



# PRECIOUS SHIPPING PUBLIC COMPANY LIMITED



## ANNUAL REPORT 2018

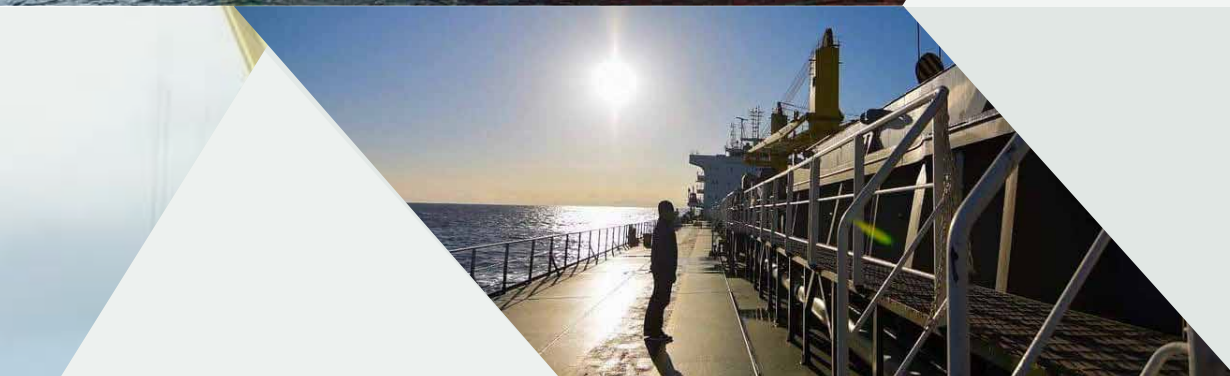


## MISSION STATEMENT

“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

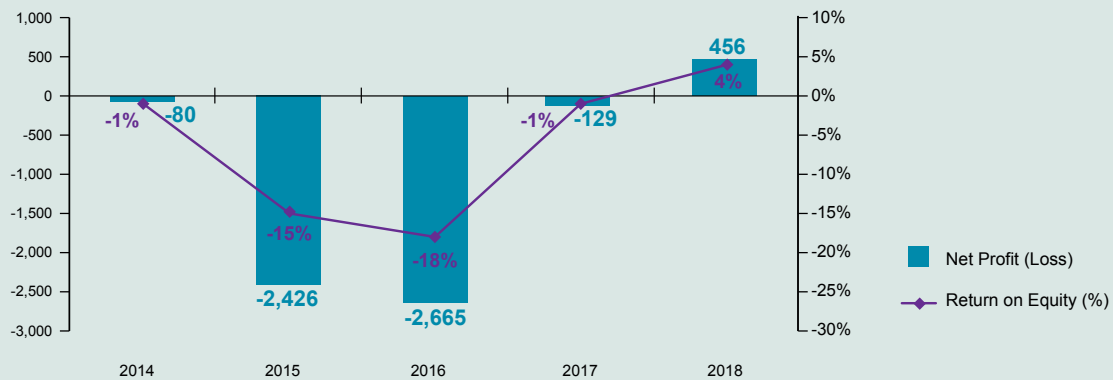
Unit : Baht Million

Details	2018	2017	2016	2015	2014
Vessel Operating Income	4,929.11	4,328.90	3,682.42	4,248.98	4,575.03
Vessel Operating Costs	2,065.54	1,990.23	2,485.96	3,083.78	2,723.61
Gross Profit	2,863.57	2,338.67	1,196.46	1,165.20	1,851.42
<b>Total Revenues</b>	<b>4,970.12</b>	<b>4,394.63</b>	<b>3,791.79</b>	<b>4,263.92</b>	<b>4,661.60</b>
Total Expenses (excluding depreciation & loss on impairment & loss on sales of vessels)	3,351.25	3,364.08	3,846.67	4,071.28	3,480.13
Depreciation	1,184.95	1,169.84	1,366.40	1,505.20	1,267.08
Loss on impairment of assets	0.00	0.00	566.56	840.77	0.00
Loss on sales of vessels	0.00	0.00	680.29	279.03	0.00
Share of profit from investment in associate held by a subsidiary	24.42	10.00	3.29	8.24	7.63
Profit (Loss) before Corporate Income Tax	458.34	(129.29)	(2,664.84)	(2,424.12)	(77.98)
Corporate Income Tax	2.14	0.19	0.06	1.66	2.24
<b>Net Profit (Loss)*</b>	<b>456.20</b>	<b>(129.48)</b>	<b>(2,664.90)</b>	<b>(2,425.78)</b>	<b>(80.22)</b>
Total Current Assets	2,317.15	2,250.59	3,101.02	1,029.12	1,172.76
Property, plant and equipment	22,409.26	23,474.67	25,671.52	25,329.89	22,070.93
Total Assets	27,836.91	28,833.24	32,316.03	32,457.82	27,908.53
Total Current Liabilities	2,308.47	1,333.91	1,227.98	6,109.35	1,265.92
Long-Term Loans - net of current portion	7,150.29	9,483.37	10,846.82	9,206.50	11,101.33
Total Liabilities	15,141.45	16,497.75	18,656.98	15,971.65	12,624.67
Paid-up Capital	1,559.29	1,559.28	1,559.28	1,559.28	1,039.52
Total Shareholders' Equity	12,695.46	12,335.49	13,659.05	16,486.17	15,283.85
Cash flow from Operating activities	2,256.03	2,010.43	693.27	1,045.77	1,345.82
Cash flow from (used in) Investing activities	(272.23)	(1,636.57)	(805.66)	(3,561.11)	(5,511.84)
Cash flow from (used in) Financing activities	(1,983.65)	(949.42)	2,355.90	2,259.24	1,777.56
Book Value per share (Baht)	8.14	7.91	8.74	10.57	14.70
Earnings (loss) per share (Baht)	0.29	(0.08)	(1.71)	(1.82)	(0.08)
Dividend declared for the year per share (Baht)	0.00	0.00	0.00	0.00	0.20
Cash Dividend paid out per share (Baht)	0.00	0.00	0.00	0.00	0.30
Gross Profit Margin (%)	58.10	54.02	32.49	27.42	40.47
Net Profit Margin (%)	9.18	(2.95)	(70.28)	(56.89)	(1.72)
Return on Equity (%)	3.65	(1.00)	(17.68)	(15.27)	(0.52)
Return on Total Assets (%)	1.61	(0.42)	(8.23)	(8.04)	(0.30)
Total Liabilities/Equity Ratio	1.19	1.34	1.37	0.97	0.83
Number of Ships (As at end of the Year)	36	36	36	45	44
Exchange rate 1 USD to THB for statement of financial position	32.4498	32.6809	35.8307	36.0886	32.9630
Exchange rate 1 USD to THB for Income statement (Average for the year)	32.3223	33.8038	35.2715	34.4187	32.5174

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

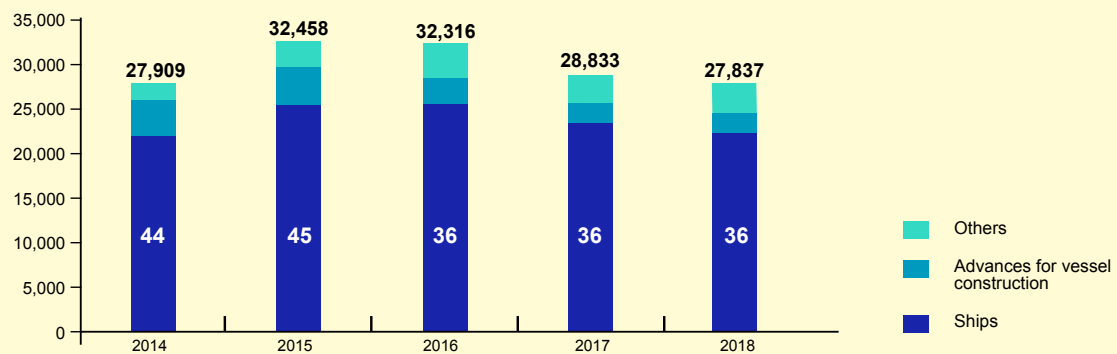
### Net Profit (Loss) and Return on Equity

Unit : Baht Million



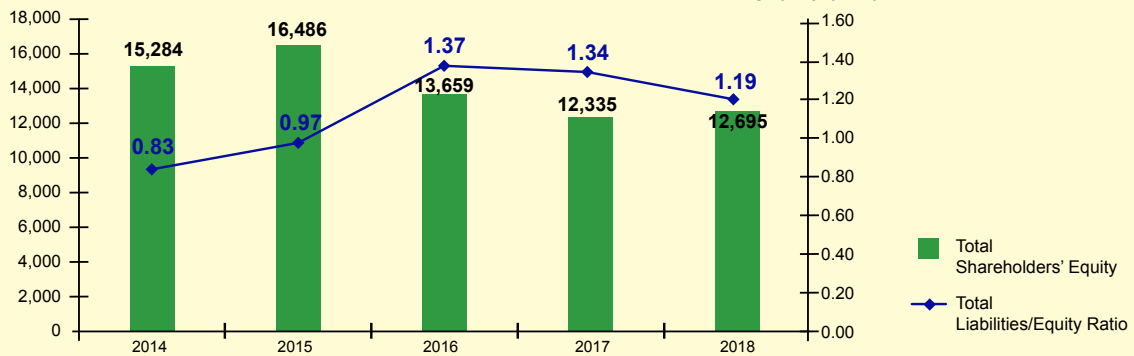
### Total Assets

Unit : Baht Million



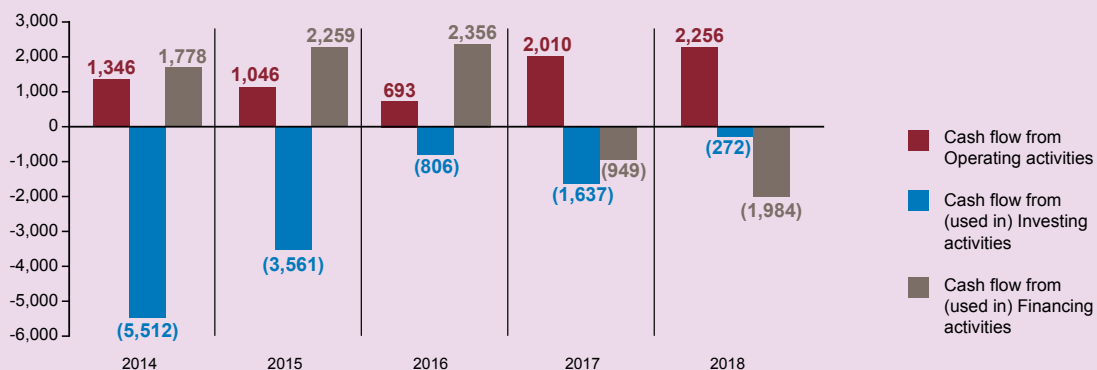
### Shareholder's Equity and Total Liabilities / Equity Ratio

Unit : Baht Million



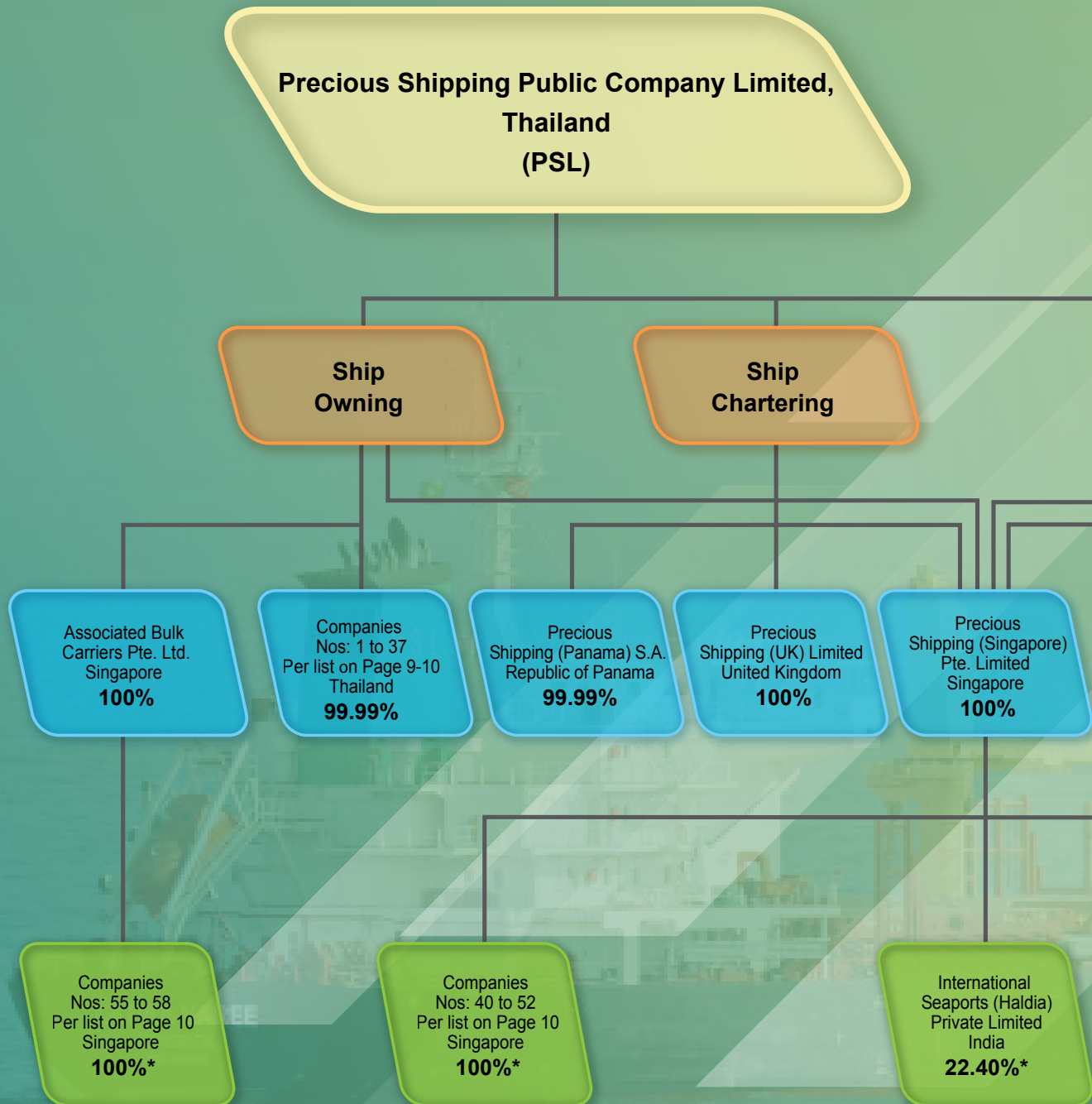
### Cash Flows

Unit : Baht Million

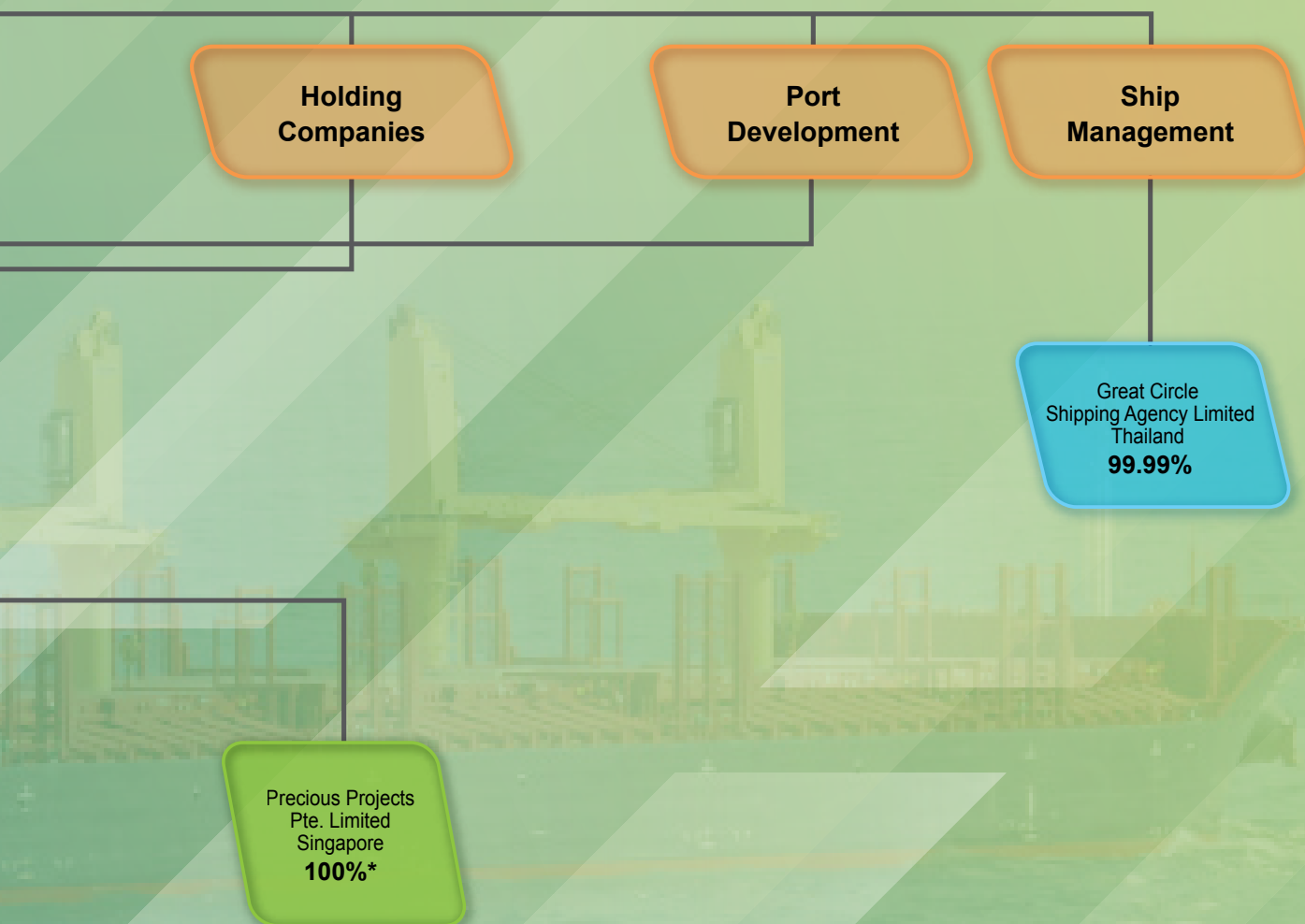




# CORPORATE STRUCTURE



\* Represents indirect ownership of PSL



### Legend

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

# CORPORATE INFORMATION

(As of 31 December 2018)

<b>Name of Company</b>	Precious Shipping Public Company Limited
<b>SET Symbol</b>	PSL
<b>Business</b>	Shipowner and Holding Company
<b>Registration No.</b>	107537000629
<b>Date of establishment</b>	1 December 1989
<b>Date of conversion to public limited company</b>	18 February 1994
<b>Date of listing on the SET</b>	16 September 1993
<b>Contact details</b>	Registered address: 7 <sup>th</sup> 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: <a href="http://www.preciousshipping.com">http://www.preciousshipping.com</a>
<b>Latest Company Rating</b>	BBB- by TRIS Rating Co., Ltd., announced on 11 September 2018
<b>Ordinary Shares</b>	
<b>Authorized share capital</b>	Baht 1,611,256,930 (1,611,256,930 shares of Baht 1 each)
<b>Issued and fully paid-up share capital</b>	Baht 1,559,291,862 (1,559,291,862 shares of Baht 1 each)
<b>Warrants (PSL-W1) (For information only-there are no warrants outstanding)</b>	
<b>Number of issued Warrants</b>	51,975,666 units
<b>Number of exercised Warrants</b>	10,965 units
<b>Number of final unexercised Warrants</b>	51,964,701 units
<b>Warrant Issue Date</b>	16 June 2015
<b>Exercise Price</b>	Baht 17.50 per share
<b>Conversion Ratio</b>	1 unit of Warrant to 1 ordinary share
<b>Term of Warrant</b>	Not exceeding 3 years from the Warrant Issue Date.
<b>Exercise Period</b>	The last business day of every calendar quarter (March, June, September, December) of the year after the 2 <sup>nd</sup> anniversary from the Warrant Issue Date until the Last Exercise Date.
<b>The first and the last Exercise Dates</b>	30 June 2017 and 15 June 2018 respectively.
<b>Debentures of Precious Shipping Public Company Limited No. 1/2016 Due 2021</b>	
<b>ThaiBMA Symbol</b>	PSL211A
<b>Issue Size</b>	Baht 3,590 million
<b>Type of Debentures</b>	Unsubordinated and Unsecured Debentures
<b>Issue Date</b>	22 January 2016
<b>Offering to</b>	Public offering
<b>Par Value</b>	1,000 Baht per unit
<b>Tenor</b>	5 years
<b>Maturity Date</b>	22 January 2021
<b>Interest Rate (Coupon)</b>	5.25% per annum
<b>Interest Payment</b>	Quarterly
<b>Early Redemption</b>	None
<b>Issue Rating</b>	BB+ by TRIS Rating Co., Ltd., announced on 11 September 2018
<b>Debenture Holder's Representative</b>	Krung Thai Bank Public Co., Ltd.
<b>Registrar</b>	Krung Thai Bank Public Co., Ltd.
<b>Debentures of Precious Shipping Public Company Limited No. 2/2016 Due 2020</b>	
<b>ThaiBMA Symbol</b>	PSL206A
<b>Issue Size</b>	Baht 1,960 million
<b>Type of Debentures</b>	Unsubordinated and Unsecured Debentures
<b>Issue Date</b>	9 December 2016
<b>Offering to</b>	Private Placement to Institutional Investors and High Net Worth Investors
<b>Par Value</b>	1,000 Baht per unit
<b>Tenor</b>	3.5 years
<b>Maturity Date</b>	9 June 2020
<b>Interest Rate (Coupon)</b>	5.00% per annum
<b>Interest Payment</b>	Quarterly
<b>Early Redemption</b>	None
<b>Issue Rating</b>	Unrated
<b>Debenture Holder's Representative</b>	Krung Thai Bank Public Co., Ltd.
<b>Registrar</b>	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

Sr No.	Name of Subsidiaries and Associated Companies	Currency	Registered Capital	Issued and paid-up Share Capital	Percentage of Shareholding	Category of business
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	Great Circle Shipping Agency Limited	Baht	210,000,000	210,000,000	99.99	Technical Manager of Ships
39	Precious Shipping (Singapore) Pte. Limited	SGD	20,000,000	15,000,000	100	Holding company/Chartering
40	Precious Comforts Pte. Ltd.	SGD	50,000	50,000	100*	Shipowner
41	Precious Sparks Pte. Ltd.	SGD	50,000	50,000	100*	Shipowner
42	Precious Visions Pte. Ltd.	SGD	50,000	50,000	100*	Shipowner
43	Precious Bridges Pte. Ltd.	SGD	50,000	50,000	100*	Shipowner
44	Precious Forests Pte. Ltd.	SGD	50,000	50,000	100*	Shipowner
45	Precious Fragrance Pte. Ltd.	SGD	50,000	50,000	100*	Shipowner
46	Precious Thoughts Pte. Ltd.	SGD	50,000	50,000	100*	Shipowner
47	Precious Tides Pte. Ltd.	SGD	50,000	50,000	100*	Shipowner
48	Precious Skies Pte. Ltd.	SGD	50,000	50,000	100*	Shipowner
49	Precious Glories Pte. Ltd.	SGD	50,000	50,000	100*	Shipowner
50	Precious Wisdom Pte. Ltd.	SGD	50,000	50,000	100*	Shipowner
51	Precious Grace Pte. Ltd.	SGD	50,000	50,000	100*	Shipowner
52	Precious Sonnets Pte. Ltd.	SGD	1	1	100*	Shipowner
53	Precious Projects Pte. Limited	USD	1	1	100*	Investment Holding Company
54	Associated Bulk Carriers Pte. Ltd.	USD	2	2	100	Holding company
55	ABC ONE Pte. Ltd.	USD	50,000	50,000	100*	Shipowner
56	ABC TWO Pte. Ltd.	USD	50,000	50,000	100*	Shipowner
57	ABC THREE Pte. Ltd.	USD	50,000	50,000	100*	Shipowner
58	ABC FOUR Pte. Ltd.	USD	50,000	50,000	100*	Shipowner
59	Precious Shipping (Panama) S.A.	USD	10,000	10,000	99.99	Shipowner/Chartering
60	Precious Shipping (UK) Limited	USD	10,000	10,000	100	Chartering
61	International Seaports (Haldia) Private Limited	Indian Rs	445,000,000	440,580,200	22.40*	Berth construction and Development

\*(represents indirect ownership of shares)

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

<b>SUBSIDIARY 1-37</b>	Registered Office is at 8/27-28, 7 <sup>th</sup> Floor, Cathay House, North Sathorn Road, Silom, Bangrak, Bangkok 10500 Thailand. Tel : 66-2 696-8800 Fax : 66-2 236-7654, 633-8460
<b>SUBSIDIARY 38</b>	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
<b>SUBSIDIARY 39-52, 54-58</b>	Registered Office is 20 McCallum Street, #19-01 Tokio Marine Centre, 069046 Republic of Singapore.
<b>SUBSIDIARY 53</b>	Registered Office is at 24 Raffles Place #18-00 Clifford Centre, 048621 Republic of Singapore.
<b>SUBSIDIARY 59</b>	Registered Office is at c/o ADR Building, 13 <sup>th</sup> Floor, Samuel Lewis Avenue, Republic of Panama.
<b>SUBSIDIARY 60</b>	Registered Office is at 130 Shaftesbury Avenue, 2 <sup>nd</sup> Floor London W1D 5EU United Kingdom.
<b>ASSOCIATE 61</b>	Registered Office is at 105, Park Street, Flat No. 27 Kohinoor Building, 5 <sup>th</sup> 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 global shipping companies, has separate subsidiaries owning each vessel (sometimes 2 or 3 vessels) to limit liability.

As of 31 December 2018, PSL operates 36 dry bulk ships including 4 cement carriers (the “Fleet”), amounting to 1,585,805 DWT in aggregate. The Fleet comprises 20 ships that are registered under the Thai flag and 16 ships that are registered under the Singapore flag. 8 ships are in the Ultramax sector, 9 ships are in the Supramax sector and the balance 19 ships (including 4 cement carriers) are in the Handy Size sector of the dry bulk market.

PSL is one of the world’s 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 2 sub-sectors which are 1. Handy Size sector, ships with 10,000 - 39,999 DWT, and 2. Supramax/ Ultramax sector, ships with 40,000 - 69,999 DWT. Historically, the Company operated 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 and 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, of these orders, only 8 Ultramax ships were delivered in 2014 - 2017. Like 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 rather 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.

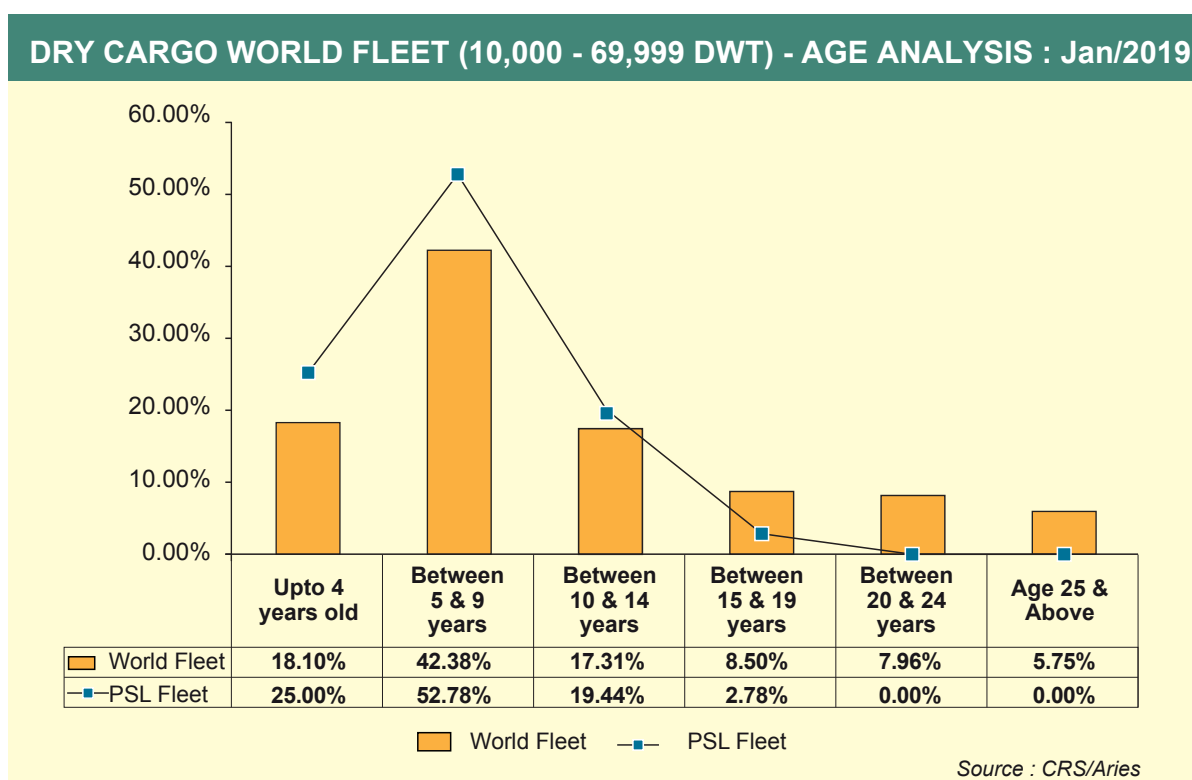
PSL's Fleet does not follow preset voyage routes. Each ship sails across the globe depending on its charters. The Fleet is hired on both, time charters as well as voyage charters, with a typical duration of 1 - 3 months. The mix between the two types of business had historically been equal, until the year 2004 when this changed to an extent that almost all the ships were on time charters. In 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 - 2018, the proportion of voyage/time charters changed with an increase in percentage of voyage charters to around 6% 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 7 years.

An age wise analysis as on 1 January 2019 of PSL's fleet vis-a-vis the World Fleet (10,000 - 69,999 DWT) is given in the following graph.



### 1.3 Business Operations

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

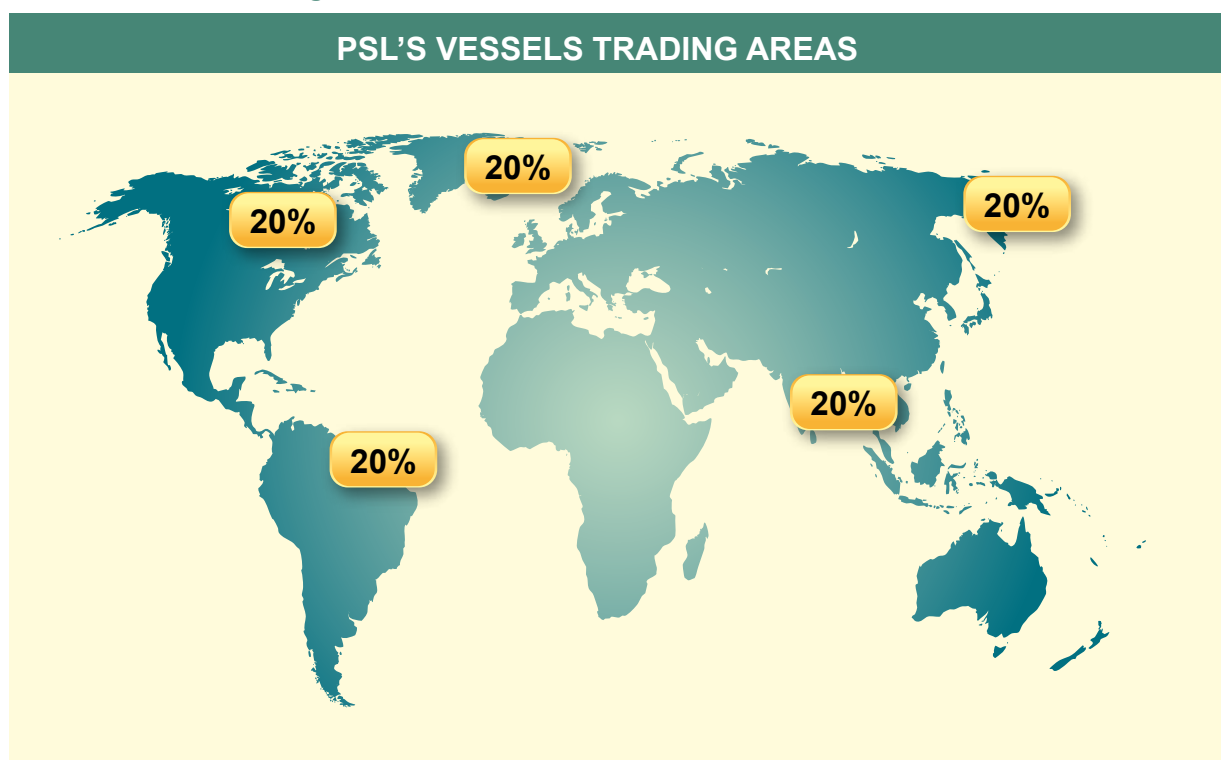
#### i Commodities/Cargoes Carried

Commodity	(Number of Voyages and % of Total Voyages)					
	2016		2017		2018	
Agricultural Commodities	80	19.18%	69	18.90%	63	16.36%
Cement	114	27.34%	120	32.88%	116	30.13%
Steel	51	12.23%	42	11.51%	40	10.39%
Fertilisers	32	7.66%	26	7.12%	28	7.27%
Specialised Ores	60	14.38%	39	10.68%	45	11.69%
Coal	45	10.76%	29	7.95%	37	9.61%
Forest Products/Logs	9	2.16%	6	1.64%	11	2.86%
Others	26	6.29%	34	9.32%	45	11.69%
<b>Total</b>	<b>417</b>	<b>100.00%</b>	<b>365</b>	<b>100.00%</b>	<b>385</b>	<b>100.00%</b>

#### ii Voyage Charters v/s Time Charters

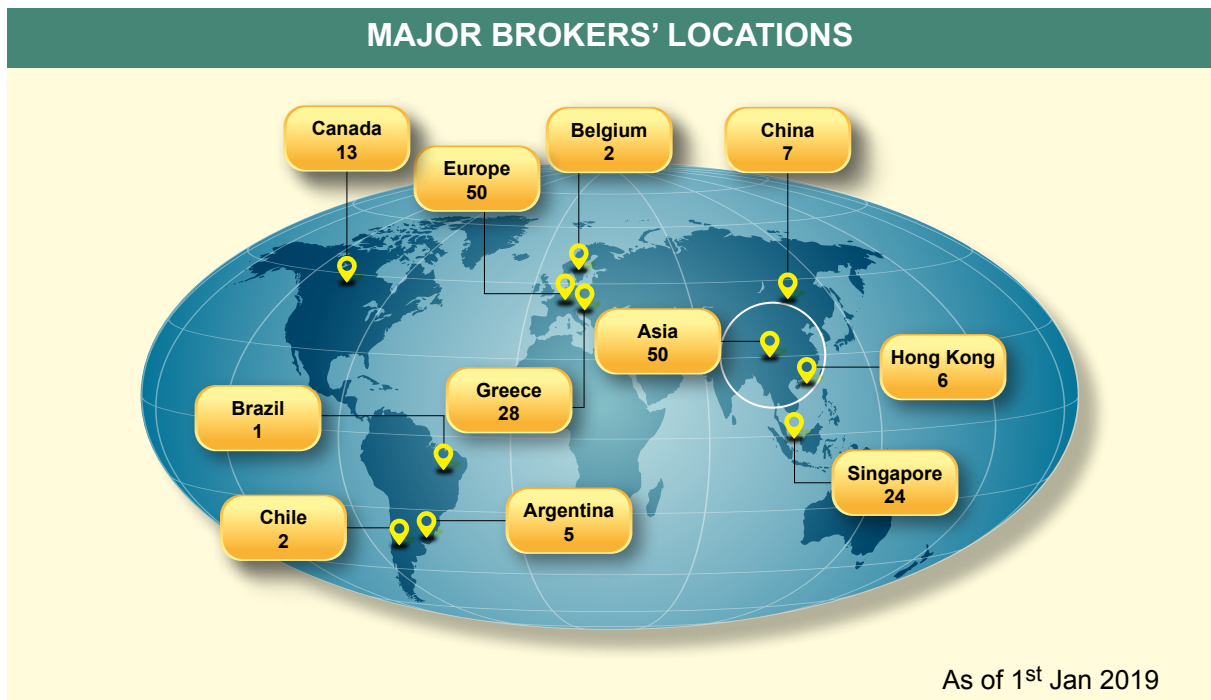
Charter	(Number of Voyages and % of Total Voyages)					
	2016		2017		2018	
Voyage Charters	34	8.15%	21	5.75%	34	8.83%
Time Charters	383	91.85%	344	94.25%	351	91.17%

#### iii Vessel Trading Areas





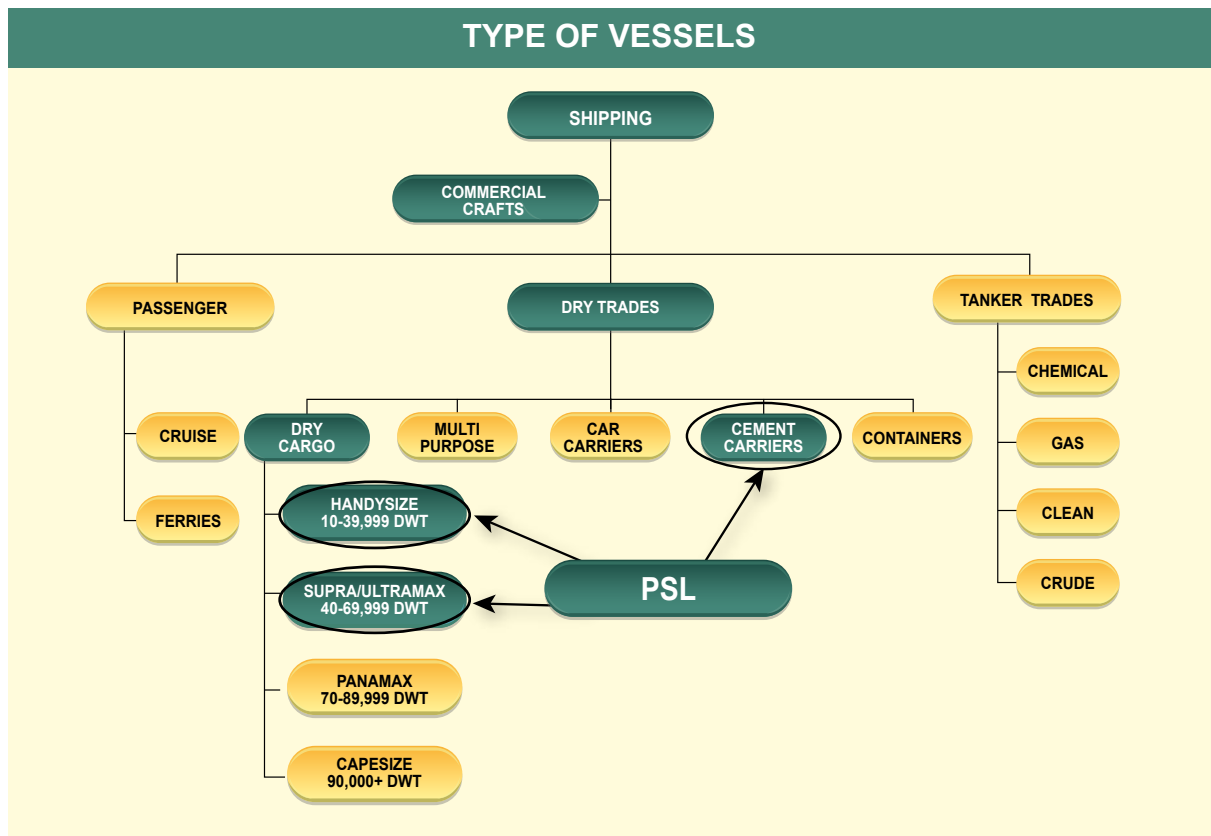
#### iv Marketing network and major broker locations



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

## 2. INDUSTRY STRUCTURE

Broadly, the Shipping Industry is classified as under:



## 2.1 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.

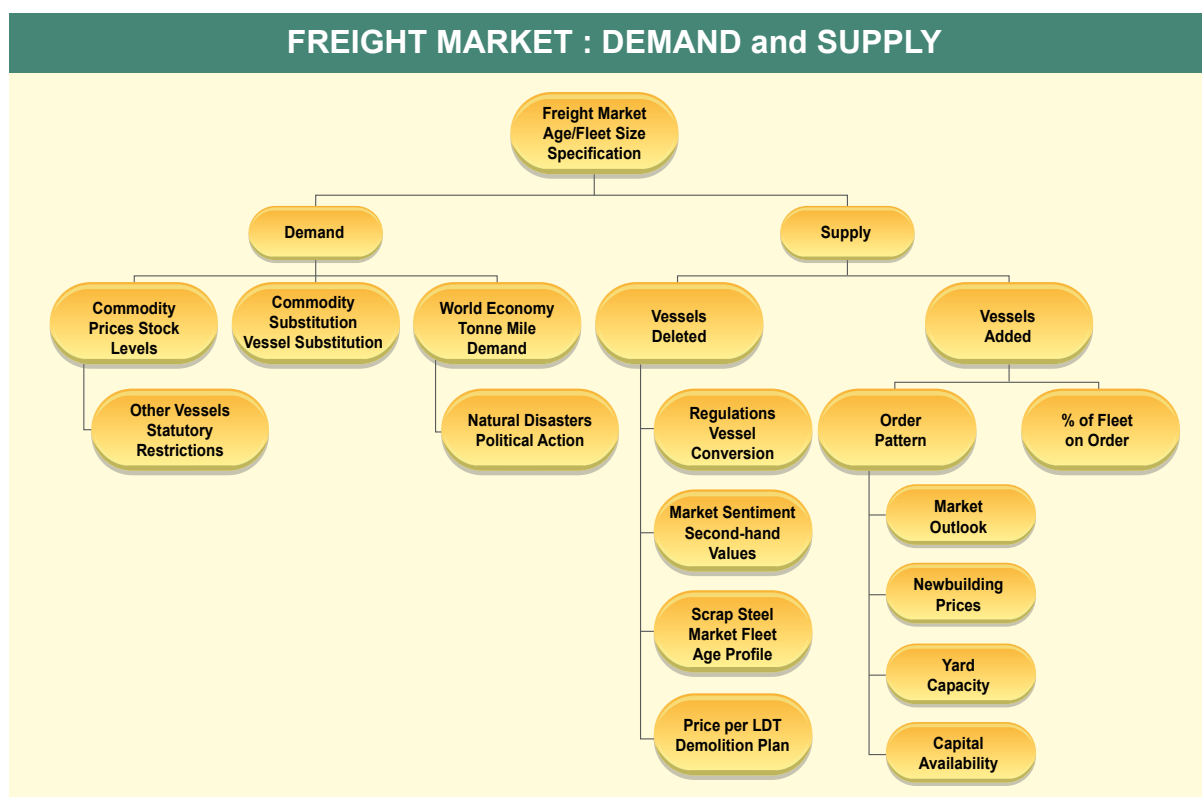
On the supply side also the Industry is highly fragmented. As at 31 December 2018, the World Fleet (10,000 - 69,999 DWT) of 7,209 ships has the largest operator having only about 110 ships or about 1% market share of capacity in DWT terms. The majority of the operators are private companies with a small 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 fell consistently, reaching 663 points on 5 December 2008, and was at 774 points at the end of the year 2008. As the net annual increase in supply of vessels was very high during 2009 - 2012, the dry bulk market had to face a protracted period of low BDI from 2011 to 2016. The BDI hit the lowest level in its history at 290 points on 10 February 2016 and the average BDI for the year 2016 was at 673 points which was the lowest average BDI in dry bulk history.

The BDI increased from 1,366 points at the end of 2017 to 1,271 points at the end of year 2018. In 2018, even though the scrapping activities were significantly reduced from the last 2 - 3 years, the demand growth from China still was the main factor that helped the market to stay at a decent level. Newbuilding orders have been at low levels, and the supply of new ships into the World Fleet is slowing down now. The global 0.5% limit on the Sulphur content of fuel, which will start from January 2020, will increase the scrapping rates, thereby bringing supply and demand into some semblance of order. The BDI trend has been improving over the last 2 years and the Company hopes to see continuous improvement of the market throughout the year 2019 and after.

## 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 to 28 February 2018, the BDI has been a composite of an average of the time charter rates (TC) of Capesize, Panamax, Supramax and Handysize vessels.

In January 2018, the Baltic Exchange announced that it will be implementing changes to the Baltic Dry Index (BDI). From 1 March 2018, the BDI was re-weighted to the following ratios of time charter assessments: 40% Capesize, 30% Panamax and 30% Supramax and no longer included the Handysize timecharter average. A multiplier of 0.1 was applied.

