to the very bone without compromising safety.
- Sell non-core or older assets and raise cash.
- Call in more funds from their shareholders.
- Raise funds from alternate sources like bonds, leases etcetera as bank funding may not be available.

At PSL we continue to be one of, if not, the lowest cost operator in the world in the geared ship segment (Handy to Ultras). We have been selling our older ships (3 ships sold in 2015 and 13 ships sold in 2016) and will continue and complete that process (another 1 older ship to go) before the end of 2017. We have already raised about USD 65 million by way of Equity from our Shareholders by doing a Rights Issue in 2015. We have further raised approximately USD 100 million in the form of 5 year maturity, non-amortizing, bullet-repayment, unsecured bonds in January 2016 and raised approximately USD 55 million in the form of 3.5 year maturity, non-amortizing, bullet-repayment, unsecured bonds in December 2016.

Operating Costs of our Company continued steady in 2016. Most components have remained at their previous levels. Crew wages however were revised upwards and are expected to increase further in the years to come for us as well as the Industry. The requirement for experienced senior personnel continues to remain a serious issue. Technological advancements on board modern ships both in navigation systems and machinery operations demand highly trained officers which only serves to exacerbate the situation. Insurance costs were under control, because of favorable claims record of the Company's fleet and also because the insurers are financially strong. In particular, the total free reserves of the Protection & Indemnity ("P&I") insurers ('P&I Clubs') belonging to the International Group of P&I Clubs is fast approaching US$ 5 billion; many of them are also witnessing low levels of claims. This has enabled the Clubs to be supportive of their shipowner members in these times of depressed freight-market.

For all the reasons cited above, our average operating costs per day per ship for 2016 was marginally lower than in 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.

2016 saw a further drop in Fuel prices but a shift of focus to the use of ultra low sulphur fuel to comply with new onerous regulations for the protection of the environment.

Among several other requirements, engine exhaust emission standards are also controlled by the MARPOL regulations. Caribbean Emission Control Area (ECA) became mandatory from 01 January 2014. The emission standards applicable will be the same as those for the North American, North sea and Baltic ECA, i.e. vessels were allowed to use only Low Sulphur Fuel Oil (LSFO) with maximum 1% sulphur content during the first phase from January 2014 until January 2015. The second phase began in January 2015, when vessels in all ECAs must use fuel with a maximum sulphur content of 0.1%. Due to non availability of suitable fuel worldwide, ships will need to burn Low Sulphur Marine Gas oil (MGO) which is much more expensive than heavy fuel oil being used now. Use of MGO in Main Engine is also a very big challenge technically as engines and fuel oil systems are not designed for its use on existing vessels. Technological challenges of the future will include operation of dual fuel engines (LNG/Fuel oil), as emission control laws become more strict. To deal with the sulphur content limits we have focused mainly on the new vessels. These vessels are fitted with 'chiller units' which serve to cool and thereby increase the viscosity of the low sulphur (0.1% max) gas oils being used by the engines in the ECA regions. Further, before the global cap of 0.5% Sulphur content is implemented for the use of marine fuels, we intend to deal with SOx emission limits by installing Exhaust Gas Cleaning Scrubbers on these new vessels.

More countries are insisting on stringent ballast water management practices on board ships. The Ballast Water Management Convention enters into force on 8 September 2017. All new vessels with keel laid from this date are required to be fitted with IMO approved ballast treatment plants. All existing vessels are required to retrofit such plants in a phased manner along with surveys associated with first renewal of IOPP (International Oil Pollution Prevention) certificate after 8 September 2017. Ballast water on board needs to be treated to remove micro organism and mud etc. to achieve minimum standards specified by IMO. However the

Environmental Standards Division of the US Coast Guard (USCG) has stipulated a slightly different schedule for compliance in the case of new building vessels and existing vessels. For most of the previous year they were considering further delayed implementation by granting extensions on the basis that they had not fully approved any treatment plant. However towards the end of the year the USCG approved three Ballast Water Management Systems and more are expected to follow this year. Accordingly, the USCG are now granting 5 year extensions for vessels with original compliance dates in 2018 (scheduled for dry docking in 2018) only if an AMS or Alternate Management System (Ballast Water Treatment system approved by IMO but pending approval from USCG) is fitted. All new building vessels of the company (keels laid after 1 Dec 2013) are being equipped with ballast water treatment plants which are accepted by the USCG as AMS. It is expected that these AMS on the company vessels will obtain USCG approval later this year.

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 has attained the required number of member state ratifications in August 2012. All ships were required to meet the compliance requirement and have valid certificate for compliance with MLC convention before 20 August 2013. Many flag states, including Thailand, has ratified the MLC convention on 7 June 2016. And MLC 2006 will enter into force for Thai flagged vessels from 7 June 2017. The Statement of Compliance (SOC) with MLC 2006 which was being issued till date on Thai flagged vessels will now be replaced with a Marine Labour Certificate. This is a welcome development as the uncertainty in smooth trading of Thai flagged vessels worldwide, due to the risk of the SOC not being acceptable in some countries, has now been removed.

Singapore has ratified the MLC convention. Hence the Company's vessels flying the Singapore flag vessels are fully compliant with the MLC requirements.

In April 2014, the International Labour Organization (ILO) agreed several amendments to the MLC to implement the principles agreed back in 2009 by the joint IMO/ILO financial security working group. These amendments have entered into force on 18 January 2017. Ships that are subject to the MLC are now required to display certificates issued by an insurer or other financial security provider confirming that insurance or other financial security is in place for the cost and expense of crew repatriation, as well as up to four months contractually entitled arrears of wages and entitlements following abandonment. A further certificate will be required for liabilities for contractual claims arising from seafarer personal injury, disability or death. P+I Clubs of the respective vessels have provided such certificates for all ships in our fleet.

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 recent Paris agreement on climate changes and Green House Gas emissions did not make specific reference to the maritime industry. However, it is expected that the IMO along with the ICS will take a pro-active role to put in place regulations which will apply to shipping on a global scale. One of these is likely to be the mandatory reporting of CO2 emissions (measured in grammes/tonne-mile) on voyages, similar to the European Union MRV rules (Monitoring, Reporting, Verification of CO2 emissions) – which will be implemented by 2018 for all vessels operating in the EU region. Global shipping is committed to reducing the CO2 emission by about 20% by 2020 as compared to the values in 2005. These regulations will in turn phase out several older, less efficient vessels. We have taken the initiative to prepare in advance for these regulations by monitoring and data collection of CO2 emissions on all vessels in the fleet. The vessels are also operated always with clean hulls (by using efficient anti fouling paints and also by hull cleaning when necessary) as this increases efficiency (thereby reducing carbon emission). More importantly, the new acquisitions for the fleet have been selected primarily on their 'Eco' operation characteristics. 'Eco' operation will be possible with larger cargo hauls on vessels with very fuel efficient engines, and optimised use of waste heat from the engines. We have aimed to achieve this with new vessels having fuel efficient engines and reduced waste heat (even the exhaust gases from the auxiliary engines is diverted through the boiler to

use the available heat). The new vessels with larger cargo carrying capacity are expected to operate with low CO2 emissions especially (as world trade improves) with more regular fully laden voyages. 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. PSL vessels have implemented "Ship Energy Efficiency Management Plan" (SEEMP) required by MARPOL Annex VI regulations from January 2013. Vessels have also fully implemented the more stringent garbage disposal regulations required by MARPOL Annex V which came into force from January 2013.

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. Vessel-type specific Bridge Navigation Simulator recreates the actual maneuvering characteristics of the ship and its bridge controls as it enters a specific 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, cargo 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'.

The International Convention on Standards of Training, Certification and Watch-keeping for Seafarers, 1978, which establishes the basic requirements for seafarers was revised in 1995 and again in June 2010 in a conference in Manila, major amendments, known as the Manila amendments, brought about more stringent requirements keeping in mind the need for global standards of competency for seafarers. The Manila amendments have entered into force on 1 January 2017. The PSL training and fleet department had been making preparations in advance so that by the date of enforcement all vessels had seafarers with the required training and certificates on board our ships.

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 (OOW), 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.

To meet the needs of trained engineers to serve on the new vessels fitted with new generation Main Engines from MAN Diesel & Turbo and Wartsila, the PSL Training Center liaises very closely with the Technical Department and the engine manufacturers to continuously upgrade the training courses which were first introduced even before the vessels were actually delivered. Other training courses which the engineers go through before joining the ships are "Engine Room Management and Competency Enhancement" - "EMC" for Senior Engineers, and "Engineer on Watch" - "EOW" for Junior Engineers., courses on "stern tube sealing systems" and "ships' cargo gears with special focus on hydraulic", and "Shipboard Safety. The PSL Training Center has certain basic (but important) equipment such as a turbocharger and a purifier for practical training to accompany class-room theoretical courses. These will 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. Considering the fact that the new vessels acquired (and on order) are fitted with more fuel efficient modern engines using advanced electronic controls and technology, the Company's senior engineers, Electrical Officers and shore-based Technical Superintendents are put through the engine-maker's specific training courses designed to better understand the operation and for effective trouble-shooting. Junior engineers are in turn trained at the Company's Training Center and by trickle-down method on board ships.

The use of "Electronic Chart Display and Information System" (ECDIS) has become mandatory for new ships built from July 2013. Most of the vessels in the fleet 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 had to adapt to new navigational aids in place of the traditional means of navigation. Likewise, the mandatory use of ECDIS and competency in the use of electronic charts in place of the traditional paper charts has been one of the most challenging of recent developments. ECDIS has to work and officers have to know how to work it. Any operational error could have disastrous consequence.

PSL is committed to ensure that navigating officers working on board vessels fitted with ECDIS are fully conversant with the equipment prior joining the vessel. Officers are given generic ECDIS training at approved institutes. They are also required to undergo maker specific familiarization training by the ECDIS manufacturer. Realizing the fact that certification alone does not make an officer fully familiar and confident to use ECDIS, PSL Training Centre has equipped itself and developed ECDIS training course. After attending approved ECDIS training course, officers are required to undergo further ECDIS familiarization course at our in-house facility.

There are already conceptual designs on small crafts that try to eliminate or minimize the human effort onboard ships. Some experts in automation visualize that in the next twenty years or so, ships may be totally un-manned with automated equipment onboard, which can be monitored and controlled from shore based stations. Although this concept seems unrealistic at present, if and when such development takes place, it will drastically change the present model of shipping operations.

Cyber Risks: Information technology has changed our world like never before, and has fuelled unprecedented productivity and efficiency, in business, government and our personal lives. Shipping is no exception, but lags behind other land-based industries in adopting Information and Communication Technology ("ICT") in ship operations and management.

In the shipping industry, ICT is being progressively integrated into operational and business processes resulting in considerable improvements in safety, efficiency and profitability. Shipping companies now use sophisticated and personalized software. Besides communications and navigation, it enables shipowners to place sensors on key equipment onboard ships to optimize operations, by improving efficiency and cutting down wastage, by closely monitoring fuel usage, speed, and other factors in real time.

E-navigation, an IMO-led initiative, will further accelerate shipping's embrace of ICT and the 'internet of things' by enabling sharing of information relating to navigation, routing, weather, tides, cargo loading, carriage, stowage and discharging in real time between ships and between ship and the shore office.

In the absence of appropriate protection and loss prevention measures, the increased reliance on technology for even the most basic operations can leave the industry exposed to 'cyber-attack', i.e. an offensive manoeuvre that targets IT systems, computer networks and personal computer devices in order to compromise, destroy or access company and ship systems and data.

Cyber security threats in present times have increased in variety, frequency and sophistication — from a Trojan USB stick that introduces malware aimed at acquiring sensitive commercial information or an email with detailed vessel itineraries sent to a large group of unknown people or the full-scale subverting of a company's IT system or the potential compromising of Automatic Identification System (AIS) and Electronic Chart Display and Information System (ECDIS) systems on board ships. The number of potential risk scenarios is significant and keeps growing. Fraudsters employ whatever hacking technology works, often tailored to specific targets of opportunity.

Ships nowadays regularly use Global Navigation Satellite System (GNSS) and ECDIS combined with Automatic Information System (AIS) transponders. An attack on Global Positioning Satellites (GPS) systems could threaten a vessel not knowing their precise location at sea or while manoeuvring in port. Recently the USCG has issued a Safety Alert about disruptions in the GPS system due to loss of signal and how some ships while navigating within congested waters had to rely on alternate means of position fixing until the signal was resumed. These types of events highlight the potential detrimental impact to navigation caused by GPS interference or jamming and the importance in understanding how a vessel's equipment could be impacted. The heavy reliance on GNSS navigation and its vulnerability to malicious attack by cyber criminals has brought to fore the importance of re-learning celestial navigation as a back-up measure for mariners.

At PSL we have reviewed and found that:

- Our present systems incorporated in Office environment and on board ships are "robust" enough and we have not come across any case of Cyber Crime as of date.
- We have a system of Firewall checks in Office and have permitted limited white-listed websites access on-board ships through Inmarsat Satellite internet system. That minimises, if not completely eliminates, the risk due to Cyber-attacks onboard ships.
- With regard to the most discussed topic on ship cyber-attack related references to AIS, ECDIS and Vessel Data Recorders (VDR) which are integrated as part of the Integrated Bridge System (IBS), our system setup on-board ensures that no data from these equipment is available or transmitted directly online as we do not allow a 24 hour online option for our fleet.

Nevertheless, in order to reduce vulnerability to both cyber accidents and cyber-attacks, and to ensure safe and efficient operations of our fleet, we are reviewing and addressing cyber security:

- at all levels of the company – from senior management ashore to the crew on-board, as an inherent part of the safety and security culture onboard each vessel;
- in company policies – by considering how to align cyber risks with the existing security and safety risk management requirements contained in the ISPS and ISM Codes; and
- in relevant onboard procedures – by including new related requirements in in-house training programs, day to day operations of the vessel and maintenance of critical cyber systems, if any, that may exist onboard.

The scourge of piracy, continues to be a concern notwithstanding the fact that the number of reported incidents have reduced considerably. The International Maritime Bureau recorded two attacks last year by pirates in the Gulf of Aden, though fortunately no attempt was made to board the vessels.

The presence of international Navies and their patrolling the high risk areas, and the use of armed security guards on board, have succeeded in making piracy for the Somalis less lucrative.

Apart from the Somali pirates and their attacks in the Arabian Sea/Indian Ocean, Nigeria and its offshore oil installations in the Gulf of Guinea continues to be vulnerable to pirate attacks, with three reported incidents in the year 2016 being reported at regular intervals. 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.

Attacks in the South East Asia region appeared on the increase, targeted vessels usually smaller oil tankers with their cargo as the primary aim of the pirates. PSL has taken an active role in reporting to the IFC (Information Fusion Centre) a centre for motoring the movement of all vessels in South East Asian waters. The IFC is based in the Singapore Naval Base and relays information to all regional Marine Coastguard units and has been effective in tackling piracy in the region.

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 complete.
- **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 3.02 million, which works out to about 148% of our original Investment made in years 2002-2003.

IN CONCLUSION:

Demand: The environment for 2017 is going to be characterized by extreme volatility. Downside risks for 2017 will include, amongst others, Geopolitical tensions; China economically slowing down; China importing lower quantities of Coal and Iron Ore; BRICS, other than India, economically slowing down; The Euro zone economically stagnating; Protectionism increasing; Surplus vessel supply not being absorbed fast enough; and excess Shipyard capacity holding the promise of more ships to come. But it is not all gloom and doom. The upside potential for 2017 consists of, amongst others, the 'One-Belt-One-Road' that China proposes to build linking some 65 countries from Asia/China to Europe at an expected cost between USD 1.4 to 21 trillion; China importing more Iron Ore as they shift to higher grades of Steel production requiring better quality imported Iron Ore; China importing more Coal to reduce atmospheric pollution, to reduce the terrifyingly high annual death toll at Coal mines invariably accompanied by protests from the relatives of those that have perished; Slower ordering at shipyards due to poor markets; Higher slippage rates due to poor markets; Higher scrapping rates due to poor markets; The US economy continuing to outperform expectations; Low oil prices leading to greater World economic growth rates; Low oil prices helping to reduce commodity prices resulting in more cargoes being shipped; and weaker currencies in Euro zone and Japan helping them to export their economies out of trouble. The ban imposed on Nickel and Alumina ores from Indonesia which robbed 2014 of a lot of cargoes has finally been reversed. We will have to see if China will switch from their existing suppliers back to their original supplier, Indonesia, and if so, it would negatively impact Panamax ships whilst positively impacting Ultras/Supras that have traditionally carried these cargoes from Indonesia. Time will tell if 2017 ends up being a pleasant surprise or be the source of more pain for the hapless dry bulk ship owners.

Supply: Under the current freight market conditions, approximately 20.3% (160.16 MDWT) of the existing world fleet that would be over 15 years of age during 2017 through to end of 2020 and should head for the breakers yards due to the upcoming expensive regulatory requirements and the current poor freight market.

With respect to the approximately 10.8% by DWT of new ships (85.22 MDWT) scheduled to be delivered to the end of 2020, the lack of funding coupled with delays in deliveries at ship yards would subject them to a very high degree of slippage (it was 47.5% in 2016), higher than the average of 35% over the 2010 to 2014 period.

Financing: The year 2016 could be described for Shipping Companies (and their Banks) as the year of "Repair". While the Banks started putting the lid on their "pretend and extend" policy they had adopted until 2015 by pulling the plug on many of their "non-performing" loans to "repair" their toxic Shipping Loan Books, Shipping Companies attempted to repair their capital structure by reducing leverage and/or raising equity which had been eroded by a number of consecutive years of losses and asset impairments. Apart from the need to repair their overleveraged capital structure, in order to make ends meet, practically all the Shipping Companies at least in

our sector also had to frantically look for ways and means to repair their liquidity position by raising new cash to bolster their liquidity which had been virtually wiped out in the brutal market environment. The results of these repair efforts were rather mixed. While some of the companies managed this quite successfully by adopting one or more methods like new equity raising, issuance of bonds, new loans from Banks or sale of non-core assets, many companies failed in this regard and as we had feared, their failure resulted in many of them going into bankruptcy or at least some sort of financial restructuring which, in most cases almost totally wiped out their existing shareholders' equity. The numbers that have come out in terms of financing in the industry exemplify the challenges and difficulties which led to those failures. The bank loans route yielded about USD 33 billion in the first nine months of 2016 as against about USD 49 billion raised in the same period of 2015. The full year bank borrowings of 2016 are estimated to be about USD 43 billion which would be a drop of about 39% as compared to the almost USD 70 billion raised though this source in 2015! Despite this big drop, this would still be 76% of the industry's total financing done in 2016 which shows how much of a challenge it was to raise new cash through other means. When just over USD 6 billion was raised from the Corporate Bonds market in 2015 (the lowest ever since 2008), we thought we had reached a bottom for funds raised through this source in the current cycle. However, that was not to be as can be seen from the mere USD 4 billion raised through this source in 2016. Funds raised through the equity capital market route in 2016 (about USD 5.5 billion) were about 30% higher than that in 2015 (about USD 4.2 billion). However, the mere fact that about 30% more was raised from the equity market in 2016 than in 2015 should not be seen as an indicator of any buoyancy in the equity markets, but more as an indicator of desperate times which forced shipping companies to accept just about any price and terms as long as something was available through this route which served a dual-repair purpose of improving both, their cash position as well as their capital structure, albeit in most cases, to the detriment of their existing shareholders whose equity was, to put it mildly, severely eroded. All in all, perhaps the most challenging year in terms of financing in recent times if not the worst ever! (Source of all figures in this para: Marine Money).

Despite the slight uptick seen recently (late 2016/early 2017) in the freight market, we are not hopeful that 2017 would be any better for financing. Given that the Banks have by no means completed their "repair" exercise yet, Shipping Companies would probably continue to face the same challenges they faced in 2016 and consequently would have to look as intensively and as desperately for the "repair" routes as they did in 2016. So, expect more defaults, more restructurings and in the worst case, more bankruptcies. As the old adage goes, only the fittest will survive!

Concluding Remark: Considering all the above, we are taking advantage of the opportunities that are present in the market. 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

8 February 2017

THE EXECUTIVE BOARD OF DIRECTORS' REPORT

TO THE SHAREHOLDERS

The Executive Board of Directors of Precious Shipping Public Company Limited consists of three Directors appointed by the Board of Directors viz., Mr. Khalid Moinuddin Hashim as Managing Director, Mr. Khushroo Kali Wadia as Director (Finance) and Mr. Jaipal Mansukhani as Director (full time employed by Great Circle Shipping Agency Ltd., the Company's wholly-owned subsidiary).

The Executive Board of Directors held 12 meetings during the year 2016, with 100% attendance except Mr. Jaipal Mansukhani attended the meetings 10 times (83%) in this year and the Executive Board put in its best efforts with due care, prudence, independence and thoroughness in compliance with its mandate to perform its roles as assigned by the Board of Directors, which are summarized as follows:

The Executive Board of Directors has monitored and reviewed strategic objectives, financial plans and key policies of the Company which were submitted to the Board of Directors for approval. The Executive Board of Directors has managed the Company's business and has also reported on the Company's operating results as well as on other work in progress to achieve the Company's objectives.

The Executive Board of Directors conducted a self-assessment for 2016 as per the SET guidelines, the score of which fell within the "Excellent" level. The Executive Board of Directors intends to use this result as an indicator to further improve its performance.

For and on behalf of the Executive Board of Directors of

Precious Shipping Public Company Limited

Mr. Khalid Moinuddin Hashim

Managing Director

Mr. Khushroo Kali Wadia

Executive Director

8 February 2017

NOMINATION COMMITTEE'S REPORT

TO THE SHAREHOLDERS

The Nomination Committee of Precious Shipping Public Company Limited consists of 3 independent directors viz., Mr. Chaipatr Srivisarvacha, Chairman of the Nomination Committee, Mr. Suphat Sivasriaumphai and Mr. Kamtorn Sila-On, both, Nomination Committee members.

For 2016, the Nomination Committee held two meetings with 100% attendance. The Nomination Committee put in its best efforts with due care, prudence, independence and thoroughness in compliance with its mandate to perform its roles as assigned by the Board, which is summarized as follows;

For the 2016 Annual General Meeting (AGM), the Company offered minor shareholders the opportunity to nominate a qualified person to be elected as Director through the Company's website from 1 October 2015 to 31 December 2015. Since there were no candidates proposed to the Nomination Committee, the Nomination Committee reviewed the Directors whose terms expired by rotation in accordance with the Company's Articles of Association. The Nomination Committee considered a range of diverse perspectives which are aligned with the Company's strategic directions, including gender, age, education background, skill, knowledge and experience (including past performance as Director) of those nominated Directors. At the Annual General Meeting of Shareholders No.1/2016 held on 30 March 2016, the shareholders approved the reappointment of the Directors (whose term expired by rotation) as proposed by the Board of Directors, on the recommendation of the Nomination Committee.

The Nomination Committee conducted a self-assessment for 2016 as per SET guidelines, the score of which fell within the "Excellent" level. The Nomination Committee intends to use this result as an indicator to further improve its performance.

For and on behalf of the Nomination Committee of

Precious Shipping Public Company Limited

Mr. Chaipatr Srivisarvacha

Chairman of the Nomination Committee

8 February 2017

REMUNERATION COMMITTEE'S REPORT

TO THE SHAREHOLDERS

The Remuneration Committee of Precious Shipping Public Company Limited consists of two Independent Directors and one Non-Executive Director and is chaired by an Independent Director viz., Mr. Kamtorn Sila-On, Chairman of the Remuneration Committee, Associate Professor Pavida Pananond, Ph. D., and Mr. Kirit Shah, both, Remuneration Committee members.

For 2016, the Remuneration Committee held two meetings with 100% attendance and put in its best efforts with due care, prudence, independence and thoroughness in compliance with its mandate to perform its roles as assigned by the Board, which is summarized as follows;

The Remuneration Committee considered the 2016 remuneration of Directors and Senior Management in accordance with International Standards, along with the financial status and performance of the Company and also compared it with other equivalent listed companies including companies in the transportation industry in Thailand and abroad. At the Annual General Meeting of Shareholders No.1/2016 held on 30 March 2016, the shareholders approved the remuneration of the Directors as proposed by the Board of Directors, on the recommendation of the Remuneration Committee.

The Remuneration Committee conducted a self-assessment for 2016 as per the SET guidelines, the score of which fell within the "Very Good" level. The Remuneration Committee intends to use this result as an indicator to further improve its performance.

For and on behalf of the Remuneration Committee of

Precious Shipping Public Company Limited

Mr. Kamtorn Sila-On

Chairman of the Remuneration Committee

8 February 2017

AUDIT AND CORPORATE GOVERNANCE COMMITTEE'S REPORT

TO THE SHAREHOLDERS

The Audit & Corporate Governance Committee of Precious Shipping Public Company Limited consists of 3 independent directors viz., Mr. Suphat Sivasriaumphai as Chairman of the Audit & Corporate Governance Committee, Mr. Kamton Sila-On and Associate Professor Pavida Pananond, Ph. D., both, as Audit & Corporate Governance Committee members. Mr. Suphat Sivasriaumphai who was reappointed by a resolution of the Board of Directors in the Board of Directors meeting No.4/2016 held on 9 August 2016.

The Audit & Corporate Governance Committee has performed with total responsibility in compliance with the Audit & Corporate Governance 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 2016, meetings of the Audit & Corporate Governance 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 & Corporate Governance 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 & Corporate Governance 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 & Corporate Governance 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 2016, Internal Audit Department reviewed the risk assessment (including fraud 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 & Corporate Governance Committee.

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

The Audit & Corporate Governance 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, hotel service expenses, insurance premium expenses, and supply of air conditioners including their maintenance expenses for air conditioning system at the main operational office and the condominium apartments of the Company and its subsidiary are classified as Type 2 which are supporting transactions for core business. Office lease rental is classified as Type 3 which is short term office rental. The details of these transactions have been explained under the topic **"Connected Transactions"** in this annual report. The result

of the review has been discussed in the Board of Directors Meeting No. 1/2017 held on 8 February 2017. Audit & Corporate Governance 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 2016, 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 & Corporate Governance 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.

The Audit & Corporate Governance Committee reviews guidelines for the Company's Corporate Governance as compared with those of International organizations and present its recommendations to the Board of Directors. We also conduct an annual review of corporate governance self-assessment through a questionnaire following the SET and the IOD guidelines. The scores of Corporate Governance self-assessment fall in level of "Very Good".

For the year 2016, the Company has been classified by Thailand's National CG Committee as one of the Companies with "Excellent" corporate governance and ranked in the Top Quartile within Companies with a market capitalization over Baht 10,000 million.

Normally, the Audit & Corporate Governance Committee Meeting is held before the Board of Directors' Meeting so that the minutes of the Audit & Corporate Governance 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 & Corporate Governance 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 & Corporate Governance Committee Meeting usually takes around 2 hours. In the year 2016, Audit & Corporate Governance Committee held 4 meetings (2015: 4 meetings). The record of attendance of the members of Audit & Corporate Governance Committee is summarized as follows:

Name	Number of Attendance/Total Meeting (Times)	
	2016	2015
1. Mr. Suphat Sivasriaumphai	4/4	4/4
2. Mr. Kamtorn Sila-On	4/4	4/4
3. Associate Professor Pavida Pananond, Ph.D.	4/4	4/4

Audit & Corporate Governance Committee Meeting No.1/2017 held on 8 February 2017 considered the appointment of Auditors and resolved to propose for shareholders' approval, the appointment of any one of the following auditors of EY Office Limited as the auditor of the Company for the years 2017.

1. Ms. Vissuta Jariyathanakorn (Certified Public Accountant (Thailand) No. 3853). She has been the Company's Auditor since the year 2015.
2. Mr. Termphong Opanaphan (Certified Public Accountant (Thailand) No. 4501).
3. Mr. Khitsada Lerdwana (Certified Public Accountant (Thailand) No. 4958).

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, EY Office Limited is authorized to nominate a qualified and competent auditor from EY Office Limited to conduct the Audit.

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

The meeting also approved to propose for shareholders' approval, details of the audit fees and fees for other services (non-audit related) of the Company and subsidiaries for the year 2017 charged by EY Office Limited are as follows:

Details	Proposed for 2017	2016
Audit fees for the Company	Baht 2.00 million	Baht 1.95 million
Audit fees for Thai subsidiaries and 1 Foreign subsidiary	Baht 3.12 million	Baht 3.52 million
Fees for other services:		
• Fee for certification purposes by BOI	Baht 0.44 million	Baht 0.39 million
• Fees for review of the accounts of certain foreign subsidiaries (for consolidation purpose)	Baht 0.80 million	Baht 0.70 million
Total	**Baht 6.36 million**	**Baht 6.56 million**

The Audit & Corporate Governance Committee conducted a self-assessment for 2016 as per SET guidelines, the score of which fell within the "Very Good" level. The Audit & Corporate Governance Committee intends to use this result as an indicator to further improve its performance.

For and on behalf of the Audit & Corporate Governance Committee of

Precious Shipping Public Company Limited

Mr. Suphat Sivasriaumphai

Chairman of the Audit & Corporate Governance Committee

8 February 2017

CORPORATE GOVERNANCE REPORT

DEFINITION

Corporate Governance is a set of structures and processes of relationships between a 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 informed to all the employees via email and disclosed on the Company's website under the subject of **"Corporate Governance"**.

The Company has won the following awards including awards for Good Corporate Governance:

- Classified as one of the companies with "Excellent" Corporate Governance for seven consecutive years from 2010 to 2016, by Thailand's National CG Committee
- Classified as one of the top 50 publicly listed companies in Thailand from ASEAN Corporate Governance Scorecard guidelines for 2013/2014 and 2015 by ASEAN Capital Markets Forum (ACMF) and the Asian Development Bank (ADB)
- Conferred the "Thailand Sustainability Investment Awards" at the SET Sustainability Awards 2015 on 16 October 2015
- Adjudged as the Best in "Industrials Sector" category for Investor Relations Awards at the IR Magazine Awards & Conference - South East Asia 2015
- Adjudged as the Second Best Company in Asia and the Best Company in Thailand for Overall Corporate Governance in the Corporate Governance Poll conducted by "ASIAMONEY", the results of which were published in ASIAMONEY's December, 2014 issue
- Classified as one of the companies as "Excellent" for conducting Annual General Meetings for four consecutive years; 2012, 2013, 2014 and 2015, by Thai Investors Association
- Conferred the "CSR Recognition" Award in 2013 and 2014, this award for honoring Thai Listed Companies which have shown that they are committed to continuously operating with social responsibility and are good role models of sustainable businesses by Thailand's Corporate Social Responsibility Institute (CSRI) and the SET
- Winner of the 'ASIA BEST EMPLOYER BRAND AWARD' at the Asia Best Employer Brand Awards, 7th edition, 2016
- Shortlisted for 'The ClassNK Dry Bulk Operator of the Year' award of the Lloyd's List Asia Awards 2016
- Nominated as a finalist for "The Bulk Ship Operator of the Year Award" at the IBJ (International Bulk Journal) Awards in 2012, 2013, 2014 and 2016
- Nominated as a finalist for "The Ship Owner/Operator Award" at the Seatrade Asia Awards 2014
- Selected as one of three finalists for "Shipping Company of the Year" award at the BIMCO Awards 2014
- Nominated as a finalist for "Ship Operator of the Year" award at the 'Lloyd's List Asia Awards 2014'
- The Company's wholly owned subsidiary, Great Circle Shipping Agency Limited, was nominated as a finalist for "Ship Manager of the Year" award at the 'Lloyd's List Asia Awards 2014'.
- Conferred the "Best Investor Relations" Award by the SET at the "SET AWARDS 2013"

- Adjudged as the Winner of the Maritime Security & Safety Awards at the Seatrade Asia Awards 2013
- Nominated as a finalist in "The Wet / Dry Bulk Operator Award" category at the Seatrade Asia Awards 2013
- Mr. Khalid Hashim, Managing Director, was awarded the Seatrade Lifetime Achievement Award at the Seatrade Asia Awards 2012.
- Adjudged as the Best Ship Operator in Asia at the Lloyd's List Asia Awards 2012
- Nominated as a finalist for "The Bulk Operator Award" at the Seatrade Asia Awards 2012
- 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 and equitable treatment of shareholders and maintains a smooth working relationship to safeguard the best interests of all the shareholders. The basic legal rights comprise the right to buy/sell or to transfer securities held, the right to share in profits of the Company, the right to receive dividend, the right to attend the shareholders meeting, the right to propose agenda in the shareholders meeting, the right to vote for the appointment of auditor and fixing of auditor fee and the right to take part in decision-making of the Company's material issues such as approval of key activities affecting business direction.

Apart from the basic rights of shareholders above, the shareholders have the right to receive information on operating performance, the newsletter from management and other key information via the Company's website. In accordance with good corporate governance guidelines, the Company has conducted its affairs with a view to protecting shareholders' rights and also encouraging all 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 5.7 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 2016, 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 2017 as well. In practice, shareholders with a combined holding of at least 2,000,000 shares could propose agenda items or nominate qualified Directors from 10 October 2016 until 31 December 2016, 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 an opportunity to the shareholders to post questions in advance, to be addressed at the AGM 2016.
- 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.
- For AGM 2016, the Company disclosed the AGM schedule and the AGM Agenda through the SET on 8 February 2016 (51 days before the AGM date) for shareholders to plan their schedule for the meeting.
- For AGM 2016, the Company disclosed the notice of shareholders' AGM on the Company's website on 24 February 2016 (35 days before the AGM date) The Company also assigned the Thailand Securities Depository Co., Ltd. which is the Company's Registrar to send the AGM notice to shareholders on 1 March 2016 (29 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, the signing of contracts for 12 new buildings during the year 2014, 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 2016, the Company held one shareholders' meeting: the Annual General Meeting (AGM) on 30 March 2016 at AVANI Atrium Hotel. All Board members including the Independent Directors (except one: Mr. Suphat Sivasriaumphai, Independent Director and the Chairman of the Audit & Corporate Governance Committee) attended the AGM of 2016, which also included the Chairman of the Board of Directors, the Chairman of Remuneration Committee, the Chairman of Nomination Committee and the other members of the Audit & Corporate Governance Committee. The Auditors also attended the AGM to answer any questions raised by shareholders in respect of the accounts or the conduct of the Audit. Every shareholder meeting, the secretary 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 all shareholders whether major shareholders or minority shareholders, foreign shareholders and institutional shareholders on a fair and equal basis and 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 4 weeks 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. Moreover, the Notice, including Proxy (Form B.), was disclosed on the Company's website to facilitate its download by shareholders.
- Registration period is commenced at least 2 hours 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 and warrants 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 & Corporate Governance 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 **"Sustainability Report"** 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 **"Sustainability Report"** 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 & Corporate Governance Committee as explained under the **"Audit & Corporate Governance 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 including forced labor or child labor as part of the operations and the Company does not tolerate any violations thereof,. All stakeholders are treated fairly on human dignity and non-discrimination of national origin, race, gender, age, skin color, religion, physical condition, status, or birth. The Company also promotes the monitoring of human rights compliance within the Company and encourages subsidiary companies, investors, business partners, and all stakeholders to observe the international standards of human rights principles.

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, whether in trademarks, patents, copyrights, classified commercial information, or other stipulated categories of intellectual property, such as using only licensed software that has been inspected and installed by the Company's Information Technology Department, and encouraging our staff to ensure that the application of research findings or other data in their work does not constitute a violation of other people's intellectual property rights.

Policy on preventing corruption and offering a bribe: The Company has a policy prohibiting all forms of bribery or corruption, either directly or indirectly to advance its business interests or those of its associates. The Company has a zero tolerance policy for fraudulent and/or corrupt behavior and takes corruption and bribery transactions, if any, very seriously. Any violation of this policy is regarded as a serious matter by the Company and will result in disciplinary action, including termination, consistent with local law.

In 2013, on countering corruption, the Company had signed a Declaration of Intent of the Thai Institute of Directors' Private Sector Collective Action Coalition Against Corruption (CAC), whereby the Company vowed to adhere to the Coalition's aim to fight corruption in all forms. On 16 January 2015, the Company was officially certified as a member of the CAC.

In 2015, the Company joined the Partnership Against Corruption for Thailand (PACT) Network, which brings together organisations from various fields through their shared goal of combating corruption and is an initiative of the Thaipat Institute and cooperating partners.

In 2016, the Company maintained high ethical standards, with a view to upholding its position against any form of bribery and corruption. The continual activities throughout the year are as follows:

- A regular bribery and corruption risk assessment to review the mitigation measures and ensure they are appropriate.
- Provides the guideline for preventing corruption and offering a bribe such as the guideline for giving and receiving Gifts and Gratuities, transactions with government, etc. Details of this policy and guidelines are presented in the Company's "Business Ethics and Code of Conduct" which is informed to all the employees and posted on the Company's website.
- A regular review of the internal control systems and procedures to ensure they are effective in countering bribery and corruption.
- A monitoring system to ensure that the policy and procedures are effective.

Moreover, the Company has established channels for reporting any misconduct, fraudulent act or corruption and provides protection and remedies for any person who files a complaint or cooperates in the investigation of the charge.

Whistleblowing Policy: To ensure fair treatment of all stakeholders under the Code of Conduct, the Company has set up a channel to contact the Board of Directors directly (without passing through the Management of the Company) for any business suggestions, complaints, or recommendations indicating impact or risks of impact on stakeholders arising from its business or from wrongful action, or violation of the Code of Conduct, and complaints for special cases like immoral/dishonest acts of Management, breach of Code of Conduct, illegal acts, etc. Any staff member or any other stakeholder is accordingly welcome to send a message by email or mail a letter to Khun Thira Wipuchanin, Independent Director and Chairman, at the following address:

By mail:

Mr. Thira Wipuchanin
256 Lad Phrao Road, Soi Sannibathtedtaban,
Chankasem, Chatuchak,
Bangkok 10900 Thailand

By e-mail:

acthira@hotmail.co.th

The Complaint handling procedure

When the whistle is blown or complaint is filed, the Company will collect the evidence, evaluate and formulate measures to relieve damages caused to affected person by considering total impact. Afterwards, the person responsible for the case will follow up results of the relief and report to the appropriate staff and the filer of the complaint. Results of action will be reported to the Chairman of the Board of Directors, the Chairman of Audit & Corporate Governance Committee and/or all relevant Directors, respectively, depending on each case.

Protection of Whistleblower

In order to protect the rights of whistleblowers, the Company will not reveal name, address, picture or other information of the whistleblower or those who participated in the investigation. No whistleblower who in good faith reports a violation of the Code of Conduct or files a complaint or expresses concern involving matters covered by the Whistleblowing Policy shall suffer harassment, retaliation or adverse employment consequences as a result of such a report. Persons affected by the damage will be relieved with procedures that are appropriate and fair. An employee who retaliates against someone who has reported a violation, complaint or concern in good faith is subject to disciplinary action up to and including termination of employment.

The Complaint handling procedure and guidelines to protect whistleblower have been presented in the “Business Ethics and Code of Conduct” which is informed to all employees and posted on the Company’s website.

In 2016, the Company was engaged in no significant dispute with any stakeholders.

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 15 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 2016 and 2015, the Company proposed the Directors' Remuneration for the year as a fixed retainer fee without any other compensation which was paid quarterly in equal instalments for each respective quarter, which was approved in the Shareholders' Meeting as follows:

(In million Baht)

Name of Director		Position	Amount					
			2016			2015		
			Board of Directors	Audit & Corporate Governance Committee	Total	Board of Directors	Audit & Corporate Governance Committee	Total
1	Mr. Thira Wipuchanin	Chairman of the Board of Directors, Independent Director	1.20		1.20	1.20		1.20
2	Mr. Khalid Moinuddin Hashim	Managing Director	0.55		0.55	0.55		0.55
3	Mr. Munir Moinuddin Hashim*	Director	-		-	0.14		0.14
4	Mr. Khushroo Kali Wadia	Executive Director	0.55		0.55	0.55		0.55
5	Mr. Jaipal Mansukhani	Executive Director	0.55		0.55	0.55		0.55
6	Mr. SuphatSivasriaumphai	Independent Director	0.55	0.40	0.95	0.55	0.40	0.95
7	Ms. Nishita Shah	Director	0.55		0.55	0.55		0.55
8	Mr. Kirit Shah	Director	0.55		0.55	0.55		0.55
9	Mr. Chaipatr Srivisarvacha	Independent Director	0.55		0.55	0.55		0.55
10	Mr. Kamtorn Sila-On	Independent Director	0.55	0.20	0.75	0.55	0.20	0.75
11	Associate Professor Pavida Pananond, Ph. D.	Independent Director	0.55	0.20	0.75	0.55	0.20	0.75
12	Mr. Ishaan Shah	Director	0.55		0.55	0.55		0.55
Total Annual Remuneration**			**6.70**	**0.80**	**7.50**	**6.84**	**0.80**	**7.64**

* Resigned from the Board of Directors on 10 April 2015.

** Paid quarterly to the Chairman of the Board of Directors Baht 300,000 per quarter, each Board member Baht 137,500 per quarter, the Chairman of Audit & CG Committee an additional Baht 100,000 per quarter and each Audit & CG Committee member an additional Baht 50,000 per quarter.

The remuneration of the Executive Directors and Senior Management included their salary, bonus, and other remuneration (income tax and house rental) including severance payments as retirement compensation (paid to Senior Management who retired in 2016 and 2015). During the years 2016 and 2015, the Company (and subsidiary) paid the remuneration to Executive Directors and Senior Management (including Managing Director), totaling 13 persons (2015: 17 persons) of Baht 89.31 million and Baht 91.50 million, respectively.

The total remuneration to the Managing Director for 2016 was Baht 15.49 million which comprised of salary of Baht 8.20 million, bonus of Baht 1.37 million, income tax reimbursement of Baht 4.75 million, Director Fees of Baht 0.55 million, House Rental Allowance of Baht 0.60 million and other remuneration of Baht 0.02 million.

The following directors have been appointed by the Board of Directors as the Executive Directors of the Company and constitute the Executive Board of Directors as of 31 December 2016.

Name	Position
1. Mr. Khalid Moinuddin Hashim	Managing Director
2. Mr. Khushroo Kali Wadia	Director (Finance)
3. Mr. Jaipal Mansukhani	Director (full time employed in the Company/ Company's subsidiary)

Senior Management of the Company and its subsidiaries in 2016 comprises of the following:

Name	Position
1. Mr. Khalid Moinuddin Hashim	Managing Director
2. Mr. Khushroo Kali Wadia	Director (Finance)
3. Mr. Jaipal Mansukhani	Director (full time employed in the Company's subsidiary)
4. Mr. Shrilal Gopinathan	Vice President (Commercial)
5. Mr. Koka Venkataramana Sudhakar*	Vice President (Fleet Management)
6. Mr. Kodakara Veettil Murali Menon	Vice President (Technical)
7. Mr. Neelakantan Vasudevan	Vice President (Risk Management)
8. Mr. Stephen Korah	Vice President (International Safety Management)
9. Mr. Nishikant Govind Desai	Vice President (Projects)
10. Mr. Prashant Mahalingam	Vice President (Procurement)
11. Ms. Somprathana Thepnapaplern	Assistant Vice President (Finance & Accounts) & Company Secretary
12. Ms. Wimonwan Jaysrichai	Senior Manager - Group Accounts
13. Ms. Nalinthip Santinanon	Senior Manager (Accounts & MIS)

* Retired during the year 2016

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

(In Million Baht/ Person/ Year)

Description	* PSL		** Other Listed Companies								
			Transportation & Logistics			All Listed Companies with revenue 3,000 - <5,000 MB.			All Listed Companies		
	2016	2015	Mean	Min	Max	Mean	Min	Max	Mean	Min	Max
Chairman of the BOD	1.20	1.20	1.97	0.07	7.39	1.68	0.11	48.71	1.46	0.02	50.42
Executive Directors	0.55	0.55	0.84	0.06	5.26	0.42	0.04	1.40	0.54	0.00	7.53
Non-Executive Directors	0.55	0.55	0.79	0.06	2.47	0.39	0.05	1.27	0.57	0.01	7.51
Management	6.87	5.38	3.83	1.11	6.93	4.62	0.48	32.21	4.89	0.07	49.20
Chairman of Audit & CG Committee ***	0.40	0.40	0.30	0.04	1.20	0.23	0.01	0.73	0.29	0.01	5.40
Audit & CG Committee members ***	0.20	0.20	0.23	0.03	0.90	N.A.	N.A.	N.A.	0.20	0.00	2.57

* PSL's figures are actuals of respective years

** From SET's Remuneration Report for the year 2015

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

N.A. Not available since not reported

(In Million Baht/Person/Year)

Description	* PSL		** Service Sector							
			Mean		Median		Min		Max	
	2016	2015	Retainer & Attendance	Retainer, Attendance & Bonus	Retainer & Attendance	Retainer, Attendance & Bonus	Retainer & Attendance	Retainer, Attendance & Bonus	Retainer & Attendance	Retainer, Attendance & Bonus
Chairman of the BOD	1.20	1.20	1.00	1.65	0.80	1.16	0.22	0.33	2.70	7.32
Executive Directors	0.55	0.55	0.52	0.97	0.40	0.74	0.14	0.22	1.49	3.80
Non-Executive Directors	0.55	0.55	0.50	0.91	0.44	0.74	0.14	0.18	1.49	3.80
Management	6.87	5.38	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Chairman of Audit & CG Committee ***	0.40	0.40	0.54	0.95	0.45	0.86	0.06	0.36	1.81	2.32
Audit & CG Committee members ***	0.20	0.20	0.39	0.69	0.27	0.56	0.06	0.18	1.46	1.92

* PSL's figures are actuals of respective years

** From IOD's Thai Directors Compensation Survey 2016

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

N.A. Not available since not reported

(In Million Baht/Person/Year)

Description	* PSL		** All Listed Companies with revenue 1,001 - 5,000 MB.							
			Mean		Median		Min		Max	
	2016	2015	Retainer & Attendance	Retainer, Attendance & Bonus	Retainer & Attendance	Retainer, Attendance & Bonus	Retainer & Attendance	Retainer, Attendance & Bonus	Retainer & Attendance	Retainer, Attendance & Bonus
Chairman of the BOD	1.20	1.20	0.81	1.17	0.59	0.93	0.18	0.20	6.43	7.79
Executive Directors	0.55	0.55	0.50	0.78	0.41	0.65	0.10	0.18	3.81	4.72
Non-Executive Directors	0.55	0.55	0.42	0.67	0.35	0.58	0.16	0.17	1.91	2.82
Management	6.87	5.38	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Chairman of Audit & CG Committee ***	0.40	0.40	0.37	0.66	0.33	0.63	0.06	0.16	1.13	1.63
Audit & CG Committee members ***	0.20	0.20	0.26	0.49	0.25	0.47	0.06	0.14	0.70	1.16

* PSL's figures are actuals of respective years

** From IOD's Thai Directors Compensation Survey 2016

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

N.A. Not available since not reported

(In Million Baht/Person/Year)

Description	* PSL		** All Listed Companies							
			Mean		Median		Min		Max	
	2016	2015	Retainer & Attendance	Retainer, Attendance & Bonus	Retainer & Attendance	Retainer, Attendance & Bonus	Retainer & Attendance	Retainer, Attendance & Bonus	Retainer & Attendance	Retainer, Attendance & Bonus
Chairman of the BOD	1.20	1.20	1.05	1.84	0.76	1.23	0.12	0.14	6.43	13.63
Executive Directors	0.55	0.55	0.53	1.07	0.46	0.76	0.07	0.11	2.78	7.58
Non-Executive Directors	0.55	0.55	0.55	1.08	0.45	0.76	0.06	0.08	4.18	8.98
Management	6.87	5.38	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Chairman of Audit & CG Committee ***	0.40	0.40	0.46	0.73	0.39	0.68	0.06	0.11	2.02	2.53
Audit & CG Committee members ***	0.20	0.20	0.33	0.55	0.28	0.49	0.05	0.10	1.62	2.08

* PSL's figures are actuals of respective years

** From IOD's Thai Directors Compensation Survey 2016

*** Additional Remuneration as Chairman of Audit & CG Committee/Audit & CG 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: kh@preciousshipping.com
Mr. Khushroo Kali Wadia	Executive Director Telephone 66 2696 8836 Email: kw@preciousshipping.com
Khun Somprathana Thepnapaplern	AVP (Finance & Accounts) and Company Secretary Telephone 66 2696 8856 Email: som@preciousshipping.com

The Company has joined many events for press/analysts briefings, which are attended personally by the Managing Director or the Executive Directors. 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
2016	19	13	5	8	45
2015	33	20	3	5	61
2014	38	31	18	6	93

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 11 Directors on the Board of Directors of the Company which consists of 3 Executive Directors (as full time employees of the Company/Subsidiary) and 8 Non-Executive Directors, 5 of whom are Independent Directors (more than one-third of Board of Directors).

