

# Annual Report 2014



Precious Shipping Public Company Limited

## MISSION STATEMENT

“To be the most respected Shipping Company in the world, providing best services and solutions to facilitate International dry-bulk trade.”





## CORE VALUES

- We will manage all our business affairs in accordance with the highest principles of Good Governance. As a part of Good Governance, we have outlined our Corporate Governance Policy which will be strictly followed without any compromise.
- We will provide efficient, reliable and professional service to all our customers.
- We will comply with all rules and regulations and follow the highest safety standards in operating our ships with a view to eliminating or at least minimising human injury, loss of life and environmental damage.
- We will strive to create, preserve and enhance long term value for our shareholders.
- We will carry out the Company's affairs in a transparent, honest and faithful manner in the best interests of all stakeholders.
- We will provide a stimulating and rewarding working environment for all our employees with opportunities for self-development and growth.

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# FINANCIAL HIGHLIGHTS

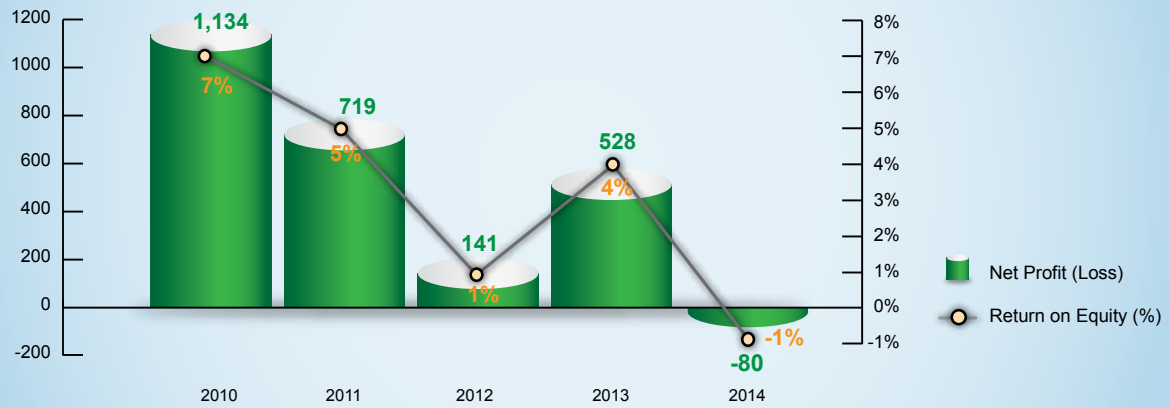
Unit : Baht Million

| Details  | 2014            | 2013            | 2012            | 2011            | 2010<br>Restated |
|--|-----------------|-----------------|-----------------|-----------------|------------------|
| Vessel Operating Income  | 4,575.03        | 3,857.64        | 3,487.54        | 3,078.92        | 2,928.29         |
| Vessel Operating Costs   | 2,723.61        | 2,385.93        | 2,045.64        | 1,333.29        | 873.29           |
| Gross Profit   | 1,851.42        | 1,471.71        | 1,441.90        | 1,745.63        | 2,055.00         |
| <b>Total Revenues</b>  | <b>4,661.60</b> | <b>4,828.61</b> | <b>3,828.02</b> | <b>3,433.51</b> | <b>3,403.36</b>  |
| Total Expenses (excluding depreciation)                                  | 3,480.13        | 3,187.80        | 2,770.11        | 2,072.43        | 1,527.47         |
| Depreciation   | 1,267.08        | 1,136.72        | 910.30          | 646.56          | 678.21           |
| Share of profit (loss) from investment in associate held by a subsidiary | 7.63            | 31.58           | (2.43)          | 7.64            | 18.66            |
| Profit (Loss) before Corporate Income Tax                                | (77.98)         | 535.67          | 145.18          | 722.16          | 1,216.34         |
| Corporate Income Tax   | 2.24            | 7.90            | 4.15            | 3.64            | 82.61            |
| <b>Net Profit (Loss)</b>   | <b>(80.22)</b>  | <b>527.77</b>   | <b>141.03</b>   | <b>718.52</b>   | <b>1,133.73</b>  |
| Total Current Assets   | 1,172.76        | 4,935.70        | 2,941.45        | 6,021.55        | 4,348.30         |
| Property, plant and equipment  | 22,070.93       | 18,669.56       | 16,212.57       | 9,445.53        | 6,400.33         |
| Total Assets   | 27,908.53       | 25,509.76       | 24,029.69       | 22,893.25       | 19,961.89        |
| Total Current Liabilities  | 1,265.92        | 977.02          | 1,119.44        | 1,047.24        | 440.10           |
| Long-Term Loans - net of current portion                                 | 11,101.33       | 8,618.85        | 8,265.02        | 6,307.83        | 4,766.30         |
| Total Liabilities  | 12,624.67       | 9,878.73        | 9,545.46        | 7,536.75        | 5,349.92         |
| Paid-up Capital  | 1,039.52        | 1,039.52        | 1,039.52        | 1,039.52        | 1,039.52         |
| Total Shareholders' Equity   | 15,283.85       | 15,631.03       | 14,484.23       | 15,356.50       | 14,611.97        |
| Cash flow from Operating activities                                      | 1,345.82        | 1,012.76        | 751.18          | 1,050.60        | 1,179.69         |
| Cash flow from (used in) Investing activities                            | (5,511.84)      | 1,199.88        | (4,537.03)      | (2,274.38)      | (1,763.14)       |
| Cash flow from (used in) Financing activities                            | 1,777.56        | (1,289.36)      | 1,430.18        | 1,150.56        | (514.87)         |
| Book Value per share (Baht)  | 14.70           | 15.04           | 13.93           | 14.77           | 14.06            |
| Earnings (loss) per share (Baht)   | (0.08)          | 0.51            | 0.14            | 0.69            | 1.09             |
| Dividend declared for the year per share (Baht)                          | 0.20            | 0.40            | 0.40            | 0.55            | 0.87             |
| Cash Dividend paid out per share (Baht)                                  | 0.30            | 0.40            | 0.45            | 0.62            | 1.25             |
| Gross Profit Margin (%)  | 40.47           | 38.15           | 41.34           | 56.70           | 70.18            |
| Net Profit Margin (%)  | (1.72)          | 10.93           | 3.68            | 20.93           | 33.31            |
| Return on Equity (%)   | (0.52)          | 3.51            | 0.95            | 4.80            | 7.33             |
| Return on Total Assets (%)   | (0.30)          | 2.13            | 0.60            | 3.35            | 5.48             |
| Total Liabilities/Equity Ratio   | 0.83            | 0.63            | 0.66            | 0.49            | 0.37             |
| Number of Ships (As at end of the Year)                                  | 44              | 40              | 36              | 25              | 21               |

Note: With the adoption of IFRS in year 2011, the Company has restated the financial statements for year 2010 to make it comparable to years 2011-2014.

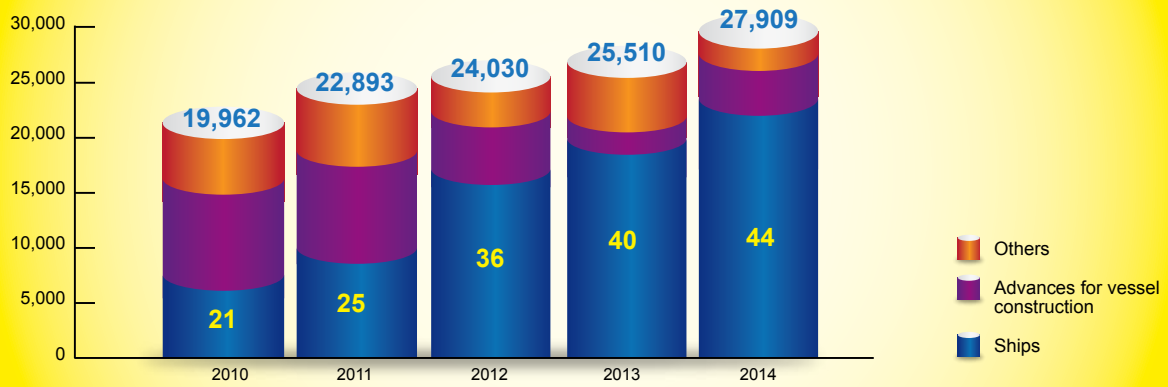
### Net Profit (Loss) and Return on Equity

Unit : Baht Million



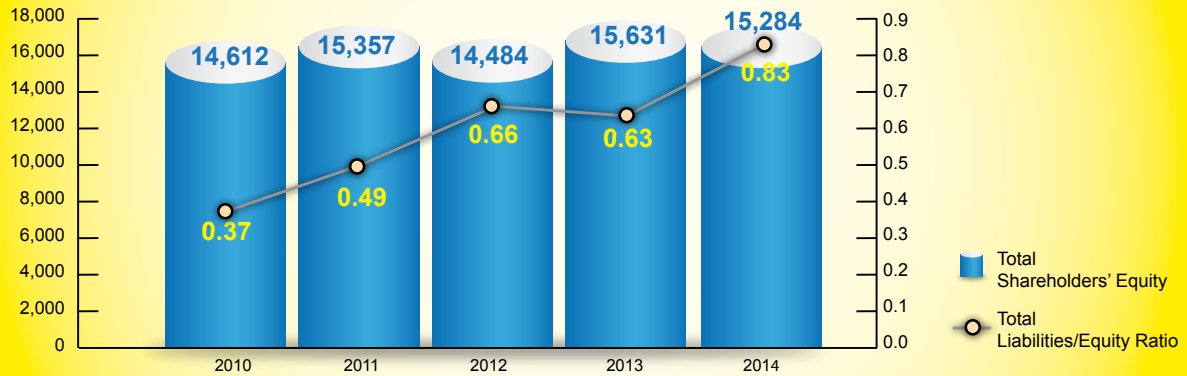
### Total Assets

Unit : Baht Million



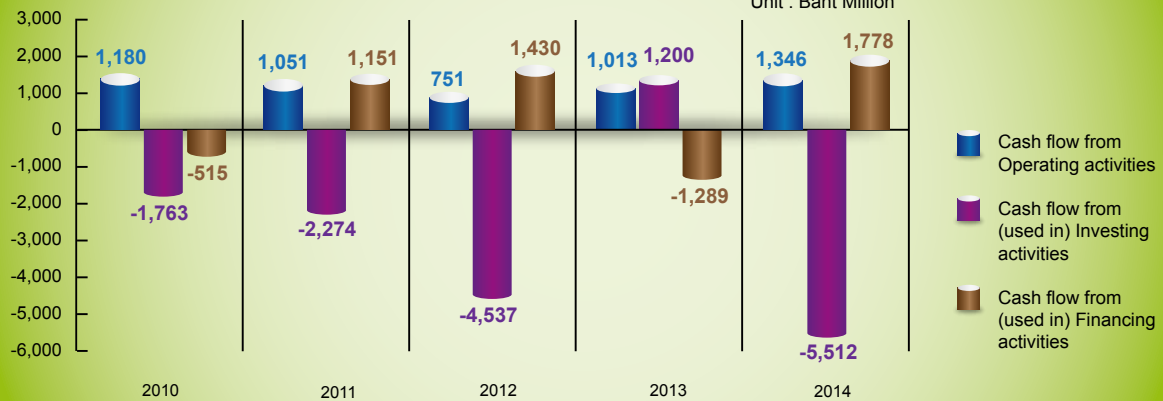
### Shareholder's Equity and Total Liabilities / Equity Ratio