The BDI is computed by applying the following revised formula.

$$((\text{Capesize TC} \times 40\%) + (\text{Panamax TC} \times 30\%) + (\text{Supramax TC} \times 30\%)) \times 0.1.$$

### 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.

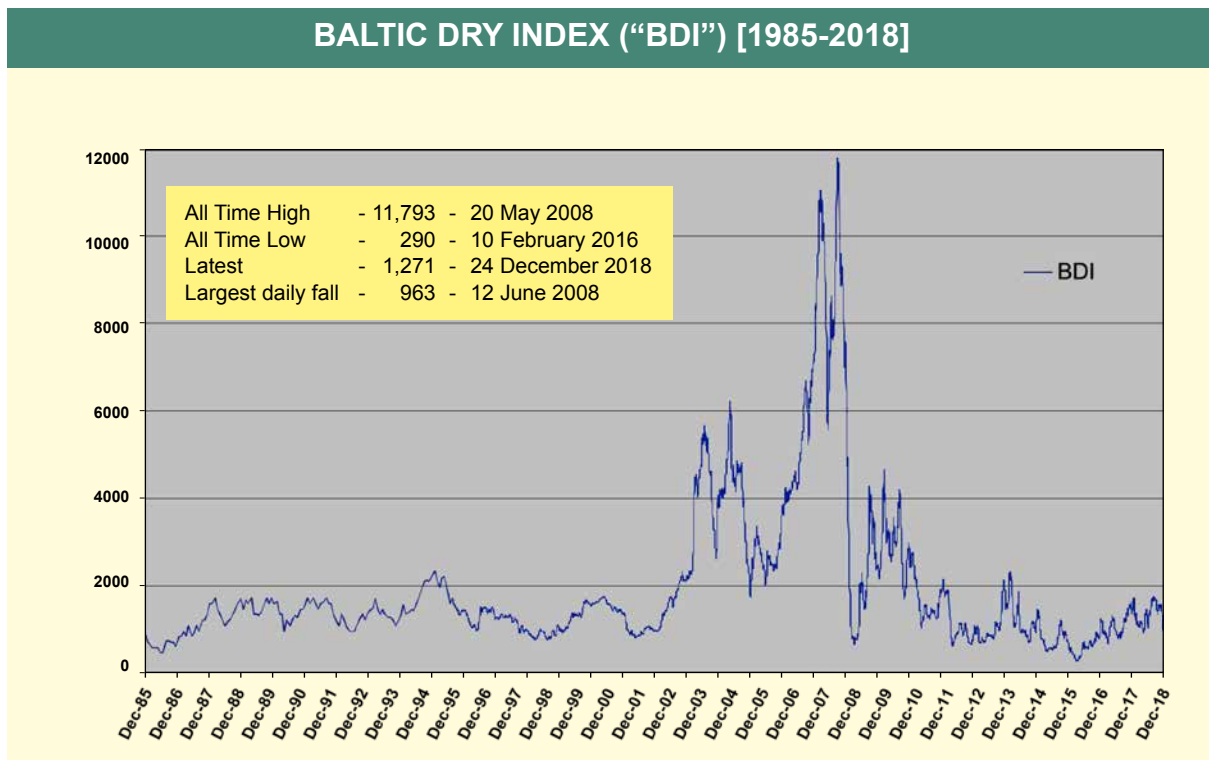


**Route 5:** Delivery of the ship within South East Asia for one single time charter via Australia. Duration of the time charter about 25/30 days. Redelivery of the ship within Singapore/Japan range including China. Weightage applied: 25 percent.

**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 (2018).



## 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 countries, where authorities monitor compliance diligently, like Australia, U.S., Canada and the European Union, without the fear of detentions and associated delays.

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 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 (SEEMP) from 1 January 2013. As a further improvement to the SEEMP, mandatory fuel oil consumption data collection and reporting have been adopted by IMO in 2016. This has entered into force on 1 March 2018, and collection of fuel consumption data has commenced from 1 January 2019. Methodology is to be included in the Ship Energy Efficiency Management Plan (SEEMP).

- Upon verification of the submitted data, the Administrations will issue to the ships a Statement of Compliance related to fuel oil consumption.
- Finally, the Administrations will submit aggregate data to the IMO, which will maintain an anonymized IMO Ship Fuel Oil Consumption Database.

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.

The third phase is expected to enter into force from January 2020 when there will be a global cap of 0.5% on the sulphur content of marine fuel. This is even more challenging due to the uncertain availability of competitively priced compliant fuel. Other option being fitment of a scrubber unit on vessels, is both technically and financially challenging for the ship owners. While burning high sulphur content fuel, a scrubber can remove the excess sulphur from the exhaust gases. However, disposal of the extracted sulphur is expected to be governed by new regulations in the near future, thereby making investment in scrubbers a risky proposition. Further, several countries have also banned the use of 'Open Loop Scrubbers' (where the extracted Sulphur is disposed directly into the sea) in their coastal waters.

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, operation 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 the United States of 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 Ship and Port Facility Security Code (ISPS Code)

This code was developed by the IMO in the aftermath of the 9/11 attacks in New York and Washington D.C. The ISPS Code came into force in July 2004. It 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 had ratified the Maritime Labour Convention on 7 June 2016. It entered into force from 7 June 2017. All our Thai flag vessels are 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 entered into force on 18 January 2017. Ships that are subject to the MLC, after this date, are 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. We have obtained these respective certificates for the individual ships from their respective P+I Clubs.

## **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 replaced 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 Certificate where the public health authorities have inspected the 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 (STCW) for Seafarers, 1978, as amended**

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. The Ballast Water Management Convention entered into force on 8 September 2017, 12 months after ratification by 30 States, representing 35% of world merchant shipping tonnage. 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 2019. All 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, defined mainly by the number of USCG approved BWTS that were available in the market. By end December 2018 about thirteen BWTS have been granted approval by the coast guard. USCG approved BWTS have already been fitted on 19 vessels in our fleet. The remaining vessels will also be fitted with USCG approved BWTS before the IMO/USCG compliance dates.

## **12. Maritime Cyber Risk Management**

In the 'Interim Guidelines for implementation of Maritime Cyber Risk' published by IMO, it has been agreed that, no later than the first annual verification of the company's Document of Compliance after 1 January 2021, the cyber risk management should be incorporated into the Safety Management System.

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.

## **13. 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 entered 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.

## **14. 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.

## **15. 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.



## 16. 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 were 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 has become mandatory in the above eleven core ports.
  - Effective 1 January 2018, at-berth fuel switching requirement was 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 has been 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.

- Effective 1 January 2020, use of LSFO or other compliant fuels containing no more than 0.5% of sulphur will become mandatory for vessels operating world over, unless the vessels are fitted with scrubbers capable of extracting sulphur content from the exhaust gas emissions.
- Effective 1 January 2019 as per the requirements of the IMO Data Collection System (DCS) all vessels are to report fuel oil consumption globally to the Flag state or Recognised Organisation. Data collected till 31 December 2019 will be reviewed and submitted to the data collection center at the IMO. A Statement of Compliance will be issued by 31 May 2020.
- 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 (MRV)
    - 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 2019PSL ships are adequately prepared to meet this requirement in a timely manner.
  - 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).

## 17. 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 2018)

No.	Vessel Name	Flag	Year Built	Dead Weight Tonnes (DWT)	*Net Book Value (Million US\$)	**Insured Value (Million US\$)
1	Rattana Naree	Thai	2002	28,442	8.38	8.40
2	Rojarek Naree	Thai	2005	29,870	13.04	13.00
3	Nalinee Naree	Thai	2005	31,699	14.33	14.40
4	Chamchuri Naree	Thai	2005	33,733	13.55	13.60
5	Charana Naree	Thai	2005	33,720	13.79	13.80
6	Mookda Naree	Thai	2009	30,162	13.40	13.40
7	Mayuree Naree	Thai	2008	30,193	12.85	12.90
8	Mallika Naree	Thai	2008	30,195	13.05	13.00
9	Lanna Naree	Thai	2012	33,843	15.59	15.60
10	Latika Naree	Thai	2012	33,869	15.85	15.90
11	Ananya Naree	Singapore	2011	33,857	22.60	21.60
12	Benjamas Naree	Singapore	2012	33,780	23.05	22.00
13	Chintana Naree	Singapore	2013	33,945	20.04	20.00
14	Vipha Naree	Singapore	2015	38,851	20.05	20.00
15	Viyada Naree	Singapore	2016	38,716	20.70	20.70
Handysize 15 Vessels		Total		494,875	240.27	238.30
		Average		32,992	16.02	15.89
16	Kanchana Naree	Thai	2011	56,920	20.32	19.40
17	Kirana Naree	Thai	2011	56,823	20.37	19.40
18	Warisa Naree	Thai	2010	53,839	11.79	11.80
19	Wariya Naree	Thai	2011	53,833	12.99	12.00
20	Wikanda Naree	Thai	2013	53,857	13.99	14.00
21	Apiradee Naree	Singapore	2012	56,512	22.64	22.70
22	Baranee Naree	Singapore	2012	56,441	22.54	22.60
23	Chayanee Naree	Singapore	2012	56,548	22.12	21.20
24	Daranee Naree	Singapore	2012	56,588	22.33	21.40
Supramax 9 Vessels		Total		501,361	169.09	164.50
		Average		55,707	18.79	18.28
25	Inthira Naree	Thai	2014	63,468	24.03	23.00
26	Issara Naree	Thai	2014	63,516	24.15	23.20
27	Sarita Naree	Thai	2015	62,964	24.53	22.90
28	Sarika Naree	Thai	2015	63,023	24.37	22.80
29	Savitree Naree	Singapore	2016	63,016	23.76	22.80
30	Savita Naree	Singapore	2016	62,970	24.01	23.00
31	Sunisa Naree	Thai	2016	63,007	24.20	23.20
32	Sarocho Naree	Singapore	2017	63,047	25.58	24.60
Ultramax 8 Vessels		Total		505,011	194.63	185.50
		Average		63,126	24.33	23.19
33	Apinya Naree	Singapore	2014	21,136	21.00	27.80
34	Boonya Naree	Singapore	2014	21,159	21.34	27.50
35	Chanya Naree	Singapore	2014	21,114	21.15	27.20
36	Danaya Naree	Singapore	2015	21,149	21.89	29.50
Cement Carriers 4 Vessels		Total		84,558	85.38	112.00
		Average		21,140	21.35	28.00
36 Vessels		Total		1,585,805	689.37	700.30
		Average		44,050	19.15	19.45

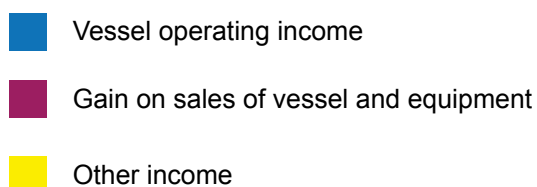
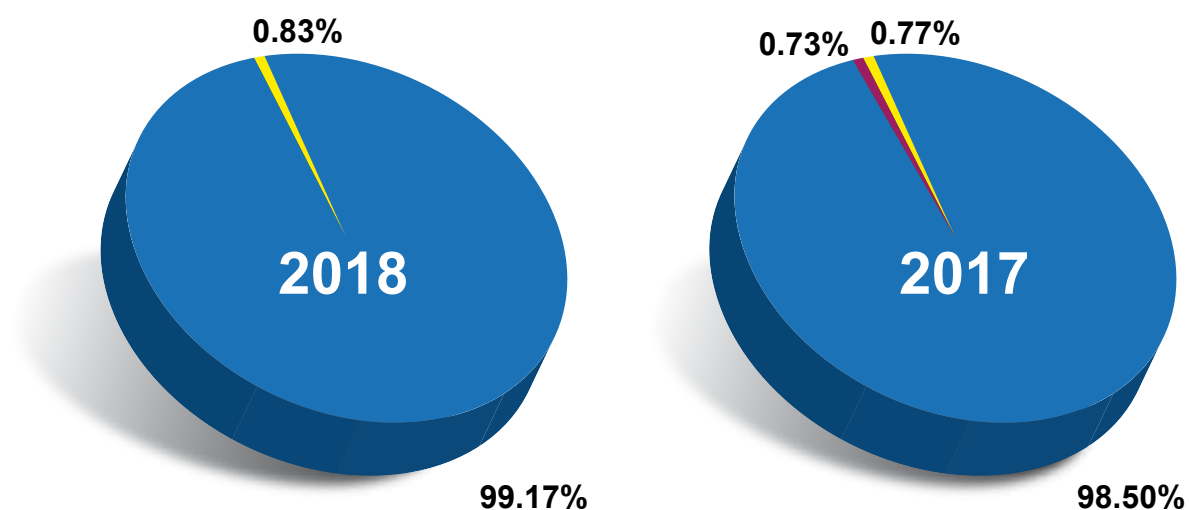
Remarks \* Net Book Value is as per US Dollars (functional currency) financial statements as on 31 December 2018.

\*\* 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	2018		2017	
	Baht Million	%	Baht Million	%
Vessel operating income	4,929.11	99.17	4,328.90	98.50
Gain on sales of vessel and equipment	0.00	0.00	32.15	0.73
Other income	41.01	0.83	33.58	0.77
<b>Total Revenues</b>	<b>4,970.12</b>	<b>100.00</b>	<b>4,394.63</b>	<b>100.00</b>



# THE BOARD OF DIRECTORS



**Mr. Thira Wipuchanin**

- Chairman of the Board of Directors
- Independent Director



**Mr. Kamtorn Sila-On**

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



**Mr. Khalid Moinuddin Hashim**

- Director & Executive Director
- Managing Director



**Mr. Kirit Shah**

- Director
- Remuneration Committee Member



**Mr. Chaipatr Srivisarvacha**

- Chairman of Nomination Committee
- Independent Director



**Mr. Ishaan Shah**

- Director



**Mr. Khushroo Kali Wadia**

- Director & Executive Director
- Director – Finance



**Mr. Jaipal Mansukhani**

- Director & Executive Director



**Ms. Nishita Shah**

- Director



**Associate Professor  
Dr. Pavida Pananond**

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



**Ms. Lyn Yen Kok**

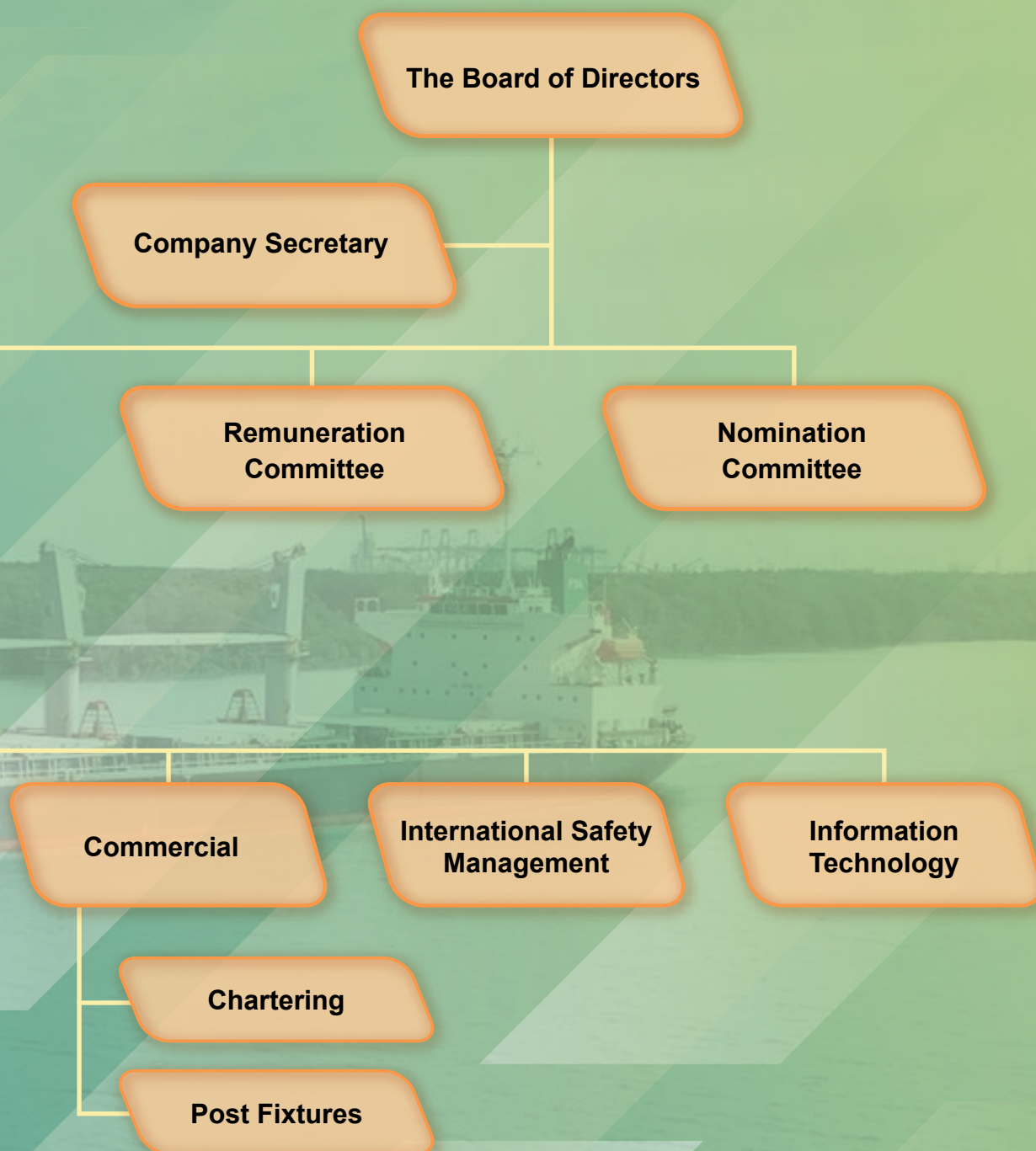
- Audit and Corporate Governance Committee Member
- Nomination Committee Member
- Independent Director



# ORGANIZATION CHART







# BOARD OF DIRECTORS' REPORT



**Mr. Khalid Moinuddin Hashim**

Managing Director

## TO THE SHAREHOLDERS:

The directors are pleased to present the 30<sup>th</sup> Annual Report of the Company along with the Audited Financial Statements as on 31 December 2018.

While 2016 will be remembered as the bottom of the long dry bulk shipping recession that started with Lehman Brothers going bankrupt in September 2008, 2017 will be remembered as the beginning of the long-awaited recovery. 2018, a year in which multilateral organizations and globalization took a massive beating with the US leading the charge in protectionism with trade sanctions and tariffs, still managed to pull through, despite all this negativity, to confirm a sustainable dry bulk recovery. It would, therefore, appear that we have actually turned the corner and have started a secular recovery that should last for the next few years provided ship owners don't shoot the nascent recovery in the foot by ordering additional ships from the ship yards that are desperate for new business.

**There are two issues that drive the Baltic Dry Index (BDI).** One is (over) supply of ships with which we have been struggling for quite a while but this excess has narrowed significantly, and in all probability, disappeared altogether as seen by the profitability of ship-owners during 2018 despite the massive uncertainty created by the US and other world powers adopting a protectionist stance. The other matter is, of course, of demand growth. The macroeconomic situation looks reasonably good but the whispers of an impending economic recession at the start of 2018 have turned ever louder, as the year progressed. The Federal Reserve has continued to raise interest rates, despite President Trump haranguing the Fed to stop doing so. This raising of interest rates trend will, however, take a much lower profile in 2019, as the economic picture emerging, not least because of the expansionary policies that President Trump had earlier enacted, have run their course, whilst the demons of uncertainty unleashed by US sanctions, trade tariffs, protectionism and withdrawal from multilateral agreements, are starting to come home to roost. The US, the largest economy in the world, is therefore precariously balanced, making the Fed a bit nervous to push interest rates much higher than where we have ended 2018 at. With oil prices heading lower, and the prospects that this low-oil-price environment will continue, at least for some time, consumers should find they have more spare change in their pockets to spend. Trump's stated Trillion Dollar infrastructure refurbishment plan should add fuel to the economy. This will, hopefully, drive the US economy and mute the voices that are proclaiming a recession, and should help to suck in a lot of cement, steel and other manufactured goods from the rest of Asia and the world. This will help drive trade flows in a more positive direction.

The **BDI** started the year at 1,230 points and then treaded water before moving gently downwards till it hit its low of the year of 948 points on the 6<sup>th</sup> of April 2018. The BDI then moved upwards, all the way to 1,774 points on the 24<sup>th</sup> of July before gently drifting down to 1,003 on the 20<sup>th</sup> of November and then moving back up till it closed out the year at 1,271 points. Traditionally, the summer months of June, July and August are



**Mr. Khushroo Kali Wadia**

Executive Director

the weakest BDI months of the year, but similar to 2016 and 2017 the 'weak season' did not show up even in 2018. China has been the stellar performer and this has helped to drive time charter rates higher as the year has progressed. Having said that, the Chinese government, after their 'blue skies' success story in 2017, took the bull by the horns on pollution prevention and mandated production cuts in 14 provinces, versus just 4 in 2017, for steel making (50%), cement manufacturing (50%) and Aluminum production (30%) from mid November to mid March every year. With the start of 2018, supply of iron ore from Brazil started to slow down due to their 'wet' season which traditionally makes the Q1 iron ore exports from Brazil the smallest quarterly exports in any year. This reduction in iron ore from Brazil in Q1 2018 when combined with the uncertainty generated by geopolitics, sanctions, trade tariffs, Brexit, EU budgetary issues, and the onset of Chinese New Year weakening demand, exacerbated by the Chinese government's anti-pollution measures during the winter months, the BDI followed the 'new' seasonality script. It would appear that the BDI, in all future years, will reach a peak in mid October followed by a decline till end February before the V shaped recovery manifests itself in almost a straight line all the way to mid October. Welcome to the 'new' seasonality of the BDI via decree courtesy the Chinese government and their restrictive manufacturing directives in 14 provinces from mid November of each year to mid March of the following year.

**Demand has certainly been stronger**, though not as strong, as everyone had anticipated at the start of 2018. If geopolitical problems, sanctions, Brexit, EU budgetary issues and trade tensions had not raised their ugly heads during 2018 then it would have assisted the demand side by removing the overhang of uncertainty that has crippled decision-making this year. Despite these head winds on the macro economic front, and the larger than anticipated net growth in world tonnage during this year, ship-owners have had a relatively benign and profitable year, though not quite hitting the potential that was promised at the start of the year. We are currently more confident about the prospects in 2019 than we were a few weeks ago thanks to the process of trade tensions being resolved permanently after the Donald Trump/Xi Jinping 1<sup>st</sup> December 2018 meeting at Buenos Aires on the side lines of the G-20 meeting. The next 90 days will give us more clarity on that.

Historically, prior to the turn of this century, demand in dry bulk was estimated at about 120 basis points over world GDP growth numbers. Then along came China, during the first decade of this century, taking the crown as the manufacturing capital of the world and the measurement of dry bulk demand became 2 to 3 times world GDP growth numbers. Post Lehman Brothers collapse this measure dropped to about 1.1 times world GDP growth numbers with suggestions, during 2016, that dry bulk demand might actually become less than 1.1 with world GDP growth numbers. However, the breakdown of this traditional relationship, of dry bulk demand being about 120 basis points higher than world GDP growth numbers, was greatly exaggerated. In 2017 the measure reverted back to the traditional rule of thumb of about 110-120 basis points above world GDP growth numbers. We have since then run regression analysis on ton-mile growth rates (Clarksons) versus world GDP

growth rates (IMF) from the turn of this century, and found that you have a good statistical fit of ton-mile growth of 115 basis points over world GDP growth rates. So our traditional heuristic, or rule of thumb, has been ably supported by hard statistical analysis!

The latest pronouncements from the IMF indicate that world GDP growth rates for 2019 would be 3.5% and for 2020 would be 3.6% hence tonne mile growth rates would be about 4.5%+ in each of these two years if we were to apply the rule of thumb heuristic that we have obtained from our analysis. DNB Markets state in their report on 4<sup>th</sup> January that tonne mile growth rate would be 3.9% for 2019.

Our read of the growth in supply based on Clarksons data we have a net fleet growth rate of 3.06% for 2019 and 3.26% for 2020. Please note that we have NOT assumed any real pressure on recycling due to the BWTS and IMO 2020 in our supply side calculations.

So if our conservative reading of both the demand growth rates and the supply side turns out as per our predictions, then 2019 and 2020 should be reasonably good years.

None of the above factors in any settlement of the current trade war between the USA and China. The latest news on the settlement of the trade war from Bloomberg indicates that China has offered to increase purchases from USA by USD 1 trillion over 6 years till the end of 2024, whilst the Americans are demanding that this be done in 4 years time. If an agreement is reached, whether it is USD 1 trillion of extra purchases spread over 4 or 6 years it means that China would be buying an additional USD 160 billion to USD 250 billion of American goods each year over the next 4 to 6 years. The three raw materials that China could easily buy from America would be grain, coal and oil/gas. In 2018 China imported 120 MMT of coal from Indonesia which is about 6 days away from China. If this 120 MMT was substituted by American coal then it would take 42 days or be 7 times more tonne mile intensive than the same volume of coal from Indonesia.

**Trade sanctions/tariffs**, in and of themselves, cannot destroy demand so long as the sanctioned commodity is either available from some other supplier/country or is substitutable by a similar priced commodity with similar/identical attributes. All sanctions/tariffs do is to make shipping of such commodities more inefficient. If this change in supplier/country results in congestion; slower loading of ships (compared to the original supplier/country); and an increase in ton-mile, then that is best for the dry bulk markets.

The meeting between President Trump of USA and President Xi Jinping of China on the sidelines of the G-20 meeting in Buenos Aires on 1<sup>st</sup> December 2018 resulted in a firestorm of media coverage with statements ranging from *everything* has been sorted out to *nothing* has been sorted out and every conceivable variation in between these two extremes. Then there was the arrest, and possible extradition, of the CFO of Huawei in Vancouver whilst changing aircraft with another barrage of news media attention. In this case, Ms Meng Wanzhou, the daughter of the owner of Huawei, was finally granted bail whilst her extradition hearing proceeds in court. In the meantime, a few Canadian business men and an ex diplomat have been detained/arrested in China.

If indeed there is a settlement of trade sanctions/tariffs within 90 days in which China agrees, as they have often indicated, that they would reduce the trade deficit by USD 200/250 billion, then it would be great news for Shipping. Grain, Coal and Oil/Gas are the three raw materials that the US can export in large quantities and which China can easily import in equally large quantities. Currently China imports a lot of Coal from Indonesia which is barely 6 days away as against the US which is about 42 days away and that could result in a huge ton-mile increase in demand for Dry Bulk shipping.

**New orders for ships** are hovering near all time lows with the forward order book to existing fleet ratio as of end 2018 being 10.52%, the second lowest since the turn of this century (lowest was in 2002 at 8.38%). If we were to look at only the geared ships, the sector that PSL is aligned with, then the order book to existing fleet ratio at the end of 2018 was at 5.75%, much lower than that for the world fleet, and the lowest since the turn of the century. The average order book to existing fleet ratio for the last 18 years, including the very low figure of 10.52% for end 2018, has been 28.91%. Seen from that perspective, the present order book to fleet ratio does look very disarming especially when compared to the percentage of 20 years or older ships (6.95%) in the existing world fleet, and those that would turn 20 years or older by the end of the order book period (13%).



Please bear in mind that 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.

The freight market is the prime mover that drives ships to the recycling yards. The lower the freight market the greater the number of ships ending up at the recycling yards. 2016 is a perfect example of this relationship. Q1 was a disaster in terms of the market with the BDI touching a new historic low every day before finally bottoming out at 290 points on the 10<sup>th</sup> of February. The Q1 total for recycled ships, as a consequence, was 14.22m DWT. But as rates started to improve, recycling took a back seat with 'just' 15.16 MDWT reaching the recyclers yards in 2017. With the BDI continually improving, this was followed by an even worse showing of just 5.25 MDWT ships being recycled in 2018. Though new ship deliveries from the yards slowed down and totaled 28.18 MDWT, net supply of ships in the dry bulk space, however, grew from 813.53 MDWT at the start of the year by 2.8% to 836.46 MDWT by the end of 2018 due to the extreme slowdown in recycling. But despite this growth in the supply side in 2016, 2017 and 2018 (above 6.1% net growth for the three years combined), the time charter rates have risen to reasonable levels by the end of 2018. This suggests that the past oversupply situation has been, slowly but surely, overtaken by growth in demand and balance has been finally achieved or is extremely close by.

On the **supply side**, things look distinctly better with expected net supply increasing at about 3.06% during 2019 and again 3.26% during 2020 whilst demand should be growing at around 3.0% to 4.0%, very similar to the demand growth seen in 2018, when supply grew by 2.8%. This favourable gap between expected demand growth and expected supply growth in 2019 and 2020 should make for an increasingly robust secular recovery. As supply and demand balance has either been reached or is very close, this recovery could be characterized by extreme volatility as any small change in demand or supply would have a disproportionate impact on the BDI.

#### **Regulatory impacts should see many more ships heading for the recycling yard in 2019, and 2020.**

The Ballast Water Treatment System (BWTS) convention came into force on the 8<sup>th</sup> of September 2017. All new vessels with keel laid after 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 2019. Any ship that is older than 20 years of age would then become a potential recycling candidate when the next five year renewal of the IOPP certificate becomes due after the effective date. As of the end of 2018, the world dry bulk fleet had 38.5 MDWT of ships that would have their 20<sup>th</sup>, 25<sup>th</sup> or 30<sup>th</sup> birthday during the next 8 quarters starting in Q1 2019 and ending in Q4 of 2020. These ships would not only have to complete an expensive special survey cycle requiring extensive downtime but would also have to retrofit a costly, compared to the capital value of these very old ships, BWTS and then face the prospects of having to manage these older ships designed to burn 3.5% sulphur fuel oil (HSFO) being challenged to burn 0.5% sulphur fuel oil (LSFO) from the 1<sup>st</sup> of January 2020. Added to the uncertainty of their older engines being able to handle this sea-change in type of fuel oil, they would also face the prospects of intermittent employment where clients would be scared to put their valuable cargoes onboard such ships that could easily breakdown, due to this change in fuel oil, and create endless problems for them. The cost benefit to retrofit an expensive BWTS would be too great a risk to run, especially when 20 years or older ships are valued around recycling levels. It will make the 'recycling' decision easier.

**IMO 2020** will result in 'cleaner low sulphur' oil being burnt by ships from 1<sup>st</sup> January 2020, except those owners who fit/retrofit scrubbers on their ships, and thereby reduce the level of pollutants reaching the air that we breathe as well as the 'acid' rain that results from such emissions. The impact of IMO 2020 would essentially be as follows:

- Older ships would struggle to either retrofit scrubbers, due to their high capital cost as well their high running costs, or struggle to burn 'cleaner low sulphur' oil in their engines. Those older ships that would have their 20<sup>th</sup>, 25<sup>th</sup> or 30<sup>th</sup> birthday in the next 8 quarters, starting from Q1 2019 and ending in Q4 2020, would have to struggle with the extremely expensive costs associated with special surveys of such older ships together with the costs of retro fitting a Ballast Water Treatment System (BWTS) as well as the impending IMO 2020 deadline. The world Dry Bulk fleet had about 38.5 MDWT of ships

in this 'older' ship category of which about 14.6 MDWT were in the 'geared' ships sector where PSL operates. Some or all of these ships will certainly end up in recycling yards. Others will experiment with burning 'compliant low Sulphur blends of fuel oil and diesel oils in these old engines designed to burn high Sulphur residue oils. Such experiments could result in a lot of breakdowns/delays to such ships and clients would be hesitant, to put it mildly, to place any of their cargoes on such ships.

- Ships that are burning compliant low sulphur fuel oils' would operate at more economical slower speeds if, indeed, the price differential between HSFO and LSFO is as high as the scrubber pushers have been proclaiming. This would result, combined with the impacts associated with the effect of IMO 2020 described in the preceding paragraph, in a supply side dividend with supply shrinking enough to cause some sort of a freight rate spike. How high would the freight rate spike be or how long it would last is any ones guess.
- The number of ships that are fitting/retrofitting scrubbers in the Dry Bulk fleet by numbers are 577 (471 retrofits and 106 new buildings as per Clarksons data base end of 2018) out of a total of 12,234 dry bulk ships in the world fleet, including all the new buildings in the order book, or 4.71% of ships with scrubbers that would be pumping soluble Sulphur/Nitrogen/particulate matter, and only God knows what else, into the waters of the oceans and transferring the pollution from the sky into the seas.
- The total number of ships fitting/retrofitting scrubbers in the world fleet, not just dry bulk ships, including those from the order book would be a measly 2,067 ships out of a total world fleet that would be 99,184 ships or just 2.08% of the world fleet. The question is, will the oil majors/refineries produce HSFO to cater to this small minority of ship owners? If they do, then it means that they would have to dedicate certain refineries/storage tanks/pipe lines/delivery vehicles (barges/small tankers) to service those 2.08% of owners who have opted to burn HSFO. The cost benefits of doing this would be something that the refineries would have to consider and, just maybe, HSFO would not be sold at any appreciable discount to LSFO but possibly at a small premium?
- The ships that are planning to or actually fitting scrubbers would face their own set of challenges that would include, bans from using open loop scrubbers in ports, extraordinary scrutiny of their exhaust gasses to ensure that their scrubbers, for which we understand there are no standards, are actually emitting minimal Sulphur oxides into the atmosphere, corrosion of the piping system within the scrubbers as well as at their outlet pipes (Hydrex.com, the underwater welding specialists, state that there has been a rash of such underwater welding requirements from scrubber fitted ships), installation of heavy duty pumps to handle the constant high pressure flow of water in the scrubber piping system requiring the use of two generators at sea instead of just one, spares/repairs/maintenance of scrubber systems, manpower needed to operate and handle scrubbers, etcetera.
- During 2019 and 2020 a lot of these 'scrubber' ships will be in dry docks fitting these 'refineries' to enable them be compliant with IMO 2020 emission rules. That will certainly take away some supply from the market. Various reports have suggested that this would reduce overall supply in the dry bulk world fleet by as much as 1.5 to 2%. This reduction in supply will not necessarily be a challenge in that it would assist the freight market and not act as a detriment to it.
- For those ship owners taking the sensible route of not installing scrubbers and instead burning LSFO they will face the future worrying about availability of LSFO (more or less every major oil producer, and nationalized oil company in almost every country, has confirmed that they will have as much LSFO as is needed available in their countries/ports that they regularly service), compatibility of various different blends of LSFO (currently almost all ship owners do NOT mix any fresh HSFO with existing HSFO onboard their ships but take fresh supplies in 'empty' tanks and only start using such fresh supplies after their contracted laboratories have confirmed that the fresh HSFO that they have bunkered is suitable to be burnt in their ships), getting their ships tanks 'cleaned' by bunkering small quantities of MGO in 'empty' tanks to 'clean' them of any residues of HSFO, Bunkering LSFO starting sometime in SH 2019 (Q3 or Q4) in all available 'empty' tanks, having clear guidelines for ship staff on how to store receive and use LSFO, etcetera.



- **Deserts in the Ocean**, an article written in 2008 gives you a look at how mankind has been destroying the ocean beds and creating deserts in the seas by the pollution that humans happily dump there.
- **'The Sixth Extinction - An Unnatural History'** a 2014 non-fiction book written by Elizabeth Kolbert argues that man's activity has caused the oceans to become acidified resulting in a grave threat to the coral reefs of the world. The reefs are the apex species of the ocean's ecosystem. If the reefs fail, so does the entire marine ecosystem.
- At some point in time, dumping toxic/sulphuric waste water from 'open loop scrubbers' into the oceans will come back to haunt us with such ships being banned from pumping their toxic waste water into our oceans/seas. MPA Singapore, and now China, has banned the use of 'open loop scrubbers' in their territorial waters as have a host of other countries from Europe to the Americas and from Asia to Middle East. How long will it be before the world realizes that it would be best to ban the dumping of waste water generated by 'open loop scrubbers' anywhere in the oceans/seas? It's like saying that a small portion of an aircraft (territorial waters of any country/port) is declared as a 'non smoking' zone whilst the rest of the aircraft (oceans/seas) are designated as an unrestricted smoking zone, and we know how that ended!

**Shipping banks** have more or less completed their "repair" work by restructuring/recapitalizing themselves which they were forced to do by their respective regulators. Thereafter, while some of them have "closed shop" for shipping loans, many of the shipping banks do remain "open" but with a markedly different strategy of going after quality rather than quantity. In other words, they would now lend only to their strongest clients. So long as the recent wounds remain fresh and unhealed, we can say goodbye to the old traditional bank and hello to the new improved selective bank. Moreover, the message to us from these banks is that not only will they be selective in deciding who will borrow from them, they will also be "sensible" (a polite way of saying "tough and stringent") in terms of the level of leverage they offer and the price thereof. So to conclude, the small ship-owner without a strong balance sheet and limited means in terms of cash equity will now have to look elsewhere for financing as his traditional Shipping Bank is probably not even going to give him the proverbial time of the day.

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.

**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. Once the 0.5% sulphur ruling hits the market on 1<sup>st</sup> January 2020, depending on the actual cost of LSFO 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 HSFO. That should make slow steaming the norm even if time charter rates were to improve significantly. There are analysts who calculate that this could result in the supply side of ships in the world fleet shrinking by ~10%. That would certainly tilt the supply demand equation firmly in the ship owner's favour.

**Recycling** in 2012 had a stellar all time record of 35.97 MDWT dry bulk ships being recycled. However, 2013 and 2014 recycling 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 recycled but was obviously not good enough as the BDI plunged to a fresh all time low of 290 points on the 10th February 2016. In 2016 we saw 29.74 MDWT of ships being recycled reaffirming the inverse relationship with the BDI. In 2017 recycling again reached a disappointingly low figure of just 15.16 MDWT and further collapsed to just 5.25 MDWT in 2018. Recycling rates are dependent on two main variables: the freight market (primary mover) and the price of recycling (secondary mover) and have little or no connection with other variables like oil prices.

In the next four years time i.e. by the end of 2022, approximately 13.01% (108.87 MDWT) of the existing world fleet would be over 20 years of age and some part of this lot of older ships should head to the recyclers yards due to the upcoming expensive regulatory environment, the direction of the BDI and recycling prices.

**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 came in at 18.15% in 2018 which is well below the annual average of about 36.15% for the preceding 5 years. As a result the net increase in supply for 2018 was 22.93 MDWT with a yearend number of 836.46 MDWT. This amounted to a 2.82% net increase in the World Dry Bulk fleet.

With respect to the approximately 87.83 DWT of new ships (10.5%) scheduled to be delivered to the end of 2022, the lack of funding coupled with delays in deliveries at ship yards would subject them to a degree of slippage (it was 18.15% in 2018) which would react inversely to the strength of the BDI i.e. the stronger the BDI the lower the slippage and vice versa.

**Future Supply:** A total of 295 dry bulk ships or 28.18 MDWT entered the supply side during 2018. At the same time, recycling this year has come to 5.25 MDWT with 16 (2.76 MDWT) Capes, 13 (0.95 MDWT) Panamaxs, 18 (0.87 MDWT) Ultras/Supras, and 27 (0.67 MDWT) Handysizes being recycled. This has resulted in the global dry bulk fleet strength, at the start of 2019, reaching 836.46 MDWT. 2019 and 2020 have 41.96/36.73 MDWT of brand new ships scheduled for delivery. If we assume annual recycling of 8 MDWT (it was 5.25 MDWT for 2018) and apply a 20% slippage (it was 18.15% in 2018) in expected annual deliveries, 2019 ends with a world fleet of 862.03 MDWT for a growth rate of 3.06% over the year. Under the same assumptions, 2020 ends with 890.13 MDWT for a growth rate of 3.26% over the end-year total of 2019.

**The question is how will owners react to the market conditions during 2019 and 2020?** If the markets remain reasonably strong as anticipated, then recycling will slow down, however due to the very low forward order book net increase in supply in 2019 and 2020 would be approximately 3.21% per annum whilst demand is scheduled to grow at around 3.0% to 4.0% per annum. If that happens and 'forced' recycling takes off due to the regulatory pressures in 2019 and 2020, we could have a few very interesting years ahead!

We were quietly optimistic this time last year about the prospects for 2018. We are similarly more sanguine about the prospects for the rest of 2019 and beyond. This is due to the gap between expected supply growth and expected demand growth over the next few years combined with regulatory pressure on the supply side that should send many more ships to the recycling yards or slow steaming 'removing' a significant amount of tonnage than what we have used in forecasting the net growth in supply numbers.

It is now almost 10 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.

**China**, the primary driver of dry bulk trade, reported GDP growth of 6.6% for 2018, despite the growth rate in the fourth quarter being 6.4%, the lowest level of growth since 2009. In spite of the fourth quarter, China continued to import record volumes of drybulk commodities and maintain efforts to improve air quality. According to Platts, 40 MMT of additional pig iron capacity is being reduced during the 2018/2019 winter season, equating to 30-50% production cuts depending on the province. Furthermore, other sectors such as aluminum and cement have followed suit with similar production cuts. During the first 11 months of 2018, China fined violators a total of USD 2 billion, demonstrating the lengths taken to improve environmental conditions. In spite of slower reported GDP growth and production cuts, China imported 1,064 MMT of iron ore during 2018, a drop of 1.0% and 281.5 MMT of coal during 2018, an increase of 3.4% Y-o-Y despite a virtual ban on coal imports during the last two months of the year.

**The USA** ended 2018 on firm economic ground, with GDP growth forecasted at 3.0% despite turbulent weather, increases in interest rates, and the self-inflicted wounds resulting from trade tariffs, sanctions, protectionism and abrogation/withdrawal from multilateral agreements of the past and the longest government shut-down in their history. The projected unemployment rate, 3.9%, has fallen to the lowest level in 10 years. The impacts of President Donald Trump's expansionary policies such as tax reform have run their course in the world's largest economy. With the yield curve inverting forecasting a recession, the Federal Reserve will most likely shy away from the previously trodden path of raising interest rates every quarter in 2019. The end of tariffs and sanctions would create the ideal conditions for strong export volumes of coal, oil/gas, cotton, wheat, corn, and soybeans, combined with potential imports of other raw materials for infrastructure development that would potentially benefit dry bulk.

**The EU** is the second largest economy in the world after the USA and one of the largest exporting blocs in the world. After reporting robust growth in 2017, economic data has softened slightly in 2018 with forecasted economic growth of 2.1% in 2018, just shy of the decade high of 2.7% reported in 2017. With the economy recovering, the ECB is beginning the process of reducing its bond purchases, signaling an end to easy monetary policy. As economic growth continues in 2019, demand for commodities to produce finished goods across the Eurozone will increase, thereby increasing the demand for shipping.

**Japan**, the second largest dry bulk player in the world, is forecasted to continue its economic winning streak by reporting economic growth of 1% for 2018 due to record-high corporate profits and labor shortages. Growth is set to decline marginally in Q1 2019 as the impending consumption tax increase takes effect, but should be offset by government spending for the 2020 Olympic Games. Prime Minister Abe's use of a mix of aggressive monetary policy, government spending, and structural reforms has contributed significantly to Japan's positive economic performance. Furthermore, strong global demand for Japanese goods will spur demand for raw materials, boosting demand for shipping.

**India** has continued to report strong GDP growth numbers in 2018 despite the government's demonetization and GST initiatives. Should growth trends continue, India is forecast to become the 5th largest economy by the end of 2019. The market orientated Modi government coming off a fresh round of state election losses will seek to boost spending on infrastructure to appease voters before the next election cycle. Additionally, India has consistently reported strong coal import volumes. Draft restricted and inefficient ports combined with a boost in coal imports and infrastructure spending, demand for shipping, in particular, smaller size segments, should increase.

**The one industrial sign that could point to a higher level of demand** is the 'One Belt One Road' silk route or **the Belt and Road Initiative (BRI)**, is a flagship project of Chinese Premier Xi Jinping's visionary foreign and economic policy initiative, that could potentially lead to higher levels of demand for dry bulk shipping while promoting logistic links between Asia, Middle East, Africa and Europe. Under development is a planned network of overland road and rail routes, oil and natural gas pipelines, ports 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. By end of 2018, approximately USD 685b of BRI projects have been either committed/started/completed. The program is arguably one of the largest infrastructure development plans in modern history and would require significantly 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.

#### **Summary of BRI facts:**

- The monetary size of OBOR is anywhere between USD 1.2 and 20.0 trillion!
- It covers over 70 countries accounting for about 65% of the world's population and around one-third of the world's Gross Domestic Product (GDP).
- It is 12 times larger than the Marshall Plan, in today's inflation adjusted Dollars.
- Funding will come from (1) the Asia Infrastructure Investment Bank. (2) Silk Road Fund. (3) New Development Bank or the BRICS Bank. (4) China Development Bank.

China boosted trade with and investments in the countries covered by the BRI in 2018 amidst a trade war with the US. The total value of its trades with BRI countries increased to CNY 8.37trn (\$1.24trn) in 2018, up 13.3% from the 2017 level. A review of progress of 2018 would suggest that whilst development has slowed, the BRI is still making strategic growth. Despite public and vocal anti-BRI rhetoric, there has been a flurry of activity around infrastructure financing that suggests that nations are taking BRI progress seriously.

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Av. BDI</b>	6,390	2,617	2,758	1,549	920	1,206	1,105	719	673	1,145	1,353
<b>Net Profit (loss) \$m</b>	148.1	88.1	35.5	23.6	4.5	17.5	(2.5)	(69.41)	(75.61)	(3.76)	14.1
<b>Av. No. of Ships</b>	44.12	32.79	21.39	21.91	30.44	38.93	41.66	45.46	40.29	36.02	36
<b>Net Profit (loss)/Ship \$m</b>	3.36	2.69	1.66	1.08	0.15	0.45	(0.06)	(1.53)	(1.88)	(0.10)	0.39

During 2015 to 2017 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 2018 and 2019; and sold our older and inefficient ships to raise further cash (15 ships recycled in 2015 - 2016 and 2 older ships sold in 2016 - 2017 for further trading). During 2018 we pre-paid all outstandings of one loan facility and 3 vessels were thereby released from mortgage.

## AWARDS AND ACCOLADES:

We are pleased to inform that Precious Shipping has been nominated by the Thai Institute of Directors & the Stock Exchange of Thailand as one of the Top 10 companies for the Board of the Year Award 2018, in the category for companies with a market capitalization below Baht 30,000 million. The Award will be announced in June/July 2019.

At the 11<sup>th</sup> Seatrade Maritime Awards Asia 2018, Precious Shipping was adjudged finalist for the 'Ship Owner/Operator' Award, and Great Circle Shipping Agency ("GCSA"), our wholly owned ship-management subsidiary, was adjudged finalist for the 'Ship Manager' award. At the 2018 Lloyd's List Asia Pacific Awards, we were adjudged finalist for the 'Class NK Dry Bulk Operator of the Year' award, and GCSA was adjudged finalist for the 'Ship Manager of the Year' award. At the International Bulk Journal's IBJ Awards 2018, we were adjudged finalist for the 'Bulk Ship Operator of the Year' award, and our cement carrier, APINYA NAREE, was adjudged finalist for the 'Bulk Ship of the Year' award.