The Audit & Corporate Governance Committee and Nomination Committee comprises entirely of Independent Directors.

Board Diversity

The Company considers increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and sustainable development. The Board members represent diversity from a range of perspectives including gender, age, educational background, skills, knowledge and professional experience. And for selection of new directors, the Board of Directors will consider candidate's qualifications, having regard to the mix of skills, diversity and in line with the Company's strategic direction.

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 are more rigorous than the requirements set by the Stock Exchange of Thailand and the Securities and Exchange Commission, Thailand.

Qualifications of Independent Directors of the Company:

- The Independent Director must not hold shares exceeding 0.5 percent each, including shares held by a related person, of paid-up capital of the Company, a subsidiary or of an affiliated, associated or a related company.
- The Independent Director must not be involved in the day-to-day management and must not be an executive director, employee or advisor who receives salary or other kinds of compensation from the Company, its subsidiaries, or affiliated companies, associated companies or related companies or with the major shareholders of the Company during the period of two (2) years before the date of appointment as Independent Director.
- The Independent Director must not have any business relationship 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 during the period of two (2) years before the date of appointment as Independent Director.

  The term 'business relationship' under the above paragraph, such as any normal business transaction, rental, or lease of immovable properties, transaction relating to assets or services, or grant or receipt of financial support through receiving or extending loans, guarantee, providing assets as collateral, including any other similar action whose value exceeds THB 20 million or more than 3% of the net tangible assets, whichever is lower.
- The Independent Director must not be the external auditor of the Company, its subsidiaries, or affiliated companies, associated companies or related companies, or with its major shareholders nor be a significant shareholder, a controlling person or a partner of such audit firm which employs external auditors of the Company, its subsidiaries, or affiliated companies, associated companies or related companies, or with its major shareholders during the period of two (2) years from the date of appointment as Independent Director.
- The Independent Director must not be a provider of any professional services, such as legal advisor, financial advisor or asset appraisal who receives service fees exceeding Baht 2,000,000 per year from the Company, its subsidiaries or affiliated companies, associated companies or related companies, or with its major shareholders during the period of two (2) years from the date of appointment as Independent Director.
- The Independent Director 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.
- The Independent Director 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.

- The Independent Director 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 several committees as part of the good corporate governance policy of the Company viz. the Executive Board of Directors, Audit and Corporate Governance Committee, Remuneration Committee and Nomination Committee. The details of these committees such as names and number of members, qualifications, 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.

The Chairman of the Board is the leader of the Board, and has duties as the chairman of both Board and shareholders' meetings. His role includes promoting corporate governance and compliance, and ensuring its effectiveness. He engages directly with the Managing Director to monitor performance and oversees the implementation of the Company strategies. The Managing Director is the head and leader of the Company's executives and is responsible to the Board for managing the Company in order to achieve all planned objectives.

Powers, roles and duties of the Chairman of the Board of Directors

- Provides leadership to the Board of Directors;
- Presides over the Board of Directors meetings, Non-Executive Directors meetings and Shareholders meetings;
- Facilitates open and constructive communication between members of the Board and encourages their contribution to Board deliberations;
- Promotes the highest standards of corporate governance, ethics and corporate social responsibilities;
- Consult with the Managing Director and Company Secretary to arrange the schedule and agendas of the Board of Directors' meetings;
- Ensure that the Company has effective communication with its shareholders and relevant stakeholders.

Powers, roles and duties of Managing Director

- The day-to-day management of the Company and its business is the responsibility of the Managing Director, supported by the executive team.
- Develops and recommends the Company's vision, mission, strategy and business plan for the Board's approval;
- Manages the Company in accordance with strategy, business plans and policies approved by the Board of Directors;
- Reports on the Company's operation results to the Board of Directors as well as other work in progress to achieve the Company's objectives;
- Ensures that all Directors are properly informed and that sufficient information is provided to enable the Directors to form appropriate judgments;
- Builds and maintains an effective top management team capable of delivering the Company's strategy and objectives, and identifies and recruits new talent to ensure effective succession to top management positions;
- Ensures communication with shareholders and relevant stakeholders;
- Undertakes any other roles and duties assigned by the Board of Directors.

Company Secretary

In keeping with Good Corporate Governance, the Company designated a Company Secretary viz. Ms. Somprathana Thepnapaplern, 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.

The detailed profile of the Company Secretary, Ms. Somprathana Thepnapaplern, has been disclosed under the subject **"Management Team"** of this Annual Report.

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.

Explicit responsibilities of the Board of Directors

The Board of Directors performs its duties and carries on the business of the Company in conformity with applicable laws, the Company's objectives and the memorandum and articles of association, as well as the resolutions of the shareholders' meetings. The Board shall be involved in any matters that may have a significant impact on the Company's business. The following matters require decision or approval from the Board:

- Designation of the authorized Directors to bind the Company.
- Appointment of Executive Directors and members of the Sub Committees, in the manner prescribed by law.
- Authorizing the sale 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.
- Approval of annual and quarterly financial results.
- Approval of the Mission Statement, Core Values and Code of Business Conduct.
- Approval of major decisions in respect of the Company's business direction and policies.
- Decision on major investments and contracts with significant impact to the Company.
- Any matters and/or transactions within the ambit of the Board pursuant to the memorandum and articles of association of the Company, the Public Limited Companies Act B.E. 2535, and other relevant laws and regulations.

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.

Succession Plan

The Board of Directors shall ensure a systematic nomination for the proper candidate to replace a significant director or executive position suitably in line with the succession planning policy. The Nomination Committee is appointed to propose the appointments of new Directors and key Executives (Managing Directors and Executive Directors) to the Board by considering the proper candidate both from internal and external candidates. To support its succession planning process, in 2016 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 including establishing a detailed Succession plan to attract and retain talent. Moreover, the Company has prepared and enhanced critical mechanisms, for instance, knowledge management, succession plan management and leadership development program as part of our Management Development and Succession Planning cycle.

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 held on 3 November 2016, 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 2017.

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 & Corporate Governance 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, the Audit & Corporate Governance Committee and the Internal Audit Department prepared the annual audit plan to review transactions that may cause conflict of interest. For the year 2016, the internal auditors audited the aforesaid transactions and reported the results thereof to the Audit & Corporate Governance Committee in the Audit & Corporate Governance Committee's Meeting No. 1/2017 held in February 2017. The Audit & Corporate Governance 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, the 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 holding of the Company's shares/warrants

To prevent abuse of inside information, all Directors and Senior Management must report any changes in their (and that of their spouses and minor children) holding of the Company's shares and/or warrants to the Company and the Office of the Securities and Exchange Commission within 3 business days from the date of trading/transfer of the Company's shares and/or warrants (as the case may be). The changes in Company's shares and warrants of the Directors is reported to the Board of Directors meeting every quarter. Please refer to the **"Insider Trading Controls"** section of this Annual Report for further information.

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 the 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 & Corporate Governance Committee on all matters, in order to make the Internal Audit Department completely independent of the management.

The detailed profile of the chief of Internal Audit Department is shown below:

MS. PANIDA SATJADECHACHAI

POSITION	Internal Audit Manager
AGE	39 years
EDUCATION	Master Degree in Accounting, Thammasat University
TRAINING	
October 2015	Attended the training course "Anti-Corruption for Business Corporation" held by PACT Network, Investment Banking Club and PwC Consulting (Thailand) Limited
October 2014	Attended the training course "GRI Sustainability Reporting Process" held by Thaipatr Institute
June-September 2014	Attended the training course "Certification Program Internal Auditors (Thailand)" held by the Institute of Internal Auditors of Thailand
January 2014	Attended the training course "COSO Internal Control Framework 2013" held by Federation of Accounting Professions
October 2013	Attended the training course "CSR Knowledge Management" held by Corporate Social Responsibility Institute (CSRI).

February 2013	Attended the training course "New CG Principles 2012" held by IOD and the SET.
March - April 2010	Attended the training course "Updating International Financial Reporting Standard IFRS)" held by KPMG Poomchai Business

EXPERIENCE

August 2012 – Present	Internal Audit Manager, Precious Shipping Public Company Limited
2006 – 2012	Assistant Internal Audit Manager, Precious Shipping Public Company Limited

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 for the 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 the Company's policy on risk management and internal control on the website of the Company and under the topic **"Internal Control"** of this Annual Report.

The Company also established the Legal & Compliance Department to review and evaluate compliance issues/concerns within the organization in order to mitigate legal risk and to ensure the Board of Directors, Management and employees are in compliance with the rules and regulations of regulatory agencies, that company policies and procedures are being followed, and that behavior in the organization meets the company's Standards of Conduct.

The detailed profile of the chief of Legal and Compliance Department is shown below:

MS. SIRASA SUPAWASIN

POSITION	Senior Legal and Compliance Manager
AGE	33 years
EDUCATION	Bachelor Degree in Law, Thammasat University
	Lawyer License, Lawyers Council of Thailand
	Notarial Service Attorney License, Lawyers Council of Thailand

TRAINING

October 2013	Attended the training course "CSR Knowledge Management" held by Corporate Social Responsibility Institute (CSRI).
February 2013	Attended the training course "New CG Principles 2012" held by IOD and the SET.
October 2010	Effective Minute Taking Program, the Thai Institute of Directors
October 2008	Business Law Training Course, Faculty of Law, Thammasat University
October 2007	Company Secretary Program, the Thai Institute of Directors
September 2006	Human Resource Law Training Course, Faculty of Law, Thammasat University

EXPERIENCE

July 2011 - Present	Senior Legal and Compliance Manager, Precious Shipping Public Company Limited
2007 - 2011	Senior Legal Officer, United Thai Shipping Corporation Limited
2005 - 2006	Legal Officer, Daikin Industries (Thailand) Limited

5.3 Board of Directors' Meetings

The Board of Directors' meetings are scheduled in advance to convene at least 7 times per year, but extraordinary or special meetings, if required, may be called at any time during the year.

For each meeting, through the year, an agenda is predetermined by the Chairman of the Board of Directors and Managing Director. 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 the Audit & Corporate Governance Committee meeting so that the minutes of the Audit & Corporate Governance Committee meeting 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.

Details of Directors' attendance for Board of Directors and Sub Committee meetings held in 2016 are set out in the following table;

Director's Name		Board of Directors and Sub Committee Meetings					Annual General Meeting Of the Shareholders
		Attendance / Total Meetings (Times)					
		Board of Directors	Executive Board of Directors	Audit & CG Committee	Remuneration Committee	Nomination Committee	
1.	Mr. Thira Wipuchanin	7/7	-	-	-	-	1/1
2.	Mr. Khalid Moinuddin Hashim	7/7	12/12	-	-	-	1/1
3.	Mr. Khushroo Kali Wadia	7/7	12/12	-	-	-	1/1
4.	Mr. Jaipal Mansukani	7/7	10/12	-	-	-	1/1
5.	Mr. Suphat Sivasriaumphai	5/7	-	4/4	-	2/2	0/1
6.	Ms. Nishita Shah	6/7	-	-	-	-	1/1
7.	Mr. Kirit Shah	7/7	-	-	2/2	-	1/1
8.	Mr. Chaipatr Srivisarvacha	6/7	-	-	-	2/2	1/1
9.	Associate Professor Pavida Pananond, Ph.D.	7/7	-	4/4	2/2	-	1/1
10.	Mr. Kamtorn Sila-On	7/7	-	4/4	2/2	2/2	1/1
11.	Mr. Ishaan Shah	7/7	-	-	-	-	1/1

For the year 2016, all resolutions of the Board of Directors were passed by the vote of the Directors present at the Board of Directors'meetings with a quorum of more than two-thirds of all the Board members.

On 3 November 2016, the Non-Executive Directors hold a meeting 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 3 November 2016, 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
- Board of Directors' meetings
- The Board's performance of duties
- Relationship with Management
- Self-development of Directors and Executive Development

The scores of Board's Self- Assessment fall in the level of "Excellent". The 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 2017.

5.5 The Board Committees' Self-Assessment

The Company has 4 Board Committees i.e., the Executive Board of Directors, the Audit & Corporate Governance Committee, the Nomination Committee and the Remuneration Committee. In the Board of Directors Meeting held on 3 November 2016, the Board of Directors acknowledged the results of each board committee self-assessment conducted by members of each board committee through a questionnaire following the SET guidelines which covered the subjects as follows:

- Structure and characteristics of the Board Committees
- Board Committees Meeting
- Roles and responsibilities of the Board Committees in each particular committee

The scores of each board committee self-assessment are summarized as follows

Board Committees	2016 Results of self-assessment
The Executive Board of Directors	Excellent
Audit & Corporate Governance Committee	Very Good
Nomination Committee	Excellent
Remuneration Committee	Very Good

Each Board Committee 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 Good Corporate Governance practice and accordingly, this exercise will be conducted again in year 2017.

5.6 Managing Director Evaluation

In the Board of Directors Meeting held on 3 November 2016, the Board of Directors acknowledged the results of Managing Director Evaluation conducted by Non-Executive Directors through a questionnaire following the SET guidelines which covered the subjects as follows:

- Leadership
- Strategy formulation
- Strategy execution
- Financial planning/ Performance
- Relationships with the Board
- External Relations
- Human Resources Management/ Relations
- Succession

- Product/ Service Knowledge
- Personal Qualities

The score of Managing Director Evaluation fell in the level of "Excellent". The Company intends that the Managing Director Evaluation be done every year in order to comply with Good Corporate Governance practice and accordingly this exercise will be conducted again in year 2017.

5.7 Directors and Management Remuneration

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 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.

The remuneration of the Senior Management included their salary, bonus, and other remuneration (income tax, house rent and provident fund contributions) 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".

5.8 Directors and Management Training

The 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 the Director Accreditation Program (DAP) held by the Thai Institute of Directors Association (IOD).

Details of Directors attended training programs/seminars in the past year;

Year	Director's Name	Seminar/Training Course	Conducted by
2012	Mr. Kamtorn Sila-On and Associate Professor Pavida Pananond, Ph.D.	Audit Committee Program (ACP)	Thai Institute of Directors
2013	Associate Professor Pavida Pananond, Ph.D.	Financial Statements for Directors (FSD)	Thai Institute of Directors
2014	Mr. Thira Wipuchanin	Chartered Director Class (CDC)	Thai Institute of Directors
2015	Associate Professor Pavida Pananond, Ph.D.	Thailand Business Insights 2015; Panel1: Mapping the Future – Pillars of Diversity Panel2: Thailand – Blueprint & Gateway for ASEAN	Thai Institute of Directors (IOD) and Channel News Asia.
2015	Ms. Nishita Shah	Transformation & Change – Managing Culture For Success	Thai Listed companies Association (TLCA), the RBL Group, and ADGES Consulting
2016	Associate Professor Pavida Pananond, Ph.D.	Africa and the South-South Cooperation: Toward a Better Governance for a Sustainable Economic & Social Governance	Crans Montana Forum, Dakhla, Morocco
2016	Mr. Kamtorn Sila-On	Top Executive Program in Commerce and Trade (TEPCoT)	Commerce Academy

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.

The following principles below are the Corporate Governance Principles 2012 recommended by the Stock Exchange of Thailand (SET) which the Company has not yet complied within year 2016:

Principle	Opinion from the Board of Directors
The Board of Directors does not have any Independent Directors who have served more than nine consecutive years.	It is difficult to obtain suitable and qualified Candidates repeatedly and therefore such a term limit cannot be implemented presently.
The Board of Directors should establish an annual performance assessment conducted of Individual Directors.	This has not been adopted for the present but may be considered in future.
The Company should establish a proper incentive and remuneration policy for its Executives and Directors.	The Company may consider this and structure a plan based on advice from external expert but it was not possible to complete this in this year.

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 within 3 business days from the date of trading/transfer of the Company's shares and/or warrants (as the case may be), which was fully complied by the Company's Directors and Senior Management during the previous year.

In accordance with the Company's Corporate Governance policy, all Directors and Senior Management (including their spouse and minor children) are not allowed to trade/transfer in the Company's shares and warrants 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. During the year, all Directors and Senior Management (including their spouse and minor children) have complied fully with this policy and no non-compliance cases have been observed.

Furthermore, according to the Company's Corporate Governance Policy, all Directors and Senior Management are encouraged to inform the Company their intention (including their spouse and minor children's) to trade in the Company shares at least a day in advance.

INTERNAL CONTROLS

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 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 & Corporate Governance Committee. The findings of internal control assessment for 2016 have been provided in the **"Audit & Corporate Governance Committee Report"** section of the Annual Report.

At the Board of Directors' Meeting No.1/2017 on 8 February 2017, which the Audit & Corporate Governance Committee also attended, the Board agreed with the Audit & Corporate Governance 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 Year 2016 Audit of the Company by EY Office Limited, the independent and external auditors, have not identified any significant weakness in internal controls which may have a material impact or cause disruption in business operations.

SUSTAINABILITY REPORT

MESSAGE FROM THE BOARD OF DIRECTORS ON SUSTAINABILITY REPORT

To the Shareholders,

We are pleased to present the Company's Sustainability Report in accordance with the Global Reporting Initiative ("GRI") G4 guidelines. This report covers the Company's performance on material issues that matter most to stakeholders in the year 2016 and communicates our material analysis on economic, environmental, social, sustainability governance and ethical issues that are relevant to stakeholders and may potentially impact the Company.

The Company's mission is to be the most respected shipping company in the world, providing the 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 Corporate Social Responsibility as its core values which are followed at all times on a day-to-day level by all in the Company.

The Sustainability Report summarises the Company's interactions with its stakeholders and reflects the Company's continuous search for ways to improve at all levels. We welcome comments, suggestions and views on this Report, and we assure you that each and every response is and will be taken very seriously and considered for appropriate 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

8 February 2017

Overview of Sustainability Report [G4-28, G4-29, G4-30, G4-32]

The Company places the highest priority on delivery of long-term value and sustainable returns to its shareholders. The Report also includes information relating to the performance of the Company and its subsidiaries based locally and internationally. The focus of the Report is on the main businesses which have a material impact on the achievement of the long-term sustainability. The Company acknowledges that its unique character, having all of its ships trade all over the world, most of which are flying the Royal Thai flag, obliges it to act as the country's ambassador to the world, and the Company takes this responsibility very seriously.

This year, the Sustainability Report is the fifth report to be included in the Annual Report, to present the Company's performance in terms of economic, environmental, social and sustainable governance to create a balanced combination as a socially responsible company. Through this approach, the Company strives to create added value for stakeholders by complying with all applicable regulations and carrying out its business activities according to its vision and core values. In executing its business strategies and achieving its performance targets, the Company gives the highest regard to transparency, accountability, responsibility, independence and fairness.

Further information on the Company's Corporate Governance, risk management and mitigation strategies, all of which are part of the Company's sustainability measures, can be found in the relevant chapters under the **Board of Directors' Report, Corporate Governance Report, Internal Controls and Significant Risk Factors** sections of this Annual Report.

This Report uses the reporting principles and framework of GRI G4 'in accordance' reporting at the Core level, in terms of materiality, stakeholder engagements, sustainability context, completeness, accuracy and comparability. This Report addresses activities and data that fall within the Company's financial year for the period from 1 January to 31 December 2016.

The scope of the Report [G4-17, G4-20]

The data and information contained in this Report relates to Precious Shipping Public Company Limited and all its wholly-owned subsidiaries.

The boundary and limitations of the Report [G4-21, G4-22, G4-23]

Data in this Report has been collected from the Company's operations as listed above and there are no changes with respect to the boundary as compared to our 2015 Report.

The process for defining the content of the Report [G4-18, G4-33]

We have defined the content of the Report through research with key stakeholder groups in order to gain their feedback on requirements and preferences. Data is provided and reviewed by Senior Management prior to submission to the Managing Director for approval. The Final Report is approved by the Company's Board of Directors.

The Materiality Assessment [G4-19]

The content of this Sustainability Report is geared to highlight the Company's policies, achievements and challenges towards sustainability within the reporting period. The Company has ascertained this content by carrying out a Materiality assessment.

In alignment with the principles of the GRI G4 reporting guidelines, the Company has used a four step process in determining its Materiality Assessment:

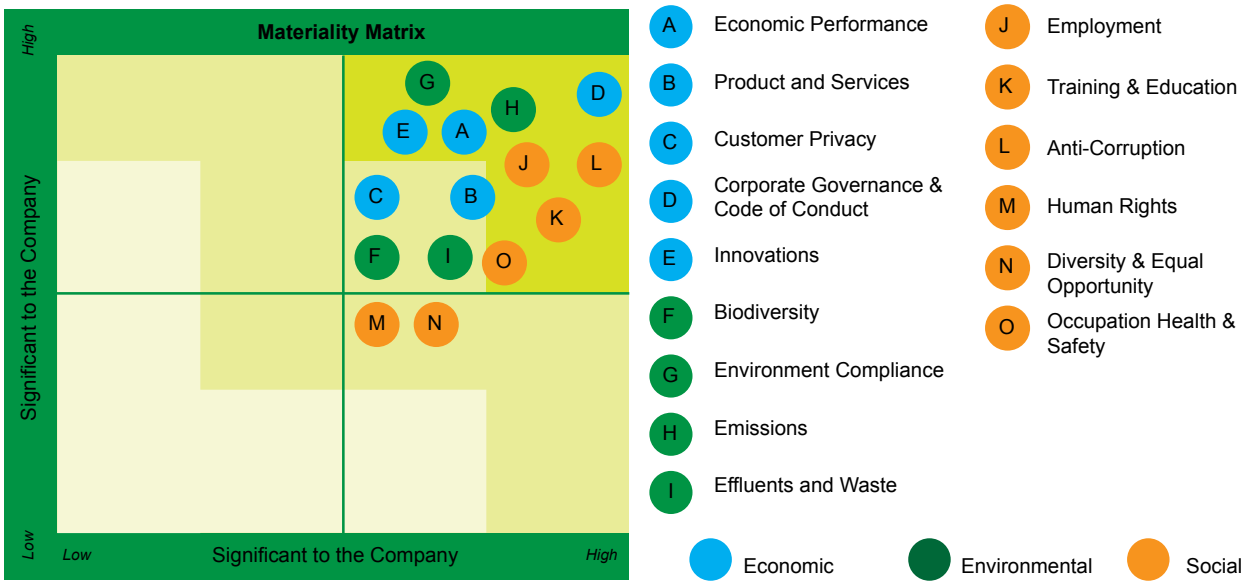
1) Identification of relevant topics: by evaluation of the boundaries (where the impact of each issue occurred), impact of each issue was determined both inside and outside the Company, and by business unit including taking GRI's indicators.

2) Prioritization of topics against stakeholder and Company influence and impact: by considering each topic, issues deemed significant to the organization and deemed significant to the stakeholders, and those issues and topics which reflected significant economic, environmental and social impact.

3) Validation of prioritization and identification through review and evaluation: this Materiality Assessment has been validated through internal representatives of the business units with assistance from Senior Management.

4) Review of context on annual basis: by incorporating in to this Report, stakeholder feedback from outside stakeholders received through multiple channels, such as Opportunity Day/Investor meetings, the Company website, Regulatory Authorities, and press coverage of the Company.

This materiality matrix below presents 15 aspects for each sustainability-related category, which the Company focuses on. These 15 aspects are the most material for this year's Sustainability Report. The Company recognizes the value of broadening its engagement with its stakeholders to improve its Materiality Assessment and increasing the relevance of information within its Report based on stakeholder priorities.



Stakeholder Engagements [G4-24, G4-25, G4-26, G4-27]

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 whom the Company has an ongoing relationship and impact as a result of its business operations. The Company engages its stakeholder groups in a variety of ways, with the frequency and communication mechanisms based on the most effective means of facilitating dialogue. The Company has also provided channels on its website 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 has, and will continue to treat such information seriously and with utmost confidentiality.

Currently, the Company categorises stakeholders into eight groups, which are presented below. All business units are responsible for creating and maintaining good relationships with these groups, communicating, taking their suggestions, and assessing their expectations.

Stakeholders	Expectations	Key Action and Engagements
Customers	• Professional service with fair charter rate • On time trouble-free delivery	• Develop services to respond to diverse needs • Provide efficient, reliable and professional services and solutions to all our customers • Provide substantive reply to any query promptly
Shareholders	• Share in profits by way of dividends • Business growth and sustainability • Fair and transparent operations • Risk Management	• Creation, preservation and enhancement of long term value for our shareholders • Disclosing timely, concise and relevant information • Responsive to all inquires • Frequent communications through company visit, road shows and meetings • Direct channel of communication to Board/Management open for every Shareholder • Shareholder Meetings at least once a year, plus quarterly Opportunity Day Meetings • Regular newsletters from CEO
Employees	• Appropriate compensation and welfare • Career advancement and succession • Competency enhancement • Positive and good work environment • Security and safety at work	• Respecting human rights, diversity • Ensuring equal opportunity • Ensuring a safe and healthy work environment • Providing skill enhancement via sophisticated training • Annual review of compensation, welfare and benefits structure to remain competitive with industry standards • Open channels for accepting opinions and suggestions
Investors	• Return on investment • Business growth and sustainability • Fair and transparent operations • Risk Management	• Direct & Open channel of communication to Board/ Management • Frequent meetings and conference calls/ Q&A sessions • Regular disclosures through SET • Roadshows 5 times in 2016 • Annual Report and other reports, such as Form 56-1, press releases, etc.
Community & Society	• Improvement of quality of life • Support of community activities • Maintenance of environment	• Support and get involved with community and society-based activities on a regular basis • Arrange meetings with Merchant Marine Training Center for planning and progress of community development projects
Regulators	• Compliance with relevant laws, rules and regulations • Good Corporate Governance and transparency • Sufficient and timely information disclosure	• Follow guidelines in doing transactions with the State, code of conduct and participate in academic collaboration • Periodic internal assessment of regulatory compliance • Regular disclosures through SET • Regular participation in meetings and activities of related agencies • Annual Report and other reports, such as Form 56-1, press releases, etc. • Complaint handling channels and remedial measures
Suppliers	• Fairness and equal opportunity in procurement process • Fair prices • Reputation and credibility	• Ensure that terms and conditions for suppliers are based on industry norms and practices • Follow agreed terms and conditions • On time payment • Complaint handling channels on website
Creditors	• Ability to repay debts and punctual payment • Fair returns on loans and service fees • Commitment to agreements	• Full compliance with all terms in borrowings including compliance with the objectives of using the borrowed funds, repayment, collateral, and other conditions as may be agreed • Regular meetings for information exchange and to maintain good relationship • Financial and annual operating reports

Corporate Governance, Ethics and Integrity

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 Board of Directors has promoted corporate governance practices to help fulfill its responsibility to the shareholders. It is the duty of the Board of Directors to serve in a prudent fiduciary relationship with shareholders and to oversee the management of the Company's business. The Company has provided the governance structure of the Company, including committees under the subject of **"Management Structure"** of this Annual Report.

The Company has set up a Business Ethics and Code of Conduct Manual to commit to the key principles of integrity, ethical business conduct and accountability for Directors, Executives and staff as a guideline in carrying out their respective work for the Company in a transparent, honest, faithful and justifiable manner. These guidelines can be accessed through the Company's website.

Anti-Corruption [SO4]

The Company, since over two decades of operations in the industry, has a reputation for having zero tolerance towards any form of corruption or unethical behavior. The senior management has always enforced this policy throughout the history of the Company, and recently, the Board of Directors has approved a new Self-Evaluation Tool for Countering Bribery and Anti-Corruption Policy.

These newly adopted policies, which are the embodiment of the age old stance of the Company, against any form of corruption or unethical behavior, have been communicated to every member of the Board of Directors and each of the Company's employees, each of whom are apprised of every facet of the same.

The Company extends the application of these policies beyond itself and applies the same to each individual/corporation/organization that the Company deals with. The Company has set up a channel to contact the Board of Directors directly for any business suggestions, complaints, or recommendations indicating impact or risks of impact on stakeholders arising from its business or from wrongful action, or violation of the Code of Conduct, illegal acts, etc. As such, the Company ensures that none of its affairs are conducted with/through any unethical individual/corporation/ organization.

Precious Shipping has been certified as a member of the Collective Action Coalition against Corruption

Mr. Khalid Hashim, Managing Director, received the Certificate of Membership of the Collective Action Coalition against Corruption on 2 February 2015 at the office of the Thai Institute of Directors Associations.

Sustainable Management Performance

Economic Performance

The Company's Senior Management had set up goals for 2016 with targets that were both realistic and aggressive as follows:

- Daily earnings per vessel to be higher than the corresponding industry average – Please refer to "Market Segmentation/Benchmarking" in the Board of Directors' Report, for the Company's performance in 2016 as against this target; and
- Daily Operating costs per vessel to be at least 15% lower than the industry average as published by Moore Stephens - Please refer to "PSL OPEX comparison with Industry" in the Management Discussion and Analysis, for the Company's performance in 2016 as against this target.

For 2017, the Company's Senior Management has set the same goals as for 2016.

The Company's operations contribute to national economies by generating economic benefits for different stakeholder groups. The related direct monetary flows indicate the extent of added value.

Direct Economic Value Generated and Distributed (Million USD) [EC1]

Description	2012	2013	2014	2015	2016
Direct Economic Value Generated:					
Vessel Operating Income	112.34	124.76	140.66	123.21	104.42
Revenue from financial investments	0.65	0.27	0.16	0.06	1.32
Revenues from sale of assets	0.01	0.00	0.83	0.00	0.00
Other income	10.24	31.69	1.69	0.36	1.77
Direct Economic Value Generated	**123.24**	**156.72**	**143.34**	**123.63**	**107.51**
Economic Value Distributed:					
Operating Costs (excluding crew costs)	40.17	42.93	43.54	43.61	30.23
Employee wages and benefits (including crew costs)	32.55	42.89	46.38	53.90	47.78
Payment to providers of loans	13.85	14.82	15.31	16.37	27.63
Dividend distribution	15.08	13.76	9.66	0.00	0.00
Tax payments to governments	0.15	0.31	0.27	0.21	0.09
Community Investments	0.06	0.04	0.04	0.06	0.06
Other payments	2.09	1.10	1.54	11.76	21.93
Economic Value Distributed	**103.95**	**115.85**	**116.74**	**125.91**	**127.72**
Economic Value Retained as under:	**19.29**	**40.87**	**26.60**	**(2.28)**	**(20.21)**
Depreciation, amortization and Impairment loss	29.63	37.09	39.01	67.17	54.88
Provisions	0.39	0.04	0.06	0.20	0.70
Transfer to (from) Reserves	(10.73)	3.74	(12.47)	(69.65)	(75.79)

For Financial Performance: see the **Financial Highlights** and **Management Discussions and Analysis** sections in this Annual Report.

Environment Performance

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 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.

This Report outlines the most significant environment-related maritime regulations and the Company's compliance therewith; the Report also outlines the Company's internal emergency and quality control systems and CO2 reduction efforts. This Report concludes with a statement of goals and objectives set by the Company for the coming year.

Environment Performance Highlights [EN27]

1. Annual review meetings conducted every year are utilized as a platform to discuss and address issues related to review of the maritime regulations.
2. The Environment Protection Policy Statement, as below, has been made public in line with ISO 14001 requirement: It is the Company's policy to conduct its operations in an environmentally sustainable manner in order to protect the environment and Planet Earth for a better life for the present and future generations (please see details below in **"ISO 14001 Certification"**).
3. For use of new technology and innovations, the Company has signed contracts for new-build vessels with specifications exceeding those mandated by the regulations and which enhance the vessels' ability to protect and conserve the environment.
4. Environmental objectives and targets are set and assigned to all levels of employees in the Company, both ashore and afloat, with stipulated time frames and action plans. The Company recognizes that training and improving awareness at all levels is the key to achieving the environmental policy and seeks to accomplish these through in-house training described herein under.
5. The Company has evaluated significant environmental impacts for all shipboard and company activities that have been analysed and it has been found that the Company's existing procedures can effectively reduce the environmental impact of any incident.
6. In-house training programs are conducted for all staff (serving at shore office as well as on vessels) on the EMS policy, objectives that have been set, and for general awareness. These training programs are conducted at the Company's training center and through internal audit visits to vessels.
7. The Company uses best endeavors to influence and encourage all vendors associated with the Company to comply with environmental standards / good practices.

Compliance with Regulations & Conventions [LA8]

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

Safety of Life at Sea (SOLAS), Maritime Regulations for Prevention of Pollution (MARPOL), Standards for Training Certification and Watchkeeping (STCW) & Maritime Labour Convention (MLC) are the four pillars of the international maritime industries regulatory frame work.

Some of the other regulatory instruments are:

- International Convention for the Control and Management of Ships' Ballast Water and Sediments 2004. This Convention will enter into force on 8 September 2017.
- International Maritime Dangerous Goods code (IMDG)
- International Maritime Solid Bulk Cargoes code (IMSBC)
- International Convention on the Control of Harmful Anti-Fouling Systems 2001.
- International Code for Ships Operating in Polar Waters (Polar Code)
- International Convention on Civil Liability for Bunker Oil Pollution Damage 2001.
- Nairobi International Convention on the removal of Wrecks 2007 (the Wrecks Convention)

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

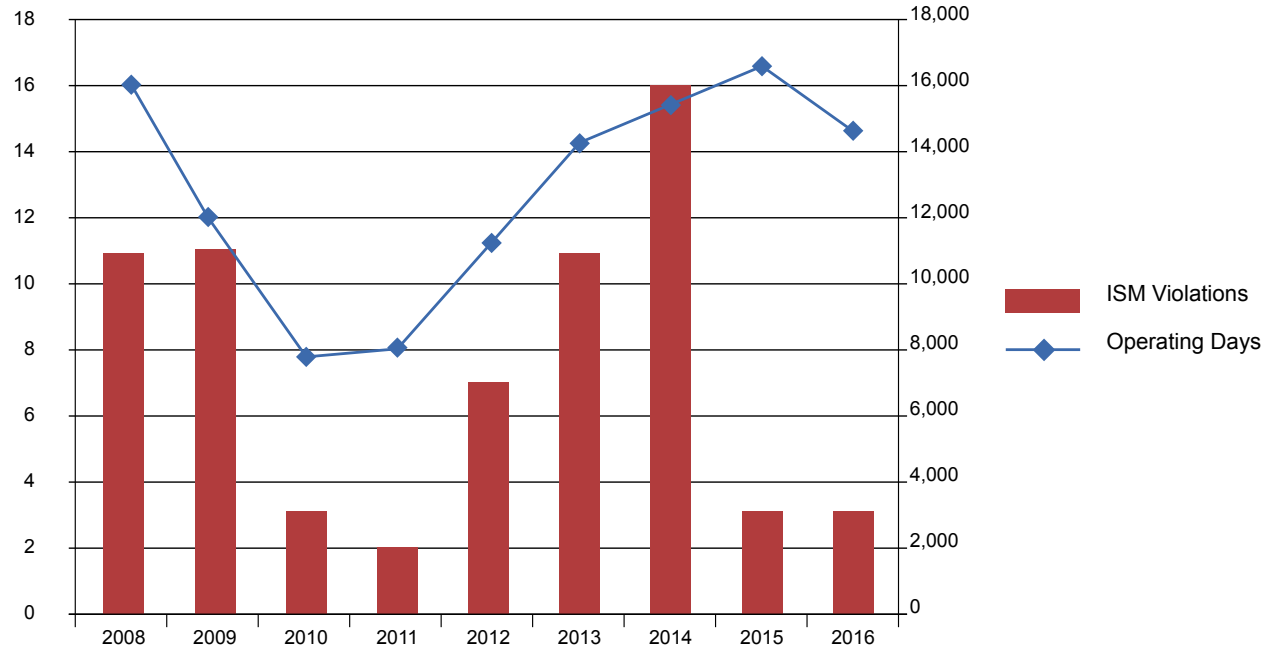
In addition to the above, the most significant regulations are outlined below, and the Company's efforts to remain compliant.

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 1 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 2008-2016. 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, groundings, etc., The Company has analysed each violation in detail to identify the root-cause and initiate appropriate corrective actions. The results are then conveyed to all senior employees as case-studies to avoid recurrence. We are now happy to report that all our actions, have helped us lower the count of ISM violations for 2016, to just 3 instances over 14,746 operating days for the fleet. On a violation per operating day basis, 2011 and 2015 were the Company's best years with the violation at the lowest at 0.02%, while even at worst, in 2014, the violations were a negligible fraction, less than 0.11%.



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 its own fleet for the benefit of the industry. This is in compliance with the Company's 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 the Company's 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 the Company's ships, cargoes and crew.
- **Timely warnings and reminders to vessels:** Vessels 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 with regulations at all times.
- In 2012, the Company became a member of INTERCARGO, the International Association of Dry Cargo Shipowners. Intercargo, quoting their own words, 'exists in order to link industry stakeholders in a commitment to a safe, efficient and environmentally friendly dry cargo maritime industry, and our vision is for a safe, efficient and environmentally friendly dry cargo maritime industry where its member's ships serve world trade – operating competitively, safely and profitably'. This perfectly fits in with the Company's philosophy and the Intercargo membership reflects Company's resolve towards sustainability.
- In 2012, the Company also became a member of RightShip, an independent ship-vetting organization formed by BHP Billiton, Rio Tinto and Cargill, three of the world's largest trans-national corporations and major users of sea transport services. RightShip's ship vetting model is known for its exacting and stringent standards, and focuses on ship safety (including crew and cargo) and marine environmental protection; and the Company's membership is yet another affirmation towards sustainability.

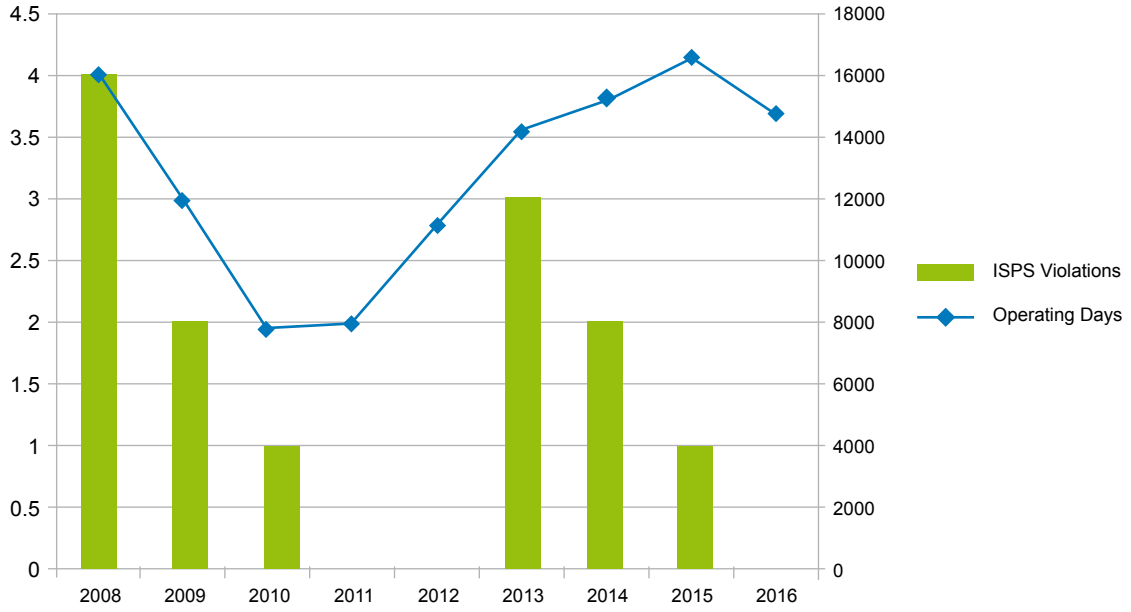
The Company has set an internal target of zero ISM Code violations resulting in injury or death, fire, collisions or groundings or any vessel detentions resulting from an ISM Code violation.

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 2008-2016. As in the case of ISM, the Company sets a target of zero violations in respect of ISPS Code. There were no ISPS violations in 2011, 2012 and 2016 but the fleet witnessed 3, 2 and 1 violation in 2013, 2014 and 2015 respectively, being incidents when stowaways secreted onboard – these stowaways are typically very poor and desperate to escape to a foreign country for a better living. Even though the stowaways were detected by ship-staff and were taken off at the same port where they came onboard or at a nearby port, the Company counts them as ISPS violations for reporting purposes, in line with the Company's zero tolerance for such lapses.



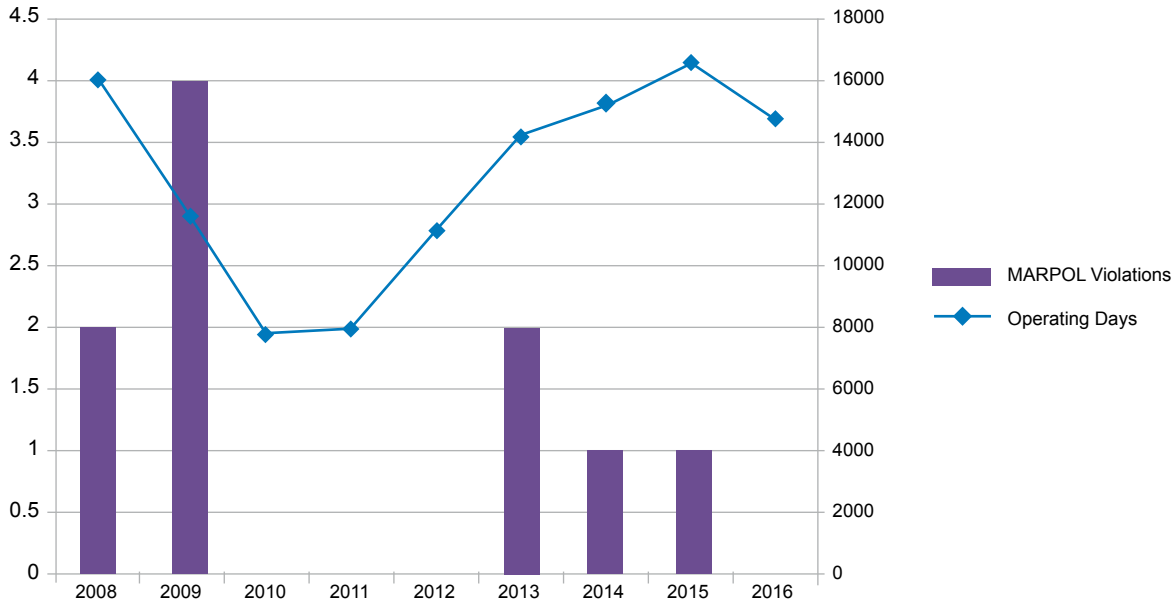
The Company has set an internal target of zero violations for the coming year.

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 company wide 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 program 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 on ships with new modern engines have undergone engine model specific rigorous training program aimed at enhancing their ability to maintain engines and avoid any fuel or sludge discharge or any breakdowns.



The above graph demonstrates the number of MARPOL violations (left-hand axis) resulting in an insurance claim and Operating days (right-hand axis) from 2008-2016. For the purpose of the analysis, any incident counts as a violation if it is resulted in an insurance claim. From 2008 to 2016, the total number of incidents declined by 100% while operating days declined by 9%. The Company witnessed Nil MARPOL violation in 2016. The Company aims to have zero MARPOL violations in 2017 and that none of our vessels are detained as a result of a MARPOL violation.

Upcoming regulations: Following are some of the regulations coming into force within the immediate future:

- IMDG Code and IMSBC Code require more stringent requirements to be met for carriage of certain dangerous cargo.
- International Code for Ships Operating in Polar Waters (Polar Code) require vessels to have enhanced safety and pollution prevention measures while trading in the harsh and sensitive polar region.
- STCW 2010 (Manila amendments) – effective from 01.01.2017 - requires documentation for seafarers having undergone more stringent revised training requirements for competency and proficiency.
- MLC 2006 Amendment 2014 effective from 18 Jan 2017 – requires Certificate for financial security in respect of Seamen repatriation costs and other liabilities
- China require ships to use Low Sulphur Fuel Oil (LSFO) in certain coastal regions of China in a phased manner, updated as detailed below:
  - » Effective 01 Jan 2017, use of LSFO containing max 0.5% Sulphur will become mandatory in the eleven core ports in three ECA regions. (i.e. Tianjin, Qinhuangdao, Tangshan, Huanghua, Shenzhen, Guangzhou, Zhuhai, Shanghai, Ningbo-Zhoushan, Suzhou and Nantong)
  - » Effective 01 Jan 2018, at-berth fuel switching requirement will be extended to all ports in the three Chinese port regions, namely the Pearl River Delta (PRD), the Yangtze River Delta (YRD) and the Bohai Bay.

» Effective 01 Jan 2019, the clean fuel requirement will be further extended to cover all ships operating anywhere within the emission control zones (ECZs) in the three port regions. These ECZs cover the territorial waters (12 nautical miles off the coastline) of the PRD and YRD, as well as the Bohai Bay.

- New regulations applicable at European Union (EU) ports:

1) With effect from 31 Aug 2017 all vessels calling EU ports should have an approved vessel specific CO2 Monitoring, Reporting & Verification Plan (RVM)

   - Plans are to be submitted to competent authority before 31 Aug 2017
   - Monitoring of ship's CO2 emissions is to be carried out from the year 2018
   - Measured reports are to be submitted for year 2018 by 30 April 2019
   - Document of Compliance is to be available on board by 30 June 2019

2) With effect from 31 Dec 2020, EU Regulation on Ship Recycling will be applicable to foreign ships in EU waters. Ships are to comply with Inventory of Hazardous material (IHM)

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 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.

