

REPORT ON IMPLEMENTATION OF FIFTEEN PRINCIPLES OF GOOD CORPORATE GOVERNANCE

DEFINITION

Corporate Governance is a set of structure and process of relationships between 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.

1. 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, Board of Directors has set up a Corporate Governance Policy for the Company. Board of Directors has reinforced corporate governance by including policies and directions on operating the business, set up of adequate internal controls and internal auditing system and monitoring the management to perform effectively under the policy to ensure the long term interests of shareholders under the applicable laws with full transparency and correct business ethics. A Corporate Governance Policy Manual outlining the features of the Policy has also 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 web site.

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

Board of Directors will start the process of annual review of Corporate Governance Policy and evaluation of the policy implementation from the year 2007 so that the Corporate Governance Policy of the Company is up to date and appropriate with the current situation.

For understanding of the Good Corporate Governance by the members of Board of Directors, the Company supports and encourages board members to attend the various training courses such as Director Accreditation Program (DAP) and Director Certificate Program (DCP) that are held by Thai Institute of Directors Association (IOD).

2. Shareholders: Right and Equitable Treatment

The Company must be responsible to the shareholders in terms of information disclosure, accounting methods, internal information usage, and conflict of interests. The Board of Directors and management must 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:

2.1 Appointment of board members

The Company has continuously improved the requirement of documents required for the appointment of each board member individually to give additional information in the nominees'/existing Directors' profile in the Company's Annual report and also to present to the Company's shareholders in the AGM. The aforesaid information is provided so that the Company's shareholders can get correct and complete information, which is relevant and required for their appointment as follows:

- ▶ Nominee's profile: Name, position, age, education, relevant knowledge, occupation, working experience and illegal acts (if any).
- ▶ Nominees' 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

2.2 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 provided principles/procedures as explained under the "Directors and Management Remuneration" section in this Report.

2.3 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)

2.4 Consideration of the dividend policy

The Company obtained the approval of the new dividend policy in the shareholders' meeting in year 2004 and will continue to obtain such approvals in case of any changes in future.

2.5 Consideration of the share repurchase plan

The Company obtained the approval for the share repurchase from the shareholders in the shareholders' meeting, 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.

2.6 Notice to call Shareholders' meeting and Agenda for the AGM

For the annual general meeting of shareholders (AGM) of 2007, the Company has provided an opportunity to the shareholders to propose agenda items for the AGM and set up the policy and communication channels through the website and announcement through the SET, based on which, a shareholder or a group of shareholders could propose an agenda item for consideration in the AGM.

Providing a complete and correct notice with full information to call shareholders' meeting is the normal policy. The notice includes the objective and reasons for each agenda item apart from the board of director's comment/opinion, which, has always been included. It is made certain that the Company does not amend the agenda of the shareholders' meeting without giving notice to shareholders.

The Company will also disclose the draft notice of shareholders' meeting (AGM) of the year 2007 and onwards on the Company's website before sending out to shareholders and will inform the AGM date to the SET at least 45 days before the date of the AGM. The Company will also send the AGM notice to shareholders, at least 14 days in advance of the AGM.

2.7 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.

2.8 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 from meeting, voting method, vote

counting procedure and voting results.

2.9 The Company has always followed the policy of obtaining shareholders' approval for any major event and in case of any serious situation that affected the Company's operations and provided the correct and complete information required for their decision. An example of this was the event of acquisition of 15 ships during the year 2004 for which the Company also appointed an Independent Advisor to advise the shareholders.

2.10 The Company follows the policy of regularly reviewing the outstanding unpaid dividends and tries to contact each shareholder who may have, for some reasons, not received the dividends. Thereafter, the Company helps shareholders in terms of reminding, advising them on the required procedures to collect the dividends.

Moreover, the Company recognizes the equitable treatment of shareholders in terms of calling and holding shareholders meetings and for protecting the Rights of Shareholders for other matters by taking the following steps:

- ▶ Date, time, venue of the meeting is convenient to attend.
- ▶ Offering one-share-one-vote.
- ▶ Facilitate proxy voting: clearly specifying the documents required to give proxy and by attempting to send out the Notice to the extent possible under the regulations, to the Company's shareholders at least 14 days prior to the meeting date.
- ▶ Registration period is commenced at least 1 hour in advance to keep adequate time for completion of registration.
- ▶ Providing detailed explanation of related-party transactions characterizing names, relationship, policy, and value of each transaction as explained under the "Conflict of Interests" section in this report and no non-compliance cases involving related-party transactions have been initiated.
- ▶ Following an appropriate policy and laying down procedures for monitoring the use of insider information as explained under the "Monitoring the use of insider information" section in this report and no cases of insider trading involving the directors and the management have been initiated.