Unit : Baht Million

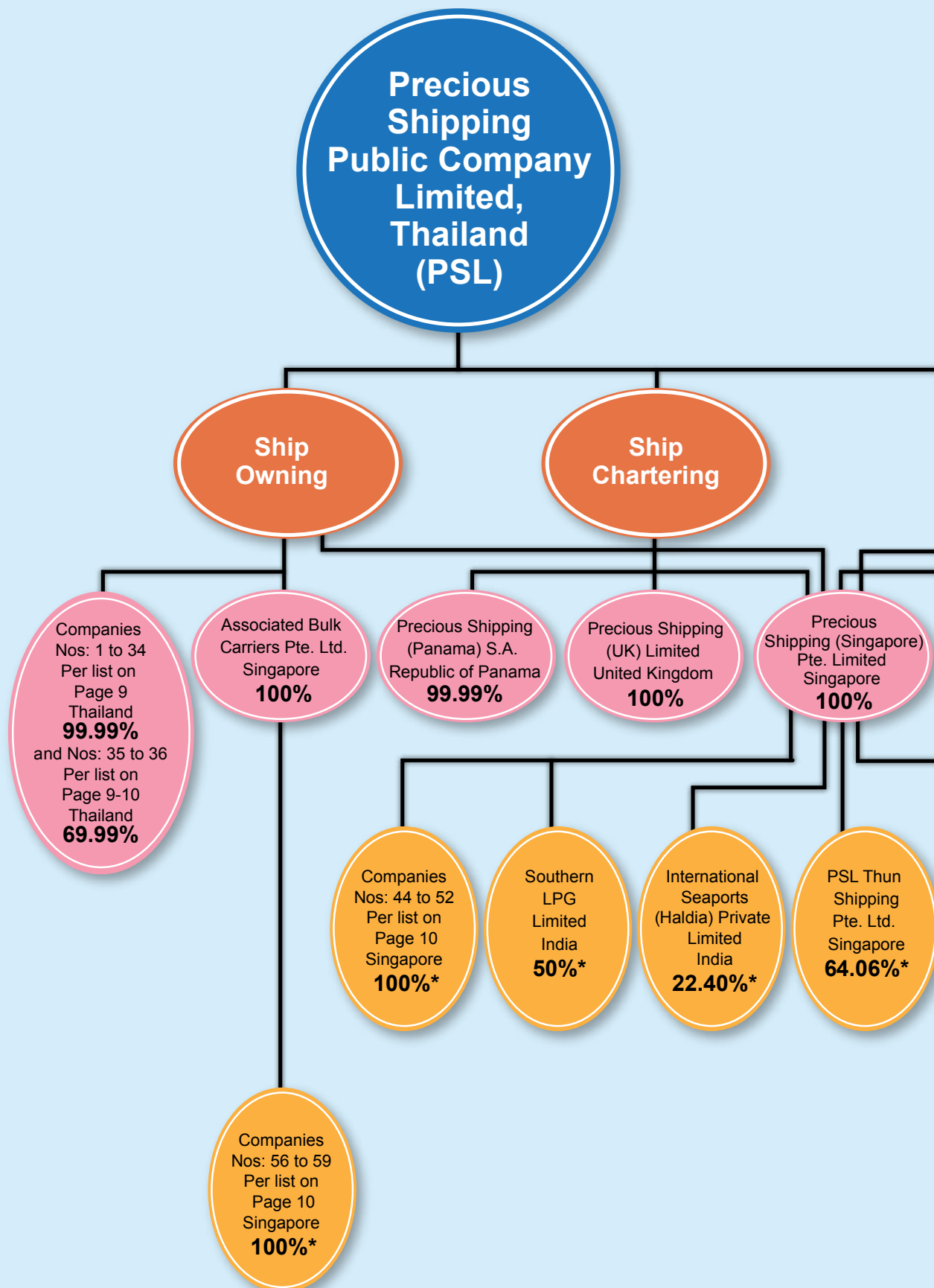


### Cash Flows

Unit : Baht Million

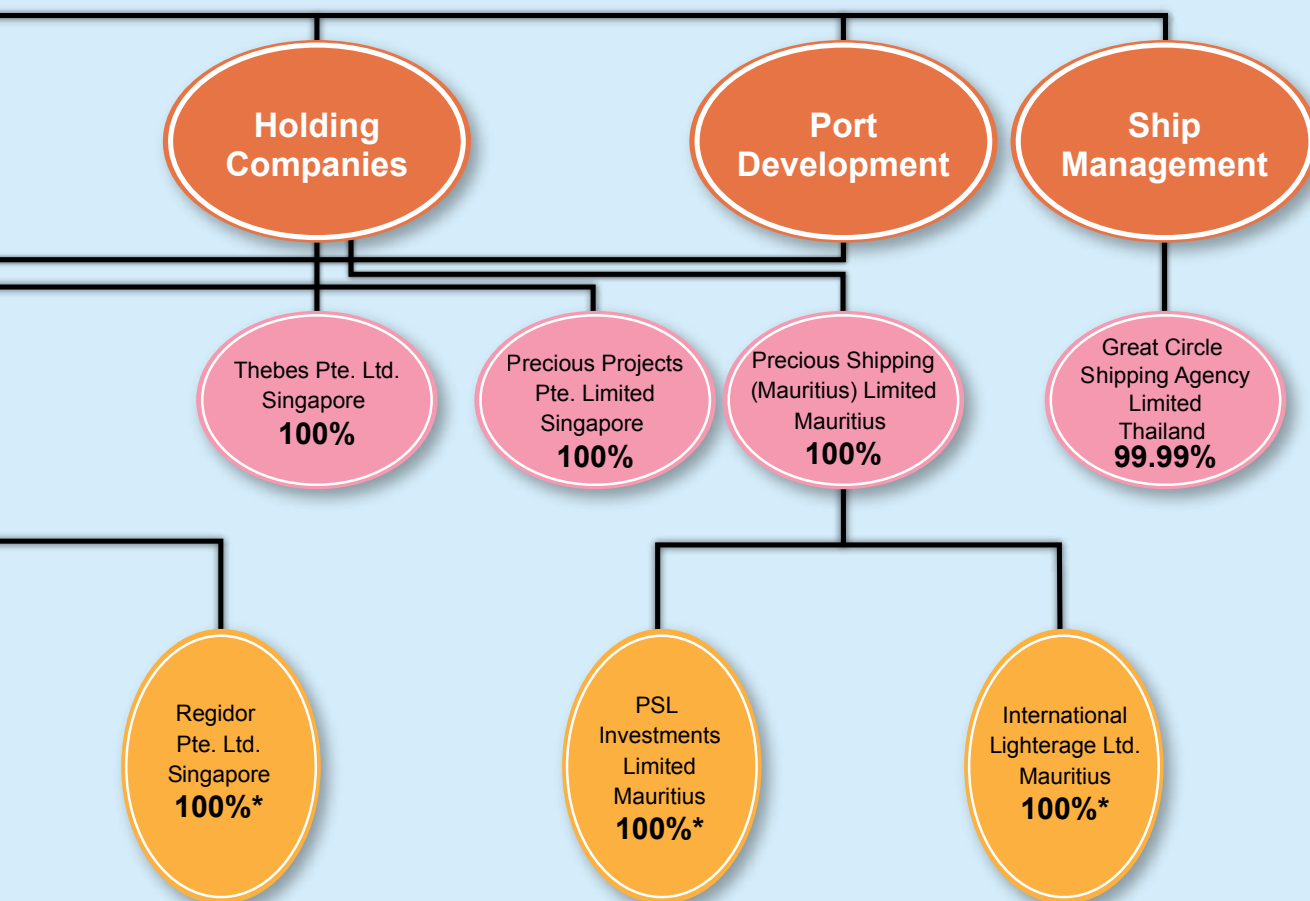


# CORPORATE STRUCTURE



\* Represents indirect ownership of PSL





### Legend



# OTHER INFORMATION PURSUANT TO SEC. 114 OF PUBLIC LIMITED COMPANIES ACT B.E. 2535

| DETAILS OF THE COMPANY<br>PRECIOUS SHIPPING PUBLIC COMPANY LIMITED |  |
|--|--|
| Business   | Shipowner and Holding Company  |
| Registration No.   | 0107537000629  |
| Authorized share capital   | Baht 1,039,520,600 (1,039,520,600 shares of Baht 1 each)                                 |
| Issued and fully paid-up share capital                             | Baht 1,039,520,600 (1,039,520,600 shares of Baht 1 each)                                 |
| Location   | 7 <sup>th</sup> Floor, Cathay House, 8 North Sathorn Road, Silom, Bangrak, Bangkok 10500 |
| Telephone  | 66-2 696-8800  |
| Fax  | 66-2 236-7654  |
| E-mail   | ir@preciousshipping.com  |
| Home page  | <a href="http://www.preciousshipping.com">http://www.preciousshipping.com</a>            |