The Company is the proud recipient of Port of Long Beach Green Environment Achievement Flag from the Port of Long Beach ('the green port'), California, USA, for our commitment to reducing air pollution in Southern California. Besides the citation, our fleet also gained an additional 25% off on dockage dues payable to the Port of Long Beach!

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 various shipyards in China as explained in this Annual Report. These 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 (for 38,500 DWT bulkers) 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. The fuel consumption of these vessels is far less than comparable sized older ships: the main engine on the 38,500 DWT ships will consume about 19T/day as compared to about 25T/day for older ships of similar size, whereas the main engine fuel consumption on 64,000 DWT ships is specified to be about 26.4T/day as compared to 30T/day on the older 57,000 DWT ships. Such low fuel consumption is supposed to be achieved by combining a highly fuel efficient main engine with a new design of slow-speed, large diameter and high-efficiency propeller on an optimized hull form.
3. To reduce carbon footprint and increase thermal efficiency of these ships, the exhaust of auxiliary engines are routed through the composite boiler. This will improve waste-heat recovery and reduce the consumption of oil for the burner.
4. These new ships are fitted with onboard treatment plants for water ballast which will fully comply with IMO regulations to be enforced from September 2017. These treatment plants are designed to remove, render harmless and thereby prevent transfer of harmful bacteria and invasive species of micro-life through ballasting and de-ballasting operations between ports.
5. Engines fitted are in compliance with the required Nitrogen oxide (NOx) emission standards.
6. The 38,500 DWT ships will have 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.
7. 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.
8. 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.
9. 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.
10. Improved bio-based Sewage Treatment Plants are being installed on the ships.
11. 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% 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. Though the convention has not come into force, our new building contracts ensure compliance with this requirement. 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. For the 64,000DWT ships delivered after second half of 2016, we have applied "HM" Class notation even though this is on optional basis.

A few significant developments in respect of new ship-design and construction are outlined below. As far as practically possible, the Company will take these into consideration while acquiring new ships in the future.

Eco-friendly ships: Shipping is one of the cleanest and greenest industries among all international industries. It is also an environmentally friendly and fuel-efficient industry. It is estimated that shipping carries roughly 90% of world trade, and yet, according to the latest figures from IMO, it is responsible for just 2.7% of global carbon dioxide emissions. Nevertheless, the shipping industry continues to look for ways to reduce that figure still further.

Shipping industry has not yet solved all its green issues; rather it is far from it. Present endeavors of the industry and the IMO are two-fold:

- For existing vessels: Adoption of a number of established "good management practices" to conserve and economise fuel oil consumption.
- For new vessels: Use of improved hull designs and more fuel efficient engines and technology.

Ballast Water Treatment [EN12]: Ballast water, if discharged without treatment, could cause severe damage to the local ecosystem at the point of discharge. Presently, the Company's policy is to carry out mid ocean ballast water exchange, as a means to prevent the transfer of harmful aquatic organisms at the point of discharge. This already serves to mitigate, if not totally cut out, the damage to the indigenous biodiversity of the ports the Company's vessels visit. The Ballast Water Management Convention enters into force on 8 September 2017 All new vessels keel laid from this date are required to be fitted with IMO approved ballast treatment plants. All existing vessels are required to retrofit such plants in a phased manner along with surveys associated with first renewal of IOPP (International Oil Pollution Prevention) certificate after 8 September 2017.

Carbon Footprint and Waste Generation [EN23]:

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 seems impossible 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 which are able to maintain the hull free of marine growth fouling for the entire duration between two dry-dockings.
- Improved cargo handling.
- Good Engine Maintenance.
- In addition to above, the Company is actively studying the possibility of retrofitting suitable fuel-saving devices on existing vessels to further reduce fuel consumption and thereby the carbon footprint.

The Company has consciously opted to acquire larger ships, of 54,000 – 64,000 DWT; these ships can carry almost twice the amount of cargo, i.e. 100% more, compared to smaller ships in the fleet. However, more importantly, the larger ships burn just about 40-45% more fuel than the smaller ships per day of sailing. On this basis, the fuel burnt per unit load of cargo reduces drastically; this is yet another example of the Company's efforts towards sustainability and to reduce the carbon footprint.

The Company additionally uses environmental compliance as one of the major criteria in the screening process of each of its numerous suppliers of spares etc.

The Company's aim is to endeavor to reduce the fuel and diesel oil consumption on a progressive basis every year. To accomplish this, the Company continuously looks at new technologies available in the market and examines their applicability for its type & size of ships. Ship builders the world-over are actively marketing their vessels as 'eco friendly' and describing them with speed and consumption figures that were previously never achieved. The Company seriously evaluates all new developments, but realized that the builders' claims are often sensationalised to grab attention and when technical parameters such as calorific value of fuel, design and scantling draft and 'sea margins' are taken into consideration, the so-called benefits simply do not exist or they are not cost-effective. In any event, the Company looks 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. Waste oil or sludge generated on each ship is about 1% of all fuel burnt. Empirical research suggests that every ton of oil burnt generates approximately 3 tons of CO2.

In 2016, the Company vessels disposed 1,082 tons of sludge ashore. This accounts for approximately 3,246 tons less CO2 emitted into the atmosphere had the sludge been incinerated on board. 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.

The latest concern on environmental front is that of the impact of Sulphur oxides (Sox), due to the Sulphur content which is present in the Marine grade fuels used commonly on the ships. Certain sensitive areas (SECA) have already imposed restrictions on the maximum Sulphur content in the fuels to be used in such areas. IMO is contemplating global reductions in Sulphur content of fuels by 2020, The Company has already made suitable changes to the engines and related equipment to burn very low Sulphur fuels; Company is also studying retrofitting equipment which will remove Sox content from exhaust gas irrespective of the Sulphur content of the fuels (high/low). This will enable our ships to operate with low Sox emissions universally using any type of fuel.

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 2016. 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 its ships to reduce its environmental impact.

Company recognizes that the most significant environmental impact for the company is the emission of CO2 from burning fossil fuel in the ships engine. Hence 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 again for the year 2017. During the year 2016, the Company saw significant reduction in fuel consumption close to the set target.

Company has now fully implemented the use of IMO voluntary guidelines to determine the Ship Energy Efficiency Operational Indicator (EEOI). As the amount of CO2 emitted from a ship is directly related to the

consumption of bunker fuel oil, the EEOI can also provide useful information on a ship's performance with regard to fuel efficiency.

The Guidelines present the concept of an indicator for the energy efficiency of a ship in operation, as an expression of efficiency expressed in the form of CO2 emitted per unit of transport work, or in other words: Tonnes of CO2 emitted per ton cargo carried per nautical mile.

EEOI data is available for all company vessels starting from year 2014. Hence in future years this will be a very useful tool to assess the energy efficiency of our ships.

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.

Social Performance

The Company treats Corporate Social Responsibility (CSR) as one of its highest priorities and has built it into the Company's Mission Statement and Core Values. The Company allocates an amount of 0.50% of net profit every year to CSR Reserve which is subject to a minimum of Baht 1.75 million and a maximum of Baht 25 million per year. The actual utilisation out of this Reserve is decided by the Company's senior management and/or the Board of Directors, and is periodically, or at least once a year, reviewed by the Board of Directors.

Customer Relationship Management

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 its vessels are not involved at that moment. The Company is happy to report that its service is well appreciated and many first-class charterers prefer to do business with the Company over others in the market.

New computer-based Management Information System: As reported in the previous years, the new Computer Program implemented by the Company 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.

Customer Privacy [PR8]

For customer privacy, the Company insists on protecting customer's confidential information from loss, theft, misuse, unauthorized disclosure, modification, and unauthorized destruction. The Company handles complaints through phone lines, emails and letters to/from customers. The Company always prioritizes the principles of transparency and responsibility in providing services to its customers in order to meet the commitment to provide the best service for its customers, provide a rapid response to various requests and customer complaints as part of a service commitment and maintain the confidentiality of its customers. Therefore, during the reporting period, there have been no complaints whatsoever regarding the mentioned issues and no financial penalties or other sanctions associated with the violation of the confidentiality of customers' data.

Employee

The Company has committed to be a fair and caring employer offering its staff equitable opportunities to develop and grow.

In line with its commitment to high ethical standards and good corporate governance practices, the Company has in place a group-wide whistle-blowing policy and encourages all employees to report any possible

improprieties on a confidential basis without fear of recrimination. The employees may also provide feedback via email or mail.

Employee Recruitment

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 skilled to perform their jobs for the Company's business, and understand the relevant code of conduct and practice and are encouraged to gain knowledge and ability and keep them updated following Industry trends.

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.

Employee Development

The Company provides in-house and external training for officers of the Company both at Head Office as well as on the vessels. 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.

Directors and Management Training: The 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 the Director Accreditation Program (DAP) held by the Thai Institute of Directors Association (IOD).

Employees Benefits

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.

Performance Data	2012	2013	2014	2015	2016
Social Performance					
Employee Information					
Number of Employees* (persons)	117	124	130	131	132
Number of Employees by Gender (persons)					
• Male	49	53	57	54	55
• Female	68	71	73	77	77
Proportion of Employees by Level (%)					
• Senior Management	11.9	12.1	11.6	9.9	9.1
• Middle Management	18.8	18.5	26.1	27.5	27.3
• Operations	69.3	69.4	62.3	62.6	63.6
Proportion of Employees by Gender (%)					
• Male	41.9	42.7	43.8	41.2	41.7
• Female	58.1	57.3	56.2	58.8	58.3

Performance Data	2012	2013	2014	2015	2016
Proportion of Employees by types of employment (%)					
• Full time	100.0	100.0	100.0	100.0	100.0
• Part time	-	-	-	-	-
Proportion of Employees by Age groups (%)					
• Under 30 years old	5.9	10.4	8.5	8.4	9.1
• 30-50 years old	71.9	68.6	67.7	67.2	65.9
• Over 50 years old	22.2	21.0	23.8	24.4	25.0
Proportion of Absence by Type (%) [LA6]					
• Sickness	1.1	1.1	1.1	1.1	1.0
• Work-Related Injuries	0	0	0	0	0
• Others	-	-	-	-	-
Return to Work after Parental Leave of Female Employees [LA3]**					
• Number of Employees that were Entitled to Parental Leave	68	71	73	80	77
• Number of Employees that Took Parental Leave	3	1	3	4	2
• Number of Employees who Returned to Work after Parental Leave Ended	3	1	3	4	2
• Number of Employees who Returned to Work after Parental Leave Ended who were still Employed Twelve Months after Their Return to Work	2	1	3	4	1
Proportion of Management by Age Group (%)					
• Under 30 years old	-	-	-	-	-
• 30-50 years old	52.8	55.3	53.1	51.0	52.1
• Over 50 years old	47.2	44.7	46.9	49.0	47.9

Note : * Includes Employees in a subsidiary company at the office.
** Only female employees are entitled to parental leave by Thai law.

Number and proportion of employees at Company's Offices ashore, by gender and nationality*

Occupational levels[LA12]	Male			Female			Total
	Thai	Indian	Singaporean	Thai	Indian	Singaporean	
Senior Management							
• Under 30 years old	-	-	-	-	-	-	-
• 30-50 years old	-	-	-	-	-	-	-
• Over 50 years old	-	8	1	3	-	-	12
Middle Management							
• Under 30 years old	-	-	-	-	-	-	-
• 30-50 years old	17	2	-	3	-	-	22
• Over 50 years old	2	12	-	-	-	-	14
Other Staff							
• Under 30 years old	4	-	-	7	1	-	12
• 30-50 years old	5	1	-	56	-	-	62
• Over 50 years old	3	-	-	7	-	-	10
Total permanent	**31**	**23**	**1**	**76**	**1**	**-**	**132**
Temporary/contract	-	-	-	-	-	-	-
2016 Grand total	**31**	**23**	**1**	**76**	**1**	**-**	**132**
Percentage (%)	**23.48**	**17.42**	**0.76**	**57.58**	**0.76**	**-**	**100**

Note : * Includes Employees in a subsidiary company based at the Company's office

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 poise 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, which is known as MLC (Maritime Labor Convention) 2006, has been ratified in August 2012 and has become effective in August 2013.Thailand has ratified the Maritime Labour Convention recently on 7 June 2016. It will enter into force from 7 June 2017. By this time all Thai flag vessels will be fully compliant. Singapore had already ratified the MLC earlier. Hence the Company's vessels flying the Singapore flag vessels are fully compliant with the MLC requirements.

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.

Piracy: As outlined in the **Board of Directors' Report,** the Company's ships are exposed to the threat of piracy when sailing through high risk areas, and the officers/crew sailing onboard are under tremendous pressure when sailing through such areas where armed pirates are known to attack. This is especially true of the Indian Ocean / Arabian Sea area, extending from the mouth of the Persian Gulf in the north to the south of Madagascar. The Company takes this threat very seriously and ensures all ships are routed outside these areas and closer to the Indian coast; where this is not possible for any reason, the Company engages security guards to sail with the vessel for the passage through these high risk areas. In any case, all ships transiting through the high risk areas are 'hardened', amongst other things, by rigging barbed razor wire around the ship thereby making it harder for the pirates to climb onboard the Company's ships. The Company is committed to doing everything possible to ensure safety of the ship and officers/crew.

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.

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 will encourage the ship-staff to make effective contribution to the shipboard operations, and help 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.

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. The Training Center has developed and continuously improves all training courses, including English courses for marine engineers, navigating officers and crew at all levels. 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.

List of Major Training Programs conducted by The Company's Maritime Training Center for the year 2016 [LA9, LA10]

Training Courses	Course Overview	For year 2016	Participants in Y2016				Average hours (per person)				Total Man-hours
			Ship's staff				Ship's staff				
			Sr./Off	Jr./Off	Sr./Eng	Jr./Eng	Sr./Off	Jr./Off	Sr./Eng	Jr./Eng	
Maritime Resource Management Course (MRM)	The course, supported by the Swedish Club under a license agreement, is aimed at training masters, officers & senior engineers as well as key shore-based personnel. The course aims to create good teamwork & resource management attitudes and skills that are required to avoid management error-caused accidents.	4 days	23	21	29	n/a	24	24	24	n/a	1,752
Bridge Team Competency Simulator Course I (BTC - I)	This training course aims to improve various competency skills & knowledge of navigating officers for safe conduct of voyages.	3 days	n/a	14	n/a	n/a	n/a	18	n/a	n/a	252
Bridge Team Competency Simulator Course II (BTC - II)	Hands-on practices to gain competence, knowledge & experiences on Ship Handling, Maneuvering, Turning and Anchoring in various conditions and under various effects of controllable forces.	3 days	34	n/a	n/a	n/a	18	n/a	n/a	n/a	612
Bridge Team and Resource Management Course (BTM) and Vessel Traffic Service (VTS)	This training course aims to train the ship's masters and officers in effective bridge teamwork and resource management in various situations as well as bridge operations in emergencies. The course also develops our officers' communication skills in communicating with a vessel traffic service (VTS) using various SMCP's through the VHF and GMDSS communication equipment in our Bridge Simulator.	5 days	29	59	n/a	n/a	30	30	n/a	n/a	2,640
Maritime Professional Briefing Course (MPB)	This training course aims to keep senior officers and engineers updated on new regulations and information. Senior staff from several departments co-conduct this course which covers 1. Marine Insurance & Loss Prevention 2. Ship Commercial & Cargo Operations 3. Port State Control-Ship Inspection & Pollution Prevention 4. ISPS and ISM Implementation & Documentation, Paint Maintenance 5. EMS Awareness & Shipboard Safety.	2 days	66	n/a	52	n/a	12	n/a	12	n/a	1,416
Officer Of the Watch (OOW) and Shipboard Safety Course	To enhance the standards of watchkeeping at sea as well as in port. It is designed to help junior watchkeeping officers to understand his duties on board, and realize their significance. It also enables them to make a positive contribution to success of the entire commercial venture.	3 days	n/a	73	n/a	n/a	n/a	18	n/a	n/a	1,314

Training Courses	Course Overview	For year 2016	Participants in Y2016				Average hours (per person)				Total Man-hours
			Ship's staff				Ship's staff				
			Sr./Off	Jr./Off	Sr./Eng	Jr./Eng	Sr./Off	Jr./Off	Sr./Eng	Jr./Eng	
Chief Mate Course (CMC)	To strengthen the professionalism and competence of chief officers and prepare experienced second officers for the chief mate rank.	3 days	27	39	n/a	n/a	18	18	n/a	n/a	1,188
Command Course (Command)	The purpose of this course is to further train Masters in all necessary skills and topics and prepare chief officers for the command. It includes modules for Leadership, Business & Law, International Sale of Goods and related rules/codes/ conventions, Time Charter & Voyage Charter, Cargo matters and Ship's Certificates, Documentation, Ship Handling/ Anchoring techniques, etc.	5 days	29	n/a	n/a	n/a	30	n/a	n/a	n/a	870
Electronic Chart Display and Information Systems (ECDIS)	To ensure that users of ECDIS are properly trained in the operation and use of electronic charts and are familiar with the shipboard equipment. This course aims to enhance navigational safety with the safe operation of ECDIS equipment, proper use of ECDIS related information and knowledge of the limitations of ECDIS equipment. (new IMO requirement)	2 days	21	42	n/a	n/a	12	12	n/a	n/a	756
E/R Management & Competency Enhancement course and Engineer Of the Watch Course (EMC & EOW)	This course aims to train senior engineers (C/E & 2/E) in various management & competency knowledge and skills that are required for safe and efficient running of the ship. The junior engineers taking this course are trained in watch-keeping duties, engine parameters monitoring, operation & maintenance, safety & pollution prevention, record keeping.	5 days	n/a	n/a	72	148	n/a	n/a	30	30	6,600
Wartsila RT-Flex Engine Familiarization	To familiarise the engineers with the company's new type of engine "Wartsila RT-Flex Electronic Engine" before they join a ship equipped with this type of engine. This course focuses mainly on the practice part.	4 days	n/a	n/a	82	146	n/a	n/a	24	24	5,472
(MC/ME)	To familiarise the engineers with the company's new "MAN Diesel Engine" (ME) before they join a ship equipped with this type of engine. This course focuses mainly on the practice part.	4 days	n/a	n/a	77	136	n/a	n/a	24	24	5,112
Basic English Course (Basic)	This course is designed to help the students to be able to understand and use the English language correctly and provide them with all the basic language skills such as the pronunciation of the Standard English sound system, practical and useful listening, speaking, reading and writing practices with suitable grammar and vocabulary in various functional contexts.	10 days	2	39	14	84	30	30	30	30	4,170

Training Courses	Course Overview	For year 2016	Participants in Y2016				Average hours (per person)				Total Man-hours
			Ship's staff				Ship's staff				
			Sr./Off	Jr./Off	Sr./Eng	Jr./Eng	Sr./Off	Jr./Off	Sr./Eng	Jr./Eng	
Elementary Maritime English Course level-I (EMT- I)	This course is designed to improve and raise the students' competence in English to elementary-II level and offer the students' opportunities to gradually overcome their individual difficulties in English usage, as well as to improve their English knowledge and abilities in daily life.	10 days	18	36	21	39	30	30	30	30	3,420
Elementary Maritime English Course level-II (EMT- II)	This course is designed to improve and raise the students' competence in English to intermediate level and give the students' wide-ranging opportunities to practice communicating in English for both maritime and general purposes at elementary-II level.	10 days	15	16	8	9	30	30	30	30	1,440
Intermediate English Course level-I	This course aims to improve the students' pronunciation and develop the four English skills- speaking, listening, reading and writing. After the course, the students will be able to speak English with better pronunciation, accent and intonation, communicate more effectively in daily situations, using appropriate vocabulary, expressions and idioms, and make sentences with fewer grammatical mistakes.	10 days	21	8	8	0	30	30	30	30	1,110
Intermediate English Course level-II	This advanced course aims to further develop the students' English skills with an emphasis on advanced grammar structures, business-related vocabulary and letter & email writing (main focus). The students will learn typical words and phrases used in English correspondence and learn how to write letters and emails with proper word choices, styles, and level of formality for different occasions.	10 days	9	0	4	0	30	30	30	30	390
Maritime English Computer and Video-Based Training Programs (Maritime English CBT)	To increase the learners' knowledge of Maritime English, IMO Standard Marine Communication Phrases (SMCP), vocabulary and phrases frequently used in navigation, engineering, cargo handling, ship operation, etc	10 days	65	99	56	132	30	30	30	30	10,560
Total Participants Average Hours training per year per employee =49,074/((359+446+423+694)/2)=51.07		**-**	**359**	**446**	**423**	**694**	**Basis on 1 employee attended 2 courses/year**				**49,074**

S/Off = Senior Officer (Masters & Chief Officers)

J/Off = Junior Officer (Second, Third, Fourth Officers & Cadets)

S/Eng = Senior Engineer (Chief & Second Engineers)

J/Eng = Junior Engineer (Third, Fourth, Fifth Engineers & Cadets)

Summary Training hours by Rank						
Course	**Master**	**Chief Officer**	**2nd Officer**	**3rd,4th, Junior Officers**	**Chief and 2nd Engineer**	**3rd, 4th, 5th, Junior Engineers**
MRM	24	24	24	24	24	-
BTM	30	30	30	30	-	-
BTC - I	-	-	18	18	-	-
BTC - II	18	18	-	-	-	-
CMC	-	18	18	-	-	-
MPB	12	12	-	-	12	-
OOW & SS	-	-	18	18	-	-
Command	30	30	-	-	-	-
English Course	30	30	30	30	30	30
Maritime English CBT	30	30	30	30	30	30
ECDIS	12	12	12	12	-	-
EMC & EOW	-	-	-	-	30	30
Wartsila RT-Flex Engine	-	-	-	-	24	24
MC/ME Course (new course)	-	-	-	-	24	24
Total hours to be completed per rank per person within two years	**186**	**204**	**180**	**162**	**174**	**138**

"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."

Social and Community Development

The Company recognizes that a solid community and society are significant factors which 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 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 contributed to a fund to assist in securing freedom of Thai fishermen (not Company employees) held hostage for over 4 years in Somalia for their eventual return to Thailand.
- 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 the years 2016, 2015, 2014, 2013, 2012, 2011 and 2010, an aggregate of Baht 1,633,900, Baht 1,264,960, Baht 1,100,000, Baht 1,345,400, Baht 2,131,900, 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 MMTC, 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 past, 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 an Honor Shield to the Company in recognition of its participation with NASIC.
- The Company 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.
- In 2016 the Company donated Baht 346,600 to the 18th Hom Bah Hai Nong project by cadets of MMTC to renovate canteen, school infirmary, a playground and surrounding areas, improve road, provide books to the library for development of children and first aid kits for the school infirmary at Ban Sab Din Dam School in Saraburi Province. This is further to the donation made by the Company in the previous years of: 1) In 2015 the Company donated Baht 223,000 to the 17th Hom Bah Hai Nong project by cadets of MMTC to improve roads, renovate a playground and surrounding areas, provide books to the library for development of young children and first aid kits for the school infirmary at Ban Klong Rakam School in Prachinburi Province. 2) In 2013, the Company donated Baht 137,000 to the 15th Hom Bah Hai Nong project by cadets of MMTC to build toilets facilities, repair the building, renovate school infirmary and surrounding areas at Ban Nong Kaie School in Sakaew Province. 3) In 2011, the Company donated Baht 113,160 to the 14th Hom Bha Hai Nong project by cadets of MMTC to build canteen for Wat Ta Phang Klee school, Chachoengsao province. 4) In 2010, Baht 139,000 to the 13th Hom Bha Hai Nong project by cadets of MMTC to build toilet facilities at Bann Non Pha Suk School, Sa Kaew province. 5) In 2009, Baht 80,466 to the 12th Hom Bha Hai Nong project by cadets of MMTC to buy a projector and build an activities stage for Wat Bang Kra Jao School in Samut Sakorn province; and 6) In 2008, Baht 100,000 to the 11th Hom Bha Hai Nong project by cadets of MMTC to repair classrooms and renovate the library for Ban Bhai See Thong School in Suphanburi province.
- On 8 June 2015, the Company donated Baht 500,000 to Thai Medical Device Development Foundation (TMDD) to promote and support the research and development of medical devices.
- In January 2013, The Company donated Baht 5,000 to Department of Labour Protection and Welfare for gifts to children on the Children Day at Suapa Field, Dusit Palace.

- 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 19 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 December 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 December 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 2016, 2 donation camps were organized in February and August with a total collection of 41,400 cc.
- Every year, the Company organizes a 5-KM run "PSL Annual Maritime Day Run" at the Lumpini Park to encourage all its employees to inculcate a habit of doing regular exercise to maintain good health.
- In 2012, the PSL Run was not held and instead the Company decided to utilize the funds for providing assistance to those affected by the devastating floods in Thailand.
- The Company is one of the sponsors of the annual sports day function at the MMTC. 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 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 Nakornratchasrima province in September 2007.
- The Company contributed Baht 100,000 to The Council for Social Welfare of Thailand under The Patronage of His Majesty the King to develop knowledge and foster career skills of disabled people, supporting them to seek their own income, on the 43rd Cripple Day in November 2007.
- The Company donated Baht 68,000 to Ban Koh School in Surin province in year 2008 to support the "Student Field Trip" to Skaerat Evironmental Research Station in Nakhon Ratchasrima province.

Scholarships to MMTC's Students 2016

In January and in August 2016, Precious Shipping PCL. (PSL) awarded Baht 952,900 and Baht 681,000 respectively total Baht 1,633,900 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 of Fleet Management and Mr. Sebastian A. Cardozo, PSL's Assistant Vice President of Fleet Management.

The 18th Hom Bah Hai Nong Project

In 2016 the Company donated Baht 346,600 to the 18th Hom Bah Hai Nong project by cadets of MMTC to renovate canteen, school infirmary, a playground and surrounding areas, improve road, provide books to the library for development of children and first aid kits for the school infirmary at Ban Sab Din Dam School in Saraburi Province.

MMTC's Graduation Day

MMTC students along with Mr. Sebastian A. Cardozo, PSL's Assistant Vice President of Fleet Management on the graduation day at MMTC in September 2016.

Blood Donation 2016

The Company organizes blood donation camps on a regular basis in collaboration with the Thai Red Cross. In 2016, the company organized 2 blood donation camps in February and August with a total collection of 41,400 cc

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SIGNIFICANT RISK FACTORS

The Company recognizes the importance of Risk Assessment as a tool to preemptively indicate signals of events that if unchecked, could result in loss to the Company. The Company has implemented internal control systems and risk management framework in accordance with the recommendations of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to ensure that the operations are conducted efficiently and within risk parameters acceptable to the Company. The Company emphasizes the importance and value of risk management and has taken the following steps to proactively monitor risks at all levels:

- The Board of Directors is directly responsible for the overall risk management of the Company, with the objectives to support the management of the Company to be efficient and effective and to achieve the Company's business objectives.
- The Executive Board of Directors is responsible for preparing and reviewing policy and guidelines for risk management and monitoring the management to ensure the efficiency of the Company's risk management system.
- The Audit & Corporate Governance Committee is responsible for reviewing the risk management system of the Company and recommending improvements on a regular basis.
- Executives in each department (being in possession of sound knowledge and skills required for operations), are responsible for assessing and monitoring the respective risks at the operational level. The results of risk assessment for various activities are reported periodically to the Executive Board of Directors and the Board of Directors for their consideration.

The Company has classified the various risk factors the Company is exposed to into three categories viz. Operating Risk, Financial Risk and Market Risk. In view of 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"**. Although the Company has made considerable progress in mitigating this risk since the Year 2013, this has been retained this year also as the Company continues to be exposed to this risk until the Company's stated objectives in this respect are fully achieved. Further, the Company remains exposed to the significant risk factors arising out of the Global Financial Crisis and its aftermath, exacerbated by the continued 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.

Apart from the above risks which the Company is exposed to, an investor (or shareholder) in the Company's shares is also exposed to additional risks on the investment in the Company's shares and the risks associated with this investment are explained hereunder as **"Investment Risk"**.

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, cyber-attacks, piracy, adverse weather conditions and other such circumstances and events. These 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. This continues to remain a crucial risk factor especially in light of the Rejuvenation Plan for 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 including establishing a detailed Succession Plan to attract and retain talent, and therefore does not expect any future cause for concern in this regard, although International Shipping is facing a 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 and/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 directly 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. The Company's functional currency is determined to be US Dollars. 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. In cases where financing is in Non-USD denominated debt, the Company enters into Swap transactions whereby the principal and/or interest of the debt are converted into US Dollars, thereby eliminating the Foreign Exchange risk. As on 31 December 2016 the Company has loan facilities and debentures which are denominated in Thai Baht and have converted them into US Dollars through the use of USD/THB Swap transactions.

The prolonged weakness in the dry bulk shipping sector, with the Baltic Dry Index (BDI) reaching 290 points in February, 2016, the lowest point in its long history, has caused huge losses and numerous bankruptcies among Ship Owners and consequently losses to International Shipping Banks. Therefore, it is extremely difficult to raise new debt from International Shipping Banks and as such, the Company sought funding through the issuance of Thai Baht Debentures. On 22 January 2016, the Company issued Unsubordinated and Unsecured Debentures No. 1/2016 of Baht 3,590 million due in 2021 with THB fixed interest rate of 5.25% per annum. The entire proceeds were swapped into US Dollars, amounting to USD 99.72 million with USD fixed interest rate of 5.99% per annum.

On 9 December 2016, the Company issued Unsubordinated and Unsecured Debentures No. 2/2016 of Baht 1,960 million due in 2020 with THB fixed interest rate of 5.00% per annum. The entire proceeds were be swapped into US Dollars amounting to USD 54.90 million with USD fixed interest rate of 5.75% per annum on 4 January 2017.

Other than this, all loans and financing facilities of the Company are denominated in US Dollars only.

The Company also maintains almost all its Bank balances in US Dollars whereby there is no risk of realizing 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 and also on the expenses of the Company which are incurred in Thai Baht.

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. Moreover, the Company believes that since the Company's Revenues are not fixed and somewhat correlated directly to US Dollar interest rates, the floating interest rates are naturally hedged and there is no need to fix interest rates. In the year 2012, to take advantage of very low swap rates in the market, the Company entered into an Interest Rate Swap (IRS) whereby the Company's interest liability on a part of its Loans on a Loan amount of USD 64.82 million (Outstanding amount as of 31 December 2016: USD 48.09 million) was converted from floating to fixed but since the Company was of the opinion that the interest rates would not increase appreciably until Year 2014, the fixed rate is only payable by the Company from Year 2015. The Company has also entered into IRS agreements on certain loans aggregating USD 77.45 million during 2014 (Outstanding amount as of 31 December 2016: USD 64.86 million) since these loans are obtained to fund the Cement Carriers which have been contracted on fixed rates for a long period (more than the period of the loans) and hence the natural hedge as mentioned above is not available and the Company would be exposed to fluctuations in interest rates if the interest rates were not fixed.

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 put in place credit facilities for a majority of the newbuilding contracts signed in the Years 2013 and 2014. As of 31 December 2016, one new ship has been financed through equity. Two newbuilding contracts, for delivery in the first half of 2017 and for delivery after January 2018, do not yet have credit facilities in place. The Company will arrange funding for these ships on the best possible terms and conditions.

As explained under the caption Market Risk below, the market values of ships have generally experienced high volatility. For example, the market prices for ships (new and second hand) have, over the past 5 years, experienced severe fluctuations, while generally, there has been a significant decline from historically high levels reached in early 2008 and ship values now remain at very low levels. Declining ship values could adversely affect the Company's liquidity by limiting its ability to raise cash or refinance its existing debt.

Further, ships may be undervalued due to the failure to recognize the valuation concept of a "willing seller and willing buyer" basis, (as a consequence of numerous distress sales in the market) which is a requirement as per the Company's loan agreements. If the value of the Company's ships falls below the minimum asset value required to be maintained under its loan agreements, its lenders may also demand it to provide alternate security, deposit margin money or may demand repayment of the relevant facility, which may adversely affect the Company's operational flexibility, thereby impacting its operating results. If the Company is unable to pledge additional collateral to offset the decline in ship values, the lenders could accelerate its debt and foreclose on its ships pledged as collateral for the loans. In 2015-2016, the Company was required to place additional collateral to offset the decline in ship values, for which the Company placed cash deposits with lenders for certain credit facilities as additional security as a result of a drop in the value of the ships mortgaged to said lenders. Additional details in respect hereof have been explained in the **"Management Discussion and Analysis"** section of this Report.

Further, the Company's current loan agreements include various conditions and covenants that may require the Company to obtain the lender's consent prior to carrying out certain activities and entering into certain transactions, including incurring additional debt, changing the capital structure, increasing or modifying capital expenditure plans, undertaking any expansion, providing additional guarantees, merging with or acquiring other companies, whether or not there is any failure by the Company to comply with the other terms of such agreements. Any failure to comply with the stipulated loan covenants may result in the Company's lenders calling upon the Company to repay the relevant facility or a part thereof on demand. In the event that the Company breaches certain covenants or an event of default occurs, the Company's lenders may also take possession of the relevant ship which has been provided as security for such loan. As at 31 March 2015, the Company was unable to meet certain financial covenants under certain loan agreements, i.e., the debt to EBITDA and debt service coverage ratios, due to the prolonged weakness in the dry bulk shipping sector coupled with the Company's contrarian strategy of fleet rejuvenation when the short term earnings (and consequently the ship values) are low. The Company has been in discussions with the relevant lenders, requesting for temporary waivers of the testing of certain financial covenants. The Company received waivers of the testing of the requested financial covenants for the period up to 31 December 2016 and for certain loans, up to 31 December 2017. Additional details in respect hereof have been explained for each loan agreement in the **"Management Discussion and Analysis"** section of this Report. The Company expects that it may require extensions of certain waivers in the coming year 2017.The Company continues to be in touch with its lenders and is constantly taking proactive steps to prevent or address any breaches which may occur.

The loan agreements may also contain cross-default provisions whereby a default under one agreement could result in a default and acceleration of the Company's repayment obligations under other agreements, including those of its subsidiaries. If a cross-default were to occur, the Company may not be able to pay its debts or borrow sufficient funds to refinance them. Even if new financing were available, it may not be available on acceptable terms.

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, in the past, 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 with all of its ships being in the geared sector of the industry, there is a fundamental advantage of diversified demand and hence there is some downside protection against the cyclical nature of the business.

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 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 when a significant number of new ships have entered the market over the last few years (2009 – 2015), it could have an adverse impact on the overall demand/supply balance in Shipping Capacity, which could lead to a further fall in freight rates coupled with a fall in ship values. The current effect can be seen through the decline of the BDI over the Year 2015-2016, which continues to remain at low levels. The Company is exposed to the risk of reduced earnings and/or fall in asset values if there is any further downturn in the market.

Traditionally, clients in the smaller ships sector 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 had, of course, changed intermediately between the Years 2004 and 2009, because of the increase in freight market volatility, leading to a change in strategy of the Company as well as that of its clients. Since then, the Company has been fixing a portion of its

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. 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 and which lasted till the end of the second quarter of 2011 but the situation deteriorated thereafter because of the large supply of new vessels which entered the market between 2009 and 2015 which, coupled with the slowdown in China also contributed to the drop in the BDI in during the Year 2015-2016. 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 in the past. However, due to the very soft market conditions this past two/three years, it has not been possible for the Company to fix most of its vessels on long term charters and to this extent, the Company remains exposed to the volatile conditions of the freight markets. The details of the Company's long term charters which are already booked as of 31 December 2016 have been presented in the **"Management Discussion and Analysis"** section of this Report.

The above strategy of locking in future earnings vide long term contracts (period charters) at high rates when the markets are performing well exposes the Company to counterparty risk of its customers. In case of a fall in the market and consequent fall in freight rates, the Company's customers (charterers) with whom the period charters are 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 the counterparty risk associated with its period charters and accordingly takes steps in analysing the counterparty risk of its potential charterers, particularly those with whom the Company signs longer period charters, and such contracts (charters) are signed only with first class charterers with the highest possible credibility. It is for this reason that right through the depressed market, 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 about three years (2007- 2010) the Company sold 35 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 during the years 2003-2007, 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 exposing 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 had not fallen appreciably or in fact increased, although the Company may have wanted to replace all its scrapped/ sold ships with younger and bigger ships, the Company may not have been able to buy enough second-hand (or new ships for immediate/early delivery) ships and the inability to buy reasonably priced ships exposed the Company to the risk that the Company could not replace its capacity as a result of the sale of the Company's very old ships. However, since the last quarter of the Year 2011 the Company has been able to acquire new/ second-hand vessels at reasonable values.

Between the Years 2012 and 2014, the Company signed a number of newbuilding contracts with three different Chinese Shipyards for deliveries of Cement Carriers and Dry Bulk Vessels as explained elsewhere in this Annual Report. This was to mitigate the risk of depletion of the Company's fleet, while simultaneously expanding the fleet in terms of deadweight tonnage and significantly decreasing the fleet's average age, among other benefits. 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 Builders:** The Company is exposed to a default risk by the respective Ship Builders in terms of adhering to delivery schedules and/or achieving the right quality of the ships whereby the ships may not be delivered for any reason or delivery of the ships is delayed and/or the ships delivered are not of the expected and contracted quality. The Company has attempted to mitigate these risks by not only carefully evaluating the capacity of each Ship Builder in terms of meeting contracted delivery schedules and maintaining quality but has 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 has also appointed and deployed a team of highly qualified and experienced marine personnel to supervise the construction of the ships at the respective shipyards. 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 the past, 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. However, the Company remains exposed to the counter-party risk of the respective Ship Builders and if each Ship Builder is unable to refund the installments paid by the Company, the Company would have to resort to making claims against the bank guarantees obtained from such Ship Builder and when these bank guarantees are honored, it is possible that the Company may have to suffer a delay in receiving the proceeds from the refund guarantor against the claims made due to arbitration proceedings (if any) initiated by the Shipyard under relevant Shipbuilding Contract or for other reasons. Similarly in case of a Novation, even if an interested New Buyer is found, it is possible that the New Buyer may default in the performance of the Novation Agreements and thereby the entire Novation Proceeds may not be received, in which case, once again, the Company will have to make claims against the bank guarantees received from the respective Ship Builders.

  As of 31 December 2016, the Company is currently in the process of arbitration against two Chinese Shipyards. Additional details hereof have been explained in the **"Management Discussion and Analysis"** section of this Report.

- **Risks associated with a Cyclical Industry:** The Company is exposed to the risk that when the newbuildings are delivered, or soon after acquiring a number of second-hand ships, the Shipping Market remains in a cyclical downturn for a sustained period and in such case, apart from a fall in the ship values, it may not be possible to charter out these ships at the expected rates which would lead to operating losses (including cash losses) for the Company. These losses or low rates achieved by

the Company for a sustained period could lead to default by the Company to meet its debt obligations including a default of the financial covenants applicable to the Company under its various Debt facilities. However, the Company actively monitors its compliance with all its financial covenants, and ensures that it takes all steps necessary to remain in compliance with all its obligations.

Further, if the newbuildings are delivered while the industry continues in the midst of this cyclical and prolonged downturn, the market values of the new ships could drop to levels much 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.

- **Risks associated with funding:** The Company is exposed to the risk that the funding required for the newbuildings is not tied up through external sources in which case, the Company would be 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 has tied up credit facilities to fund a majority of the newbuilding contracts entered into by the Company in the Years 2013 and 2014. These credit facilities have been discussed at length elsewhere in this Annual Report. However, it is also to be noted that the funds required for the newbuilding contracts signed are not sourced fully through new debt facilities and the Company is required to utilize its own cash generated internally to fund such differences between the cost and debt amounts of each new building contract. If this amount (Cost less debt) is not available to the Company, the Company may default in its obligations under the new building contracts.

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 developed 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 the second half of 2009 till the first half of 2011, 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, demand growth could not keep pace with the supply of new Vessels as evidenced from the sustained fall in the Freight markets from the second half of 2011 right until the end of the present Year 2015 finally resulting in the BDI reaching the lowest point in its history in February 2016. In case of a prolonged period of low freight rates, the Company's revenues may be significantly affected because the Company is being 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. Further, if the situation continues, the Company may be forced to sell 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 even at their respective break-even rates. For this reason, the Company sold 13 old vessels in 2016 thereby avoiding the negative cashflow on these ships.
- **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) were 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, 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 or order of ships to maintain or expand the Company's fleet of ships. However, to mitigate this risk, so far, the Company already has credit facilities in place to fund a majority of the newbuilding orders.

INVESTMENT RISK

As explained above on the current weakness of the Dry Bulk Shipping Market, if the current weakness being experienced in the Dry Bulk Shipping Market prolongs or worsens, the Company may need to call for additional capital from its Investors. If any Investor is unable to subscribe to such additional capital call, if any, then such Investor risks having his/her shareholding in the Company diluted.

Apart from the above risks which the Company is exposed to, an Investor investing in equity shares of the Company is exposed to the risks associated with the equity investment in the Company as a company listed in Thailand, which include the following:

- The value of the stocks listed on the Stock Exchange of Thailand (SET) may fluctuate due to factors affecting the Thai Stock Market as a whole without any connection to the performance of the Company. Such factors affecting the Thai Stock Market could include political instability or political disturbances, slowdown in growth of the Thai economy, US Federal Reserve action, withdrawal of economic stimulus by governments of key export markets, general slowdown in regional, Asian or other developed economies and so on.
- Since the investment in the equity shares is made in Thai Baht currency, the Investor is exposed to the exchange risk associated with the investment due to the fluctuation of the investor's investment currency as against the Thai Baht whereby the Investor may suffer a loss in the Investor's own investment currency terms if the Thai Baht depreciates against the same when the equity shares are sold and the proceeds thereof are remitted back to the Investor after converting the same into the Investor's investment currency.
- The Investor may suffer a loss on his investment in the event one or more Thai laws pertaining to the investment are amended adversely. An example of such an adverse change in law would be imposition of taxes or other duties on the investment or sale of investment in equity shares.
- If the Thai Government introduces exchange controls on investment proceeds or on the repatriation of investment proceeds, the Investor's cost of the investment may increase and/or the Investor may not be able to repatriate the sale proceeds of the investment.
- Further, the Investor is exposed to additional risks like lower standards of Corporate Governance of the companies listed on the SET, insufficient legal checks and balances on company management, high proportion of concentrated shareholding with one individual or one group leading to unduly high control exercised by the individual or group, unavailability of qualified and experienced persons to act as Directors, etc.

MAJOR SHAREHOLDERS AND DIVIDEND POLICY STATEMENT

Major Shareholders per share register as on 31st December 2016 and 2015

No.	Name	As on 31st December 2016		As on 31st December 2015	
		No. of shares	Percentage	No. of shares	Percentage
	Globex Corporation Limited	442,857,535	28.40%	442,857,535	28.40%
	Ms. Nishita Shah	108,054,537	6.93%	108,054,537	6.93%
	Graintrade Limited	130,086,266	8.34%	112,634,825	7.22%
	Unistretch Limited	11,465,009	0.74%	11,465,009	0.74%
1	*** Total shares under control of Ms. Nishita Shah**	**692,463,347**	**44.41%**	**675,011,906**	**43.29%**
2	Mr. Khalid Moinuddin Hashim (shares held at Securities Company included)	131,416,275	8.43%	131,416,275	8.43%
3	Mr. Nuttapol Jurangkool	130,201,013	8.35%	77,795,613	4.99%
4	Thai NVDR Limited	93,993,981	6.03%	92,637,981	5.94%
5	HSBC (SINGAPORE) NOMINEES PTE LTD	31,425,400	2.02%	20,908,294	1.34%
6	Provident Fund K Master Pooled Fund (registered)	23,134,400	1.48%	7,794,450	0.50%
7	Mr. Pisit Thanatawornlarp	16,237,100	1.04%	12,166,600	0.78%
8	Mr. Taweechat Jurangkool	15,605,100	1.00%	12,855,100	0.82%
9	BANQUE PICTET & CIE SA	14,444,700	0.93%	14,654,700	0.94%
10	NORBAX, INC.	14,423,070	0.92%	14,566,215	0.93%
11	Other shareholders (apart from the Top Ten shareholders as mentioned above)	395,936,511	25.39%	499,473,763	32.04%
Grand total		**1,559,280,897**	**100.00%**	**1,559,280,897**	**100.00%**
		Total : 7,384 shareholders		**Total : 8,294 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

No shareholder agreement between the Shareholders Nos. 1 and 2

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 & Corporate Governance 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 11 Directors on the Board of Directors of the Company which consists of

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

The Board of Directors' members as of 31 December 2016 are as follows:

	Director's Name	Position	The last re-appointment Date
1.	Mr. Thira Wipuchanin	The Chairman of the Board of Directors Independent Director	31 March 2015
2.	Mr. Khalid Moinuddin Hashim	Managing Director	31 March 2015
3.	Mr. Khushroo Kali Wadia	Executive Director	31 March 2014
4.	Mr. Jaipal Mansukhani	Executive Director	31 March 2014
5.	Mr. Suphat Sivasriaumphai	Independent Director	31 March 2014
6.	Ms. Nishita Shah	Director	31 March 2015
7.	Mr. Kirit Shah	Director	31 March 2015
8.	Mr. Chaipatr Srivisarvacha	Independent Director	30 March 2016
9.	Associate Professor Pavida Pananond, Ph. D.	Independent Director	30 March 2016
10.	Mr. Kamtorn Sila-On	Independent Director	30 March 2016
11.	Mr. Ishaan Shah	Director	30 March 2016

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 quorum for the Board of Directors meeting is at least two-thirds of Board size. However, in emergency cases, this can be waived and the quorum required by the Articles and Law will be followed.
4. 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. Khushroo Kali Wadia
    3) Mr. Jaipal Mansukhani
5. 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.
6. Annually review and approve the Mission Statement, Core Values and Code of Business Conduct.
7. 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.
8. Monitor the implementation of the Company's strategies including monitoring the Company's performance and progress toward achieving set objectives as well as compliance with the laws, regulations and related policies.
9. Ensure the existence of an effective internal control system and appropriate risk management framework.
10. Ensure an effective audit system executed by both internal and external auditors.
11. Approve quarterly and annual financial reports to ensure that the reports are prepared under generally accepted applicable accounting standards.
12. Ensure that the Company has a proper system in place to communicate effectively with all stakeholders and the public.
13. Define policy and guidelines for risk management and monitor the management to ensure the efficiency of risk management system.
14. 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.
15. 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. Khushroo Kali Wadia	Director (Finance)
3. Mr. Jaipal Mansukhani*	Director

* Employed in the Company's Subsidiary as a full time employee

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 & CORPORATE GOVERNANCE COMMITTEE

The Audit & Corporate Governance 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 24 August 1998 with the term of 2 years for each member. Thereafter on 3 February 2012 the Board has resolved to amend the name of Audit Committee from Audit Committee to "Audit & Corporate Governance Committee" since the existing roles and responsibilities of the Audit Committee of the Company include Corporate Governance also and in also to ensure that the Audit & Corporate Governance Committee emphasizes consistently on the compliance of relevant regulations and continue the development of Corporate Governance of the Company. The current Audit & Corporate Governance Committee Members are as follows:

Name	Position	Status	Duration on the Committee
1. Mr. Suphat Sivasriaumphai *,**	Chairman of the Audit & Corporate Governance Committee	Independent Director	2 Years
2. Mr. Kamtorn Sila-on **	Audit & Corporate Governance Committee Member	Independent Director	2 Years
3. Associate Professor Pavida Pananond, Ph. D. **	Audit & Corporate Governance Committee Member	Independent Director	2 Years

* Mr. Suphat Sivasriaumphai, Chairman of the Audit & Corporate Governance Committee, was reappointed by resolution of the Board of Directors in the Board of Directors Meeting No.4/2016 held on 9 August 2016.