In the year 2006, one shareholders' meeting was held, which, was the Annual General Meeting (AGM) and was held on 20th April 2006 at Amari Atrium Hotel. The Company had sent out the notice to all shareholders of the meeting including information and documents for each agenda item to be considered by the shareholders, 14 days prior to the date of the AGM. The notice was also circulated vide an advertisement in the newspapers as a reminder and follow-up action for the benefit of the shareholders. Under each agenda item, the opinion of the Board of

Directors was included in the notice. The minutes of the meeting including a record of the questions and answers were also prepared and disclosed on the Company's web site, and were made available for examination.

3. Various groups of stakeholders

The Company foresees and 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 web site 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.

Management: The Company recognizes that the Management is one of the key success factors for the Company's operations and accordingly the Management remuneration is appropriately structured and comparable with the Industry and other equivalent listed companies in Thailand. The Management also is 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 business, and understand relevant code of conduct and practice and are encouraged to gain knowledge and ability and keep them updated following Industry trends.

Specifically for the crew on the Company's ships, the following practices are followed:

The Company has provided Pocket Safety Guide and sent to all the Ships. All activities are always governed by and carried out with utmost care for the safekeeping and protection of:

1. The health and safety of the employees and of other persons;
2. Company's property and that of others
3. The environment

Upon arrival on board, crew members are expected to report to the Master and deliver their personal papers, visa discharge book, health certificate, vaccination certificate, passport, and hire contract as applicable and familiarize themselves with the ship. Familiarization training is to be

undertaken as per familiarization check list and hand over check list where appropriate and posted in their cabin are details of life boats according to the boat muster list and their muster point in the event of emergency.

Moreover, the crew is expected to carefully study the emergency and boat muster lists and the safety plans which are placed at strategic locations on board. Every one is trained to be responsible for their safety, and is made aware of their designated role in an emergency. The Master, or his substitute, has overall responsibility in all emergency operations and coordinates all emergency operation. He will take whatever actions are necessary to save the crew, vessel and cargo.

For the Health and Safety Policy Statement, it is the Company's policy to conduct its activities in a manner that promotes the health and safety of its employees and so that the actions of the Company and its employees promote the health and safety of others. The Company considers health and safety to contribute equally with commercial and operation factors and to be a management responsibility. To this end, the health and safety responsibilities of all personnel have been defined and allocated. The Safety Management System 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 objectives of Health and Safety Policy Statement are as follows:

1. To identify all potential hazards and design equipment, facilities and procedures with the aim of eliminating accidents;
2. To establish practices, procedures and standards which create a safe and healthy working environment for all crew members.
3. To provide employees with training and information to enable them to fulfill their responsibilities and duties in a safe and efficient manner;
4. To provide and maintain clear lines of communication;
5. To foster health and safety awareness at all levels thereby encouraging employees to participate in the enhancement of safety;
6. To operate formal monitoring systems to measure the effectiveness of the arrangements for health and safety;
7. To comply with relevant legislation and best industry practices; and
8. To provide contractors with necessary information so that they understand the Company's policy and meet the Company's safety standards in all areas.

All crew members have a duty to act responsibly and to take precautions to protect themselves, their colleagues and any other persons from injury or preventable illness which might arise from their actions and to ensure that the Company's health and safety performance is continuously improved, the policy statement and associated procedures and practices are reviewed regularly and when any new factors affecting health and safety arise adequate steps are taken.

Moreover, 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.

There are many good reasons for such a policy not least, that drugs and alcohol dull their senses while they are at work, placing them and their fellow seafarers unnecessarily at risk and the Company will co-operate fully with the police or other public authorities in the prosecution of any person using or possession Drugs or Illegal substances on board.

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.