## 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 4,970.12 million (2017: Baht 4,394.63 million) and the Company incurred a Net Profit of Baht 456.20 million (2017: Net Loss of Baht 129.48 million, including gains on sales of vessel and equipment and interest on unsecured corporate loans and other expenses per Settlement Agreements with Sanfu shipyard totaling Baht 80.36 million). The Shareholders' Equity of the Company is Baht 12,695.46 million (2017: Baht 12,335.49 million) and the Total Assets of the Company have decreased during the year to Baht 27,836.91 million (2017: Baht 28,833.24 million). The decrease in Total Assets is mainly on account of the depreciation on Vessels.

During the year, the Company earned Baht 463.70 million (2017: Net Loss of Baht 116.98 million) as Net Profit before Exchange Loss of Baht 5.36 million (2017: Baht 12.31 million) and Income Tax of Baht 2.14 million (2017: Baht 0.19 million). In terms of the Earnings, as a consequence of the continued strength of the dry bulk freight markets, the Company's vessels achieved an average time-charter equivalent earnings of USD 11,063 per day per vessel in 2018 as compared to USD 9,486 per day per vessel in 2017. The Net Vessel Operating Income was earned from an average of 36 vessels during 2018 and 2017. The Net Vessel Operating Income (net of voyage disbursements and bunker consumption) in absolute terms was 12% higher than that of the previous year. Absolute vessel running expenses (Opex), decreased by about 3%, due to the appreciation of the Thai Baht against the U.S. Dollar (Functional Currency). However, the average vessel running cost per day per vessel (Average Opex per Day) increased from USD 4,355 in the previous year to USD 4,621 in 2018. The technical downtime was decreased to an average of 6.54 days per vessel (with the average age of 7.3 years in 2018), as only 10 vessels were due for dry-docking and special survey during the year.

We conducted an “in-house” exercise again this year to determine Total Return to Shareholders, which was calculated for the 25 years that we have been operating as a listed entity. Based on the closing share price as on Friday the 16 September 2018 of Baht 12.30 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 25 years, you would have 13.86 times your initial investment. This return does not assume any re-investment of the dividends into shares or any interest on the dividends received.

## OUR FLEET:

At the end of 2018, our fleet consisted of 36 ships in the water (8 Ultras, 9 Supras and 19 Handy sizes) with an aggregate capacity of 1,585,805 DWT. This worked out to an average 44,050 DWT per ship, and an average age of about 7.3 years.

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.

**The Time Charter Equivalent (TCE)** earnings of our Fleet during 2018 averaged USD 11,063 per day per ship. In terms of daily average Operating Expenses (Opex), we were higher than our target of USD 4,500 per day per ship reaching a figure of USD 4,621 per day per ship.

**Market Segmentation/Benchmarking:** During 2018, the Baltic Handy Size Index averaged 597 points derived from the average Time Charter (TC) rate of USD 8,700. Compared to that, our Handies earned USD 10,355 outperforming the BHSI TC rate by 19.02%. Further, the Baltic Supramax Index (BSI) averaged 1,031 points derived from the average TC rate of USD 11,198. Compared to that, our Supramaxes earned USD 11,038, underperforming the BSI TC rate by 1.43%. Our Ultramaxs earned USD 12,772 and outperformed the BSI TC rate by 14.06% (as there is no special index for the Ultras we have compared them with the BSI). Our target has been to outperform both the indexes.

## THE INDUSTRY OUTLOOK:

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

**The Cape sector (90,000+ DWT: 2,031 ships of 363.62 MDWT at the start of 2019):** 220 ships of 50.63 MDWT or 13.9% of the existing DWT are scheduled for delivery up to end of 2022. In this sector, 165 ships of 31.87 MDWT or 8.8% will be over 20 years of age by end of 2022 and some or all of them are likely to be recycled during 2019 to 2022.

**The Panamax sector (70 – 90,000 DWT: 2,191 ships of 173.16 MDWT at the start of 2019):** 243 ships of 19.97 MDWT or 11.5% of the existing DWT are scheduled for delivery up to end of 2022. In this sector, 392 ships of 29.23 MDWT or 16.9% will be over 20 years of age by end of 2022 and some or all of them are likely to be recycled during 2019 to 2022.

**The Supra/Ultramax sector (40 – 70,000 DWT: 3,559 ships of 198.11 MDWT at the start of 2019):** 213 ships of 13 MDWT or 6.56 % of the existing DWT are scheduled for delivery up to end of 2022. In this sector, 578 ships of 28.67 MDWT or 14.47 % will be over 20 years of age by end of 2022 and some or all of them are likely to be recycled during 2019 to 2022.

**The Handysize sector (10 – 40,000 DWT: 3,650 ships of 101.57 MDWT at the start of 2019):** 127 ships of 4.23 MDWT or 4.16% of the existing DWT are scheduled for delivery up to end of 2022. In this sector, 778 ships of 19.1 MDWT or 18.8 % will be over 20 years of age by end of 2022 and some or all of them are likely to be recycled during 2019 to 2022.

When reading the above numbers please keep in mind that Slippage was 18.15% in 2018. Slippage averaged around 36.15% over the last 5 years and fluctuates inversely with the BDI and availability of finance.



Our **Competitive Position** based on our existing 36 ships-in-the-water 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 rejuvenated fleet consisting of younger, larger, better geared and more economical vessels purchased at historically low price levels will enhance our competitive position for years to come.

## THE ISSUES FACING OUR INDUSTRY:

**Operating Costs** of our Company increased in 2018 on account of the larger number of dry dockings and in-water surveys, as compared to 2017. Some of these were routine dockings whilst in others the dry docking were carried out for work related to fuel tanks' conversions (sub dividing larger fuel tanks to smaller ones) in preparation for the low Sulphur regulations post Jan 2020. Similarly, there have been increases in expenses related to replacing fuel components of these vessels during overhauls related to preparing the Main and Auxiliary engines to operate with low Sulphur grades of fuel oil post January 2020. Such expenses are expected to continue through 2019. However, the savings obtained in expenses in 2017 notably in, crew wages and manning levels were maintained and not revised upwards. Further, greater emphasis is continually being placed on the standards of training for the senior personnel required to operate our technologically advanced modern fleet. 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 Protection & Indemnity ("P&I") insurers ('P&I Clubs') belonging to the International Group of P&I Clubs experienced another benign claims year and better investment returns. This has enabled the Clubs to be supportive of their shipowner members in these times of depressed freight-market.

**International Maritime Organization (IMO) conventions** are constantly updated to match demands for enhanced steps to protect the environment.

Among several other requirements, engine exhaust emission standards are also controlled by the MARPOL regulations. Apart from the existing Emission control areas that require ships to burn fuels which contain no more than 0.1% sulphur, another new regulation is expected to enter into force from Jan 2020 when there will be a global cap of 0.5% on the sulphur content of marine fuel. This is even more challenging due to the uncertainty of availability and costs of compliant fuel. The other option, being fitment of scrubber units on vessels, besides being both technically and financially challenging, is further in doubt as a suitable solution, as these are designed to remove sulphur pollution from the atmosphere and transfer the same as a pollutant to the seas. More countries are insisting on stringent ballast water management practices on board ships. 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. The Ballast Water Management Convention entered into force on 8 September 2017, 12 months after ratification by 30 States, representing 35% of world merchant shipping tonnage. 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 2019. All 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, defined mainly by the number of USCG approved BWTS that were available in the market. By end December 2018 about thirteen BWTS have been granted approval by the coast guard. USCG approved BWTS have already been fitted on 19 vessels in our fleet. The remaining vessels will also be fitted with USCG approved BWTS before the IMO/USCG compliance dates. 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. Thailand ratified the MLC convention on 7 June 2016 and as a result MLC 2006 entered 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 our Thai flagged vessels is now being replaced with a Marine Labour Certificate. This is a welcome development and facilitates smooth trading of Thai flagged vessels worldwide, as it eliminates the risk of the SOC not being acceptable in some countries.

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 (Regulation 2.5). A further certificate will be required for liabilities for contractual claims arising from seafarer personal injury, disability or death (Regulation 4.2). 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. 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 the mandatory reporting of CO<sub>2</sub> emissions (measured in grammes/tonne-mile) on voyages, similar to the European Union MRV rules (Monitoring, Reporting, Verification of CO<sub>2</sub> emissions) – which has been implemented from Jan 2018 for all vessels operating in the EU region. In similar lines IMO require all vessels to implement the fuel consumption data collection system (DSC) from Jan 2019. This requires vessels to report annual fuel oil consumption worldwide to IMO through the flag administration. The regulation also requires the existing Shipboard Energy Efficiency Management plans (SEEMP) to be updated and certified by the flag authority or a recognized organization. Global shipping is committed to reducing the CO<sub>2</sub> 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 CO<sub>2</sub> emissions on all vessels in the fleet. The company has also made arrangements for all vessels to report such fuel consumption data collection to a Recognised Organisation (RO) approved by the flag, from 1<sup>st</sup> January 2019 onwards. 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 CO<sub>2</sub> 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 (CHG). 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. Further, the so-called "Tony de Brum" declaration, signed on December 12, 2017, by 35 states,

including UK, France, Denmark, Germany, Canada, the Marshall Islands, Chile and New Zealand, requires that shipping should adopt a cap on CO<sub>2</sub>, with the ambition of reaching zero emissions towards the mid-century. The declaration also welcomed IMO's efforts to formalize a strategy in April 2018, for GHGs reduction in shipping. This is due to be revised again in 2023. 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: 2015 certification from Class NK of Japan. The ISO 14001:2015 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. 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). Implementation of this requirement is expected to be time consuming and expensive. The company has now commenced preparations in this regard by sending senior technical superintendents for Hazardous Material Training courses organized by Classification societies thereby giving them the necessary competencies to complete the procedures to obtain IHM compliance for all vessels.

The Safety of Life at Sea (SOLAS) convention may also have several amendments in the future. This is being driven by one of the worst maritime disasters in US history - the loss of the US-flagged ro-ro vessel *El Faro* and its 33 crew, which sank in the Bahamas in October 2015 while trying to navigate through Hurricane Joaquin. The detailed USCG investigation report, published in September 2017, highlighted several errors, mainly by the Master, and includes 36 recommendations on safety and seeks several amendments in the SOLAS convention, as mentioned above.

With the melting of the polar ice cap due to global warming, and the consequent increase in navigability through the northern route, on 1 January 2017, the 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 code's focus is on the safety of ships, seafarers and passengers who are on board the vessels in the harsh polar environment and also on the regulations to prevent discharge of Oil, Noxious liquid substances in bulk, Sewage and Garbage. It is expected that regulations which require the use of low sulphur Fuel oil are also likely to follow.

**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, "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 also augments class room theoretical courses with practical training, wherever possible. Considering the fact that the new vessels acquired (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. New courses are also being introduced to prepare the ships' staff for the new challenges expected in the coming years on account of the low Sulphur cap, carbon dioxide emissions and ballast water treatment regulations.

The use of "Electronic Chart Display and Information System" (ECDIS) has become mandatory for new ships built from July 2013. All the vessels in the fleet are equipped with ECDIS with the on board software updated to the latest version. ECDIS requires special generic training as well as specific training for each manufacturer's equipment.

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.

The training department also keeps abreast of imparting awareness to Officers on the risks due to increased incidents of the liquefaction of cargoes, such as iron ore fines, coal, manganese ore fines, and nickel ore. More than a hundred seafarers have lost their lives over the past eight years on vessels which have capsized and sank due to the liquefaction of such cargoes. The latest cargo entry in the list of solid bulk cargoes susceptible to liquefaction that can cause catastrophic results is "bauxite". When subjected to sufficient dynamic loading, very wet fine-grained bauxites go through a process of slumping and dynamic separation, with the upward expulsion of water/slurry. This may result in free surface effect of liquid sloshing about which could significantly affect the vessel's stability, leading to the risk of the ship capsizing. In response, the International Maritime

Organization's (IMO's) Sub-Committee on Carriage of Cargoes and Containers issued new guidance on the carriage of bauxite, requesting adequate safety precautions to be taken when carrying this cargo.

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 using sensors, smart digital systems and other technologies, which can be monitored and controlled from shore based stations, completely removing the element of "Human Error" on board. Although the concept of such Autonomous vessels appeared unrealistic initially, bold steps were made in this direction in 2017, both in the industry and regulators. In May 2017, Yara and Kongsberg, introduced the concept of the autonomous Yara Birkeland container vessel due to be launched this year and commence operations by 2020. In October Rolls-Royce partnered with Google and introduced Augmented Reality software as part of their remote operation solutions for autonomous vessels. At the same time, in line with these developments in autonomous shipping, IMO's Maritime Safety Committee has also agreed to start to map out a new international legal framework for the safe operation of autonomous ships, as not having any human in charge of a vessel brings into many legal issues to work on. However, it has been said that "Most accidents are down to human error, but what we never measure is how many accidents are avoided because of human intervention. Take humans off ships and you are entering an unknown realm. Stakeholders in shipping need to keep abreast of these developments to ensure the most beneficial application of the technology."

**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 reports that in 2018 the number of reported incidents increased to 201 (from 180 incidents in 2107). However in 2018 in the earlier risky area around Somalia, no ships were hijacked though there were 3 incidents of pirates attacking ships. All our ships sail at least 250 NM away from the Somali coast and are strictly advised to follow BMP4 guidelines, and also have armed guards while transiting the Gulf of Aden, all these measures helped prevent any attacks against our vessels.

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

However, in 2018, incidents of piracy have increased in the Gulf of Guinea, mainly off Nigeria and in the coastal waters extending from the Ivory Coast to the Democratic Republic of Congo, where 6 hijackings and 13 attacks have been reported, with 78 seafarers being kidnapped for ransom. The primary difference between this region and Somalia 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. However, all our vessels trading in the region observe all the BMP guidelines to deter piracy along with armed escort vessels arranged by the company as necessary.

Attacks in the South East Asia region have increased slightly in the waters off Eastern Malaysia, though increased patrolling by local navies have brought down the incidents around the Philippines and Indonesia. PSL has taken an active role in reporting to the IFC (Information Fusion Centre) a centre for monitoring 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.

### **Cyber Risks and Cyber Attacks:**

In June 2017, the shipping industry was made starkly aware of its vulnerability to hacking and the associated implications for safety when the container line shipping giants Maersk line fell victim to a coordinated international cyberattack caused by a so-called NotPetya ransomware. It was stated that this ransomware was hidden in a document used to file tax returns in Ukraine. This caused the shutdown of Maersk's IT systems across its business and cost them up to USD300 million as per estimate provided later. The surprising part was this happened to a company like Maersk that used an IBM block chain technology platform to digitalise trade, and also took steps to place their marine insurance on a block chain platform, which is one of the latest emerging technologies in the industry.

Few months later in October, we saw 2 more issues related to cyber security - BW Group, one of the largest shipping companies in the world, revealed that it too had been targeted by computer hackers, and Critical cyber-security vulnerabilities affecting shipboard communication platform AmosConnect, by Stratos Global, were also revealed by the cyber-security research firm IOActive.

Based on above cases, a point needs to be stressed is that, as modern and technologically advanced newer ships become increasingly connected and software-dependent on their day to day systems, cyber security will emerge as a key area requiring attention to control operational and safety risks on board these ships, while also emerging as a major issue to be tackled by shipping companies during their board meetings worldwide.

Cyber risk is seen as an area where the threads in the global risk environment come together and the scale and sophistication of risks is expected to grow. This is further fuelled in part by geopolitical trends - more state sponsored attacks could add to those cyber-attacks that are financially motivated. Cyber exposure is growing in companies due to the rapid increase of interconnected devices, which is ever increasing due to increase in emerging technologies use on-board ships and the use of artificial Intelligence.

Even though the cyber risk has become more visible today, it is still under resourced in the amount of effort being put into mitigation the risks associated with it, even though attacks can be very costly, if occurred. It's said to be above the scale of natural catastrophes and yet the infrastructure the industry has in place against it is smaller in scale.

Cyber breaches recorded by businesses have almost doubled in five years and according to the 2018 risk outlook, the financial costs of cyber-attacks are on the rise.

The prime focus of our industry will now be in our ability to respond to these ever increasing Cyber-attacks.

In 2017, the IMO adopted resolution MSC.428(98) on Maritime Cyber Risk Management in Safety Management System (SMS). The Resolution states that an approved SMS should take into account cyber risk management in accordance with the objectives and functional requirements of the ISM Code. It encourages administrations to ensure that proper risk assessments and measures to protect ships from cyber incidents are included in the SMS. It also requires that these measures are implemented no later than the first annual verification of the company's Document of Compliance after 1st January 2021.

Though we have not had any cyber crime incidents till date, at PSL we constantly review and maintain our findings that:

- Our present systems incorporated in Office environment and on board ships are "robust" enough with the understanding that both IT and OT systems may be involved in cyber security incidents
- 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, as part of constant 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.



## Digitalization and Cybersecurity:

The big change in our era is digitalization, which is upon us with increasing velocity and speed. The main drivers of the continuous and exponential change is the increasingly reliable connectivity to very large bits of data at affordable prices, ability to rapidly analyze such voluminous amounts of data in real time, intelligent automation and communication between machines, also known as the Internet of Things. The world is being digitally disrupted & transformed.

This rapid progress of information and communication technology is driving unprecedented change in every industry and all aspects of life. However, in comparison to the large advances made in other industries such as automotive, airline, banking etc, ocean transportation has been slow to adopt and reap the advantages of digitalization, with the container sector taking the lead. But now, even in the traditionally conservative bulk shipping sector in which we operate, there is an ongoing substantial disruption.

Within the next decade, we will see great progress in autonomous shipping, automated trading platforms, block chain integration, performance analytics, 3D printing etc transforming our industry. At PSL, we believe that these changes should be adapted and turned into new opportunities for our business. For example, such digital capabilities can significantly enhance the traditional owner-broker-customer interface experience, reduce counter party risks on the commercial side, bring benefits such as improved fuel quality and efficiency, increased operational safety, reduced breakdowns, slimmer inventories, etc on the technical side.

With a view to this, we are continually going through the process of identifying various ways in which we can transform existing digital set up at PSL. Some of them are already under progress, such as installing the latest enhanced version of our ERP and ensuring that all commercial, technical & accounting transactions are integrated and made seamless to the extent possible to reduce human error. With PSL's core assets tramping around the world, we are working on achieving digital connectivity with all the assets at all times by installing on our ships, a small telecommunication earth station that can receive and transmit real-time data via satellite. In the future, by upstream integration with onboard machinery and navigational equipment, the data stream from the satellites can then be transmitted directly to our ERP where downstream integration with data analytics can produce real time alerts without any human interference in the chain.



We recognize that with digitalization, **Cybersecurity has become a critical need** and are aware that the industry will soon be under the obligation to incorporate measures to deal with cyber risks in the ship's safety management system. We are continuously assessing this threat with a view to uplift our overall security infrastructure and to nurture a secure environment within which the organisation can work and minimize the risk of any security breach. PSL is also in the process of migrating its entire digital environment from software solutions to the cloud, which offers broader functionalities along with a much increased security environment. This will also allow us to set a new digital framework of how information can or should be exchanged between different counterparties in the future.

We understand that both IT and OT systems are involved in any Cyber security infrastructure and so, identification of vulnerable systems onboard such as the Positioning systems, ECDIS, Engine Control and Monitoring Systems, GMDSS etc and enhancing firewalls, training crew on best practice protocols and intrusion detection/prevention systems to protect against cyber-attacks is a continuous ongoing process in PSL.

At PSL continuous training is the key to keep staff and seafarers up to speed with new technology which we take very seriously by investing in the latest technology and software for our in-house training center. This year, we are in the process of replacing our existing ship simulator software with the latest available along with the hardware so that the crew can be given the best hands-on training making them ready to confidently and safely operate our ships at sea. Similarly, office staff is also regularly kept abreast of the latest trends and developments by way of arranging seminars, workshops, circulating reports and by discussions at various management meetings.

### **What to expect in 2019 from the technological advances in the years 2017-2018:**

While the years 2017 and 2018 saw various acceleration in the digital transformation of the maritime industry with an ever increasing focus on digitalisation and new technologies, different technologies like Blockchain, Augmented Reality, Autonomous Vessels, Drones, Deep Learning, Artificial Intelligence, Internet of Things, Virtual Reality, Robotics and Wearable Technologies (“Cyborg Crew”) will have a major impact on the maritime industry in 2019 as well as have prolonged ramifications for its future. The majority of these technologies is already in use in other industries and just need a trigger for them to be adopted in maritime industry.

### **Blockchain – the new revolution in shipping?**

Traditionally regarded as conservative and resistant to change, the shipping industry has usually been among the slowest to implement new standards and technological improvements. However, in a positive deviation, more shipping players are seeking to harness blockchain technology, although it appears to remain in the trialing stage at present.

### **What is blockchain technology about?**

The blockchain is typically described as an open, distributed, digital ledger, which can be programmed to record financial transactions or other valuable information. Information held on a blockchain exists as a shared database that is continuously reconciled across a network of computers. As changes are made, a public log is kept of what was changed, when and how. Compared to data stored in a single location, records kept on a blockchain are thus public and easily verifiable, since there is no centralized database that can be corrupted, and its data is easily accessible through the internet.

### **How can blockchain technology benefit the shipping industry?**

In 2014, Maersk found that just a simple shipment of refrigerated goods from East Africa to Europe goes through nearly 30 people and organisations, including more than 200 different communications among them. IBM estimated the related document processing and administrative costs to be up to one-fifth of the actual physical transportation costs. Furthermore, the paperwork could also be susceptible to delays, misplacement, and fraudulent alterations, which could cause further problems and mounting costs.

Blockchain technology could counteract these issues by allowing for faster processing times and updates; greater accuracy through automation; increased transparency due to its public log and ease of access; increased security; and lower costs by reducing or even eliminating paper documentation and administration.

However, in order for its benefits to be harnessed, the blockchain technology will likely have to overcome some hurdles, including adapting it to the contractual terms unique to shipping, dealing with the issue of flexibility required when contractual terms are still being negotiated, as well as collaboration and adoption by all parties in the supply chain.

### **Examples of current applications in shipping**

In June 2017, IBM and Maersk announced their partnership to use blockchain technology to help transform the global supply chain. The solution will help to manage and track the paper trail of their shipping containers

moving across the world, protecting the supply chain from human error, unwanted and wasteful delays, as well as cyber threats. The importance of cyber security has been increasing, especially after Maersk made the headlines last year as one of the victims of a global ransomware attack, which caused outages at its computer systems across the world and cost the company \$300 million in lost profits in 3Q 2017.

In September 2017, Ernst & Young announced plans to launch the first blockchain platform for marine insurance, alongside Microsoft, A.P Moller-Maersk and others. The distributed ledger will be used to capture information about shipments, risk and liability, help firms comply with insurance regulations, and ensure transparency across an interconnected network of clients, brokers, insurers and other third parties.

In December 2017, Mitsui OSK Lines (MOL) teamed up with IBM Japan and other firms for a demonstration test to see how effectively blockchain technology can be implemented in cross-border trade operations. Apart from MOL, a total of five firms are participating in this test, namely Sumitomo Mitsui Financial Group, Sumitomo Mitsui Banking Corporation, The Japan Research Institute Limited, Mitsui & Co, Mitsui Sumitomo Insurance Company and IBM Japan.

Government bodies, especially those in Europe, are also showing interest in blockchain technology, with the Danish maritime Authority implementing a new blockchain-powered pilot scheme for vessel registrations. Other port authorities such as the Port of Rotterdam and Port of Antwerp have also begun work on their own blockchain-powered management platforms. (Banchero Costa)

Our company is now working with a firm to try and introduce Block chain technology is the bunker supply chain of which our vessels are the end users. Though we are very keen to support this technology, real success can come about only when all the other upstream businesses/entities like refineries, storage terminals, brokers and bunker barge suppliers are all on board and join in the same. As mentioned above, it is expected that in the years to come, the bunker industry, along with other areas of shipping business, will adopt these new changes.

## JOINT VENTURES:

- **International Seaports (Haldia) Pvt Ltd:** This is now our only 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 3.99 million, which works out to about 196% of our original Investment made in years 2002-2003.

## IN CONCLUSION:

**Demand:** The environment for 2019 and 2020 is going to be characterized by volatility. **Downside risks** for 2019 and 2020 will include, amongst others, Geopolitical tensions; China importing lower quantities of Coal and Iron Ore; Protectionism increasing; 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 2019 and 2020 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 1.2 to 20 trillion; China importing more Iron Ore as they combat pollution and shift to higher grades of Steel production requiring better quality imported Iron Ore; China importing more Coal to reduce 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 challenging markets and lack of traditional finance sources; Higher slippage rates due to challenging markets; Higher recycling rates due to challenging markets and regulatory pressure; The US economy continuing to outperform expectations; Low oil prices leading to greater World economic growth rates; and weaker currencies in the Euro zone and Japan helping them to export their economies out of trouble. Most importantly, if geopolitical tensions, sanctions, Brexit, EU budgetary issues and trade tariffs are resolved during 2019 then it would assist the demand side by removing the overhang of uncertainty that has crippled decision-making. We are currently more confident about the prospects in 2019 than we were a few weeks ago thanks to the trade tensions being in the process of getting resolved permanently after the Donald Trump/Xi Jinping 1<sup>st</sup> December 2018 meeting at Buenos Aries on the side lines of the G-20 meeting. The 90 day 'truce' will give us more clarity on that.

**Supply:** Under the current conditions, approximately 13.01% (108.87 MDWT) of the existing world fleet would be over 20 years of age during 2019 through to end of 2022. These ships would come under tremendous financial pressure due to the upcoming expensive regulatory requirements. Depending on how challenging the freight markets turn out to be in the period 2019 to 2022 many of these ships would be forced to take the decision to head to the recycling yards in Asia.

With respect to the approximately 10.5% by DWT of new ships (87.83 MDWT) scheduled to be delivered to the end of 2022, the lack of funding coupled with delays in deliveries at ship yards would subject them to a degree of slippage (it was 18.15% in 2018), that would help slow down their arrivals into the freight market.

**Financing:** We had concluded in this part of last year's Report that while there was some room for optimism for the year ahead (for 2018) in the freight market, we remained pessimistic in terms of availability of financing for our sector in 2018. This is exactly what happened! While the freight market indeed showed some improvement, availability of capital for shipping, continues to be scarce, particularly in the drybulk sector, with the more traditional sources of ship financing continuing to languish at their lower levels of the recent past. The maritime industry as a whole had raised marginally over USD 20 billion in the previous year (2017) from the capital markets against which, only USD 16.64 billion was raised from the capital markets this year (2018). Out of this USD 16 odd billion, USD 12.12 billion came from Bonds, USD 4.24 billion from Public Equity and a paltry USD 0.27 billion from Private Equity, which is a far cry from the heady days of private equity seen a few years ago with year 2013 being a peak when almost USD 7.5 billion was raised by the maritime industry through the private equity route. Moreover, the lion's share of the total capital raised by the maritime industry (about USD 9 billion) went to the Offshore sector with the Shipping Industry being the recipient of the balance USD 7.4 billion of capital raised in 2018, out of which, slightly over USD 4 billion came in from Bonds and over 3 billion from Public Equity. The Capital Market's low level of confidence in the Drybulk sector is perhaps perfectly exemplified by the fact that out of the USD 7.4 billion raised from the Capital Markets by the Shipping Industry in 2018, a mere USD 346 million constituting less than 5% came to the Drybulk sector. Given the continued unavailability of traditional ship finance debt on decent terms and conditions, the Chinese Leasing firms remained the saviors for the Shipping Industry for those shipowners who did not wish to go to the Capital Markets for one reason or another. Of course the silver lining to this dark cloud of Capital scarcity for the Drybulk sector is that despite the slowdown in ship recycling, the supply side has not ballooned (particularly in the geared ships) as much as what it could have, if cheap Capital was readily available. (Source of all figures in this para: Marine Money)

As such, while one can see green shoots of "some" recovery in traditional ship finance with some of the traditional Shipping Banks returning to the fray for the Drybulk sector, we still expect 2019 to be the year of further consolidation in the ship finance side of our business with a full blown sustainable recovery in easy and reasonably priced ship finance availability for the Drybulk sector, at least sometime away.

**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 2019

# 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.

The Executive Board of Directors held 4 meetings during the year 2018, with 100% attendance by two directors except Mr. Jaipal Mansukhani who attended 3 out of the 4 meetings (75%) 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 role as assigned by the Board of Directors, which is 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 2018 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 2019



# 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, with Mr. Kamtorn Sila-On and Ms. Lyn Yen Kok, both, as the other Nomination Committee members.

For 2018, 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 2018 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 2 October 2017 to 31 December 2017. 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.1/2018 held on 4 April 2018, the shareholders approved the reappointment of the Directors whose terms 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 2018 as per SET guidelines, the score of which fell within the "Very Good" 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 2019

# 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, with Associate Professor Dr. Pavida Pananond and Mr. Kirit Shah, both, as the other Remuneration Committee members.

For 2018, 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 2018 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.1/2018 held on 4 April 2018, 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 2018 as per the SET guidelines, the score of which fell within the "Excellent" 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 2019

# 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. Kamtorn Sila-On as Chairman of the Audit & Corporate Governance Committee, Ms. Lyn Yen Kok and Associate Professor Dr. Pavida Pananond, both, as Audit & Corporate Governance Committee members.

The Audit & Corporate Governance Committee has performed its duties and responsibilities with prudence, transparency, independence and in compliance with the Audit & Corporate Governance Committee Charter ("Charter") approved by the Board of Directors and the requirements of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET), which are summarized as follows:

### Review of financial reports

In the year 2018, meetings of the Audit & Corporate Governance Committee have been held through the year to review consolidated financial statements of the Company and its subsidiaries. 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.

### Internal audit and internal control systems

The Audit & Corporate Governance Committee has considered the independence of the Internal Audit Department, including the chain of command, in order to establish the credibility and independence of the 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 2018, the Internal Audit Department reviewed:

- the risk assessment (including fraud risk assessment);
- the self-evaluation tool for countering bribery following the guidelines by the Private Sector Collective Action Coalition Against Corruption (CAC);
- internal control activities of all departments;
- the operations of some departments;
- conflict of interest transactions; and
- 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.

### Compliance with laws and regulations

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 subject. 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.

### Review of Connected Transactions

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 SEC about the recommended practice to be followed under section 89/12 (1) of the Securities

and Exchange Act (No.4) B.E.2551. In 2018, the Company had 7 connected transactions, of which 6 were classified as Type 2 transaction which is any connected transaction for supporting core business and 1 was classified as Type 3 transaction which is any connected transaction for real estate rental for under 3 years. The 6 connected transactions under Type 2 were (i) property management expenses, (ii) air ticket expenses, (iii) hotel service expenses, (iv) insurance premium expenses, (v) consultant fees for ship chartering services, and (vi) maintenance expenses for air conditioners at the main operational office and the condominium apartments of the Company and its subsidiaries. The other 1 connected transaction under Type 3 was office lease 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. 1/2019 held on 8 February 2019. 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.

### Review of the Company's Corporate Governance

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 2018, 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.

### Meetings of the Audit & Corporate Governance Committee

Normally, each Audit & Corporate Governance Committee Meeting is held before a Board of Directors' Meeting, so that discussions with internal auditors and external auditors can be carried out without management's presence in such discussions and the minutes of the Audit & Corporate Governance Committee can also be sent to the Board of Directors for acknowledgement, discussions and receiving suggestions from the Board.

The members of the 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 2018, Audit & Corporate Governance Committee held 4 meetings (2017: 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)	
	2018	2017
1. Mr. Suphat Sivasriumphai*	-	1/1
2. Mr. Kamtorn Sila-On	4/4	4/4
3. Associate Professor Dr. Pavida Pananond	4/4	4/4
4. Ms. Lyn Yen Kok**	4/4	3/3

\* Audit & Corporate Governance Committee member who retired in year 2017.

\*\* Audit & Corporate Governance Committee member appointed in year 2017.

### Selection and proposal for appointment of the Company's external auditors

Audit & Corporate Governance Committee Meeting No.1/2019 held on 8 February 2019 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 2019.

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 2019 charged by EY Office Limited are as follows:

Details	Proposed for 2019	2018
Audit fees for the Company	Baht 2.05 million	Baht 2.00 million
Audit fees for Thai subsidiaries and 1 Foreign subsidiary	Baht 2.59 million	Baht 2.52 million
Fees for other services:		
• Fee for certification purposes by BOI	Baht 0.37 million	Baht 0.42 million
• Fees for review of the accounts of certain foreign subsidiaries (for consolidation purpose)	Baht 0.88 million	Baht 0.85 million
<b>Total</b>	<b>Baht 5.89 million</b>	<b>Baht 5.79 million</b>

### The Audit & Corporate Governance Committee self-assessment

The Audit & Corporate Governance Committee conducted a self-assessment for 2018 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.

**Concluding Remark:** Throughout 2018, the Audit & Corporate Governance Committee received full cooperation from all the Directors, executives and staff members of the Company, as well as from the external auditors, in order to fulfil its roles and responsibilities as assigned by the Board of Directors and in compliance with its Charter and the relevant laws and regulations.

The Audit & Corporate Governance Committee is of the opinion that the Company's financial statements of 2018 and disclosures of information therein are complete, reliable and consistent with generally accepted accounting principles and financial reporting standards. The Company has adequate risk management, appropriate internal audit and internal control systems. The Company also complies with its internal policies, good corporate governance, relevant laws and regulations.

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



**Mr. Kamtorn Sila-On**

Chairman of the Audit & Corporate Governance Committee

8 February 2019



# 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 and a Business Ethics and Code of Conduct Manual which have been circulated to all the Company's employees via email and disclosed on the Company's website under the subject of "**Corporate Governance**". The Company reviews and updates these Manuals regularly in order to ensure that these Manuals meet the present requirements and are suitable for the current circumstances.

In 2018, the Board of Directors considered and reviewed the new version of the Corporate Governance Code 2017 (CG Code) published by the Securities and Exchange Commission. The Company has adopted the terms of the CG Code which are suitable for its business. Further, the Audit & Corporate Governance Committee annually reviews the implementation of the CG Code within the Company, in order to ensure that good corporate governance is followed within the Company for the sustainability of the Company.

The Company has won (or nominated for) the following awards including awards for good Corporate Governance:

- Nominated as one of the Top 10 companies for the Board of the Year Award 2018, for companies with a market capitalization below Baht 30,000 million, by the IOD & the SET. The Award will be announced in June/July 2019.
- Classified as one of the companies with "Excellent" Corporate Governance for nine consecutive years from 2010 to 2018, by Thailand's National CG Committee
- Adjudged as the Company with "Outstanding Best Investor Relations" within Companies with a market capitalization between Baht 3,000 million to Baht 9,999 million at the SET Awards 2016
- Winner of "the Public Debt Deal of the Year" for 2016 from Marine Money, New York, for the Company's THB 3.59 billion Unsubordinated Unsecured Bonds issued in Thailand in 2016
- Adjudged as the 3rd placed in the "Best in Sector: Industrials" category for Investor Relations Awards at the IR Magazine Awards & Conference - South East Asia 2017
- Classified as one of the companies as "Excellent" for conducting Annual General Meetings for 5 years; 2012, 2013, 2014, 2015 and 2018, by Thai Investors Association
- Nominated as a finalist for "Ship Owner/Operator" award at the Seatrade Maritime Awards Asia in 2010, 2012, 2013, 2014, 2017 and 2018
- Nominated as a finalist for "The ClassNK Dry Bulk Operator of the Year" award of the Lloyd's List Asia Pacific Awards 2014, 2015, 2016, 2017 and 2018
- Nominated as a finalist for "Deal of the Year" award in the 10th Seatrade Maritime Awards Asia 2017 for the Company's THB 3.59 billion Unsubordinated Unsecured Bonds issued in Thailand in 2016
- The Company's wholly owned subsidiary, Great Circle Shipping Agency Limited, was nominated as a finalist for "Ship Manager" award at the Seatrade Maritime Awards Asia in 2014, 2015, 2017, and 2018
- Great Circle Shipping Agency Limited was nominated as a finalist for "Ship Manager of the Year" award at the Lloyd's List Asia Pacific Awards in 2012, 2014, 2017 and 2018

- Nominated as a finalist for “The Bulk Ship Operator of the Year Award” at the IBJ (International Bulk Journal) Awards in 2012, 2013, 2014, 2016, 2017 and 2018
- The Company’s cement carrier, M.V. APINYA NAREE, was nominated as a finalist for the “Bulk Ship of the Year” award at the IBJ Awards 2017
- 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 Award” 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
- 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, 7<sup>th</sup> edition, 2016
- Selected as one of three finalists for “Shipping Company of the Year” award at the BIMCO 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
- 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
- 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
- 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

**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 meetings, the right to propose agenda in the shareholders meetings, the right to vote for the appointment of auditors and fixing of auditors’ fees 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, newsletters 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 Annual General Meeting of shareholders (“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 its current 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 2018, the Company provided an opportunity to the shareholders to propose agenda items for the AGM and nominate suitable candidates to be members of the Board of Directors of the Company. This practice will be continued for AGM 2019 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 2 October 2018 until 31 December 2018, which exceeds the privileges required to be provided to shareholders by law. The Company set up communication channels through its website and made an announcement through the SET, based on which, a shareholder or a group of shareholders could propose an agenda item and/or nominate candidates to be Directors for consideration in the AGM.
- Providing an opportunity to the shareholders to post questions in advance, to be addressed at the AGM 2018. This practice will be continued for AGM 2019 as well.
- Providing a complete and correct notice with full information to call each 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' comments/opinion, which have always been included. The Company does not amend the agenda of the shareholders' meeting without giving notice to shareholders.
- For AGM 2018, the Company disclosed the AGM schedule and the AGM Agenda through the SET on 6 February 2018 (58 days before the AGM date) to enable shareholders to plan their schedule for the meeting.
- For AGM 2018, the Company disclosed the notice of shareholders' AGM on the Company's website on 26 February 2018 (37 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 2 March 2018 (33 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 practices and policies for the protection of shareholders rights and has always complied with all laws pertaining to the protection of the rights of shareholders, including obtaining shareholders' approval for any major event and in case of any serious situation that affects the Company's operations and provided correct and complete information required for their decision. Some examples of this are i) the acquisition of 15 ships during the year 2004, ii) the signing of contracts for 12 new buildings during the year 2007 and 3 new buildings during the year 2008, and iii) the signing of contracts for 12 new buildings during the year 2014, for all of which, the Company also appointed an Independent Financial Advisor to advise the shareholders.
- The Company follows the policy of regularly reviewing the outstanding unpaid dividends and tries to contact all the shareholders who may have, for some reason, not received their dividends. Thereafter, the Company helps shareholders in terms of reminding and advising them on the required procedures to collect the dividends.

During the year 2018, the Company held one shareholders' meeting: the Annual General Meeting (AGM) on 4 April 2018 at AVANI Atrium Hotel. All Board members including the Independent Directors attended the AGM of 2018, which also included the Chairman of the Board of Directors, the Chairman of Remuneration Committee, the Chairman of the Audit & Corporate Governance Committee and the Chairman of Nomination 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. At every shareholder meeting, the Company Secretary explains the voting procedures to shareholders at the start of the meeting. Equal opportunity is provided to all shareholders to examine the Company's operations, to ask questions and express their opinions and advice, and ensures that all items and resolutions including questions and answers are properly recorded in the minutes of the meeting. Thereafter, the minutes of shareholders' meetings are 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 each of 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.
- Facilitating 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 process 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 Directors 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 "Report on Conflict of Interest Transaction" Form within 30 days after appointment.
  - Thereafter, if there is a change, Director/Executive submits the updated "Report on Conflict of Interest Transaction" Form immediately or no later than 7 working days from the transaction date.
  - The Company Secretary submits a copy of the 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 system to prohibit a Director/Executive, who has a conflict of interest on a particular issue, from participating in the decision-making process related to that issue. 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 on the same 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 such other benefits are 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 bonuses 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 Company's key success factors. Accordingly, terms are negotiated with a view to ensuring fairness and in keeping with industry norms so as to ensure a mutually beneficial 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 values its relationship with and its commitment towards all of its lenders, and therefore,

the Company generally 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. Moreover, if at all there is any covenant in any of the loan agreements with which the Company is not be able to comply, the Company proactively approaches the lenders to seek a waiver or achieve other mutually acceptable solutions.

**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 making any attempt to damage trade Competitors' reputations with false allegations against their companies without truth. The Company also does not make any attempt to 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 the 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. The Internal Audit Department provides 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.

As part of its 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, 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 bribery:** 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 2018, the Company continued to maintain 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.
- Prescribes strict guidelines for preventing corruption and bribery 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 policies 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.

In December 2018, the Company has implemented the "No Gift Policy" in accordance with the suggestion from the CAC, whereby the Company has requested all business partners to not give any gifts for any occasion to any of its personnel, including its directors, executives, employees at all levels. This No Gift Policy reinforces the Company's compliance with the Anti-Corruption Policy and the good corporate governance principles.

**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 the affected person(s) by considering the overall 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 the 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 2018, 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 can conveniently 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 2018 and 2017, 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					
			2018			2017		
			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. Khushroo Kali Wadia	Executive Director	0.55		0.55	0.55		0.55
4	Mr. Jaipal Mansukhani	Executive Director	0.55		0.55	0.55		0.55
5	Mr. Suphat Sivasriamphai*	Independent Director	-	-	-	0.14	0.10	0.24
6	Ms. Nishita Shah	Director	0.55		0.55	0.55		0.55
7	Mr. Kirit Shah	Director	0.55		0.55	0.55		0.55
8	Mr. Chaipatr Srivisarvacha	Independent Director	0.55		0.55	0.55		0.55
9	Mr. Kamtorn Sila-On**	Independent Director	0.55	0.40	0.95	0.55	0.35	0.90
10	Associate Professor Dr. Pavida Pananond	Independent Director	0.55	0.20	0.75	0.55	0.20	0.75
11	Mr. Ishaan Shah	Director	0.55		0.55	0.55		0.55
12	Ms. Lyn Yen Kok***	Independent Director	0.55	0.20	0.75	0.41	0.15	0.56
<b>Total Annual Remuneration****</b>			<b>6.70</b>	<b>0.80</b>	<b>7.50</b>	<b>6.70</b>	<b>0.80</b>	<b>7.50</b>

\* Director retired from the Board in April 2017 since he had passed the maximum age limit of a director per the Company's Corporate Governance Policy.

\*\* Appointed as Chairman of the Audit & Corporate Governance Committee with effect from 4 April 2017.

\*\*\* New Director was appointed in April 2017 as the replacement of Mr. Suphat Sivasriamphai.

\*\*\*\* 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 includes their salary, bonus, and other remuneration (income tax and house rental) including severance payments as retirement compensation. During the years 2018 and 2017, the Company (and subsidiaries) paid remuneration to the Executive Directors and Senior Management (including Managing Director), totaling 14 persons (2017: 13 persons) of Baht 83.35 million and Baht 80.79 million, respectively.

The total remuneration to the Managing Director for 2018 was Baht 14.60 million which comprised of salary of Baht 7.85 million, bonus of Baht 1.29 million, income tax reimbursement of Baht 4.29 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 2018.

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

Senior Management of the Company and its subsidiaries in 2018 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
4. Mr. Gautam Khurana*	Chief Financial Officer
5. Mr. Shrilal Gopinathan	Vice President (Commercial)
6. Mr. Sebastian Arcanjo Cardozo	Vice President (Fleet Personnel Management)
7. Mr. Kodakara Veettil Murali Menon	Technical Director
8. Mr. Neelakantan Vasudevan	Vice President (Risk Management)
9. Mr. Stephen Korah**	Vice President (International Safety Management)
10. Mr. Nishikant Govind Desai	Vice President (Projects)
11. Mr. Prashant Mahalingam	Vice President (Technical)
12. Ms. Somprathana Thepnaplern	Assistant Vice President (Finance & Accounts) & Company Secretary
13. Ms. Wimonwan Jaysrichai	Senior Manager - Group Accounts
14. Ms. Nalinthip Santinanon	Senior Manager (Accounts & MIS)

\* Joined the Company with effect from 6 December 2018

\*\* Retired from the Company with effect from 1 January 2019

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		
	2018	2017	Mean	Min	Max	Mean	Min	Max	Mean	Min	Max
Chairman of the BOD	1.20	1.20	1.68	0.11	6.22	0.79	0.06	3.95	1.04	0.01	9.90
Executive Directors	0.55	0.55	0.70	0.01	4.32	0.38	0.03	2.73	0.52	0.00	6.53
Non-Executive Directors	0.55	0.55	0.63	0.06	2.16	0.39	0.03	1.52	0.52	0.01	6.14
Management	5.95	6.21	5.24	1.05	10.35	4.79	1.08	17.44	4.95	0.06	50.81
Chairman of Audit & CG Committee ***	0.40	0.40	0.25	0.03	1.20	0.20	0.04	0.64	0.25	0.01	3.81
Audit & CG Committee members ***	0.20	0.20	0.16	0.05	0.52	N.A.	N.A.	N.A.	0.18	0.01	2.33

\* PSL's figures are actuals of respective years

\*\* From SET's Remuneration Report for the year 2016 (latest available survey results) – No survey conducted for the year 2018

\*\*\* 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	
	2018	2017	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	1.04	2.26	0.75	1.17	0.28	0.38	3.89	11.04
Executive Directors	0.55	0.55	0.56	1.34	0.50	0.73	0.16	0.22	1.98	6.75
Non-Executive Directors	0.55	0.55	0.57	1.37	0.44	0.74	0.19	0.25	2.40	7.16
Management	5.95	6.21	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	0.62	0.98	0.46	0.82	0.08	0.44	2.10	2.46
Audit & CG Committee members ***	0.20	0.20	0.44	0.80	0.32	0.68	0.06	0.42	1.66	2.02

\* PSL's figures are actuals of respective years

\*\* From IOD's Thai Directors Compensation Survey 2018

\*\*\* Additional Remuneration as Chairman of Audit &amp; CG Committee/Audit &amp; 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	
	2018	2017	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	0.85	1.27	0.62	0.92	0.06	0.11	10.07	12.16
Executive Directors	0.55	0.55	0.39	0.68	0.35	0.57	0.06	0.10	1.41	2.86
Non-Executive Directors	0.55	0.55	0.42	0.70	0.35	0.57	0.06	0.10	1.80	3.25
Management	5.95	6.21	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	0.39	0.70	0.33	0.66	0.07	0.21	1.12	1.62
Audit & CG Committee members ***	0.20	0.20	0.28	0.55	0.24	0.53	0.05	0.16	0.84	1.30

\* PSL's figures are actuals of respective years

\*\* From IOD's Thai Directors Compensation Survey 2018

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

N.A. Not available since not reported

(In Million Baht/Person/Year)

Description	* PSL		** All Listed Companies							
			Mean		Median		Min		Max	
	2018	2017	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	1.06	2.03	0.70	1.12	0.06	0.08	10.80	18.00
Executive Directors	0.55	0.55	0.54	1.21	0.41	0.66	0.06	0.08	4.26	9.06
Non-Executive Directors	0.55	0.55	0.55	1.22	0.41	0.71	0.05	0.09	4.26	9.06
Management	5.95	6.21	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	0.50	0.84	0.40	0.72	0.07	0.21	4.02	4.52
Audit & CG Committee members ***	0.20	0.20	0.36	0.64	0.30	0.59	0.05	0.14	2.76	3.26

\* PSL's figures are actuals of respective years

\*\* From IOD's Thai Directors Compensation Survey 2018

\*\*\* Additional Remuneration as Chairman of Audit &amp; CG Committee/Audit &amp; 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 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
Ms. Somprathana Thepnapaplern	AVP (Finance & Accounts) and Company Secretary Telephone 66 2696 8856 Email: som@preciousshipping.com

The Company has joined many events for press/analyst briefings, which are attended personally by the Managing Director and/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
2018	20	16	19	6	61
2017	33	32	8	6	79
2016	19	13	5	8	45

## 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 ("SET") and the Securities and Exchange Commission, Thailand ("SEC").