** Each of the above three Audit & Corporate Governance Committee members has knowledge and experience in accounting and financial field and details of the experience have been presented in the **"Board of Directors - Profile"** section of this Annual Report.

The Audit & Corporate Governance 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 or discharge, 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 & Corporate Governance 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 & Corporate Governance 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 & Corporate Governance Committee.
9. To perform any other acts as delegated by the Board of Directors and accepted by the Audit & Corporate Governance 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 15 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 Member	Independent Director	2 Years
3. Mr. Kirit Shah	Remuneration Committee Member	Director	2 Years

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.

Remuneration Criteria

- The Directors' Remuneration must be agreed by Board of Directors and recommended to the Shareholders for their approval.
- The Directors' Remuneration shall be a fixed amount per annum.
- The remuneration criterion shall include consideration of financial status and performance of the Company and in accordance with International Standards and comparable with other listed companies in general and should also be comparable with listed companies in the same sector in Thailand and abroad.

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 15 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 Sivasriaumphai	Nomination Committee Member	Independent Director	2 Years
3. Mr. Kamtorn Sila-on	Nomination Committee Member	Independent Director	2 Years

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.

Nomination Criteria

The Company recognises that diversity at the Board level is an essential element in supporting the attainment of its strategic objectives and its sustainable development. All Board appointments are based on meritocracy, and candidates are considered against appropriate criteria which are as follows;

- Consideration is based on a range of diversity perspectives, including gender, age and education background, skills, knowledge, and professional experience, and devotion of potential candidates expected to add value to the Board.
- Consideration of the qualities of leadership, vision, ethics, and honesty to uphold the highest principles of Good Corporate Governance.
- The candidate should not be a person blacklisted by any organization (including the SEC) or convicted of any crime.
- The candidate as an Independent Director must be qualified in accordance with the independent director's qualification.
- Consider other qualifications as may be advisable.

Procedure for selection and appointment of new directors

The procedure when selecting and appointing new directors varies depending upon the circumstances of the Company at the particular time. In general, when the Board of Directors intends to appoint a new director (as a vacancy occurs or as an additional member on the Board), the following procedure is followed in selecting and appointing a new director to the Board of Directors:

- The Nomination Committee evaluates the range of skills, experience, expertise and diversity of the existing Directors, and identifies other appropriate qualifications giving consideration in line with the Company's strategic direction, and gaps which need to be filled. Consideration is given to the balance of independent Directors on the Board and the best practice recommendations as set out in the SET Corporate Governance Principles.
- For seeking suitable candidates, the Nomination Committee may utilize the personal network of the Board members and Senior Management of the Company and may consider the proposals from the Shareholders or may engage an external search firm or may use Director Pool information from the Thai Institute of Directors (IOD)
- The Nomination Committee screens the Director candidates, and then interviews each interested preferred candidate to identify those individuals who best fit the target candidate profile. Once the Nomination Committee has identified an appropriate candidate for the Board to consider, it may also arrange the Board members to meet with the candidate.
- The Nomination Committee submits its recommendations to the Board of Directors, which is proposed for the shareholders' approval at the shareholders' meeting or which is proposed for the Board's approval as a temporary replacement if a director resigns during his or her term in office and a casual vacancy is created.

Procedure for Re-election of Directors who retire by rotation

In accordance with Section 71 of the Public Limited Companies Act B.E. 2535 and Article No.17 of the Articles of Association of the Company, at every Annual General Meeting, at least one-third of the Directors, or, if their number is not a multiple of three, then the number nearest to one-third, must retire from office. In every subsequent year, the Director who has been longest in office shall retire. A retiring Director is eligible for re-election. The following procedure is followed for re-election of a director who retires by rotation:

- The Nomination Committee considers the past performance of the retiring directors e.g. attendance, participation in meetings and other contributions to the activities undertaken by the Board of Directors.
- After reviewing, the Nomination Committee submits its recommendations to the Board of Directors, which is proposed for the shareholders' approval at the shareholders' meeting.

6. COMPANY SECRETARY

In keeping with good Corporate Governance, the Company designated a Company Secretary viz. Ms. Somprathana Thepnapaplern, 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
DATE OF APPOINTMENT ON THE BOARD 13 July 2000
AGE 67 years
EDUCATION B.Sc. in Economics and Business Administration, University of Wisconsin - Stevents Point, U.S.A.

TRAINING

- 2014 Attended training course on the topic "Chartered Director Class" (CDC) held by Thai Institute of Directors (IOD).
- 2005 Attended training course on the topic "Audit Committee Program" (ACP) held by Thai Institute of Directors (IOD).
- 2001 Graduate member of Thai Institute of Directors (IOD) - Completed "Directors Certificate Program" (DCP), Class 6/2001.

EXPERIENCE TO REVIEW CREDITIBILITY OF THE FINANCIAL STATEMENTS

- 2008 - March 2011 Audit Committee Member, Precious Shipping Public Company Limited.
- 2005 - Present Chairman of the Audit Committee, United Palm Oil Industry Public Company Limited.
- 2003 - Present Audit Committee Member, Siam Makro Public Company Limited.
- Present Chairman of the Audit Committee, Bangkok First Investment & Trust Public Company Limited.

OTHER EXPERIENCE

- 2000 - Present Director, Precious Shipping Public Company Limited.
- 2000 - 2003 Senior Executive Vice President, Export - Import Bank of Thailand.
  Director, Sanyo Universal Electric Public Company Limited.
  Treasurer, The Community Support Foundation, Thailand.
  Member, Company Establishment Preparatory Committee/ T.O.T. and C.A.T.
  Member, Company Establishment Preparatory Committee/ P.T.T.
  Board member, Capital Market Opportunity Center / SET.
- 1994 - 1997 Senior Vice President, Premier Group of Companies.
- 1990 - 1994 Thailand Representative, Prudential Asset Management Asia Limited.
- 1975 - 1990 Vice President (Investment), American International Assurance Company Limited.
- 1974 - 1975 Business Loan Manager, Commercial Credit Corporation (Thailand) Limited.
- 1973 - 1974 Served the Royal Thai Army.

OCCUPATION Company Director.

DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS

CONNECTED COMPANIES	Nil
NON-CONNECTED COMPANIES	**LISTED 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.
	NON - LISTED COMPANIES: Aira Advisory Co., Ltd.
OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)	Nil
OTHER ORGANISATIONS	Nil

NO. OF SHARES HELD (SHARES) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By himself	-	-	-	-	-
By his spouse and minor children (if any)	90,000	-	-	-	90,000 (0.01% of total paid up shares)

NO. OF PSL-W1 WARRANTS HELD (UNITS) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By himself	-	-	-	-	-
By his spouse and minor children (if any)	3,000	-	-	-	3,000

No family relationship with any of the other Directors and any of the Management Team.

MR. SUPHAT SIVASRIAUMPHAI

POSITION Chairman of the Audit and Corporate Governance Committee* / Independent Director / Nomination Committee Member

DATE OF APPOINTMENT ON THE BOARD 11 January 1994

AGE 70 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 STATEMENTS

- March 2011 - Present — Chairman of the Audit and Corporate Governance Committee, Precious Shipping Public Company Limited.
- 1998 - 2011 — Audit Committee Member, Precious Shipping Public Company Limited.

OTHER EXPERIENCE

- 1994 - present — Director, Precious Shipping Public Company Limited.
- 1989 - 1993 — Director, Precious Shipping Limited. (Converted into Public Company Limited in 1994)
- 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

CONNECTED COMPANIES	Nil
NON-CONNECTED COMPANIES	**LISTED COMPANIES:** Nil
	NON - LISTED COMPANIES: 1. Managing Director, Thai Filament Textiles Company Limited. 2. Managing Director, Thai Ambica Chemicals Company Limited. 3. Managing Director, Rembrandt Hotel Corporation Limited.
OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)	Nil
OTHER ORGANISATIONS	Nil

NO. OF SHARES HELD (SHARES) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By himself	-	-	-	-	-
By his spouse and minor children (if any)	-	-	-	-	-

NO. OF PSL-W1 WARRANTS HELD (UNITS) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By himself	-	-	-	-	-
By his spouse and minor children (if any)	-	-	-	-	-

* Note : Audit Committee Member who has adequate expertise and experience to review creditability of the financial statement.
No family relationship with any of the other Directors and any of the Management Team.

MR. KHALID MOINUDDIN HASHIM

POSITION Managing Director / Executive Director
DATE OF APPOINTMENT ON THE BOARD 11 January 1994
AGE 63 years
EDUCATION Master's Degree in Management Studies specializing in Finance, University of Bombay.
TRAINING
- 2005 — Graduate member of Thai Institute of Directors (IOD) - Completed "Directors Certificate Program" (DCP), Class 57/2005.

EXPERIENCE
- 1994 - Present — Managing Director, Precious Shipping Public Company Limited.
- 1991 - 1993 — Managing Director, Precious Shipping Limited. (Converted into Public Company Limited in 1994)
- 1984 - 1991 — Head of Shipping Department, Geepee Corporation Limited.
- 1979 - 1983 — Senior Executive, Pan Ocean Navigation & Trading Pte. Ltd.

OCCUPATION Managing Director and Executive Director, Precious Shipping Public Company Limited.

DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS

CONNECTED COMPANIES	Nil
NON-CONNECTED COMPANIES	Nil
OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)	Director in the Company's 62 subsidiaries (Subsidiary Companies Nos. 1 - 37 and 40 - 64 on page 9 - 10 of this Annual Report)
OTHER ORGANISATIONS	1. Deputy Chairman of the Board of Directors, The Swedish Club, Sweden. 2. Regional Committee Member, American Bureau of Shipping. 3. Austral - Asia Regional Committee Member, Bureau Veritas. 4. Trustee, Sackhumvit Trust, Bangalore, India.

NO. OF SHARES HELD (SHARES) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By himself	131,416,275	-	-	-	131,416,275 (8.43% of total paid up shares)
By his spouse and minor children (if any)	-	-	-	-	-

NO. OF PSL-W1 WARRANTS HELD (UNITS) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By himself	4,380,542	-	-	-	4,380,542
By his spouse and minor children (if any)	-	-	-	-	-

No family relationship with any of the other Directors or any of the Management Team.

MR. KHUSHROO KALI WADIA

POSITION Director / Executive Director
DATE OF APPOINTMENT ON THE BOARD 20 August 1999
AGE 53 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
- 2013 - Present — Managing Director, Christiani & Nielsen (Thai) Public Company Limited.
- 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.
Managing Director, Christiani & Nielsen (Thai) Public Company Limited.

DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS

CONNECTED COMPANIES	**LISTED COMPANIES:** Director on the Board of Directors and Managing Director - Christiani & Nielsen (Thai) Public Company Limited.
	NON - LISTED COMPANIES: 1. Director, Maxwin Builders Ltd.* (Provider of hotel and management services) 2. Director, The Atrium Hotel Ltd. 3. Managing Director, Christiani & Nielsen (Myanmar) Limited *Note: Please refer to CONNECTED TRANSACTIONS on page 266 of this Annual Report.
NON-CONNECTED COMPANIES	Nil
OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)	1. Director in the Company's 62 subsidiaries (Subsidiary Companies Nos. 1 - 37 and 40 - 64 on page 9 - 10 of this Annual Report) 2. Liquidator of the Company's 2 subsidiaries (Subsidiary Companies Nos. 38 - 39 on page 9 - 10 of this Annual Report)
OTHER ORGANISATIONS	Nil

NO. OF SHARES HELD (SHARES) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By himself	1,117,650	-	-	-	1,117,650 (0.07% of total paid up shares)
By his spouse and minor children (if any)	-	-	-	-	-

NO. OF PSL-W1 WARRANTS HELD (UNITS) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By himself	37,255	-	-	-	37,255
By his spouse and minor children (if any)	-	-	-	-	-

No family relationship with any of the other Directors or any of the Management Team.

MR. JAIPAL MANSUKHANI

POSITION Director / Executive Director

DATE OF APPOINTMENT ON THE BOARD 11 January 1994

AGE 66 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

- 1994 - Present — Director, Precious Shipping Public Company Limited.
- 1991 - 1993 — Director, Precious Shipping Limited. (Converted into Public Company Limited in 1994)
- 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

CONNECTED COMPANIES	Nil
NON-CONNECTED COMPANIES	Nil
OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)	Director in the Company's 1 subsidiary (Subsidiary Companies Nos. 40 on page 10 of this Annual Report)
OTHER ORGANISATIONS	1. Member, Regional Committee, Nippon Kaiji Kyokai. 2. Member, Regional Technical Committee, American Bureau of Shipping. 3. Member, Regional Committee, Lloyds Register of Shipping. 4. Member, Regional Technical Committee, Bureau Veritas.

NO. OF SHARES HELD (SHARES) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By himself	600,000	400,000	-	400,000	1,000,000 (0.06% of total paid up shares)
By his spouse and minor children (if any)	-	-	-	-	-

NO. OF PSL-W1 WARRANTS HELD (UNITS) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By himself	-	-	-	-	-
By his spouse and minor children (if any)	-	-	-	-	-

No family relationship with any of the other Directors or any of the Management Team.

MS. NISHITA SHAH

POSITION Director

DATE OF APPOINTMENT ON THE BOARD 23 August 2002

AGE 36 years

EDUCATION Bachelor of Science in Business Administration; concentration in Finance and Business Law, Boston University, School of Management.

TRAINING

- 2015 — Transformation & Change - Managing Culture for Success - Thai Listed Company Association, the RBL Group, and ADGES Consulting
- 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

CONNECTED COMPANIES	**LISTED COMPANIES:** Director, Golden Lime Public Co., Ltd.
	NON - LISTED 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, 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) 6. Director, Maxwin Builders Ltd.* (Provider of hotel and management services) *Note: Please refer to "CONNECTED TRANSACTIONS" on page 265 - 266 of this Annual Report.
NON-CONNECTED COMPANIES	Nil
OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)	Director in the Company's 38 subsidiaries (Subsidiary Companies Nos. 1 - 37 and 40 on page 9 - 10 of this Annual Report)
OTHER ORGANISATIONS	Nil

NO. OF SHARES HELD (SHARES) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By herself	108,054,537	-	-	-	108,054,537 (6.93% of total paid up shares)
By her spouse and minor children (if any)	-	-	-	-	-

NO. OF PSL-W1 WARRANTS HELD (UNITS) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By herself	5,012,853	-	-	-	5,012,853
By her spouse and minor children (if any)	-	-	-	-	-

Ms. Nishita Shah is the daughter of Mr. Kirit Shah and the elder sister of Mr. Ishaan Shah but has no family relationship with any of the other Directors or any of the Management Team.

MR. KIRIT SHAH

POSITION Director / Remuneration Committee Member

DATE OF APPOINTMENT ON THE BOARD 24 April 2007

AGE 63 years

EDUCATION Studied 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

CONNECTED COMPANIES	**LISTED COMPANIES:** 1. Director & Vice-Chairman, Christiani & Nielsen (Thai) Public Company Limited. 2. Director, Mega Lifesciences Public Company Limited.
	NON - LISTED 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.* (Provider of hotel and management services) 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 265 - 266 of this Annual Report.
NON-CONNECTED COMPANIES	Nil
OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)	Director, International Seaports (Haldia) Private Limited, India. (Subsidiary Company No. 65 on page 10 of this Annual Report)
OTHER ORGANISATIONS	Nil

NO. OF SHARES HELD (SHARES) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By himself	-	-	-	-	-
By his spouse and minor children (if any)	-	-	-	-	-

NO. OF PSL-W1 WARRANTS HELD (UNITS) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By himself	-	-	-	-	-
By his spouse and minor children (if any)	-	-	-	-	-

Mr. Kirit Shah is the father of Ms. Nishita Shah and Mr. Ishaan Shah but has no family relationship with any of the other Directors or any of the Management Team.

MR. CHAIPATR SRIVISARVACHA

POSITION Chairman of Nomination Committee / Independent Director
DATE OF APPOINTMENT ON THE BOARD 14 March 2011
AGE 57 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 STATEMENTS
- 2003 - 2013 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
- May 2016 - Present Director, TSFC Securities Public Company Limited.
- March 2016 - Present Director, Lumpini Asset Management Company Limited.
- December 2015 - Present Chairman of the Board of Director, Thaifoods Group Public Company Limited.
- May 2015 - Present Governor, The Stock Exchange of Thailand.
- June 2013 - May 2014 Member of Audit Committee, The Stock Exchange of Thailand.
- June 2012 - June 2013 Director, Thailand Futures Exchanges Public Company Limited.
- May 2012 - May 2014 Governor, The Stock Exchange of Thailand.
- 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 Chief Executive Officer, KT ZMICO Securities Company Limited.

DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS

CONNECTED COMPANIES	Nil
NON-CONNECTED COMPANIES	**LISTED COMPANIES**: 1. Chief Executive Officer, Seamico Securities Public Company Limited. 2. Chairman of the Board of Directors, Thaifoods Group Public Company Limited. 3. Director, TSFC Securities Public Company Limited.
	NON-LISTED COMPANIES: 1. Chief Executive Officer, KT ZMICO Securities Co. Ltd. 2. Director, Lumpini Asset Management Company Limited. 3. Governor, The Stock Exchange of Thailand.
OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)	Nil
OTHER ORGANISATIONS	1. Director and Secretary, The Srivisarvacha Foundation. 2. Director, Population & Community Development Association (PDA).

NO. OF SHARES HELD (SHARES) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By himself	-	-	-	-	-
By his spouse and minor children (if any)	-	-	-	-	-

NO. OF PSL-W1 WARRANTS HELD (UNITS) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By himself	-	-	-	-	-
By his spouse and minor children (if any)	-	-	-	-	-

No family relationship with any of the other Directors or any of the Management Team.

ASSOCIATE PROFESSOR PAVIDA PANANOND, Ph.D.

POSITION Independent Director / Audit and Corporate Governance Committee Member*/ Remuneration Committee Member

DATE OF APPOINTMENT ON THE BOARD 14 March 2011

AGE 49 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 148) by Institute of Directors (IOD).
- 2012 Audit Committee Program (ACP 41) by Institute of Directors (IOD).
- 2013 Financial Statements for Director (FSD 22) by Institute of Directors (IOD).
- 2015 Participated in the seminar on “THAILAND BUSINESS INSIGHTS 2015”, held by Institute of Directors (IOD) and Channel News Asia.
- 2016 Participated in the “Africa and the South-South Cooperation: Toward a Better Governance for a Sustainable Economic & Social Governance” Conference, organised by Crans Montana Forum, Dakhla, Morocco.
- 2016 Participated in the “Academy of International Business Annual Meeting 2016: The Locus of Global Innovation”, organised by the Academy of International Business, New Orleans, USA

AWARDS AND SCHOLARSHIPS

- 2015 Thammasat University Award for Researcher with Highest Number of International Publication (2013-2014)
- 2015 Fulbright Thai Visiting Scholar, Fulbright Thailand Thailand - United States Education Foundation
- 2013 - 2014 Thailand Research Fund Grant Number 5610054 (Assessing the merit of home-country support for outward foreign direct investment in neighboring countries)
- 2013 Department Nominee for Thammasat University’s 2014 Best Teacher in Social Sciences
- 2009 - 2012 Thailand Research Fund Grant Number 5280032 (Competitive Strategies of Thai Multinationals in the Global Economy).

- 2008 — Best Teacher Award, Thammasat Business School, Thammasat University.
- 1996 - 2001 — Doctoral scholarship from Thammasat Business School, Thammasat University.
- 1992 - 1994 — MBA scholarship from Thammsat Business School, Thammasat University.

EXPERIENCE

- March 2011 - Present — Independent Director, Audit and Corporate Governance Committee Member and Remuneration Committee Member, Precious Shipping Public Company Limited.
- 2010 - 2012 — 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.

OTHER POSITIONS

- 2013 - 2014 — Conference Chair, Euro-Asia Management Studies Association Annual Conference 2014, Bangkok, Thailand.
- 2013 - 2014 — Track Chair (Home Economies and the MNE), Academy of International Business Annual Conference 2014, Vancouver, Canada.
- April 2013 — Visiting Fellow, Henley Business School, University of Reading, United Kingdom.
- 2013 - Present — Vice President (Asia), Euro-Asia Management Studies Association.
- 2010 - 2013 — Member of Advisory Board, Euro-Asia Management Studies Association.
- 2009 - Present — Member of Editorial Advisory Board, Southeast Asia Research.

OCCUPATION — University Professor.

DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS

CONNECTED COMPANIES	Nil
NON-CONNECTED COMPANIES	Nil
OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)	Nil
OTHER ORGANISATIONS	1. Vice President (Asia), Euro-Asia Management Studies Association. 2. Member of Editorial Advisory Board, Southeast Asia Research.

NO. OF SHARES HELD (SHARES) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By herself	-	-	-	-	-
By her spouse and minor children (if any)	-	-	-	-	-

NO. OF PSL-W1 WARRANTS HELD (UNITS) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By herself	-	-	-	-	-
By her spouse and minor children (if any)	-	-	-	-	-

* Note : Audit Committee Member who has adequate expertise and experience to review creditability of the financial statement.
No family relationship with any of the other Directors or any of the Management Team.

MR. KAMTORN SILA-ON

POSITION — Chairman of Remuneration Committee / Independent Director / Audit and Corporate Governance Committee Member* / Nomination Committee Member

DATE OF APPOINTMENT ON THE BOARD — 14 March 2011

AGE — 46 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

- 2008 — Completed Executive Development Program (EDP) by the Capital Markets Academy and Thai Listed Companies Association.
- 2011 — Director Certification Program (DCP) by Institute of Directors (IOD).
- 2012 — Audit Committee Program (ACP) by Institute of Directors (IOD).
- 2016 — Top Executive Program in Commerce and Trade (TEPCoT)

EXPERIENCE

• July 2014 - Present	Chief Supply Chain Officer, S&P Syndicate Public Company Limited.
• March 2011- Present	Independent Director, Chairman of Remuneration Committee, Audit and Corporate Governance Committee Member, and Nomination Committee Member, Precious Shipping Public Company Limited.
• 2011 - 2014	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	Chief Supply Chain Officer, S&P Syndicate Public Company Limited.

DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS

CONNECTED COMPANIES	Nil
NON-CONNECTED COMPANIES	**LISTED COMPANIES:** Director and Chief Supply Chain Officer, S&P Syndicate Public Company Limited.
	NON - LISTED COMPANIES: Director, Chaophraya Express Boat Co., Ltd.
OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)	Nil
OTHER ORGANISATIONS	Member of Academic Committee, Department of International Business, Logistics and Transport, Thammasat Business School, Thammasat University.

NO. OF SHARES HELD (SHARES) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By himself	-	-	-	-	-
By his spouse and minor children (if any)	-	-	-	-	-

NO. OF PSL-W1 WARRANTS HELD (UNITS) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By himself	-	-	-	-	-
By his spouse and minor children (if any)	-	-	-	-	-

* Note: Audit Committee Member who has adequate expertise and experience to review creditability of the financial statement. No family relationship with any of the other Directors or any of the Management Team.

MR. ISHAAN SHAH

POSITION	Director
DATE OF APPOINTMENT ON THE BOARD	14 March 2011
AGE	28 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	
• October 2016 - Present	Director, GEEPEE CORPORATION LIMITED
• March 2013 - Present	Director, Mega Lifesciences Public Company Limited.
• January 2012 - Present	Director, Christiani & Nielsen (Thai) Public Company Limited.
• 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

CONNECTED COMPANIES	**LISTED COMPANIES:** 1. Director, Christiani & Nielsen (Thai) Public Company Limited. 2. Director, Mega Lifesciences Public Company Limited.
	NON-LISTED 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 Limited.* (Seller of air-tickets to the Company). 5. Director, Maxwin Builders Ltd.* (Provider of hotel and management services). 6. Director, Maestro Controls Limited.* (Service provider of management of the offices leased and apartments owned by the Company and its subsidiary respectively). 7. Director, InsurExcellence Life Insurance Brokers Limited* (Life Insurance Broker) 8. Director, InsurExcellence Insurance Brokers Limited* (Insurance Broker) 9. Director, Geepee Corporation Limited. *Note: Please refer to "CONNECTED TRANSACTIONS" on page 265 - 267 of this Annual Report.
NON-CONNECTED COMPANIES	Nil
OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)	Director in the Company's 40 subsidiaries (Subsidiary Companies Nos. 1 - 40 on page 9 - 10 of this Annual Report)
OTHER ORGANISATIONS	Nil

NO. OF SHARES HELD (SHARES) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By himself	-	-	-	-	-
By his spouse and minor children (if any)	-	-	-	-	-

NO. OF PSL-W1 WARRANTS HELD (UNITS) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By himself	-	-	-	-	-
By his spouse and minor children (if any)	-	-	-	-	-

Mr. Ishaan Shah is the son of Mr. Kirit Shah and the younger brother of Ms. Nishita Shah but has no family relationship with any of the other Directors or any of the Management Team.

MANAGEMENT TEAM

Mr. Khalid Moinuddin Hashim* Managing Director
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 59 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 (SHARES) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By himself	856,500	-	-	-	856,500 (0.05% of total paid up shares)
By his spouse and minor children (if any)	-	-	-	-	-

NO. OF PSL-W1 WARRANTS HELD (UNITS) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By himself	15,650	-	-	-	15,650
By his spouse and minor children (if any)	-	-	-	-	-

No family relationship with any of the Directors or any of the others in Management Team.

MR. NEELAKANTAN VASUDEVAN

POSITION Vice President (Risk Management)
AGE 55 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 Bombay, 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 (SHARES) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By himself	165,082	10,000	-	10,000	175,082 (0.01% of total paid up shares)
By his spouse and minor children (if any)	25,500	2,550	-	2,550	28,050 (0.00% of total paid up shares)

NO. OF PSL-W1 WARRANTS HELD (UNITS) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By himself	5,824	-	-	-	5,824
By his spouse and minor children (if any)	850	-	-	-	850

No family relationship with any of the Directors or any of the others in Management Team.

MR. STEPHEN KORAH

POSITION Vice President (International Safety Management) (ISM)

AGE 60 years

EDUCATION First Class Marine Engineer
Graduate Directorate of Marine Engineering Training, Kolkatta, India

EXPERIENCE

- 2005 - Present — Vice President (International Safety Management) (ISM), Precious Shipping Public Company Limited
- 2004 - 2005 — Assistant Vice President (International Safety Management) (ISM), Precious Shipping Public Company Limited
- 1996 - 2004 — Quality Systems Manager (ISM Team), Precious Shipping Public Company Limited
- 1994 - 1996 — Technical Superintendent, Great Circle Shipping Agency Limited
- 1988 - 1994 — Technical Superintendent, ESSAR SISCO Ship Management Co, Chennai, India
- 1986 - 1988 — Chief Engineer on ships
- 1978 - 1986 — Marine Engineer on ships

POSITIONS HELD IN OTHER COMPANIES Nil

NO. OF SHARES HELD (SHARES) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By himself	-	6,000	6,000	-	-
By his spouse and minor children (if any)	-	-	-	-	-

NO. OF PSL-W1 WARRANTS HELD (UNITS) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By himself	-	-	-	-	-
By his spouse and minor children (if any)	-	-	-	-	-

No family relationship with any of the Directors or any of the others in Management Team.

MR. KODAKARAVEETTIL MURALI MENON

POSITION Vice President (Technical)

AGE 61 years

EDUCATION Bachelor of Engineering (Marine), Marine Engineering College, India
Qualified for membership of the Institute of Chartered Shipbrokers

EXPERIENCE

- 2005 - Present — Vice President (Technical), Precious Shipping Public Company Limited
- 1998 - 2004 — Assistant Vice President (Technical), Precious Shipping Public Company Limited
- 1992 - 1998 — Superintendent (Technical), Precious Shipping Public Company Limited
- 1988 - 1992 — Chief Engineer, Precious Shipping Public Company Limited
- 1984 - 1988 — Chief Engineer, Seaarland Ship management, Austria

POSITIONS HELD IN OTHER COMPANIES Director in the Company's 62 subsidiaries
(Subsidiary Companies Nos. 1 - 37, 40 - 64 on page 9 - 10 of this Annual Report)

NO. OF SHARES HELD (SHARES) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By himself	374,096	-	-	-	374,096 (0.02% of total paid up shares)
By his spouse and minor children (if any)	-	-	-	-	-

NO. OF PSL-W1 WARRANTS HELD (UNITS) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By himself	12,609	-	-	-	12,609
By his spouse and minor children (if any)	-	-	-	-	-

No family relationship with any of the Directors or any of the others in Management Team.

MR. NISHIKANT GOVIND DESAI

POSITION Vice President (Projects)

AGE 64 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 (SHARES) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By himself	70,377	-	-	-	70,377 (0.00% of total paid up shares)
By his spouse and minor children (if any)	-	-	-	-	-

NO. OF PSL-W1 WARRANTS HELD (UNITS) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By himself	-	-	-	-	-
By his spouse and minor children (if any)	-	-	-	-	-

No family relationship with any of the Directors or any of the others in Management Team.

MR. PRASHANT MAHALINGAM

POSITION Vice President (Procurement)

AGE 53 years

EDUCATION Directorate of Marine Engineering Training
Bachelor's degree in Marine Engineering
Diploma in Ship Management; Lloyd's Maritime Academy, UK

EXPERIENCE

- May 2013 - Present — Vice President (Procurement), Precious Shipping Public Company Limited
- 1995 - 2013 — Senior Manager (Technical), Precious Shipping Public Company Limited
- 1994 - 1995 — Chief Engineer, Precious Shipping Public Company Limited
- 1993 - 1994 — Engineer, Precious Shipping Public Company Limited

POSITIONS HELD IN OTHER COMPANIES Nil

NO. OF SHARES HELD (SHARES) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By himself	161,869	141,200	-	141,200	303,069 (0.02% of total paid up shares)
By his spouse and minor children (if any)	3,518	1,500	-	1,500	5,018 (0.00% of total paid up shares)

NO. OF PSL-W1 WARRANTS HELD (UNITS) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By himself	87	-	-	-	87
By his spouse and minor children (if any)	152	-	-	-	152

No family relationship with any of the Directors or any of the others in Management Team.

MS. SOMPRATHANA THEPNAPAPLERN

POSITION Assistant Vice President (Finance & Accounts),
Company Secretary

AGE 46 years

EDUCATION Master of Science in Accounting, Thammasat University
Bachelor of Business Administration 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 Thalang & Co., Ltd.

POSITIONS HELD IN OTHER COMPANIES Nil

NO. OF SHARES HELD (SHARES) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By herself	-	-	-	-	-
By her spouse and minor children (if any)	-	-	-	-	-

NO. OF PSL-W1 WARRANTS HELD (UNITS) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By herself	-	-	-	-	-
By her spouse and minor children (if any)	-	-	-	-	-

No family relationship with any of the Directors or any of the others in Management Team.

MS. WIMONWAN JAYSRICHAI

POSITION Senior Manager - Group Accounts

AGE 43 years

EDUCATION : Master Degree in Financial Accounting from Chulalongkorn University
Bachelor Degree in Commerce and Accountancy from Thammasat University
Certified Public Accountant of Federation of Accounting professions

EXPERIENCE :

- August 2015 - Present — Senior Manager : Group Accounts, Precious Shipping Public Company Limited
- 1999 - July 2015 — Senior Manager : Accounts, Precious Shipping Public Company Limited
- 1995 - 1999 — Senior Auditor, PricewaterhouseCoopers ABAS Ltd. (PwC)

POSITIONS HELD IN OTHER COMPANIES Nil

NO. OF SHARES HELD (SHARES) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By herself	3,014	-	-	-	3,014 (0.00% of total paid up shares)
By her spouse and minor children (if any)	308,400	241,600	-	241,600	550,000 (0.03% of total paid up shares)

NO. OF PSL-W1 WARRANTS HELD (UNITS) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By herself	101	-	-	-	101
By her spouse and minor children (if any)	10,280	-	-	-	10,280

No family relationship with any of the Directors or any of the others in Management Team.

MS. NALINTHIP SANTINANON

POSITION Senior Manager (Accounts & MIS)

AGE 34 years

EDUCATION Master Degree in Accounting from Thammasat University
Bachelor Degree in Accountancy from Chulalongkorn University
Certified Public Accountant of Federation of Accounting professions

EXPERIENCE

- August 2015 - Present — Senior Manager (Accounts & MIS), Precious Shipping Public Company Limited
- August 2009 - July 2015 — Manager - Accounts, Precious Shipping Public Company Limited
- April 2003 - July 2009 — Auditor, EY Office Limited

POSITIONS HELD IN OTHER COMPANIES Nil

NO. OF SHARES HELD (SHARES) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By herself	-	-	-	-	-
By her spouse and minor children (if any)	-	-	-	-	-

NO. OF PSL-W1 WARRANTS HELD (UNITS) AS OF YEAR END 2016:

Description	As of 1 Jan 2016	Acquisition in 2016	Disposal in 2016	Increase (Decrease) in 2016	As of 31 Dec 2016
By herself	-	-	-	-	-
By her spouse and minor children (if any)	-	-	-	-	-

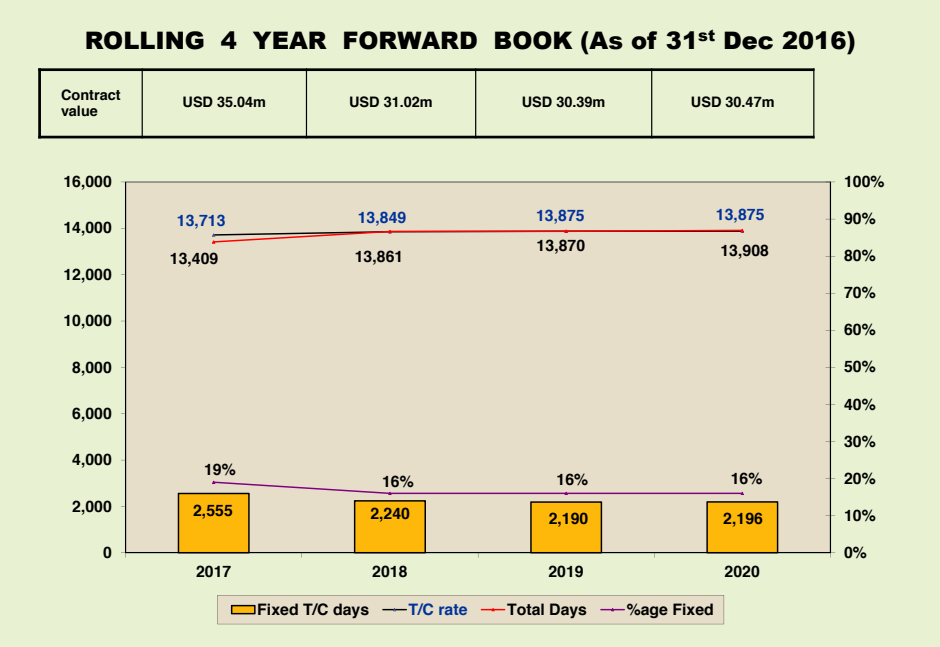
No family relationship with any of the Directors or any of the others in Management Team.

None of the Directors or anyone from the Management Team have been penalized for criminal and/or civil offences by the SEC under the Securities and Exchange Act B.E. 2535 and all relevant laws and regulations.

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 vessels on a tramp-shipping basis in the geared sector of the Dry Bulk International Shipping market. The Company started business in the handy-sized sector of the industry. However, with the acquisition of 2 Supramax vessels in the 4 Quarter of 2011, the Company also started operating in the Supramax Sector. In 2013 - 2014, the Company signed 26 Shipbuilding Contracts, out of which, 2 Ultramax vessels were delivered in 2014, so the Company started operating in the Ultramax Sector in 2014. PSL had put in place 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 tjkmnkjhghe market dropped sharply due to which it was not possible to renew or enter into new period charters at attractive rates. Freight Markets remained at very low levels, and in fact, the Baltic Dry Index (BDI) reached the lowest point ever in its history at 290 points on 10 February 2016 although it did rebound to 961 points by the end of 2016. With the recent BDI trend, it is expected that the markets will be challenging in 2017 but the Company is hopeful that it may improve in the latter part of the year or early next year as a result of which, the Company's forward book reproduced below should improve accordingly as compared to the recent past:



Total Days in the above chart is based on our existing fleet of 36 vessels as at the end of the year 2016. The Company has not assumed any vessels acquired except 2 Ultramax 64K DWT Newbuildings to be delivered by the end of Q1 2018.

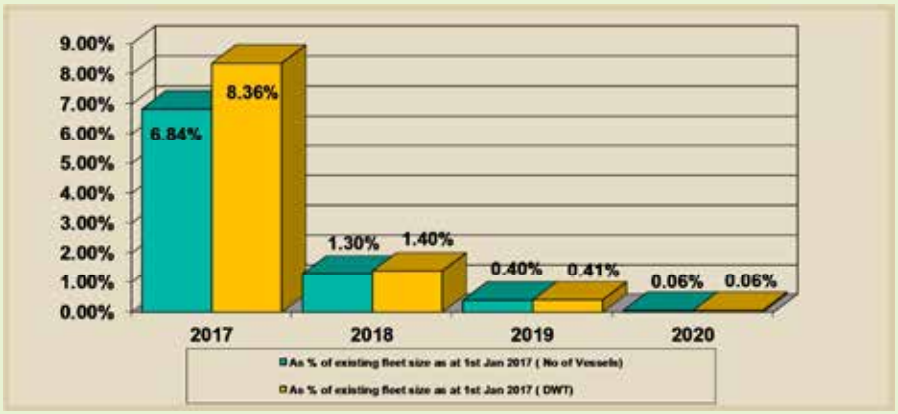
For further discussions and analysis of the market conditions, please refer to the ***Board of Directors' Report*** *presented separately in this Annual Report.*

2. INDUSTRY OVERVIEW - WORLD DEMAND-SUPPLY OUTLOOK (TO BE READ WITH THE BOARD OF DIRECTORS' REPORT PRESENTED SEPARATELY IN THIS ANNUAL REPORT)

2.1 World Fleet (10,000 - 70,000 DWT) - 6,945 vessels of 284.45 million DWT

NEW BUILDINGS ON ORDER UPTO DEC 2020
(WORLD FLEET 10,000 - 70,000 DWT)
(10.2% of existing Fleet in DWT)

Number of Vessels	475	90	28	4
Average Size (DWT)	50,056	44,246	42,250	43,275

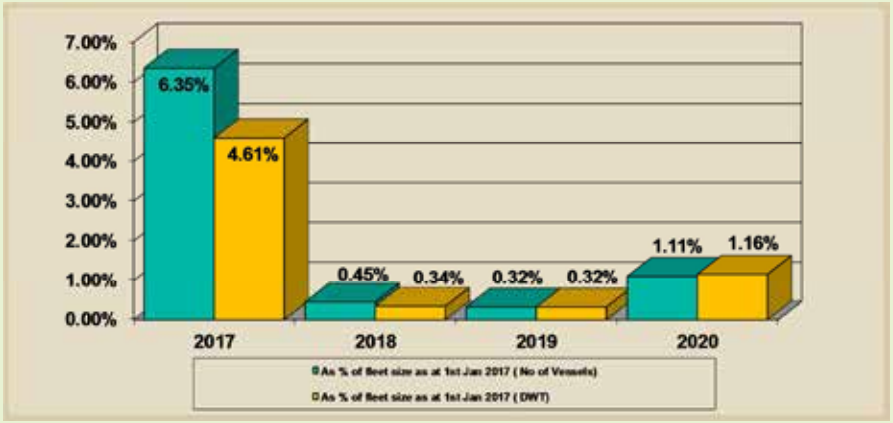


Source : CRS/Aries

As of 31 December 2016, the world fleet in the 10,000 - 70,000 DWT size range is 6,945 vessels of 284.45 million DWT. It is evident from the above and below chart that, during the next 4 years, 597 vessels have been contracted to be delivered against 571 vessels which are aged over 25 years old and likely to be scrapped, representing a net increase of only 3.8% of existing world fleet in terms of DWT. If the market stays at this low level together with the effect of ballast water management convention forcing shipwoners to scrap vessels faster, we can expect fleet growth to reach very low levels to bring about the much needed demand-supply balance in the market.

POTENTIAL SCRAPPING OF SHIPS 25 YEARS OR OLDER UPTO DEC 2020
(WORLD FLEET 10,000 - 70,000 DWT)
(6.4% of existing Fleet in DWT)

Number of Vessels	441	31	22	77
Average Size (DWT)	29,761	31,480	41,132	42,747



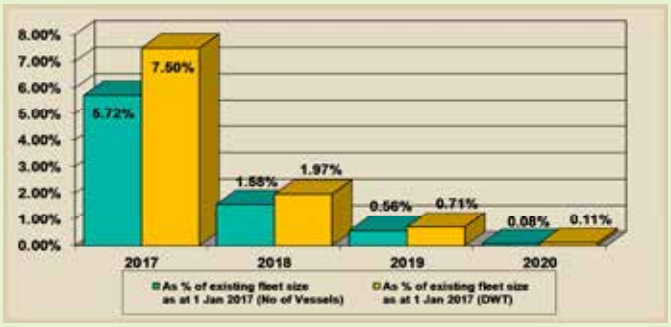
Source : CRS/Aries

The details of new building on order and potential scrapping of vessels by fleet size are as follows.

2.2 Handysize Fleet (10,000 - 40,000 DWT) - 3,546 vessels of 97.29 million DWT

NEW BUILDINGS ON ORDER (HANDYSIZE) UPTO DEC 2020
(10.3% of existing Fleet in DWT)

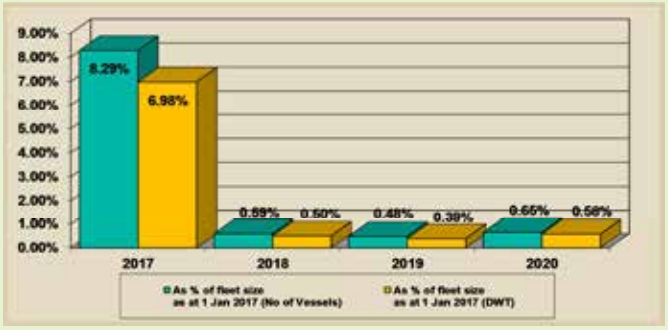
Number of Vessels	203	56	20	3
Average Size (DWT)	35,968	34,227	34,445	37,000



Source : CRS/Aries

POTENTIAL SCRAPPING OF SHIPS (HANDYSIZE) 27 YEARS OR OLDER UPTO DEC 2020 (8.5% of existing Fleet in DWT)

Number of Vessels	294	21	17	23
Average Size (DWT)	23,108	23,318	22,082	24,703



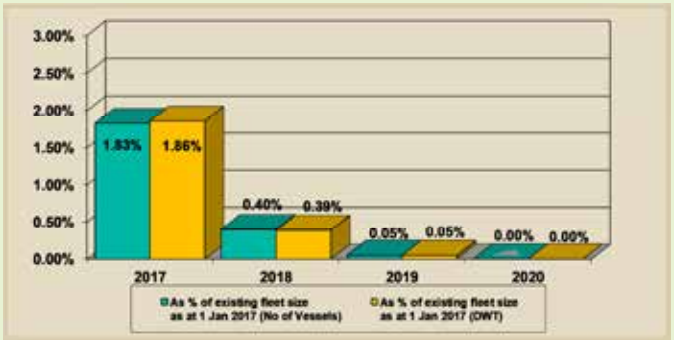
Source : CRS/Aries

From the above charts, it can be observed that during the next 4 years, there are 282 Handysize vessels to be delivered, against 355 Handysize vessels which are aged over 27 years old and likely to be scrapped, representing a net increase of 1.8% of existing Handysize Fleet in DWT terms.

2.3 Supramax Fleet (50,000 - 60,000 DWT) - 2,024 vessels of 112.44 million DWT

NEW BUILDINGS ON ORDER (SUPRAMAX) UPTO DEC 2020
(2.3% of existing Fleet in DWT)

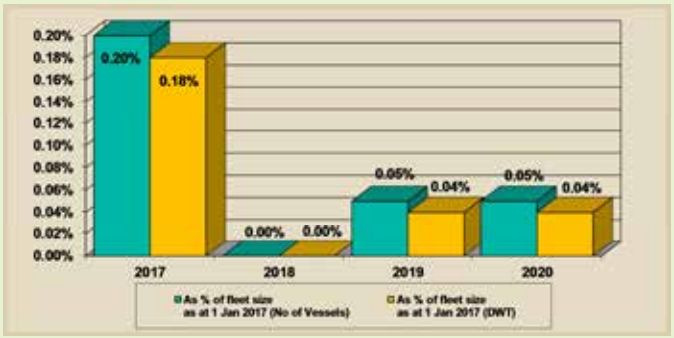
Number of Vessels	37	8	1	0
Average Size (DWT)	56,491	55,250	55,300	0



Source : CRS/Aries

POTENTIAL SCRAPPING OF VESSELS (SUPRAMAX) 25 YEARS OR OLDER UPTO DEC 2020 (0.3% of existing Fleet in DWT)

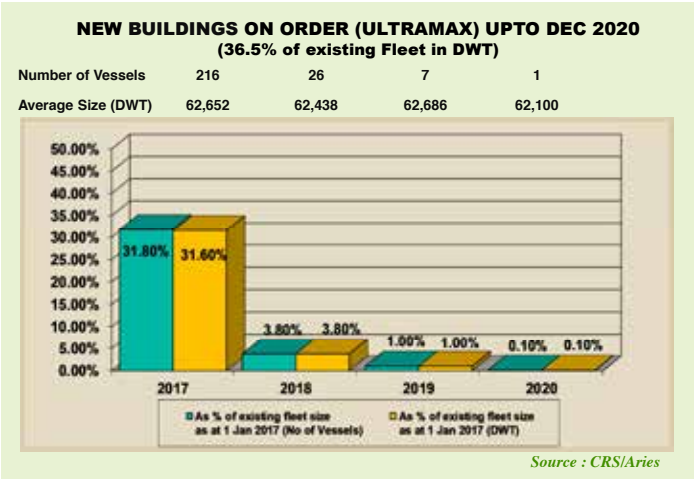
Number of Vessels	4	0	1	1
Average Size (DWT)	51,482	0	50,587	50,383



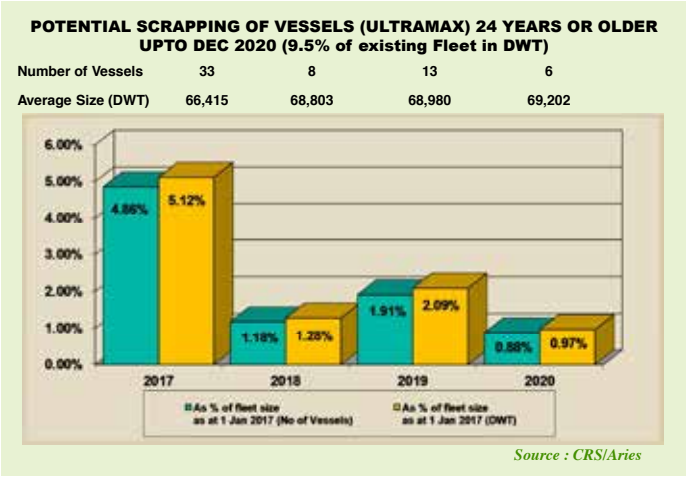
Source : CRS/Aries

From the above charts, during the next 4 years, there are 46 Supramax vessels to be delivered, against 6 Supramax vessels which are aged over 25 years old and likely to be scrapped, representing a net increase of 2.0% of existing Supramax Fleet in DWT terms.