In order to comply with the Company's safety procedures, a safety organization has been appointed / elected. The organization will ensure that safety and environment questions are brought to the attention of the crew and/or the ship's management. Potential hazards are to be noted and attended to as soon as identified, not left until the next safety meeting. The safety organization has the following responsibilities:

- ▶ To plan, manage and coordinate occupational health and safety matters.
- ▶ To put environmental working problems on record.
- ▶ To make proposals, including giving priority and timetables or solution of possible problem.
- ▶ Control safety and health conditions.
- ▶ To ensure that causes of accident, cases of illness and "near misses" are investigated and to introduce measures to prevent recurrence.
- ▶ To keep itself informed about the provisions in force and lay down principles for required training and instruction of the officers and ratings.

The Company provides the remuneration for office employees as salary, bonus, and other benefits, like Provident Fund on a voluntary basis, although the same is not required by law. Remuneration is based on their performance, roles and duties and incentives/increments are also based on financial status/performance and future plans of the Company. As a long-term incentive, the Company does not have an ESOP plan in place since the Company feels that to a large extent, the share price of the Company depends on a number of factors beyond the employees' direct control like the state of the International Freight markets and therefore, the Company's share price may not adequately reflect the better performance of the employees. Therefore, the Company has implemented a profit sharing scheme, which ensures that the employees are paid bonus annually based on the performance of the Company against specified quantitative targets, which are laid down annually in advance.

The Company provides in-house and external training for officers of the Company both at Head Office as well as on the Ships. The costs of such training are borne by the Company. Moreover, the Company allows special leave and flexible working hours for employees who are undergoing longer term professional or degree courses.

Moreover, the Company supports good relationship between all employees including the management.

Brokers: The Company recognizes that the shipping brokers with whom the Company regularly deals with for obtaining business for Company's ships are one of the key success factors. Accordingly, terms are negotiated with a view to ensuring fairness and in keeping with industry norms so as to ensure a long term working relationship.

Creditors: The Company recognizes the Financial Creditors as one more important success factor who provide funds which are particularly required for the Company's business which is highly capital intensive. The Company complies with all terms in borrowings including compliance with the objectives of using the borrowed funds, repayment, collateral, and other conditions as may be agreed.

Suppliers: The Company recognizes the importance of satisfied Suppliers and the Company always ensures that terms and conditions for suppliers are based on industry norms and practices and thereafter, agreed terms and conditions are strictly followed by the Company.

Customers: The Company recognizes that the Customers are one of 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 the service. The customers' confidential information is used exclusively for concerned business, without revealing it unless required by laws, regulations, or with consent from the information owners, including issues related to marketing, market power exercises, price setting, and details of services, quality and safety.

Competitors: The Company acts within the rules of fair trade, not destroying trade competitors' reputations with false allegations against their companies without truth, nor does the Company access competitors' confidential information or use dishonest or inappropriate means for any purpose.

Social Responsibility to the Community: the Company recognizes its responsibility to the Community and is often involved in supporting community activities and being attentive to the consequences of the Company's conduct that affect the people around more than what the laws require, including making efforts to gradually absorb social accountability.

Some of the Social and Community activities recently undertaken by the Company are as follows:

- ▶ The Company takes an active interest in the Merchant Marine Training Center, Thailand and awards Gold medals for graduates finishing at the top of the class.
- ▶ The Company employs most of the cadets passing out from the Merchant Marine

Training Center, 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.

- ▶ The Company donated office equipments to Duang Prateep Foundation and Holt Sahathai Foundation in March 2005.
- ▶ 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; and in 2004, two such camps have been held.
- ▶ The Company makes regular donations to the needy and poor and for various causes. For instance, the Company, in collaboration with employees, donated over 1 million Baht to the Thai Red Cross for those affected by the Tsunami and in early 2004, donated computers to four primary/secondary schools in Rayong province for use by the 877 students studying in these schools.
- ▶ The Company readily responded to the needs of the people living in South Thailand affected by the deadly Tsunami of Dec 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); besides, 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 a sailor on the Company's ocean-going ships for a fruitful and fulfilling career in international shipping.
- ▶ The Company has received the 2003 Automated Mutual assistance Vessel Rescue System (AMVER) Award. AMVER, sponsored by the United States Coast Guard, is 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's ships fly the Thai flag and thus act as brand ambassadors of the "Thai" brand wherever the ships call. The Company makes every effort to preserve the sanctity of the "Thai" brand by ensuring that all the ships are safely operated in accordance with the prevailing regulations and conventions.
- ▶ 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 favorable impression of Thailand.