## NAME AND CATEGORY OF SUBSIDIARIES AND ASSOCIATED COMPANIES IN WHICH THE COMPANY HOLDS MORE THAN 10% OF SHARES SOLD BY THEM

| Sr No. | Name of Subsidiaries and Associated Companies | Currency | Registered Capital | Issued and paid-up Share Capital | Percentage of Shareholding | Category of business |
|--------|---|----------|--------------------|----------------------------------|----------------------------|----------------------|
| 1      | Precious Metals Limited                       | Baht     | 275,000,000        | 275,000,000                      | 99.99                      | Shipowner            |
| 2      | Precious Wishes Limited                       | Baht     | 230,000,000        | 230,000,000                      | 99.99                      | Shipowner            |
| 3      | Precious Stones Shipping Limited              | Baht     | 260,000,000        | 260,000,000                      | 99.99                      | Shipowner            |
| 4      | Precious Minerals Limited                     | Baht     | 230,000,000        | 230,000,000                      | 99.99                      | Shipowner            |
| 5      | Precious Lands Limited                        | Baht     | 306,000,000        | 306,000,000                      | 99.99                      | Shipowner            |
| 6      | Precious Rivers Limited                       | Baht     | 234,000,000        | 234,000,000                      | 99.99                      | Shipowner            |
| 7      | Precious Lakes Limited                        | Baht     | 184,000,000        | 184,000,000                      | 99.99                      | Shipowner            |
| 8      | Precious Seas Limited                         | Baht     | 100,000,000        | 100,000,000                      | 99.99                      | Shipowner            |
| 9      | Precious Stars Limited                        | Baht     | 105,000,000        | 105,000,000                      | 99.99                      | Shipowner            |
| 10     | Precious Oceans Limited                       | Baht     | 175,000,000        | 175,000,000                      | 99.99                      | Shipowner            |
| 11     | Precious Planets Limited                      | Baht     | 270,000,000        | 270,000,000                      | 99.99                      | Shipowner            |
| 12     | Precious Diamonds Limited                     | Baht     | 205,000,000        | 205,000,000                      | 99.99                      | Shipowner            |
| 13     | Precious Sapphires Limited                    | Baht     | 144,000,000        | 144,000,000                      | 99.99                      | Shipowner            |
| 14     | Precious Emeralds Limited                     | Baht     | 366,000,000        | 366,000,000                      | 99.99                      | Shipowner            |
| 15     | Precious Rubies Limited                       | Baht     | 259,360,000        | 259,360,000                      | 99.99                      | Shipowner            |
| 16     | Precious Opals Limited                        | Baht     | 249,360,000        | 249,360,000                      | 99.99                      | Shipowner            |
| 17     | Precious Garnets Limited                      | Baht     | 379,000,000        | 379,000,000                      | 99.99                      | Shipowner            |
| 18     | Precious Pearls Limited                       | Baht     | 173,000,000        | 173,000,000                      | 99.99                      | Shipowner            |
| 19     | Precious Flowers Limited                      | Baht     | 336,000,000        | 336,000,000                      | 99.99                      | Shipowner            |
| 20     | Precious Forests Limited                      | Baht     | 96,000,000         | 96,000,000                       | 99.99                      | Shipowner            |
| 21     | Precious Trees Limited                        | Baht     | 202,000,000        | 202,000,000                      | 99.99                      | Shipowner            |
| 22     | Precious Ponds Limited                        | Baht     | 124,000,000        | 124,000,000                      | 99.99                      | Shipowner            |
| 23     | Precious Ventures Limited                     | Baht     | 202,000,000        | 202,000,000                      | 99.99                      | Shipowner            |
| 24     | Precious Capitals Limited                     | Baht     | 200,000,000        | 200,000,000                      | 99.99                      | Shipowner            |
| 25     | Precious Jasmines Limited                     | Baht     | 147,000,000        | 147,000,000                      | 99.99                      | Shipowner            |
| 26     | Precious Orchids Limited                      | Baht     | 217,000,000        | 217,000,000                      | 99.99                      | Shipowner            |
| 27     | Precious Lagoons Limited                      | Baht     | 140,000,000        | 140,000,000                      | 99.99                      | Shipowner            |
| 28     | Precious Cliffs Limited                       | Baht     | 140,000,000        | 140,000,000                      | 99.99                      | Shipowner            |
| 29     | Precious Hills Limited                        | Baht     | 140,000,000        | 140,000,000                      | 99.99                      | Shipowner            |
| 30     | Precious Mountains Limited                    | Baht     | 140,000,000        | 140,000,000                      | 99.99                      | Shipowner            |
| 31     | Precious Resorts Limited                      | Baht     | 140,000,000        | 140,000,000                      | 99.99                      | Shipowner            |
| 32     | Precious Cities Limited                       | Baht     | 170,000,000        | 170,000,000                      | 99.99                      | Shipowner            |
| 33     | Precious Comets Limited                       | Baht     | 141,000,000        | 141,000,000                      | 99.99                      | Shipowner            |
| 34     | Precious Ornaments Limited                    | Baht     | 156,000,000        | 156,000,000                      | 99.99                      | Shipowner            |
| 35     | Precious Storage Terminals Limited            | Baht     | 6,000,000          | 6,000,000                        | 69.99                      | Bulk Storage Barges  |

| Sr No. | Name of Subsidiaries and Associated Companies   | Currency  | Registered Capital | Issued and paid-up Share Capital | Percentage of Shareholding | Category of business                              |
|--------|---|-----------|--------------------|----------------------------------|----------------------------|---|
| 36     | Nedtex Limited                                  | Baht      | 10,000,000         | 2,500,000                        | 69.99                      | Bulk Storage Barges                               |
| 37     | Great Circle Shipping Agency Limited            | Baht      | 210,000,000        | 210,000,000                      | 99.99                      | Technical Manager of Ships                        |
| 38     | Precious Shipping (Mauritius) Limited           | USD       | 10,000             | 10,000                           | 100                        | Holding company                                   |
| 39     | PSL Investments Limited                         | USD       | 10,000             | 1,160                            | 100*                       | Holding company                                   |
| 40     | International Lighterage Ltd.                   | USD       | 10,000             | 10,000                           | 100*                       | Holding company                                   |
| 41     | Precious Shipping (Singapore) Pte. Limited      | SGD       | 20,000,000         | 15,000,000                       | 100                        | Holding company/Chartering                        |
| 42     | PSL Thun Shipping Pte. Ltd.                     | USD       | 500,000            | 12,864                           | 64.06*                     | Chartering  |
| 43     | Regidor Pte. Ltd.                               | SGD       | 100,000            | 2                                | 100*                       | Maritime Business                                 |
| 44     | Precious Comforts Pte. Ltd.                     | SGD       | 50,000             | 50,000                           | 100*                       | Shipowner   |
| 45     | Precious Sparks Pte. Ltd.                       | SGD       | 50,000             | 50,000                           | 100*                       | Shipowner   |
| 46     | Precious Visions Pte. Ltd.                      | SGD       | 50,000             | 50,000                           | 100*                       | Shipowner   |
| 47     | Precious Bridges Pte. Ltd.                      | SGD       | 50,000             | 50,000                           | 100*                       | Shipowner   |
| 48     | Precious Forests Pte. Ltd.                      | SGD       | 50,000             | 50,000                           | 100*                       | Shipowner   |
| 49     | Precious Fragrance Pte. Ltd.                    | SGD       | 50,000             | 50,000                           | 100*                       | Shipowner   |
| 50     | Precious Thoughts Pte. Ltd.                     | SGD       | 50,000             | 50,000                           | 100*                       | Shipowner   |
| 51     | Precious Tides Pte. Ltd.                        | SGD       | 1                  | 1                                | 100*                       | Shipowner   |
| 52     | Precious Skies Pte. Ltd.                        | SGD       | 1                  | 1                                | 100*                       | Shipowner   |
| 53     | Precious Projects Pte. Limited                  | USD       | 1                  | 1                                | 100                        | Investment Holding Company                        |
| 54     | Thebes Pte. Ltd.                                | SGD       | 100,000            | 2                                | 100                        | Maritime Business                                 |
| 55     | Associated Bulk Carriers Pte. Ltd.              | USD       | 2                  | 2                                | 100                        | Holding company                                   |
| 56     | ABC ONE Pte. Ltd.                               | USD       | 50,000             | 50,000                           | 100*                       | Shipowner   |
| 57     | ABC TWO Pte. Ltd.                               | USD       | 50,000             | 50,000                           | 100*                       | Shipowner   |
| 58     | ABC THREE Pte. Ltd.                             | USD       | 50,000             | 50,000                           | 100*                       | Shipowner   |
| 59     | ABC FOUR Pte. Ltd.                              | USD       | 50,000             | 50,000                           | 100*                       | Shipowner   |
| 60     | Precious Shipping (Panama) S.A.                 | USD       | 10,000             | 10,000                           | 99.99                      | Shipowner/Chartering                              |
| 61     | Precious Shipping (UK) Limited                  | USD       | 10,000             | 10,000                           | 100                        | Chartering  |
| 62     | Southern LPG Limited                            | Indian Rs | 100,000,000        | 64,592,200                       | 50*                        | Terminal owning, bottling and distribution of LPG |
| 63     | International Seaports (Haldia) Private Limited | Indian Rs | 445,000,000        | 440,580,200                      | 22.40*                     | Berth construction and Development                |

\* (represents indirect ownership of shares)