### **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 SEC 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 SET. 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 Thepnaplern, 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 Thepnaplern, 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 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 2018 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 8 November 2018, the Board reviewed the CG Code issued by the SEC and the CG guideline issued by the Stock Exchange of Thailand, and also 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 2019.

#### **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 SET and the SEC, 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 2018, 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. 1/2019 held in February 2019. 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 SET 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 SEC 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 SEC 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 are 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 a robust 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 the Internal Audit Department is shown below:

#### **MS. PANIDA SATJADECHACHAI**

<b>POSITION</b>	Internal Audit Manager
<b>AGE</b>	42 years
<b>EDUCATION</b>	Master Degree in Accounting, Thammasat University
<b>TRAINING</b>	
November 2018	Attended the training course “Anti-Corruption Working Paper Program” held by Collective Action Coalition Against Corruption (CAC) and Federation of Accounting Professions (FAP)
June 2018	Attended the training course “Sustainability Risk and Materiality Analysis” held by Corporate Social Responsibility Institute (CSRI)
December 2017	Attended the seminar “Cyber Incident Management for Executive Committees of Listed Companies” held by SEC and the Business Software Alliance (BSA)
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

<b>POSITION</b>	Assistant Vice President - Legal
<b>AGE</b>	35 years
<b>EDUCATION</b>	Bachelor's Degree in Law, Thammasat University Lawyer License, Lawyers Council of Thailand Notarial Service Attorney License, Lawyers Council of Thailand

### TRAINING

April 2018	Completed “Directors Certificate Program” (DCP) Class 254/2018
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

2017 - Present	Assistant Vice President - Legal, Precious Shipping Public Company Limited
July 2011 - 2016	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 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 2018 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	4/4	-	-	-	1/1
3.	Mr. Khushroo Kali Wadia	7/7	4/4	-	-	-	1/1
4.	Mr. Jaipal Mansukani	7/7	3/4	-	-	-	1/1
5.	Ms. Nishita Shah	6/7	-	-	-	-	1/1
6.	Mr. Kirit Shah	7/7	-	-	2/2	-	1/1
7.	Mr. Chaipatr Srivisarvacha	6/7	-	-	-	2/2	1/1
8.	Associate Professor Dr. Pavida Pananond	7/7	-	4/4	2/2	-	1/1
9.	Mr. Kamtorn Sila-On	7/7	-	4/4	2/2	2/2	1/1
10.	Mr. Ishaan Shah	7/7	-	-	-	-	1/1
11.	Ms. Lyn Yen Kok	7/7	-	4/4	-	2/2	1/1

For the year 2018, 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 8 November 2018, the Non-Executive Directors held 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 8 November 2018, 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 2019.

#### 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 8 November 2018, 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	2018 Results of self-assessment
The Executive Board of Directors	Excellent
Audit & Corporate Governance Committee	Very Good
Nomination Committee	Very Good
Remuneration Committee	Excellent

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 2019.

#### 5.6 Managing Director Evaluation

In the Board of Directors Meeting held on 8 November 2018, 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 2019.

## 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 Dr. Pavidan Pananond	Audit Committee Program (ACP)	Thai Institute of Directors
2013	Associate Professor Dr. Pavidan Pananond	Financial Statements for Directors (FSD)	Thai Institute of Directors
2014	Mr. Thira Wipuchanin	Chartered Director Class (CDC)	Thai Institute of Directors
2015	Associate Professor Dr. Pavidan Pananond	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.
	Ms. Nishita Shah	Transformation & Change - Managing Culture For Success	Thai Listed companies Association (TLCA), the RBL Group, and ADGES Consulting

Year	Director's Name	Seminar/Training Course	Conducted by
2016	Associate Professor Dr. Pavidan Pananond	Africa and the South-South Cooperation: Toward a Better Governance for a Sustainable Economic & Social Governance	Crans Montana Forum, Dakhla, Morocco
	Mr. Kamtorn Sila-On	Top Executive Program in Commerce and Trade (TEPCoT)	Commerce Academy
2017	Associate Professor Dr. Pavidan Pananond	The Criminal Liability of Representatives of Juristic Person Amendment Act ("Amendment Act")	Thai Institute of Directors (IOD) and Hunton & Williams (Thailand) Limited
	Ms. Lyn Yen Kok	Executive Programme - Corporate Innovation	Stanford Graduate School of Business
	Mr. Kamtorn Sila-On	Business Revolution and Innovation Network 1 (BRAIN1)	The Federation of Thai Industries
2018	Associate Professor Dr. Pavidan Pananond	Annual Conference on 'Global Business and the Digital Economy',	Academy of International Business, USA
		6 <sup>th</sup> Copenhagen Conference on 'Emerging Multinationals: Outward Investment from Emerging Economies'	Copenhagen Business School, Denmark
	Ms. Lyn Yen Kok	Executive Programme	Singularity University
		Block Chain Strategy Programme	University of Oxford
		YPO Building Legacies Programme	INSEAD

#### Directors' Orientation

The Company Secretary provides any newly appointed director with the background of the Company's business, profile and industry along with all the relevant documents such as the 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 1 new Director who was appointed in year 2017.

**The following principles below from the Corporate Governance Code 2017 published by the SEC and the Corporate Governance Principles 2012 recommended by the SET are the principles which the Company has not yet applied within year 2018:**

Principle	Opinion from the Board of Directors
<ul style="list-style-type: none"> <li>The Board should establish the policy that the tenure of an independent director should not exceed accumulative term of nine years from the first day of service. Upon completing nine years, an independent director may continue to serve on the board, subject to the board's rigorous review of his/her continued independence.</li> </ul>	It is difficult to obtain suitable and qualified Candidates repeatedly and therefore, such a term limit cannot be implemented presently. However, the Board of Directors considers various factors including independence of any independent directors who retire by rotation in order to propose for the shareholders' approval at the shareholders' meeting:
<ul style="list-style-type: none"> <li>The Board of Directors should establish an annual performance assessment conducted of individual Directors.</li> </ul>	This has not been adopted for the present but may be considered in future.
<ul style="list-style-type: none"> <li>The Company should establish a proper incentive and remuneration policy for its Senior Executives and Directors.</li> </ul>	The Company may consider this and structure a plan based on advice from an 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 Team members are required to report the changes in their 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). Such reporting shall extend to any change in shareholding of any Director/Management Team member's: (i) spouse, (ii) cohabiting partner, (iii) minor children, and (iv) any juristic person in which such Director/Management Team member holds more than 30% of the total voting rights of such juristic person (including that of his/her spouse, cohabiting partner and minor children), ((i) to (iv) referred to as "Relevant Persons").

In accordance with the Company's Corporate Governance policy, the Company does not allow the following persons to trade/transfer the Company's shares/warrants (as the case may be) during the period of one month before and two days after any financial announcement of the Company and also at least 5 days before the Company makes any significant announcement:

- All Directors and Management Team members (including their Relevant Persons); and
- The Company's personnel in the Finance & Accounts Department, the Legal Department, the Internal Audit Department, the Information System Department and the Investor Relations Department who are close to the relevant inside information of the Company.

During the year, the above policy has been fully complied and no non-compliance cases have been observed.

Furthermore, according to the Company's Corporate Governance Policy, all Directors and Management Team members are encouraged to inform the Company their intention (including that of their Relevant Persons) to trade/transfer the Company shares/warrants (as the case may be) 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 2018 have been provided in the **"Audit & Corporate Governance Committee Report"** section of the Annual Report.

At the Board of Directors' Meeting No.1/2019 on 8 February 2019, 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 2018 Audit of the Company by EY Office Limited, the independent and external auditors, have not identified any significant audit findings, including any significant deficiencies in internal controls relevant to the audit.

# 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") Standards. This report covers the Company's performance on material issues that matter most to stakeholders in the year 2018 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 2019

## Overview of Sustainability Report <sup>[102-50, 102-51, 102-52, 102-54]</sup>

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 in Thailand and elsewhere. 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, with its ships trading all over the world, majority 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 seventh 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 has been prepared in accordance with the GRI Standards: Core option, the Company has updated our GRI content index references to reflect the transition from GRI G4 reporting to the GRI standards. No external assurance has been undertaken. This Report addresses activities and data that fall within the Company's financial year for the period from 1 January to 31 December 2018.

## The scope of the Report <sup>[102-45, 103-1]</sup>

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 <sup>[102-48, 102-49, 103-1]</sup>

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 2017 Report.

## The process for defining the content of the Report <sup>[102-46, 102-54]</sup>

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 <sup>[102-47]</sup>

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.

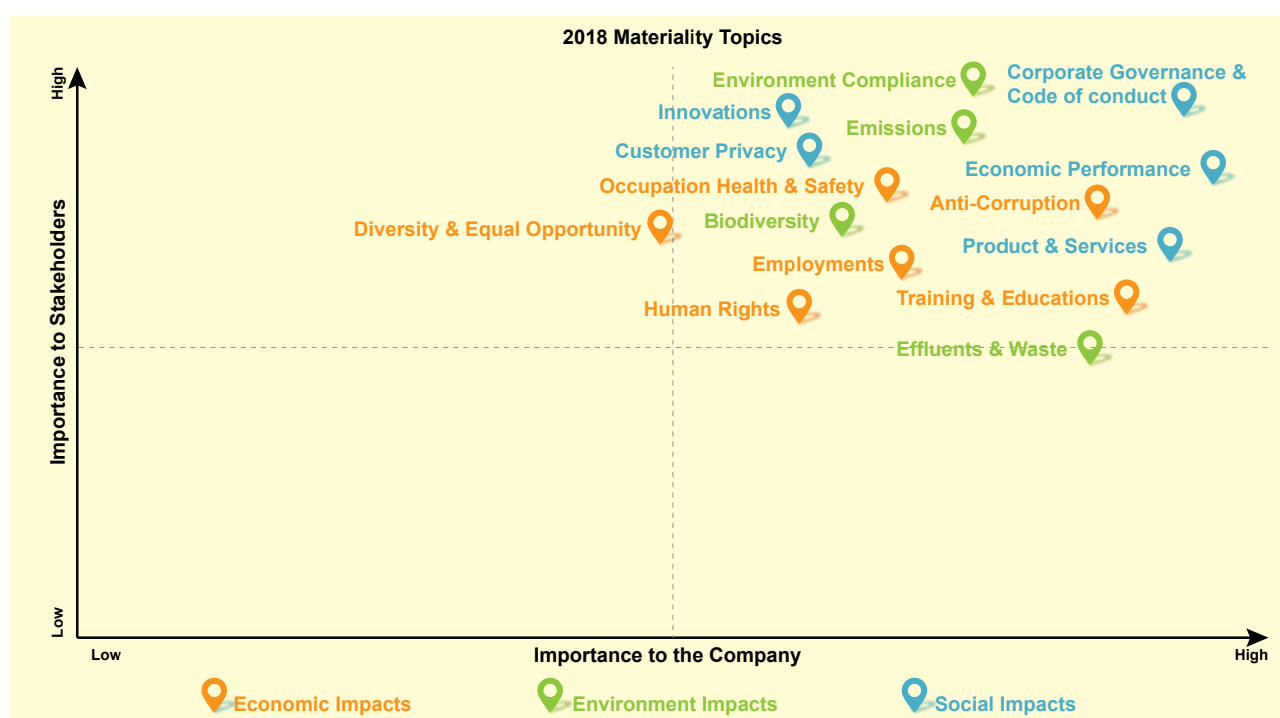
In alignment with the principles of the GRI Standards, the Company has used a four step process in determining its Materiality Assessment:

- 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 topics for each sustainability-related category, which the Company focuses on. These 15 topics 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 <sup>[102-40, 102-42, 102-43, 102-44]</sup>

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	<ul style="list-style-type: none"> <li>Professional service with fair charter rate</li> <li>On time trouble-free delivery</li> <li>Commitment to agreements</li> </ul>	<ul style="list-style-type: none"> <li>Develop services to respond to diverse needs</li> <li>Provide efficient, reliable and professional services and solutions to all our customers</li> <li>Provide substantive reply to any query promptly</li> <li>Follow terms of agreements</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>Share in profits by way of dividends</li> <li>Business growth and sustainability</li> <li>Fair and transparent operations</li> <li>Risk Management</li> <li>Equitable treatment</li> <li>Appropriate channels for monitoring the Company's performance and for giving feedback to the Company</li> <li>Easy accessibility to Management of the Company</li> </ul>	<ul style="list-style-type: none"> <li>Creation, preservation and enhancement of long term value for our shareholders</li> <li>Disclosing timely, concise and relevant information</li> <li>Responsive to all inquires</li> <li>Frequent communications through company visit, road shows and meetings</li> <li>Direct channel of communication to Board/ Management open for every Shareholder</li> <li>Shareholder Meetings at least once a year, plus quarterly Opportunity Day Meetings (Video of AGM available on website)</li> <li>Regular newsletters from CEO</li> <li>Annual Report and other reports, such as Form 56-1, press releases, etc.</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Appropriate compensation and welfare</li> <li>Career advancement and succession</li> <li>Competency enhancement</li> <li>Positive and good work environment</li> <li>Security and safety at work</li> </ul>	<ul style="list-style-type: none"> <li>Respecting human rights and diversity</li> <li>Ensuring equal opportunity</li> <li>Ensuring a safe and healthy work environment</li> <li>Providing skill enhancement via sophisticated training</li> <li>Annual review of compensation, welfare and benefits structure to remain competitive with industry standards</li> <li>Open channels for accepting opinions and suggestions</li> </ul>
Investors	<ul style="list-style-type: none"> <li>Return on investment</li> <li>Business growth and sustainability</li> <li>Fair and transparent operations</li> <li>Risk Management</li> <li>Appropriate channels for monitoring the Company's performance</li> <li>Easy accessibility to Management of the Company</li> </ul>	<ul style="list-style-type: none"> <li>Direct &amp; Open channel of communication to Board/ Management</li> <li>Frequent meetings and conference calls/ Q&amp;A sessions</li> <li>Regular disclosures through SET</li> <li>Presentation/Roadshows 19 times in 2018</li> <li>Annual Report and other reports, such as Form 56-1, press releases, etc.</li> </ul>
Community & Society	<ul style="list-style-type: none"> <li>Improvement of quality of life</li> <li>Support of community activities</li> <li>Environment protection</li> </ul>	<ul style="list-style-type: none"> <li>Support and get involved with community and society-based activities on a regular basis</li> <li>Arrange meetings with Merchant Marine Training Center for planning and progress of community development projects</li> <li>Put in place and implement appropriate measures to protect environment from the Company's operations</li> </ul>
Regulators	<ul style="list-style-type: none"> <li>Compliance with relevant laws, rules and regulations</li> <li>Good Corporate Governance and transparency</li> <li>Sufficient and timely information disclosure</li> </ul>	<ul style="list-style-type: none"> <li>Follow guidelines in doing transactions with the State, code of conduct and participate in academic collaboration</li> <li>Periodic internal assessment of regulatory compliance</li> <li>Regular disclosures through SET</li> <li>Regular participation in meetings and activities of related agencies</li> <li>Annual Report and other reports, such as Form 56-1, press releases, etc.</li> <li>Complaint handling channels and remedial measures</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Fairness and equal opportunity in procurement process</li> <li>Fair prices</li> <li>Reputation and credibility</li> <li>Honour payment terms</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that terms and conditions for suppliers are based on industry norms and practices</li> <li>Follow agreed terms and conditions</li> <li>On time payment</li> <li>Complaint handling channels on website</li> </ul>
Creditors	<ul style="list-style-type: none"> <li>Ability to repay debts and punctual payment</li> <li>Fair returns on loans and service fees</li> <li>Commitment to agreements</li> <li>Transparent information sharing</li> </ul>	<ul style="list-style-type: none"> <li>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</li> <li>Regular meetings for information exchange and to maintain good relationship</li> <li>Financial and annual operating reports</li> <li>Promptly respond to any queries</li> </ul>

## Corporate Governance, Ethics and Integrity <sup>[103-1]</sup>

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 <sup>[205-2]</sup>

The Company, since almost three 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.

## Sustainable Management Performance

### Economic Performance <sup>[103-1]</sup>

The Company's Senior Management had set up goals for 2018 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 2018 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 2018 as against this target.

For 2019, the Company's Senior Management has set the same goals as for 2018.

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) <sup>[201-1]</sup>

Description	2014	2015	2016	2017	2018
<b>Direct Economic Value Generated:</b>					
Vessel Operating Income	140.66	123.21	104.42	128.21	152.32
Revenue from financial investments	0.16	0.06	1.32	0.70	1.15
Revenues from sale of assets	0.83	0.00	0.00	0.94	0.00
Other income	1.69	0.36	1.77	0.30	0.11
<b>Direct Economic Value Generated</b>	<b>143.34</b>	<b>123.63</b>	<b>107.51</b>	<b>130.15</b>	<b>153.58</b>
<b>Economic Value Distributed:</b>					
Operating Costs (excluding crew costs)	43.54	43.61	30.23	24.04	28.79
Employee wages and benefits (including crew costs)	46.38	53.90	47.78	42.98	44.08
Payment to providers of loans	15.31	16.37	27.63	25.01	25.48
Dividend distribution	9.66	0.00	0.00	0.00	0.00
Tax payments to governments	0.27	0.21	0.09	0.08	0.09
Community Investments	0.04	0.06	0.06	0.04	0.04
Other payments	1.54	11.76	21.93	3.96	5.04
<b>Economic Value Distributed</b>	<b>116.74</b>	<b>125.91</b>	<b>127.72</b>	<b>96.11</b>	<b>103.52</b>
<b>Economic Value Retained as under:</b>	<b>26.60</b>	<b>(2.28)</b>	<b>(20.21)</b>	<b>34.04</b>	<b>50.06</b>
Depreciation, amortization and Impairment loss	39.01	67.17	54.88	34.63	36.64
Provisions	0.06	0.20	0.70	(0.22)	(0.11)
Transfer to (from) Reserves	(12.47)	(69.65)	(75.79)	(0.37)	13.53

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

## Environment Performance <sup>[103-1]</sup>

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 CO<sub>2</sub> 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 CO<sub>2</sub> reduction efforts. This Report concludes with a statement of goals and objectives set by the Company for the coming year.

## Environment Performance Highlights

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 signed contracts for and took delivery of 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 carried out an environmental impact analysis for all key shipboard and company activities 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 Environment Management System ("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 <sup>[103-1, 403-4]</sup>

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) & the 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 entered 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.

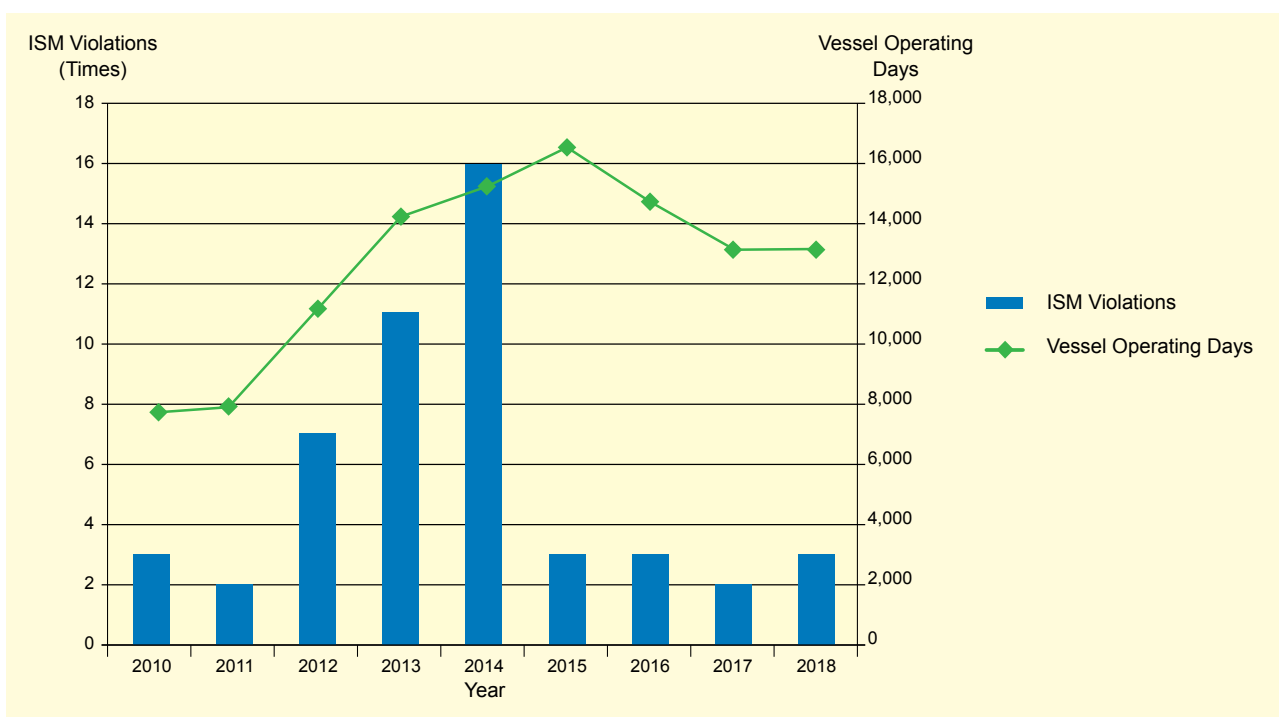
**International Safety Management Code (ISM Code):** Learning from various marine casualties over the years, "International Safety Management Code" (ISM Code) was introduced by the International Maritime Organization, to enhance the safe operation of ships and pollution prevention. The ISM Code became 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 Vessel Operating days from 2010-2018. For the purpose of this analysis, violations are considered as any incident that results in a fire, explosion, serious 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 and preventive actions. The results are then conveyed to all senior employees as case-studies to avoid recurrence. In 2018, we had 3 instances which can be termed as ISM violations, over 13,140 vessel operating days for the fleet. Even though the Company did not meet its target of zero ISM violation in 2018, in terms of the number of violations per vessel operating day basis, 2018 has a low violation rate at 0.023%, as compared to the highest violation rate at 0.11% in 2014 which was still at a low level. Even though we have counted 3 ISM violations in the current year, at least one of them is being contested as not being due to any fault on the part of our vessel.



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 external 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.

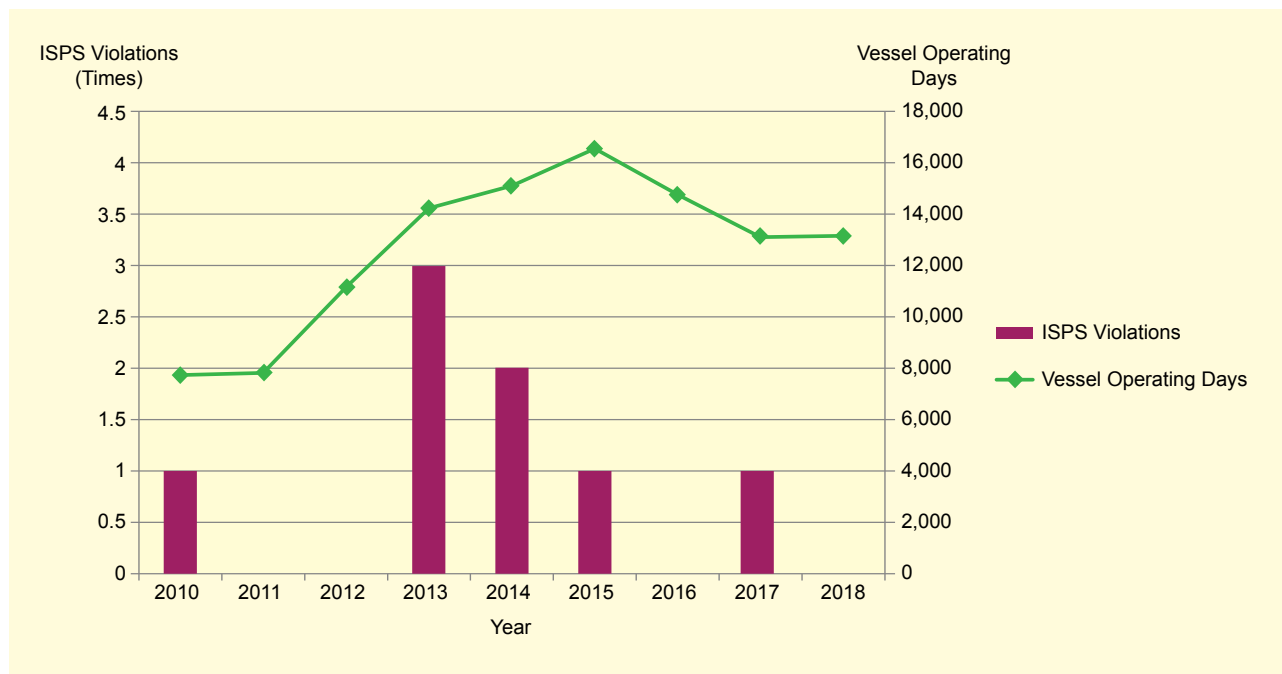
**International Ship and Port Safety (ISPS) Code:** In light of changing security circumstances across the globe, the International Ship and Port Safety Code was adopted in 2004. The code is an amendment to the Safety of Life At Sea (SOLAS) Convention that encompasses a greater level of security arrangements 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 Vessel Operating days (right-hand axis) from 2010-2018. 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 1 violation in 2017, when a stowaway was found to have secretly come onboard. Stowaways are

typically very poor and desperate to escape to a foreign country for a better life. Even though the stowaways are usually detected by ship-staff and 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. We are happy to report that there were no ISPS violations in 2018, and we will continue to take precautions and suitable risk management efforts to ensure zero ISPS violations in 2019 as well.

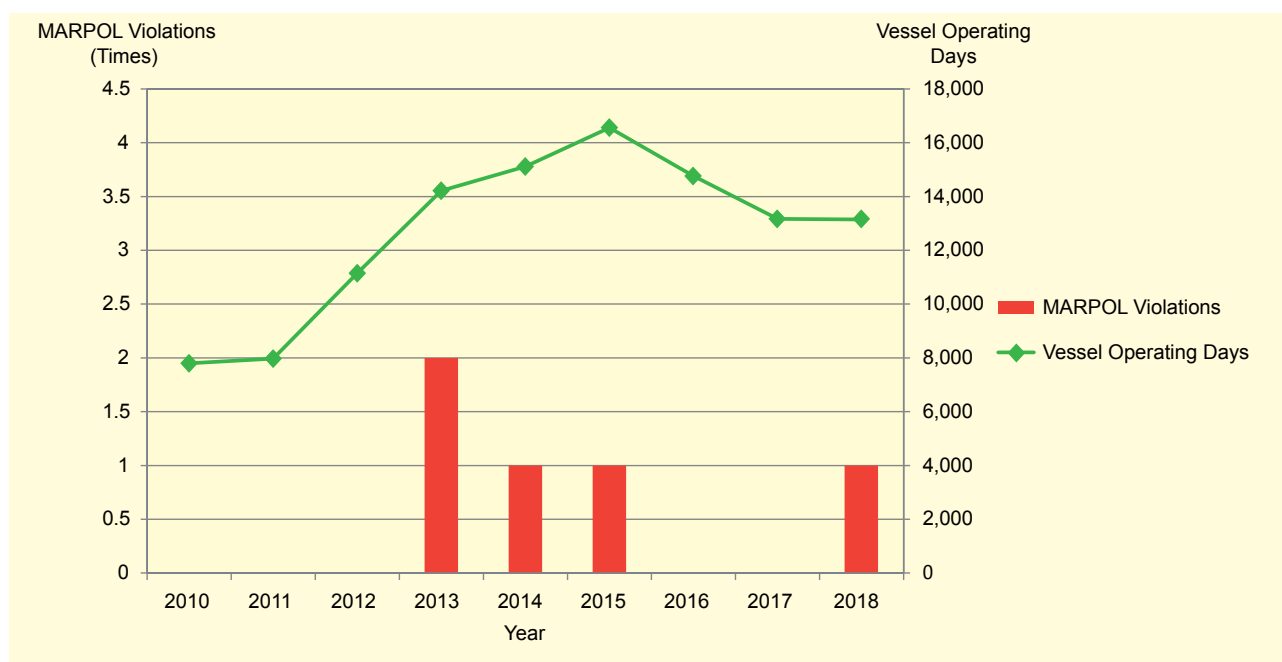


**MARPOL:** is one of the most important environmental regulations in the maritime industry and aims “to preserve the marine environment through the complete elimination of pollution by oil and other harmful substances and the minimization of accidental discharge of such substances.” This convention 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 Vessel Operating days (right-hand axis) from 2010-2018. For the purpose of the analysis, any incident counts as a violation if it results in an insurance claim. The Company witnessed one MARPOL violation in 2018 when the Company was penalized for an oil sheen noticed in the vicinity of one of our ships. This was unfortunate because there was no leak from our ship and our Master himself notified the agents; but local authorities found it convenient to pin it on us and since it was a difficult jurisdiction, we had to accept it. As always, the Company aims to have zero MARPOL violations in 2019.

**Upcoming/Recently effective regulations:** Following are some of the regulations coming into force within the immediate future or regulations which have become recently effective:

- 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) requires vessels to have enhanced safety and pollution prevention measures while trading in the harsh and sensitive polar region.
- STCW 2010 (Manila amendments) - effective from 1 January 2017 - requires documentation for seafarers having undergone more stringent revised training requirements for competency and proficiency.
- MLC 2006 Amendment 2014 effective from 18 January 2017 - requires Certificate for financial security in respect of Seamen repatriation costs and other liabilities.
- China requires ships to use Low Sulphur Fuel Oil (LSFO) in certain coastal regions of China in a phased manner, updated as detailed below:
  - » Effective 1 January 2017, use of LSFO containing max 0.5% Sulphur became 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 1 January 2018, at-berth fuel switching requirement was 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, China's territorial waters (12 nautical miles from coast) will apply a 0.5% sulphur cap on all vessels.

- Effective 1 January 2019, all ships entering Taiwan waters are to consume fuel containing not more than 0.5% Sulphur
- 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

All PSL ships are adequately prepared to meet this requirement in a timely manner.

- 2) Amendments to MARPOL Annex VI that make the data collection system (DCS) for fuel oil consumption of ships mandatory were adopted at the 70th session of the Marine Environment Protection Committee (MEPC 70) held in October 2016, and will come into force from 1 March 2018 (IMO Resolution MEPC.278(70)). According to this regulation, for ships of 5,000 gross tonnage and above engaged in international voyage, the data collection is required from 2019 calendar year, with first reporting to be made by early 2020. Upon verification of the submitted data, the Flag Administration or the Recognised Organisation ("RO") will issue to the ships a Statement of Compliance related to fuel oil consumption. Finally, the Flag Administration will submit aggregate data to the IMO, which will maintain an anonymized IMO Ship Fuel Oil Consumption Database.

This new requirement is in similar line with the EU CO2 monitoring and reporting system above and will form a part of the existing Shipboard Energy Efficiency Management Plan (SEEMP – Part 2).

- 3) 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).
- 4) Maritime Cyber Security Management

In the 'Interim Guidelines for implementation of Maritime Cyber Risk' published by IMO, it has been agreed that, no later than the first annual verification of the company's Document of Compliance after 1 January 2021, the cyber risk management system should be incorporated into the Safety Management System. We have already started this process and included the relevant section in our revised Shipboard Operating Procedures.

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 14001:2015 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 newbuilding vessels that the Company ordered and took delivery from various shipyards in China as explained in this Annual Report. These vessels were 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 was 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. Such low fuel consumption is 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 were fitted with onboard treatment plants for water ballast which will fully comply with IMO regulations 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 have flush, box-type ship-sides for cargo holds. This reduces 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 reduces the overall quantity of lubricating oil required for the Main Engines, which in due course reduces the quantities of waste oil.
8. The vessels were fitted with large incinerators, well above the requirements of MEPC.76 (40) Standards, to burn waste and sludge. This ably supplements 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 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 are 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. Even though "HM" Class notation is not at all mandatory, the Company has obtained it for 7 ships in the fleet.

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** <sup>[304-2]</sup>: 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 came 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 2019. The Company has already fitted the Ballast Water Treatment plants on 19 vessels in our fleet.

## Carbon Footprint and Waste Generation <sup>[306-2]</sup>:

The most recognized and constant source of CO<sub>2</sub> comes from the burning of fuel oil onboard ships. In order to reduce CO<sub>2</sub> 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 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 CO<sub>2</sub>.

In 2018, the Company vessels disposed 1,679 tons of sludge ashore. This accounts for approximately 5,037 tons less CO<sub>2</sub> 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 sea areas

termed as Sox Emission Controlled Area (SECA) have already imposed restrictions on the maximum Sulphur content in the fuels to be used in such areas. In the third phase expected to come into force from January 2020, IMO is bringing about a global cap of maximum 0.5% sulphur content for marine fuels. The Company has already made suitable changes to the engines and related equipment to burn very low Sulphur fuels. The Company is also making suitable modifications in the fuel oil tanks' layout of the vessels to prepare for bunkering of various grades of low Sulphur fuels without mixing. A detailed plan, which is due to be approved by an RO, is also being made for each vessel, to ensure that during the last quarter of 2019, all remaining stocks of high Sulphur fuels are consumed. This will ensure that by 1<sup>st</sup> January 2020, all vessels in the company will have only low Sulphur fuel oil on board.

## 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 2018. 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 CO<sub>2</sub> from burning fossil fuel in the ships engine. Hence the Company has set a highly ambitious target of a 3-5 percent reduction for fuel and diesel oil consumption for the year 2018. During the year 2017, 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 CO<sub>2</sub> 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 CO<sub>2</sub> emitted per unit of transport work, or in other words: Tonnes of CO<sub>2</sub> 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 <sup>[103-1]</sup>

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. This system is now being upgraded to include additional data collection for new reporting requirements and monitoring of vessels' performance through increased digitalization.

### **Customer Privacy** <sup>[418-1]</sup>

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:** The Company Secretary provides any newly appointed director with the background of the Company's business, profile and industry along with all the 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. The Company ensures that it meets all labour protection law requirements in terms of leaves, holidays, working hours, severance pay etc.

The Company encourages its employees to save for their retirement, and therefore, commencing from 2017, the maximum allowable contribution to the Provident Fund from the employees has been increased from 5% to 15%. The Company also arranges an annual internal training on investment planning, saving and financial management held by an asset management company in order to promote long-term savings and to assist the employees in their investment planning.

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.

Below table shows information about the employees of the Company including its subsidiary, i.e., Great Circle Shipping Agency Limited ("GCSA") (as of 31 December 2018).

Performance Data	2014	2015	2016	2017	2018
<b>Social Performance</b>					
Employee Information					
Number of Employees* (persons)	130	131	132	135	132
<b>Number of Employees by Gender (persons)</b>					
• Male	57	54	55	61	59
• Female	73	77	77	74	73
<b>Proportion of Employees by Level (%)</b>					
• Senior Management	11.6	9.9	9.1	9.6	10.6
• Middle Management	26.1	27.5	27.3	29.6	29.5
• Operations	62.3	62.6	63.6	60.8	59.9
<b>Proportion of Employees by Gender (%)</b>					
• Male	43.8	41.2	41.7	45.1	44.7
• Female	56.2	58.8	58.3	54.9	55.3
<b>Proportion of Employees by types of employment (%)</b>					
• Full time	100	100	100	100	100
• Part time	-	-	-	-	-
<b>Proportion of Employees by Age groups (%)</b>					
• Under 30 years old	8.5	8.4	9.1	7.4	5.3
• 30-50 years old	67.7	67.2	65.9	65.9	69.7
• Over 50 years old	23.8	24.4	25	26.7	25



Performance Data	2014	2015	2016	2017	2018
<b>Proportion of Absence by Type (%)</b> <sup>[403-1]</sup>					
• Sickness	1.1	1.1	1	1.1	1.4
• Work-Related Injuries	0	0	0	0	0
• Others	-	-	-	-	-
<b>Return to Work after Parental Leave of Female Employees**</b> <sup>[401-3]</sup>					
• Number of Employees that were Entitled to Parental Leave	73	80	77	74	73
• Number of Employees that Took Parental Leave	3	4	2	-	1
• Number of Employees who Returned to Work after Parental Leave Ended	3	4	2	-	1
• Number of Employees who Returned to Work after Parental Leave Ended who were still Employed Twelve Months after Their Return to Work	3	4	1	-	1
<b>Proportion of Management by Age Group (%)</b>					
• Under 30 years old	-	-	-	-	-
• 30-50 years old	53.1	51	52.1	58.5	62.3
• Over 50 years old	46.9	49	47.9	41.5	37.7

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 the employees of the Company including GCSA at the ashore offices, by gender and nationality\* (as of 31 December 2018)**

Occupational levels <sup>[405-1]</sup>	Male			Female			Total
	Thai	Indian	Singaporean	Thai	Indian	Singaporean	
<b>Senior Management</b>							
• Under 30 years old	-	-	-	-	-	-	-
• 30-50 years old	-	1	-	3	-	-	4
• Over 50 years old	-	9	1	-	-	-	10
<b>Middle Management</b>							
• Under 30 years old	-	-	-	-	-	-	-
• 30-50 years old	21	5	-	3	-	-	29
• Over 50 years old	2	8	-	-	-	-	10
<b>Other Staff</b>							
• Under 30 years old	3	-	-	4	-	-	7
• 30-50 years old	5	1	-	53	-	-	59
• Over 50 years old	3	-	-	10	-	-	13
<b>Total permanent</b>	<b>34</b>	<b>24</b>	<b>1</b>	<b>73</b>	<b>-</b>	<b>-</b>	<b>132</b>
• Temporary/contract	-	-	-	-	-	-	-
<b>2018 Grand total</b>	<b>34</b>	<b>24</b>	<b>1</b>	<b>73</b>	<b>-</b>	<b>-</b>	<b>132</b>
<b>Percentage (%)</b>	<b>25.76</b>	<b>18.18</b>	<b>0.76</b>	<b>55.30</b>	<b>-</b>	<b>-</b>	<b>100</b>

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

**Safety & Occupational Health<sup>[403-5]</sup>:** 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 entered into force from 7 June 2017. Singapore had already ratified the MLC earlier. All the Company's 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 Madagascar in the south. 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. Regular weekly meetings are also conducted between the management and commercial teams to sort out all operational issues and discuss the status of future plans. 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: 2015", and has obtained certification for their Environment Management System "ISO 14001:2015".

**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. New courses are also being introduced to equip the navigation and engineer officers with the necessary knowledge to deal with new regulations like the global Sulphur cap from January 2020 and new data collection and reporting requirements. 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 2018 [404-1, 404-2]**

Training Courses	Course Overview	Duration	Participants in Y2018						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	
			Sr./Off	Jr./Off	Sr./Off	Jr./Off	Sr./Eng	Jr./Eng	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.	3 days	43	57	53	15	18	18	18	18	18	18	18	18	3,024				
Bridge Team Competency Simulator Course I (BTC - I)	This training course aims to improve various competency skills & knowledge of navi gating officers for safe conduct of voyages.	3 days	n/a	38	n/a	n/a	n/a	n/a	18	n/a	18	n/a	n/a	n/a	684				
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	43	n/a	n/a	n/a	n/a	18	n/a	18	n/a	n/a	n/a	n/a	774				
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.	4 days	48	90	n/a	n/a	n/a	24	24	24	n/a	n/a	n/a	n/a	3,312				
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.	4 days	99	n/a	101	n/a	n/a	24	n/a	24	n/a	n/a	n/a	n/a	4,800				
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	51	n/a	n/a	n/a	n/a	18	n/a	18	n/a	n/a	n/a	918				
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	16	12	n/a	n/a	n/a	18	n/a	18	n/a	n/a	n/a	n/a	504				

Training Courses	Course Overview	Duration	Participants in Y2018					Average hours (per person)				Total Man-hours
			Ship's staff					Ship's staff				
			Sr./Off	Jr./Off	Sr./Eng	Jr./Eng	Sr./Eng	Sr./Off	Jr./Off	Sr./Eng	Jr./Eng	
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.	3 days	28	n/a	n/a	n/a	18	n/a	n/a	n/a	504	
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	25	87	n/a	n/a	12	n/a	n/a	n/a	1,344	
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.	1 day	n/a	n/a	64	104	n/a	n/a	6	6	1,008	
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.	3 days	n/a	n/a	60	105	n/a	n/a	18	18	2,970	
(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.	3 days	n/a	n/a	70	119	n/a	n/a	18	18	3,402	
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	59	17	72	30	30	30	30	4,500	

Training Courses	Course Overview	Duration	Participants in Y2018					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	Sr./Off	Jr./Off	
Elementary Maritime English Course (EMT)	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 level.	10 days	17	26	42	34	30	30	30	30	30	30	3,570
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	18	11	18	5	30	30	30	30	30	30	1,560
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	7	9	2	0	30	30	30	30	30	30	540
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	44	105	79	113	-	-	-	-	-	-	-
Total Participants Average Hours training per year per employee =33,414/(346+440+427+454)=20.04			346	440	427	454	1 employee can attend more than 1 course/year					33,414	

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

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

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

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



Summary Training hours by Rank						
Unit: hours						
Course	Master	Chief Officer	2 <sup>nd</sup> Officer	3 <sup>rd</sup> , 4 <sup>th</sup> Junior Officers	Chief Engineers and 2 <sup>nd</sup> Engineers	3 <sup>rd</sup> , 4 <sup>th</sup> , 5 <sup>th</sup> Junior Engineers
MRM	18	18	18	18	18	18
BTM	24	24	24	24	-	-
BTC - I	-	-	18	18	-	-
BTC - II	18	18	-	-	-	-
CMC	-	18	18	-	-	-
MPB	24	24	-	-	24	-
OOW & SS	-	-	18	18	-	-
Command	18	18	-	-	-	-
English Course	30	30	30	30	30	30
Maritime English CBT	30	30	30	30	30	30
ECDIS	12	12	12	12	-	-
EMC & EOW	-	-	-	-	6	6
Wartsila RT-Flex Engine	-	-	-	-	18	18
MC/ME Course (new course)	-	-	-	-	18	18
<b>Total Training hours to be completed per rank per person within two years</b>	<b>174</b>	<b>192</b>	<b>168</b>	<b>150</b>	<b>144</b>	<b>120</b>

**“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 2018, 2017, 2016, 2015, 2014, 2013, 2012, 2011 and 2010, an aggregate of Baht 1,119,000, Baht 1,194,080, 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 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 2018, 2 donation camps were organized in March and September with a total collection of 53,550 cc.
- In 2018 the Company donated Baht 211,790 to the 20<sup>th</sup> Hom Bah Hai Nong project by cadets of MMTC to create multi-purpose field, renovate restrooms, kitchen, canteen, a playground and surrounding areas, repaint of kindergarten building at Soi 19 Sai 2 Khwa School in Lopburi Province. This is further to the donation made by the Company in the previous years of: 1) In 2017 the Company donated Baht 232,000 to the 19<sup>th</sup> Hom Bah Hai Nong project by cadets of MMTC to renovate activities room, school infirmary, a playground and surrounding areas at Ban Thammarat School in Chachoengsao Province. 2) In 2016 the Company donated Baht 346,600 to the 18<sup>th</sup> 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. 3) In 2015 the Company donated Baht 223,000 to the 17<sup>th</sup> 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. 4) In 2013, the Company donated Baht 137,000 to the 15<sup>th</sup> 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. 5) In 2011, the Company donated Baht 113,160 to the 14<sup>th</sup> Hom Bha Hai Nong project by cadets of MMTC to build canteen for Wat Ta Phang Klee school, Chachoengsao province. 6) In 2010, Baht 139,000 to the 13<sup>th</sup> Hom Bha Hai Nong project by cadets of MMTC to build toilet facilities at Bann Non Pha Suk School, Sa Kaew province. 7) In 2009, Baht 80,466 to the 12<sup>th</sup> 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 8) In 2008, Baht 100,000 to the 11<sup>th</sup> 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.
- 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.

- 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.
- 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 Nakornratchasima province in September 2007.