- ▶ The Company donated money and equipments to make a scientific laboratory and supported in study activities at Ban Koh School in Surin province in September 2006.

Regulators: Apart from the various regulations, which the Company's ships are subjected to and explained hereunder in this Report, on a corporate level, the Company recognizes that Government is a regulator who is in control of the Company's operations in respect of the fairness and transparency of trading. The Company recognizes the significance of the compliance with the related laws and regulations and has included its review of the compliance as one of the duties of the internal audit department headed by a qualified Internal Auditor. Internal auditors provide an annual compliance review report of related laws and regulation and directly report to Audit Committee as explained under the "Audit Committee Report" in this Annual Report.

Environment: The Company recognizes that shipping operations if conducted irresponsibly may affect the environment, particularly in terms of air and/ or water pollution.

For the Environmental Protection Policy, the Company is committed to the protection and conservation of the environment and ranks environmental considerations equally with commercial and operational factors in managing its operations and implements this policy. To implement this policy, management:

- ▶ Promotes procedures and practices that ensure environmental protection taking into account current legislation and industry codes and practice;
- ▶ Takes voluntary steps where appropriate to improve environmental performance;
- ▶ Communicates clear management directions to properly motivated employees so that they perform in an environmentally responsible manner;
- ▶ Design and operate ships as efficiently as possible minimizing environmental impact and ensuring discard of waste is in strict compliance with regulations.
- ▶ Establishes emergency plans, consistent with current legislation and good practice;
- ▶ Communicates with employees, appropriate authorities and the public enabling the Company to respond to their environmental performance concerns; and
- ▶ Monitors environmental performance to ensure compliance with this policy as well as the Company's legal requirements.

The Company is committed to environmental protection through effective implementation of the international convention for the prevention of pollution from ships (MARPOL). The convention is divided into 7 areas as follows:

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.
7. Regulations for the Prevention of Pollution by Ballast water.

All aspects of ships' operations, which involve risk of pollution, are addressed in the regulations and are further discussed in the operational manuals placed on board the vessel. Captain responds to ensure that crew on board follow such regulations to prevent any situations that would have negative affect on the environment. There have been no major events from the Company's operations, which have affected the environment.

International Safety Management Code (ISM Code)

Background information:

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.

In July 1998 the ISM Code became mandatory for passenger ships, tankers and high-speed crafts. The Code establishes safety-management objectives and requires a safety management system (SMS) to be established by "the Company", which is defined as the Ship-owner or any person, such as the Manager or Bareboat charterer, who has assumed responsibility for operating the ship.

The Company is then required to establish and implement a policy for achieving these objectives. This includes providing the necessary resources and shore-based support. The Company is expected "to designate a person or persons ashore having direct access to the highest level of management".

The procedures required by the Code should be documented and compiled in a Safety Management Manual, a copy of which is to be kept on board.

The provisions of the ISM code and ISO 9001 (obtained in 1995 by the Company) Quality standards largely complement each other, with the latter giving more emphasis on "customer satisfaction".

The Code is implemented on board the vessels and offices ashore. The purpose of the Code is to provide an international standard for the safe management and operation of ships and for pollution prevention.

The objectives of the ISM Code are:

1. Ensure safety at sea.
2. Prevent human injury or loss of life.
3. Avoid damage to the environment.

Overview of Quality and Safety Practices on Board the Company's ships

Human resources

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.

Training

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 also subscribing for the best on board video training program 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.

Health

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.

Internal audits (for Ships)

Annual internal audits are conducted on board not only as a requirement of the ISM code but also as a means of self-regulation. These audits are carried out by a dedicated team of qualified and experienced auditors reporting directly to the Managing Director.

Continual Improvement

All incidents of non-compliances, accidents and near misses are thoroughly investigated and analyzed. Procedures are reviewed immediately. Preventive measures are initiated and implemented across the fleet to eliminate the root cause.

In order to identify the strengths, weaknesses and trend of the system, an annual analysis of all non-conformities is done, segregating the non-conformities under various categories. For example: total number of personnel injuries, machinery damages, cargo damages, grounding, etc. Based on the analysis, recurrent issues are identified, procedures reviewed and preventive measures implemented, thus enabling improvement of the SMS.

Sharing lessons learned

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 Company has gone into implementation of reputed Software covering all operations in the Head Office linking all vessels in the fleet. Communication, which is a key element of ship operation, is being further improved with obvious benefits to come.