2.4 Ultramax Fleet (60,000 - 70,000 DWT) - 679 vessels of 42.84 million DWT



Source : CRS/Aries



Source : CRS/Aries

From the above chart, during the next 4 years, there are 250 Ultramax vessels to be delivered, against 60 Ultramax vessels which are aged over 24 years old and likely to be scrapped, representing a net increase of 27.0% of existing Ultramax Fleet in DWT terms. However, it may be noted that the figures above include old ungeared ships which are of this size range and therefore cannot be considered strictly as Ultramax vessels.

3. BUYING AND SELLING OF VESSELS:

3.1 Cement Carrier Contracts:

(a) MOU and Time Charter Contracts with Ultratech Cement Limited.

The Company signed a Memorandum of Understanding (MOU) on 14 October 2009 and Long Term Time Charter Contracts (the "Charters") on 2 December 2009 with Ultratech Cement Limited, Mumbai, India (the "Charterer") for 4 new Cement Carriers (the "Vessels").

Description of the Charters:

The Company or its nominee (the "Owners") own and charter 4 Vessels, 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 Vessel.

Vessels:

The Vessels are new custom-made 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 is USD 15,000 per day for each Vessel and shall be reduced thereafter by USD 2,000 per day for each Vessel, 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 16 year upto the end of the 20 year shall be USD 13,000 per day for each Vessel. 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 period for each Vessel for this 5 years' commencing from the 21 year upto the end of the 25 year.

Further, in case the Charterer requires the Vessels 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 Vessel 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 Vessel for the first 15 years' period and this shall be reduced thereafter by USD 2,000 per day for each Vessel, for each block of the 5 years' option periods.

(b) The signing of 4 Shipbuilding Contracts for 4 Cement Carriers:

In order to be able to deliver 4 Cement Vessels to the Charterers at the earliest (in replacement of the Vessels ordered and cancelled earlier with ABG Shipyard), the Company and four Singapore Subsidiaries entered into four Shipbuilding Contracts for construction of four 20,000 DWT Cement Vessels with China Shipbuilding & Offshore International Co., Ltd. and Shanhaiguan New Shipbuilding Industry Co., Ltd.

The 4 Cement Vessels' details are as under:

No.	Vessel Owning Subsidiary	Vessel name	Year Built	DWT	Delivery Date	Purchase Price (US$ Million)
1	ABC Two Pte.Ltd.	Apinya Naree	2014	21,136	25-Mar-14	24.02
2	ABC Three Pte.Ltd.	Boonya Naree	2014	21,159	12-Jun-14	24.18
3	ABC Four Pte.Ltd.	Chanya Naree	2014	21,114	03-Sep-14	24.18
4	ABC One Pte.Ltd.	Danaya Naree	2015	21,149	06-Jan-15	24.48
Cement Carriers - 4 Vessels				**84,558**		**96.86**

3.2 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 vessels or signing / acquiring newbuilding contracts are opportunistic and the Company would always be on the lookout for opportunities which may come its way to acquire newer and economically priced vessels. 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 6 vessels in 2012.

Also continuing this plan in 2013 - 2014, the Company signed 26 Shipbuilding Contracts for construction of Bulk Carriers, with various Chinese shipyards - China Shipbuilding & Offshore International Co.,Ltd. and Shanhaiguan New Shipbuilding Industry Co.,Ltd ("SHG"), Sainty Marine Corporation Ltd. ("SAINTY"), Taizhou Sanfu Ship Engineering Co.,Ltd. ("SANFU") and Jiangsu Ruihai International Trade Co., Ltd. ("JSRH"). The details are as explained below:

(a) 9 Delivered Vessels from the Shipyards:

No.	Vessel Owning Subsidiary	Shipyard	Vessel name	Year Built	DWT	Delivery Date	Purchase Price (US$ Million)
Handysize - 2 vessels							
1	Precious Glories Pte. Limited	SHG	Vipha Naree	2015	38,851	30-Apr-15	22.32
2	Precious Wisdom Pte. Limited	SHG	Viyada Naree	2016	38,716	06-Jan-16	22.32
Ultramax - 7 vessels							
1	Precious Opals Limited	SAINTY	Inthira Naree	2014	63,468	03-Jul-14	27.40
2	Precious Rubies Limited	SAINTY	Issara Naree	2014	63,516	16-Jul-14	27.40
3	Precious Venus Limited	SANFU	Sarita Naree	2015	62,964	27-Oct-15	25.50
4	Precious Neptune Limited	SANFU	Sarika Naree	2015	63,023	28-Oct-15	25.50
5	Precious Tides Pte. Limited	SANFU & JSRH	Savitree Naree	2016	63,016	21-Apr-16	25.00
6	Precious Skies Pte. Limited	SANFU	Savita Naree	2016	62,970	07-Jul-16	25.00

No.	Vessel Owning Subsidiary	Shipyard	Vessel name	Year Built	DWT	Delivery Date	Purchase Price (US$ Million)
7	Precious Forests Limited	SANFU & JSRH	Sunisa Naree	2016	63,007	08-Oct-16	25.00

(b) The details of contract price, advances paid, and expected delivery dates as on 31 December 2016 of the 2 remaining Shipbuilding Contracts with SANFU are as follows:

No.	Buyer	Hull number	Expected Delivery Date	DWT	Contract Price US$	Total Advances paid as on 31 Dec 2016 US$
1	PSL	SF130127	Between 4 and 7 April 2017	63,345	25,000,000	6,869,375
2	PSL	SF130130	After 10 January 2018	63,345	18,000,000*	-
Ultramax - 2 Vessels				**126,690**	**43,000,000**	**6,869,375**

* The contract price will be adjusted per market value when delivered.

(c) During the year 2015 - 2016, the Company cancelled 15 Shipbuilding Contracts consisting of 3 Shipbuilding Contracts with SANFU & JSRH per details in Note 17.6 to the financial statements and 12 Shipbuilding Contracts with SAINTY per details in Note 17.8 to the financial statements.

The Company also sold 13 old vessels in 2016 and has planned to sell 1 more old vessel in 2017 to complete the fleet rejuvenation plan. The details of 13 old vessels sold in 2016 are as follows:

No.	Memorandum of Agreement Date (MOA)	Delivery Date	Vessel Name	Year Built	DWT	Net Selling Price (million US$)	Loss on sale* (million US$)
1	27-Jan-16	05-Feb-16	Saranya Naree	1991	28,583	1.37	1.52
2	10-Feb-16	23-Feb-16	Chollada Naree	1997	18,485	1.03	4.58
3	18-Feb-16	24-Feb-16	Emwika Naree	1997	18,462	0.95	4.47
4	09-Mar-16	15-Mar-16	Mathawee Naree	1996	28,364	1.38	8.72
5	10-Mar-16	21-Mar-16	Fonthida Naree	1995	28,484	1.42	3.62
6	19-Apr-16	05-May-16	Tharinee Naree	1994	23,724	1.30	2.67
7	06-Jul-16	26-Jul-16	Chalothorn Naree	1996	27,079	1.42	5.06
8	20-Jul-16	12-Aug-16	Suchada Naree	1994	23,732	1.20	2.44
9	28-Jul-16	12-Aug-16	Apisara Naree	1996	18,596	1.07	3.36
10	02-Aug-16	16-Aug-16	Parinda Naree	1995	23,720	1.21	3.04
11	18-Aug-16	07-Sep-16	Bussara Naree	1997	18,573	1.08	3.68
12	02-Aug-16	16-Sep-16	Urawee Naree	1997	28,415	2.48	7.38
13	14-Nov-16	25-Nov-16	Vijitra Naree	1997	28,646	1.82	4.95
Total 13 Vessels					**314,863**	**17.73**	**55.49**

* Loss on sale including loss on impairment which set up during 2015 and 2016.

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 Financial Reporting Standards ("TFRS") and the US Dollar (Functional Currency) Financial Statements (presented in Note to the financial statements no. 37 "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 Vessel Operating Expenses in USD (Opex) - Average Vessel Operating Expenses per day per vessel is computed over a 365 days operating cycle. These exclude depreciation but include amounts amortised per accounting policy (note 4.6 of audited financial statements) for Dry-docking and Special Survey (DD/SS) expenses and the amortization is included as "depreciation" in the financial statements. Vessel 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.

Vessel Running Expenses - Vessel running expenses in the Financial Statements refer to vessel 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 Vessel Operating Costs - Total Vessel Operating Costs in the Financial Statements means the aggregate of vessel running expenses and voyage expenses.

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

Vessel Operating Income - Vessel 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 Vessel Operating Income - Net Vessel Operating Income means Vessel Operating Income less Voyage expenses, and is also known as Net Time Charter Equivalent Revenue.

Dry-docking and Special survey - The Company must periodically dry-dock each of its vessels for inspection, repairs and maintenance and any modifications to comply with industry certification and or various regulations applicable to the Company's vessels. Generally each vessel 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 an Intermediate survey and 4 years for dry-docking cost related to a special survey. The depreciation amount of dry-docking and special survey costs is included in Depreciation and do not form part of vessel operating costs in the Financial Statements. However, while calculating average Vessel Operating expenses per day per vessel (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 Vessels. 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 vessel was "off-hire" at dry-dock or at sea or port for repairs of a routine nature or in case of a breakdown.

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

Gross Profit Margin - Gross Profit margin means gross profit divided by Vessel 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 vessels. However, for calculating average Vessel operating expenses per day per vessel (Opex), such relevant portion of administrative expenses is considered and included in the Opex as Management Fees.

5. CREDIT/LOAN FACILITIES

The details of loan facilities are summarized as follows:

Facility	Lender's Bank(s)	Borrower(s)	Tenor of loan (Years)	Interest Rate	Repayment Term	Drawdown in 2016 Million US$	Repayment/ Prepayment in 2016 Million US$	Outstanding Loan Balance as on 31 Dec 2016 Million US$
Loan facilities for financing the construction and acquistion of new vessels (Newbuildings)								
1	DNB Asia Ltd., Kasikornbank Plc. and 3 International Banks	The Company, Precious Forests Pte. Ltd., Precious Fragrance Pte. Ltd., and Precious Thoughts Pte. Ltd.	9.0	LIBOR + margin	Quarterly installments of 1/60th of each loan drawdown amount, commencing 3 months after delivery of each respective vessel and a balloon repayment of remaining balance in March 2020	-	14.26	20.40
2	ING Bank N.V. (Singapore Branch) and DNB Asia Ltd.	Precious Comforts Pte. Ltd., Precious Sparks Pte. Ltd., Precious Visions Pte. Ltd., and Precious Bridges Pte. Ltd.	8.0	LIBOR + margin	32 equal quarterly installments of USD 354,000 commencing 3 months after delivery of each respective vessel and a balloon repayment of remaining balance together with the last installment	-	16.99	37.22
3	Bangkok Bank Plc. (Singapore Branch)	ABC Two Pte. Ltd., and ABC Three Pte. Ltd.	10.0	LIBOR$^{(1)}$ + margin	For ABC two Pte. Ltd., 39 equal quarterly installments of USD 319,650 commencing in July 2014 and a balloon repayment of USD 6,712,650 in April 2024 For ABC three Pte. Ltd., 39 equal quarterly installments of USD 322,400 commencing in October 2014 and a balloon repayment of USD 6,770,400 in July 2024	-	2.57	32.42
4	Bangkok Bank Plc. (Singapore Branch)	ABC Four Pte. Ltd.	10.0	LIBOR$^{(1)}$ + margin	39 equal quarterly installments of USD 322,400 commencing in January 2015 and a balloon repayment of USD 6,770,400 in October 2024	-	1.29	16.76
5	TMB Bank Plc.	ABC One Pte. Ltd.	10.0	LIBOR$^{(1)}$ + margin	40 equal quarterly installments of USD 489,600, commencing in March 2015 and last installment within November 2024	-	1.96	15.67
6	Export-Import Bank of Thailand	The Company, Precious Rubies Ltd., Precious Opals Ltd., Precious Venus Ltd., and Precious Neptune Ltd.	10.0	LIBOR + margin	39 equal quarterly installments of 1/55th of each loan drawdown amount, commenced 3 months after delivery of each respective vessel and a balloon repayment of remaining balance at the end of the 40th quarter	-	5.69	68.57
7	Norddeutsche Landesbank Girozentrale (Singapore Branch)	The Company and subsidiaries in Singapore	8.0	LIBOR + margin	32 equal quarterly installments of USD 348,750 per vessel, commencing 3 months after delivery of each respective vessel and a balloon repayment of remaining balance on each of the final installments	-	-	-
8	DNB Asia Ltd. and Export-Import Bank of China	The Company, Precious Glories Pte. Ltd., and Precious Wisdom Pte. Ltd.	8.0	LIBOR + margin	For Precious Glories Pte. Ltd., equal quarterly installments of USD 265,625 commencing in July 2015 and a balloon repayment of USD 7,703,125 in March 2023 For Precious Wisdom Pte. Ltd., equal quarterly installments of USD 234,375 commencing in April 2016 and a balloon repayment of USD 7,500,000 in April 2023	14.06	6.62	26.20
9	Krung Thai Bank Plc.	The Company, Precious Seas Ltd., Precious Stars Ltd., Precious Hills Ltd., Precious Mountains Ltd., and Precious Resorts Ltd.	1.0	LIBOR + margin	One lump sum in January 2016 or if extended, then paid in equal quarterly installments starting form the quarter after January 2016	-	13.50	-

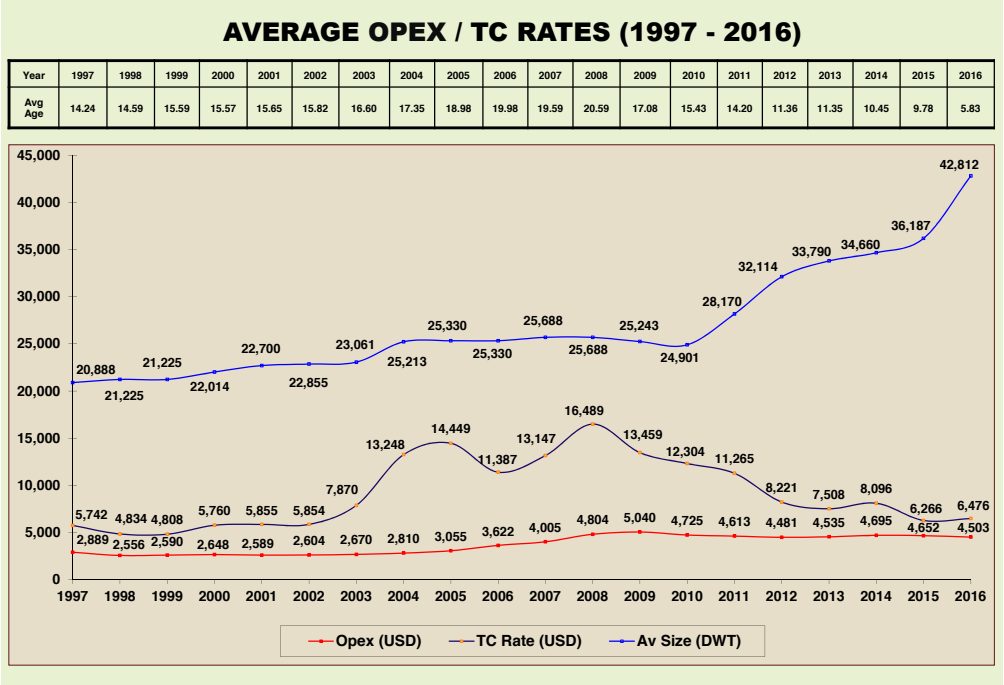
Facility	Lender's Bank(s)	Borrower(s)	Tenor of loan (Years)	Interest Rate	Repayment Term	Drawdown in 2016 Million US$	Repayment/ Prepayment in 2016 Million US$	Outstanding Loan Balance as on 31 Dec 2016 Million US$
10	BNP Paribas	The Company, Precious Tides Pte. Ltd., and Precious Skies Pte. Ltd.	8.0	LIBOR + margin	For Precious Tides Pte. Ltd., 32 quarterly installments equal quarterly installments of USD 200,000 for installment 1 - 16, equal quarterly installments of USD 300,000 for installment 17 - 32, and a balloon repayment of USD 4,000,000 in April 2024. For Precious Skies Pte. Ltd., 32 quarterly installments equal quarterly installments of USD 212,500 for installment 1 - 16, equal quarterly installments of USD 318,750 for installment 17 - 32, and a balloon repayment of USD 4,250,000 in July 2024.	24.75	0.61	24.14
Loan facilities for purchasing of vessels								
11	Krung Thai Bank Plc., Bank of Ayudhya Plc., and Thanachart Bank Plc.	The Company, Precious Metals Ltd., Precious Planets Ltd., Precious Trees Ltd., and Precious Ventures Ltd.	11.0	LIBOR(1) + margin for USD Loan	44 equal quarterly installments, commencing in December 2011	-	34.96	15.77
		The Company, Precious Jasmines Ltd., and Precious Wishes Ltd.	12.0	MLR-1 for Thai Baht Loan(2)	48 equal quarterly installments, commencing in December 2010	-	3.83	21.99
12	Thanachart Bank Plc.	The Company, Precious Pearls Ltd., and Precious Flowers Ltd.	11.0	LIBOR + margin	44 equal quarterly installments, commencing in June 2012	-	13.17	15.24
13	Export-Import Bank of Thailand	The Company, Precious Lands Ltd., and Precious Lakes Ltd.	8.5	LIBOR + margin	34 equal quarterly installments, commencing in March 2013	-	3.53	15.89
		The Company, Precious Ponds Ltd., Precious Comets Ltd., and Precious Ornaments Ltd.	8.0	LIBOR + margin	32 equal quarterly installments commencing in March 2014 and a balloon repayment of remaining balance at the end of the term	-	4.09	22.52

(1) Floating LIBOR was swapped to Fixed rate as mentioned in Note 20 to the financial statements.

(2) Baht 1,502.35 million was swapped to USD 45.90 million at drawdown date.

During the year 2016, the Company cancelled certain loan facilities, received waivers of the financial covenant breaches, and placed cash collateral to cure the security shortfall of certain loan facilities as mentioned in Note 20 to the financial statements.

6. VESSEL EARNINGS AND VESSEL OPERATING EXPENSES



The average earnings per day per vessel (TC Rate) reached USD 6,476 in 2016, while average daily operating expenses per vessel (Opex) was USD 4,503.

In 2016, the Baltic Dry Index (BDI) started falling in the beginning of the year and hit the lowest point in its history at 290 points on 10 February 2016. Due to the higher scrapping rates in the first quarter, and increased demand from China, the BDI rebounded thereafter and closed the year at 961 points.

The average BDI was 673 points in 2016 as compared to 719 points in 2015. The movement in the BDI for the year 2016 was mainly attributable to the movement in cape size vessel earnings. The Company has average daily earnings per vessel (TC Rate) of USD 6,476 about 3.4% higher as compared to 2015, due to the improvement in the dry bulk market during the fourth quarter.

PSL Handysize and Supramax Vessels Earnings comparison with Market (Source from CRS/ Aries)

Index	2016 Average Index	Market Average Time Charter Rate US$ (Per Day)	PSL Average Time Charter Rate US$ (Per Day)	Performance Over (Under) vs Benchmark
Baltic Handy Size Index (BHSI)	360	5,214	6,847	31.32%
Baltic Supramax Index (BSI)	596	6,236	5,865	(5.95%)

During the year 2016, the Baltic Handy Size Index (BHSI) averaged 360 points derived from the average Time Charter (TC) rate of USD 5,214 and as compared to that, PSL Handysize vessels earned USD 6,847 outperforming the BHSI TC rate by 31.32%. The Baltic Supramax Index (BSI) averaged 596 points derived from the average Time Charter (TC) rate of USD 6,236 and as compared to that, PSL Supramax vessels earned USD 5,865 underperforming the BSI TC rate by 5.95%. At present, there is no industry index/benchmark for the time charter rates of Ultramax vessels.

PSL's daily vessel operating expenses per vessel (Opex) have decreased from USD 4,652 per day (including USD 504 per day on account of dry-dock and special survey costs) in 2015 to USD 4,503 per day (including USD 417 per day on account of dry-dock and special survey costs) in 2016 which is, as always, far below the industry average (excluding dry-dock and special survey costs which are not reported in Opex) as detailed below.

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

For years Particulars	Industry 2015 US$ (Per Day)	PSL 2015 US$ (Per Day)	PSL 2016 US$ (Per Day)
Crew Wages	2,113	2,383	2,351
Provisions	166	172	160
Crew Other	362	214	217
Crew Cost Total	**2,641**	**2,769**	**2,728**
Lubricants	256	221	187
Stores Other	292	179	183
Stores Total	**548**	**400**	**370**
Spares	332	151	194
Repairs & Maintenance	370	108	134
Repairs & Maintenance Total	**702**	**259**	**328**
P& I Insurance	218	186	158
Insurance	214	192	144
Insurance Total	**432**	**378**	**302**
Registration Costs	31	8	7
Management Fees	551	236	264
Sundries	203	98	87
Administration Total	**785**	**342**	**358**
Total Operating Costs	**5,108**	**4,148**	**4,086**

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

- Crew costs were decreased by carefully planning the number of crew on board and also by taking advantage of savings in arranging crew changes at economical locations.
- Stores costs were decreased mainly from the decrease of the base cost of lubricants and by obtaining bulk discounts from the suppliers on the basis of fleet volume.
- Due to the problem with main engines operation with ultra low Sulphur fuel oils and the cost of expensive spares replacements and also on account of repairs which were required on the grabs on certain vessels, the repairs and maintenance costs increased.
- The decrease in cost of P&I Insurance is largely due to sale of old ships with higher rates. In addition, the marine insurance market remained soft which enabled the Company to obtain better terms (lower premium) for other types of insurance such as H&M.
- Administration expenses are mainly from management expenses which are "fixed" in nature and depend mainly on the remuneration of the technical staff charged were higher on a daily average basis due to the decrease in number of vessels operated in 2016.

7. FINANCIAL PERFORMANCE BASED ON US DOLLAR (FUNCTIONAL CURRENCY) 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 37 to Audited Consolidated Financial Statements.

For the year ended / as at	31-Dec-15	31-Dec-16
	Million US$	Million US$
Income Statement		
Total Revenues	123.63	107.51
Net Vessel Operating Income	99.15	90.97
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) *	**13.97**	**17.94**
Depreciation *	35.15	32.57
EBIT	(21.18)	(14.63)
Finance cost (excluding write-off of deferred upfront fees)	16.28	22.62
Operating profit (loss)	(37.46)	(37.25)
Non-Operating profit (loss)	(31.90)	(38.36)
Net Profit (loss) before Tax	**(69.36)**	**(75.61)**
Income Tax	0.05	0.002
Net Profit (loss) **	**(69.41)**	**(75.61)**
Financial Position		
Cash & Cash Equivalents	12.57	74.69
Total Current Assets (excluding Restricted Bank Deposits)	28.52	85.54
Restricted Bank Deposits	24.87	10.91
Property, Plant and Equipment	701.88	716.47
Advances for vessels constructions	123.35	75.70
Total Assets	**899.39**	**901.91**
Current portion of long-term loans	155.27	24.77
Total Current Liabilities	169.29	34.27
Long-term loans - net of current portion	255.11	302.72
Debenture	-	153.44
Unsecured Corporate Loan	8.00	22.37
Total Liabilities	**442.57**	**520.70**
Equity Share Capital	51.06	51.06
Premium on ordinary shares	63.28	63.28
Total Shareholder's Equity or Tangible Net Worth	**456.82**	**381.21**
Net Book Value per share (US$)	0.29	0.24
Ratios (times)		
Current Ratio	**0.17**	**2.50**
Total Liabilities/Equity	**0.97**	**1.37**
Funded Debt/EBITDA ***	**16.92**	**20.25**
Debt Service Cover ***	**0.52**	**0.46**
EBITDA/Interest	**0.86**	**0.79**

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

** Net profit (loss) represents net profit (loss) attributable to equity holders of the Company.

*** The ratios are calculated in compliance with the financial covenants stated in the credit facility agreements.

7.1 Revenues and Profitability

Total revenues have decreased from US$ 123.63 million in 2015 to US$ 107.51 million in 2016. The net vessel operating income has decreased from US$ 99.15 million in 2015 to US$ 90.97 million in 2016 due to the decrease in average number of vessels operated in 2016 as compared to 2015. The average number of vessels operated in 2016 was 40 vessels as compared to 45 vessels in 2015. However, the average vessel earnings per day per vessel (TC Rate) have increased from US$ 6,266 in 2015 to US$ 6,476 in 2016 and average daily vessel operating expenses (Opex) have decreased from US$ 4,652 in 2015 to US$ 4,503 in 2016 (including depreciation/amortisation of the drydocking/special survey expenses in both years). Although, the net vessel operating income was lower, the Company's Opex was also lower resulting in higher gross profit for 2016 as compared to 2015. Operating cash flows or Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) have also increased from US$ 13.97 million in 2015 to US$ 17.94 million in 2016.

The average daily vessel operating expenses have decreased and remain far below the Industry average as explained in Section 6 above.

Depreciation (excluding depreciation of dry-dock and special survey cost) has decreased from US$ 35.15 million in 2015 to US$ 32.57 million in 2016 due to the decrease in average number of vessels operated during 2016 as compared to 2015. During 2016, the Company took delivery of 4 vessels and sold 13 old vessels.

Finance costs (excluding write-off of deferred upfront fees US$ 5.12 million in 2016 and US$ 0.12 million in 2015) have increased from US$ 16.28 million in 2015 to US$ 22.62 million in 2016 mainly due to interest expenses from the issuance of debentures during the year.

The Company has an operating loss of US$ 37.25 million which is marginally lower than the operating loss of US$ 37.46 million incurred in 2015. The Company also has US$ 38.36 million of non-operating loss mainly from loss on sale of 13 old vessels, loss on impairment of certain vessels, and write-off of deferred upfront fees as compared to non-operating loss of US$ 31.90 million in 2015.

Income Tax has decreased slightly from US$ 0.05 million in 2015 to US$ 0.002 million in 2016 being the Income-tax on non-shipping income.

As a result of the above factors, the Company has incurred a loss of US$ 75.61 million as compared to a loss of US$ 69.41 million in 2015.

7.2 Assets, Liabilities and Shareholders' Equity

Current Assets

As compared to the end of the previous year (2015), there is an increase of US$ 57.02 million in the current assets (excluding Restricted Bank Deposits) as at 31 December 2016, mainly due to increase in Cash and Cash equivalents by US$ 62.12 million from the issuance of debentures. Trade and Others Receivables, consisting of Trade receivables net of all provisions, which are part of current assets decreased by US$ 1.10 million, while others receivables from sale of vessel decreased by US$ 1.67 million 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. As of 31 December 2016, the Company already set up full provision for trade receivables which are due over 1 year. Bunker oil Stock decreased from US$ 3.96 million to US$ 1.14 million.

Restricted Bank Deposits

Due to the continuing downturn in shipping, the market value of vessels has gone down, as of 31 December 2016, as a result of which, the Company placed US$ 10.91 million as Restricted Bank Deposits to cover the security shortfall for 3 loan facilities.

Property, Plant and Equipment

The value of Property, Plant and Equipment of the Company has increased from previous year's levels mainly from the delivery of 4 vessels, one Handy Size Dry Bulk vessel from Shanhaiguan New Shipbuilding Industry Co., Ltd., China and three 64K Ultramax vessels from Taizhou Sanfu Ship Engineering Co., Ltd., China. However, the Company sold 13 old vessels during the year. As at 31 December 2016, the Company owned 36 vessels, details of which have been provided in the Fleet List separately in this Report.

The details of vessels delivered and sold in 2016 have been provided in Section 3.2 above.

Advances for vessel constructions

The Company has capitalized US$ 7.80 million (including supervision and other costs of US$ 0.93 million) being the advances paid for two Ultramax vessels being built at SANFU shipyard.

The Company has capitalized US$ 67.90 million (including supervision and other costs of US$ 3.78 million) being the advances paid for nine Ultramax vessels ordered from SAINTY.

In accordance with the above, the Company has a balance of US$ 75.70 million in aggregate as advances for vessel constructions as of 31 December 2016 which is presented in other non-current assets.

Total Liabilities

The Company's secured outstanding loans (net of current portion) is US$ 302.72 million, and aggregate secured outstanding loans balance is US$ 327.49 million as at the end of year 2016.

The Company had US$ 410.38 million loans outstanding after deducting for deferred financial fees of US$ 4.16 million at the beginning of 2016.

During the year, the Company repaid US$ 43.61 million as contractual repayments, prepaid US$ 66.31 million as voluntary prepayments and prepaid US$ 13.15 million from the proceeds of vessel sales.

The Company has drawn US$ 14.06 million for financing one 38K Bulk Carriers from facility 8 as explained in Section 5.

The Company has drawn US$ 24.75 million for financing two 64K Ultramax Vessels from facility 10 as explained in Section 5.

During the year 2016, the Company amortised US$ 0.85 million on account of financial fees (net). Deferred financial fees of US$ 3.31 million are presented as deduction from Secured loans.

The Unsecured Corporate Loan was increased from US$ 8.00 million to US$ 22.37 million in relation to the agreements of the delivery of 3 vessels during the year. These Unsecured Corporate Loans will be conditionally settled upon the Tribunal's award or the order of any competent court on appeal as mentioned in Note 17.6 to the financial statements.

The Company issued 2 tranches of debentures in 2016 aggregating US$ 153.44 million. Consequently, the total liabilities have increased from US$ 442.57 million in 2015 to US$ 520.70 million in 2016.

Shareholders' Equity

In 2016, the Company has a net loss of US$ 75.61 million incurred during the year, after change in CSR Reserve, other components of shareholders equity, and minority interest, the Shareholders' Equity is now at US$ 381.21 million, which decreased from US$ 456.82 million at the end of the previous year. As a result of the decrease in Shareholder's Equity as explained above, the net book value per share has decreased from US$ 0.29 per share as at the end of 2015 to US$ 0.24 per share as at the end of 2016.

7.3 Leverage, Liquidity and Coverage

As at 31 December 2016, the Company's overall gearing (Total Liabilities/Total Shareholder's Equity) is at 1.37 times, which has increased from 0.97 times as at 31 December 2015, mainly due to the increase in debt from the issuance of debentures and the loss arising from prolonged weakness in the dry bulk shipping sector. However, the Company used the proceeds from the issuance of debentures to prepay the loans during the year as explained above which kept the gearing under control.

Although the Company's EBITDA of 2016 has improved from 2015, the Company's EBITDA remains at low levels, the leverage ratios now have come under stress due to the higher debt and lower EBITDA levels. As of 31 December 2016, Funded Debt to EBITDA ratio was 20.25 times which was higher than the required covenant in the relevant loan agreements. However, the Company obtained the waivers from the relevant lenders as mentioned in Note 20 to the financial statements.

The Company's debt service coverage ratio for 2016 was 0.46 times, and the ratio of EBITDA/ Interest is 0.79 times as of 31 December 2016.

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

8.1 Analysis of Income Statements

The net vessel operating income (net of voyage disbursements and bunker consumption) has decreased by about 6 percent and the vessel running expenses also decreased by about 11 percent for 2016 due to the decrease in average number of vessels operated in 2016 as mentioned above

During 2016, the total vessel operating costs which consist of vessel running expenses, voyage disbursements, and bunker consumption decreased by about 19 percent in absolute terms, over the total vessel operating costs of the previous year. The vessel running expenses decreased as explained above. During 2016, vessel disbursements and bunker consumption also decreased as voyage charters decreased from 15% in 2015 to 8% in 2016.

Although the net vessel operating income is lesser than that in the previous year due to lower number of vessels operated during this year, the average daily TC Rate per vessel was higher than that of the previous year and the average daily OPEX was also lower as explained above, as a result of which, the Gross Profit has increased by about 3 percent over the previous year and the Gross Profit Margin has also increased from 27 percent to 32 percent.

Interest income increased by Baht 44.58 million as compared to 2015 mainly from interest received from SANFU shipyard on the refunds of advances paid on the cancelled vessels.

Administrative expenses (including management remuneration) for 2016 have decreased by Baht 37.52 million as compared to 2015 mainly due to the decrease in the professional fees paid in 2016.

The Company recorded exchange gains of Baht 45.43 million for 2016 as against exchange losses of Baht 25.37 million for 2015. The corporate income tax was Baht 0.06 million for the year 2016 which mainly represented the income tax on non-shipping income. In 2016, the Company recorded Baht 680.29 million as loss on sale of 13 vessels and Baht 566.56 million as loss on impairment of certain vessels. In 2015, the Company had recorded Baht 279.03 million as loss on sale of 3 vessels and Baht 840.77 million as loss on impairment of certain vessels.

The total expenses (excluding depreciation) in 2016, as compared to the previous year, are lower due to the decrease in absolute total vessel operating costs as explained hereinabove. The Depreciation for 2016 has decreased from Baht 1,505.20 million in 2015 to Baht 1,366.40 million in 2016 due to the decrease in average number of vessels operated during 2016 as compared to 2015.

Finance costs (excluding one-time write-off of deferred upfront fees Baht 182.25 million in 2016 and Baht 4.21 million in 2015) have increased by Baht 237.42 million mainly from interest expenses from the issuance of debentures during the year 2016.

As a result of the above factors, the Company has reported a loss of Baht 2,664.90 million for 2016 as compared to loss of Baht 2,425.78 million in the previous year.

8.2 Analysis of Statements of Comprehensive Income

The Company reported Baht 190.61 million as other comprehensive loss for year 2016 as compared to other comprehensive income Baht 1,552.70 million for year 2015. This was mainly due to the depreciation of U.S. Dollars in terms of Thai Baht, thereby decreasing the value of Net Assets, mainly Property, Plant, and Equipment and advances paid to Shipbuilders under new shipbuilding Contracts, while translating into Thai Baht which is Company's Presentation Currency.

8.3 Analysis of Statements of Financial Position

As compared to the end of the previous year (2015), there is an increase of Baht 2,035.83 million in current assets (excluding Restricted Bank Deposits) as at 31 December 2016, mainly due to the increase in Cash and Cash equivalents by Baht 2,222.80 million from the issuance of debentures during the year.

Trade and other receivables decreased by Baht 100.96 million, consisting of Trade receivables, net of all provisions which are part of current assets which decreased by Baht 40.77 million, and other receivables from sale of vessels decreased by Baht 60.19 million and Bunker oil Stock decreased by Baht 102.14 million as compared to the previous year.

The Company had to deposit Baht 390.99 million as Restricted Bank Deposits to cover the security shortfall for 3 loan facilities.

The value of Property, Plant and Equipment of the Company has increased from previous year's levels on account of delivery totaling of 4 vessels, one 38K Handy Size vessel from Shanhaiguan New Shipbuilding Industry Co., Ltd., China and three 64K Ultramax vessels from Taizhou Sanfu Ship Engineering Co., Ltd., China and the Company sold thirteen old Handy Size Vessels during the year. As at the end of the year 2016, the Company has Baht 2,712.40 million as advances for vessel construction. Total Assets have marginally decreased from the previous year.

Total current liabilities have decreased by Baht 4,881.36 million as compared to the previous year mainly due to the decrease in current portion of long term loan by Baht 4,716.36 million. As at the end of 2016, the Company's Long term Loans (net of current portion) is Baht 10,846.82 million and aggregate long term loans is Baht 11,734.16 million.

During the year, the Company repaid Baht 1,544.18 million as contractual repayments and prepaid Baht 2,349.25 million as voluntary prepayments and prepaid Baht 461.40 million from vessel sales.

The Company has drawn Baht 500.37 million for financing one 38K Bulk Carriers from facility 8 as explained in Section 5.

The Company has drawn Baht 866.25 million for financing two 64K Ultramax vessels from facility 10 as explained in Section 5.

Thus, the Company has drawn in aggregate Baht 1,366.62 million for financing newbuildings against two credit facilities as explained hereinabove.

During the year 2016, the Company has amortised Baht 30.24 million on account of financial fees (net). Deferred financial fees of Baht 118.43 million are presented as deduction from secured loans.

The Unsecured Corporate Loan increased from Baht 288.71 million to Baht 801.56 million in relation to the agreements of the delivery of 3 Vessels during the year.

The Company also issued 2 tranches of debentures during the year 2016. Total Liabilities have increased from Baht 15,971.65 million in 2015 to Baht 18,683.46 million in 2016.

In 2016, the Company incurred net Losses of Baht 2,664.90 million and other comprehensive loss of Baht 190.61 million of the year, and net increase of Baht 1.91 million on account of CSR Reserve, other components of shareholders equity and minority interest, the Shareholders' Equity is now at Baht 13,632.57 million, which is lower by Baht 2,853.60 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 839.06 million was generated from operations, this is about 7% higher than the cash generated from operations in the previous year. The increase is due to the higher of gross profit earned and the lower of administrative expenses for year 2016 as compared to year 2015 as mentioned above.

After adjusting for the Working Capital Changes, the net cash generated from operations of Baht 693.27 million was available for use in investing and financing activities.

During the year, Baht 681.67 million was received as proceeds from sales of vessels and equipment, Baht 697.93 million was received as refunds from the amendment/cancellation of shipbuilding contracts and Baht 504.23 million was received as unsecured corporate loan. However, the Company has paid Baht 1,449.04 million for acquisition of 4 vessels and dry docking/special survey expenses, and paid Baht 1,240.46 million towards advances against orders for new vessels. The net cash flow used in investing activities was Baht 805.66 million.

During the year, the Company has drawn Baht 1,366.62 million against two Newbuilding credit facilities as explained in 8.3 above. The Company paid Baht 1,544.18 million on account of contractual principal repayments, voluntary prepayments of Baht 2,349.25 million, and prepayments of Baht 461.40 million from vessel sales as explained in Section 5 above, resulting in total repayments (including prepayments) of Baht 2,810.65 million of long term loans. The Company also has net cash received Baht 5,527.76 million from the issuance of debentures. After adjustments, the net cash flow from financing activities was Baht 2,355.90 million.

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 Financial Reporting Standards, 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 efficient internal control systems 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 & Corporate Governance Committee, which consists fully of Independent Directors and the Committee is, inter alia responsible for the quality of financial statements and internal control systems, with the Committee's comments on these issues included in the Audit & Corporate Governance 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, 2016.

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

8 February 2017

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

To the Shareholders of Precious Shipping Public Company Limited

Opinion

I have audited the accompanying consolidated financial statements of Precious Shipping Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Precious Shipping Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Precious Shipping Public Company Limited and its subsidiaries and of Precious Shipping Public Company Limited as at 31 December 2016, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Group in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

I draw attention to note 17.8 to the financial statements regarding the cancellation of the Shipbuilding Contracts and the uncertainty regarding the outcome of arbitration proceedings. My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond for each matter are described below.

Revenue recognition

The Group has entered into agreements with a large number of customers and these include both Time Charter and Voyage Charter type agreements, whereby the freight rates fluctuate in line with global market rates. In addition, the economic slowdown has directly resulted in more intense competition in the shipping industry. There are therefore risks with respect to the amount and timing of revenue recognition.

I have examined the revenue recognition of the Group by

- Assessing and testing the Group's IT system and its internal controls with respect to the revenue cycle by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls.
- Applying a sampling method to select service agreements to assess whether revenue recognition, was consistent with the conditions of the relevant agreement, and whether it was in compliance with the Group's policy.
- On a sampling basis, examining supporting documents for actual revenue recognition transactions occurring during the year and near the end of the accounting period.
- Reviewing credit notes that the Group issued after the period-end.
- Performing analytical procedures on disaggregated data to detect possible irregularities in revenue transactions throughout the period, particularly for accounting entries made through journal vouchers.

Impairment of vessels

The Group recorded impairment loss on vessels totaling Baht 567 million as an expense during the year, which is a significant amount in relation to administration costs. In determining the impairment loss, management had to exercise judgement with respect to its projections of future operating performance, plans for management of assets of companies in the group, and determination of an appropriate discount rate and key assumptions. There is thus a risk with respect to the amount of impairment loss recorded on vessels.

I assessed the management's identification of cash generating units and selection of a financial model, by gaining an understanding of management's decision-making process and evaluating whether the decisions were consistent with how assets are utilised. In addition, I gained an understanding of and assessed the following:

- The assumptions applied in preparing plans and cash flow projections for the Group, based on the understanding I gained of the process by which the figures were arrived at; comparison of the assumptions with external and internal sources of information and comparison of past cash flow projections with actual operating results in order to assess the exercise of management judgment in estimating cash flow projections, and comparison of the long-term growth rate of the Group with economic and industry forecasts.
- The discount rate, based on comparison of the average cost of capital and other data with those used by comparable organisations.
- The assumptions and approaches used by management in calculating the fair value of vessels.

I considered the scope and probability of potential changes in the key assumptions and in particular the growth rates applied in preparing the cash flow projections, by comparing them to economic and industry forecasts. In addition, I reviewed the disclosure of information with respect to impairment of vessels.

Other Information

Management is responsible for the other information. The other information comprise the information included in annual report of the Group, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ms. Vissuta Jariyathanakorn.