- The Company contributed Baht 100,000 to The Council for Social Welfare of Thailand under The Patronage of His Majesty the King to develop knowledge and foster career skills of disabled people, supporting them to seek their own income, on the 43rd Cripple Day in November 2007.
- The Company donated Baht 68,000 to Ban Koh School in Surin province in year 2008 to support the “Student Field Trip” to Skaerat Environmental Research Station in Nakhon Ratchasima province.

### Scholarships to MMTC’s Students 2018

In January and September 2018, Precious Shipping PCL. (PSL) awarded Baht 696,000 and Baht 423,000 respectively, aggregating Baht 1,119,000 worth of scholarships to selected students of Merchant Marine Training Center (MMTC) to support their entire education year. The photograph below shows the MMTC students who were awarded the scholarships along with Mr. Sebastian Arcanjo Cardozo, PSL’s Vice President (Fleet Management).



### The 20<sup>th</sup> Hom Bah Hai Nong Project



In 2018 the Company donated Baht 211,790 to the 20<sup>th</sup> Hom Bah Hai Nong project by cadets of MMTC to create multi-purpose field, renovate restrooms, a kitchen, a canteen, a playground and surrounding areas, repaint the kindergarten building, Khwa School in Lopburi Province.





## MMTC Graduation Ceremony

MMTC students along with Mr. Sebastian Arcanjo Cardozo, PSL's Vice President - Fleet Management on the graduation day at MMTC.



## AMVER Award Certificates

The Commandant of the United States Coast Guard handed AMVER Certificates for 23 PSL ships for their invaluable support to the AMVER System. PSL Ships joined in providing worldwide safety network to assist rescue coordinators in responding to emergencies at sea. PSL takes pride in the voluntary commitment of our officers and crew to the Safety of Life at sea.





## Blood Donation 2018

The Company organizes blood donation camps on a regular basis in collaboration with the Thai Red Cross. In March and September 2018, the Company organized 2 blood donation events with a total blood collection of 53,550 cc.



## Investment planning course for staff members

In July 12, 2018 the Company and Kasikorn Asset Management Company Limited held a seminar to present the performance of Provident Fund Management and to strengthen tax knowledge and investment planning on the topic “Mutual Funds of Beginners” for staff members).





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<b>GRI 408: CHILD LABOR</b>			
408-1	Operations and suppliers at significant risk for incidents of child labor		It is our policy to respect and comply with local laws, regulations and traditions of every place we conduct our business. We intend to treat employees with respect for dignity of human beings.
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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 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 objective 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 weakness in the Dry Bulk Shipping Market since the second half of 2008 up to 2017, 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.

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 and/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, such as the upcoming ban on the use of high Sulphur fuel oils in the fuel burning engines of ships, 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 apart from the relevant insurance covers.



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. 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 continues to face 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 as may be updated from time to time.

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 which is booked soon after securing the business. 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 2018 the Company has loan facilities and debentures which are denominated in Thai Baht and has 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. During that period in particular, it was 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 these, 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 part of 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 are somewhat correlated directly to US Dollar interest rates, the floating interest rates are naturally hedged and there is no need to fix interest rates since movement in the interest rates (LIBOR) will be followed by a corresponding movement in freight rates too. Further, by keeping the interest rates floating without fixing the same through an Interest Rate Swap (IRS) provides flexibility to the Company's credit facilities, whereby the Company can prepay whenever required (voluntarily or mandatorily) as is required to be done fairly frequently in shipping loans, without incurring any costs of terminating the IRS transactions which would otherwise be triggered due to the unplanned prepayments. In the Year 2012, to take advantage of the unprecedented very low swap rates in the market, the Company entered into an opportunistic 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 2018: USD 31.36 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 was 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 2018: USD 53.22 million) since these loans were 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 recycled. 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 recycled (or sold) vessels. Purchase of ships requires considerable funding, which may be through equity, 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 had put in place credit facilities for the newbuilding contracts signed in the Years 2013 and 2014 and on delivery of the ships, the Company's capacity has been restored adequately.

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 10 years, experienced severe fluctuations, while generally, there has been a significant decline from historically high levels reached in early 2008 and ship values still remain at relatively low levels after reaching a historical low point in the Year 2016. Since declining ship values could breach the loan-to-value covenants in the Company's credit facilities and loans, resulting in demand by the lenders for prepayment of the outstanding loans and/or providing additional security, this could adversely affect the Company's liquidity and operational flexibility, thereby impacting its operating results.

Further, ships may also 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 demand it to provide alternate security, deposit margin money or may demand prepayment of the relevant facility, as mentioned in the foregoing paragraph. 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.

For example in 2015 - 2016, the Company was required to place additional collateral to offset the decline in the values of ships which were mortgaged to certain lenders, for which the Company placed cash deposits with these lenders as additional security. In 2017 the market values of ships made a recovery and therefore, all cash deposits placed as additional collateral were released to the Company.

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(s) 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 then obtained temporary waivers of the testing of these financial covenants. The Company has received waivers of the testing of the requested financial covenants for the period up to 31 December 2018 save for 3 loan facilities, for which the Company is in the midst of ongoing discussions with the lenders. 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 2019. The Company continues to be in touch with its lenders and is constantly taking proactive steps to prevent or address any breaches which may potentially 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 since a significant number of new ships have entered the market between 2009 and 2017, 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 effect can be seen through the decline of the BDI over the Year 2015-2016. Further, any protectionist measures by any major trading country could lead to volatility of the market and/or reduction of demand due to reduction in Global trade volumes. The Company is exposed to the risk of reduced earnings and/or fall in asset values if there is any 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, 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. This influx of new vessels, 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 was vindicated with the Company's earnings outperforming the market in the volatile market circumstances in the past. However, the current market conditions have not recovered to the level that it would be feasible for the Company to fix most of its vessels on long term charters. 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 2018 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 (Long period Time 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 Time 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 Time Charters and accordingly takes steps in analysing the counterparty risk of its potential charterers, particularly those with whom the Company signs longer Time 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 on any of the Company's long term charters.

The Company's ships ply in international waters and are quite evenly distributed all over the world without 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 should 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. However, the Company has chartered all of its 4 cement carriers to a single customer, under long term charters which will cover the useful life of the cement carriers. In order to mitigate any potential counterparty risk, the Company did due diligence on this customer and ensured that this customer was financially capable to meet its obligations under the long term charters. The significance of this customer had increased during the extremely weak market of the recent past because income from this customer is fixed in nature under long term charters, whereas the rest of the Company's revenues weakened along with the prolonged cyclical decline in the Shipping Market.

## 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 recycled. 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 recycled or sold vessels. Between the Years 2007- 2010 and then during the Year 2016, the Company sold 35 and 13 of its oldest vessels respectively, thereby reducing its Fleet size substantially. If the Company wishes to maintain capacity, a replacement of the recycled/sold ships has to be undertaken. Replacement of recycled/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 recycled/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 would not replace its capacity. 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. The Company has since completed this program and taken delivery of certain ships, as explained elsewhere in this Annual Report. While the Operating and Market risks associated with these new ships have been discussed above, the Company is exposed to a number of distinct risks arising out of its Fleet Rejuvenation Plan, as discussed below:

- **Risks associated with ongoing arbitrations with Shipyard:** As of 31 December 2018, the Company is currently in the process of pursuing multiple arbitrations against a Chinese Shipyard that is the result of this Shipyard's breach of contract. The outcomes of these arbitrations are uncertain and to that extent, the Company remains at risk of losing these arbitrations. The Company has mitigated this risk to the maximum possible extent by seeking legal counsel from internationally reputed law firms and experts. Additional details hereof have been explained in the "**Management Discussion and Analysis**" section of this Report.
- **Risks associated with disruptive technological advancements in the shipping industry:** The shipping industry, as with all other industries in the present day, is susceptible to the advent of disruptive technological advancements. New technologies are being developed and adopted at the fastest rate in history. Given the pace of rapid technological advancement, the Company is exposed to the risk that a disruptive technology would render the Company's vessels obsolete in the early stages of its economic life.
- **Risks associated with disruptive regulatory changes:** Various national governments and international regulatory bodies have begun requiring that more stringent regulations in terms of environmental impact be applied to vessels. There is a risk that soon after the delivery of a newbuild vessel, new regulations may come into force that would render such newbuild vessel obsolete or uncompetitive. As such, the Company is presently waiting to assess the impact of the regulatory changes on the horizon before seeking to order any further newbuildings.
- **Risks associated with a Cyclical Industry:** The Company is exposed to the risk that the Shipping Market remains in a cyclical downturn for a sustained period and in such case, 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 lower values may also cause a default under the "Loan-to-Value" covenant required to be maintained in accordance with the Company's loan facility agreements.

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 by raising funds as and when required from the best possible source.

## INVESTMENT RISK

As explained above on the weakness of the Dry Bulk Shipping Market, if the weakness experienced in the Dry Bulk Shipping Market in the recent past returns, 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/her 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.
- As discussed in Financial Risk above, the Company has sought waivers of the testing of certain financial covenants under some of its loan agreements. As one of the conditions of giving such waivers, the Company's lenders have required that the Company not pay any dividends until such time as these waivers are in effect. As such, Investors in the Company should be aware that the Company is currently unable to pay dividends and will likely continue to be unable to do so, as long as the Company requires the aforementioned waivers.

# MAJOR SHAREHOLDERS AND DIVIDEND POLICY STATEMENT

Major Shareholders per share register as on 31<sup>st</sup> December 2018 and 2017

No.	Name	As on 31 <sup>st</sup> December 2018		As on 31 <sup>st</sup> December 2017	
		No. of shares	Percentage	No. of shares	Percentage
	Globex Corporation Limited	442,857,535	28.40%	442,857,535	28.40%
	Graintrade Limited	130,086,266	8.34%	130,086,266	8.34%
	Ms. Nishita Shah *	108,054,537	6.93%	108,054,537	6.93%
	Unistretch Limited	11,465,009	0.74%	11,465,009	0.74%
1	<b>Total shares owned by and under control of the Shah Family ** / ***</b>	<b>692,463,347</b>	<b>44.41%</b>	<b>692,463,347</b>	<b>44.41%</b>
2	Mr. Khalid Moinuddin Hashim (shares held at Securities Company included) ***	131,476,275	8.43%	131,476,275	8.43%
3	Thai NVDR Limited	76,607,552	4.91%	66,383,940	4.26%
4	Provident Fund K Master Pooled Fund (registered)	30,858,400	1.98%	35,925,900	2.30%
5	WGI Emerging Markets Smaller Companies Fund, LLC.	30,580,200	1.96%	34,902,700	2.24%
6	Mr. Pisit Thanatawornlarp	23,991,400	1.54%	26,375,200	1.69%
7	STATE STREET EUROPE LIMITED	21,169,234	1.36%	-	0.00%
8	Provident Fund Employees of Electricity Generating Authority of Thailand (registered)	20,433,000	1.31%	-	0.00%
9	TISCO Master Pooled Fund (registered)	20,086,800	1.29%	-	0.00%
10	SOUTH EAST ASIA UK (TYPE C) NOMINEES LIMITED	18,615,763	1.19%	-	0.00%
11	Other shareholders (apart from the Top Ten shareholders as mentioned above)	493,009,891	31.62%	571,753,535	36.67%
<b>Grand total</b>		<b>1,559,291,862</b>	<b>100.00%</b>	<b>1,559,280,897</b>	<b>100.00%</b>
		<b>Total : 5,692 shareholders</b>		<b>Total : 7,199 shareholders</b>	

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

\*\* The Shah Family comprises of (i) Ms. Nishita Shah, (ii) Ms. Sameera Shah, (iii) Mr. Ishaan Shah, and (iv) Mrs. Anjeli Kirit Shah.

\*\*\* 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 30<sup>th</sup> 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 2018 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	4 April 2018
2. Mr. Khalid Moinuddin Hashim	Managing Director	4 April 2017
3. Mr. Khushroo Kali Wadia	Executive Director	4 April 2017
4. Mr. Jaipal Mansukhani	Executive Director	4 April 2017
5. Ms. Nishita Shah	Director	4 April 2018
6. Mr. Kirit Shah	Director	4 April 2018
7. Mr. Chaipatr Srivisarvacha	Independent Director	4 April 2018
8. Associate Professor Dr. Pavida Pananond	Independent Director	30 March 2016
9. Mr. Kamtorn Sila-On	Independent Director	30 March 2016
10. Mr. Ishaan Shah	Director	30 March 2016
11. Ms. Lyn Yen Kok	Independent Director	4 April 2017

### 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 establishment and communication of the policy and programme related to anti-corruption.
10. Ensure the existence of an effective internal control system and appropriate risk management framework.
11. Ensure an effective audit system executed by both internal and external auditors.
12. Approve quarterly and annual financial reports to ensure that the reports are prepared under generally accepted applicable accounting standards.
13. Ensure that the Company has a proper system in place to communicate effectively with all stakeholders and the public.
14. Define policy and guidelines for risk management and monitor the management to ensure the efficiency of risk management system.
15. 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.
16. 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

**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.
12. Develop and implement anti-corruption systems, as well as encourage employees at all levels and related parties to follow the anti-corruption policy in order to create an anti-corruption culture.

### **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. Kamtorn Sila-On*	Chairman of the Audit & Corporate Governance Committee	Independent Director	2 Years
2. Associate Professor Dr. Pavidan Pananond*	Audit & Corporate Governance Committee Member	Independent Director	2 Years
3. Ms. Lyn Yen Kok*	Audit & Corporate Governance Committee Member	Independent Director	2 Years

\* Each of the above three Audit & Corporate Governance Committee members has knowledge and experience in accounting and financial field and details of their 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 oversee the Anti-Corruption policy and annually review the Company’s Anti-corruption procedures to ensure the effective compliance with the guidelines of the Collective Action Coalition Against Corruption (CAC).
9. To review the Company’s compliance with its Whistleblowing Policy and Procedures for Reporting and Investigation of Misconduct and/or Fraud, and consider all instances (if any) of misconduct or fraud and the final investigation report.
10. 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.
11. 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 Dr. Pavida Pananond	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. Kamtorn Sila-On	Nomination Committee Member	Independent Director	2 Years
3. Ms. Lyn Yen Kok	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

<b>POSITION</b>	Chairman of the Board of Directors / Independent Director
<b>DATE OF APPOINTMENT ON THE BOARD</b>	13 July 2000
<b>AGE</b>	69 years
<b>EDUCATION</b>	B.Sc. in Economics and Business Administration, University of Wisconsin - Stevens Point, U.S.A.
<b>TRAINING</b>	
• 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.
<b>EXPERIENCE TO REVIEW CREDITIBILITY OF THE FINANCIAL STATEMENTS</b>	
• 2004 - June 2017	Chairman of the Audit Committee, Bangkok First Investment & Trust Public Company Limited.
• 2008 - March 2011	Audit Committee Member, Precious Shipping Public Company Limited.
• 2003 - Present	Audit Committee Member/Independent Director, Siam Makro Public Company Limited.
• 1995 - Present	Chairman of the Audit Committee, United Palm Oil Industry Public Company Limited.
<b>OTHER EXPERIENCE</b>	
• 2016 - Present	Member of the Corporate Governance Committee, Siam Makro Public Company Limited.
• 2010 - Present	Chairman of the Nomination and Remuneration Committee, Siam Makro Public Company Limited.
• 2000 - Present	Director, Precious Shipping Public Company Limited.
• 1995 - Present	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.
• 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.
	Senior Vice President, Premier Group of Companies.
	Thailand Representative, Prudential Asset Management Asia Limited.
	Vice President (Investment), American International Assurance Company Limited.
	Business Loan Manager, Commercial Credit Corporation (Thailand) Limited.
	Served the Royal Thai Army.
	Company Director.
<b>OCCUPATION</b>	

## DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS

<b>CONNECTED COMPANIES</b>	Nil
<b>NON-CONNECTED COMPANIES</b>	<b>LISTED COMPANIES:</b> <ol style="list-style-type: none"> <li>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.</li> <li>Chairman of the Nomination and Remuneration Committee, Independent Director, Audit Committee Member, Member of the Corporate Governance Committee, Siam Makro Public Company Limited.</li> </ol>
	<b>NON - LISTED COMPANIES:</b> Aira Advisory Co., Ltd.
<b>OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)</b>	Nil
<b>OTHER ORGANISATIONS</b>	Nil

## NO. OF SHARES HELD (SHARES) AS OF YEAR END 2018:

Description	As of 1 Jan 2018	Acquisition in 2018	Disposal in 2018	Increase (Decrease) in 2018	As of 31 Dec 2018
By himself	-	-	-	-	-
By his spouse and minor children (if any)	90,000	-	-	-	90,000 (0.01% of total paid up shares)

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



## MR. KAMTORN SILA-ON

### POSITION

Chairman of Audit & Corporate Governance Committee\* / Chairman of Remuneration Committee / Nomination Committee Member / Independent Director

### DATE OF APPOINTMENT ON THE BOARD

14 March 2011

### AGE

48 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

- 2017

Completed Business Revolution and Innovation Network (BRAIN) training program by Federation of Thai Industries (FTI).

- 2016

Top Executive Program in Commerce and Trade (TEPCoT)

- 2012

Audit Committee Program (ACP) by Institute of Directors (IOD).

- 2011

Director Certification Program (DCP) by Institute of Directors (IOD).

- 2008

Completed Executive Development Program (EDP) by the Capital Markets Academy and Thai Listed Companies Association.

### EXPERIENCE

- April 2017 - Present

Chairman of Audit Corporate Governance Committee, Precious Shipping Public Company Limited.

- January 2017 - Present

President – Production and Finance, S&P Syndicate Public Company Limited.

- July 2014 - 2016

Chief Supply Chain Officer, S&P Syndicate Public Company Limited.

- March 2011- Present

Chairman of Remuneration Committee, Independent Director and Nomination Committee Member, Precious Shipping Public Company Limited.

- 2011- April 2017

Audit and Corporate Governance 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

President – Production and Finance, S&P Syndicate Public Company Limited.

### DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS

<b>CONNECTED COMPANIES</b>	Nil
<b>NON-CONNECTED COMPANIES</b>	<p><b>LISTED COMPANIES:</b> President – Production and Finance, S&amp;P Syndicate Public Company Limited.</p> <p><b>NON - LISTED COMPANIES:</b> Director, Chaophraya Express Boat Co., Ltd.</p>
<b>OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)</b>	Nil
<b>OTHER ORGANISATIONS</b>	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 2018:

Description	As of 1 Jan 2018	Acquisition in 2018	Disposal in 2018	Increase (Decrease) in 2018	As of 31 Dec 2018
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. KHALID MOINUDDIN HASHIM

<b>POSITION</b>	Managing Director / Executive Director
<b>DATE OF APPOINTMENT ON THE BOARD</b>	11 January 1994
<b>AGE</b>	65 years
<b>EDUCATION</b>	Master's Degree in Management Studies specializing in Finance, University of Bombay.
<b>TRAINING</b>	
• 2005	Graduate member of Thai Institute of Directors (IOD) – Completed "Directors Certificate Program" (DCP), Class 57/2005.
<b>EXPERIENCE</b>	
• 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.
<b>OCCUPATION</b>	Managing Director and Executive Director, Precious Shipping Public Company Limited.

### DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS

<b>CONNECTED COMPANIES</b>	Nil
<b>NON-CONNECTED COMPANIES</b>	Nil
<b>OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)</b>	Director in the Company's 60 subsidiaries (Subsidiary Companies Nos. 1 - 60 on page 9 - 10 of this Annual Report)
<b>OTHER ORGANISATIONS</b>	<ol style="list-style-type: none"> <li>1. Deputy Chairman of the Board of Directors, The Swedish Club, Sweden.</li> <li>2. Regional Committee Member, American Bureau of Shipping.</li> <li>3. Austral - Asia Regional Committee Member, Bureau Veritas.</li> <li>4. Trustee, Sackhumvit Trust, Bangalore, India.</li> </ol>

### NO. OF SHARES HELD (SHARES) AS OF YEAR END 2018:

Description	As of 1 Jan 2018	Acquisition in 2018	Disposal in 2018	Increase (Decrease) in 2018	As of 31 Dec 2018
By himself	131,476,275	-	-	-	131,476,275 (8.43% of total paid up shares)
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

<b>POSITION</b>	Director / Executive Director
<b>DATE OF APPOINTMENT ON THE BOARD</b>	20 August 1999
<b>AGE</b>	55 years
<b>EDUCATION</b>	Bachelor's Degree in Science, University of Bombay. Chartered Accountant, Institute of Chartered Accountants of India.
<b>TRAINING</b>	
• 2005	Graduate member of Thai Institute of Directors (IOD) – Completed "Directors Certificate Program" (DCP), Class 64/2005.
<b>EXPERIENCE</b>	
• 2018 - Present	Director, Gammon Engineering and Contractors Private Limited, India.
• 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.
<b>OCCUPATION</b>	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

<b>CONNECTED COMPANIES</b>	<b>LISTED COMPANIES:</b> Director on the Board of Directors and Managing Director - Christiani & Nielsen (Thai) Public Company Limited.  <b>NON - LISTED COMPANIES:</b> 1. Director, Maxwin Builders Ltd.* (Provider of hotel and management services) 2. Director, The Atrium Hotel Ltd. 3. Managing Director, Christiani & Nielsen (Myanmar) Limited 4. Chairman of the Board of Directors, Christiani & Nielsen (Cambodia) Co., Ltd. 5. Director, Gammon Engineering and Contractors Private Limited, India. *Note: Please refer to CONNECTED TRANSACTIONS on page 252 of this Annual Report.
<b>NON-CONNECTED COMPANIES</b>	Nil
<b>OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)</b>	Director in the Company's 60 subsidiaries (Subsidiary Companies Nos. 1 - 60 on page 9 - 10 of this Annual Report)
<b>OTHER ORGANISATIONS</b>	Nil

## NO. OF SHARES HELD (SHARES) AS OF YEAR END 2018:

Description	As of 1 Jan 2018	Acquisition in 2018	Disposal in 2018	Increase (Decrease) in 2018	As of 31 Dec 2018
By himself	1,117,650	-	-	-	1,117,650 (0.07% of total paid up shares)
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

<b>POSITION</b>	Director / Executive Director
<b>DATE OF APPOINTMENT ON THE BOARD</b>	11 January 1994
<b>AGE</b>	68 years
<b>EDUCATION</b>	Directorate of Marine Engineering Training 1967 - 1971.
<b>TRAINING</b>	
• 2005	Graduate member of Thai Institute of Directors (IOD) – Completed "Directors Certificate Program" (DCP), Class 64/2005.
<b>EXPERIENCE</b>	
• 2001 - Present	Director, Great Circle Shipping Agency Limited.
• 1994 - Present	Director, Precious Shipping Public Company Limited.
• 1988 - 2001	Technical Manager, Great Circle Shipping Agency Limited.
• 1985 - 1987	Deputy Engineer Superintendent, Scindia Steam Navigation Limited.
• 1981 - 1984	Assistant Engineer Superintendent, Scindia Steam Navigation Limited.
• 1977 - 1981	Chief Engineer, Scindia Steam Navigation Limited.
• 1971 - 1976	Marine Engineer, Scindia Steam Navigation Limited.
<b>OCCUPATION</b>	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

<b>CONNECTED COMPANIES</b>	Nil
<b>NON-CONNECTED COMPANIES</b>	Nil
<b>OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)</b>	Director in the Company's 1 subsidiary (Subsidiary Company No. 38 on page 10 of this Annual Report)
<b>OTHER ORGANISATIONS</b>	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 2018:**

Description	As of 1 Jan 2018	Acquisition in 2018	Disposal in 2018	Increase (Decrease) in 2018	As of 31 Dec 2018
By himself	1,070,000	50,000	-	50,000	1,120,000 (0.07% of total paid up shares)
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**

<b>POSITION</b>	Director
<b>DATE OF APPOINTMENT ON THE BOARD</b>	23 August 2002
<b>AGE</b>	38 years
<b>EDUCATION</b>	Bachelor of Science in Business Administration; concentration in Finance and Business Law, Boston University, School of Management.
<b>TRAINING</b>	
• 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.
<b>EXPERIENCE</b>	
• September 2016 - Present	Director / Executive Director, Golden Lime Public Co., Ltd.
• 2002 - Present	Director, Precious Shipping Public Company Limited.
<b>OCCUPATION</b>	Management, GP Group of Companies.

**DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS**

<b>CONNECTED COMPANIES</b>	<b>LISTED COMPANIES:</b> Director / Executive Director, Golden Lime Public Co., Ltd.  <b>NON - LISTED COMPANIES:</b> 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 251- 252 of this Annual Report.
<b>NON-CONNECTED COMPANIES</b>	Nil
<b>OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)</b>	Director in the Company's 38 subsidiaries (Subsidiary Companies Nos. 1 - 38 on page 9 - 10 of this Annual Report)
<b>OTHER ORGANISATIONS</b>	Nil

**NO. OF SHARES HELD (SHARES) AS OF YEAR END 2018:**

Description	As of 1 Jan 2018	Acquisition in 2018	Disposal in 2018	Increase (Decrease) in 2018	As of 31 Dec 2018
By herself	108,054,537	-	-	-	108,054,537 (6.93% of total paid up shares)
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

<b>POSITION</b>	Director / Remuneration Committee Member
<b>DATE OF APPOINTMENT ON THE BOARD</b>	24 April 2007
<b>AGE</b>	65 years
<b>EDUCATION</b>	Studied Commerce from H.R. College of Commerce, Bombay, India.
<b>TRAINING</b>	
• 2005	Graduate member of Thai Institute of Directors (IOD) - Completed "Directors Certificate Program" (DCP), Class 57/2005.
<b>EXPERIENCE</b>	
• 2018 - Present	Director, Gammon Engineering and Contractors Private Limited, India.
• 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.
<b>OCCUPATION</b>	Company Executive.

### DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS

<b>CONNECTED COMPANIES</b>	<b>LISTED COMPANIES:</b> <ol style="list-style-type: none"> <li>1. Director &amp; Vice-Chairman, Christiani &amp; Nielsen (Thai) Public Company Limited.</li> <li>2. Director, Mega Lifesciences Public Company Limited.</li> </ol> <b>NON - LISTED COMPANIES:</b> <ol style="list-style-type: none"> <li>1. Director, Globex Corporation Limited.</li> <li>2. Executive Director, Graintrade Limited.</li> <li>3. Director, Premthai International Limited.</li> <li>4. Director, Unistretch Limited.* (Lessor of the main operations office space leased by the Company)</li> <li>5. Director, Maxwin Builders Ltd.* (Provider of hotel and management services)</li> <li>6. Director, Maestro Controls Limited.* (Service provider of management of the offices leased and apartments owned by the Company and its subsidiary respectively)</li> <li>7. Director, Gammon Engineering and Contractors Private Limited, India.</li> </ol> <p>*Note: Please refer to "CONNECTED TRANSACTIONS" on page 251 - 252 of this Annual Report.</p>
<b>NON-CONNECTED COMPANIES</b>	Nil
<b>OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)</b>	Director, International Seaports (Haldia) Private Limited, India. (Subsidiary Company No. 61 on page 10 of this Annual Report)
<b>OTHER ORGANISATIONS</b>	Nil

### NO. OF SHARES HELD (SHARES) AS OF YEAR END 2018:

Description	As of 1 Jan 2018	Acquisition in 2018	Disposal in 2018	Increase (Decrease) in 2018	As of 31 Dec 2018
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

<b>POSITION</b>	Chairman of Nomination Committee / Independent Director
<b>DATE OF APPOINTMENT ON THE BOARD</b>	14 March 2011
<b>AGE</b>	59 years
<b>EDUCATION</b>	
• 1984	Illinois Benedictine College, MBA (Finance).
• 1981	Lehigh University, Bachelor of Science (Metallurgy).
<b>TRAINING</b>	
• 2017	Certificate, Advanced Audit Committee Program, Class 25/2017, Thai Institute of Directors Association (IOD), March 2017
• 2015	Certificate, Corporate Governance for Capital Market Intermediaries 3/2015, Thai Institute of Directors Association (IOD)
• 2015	Certificate, CMA-GMS 1, Capital Market Academy Executive Education 27 March – 12 April 2015, The Stock Exchange of Thailand



- 2012 Certificate, Capital Market Academy Leadership Program, The Stock Exchange of Thailand
- 2005 Certificate, Chairman 2000, Thai Institute of Directors Association (IOD).
- 2003 Diploma, Directors Certification Program (DCP), 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

- December 2018 - Present Director, SE Digital Co., Ltd.
- March 2017 - Present Director, Innconnect Social Enterprise Co., Ltd.
- March 2017 - Present Director, Absolute Yoga Co., Ltd.
- March 2017 - May 2017 Director, Scentimental (Thailand) Co., Ltd.
- 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.
- November 2015 - Present Director, Innotech Asset Management Co., Ltd.
- 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 Chief Executive Officer, KT ZMICO Securities Company Limited.
- 2007 - Present 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.
- Chief Executive Officer, KT ZMICO Securities Company Limited.

#### OCCUPATION

#### DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS

<b>CONNECTED COMPANIES</b>	Nil
<b>NON-CONNECTED COMPANIES</b>	<p><b>LISTED COMPANIES:</b></p> <ol style="list-style-type: none"> <li>1. Chief Executive Officer, Seamico Securities Public Company Limited.</li> <li>2. Chairman of the Board of Directors, Thaifoods Group Public Company Limited.</li> <li>3. Director, TSFC Securities Public Company Limited.</li> </ol> <p><b>NON-LISTED COMPANIES:</b></p> <ol style="list-style-type: none"> <li>1. Director, Innconnect Social Enterprise Co., Ltd.</li> <li>2. Director, Absolute Yoga Co., Ltd.</li> <li>3. Chief Executive Officer, KT ZMICO Securities Co. Ltd.</li> <li>4. Director, Lumpini Asset Management Company Limited.</li> <li>5. Governor, The Stock Exchange of Thailand.</li> </ol>

<b>OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)</b>	Nil
<b>OTHER ORGANISATIONS</b>	1. Director and Secretary, The Srivisarvacha Foundation. 2. Director, Population & Community Development Association (PDA).

**NO. OF SHARES HELD (SHARES) AS OF YEAR END 2018:**

Description	As of 1 Jan 2018	Acquisition in 2018	Disposal in 2018	Increase (Decrease) in 2018	As of 31 Dec 2018
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 DR. PAVIDA PANANOND

**POSITION**

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

**DATE OF APPOINTMENT ON THE BOARD**

14 March 2011

**AGE**

51 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**

- 2013 Financial Statements for Director (FSD 22) by Institute of Directors (IOD).
- 2012 Audit Committee Program (ACP 41) by Institute of Directors (IOD).
- 2011 Director Certificate Program (DCP 148) by Institute of Directors (IOD).

**AWARDS AND SCHOLARSHIPS**

- 2018 ASEAN @ 50 Fellow, Southeast Asia Centre of Asia-Pacific Excellence and Ministry of Foreign Affairs and Trade, New Zealand
- 2015 Thammasat University Award for Researcher with Highest Number of International Publication (2013-2014)
- 2015 Fulbright Thai Visiting Scholar, Fulbright Thailand
- 2013 - 2014 Thailand - United States Education Foundation
- 2013 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 Thammasat 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**

- 2018 - 2019 Track Chair (Managing the Global Value Chain), Academy of International Business Annual Conference 2019, Copenhagen, Denmark
- 2017 - Present Honorary Adviser, Asia New Zealand Foundation, Auckland, New Zealand
- 2015 - Present Associate Member, John Dunning Centre for International Business, Henley Business School, University of Reading, United Kingdom.

- 2015 - Present  
Affiliate Member, Emerging Market Internationalization Research Group, The University of Sydney Business School, University of Sydney, Australia
- 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 2018:

Description	As of 1 Jan 2018	Acquisition in 2018	Disposal in 2018	Increase (Decrease) in 2018	As of 31 Dec 2018
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. ISHAAN SHAH

##### POSITION

Director

##### DATE OF APPOINTMENT ON THE BOARD

14 March 2011

##### AGE

30 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

<b>CONNECTED COMPANIES</b>	<b>LISTED COMPANIES:</b> <ol style="list-style-type: none"> <li>1. Director, Christiani &amp; Nielsen (Thai) Public Company Limited.</li> <li>2. Director, Mega Lifesciences Public Company Limited.</li> </ol> <b>NON-LISTED COMPANIES:</b> <ol style="list-style-type: none"> <li>1. Director, Globex Corporation Limited.</li> <li>2. Director, Graintrade Limited.</li> <li>3. Director, Unistretch Limited.* (Lessor of the main operations office space leased by the Company).</li> <li>4. Director, Ambika Tour Limited.* (Seller of air-tickets to the Company).</li> <li>5. Director, Maxwin Builders Ltd.* (Provider of hotel and management services).</li> <li>6. Director, Maestro Controls Limited.* (Service provider of management of the offices leased and apartments owned by the Company and its subsidiary respectively).</li> <li>7. Director, InsurExcellence Life Insurance Brokers Limited* (Life Insurance Broker)</li> <li>8. Director, InsurExcellence Insurance Brokers Limited* (Insurance Broker)</li> <li>9. Director, Geepee Corporation Limited.</li> </ol> <p>*Note: Please refer to "CONNECTED TRANSACTIONS" on page 251 - 252 of this Annual Report.</p>
<b>NON-CONNECTED COMPANIES</b>	Nil
<b>OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)</b>	Director in the Company's 39 subsidiaries (Subsidiary Companies Nos. 1 - 38 and 61 on page 9 - 10 of this Annual Report)
<b>OTHER ORGANISATIONS</b>	Nil

### NO. OF SHARES HELD (SHARES) AS OF YEAR END 2018:

Description	As of 1 Jan 2018	Acquisition in 2018	Disposal in 2018	Increase (Decrease) in 2018	As of 31 Dec 2018
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.

## MS. LYN YEN KOK

<b>POSITION</b>	Audit and CG Committee Member* / Nomination Committee Member / Independent Director
<b>DATE OF APPOINTMENT ON THE BOARD</b>	4 April 2017
<b>AGE</b>	52 years
<b>EDUCATION</b>	
• 1984 - 1988	Bachelor of Arts (BA) (Honors), Economics and Political Science, University of Toronto (Trinity College).
• 1980 - 1984	Lawrence Park Collegiate Institute (Toronto).
<b>TRAINING</b>	
• 2017	Executive Programme - Corporate Innovation, Stanford Graduate School of Business.
• 2012	Graduate member of Thai Institute of Directors (IOD) – Completed Directors Certificate Program"(DCP), Class 159/2012
<b>AWARDS</b>	
• 2012	Best Foreign Company CEO, Bloomberg
<b>EXPERIENCE</b>	
• April 2017 - Present	Director, Precious Shipping Public Company Limited.
• July 2010 - September 2016	President & CEO, Thailand & Greater Mekong, Standard Chartered Bank, Bangkok, Thailand
• May 2003 - July 2010	Managing Director, Standard Chartered Bank (China), Beijing, China
• March 2001 - May 2003	Senior Executive Vice President, Corporate & Institutions, Standard Chartered Bank (Nakornthom), Bangkok, Thailand
• May 1997 - March 2001	Head, Corporate & Institutions Sales, Standard Chartered Bank (Malaysia), Kuala Lumpur, Malaysia
• June 1995 - May 1997	Vice President, Chase Manhattan Bank (Singapore), Singapore
• November 1993 - May 1995	Vice President, Chase Manhattan Bank (Hong Kong), Hong Kong
• January 1990 - November 1993	Senior Account Manager, Standard Chartered Bank (Hong Kong), Hong Kong
• June 1988 - January 1990	Account Manager, CIBC, Toronto, Canada.

## OTHER POSITIONS

- July 2017 - Present Governance Officer (also known as Honorary Secretary), YPO ASEAN United Chapter
- May 2014 - Present Board member, Ronald McDonald House Charities (Bangkok)
- 2015 - 2016 Chairman, Standard Chartered Bank, Vietnam
- February 2015 - September 2016 Board Member, UKTI ASEAN Regional Board
- June 2011 - April 2016 Vice President and Chair of Cross Sectoral Working Issues, European Association for Business and Commerce
- July 2010 - September 2016 First Vice Chair, Association of International Bank
- 2010 - 2016 Ambassador, Living with HIV, Standard Chartered Bank
- 2012 - 2015 Member of Global Diversity & Inclusion Council
- 2003 - 2010 Vice President of Board of Directors European Chamber of Commerce and Board member of British Chamber of Commerce, China
- 1997 - 1999 Committee member, Malaysian Youth Orchestra Foundation, chaired by Mirzan Mahathir

## OCCUPATION

Banking and Finance Professional

## 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	Nil

## NO. OF SHARES HELD (SHARES) AS OF YEAR END 2018:

Description	As of 1 Jan 2018	Acquisition in 2018	Disposal in 2018	Increase (Decrease) in 2018	As of 31 Dec 2018
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.



# MANAGEMENT TEAM

**Mr. Khalid Moinuddin Hashim\***

**Mr. Khushroo Kali Wadia\***

**Mr. Jaipal Mansukhani\***

Managing Director

Director (Finance)

Director of Great Circle Shipping Agency Ltd. (Company's Subsidiary)

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

## MR. GAUTAM KHURANA

### POSITION

Chief Financial Officer\*

(\*Joined the Company with effect from 6 December 2018)

### AGE

42 years

### EDUCATION

MBA, INSEAD, France

Chartered Financial Analyst, CFA Institute, USA

BA Economics, University of Rochester, USA

### EXPERIENCE

- 2018 - Present
- 2017 - 2018
- 2015 - 2016
- 2004 - 2014
- 2000 - 2003
- 1998 - 1999

Chief Financial Officer, Precious Shipping Public Company Limited

Director, Drewry Financial Research Services, India

Senior Consultant, Galway Group, India

Senior Vice President, DVB Bank, London, Singapore

Manager, Pacific Shipping, Mumbai, India

Associate Consultant, Synegy, Philadelphia, USA

### POSITIONS HELD IN OTHER COMPANIES

Nil

### NO. OF SHARES HELD (SHARES) AS OF YEAR END 2018:

Description	As of 1 Jan 2018	Acquisition in 2018	Disposal in 2018	Increase (Decrease) in 2018	As of 31 Dec 2018
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. SHRILAL GOPINATHAN

### POSITION

Vice President (Commercial)

### AGE

61 years

### EDUCATION

Bachelor of Commerce, the University of Bombay, India

Diploma in Shipping, the Norattam Morarjee Institute of Shipping, Bombay, India

### EXPERIENCE

- 1999 - Present
- 1989 - 1998

Vice President (Commercial), Precious Shipping Public Company Limited

Chartering Manager, Precious Shipping Public Company Limited

### POSITIONS HELD IN OTHER COMPANIES

Nil

### NO. OF SHARES HELD (SHARES) AS OF YEAR END 2018:

Description	As of 1 Jan 2018	Acquisition in 2018	Disposal in 2018	Increase (Decrease) in 2018	As of 31 Dec 2018
By himself	856,500	-	-	-	856,500 (0.05% of total paid up shares)
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** 57 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 2018:**

Description	As of 1 Jan 2018	Acquisition in 2018	Disposal in 2018	Increase (Decrease) in 2018	As of 31 Dec 2018
By himself	175,082	40,000	-	40,000	215,082 (0.01% of total paid up shares)
By his spouse and minor children (if any)	28,050	500	-	500	28,550 (0.00% of total paid up shares)

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)\*  
(Retired from the Company with effect from 1 January 2019)

**AGE** 62 years

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

**EXPERIENCE**

- 2005 - 2018 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 2018:**

Description	As of 1 Jan 2018	Acquisition in 2018	Disposal in 2018	Increase (Decrease) in 2018	As of 31 Dec 2018
By himself	20,000	-	-	-	20,000 (0.00% of total paid up shares)
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. KODAKARAVEETIL MURALI MENON**

<b>POSITION</b>	Technical Director
<b>AGE</b>	63 years
<b>EDUCATION</b>	Bachelor of Engineering (Marine), Marine Engineering College, India Qualified for membership of the Institute of Chartered Shipbrokers
<b>TRAINING</b>	
• 2018	Director Certification Program (DCP) by Institute of Directors (IOD).
<b>EXPERIENCE</b>	
• 2017 - Present	Technical Director, Precious Shipping Public Company Limited
• 2005 - 2017	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, Seearland Ship management, Austria
<b>POSITIONS HELD IN OTHER COMPANIES</b>	Director in the Company's 60 subsidiaries Subsidiary Companies Nos. 1 - 60 on page 9 - 10 of this Annual Report)

**NO. OF SHARES HELD (SHARES) AS OF YEAR END 2018:**

Description	As of 1 Jan 2018	Acquisition in 2018	Disposal in 2018	Increase (Decrease) in 2018	As of 31 Dec 2018
By himself	374,096	-	-	-	374,096 (0.02% of total paid up shares)
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**

<b>POSITION</b>	Vice President (Projects)
<b>AGE</b>	66 years
<b>EDUCATION</b>	Naval Architecture Engineering, Indian Institute of Technology (IIT-Kgp), India
<b>EXPERIENCE</b>	
• 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
<b>POSITIONS HELD IN OTHER COMPANIES</b>	Nil

**NO. OF SHARES HELD (SHARES) AS OF YEAR END 2018:**

Description	As of 1 Jan 2018	Acquisition in 2018	Disposal in 2018	Increase (Decrease) in 2018	As of 31 Dec 2018
By himself	70,377	-	-	-	70,377 (0.00% of total paid up shares)
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 (Technical)  
**AGE** 55 years  
**EDUCATION** Directorate of Marine Engineering Training  
 Bachelor's degree in Marine Engineering  
 Diploma in Ship Management; Lloyd's Maritime Academy, UK

**EXPERIENCE**

- 2017 - Present Vice President (Technical), Precious Shipping Public Company Limited
- May 2013 - 2017 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 2018:**

Description	As of 1 Jan 2018	Acquisition in 2018	Disposal in 2018	Increase (Decrease) in 2018	As of 31 Dec 2018
By himself	603,069	155,000	-	155,000	758,069 (0.05% of total paid up shares)
By his spouse and minor children (if any)	8,018	21,000	-	21,000	29,018 (0.00% of total paid up shares)

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

**MR. SEBASTIAN ARCANJO CARDOZO**

**POSITION** Vice President (Fleet Personnel Management)  
**AGE** 58 years  
**EDUCATION** Bachelor of Science (Nautical Science), India Master Mariner, India

**EXPERIENCE**

- 2017 - Present Vice President (Fleet Personnel Management), Precious Shipping Public Company Limited.
- 2014 - 2016 Assistant Vice President (Fleet Personnel Management), Precious Shipping Public Company Limited.
- 2004 - 2014 Marine Superintendent – Lead Auditor Quality Systems (ISM Team), Precious Shipping Public Company Limited.
- 1992 - 2004 CAPTAIN - Precious Shipping Public Company Limited.
- 1977 - 1992 Officer on Ships

**POSITIONS HELD IN OTHER COMPANIES**

NIL

**NO. OF SHARES HELD (SHARES) AS OF YEAR END 2018:**

Description	As of 1 Jan 2018	Acquisition in 2018	Disposal in 2018	Increase (Decrease) in 2018	As of 31 Dec 2018
By himself	50,000	-	-	-	50,000 (0.00% of total paid up shares)
By his spouse and minor children (if any)	-	-	-	-	-

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

**MS. SOMPRATHANA THEPNAPAPLERN**

<b>POSITION</b>	Assistant Vice President (Finance & Accounts), Company Secretary
<b>AGE</b>	48 years
<b>EDUCATION</b>	Master of Science in Accounting, Thammasat University Bachelor of Business Administration in Accounting, Thammasat University Certified Public Accountant of Federation of Accounting professions
<b>TRAINING</b>	
• June 2018	Attended the training course on the topic "Sustainability Evaluation and Data Management" held by the Stock Exchange of Thailand
• February 2017	Completed "Director Accreditation Program" (DAP 134/2017) of Thai Institute of Directors (IOD)
• 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
<b>EXPERIENCE</b>	
• 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.
<b>POSITIONS HELD IN OTHER COMPANIES</b>	Nil

**NO. OF SHARES HELD (SHARES) AS OF YEAR END 2018:**

Description	As of 1 Jan 2018	Acquisition in 2018	Disposal in 2018	Increase (Decrease) in 2018	As of 31 Dec 2018
By herself	-	215,000	-	215,000	215,000 (0.01% of total paid up shares)
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 JAYSRI CHAI**

<b>POSITION</b>	Senior Manager - Group Accounts
<b>AGE</b>	45 years
<b>EDUCATION</b>	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
<b>EXPERIENCE</b>	
• 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)
<b>POSITIONS HELD IN OTHER COMPANIES</b>	Nil

**NO. OF SHARES HELD (SHARES) AS OF YEAR END 2018:**

Description	As of 1 Jan 2018	Acquisition in 2018	Disposal in 2018	Increase (Decrease) in 2018	As of 31 Dec 2018
By herself	3,014	-	-	-	3,014 (0.00% of total paid up shares)
By her spouse and minor children (if any)	900,000	175,000	-	175,000	1,075,000 (0.07% of total paid up shares)

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** 36 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 2018:**

Description	As of 1 Jan 2018	Acquisition in 2018	Disposal in 2018	Increase (Decrease) in 2018	As of 31 Dec 2018
By herself	-	-	-	-	-
By her spouse and minor children (if any)	-	-	-	-	-

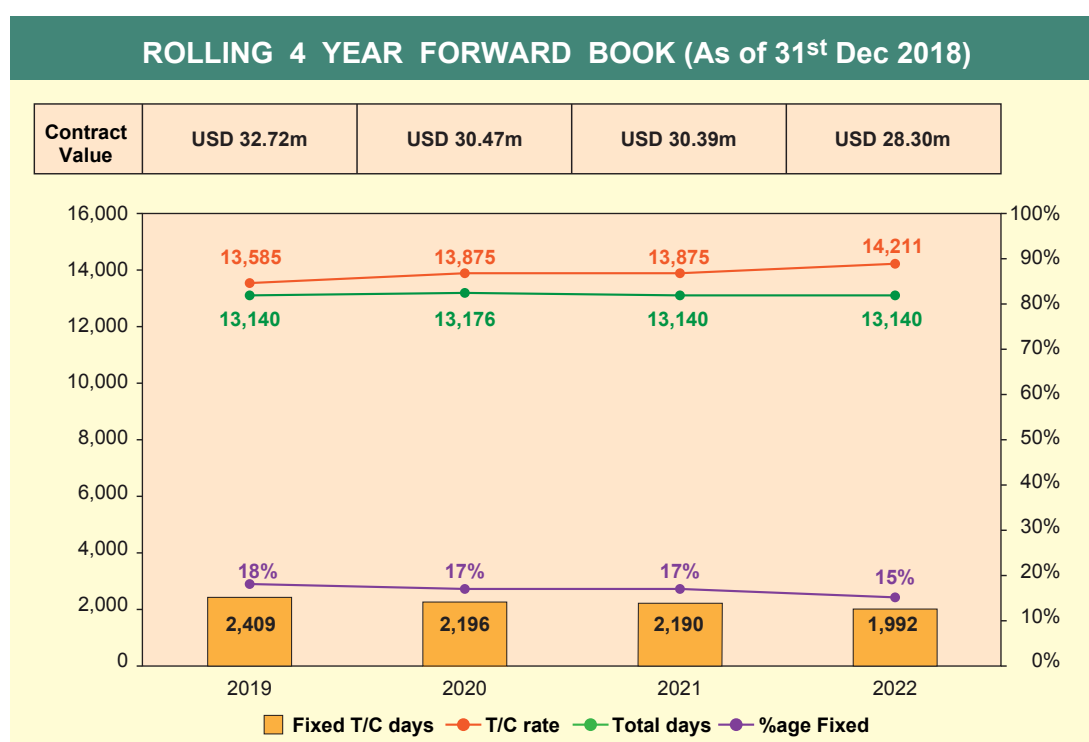
No family relationship with any of the Directors or any of the others in Management Team.