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 (GCSHIP) is a wholly owned subsidiary of the Company. The staff of the management Company work as one team under the same roof. Good co-ordination is achieved in all areas of ship operation by this arrangement. Besides ISM code certification, GCSHIP is also a certified ISO 9001: 2000 company.

International Ship and Port facility Security Code (ISPS)

Became mandatory for all passenger and cargo ships from July 2004.

This code forms the international framework through which ships and port facilities can co-operate to detect and deter acts, which threaten security in the maritime transport sector.

Within two months following the tragic events of 11th Sept. 2001, the International Maritime Organization unanimously agreed to the development of this new code relating to the security of ships and of port facilities in November 2001.

Unlike the ISM code, which had a lead time of over 10 years, the ISPS code was adopted and implemented with very short notice. For this reason, the provisions of ISPS code are rapidly evolving and are also widely disputed in the maritime industry.

GCSHIP has achieved ISPS code compliance on all vessels within the due date. On board Security assessment, development of plans and on board implementation was done with in-house resources and expertise.

4. Shareholders' meetings

The Company recognizes the rights of shareholders and accords equal treatment to all shareholders in every manner including compliance with SET/SEC regulations and recommendations for sending notices of meetings and book closure and general conduct and procedures in the meetings. Therefore, to ensure that all shareholders are equitably treated in accordance with recommended best practices per “The Principle of Good Corporate Governance for Listed Company”, the company set up the criteria and policy for providing an opportunity to shareholders to propose agenda items in advance for the Annual General Meeting (AGM) of 2007 on the Company's web site. It is intended that this policy will also be continued in future. Managing Director, Executive Directors, the Chairman of the board, and the Chairman of the Audit Committee attend all shareholders' meeting and have always attended all the shareholders' meetings. In the year 2006, all board members attended the Annual General Meeting of shareholders, which also included Audit Committee Members and Independent Directors. The Auditors also attended the AGM of shareholders meeting to answer any questions raised by shareholders in respect of the accounts or the conduct of the Audit. The Chairman of the meeting explained the voting procedures to shareholders when the meeting was started and provided equal opportunity to all shareholders to examine the Company's operations, to ask questions and express their opinions and advice, and ensured that all the items and resolutions including the questions and answers were properly recorded in the minutes of the meeting.

5. Leadership and Vision

The Board of Directors is the main driver in defining the direction of 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.

Board of Directors have clearly defined and demarcated powers, duties and responsibilities between each committee as mentioned under the “Management Structure” section in this report.

Board of Directors continue 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 the important training courses that are available such as; Director Certification Program (DCP) or at least the Director Accreditation Program (DAP) held by the Thai Institute of Directors Association (IOD).

Board of Directors has provided for an internal control system, internal auditing and the process of identification, assessment and measurement of risks as a part of the Risk Management system and the Board closely monitors these matters through periodic reports through the close supervision of the Audit Committee.

In Board of Directors Meeting held on 22 November 2005, Board members conducted a self-assessment through the questionnaire which covered the subjects as follows:

- ▶ Readiness
- ▶ Strategy Setting and Policy Making
- ▶ Risk Management and Internal Control
- ▶ Conflict of Interest
- ▶ Monitoring of financial reports and the results of operation
- ▶ Board of Directors' meeting
- ▶ Nomination
- ▶ Remuneration
- ▶ Performance Assessment for CEO

The scores of Board's Self Assessment fall in the level of "Good". Board of Directors intend to use this result to further improve their performance. The next self assessment will be done after 2 years in 2007.

6. Conflict of Interests

In order to prevent the conflict of interest transactions, Board of Directors, through the Audit Committee have supervised carefully such potential transactions by setting up a written policy and procedure of approval of the transactions involving any potential conflict of interests and have set up an appropriate policy as follows:

6.1 Potential conflict of interest transactions

Board of Directors are well aware of any transaction which could lead to a potential conflict of interest and/or any related party transaction, which, if any, are considered very carefully with a view to full compliance with the relevant rules and regulations of the Stock Exchange of Thailand, apart from compliance with the internal policies and guidelines set up by the Company. Moreover, such transactions are entered into strictly on an "Arms-Length" basis. The terms and conditions of such transactions are always in compliance with generally acceptable, standard commercial terms and conditions and appropriate disclosure regarding the details of the transactions viz. value, counter-party, reason and necessity of the transaction is made in the Annual report and Form 56-1.