Vissuta Jariyathanakorn
Certified Public Accountant (Thailand) No. 3853

EY Office Limited
Bangkok: 8 February 2017

STATEMENT OF FINANCIAL POSITION

Precious Shipping Public Company Limited and its subsidiaries
As at 31 December 2016

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2016	2015	2016	2015
Assets					
Current assets					
Cash and cash equivalents	*6*	2,676,310,435	453,507,794	2,145,249,277	52,362,535
Current portion of restricted bank deposits	*10*	36,069,571	-	-	-
Trade and other receivables	*7*	139,994,839	240,951,914	4,629,331,757	3,886,261,431
Short-term loan to a subsidiary	*9*	-	-	-	1,703,381,920
Bunker oil		40,734,457	142,870,647	-	-
Other current assets					
Advances to vessel masters		90,986,420	130,043,279	-	-
Claim recoverables		24,241,889	20,020,793	-	-
Others		92,684,869	41,724,032	20,361,495	22,582,819
Total other current assets		207,913,178	191,788,104	20,361,495	22,582,819
Total current assets		3,101,022,480	1,029,118,459	6,794,942,529	5,664,588,705
Non-current assets					
Restricted bank deposits - net of current portion	*10*	354,923,612	897,335,050	-	-
Long-term loans to subsidiaries	*11*	-	-	5,543,080,951	350,131,597
Investments in subsidiaries	*12*	-	-	7,391,484,350	8,883,168,996
Investment in associate held by a subsidiary	*13*	86,236,899	85,676,340	-	-
Other long-term investment	*14*	20,335,373	20,481,741	20,335,373	20,481,741
Receivables from cross currency swap contracts		-	-	28,892,498	-
Property, plant and equipment	*15*	25,671,524,342	25,329,890,038	5,406,637	6,686,425
Intangible assets	*16*	1,178,561	2,034,055	1,178,559	2,027,544
Other non-current assets					
Claim recoverables - maritime claims		111,873,693	145,256,940	-	-
Advances for vessel constructions	*17*	2,712,400,780	4,451,615,064	2,701,134,188	4,436,780,935
Deferred financial fees	*18*	-	217,541,606	-	217,541,606
Deferred contract costs	*19*	253,466,358	275,762,198	-	-
Others		3,067,955	3,107,467	2,396,188	2,395,665
Total other non-current assets		3,080,808,786	5,093,283,275	2,703,530,376	4,656,718,206
Total non-current assets		29,215,007,573	31,428,700,499	15,693,908,744	13,919,214,509
Total assets		32,316,030,053	32,457,818,958	22,488,851,273	19,583,803,214

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

STATEMENT OF FINANCIAL POSITION (CONTINUED)

Precious Shipping Public Company Limited and its subsidiaries
As at 31 December 2016

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2016	2015	2016	2015
Liabilities and shareholders' equity					
Current liabilities					
Trade and other payables					
Trade and other payables	*8*	37,847,911	98,883,068	245,304	11,544,003
Advances received from related parties	*8*	-	-	1,739,800,011	1,381,955,629
Accrued crew accounts		95,737,376	128,272,679	-	-
Accrued expenses		140,485,237	171,791,550	49,830,338	14,846,485
Accrued employee bonus		34,054,992	34,530,011	29,290,439	30,162,476
Total trade and other payables		308,125,516	433,477,308	1,819,166,092	1,438,508,593
Advances received from charterers		13,872,247	45,297,395	-	-
Current portion of long-term loans	*20*	887,344,495	5,603,701,289	-	486,997,656
Income tax payable		66,271	379,652	-	-
Other current liabilities		18,575,112	26,492,807	8,814,404	7,373,406
Total current liabilities		1,227,983,641	6,109,348,451	1,827,980,496	1,932,879,655
Non-current liabilities					
Payables to cross currency swap contracts		35,813,830	82,803,510	-	-
Long-term loans - net of current portion	*20*	10,846,818,205	9,206,495,265	-	118,751,647
Debentures	*21*	5,524,293,751	-	5,524,293,751	-
Provision for maritime claims	*22*	162,781,593	201,878,185	-	-
Unsecured corporate loans	*17.6*	801,558,738	288,708,800	801,558,738	288,708,800
Provision for long-term employee benefits	*23*	84,213,450	82,417,640	79,856,350	74,737,902
Total non-current liabilities		17,455,479,567	9,862,303,400	6,405,708,839	482,198,349
Total liabilities		18,683,463,208	15,971,651,851	8,233,689,335	2,415,078,004

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

STATEMENT OF FINANCIAL POSITION (CONTINUED)

Precious Shipping Public Company Limited and its subsidiaries
As at 31 December 2016

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
Shareholders' equity					
Share capital	*24*				
Registered share capital					
1,611,256,930 ordinary shares of Baht 1 each		1,611,256,930	1,611,256,930	1,611,256,930	1,611,256,930
Issued and paid-up share capital					
1,559,280,897 ordinary shares of Baht 1 each		1,559,280,897	1,559,280,897	1,559,280,897	1,559,280,897
Paid-in capital					
Premium on ordinary shares		1,967,716,593	1,967,716,593	1,967,716,593	1,967,716,593
Premium on treasury stock		172,445,812	172,445,812	172,445,812	172,445,812
Retained earnings					
Appropriated					
Statutory reserve - the Company	*26*	103,952,060	103,952,060	103,952,060	103,952,060
- subsidiaries	*26*	523,320,000	523,320,000	-	-
Corporate social responsibility reserve	*27*	16,119,179	16,349,679	16,119,179	16,349,679
Unappropriated		8,813,492,306	11,478,160,540	8,626,377,640	11,361,856,460
Other components of shareholders' equity		476,208,770	666,853,827	1,809,269,757	1,987,123,709
Equity attributable to owners of the Company		13,632,535,617	16,488,079,408	14,255,161,938	17,168,725,210
Non-controlling interests of the subsidiaries		31,228	(1,912,301)	-	-
Total shareholders' equity		13,632,566,845	16,486,167,107	14,255,161,938	17,168,725,210
Total liabilities and shareholders' equity		32,316,030,053	32,457,818,958	22,488,851,273	19,583,803,214

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

INCOME STATEMENT

Precious Shipping Public Company Limited and its subsidiaries
For the year ended 31 December 2016

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2016	2015	2016	2015
Revenues					
Vessel operating income					
Hire income		2,877,621,600	2,919,613,883	-	-
Freight income		804,795,152	1,329,368,563	-	-
Total vessel operating income		3,682,416,752	4,248,982,446	-	-
Service income	*8*	7,417,603	7,672,324	96,599,675	91,225,858
Gains on sales of equipment		-	-	394,616	743,414
Gains on cancellation of shipbuilding contracts	*17.8*	2,851,210	-	2,851,210	-
Gain on disposal of current investment		-	5,117,873	-	-
Interest income		46,672,085	2,089,705	44,728,455	1,242,665
Exchange gains		45,425,600	-	47,928,580	-
Other income		7,001,804	53,260	3,343	4,122
Total revenues		3,791,785,054	4,263,915,608	192,505,879	93,216,059
Expenses					
Vessel operating costs					
Vessel running expenses		2,010,834,546	2,256,496,685	-	-
Voyage disbursements		243,229,708	332,614,743	-	-
Bunker consumption		231,894,232	494,669,175	-	-
Total vessel operating costs		2,485,958,486	3,083,780,603	-	-
Depreciation	*15*	1,366,395,482	1,505,204,048	2,499,923	2,517,746
Cost of services		5,239,468	5,212,221	-	-
Loss on sales of vessels	*15*	680,285,679	279,033,309	-	-
Loss on impairment of assets	*15*	566,558,861	840,771,294	-	-
Loss on impairment of investments in subsidiaries	*12*	-	-	2,205,262,526	-
Administrative expenses	*8*	260,251,101	289,445,453	213,201,630	220,376,290
Management remuneration including perquisites	*8*	88,196,978	96,527,119	79,084,164	89,738,783
Bad debts and doubtful accounts		25,022,204	6,330,760	32,885,487	-
Exchange losses		-	25,369,407	-	28,230,449
Total expenses		5,477,908,259	6,131,674,214	2,532,933,730	340,863,268
Loss before share of profit from investment in associate, finance cost and income tax expense		(1,686,123,205)	(1,867,758,606)	(2,340,427,851)	(247,647,209)
Share of profit from investment in associate held by a subsidiary	*13.1*	3,287,595	8,242,996	-	-
Loss before finance cost and income tax expense		(1,682,835,610)	(1,859,515,610)	(2,340,427,851)	(247,647,209)
Finance cost		(980,089,221)	(564,630,173)	(395,281,469)	(6,561,175)
Loss before income tax expense		(2,662,924,831)	(2,424,145,783)	(2,735,709,320)	(254,208,384)
Income tax expense	*29*	(62,476)	(1,657,760)	-	-
Loss for the year		(2,662,987,307)	(2,425,803,543)	(2,735,709,320)	(254,208,384)

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

INCOME STATEMENT (CONTINUED)

Precious Shipping Public Company Limited and its subsidiaries
For the year ended 31 December 2016

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
Loss attributable to:					
Equity holders of the Company		(2,664,898,734)	(2,425,783,474)	(2,735,709,320)	(254,208,384)
Non-controlling interests of the subsidiaries		1,911,427	(20,069)	-	-
Loss for the year		(2,662,987,307)	(2,425,803,543)	(2,735,709,320)	(254,208,384)
Basic earnings per share	*31*				
Loss attributable to equity holders of the Company		(1.71)	(1.82)	(1.75)	(0.19)
Weighted average number of ordinary shares (Shares)		1,559,280,897	1,332,864,768	1,559,280,897	1,332,864,768

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

STATEMENT OF COMPREHENSIVE INCOME

Precious Shipping Public Company Limited and its subsidiaries
For the year ended 31 December 2016

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Loss for the year	(2,662,987,307)	(2,425,803,543)	(2,735,709,320)	(254,208,384)
Other comprehensive income:				
Other comprehensive income to be reclassified				
to profit or loss in subsequent periods:				
Exchange differences on translation of financial				
statements in foreign currency	(1,688,523)	(13,315,998)	-	-
Net other comprehensive income to be reclassified				
to profit or loss in subsequent periods	(1,688,523)	(13,315,998)	-	-
Other comprehensive income not to be reclassified				
to profit or loss in subsequent periods:				
Actuarial loss	-	(3,547,908)	-	(2,562,245)
Exchange differences on translation of functional				
currency to presentation currency financial statements	(188,924,432)	1,569,561,168	(177,853,952)	1,493,958,799
Net other comprehensive income not to be reclassified				
to profit or loss in subsequent periods	(188,924,432)	1,566,013,260	(177,853,952)	1,491,396,554
Other comprehensive income for the year	(190,612,955)	1,552,697,262	(177,853,952)	1,491,396,554
Total comprehensive income for the year	(2,853,600,262)	(873,106,281)	(2,913,563,272)	1,237,188,170
Total comprehensive income attributable to:				
Equity holders of the Company	(2,855,543,791)	(872,970,034)	(2,913,563,272)	1,237,188,170
Non-controlling interests of the subsidiaries	1,943,529	(136,247)	-	-
	(2,853,600,262)	(873,106,281)	(2,913,563,272)	1,237,188,170

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Precious Shipping Public Company Limited and its subsidiaries
For the year ended 31 December 2016

(Unit: Baht)

	Consolidated financial statements										
	Equity attributable to owners of the Company										
				Retained earnings				Other components of shareholders' equity - other comprehensive income			
				Appropriated							
	Issued and paid-up share capital	Premium on ordinary shares	Premium on treasury stock	Statutory reserve		Corporate social responsibility reserve	Unappropriated	Exchange differences on translation of financial statements	Total equity attributable to owners of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total shareholders' equity
				The Company	Subsidiaries						
Balance as at 1 January 2015	1,039,520,600	411,429,745	172,445,812	103,952,060	523,320,000	16,587,639	13,907,253,962	(889,507,521)	15,285,002,297	(1,148,907)	15,283,853,390
Loss for the year	-	-	-	-	-	-	(2,425,783,474)	-	(2,425,783,474)	(20,069)	(2,425,803,543)
Other comprehensive income for the year	-	-	-	-	-	-	(3,547,908)	1,556,361,348	1,552,813,440	(116,178)	1,552,697,262
Total comprehensive income for the year	-	-	-	-	-	-	(2,429,331,382)	1,556,361,348	(872,970,034)	(136,247)	(873,106,281)
Increase in share capital (Note 24)	519,760,297	1,556,286,848	-	-	-	-	-	-	2,076,047,145	-	2,076,047,145
Increase in non-controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	600	600
Dividend paid to non-controlling interests of the subsidiary	-	-	-	-	-	-	-	-	-	(627,747)	(627,747)
Appropriated to corporate social responsibility reserve (Note 27)	-	-	-	-	-	(237,960)	237,960	-	-	-	-
Balance as at 31 December 2015	1,559,280,897	1,967,716,593	172,445,812	103,952,060	523,320,000	16,349,679	11,478,160,540	666,853,827	16,488,079,408	(1,912,301)	16,486,167,107
Balance as at 1 January 2016	1,559,280,897	1,967,716,593	172,445,812	103,952,060	523,320,000	16,349,679	11,478,160,540	666,853,827	16,488,079,408	(1,912,301)	16,486,167,107
Loss for the year	-	-	-	-	-	-	(2,664,898,734)	-	(2,664,898,734)	1,911,427	(2,662,987,307)
Other comprehensive income for the year	-	-	-	-	-	-	-	(190,645,057)	(190,645,057)	32,102	(190,612,955)
Total comprehensive income for the year	-	-	-	-	-	-	(2,664,898,734)	(190,645,057)	(2,855,543,791)	1,943,529	(2,853,600,262)
Appropriated to corporate social responsibility reserve (Note 27)	-	-	-	-	-	(230,500)	230,500	-	-	-	-
Balance as at 31 December 2016	1,559,280,897	1,967,716,593	172,445,812	103,952,060	523,320,000	16,119,179	8,813,492,306	476,208,770	13,632,535,617	31,228	13,632,566,845

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

Precious Shipping Public Company Limited and its subsidiaries
For the year ended 31 December 2016

(Unit: Baht)

	Separate financial statements							
				Retained earnings			Other components of shareholders' equity - other comprehensive income	
				Appropriated				
	Issued and paid-up share capital	Premium on ordinary shares	Premium on treasury stock	Statutory reserve	Corporate social responsibility reserve	Unappropriated	Exchange differences on translation of financial statements	Total shareholders' equity
Balance as at 1 January 2015	1,039,520,600	411,429,745	172,445,812	103,952,060	16,587,639	11,618,389,129	493,164,910	13,855,489,895
Loss for the year	-	-	-	-	-	(254,208,384)	-	(254,208,384)
Other comprehensive income for the year	-	-	-	-	-	(2,562,245)	1,493,958,799	1,491,396,554
Total comprehensive income for the year	-	-	-	-	-	(256,770,629)	1,493,958,799	1,237,188,170
Increase in share capital (Note 24)	519,760,297	1,556,286,848	-	-	-	-	-	2,076,047,145
Appropriated to corporate social responsibility reserve (Note 27)	-	-	-	-	(237,960)	237,960	-	-
Balance as at 31 December 2015	1,559,280,897	1,967,716,593	172,445,812	103,952,060	16,349,679	11,361,856,460	1,987,123,709	17,168,725,210
Balance as at 1 January 2016	1,559,280,897	1,967,716,593	172,445,812	103,952,060	16,349,679	11,361,856,460	1,987,123,709	17,168,725,210
Loss for the year	-	-	-	-	-	(2,735,709,320)	-	(2,735,709,320)
Other comprehensive income for the year	-	-	-	-	-	-	(177,853,952)	(177,853,952)
Total comprehensive income for the year	-	-	-	-	-	(2,735,709,320)	(177,853,952)	(2,913,563,272)
Appropriated to corporate social responsibility reserve (Note 27)	-	-	-	-	(230,500)	230,500	-	-
Balance as at 31 December 2016	1,559,280,897	1,967,716,593	172,445,812	103,952,060	16,119,179	8,626,377,640	1,809,269,757	14,255,161,938

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

CASH FLOW STATEMENT

Precious Shipping Public Company Limited and its subsidiaries
For the year ended 31 December 2016

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Cash flows from operating activities				
Loss before tax	(2,662,924,831)	(2,424,145,783)	(2,735,709,320)	(254,208,384)
Adjustments to reconcile loss before tax				
to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	1,367,223,477	1,506,180,785	3,321,524	3,480,570
Bad debt and doubtful accounts	25,022,204	6,330,760	32,885,487	-
Write-off equipment	21	102,046	21	102,046
Losses (gains) on sales of vessels and equipment	679,890,697	278,187,849	(394,616)	(845,459)
Loss on impairment of assets	566,558,861	840,771,294	-	-
Loss on impairment of investments in subsidiaries	-	-	2,205,262,526	-
Gains on cancellation of shipbuilding contracts	(2,851,210)	-	(2,851,210)	-
Gain on disposal of current investment	-	(5,117,873)	-	-
Write-off deferred financial fees	182,252,939	4,211,396	182,252,939	4,211,396
Amortisation of deferred contract costs	20,007,429	19,307,157	-	-
Share of profit from investment in associate				
held by a subsidiary	(3,287,595)	(8,242,996)	-	-
Provision for maritime claims (reversal)	(5,219,799)	14,856,874	-	-
Provision for long-term employee benefits	9,025,730	5,832,868	7,794,236	5,499,505
Unrealised exchange gains	(73,401,759)	(3,612,102)	(72,805,683)	(5,368,043)
Amortised financial fees to interest expenses	80,635,697	71,852,060	-	-
Interest expense	691,764,498	477,817,291	206,844,982	-
Amortisation of deferred debentures issuing cost	4,088,071	-	4,088,071	-
Interest income	(39,725,191)	-	(39,725,191)	-
Profit (loss) from operating activities before				
changes in operating assets and liabilities	839,059,239	784,331,626	(209,036,234)	(247,128,369)
Operating assets (increase) decrease				
Trade and other receivables	14,657,819	154,374,769	(2,100,998,340)	(1,530,146,202)
Bunker oil	70,149,988	(23,192,399)	-	-
Other current assets	(24,915,996)	33,826,456	2,465,457	(3,999,138)
Other non-current assets	45,228	(3,602,776)	-	-
Operating liabilities increase (decrease)				
Trade and other payables	(157,434,757)	81,097,207	343,727,076	(124,653,476)
Advances received from charterers	(30,506,343)	24,217,286	-	-
Other current liabilities	(7,424,338)	2,158,781	1,504,505	805,115
Non-current liabilities	(7,045,138)	(186,772)	(2,585,366)	-
Cash flows from (used in) operating activities	696,585,702	1,053,024,178	(1,964,922,902)	(1,905,122,070)
Cash paid for corporate income tax and				
withholding tax deducted at source	(3,315,981)	(7,251,571)	(2,127,536)	(1,988,543)
Net cash flows from (used in) operating activities	693,269,721	1,045,772,607	(1,967,050,438)	(1,907,110,613)

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

CASH FLOW STATEMENT (CONTINUED)

Precious Shipping Public Company Limited and its subsidiaries
For the year ended 31 December 2016

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Cash flows from investing activities				
Cash received from disposal of current investment	-	5,117,873	-	-
Acquisitions of vessels and equipment and payment of dry-dock and special survey expenses	(1,449,036,088)	(2,884,984,975)	(1,304,541)	(3,440,786)
Cash received from sales of vessels and equipment	681,670,982	124,345,011	404,333	845,500
Cash paid for advances for vessel constructions and other direct costs	(1,240,457,102)	(1,536,637,858)	(1,218,133,883)	(1,523,840,105)
Cash received from amendment/cancellation of shipbuilding contracts	697,927,302	428,898,424	697,927,302	428,898,424
Cash paid for other long-term investment	-	(5,065,215)	-	(5,065,215)
Cash paid for investments in subsidiaries	-	-	(785,600,000)	(2,999,400)
Cash received from non-controlling interests of subsidiaries	-	600	-	35
Decrease in short-term loans to a subsidiary	-	-	145,893,300	104,161,920
Cash received from unsecured corporate loan	504,231,180	288,708,800	504,231,180	288,708,800
Dividend received from associate held by a subsidiary	-	18,506,246	-	-
Net cash flows used in investing activities	(805,663,726)	(3,561,111,094)	(656,582,309)	(712,730,827)
Cash flows from financing activities				
Decrease (increase) in restricted bank deposits	489,422,535	(897,335,050)	-	-
Cash paid for interest expense and commitment fee	(645,511,684)	(493,844,112)	(160,592,167)	(15,948,289)
Cash paid for deferred financial fees	(27,552,650)	(126,200,855)	(27,552,650)	(126,172,834)
Cash received from long-term loans	1,366,616,419	2,874,319,731	-	629,322,567
Repayment of long-term loans	(1,544,183,384)	(1,047,978,566)	(599,466,438)	(112,009,690)
Prepayment of long-term loans	(2,810,654,508)	(125,145,493)	-	-
Cash received from share capital increase	-	2,076,047,145	-	2,076,047,145
Cash received from debentures	5,527,759,452	-	5,527,759,452	-
Dividend paid to non-controlling interests of the subsidiary	-	(627,747)	-	-
Net cash flows from financing activities	2,355,896,180	2,259,235,053	4,740,148,197	2,451,238,899
Increase (decrease) in translation adjustments	(20,699,534)	174,609,555	(23,628,708)	136,888,110
Net increase (decrease) in cash and cash equivalents	2,222,802,641	(81,493,879)	2,092,886,742	(31,714,431)
Cash and cash equivalents at beginning of year	453,507,794	535,001,673	52,362,535	84,076,966
Cash and cash equivalents at end of year	2,676,310,435	453,507,794	2,145,249,277	52,362,535

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

CASH FLOW STATEMENT (CONTINUED)

Precious Shipping Public Company Limited and its subsidiaries
For the year ended 31 December 2016

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Supplemental cash flows information				
Non-cash transactions				
Transfer of interest expenses and commitment fee to advances for vessel constructions	1,239,929	16,249,398	1,239,929	16,170,867
Amortisation of financial fees to advances for vessel constructions	206,197	2,785,226	206,197	2,785,226
Transfer of deferred financial fees to present as a deduction from long-term loans	50,601,901	39,643,477	-	4,438,429
Transfer of deferred financial fees to subsidiaries in proportion to the drawdown amount	-	-	50,601,901	31,980,881
Transfer of advances for vessel constructions to vessel and equipment of subsidiaries	2,268,025,928	982,442,243	2,242,280,951	634,595,827
Actuarial loss	-	3,547,908	-	2,562,245
Conversion of short-term loan to subsidiary to long-term loan to subsidiaries	-	-	1,525,971,100	-
Conversion of advance receivable from subsidiary to long-term loan to subsidiaries	-	-	3,619,745,400	-

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Precious Shipping Public Company Limited and its subsidiaries
For the year ended 31 December 2016

1. General 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 Thai Financial Reporting 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 US Dollar. 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 and the following subsidiaries and associate ("the Group").

Company's name	Nature of business	Country of incorporation	Percentage directly and indirectly owned by the Company	
			2016	2015
			%	%
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
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. Precious Moons Limited	Shipowner	Thailand	99.98	99.98
36. Precious Venus Limited	Shipowner	Thailand	99.99	99.98
37. Precious Neptune Limited	Shipowner	Thailand	99.99	99.98
38. Nedtex Limited	Bulk storage barges**	Thailand	69.99	69.99
39. Precious Storage Terminals Limited	Bulk storage barges**	Thailand	69.99	69.99

Company's name	Nature of business	Country of incorporation	Percentage directly and indirectly owned by the Company	
			2016	2015
			%	%
40. Thebes Pte. Limited	Maritime Business*	Singapore	100.00	100.00
41. Precious Shipping (Panama) S.A.	Shipowner/ Chartering	Panama	99.99	99.99
42. Precious Shipping (Mauritius) Limited	Holding company***	Mauritius	-	100.00
43. Precious Shipping (Singapore) Pte. Limited	Holding company/ Chartering	Singapore	100.00	100.00
44. Precious Shipping (UK) Limited	Chartering	England	100.00	100.00
45. Great Circle Shipping Agency Limited	Technical manager of ships	Thailand	99.99	99.99
46. Associated Bulk Carriers Pte. Limited	Holding company	Singapore	100.00	100.00
Subsidiaries held by subsidiaries				
47. Precious Projects Pte. Limited	Investment holding company	Singapore	100.00	100.00
48. PSL Investments Limited	Holding company***	Mauritius	-	100.00
49. International Lighterage Limited	Holding company***	Mauritius	-	100.00
50. Regidor Pte. Ltd.	Maritime business *	Singapore	100.00	100.00
51. Precious Forests Pte. Ltd.	Shipowner	Singapore	100.00	100.00
52. Precious Fragrance Pte. Ltd.	Shipowner	Singapore	100.00	100.00
53. Precious Thoughts Pte. Ltd.	Shipowner	Singapore	100.00	100.00
54. Precious Comforts Pte. Ltd.	Shipowner	Singapore	100.00	100.00
55. Precious Sparks Pte. Ltd.	Shipowner	Singapore	100.00	100.00
56. Precious Visions Pte. Ltd.	Shipowner	Singapore	100.00	100.00
57. Precious Bridges Pte. Ltd.	Shipowner	Singapore	100.00	100.00
58. Precious Tides Pte. Ltd.	Shipowner	Singapore	100.00	100.00
59. Precious Skies Pte. Ltd.	Shipowner	Singapore	100.00	100.00
60. Precious Grace Pte. Ltd.	Shipowner	Singapore	100.00	100.00
61. Precious Sonnets Pte. Ltd.	Shipowner	Singapore	100.00	100.00
62. Precious Glories Pte. Ltd.	Shipowner	Singapore	100.00	100.00
63. Precious Wisdom Pte. Ltd.	Shipowner	Singapore	100.00	100.00
64. ABC One Pte. Ltd.	Shipowner	Singapore	100.00	100.00
65. ABC Two Pte. Ltd.	Shipowner	Singapore	100.00	100.00
66. ABC Three Pte. Ltd.	Shipowner	Singapore	100.00	100.00
67. ABC Four Pte. Ltd.	Shipowner	Singapore	100.00	100.00
Associate held by a subsidiary				
68. International Seaports (Haldia) Private Limited	Berth construction and development	India	22.40	22.40

*Business suspended

**Under liquidation process

***Completed the liquidation process in the year 2016

b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.

c) 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.

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.

d) The financial statements of the subsidiaries 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 associate 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.

e) The financial statements of all subsidiaries and associate 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.

f) 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.

g) 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 income statement and within equity in the consolidated statement of financial position.

2.3 The separate financial statements present investments in subsidiaries under the cost method.

3. New financial reporting standards

(a) Financial reporting standards that became effective in the current year

During the year, the Company and subsidiaries have adopted the revised (revised 2015) and new financial reporting standards and accounting treatment guidance issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company and its subsidiaries' financial statements.

(b) Financial reporting standard that will become effective in the future

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2016) which is effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards.

The management of the Company and its subsidiaries believe that the revised and new financial reporting standards and interpretations will not have any significant impact on the financial statements when they are initially applied. However, one standard involves changes to key principles, which are summarised below.

TAS 27 (revised 2016) Separate Financial Statements

This revised standard stipulates an additional option to account for investments in subsidiaries, joint ventures and associates in separate financial statements under the equity method, as described in TAS 28 (revised 2016) Investments in Associates and Joint Ventures. However, the entity is to apply the same accounting treatment for each category of investment. If an entity elects to account for such investments using the equity method in the separate financial statements, it has to adjust the transaction retrospectively.

This standard will not have any significant impact on the Company and its subsidiaries' financial statements because the management has decided to continue accounting for such investments under the cost method in the separate financial statements.

4. Significant accounting policies

4.1 Revenue and expense recognition

Vessel operating income

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

Rendering of services

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

Interest income

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

Dividend received

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

4.2 Cash and cash equivalents

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

4.3 Trade accounts receivable

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

4.4 Bunker oil

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

4.5 Investments

a) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for impairment loss (if any).

b) Investment in associate is accounted for in the consolidated financial statements using the equity method.

c) Investments in subsidiaries 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 the income statement. If the Company disposes only part of the investment, the carrying value per share used to calculate the cost of the portion sold is determined using the weighted average method.

4.6 Property, plant and equipment/Depreciation

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	25 years and 5 years, respectively
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 asset under construction.

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

4.7 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.

4.8 Intangible assets and amortisation

Intangible assets are carried at cost less accumulated amortisation and 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 the income statement.

The estimated useful lives of computer software are 5 years and 10 years.

4.9 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.

4.10 Deferred contract costs

The delay penalties, which the Group paid to the charterer of Cement Carriers before delivery of the vessels in order to maintain respective long-term time charter contracts, are recorded as deferred contract costs and amortised on a straight-line basis over the committed term of the charter under the contract, which is 15 years. The vessel operating income is presented net of this amortisation in the income statement.

4.11 Related party transactions

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

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

4.12 Long-term leases

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

4.13 Foreign currencies

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. Items of each entity included in the consolidated financial statements are measured using the functional currency of that entity.

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 the income statement.

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 statement 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 the income statement.

4.14 Impairment of assets

At the end of each reporting period, the Group performs impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Group could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in the income statement.

4.15 Employee benefits

a) Short-term employee benefits

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

b) Post-employment benefits and other long-term employee benefits

Defined contribution plans

The Company and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company. The fund's assets are held in a separate trust fund and the Company's contributions are recognised as expenses when incurred.

Defined benefit plans

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income.

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 the income statement.

d) Termination benefits

The Group recognised 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.

4.16 Provisions

Provisions are recognised when the Group has 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 the income statement 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.

4.17 Income tax

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

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

Deferred tax

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Group recognised deferred tax liabilities for all taxable temporary differences while it recognised deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Group reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Group records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

4.18 Premium on treasury stock

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

4.19 Derivatives

Cross currency swap contracts

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

Interest rate swap contracts

The net amount of interest to be received from or paid to the counterparty under an interest rate swap contract is recognised as income or expenses on an accrual basis.

4.20 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company and its subsidiaries apply a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company and its subsidiaries measure fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company and its subsidiaries determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

5. Significant accounting judgments and estimates

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

Allowance for doubtful accounts

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

Fair value of financial instruments

In determining the fair value of financial instruments recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercise judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk (bank and counterparty, both) liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value recognised in the statement of financial position.

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.

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.

6. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Cash	1,102	752	1,090	740
Bank deposits	2,675,208	452,756	2,144,159	51,623
Total	2,676,310	453,508	2,145,249	52,363

As at 31 December 2016, bank deposits carried interest between 0.00% and 0.30% per annum for USD savings deposits and between 0.37% and 0.38% per annum for Baht savings deposits (2015: between 0.04% and 0.30% per annum for USD savings deposits and between 0.37% and 0.38% per annum for Baht savings deposits).

7. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Trade receivables - unrelated parties				
Aged on the basis of invoice date				
Past due				
Up to 3 months	137,420	152,798	-	-
3 - 6 months	2,571	2,339	-	-
6 - 12 months	4	25,621	-	-
Over 12 months	24,560	23	-	-
Total	164,555	180,781	-	-
Less: Allowance for doubtful debts	(24,560)	(23)	-	-
Total trade receivables - unrelated parties, net	139,995	180,758	-	-
Other receivables - unrelated parties				
Receivable from sales of vessel (Note 15)	-	60,194	-	-
Other receivables - related parties				
Advances to related parties (Note 8)	-	-	4,629,332	3,886,261
Total other receivables	-	60,194	4,629,332	3,886,261
Total trade and other receivables - net	139,995	240,952	4,629,332	3,886,261

8. Related party transactions

In addition to relationship between the Company and its subsidiaries as stated in Note 9, 11 and 12 to the financial statements and its associate as stated in Note 13 to the financial statements, the other related party transactions and relationship are summarised below.

Related party's name	Transaction	Relationship
Globex Corporation Limited	None	Major shareholder holding 28.40% 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
Maestro Controls Limited	Air-conditioning service expenses	Related by way of common shareholders and directors
Maxwin Builders Limited	Hotel service and management service 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 in the related party until 18 September 2015

During the years, the Group 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		
	2016	2015	2016	2015	Transfer pricing policy
Transactions with subsidiaries					
(Eliminated from consolidated financial statements)					
Service income - management fees	-	-	77,040	85,314	Fixed rate per vessel per day set with reference to the administrative cost of the Company
Service income - commission from vessel sales	-	-	19,560	5,912	3% of vessels' selling price
Condominium rental expenses	-	-	7,009	7,699	Market price
Sales of new building vessels (as part of advances for vessel construction and other direct cost)	-	-	2,242,281	634,596	At cost
Transaction with associate					
Dividend received	-	18,506	-	-	As declared
Transactions with related companies					
Air ticket expenses	6,605	8,578	1,700	2,213	Market price
Rental and service expenses	5,963	6,856	4,026	5,240	Market price
Computer purchases	-	1,080	-	746	Market price

The balances of the accounts as at 31 December 2016 and 2015 between the Company and those related parties are as follows.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Other receivables - related parties (Note 7)				
Subsidiaries	-	-	4,629,332	3,886,261
Total other receivables - related parties	-	-	4,629,332	3,886,261
Trade and other payables - related parties				
Subsidiaries	-	-	1,739,800	1,381,956
Related companies	215	1,986	69	1,043
Total trade and other payables - related parties	215	1,986	1,739,869	1,382,999

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

Directors and management's benefits

During the years ended 31 December 2016 and 2015, the Group had employee benefit expenses of their directors and management as below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Short-term employee benefits	85,808	95,206	76,981	88,421
Post-employment benefits	2,389	1,321	2,103	1,318
Total	88,197	96,527	79,084	89,739

Guarantee obligations with related parties

The Company has outstanding guarantee obligations with its subsidiaries in relation to the loans from banks. There was no guarantee fee charged.

9. Short-term loan to a subsidiary

As at 31 December 2015, short-term loan to a wholly owned subsidiary, Precious Shipping (Singapore) Pte. Limited ("PSSP"), was in the form of a promissory note in US Dollar, amounting to USD 47.20 million (2016: None), which carried interest at the rate of 0.40% per annum until 31 March 2014, and bearing no interest after 31 March 2014, and are due at call.

On 30 December 2016, the Company has executed an agreement to extend the period of repayment of this promissory note to 3 years, therefore the amounts are converted to long-term loans to subsidiary as presented in Note 11 to financial statements.

Movements in the balance of the loans during the year were as follows.

(Unit: Thousand Baht)

	Separate financial statements	
	2016	2015
Balance at beginning of year	1,703,382	1,661,335
Decrease	(145,894)	(104,162)
Convert to long-term loan to subsidiary	(1,525,971)	-
Translation adjustment	(31,517)	146,209
Balance at end of year	-	1,703,382

10. Restricted bank deposits

As at 31 December 2016, the Group placed deposits at banks of USD 10.91 million (or equivalent Baht 390.99 million) as cash collateral for 3 loan facilities as mentioned in Note 20 to the financial statements (31 December 2015: USD 24.86 million (or equivalent Baht 897.34 million)).

11. Long-term loans to subsidiaries

Long-term loans to subsidiaries consisted of the following.

1) As at 31 December 2016, long-term loans to a wholly owned subsidiary, Associated Bulk Carriers Pte. Limited ("ABC Company"), are in the form of promissory notes amounting to USD 9.70 million (2015: USD 9.70 million), bearing no interest and are due at call. The Company does not intend to call for the loans repayment in the foreseeable future; therefore, the loans are classified as long-term loans.

   The above loan was made available by the Company to enable 4 subsidiaries of ABC Company per details below to pay the installments due to China Shipbuilding & Offshore International Co., Ltd. and Shanhaiguan New Shipbuilding Industry Co., Ltd., China, per respective Shipbuilding Contracts.

Subsidiaries' name	Shipbuilding Contract date
ABC Two Pte. Limited	5 December 2012
ABC Three Pte. Limited	5 December 2012
ABC Four Pte. Limited	3 April 2013
ABC One Pte. Limited	30 August 2013

2) On 30 December 2016, the Company has executed an agreement to extend the period of repayment of advance receivables and short-term loan to PSSP amounting to USD 145 million to 3 years.

Movements in the balance of the loans during the year were as follows.

(Unit: Thousand Baht)

	Separate financial statements	
	2016	2015
Balance at beginning of the year	350,132	319,807
Convert from advance receivables	3,619,746	-
Convert from short-term loans to subsidiary	1,525,971	-
Translation adjustment	47,232	30,325
Balance at end of the year	5,543,081	350,132

12. Investments in subsidiaries

These represent investments in ordinary shares in the following subsidiaries.

(Unit: Thousand Baht)

Subsidiaries' name	Separate financial statements					
	Paid-up capital		Shareholding percentage		Cost	
	2016	2015	2016	2015	2016	2015
			%	%		
Precious Metals Limited	275,000	275,000	99.99	99.99	379,650	382,383
Precious Wishes Limited	230,000	230,000	99.99	99.99	323,178	325,505
Precious Stones Shipping Limited	260,000	260,000	99.99	99.99	301,889	304,062
Precious Minerals Limited	230,000	230,000	99.99	99.99	274,516	276,492
Precious Lands Limited	306,000	306,000	99.99	99.99	347,421	349,922
Precious Rivers Limited	234,000	234,000	99.99	99.99	228,347	229,990
Precious Lakes Limited	184,000	184,000	99.99	99.99	200,379	201,821
Precious Seas Limited	100,000	100,000	99.99	99.99	140,512	141,524
Precious Stars Limited	105,000	105,000	99.99	99.99	147,538	148,600
Precious Oceans Limited	175,000	175,000	99.99	99.99	245,896	247,666
Precious Planets Limited	270,000	270,000	99.99	99.99	333,422	335,822
Precious Diamonds Limited	205,000	205,000	99.99	99.99	208,746	210,248
Precious Sapphires Limited	144,000	144,000	99.99	99.99	141,624	142,644
Precious Emeralds Limited	366,000	366,000	99.99	99.99	339,594	342,038
Precious Rubies Limited	259,360	259,360	99.99	99.99	283,540	285,581
Precious Opals Limited	249,360	249,360	99.99	99.99	274,446	276,421
Precious Garnets Limited	379,000	379,000	99.99	99.99	350,269	352,790
Precious Pearls Limited	173,000	173,000	99.99	99.99	200,059	201,499
Precious Flowers Limited	336,000	336,000	99.99	99.99	385,729	388,505
Precious Forests Limited	286,000	96,000	99.99	99.99	299,881	107,903
Precious Trees Limited	202,000	202,000	99.99	99.99	234,102	235,787
Precious Ponds Limited	124,000	124,000	99.99	99.99	140,810	141,823
Precious Ventures Limited	202,000	202,000	99.99	99.99	253,930	255,758
Precious Capitals Limited	200,000	200,000	99.99	99.99	281,025	283,047
Precious Jasmines Limited	147,000	147,000	99.99	99.99	190,926	192,300
Precious Orchids Limited	217,000	217,000	99.99	99.99	215,753	217,306
Precious Lagoons Limited	140,000	140,000	99.99	99.99	196,717	198,133
Precious Cliffs Limited	140,000	140,000	99.99	99.99	196,717	198,133
Precious Hills Limited	140,000	140,000	99.99	99.99	196,717	198,133
Precious Mountains Limited	140,000	140,000	99.99	99.99	196,717	198,133
Precious Resorts Limited	140,000	140,000	99.99	99.99	196,717	198,133
Precious Cities Limited	170,000	170,000	99.99	99.99	223,692	225,303
Precious Comets Limited	141,000	141,000	99.99	99.99	149,561	150,637
Precious Ornaments Limited	156,000	156,000	99.99	99.99	164,145	165,326
Precious Moons Limited	1,000	1,000	99.98	99.98	1,094	1,102
Precious Venus Limited	298,800	1,000	99.99	99.98	303,824	1,019
Precious Neptune Limited	298,800	1,000	99.99	99.98	303,824	1,019
Nedtex Limited	2,500	2,500	69.99	69.99	911	917

(Unit: Thousand Baht)

Subsidiaries' name	Separate financial statements					
	Paid-up capital		Shareholding percentage		Cost	
	2016	2015	2016	2015	2016	2015
Precious Storage Terminals Limited	6,000	6,000	69.99	69.99	5,901	5,943
Thebes Pte. Limited	0.0365	0.0365	100.00	100.00	-	-
Precious Shipping (Panama) S.A.	250	250	99.99	99.99	358	361
Precious Shipping (Mauritius) Limited	-	250	-	100.00	-	361
Precious Shipping (Singapore) Pte. Limited	363,338	363,338	100.00	100.00	375,883	378,589
Precious Shipping (UK) Limited	250	250	100.00	100.00	358	361
Great Circle Shipping Agency Limited	210,000	210,000	99.99	99.99	388,555	391,351
Associated Bulk Carries Pte. Limited	0.0664	0.0664	100.00	100.00	-	-
Total investments in subsidiaries					9,624,873	8,890,391
Less: Allowance for loss on investments in subsidiaries					(2,233,389)	(7,222)
Total investments in subsidiaries - net					7,391,484	8,883,169

As at 31 December 2016, the Company has pledged the shares of 31 subsidiaries amounting to Baht 6,249.90 million (net of allowance for loss on investments) (2015: 34 subsidiaries amounting to Baht 8,392.82 million), stated under the cost method, with banks to secure the long-term loans referred to in Note 20 to the financial statements.

The change in cost of investments in subsidiaries other than the changes below in the investments is from the exchange differences on translation of financial statements from functional currency to presentation currency.

There were changes in cost of investments in subsidiaries as below.

2016

1. During the year 2016, the Company invested in newly issued ordinary shares of subsidiaries as detailed below.

Subsidiaries' name	New ordinary shares			
	Date	Par value	No. of shares	Total value
		(Baht)	(Million Shares)	(Million Baht)
Precious Venus Limited	19 April 2016	100.00	2.98	297.80
Precious Neptune Limited	19 April 2016	100.00	2.98	297.80
Precious Forests Limited	14 December 2016	100.00	1.90	190.00

2. On 23 June 2016, the meeting of the Extraordinary General Meeting of Precious Shipping (Mauritius) Limited approved the voluntary winding up of the company since it is not making any further investments and has no intention to carry on its activities. Subsequently, on 26 December 2016, Precious Shipping (Mauritius) Limited has completed its liquidation process.

3. On 11 October 2016 and 22 November 2016, PSL Investments Limited and International Lighterage Limited, the Company's subsidiaries in Mauritius have now completed their liquidation processes, respectively.

4. On 13 December 2016, the Extraordinary General Meeting of Nedtex Ltd. and Precious Storage Terminal Ltd. passed the resolutions to close the companies due to absence of any operations.

5. The allowance for loss on investments in subsidiaries in the separate financial statements applied for the subsidiaries which sold their vessels during the years 2015 - 2016 and have no recent plan for the replacements was USD 62.14 million (or approximately Baht 2,226.58 million).

2015

1. PSL Thun Shipping Pte. Ltd., one of the Precious Shipping (Singapore) Pte. Ltd. ("Precious Singapore") has completed its dissolution process on 24 November 2015 and returned of all capital invested to Precious Singapore.

2. The Company incorporated 3 subsidiaries in order to take delivery and own the vessels that were ordered by the Company from a shipyard in China as detailed below.

	New ordinary shares			
Subsidiary's name	Date	Par value	No. of shares	Total value
		(Baht)	(Shares)	(Thousand Baht)
Precious Moons Limited	9 February 2015	100.00	9,998	999.80
Precious Venus Limited	18 September 2015	100.00	9,998	999.80
Precious Neptune Limited	18 September 2015	100.00	9,998	999.80

3. In addition, Precious Shipping (Singapore) Pte. Limited incorporated 4 subsidiaries, as detailed below.

Company's name	Nature of business	Country of incorporation	Percentage indirectly owned by the Company
Subsidiaries held by Precious Shipping (Singapore) Pte. Limited			
1. Precious Grace Pte. Ltd.	Shipowner	Singapore	100.00
2. Precious Sonnets Pte. Ltd.	Shipowner	Singapore	100.00
3. Precious Glories Pte. Ltd.	Shipowner	Singapore	100.00
4. Precious Wisdom Pte. Ltd.	Shipowner	Singapore	100.00

4. On 18 March 2015, the Company sold 1 share of Precious Projects Pte. Limited ("Precious Projects") to Precious Shipping (Singapore) Pte. Limited ("Precious Singapore"), another subsidiary of the Company, at a price of USD 1.00 per share, totaling USD 1.00. The change of ownership does not affect the Group's holding in Precious Projects, which is unchanged at 100.00%. This transaction was approved by the Executive Board of Directors' Meeting of the Company on 17 March 2015 and Directors' Resolutions of Precious Singapore on 18 March 2015. The transaction is considered as sales of investment under common control of the Group.

13. Investment in associate held by a subsidiary

13.1 Details of associate held by a subsidiary

(Unit: Thousand Baht)

			Consolidated financial statements					
			Shareholding percentage		Cost		Carrying amounts based on equity method	
Associate's name	Nature of business	Country of incorporation	2016	2015	2016	2015	2016	2015
			%	%				
International Seaports (Haldia) Private Limited	Berth construction and development	India	22.40	22.40	73,010	73,536	86,237	85,676

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

(Unit: Thousand Baht)

Associate's name	Consolidated financial statements			
	For the years ended 31 December			
	Share of profit from investment in associate held by a subsidiary		Dividend received from associate held by a subsidiary	
	2016	2015	2016	2015
International Seaports (Haldia) Private Limited	3,288	8,243	-	18,506

Share of profit from investment in associate held by a subsidiary for the years ended 31 December 2016 and 2015, included in the consolidated income statements, was calculated based on the financial information of that associate as at 30 September 2016 and 2015, respectively.

13.2 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	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	Thousand INR	Thousand INR								
International Seaports (Haldia) Private Limited	440,580	440,580	426,321	422,154	41,335	39,670	363,377	458,576	14,679	36,799

14. Other long-term investment

On 30 June 2015, the Company paid an additional called portion of 2,026,086 ordinary shares of Baht 2.50 each amounting to Baht 5.06 million in TMN Company Limited. As a result, as at 31 December 2015, the Company paid up Baht 10.00 per share, or a total of Baht 20.26 million, representing 3% of total issued and paid-up share capital.

The change in cost of other long-term investment, other than the above, is from the exchange differences on translation of financial statements from functional currency to presentation currency.

15. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated financial statements							
		Vessels and equipment			Furniture,			
	Condominium units	Vessels and equipment	Dry-dock and special survey expenses	Total	fixtures and office equipment	Motor vehicles	Leasehold improvement	Total
Cost								
1 January 2016	264,707	34,478,634	816,181	35,294,815	65,526	15,408	15,502	35,655,958
Acquisitions/transfer in	3,491	3,605,535	105,383	3,710,918	46	1,265	1,342	3,717,062
Disposals/transfer out/write-off	-	(7,761,335)	(516,091)	(8,277,426)	(908)	(1,613)	-	(8,279,947)
Translation adjustment	(1,806)	(338,002)	(12,026)	(350,028)	(478)	(114)	(83)	(352,509)
31 December 2016	266,392	29,984,832	393,447	30,378,279	64,186	14,946	16,761	30,740,564
Accumulated depreciation								
1 January 2016	242,234	8,750,923	398,488	9,149,411	62,629	11,760	13,945	9,479,979
Depreciation for the year	557	1,145,301	217,403	1,362,704	1,192	1,184	758	1,366,395
Depreciation on disposals/transfer out/ write-off	-	(5,332,590)	(408,832)	(5,741,422)	(898)	(1,613)	-	(5,743,933)
Translation adjustment	(1,722)	(148,414)	(5,923)	(154,337)	(440)	(81)	(86)	(156,666)
31 December 2016	241,069	4,415,220	201,136	4,616,356	62,483	11,250	14,617	4,945,775
Allowance for impairment loss								
1 January 2016	-	846,089	-	846,089	-	-	-	846,089
Increase during the year	-	561,408	5,151	566,559	-	-	-	566,559
Disposals/transfer out/write-off	-	(1,268,055)	(4,113)	(1,272,168)	-	-	-	(1,272,168)
Translation adjustment	-	(17,338)	123	(17,215)	-	-	-	(17,215)
31 December 2016	-	122,104	1,161	123,265	-	-	-	123,265
Net book value								
1 January 2016	22,473	24,881,622	417,693	25,299,315	2,897	3,648	1,557	25,329,890
31 December 2016	25,323	25,447,508	191,150	25,638,658	1,703	3,696	2,144	25,671,524
Depreciation for the year								
2016								1,366,395

(Unit: Thousand Baht)

	Consolidated financial statements							
		Vessels and equipment			Furniture,			
	Condominium units	Vessels and equipment	Dry-dock and special survey expenses	Total	fixtures and office equipment	Motor vehicles	Leasehold improvement	Total
Cost								
1 January 2015	238,371	29,418,730	675,490	30,094,220	59,703	14,316	13,734	30,420,344
Acquisitions/transfer in	3,595	3,479,623	379,842	3,859,465	839	3,108	420	3,867,427
Disposals/transfer out/write-off	-	(1,331,401)	(305,018)	(1,636,419)	(702)	(3,372)	-	(1,640,493)
Translation adjustment	22,741	2,911,682	65,867	2,977,549	5,686	1,356	1,348	3,008,680
31 December 2015	264,707	34,478,634	816,181	35,294,815	65,526	15,408	15,502	35,655,958
Accumulated depreciation								
1 January 2015	220,898	7,667,321	379,896	8,047,217	55,983	13,148	12,173	8,349,419
Depreciation for the year	376	1,207,361	294,281	1,501,642	1,861	735	590	1,505,204
Depreciation on disposals/transfer out/ write-off	-	(876,280)	(304,896)	(1,181,176)	(600)	(3,372)	-	(1,185,148)
Translation adjustment	20,960	752,521	29,207	781,728	5,385	1,249	1,182	810,504
31 December 2015	242,234	8,750,923	398,488	9,149,411	62,629	11,760	13,945	9,479,979
Allowance for impairment loss								
1 January 2015	-	-	-	-	-	-	-	-
Increase during the year	-	840,771	-	840,771	-	-	-	840,771
Translation adjustment	-	5,318	-	5,318	-	-	-	5,318
31 December 2015	-	846,089	-	846,089	-	-	-	846,089
Net book value								
1 January 2015	17,473	21,751,409	295,594	22,047,003	3,720	1,168	1,561	22,070,925
31 December 2015	22,473	24,881,622	417,693	25,299,315	2,897	3,648	1,557	25,329,890
Depreciation for the year								
2015								1,505,204

(Unit: Thousand Baht)

	Separate financial statements			
	Furniture, fixtures and office equipment	Motor vehicles	Leasehold improvement	Total
Cost				
1 January 2016	28,686	13,902	11,801	54,389
Acquisitions/transfer in	40	1,265	-	1,305
Disposals/transfer out/write-off	(908)	(1,613)	-	(2,521)
Translation adjustment	(216)	(103)	(84)	(403)
31 December 2016	27,602	13,451	11,717	52,770
Accumulated depreciation				
1 January 2016	26,371	10,488	10,844	47,703
Depreciation for the year	1,001	956	543	2,500
Depreciation on disposals/ transfer out/write-off	(899)	(1,613)	-	(2,512)
Translation adjustment	(183)	(76)	(69)	(328)
31 December 2016	26,290	9,755	11,318	47,363
Net book value				
1 January 2016	2,315	3,414	957	6,686
31 December 2016	1,312	3,696	399	5,407
Depreciation for the year				
2016				2,500

(Unit: Thousand Baht)

	Separate financial statements			
	Furniture, fixtures and office equipment	Motor vehicles	Leasehold improvement	Total
Cost				
1 January 2015	26,561	12,941	10,780	50,282
Acquisitions/transfer in	332	3,108	-	3,440
Disposals/transfer out/write-off	(702)	(3,372)	-	(4,074)
Translation adjustment	2,495	1,225	1,021	4,741
31 December 2015	28,686	13,902	11,801	54,389
Accumulated depreciation				
1 January 2015	23,175	12,262	9,397	44,834
Depreciation for the year	1,540	448	530	2,518
Depreciation on disposals/ transfer out/write-off	(600)	(3,372)	-	(3,972)
Translation adjustment	2,256	1,150	917	4,323
31 December 2015	26,371	10,488	10,844	47,703
Net book value				
1 January 2015	3,386	679	1,383	5,448
31 December 2015	2,315	3,414	957	6,686
Depreciation for the year				
2015				2,518

During the current year, local subsidiaries have sold and delivered 13 vessels (2015: 3 vessels) and had losses on sales of vessels totaling USD 19.34 million (or approximately Baht 680.29 million) (2015: USD 7.81 million (or approximately Baht 279.03 million)) as presented in the consolidated income statement.