**REGISTERED OFFICE ADDRESS OF SUBSIDIARY AND ASSOCIATED COMPANIES ARE AS FOLLOWS:**

|                                |  |
|--------------------------------|--|
| <b>SUBSIDIARY 1-36</b>         | Registered Office is at 8/27-28, 7 <sup>th</sup> Floor, Cathay House, North Sathorn Road, Silom, Bangrak, Bangkok 10500 Thailand.<br>Tel : 66-2 696-8800 Fax : 66-2 236-7654, 633-8460 |
| <b>SUBSIDIARY 37</b>           | Registered Office is at 8/35 Cathay House, North Sathorn Road, Silom, Bangrak, Bangkok 10500 Thailand.<br>Tel : 66-2 696-8900 Fax : 66-2 237-7842, 633-8468                            |
| <b>SUBSIDIARY 38-40</b>        | Registered Office is at c/o Abax Corporate Services 6 <sup>th</sup> Floor, Tower A, 1 CyberCity, Ebene, Mauritius.   |
| <b>SUBSIDIARY 41-47, 51-52</b> | Registered Office is 72A Peck Seah Street 079329, Republic of Singapore.   |
| <b>SUBSIDIARY 48-50, 53-59</b> | Registered Office is at 24 Raffles Place #18-00 Clifford Centre, 048621 Republic of Singapore.   |
| <b>SUBSIDIARY 60</b>           | Registered Office is at c/o ADR Building, 13 <sup>th</sup> Floor, Samuel Lewis Avenue, Republic of Panama.   |
| <b>SUBSIDIARY 61</b>           | Registered Office is at 130 Shaftesbury Avenue, 2 <sup>nd</sup> Floor London W1D 5EU United Kingdom.   |
| <b>SUBSIDIARY 62</b>           | Registered Office is at ICM Business Centre, Ceebros Arcade 1 <sup>st</sup> Floor, No.1, 3 <sup>rd</sup> Cross Street, Kasturibai Nagar, Adyar, Chennai 600 020 India.                 |
| <b>ASSOCIATE 63</b>            | Registered Office is at 105, Park Street, Flat No. 27 Kohinoor Building, 5 <sup>th</sup> Floor, Kolkata - 700 016, West Bengal, India.   |

# NATURE OF BUSINESS AND INDUSTRY

## 1. NATURE OF BUSINESS

### 1.1 Background

Precious Shipping Public Company Limited ("PSL" or "the Company"), established in 1989 and listed on the Stock Exchange of Thailand in 1993, owns and operates dry bulk ships, on a tramp shipping basis. The corporate structure of PSL, similar to other shipping companies, has separate subsidiaries owning each vessel (sometimes 2 or 3 vessels) to limit liability.

PSL presently (as on 31<sup>st</sup> December 2014) operates 41 bulkers and 3 cement carriers (the "Fleet"), representing 1,525,054 DWT. Of the entire Fleet, 34 ships are registered under the Thai flag and 10 ships under the Singapore flag. 2 ships are in the Ultramax sector, 9 ships are in the Supramax sector and the balance 33 ships (including 3 cement carriers) are in the small Handy Size sector of the dry bulk market.

PSL is one of the largest pure dry cargo ship-owning companies operating in the small Handy Size (10,000 to 30,000 DWT) sector of the tramp freight market. This segment is extremely fragmented and characterized by companies owning 2 or 3 ships. PSL's Fleet makes it one of the largest, if not the single largest company in the world, operating in this segment. During 2010, the Company entered the Supramax sector by taking over 4 new shipbuilding contracts for 4 Supramax ships which were delivered in 2012. The Company expanded into this sector further by acquiring 2 more ships during the last quarter of 2011 and acquired 3 more ships in year 2013. Naval architects have improved the design of Supramax (upto 57,000 DWT traditional size) further and increased the cargo carrying capacity to 64,000 DWT (known in the Industry as Ultramax) with eco-friendly fuel efficient engines, without compromising much on draft restrictions. With today's highly volatile fuel prices and increasingly stringent pollution regulations, the Ultramax design is gaining popularity among ship owners. Therefore, PSL has also entered into this segment by signing shipbuilding contracts for twenty Ultramax ships out of which two were received in year 2014 and the remaining ships with expected deliveries in 2015-2016. Similar to Supramax ships, Handy Size ship design has also improved significantly and next generation Handy Size ships are upto 39,000 DWT. PSL has also entered into this segment by signing shipbuilding contracts for six (38,000 DWT) ships with expected deliveries in 2015-2016. PSL's Fleet is technically managed by Great Circle Shipping Agency Ltd, Bangkok, a wholly owned subsidiary of PSL that is ISO 9001 and ISO 14001 certified, which makes it one of the very few dry bulk ship management Companies which are compliant with an Environment Management System certification.

PSL operates its Fleet on a tramp-shipping basis, covering the entire world. Principal cargoes handled by PSL are agricultural products, steels, fertilizers, ores and concentrates, logs, coke and other items. PSL estimates its business to be divided evenly across five regions: USA/Canada, Europe, Latin America-Africa, Indian sub-continent - Middle East, and South East & Far East Asia. PSL operates majority of its ships in ports that have restricted draft and limited infrastructure (PSL ships have equipment for loading/unloading) where larger ships cannot operate. This distinction is a comparative advantage and allows PSL to enjoy stable charter rates compared to larger vessel operators. This advantage also assists the Company's ships while doing business in developed countries, as the cost of shore labour in such countries is prohibitive and the ship's staff, with the ship's gears, can easily discharge and/or load cargoes in such countries at a very economical cost and are preferred over larger, gearless ships, despite the latter's proven economy of scale.

**The Chartering of ships is mainly undertaken by PSL vide the following two options:**

**Time Charter:** Under this charter, the Charterer pays Charter Hire to PSL to operate the vessel for an agreed time period. The Charterer bears all voyage costs, including the cost of bunker fuels.

It may be noted in this case that PSL (or the Shipowning Company) is not the Lessor of the ship, but is a service-provider, since PSL retains full control with physical and legal possession of the ship.

**Voyage Charter:** Under this charter, the Charterer pays Freight to PSL to transport a particular cargo between two or more designated ports. In this case, PSL bears all the voyage costs, including the cost of bunker fuels.

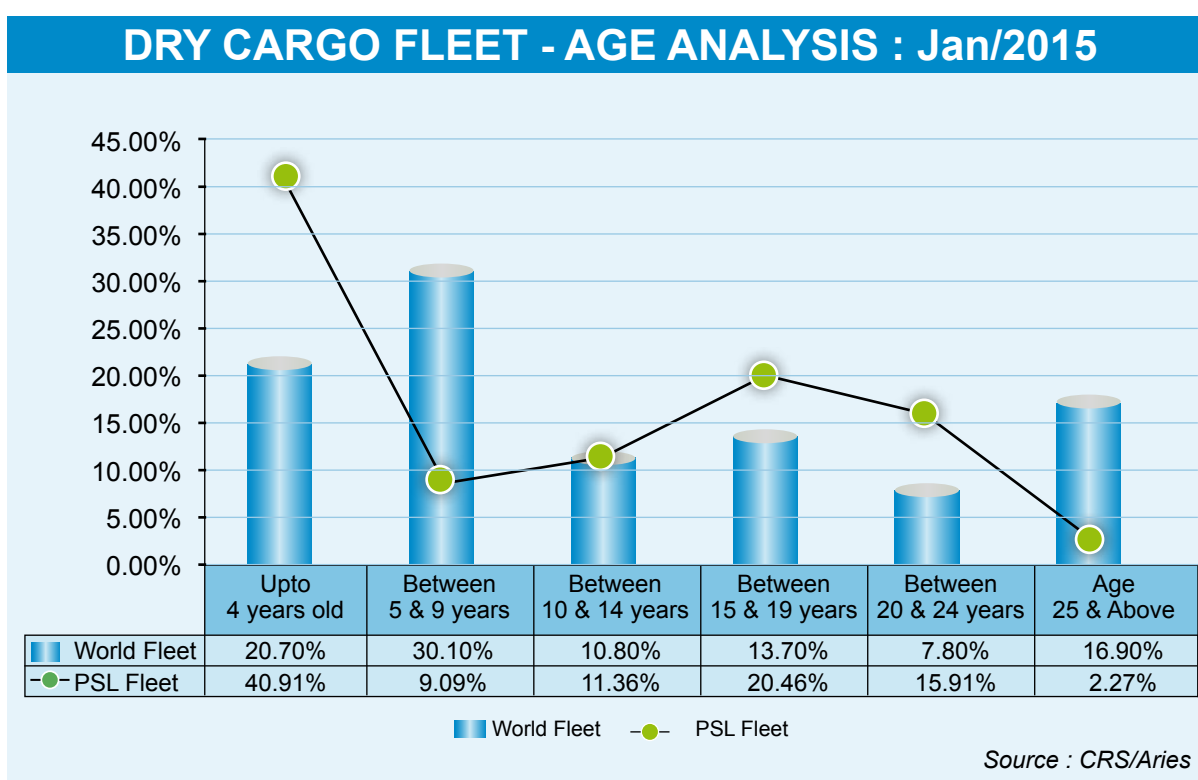
PSL's Fleet does not follow set voyage routes, but each ship keeps moving across the globe depending on its charters. The Fleet is hired on both, time charters as well as voyage charters, with typical duration of 1-3 months. The mix between the two types of business has historically been equal, until the year 2004 when this changed to an extent that almost all the ships were on time charters. In each of the years 2005 and 2006, the proportion of voyage charters increased marginally as compared to the year 2004. However during the years 2007-10, the equation changed again and about 99% of the journeys were time charters and only about 1% were voyage charters, except during year 2009 where the proportion of voyage charters was marginally higher at 6%. However during the years 2011-14, the proportion of voyage/time charters changed with an increase in percentage of voyage charters to around 12% to 17% from 0.5% in 2010.

The well spread diversification and nature of majority of its operations (dry bulk shipping in the small Handy Size/Supramax sectors carrying 'essential' basic commodities) enables PSL to minimise the impact of concentration risks in terms of regions or commodities covered, and economic cycles.

## 1.2 Fleet Age

PSL's fleet as compared to the world average is younger, with present average age of about 11 years.