In addition to the above, Audit Committee and Internal Audit Department prepared the annual audit plan to review the transactions that may cause conflict of interests. For the year

2006, the internal auditors audited the aforesaid transactions and reported to the Audit Committee in the Audit Committee's Meeting No. 1/2007 in February 2007. The Audit 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 the Annual Report.

Moreover internal audit has reviewed the compliance of the Company in respect of the Notifications of the Stock Exchange of Thailand Re: Disclosure of Information and Act of Listed Companies Concerning the Connected Transactions, 2003. The details of the connected transactions have been explained under the topic "Connected Transactions" in 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.

6.2 Monitoring the use of insider information

Pursuant to section 59 of the Securities and Exchange Act B.E. 2535, all directors and management are required to report the changes of stock holding to the Office of the Securities and Exchange Commission, which is fully complied by the Company's Directors and management. Moreover, the directors in an executive position, who are full-time employees of the Company (or its subsidiary), are not allowed to trade in the Company's shares during the period of 3 weeks before and two days after the annual audited (2 weeks before in case of quarterly reviewed) results respectively are announced and also at least 3 days before the Company makes any significant announcement. The rest of the management personnel are also strongly encouraged to follow this policy and during the last year, all management have also complied fully with this policy and no non-compliance cases have been observed.

7. 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 web site.

8. Balance of power for non-executive directors

Definition of Independent Directors

The Independence of the Directors of the Board of Directors is established by the appointment of Independent directors who do not manage the Company or any of its subsidiaries, are independent from the management and significant shareholders, and have no business with the Company, which may compromise the Interests of the Company and/or the Shareholders.

The qualifications of Independent Director of the Company is more tightened than required

by the regulations in the area of the holding of the Company's shares.

Qualifications of Independent Directors of the Company:

- ▶ They must not hold shares exceeding 2 percent, including shares held by a related person, of paid-up capital of the Company or of an affiliated, an associated company or a related company.
- ▶ They must not be involved in the day-to-day management of the Company or an affiliated company, an associated company or a related company, or with the major shareholders of the Company.
- ▶ They 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.
- ▶ They must not be a relative of any executive director, executive officer or major shareholder of the Company.
- ▶ They 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.
- ▶ They must be able to carry out their duties, exercise their judgement, 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 the 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 Rules and Duties

- ▶ Independent directors should have access to financial and other business information adequately for them to perform their duties effectively.
- ▶ They should regularly attend every board meeting, including committee meetings, and raise good questions to ensure the interests of Company's shareholders' and the protection of rights of other stakeholders', and ensure that the Company complies with best practices.
- ▶ Independent directors should possess abilities and display willingness to learn 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 should 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 is also 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.

Currently, there are 10 directors on the Board of Directors of the Company which consists of 3 Executive Directors and 1 Director in an executive position in the Company's subsidiary (as full-time employees of the Company/Subsidiary), 1 Non- Executive Director and 5 Independent Directors (one half of Board of Directors). The Audit Committee comprises entirely of Independent Directors.

9. Aggregation or Segregation of Positions

The Chairman of Board of Directors is an independent director and has no relationship with the management, as defined by the Stock Exchange of Thailand. The Chairman is not the same person as the managing director of the Company nor is he related in any way to the Managing Director of the Company in order to segregate the duties between the policy maker and the policy manager.

10. Directors and Management Remuneration

Currently, the Company does not have a Remuneration Committee but the Company has a clear and transparent directors' remuneration policy, which is approved by the shareholders in the shareholders' meeting. The directors who are also appointed as Audit Committee members are entitled to additional remuneration to compensate for the increased scope of duties and responsibilities.

The management remuneration is fixed in accordance with the principles and policies set by the Board of Directors and the Board of Directors directly and specifically approves the remuneration of the Executive Board, which, is based on the financial status/performance of the Company and their respective performance.

The Company has procedures for the consideration of remuneration of the directors and management to be in accordance with international standards and comparable with other equivalent listed companies including companies in the transportation industry.