As at 31 December 2016, certain condominium units 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 319.86 million (2015: Baht 321.53 million) in the consolidated financial statements and Baht 39.26 million (2015: Baht 41.71 million) in the separate financial statements.

As at 31 December 2016, the subsidiaries have mortgaged 35 vessels (2015: 41 vessels) with net book value of Baht 24,708.39 million (2015: Baht 23,048.68 million) with banks to secure long-term loans as referred to in Note 20 to the financial statements.

As at 31 December 2016, the Group performed impairment reviews in respect of the vessels expected to be sold in 2017 and recorded allowance for impairment loss of USD 3.44 million (or approximately Baht 123.27 million) (31 December 2015: USD 23.45 million (or approximately Baht 840.77 million)) based on fair value (net of direct selling expenses). The Group estimated the fair value of vessels based on an average of latest selling price of vessels sold in the recent past. However, actual results might differ from these estimates depending on the future economic environment and the specific timing of each sale.

16. Intangible assets

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

(Unit: Thousand Baht)

	Consolidated financial statements		Separated financial statements	
	2016	2015	2016	2015
Cost				
Cost at beginning of year	60,523	55,281	60,451	55,215
Translation adjustment	(432)	5,242	(432)	5,236
Cost at end of year	60,091	60,523	60,019	60,451
Accumulated amortisation				
Accumulated amortisation at beginning of year	58,489	52,486	58,423	52,439
Amortisation for the year	828	977	822	963
Translation adjustment	(405)	5,026	(405)	5,021
Accumulated amortisation at end of year	58,912	58,489	58,840	58,423
Net book value as at 31 December	1,179	2,034	1,179	2,028
Amortisation for the year	828	977	822	963

17. Advances for vessel constructions

As at 31 December 2016, the Group has balance of advances for vessel constructions amounting to USD 75.70 million (or approximately Baht 2,712.40 million), which related to the following shipbuilding contracts.

- Two Shipbuilding Contracts with Taizhou Sanfu Ship Engineering Co., Ltd. for hull nos. SF130127 and SF130130, which are under construction. The details of contract price and expected delivery date are mentioned in Note 17.6 (2) and Note 17.7 to the financial statements.
- Nine Shipbuilding Contracts with Sainty Marine Corporation for hull nos. SAM14017B - SAM14023B and SAM14027B - SAM14028B, which are under arbitration process. The details are mentioned in Note 17.8 to the financial statements.

Movements of the advances for vessel constructions account during the years ended 31 December 2016 and 2015 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate Financial statements	
	2016	2015	2016	2015
Balance at beginning of year	4,451,615	4,014,210	4,436,781	3,660,903
Additions	1,137,585	1,326,761	1,137,585	1,326,761
Capitalisation of finance cost	1,240	16,249	1,240	16,171
Amortisation of financial fees	206	2,785	206	2,785
Other direct costs	102,872	112,432	80,549	99,634
Novation/cancellation of shipbuilding contracts	(655,557)	(428,898)	(655,557)	(428,898)
Transfer to cost of vessels and equipment of subsidiaries	(2,268,026)	(982,442)	(2,242,281)	(634,596)
Translation adjustment	(57,534)	390,518	(57,389)	394,021
Balance at end of year	2,712,401	4,451,615	2,701,134	4,436,781

During the year ended 31 December 2016, the amount of borrowing costs capitalised was Baht 1.24 million (2015: Baht 16.25 million) in the consolidated financial statements and Baht 1.24 million (2015: Baht 16.17 million) in the separate financial statements. The weighted average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 2.91% - 3.43% (2015: 2.72% - 3.18%) in the consolidated financial statements and was 2.91% - 3.43% (2015: 2.78% - 3.18%) in the separate financial statements.

During the year 2016 and 2015, there were delivery of vessels and amended/cancelled of shipbuilding contracts as detailed below.

17.1 Delivery of vessels under the Shipbuilding Contracts with China Shipbuilding & Offshore International Co., Ltd. and Shanhaiguan New Shipbuilding Industry Co., Ltd., China

During the year ended 31 December 2015, a cement carrier was completed and delivered to the Company's indirect subsidiary incorporated in Singapore as detailed below.

Delivery date	Subsidiary's name	Hull No.	Cost of vessel construction and other direct costs
6 January 2015	ABC One Pte. Limited	CC200-04	USD 25.55 million (or approximately Baht 831.82 million)

17.2 Delivery of vessel under the Shipbuilding Contract with Shanhaiguan New Shipbuilding Industry Co., Ltd., China

During the year ended 31 December 2016 and 2015, 2 dry bulk vessels were completed and delivered to the Company's 2 indirect subsidiaries incorporated in Singapore as detailed below.

Delivery date	Subsidiary's name	Hull No.	Cost of vessel construction and other direct costs
30 April 2015	Precious Glories Pte. Limited	BC385-11	USD 22.95 million (or approximately Baht 775.30 million)
6 January 2016	Precious Wisdom Pte. Limited	BC385-12	USD 23.02 million (or approximately Baht 811.10 million)

17.3 Delivery of vessel under the Shipbuilding Contract with Taizhou Sanfu Ship Engineering Co., Ltd., China

During the year ended 31 December 2016 and 2015, 3 dry bulk vessels were completed and delivered to 2 local subsidiaries and 1 indirect subsidiary incorporated in Singapore as detailed below.

Delivery date	Subsidiary's name	Hull No.	Cost of vessel construction and other direct costs
27 October 2015	Precious Venus Limited	SF130124	USD 26.69 million (or approximately Baht 963.17 million)
28 October 2015	Precious Neptune Limited	SF130125	USD 26.46 million (or approximately Baht 954.75 million)
7 July 2016	Precious Skies Pte. Limited	SF130126	USD 26.21 million (or approximately Baht 909.43 million)

17.4 Delivery of vessel under the Shipbuilding Contract with Jiangsu Ruihai International Trade Co., Ltd. and Taizhou Sanfu Ship Engineering Co., Ltd., China

During the year ended 31 December 2016, 2 dry bulk vessels were completed and delivered to the Company's 1 indirect subsidiary incorporated in Singapore and 1 local subsidiary as detailed below.

Delivery date	Subsidiary's name	Hull No.	Cost of vessel construction and other direct costs
21 April 2016	Precious Tides Pte. Limited	SF130128	USD 25.99 million (or approximately Baht 914.34 million)
8 October 2016	Precious Forests Limited	SF130129	USD 26.17 million (or approximately Baht 937.78 million)

17.5 Amendments for Shipbuilding Contracts in 2015

Due to certain technical difficulties faced by Taizhou Sanfu Ship Engineering Co., Ltd. ("the Seller") for construction of the 4 Handysize Bulk Carriers, on 30 January 2015, the Company ("the Buyer") and the Seller has signed 4 Amended and Restated Shipbuilding Contracts ("Amending Agreements") which have become effective from 13 March 2015 after the completion of all conditions precedent which included the refund of all installments paid earlier by the Buyer to the Seller for the 4 Handysize Bulk Carriers, amounting to USD 13.18 million. The Amending Agreements have been executed mainly in order to change the orders from construction of the 4 Handysize Bulk Carriers (Hull Nos. SF130120, SF130121, SF130122 and SF130123) to 4 63,345 DWT Ultramax Bulk Carriers ("Vessel" or "Vessels"). However, there is no change in the delivery dates of the Vessels, despite the much larger size of the Ultramax Bulk Carriers.

The main terms of the 4 Amending Agreements are as follows:

Vessel type	4 Dry Bulk Carriers (Ultramax Vessel)
Acquirer	The Company
Seller	Taizhou Sanfu Ship Engineering Co., Ltd., China
Contract price	USD 27.70 million per vessel (USD 110.81 million in aggregate)
Payment terms	The contract price of each vessel will be paid in 5 installments. The first installment of USD 3,294,090 would be payable within 3 banking days after the effective date of the Amending Agreement. The second installment of 15% of contract price with deduction of the first installment (USD 3,294,090), the third installment of 10% of contract price and the fourth installment of 5% of contract price, each of installment would be payable after the submission of a bank guarantee in favor of the Company and relevant milestone certificates. The last installment of 70% of contract price would be payable on delivery.
Expected delivery date	Year 2015 to Year 2016

17.6 Settlement Agreements of the Shipbuilding Contracts

1) On 9 October 2015, the Company and Taizhou Sanfu Ship Engineering Co. Ltd. ("Sanfu") (the Company and Sanfu are jointly referred to as the "Parties") have executed two settlement agreements to capture the terms of the amicable settlements reached between the Parties ("Settlement Agreements") with respect to disputes arising between the Parties in relation to the two shipbuilding contracts dated 20 December 2013 for two 63,345 DWT bulk vessels bearing hull nos. SF130124 and SF130125 (each a "Vessel" and jointly, the "Vessels") executed by and between the Company (as the "Buyer" therein) and Sanfu (as the "Seller" therein; hereinafter referred to as the "Contracts" jointly and "Contract" individually).

The key terms of the Settlement Agreements are as follows:

Dispute	A dispute has arisen between the Parties as to whether the Buyer is entitled to damages (excluding liquidated damages under Article III.3 of the Contract) for breach of the Contract and/or Specifications by reason of the Vessel's fuel oil consumption ("FOC"), and if so, in what amount.
Resolution of the Dispute	The Dispute shall be resolved by joint reference by both Parties to arbitration which will be held in London, England. The Parties agree that only the following questions shall be referred to the appointed arbitrators ("Tribunal") in relation to the Dispute: 1. Whether the Buyer is entitled to damages (excluding liquidated damages under Article III.3 of the Contract) for breach of the Contract and/or specifications related thereto by reason of the Vessel's FOC, and if so, in what amount. 2. What are the legal costs, expenses and disbursements payable by either Party to the other (if any).
New Contract Price & payment terms	The Contract Price is reduced to USD 25,500,000 per Vessel (Previously USD 27,477,500 per Vessel). The conditions regarding payment of the remaining instalments are amended as follows: 1. Addition of New Fourth Instalment of USD 4,000,000 which shall be paid to Sanfu on New Delivery Date, immediately prior to delivery of the Vessel. 2. Amendment of the delivery instalment (New Fifth Instalment) to USD 14,630,625 payable on delivery of each Vessel.
New Delivery Date	The Seller shall deliver the Vessel with full title guarantee and free of any encumbrances and the Buyer (or its nominated subsidiary) shall take delivery of the Vessel bearing Hull No. SF130124 on 27 October 2015 and of the Vessel bearing Hull No. SF130125 on 28 October 2015.
Unsecured Corporate Credit	Upon the receipt of each of the New Fourth Instalments from the Company, Sanfu shall extend to the Company an Unsecured Corporate Credit of USD 4,000,000 per Vessel. The repayment of this Unsecured Corporate Credit shall be conditional upon the Tribunal's award or the order of any competent court on appeal, in the manner set out hereunder. • In the event that the Tribunal's award or the order of any competent court on appeal is in Sanfu's favour and no damages are awarded to the Company, the Company shall repay to Sanfu the Unsecured Corporate Credit within one year of the date of such award or such order (as the case may be), plus interest at the rate of 6.00% per annum from the New Delivery Date to the date of repayment.

	• In the event that the Tribunal's award or the order of any competent court on appeal is in the Company's favour and damages are awarded to the Company, the Company shall, within one year of the date of such award or such order (as the case may be), repay to Sanfu the difference between the Unsecured Corporate Credit and the amount of the damages assessed by the Tribunal or any competent court on appeal, without interest. • Should the sum of damages assessed by the Tribunal or any competent court on appeal to be payable by Sanfu to the Company be equal to or greater than the Unsecured Corporate Credit, neither the Company nor Sanfu shall pay/repay any sums to each other pursuant to the Settlement Agreement in connection with the Dispute which would be considered as closed. • After the repayment has been made as per the terms mentioned above, the Unsecured Corporate Credit shall be considered as fully settled by both Parties and neither of the Parties shall be entitled to any claims in respect of the Unsecured Corporate Credit thereafter.

2) On 31 March 2016, the Company, Taizhou Sanfu Ship Engineering Co. Ltd. ("Sanfu") and Jiangsu Ruihai International Trade Co. Ltd. ("JSRH") (jointly referred to as the "Parties") have executed four settlement agreements ("Settlement Agreements") to capture the terms of the amicable settlements reached between the Parties for the eight shipbuilding contracts ("Contract" or "Contracts") for construction of eight 63,345 DWT bulk carrier vessels bearing hull nos. SF130126 to SF130133 ("Vessel" or "Vessels").The key terms of the Settlement Agreements are as follows:

   - Contract Price for each of Hull Nos. SF130126, SF130127, SF130128 and SF130129 ("Four Remaining Vessels") shall be reduced to USD 25 million per vessel;
   - On delivery date of each of the Four Remaining Vessels, Sanfu and JSRH shall provide the Company an unsecured corporate loan of an amount of USD 6 million per vessel. The repayment of these unsecured corporate loans shall be based on the outcome of the disputes as set out in the two settlement agreements dated 9 October 2015 for Hull Nos. SF130124 and SF130125 in a logical manner; and
   - The advances paid under the four Contracts for Hull Nos. SF130130, SF130131, SF130132 and SF130133 plus interest thereon shall be refunded to the Company by way of the application to the respective final installments payable against delivery of each of the Four Remaining Vessels. After the refunds, the three Contracts for Hull Nos. SF130131, SF130132 and SF130133 will be terminated but one Contract for Hull No. SF130130 will be amended.

On 17 November 2016, the Company and Taizhou Sanfu Ship Engineering Co. Ltd. ("Sanfu") (jointly referred to as the "Parties") have executed the second override settlement agreement for Hull No. SF130127 ("Second Settlement Agreement"). The key terms of the Second Settlement Agreement are as follows:

1. The Parties agreed and fixed the delivery date of SF130127 for between 4 and 7 April 2017 (exact date shall be mutually agreed later).
2. The advance paid under the Contract for Hull No. SF130133 plus interest upto 25 November 2016 to be refunded to the Company and applied as partial repayment of unsecured corporate loan for SF130129. After the refund, the Contract for Hull No. SF130133 to be terminated.
3. On the delivery date of SF130127, the unsecured corporate loan for SF130129 to be reinstated to USD 6 million.

During the year 2016, the Company recorded USD 1.12 million (or approximately Baht 39.72 million) as interest income on outstanding advances paid for Hull nos. SF130130, SF130131, SF130132 and SF130133.

As of 31 December 2016, three contracts for building 3 new vessels with Hull Nos. SF130131, SF130132 and SF130133 were cancelled.

17.7 Amendment for the Shipbuilding Contracts in 2016

On 21 April 2016, the Company and Taizhou Sanfu Ship Engineering Co. Ltd. ("Sanfu") (jointly referred to as the "Parties") executed an amending agreement ("Amending Agreement") in relation to the Shipbuilding Contract dated 20 December 2013 ("Shipbuilding Contract") for construction of one 63,345 DWT Bulk Carrier with Hull No. SF130130 ("Vessel"). The key terms of the Amending Agreement are as follows:

1. Contract Price shall be reduced to USD 18 million. However, the Contract Price will be adjusted as per the market value of the Vessel prior to the actual delivery date. The Parties shall equally share the difference between the market value prevailing at the time of delivery of the Vessel and the Contract Price ("Adjusted Contract Price").
2. Payment terms shall be amended as follows:

   (a) 1st Instalment

   USD 3.51 million shall become due and be paid by the Buyer within five banking days after the Buyer's receipt of a Refund Guarantee to guarantee the refund of the 1st Instalment.

(b) 2nd Instalment

USD 3.60 million shall become due and be paid by the Buyer within five banking days of the later to occur of: (i) the Buyer's receipt of a Refund Guarantee to guarantee the refund of the 2nd Instalment and (ii) the actual delivery date of the vessel with Hull No. SF130129 to be delivered under another shipbuilding contract dated 17 March 2014 between the Company as the Buyer and Sanfu and Jiangsu Ruihai International Trade Co., Ltd., collectively as the Seller.

(c) 3rd Instalment

The Adjusted Contract Price minus the 1st and 2nd Instalments shall become due and payable concurrently with the delivery of the Vessel.

3. Delivery Date shall be amended to not before 10 January 2018.

It may be noted that conditions on 2 (a) need to be fulfilled by both parties on or before 18 October 2016, failing which, the Amending Agreement and the Shipbuilding Contract shall be null and void.

On 17 November 2016, the Parties have executed a Memorandum of Agreement ("MOA") which is effective retroactively from 18 October 2016. The key terms of the MOA are as follows:

1. The Parties agreed to extend the deadline for the fulfilment of certain conditions related to extension of refund guarantee from 18 October 2016 to 30 May 2017.
2. No installments for SF130130 to become due before 1 May 2017.

17.8 Cancellation of the Shipbuilding Contracts

During the year 2016 and 2015, the Company cancelled twelve Shipbuilding Contracts signed with Sainty Marine Corporation, China ("Shipbuilder") on 24 and 26 February 2014 for twelve 64,000 DWT bulk carrier vessels bearing hull nos. SAM14017B - SAM14028B ("Vessels").

Since the Vessels were delayed and not delivered within the maximum period allowed under the Shipbuilding Contracts ("SBCs"), the Company exercised its contractual right and cancelled the SBCs because of the excessive delay in delivery, and claimed refunds along with interest thereon, in accordance with the SBCs.

The Company submitted Letters of Demand to the Guarantor Bank, Export-Import Bank of China, Jiangsu Branch ("CEXIM"), against the Irrevocable Letters of Guarantee provided to the Company by CEXIM in accordance with the SBCs to seek full refund of the abovementioned advances, along with interest thereon. During the year 2016, the Company received the refund of the advances along with interest thereon for three vessels bearing hull nos. SAM14024B, SAM14025B and SAM14026B amounting in aggregate to USD 8.81 million from CEXIM since neither party invoked arbitration in respect of these vessels.

For the vessels for which the Company has received notices of arbitration from the Shipbuilder, as per the terms of the Irrevocable Letters of Guarantee and the SBCs, the refund of the advances to the Company will remain subject to the final arbitration award and the Irrevocable Letters of Guarantee related to these vessels are automatically extended until 90 days after the final arbitration award has been published.

As of 31 December 2016, details of the cancellations of the SBCs by the Company and by the Shipbuilder (under dispute by the Company) (not including the three vessels for which we received the refunds from CEXIM aforesaid) are as follows:

Hull No.	Shipbuilding Contract date	Cancelled by	Date of Cancellation Notice	Date of Notice of Arbitration	Contract Price (Million USD)	Advances Claim (Million USD)
SAM14017B	24 February 2014	The Company	11 September 2015	25 September 2015	27.90	11.16
SAM14018B	24 February 2014	The Company	11 September 2015	25 September 2015	27.90	11.16
SAM14019B	26 February 2014	The Company	16 November 2015	24 November 2015	27.97	11.16
SAM14020B	26 February 2014	The Company	16 November 2015	24 November 2015	27.97	11.16
SAM14021B	26 February 2014	The Company	29 January 2016	3 February 2016	27.97	5.58
SAM14022B	26 February 2014	The Company	29 January 2016	3 February 2016	27.97	5.58
SAM14023B	26 February 2014	The Shipbuilder The Company	15 September 2015 30 March 2016	7 December 2015	27.47	2.74
SAM14027B	26 February 2014	The Shipbuilder The Company	20 November 2015 29 August 2016	6 September 2016	27.97	2.79
SAM14028B	26 February 2014	The Shipbuilder The Company	20 November 2015 29 August 2016	6 September 2016	27.97	2.79
				Total	**251.09**	**64.12**

18. Deferred financial fees

Movements of the deferred financial fees account during the years ended 31 December 2016 and 2015 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Balance at beginning of year	217,542	124,191	217,542	120,954
Additions	18,976	120,517	18,976	120,489
Transfer to present as a deduction against long-term loans	(50,602)	(39,643)	-	(4,438)
Transfer to subsidiaries as a borrower	-	-	(50,602)	(31,981)
Write-off deferred financial fee	(182,253)	(4,211)	(182,253)	(4,211)
Translation adjustment	(3,663)	16,688	(3,663)	16,729
Balance at end of year	-	217,542	-	217,542

During the year 2016, the Group has written off Baht 182.25 million (2015: Baht 4.21 million) in the consolidated financial statements and separate financial statements being a part of the deferred financial fees paid in earlier years due to the prepayment, cancellation, reduction and expiration of loan facilities. The amount of write-off has been estimated on a pro-rata basis to the amount of reduction of the facilities.

19. Deferred contract costs

Movements of the deferred contract costs account during the years ended 31 December 2016 and 2015 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	
	2016	2015
Balance at beginning of year	275,762	266,734
Additions	-	3,574
Amortisation for the period	(20,007)	(19,307)
Translation adjustment	(2,289)	24,761
Balance at end of year	253,466	275,762

20. Long-term loan facilities

As at 31 December 2016 and 2015, 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 3		Facility 4		Facility 5		Facility 6		Facility 8		Facility 9		Facility 10		Facility 1		Facility 2		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Long-term loans	730,946	1,250,929	1,333,476	1,956,291	1,161,807	1,262,852	600,694	651,558	561,367	636,083	2,456,709	2,679,743	938,876	676,804	-	487,196	864,864	-	1,827,640	3,697,409	1,376,214	1,661,346	11,852,593	14,960,211
Add (less): Deferred financial fees	(3,919)	(5,410)	(20,713)	(26,814)	(16,051)	(19,190)	(3,653)	(4,334)	(3,081)	(3,878)	25,197	(9,839)	(18,407)	(10,249)	-	(198)	(36,237)	-	(64,162)	(82,041)	22,596	11,939	(118,430)	(150,014)
Total	727,027	1,245,519	1,312,763	1,929,477	1,145,756	1,243,662	597,041	647,224	558,286	632,205	2,481,906	2,669,904	920,469	666,555	-	486,998	828,627	-	1,763,478	3,615,368	1,398,810	1,673,285	11,734,163	14,810,197
Less: Current portion	-	(110,586)	-	(201,604)	(90,749)	(91,274)	(45,926)	(46,230)	(69,786)	(70,245)	(206,084)	(2,669,904)	(17,567)	(37,780)	-	(486,998)	(56,644)	-	(122,825)	(215,795)	(277,764)	(1,673,285)	(887,345)	(5,603,701)
Long-term loans - net of current portion	727,027	1,134,933	1,312,763	1,727,873	1,055,007	1,152,388	551,115	600,994	488,500	561,960	2,275,822	-	902,902	628,775	-	-	771,983	-	1,640,653	3,399,573	1,121,046	-	10,846,818	9,206,496

(Unit: Thousand Baht)

	Separate financial statements					
	Loan facility for financing the construction and acquisition of new vessels					
	Facility 8		Facility 9		Total	
	2016	2015	2016	2015	2016	2015
Long-term loans	-	120,814	-	487,196	-	608,010
Less: Deferred financial fees	-	(2,062)	-	(198)	-	(2,260)
Total	-	118,752	-	486,998	-	605,750
Less: Current portion	-	-	-	(486,998)	-	(486,998)
Long-term loans - net of current portion	-	118,752	-	-	-	118,752

The details of each loan facility are summarised as follows.

20.1 Loan facilities for financing the construction and acquisition 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 which was to be paid quarterly. 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 with ABG Shipyard Limited and the total loan amount was equivalent to 80% of the aggregate contract prices of the 15 vessels.

During the years 2011 to 2013, the Company drew the loans to finance 3 new vessels amounting to USD 54.50 million. The Company prepaid the loans drawn towards the Pre-delivery facility for financing the new shipbuildings ordered amounting to USD 101.20 million and cancelled the undrawn balance loan facility amounting to USD 242.70 million.

On 16 June 2014, DNB Asia Ltd. (“DNB”) as agent and security agent of the facility approved the amendment of the financial covenant regarding to the maintenance of funded debt to EBITDA ratio from not exceeding 5:1 to be not exceeding 6:1 during 30 June 2014 to 31 December 2016.

The final maturity, repayment and security of the loan facility are summarised as follows.

Facility / Description	Post-delivery facility
Final maturity	10 years from delivery of the first vessel (15 March 2020)
Repayment	Each tranche (aggregate drawings in respect of each vessel) is to be amortised (repaid) in quarterly installments, each equivalent to 1/60th of the post-delivery facility amount, and in a balloon amount equal to the balance under such tranche on final maturity. The first quarterly repayment of each tranche shall commence 3 months after delivery of each respective vessel.
Security	a) 1st priority mortgage over the vessels b) Pledge of the vessel-owning subsidiaries’ shares c) 1st priority assignment of requisition compensation in respect of the vessels d) 1st priority assignment of all insurance proceeds e) 1st 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 6:1;
c) maintenance of a minimum free cash balance of USD 100,000 per vessel owned by the Group.

Following the breach of the security coverage ratio, on 27 July 2015, the borrowers provided a cash collateral of USD 13,449,779 (apart from the vessels already mortgaged as security) to maintain a minimum security coverage ratio of not less than 125% of the aggregate amount outstanding as per loan agreement. Such cash collateral can be released after 90 business days from 27 July 2015 provided that the security coverage ratio exceeds 130% of the aggregate amount outstanding after the release and there is no continuing default.

Further, the Agent has approved the waiver of the testing of the financial covenant regarding the funded debt to EBITDA ratio up to 31 December 2015 or any date to be notified by the agent ("Temporary Waiver Period").

The above approvals have been granted subject to the Company complying with the following conditions:

a) The Company cannot pay any dividends or make any other distributions to any shareholder during the Temporary Waiver Period or thereafter until the borrowers are in compliance with all the covenants within this loan agreement;
b) The Company must submit monthly cashflow forecasts for the next three months until the borrowers are in compliance with all the covenants within this loan agreement.

As of 27 July 2015, the Company complied with the above conditions and the waiver is now effective.

On 31 May 2016, following a further security shortfall and the breach of the Funded Debt to EBITDA covenant, the borrowers made a prepayment of USD 13,251,665 from cash collateral to cure the security shortfall. Out of such prepayment amount, USD 8,463,245 was applied in direct order for 11 repayment installments and the remaining was applied to the balloon repayment.

In light of the above, DNB agreed to the following:

(i) the minimum Security ratio shall remain at 125% for the remainder of the facility period;
(ii) the waiver on testing of the financial covenant regarding the Funded Debt to EBITDA ratio will extend for a further period up to 31 December 2016.

The above approvals have been granted subject to the Company complying with the following conditions:

a) The Company is not allowed to pay dividends or make any other distributions to its shareholders up to such time until the borrowers are in compliance with all the original terms and conditions of this loan agreement, notwithstanding the waivers thereof;

b) The Company must submit monthly cashflow forecasts for the next three months until the borrowers are in compliance with all the covenants within this loan agreement.

The borrowers complied with the above conditions and the waiver is now effective.

Further, on 10 October 2016, DNB notified the borrowers that there was a further security shortfall.

On 7 November 2016, the borrowers provided additional cash collateral of USD 3,776,886 to cure the security shortfall. On 10 November 2016, the value of security increased to over 130% of total loan outstanding, and the borrowers then requested and received USD 2,051,667 from a release of cash collateral. Further on 18 January 2017, the additional USD 1,006,667 was also released from cash collateral.

Facility 2

On 14 October 2011, 4 indirect subsidiaries incorporated in Singapore ("SPCs") executed an USD 84.96 million Loan Agreement with ING Bank N.V., Singapore Branch ("ING") and DNB Asia Ltd. ("DNB") to finance up to 80% of the total acquisition cost of the 4 new Supramax 57,000 DWT Dry Bulk vessels ordered by each indirect subsidiary to be built in China. The loan carries interest at LIBOR plus margin which is to be paid quarterly.

During 2012 to 2013, the 4 indirect subsidiaries drew the facility to finance the delivered 4 new Supramax vessels.

On 11 June 2014, ING approved the amendment of the financial covenant regarding the maintenance of funded debt to EBITDA ratio from not exceeding 5:1 to be not exceeding 6:1 and maintenance of a minimum free cash balance of USD 200,000 per vessel owned by the Group, if funded debt to EBITDA is more than 5:1 but less than or equal to 6:1 and maintenance of a minimum free cash balance of USD 100,000 per vessel if funded debt to EBITDA is no more than 5:1 during 30 June 2014 to 31 December 2016.

The final maturity, repayment and security of the loan facility are summarised as follows.

Facility / Description	Post-delivery facility
Final maturity	8 years after final drawdown of each vessel tranche (10 January 2021)
Repayment	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.
Security	a) Pledge of shares of the borrowers b) 1st priority mortgage on the vessels c) 1st priority assignment of earnings and time charters d) 1st priority pledge over the earnings accounts with the security agent e) 1st 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 6:1;
c) maintenance of a minimum free cash balance of USD 200,000 per vessel owned by the Group, if funded debt to EBITDA is more than 5:1 but less than or equal to 6:1 and maintenance of a minimum free cash balance of USD 100,000 per vessel if funded debt to EBITDA is no more than 5:1.

Following the breach of the security coverage ratio, on 23 July 2015, ING and DNB approved that the minimum security coverage ratio may revert to 125% from 130% of the aggregate amount outstanding for the remainder of the facility period and also agreed that the borrowers may provide a cash collateral of USD 11,415,000 (apart from the vessels already mortgaged as security) to maintain a minimum security coverage ratio of not less than 125% of the aggregate amount outstanding. The borrowers arranged such cash collateral which can be released after 90 business days from 27 July 2015 provided that the security coverage ratio exceeds 130% of the aggregate amount outstanding after the release and there is no continuing default.

Further, ING and DNB also approved the following:

1) the minimum free cash balance reverts to USD 100,000 per vessel from USD 200,000 per vessel owned by the Group for the period up to 31 December 2015 or any date to be notified by the agent ("Temporary Waiver Period");
2) the waiver on testing of the financial covenant regarding the funded debt to EBITDA ratio during the Temporary Waiver Period.

The above approvals have been granted subject to the Company complying with the following conditions:

a) The Company cannot pay any dividends or make any other distributions to any shareholder during the Temporary Waiver Period or thereafter until the borrowers are in compliance with all the covenants within this loan agreement;
b) The Company must submit cashflow forecasts every month for the next three months until the borrowers are in compliance with all the covenants within this loan agreement.

As of 27 July 2015, the Company complied with the above conditions and the waiver is now effective.

On 4 April 2016, following the notification from ING to remedy a further security shortfall, the borrowers made a prepayment of USD 15,576,000 which consisted of the utilization of cash collateral of USD 11,415,000 already deposited with them and an additional amount of USD 4,161,000 to cure the security shortfall. Such prepayment amount was applied in direct order of maturity of the repayment instalments.

In light of the above, ING agreed to the following:

(i) the minimum Security ratio shall remain at 125% for the remainder of the facility period;
(ii) the minimum free cash balance shall remain at USD 100,000 per vessel owned by the Group for the remainder of the facility period;
(iii) the waiver on testing of the financial covenant regarding the Funded Debt to EBITDA ratio will remain for a further period up to 31 December 2016.

The above approvals have been granted subject to the Company complying with the following conditions:

a) The Company is not allowed to pay dividends or make any other distributions to its shareholders up to such time until the borrowers are in compliance with all the original terms and conditions of this loan agreement, notwithstanding the waivers thereof;

b) The Company must submit monthly cashflow forecasts for the next three months until the borrowers are in compliance with all the covenants within this loan agreement.

The borrowers have complied with the above conditions and the waiver is now effective.

Further, on 4 October 2016, ING notified the borrowers that there was a further security shortfall.

On 30 December 2016, the borrowers provided additional cash collateral of USD 5,360,000 to cure the security shortfall.

Facility 3

On 15 February 2012, ABC Two Pte. Limited and ABC Three Pte. Limited ("ABC Two and ABC Three"), SPC subsidiaries of Associated Bulk Carriers Pte. Limited, ("ABC Company") executed a USD 45.60 million Term Loan Facility with Bangkok Bank PLC. (Singapore Branch) to finance up to 80% of the Contract Price of 2 new Cement Carriers ordered with ABG Shipyard Ltd., India, which were subsequently cancelled.

On 18 September 2013, ABC Two and ABC Three have executed the First Supplemental Agreement to amend the Term Loan Facility dated 15 February 2012, mainly to amend the purpose, maximum loan facility, repayment term and security as a consequence of the cancellation of the 2 cement carriers ordered with ABG Shipyard Ltd., India and replacement with the orders from China Shipbuilding & Offshore International Co., Ltd. and Shanhaiguan New Shipbuilding Industry Co., Ltd., China. The loan carries interest at LIBOR plus margin which is to be paid quarterly.

After the amendment, the drawdown, final maturity, repayment and security of the loan facility are summarised as follows.

Facility / Description	Post-delivery facility
Maximum Loan Facility	Maximum loan facility for both Vessels shall not exceed USD 38,688,000 of which, each vessel loan shall not exceed USD 19,344,000 per vessel.
Drawdown	USD 19,344,000 or 80% of the contract price to be made available in a single disbursement for each vessel loan part of which will be used to repay the pre-delivery facility.
Final maturity	10 years after drawdown of each vessel loan

<table>
<tr><th>Facility / Description</th><th>Post-delivery facility</th></tr>
<tr><td>Repayment</td><td>For each Vessel, in 39 equal quarterly installments and a balloon repayment together with the last installment. The first repayment installment to be due 3 months after the final drawdown of each vessel.
<table>
<tr><th>Detail of repayment</th><th>ABC Two</th><th>ABC Three</th></tr>
<tr><td>Installments</td><td>USD 319,650</td><td>USD 322,400</td></tr>
<tr><td>The remaining together with the final installments</td><td>USD 6,712,650</td><td>USD 6,770,400</td></tr>
<tr><td>Final installment dates</td><td>2 April 2024</td><td>1 July 2024</td></tr>
</table></td></tr>
<tr><td>Security</td><td>a) 1st priority mortgage over the vessel
b) 1st priority assignment of all earnings insurance policies and requisition compensation of the vessels
c) 1st priority assignment of Time Charter contracts
d) 1st priority charge over the Earnings Account and Retention Account
e) Pledge of shares of borrowers
f) Corporate guarantee from ABC Company
g) Corporate guarantee from the Company for up to USD 8 million per vessel</td></tr>
</table>

The secured loan agreement contains covenants that, among other things, require ABC Two and ABC Three to maintain certain financial ratios which include:

a) Debt Service Coverage Ratio of no less than 1.1 times;
b) Equity Ratio (ratio of Equity to Total Assets) of no less than 20%.

On 24 June 2014, ABC Two entered into Interest Rate Swap Transaction to swap the interest of the loan facility of USD 19.18 million, from floating interest rate (LIBOR) to fixed interest rate at 2.39% per annum for interest payable during the period from 24 June 2014 to 2 April 2024 with Bangkok Bank PLC. (Singapore Branch).

On 16 July 2014, ABC Three entered into Interest Rate Swap Transaction to swap the interest of the loan facility of USD 19.34 million, from floating interest rate (LIBOR) to fixed interest rate at 2.35% per annum for interest payable during the period from 16 July 2014 to 1 July 2024 with Bangkok Bank PLC. (Singapore Branch).

Facility 4

On 9 April 2014, ABC Four Pte. Limited (“ABC Four”), a subsidiary of Associated Bulk Carriers Pte. Limited, ("ABC Company") executed a USD 19.34 million Term Loan Facility with Bangkok Bank PLC. (Singapore Branch) to finance up to 80% of the Contract Price of 1 new Cement Carrier. The loan carries interest at LIBOR plus margin which is to be paid quarterly.

The amount of loan facility, drawdown, final maturity, repayment and security of the loan facility are summarised as follows.

Facility / Description	Post-delivery facility
Loan Facility	USD 19,344,000 or 80% of the Contract Price to be made available in a single disbursement, part of which will be used to repay the pre-delivery facility.
Drawdown	100% of the post-delivery facility amount is to be drawn upon delivery of the vessel.
Final maturity	10 years after full drawdown of the loan facility but not later than 28 April 2025.
Repayment	To be repaid in 39 quarterly installments of USD 322,400 from the end of the first quarter after the delivery of vessel and a final installment of USD 6,770,400 at the end of the Term (1 October 2024)
Security	a) 1st priority mortgage on the vessel b) 1st priority assignment of all earnings insurance policies and requisition compensation of the vessel c) 1st priority assignment of Time Charter contract d) 1st priority charge over the Earnings Account and Retention Account e) Pledge of shares of the borrowers f) Corporate guarantee from ABC Company g) Corporate guarantee from the Company for up to USD 8 million

The loan agreement contains covenants that, among other things, require ABC Four to maintain certain financial ratios which include:

a) maintain Equity Ratio of no less than 20%;
b) maintain EBITDA of no less than 1.1 times of Total Debt Service

On 5 September 2014, ABC Four entered into Interest Rate Swap Transaction to swap the interest of the loan facility of USD 19.34 million, from floating interest rate (LIBOR) to fixed interest rate at 2.33% per annum for interest payable during the period from 5 September 2014 to 1 October 2024 with Bangkok Bank Plc. (Singapore Branch).

Facility 5

On 22 May 2014, ABC One Pte. Limited (“ABC One”), a subsidiary of Associated Bulk Carriers Pte. Limited, ("ABC Company") executed a USD 19.58 million Term Loan Facility with TMB Bank PLC. to finance up to 80% of the Contract Price of 1 new Cement Carrier. The loan carries interest at LIBOR plus margin which is to be paid quarterly.

The amount of loan facility, drawdown, final maturity, repayment and security of the loan facility are summarised as follows.

Facility / Description	Post-delivery facility
Loan Facility	USD 19,584,000 or 80% of the Contract Price to be made available in a single disbursement, part of which will be used to repay the pre-delivery facility.
Drawdown	100% of the post-delivery facility amount is to be drawn upon delivery of the vessel.
Final maturity	10 years after full drawdown of the loan facility but not later than 30 November 2024.
Repayment	To be repaid in 40 quarterly installments of USD 489,600 from the end of the first quarter after the delivery of vessel
Security	a) 1st priority mortgage on the vessel b) 1st priority assignment of all earnings insurance policies and requisition compensation of the vessel c) 1st priority assignment of Time Charter contracts d) 1st priority charge over the Earnings Account and Retention Account e) Corporate guarantee from ABC Company f) Corporate guarantee from the Company for up to USD 8 million

The loan agreement contains covenants that, among other things, require ABC One to maintain certain financial ratios which include:

a) maintain Equity Ratio of no less than 20%;
b) maintain EBITDA of no less than 1.1 times of Total Debt Service

On 25 August 2014, ABC One entered into Interest Rate Swap Transaction to swap the interest of the loan facility of USD 19.58 million, from floating interest rate (LIBOR) to fixed interest rate at 2.35% per annum for interest payable during the period from 31 January 2015 to 31 December 2024 with TMB Bank PLC.

Facility 6

On 29 May 2014, the Company executed a USD 81.50 million Term Loan Facility with Export-Import Bank of Thailand to finance up to 80% of the Contract Price of new dry bulk carriers ordered for construction by the Company. The loan carries interest at LIBOR plus margin which is to be paid quarterly.

On 18 December 2014, Export-Import Bank of Thailand approved the amendment of financial covenant regarding to the maintenance of net funded debt to EBITDA ratio from not exceeding 5:1 to be not exceeding 6:1 during 31 December 2014 to 31 December 2016.

The amount of loan facility, drawdown, final maturity, repayment and security of the loan facility are summarised as follows.

Loan Facility	Up to USD 81,500,000 in multiple drawdowns
Drawdown	80% of the contract price to be drawn upon delivery of each vessel
Final maturity	10 years after full drawdown of the loan facility but not later than 30 December 2025
Repayment	The loan shall be repaid in 39 equal quarterly installments of 1/55th of each drawdown amount, beginning from the end of the next quarter after the respective each drawdown with balance amount repayable at the end of the 40th quarter.
Security	a) 1st priority mortgage on the financed vessels b) Pledge of shares of the Subsidiary Borrowers

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 Debt Service Coverage Ratio at least 1.1:1;
b) maintenance of Net Funded Debt to EBITDA ratio not exceeding 6:1;
c) maintenance of Debt to Equity ratio not exceeding 2:1.

On 14 July 2015, Export-Import Bank of Thailand approved the amendment of the financial covenant regarding the maintenance of net funded debt to EBITDA ratio from not exceeding 6:1 to be not exceeding 13.5:1 and debt service coverage ratio at least 1.1:1 to be at least 0.4:1 for the period starting from 1 January 2015 to 31 December 2015.

On 19 November 2015, the Company cancelled the undrawn balance loan facility amounting to USD 3.26 million.

On 26 April 2016, Export-Import Bank of Thailand approved the waiver of the testing of the financial covenants regarding the net Funded Debt to EBITDA ratio and Debt Service coverage Ratio for the period starting from 1 January 2016 to 31 December 2016 with the condition that the Company is not allowed to pay dividends or make any other distributions to its shareholders in the year 2016.

In relation to this facility and Facility 2 of item 20.2 Loan facilities for purchasing of vessels, on 26 December 2016, the borrowers were notified to remedy a security shortfall. On 2 February 2017 the borrowers made a prepayment of USD 4.99 million, applied in direct order of maturity of the repayment instalments and on 7 February 2017, 1 vessel was mortgaged as additional security to cure the security shortfall.

Facility 7

On 30 September 2014, the Company executed a USD 41.85 million Term Loan Facility with Norddeutsche Landesbank Girozentrale, Singapore Branch to finance up to 75% of the Contract Price of 2 new 64,000 DWT Ultramax Dry Bulk Carriers (Hull Nos. SAM14019B and SAM14020B), ordered by the Company from Sainty Marine Corporation Ltd., China. The loan carries interest at LIBOR plus margin which is to be paid quarterly.

The amount of loan facility, drawdown, final maturity, repayment and security of the loan facility are summarised as follows.

Loan Facility	Up to USD 41,850,000 divided into two vessel loans ("Vessel Loan" or "Vessel Loans")
Drawdown	The lower of USD 20,925,000 or 75% of the market value of each vessel to be drawn upon delivery of each vessel.
Final maturity	8 years after drawdown of each Vessel Loan
Repayment	The loans shall be repaid over 8 years, in 32 equal quarterly installments of USD 348,750 per vessel, beginning from three calendar months after each drawdown (to be made on or around delivery date of the relevant vessel) and a balloon repayment of USD 9,765,000 per vessel on each of the final installments.
Security	a) 1st priority mortgage on the vessels b) Pledge of shares of the Subsidiary Borrowers c) 1st priority charge over the Earnings Account and Retention Account of the Subsidiary Borrowers d) 1st priority assignment of all earnings insurance policies and requisition compensation of the vessels e) 1st priority assignment of the shipbuilders' warranties of the vessels

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 funded debt to total shareholders' equity ratio not exceeding 2:1;
b) maintenance of funded debt to EBITDA ratio not exceeding 6:1 between the date of the loan agreement and ending on 30 June 2017, and thereafter not exceeding 5:1;
c) maintenance of a minimum free cash balance of USD 100,000 per vessel owned by the Group.

On 3 July 2015, Norddeutsche Landesbank Girozentrale (Singapore Branch) approved the waiver of the testing of the financial covenant regarding funded debt to EBITDA ratio from 31 March 2015 to 31 December 2016.

On 27 February 2016, the loan facility had expired without any drawings and was automatically cancelled.

Facility 8

On 13 November 2014, the Company executed a USD 200.00 million Secured Loan Facility with DNB Asia Ltd. ("DNB") and the Export-Import Bank of China ("CEXIM"). The loan carries interest at LIBOR plus margin which is to be paid quarterly.

The purpose, the amount of loan facility, drawdown, final maturity, repayment and security of the loan facility are summarised as follows.

<table>
<tr><th>Facility / Description</th><th>Pre-delivery facility</th><th>Post-delivery facility</th></tr>
<tr><td>Purpose</td><td colspan="2">To provide pre-delivery and post-delivery financing up to 75% of the Contract Price of the respective Dry Bulk Vessels ("Vessel" or "Vessels") ordered with Shanhaiguan New Shipbuilding Industry Co. Ltd. ("SHG") and Sainty Marine Corporation Ltd. ("Sainty"), China:
<table>
<tr><th>Vessel No.</th><th>Hull Nos.</th><th>DWT</th><th>Seller</th></tr>
<tr><td>Vessel One</td><td>BC385-11</td><td>38,500</td><td>SHG</td></tr>
<tr><td>Vessel Two</td><td>BC385-12</td><td>38,500</td><td>SHG</td></tr>
<tr><td>Vessel Three</td><td>SAM14021B</td><td>64,000</td><td>Sainty</td></tr>
<tr><td>Vessel Four</td><td>SAM14022B</td><td>64,000</td><td>Sainty</td></tr>
<tr><td>Vessel Five</td><td>SAM14023B</td><td>64,000</td><td>Sainty</td></tr>
<tr><td>Vessel Six</td><td>SAM14024B</td><td>64,000</td><td>Sainty</td></tr>
<tr><td>Vessel Seven</td><td>SAM14025B</td><td>64,000</td><td>Sainty</td></tr>
<tr><td>Vessel Eight</td><td>SAM14026B</td><td>64,000</td><td>Sainty</td></tr>
<tr><td>Vessel Nine</td><td>SAM14027B</td><td>64,000</td><td>Sainty</td></tr>
<tr><td>Vessel Ten</td><td>SAM14028B</td><td>64,000</td><td>Sainty</td></tr>
</table>
</td></tr>
</table>

Facility / Description	Pre-delivery facility	Post-delivery facility
Loan Facility	The Maximum Loan Amount of USD 200.00 million is divided into ten vessel loans ("Vessel Loan" or "Vessel Loans") comprised of Pre-delivery facility and Post-delivery facility.	
	a) for Vessel One and Two: up to USD 3,347,700 each; b) for Vessel Three, Four, Seven, Eight, Nine and Ten: up to USD 4,185,000 each; and c) for Vessel Five and Six: up to USD 4,110,000 each. Total loan facilities for Pre-delivery are up to USD 40,025,400.	a) for each of Vessel One and Two: up to lesser of (i) USD 16,738,500 and (ii) 75% of the Market Value of the relevant Vessel; b) for each of Vessel Loans Three, Four, Seven, Eight, and Nine: up to lesser of (i) USD 20,900,000 and (ii) 75% of the Market Value of the relevant Vessel; c) for each of Vessel Five and Six: up to lesser of (i) USD 20,550,000 and (ii) 75% of the Market Value of the relevant Vessel; and d) for Vessel Ten: Up to lesser of (i) USD 20,923,000 and (ii) 75% of the Market Value of this Vessel.
Drawdown	On Keel Laying milestone a) for Vessel One and Two: USD 1,115,900 each; b) for Vessel Three, Four, Seven, Eight, Nine and Ten: USD 1,395,000 each; and c) for Vessel Five and Six: USD 1,370,000 each. On Launching milestone a) for Vessel One and Two: USD 2,231,800 each; b) for Vessel Three, Four, Seven, Eight, Nine and Ten: USD 2,790,000 each; and c) for Vessel Five and Six: USD 2,740,000 each.	100% of the Post-delivery facility amount is to be drawn upon delivery of each vessel.
Final maturity	Delivery of each vessel	The earlier of (i) the 7th anniversary of the delivery date of the last Vessel and (ii) 27 September 2023.