An age wise analysis as on 1<sup>st</sup> January 2015 of PSL's fleet vis-a-vis the World Fleet is given in the following graph



### 1.3 Business Operations

PSL's revenues are well diversified in terms of its business mix, as can be seen from the following tables:

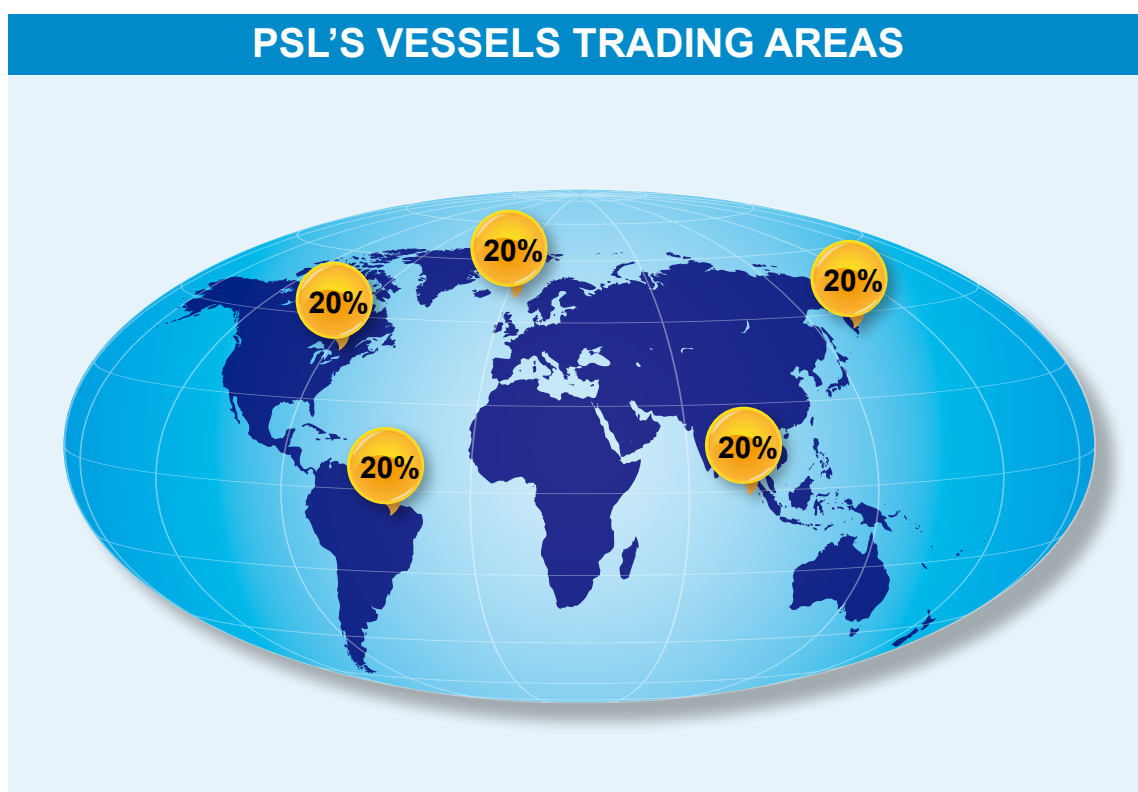
#### i. Commodities/Cargoes Carried

| Commodity                | (Number of Voyages and % of Total Voyages) |               |            |               |            |               |
|--------------------------|--|---------------|------------|---------------|------------|---------------|
|                          | 2012                                       |               | 2013       |               | 2014       |               |
| Agricultural Commodities | 74   | (27.51%)      | 96         | (28.05%)      | 96         | (26.96%)      |
| Steel                    | 31   | (11.52%)      | 45         | (13.16%)      | 49         | (13.76%)      |
| Fertilisers              | 39   | (14.50%)      | 40         | (11.70%)      | 50         | (14.05%)      |
| Specialised Ores         | 30   | (11.15%)      | 48         | (14.04%)      | 41         | (11.52%)      |
| Forest Products/Logs     | 25   | (9.29%)       | 19         | (5.55%)       | 17         | (4.78%)       |
| Coal                     | 15   | (5.58%)       | 26         | (7.60%)       | 34         | (9.55%)       |
| Others                   | 55   | (20.45%)      | 68         | (19.90%)      | 69         | (19.38%)      |
| <b>Total</b>             | <b>269</b>                                 | <b>(100%)</b> | <b>342</b> | <b>(100%)</b> | <b>356</b> | <b>(100%)</b> |

#### ii. Voyage Charters v/s Time Charters

| Charter         | (Number of Voyages and % of Total Voyages) |          |      |          |      |          |
|-----------------|--|----------|------|----------|------|----------|
|                 | 2012                                       |          | 2013 |          | 2014 |          |
| Voyage Charters | 45   | (16.73%) | 51   | (14.92%) | 45   | (12.64%) |
| Time Charters   | 224  | (83.27%) | 291  | (85.08%) | 311  | (87.36%) |

#### iii. Vessel Trading Areas





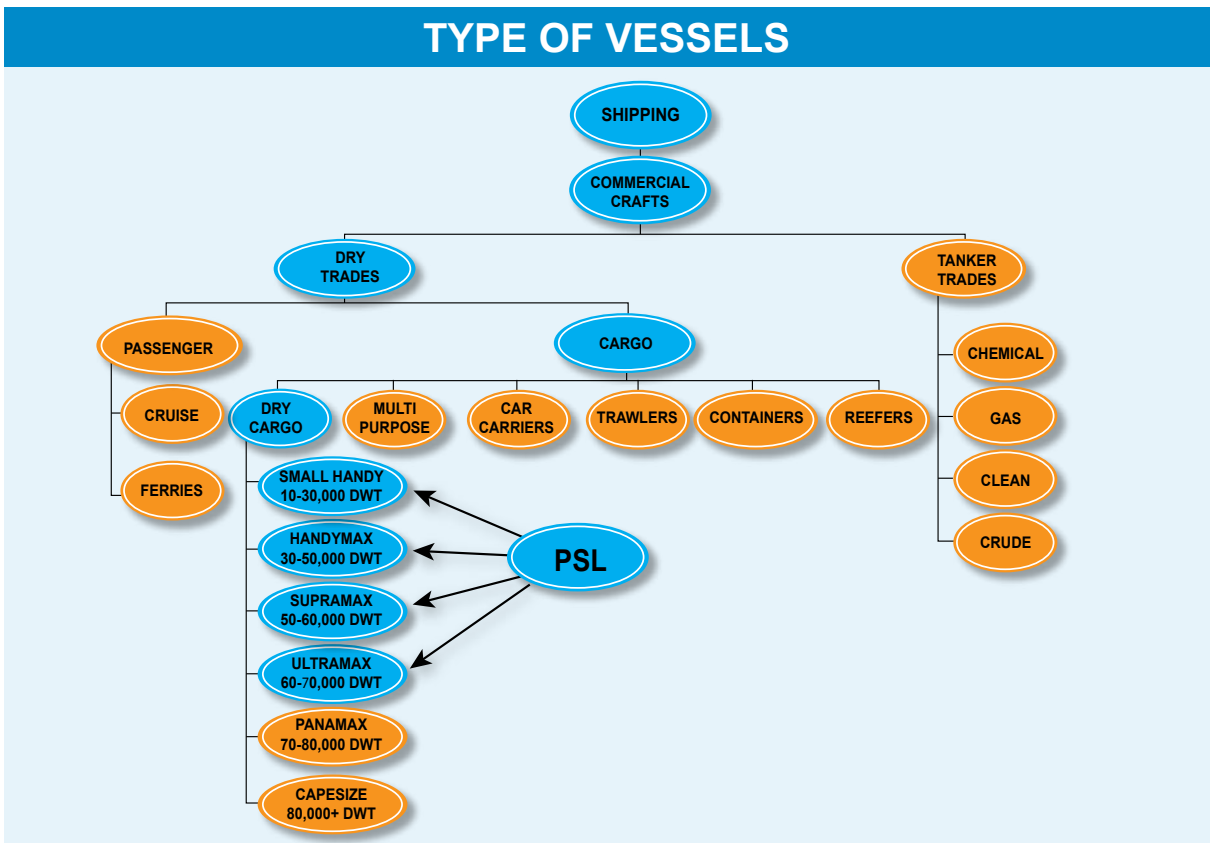
iv. Marketing network and major broker locations



From the above graphs, it can be observed that PSL enjoys a wide coverage with its top class world-wide marketing network. The extensive use of the internet has allowed this coverage to be obtained in an extremely cost effective manner.

## 2. INDUSTRY STRUCTURE

Broadly, the Shipping Industry is classified as under:



## 2.1 Small Handy Size Market

The small Handy Size sector is classified as ships in the range of 10,000 - 30,000 DWT, although lately the Industry has begun including ships of 30,000 - 40,000 DWT also in this sector. The demand in the small Handy Size market is fragmented because of the broad cargo base and multitude of ports serviced by this market segment. However, because this segment caters to such a wide variety of cargoes and calls on smaller ports, the demand is less volatile compared to the larger ships.

On the supply side also the Industry is highly fragmented. The World Fleet of 2,757 ships (as at end 2014) has the largest operator having only about 100 ships or about 4% market share of capacity in DWT terms. The majority of the operators are private companies with a small number of vessels.