During the year 2006, the Company paid the Directors' remuneration as a fixed annual amount which was approved in Shareholders' Meeting and in year 2005 paid meeting fees on the basis of meetings attended, as follows:

Name of Director	Position	Amount (In million Baht)	
		2006	2005
1. Admiral Dr. Amnad Chandanamatta*	Chairman of the Board of Directors	1.25	0.76
2. Mr. Khalid Moinuddin Hashim	Managing Director	0.45	0.28
3. Mr. Munir Moinuddin Hashim	Executive Director	0.45	0.28
4. Mr. Khushroo Kali Wadia	Executive Director	0.45	0.28
5. Mr. Jaipal Mansukhani**	Director	0.45	0.28
6. Police Lt.Gen Kiattisak Prabhavat***	Independent Director	0.79	0.48
7. Mr. Chira Panupong	Independent Director	0.45	0.28
8. Mr. Thira Wipuchanin	Independent Director	0.45	0.28
9. Mr. Suphat Sivasriumphai*	Independent Director	0.62	0.38
10. Miss Nishita Shah	Non-executive Director	0.45	0.28

* Inclusive of remuneration as Audit Committee Member

** Employed in an executive position as a full-time employee in the Company's subsidiary

*** Inclusive of remuneration as Audit Committee Chairman

The remuneration of the senior management included their salary, bonus, and other remuneration (income tax, house rental, and children's school fees). During the years 2006 and 2005, the Company (and subsidiary) paid the remuneration to senior management (including the Executive Directors) as follows:

Name of Director and Management	Position	Amount (In million Baht)	
		2006	2005
1. Mr. Khalid Moinuddin Hashim	Managing Director	10.13	10.90
2. Mr. Munir Moinuddin Hashim	Director (Commercial)	11.32	10.89
3. Mr. Khushroo Kali Wadia	Director (Finance)	9.89	10.70
4. Mr. Jaipal Mansukhani	Director (full time employed in the Company's subsidiary)	9.73	10.37
5. Mr. Shrilal Gopinathan	Vice President (Commercial)	6.35	6.64
6. Mr. Koka Venkataramana Sudhakar	Vice President (Fleet Management)	6.41	6.87

7. Mr. Kodakara Veettil Murali Menon	Vice President (Technical)	6.08	6.39
8. Mr. Neelakantan Vasudevan	Vice President (Risk Management)	5.57	5.79
9. Mr. Stephen Korah	Vice President (International Safety Management)	4.81	5.30
10. Mr. Kamal Kumar Dua	Vice President (Information Technology)	5.02	5.18
11. Ms. Somprathana Thepnaplern	Assistant Vice President (Finance & Accounts)	2.41	2.52
12. Mr. Kiran Kesarinath Vaidya	Senior Manager (Accounts & MIS)	4.43	3.77
13. Mr. Yingyong Kanghae	Senior Manager - Group Accounts	1.61	1.68

The comparison of remuneration of Chairman, Directors, Audit directors, Management between the Company and other listed companies and listed companies in the service/transportation sector is as follows:

Unit: Thousand Baht/Person/Year

Description	*PSL		**Other listed Companies								
	2006	2005	Transportation & Logistics Sector			All Listed Companies			Listed Companies with annual revenue over 10,000 MB		
			Min.	Mean	Max.	Min.	Mean	Max.	Min.	Mean	Max.
Chairman	1,080.00	660.00	45.00	1,437.14	4,517.00	9.00	927.56	10,101.43	27.77	2,732.55	10,101.43
Directors	450.00	275.00	35.62	687.23	3,017.04	0	503.73	9,433.33	27.08	1,422.43	7,699.16
Management	6,443.07	6,692.31	819.80	3,215.09	8,240.26	200.00	3,232.46	27,758.33	326.66	6,421.99	18,840.00
***Audit Directors	225.00	137.50	30.00	390.79	1,356.00	12.00	223.45	1,925.00	60.00	417.58	1,925.00
Total	8,198.07	7,764.81	930.42	5,730.25	17,130.30	221.00	4,887.20	49,218.09	441.51	10,994.55	38,565.59

* PSL's figures are actuals of respective years

** From SET's Remuneration report for the year 2005

*** Additional Remuneration as Audit Director

11. Board of Directors' Meetings

The Board of Directors' meetings are held quarterly on a regular basis (except in the first quarter when 2 ordinary meetings may be held), but extraordinary meetings if required may be called. The meeting has the specific agenda, which would include the review of the Company's operations. The Company Secretary sends the notice of the meeting and relevant documents to all directors, at least 7 days prior to the meeting date so as to allow sufficient time for them to review the information before joining the meeting.

