

AUDIT AND CORPORATE GOVERNANCE COMMITTEE REPORT

TO THE SHAREHOLDERS

The Audit & Corporate Governance Committee of Precious Shipping Public Company Limited consists of 3 independent directors viz., Mr. Suphat Sivasriumphai as Chairman of the Audit & Corporate Governance Committee, Mr. Kamton Sila-On and Associate Professor Pavidan Pananond, Ph. D., both, as Audit & Corporate Governance Committee members. Mr. Kamton Sila-On and Associate Professor Pavidan Pananond, Ph. D. who ended their term on 14th March 2013 were re-elected by a resolution of the Board of Directors in the Board of Directors meeting No. 1/2013 held on 4th February 2013.

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

In the year 2013, meetings of the Audit & Corporate Governance Committee have been held through the year to review consolidated financial statements of the Company and its subsidiaries and meetings with external auditor were also held every quarter for discussions of the Auditor's report, financial statements and recommendations of the relevant accounting standards. The Audit & Corporate Governance Committee is of the opinion that the Company has a proper financial reporting process to disclose its financial information, in which the financial statements are correct, sufficient and credible.

The Audit & Corporate Governance Committee has considered the independence of Internal Audit Department including the chain of command in order to establish the credibility and independence of Internal Audit Department. The Audit & Corporate Governance Committee has also discussed with internal auditors the scope of internal auditing, their responsibilities and functions and approved the internal audit plan for the Internal Audit Department. In the year 2013, 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 & Corporate Governance Committee.

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

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

Internal Auditors have reviewed the connected transactions according to the Notifications of the Stock Exchange of Thailand Re: The Disclosure of Information and Acts of Listed Companies Concerning Connected Transactions 2003 as amended from time to time and Notification of the Capital Market Supervisory Board No. Tor Chor. 21/2551 Re: Rules on Connected Transactions as amended from time to time including circular letter of the Securities and Exchange Commission about the recommended practice to be followed under section 89/12 (1) of the Securities and Exchange Act (No.4) B.E.2551. The Company has 6 connected transactions of which 5 are classified as type 2 transaction and 1 is classified as type 3 transaction under these notifications. Air ticket expenses, hotel service expenses, insurance premium expenses, 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. 1/2014 held on 7th February 2014. Audit & Corporate Governance Committee and Board of Directors are of the opinion that the aforesaid transactions are fair and for the full benefit of the Company.

During the year 2013, Internal Auditors reviewed the Asset Acquisition and Disposal Transactions of the Company’s subsidiaries, according to the Notification of the Stock Exchange of Thailand (SET) regarding the Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition and Disposition of Assets 2004 as amended from time to time including Notification of the Capital Market Supervisory Board No. Tor Chor. 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets as amended from time to time. The Audit & Corporate Governance Committee was of the opinion that the asset acquisition and disposal transactions of the Company’s subsidiaries were reasonable and for the best benefit of the Company.

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

For the year 2013, the Company has been classified by Thailand’s National CG Committee as one of the Companies with “Excellent” corporate governance and ranked in the Top Quartile within Companies with a market capitalization over Baht 10,000 million.

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

The members of Audit & Corporate Governance Committee regularly have informal and formal discussions with internal auditors in connection with the results of the various areas of review undertaken by internal auditors. The formal Audit & Corporate Governance Committee Meeting usually takes around 2 hours. In the year 2013, Audit & Corporate Governance Committee held 4 regular meetings (2012: 4 regular meetings) and 2 special meetings (2012: 1 special meeting). The record of attendance of the members of Audit & Corporate Governance Committee is summarized as follows:

Name	Number of Attendance/Total Meeting (Times)			
	2013		2012	
	Regular Meeting	Special Meeting	Regular Meeting	Special Meeting
1. Mr. Suphat Sivasriumphai	4/4	2/2	4/4	1/1
2. Mr. Kamtorn Sila-On	4/4	2/2	4/4	1/1
3. Associate Professor Pavida Pananond, Ph.D.	4/4	2/2	4/4	1/1

Audit & Corporate Governance Committee Meeting No.1/2014 held on 29th January 2014 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 2014.

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 to 2013.
2. Mr. Chayapol Suppasedtanon (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 2014 (2013 Fees: Baht 1.90 million) plus out-of-pocket expenses subject to further approval by shareholders.

While arriving at the above decision, Audit & Corporate Governance 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 2013 and is expected to continue in a similar role for 2014 for total proposed Audit Fees of Baht 3.42 million (2013 actual: Baht 3.41 million). Further, the meeting also noted the proposed fees for other services (non-audit related) towards BOI compliance rendered to Thai subsidiaries of an amount not exceeding Baht 0.31 million (2013 actual: Baht 0.35 million) and fees of an amount not exceeding Baht 0.60 million (2013 actual: Baht 0.40 million) for the review (for consolidation purpose) of the accounts of certain foreign subsidiaries.

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



Mr. Suphat Sivasriumphai

Chairman of the Audit & Corporate Governance Committee

7th February 2014