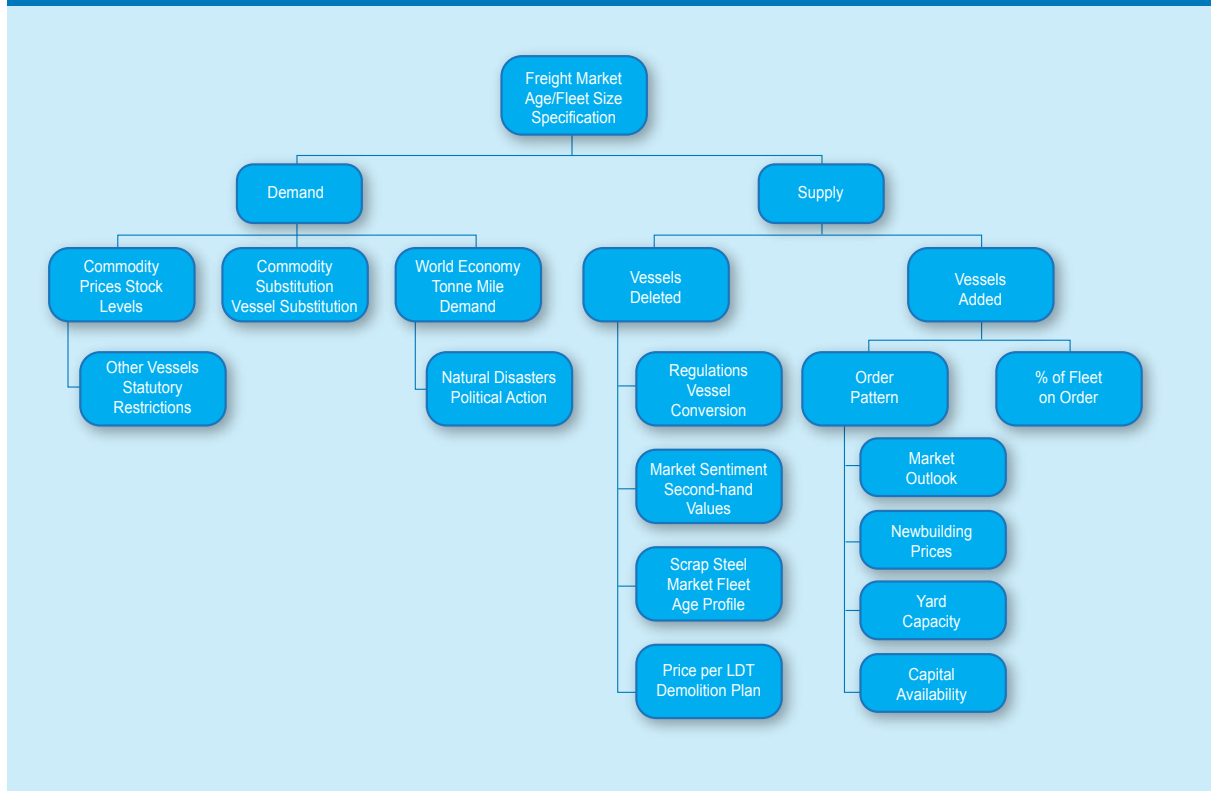
Historically, the Shipping Industry has been a very cyclical industry with approximately two years of declining charter rates needed to stabilise supply and demand before freight rates begin to increase. The previous “down cycle” started in mid-1997 because of the demand issues associated with the “Asian crisis”. With the gradual increase in economic growth in all regions of the world, the dry bulk demand improved in 2000 and the improvement continued till the first half of 2001. Also helping the bullish freight rates was increased scrap prices, which led to the demolition of older vessels. Thereafter, since the end of 2001, the market witnessed a downturn due to various factors which was of a rather limited duration. The market then witnessed an unprecedented upward trend starting in the third/fourth quarter of 2003, and remained firm throughout 2004 till the first half of 2005, after which the market again experienced a small downturn which experts attributed to an upsurge in supply of vessels, coupled with a decline in scrapping of older vessels. However, contrary to expectations and conventional wisdom, the market turned north from the end of the second quarter of 2006. During 2007, the market continued heading north and reached a peak indicated by the Baltic Dry Index (BDI— as described in 2.3 hereunder) touching 11,039 points on 13<sup>th</sup> November, 2007, before starting to drift lower till the end of January, 2008. The market then again headed north till it reached its highest level ever, with the BDI reaching 11,793 points on 20<sup>th</sup> May, 2008, after which, with the onset of the Global Financial Crisis (GFC) and the threat of sustained global recessionary conditions, it has fallen consistently, reaching close to all-time low at 663 points on 5<sup>th</sup> December, 2008, and was at 774 points at the end of the year 2008.

During 2014, the BDI decreased from 2,277 points at the end of 2013 to 782 points at the end of year 2014, with a predominantly downward momentum. The supply of new ships into the World Fleet is beginning to slow down now, although unfortunately, scrapping rates which had gathered momentum in the recent past have also slowed down. If the market remains weak, scrapping rates are expected to reach double digits, thereby bringing supply and demand into some semblance of order. The current BDI trend suggests challenging market ahead in year 2015 but the Company is hopeful that the market may improve in the second half of year 2015.

## 2.2 Demand - Supply

While the composition and the age of a company’s fleet do have an effect on its earnings and expenses, the following table illustrates the various external factors governing demand and supply which drive the Shipping Industry and create the business cycle.

## FREIGHT MARKET : DEMAND and SUPPLY



### 2.3 Shipping Market Index

The BDI is the leading indicator of spot dry bulk cargo market rates, calculated by the London-based Baltic Exchange. A description of the BDI and its computation method is provided hereunder.

#### The Baltic Dry Index

The BDI is the successor to the Baltic Freight Index (BFI) and came into operation on 1<sup>st</sup> November, 1999. Since 1<sup>st</sup> July, 2009, the BDI has been a composite of an average of the time charter rates (TC) of Capesize, Panamax, Supramax and Handysize vessels on certain shipping routes. The BDI is computed by applying the following formula:

$$((\text{Capesize TC} + \text{Panamax TC} + \text{Supramax TC} + \text{Handysize TC})/4) \times 0.113473601.$$

The multiplier was first applied when the BDI replaced the BFI, and has changed over the years as the contributing indices and the methods of calculation have been modified.

#### Baltic Supramax Index (BSI)

The Baltic Supramax Index is based on the following type of vessel as described below:

Standard "Tess 52" type vessel with grabs as follows:

- 52,454 DWT self trimming single deck bulk carrier on 12.02 m draught.
- 189.99 m length, 32.26 m breadth, 5 hatches, 67,756 cubic metres space for loading cargo.
- Speed of 14 knots loaded with cargo, speed of 14.5 knots without any cargo on a consumption of 30mt of fuel oil per day at sea.
- 4 Cranes, each of 30mt lifting capacity with 12 cubic metre grabs for loading and or discharging cargoes.
- Maximum age of Vessel - 10 years.

## Route definitions

**Route 1A:** Delivery of the ship within Antwerp/Skaw range for one single time charter. Duration of the time charter about 60/65 days. Redelivery of the ship within Singapore/Japan range including China. Weightage applied: 12.5 percent.

**Route 1B:** Delivery of the ship passing Canakkale for one single time charter. Duration of the time charter about 50/55 days. Redelivery of the ship within Singapore/Japan range including China. Weightage applied: 12.5 percent.

**Route 2:** Delivery of the ship within South Korea/Japan range for one single time charter via Australia or cross the Pacific Ocean. Duration of the time charter about 35/40 days. Redelivery of the ship within South Korea/Japan range. Weightage applied: 25 percent.

**Route 3:** Delivery of the ship within South Korea/Japan range for one single time charter. Duration of the time charter about 60/65 days. Redelivery of the ship within Gibraltar/Skaw range. Weightage applied: 25 percent.

**Route 4A:** Delivery of the ship within the US Gulf for one single time charter. Duration of the time charter about 30 days. Redelivery of the ship within Skaw/Passero range. Weightage applied: 12.5 percent.

**Route 4B:** Delivery of the ship within Skaw/Passero range for one single time charter. Duration of the time charter about 30 days. Redelivery of the ship within the US Gulf. Weightage applied: 12.5 percent.

In all the above, it is assumed that 5% total commission on the Gross Time Charter Hire would be payable and business is done within 5/10 days in advance of the ship being free of her last cargo.

## Baltic Handysize Index (BHSI)

The Baltic Handysize Index is based on the following type of vessel as described below:

- 28,000 DWT self trimming single deck bulk carrier on 9.78m draught.
- 169m length, 27m breadth. 5 holds and 5 hatches. 37,523 cubic metres space for loading cargo.
- Speed of 14 knots on average with a consumption of 22mt fuel per day at sea.
- 4 Cranes each of 30mt capacity for loading and or discharging cargoes.
- Maximum age of Vessel - 15 years.

## Route definitions

**Route 1:** Delivery of the ship within Skaw/Passero range for one single time charter. Duration of the time charter about 35/45 days. Redelivery of the ship within Recalada/Rio de Janeiro range. Weightage applied: 12.5 percent.

**Route 2:** Delivery of the ship within Skaw/Passero range for one single time charter. Duration of the time charter about 35/45 days. Redelivery of the ship within Boston/Galveston range. Weightage applied: 12.5 percent.

**Route 3:** Delivery of the ship within Recalada/Rio de Janeiro range for one single time charter. Duration of the time charter about 35/45 days. Redelivery of the ship within Skaw/Passero range. Weightage applied: 12.5 percent.

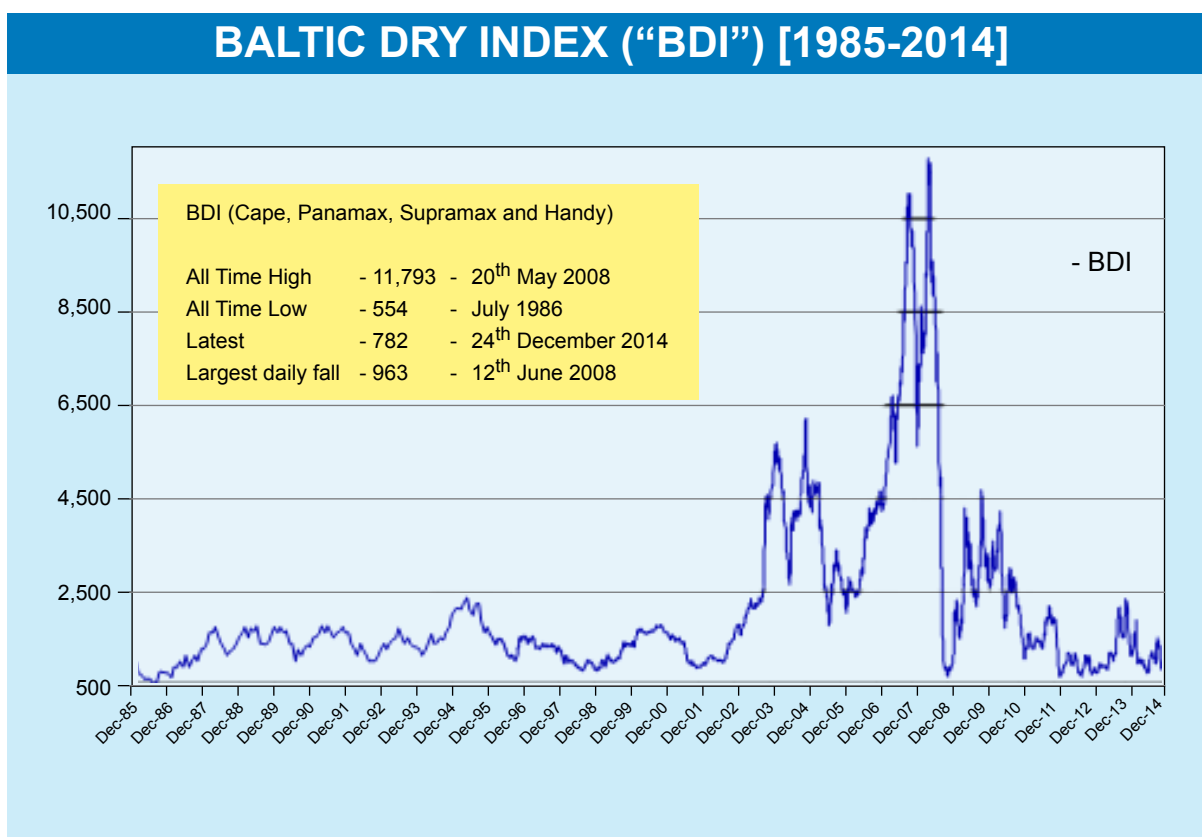
**Route 4:** Delivery of the ship within US Gulf for one single time charter. Duration of the time charter about 35/45 days via US Gulf or North Coast South America. Redelivery of the ship within Skaw/Passero range. Weightage applied: 12.5 percent.

