

AUDIT COMMITTEE REPORT

To the Shareholders,

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

► In the year 2006, meetings of the Audit Committee have been held through the year to review financial statements of the Company and its subsidiaries and meetings with external auditor were also held every quarter for the discussions of the Auditor's report, financial statements and the recommendations of the relevant accounting standards. The Audit Committee is of the opinion that the Company has a proper financial reporting process to disclose its financial information, in which the financial statements are correct, sufficient and credible.

► The Audit Committee has 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 2006, Internal Audit Department reviewed the risk assessment and internal control activities of all departments, audited the operations of some departments, reviewed the conflict of interest transactions and reviewed the compliance with regulations and laws relating to the business of the Company such as the compliance of the conditions of SET and SEC Regulations. Internal auditors also followed up on the results of the aforesaid review. The results of the review and the recommendations were discussed with the related staff and management and reported to the Audit Committee.

The Audit Committee is of the opinion that the Company has proper and adequate internal control system and no significant deficiency.

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

► Internal Auditors have reviewed the connected transactions according to the Notification of the Stock Exchange of Thailand Re: The Disclosure and Procedures of Listed Company for Connected Transactions (volume 2) B.E.2547. The Company has 3 connected transactions of which 2 are classified as type 2 transaction and 1 is classified as type 3 transaction under this notification. Air ticket expenses and maintenance expenses for air conditioning system at the main operational office and the condominium apartments of the Company and its subsidiary are classified as Type 2 which are supporting transactions for core business. Office lease rental is classified as Type 3 which is short term office rental. The details of these transactions have been explained under the topic "Connected Transactions" in this annual report. The result of the review has been discussed in the Board of Directors Meeting No. 2/2007 held on 1st March 2007. Audit Committee and Board of Directors are of the opinion that the aforesaid transactions are fair and for the full benefit of the Company.

► Normally the Audit Committee Meeting is held before the Board of Directors Meeting so that the minutes of the Audit Committee Meeting with internal auditors and external auditors could be sent to Board of Directors for acknowledgement and receiving suggestions from the Board.

The members of Audit Committee regularly have informal discussions with internal auditors in connection with the results of the various areas of review undertaken by internal auditors. The formal Audit Committee Meeting usually takes around 2 hours. In the years 2005 and 2006, Audit Committee held 4 regular meetings and no special meeting. The record of attendance of the members of Audit Committee is summarized as follows:

Name	Number of Attendance / Total Meeting (Times)	
	2006	2005
	Regular Meeting	Regular Meeting
1. Police Lt. Gen Kiattisak Prabhavat	4/4	4/4
2. Admiral Dr. Amnad Chandanamattha	4/4	4/4
3. Mr. Suphat Sivasriumphai	3/4	3/4

Audit Committee Meeting No.1/2007 held on 9 February 2007 considered the appointment of Auditors and resolved to propose the appointment of the following auditors of Ernst & Young Office Limited as the auditor of the Company and its subsidiaries for 2007.

1. Ms. Sumalee Reewarabandith Certified Public Accountant (Thailand) No. 3970
2. Ms. Vissuta Jariyathanakorn Certified Public Accountant (Thailand) No. 3853
3. Ms. Rungnapa Lertsuwankul Certified Public Accountant (Thailand) No. 3516

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

Ernst & Young Office Limited is a reputable audit firm, independent and has a satisfactory performance according to past records. Ernst & Young Office Limited has been the Auditors of the Company and Thai subsidiaries since 2001. Miss Sumalee Reewarabandith, Certified Public Accountant (Thailand) No. 3970 of Ernst & Young Office Limited, has been the Company's Auditor since the year 2003.

The meeting also approved the audit fees of an amount not exceeding Baht 5.10 million plus out-of-Pocket expenses for the year 2007 (2006 Fees: Baht 4.96 million) subject to further approval by shareholders. Further, the meeting also approved the fees for other services (non-audit related) of an amount not exceeding Baht 0.55 million (2006: Baht 0.52 million).

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

Police LT. Gen. Kiattisak Prabhavat
Chairman of the Audit Committee

1st March 2007