Board of Directors' meetings are held about 7 to 10 days after Audit Committee meeting so that the minutes of Audit Committee can be sent to the Board of Directors for their consideration and discussion during the Board meeting.

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.

The Board of Directors' meetings normally take around 2-3 hours. In the year 2006 (and 2005), the Board of Directors held 5 (4 in 2005) ordinary meetings and no extraordinary meetings. The record of attendance of the Directors is summarized as follows:

Name of Director	Attendance / Total Meetings (Times)	
	Year 2006	Year 2005
	Ordinary Meeting	Ordinary Meeting
1. Admiral Dr. Amnad Chandanamattha	5/5	4/4
2. Mr. Khalid Moinuddin Hashim	5/5	4/4
3. Mr. Munir Moinuddin Hashim	5/5	4/4
4. Mr. Khushroo Kali Wadia	5/5	4/4
5. Mr. Jaipal Mansukhani	5/5	4/4
6. Police Lt.Gen Kiattisak Prabhavat	5/5	4/4
7. Mr. Chira Panupong	5/5	4/4
8. Mr. Thira Wipuchanin	5/5	4/4
9. Mr. Suphat Sivasriumphai	5/5	4/4
10. Miss Nishita Shah	3/5	4/4

12. Committee

The Board of Directors appointed the Audit Committee as a part of the good corporate governance policy of the Company. The details of the members of the committee, their duties and responsibilities are presented under the sections on "Management Structure" and "Audit Committee Report".

Currently, the Company does not have a Remuneration Committee but the Company has a clear and transparent directors' remuneration policy as explained under the section on "Directors and Management Remuneration".

The Company presently does not have a Nomination Committee but the Board of Directors is responsible for the nomination of the members of Board of Director and the Board believes that the process of nomination is transparent and fair, particularly because half of Board of Directors is Independent Directors.

However, to follow recommended practice, the Board of Directors' Meeting No. 2/2007 held on 1st March 2007, decided to constitute a Nomination Committee and a Remuneration Committee, comprising of a majority of Independent Directors in each Committee. The formal set-up of both the Committees shall be finally completed within the end of June 2007.

13. 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 Company's property/assets for the highest benefit of the Company and there is clear segregation between the operations units, control units and assessment units for the purpose of maintaining appropriate checks and balances. Moreover, an internal control system for the financial and accounting functions of the Company is clearly set up which allows adequate reporting to the relevant management.

The Company has the Internal Audit Department in order to ensure that the key operations and the 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 Committee on all matters, in order to make the internal audit department completely independent of management.

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.

For the achievement of such objectives, the Company has implemented the internal control system in accordance with the recommendations of The Committee of Sponsoring Organizations of the Tread way Commission (COSO) as follows:

1. Control Environment

The Company has forged ahead with control environment and therefore set up the Corporate Governance Policy and Business Ethics in writing. They are recognized by the staff of the Company as the basis of working. 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 are 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 are reported periodically to Management 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 a good control system and conforms to the related risks to decrease/distribute all risks of the Company with a view to ensuring efficiency and effectiveness of operations.

4. Information & Communication

The Company recognizes the importance of accurate, reliable and prompt information & communication. It 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. For the internal channel, all staff and Management can easily communicate through the Intranet System enabling the efficiency and effectiveness of communication and to achieve the Company's objectives. For the external channel, the Company provides the information through the channel of SET, the Company's web site 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.

14. 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 of the Board of Directors' Responsibilities for Financial Statements is presented along with the audit report in this Annual report.

15. 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 share price. The Company provides the information through the channel of 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 the persons as the contact points in the Company to service investors, shareholders, analysts and public as under:

Mr. Khalid Moinuddin Hashim	Managing Director Telephone 66 2696 8801 Email at kh@preciousshipping.com
Mr. Khushroo Kali Wadia	Executive Director Telephone 66 2696 8836 Email at kw@preciousshipping.com
Khun Sutada Mekrungruengkul	Senior Manager-Corporate Affairs Telephone 66 2696 8820 Email at corp@preciousshipping.com
Khun Somprathana Thepnaplern	AVP (Finance & Accounts) Telephone 66 2696 8856 Email at som@preciousshipping.com

The Company has joined many events for press/analysts briefings, which are attended

personally by the Managing Director. 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
2006	37	33	10	3	83
2005	43	23	16	5	87
2004	27	18	10	7	62