**Route 5:** Delivery of the ship within South East Asia for one single time charter via Australia. Duration of the time charter about 25/30 days. Redelivery of the ship within Singapore/Japan range including China. Weightage applied: 25 percent.

**Route 6:** Delivery of the ship within South Korea/Japan range for one single time charter via North Pacific. Duration of the time charter about 40/45 days. Redelivery of the ship within Singapore/Japan range including China. Weightage applied: 25 percent.

In all the above, it is assumed that 5% total commission on the Gross Time Charter Hire would be payable and business is done within 5/10 days in advance of the ship being free of her last cargo.

The following graph shows the movement of the BDI from 1985 to the end of the previous year (2014).



## 2.4 Maritime Laws and Regulations

Maritime laws and regulations are very complex and rigid. Due to PSL's strict observance of all maritime laws and regulations, coupled with excellent maintenance of its vessels, increasingly stringent regulatory environments actually play to PSL's strengths. For example, PSL's vessels frequently sail into Australia, U.S., Canada and the European Union where authorities are very harsh, whereas similar aged vessels owned/managed by others would prefer not to, due to the possibility of being detained and incurring very costly and unplanned repairs.

The following major laws and regulations govern the International Shipping Industry:

### 1. Flag State

Each ship is registered under a Flag State, which is the nation where the ship is registered and which holds legal jurisdiction as regards operation of the ship. The Flag State issues a Certificate of Registry, which is one of the essential documents that every ship has to possess before she can operate and sail from or to any port. This certificate generally contains details of the ship, flag and owner.

## **2. International Maritime Organization**

The International Maritime Organization (IMO) is a U.N. body, which regulates the International Shipping Industry for safety of life, property and the environment.

IMO has adopted numerous conventions, of which the most important are: Safety of Life at Sea (SOLAS), Maritime Regulations for Prevention of Pollution (MARPOL), Standards for Training Certification and Watch-keeping (STCW) & Maritime Labour Convention (MLC); these are the four pillars of the International Maritime Industries regulatory frame work.

IMO Conventions are constantly being reviewed and updated to keep them in line with changing trends. Flag States are members of the IMO and are committed to abide by these conventions and regulations. Under MARPOL requirements, major changes with regard to reducing air pollution will come into force from 1<sup>st</sup> January, 2013. New ships built after this date are required to have an Energy Efficiency Design Index (EEDI) determined at the construction stage. The IMO has set a limiting value for EEDI which cannot be exceeded; IMO has also issued detailed guidelines for improving the EEDI in subsequent years. All ships are also required to have a Ship Energy Efficiency Management Plan (SMEEP) from 1<sup>st</sup> January, 2013. Engine exhaust emission standards are also controlled by the MARPOL regulations. Caribbean Emission Control Area (ECA) became mandatory from 1<sup>st</sup> January, 2014. The emission standards applicable will be the same as those for the North American, North sea and Baltic ECA, i.e. vessels were allowed to use only Low Sulphur Fuel Oil (LSFO) with maximum 1% sulphur content during the first phase from January 2014 until January 2015. The second phase begins in January 2015, when vessels in all ECAs must use fuel with a maximum sulphur content of 0.1%. Due to non availability of suitable fuel worldwide, ships will need to burn Low Sulphur Marine Gas oil (MGO) which is much more expensive than heavy fuel oil being used now. Use of MGO in the Main Engine is also a very big challenge technically, as engines and fuel oil systems are not designed for its use on existing vessels.

Please note that unlike “Wider Caribbean area for Garbage Special area”, the United States Caribbean Sea ECA for LSFO includes the sea area located off the Atlantic and Caribbean coasts of the Commonwealth of Puerto Rico and the United States Virgin Islands only.

## **3. Classification Societies**

Marine insurance policies are subject to a classification clause. Each ship is required to be registered or classed with a world-wide, experienced, and reputable organization, called a Classification Society. The International Association of Classification Societies (IACS) was established in 1968 and has leading Societies as members. The Classification Societies ensure that standards for construction and maintenance of the ships are complied with and are also usually empowered by Flag States to ensure compliance with IMO conventions.

## **4. Carriage of Goods by Sea Act**

The Carriage of Goods by Sea Act (COGSA) was introduced in 1924 in Brussels, after many shipping conferences were held among various European nations interested in shipping transportation; subsequently, similar legislation was also introduced in America. This law covers the international transportation of merchandise by sea and has been amended many times since. The most recent amendment was made in 1992.

## **5. International Safety Management Code (ISM Code)**

This code is for the safe operation of ships and prevention of pollution at sea and came into force on 1<sup>st</sup> July, 1998. The ISM Code, which is a part of the IMO SOLAS Convention, applies to all vessels engaged in international trade. For compliance with the ISM code, two levels of certification are required: the manager/operator (defined as the “Company” in the code) will have a Document of Compliance ‘DOC’, and each and every vessel will have a Safety Management Certificate ‘SMC.’ This code ensures that not only the ship but also the company managing the ship from ashore are subject to certification.

## **6. International Code for the Security of Ships and of Port Facilities (ISPS Code)**

This code was developed by the IMO in the aftermath of 9/11 attacks in New York. The ISPS Code came into force in July 2004 and establishes mandatory measures aimed at improving the security of ships and port facilities to better protect them from all sorts of threats.

## **7. International Labour Organization (ILO)**

The International Labour Organisation (ILO) has adopted the Maritime Labour Convention 2006 (MLC 2006). The MLC convention is referred to as the “fourth pillar” of the maritime regulations, the others being SOLAS, MARPOL & STCW.

The MLC 2006 achieved the required ratification criteria in August, 2012. All vessels are required to comply with MLC 2006 before 20<sup>th</sup> August, 2013.

The Appendices to the MLC 2006 Convention contain two key model documents: a maritime labour certificate and a declaration of maritime labour compliance. These certificates would be issued by the Flag State to a ship that flies its flag, once the State (or a recognized organization that has been authorized to carry out the inspections) has verified that the labour conditions on the ship comply with national laws and regulations implementing the Convention.

The MLC 2006 addresses the following in respect of conditions on board the ship:

Title 1: Minimum requirements for seafarers to work on a ship.

Title 2: Conditions of employment.

Title 3: Accommodation, recreational facilities, food and catering.

Title 4: Health protection, medical care, welfare and social security protection.

Title 5: Compliance and enforcement - on board complaint procedures.

Thailand has not yet ratified the Maritime Labour Convention. Therefore, the Statement of Compliance with Maritime Labour Convention carried by Thai flag vessels may not be acceptable in countries that have ratified the Convention. This may cause uncertainty in smooth trading of Thai flagged vessels worldwide. The Company is in discussion with the Thai Government authorities to address this issue.

Singapore has ratified the MLC. Hence the Company's vessels flying the Singapore flag vessels are fully compliant with the MLC requirements.

## **8. International Health Organization (IHO)**

Ships have to maintain a valid Ship Sanitation Exemption/Control Certificate. Previously, ships were required to comply with a De-rat/Exemption Certificate which was primarily to curb the spread of Plague due to the possible presence of rats on board. The new International Health Regulation (IHR) 2005 and Ship Sanitation Certificate replace the De-rat/Exemption Certificate. The IHR 2005 is concerned with spread of diseases that encompass both infection and contamination. Potentially, a number of infectious diseases or kinds of contamination could be spread by ships. Accordingly, the IHR 2005 provides for ships engaged in international voyages to be issued with a Ship Sanitation Control Exemption Certificates where the public health authorities have inspected a ship and found no evidence of infection or contamination, or of vectors or reservoirs of infection and contamination or of microbiological, chemical and other risks to human health, or signs of inadequate sanitary measures or Ship Sanitation Control Certificates where the public health authorities are satisfied that procedures necessary to rid the ship of infection, contamination and/or their vectors/reservoirs have been effectively carried out.

## **9. International Convention on the Control of Harmful Anti-fouling Systems (AFS) for Ships**

A new IMO convention will prohibit the use of harmful organisms in anti-fouling paints used on ships and will establish a mechanism to prevent the potential future use of other harmful substances in anti-fouling systems. Ships have to carry a certificate to demonstrate compliance with AFS.

## **10. International Convention on Standards of Training, Certification and Watch-keeping for Seafarers, 1978, as amended (STCW 1978)**

The 1978 STCW Convention was the first to establish basic requirements on training, certification and watch-keeping for seafarers on an international level. Previously, the standards of training, certification and watch-keeping of officers and ratings were established by individual governments, usually without reference to practices in other countries. As a result, standards and procedures varied widely, even though shipping is the most international of all industries. The Convention prescribes minimum standards related to training, certification and watch-keeping for seafarers which countries are obliged to meet or exceed. In 1995, a major revision was carried out in order to bring about more stringent requirements to the standards.