**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, following the acquisition of two Supramax vessels in the 4<sup>th</sup> Quarter of 2011, the Company also started operating in the Supramax Sector. In 2013 - 2014, the Company signed a series of Shipbuilding Contracts and took delivery of eight Ultramax vessels between 2014 and 2017. PSL had put in place its business strategy, starting 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 3<sup>rd</sup> quarter of 2008 after which the market dropped sharply due to which it was not possible to renew or enter into new period charters at attractive rates. PSL's intention is to continue to charter out our vessels on long term time charters whenever practical and economically viable. However, the current market conditions are such that it is still not feasible for PSL to fix most of our vessels on long term time charters. As at 31 December 2018, the rolling 4 year forward book of long term time charters is presented below:

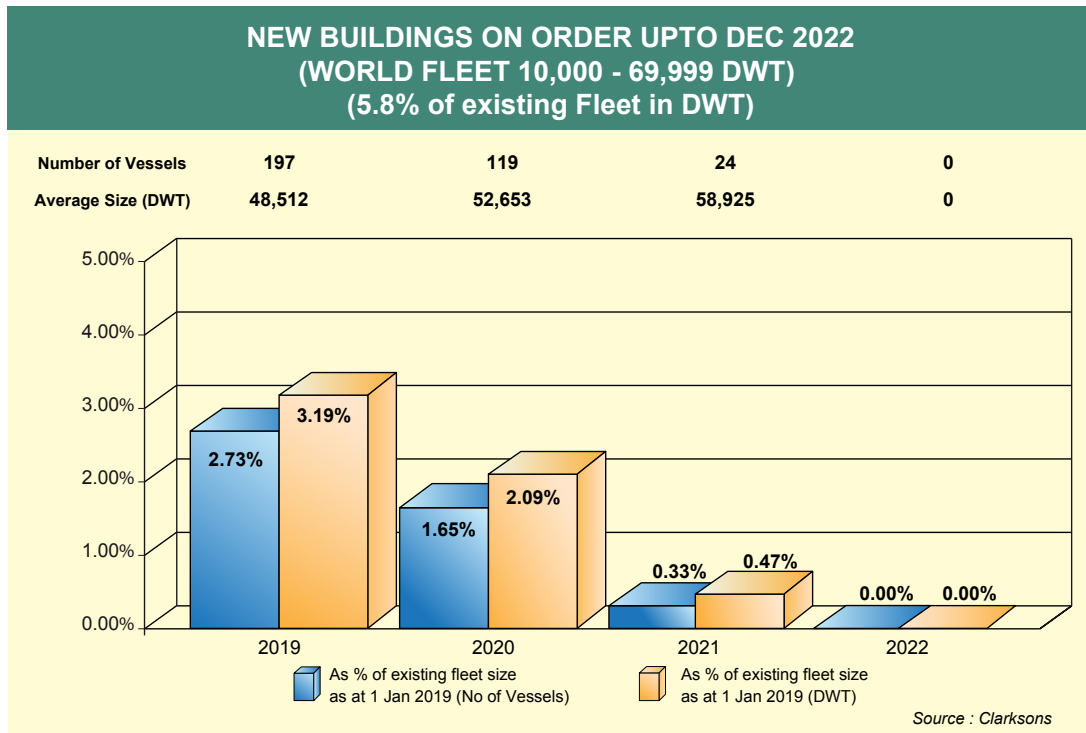


Total Days in the above chart is based on our existing fleet of 36 vessels as at the end of the year 2018.

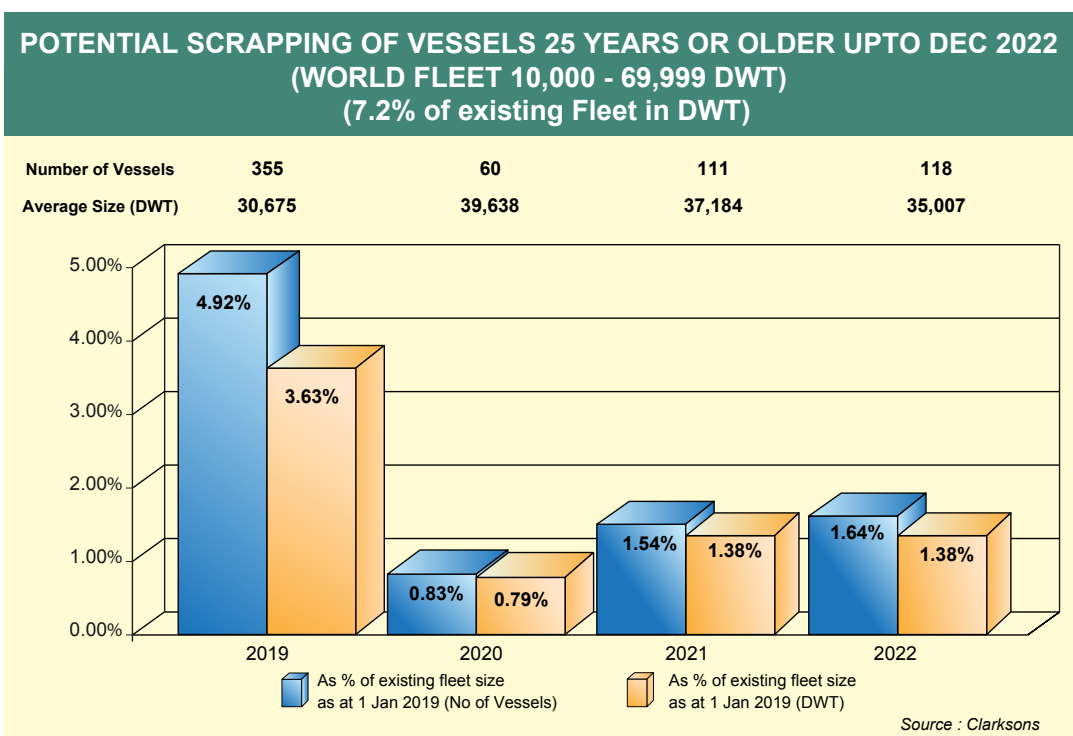
For further discussions and analysis of the market conditions, please refer to the **Board of Directors' Report** presented separately in this Annual Report.

## 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 - 69,999 DWT) - 7,209 vessels of 299.68 million DWT

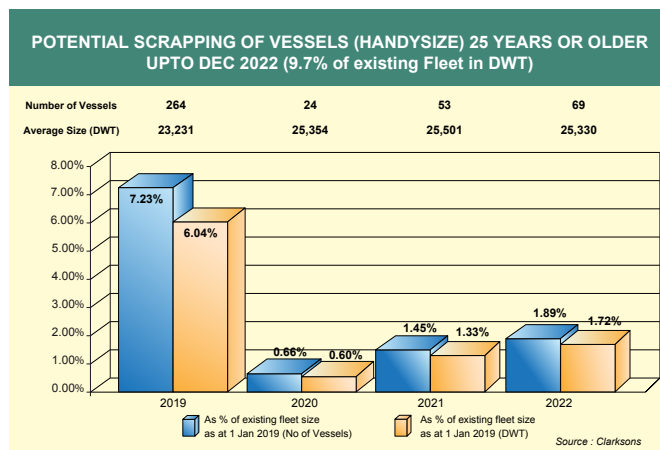
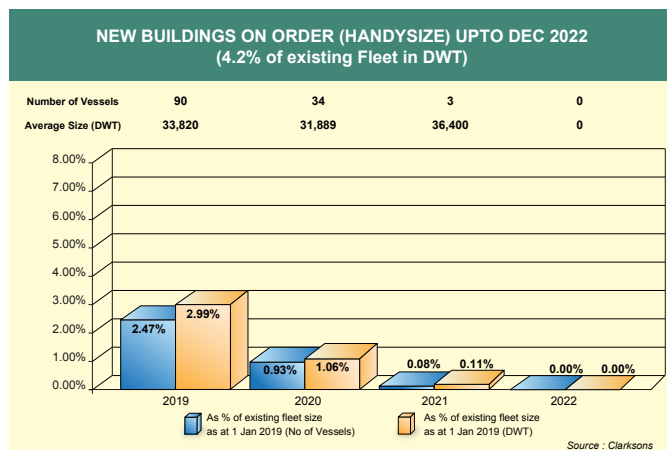


As of 31 December 2018, the world fleet in the 10,000 - 69,999 DWT size range is 7,209 vessels of 299.68 million DWT. It is evident from the charts above and below that during the next 4 years, 340 vessels have been contracted to be delivered against 644 vessels which are aged over 25 years old and likely to be scrapped, representing a net decrease of 1.4% of existing world fleet in terms of DWT. The effect of ballast water management convention together with the global 0.5% limit on the Sulphur content of fuel will force shipowners to scrap old vessels earlier, and therefore, we can expect fleet growth to stay at or around these low levels that should bring about demand-supply balance in the market.



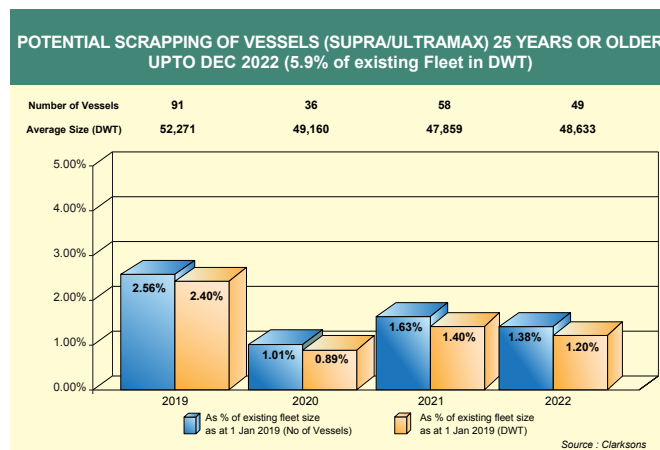
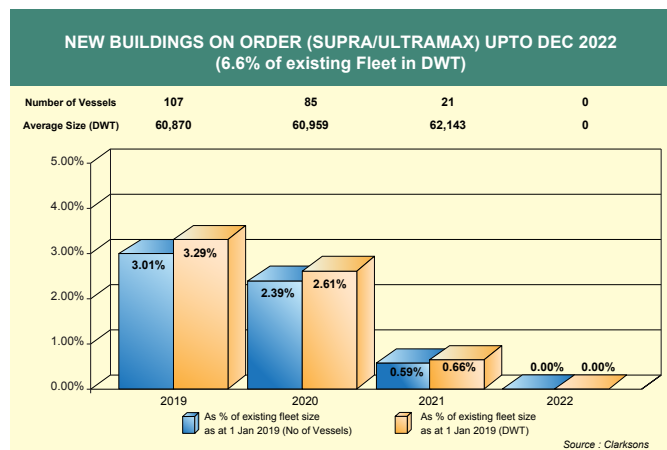
The details of new buildings on order and potential scrapping of vessels by fleet size are as follows.

## 2.2 Handysize Fleet (10,000 - 39,999 DWT) - 3,650 vessels of 101.57 million DWT



From the above charts, it is evident that over the next 4 years, there are 127 Handysize vessels to be delivered, against 410 Handysize vessels which are aged over 25 years old and likely to be scrapped, representing a net decrease of 5.5% of existing Handysize Fleet in DWT terms.

## 2.3 Supra/Ultramax Fleet (40,000 - 69,999 DWT) - 3,559 vessels of 198.11 million DWT



From the above chart, it is evident that over the next 4 years, there are 213 Ultramax vessels to be delivered, against 234 Supra/Ultramax vessels which are aged over 25 years old and likely to be scrapped, representing a net increase of 0.7% of existing Supra/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 Supra/Ultramax vessels.

## 3. 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 36 to the financial statements "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, the 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.



#### 4. 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 2018 Million US\$	Repayment/Prepayment in 2018 Million US\$	Outstanding Loan Balance as on 31 Dec 2018 Million US\$
<b>Loan facilities for financing the construction and acquisition of new vessels (Newbuildings)</b>								
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.	10.0	LIBOR + margin	Quarterly installments of 1/60 <sup>th</sup> of each loan drawdown amount, commencing 3 months after delivery of each respective vessel and a balloon repayment of remaining balance in March 2020	-	-	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	-	-	37.22
3	Bangkok Bank Plc. (Singapore Branch)	ABC Two Pte. Ltd., and ABC Three Pte. Ltd.	10.0	LIBOR <sup>(1)</sup> + 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	-	2.56	27.29
4	Bangkok Bank Plc. (Singapore Branch)	ABC Four Pte. Ltd.	10.0	LIBOR <sup>(1)</sup> + 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	-	1.28	14.19
5	TMB Bank Plc.	ABC One Pte. Ltd.	10.0	LIBOR <sup>(1)</sup> + margin	40 equal quarterly installments of USD 489,600, commencing in March 2015 and last installment within November 2024	-	1.96	11.75
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 1/55 <sup>th</sup> 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 40 <sup>th</sup> quarter	-	4.27	57.18
7	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., 30 equal quarterly installments of USD 265,625 commencing in July 2015 and a balloon repayment of USD 7,968,750 in January 2023 For Precious Wisdom Pte. Ltd., 27 equal quarterly installments of USD 234,375 commencing in April 2016 and a balloon repayment of USD 7,734,375 in January 2023	-	2.00	23.70

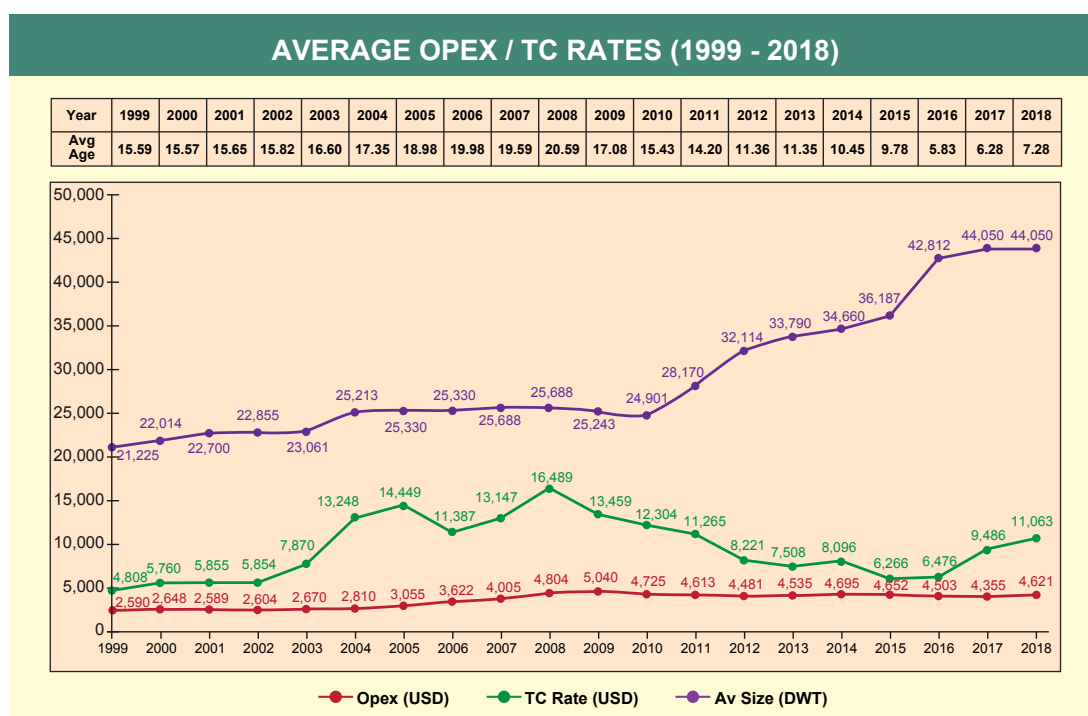
Facility	Lender's Bank(s)	Borrower(s)	Tenor of loan (Years)	Interest Rate	Repayment Term	Drawdown in 2018 Million US\$	Repayment/Prepayment in 2018 Million US\$	Outstanding Loan Balance as on 31 Dec 2018 Million US\$
8	BNP Paribas	The Company, Precious Tides Pte. Ltd., and Precious Skies Pte. Ltd.	8.0	LIBOR + margin	For Precious Tides Pte. Ltd., 32 quarterly installments equal quarterly installments of USD 200,000 for installment 1 <sup>st</sup> - 16 <sup>th</sup> , equal quarterly installments of USD 300,000 for installment 17 <sup>th</sup> - 32 <sup>th</sup> , and 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 <sup>st</sup> - 16 <sup>th</sup> , equal quarterly installments of USD 318,750 for installment 17 <sup>th</sup> - 32 <sup>th</sup> , and a balloon repayment of USD 4,250,000 in July 2024.	-	1.65	20.84
9	BNP Paribas	The Company, and Precious Grace Pte. Ltd.	8.0	LIBOR + margin	32 equal quarterly installments of USD 304,687.80 commencing 3 months after loan drawdown and a balloon repayment of USD 4,874,990.40 together with the last installment in June 2025	-	1.22	12.80
10	Export-Import Bank of Thailand	The Company, and Precious Forests Ltd.	10.0	LIBOR + margin	39 equal quarterly installments of 1/55 <sup>th</sup> of loan drawdown amount, commencing from the end of the next quarter after loan drawdown and a balloon repayment of remaining balance at the end of the 40 <sup>th</sup> quarter	-	-	-
<b>Loan facilities for purchasing of vessels</b>								
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 <sup>(1)</sup> + margin for USD Loan	44 equal quarterly installments, commencing in December 2011	-	-	15.77
		The Company, Precious Jasmines Ltd., and Precious Wishes Ltd.	12.0	MLR-1 for Thai Baht Loan <sup>(2)</sup>	48 equal quarterly installments, commencing in December 2010	-	3.83	14.34
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	-	13.16	-
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	-	2.65	8.83
		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	-	3.07	14.33

<sup>(1)</sup> Floating LIBOR was swapped to Fixed rate as mentioned in Note 17 to the financial statements.

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

During the year 2018, the Company received waivers of the financial covenant breaches of certain loan facilities, detailed in Note 17 to the financial statements. The details of financial covenants for each loan facilities are also disclosed in Note 17 to the financial statements.

## 5. VESSEL EARNINGS AND VESSEL OPERATING EXPENSES



The average earnings per day per vessel (TC Rate) reached USD 11,063 in 2018, while average daily operating expenses per vessel (Opex) was USD 4,621.

During 2018, the demand from China coupled with the lower supply growth of new ships is the main factor that drove the BDI to move upwards (or downwards intermittently). BDI closed the year at 1,271 points.

The average BDI was 1,353 points in 2018 as compared to 1,145 points in 2017. The movement in the BDI for the year 2018 was mainly attributable to the movement in capesize vessel earnings. The Company had average daily earnings per vessel (TC Rate) of USD 11,063 in 2018 which is about 16.62% higher than 2017, as a consequence of continued strength in the Dry Bulk freight market.

### PSL's Handysize and Supramax Vessels Earnings comparison with Market (Source from CRS)

Index	2018 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)	597	8,700	10,355	19.02%
Baltic Supramax Index (BSI)	1,031	11,198	11,038	(1.43%)

During the year 2018, the Baltic Handy Size Index (BHSI) averaged 597 points derived from the average Time Charter (TC) rate of USD 8,700 per day and as compared to that, PSL's Handysize vessels earned USD 10,355 per day (including the earnings on 4 long term charter contracts for 4 cement carriers at a TC rate of USD 15,000 per day per ship) outperforming the BHSI TC rate by 19.02%.

The Baltic Supramax Index (BSI) averaged 1,031 points derived from the average Time Charter (TC) rate of USD 11,198 per day and as compared to that, PSL's Supramax vessels earned USD 11,038 per day, underperforming the BSI TC rate by 1.43%. However, PSL's Ultramax vessels earned USD 12,772 per day. 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 increased from USD 4,355 per day (including USD 319 per day on account of dry-dock and special survey costs) in 2017 to USD 4,621 per day (including USD 479 per day on account of dry-dock and special survey costs) in 2018 which is, as always, far below the industry average (excluding dry-dock and special survey costs which are not reported in Industry Opex) as detailed below.

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

For years Particulars	Industry 2017 US\$ (Per Day)	PSL 2017 US\$ (Per Day)	PSL 2018 US\$ (Per Day)
Crew Wages	2,089	2,315	2,328
Provisions	167	153	158
Crew Other	383	178	174
<b>Crew Costs Total</b>	<b>2,639</b>	<b>2,646</b>	<b>2,660</b>
Lubricants	221	163	164
Stores Other	285	212	215
<b>Stores Total</b>	<b>506</b>	<b>375</b>	<b>379</b>
Spares	313	196	239
Repairs & Maintenance	346	130	121
<b>Repairs &amp; Maintenance Total</b>	<b>659</b>	<b>326</b>	<b>360</b>
P& I Insurance	200	176	177
Insurance	191	122	118
<b>Insurance Total</b>	<b>391</b>	<b>298</b>	<b>295</b>
Registration Costs	34	6	5
Management Fees	502	309	379
Sundries	198	76	64
<b>Administration Total</b>	<b>734</b>	<b>391</b>	<b>448</b>
<b>Total Operating Costs</b>	<b>4,929</b>	<b>4,036</b>	<b>4,142</b>

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

- Crew costs went up slightly on account of increased manning that was necessary for the vessels operating in the cement trade, due to maintenance requirements. However, crew wages were maintained and not revised upwards.
- Repairs & Maintenance expenses increased due to certain engine spares that had to be purchased.
- Administration expenses are mainly from management expenses which are "fixed" in nature and depend mainly on the remuneration of the on-shore technical staff. These expenses trended up on a daily average basis due to the increase in technical staff salary together with the appreciation of Thai Baht against the U.S. Dollar.

## 6. 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 36 to Audited Consolidated Financial Statements.

For the year ended / as at	31-Dec-17	31-Dec-18
	Million US\$	Million US\$
<b>Income Statement</b>		
Total Revenues	130.15	153.58
Net Vessel Operating Income	119.03	138.79
<b>Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) *</b>	<b>53.18</b>	<b>68.20</b>
Depreciation *	30.44	30.35
EBIT	22.74	37.85
Finance cost	25.10	25.54
Operating profit (loss)	(2.36)	12.31
Non-Operating profit (loss)	(1.39)	1.85
<b>Net Profit (loss) before Tax</b>	<b>(3.75)</b>	<b>14.16</b>
Income Tax	0.006	0.065
<b>Net Profit (loss) **</b>	<b>(3.76)</b>	<b>14.10</b>
<b>Financial Position</b>		
Cash & Cash Equivalents	56.72	56.79
Total Current Assets	68.87	71.41
Receivables from cross currency swap contracts	16.13	17.43
Property, Plant and Equipment	718.30	690.58
Advances for vessels constructions	67.90	67.90
<b>Total Assets</b>	<b>882.27</b>	<b>857.85</b>
Current portion of long-term loans	24.56	57.85
Total Current Liabilities	40.82	71.14
Long-term loans - net of current portion	290.18	220.35
Debentures	168.43	169.82
<b>Total Liabilities</b>	<b>504.82</b>	<b>466.62</b>
Equity Share Capital	51.06	51.06
Premium on ordinary shares	63.28	63.29
<b>Total Shareholder's Equity or Tangible Net Worth</b>	<b>377.45</b>	<b>391.23</b>
<b>Net Book Value per share (US\$)</b>	<b>0.24</b>	<b>0.25</b>
<b>Ratios (times)</b>		
<b>Current Ratio</b>	<b>1.69</b>	<b>1.00</b>
<b>Total Liabilities/Equity</b>	<b>1.34</b>	<b>1.19</b>
<b>Debt/EBITDA ***</b>	<b>8.50</b>	<b>6.10</b>
<b>Debt Service Coverage ***</b>	<b>1.38</b>	<b>1.76</b>
<b>EBITDA/Interest</b>	<b>2.12</b>	<b>2.67</b>

\* 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.

## 6.1 Revenues and Profitability

Total revenues have increased from US\$ 130.15 million in 2017 to US\$ 153.58 million in 2018. As a consequence of the continued strength of the Dry Bulk freight market, the net vessel operating income has increased from US\$ 119.03 million in 2017 to US\$ 138.79 million in 2018, with the average vessel earnings per day per vessel (TC Rate) increased from US\$ 9,486 in 2017 to US\$ 11,063 in 2018. The average number of vessels operated in both 2017 and 2018 was 36. The average daily vessel operating expenses (Opex) have increased from US\$ 4,355 in 2017 to US\$ 4,621 in 2018 (including depreciation/amortisation of the drydocking/special survey expenses in both years). The gross profit for 2018 has increased compared to 2017. Operating cash flows or Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) has increased from US\$ 53.18 million in 2017 to US\$ 68.20 million in 2018.

The average daily vessel operating expenses have increased but remain far below the Industry average as explained in Section 5 above.

Depreciation (excluding depreciation of dry-dock and special survey cost) has decreased marginally from US\$ 30.44 million in 2017 to US\$ 30.35 million in 2018.

Finance costs have increased from US\$ 25.10 million in 2017 to US\$ 25.54 million in 2018 mainly due to the increase in the benchmark LIBOR rate during the year.

As a result of continued strength in the Dry Bulk freight market, the Company has an operating profit of US\$ 12.31 million in 2018, compared to an operating loss of US\$ 2.36 million in 2017. In 2018, the Company has a non-operating profit of US\$ 1.85 million, mainly from interest income. In 2017, the Company had a non-operating loss of US\$ 1.39 million, mainly from interest on unsecured corporate loans and other expenses per settlements agreements with Sanfu less the gains on sale of vessel and equipment.

Income Tax has increased slightly from US\$ 0.006 million in 2017 to US\$ 0.065 million in 2018 being the Income-tax on non-shipping income.

As a result of the above factors, the Company has earned a profit of US\$ 14.10 million in 2018, which is a significant improvement as compared to the loss of US\$ 3.76 million in 2017.

## 6.2 Assets, Liabilities and Shareholders' Equity

### Current Assets

As compared to the end of the previous year (2017), there is an increase of US\$ 2.54 million in current assets, mainly due to the increase in Trade and other receivables and bunker oil. Trade and Other Receivables net of all provisions, which are part of current assets increased by US\$ 1.92 million as compared to the previous year. In any case, as is customary in the shipping business, the Company actually collects almost all its income in advance (95% of Freight in case of a Voyage Charter and 15 days' Hire in case of Time Charter) and as such, there is no concern on collection of receivables and consequently, the amount presented as receivables is only on account of miscellaneous dues from Agents, Charterers and accrual of income on the basis of percentage of voyage completed. The Company policy is to set up full provision for trade receivables which are due over 1 year. As of 31 December 2018, there is no provision set up. Bunker Oil Stock increased from US\$ 1.71 million to US\$ 2.96 million.

### Receivables from Cross Currency Swap Contracts

As of 31 December 2018, Receivables from cross currency swap contracts of US\$ 17.43 million represented the adjusting of the exchange rate of the swap transactions to the closing exchange rate at the end of the year. This is mainly from the cross currency swap contracts of the THB Debentures.

### Property, Plant and Equipment

The value of Property, Plant and Equipment of the Company has marginally decreased from previous year's levels from depreciation. As at 31 December 2018, the Company owned 36 vessels, details of which have been provided in the Fleet List separately in this Report.



### Advances for vessel constructions

Advances for vessel construction of US\$ 67.90 million same as at the end of last year. The balance of US\$ 67.90 million (including unamortised supervision and other costs of US\$ 3.78 million) are the advances paid for 9 Ultramax vessels ordered from Saintry which are under the arbitration process as mentioned in Note 15.3 and Note 31 to the financial statements.

### Total Liabilities

The Company's secured outstanding loans (net of current portion) are US\$ 220.35 million, and aggregate secured outstanding loans balance is US\$ 278.20 million as at the end of year 2018.

The Company had US\$ 314.74 million of loans outstanding after deducting for deferred financial fees of US\$ 1.49 million at the beginning of 2018. During the year, the Company made US\$ 17.84 million of scheduled repayments and US\$ 19.81 million of voluntary prepayments as explained in Section 4.

During the year 2018, the Company amortised US\$ 1.00 million on account of financial fees (net). Deferred financial fees of US\$ 0.49 million are presented as deduction from Secured loans.

As a result of the arbitration awards mentioned in Note 15.2 to the financial statements, the Company repaid all Unsecured Corporate Loans from Sanfu totaling US\$ 32.00 million in 2017 and repaid all interest on Unsecured Corporate Loans and other expenses per Settlement Agreements with Sanfu totaling US\$ 3.38 million in September 2018.

Debentures have increased from US\$ 168.43 million in 2017 to US\$ 169.82 million in 2018 due to the appreciation of Thai Baht against U.S. Dollars. However, the Company has entered into cross currency swap contracts to cover the currency risk as mentioned in Note 18 to the financial statements.

The total liabilities have decreased from US\$ 504.82 million in 2017 to US\$ 466.62 million in 2018.

### Shareholders' Equity

In 2018, the Company earned a net profit of US\$ 14.10 million. After change in CSR Reserve, other components of shareholders equity and minority interest, the Shareholders' Equity now stands at US\$ 391.23 million which is up from US\$ 377.45 million at the end of 2017. The net book value per share is US\$ 0.25 at the end of 2018.

## 6.3 Leverage, Liquidity and Coverage

As of 31 December 2018, the Company's overall gearing (Total Liabilities/Total Shareholder's Equity) stands at 1.19 times, down from 1.34 times on 31 December 2017. The ratio declined due to a decrease in total liabilities as the Company repaid and prepaid the loans during 2018 as well as the increase in total shareholder's equity from the net profit.

The Company's EBITDA of 2018 has improved from 2017. As of 31 December 2018, the Debt to EBITDA ratio was 6.10 times, which was a breach of a financial covenant in certain loan agreements. The Company has obtained waivers from the relevant lenders, except for 3 loan facilities, for which the Company is in the midst of ongoing discussions with the lenders, as mentioned in Note 17 to the financial statements.

The Company's current ratio of 2018 is 1.00 times which decreased from 1.69 times in 2017, due to the increase in current portion of long-term loans.

The Company's debt service coverage ratio for 2018 was 1.76 times, and the ratio of EBITDA/Interest is 2.67 times as of 31 December 2018.

## **7. REVIEW AND ANALYSIS OF AUDITED CONSOLIDATED THAI BAHT FINANCIAL STATEMENTS**

### **7.1 Analysis of Income Statements**

The net vessel operating income of the year 2018 (net of voyage disbursements and bunker consumption) has increased by about 12 percent as compared to the year 2017 as a result of continued strength in the Dry Bulk freight market. Vessel running expenses for 2018 have decreased about 3 percent as compared to 2017 due to the appreciation of Thai Baht against U.S. Dollar. In 2018, the total vessel operating costs which comprises of vessel running expenses, voyage disbursements and bunker consumption increased by about 4 percent in absolute terms, over the total vessel operating costs of the previous year. In 2018, vessel disbursements and bunker consumption increased as voyage charters increased from 6% in 2017 to 9% in 2018.

Even though, the average daily OPEX was higher than the previous year, the average daily TC Rate per vessel of this year was also higher, as a result of which, the Gross Profit has increased by about 22 percent over the previous year and the Gross Profit Margin has also increased from 54 percent to 58 percent.

Interest income in 2018 increased by Baht 13.92 million as compared to 2017.

The Company recorded gains on sales of vessel and equipment of Baht 32.15 million in 2017. No such gains were recorded in 2018.

Administrative expenses (including management remuneration) for 2018 have increased by Baht 48.97 million as compared to 2017 mainly due to the increase in the legal and professional fees and other expenses related to the arbitrations with Sainty.

The Company recorded exchange losses of Baht 5.36 million for 2018 and Baht 12.31 million for 2017. The corporate income tax was Baht 2.14 million for the year 2018 and Baht 0.19 million for the year 2017, which mainly represented the income tax on non-shipping income.

The total expenses (excluding depreciation for 2018 and 2017 and interest on unsecured corporate loans and other expenses per Settlement Agreements of Baht 112.51 million in 2017) in 2018, as compared to the previous year, are higher due to the increase in absolute total vessel operating costs and administrative expenses as explained hereinabove.

Depreciation has increased from Baht 1,169.84 million in 2017 to Baht 1,184.95 million in 2018.

Finance costs have decreased by Baht 22.52 million as a result of the appreciation of the Thai Baht against the U.S. Dollar.

As a result of the above factors, the Company has reported a profit of Baht 456.20 million for 2018 as compared to a loss of Baht 129.48 million in the previous year.

### **7.2 Analysis of Statements of Comprehensive Income**

The Company reported Baht 96.43 million as other comprehensive loss for the year 2018 as compared to other comprehensive loss of Baht 1,194.09 million for the year 2017. This was mainly due to the depreciation of the U.S. Dollar 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.

### **7.3 Analysis of Statements of Financial Position**

As compared to the end of the previous year (2017), there is an increase of Baht 66.56 million in current assets, mainly from trade and other receivables and bunker oil stock.

Trade and other receivables, net of all provisions which are part of current assets increased by Baht 60.81 million, and Bunker oil Stock increased by Baht 39.92 million as compared to the previous year.

Receivables from cross currency swap contracts in the amount of Baht 565.59 million, was mainly from cross currency swap contracts of debentures.

As at the end of the year 2018, the Company had Baht 2,203.36 million as advances for vessel construction paid to Sainty for 9 Ultramax vessels which are under the arbitration process. Total Assets have decreased from Baht 28,833.24 million in 2017 to Baht 27,836.91 million in 2018, mainly from the depreciation of vessels.

Total current liabilities have increased by Baht 974.57 million as compared to the previous year mainly due to the current portion of long-term loans.

As at the end of 2018, the Company's Long term Loans (net of current portion) is Baht 7,150.29 million and aggregate long term loans is Baht 9,027.50 million.

During the year 2018, the Company made Baht 578.46 million of scheduled repayments and Baht 640.59 million of voluntary prepayments. During the year 2018, the Company has amortised Baht 32.26 million on account of financial fees (net). Deferred financial fees of Baht 15.95 million are presented as deduction from secured loans.

Total Liabilities have decreased from Baht 16,497.75 million in 2017 to Baht 15,141.45 million in 2018.

Total shareholders' Equity has increased from Baht 12,335.49 million as at the end of 2017 to Baht 12,695.46 million as at the end of 2018. The movement was from a net profit of Baht 456.20 million, other comprehensive loss of Baht 96.43 million, and the issuance of ordinary shares as a result of warrants exercised of Baht 0.20 million.

#### **7.4 Analysis of Statements of Cash flows**

During the year under review, Baht 2,458.05 million of cash was generated from operations. This is about 26% higher than the cash generated from operations in the previous year. The increase is due to the vessels having better freight earnings this year as compared to 2017.

After adjusting for the Working Capital Changes, the net cash generated from operations and available for use in investing and financing activities was Baht 2,256.03 million.

During the year, the Company has paid Baht 288.75 million for acquisition of vessels equipment and dry docking/special survey expenses and after adjustments, the net cash flow used in investing activities was Baht 272.23 million.

During the year the Company paid Baht 578.46 million of scheduled principal repayments and voluntary prepayments of Baht 640.59 million, resulting in total long term loan repayments (including prepayments) of Baht 1,219.05 million. The Company also paid Baht 764.79 million as interest expenses. After adjustments, the net cash flow used in financing activities was Baht 1,983.65 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, 2018.

**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 2019

# 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 2018, 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 2018, 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 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 15.3 and 31 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. 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.



## **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.

I am responsible for the audit resulting in this independent auditor's report.



Vissuta Jariyathanakorn

Certified Public Accountant (Thailand) No. 3853

EY Office Limited

Bangkok: 8 February 2019

# STATEMENT OF FINANCIAL POSITION

Precious Shipping Public Company Limited and its subsidiaries  
As at 31 December 2018

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	6	1,842,832,325	1,853,617,916	496,613,795	1,240,079,848
Trade and other receivables	7	254,213,633	193,408,024	4,155,580,792	4,249,397,962
Bunker oil		95,946,393	56,022,950	-	-
Other current assets					
Advances to vessel masters		87,397,845	84,983,015	-	-
Claim recoverables		6,221,685	20,131,380	-	-
Others		30,541,384	42,428,694	12,613,549	12,721,002
Total other current assets		124,160,914	147,543,089	12,613,549	12,721,002
<b>Total current assets</b>		<b>2,317,153,265</b>	<b>2,250,591,979</b>	<b>4,664,808,136</b>	<b>5,502,198,812</b>
<b>Non-current assets</b>					
Long-term loans to subsidiaries	9	-	-	5,020,048,960	5,055,800,592
Investments in subsidiaries	10	-	-	6,498,211,828	6,650,899,606
Investment in associate held by a subsidiary	11	73,356,329	75,501,585	-	-
Other long-term investment	12	18,416,575	18,547,734	18,416,575	18,547,734
Receivables from cross currency swap contracts		565,589,563	527,082,988	559,158,376	523,133,316
Property, plant and equipment	13	22,409,263,232	23,474,669,693	9,440,336	10,649,707
Intangible assets	14	6,966	341,799	6,964	341,797
Other non-current assets					
Claim recoverables - maritime claims		51,776,586	51,711,838	-	-
Advances for vessel constructions	15	2,203,355,363	2,219,047,152	2,195,049,367	2,210,682,003
Deferred contract costs	16	193,135,598	212,696,906	-	-
Others		4,853,419	3,048,745	4,082,536	2,396,889
Total other non-current assets		2,453,120,966	2,486,504,641	2,199,131,903	2,213,078,892
<b>Total non-current assets</b>		<b>25,519,753,631</b>	<b>26,582,648,440</b>	<b>14,304,414,942</b>	<b>14,472,451,644</b>
<b>Total assets</b>		<b>27,836,906,896</b>	<b>28,833,240,419</b>	<b>18,969,223,078</b>	<b>19,974,650,456</b>

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 2018

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2018	2017	2018	2017
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Trade and other payables					
Trade and other payables	8	73,773,305	70,335,459	663,803	2,582,039
Advances received from related parties	8	-	-	1,726,757,047	1,919,833,061
Accrued crew accounts		86,351,026	87,156,665	-	-
Accrued expenses		192,952,188	280,485,486	43,037,219	153,631,653
Accrued employee bonus		35,608,883	36,197,121	25,531,982	25,921,813
Total trade and other payables		388,685,402	474,174,731	1,795,990,051	2,101,968,566
Advances received from charterers		19,937,516	36,673,234	-	-
Current portion of long-term loans	17	1,877,205,466	802,484,941	-	-
Income tax payable		983,695	188,036	-	-
Other current liabilities		21,662,611	20,388,073	13,747,298	12,743,670
<b>Total current liabilities</b>		<b>2,308,474,690</b>	<b>1,333,909,015</b>	<b>1,809,737,349</b>	<b>2,114,712,236</b>
<b>Non-current liabilities</b>					
Long-term loans - net of current portion	17	7,150,290,378	9,483,366,456	-	-
Debentures	18	5,510,770,671	5,504,550,244	5,510,770,671	5,504,550,244
Provision for maritime claims	19	59,786,420	83,138,608	-	-
Provision for long-term employee benefits	20	112,128,780	92,789,276	89,758,318	74,179,665
<b>Total non-current liabilities</b>		<b>12,832,976,249</b>	<b>15,163,844,584</b>	<b>5,600,528,989</b>	<b>5,578,729,909</b>
<b>Total liabilities</b>		<b>15,141,450,939</b>	<b>16,497,753,599</b>	<b>7,410,266,338</b>	<b>7,693,442,145</b>

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 2018

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
<b>Shareholders' equity</b>					
Share capital	21				
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					
1,559,291,862 ordinary shares of Baht 1 each (2017: 1,559,280,897 ordinary shares of Baht 1 each)		1,559,291,862	1,559,280,897	1,559,291,862	1,559,280,897
Paid-in capital					
Premium on ordinary shares	21	1,967,897,516	1,967,716,593	1,967,897,516	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	23	103,952,060	103,952,060	103,952,060	103,952,060
- subsidiaries	23	523,320,000	523,320,000	-	-
Corporate social responsibility reserve	24	17,393,326	16,443,099	17,393,326	16,443,099
Unappropriated		9,135,682,800	8,681,784,433	7,220,773,166	7,856,617,062
Other components of shareholders' equity		(784,562,105)	(689,490,653)	517,202,998	604,752,788
Equity attributable to owners of the Company		12,695,421,271	12,335,452,241	11,558,956,740	12,281,208,311
Non-controlling interests of the subsidiaries		34,686	34,579	-	-
<b>Total shareholders' equity</b>		<b>12,695,455,957</b>	<b>12,335,486,820</b>	<b>11,558,956,740</b>	<b>12,281,208,311</b>
<b>Total liabilities and shareholders' equity</b>		<b>27,836,906,896</b>	<b>28,833,240,419</b>	<b>18,969,223,078</b>	<b>19,974,650,456</b>

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 2018

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2018	2017	2018	2017
<b>Revenues</b>					
Vessel operating income					
Hire income		4,085,563,317	3,691,714,523	-	-
Freight income		843,546,625	637,183,971	-	-
Total vessel operating income		4,929,109,942	4,328,898,494	-	-
Service income	8	3,683,276	3,793,827	90,689,351	85,049,366
Gains on sales of vessel and equipment	13	-	32,152,515	-	1,999,158
Gains on cancellation of shipbuilding contracts	15.3	-	6,252,457	-	6,252,457
Interest income		37,325,315	23,402,413	20,646,823	17,278,107
Other income		3,926	127,964	2,727	376
<b>Total revenues</b>		<b>4,970,122,459</b>	<b>4,394,627,670</b>	<b>111,338,901</b>	<b>110,579,464</b>
<b>Expenses</b>					
Vessel operating costs					
Vessel running expenses		1,624,254,113	1,677,104,370	-	-
Voyage disbursements		185,096,107	137,583,427	-	-
Bunker consumption		256,191,882	175,545,977	-	-
Total vessel operating costs		2,065,542,102	1,990,233,774	-	-
Depreciation	13	1,184,948,008	1,169,844,139	2,961,152	3,514,014
Cost of services		5,220,213	4,557,421	-	-
Loss on impairment of investments in subsidiaries	10	-	-	107,056,303	95,134,089
Interest on unsecured corporate loans					
and other expenses per Settlement Agreements	15.2	-	112,509,641	-	112,509,641
Administrative expenses	8	356,103,646	321,580,922	230,849,013	259,830,383
Management remuneration including perquisites	8	96,942,413	82,499,633	93,275,087	78,267,087
Bad debts and doubtful accounts (reversal)		(3,639,483)	(7,864,461)	-	2,803,900
Exchange losses		5,359,659	12,312,931	4,403,306	6,337,663
<b>Total expenses</b>		<b>3,710,476,558</b>	<b>3,685,674,000</b>	<b>438,544,861</b>	<b>558,396,777</b>
<b>Profit (loss) before share of profit from investment in associate, finance cost and income tax expense</b>					
		1,259,645,901	708,953,670	(327,205,960)	(447,817,313)
Share of profit from investment in associate held by a subsidiary					
	11.1	24,425,838	10,008,710	-	-
<b>Profit (loss) before finance cost and income tax expense</b>					
		1,284,071,739	718,962,380	(327,205,960)	(447,817,313)
Finance cost		(825,725,070)	(848,243,899)	(307,299,051)	(319,824,573)
<b>Profit (loss) before income tax expense</b>		<b>458,346,669</b>	<b>(129,281,519)</b>	<b>(634,505,011)</b>	<b>(767,641,886)</b>
Income tax expense	26	(2,142,895)	(188,228)	-	-
<b>Profit (loss) for the year</b>		<b>456,203,774</b>	<b>(129,469,747)</b>	<b>(634,505,011)</b>	<b>(767,641,886)</b>

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 2018

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
<b>Profit (loss) attributable to:</b>					
Equity holders of the Company		456,203,424	(129,476,280)	(634,505,011)	(767,641,886)
Non-controlling interests of the subsidiaries		350	6,533	-	-
<b>Profit (loss) for the year</b>		<u>456,203,774</u>	<u>(129,469,747)</u>	<u>(634,505,011)</u>	<u>(767,641,886)</u>
<b>Basic earnings per share</b>	28				
Profit (loss) attributable to equity holders of the Company		<u>0.29</u>	<u>(0.08)</u>	<u>(0.41)</u>	<u>(0.49)</u>
Weighted average number of ordinary shares (Shares)		<u>1,559,286,575</u>	<u>1,559,280,897</u>	<u>1,559,286,575</u>	<u>1,559,280,897</u>