Facility / Description	Pre-delivery facility	Post-delivery facility
Repayment	To be repaid in one lump sum upon delivery of each vessel from the proceeds of the respective Post-delivery facility.	Each Post-delivery facility shall be repaid in quarterly installments, beginning from the end of the next quarter after the respective each drawdown, based on a 15-year profile as follows: a) USD 278,975 for each of Vessel One and Two; b) USD 348,333 for each of Vessel Three, Four, Seven, Eight and Nine; c) USD 342,500 for each of Vessel Five and Six; d) USD 348,717 for Vessel Ten. All amounts outstanding under each Post-delivery facility after the above quarterly installments have been paid shall be repaid in full and the respective Post-delivery facility shall be reduced to zero on the Termination Date by way of a single Balloon Repayment of all such amounts.
Security	a) 1st priority assignment of refund guarantees b) 1st priority assignment of the shipbuilding contracts	a) 1st priority mortgage on the vessels b) Pledge of shares of the Subsidiary Borrowers c) 1st priority assignment of the Earnings Accounts of the Subsidiary Borrowers d) 1st priority assignment of all insurances and requisition compensation of the vessels

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 funded debt to total shareholders' equity ratio not exceeding 2:1;
b) maintenance of funded debt to EBITDA ratio not exceeding 6:1 between the date of the loan agreement and ending on 30 June 2017, and thereafter not exceeding 5:1;
c) maintenance of a minimum free cash balance of USD 100,000 per vessel owned by the Group.

On 24 August 2015, the Company along with its indirect subsidiaries in Singapore, Precious Glories Pte. Ltd. and Precious Wisdom Pte. Ltd., as Joint Borrowers, executed a Supplemental Deed in relation to the loan agreement signed on 13 November 2014 for the financing of the two 38,500 DWT Handysize Dry Bulk Carriers ordered with Shanhaiguan New Shipbuilding Industry Co. Ltd. ("SHG Vessels") and eight new 64,000 DWT Ultramax Dry Bulk Carriers ordered with Sainty Marine Corporation Ltd. ("Sainty Vessels"; together with SHG Vessels as "Vessels"). The main amendments are as follows:

Vessel Tranche:	The Pre-Delivery Tranches for the Sainty Vessels have been cancelled. However, the Pre-Delivery Tranches for the SHG Vessels and the Post-Delivery Tranches for all the Vessels remain unchanged.
Waived Covenant:	The waiver on testing of the financial covenant regarding the funded debt to EBITDA ratio up to 31 December 2015.

The above amendments have been granted subject to the Company complying with the following conditions:

a) The Company cannot pay any dividends or make any other distributions to any shareholder until the Company is in compliance with all covenants, including the Waived Covenant;
b) The Company must submit monthly cashflow forecasts for the next three months until the Joint Borrowers are in compliance with all the covenants within this loan agreement.

The Company complied with all conditions precedent and the Supplemental Deed has been effective since 1 September 2015.

On 17 February 2016, the Company cancelled the undrawn balance loan facility amounting to USD 166.52 million.

On 31 May 2016, following a security shortfall and the breach of the Funded Debt to EBITDA covenant, the borrowers provided cash collateral of USD 3,150,000 and a prepayment of USD 2,500,000 to cure the security shortfall. Such prepayment amount was applied in direct order of maturity of the repayment instalments. The financial covenant regarding the Funded Debt to EBITDA ratio has been waived for a further period up to 31 December 2017.

Further, on 26 October 2016, the borrowers were notified of a further security shortfall.

On 7 November 2016, the borrowers provided additional cash collateral of USD 478,906 to cure the security shortfall.

Facility 9

On 2 December 2014, the Company and 5 subsidiaries (Precious Seas Limited, Precious Stars Limited, Precious Hills Limited, Precious Mountains Limited and Precious Resorts Limited ("Subsidiaries")) executed a Credit Facility Agreement with Krung Thai Bank PCL. to finance certain pre-delivery payments under the Shipbuilding Contracts of up to USD 13.50 million. The loan carries interest at LIBOR plus margin which is to be paid monthly.

The main details of the loan facility are summarised as follows:

Loan Facility	Up to USD 13,500,000 in multiple drawdowns
Drawdown	A minimum of USD 1,000,000, with increments of multiples of USD 100,000 while not exceeding the relevant pre-delivery payment to be drawn within 6 months from the date of loan agreement.
Maturity Date	12 months after first drawdown of the loan facility ("Maturity Date"), with the option to request for a further 12 months extension
Repayment	The loan shall be repaid in one lump sum on the Maturity Date or if extended, then paid in equal quarterly installments starting from the quarter after the Maturity Date.
Security	a) Pledge of all issued shares of the Subsidiaries b) 1st priority mortgage on vessels of the Subsidiaries c) 1st priority assignment of all earnings, insurance policies and requisition compensation of the vessels

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 Debt Service Coverage Ratio at least 1.1:1;
b) maintenance of Debt to Equity ratio not exceeding 2:1;
c) maintenance of Debt to EBITDA ratio not exceeding 6:1;
d) maintenance of a minimum free cash balance of USD 100,000 per vessel owned by the Group.

On 12 May 2015, Krung Thai Bank PLC. approved the waiver of the testing of the financial covenant regarding the debt to EBITDA ratio and debt service coverage ratio from 31 March 2015 to 31 December 2015.

On 26 January 2016, the maturity date, the Company repaid all the outstandings of the above loan.

Facility 10

On 29 December 2014, the Company executed a USD 42.00 million Secured Loan Facility with BNP Paribas ("BNP") to finance up to 75% of the Contract Price of 2 new 64,000 DWT Ultramax Dry Bulk Vessels (Hull Nos. SF130128 and SF130129), ordered by the Company from Taizhou Sanfu Ship Engineering Co., Ltd. China. The loan carries interest at LIBOR plus margin which is to be paid quarterly.

On 15 July 2015, BNP approved the waiver of the testing of the financial covenant regarding funded debt to EBITDA ratio from 31 March 2015 to 31 December 2016.

On 29 April 2016, the Company and Precious Tides Pte. Ltd. executed a Supplemental Deed with BNP to amend certain terms of the loan facility. After the amendment, the main details of the loan facility are summarised as follows.

Loan Facility	Up to USD 37,500,000 divided into two vessel loans for Vessel Hull no. SF130128 and SF130126 ("Vessel Loan" or "Vessel Loans")
Drawdown	Up to the lower of USD 18,750,000 or 75% of the market value of each vessel to be drawn upon delivery of each vessel.
Final maturity	8 years after drawdown of each Vessel Loan
Repayment	Each Vessel Loan shall be repaid over 8 years, in 32 quarterly installments beginning from three calendar months after each drawdown. The 1st to 16th such quarterly installment shall be an amount of USD 312,500 and the 17th to 32nd such quarterly installment shall be an amount of USD 468,750, along with a balloon repayment of USD 6,250,000 on the due date of each of the final installments of the respective Vessel Loan.
Security	a) 1st priority mortgage on the vessels b) Pledge of shares of the Subsidiary Borrowers c) 1st priority charge over the Earnings Account and Retention Account of the Subsidiary Borrowers d) 1st priority assignment of all insurance and requisition compensation of the vessels

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 funded debt to total shareholders' equity ratio not exceeding 2:1;
b) maintenance of funded debt to EBITDA ratio not exceeding 6:1 between the date of the loan agreement and ending on 30 June 2017, and thereafter not exceeding 5:1;
c) maintenance of a minimum free cash balance of USD 100,000 per vessel owned by the Group.

20.2 Loan facilities for purchasing of vessels

Facility 1

The Company and local subsidiaries entered into the Loan Agreement dated 18 January 2007 to mainly fund the purchase of vessels. During 2009 to 2011, certain terms and conditions of the Loan Agreement were amended.

The summarised details of drawdown of this facility are as follows.

a) During the years 2011 and 2010, 2 local subsidiaries had drawn down Baht 1,502.35 million for purchase of 2 vessels.

b) 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. In order to extend the availability period of the undrawn facility, on 9 March 2012, the Company and local subsidiaries executed a USD 50.00 million Term Loan Facility on same terms and conditions with one of the three local commercial banks and the loan was used for purchase of vessels by 2 local subsidiaries and thereafter the balance of USD 58.00 million was cancelled.

c) During the years 2011 and 2010, 2 local subsidiaries swapped the Thai Baht loan of Baht 1,502.35 million into USD 45.90 million.

d) During the year 2012, 4 local subsidiaries swapped the interest of the USD loans of USD 64.82 million, from floating interest rates (LIBOR) to fixed interest rate (2.10%) for interest payable during the period from 31 December 2014 to 30 September 2022.

The loan facilities have been 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.

On 27 June 2014, Krung Thai Bank PLC. as the facility agent of the original facility approved the amendment of the financial covenant regarding the maintenance of funded debt to EBITDA ratio from not exceeding 5:1 to be not exceeding 6:1 during 30 June 2014 to 31 December 2015. Thanachart Bank PLC. as the facility agent of the other USD 50.00 million facility has approved the amendment of the financial covenant regarding the maintenance of funded debt to EBITDA ratio from not exceeding 5:1 to be not exceeding 6:1 during 30 June 2014 to 31 December 2016.

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 6:1;
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

On 14 May 2015, Krung Thai Bank PLC. as the facility agent of the original facility and Thanachart Bank PLC. as the facility agent of the other USD 50.00 million facility approved the waiver of the testing of the financial covenants regarding the debt to EBITDA ratio and debt service coverage ratio from 31 March 2015 to 31 December 2015.

On 21 September 2015, Thanachart Bank PLC. approved the waiver of the testing of such financial covenants up to 31 December 2016.

On 7 June 2016, Krung Thai Bank PLC. as the facility agent approved the waiver of the testing of the financial covenants regarding the Debt to EBITDA ratio and Debt Service Coverage ratio up to 31 December 2016. During the temporary waiver period from 1 January 2016 to 31 December 2016 the Company had to follow the following conditions:

a) The Company is not allowed to pay dividends or make any other distributions to its shareholders;
b) The Company must submit monthly cashflow forecasts for the next three months;
c) The Company shall not have any other defaults;
d) The Company shall maintain a ratio of Total Liabilities to Equity not exceeding 1.5;
e) The Company shall maintain Debt Service Coverage ratio with cash not less than 1.0;
f) The Company has to comply with additional conditions pari passu with the conditions the Company receives from any other lenders.

On 25 July 2016, Thanachart Bank PLC. as the facility agent of the other USD 50.00 million facility approved the waiver of the testing of such financial covenants up to 31 December 2017.

Further, on 29 September 2016, Krung Thai Bank PLC. approved the Company's request to maintain a ratio of Total Liabilities to Equity not exceeding 1.8:1 from 1 January 2016 to 31 December 2016.

Facility 2

On 17 February 2012, the Company executed a USD 100.00 million Term Loan Facility with Export-Import Bank of Thailand to finance up to 80% of the acquisition cost of new or second-hand dry bulk vessels which the Company may want to buy. The loan carries interest at LIBOR plus margin which is to be paid quarterly. The loan is to be repaid in equal quarterly installments over a period of 8.5 years commencing from the end of the availability period.

On 12 December 2013, the Company executed an Amendment Agreement to the Term Loan Facility to extend the availability period of the balance facility of USD 35.18 million up to 30 December 2014.

The loan facility has to be secured by the mortgage of the shipowning subsidiaries' vessels, the pledge of the subsidiaries' shares and the assignment of the beneficiary rights under the insurance policies for the mortgaged vessels of the subsidiaries.

On 18 December 2014, Export-Import Bank of Thailand approved the amendment of financial covenant regarding to the maintenance of net funded debt to EBITDA ratio from not exceeding 5:1 to be not exceeding 6:1 during 31 December 2014 to 31 December 2016.

The loan agreement contains covenants that, among other things, require the Company and subsidiaries to maintain certain financial ratios which include:

a) maintenance of debt to total shareholders' equity ratio not exceeding 2:1;
b) maintenance of net funded debt to EBITDA ratio not exceeding 6:1;
c) maintenance of debt service coverage ratio of at least 1.1:1.

As at 31 December 2014, the balance loan facility of USD 35.18 million was expired.

On 14 July 2015, Export-Import Bank of Thailand approved the amendment of the financial covenants regarding the maintenance of net funded debt to EBITDA ratio from not exceeding 6:1 to be not exceeding 13.5:1 and debt service coverage ratio at least 1.1:1 to be at least 0.4:1 for the period starting from 1 January 2015 to 31 December 2015.

On 26 April 2016, Export-Import Bank of Thailand approved the waiver of the testing of the financial covenants regarding the Net Funded Debt to EBITDA ratio and Debt Service Coverage ratio for the period starting from 1 January 2016 to 31 December 2016 on the condition that the Company was not allowed to pay dividends or make any other distributions to its shareholders during that period.

The Group's bank loan facilities and the undrawn loan balances as at 31 December 2016 and 2015 are summarised below.

(Unit: Million USD)

Facility	Bank	Borrower	Interest rate per loan/amendment agreement	Maximum facility amount per loan/amendment agreement		Undrawn loan balance	
				2016	2015	2016	2015
Loan facilities for financing the construction and acquisition of new vessels (Newbuildings)							
Facility 1	DNB Asia Ltd. and 5 other banks, total 6 banks	The Company and subsidiaries	LIBOR + margin	54.50	54.50	-	-
Facility 2	ING Bank N.V. (Singapore Branch) and DNB Asia Ltd.	4 indirect subsidiaries in Singapore	LIBOR + margin	84.96	84.96	-	-
Facility 3	Bangkok Bank PLC. (Singapore Branch)	ABC Two Pte. Limited and ABC Three Pte. Limited	LIBOR + margin	38.69	38.69	-	-
Facility 4	Bangkok Bank PLC. (Singapore Branch)	ABC Four Pte. Limited	LIBOR + margin	19.34	19.34	-	-
Facility 5	TMB Bank PLC.	ABC One Pte. Limited	LIBOR + margin	19.58	19.58	-	-
Facility 6	Export-Import Bank of Thailand	The Company and subsidiaries	LIBOR + margin	78.24	78.24	-	-
Facility 7	Norddeutsche Landesbank Girozentrale (Singapore Branch)	The Company and subsidiaries in Singapore	LIBOR + margin	-	41.85	-	41.85
Facility 8	DNB Asia Ltd. and Export-Import Bank of China	The Company and subsidiaries in Singapore	LIBOR + margin	30.00	199.20	-	179.91
Facility 9	Krung Thai Bank PLC.	The Company and 5 local subsidiaries	LIBOR + margin	-	13.50	-	-
Facility 10	BNP Paribas	The Company and subsidiaries in Singapore	LIBOR + margin	24.75	42.00	-	42.00

(Unit: Million USD)

Facility	Bank	Borrower	Interest rate per loan/amendment agreement	Maximum facility amount per loan/amendment agreement		Undrawn loan balance	
				2016	2015	2016	2015
Loan facilities for purchasing of vessels							
Facility 1	Krung Thai Bank PLC. and 2 other banks, total 3 banks	The Company and local subsidiaries	MLR-1 for Thai Baht loan and LIBOR + margin for USD loan	USD 142.00 million and Baht 1,502.35 million	USD 142.00 million and Baht 1,502.35 million	-	-
Facility 2	Export-Import Bank of Thailand	The Company and subsidiaries	LIBOR + margin	64.82	64.82	-	-

21. Debentures

On 22 January 2016, the Company issued 3,590,000 Unsubordinated and Unsecured Debentures of par value Baht 1,000 each by way of a public offering and has accordingly received the aggregate proceeds of Baht 3,590 million. The maturity of the debentures will be 5 years at the interest rate of 5.25% per annum. The interest payment will be quarterly. The issuance of the debentures was approved by the Meeting of the Board of Directors No.7/2015 on 6 October 2015 and the Extraordinary General Meeting of Shareholders No.2/2015 on 5 November 2015.

Since the functional currency of the Company is US Dollars, with a view to covering the currency risk on the Thai Baht denominated liability of the Company, the entire proceeds of Baht 3,590 million were swapped into US Dollars, amounting to USD 99.72 million on 22 January 2016 vide a Cross Currency Swap entered into by the Company. The Company also swapped THB fixed interest rate of 5.25% per annum to USD fixed interest rate of 5.99% per annum.

Further, on 9 December 2016, the Company issued 1,960,000 Unsubordinated and Unsecured Debentures of par value Baht 1,000 each by way of a Private Placement to Institutional Investors and High Net Worth Investors (“II&HNW”) and accordingly received the aggregate proceeds of Baht 1,960 million. The maturity of the debentures will be 3.5 years at the interest rate of 5.00% per annum. The interest payment will be quarterly. The issuance of the debentures was approved by the Annual General Meeting of Shareholders No.1/2016 on 30 March 2016 and the Meeting of the Executive Board of Directors No. 8/2016 on 11 July 2016.

Subsequently on 4 January 2017, the entire proceeds of Baht 1,960 million were swapped into US Dollars, amounting to USD 54.90 million vide a Cross Currency Swap entered into by the Company. The Company also swapped THB fixed interest rate of 5.00% per annum to USD fixed interest rate of 5.75% per annum.

The Company is required to maintain Debt to Equity ratio not exceeding 2:1.

As at 31 December 2016 details of long-term debentures are as follows.

(Unit: Thousand Baht)

Series	Maturity date	No. of units (Thousand units)	Par value (Baht)	Interest rate (% p.a.)	Term of interest payment	Carrying amount 31 December 2016
1	Entirely redeemed on 22 January 2021 (5 years)	3,590	1,000	5.25	Quarterly	3,590,000
2	Entirely redeemed on 9 June 2020 (3.5 years)	1,960	1,000	5.00	Quarterly	1,960,000
Total						5,550,000
Less: Deferred debenture issuing costs						(25,718)
Translation adjustment						12
Long-term debenture - net						5,524,294

22. Provision for maritime claims

(Unit: Thousand Baht)

	Consolidated financial statements	
	2016	2015
Balance at beginning of year	201,878	181,705
Increase during the year	54,780	106,271
Decrease during the year	(92,149)	(104,958)
Translation adjustment	(1,727)	18,860
Balance at end of year	162,782	201,878

23. Provision for long-term employee benefits

Provision for long-term employee benefits, which is compensation payable on employees' retirement, was as follows.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Provision for long-term employee benefits at beginning of year	82,418	73,285	74,738	66,728
Included in profit or loss:				
Current service cost	6,676	4,029	5,669	3,768
Interest cost	2,349	1,804	2,125	1,732
Included in other comprehensive income:				
Actuarial (gain) loss arising from				
Financial assumptions changes	-	5,733	-	5,248
Experience adjustments	-	(2,365)	-	(2,816)
Benefits paid during the year	(7,044)	(187)	(2,585)	-
Translation adjustment	(186)	119	(91)	78
Provision for long-term employee benefits at end of year	84,213	82,418	79,856	74,738

Long-term employee benefit expenses included in the income statement were as follows.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Administrative expenses	6,635	4,512	5,691	4,182
Management remuneration including perquisites	2,390	1,321	2,103	1,318
Total expenses recognised in the income statement	9,025	5,833	7,794	5,500

The Group expects to pay Baht 7.38 million of long-term employee benefits during the next year (Separate financial statements: Baht 7.19 million) (2015: Baht 10.06 million, separate financial statements: Baht 5.69 million).

As at 31 December 2016, the weighted average duration of the liabilities for long-term employee benefit is 13 years (Separate financial statements: 13 years) (2015: 13 years, separate financial statements: 13 years).

Significant actuarial assumptions are summarised below:

(Unit: percent per annum)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Discount rate	2.90	2.90	2.90	2.90
Salary increase rate	6.50	6.50	6.50	6.50

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2016 and 2015 are summarised below:

(Unit: Thousand Baht)

	31 December 2016			
	Consolidated financial statements		Separate financial statements	
	Increase 1.0%	Decrease 1.0%	Increase 1.0%	Decrease 1.0%
Discount rate	(5,624)	6,438	(5,346)	6,089
Salary increase rate	6,144	(5,494)	5,811	(5,222)

(Unit: Thousand Baht)

	31 December 2015			
	Consolidated financial statements		Separate financial statements	
	Increase 1.0%	Decrease 1.0%	Increase 1.0%	Decrease 1.0%
Discount rate	(5,555)	6,359	(5,059)	5,763
Salary increase rate	6,069	(5,427)	5,500	(4,942)

24. Share capital

On 6 March 2015, the Board of Directors' Meeting No. 3/2015 of the Company and 10 April 2015, the Extraordinary General Meeting No. 1/2015 of the Company's shareholders have approved the increase of the Company's registered share capital by Baht 571,736,330 divided into 571,736,330 ordinary shares at the par value of Baht 1.00 per share from the existing registered capital of Baht 1,039,520,600 divided into 1,039,520,600 ordinary shares at the par value of Baht 1.00 per share to the new registered capital of Baht 1,611,256,930 divided into 1,611,256,930 ordinary shares at the par value of Baht 1.00 per share, 571,736,330 new ordinary shares at the par value of Baht 1.00 per share, to be allocated as follows:

1) Rights offering
   Not more than 519,760,300 new ordinary shares are to be offered to the Company's existing shareholders at a ratio of 2 existing ordinary shares to 1 newly issued ordinary share, at an offering price of Baht 4 per share.
2) Warrants to purchase ordinary shares of the Company No. 1 ("PSL-W1")
   Not more than 51,976,030 new ordinary shares are to be reserved to support the exercise of PSL-W1, which are registered and transferable warrants as discussed in Note 25 to the financial statements.

Subsequently, the Company issued 519,760,297 ordinary shares, and the Company registered its paid-up increased share capital of Baht 519,760,297 with the Ministry of Commerce on 9 June 2015. Therefore, the current paid-up share capital of the Company is Baht 1,559,280,897.

25. Warrants

On 16 June 2015, the Company issued and allotted warrants (PSL-W1), which are registered and transferable warrants, to the Company's ordinary shares in an amount of 51,975,666 units. Details of the warrants are summarised below.

Number of warrants issued	:	51,975,666 units
Offering price	:	Baht 0 per unit
Offering method	:	Allocation proportionately to existing shareholders of the Company who subscribe and make subscription payment for the Rights Offering at the offering ratio of 10 newly issued ordinary shares to 1 unit of the warrant

Exercise ratio and price	:	1 unit of the warrant per 1 newly issued ordinary share at a price of Baht 17.50 per share
Term of the warrant	:	Not exceeding 3 years from the initial issuance date of warrants
Expiry date	:	15 June 2018
Period of exercise	:	On the last day of each calendar quarter after the 2nd anniversary from the issuance date (16 June 2017) until the date of expiration of the Warrants. Accordingly, the first and the last exercise dates shall be 30 June 2017 and 15 June 2018, respectively.

26. 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.

27. 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 2016, the Company set aside Baht 1.75 million (2015: Baht 1.75 million) to a reserve for CSR activities and reversed Baht 1.98 million (2015: Baht 1.99 million) from the reserve when the Company made related payments against the reserve.

28. Expenses by nature

Significant expenses by nature are as follows.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Salary, wages and other benefits of employees and crews	1,685,561	1,854,287	226,796	238,424
Rental expenses from operating lease agreements	5,370	5,145	3,878	3,979

29. Income tax

No corporate income tax was payable for the year 2016, since the Company had tax losses brought forward from previous years.

Local subsidiaries

a) In accordance with the Director - General's Notification on Income Tax No. 72 dated 20 March 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.
b) Corporate income tax for the year ended 31 December 2016 has been calculated at a rate of 20% (2015: 20%) on net profit, after adding back certain provisions and expenses which are disallowed for tax computation purposes.

Overseas subsidiaries and associate

Corporate income tax of the overseas subsidiaries and associate has been calculated by applying the applicable statutory rates of the relevant countries.

As at 31 December 2016 the Group has deductible temporary differences, temporary differences arising from exchange difference occurring while translating financial statements in functional currency into presentation currency and unused tax losses totaling Baht 6,452.82 million (2015: Baht 2,596.31 million) (the Company Baht 2,556.53 million, 2015: Baht 102.94 million). However, the Group did not recognise deferred tax assets as the Group believes that it is not probable that future taxable profit will be available to allow the entire deferred tax assets to be utilised.

Details of expiry date of unused tax losses are summarised as below:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
31 December 2017	71,343	72,013	-	-
31 December 2018	232,546	232,581	-	-
31 December 2019	16,850	16,884	15,020	15,020
31 December 2020	212,765	322,908	-	-
31 December 2021	1,313,255	-	228,263	-
	1,846,759	644,386	243,283	15,020

As at 31 December 2016, the Company has temporary difference arising from exchange difference from the translation of the financial statements from functional currency into presentation currency associated with investments in subsidiaries for which deferred tax liability has not been recognised, aggregating Baht 1,314.88 million (2015: Baht 1,365.75 million).

30. 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 local 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. During the year ended 31 December 2016, the subsidiaries have 19 vessels (2015: 16 vessels) under investment promoted operations.

Revenues and expenses for 2016 and 2015 (before eliminating related transactions), classified between promoted and non-promoted operations can be summarised below.

(Unit: Thousand Baht)

			Non-promoted operations					
			Operations exempted from corporate income tax in accordance with the Director-General's Notification on Income Tax No. 72		Other non-promoted operations			
	Promoted operations						Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Revenues	1,353,955	1,449,731	301,377	1,297,852	2,162,386	1,968,919	3,817,718	4,716,502
Costs and expenses	(2,069,276)	(2,000,108)	(1,212,702)	(1,919,338)	(5,394,382)	(3,194,138)	(8,676,360)	(7,113,584)

31. Earnings per share

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

Diluted earnings per share is calculated by dividing profit (loss) for the year attributable to the equity holder of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year plus the weighted average number of ordinary shares which would need to be issued to convert all dilutive potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the potential ordinary shares were issued.

No calculation of diluted earnings per share for the year ended 31 December 2016 was required since the exercise price of the warrant exceeded the fair value of the Company's ordinary shares.

32. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance.

The Group's 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 Group mainly operates 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 Group 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 Groups' 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.

The following table presents net vessel operating income from Time charter and Voyage charter of the Group for the years ended 31 December 2016 and 2015.

(Unit: Thousand Baht)

	Consolidated financial statements									
	Time charter		Voyage charter		Total		Elimination		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Hire income	2,877,622	2,919,614	-	-	2,877,622	2,919,614	-	-	2,877,622	2,919,614
Freight income	-	-	924,700	1,658,300	924,700	1,658,300	(119,905)	(328,932)	804,795	1,329,368
Total vessel operating income	2,877,622	2,919,614	924,700	1,658,300	3,802,322	4,577,914	(119,905)	(328,932)	3,682,417	4,248,982
Voyage disbursements	-	-	(363,135)	(661,547)	(363,135)	(661,547)	119,905	328,932	(243,230)	(332,615)
Bunker consumption	-	-	(231,894)	(494,669)	(231,894)	(494,669)	-	-	(231,894)	(494,669)
Total voyage expenses	-	-	(595,029)	(1,156,216)	(595,029)	(1,156,216)	119,905	328,932	(475,124)	(827,284)
Net vessel operating income/time charter equivalent income	2,877,622	2,919,614	329,671	502,084	3,207,293	3,421,698	-	-	3,207,293	3,421,698

For the year 2016, the Group has revenues from two major customers for amount of Baht 1,278.33 million.

For the year 2015, the Group has revenues from one major customer for amount of Baht 874.64 million.

33. 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. The contributions for the year 2016 amounting to approximately Baht 4.66 million (2015: Baht 4.33 million) were recognised as expenses. (Separate financial statements: Baht 3.72 million, 2015: Baht 3.56 million).

34. Commitments and contingent liabilities

34.1 Shipbuilding contracts commitments

As at 31 December 2016 and 2015, the Group had future minimum payment commitments under shipbuilding contracts as detailed below.

	2016		2015	
	(Million USD)	(Equivalent to Million Baht)	(Million USD)	(Equivalent to Million Baht)
The Company	36.13	1,294.59	461.69	16,661.83

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

As at 31 December 2016 and 2015, the Group had obligations in respect of the charges for management of the undrawn portion of loan facilities, which are summarised as follows.

Facility	Commitment fees payable by the Group	Undrawn loan balance as at		Terms of payment of commitment fees	Payable upto
		2016	2015		
		(Million USD)	(Million USD)		
Loan facilities for financing the construction and acquisition of new vessels (Newbuildings)					
Facility 7	1.02% per annum of undrawn loan balance	-	41.85	Every three months until the end of the drawdown period	Upon delivery of each vessel
Facility 8	1.00% per annum of undrawn loan balance	-	179.91	Every three months until the end of the drawdown period	Upon delivery of each vessel
Facility 10	1.00% per annum of undrawn loan balance	-	42.00	Every three months until the end of the drawdown period	Upon delivery of each vessel

35. Financial instruments

35.1 Financial risk management

The Group's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade and other receivables, investments, restricted bank deposits, trade and other payables and loans. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Group is exposed to credit risk primarily with respect to trade and other receivable. The Group manages the risk by adopting a credit policy whereby they evaluate the creditworthiness of charterers and other parties and restricts 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 Group does not have high concentration of credit risk since it has 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 Group's exposure to interest rate risk relates primarily to its cash at banks and long-term loans. However, since most of the Group's 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 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)

	Consolidated financial statements								
	As at 31 December 2016								
	Fixed interest rate			Floating	Non-				
	Within 1 year	1-5 years	Over 5 years	interest rate	interest bearing	Total	Interest rate (% p.a.)		
							Fixed	Floating	
							USD	USD	Baht
Financial assets									
Cash and cash equivalents	194,206	-	-	2,480,344	1,760	2,676,310	0.60 - 0.80	0.00 - 0.30	0.37 - 0.38
Trade and other receivables	-	-	-	-	139,995	139,995	-	-	-
Restricted bank deposits	-	-	-	-	390,993	390,993	-	-	-
Total	194,206	-	-	2,480,344	532,748	3,207,298			
Financial liabilities									
Trade accounts payable	-	-	-	-	37,848	37,848	-	-	-
Debentures	-	5,550,000	-	-	-	5,550,000	5.00 - 5.25		
Long-term loans	197,899	1,136,707	1,499,014	8,900,543	-	11,734,163	4.85 - 5.33	1.52 - 3.39	5.76
Total	197,899	6,686,707	1,499,014	8,900,543	37,848	17,322,011			

(Unit: Thousand Baht)

	Separate financial statements							
	As at 31 December 2016							
	Fixed interest rate with maturity date within 1 year	Fixed interest rate 1 - 5 years	Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)		
						Fixed	Floating	
						USD	USD	Baht
Financial assets								
Cash and cash equivalents	179,606	-	1,964,550	1,093	2,145,249	0.60 - 0.80	0.00 - 0.30	0.37 - 0.38
Trade and other receivables	-	-	-	4,629,332	4,629,332	-	-	-
Long-term loans to subsidiaries	-	-	-	5,543,081	5,543,081	-	-	-
Total	179,606	-	1,964,550	10,173,506	12,317,662			
Financial liabilities								
Trade accounts payable	-	-	-	245	245	-	-	-
Advances received from related parties	-	-	-	1,739,800	1,739,800	-	-	-
Debentures	-	5,550,000	-	-	5,550,000	5.00 - 5.25	-	-
Total	-	5,550,000	-	1,740,045	7,290,045			

(Unit: Thousand Baht)

	Consolidated financial statements								
	As at 31 December 2015								
	Fixed interest rate			Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)		
	Within 1 year	1-5 years	Over 5 years				Fixed	Floating	
							USD	USD	Baht
Financial assets									
Cash and cash equivalents	-	-	-	452,249	1,259	453,508	-	0.04 - 0.30	0.37 - 0.38
Trade and other receivables	-	-	-	-	240,952	240,952	-	-	-
Restricted bank deposits	-	-	-	-	897,335	897,335	-	-	-
Total	-	-	-	452,249	1,139,546	1,591,795	-	-	-
Financial liabilities									
Trade accounts payable	-	-	-	-	98,883	98,883	-	-	-
Long-term loans	291,328	2,004,250	2,016,938	10,497,681	-	14,810,197	4.85 - 5.33	1.52 - 3.18	5.76
Total	291,328	2,004,250	2,016,938	10,497,681	98,883	14,909,080			

(Unit: Thousand Baht)

	Separate financial statements							
	As at 31 December 2015							
	Fixed interest rate with maturity date within 1 year	Fixed interest rate with maturity date at call	Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)		
						Fixed	Floating	
						USD	USD	Baht
Financial assets								
Cash and cash equivalents	-	-	51,747	616	52,363	-	0.04 - 0.30	0.37 - 0.38
Trade and other receivables	-	-	-	3,886,261	3,886,261	-	-	-
Short-term loans to a subsidiary	-	-	-	1,703,382	1,703,382	-	-	-
Long-term loans to a subsidiary	-	-	-	350,132	350,132	-	-	-
Total	-	-	51,747	5,940,391	5,992,138			
Financial liabilities								
Trade accounts payable	-	-	-	11,544	11,544	-	-	-
Advances received from related parties	-	-	-	1,381,956	1,381,956	-	-	-
Long-term loans	-	-	605,749	-	605,749	-	2.91 - 3.18	-
Total	-	-	605,749	1,393,500	1,999,249			

Foreign currency risk

Almost all revenues and expenditures of the Group is denominated in US Dollars, which provide a natural hedge against the currency risk associated with transactions in US Dollars. Consequently, the Group is exposed to a currency risk in respect of financial instruments denominated in other currencies. However, the Group's 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 Group does not use foreign currency forward contracts or purchased currency options for trading purposes.

The Group has the following significant financial assets and liabilities denominated in foreign currencies (currencies other than US Dollars which is the Group's functional currency).

	Consolidated financial statements					
	Financial assets		Financial liabilities		Average exchange rate	
Foreign currency	as at 31 December		as at 31 December		as at 31 December	
	2016	2015	2016	2015	2016	2015
	(Million)	(Million)	(Million)	(Million)	(USD per 1 foreign currency unit)	
Baht loan	-	-	719.87	845.07	0.0278	0.0276
Baht Debenture	-	-	3,590.00	-	0.0278	-

	Separate financial statements					
	Financial assets		Financial liabilities		Average exchange rate	
Foreign currency	as at 31 December		as at 31 December		as at 31 December	
	2016	2015	2016	2015	2016	2015
	(Million)	(Million)	(Million)	(Million)	(USD per 1 foreign currency unit)	
Baht Debenture	-	-	3,590.00	-	0.0278	-

Foreign currency swap contracts outstanding are summarised below.

As at 31 December 2016			
Bought amount	Sold amount	Contractual exchange rate	Contractual maturity date
		(USD per 1 foreign currency unit)	
The Company			
Baht 3,590.00 million	USD 99.72 Million	0.0278	January 2021
Subsidiaries			
Baht 719.87 million	USD 21.99 Million	0.0302, 0.0309	Quarterly corresponding to the loan repayment schedule upto September 2022

As at 31 December 2015			
Bought amount	Sold amount	Contractual exchange rate	Contractual maturity date
		(USD per 1 foreign currency unit)	
Subsidiaries			
Baht 845.07 million	USD 25.82 million	0.0302, 0.0309	Quarterly corresponding to the loan repayment schedule upto September 2022

35.2 Fair values of financial instruments

Since the majority of the Group's financial assets and liabilities are short-term in nature or carrying interest at rates close to the market interest rates and long-term loans carrying interest at rates close to the market interest rates, their fair value is not expected to be materially different from the amounts presented in the statement of financial position.

36. Capital management

The primary objective of the Group'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 Group 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 Group to maintain a consolidated debt-to-equity ratio of not more than 2:1.

As at 31 December 2016, the Group's debt-to-equity ratio was 1.37:1 (2015: 0.97:1) and the Company's was 0.58:1 (2015: 0.14:1) which is calculated from USD functional currency financial statements.

37. Functional currency financial statements

The USD functional currency statements of financial position as at 31 December 2016 and 2015 and income statements for the years ended 31 December 2016 and 2015 are as follows.

Precious Shipping Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2016

(Unit: Thousand USD)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Assets				
Current assets				
Cash and cash equivalents	74,693	12,567	59,872	1,451
Current portion of restricted bank deposits	1,007	-	-	-
Trade and other receivables	3,907	6,677	129,200	107,687
Short-term loan to a subsidiary	-	-	-	47,200
Bunker oil	1,137	3,959	-	-
Other current assets				
Advances to vessel masters	2,539	3,603	-	-
Claim recoverables	677	555	-	-
Others	2,587	1,156	568	626
Total other current assets	5,803	5,314	568	626
Total current assets	86,547	28,517	189,640	156,964
Non-current assets				
Restricted bank deposits - net of current portion	9,905	24,865	-	-
Long-term loans to subsidiaries	-	-	154,702	9,702
Investments in subsidiaries	-	-	206,289	246,149
Investment in associate held by a subsidiary	2,407	2,374	-	-
Other long-term investment	568	568	568	568
Receivables from cross currency swap contracts	-	-	806	-
Property, plant and equipment	716,467	701,880	151	185
Intangible assets	33	56	33	56
Other non-current assets				
Claim recoverables - maritime claims	3,122	4,025	-	-
Advances for vessel constructions	75,700	123,352	75,386	122,941
Deferred financial fees	-	6,028	-	6,028
Deferred contract costs	7,074	7,641	-	-
Others	86	87	67	66
Total other non-current assets	85,982	141,133	75,453	129,035
Total non-current assets	815,362	870,876	438,002	385,695
Total assets	901,909	899,393	627,642	542,659

Precious Shipping Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2016

(Unit: Thousand USD)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Liabilities and shareholders' equity				
Current liabilities				
Trade and other payables				
Trade and other payables	1,056	2,740	7	320
Advances received from related parties	-	-	48,556	38,293
Accrued crew accounts	2,672	3,555	-	-
Accrued expenses	3,921	4,760	1,391	411
Accrued employee bonus	950	957	817	836
Total trade and other payables	8,599	12,012	50,771	39,860
Advances received from charterers	387	1,255	-	-
Current portion of long-term loans	24,765	155,276	-	13,495
Income tax payable	2	11	-	-
Other current liabilities	518	734	246	204
Total current liabilities	34,271	169,288	51,017	53,559
Non-current liabilities				
Payables to cross currency swap contracts	1,000	2,294	-	-
Long-term loans - net of current portion	302,724	255,108	-	3,291
Debentures	153,439	-	153,439	-
Provision for maritime claims	4,543	5,594	-	-
Unsecured corporate loans	22,371	8,000	22,371	8,000
Provision for long-term employee benefits	2,350	2,284	2,228	2,071
Total non-current liabilities	486,427	273,280	178,038	13,362
Total liabilities	520,698	442,568	229,055	66,921
Shareholders' equity				
Share capital				
Registered share capital	52,598	52,598	52,598	52,598
Issued and paid-up share capital	51,055	51,055	51,055	51,055
Paid-in capital				
Premium on ordinary shares	63,284	63,284	63,284	63,284
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	14,460	14,460	-	-
Corporate social responsibility reserve	509	519	509	519
Unappropriated	246,344	321,940	276,118	353,259
Other components of shareholders' equity	(2,063)	(2,001)	-	-
Equity attributable to owner of the Company	381,210	456,878	398,587	475,738
Non-controlling interests of the subsidiaries	1	(53)	-	-
Total shareholders' equity	381,211	456,825	398,587	475,738
Total liabilities and shareholders' equity	901,909	899,393	627,642	542,659

Precious Shipping Public Company Limited and its subsidiaries
Income statement
For the year ended 31 December 2016

(Unit: Thousand USD, except earnings per share expressed in USD)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Revenues				
Vessel operating income				
Hire income	81,624	84,672	-	-
Freight income	22,801	38,534	-	-
Total vessel operating income	104,425	123,206	-	-
Service income	211	221	2,741	2,645
Gains on sales of equipment	-	-	11	21
Gains on cancellation of shipbuilding contracts	81	-	81	-
Gain on disposal of current investment	-	143	-	-
Interest income	1,317	60	1,262	36
Exchange gains	1,278	-	1,349	-
Other income	197	1	-	-
Total revenues	107,509	123,631	5,444	2,702
Expenses				
Vessel operating costs				
Vessel running expenses	57,002	65,502	-	-
Voyage disbursements	6,897	9,638	-	-
Bunker consumption	6,561	14,420	-	-
Total vessel operating costs	70,460	89,560	-	-
Depreciation	38,729	43,701	71	73
Cost of services	149	152	-	-
Loss on sales of vessels	19,344	7,806	-	-
Loss on impairment of assets	16,151	23,445	-	-
Loss on impairment of investments in subsidiaries	-	-	62,142	-
Administrative expenses	7,376	8,370	6,043	6,393
Management remuneration including perquisites	2,500	2,818	2,242	2,620
Bad debts and doubtful accounts	703	198	932	-
Exchange losses	-	767	-	849
Total expenses	155,412	176,817	71,430	9,935
Loss before share of profit from investment in associate, finance cost and income tax expenses	(47,903)	(53,186)	(65,986)	(7,233)
Share of profit from investment in associate held by a subsidiary	94	230	-	-
Loss before finance cost and income tax expense	(47,809)	(52,956)	(65,986)	(7,233)
Finance cost	(27,741)	(16,405)	(11,165)	(190)
Loss before income tax expense	(75,550)	(69,361)	(77,151)	(7,423)
Income tax expense	(2)	(49)	-	-
Loss for the year	(75,552)	(69,410)	(77,151)	(7,423)
Loss attributable to:				
Equity holders of the Company	(75,606)	(69,409)	(77,151)	(7,423)
Non-controlling interests of the subsidiaries	54	(1)	-	-
Loss for the year	(75,552)	(69,410)	(77,151)	(7,423)
Basic earnings per share				
Loss attributable to equity holders of the Company	(0.0485)	(0.0521)	(0.0495)	(0.0056)
Weighted average number of ordinary shares (Thousand shares)	1,559,281	1,332,865	1,559,281	1,332,865

38. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 8 February 2017.

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. Ms. 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 2016, the Company has rental and related expenses for other services from such transaction amounting to Baht 1.48 million (2015: Baht 1.82 million) which is 0.01% (2015: 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 rate of Baht 220.50 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 2017 on similar (or more beneficial) terms as that of year 2016.

2. Purchase of air tickets from Ambika Tour Agency Limited

The Relation

The Company and subsidiaries purchased air tickets from Ambika Tour Agency Limited in which Ms. Nishita Shah and Mr. Ishaan Shah, Directors of the Company, are directly interested as Directors and Shareholders of Ambika Tour Agency Limited.

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 has 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 2016, the Company and subsidiaries purchased air tickets amounting to Baht 6.61 million (2015: Baht 8.58 million) which is 0.05% (2015: 0.05%) of Net Tangible Assets.

Policy in respect of future transactions with connected parties

For the year 2017, the Company and subsidiaries would have similar expenses for air tickets from Ambika Tour Agency Limited. The Company regularly reviews the pricing and service standards of the various Vendors of tickets including Ambika Tour Agency 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.

The Relation

The Company and its 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. This is a connected transaction since Ms. Nishita Shah and Mr. Ishaan Shah, Directors of the Company, are directly interested as Directors and Shareholders of Maestro Controls Ltd., Mr. Kirit Shah, Director of the Company, is also Director of Maestro Controls 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. has 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 2016, 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 1.16 million (2015: Baht 0.80 million) which is 0.01% (2015: 0.01%) of Net Tangible Assets.

Policy in respect of future transactions with connected parties

For the year 2017, the Company and its subsidiary would have similar expenses for the maintenance of air conditioning system and supply of air conditioners if required, from Maestro Controls 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. Expenses for Hotel and Management services from Maxwin Builders Limited

The Relation

The Company and its subsidiary paid expenses for hotel and management services to Maxwin Builders Limited. This is a connected transaction since Ms. Nishita Shah and Mr. Ishaan Shah, Directors of the Company, are directly interested as Directors and Shareholders. Mr. Khushroo Kali Wadia and Mr. Kirit Shah, Directors of the Company, are Directors of Maxwin Builders Ltd.

The Significance of the related transaction

The expenses for hotel services (like holding AGM and other meetings) and management services are required for the operating the business of the Company and its subsidiary. Maxwin Builders Ltd. has 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 2016, the Company and its subsidiary have paid expenses for hotel and management services amounting to Baht 0.54 million (2015: Baht 1.59 million) which is 0.00% (2015: 0.01%) of Net Tangible Assets.

Policy in respect of future transactions with connected parties

For the year 2017, the Company and its subsidiary would have similar expenses for the hotel and management services from Maxwin Builders Ltd. The Company regularly reviews 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. Insurances from InsurExcellence Insurance Brokers Group as Insurance Brokers

The Relation

The Company and its 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 Mr. Ishaan Shah, Director of the Company, is interested as Director in InsurExcellence Insurance Brokers Limited and InsurExcellence Life Insurance Brokers Limited. Moreover, Ms. Nishita Shah, Mr. Ishaan Shah and Mr. Kirit Shah, Directors of the Company, are related to Ms. 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 2016, the Company and its subsidiary have paid for various insurance premiums amounting to Baht 2.78 million (2015: Baht 2.64 million) which is 0.02% (2015: 0.02%) of Net Tangible Assets.

Policy in respect of future transactions with connected parties

For the year 2017, the Company and its subsidiary 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.

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 & Corporate Governance Committee who in turn have discussed and reviewed the transactions in their Audit & Corporate Governance Committee Meeting No. 1/2017 held on 8 February 2017 and then reported these transactions to the Board of Directors. The Board of Directors Meeting No. 1/2017 held on 8 February 2017 reviewed the transactions and based on the findings and report of the Audit & Corporate Governance Committee, the Board is of the opinion that the Company has adequate rules, regulations and policies for prevention of conflict of interest transactions and that the above interested party transactions are entered solely based on the market prices and for the full benefit of the Company. Adequate disclosures have also been made in the financial statements and the Annual Report.

INDEX OF REPORT IN ACCORDANCE WITH FORM 56-2

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

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REFERENCES

Share Registrar	•	**THAILAND SECURITIES DEPOSITORY CO., LTD.** No. 93, Ratchadaphisek Road, Dindaeng Subdistrict, Dindaeng District, Bangkok 10400 Telephone : 66-2 009-9000 Facsimile : 66-2 009-9991 Call Center : 66-2 009-9999 E-mail : contact.tsd@set.or.th Website : http://www.tsd.co.th
Debenture Registrar & Debenture Holder's Representative	•	**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
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
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	•	**EXPORT-IMPORT BANK OF THAILAND** EXIM Building, 1193 Phaholyothin Road, Samsen Nai, Phayathai, Bangkok 10400 Telephone : 66-2 271-3700 Facsimile : 66-2 271-3204 Website : http://www.exim.go.th
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Note: For more details of the Company, please refer to Form 56-1 at
http://market.sec.or.th/public/idisc/th/FinancialReport/R561-0000001319
http://www.preciousshipping.com/investor-relations/publications/form-56-1

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