

AUDIT COMMITTEE REPORT

TO THE SHAREHOLDERS

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

The Audit Committee has performed with total responsibility in compliance with the Audit Committee Charter approved by the Board of Directors and the requirements of the Securities and Exchange Commission and the Stock Exchange of Thailand, which is summarized as follows:

In the year 2011, meetings of the Audit Committee have been held through the year to review consolidated financial statements of the Company and its subsidiaries and meetings with external auditor were also held every quarter for discussions of the Auditor's report, financial statements and recommendations of the relevant accounting standards. The Audit Committee is of the opinion that the Company has a proper financial reporting process to disclose its financial information, in which the financial statements are correct, sufficient and credible.

The Audit Committee has considered the independence of Internal Audit Department including the chain of command in order to establish the credibility and independence of Internal Audit Department. The Audit Committee has also discussed with internal auditors the scope of internal auditing, their responsibilities and functions and approved the internal audit plan for the Internal Audit Department. In the year 2011, Internal Audit Department reviewed the risk assessment and internal control activities of all

departments, reviewed the operations of some departments, reviewed conflict of interest transactions and reviewed compliance with regulations and laws relating to the business of the Company such as Public Limited Companies Act, Revenue Code, Thai Vessels Act, Securities and Exchange Act including regulations and notifications of the SET and the SEC. Internal auditors also followed up on the results of the aforesaid review. The results of the review and the recommendations were discussed with the related staff and management and reported to the Audit Committee.

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

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

Internal Auditors have reviewed the connected transactions according to the Notifications of the Stock Exchange of Thailand Re: The Disclosure of Information and Acts of Listed Companies Concerning Connected Transactions 2003 as amended from time to time and Notification of the Capital Market Supervisory Board No. Tor Chor. 21/2551 Re: Rules on Connected Transactions as amended from time to time including circular letter of the Securities and Exchange Commission about the recommended practice to be followed under section 89/12 (1) of the Securities and Exchange Act (No.4) B.E.2551. The Company has 5 connected transactions of which 4 are classified as type 2 transaction and 1 is classified as type 3 transaction under these notifications. Air ticket expenses, insurance premium expenses, computer purchases and supply of air conditioners including their maintenance expenses for air conditioning system at the main operational office and the condominium apartments of the Company and its subsidiary are classified as Type 2 which are supporting transactions for core business. Office lease rental is classified as Type 3 which is short term office rental. The details of these transactions have been explained under the topic "Connected Transactions" in this annual report. The result of the review has been discussed in the Board of Directors Meeting No. 1/2012 held on 3rd February 2012. Audit Committee and Board of Directors are of the opinion that the aforesaid transactions are fair and for the full benefit of the Company.

During the year 2011, Internal Auditors reviewed the Asset Acquisition and Disposal Transactions of the Company's subsidiaries, according to the Notification of the Stock Exchange of Thailand (SET) regarding the Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition and Disposition of Assets 2004 as amended from time to time including Notification of the Capital Market Supervisory Board No. Tor Chor. 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of

Assets as amended from time to time. The Audit Committee was of the opinion that the asset acquisition and disposal transactions of the Company's subsidiaries were reasonable and for the best benefit of the Company.

Normally, the Audit Committee Meeting is held before the Board of Directors' Meeting so that the minutes of the Audit Committee Meeting and discussions with Internal Auditors and external auditors without management's presence in such discussions could be sent to the Board of Directors for acknowledgement, discussions and receiving suggestions from the Board.

The members of Audit Committee regularly have informal and formal discussions with internal auditors in connection with the results of the various areas of review undertaken by internal auditors. The formal Audit Committee Meeting usually takes around 2 hours. In the year 2011, Audit Committee held 4 regular meetings (2010: 4 regular meetings) and no special meeting (2010: no special meeting). The record of attendance of the members of Audit Committee is summarized as follows:

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

* Audit Committee members who resigned in year 2011.

** Audit Committee members appointed in year 2011.

Audit Committee Meeting No.1/2012 held on 31st January 2012 considered the appointment of Auditors and resolved to propose for shareholders' approval, the appointment of any one of the following auditors of Ernst & Young Office Limited as the auditor of the Company for the years 2012.

1. Ms. Sumalee Reewarabandith (Certified Public Accountant (Thailand) No. 3970). She was the Company's Auditor from the year 2003 until 2007 and again for the years 2010 and 2011.

2. Mr. Chayapol Supposedtanon (Certified Public Accountant (Thailand) No. 3972). He has been the Company's Auditor for the years 2008 and 2009.

3. Ms. Vissuta Jariyathanakorn (Certified Public Accountant (Thailand) No. 3853).

All the above auditors are qualified to conduct the audit and express an opinion on the financial

statements of the Company. In the event that any of the above auditors is not available, Ernst & Young Office Limited is authorized to nominate a qualified and competent auditor from Ernst & Young Office Limited to conduct the Audit.

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

The meeting also approved to propose for shareholders' approval, the audit fees of an amount not exceeding Baht 1.90 million for the year 2012 (2011 Fees: Baht 1.90 million) plus out-of-Pocket expenses subject to further approval by shareholders.

While arriving at the above decision, Audit Committee took due note of the fact that Ms. Sumalee Reewarabandith (Certified Public Accountant (Thailand) No. 3970), auditor of Ernst & Young Office Limited acted as the auditor of all the Thai Subsidiaries and one Foreign Subsidiary for 2011 for total Audit Fees of Baht 3.08 million and is expected to continue in a similar role for 2012 for total proposed Audit Fees of Baht 3.29 million. Further, the meeting also noted the proposed fees for other services (non-audit related) rendered to Thai subsidiaries, of an amount not exceeding Baht 0.35 million (2011 actual: Baht 0.24 million).

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

Mr. Suphat Sivasriumphai
Chairman of the Audit Committee

3rd February 2012