

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 the Audit Committee, Mr. Suphat Sivasriumphai and Mr. Thira Wipuchanin, both, as Audit Committee members. Mr. Thira Wipuchanin was appointed to the Audit Committee to replace Admiral Dr. Amnad Chandanamattha who ended his term as Audit Committee Member on 28th February 2008 by resolution of the Board of Directors in the Board meeting No.1/2008 held on 12th February 2008. 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 2008, 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 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 reflect 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 2008, Internal Audit Department reviewed the risk assessment and internal control activities of all departments, audited 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 compliance with conditions of tax related 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 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, SEC Act and regulations of the SET.

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 (No. 2), 2004 and 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 4 connected transactions of which 3 are classified as type 2 transaction and 1 is classified as type 3 transaction under these notifications. Air ticket expenses, insurance premium expenses 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. 1/2009 held on 4th February 2009. 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 2008, Internal Auditors reviewed the Asset Acquisition Transactions of the Company, 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, and the Audit Committee expressed its opinion and placed its recommendation to Shareholders to vote in favor of the signing of the new building contracts for 3 new ships valued at about USD 114 million (approved by the resolution of the Board of Directors in the Board meeting no.1/2008 held on 12th February 2008), after receiving the Report of the Independent Financial Advisor, viz. Seamico Securities PLC, who reviewed the reasonableness, benefits and fairness of terms and conditions of the transaction. The Audit Committee was of the opinion that the shipbuilding contracts were reasonable and for the best benefit of the Company and the Audit Committee's opinion conformed with the opinion of the Independent Financial Advisor.

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 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 2008, Audit Committee held 4 regular meetings (2007: 4 regular meetings) and 1 special meeting (2007: no special meeting). The record of attendance of the members of Audit Committee is summarized as follows:

NAME	NUMBER OF ATTENDANCE / TOTAL MEETING (TIMES)		
	2008		2007
	REGULAR MEETINGS	SPECIAL MEETING	REGULAR MEETING
1. Police Lt. Gen Kiattisak Prabhavat	4/4	1/1	4/4
2. Admiral Dr. Amnad Chandanamatta*	1/1	-	4/4
3. Mr. Suphat Sivasriumphai	4/4	1/1	4/4
4. Mr. Thira Wipuchanin*	3/3	1/1	-

* Mr. Thira Wipuchanin was appointed to the Audit Committee during the year as detailed above to replace Admiral Dr. Amnad Chandanamatta.

Audit Committee Meeting No.1/2009 held on 28th January 2009 considered the appointment of Auditors and resolved to propose the appointment of any of the following auditors of Ernst & Young Office Limited as the auditor of the Company 2009.

1. Mr. Chayapol Suppasedtanon (Certified Public Accountant (Thailand) No. 3972)
2. Ms. Vissuta Jariyathanakorn (Certified Public Accountant (Thailand) No. 3853)
3. Ms. Rungnapa Lertsuwankul (Certified Public Accountant (Thailand) No. 3516)

All the above auditors are 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 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 the audit fees of an amount not exceeding Baht 1.90 million for the year 2009 (2008 Fees: Baht 1.80 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 2008 for total Audit Fees of Baht 3.45 million and is expected to continue in a similar role for 2009 for total proposed Audit Fees of Baht 3.45 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 0.55 million (2008 actual: Baht 0.55 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

4th February 2009