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 2018

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<b>Profit (loss) for the year</b>	456,203,774	(129,469,747)	(634,505,011)	(767,641,886)
<b>Other comprehensive income:</b>				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of financial statements in foreign currency	(8,600,405)	8,390,446	-	-
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	(8,600,405)	8,390,446	-	-
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>				
Actuarial loss	(1,354,830)	(1,907,673)	(388,658)	(1,794,772)
Exchange differences on translation of functional currency to presentation currency financial statements	(86,471,290)	(1,200,577,045)	(87,549,790)	(1,231,000,963)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	(87,826,120)	(1,202,484,718)	(87,938,448)	(1,232,795,735)
<b>Other comprehensive income for the year</b>	(96,426,525)	(1,194,094,272)	(87,938,448)	(1,232,795,735)
<b>Total comprehensive income for the year</b>	359,777,249	(1,323,564,019)	(722,443,459)	(2,000,437,621)
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Company	359,777,142	(1,323,567,370)	(722,443,459)	(2,000,437,621)
Non-controlling interests of the subsidiaries	107	3,351	-	-
	359,777,249	(1,323,564,019)	(722,443,459)	(2,000,437,621)

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 2018

(Unit: Baht)

	Consolidated financial statements											
	Equity attributable to owners of the Company											
	Issued and paid-up share capital	Premium on ordinary shares	Premium on treasury stock	Retained earnings				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
				Appropriated		Corporate social responsibility reserve						
				The Company	Subsidiaries							
Balance as at 1 January 2017	1,559,280,897	1,967,716,593	172,445,812	103,952,060	523,320,000	16,119,179	8,813,492,306	502,692,764	13,659,019,611	31,228	13,659,050,839	
Loss for the year	-	-	-	-	-	-	(129,476,280)	-	(129,476,280)	6,533	(129,469,747)	
Other comprehensive income for the year	-	-	-	-	-	-	(1,907,673)	(1,192,183,417)	(1,194,091,090)	(3,182)	(1,194,094,272)	
Total comprehensive income for the year	-	-	-	-	-	-	(131,383,953)	(1,192,183,417)	(1,323,567,370)	3,351	(1,323,564,019)	
Appropriated to corporate social responsibility reserve (Note 24)	-	-	-	-	-	323,920	(323,920)	-	-	-	-	
Balance as at 31 December 2017	1,559,280,897	1,967,716,593	172,445,812	103,952,060	523,320,000	16,443,099	8,681,784,433	(689,490,653)	12,335,452,241	34,579	12,335,486,820	
Balance as at 1 January 2018	1,559,280,897	1,967,716,593	172,445,812	103,952,060	523,320,000	16,443,099	8,681,784,433	(689,490,653)	12,335,452,241	34,579	12,335,486,820	
Profit for the year	-	-	-	-	-	-	456,203,424	-	456,203,424	350	456,203,774	
Other comprehensive income for the year	-	-	-	-	-	-	(1,354,830)	(95,071,452)	(96,426,282)	(243)	(96,426,525)	
Total comprehensive income for the year	-	-	-	-	-	-	454,848,594	(95,071,452)	359,777,142	107	359,777,249	
Issuance of ordinary shares as a result of warrants exercised (Note 21)	10,965	180,923	-	-	-	-	-	-	191,888	-	191,888	
Appropriated to corporate social responsibility reserve (Note 24)	-	-	-	-	-	950,227	(950,227)	-	-	-	-	
Balance as at 31 December 2018	1,559,291,862	1,967,897,516	172,445,812	103,952,060	523,320,000	17,393,326	9,136,682,800	(784,562,105)	12,695,421,271	34,686	12,695,455,957	

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 2018

(Unit: Baht)

## Separate financial statements

	Retained earnings							Other components of shareholders' equity - other comprehensive income	
	Appropriated			Corporate social responsibility reserve			Unappropriated	Exchange differences	
	Issued and paid-up share capital	Premium on ordinary shares	Premium on treasury stock	Statutory reserve	Corporate social responsibility reserve	on translation of financial statements			
						Total shareholders' equity			
<b>Balance as at 1 January 2017</b>	1,559,280,897	1,967,716,593	172,445,812	103,952,060	16,119,179	8,626,377,640	1,835,753,751	14,281,645,932	
Loss for the year	-	-	-	-	-	(767,641,886)	-	(767,641,886)	
Other comprehensive income for the year	-	-	-	-	-	(1,794,772)	(1,231,000,963)	(1,232,795,735)	
Total comprehensive income for the year	-	-	-	-	-	(769,436,658)	(1,231,000,963)	(2,000,437,621)	
Appropriated to corporate social responsibility reserve (Note 24)	-	-	-	-	323,920	(323,920)	-	-	
<b>Balance as at 31 December 2017</b>	1,559,280,897	1,967,716,593	172,445,812	103,952,060	16,443,099	7,856,617,062	604,752,788	12,281,208,311	
<b>Balance as at 1 January 2018</b>	1,559,280,897	1,967,716,593	172,445,812	103,952,060	16,443,099	7,856,617,062	604,752,788	12,281,208,311	
Loss for the year	-	-	-	-	-	(634,505,011)	-	(634,505,011)	
Other comprehensive income for the year	-	-	-	-	-	(388,658)	(87,549,790)	(87,938,448)	
Total comprehensive income for the year	-	-	-	-	-	(634,893,669)	(87,549,790)	(722,443,459)	
Issuance of ordinary shares as a result of warrants exercised (Note 21)	10,965	180,923	-	-	-	-	-	191,888	
Appropriated to corporate social responsibility reserve (Note 24)	-	-	-	-	950,227	(950,227)	-	-	
<b>Balance as at 31 December 2018</b>	1,559,291,862	1,967,897,516	172,445,812	103,952,060	17,393,326	7,220,773,166	517,202,998	11,558,956,740	

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 2018

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<b>Cash flows from operating activities</b>				
Profit (loss) before tax	458,346,669	(129,281,519)	(634,505,011)	(767,641,886)
Adjustments to reconcile profit (loss) before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	1,185,274,704	1,170,602,334	3,287,848	4,272,209
Bad debts and doubtful accounts (reversal)	(3,639,483)	(7,864,461)	-	2,803,900
Write-off equipment	26,648	-	26,644	-
Gains on sales of vessel and equipment	-	(32,152,515)	-	(1,999,158)
Loss on impairment of investments in subsidiaries	-	-	107,056,303	95,134,089
Gains on cancellation of shipbuilding contracts	-	(6,252,457)	-	(6,252,457)
Amortisation of deferred contract costs	17,986,981	19,119,129	-	-
Share of profit from investment in associate held by a subsidiary	(24,425,838)	(10,008,710)	-	-
Reversal of provision for maritime claims	(8,633,566)	(15,714,780)	-	-
Provision for long-term employee benefits	24,507,066	8,710,035	21,696,472	7,170,568
Unrealised exchange losses (gains)	2,686,672	(611,871)	876,775	(1,396,962)
Amortised financial fees to interest expenses	32,262,558	69,791,656	-	-
Interest expense	764,771,012	761,926,834	299,195,753	311,460,007
Amortisation of deferred debentures issuing cost	6,053,898	6,329,467	6,053,898	6,329,467
Interest on unsecured corporate loans and other expenses per Settlement Agreements	-	112,509,641	-	112,509,641
Write-off withholding tax deducted at source	2,833,099	3,661,127	1,980,813	3,661,127
Profit (loss) from operating activities before changes in operating assets and liabilities	2,458,050,420	1,950,763,910	(194,330,505)	(233,949,455)
Operating assets (increase) decrease				
Trade and other receivables	(59,826,006)	(62,071,336)	61,592,417	847,327,466
Bunker oil	(40,863,787)	(23,558,647)	-	-
Other current assets	8,323,100	41,413,241	(217,764)	5,186,580
Other non-current assets	(1,828,383)	23,980	(1,707,988)	-
Operating liabilities increase (decrease)				
Trade and other payables	(81,552,741)	80,187,301	(286,937,831)	323,212,070
Advances received from charterers	(16,740,032)	25,449,300	-	-
Other current liabilities	(833)	2,832,444	964,630	4,377,770
Non-current liabilities	(6,474,893)	(1,932,620)	(6,474,893)	(1,932,620)
Cash flows from (used in) operating activities	2,259,086,845	2,013,107,573	(427,111,934)	944,221,811
Cash paid for corporate income tax and withholding tax deducted at source	(3,058,178)	(2,680,198)	(1,718,688)	(1,677,685)
<b>Net cash flows from (used in) operating activities</b>	<b>2,256,028,667</b>	<b>2,010,427,375</b>	<b>(428,830,622)</b>	<b>942,544,126</b>

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 2018

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<b>Cash flows from investing activities</b>				
Acquisitions of vessel and equipment and payment of dry-dock and special survey expenses	(288,750,535)	(373,328,154)	(1,881,791)	(9,717,180)
Cash received from sales of vessel and equipment	-	76,850,749	-	1,999,172
Cash paid for advances for vessel constructions and other direct costs	-	(640,633,619)	-	(639,120,693)
Cash received from amendment/cancellation of shipbuilding contracts	-	6,178,415	-	6,178,415
Increase in long-term loans to a subsidiary	-	-	(197,278,200)	-
Decrease in long-term loans to a subsidiary	-	-	196,935,000	-
Cash received from unsecured corporate loans	-	329,659,190	-	329,659,190
Repayment of unsecured corporate loans	-	(1,050,777,600)	-	(1,050,777,600)
Dividend received from associate held by a subsidiary	16,523,225	15,481,041	-	-
<b>Net cash flows used in investing activities</b>	<b>(272,227,310)</b>	<b>(1,636,569,978)</b>	<b>(2,224,991)</b>	<b>(1,361,778,696)</b>
<b>Cash flows from financing activities</b>				
Decrease in restricted bank deposits	-	373,836,318	-	-
Cash paid for interest expense	(764,790,874)	(762,402,772)	(299,215,615)	(311,935,945)
Cash paid for deferred financial fees	-	(8,523,419)	-	-
Cash received from long-term loans	-	500,688,338	-	-
Repayment of long-term loans	(578,456,662)	(586,111,666)	-	-
Prepayment of long-term loans	(640,592,240)	(466,906,700)	-	-
Cash received from share subscription as a result of warrant exercised	191,887	-	191,887	-
<b>Net cash flows used in financing activities</b>	<b>(1,983,647,889)</b>	<b>(949,419,901)</b>	<b>(299,023,728)</b>	<b>(311,935,945)</b>
Decrease in translation adjustments	(10,939,059)	(247,130,015)	(13,386,712)	(173,998,914)
<b>Net decrease in cash and cash equivalents</b>	<b>(10,785,591)</b>	<b>(822,692,519)</b>	<b>(743,466,053)</b>	<b>(905,169,429)</b>
Cash and cash equivalents at beginning of year	1,853,617,916	2,676,310,435	1,240,079,848	2,145,249,277
<b>Cash and cash equivalents at end of year</b>	<b>1,842,832,325</b>	<b>1,853,617,916</b>	<b>496,613,795</b>	<b>1,240,079,848</b>
<b>Supplemental cash flows information</b>				
Non-cash transactions				
Transfer of advances for vessel constructions to vessel and equipment of subsidiaries	-	907,566,931	-	904,057,629
Actuarial loss	1,354,830	1,907,673	388,658	1,794,772

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 2018

## 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 11 October 2016, 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	
			2018	2017
			%	%
<u>Subsidiaries held by the Company</u>				
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	99.99
37. Precious Neptune Limited	Shipowner	Thailand	99.99	99.99

Company's name	Nature of business	Country of incorporation	Percentage directly and indirectly owned by the Company	
			2018 %	2017 %
38. Precious Shipping (Panama) S.A.	Shipowner/ Chartering	Panama	99.99	99.99
39. Precious Shipping (Singapore) Pte. Limited	Holding company/ Chartering	Singapore	100.00	100.00
40. Precious Shipping (UK) Limited	Chartering	England	100.00	100.00
41. Great Circle Shipping Agency Limited	Technical manager of ships	Thailand	99.99	99.99
42. Associated Bulk Carriers Pte. Limited	Holding company	Singapore	100.00	100.00
<u>Subsidiaries held by subsidiaries</u>				
43. Precious Projects Pte. Limited	Investment holding company	Singapore	100.00	100.00
44. Precious Forests Pte. Ltd.	Shipowner	Singapore	100.00	100.00
45. Precious Fragrance Pte. Ltd.	Shipowner	Singapore	100.00	100.00
46. Precious Thoughts Pte. Ltd.	Shipowner	Singapore	100.00	100.00
47. Precious Comforts Pte. Ltd.	Shipowner	Singapore	100.00	100.00
48. Precious Sparks Pte. Ltd.	Shipowner	Singapore	100.00	100.00
49. Precious Visions Pte. Ltd.	Shipowner	Singapore	100.00	100.00
50. Precious Bridges Pte. Ltd.	Shipowner	Singapore	100.00	100.00
51. Precious Tides Pte. Ltd.	Shipowner	Singapore	100.00	100.00
52. Precious Skies Pte. Ltd.	Shipowner	Singapore	100.00	100.00
53. Precious Grace Pte. Ltd.	Shipowner	Singapore	100.00	100.00
54. Precious Sonnets Pte. Ltd.	Shipowner	Singapore	100.00	100.00
55. Precious Glories Pte. Ltd.	Shipowner	Singapore	100.00	100.00
56. Precious Wisdom Pte. Ltd.	Shipowner	Singapore	100.00	100.00
57. ABC One Pte. Ltd.	Shipowner	Singapore	100.00	100.00
58. ABC Two Pte. Ltd.	Shipowner	Singapore	100.00	100.00
59. ABC Three Pte. Ltd.	Shipowner	Singapore	100.00	100.00
60. ABC Four Pte. Ltd.	Shipowner	Singapore	100.00	100.00
<u>Associate held by a subsidiary</u>				
61. International Seaports (Haldia) Private Limited	Port development	India	22.40	22.40

- 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 its subsidiaries have adopted the revised financial reporting standards and interpretations (revised 2017) and new accounting treatment guidance which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements. The adoption of these financial reporting standards does not have any significant impact on the Company and its subsidiaries' financial statements.

#### (b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2019

During the current year, the Federation of Accounting Professions issued a number of revised and new financial reporting standards and interpretations (revised 2018) including new accounting treatment guidance, which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The management of the Company and its subsidiaries believe that most of the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied. However, the new standard involves changes to key principles, as summarised below.

#### **TFRS 15 Revenue from Contracts with Customers**

TFRS 15 supersedes the following accounting standards together with related Interpretations.

TAS 11 (revised 2017)	Construction contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers



Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

The management of the Company and its subsidiaries believe that this standard will not have any significant impact on the financial statements when it is initially applied.

**(c) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2020**

During the current year, the Federation of Accounting Professions issued the set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
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TFRS 9	Financial Instruments
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Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
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TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
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These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Company and its subsidiaries is currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

## **4. Significant accounting policies**

### **4.1 Revenue recognition**

#### ***Vessel operating income***

Vessel operating income (consisting of Hire income from Time charter and Freight income from Voyage charter) is 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**

Vessels, condominium units, 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	17 - 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 or enterprises 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 Group and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Group. The fund's assets are held in a separate trust fund and the Group's contributions are recognised as expenses when incurred.

###### *Defined benefit plans*

The Group has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Group 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.

Past service costs are recognised in the income statement on the earlier of the date of the plan amendment or curtailment and the date that the Company recognises restructuring-related costs.

#### 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, while losses on disposal are determined by reference to the carrying amount and are recorded as a deduction from premium on treasury stock until the premium is eliminated, with the remainder then presented in retained earnings.

#### **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.

## Arbitrations

The Company has disclosed the contingent liabilities in respect of the Arbitrations regarding the cancellation of the Shipbuilding Contracts with Sainty in Note 31 to the financial statements. Based on the opinion of the Company's in-house legal counsel, the Company's management believes that the outcome of the arbitrations is quite uncertain and is unable to reliably estimate the amount of potential liability. Therefore no provisions have been made in respect of the arbitration cases as at the end of reporting period.

## 6. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Cash	812	881	801	870
Bank deposits	1,842,020	1,852,737	495,813	1,239,210
Total	1,842,832	1,853,618	496,614	1,240,080

As at 31 December 2018, bank deposits carried interest between 0.00% and 1.95% per annum for USD savings deposits and between 0.37% and 0.38% per annum for Baht savings deposits (2017: between 0.00% and 1.00% 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	
	2018	2017	2018	2017
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of invoice date				
Past due				
Up to 3 months	250,030	192,588	-	-
3 - 6 months	1,574	541	-	-
6 - 12 months	1,728	279	-	-
Over 12 months	882	5,589	-	-
Total	254,214	198,997	-	-
Less: Allowance for doubtful debts	-	(5,589)	-	-
Total trade receivables - unrelated parties, net	254,214	193,408	-	-
<u>Other receivables - related parties</u>				
Advances to related parties (Note 8)	-	-	4,155,581	4,249,398
Total other receivables	-	-	4,155,581	4,249,398
Total trade and other receivables - net	254,214	193,408	4,155,581	4,249,398

## 8. Related party transactions

In addition to relationship between the Company and its subsidiaries as stated in Note 9 and 10 to the financial statements and its associate as stated in Note 11 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
Devon Marine Limited	Consultancy services for ship chartering	Related by way of Company Directors' close family member as the related party's shareholder

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		Separate		Transfer pricing policy
	financial statements		financial statements		
	2018	2017	2018	2017	
<b>Transactions with subsidiaries</b>					
(Eliminated from consolidated financial statements)					
Service income - management fees	-	-	90,689	82,892	Fixed rate per vessel per day set with reference to the administrative cost of the Company
Service income - commission from vessel sales	-	-	-	2,157	3% of vessels' selling price
Condominium rental expenses	-	-	6,780	6,877	Market price
Sales of new building vessel (as part of advances for vessel construction and other direct cost)	-	-	-	904,058	At cost
<b>Transaction with associate</b>					
Dividend received	16,523	15,481	-	-	As declared
<b>Transactions with related companies</b>					
Air ticket expenses	8,581	6,728	2,506	2,099	Market price
Rental and service expenses	11,871	10,310	9,934	9,140	Market price

The balances of the accounts as at 31 December 2018 and 2017 between the Company and those related parties are as follows.

(Unit: Thousand Baht)				
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
<b>Other receivables - related parties (Note 7)</b>				
Subsidiaries	-	-	4,155,581	4,249,398
Total other receivables - related parties	-	-	4,155,581	4,249,398
<b>Trade and other payables - related parties</b>				
Subsidiaries	-	-	1,726,757	1,919,833
Related companies	285	372	12	143
Total trade and other payables - related parties	285	372	1,726,769	1,919,976

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 2018 and 2017, the Group had employee benefit expenses payable to their directors and management as below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Short-term employee benefits	84,957	80,463	81,294	76,231
Post-employment benefits	11,985	2,037	11,981	2,036
Total	96,942	82,500	93,275	78,267

### 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. Long-term loans to subsidiaries**

Long-term loans to subsidiaries consisted of the following.

- 1) As at 31 December 2018, 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 (2017: 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 28 December 2018, the Company has executed an agreement to extend the period of repayment of advance receivables and short-term loan to Precious Shipping (Singapore) Pte. Limited amounting to USD 145 million to 4 years.

Movements in the balance of the loans during the year were as follows.

(Unit: Thousand Baht)

	Separate financial statements	
	2018	2017
Balance at beginning of the year	5,055,801	5,543,081
Convert from advance receivables	197,278	-
Decrease	(196,935)	-
Translation adjustment	(36,095)	(487,280)
Balance at end of the year	<u>5,020,049</u>	<u>5,055,801</u>

## 10. Investments in subsidiaries

These represent investments in ordinary shares in the following subsidiaries.

(Unit: Thousand Baht)

Subsidiaries' name	Separate financial statements					
	Paid-up capital		Shareholding		Cost	
			percentage			
	2018	2017	2018	2017	2018	2017
			%	%		
Precious Metals Limited	275,000	275,000	99.99	99.99	343,827	346,276
Precious Wishes Limited	230,000	230,000	99.99	99.99	292,684	294,769
Precious Stones Shipping Limited	260,000	260,000	99.99	99.99	273,403	275,350
Precious Minerals Limited	230,000	230,000	99.99	99.99	248,614	250,384
Precious Lands Limited	306,000	306,000	99.99	99.99	314,640	316,880
Precious Rivers Limited	234,000	234,000	99.99	99.99	206,800	208,273
Precious Lakes Limited	184,000	184,000	99.99	99.99	181,472	182,764
Precious Seas Limited	100,000	100,000	99.99	99.99	127,254	128,160
Precious Stars Limited	105,000	105,000	99.99	99.99	133,616	134,568
Precious Oceans Limited	175,000	175,000	99.99	99.99	222,694	224,280
Precious Planets Limited	270,000	270,000	99.99	99.99	301,961	304,111
Precious Diamonds Limited	205,000	205,000	99.99	99.99	189,049	190,396
Precious Sapphires Limited	144,000	144,000	99.99	99.99	128,261	129,174
Precious Emeralds Limited	366,000	366,000	99.99	99.99	307,550	309,741
Precious Rubies Limited	259,360	259,360	99.99	99.99	256,786	258,615
Precious Opals Limited	249,360	249,360	99.99	99.99	248,550	250,320
Precious Garnets Limited	379,000	379,000	99.99	99.99	317,219	319,478
Precious Pearls Limited	173,000	173,000	99.99	99.99	181,182	182,472
Precious Flowers Limited	336,000	336,000	99.99	99.99	349,332	351,820
Precious Forests Limited	286,000	286,000	99.99	99.99	271,585	273,520
Precious Trees Limited	202,000	202,000	99.99	99.99	212,013	213,523
Precious Ponds Limited	124,000	124,000	99.99	99.99	127,523	128,431
Precious Ventures Limited	202,000	202,000	99.99	99.99	229,970	231,608
Precious Capitals Limited	200,000	200,000	99.99	99.99	254,508	256,321

(Unit: Thousand Baht)

Subsidiaries' name	Separate financial statements					
	Paid-up capital		Shareholding percentage		Cost	
	2018	2017	2018	2017	2018	2017
Precious Jasmines Limited	147,000	147,000	99.99	99.99	172,911	174,142
Precious Orchids Limited	217,000	217,000	99.99	99.99	195,395	196,787
Precious Lagoons Limited	140,000	140,000	99.99	99.99	178,155	179,424
Precious Cliffs Limited	140,000	140,000	99.99	99.99	178,155	179,424
Precious Hills Limited	140,000	140,000	99.99	99.99	178,155	179,424
Precious Mountains Limited	140,000	140,000	99.99	99.99	178,155	179,424
Precious Resorts Limited	140,000	140,000	99.99	99.99	178,155	179,424
Precious Cities Limited	170,000	170,000	99.99	99.99	202,585	204,028
Precious Comets Limited	141,000	141,000	99.99	99.99	135,448	136,413
Precious Ornaments Limited	156,000	156,000	99.99	99.99	148,656	149,715
Precious Moons Limited	1,000	1,000	99.98	99.98	991	998
Precious Venus Limited	298,800	298,800	99.99	99.99	275,156	277,115
Precious Neptune Limited	298,800	298,800	99.99	99.99	275,156	277,115
Precious Shipping (Panama) S.A.	250	250	99.99	99.99	325	327
Precious Shipping (Singapore) Pte. Limited	363,338	363,338	100.00	100.00	340,416	342,840
Precious Shipping (UK) Limited	250	250	100.00	100.00	325	327
Great Circle Shipping Agency Limited	210,000	210,000	99.99	99.99	351,892	354,398
Associated Bulk Carriers Pte. Limited	0.0664	0.0664	100.00	100.00	-	-
Total investments in subsidiaries					8,710,524	8,772,559
Less: Allowance for loss on investments in subsidiaries					(2,212,312)	(2,121,659)
Total investments in subsidiaries - net					6,498,212	6,650,900

As at 31 December 2018, the Company has pledged the shares of 25 subsidiaries amounting to Baht 4,862.06 million (net of allowance for loss on investments) (2017: 31 subsidiaries amounting to Baht 5,700.48 million), stated under the cost method, with banks to secure the long-term loans referred to in Note 17 to the financial statements.

The change in cost of investments in subsidiaries in the current year mainly from the allowance for loss on investments in subsidiaries in the separate financial statements was approximately Baht 107.06 million (2017: Baht 95.13 million). In addition, the change in cost of investments is from the exchange differences on translation of financial statements from functional currency to presentation currency.

As at 31 December 2018, the allowance for loss on investments in subsidiaries in the separate financial statements applied for the subsidiaries which have sold the vessels and still have no future plan of buying vessels.

## 11. Investment in associate held by a subsidiary

### 11.1 Details of associate held by a subsidiary

(Unit: Thousand Baht)

Associate's name	Nature of business	Country of incorporation	Consolidated financial statements					
			Shareholding percentage		Cost		Carrying amounts based on equity method	
			2018	2017	2018	2017	2018	2017
			%	%				
International Seaports (Haldia) Private Limited	Port development	India	22.40	22.40	66,121	66,592	73,356	75,502

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	
	2018	2017	2018	2017
International Seaports (Haldia) Private Limited	24,426	10,009	16,523	15,481

Share of profit from investment in associate held by a subsidiary for the years ended 31 December 2018 and 2017, included in the consolidated income statements, was calculated based on the financial information of that associate as at 30 September 2018 and 2017, respectively.

### 11.2 Summarised financial information of associate held by a subsidiary

(Unit: Thousand Baht)

Associate's name	Paid-up capital as at		Total assets as at		Total liabilities as at		Total revenues for the years ended		Profit for the years ended	
	30 September		30 September		30 September		30 September		30 September	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	Thousand INR	Thousand INR								
International Seaports (Haldia) Private Limited	440,580	440,580	369,616	379,153	42,133	42,092	512,126	453,412	109,044	44,682

## 12. Other long-term investment

Other long-term investment represents investment in 2,026,086 ordinary shares of Baht 10.00 each of TMN Company Limited, representing 3% of its registered shares capital. The change in cost of other long-term investment is from the exchange differences on translation of financial statements from functional currency to presentation currency.

### 13. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated financial statements					
	Vessels and equipment		Furniture, fixtures and office equipment	Motor vehicles	Leasehold improvement	Total
	Condominium units	Vessels and equipment Dry-dock and special survey expenses				
<b>Cost</b>						
1 January 2018	244,268	27,745,042	507,324	28,252,366	58,987	15,288
Acquisitions/transfer in	5,419	85,426	195,613	281,039	852	-
Transfer out/write-off	-	-	(49,744)	(49,744)	(421)	-
Translation adjustment	(1,759)	(195,508)	(3,799)	(199,307)	(408)	(108)
31 December 2018	247,928	27,634,960	649,394	28,284,354	59,010	15,180
<b>Accumulated depreciation</b>						
1 January 2018	220,410	4,647,743	166,067	4,813,810	57,842	14,165
Depreciation for the year	704	976,935	203,769	1,180,704	598	366
Depreciation on transfer out/write-off	-	-	(49,744)	(49,744)	(394)	-
Translation adjustment	(1,558)	(29,202)	(1,238)	(30,440)	(401)	(99)
31 December 2018	219,556	5,595,476	318,854	5,914,330	57,645	14,432
<b>Net book value</b>						
1 January 2018	23,858	23,097,299	341,257	23,438,556	1,145	1,123
31 December 2018	28,372	22,039,484	330,540	22,370,024	1,365	748
<b>Depreciation for the year 2018</b>						
						1,184,948



(Unit: Thousand Baht)

## Consolidated financial statements

	Condominium units	Vessels and equipment		Furniture, fixtures and office equipment	Motor vehicles	Leasehold improvement	Total
		Vessels and equipment	Dry-dock and special survey expenses				
<b>Cost</b>							
1 January 2017	266,392	29,984,832	393,447	64,186	14,946	16,761	30,740,564
Acquisitions/transfer in	1,318	958,308	311,292	453	9,524	-	1,280,895
Disposals/transfer out/write-off	-	(543,912)	(161,547)	-	(7,369)	-	(712,828)
Translation adjustment	(23,442)	(2,654,186)	(35,868)	(5,652)	(1,447)	(1,473)	(2,722,068)
31 December 2017	244,268	27,745,042	507,324	58,987	15,654	15,288	28,586,563
<b>Accumulated depreciation</b>							
1 January 2017	241,069	4,415,220	201,136	62,483	11,250	14,617	4,945,775
Depreciation for the year	551	1,023,819	141,344	883	2,386	861	1,169,844
Depreciation on disposals/transfer out/ write-off	-	(387,122)	(160,438)	-	(7,369)	-	(554,929)
Translation adjustment	(21,210)	(404,174)	(15,975)	(5,524)	(601)	(1,313)	(448,797)
31 December 2017	220,410	4,647,743	166,067	57,842	5,666	14,165	5,111,893
<b>Allowance for impairment loss</b>							
1 January 2017	-	122,104	1,161	-	-	-	123,265
Disposals/transfer out/write-off	-	(116,667)	(1,109)	-	-	-	(117,776)
Translation adjustment	-	(5,437)	(52)	-	-	-	(5,489)
31 December 2017	-	-	-	-	-	-	-
<b>Net book value</b>							
1 January 2017	25,323	25,447,508	191,150	1,703	3,696	2,144	25,671,524
31 December 2017	23,858	23,097,299	341,257	1,145	9,988	1,123	23,474,670
<b>Depreciation for the year</b>							
2017							1,169,844

(Unit: Thousand Baht)

	Separate financial statements			
	Furniture, fixtures and office equipment	Motor vehicles	Leasehold improvement	Total
<b>Cost</b>				
1 January 2018	25,362	14,290	10,687	50,339
Acquisitions	441	1,441	-	1,882
Write-off	(382)	-	-	(382)
Translation adjustment	(172)	(120)	(76)	(368)
31 December 2018	25,249	15,611	10,611	51,471
<b>Accumulated depreciation</b>				
1 January 2018	24,700	4,302	10,687	39,689
Depreciation for the year	385	2,576	-	2,961
Depreciation on write-off	(355)	-	-	(355)
Translation adjustment	(167)	(21)	(76)	(264)
31 December 2018	24,563	6,857	10,611	42,031
<b>Net book value</b>				
1 January 2018	662	9,988	-	10,650
31 December 2018	686	8,754	-	9,440
<b>Depreciation for the year</b>				
2018				2,961

(Unit: Thousand Baht)

	Separate financial statements			
	Furniture, fixtures and office equipment	Motor vehicles	Leasehold improvement	Total
<b>Cost</b>				
1 January 2017	27,602	13,451	11,717	52,770
Acquisitions/transfer in	193	9,524	-	9,717
Disposals/transfer out/write-off	-	(7,369)	-	(7,369)
Translation adjustment	(2,433)	(1,316)	(1,030)	(4,779)
31 December 2017	25,362	14,290	10,687	50,339
<b>Accumulated depreciation</b>				
1 January 2017	26,290	9,755	11,318	47,363
Depreciation for the year	748	2,386	380	3,514
Depreciation on disposals/ transfer out/write-off	-	(7,369)	-	(7,369)
Translation adjustment	(2,338)	(470)	(1,011)	(3,819)
31 December 2017	24,700	4,302	10,687	39,689
<b>Net book value</b>				
1 January 2017	1,312	3,696	399	5,407
31 December 2017	662	9,988	-	10,650
<b>Depreciation for the year</b>				
2017				3,514

During the year ended 31 December 2017, the Group had gain on sales of a vessel and equipment totaling USD 0.94 million or approximately Baht 32.15 million as presented in the consolidated income statement (2018: nil).

As at 31 December 2018, 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 289.86 million (2017: Baht 290.36 million) in the consolidated financial statements and Baht 35.75 million (2017: Baht 34.42 million) in the separate financial statements.

As at 31 December 2018, the subsidiaries have mortgaged 32 vessels (2017: 35 vessels) with net book value of Baht 20,309.16 million (2017: Baht 22,617.74 million) with banks to secure long-term loans as referred to in Note 17 to the financial statements.

## 14. Intangible assets

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

	(Unit: Thousand Baht)			
	Consolidated		Separated	
	financial statements		financial statements	
	2018	2017	2018	2017
<b>Cost</b>				
Cost at beginning of year	54,808	60,091	54,743	60,019
Translation adjustment	(387)	(5,283)	(388)	(5,276)
Cost at end of year	54,421	54,808	54,355	54,743
<b>Accumulated amortisation</b>				
Accumulated amortisation at beginning of year	54,466	58,912	54,401	58,840
Amortisation for the year	327	758	327	758
Translation adjustment	(379)	(5,204)	(380)	(5,197)
Accumulated amortisation at end of year	54,414	54,466	54,348	54,401
<b>Net book value as at 31 December</b>	<b>7</b>	<b>342</b>	<b>7</b>	<b>342</b>
<b>Amortisation for the year</b>	<b>327</b>	<b>758</b>	<b>327</b>	<b>758</b>

## 15. Advances for vessel constructions

As at 31 December 2018, the Group has balance of advances for vessel constructions amounting to USD 67.90 million or approximately Baht 2,203.36 million (including the advances plus other related costs), which related to the Nine Shipbuilding Contracts with Sainty Marine Corporation ("Sainty") for hull nos. SAM14017B to SAM14023B and SAM14027B to SAM14028B, which are under arbitration process. The details are mentioned in Note 15.3 to the financial statements.

Movements of the advances for vessel constructions account during the years ended 31 December 2018 and 2017 are summarised below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Balance at beginning of year	2,219,047	2,712,401	2,210,682	2,701,134
Additions	-	620,704	-	620,704
Other direct costs	-	20,041	-	18,528
Transfer to cost of vessel and equipment of subsidiaries	-	(907,567)	-	(904,058)
Translation adjustment	(15,692)	(226,532)	(15,633)	(225,626)
Balance at end of year	2,203,355	2,219,047	2,195,049	2,210,682

During the years 2018 and 2017, there were certain developments in relation to the shipbuilding contracts/arbitrations as detailed below.

### **15.1 Delivery of vessel under the Shipbuilding Contract with Taizhou Sanfu Ship Engineering Co., Ltd., China (“Sanfu”)**

During the year ended 31 December 2017, 1 dry bulk vessel was completed and delivered to the Company’s 1 indirect subsidiary incorporated in Singapore as detailed below.

<b>Delivery date</b>	<b>Subsidiary’s name</b>	<b>Hull No.</b>	<b>Cost of vessel construction and other direct costs</b>
18 April 2017	Precious Grace Pte. Limited	SF130127	USD 26.72 million or approximately Baht 908.11 million

### **15.2 Settlement Agreements of the Shipbuilding Contracts with Sanfu**

On 4 October 2017, the dispute under the two settlement agreements between the Company and Sanfu dated 9 October 2015 for Hull Nos. SF130124 and SF130125 was resolved by way of arbitration in London. The arbitration tribunal adjudicated vide the tribunal’s award dated 4 October 2017 that the Company is not entitled to damages for breach of the shipbuilding contract or specifications by reason of the vessel’s fuel oil consumption. As a result, the aggregate unsecured corporate loans of USD 32 million extended earlier by Sanfu to the Company shall be due for repayment to Sanfu, along with interest at the rate of 6% per annum from the delivery date of each of the 6 vessels delivered by Sanfu to the date of repayment plus legal costs, expenses and disbursements (capped at USD 0.75 million), within one year of the date of the arbitration award.

As of 31 December 2017, the Company repaid the aggregate unsecured corporate loans of USD 32.00 million to Sanfu. The Company also recorded interest and other expenses per Settlement Agreements of USD 3.38 million or approximately Baht 112.51 million, as accrued expenses in the separated and consolidated statement of financial position and as interest on unsecured corporate loans and other expenses per Settlement Agreements in the separated and consolidated income statement.

On 27 September 2018, the Company paid the interest on the unsecured corporate loans, and other expenses per Settlement Agreements amounting to USD 3.38 million or approximately Baht 112.51 million to Sanfu. Therefore, the Company no longer has any obligations under the Settlement Agreements.

### 15.3 Cancellation of the Shipbuilding Contracts with Sainty

During the year 2016 and 2015, the Company cancelled twelve Shipbuilding Contracts signed with Sainty Marine Corporation, China ("Sainty") on 24 and 26 February 2014 for twelve 64,000 DWT bulk carrier vessels bearing hull nos. SAM14017B to 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. The Company received the refunds of the advances along with the interest for 3 vessels between 2016 and 2017. For the other 9 vessels for which the Company has received notices of arbitration from Sainty, as per the terms of the Irrevocable Letters of Guarantee and the SBCs, the Irrevocable Letters of Guarantee related to these vessels are automatically extended until 90 days after the final arbitration award is published. At present, the arbitrations for these 9 Vessels are still on-going. Further details are mentioned in Note 31 to the financial statements.

As of 31 December 2018 and 2017, details of the cancellations of the SBCs by the Company and by Sainty (under dispute by the Company) 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	Sainty The Company	15 September 2015 30 March 2016	7 December 2015	27.47	2.74
SAM14027B	26 February 2014	Sainty The Company	20 November 2015 29 August 2016	6 September 2016	27.97	2.79
SAM14028B	26 February 2014	Sainty The Company	20 November 2015 29 August 2016	6 September 2016	27.97	2.79
Total					251.09	64.12



## 16. Deferred contract costs

Movements of the deferred contract costs account during the years ended 31 December 2018 and 2017 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	
	2018	2017
Balance at beginning of year	212,697	253,466
Amortisation for the year	(17,987)	(19,119)
Translation adjustment	(1,574)	(21,650)
Balance at end of year	<u>193,136</u>	<u>212,697</u>

## 17. Long-term loan facilities

As at 31 December 2018 and 2017, long-term loans accounts are presented below.

(Unit: Thousand Baht)

Consolidated financial statements																
Loan facilities for financing the construction and acquisition of new vessels																
	Facility 2		Facility 3		Facility 4		Facility 5		Facility 6		Facility 7		Facility 8		Facility 9	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Long-term loans	661,976	666,690	1,207,651	1,216,252	885,506	975,744	460,320	505,744	381,298	448,016	1,855,609	2,008,295	769,162	840,001	458,043	943,687
Add (less): Deferred financial fees	(1,317)	(2,451)	(8,788)	(13,871)	(9,617)	(12,077)	(2,238)	(2,775)	(1,618)	(2,183)	(51,814)	52,856	(10,740)	(13,823)	(7,450)	28,821
Total	660,659	664,239	1,198,863	1,202,381	875,889	963,667	458,082	502,969	379,680	445,833	1,803,795	2,061,151	758,422	826,178	450,593	972,508
Less: Current portion	(91,841)	-	(182,459)	-	(82,433)	(82,892)	(41,644)	(41,915)	(63,280)	(63,690)	(189,893)	(143,204)	(758,422)	(64,295)	(51,898)	(253,031)
Long-term loans - net of current portion	568,818	664,239	1,016,404	1,202,381	793,456	880,775	416,438	461,054	316,400	382,143	1,717,530	1,917,747	-	761,883	370,180	719,477
Loan facilities for purchasing of vessels																
	Facility 1		Facility 2		Facility 1		Facility 1		Facility 1		Facility 1		Facility 1		Facility 1	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Total	9,043,618	9,043,441	10,334,618	10,334,618	15,945	15,945	15,945	15,945	15,945	15,945	15,945	15,945	15,945	15,945	15,945	15,945

Movement of the long-term loans accounts during the years ended 31 December 2018 and 2017 are summarised below.

(Unit: Thousand Baht)

Consolidated financial statements										
Loan facilities for financing the construction and acquisition of new vessels										
	Facility 1		Facility 2		Facility 3		Facility 4		Facility 5	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Balance as at 1 January 2018	664,239	1,202,381	1,202,381	963,667	502,969	445,833	2,060,951	826,178	707,302	450,593
Add: Amortisation of financial fees	1,112	4,966	4,966	2,364	515	547	(696)	2,973	5,193	1,283
Unrealised exchange loss	-	-	-	-	-	-	-	-	-	-
Less: Repayment	-	-	-	(83,010)	(41,683)	(63,300)	(46,773)	(64,644)	(53,332)	(39,393)
Prepayment	-	-	-	-	-	-	(89,213)	-	-	-
Translation adjustment	(4,692)	(8,484)	(8,484)	(7,132)	(3,719)	(3,400)	(16,846)	(6,085)	(5,191)	(3,337)
Balance as at 31 December 2018	660,659	1,198,863	875,889	458,082	379,680	1,907,423	758,422	653,972	409,146	956,811

Loan facilities for purchasing of vessels

	Facility 1		Facility 2		Facility 3		Facility 4		Facility 5		Facility 6		Facility 7		Facility 8		Facility 9		Facility 1		Facility 2		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Balance as at 1 January 2018	664,239	1,202,381	1,202,381	963,667	502,969	445,833	2,060,951	826,178	707,302	450,593	1,491,230	970,508	10,285,851	10,285,851	32,263	32,263	3,231	3,231	3,231	3,231	3,231	3,231	3,231	3,231
Add: Amortisation of financial fees	1,112	4,966	4,966	2,364	515	547	(696)	2,973	5,193	1,283	23,493	(9,487)	32,263	32,263	3,231	3,231	3,231	3,231	3,231	3,231	3,231	3,231	3,231	3,231
Unrealised exchange loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less: Repayment	-	-	-	(83,010)	(41,683)	(63,300)	(46,773)	(64,644)	(53,332)	(39,393)	(123,633)	(62,689)	(578,457)	(578,457)	32,263	32,263	3,231	3,231	3,231	3,231	3,231	3,231	3,231	3,231
Prepayment	-	-	-	-	-	-	(89,213)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Translation adjustment	(4,692)	(8,484)	(8,484)	(7,132)	(3,719)	(3,400)	(16,846)	(6,085)	(5,191)	(3,337)	(5,701)	(10,213)	(74,800)	(74,800)	3,231	3,231	3,231	3,231	3,231	3,231	3,231	3,231	3,231	3,231
Balance as at 31 December 2018	660,659	1,198,863	875,889	458,082	379,680	1,907,423	758,422	653,972	409,146	956,811	768,549	9,027,496	9,027,496	9,027,496	9,027,496	9,027,496	9,027,496	9,027,496	9,027,496	9,027,496	9,027,496	9,027,496	9,027,496	9,027,496

(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 7	Facility 8	Facility 9	Facility 1	Facility 2	Total
Balance as at 1 January 2017	727,027	1,312,763	1,145,756	597,041	558,286	2,481,906	920,469	828,627	-	1,763,478	1,398,810	11,734,163
Add: Drawdown	-	-	-	-	-	-	-	-	500,688	-	-	500,688
Amortisation of financial fees	1,162	5,192	2,651	577	650	30,699	3,067	5,628	726	12,952	6,487	69,791
Unrealised exchange loss	-	-	-	-	-	-	-	-	-	65,837	-	65,837
Less: Deferred financial fees	-	-	-	-	-	-	-	-	(8,523)	-	-	(8,523)
Repayment	-	-	(86,815)	(43,594)	(66,202)	(71,725)	(16,418)	(55,776)	(20,152)	(129,299)	(96,131)	(586,112)
Prepayment	-	-	-	-	-	(169,093)	-	-	-	(71,184)	(226,630)	(466,907)
Translation adjustment	(63,950)	(115,574)	(97,925)	(51,055)	(46,901)	(210,836)	(80,940)	(71,177)	(22,146)	(150,554)	(112,028)	(1,023,086)
Balance as at 31 December 2017	664,239	1,202,381	963,667	502,969	445,833	2,060,951	826,178	707,302	450,593	1,491,230	970,508	10,285,851

The details of each loan facility are summarised as follows.

## 17.1 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.

The final maturity, repayment and security of the loan facility are summarised as follows.

Facility / Description	Post-delivery facility
<b>Final maturity</b>	10 years from delivery of the first vessel (15 March 2020)
<b>Repayment</b>	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.
<b>Security</b>	<ul style="list-style-type: none"> <li>a) 1st priority mortgage over the vessels</li> <li>b) Pledge of the vessel-owning subsidiaries' shares</li> <li>c) 1st priority assignment of requisition compensation in respect of the vessels</li> <li>d) 1st priority assignment of all insurance proceeds</li> <li>e) 1st priority assignment of the earnings of the vessels and pledge over the earnings and retention account of each vessel</li> </ul>

The loan agreement contains covenants that, among other things, require the Company to maintain certain financial ratios which include:

- a) maintenance of a funded debt to total shareholders' equity ratio not exceeding 2:1;
- b) maintenance of a funded debt to EBITDA ratio not exceeding 5:1;
- c) maintenance of a minimum free cash balance of USD 100,000 per vessel owned by the Group.

On 26 April 2017, DNB as agent and security agent of the facility approved a waiver to test the financial covenant in relation to the funded debt to EBITDA ratio up to 31 December 2017 or any date to be notified by the agent ("Temporary Waiver Period").

The aforementioned approval was granted subject to the Company complying with the condition that the Company cannot pay any dividends or make any other distributions to any shareholder during the Temporary Waiver Period.

As at 31 December 2018, the Company is unable to maintain the financial covenant in relation to the funded debt to EBITDA ratio. However, the Company's management on the basis of legal opinion from in-house and external legal counsel of the Company believes that the breach of this covenant does not constitute an Event of Default and therefore does not make the outstanding loan due and payable on demand under the loan agreement. Therefore, the Company has presented the part of the outstanding balance of this loan that is not due for repayment within the next twelve months, as non-current liabilities.

## **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.

The final maturity, repayment and security of the loan facility are summarised as follows.

<b>Facility / Description</b>	<b>Post-delivery facility</b>
<b>Final maturity</b>	8 years after final drawdown of each vessel tranche (10 January 2021)
<b>Repayment</b>	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.
<b>Security</b>	<ul style="list-style-type: none"> <li>a) Pledge of shares of the borrowers</li> <li>b) 1st priority mortgage on the vessels</li> <li>c) 1st priority assignment of earnings and time charters</li> <li>d) 1st priority pledge over the earnings accounts with the security agent</li> <li>e) 1st priority assignment of all insurances and requisition compensation of the vessels</li> <li>f) Corporate guarantee from the Company</li> <li>g) All the above post-delivery securities to be cross collateralised</li> </ul>

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

- a) maintenance of the maximum funded debt to total shareholders' equity ratio of 2:1;
- b) maintenance of the maximum funded debt to EBITDA ratio of 5:1;
- c) maintenance of a minimum free cash balance of USD 100,000 per vessel owned by the Group.

On 5 May 2017, ING and DNB as the Lenders of the facility extended the waiver to test the financial covenant in relation to the funded debt to EBITDA ratio up to 31 December 2017 or any date to be notified by the Lenders ("Temporary Waiver Period").

The aforementioned approval was granted subject to the Company complying with the condition that the Company cannot pay any dividends or make any other distributions to any shareholder during the Temporary Waiver Period.

As at 31 December 2018, the Company is unable to maintain the financial covenant in relation to the funded debt to EBITDA ratio. However, the Company's management on the basis of legal opinion from in-house and external legal counsel of the Company believes that the breach of this covenant does not constitute an Event of Default and therefore does not make the outstanding loan due and payable on demand under the loan agreement. Therefore, the Company has presented the part of the outstanding balance of this loan that is not due for repayment within the next twelve months, as non-current liabilities.



### 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		
<b>Maximum Loan Facility</b>	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.		
<b>Drawdown</b>	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.		
<b>Final maturity</b>	10 years after drawdown of each vessel loan		
<b>Repayment</b>	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.		
	<b>Details of repayment</b>	<b>ABC Two</b>	<b>ABC Three</b>
	<b>Installments</b>	USD 319,650	USD 322,400
	<b>The balance loans together with the final installment</b>	USD 6,712,650	USD 6,770,400
	<b>Final installment dates</b>	2 April 2024	1 July 2024
<b>Security</b>	a) 1st priority mortgage over each 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		

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
<b>Loan Facility</b>	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.
<b>Drawdown</b>	100% of the post-delivery facility amount is to be drawn upon delivery of the vessel.
<b>Final maturity</b>	10 years after full drawdown of the loan facility but not later than 28 April 2025.
<b>Repayment</b>	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)
<b>Security</b>	<ul style="list-style-type: none"> <li>a) 1st priority mortgage on the vessel</li> <li>b) 1st priority assignment of all earnings insurance policies and requisition compensation of the vessel</li> <li>c) 1st priority assignment of Time Charter contract</li> <li>d) 1st priority charge over the Earnings Account and Retention Account</li> <li>e) Pledge of shares of the borrowers</li> <li>f) Corporate guarantee from ABC Company</li> <li>g) Corporate guarantee from the Company for up to USD 8 million</li> </ul>

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
<b>Loan Facility</b>	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.
<b>Drawdown</b>	100% of the post-delivery facility amount is to be drawn upon delivery of the vessel.
<b>Final maturity</b>	10 years after full drawdown of the loan facility but not later than 30 November 2024.
<b>Repayment</b>	To be repaid in 40 quarterly installments of USD 489,600 from the end of the first quarter after the delivery of vessel
<b>Security</b>	<ul style="list-style-type: none"> <li>a) 1st priority mortgage on the vessel</li> <li>b) 1st priority assignment of all earnings insurance policies and requisition compensation of the vessel</li> <li>c) 1st priority assignment of Time Charter contracts</li> <li>d) 1st priority charge over the Earnings Account and Retention Account</li> <li>e) Corporate guarantee from ABC Company</li> <li>f) Corporate guarantee from the Company for up to USD 8 million</li> </ul>

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.

The amount of loan facility, drawdown, final maturity, repayment and security of the loan facility are summarised as follows.

<b>Facility / Description</b>	<b>Post-delivery facility</b>
<b>Loan Facility</b>	Up to USD 81,500,000 in multiple drawdowns
<b>Drawdown</b>	80% of the contract price to be drawn upon delivery of each vessel
<b>Final maturity</b>	10 years after full drawdown of the loan facility but not later than 30 December 2025
<b>Repayment</b>	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.
<b>Security</b>	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 5:1;
- c) maintenance of Debt to Equity ratio not exceeding 2:1.

In relation to this facility and Facility 2 for purchasing of vessels, on 11 April 2018, Export-Import Bank of Thailand approved the waiver to test the financial covenant in relation to the Net Funded Debt to EBITDA ratio for the period 1 January 2018 to 31 December 2018.

## Facility 7

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”) to finance 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 loan carries interest at LIBOR plus margin which is to be paid quarterly.

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 to amend the loan agreement that the Pre-Delivery Tranches for the Sainty Vessels had been cancelled. However, the Pre-Delivery Tranches for the SHG Vessels and the Post-Delivery Tranches for all the Vessels remain unchanged.

On 17 February 2016, the Company cancelled the undrawn balance loan facility amounting to USD 166.52 million.

The amount of the drawdown, final maturity, repayment and security of the loan facility after above amendments and cancellation of undrawn balance are summarised as follows.

Facility / Description	Post-delivery facility		
<b>Drawdown Amount</b>	Totally USD 30 million for the two SHG Vessels		
<b>Final maturity</b>	On 6 January 2023		
<b>Repayment</b>	<b>Details of repayment</b>	<b>Precious Glories</b>	<b>Precious Wisdom</b>
	<b>Installments</b>	30 equal quarterly installments of USD 265,625	27 equal quarterly installments of USD 234,375
	<b>The balance loans together with the final installment</b>	USD 7,968,750	USD 7,734,375
	<b>Final installment dates</b>	6 January 2023	6 January 2023
<b>Security</b>	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 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.

As at 31 December 2018, the Company had outstanding bank loans amounting to Baht 758.42 million on the basis of which the Company is unable to maintain the financial covenants in relation to the funded debt to EBITDA ratio under the loan agreement. The Company has been in discussions with the Banks to request a waiver to test this financial covenant for a certain period. In order to report its financial statements for the year ended 31 December 2018 in accordance with generally accepted accounting standards, the Company has presented balance of this loan as current liabilities.

## Facility 8

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 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.

Facility / Description	Post-delivery facility
<b>Loan Facility</b>	Up to USD 37,500,000 divided into two vessel loans for Vessel Hull no. SF130128 and SF130126 ("Vessel Loan" or "Vessel Loans")
<b>Drawdown</b>	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.
<b>Final maturity</b>	8 years after drawdown of each Vessel Loan
<b>Repayment</b>	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.



Facility / Description	Post-delivery facility
<b>Security</b>	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 and Supplemental Agreement dated 18 April 2018 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 a minimum free cash balance of USD 100,000 per vessel owned by the Group;
- c) Permanent waiver the requirement to comply with the Funded Debt to EBITDA ratio on the condition that the Value to Loan coverage be increased from 125% to 135%.

## Facility 9

On 9 June 2017, the Company along with its indirect subsidiary in Singapore, Precious Grace Pte. Ltd., executed a USD 16.25 million Secured Loan Facility with BNP Paribas to refinance up to 65% of the lower of the Contract Price or market value of one 63,345 DWT Ultramax Dry Bulk Vessel (Hull No. SF130127) ("Vessel"). The loan carries interest at LIBOR plus margin which is to be paid quarterly.

The main details of the loan facility are summarised as follows.

Facility / Description	Post-delivery facility
<b>Loan Facility</b>	Up to USD 16,250,000
<b>Drawdown</b>	The lower of USD 16,250,000 or 65% of the market value of the vessel
<b>Final maturity</b>	8 years after the drawdown
<b>Repayment</b>	The loans shall be repaid over 8 years, in 32 equal quarterly installments of USD 338,542, beginning from three calendar months after the drawdown plus a balloon repayment of USD 5,416,656 together with the last installment.
<b>Security</b>	a) 1st priority mortgage on the vessel b) Pledge of shares of the Subsidiary Borrower c) 1st priority charge over the Earnings Account and Retention Account of the Subsidiary Borrower d) 1st priority assignment of all insurance and requisition compensation of the vessel e) 1st priority assignment of any charterparties (for a period of 36 months or more)

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 a minimum total shareholders' equity of USD 300,000,000;
- c) maintenance of a minimum free cash balance of USD 200,000 per vessel owned by the Group.

#### Facility 10

On 15 December 2017, the Company along with its subsidiary, Precious Forests Limited, executed a USD 18.00 million Secured Loan Facility with Export-Import Bank of Thailand to refinance up to 72% of the market value of one 63,345 DWT Ultramax Dry Bulk Vessel (Hull No. SF130129) ("Vessel"). The loan carries interest at LIBOR plus margin which is to be paid quarterly.

The main details of the loan facility are summarised as follows.

Facility / Description	Post-delivery facility
<b>Loan Facility</b>	Up to USD 18,000,000
<b>Drawdown</b>	The lower of USD 18,000,000 or 72% of the market value of the vessel
<b>Final maturity</b>	10 years after the drawdown
<b>Repayment</b>	The loans shall be repaid over 10 years in 39 equal quarterly installments of 1/55 <sup>th</sup> of the drawdown amount each, beginning from the end of the next quarter after the drawdown with balance amount repayable at the end of the 40 <sup>th</sup> quarter.
<b>Security</b>	a) 1st priority mortgage on the vessel b) Pledge of shares of the Subsidiary Borrower

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 to total shareholders' equity ratio not exceeding 2:1;
- b) maintenance of a minimum total shareholders' equity of USD 300,000,000;
- c) maintenance of a minimum free cash balance of USD 100,000 per vessel owned by the Group.

On 3 July 2018, the Company and Precious Forests Ltd., the Company's subsidiary, executed the Amendment Agreement, with Export-Import Bank of Thailand, mainly to extend the availability period up to 28 December 2018 (from 30 June 2018).

On 26 December 2018, the Company and Precious Forests Ltd., the Company's subsidiary, have executed the second Amendment Agreement, with Export-Import Bank of Thailand, mainly to extend the availability period up to 28 June 2019 (from 28 December 2018).

As of 31 December 2018, there is no outstanding balance as the Company has not drawdown the loans as yet.

## **17.2 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.

The loan facility agreement contains covenants that, among other things, require the Company and subsidiaries to maintain certain financial ratios which include:

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

On 30 March 2018, Thanachart Bank PLC as the facility agent of the USD 50.00 million loan agreement dated 9 March 2012 approved the waiver of the testing of the financial covenants regarding the Debt to EBITDA ratio up to 31 December 2018.

On 25 May 2018, Krung Thai Bank Plc. as the facility agent approved the waiver of the testing of the financial covenants regarding the Debt to EBITDA ratio up to 31 December 2018. During the temporary waiver period from 1 January 2018 to 31 December 2018, the Company has 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 1.8;
- e) The Company shall maintain Debt Service Coverage ratio (including cash) not less than 1.0.

On 28 September 2018, the Company prepaid all outstanding loan of Thanachart Bank PLC facility.

## 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.

As at 31 December 2014, the balance loan facility of USD 35.18 million was expired.

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.

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 5:1;
- c) maintenance of debt service coverage ratio of at least 1.1:1.

The Group's bank loan facilities and the undrawn loan balances as at 31 December 2018 and 2017 are summarised below.

Facility	Bank	Borrower	Interest rate per loan/amendment agreement	Maximum facility amount per loan/amendment agreement		Undrawn loan balance	
				2018	2017	2018	2017
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 indirect subsidiaries in Singapore	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 local subsidiaries	LIBOR + margin	78.24	78.24	-	-
Facility 7	DNB Asia Ltd. and Export-Import Bank of China	The Company and indirect subsidiaries in Singapore	LIBOR + margin	30.00	30.00	-	-
Facility 8	BNP Paribas	The Company and indirect subsidiaries in Singapore	LIBOR + margin	24.75	24.75	-	-
Facility 9	BNP Paribas	The Company and indirect subsidiary in Singapore	LIBOR + margin	14.63	14.63	-	-
Facility 10	Export-Import Bank of Thailand	The Company and local subsidiary	LIBOR + margin	18.00	18.00	18.00	18.00

(Unit: Million USD)



(Unit: Million USD)

Facility	Bank	Borrower	Interest rate per loan/amendment agreement	Maximum facility amount per loan/amendment agreement		Undrawn loan balance	
				2018	2017	2018	2017
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	USD142.00 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 local subsidiaries	LIBOR + margin	64.82	64.82	-	-

## 18. 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 2018 and 2017, details of long-term debentures are as follows.

Series	Maturity date	No. of units (Thousand units)	Par value (Baht)	Interest rate (% p.a.)	Term of interest payment	(Unit: Thousand Baht) Carrying amount	
						2018	2017
1	Entirely redeemed on 22 January 2021 (5 years)	3,590	1,000	5.25	Quarterly	3,571,838	3,571,824
2	Entirely redeemed on 9 June 2020 (3.5 years)	1,960	1,000	5.00	Quarterly	1,950,084	1,950,077
Total						5,521,922	5,521,901
Less: Deferred debenture issuing costs						(11,151)	(17,351)
Long-term debenture - net						5,510,771	5,504,550

## 19. Provision for maritime claims

(Unit: Thousand Baht)

	Consolidated financial statements	
	2018	2017
Balance at beginning of year	83,139	162,782
Increase during the year	39,223	126,128
Decrease (including actual claims) during the year	(61,395)	(192,824)
Translation adjustment	(1,181)	(12,947)
Balance at end of year	59,786	83,139

## 20. 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		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
<b>Provision for long-term employee benefits at beginning of year</b>	92,789	84,213	74,180	79,856
Included in profit or loss:				
Current service cost	6,331	6,457	4,028	5,141
Interest cost	2,290	2,253	1,782	2,029
Past service cost	15,886	-	15,886	-
Included in other comprehensive income:				
Actuarial (gain) loss arising from				
Demographic assumptions changes	1,227	1,908	503	1,795
Financial assumptions changes	1,093	-	743	-
Experience adjustments	(981)	-	(865)	-
Benefits paid during the year	(6,475)	(1,933)	(6,475)	(1,933)
Transfer to a subsidiary	-	-	-	(12,668)
Translation adjustment	(31)	(109)	(24)	(40)
<b>Provision for long-term employee benefits at end of year</b>	<b>112,129</b>	<b>92,789</b>	<b>89,758</b>	<b>74,180</b>

Long-term employee benefit expenses included in the income statement were as follows.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Administrative expenses	12,522	6,673	9,716	5,135
Management remuneration including perquisites	11,985	2,037	11,980	2,035
Total expenses recognised in the income statement	24,507	8,710	21,696	7,170

The Group expects to pay Baht 11.31 million of long-term employee benefits during the next year (Separate financial statements: Baht 11.11 million) (2017: Baht 10.98 million, Separate financial statements: Baht 10.98 million).

As at 31 December 2018, the weighted average duration of the liabilities for long-term employee benefit is 10 years (Separate financial statements: 10 years) (2017: 13 years, Separate financial statements: 13 years).

Significant actuarial assumptions are summarised below:

	(Unit: percent per annum)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Discount rate	2.75	2.90	2.75	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 2018 and 2017 are summarised below:

	(Unit: Thousand Baht)			
	As at 31 December 2018			
	Consolidated		Separate	
	financial statements		financial statements	
	Increase	Decrease	Increase	Decrease
	1.0%	1.0%	1.0%	1.0%
Discount rate	(6,957)	7,913	(4,758)	5,381
Salary increase rate	8,084	(7,221)	5,440	(4,886)

	(Unit: Thousand Baht)			
	As at 31 December 2017			
	Consolidated		Separate	
	financial statements		financial statements	
	Increase	Decrease	Increase	Decrease
	1.0%	1.0%	1.0%	1.0%
Discount rate	(5,995)	6,863	(5,642)	6,426
Salary increase rate	6,549	(5,857)	6,134	(5,511)

On 13 December 2018, The National Legislative Assembly passed a resolution approving the draft of a new Labour Protection Act, which is in the process of being published in the Royal Gazette. The new Labour Protection Act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive compensation of not less than that of the last 400 days, based on the final wage rate. This change is considered a post-employment benefits plan amendment and the Group has additional liabilities for long-term employee benefits of Baht 33.83 million (The Company only: Baht 28.25 million). The Group will reflect the effect of the change by recognising past services costs as expenses in the income statement of the period in which the law is effective.

## **21. Share capital**

During the year ended 31 December 2018, the Company registered an increase in its issued and paid-up share capital by Baht 10,965 with the Ministry of Commerce due to the exercise of warrants to purchase 10,965 ordinary shares of the Company of Baht 17.50 each totaling Baht 191,887.50. The premium on ordinary shares increased by Baht 180,922.50 as a result of such share issuance.

## **22. 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 2<sup>nd</sup> 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.

During the year ended 31 December 2018, certain PSL-W1 warrant holders exercised their rights to purchase 10,965 ordinary shares of the Company at an exercise price of Baht 17.50 each, amounting to Baht 191,887.50.

As at 31 December 2018, there are no warrants outstanding.

### **23. 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.

### **24. 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 2018, the Company set aside Baht 2.28 million (2017: Baht 1.75 million) to a reserve for CSR activities and reversed Baht 1.33 million (2017: Baht 1.43 million) from the reserve when the Company made related payments against the reserve.

## 25. Expenses by nature

Significant expenses by nature are as follows.

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Salary, wages and other benefits of employees and crews	1,424,693	1,452,563	209,773	223,466
Rental expenses from operating lease agreements	5,516	5,323	3,955	3,851

## 26. Income tax

No corporate income tax was payable for the years 2018 and 2017, since the Company had tax losses.

### Local subsidiaries

- 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.
- Corporate income tax for the year ended 31 December 2018 has been calculated at a rate of 20% (2017: 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 2018, the Group has deductible temporary differences, temporary differences mainly arising from exchange difference occurring while translating financial statements in functional currency into presentation currency and unused tax losses totaling Baht 7,001.46 million (2017: Baht 6,890.55 million) (the Company Baht 3,291.97 million, 2017: Baht 2,948.49 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		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
31 December 2018	-	232,525	-	-
31 December 2019	8,306	1,808	-	-
31 December 2020	211,691	211,849	-	-
31 December 2021	1,281,172	1,323,796	195,559	228,263
31 December 2022	542,767	552,884	521,871	521,871
31 December 2023	645,578	-	254,315	-
	<u>2,689,514</u>	<u>2,322,862</u>	<u>971,745</u>	<u>750,134</u>

As at 31 December 2018, 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 405.38 million (2017: Baht 467.41 million).

## 27. 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 2018, the subsidiaries have 17 vessels (2017: 19 vessels) under investment promoted operations.

Revenues and expenses for 2018 and 2017 (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		Total	
	Promoted operations							
	2018	2017	2018	2017	2018	2017	2018	2017
Revenues	2,185,770	2,056,702	284,997	118,339	2,774,053	2,499,259	5,244,820	4,674,300
Costs and expenses	(1,784,106)	(2,012,874)	(272,514)	(109,461)	(2,837,774)	(2,779,131)	(4,894,394)	(4,901,466)

## 28. 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 from warrants for the year ended 31 December 2017 was made because the warrants are excluded from the potential ordinary shares since their exercise price is in excess of the weighted average fair value of the Company's ordinary shares.

## 29. 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) Handysize, Supramax and Ultramax 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 2018 and 2017.

(Unit: Thousand Baht)

	Consolidated financial statements									
	Time charter		Voyage charter		Total		Elimination		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Hire income	4,085,563	3,691,714	-	-	4,085,563	3,691,714	-	-	4,085,563	3,691,714
Freight income	-	-	948,021	771,971	948,021	771,971	(104,474)	(134,787)	843,547	637,184
Total vessel operating income	4,085,563	3,691,714	948,021	771,971	5,033,584	4,463,685	(104,474)	(134,787)	4,929,110	4,328,898
Voyage disbursements	-	-	(289,570)	(272,370)	(289,570)	(272,370)	104,474	134,787	(185,096)	(137,583)
Bunker consumption	-	-	(256,192)	(175,546)	(256,192)	(175,546)	-	-	(256,192)	(175,546)
Total voyage expenses	-	-	(545,762)	(447,916)	(545,762)	(447,916)	104,474	134,787	(441,288)	(313,129)
Net vessel operating										
income/time charter										
equivalent income	4,085,563	3,691,714	402,259	324,055	4,487,822	4,015,769	-	-	4,487,822	4,015,769

For the year 2018, the Group has revenues from two major customers for amount of Baht 1,469.82 million.

For the year 2017, the Group has revenues from one major customer for amount of Baht 864.04 million.

### **30. 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 2018 amounting to approximately Baht 5.40 million (2017: Baht 5.12 million) were recognised as expenses. (Separate financial statements: Baht 2.57 million, 2017: Baht 3.48 million).

### **31. Contingent Liability in respect of the Arbitrations regarding the cancellation of the Shipbuilding Contracts with Sainty**

As mentioned in Note 15.3 to the financial statements, there are 9 on-going arbitrations with Sainty in relation to the cancellation of the 9 Shipbuilding Contracts for construction of 9 vessels, i.e., hull nos. SAM14017B to SAM14023B and SAM14027B to SAM14028B.

The final arbitration awards will determine whether the Company will receive the refund of the advances which the Company paid to Sainty along with interest thereon and/or any damages, or whether the Company will have to pay any claim amounts including damages to Sainty.

In the event that the final awards for all 9 arbitrations go against the Company, the Company may lose the advances for vessel constructions totaling USD 64.12 million plus other related costs, and may have a liability to pay Sainty an additional USD 19.83 million plus unquantified damages, losses, interest and/or costs in accordance with their claims.

The Company's management based on the opinion of the Company's in-house legal counsel believes that the outcome of the arbitrations is quite uncertain and is unable to reliably estimate the amount of potential liability and therefore no provisions have been made in respect of the arbitration cases. However, a contingent liability in respect of the same has been acknowledged and disclosed as above.



## 32. Fair value hierarchy

As at 31 December 2018 and 2017, the Company and its subsidiaries had the assets and liabilities that were disclosed at fair value using different levels of inputs as follows:

(Unit: Thousand Baht)				
Consolidated financial statements				
As at 31 December 2018				
	Level 1	Level 2	Level 3	Total
<b>Assets for which fair value are disclosed</b>				
Derivatives				
Interest rate swap contracts	-	25,450	-	25,450
Cross currency swap contracts - Loan	-	7,723	-	7,723
Cross currency swap contracts - Debenture	-	585,278	-	585,278
<b>Liabilities for which fair value are disclosed</b>				
Debentures	-	5,562,981	-	5,562,981

(Unit: Thousand Baht)				
Consolidated financial statements				
As at 31 December 2017				
	Level 1	Level 2	Level 3	Total
<b>Assets for which fair value are disclosed</b>				
Derivatives				
Cross currency swap contracts - Loan	-	2,861	-	2,861
Cross currency swap contracts - Debenture	-	528,122	-	528,122
<b>Liabilities for which fair value are disclosed</b>				
Debentures	-	5,594,982	-	5,594,982
Derivatives				
Interest rate swap contracts	-	13,439	-	13,439

(Unit: Thousand Baht)				
Separate financial statements				
As at 31 December 2018				
	Level 1	Level 2	Level 3	Total
<b>Assets for which fair value are disclosed</b>				
Derivatives				
Cross currency swap contracts - Debenture	-	585,278	-	585,278
<b>Liabilities for which fair value are disclosed</b>				
Debentures	-	5,562,981	-	5,562,981

(Unit: Thousand Baht)

Separate financial statements				
As at 31 December 2017				
	Level 1	Level 2	Level 3	Total
<b>Assets for which fair value are disclosed</b>				
Derivatives				
Cross currency swap contracts - Debenture	-	528,122	-	528,122
<b>Liabilities for which fair value are disclosed</b>				
Debentures	-	5,594,982	-	5,594,982

### 33. Financial instruments

#### 33.1 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, trade and other payables, debentures 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 receivables. 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, debentures 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 2018									
	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
<b>Financial assets</b>									
Cash and cash equivalents	1,191,925	-	-	648,815	2,092	1,842,832	2.07 - 2.77	0.00 - 1.95	0.37 - 0.38
Trade and other receivables	-	-	-	-	254,214	254,214	-	-	-
Total	1,191,925	-	-	648,815	256,306	2,097,046			
<b>Financial liabilities</b>									
Trade accounts payable	-	-	-	-	73,773	73,773	-	-	-
Debentures	-	5,510,771	-	-	-	5,510,771	5.75 - 5.99	-	-
Long-term loans	179,792	1,245,032	782,692	6,819,980	-	9,027,496	3.43 - 5.33	3.60 - 5.02	5.51
Total	179,792	6,755,803	782,692	6,819,980	73,773	14,612,040			

(Unit: Thousand Baht)

Consolidated financial statements									
As at 31 December 2017									
	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
<b>Financial assets</b>									
Cash and cash equivalents	1,276,673	-	-	575,203	1,742	1,853,618	1.00 - 1.73	0.00 - 1.00	0.37 - 0.38
Trade and other receivables	-	-	-	-	193,408	193,408	-	-	-
Total	1,276,673	-	-	575,203	195,150	2,047,026			
<b>Financial liabilities</b>									
Trade accounts payable	-	-	-	-	70,336	70,336	-	-	-
Debentures	-	5,504,550	-	-	-	5,504,550	5.75 - 5.99	-	-
Long-term loans	180,783	1,246,815	976,422	7,881,831	-	10,285,851	3.43 - 5.33	2.50 - 4.23	5.51
Total	180,783	6,751,365	976,422	7,881,831	70,336	15,860,737			

(Unit: Thousand Baht)

Separate financial statements									
As at 31 December 2018									
	Fixed			Floating interest rate	Non- interest bearing	Total	Interest rate (% p.a.)		
	interest rate with maturity date within 1 year	Fixed interest rate 1 - 5 years					Fixed	Floating	
							USD	USD	Baht
<b>Financial assets</b>									
Cash and cash equivalents	437,322	-	58,288	1,004	496,614	496,614	2.40 - 2.65	0.00 - 1.95	0.37 - 0.38
Trade and other receivables	-	-	-	4,155,581	4,155,581	4,155,581	-	-	-
Long-term loans to subsidiaries	-	-	-	5,020,049	5,020,049	5,020,049	-	-	-
Total	437,322	-	58,288	9,176,634	9,672,244	9,672,244			
<b>Financial liabilities</b>									
Trade accounts payable	-	-	-	664	664	664	-	-	-
Advances received from related parties	-	-	-	1,726,757	1,726,757	1,726,757	-	-	-
Debentures	-	5,510,771	-	-	5,510,771	5,510,771	5.75 - 5.99	-	-
Total	-	5,510,771	-	1,727,421	7,238,192	7,238,192			

(Unit: Thousand Baht)

Separate financial statements								
As at 31 December 2017								
	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
<b>Financial assets</b>								
Cash and cash equivalents	1,147,344	-	91,827	909	1,240,080	1.25 - 1.70	0.00 - 1.00	0.37 - 0.38
Trade and other receivables	-	-	-	4,249,398	4,249,398	-	-	-
Long-term loans to subsidiaries	-	-	-	5,055,801	5,055,801	-	-	-
<b>Total</b>	<b>1,147,344</b>	<b>-</b>	<b>91,827</b>	<b>9,306,108</b>	<b>10,545,279</b>			
<b>Financial liabilities</b>								
Trade accounts payable	-	-	-	2,582	2,582	-	-	-
Advances received from related parties	-	-	-	1,919,833	1,919,833	-	-	-
Debentures	-	5,504,550	-	-	5,504,550	5.75 - 5.99	-	-
<b>Total</b>	<b>-</b>	<b>5,504,550</b>	<b>-</b>	<b>1,922,415</b>	<b>7,426,965</b>			

### 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						
Foreign currency	Financial assets		Financial liabilities		Average exchange rate	
	as at 31 December		as at 31 December		as at 31 December	
	2018	2017	2018	2017	2018	2017
	(Million)	(Million)	(Million)	(Million)	(USD per 1 foreign currency unit)	
Baht loan	-	-	469.48	594.68	0.0307	0.0304
Baht Debenture	-	-	3,590.00	3,590.00	0.0307	0.0304
Baht Debenture	-	-	1,960.00	1,960.00	0.0307	0.0304

Foreign currency	Separate financial statements					
	Financial assets		Financial liabilities		Average exchange rate	
	as at 31 December		as at 31 December		as at 31 December	
	2018	2017	2018	2017	2018	2017
	(Million)	(Million)	(Million)	(Million)	(USD per 1 foreign currency unit)	
Baht Debenture	-	-	3,590.00	3,590.00	0.0307	0.0304
Baht Debenture	-	-	1,960.00	1,960.00	0.0307	0.0304

Foreign currency swap contracts outstanding are summarised below.

As at 31 December 2018			
Bought amount	Sold amount	Contractual exchange rate	Contractual maturity date
(USD per 1 foreign currency unit)			
<u>The Company</u>			
Baht 3,590.00 million	USD 99.72 million	0.0278	January 2021
Baht 1,960.00 million	USD 54.90 million	0.0280	June 2020
<u>Subsidiaries</u>			
Baht 469.48 million	USD 14.34 million	0.0302, 0.0309	Quarterly corresponding to the loan repayment schedule upto September 2022

As at 31 December 2017			
Bought amount	Sold amount	Contractual exchange rate	Contractual maturity date
(USD per 1 foreign currency unit)			
<u>The Company</u>			
Baht 3,590.00 million	USD 99.72 million	0.0278	January 2021
Baht 1,960.00 million	USD 54.90 million	0.0280	June 2020
<u>Subsidiaries</u>			
Baht 594.68 million	USD 18.17 million	0.0302, 0.0309	Quarterly corresponding to the loan repayment schedule upto September 2022

### 33.2 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, except debentures, their fair value is not expected to be materially different from the amounts presented in the statement of financial position.

The carrying value and fair value of debentures and derivative instruments as at 31 December 2018 and 2017 are presented below.

(Unit: Thousand Baht)

	Consolidated financial statements			
	As at 31 December 2018		As at 31 December 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets (liabilities)</b>				
Debentures	(5,521,922)	(5,562,981)	(5,504,550)	(5,594,982)
Derivatives				
Interest rate swap contracts	-	25,450	-	(13,439)
Cross currency swap contracts - Loan	6,431	7,723	3,950	2,861
Cross currency swap contracts - Debenture	559,158	585,278	523,133	528,122

(Unit: Thousand Baht)

	Separate financial statements			
	As at 31 December 2018		As at 31 December 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets (liabilities)</b>				
Debentures	(5,521,922)	(5,562,981)	(5,504,550)	(5,594,982)
Derivatives				
Cross currency swap contracts - Debenture	559,158	585,278	523,133	528,122

The methods and assumptions used by the Group in estimating the fair value of financial instruments are as follows.

- For debentures, fair value is derived from quoted market prices of the Thai Bond Market Association at the close of the business on the reporting date.
- For derivatives, their fair value has been determined by using a discounted future cash flow model and a valuation model technique. Most of the inputs used for the valuation are observable in the relevant market, such as yield curves of the respective currencies and interest rate yield curves. The Group had considered to counterparty credit risk when determining the fair value of derivatives.

During the current year, there were no transfers within the fair value hierarchy.



### **34. 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 2018, the Group's debt-to-equity ratio was 1.19:1 (2017: 1.34:1) and the Company's was 0.64:1 (2017: 0.63:1) which is calculated from USD functional currency financial statements.

### **35. Event after the reporting period**

On 8 February 2019, the Board of Directors Meeting passed a resolution to propose for shareholders' approval at the Annual General Meeting of the Shareholders, the reduction of the registered capital in the amount of Baht 51,965,068 from Baht 1,611,256,930 to Baht 1,559,291,862 by way of cancellation of 51,965,068 unissued shares at Baht 1 par value per share. The unissued shares are mainly due to the unexercised warrants.

### **36. Functional currency financial statements**

The USD functional currency statements of financial position as at 31 December 2018 and 2017 and income statements for the years ended 31 December 2018 and 2017 are as follows.

**Precious Shipping Public Company Limited and its subsidiaries**

**Statement of financial position**

**As at 31 December 2018**

(Unit: Thousand USD)

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	2018	2017	2018	2017
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	56,790	56,719	15,304	37,945
Trade and other receivables	7,834	5,918	128,062	130,027
Bunker oil	2,957	1,714	-	-
Other current assets				
Advances to vessel masters	2,693	2,600	-	-
Claim recoverables	192	616	-	-
Others	941	1,298	389	389
Total other current assets	3,826	4,514	389	389
<b>Total current assets</b>	<b>71,407</b>	<b>68,865</b>	<b>143,755</b>	<b>168,361</b>
<b>Non-current assets</b>				
Long-term loans to subsidiaries	-	-	154,702	154,702
Investments in subsidiaries	-	-	200,254	203,510
Investment in associate held by a subsidiary	2,261	2,310	-	-
Other long-term investment	568	568	568	568
Receivables from cross currency swap contracts	17,430	16,128	17,231	16,007
Property, plant and equipment	690,582	718,300	291	326
Intangible assets	-	11	-	11
Other non-current assets				
Claim recoverables - maritime claims	1,595	1,583	-	-
Advances for vessel constructions	67,900	67,900	67,644	67,644
Deferred contract costs	5,952	6,508	-	-
Others	150	93	126	73
Total other non-current assets	75,597	76,084	67,770	67,717
<b>Total non-current assets</b>	<b>786,438</b>	<b>813,401</b>	<b>440,816</b>	<b>442,841</b>
<b>Total assets</b>	<b>857,845</b>	<b>882,266</b>	<b>584,571</b>	<b>611,202</b>

Precious Shipping Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2018

(Unit: Thousand USD)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
<b>Liabilities and shareholders' equity</b>				
<b>Current liabilities</b>				
Trade and other payables				
Trade and other payables	2,274	2,152	21	79
Advances received from related parties	-	-	53,213	58,745
Accrued crew accounts	2,661	2,667	-	-
Accrued expenses	5,946	8,582	1,326	4,701
Accrued employee bonus	1,097	1,108	787	793
Total trade and other payables	11,978	14,509	55,347	64,318
Advances received from charterers	614	1,122	-	-
Current portion of long-term loans	57,850	24,555	-	-
Income tax payable	30	6	-	-
Other current liabilities	668	624	424	390
<b>Total current liabilities</b>	<b>71,140</b>	<b>40,816</b>	<b>55,771</b>	<b>64,708</b>
<b>Non-current liabilities</b>				
Long-term loans - net of current portion	220,349	290,181	-	-
Debentures	169,824	168,433	169,824	168,433
Provision for maritime claims	1,843	2,544	-	-
Provision for long-term employee benefits	3,456	2,839	2,766	2,270
<b>Total non-current liabilities</b>	<b>395,472</b>	<b>463,997</b>	<b>172,590</b>	<b>170,703</b>
<b>Total liabilities</b>	<b>466,612</b>	<b>504,813</b>	<b>228,361</b>	<b>235,411</b>
<b>Shareholders' equity</b>				
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	63,290	63,284	63,290	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	543	516	543	516
Unappropriated	256,547	242,520	233,701	253,315
Other components of shareholders' equity	(2,284)	(2,004)	-	-
Equity attributable to owner of the Company	391,232	377,452	356,210	375,791
Non-controlling interests of the subsidiaries	1	1	-	-
<b>Total shareholders' equity</b>	<b>391,233</b>	<b>377,453</b>	<b>356,210</b>	<b>375,791</b>
<b>Total liabilities and shareholders' equity</b>	<b>857,845</b>	<b>882,266</b>	<b>584,571</b>	<b>611,202</b>

**Precious Shipping Public Company Limited and its subsidiaries**

**Income statement**

**For the year ended 31 December 2018**

(Unit: Thousand USD, except basis earnings per share expressed in USD)

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	2018	2017	2018	2017
<b>Revenues</b>				
Vessel operating income				
Hire income	126,440	109,467	-	-
Freight income	25,876	18,746	-	-
Total vessel operating income	152,316	128,213	-	-
Service income	114	112	2,806	2,516
Gains on sales of vessel and equipment	-	938	-	57
Gains on cancellation of shipbuilding contracts	-	180	-	180
Interest income	1,148	698	637	516
Other income	-	4	-	-
<b>Total revenues</b>	<b>153,578</b>	<b>130,145</b>	<b>3,443</b>	<b>3,269</b>
<b>Expenses</b>				
Vessel operating costs				
Vessel running expenses	50,225	49,642	-	-
Voyage disbursements	5,669	4,031	-	-
Bunker consumption	7,855	5,157	-	-
Total vessel operating costs	63,749	58,830	-	-
Depreciation	36,644	34,630	92	104
Cost of services	162	134	-	-
Loss on impairment of investments in subsidiaries	-	-	3,256	2,779
Interest on unsecured corporate loans and other expenses per Settlement Agreements	-	3,382	-	3,382
Administrative expenses	11,030	9,542	7,151	7,699
Management remuneration including perquisites	2,996	2,444	2,881	2,317
Bad debts and doubtful accounts (reversal)	(114)	(222)	-	81
Exchange losses	164	359	132	183
<b>Total expenses</b>	<b>114,631</b>	<b>109,099</b>	<b>13,512</b>	<b>16,545</b>
<b>Profit (loss) before share of profit from investment in associate, finance cost and income tax expense</b>	<b>38,947</b>	<b>21,046</b>	<b>(10,069)</b>	<b>(13,276)</b>
Share of profit from investment in associate held by a subsidiary	751	300	-	-
<b>Profit (loss) before finance cost and income tax expense</b>	<b>39,698</b>	<b>21,346</b>	<b>(10,069)</b>	<b>(13,276)</b>
Finance cost	(25,537)	(25,099)	(9,506)	(9,465)
<b>Profit (loss) before income tax expense</b>	<b>14,161</b>	<b>(3,753)</b>	<b>(19,575)</b>	<b>(22,741)</b>
Income tax expense	(65)	(5)	-	-
<b>Profit (loss) for the year</b>	<b>14,096</b>	<b>(3,758)</b>	<b>(19,575)</b>	<b>(22,741)</b>
<b>Profit (loss) attributable to:</b>				
Equity holders of the Company	14,096	(3,758)	(19,575)	(22,741)
Non-controlling interests of the subsidiaries	-	-	-	-
<b>Profit (loss) for the year</b>	<b>14,096</b>	<b>(3,758)</b>	<b>(19,575)</b>	<b>(22,741)</b>
<b>Basic earnings per share</b>				
Profit (loss) attributable to equity holders of the Company	0.0090	(0.0024)	(0.0126)	(0.0146)
Weighted average number of ordinary shares (Thousand shares)	1,559,287	1,559,281	1,559,287	1,559,281

### **37. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Directors on 8 February 2019.

# CONNECTED TRANSACTIONS

The Company and its subsidiaries have entered into certain transactions with connected persons. All of these transactions are made in the ordinary course of business and on general trading conditions. The following transactions entered into by the Company and subsidiaries constitute transactions with related parties.

Related Transactions	Related Parties	Amount (Million Baht)		Significance of Related Transactions
		As of 31 Dec 2018	As of 31 Dec 2017	
Office lease	Unistretch Limited <u>The relation</u> - Ms. Nishita Shah and Mr. Ishaan Shah, Directors of the Company, are directly interested as Directors and Shareholders of Unistretch Limited.	1.59	1.69	The Office lease is required for the operations of the Company.
Property management services	- Total direct/indirect shareholding (%) in Unistretch Limited of Ms. Nishita Shah and Mr. Ishaan Shah as at 31 December 2018: 67.75% of total paid up shares. - Mr. Kirit Shah, a Director of the Company, is also interested as a Director of Unistretch Limited.	0.15	-	Property management services at the condominium apartments (the residences of the Company's expatriate staff) owned by the Company's subsidiary is essential for the assets of the Company's subsidiary.
Purchase of air tickets	Ambika Tour Agency Limited <u>The relation</u> - Ms. Nishita Shah and Mr. Ishaan Shah, Directors of the Company, are directly interested as Directors and Shareholders of Ambika Tour Agency Limited. - Total direct/indirect shareholding (%) in Ambika Tour Agency Limited of Ms. Nishita Shah and Mr. Ishaan Shah as at 31 December 2018: 58.13% of total paid up shares.	8.58	6.73	Given the nature of the Company's business, apart from air tickets for foreign travel by office Executives, air tickets are also required for the various crew members 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.
Maintenance of the air conditioning systems at the offices and condominium apartments of the Company and its subsidiary	Maestro Controls Limited <u>The relation</u> - Ms. Nishita Shah and Mr. Ishaan Shah, Directors of the Company, are directly interested as Directors and Shareholders of Maestro Controls Limited. - Total direct/indirect shareholding (%) in Maestro Controls Limited of Ms. Nishita Shah and Mr. Ishaan Shah as at 31 December 2018: 99.85% of total paid up shares. - Mr. Kirit Shah, a Director of the Company, is also a Director of Maestro Controls Limited.	0.89	0.23	The maintenance of air conditioning systems at the main operational offices and the condominium apartments is essential for the Company's operations. Maestro Controls Ltd. has been selected for this purpose in view of their competitive rates and service.



Related Transactions	Related Parties	Amount (Million Baht)		Significance of Related Transactions
		As of 31 Dec 2018	As of 31 Dec 2017	
Hotel and management services	<p>Maxwin Builders Limited</p> <p><u>The relation</u></p> <ul style="list-style-type: none"> <li>- Ms. Nishita Shah and Mr. Ishaan Shah, Directors of the Company, are directly interested as Directors and Shareholders of Maxwin Builders Limited.</li> <li>- Total direct/indirect shareholding (%) in Maxwin Builders Limited of Ms. Nishita Shah and Mr. Ishaan Shah as at 31 December 2018: 85.93% of total paid up shares</li> <li>- Mr. Khushroo Kali Wadia and Mr. Kirit Shah, Directors of the Company, are Directors of Maxwin Builders Limited</li> </ul>	0.87	0.98	The expenses for hotel services (like holding AGM and other meetings) at Avani Atrium Bangkok Hotel owned by Maxwin Builders Ltd. and management services are required for the operations of the Company and its subsidiary. Maxwin Builders Ltd. has been selected for this purpose in view of their competitive rates and service.
Insurances	<p>InsurExcellence Insurance Brokers Limited and InsurExcellence Life Insurance Brokers Limited</p> <p><u>The relation</u></p> <ul style="list-style-type: none"> <li>- Mr. Ishaan Shah, Director of the Company, is interested as Director in InsurExcellence Insurance Brokers Limited and InsurExcellence Life Insurance Brokers Limited.</li> <li>- Ms. Sameera Shah, who is a Director and Shareholder in InsurExcellence Insurance Brokers Limited and InsurExcellence Life Insurance Brokers Limited, is daughter of Mr. Kirit Shah and is a blood sister of Ms. Nishita Shah and Mr. Ishaan Shah, who are Directors of the Company.</li> <li>- Total direct/indirect shareholding (%) in InsurExcellence Insurance Brokers Limited of Ms. Sameera Shah as at 31 December 2018: 53.47% of total paid up shares</li> <li>- Total direct/indirect shareholding (%) in InsurExcellence Life Insurance Brokers Limited of Ms. Sameera Shah as at 31 December 2018: 56.35% of total paid up shares</li> </ul>	2.57	2.72	The life insurance of staff and other insurance for motor vehicles and property is part of normal business operations of the Company and its subsidiaries, as insurance is 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.
Consultancy services for ship chartering	<p>Devon Marine Limited</p> <p><u>The relation</u></p> <ul style="list-style-type: none"> <li>- Mr. Harry Wrey, who is a Director and Shareholder in Devon Marine Limited, is son-in-law of Mr. Khalid Hashim, Managing Director of the Company.</li> <li>- Mrs. Adiba Hashim, who is a Shareholder in Devon Marine Limited, is daughter of Mr. Khalid Hashim, Managing Director of the Company.</li> <li>- Total direct/indirect shareholding (%) in Devon Marine Limited of Mr. Harry Wrey and Mrs. Adiba Hashim as at 31 December 2018: 100% of total paid up shares.</li> </ul>	5.80	4.68	The services provided by Devon Marine Limited based in the United Kingdom such as ship chartering, business development within Europe and North/South America are beneficial to the Company and allow the Company to access certain business opportunities and markets that the Company had no access in the past, due to time differences resulting from the Company's office location and operating hours.

## Policy in respect of future transactions with connected parties

The Company has always and will continue to conduct transactions with connected parties very carefully, with a view to maintaining full compliance with the relevant rules and regulations of the Stock Exchange of Thailand and the Securities and Exchange Commission, Thailand, and any applicable laws, apart from compliance with the internal policies and guidelines set up by the Company. Moreover, such transactions are entered into strictly on an "Arm's Length" basis. The terms and conditions of such transactions are always in compliance with generally acceptable, standard commercial terms and conditions.

## **Opinions of the Audit & Corporate Governance Committee and the Board of Directors on the connected transactions**

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. 1/2019 held on 8 February 2019. The Audit & Corporate Governance Committee is of the opinion that the aforesaid transactions are fair and for the full benefit of the Company.

The Board of Directors Meeting No. 1/2019 held on 8 February 2019, the Board 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 conflicted 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.

# 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](mailto: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>
- **KASIKORNBANK PUBLIC COMPANY LIMITED**  
1 Soi Kasikornthai, Ratburana Road, Bangkok 10140  
Telephone : 66-2 888-8800 Facsimile : 66-2 888-8882  
Website : <http://www.kasikornbank.com>
- **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>
- **DNB BANK ASA, SINGAPORE BRANCH**  
1 Wallich Street #30-01 Guoco Tower Singapore 078881  
Telephone : 65-6260-0111  
Website : <https://www.dnb.no>

## Auditor

- **EY OFFICE LIMITED**  
33<sup>rd</sup> Floor, Lake Rajada Office Complex 193/136-137 Rajadapisek Road,  
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E-mail : [EY.Thailand@th.ey.com](mailto:EY.Thailand@th.ey.com)  
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**Home page : <http://www.preciousshipping.com>**

**Note: For more details of the Company, please refer to Form 56-1 at**

**<http://market.sec.or.th/public/isc/th/FinancialReport/R561-0000001319>**

**[http://www.preciousshipping.com/index.php?option=com\\_content&view=article&id=37&Itemid=160&lang=en](http://www.preciousshipping.com/index.php?option=com_content&view=article&id=37&Itemid=160&lang=en)**