Another major revision to the STCW Code has been adopted at a Diplomatic Conference in Manila in June 2010, thereby ensuring that the necessary global standards will be in place to train and certify seafarers to operate technologically advanced ships for some time to come. The amendments, known as “The Manila amendments to the STCW Convention and Code” entered into force on 1<sup>st</sup> January, 2012, under the tacit acceptance procedure and were aimed at bringing the Convention and Code up to date with developments since they were initially adopted in 1978 and further revised in 1995; and to enable them to address issues that are anticipated to emerge in the foreseeable future. Amongst the amendments adopted, there are a number of important changes to each chapter of the Convention and Code.

## **11. International Convention for the Control and Management of Ships’ Ballast Water and Sediments, 2004**

Ships take in large volume of ballast water after discharging cargo to maintain stability. This ballast water containing species from one region is discharged in another region where the ships load a cargo. The problem of invasive species has increased due to the expanded trade and traffic volume over the last few decades. The effects in many areas of the world have been devastating. Quantitative data show that the rate of bio-invasions is continuing to increase at an alarming rate, in many cases exponentially, and new areas are being invaded all the time. At present, the regulations require vessels to exchange ballast water at open sea before discharging into a different port. New regulations will require ships to treat the ballast water taken into its tanks with the help of an approved treatment system which needs to be installed on board. When the Ballast Water Management Convention enters into force 12 months after ratification by 30 States, representing 35% of world merchant shipping tonnage, ballast water on board will need to be treated to achieve standards specified by the IMO. Installation schedules for ballast water treatment systems applicable to PSL’s vessels have been relaxed. As per the amended schedules, vessels are required to comply only at the time of first renewal survey of the International Oil Pollution Prevention Certificate (IOPP) following the date of entry into force of the Convention. As of now, the Convention has attained ratification by 43 countries amounting to only 32.54% of the world merchant shipping tonnage.

## **12. International Convention on Civil Liability for Bunker Oil Pollution Damage, (CLC 2001)**

The Convention was adopted to ensure that adequate, prompt, and effective compensation is available to persons who suffer damage caused by spills of oil, when carried as fuel in ships’ bunkers. The Convention applies to damage caused on the territory, including the territorial sea, and in exclusive economic zones of State Parties.



### 13. Various Regional and Local Regulations around the world

Shipping is regulated by various regional regulations and acts like:

- US Environmental Protection Act (EPA)
- US National Pollutant Discharge Elimination System (NPDES) is a system under the US Environmental Protection Rules (Clean Water Act) to minimize pollution within US territorial waters (3 nm). For ships greater than 79 feet in length, all the requirements are laid out in a document called the Vessel General Permit (VGP). These requirements are additional to international environmental rules such as MARPOL. The VGP establishes technology-based effluent limits for all vessels and for 26 specific discharges incidental to the normal operation of a vessel. In addition to these discharge and vessel specific requirements, extensive requirements are included for inspections, monitoring, reporting and record-keeping. The VGP requires a detailed review of environmental protection systems, crew training and record-keeping. The rules have been in force since the beginning of 2009. VGP requirements of the Environment Protection Agency (EPA) have become more stringent since January 2014.
- Since the year 2009 bulk cargo vessels (Non-tank vessels) were required to have in place a Non-tank vessel response plan (NTVRP) as per the US Code of General Regulations. The scope and requirements for US NTVRP is becoming larger and more vessel-specific from January 2014. Contracts and funding agreements are required with Salvage and Marine Fire Fighting companies as well as oil spill response organizations.
- As per California Air Resources Board (CARB), vessels are to comply with stringent fuel regulations within 24 nautical miles of the California State coast. Beginning January 1, 2014, the maximum permitted sulphur content in fuels used on board is 0.1%, for both marine gas oil and marine diesel oil.
- US EPA has made it mandatory from 1<sup>st</sup> July, 2012, for all vessels to have in place control measures and records against bio-fouling activity while in US waters.
- As per European Union directives, fuel burnt in ports within EU territory continues to be capped at 0.1% sulphur content.
- Black sea ports Bulgaria, Georgia, Romania, Russian Federation, Ukraine & Turkey are members of “The Commission on the Protection of the Black Sea Against Pollution”. Ships calling at these ports are subject to controls more stringent than MARPOL regulations and US requirements. Discharge of ballast water, sewage, grey water from wash rooms and even deck wash water are subject to scrutiny by the authorities.

### 14. Port State Control Inspections

Ships calling at ports in countries other than where the ship is registered are subject to inspections under Port State Control memoranda of understanding of various regions or under the authority of the local government. These inspections are targeted to identify and eliminate substandard vessels from trading. Any serious deficiency identified by the inspectors may result in detention of the vessel from sailing out until the deficiency is rectified to their satisfaction. The Port state control regime is receptive to complaints from crew members as well as any whistle blowers who disclose wrong doings or illegal activity carried out by the vessel.

# FLEET LIST

(As on 31<sup>st</sup> December 2014)

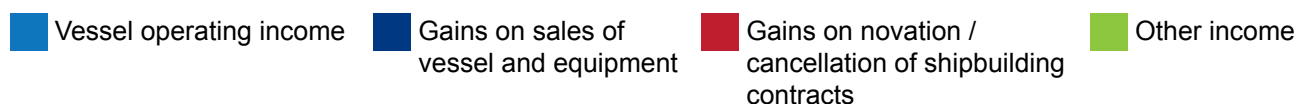
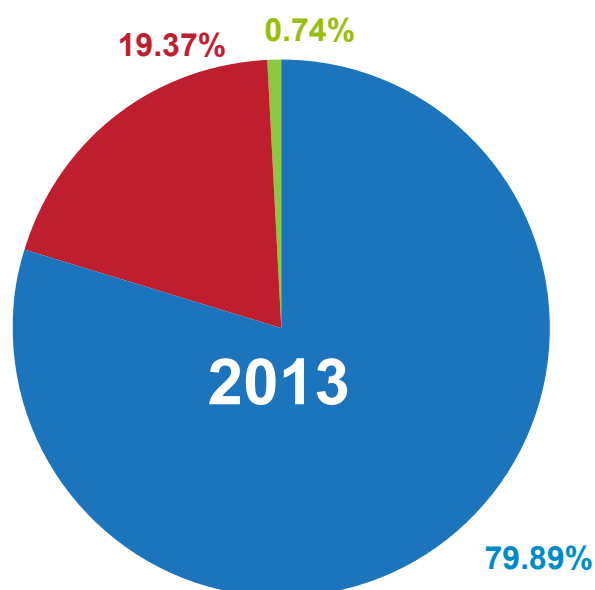
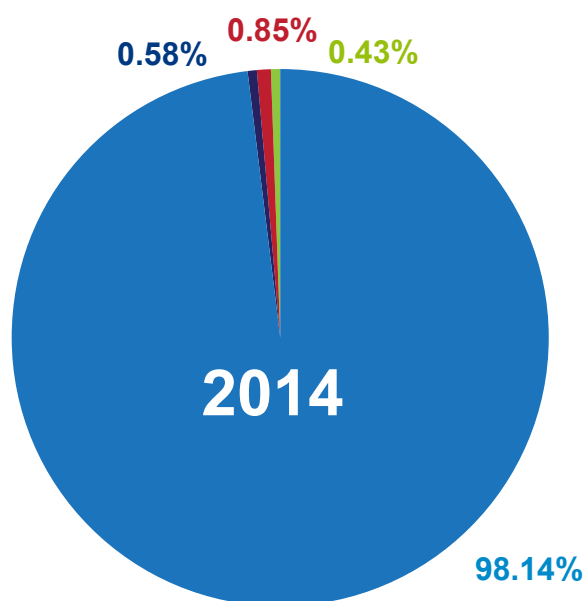
| No.                              | Vessel Name      | Flag      | Year Built | Dead Weight Tonnes (DWT) | *Net Book Value (Million US\$) | **Insured Value (Million US\$) |               |
|----------------------------------|------------------|-----------|------------|--------------------------|--------------------------------|--------------------------------|---------------|
| 1                                | Apisara Naree    | Thai      | 1996       | 18,596                   | 5.09                           | 5.90                           |               |
| 2                                | Bussara Naree    | Thai      | 1997       | 18,573                   | 5.37                           | 6.10                           |               |
| 3                                | Suchada Naree    | Thai      | 1994       | 23,732                   | 4.64                           | 4.65                           |               |
| 4                                | Parinda Naree    | Thai      | 1995       | 23,720                   | 4.71                           | 5.35                           |               |
| 5                                | Boontrika Naree  | Thai      | 1990       | 27,881                   | 2.79                           | 4.00                           |               |
| 6                                | Tharinee Naree   | Thai      | 1994       | 23,724                   | 4.18                           | 4.85                           |               |
| 7                                | Chollada Naree   | Thai      | 1997       | 18,485                   | 5.74                           | 5.75                           |               |
| 8                                | Dusita Naree     | Thai      | 1997       | 18,486                   | 5.66                           | 6.40                           |               |
| 9                                | Emwika Naree     | Thai      | 1997       | 18,462                   | 6.12                           | 6.15                           |               |
| 10                               | Ploypailin Naree | Thai      | 1995       | 26,472                   | 5.53                           | 6.25                           |               |
| 11                               | Fonthida Naree   | Thai      | 1995       | 28,484                   | 5.92                           | 6.75                           |               |
| 12                               | Rattana Naree    | Thai      | 2002       | 28,442                   | 11.07                          | 11.10                          |               |
| 13                               | Chalothorn Naree | Thai      | 1996       | 27,079                   | 8.17                           | 8.20                           |               |
| 14                               | Saranya Naree    | Thai      | 1991       | 28,583                   | 4.38                           | 4.75                           |               |
| 15                               | Sujitra Naree    | Thai      | 1995       | 28,290                   | 6.50                           | 6.75                           |               |
| 16                               | Vijitra Naree    | Thai      | 1997       | 28,646                   | 8.07                           | 8.70                           |               |
| 17                               | Urawee Naree     | Thai      | 1997       | 28,415                   | 11.75                          | 12.35                          |               |
| 18                               | Mathawee Naree   | Thai      | 1996       | 28,364                   | 12.13                          | 11.70                          |               |
| 19                               | Rojarek Naree    | Thai      | 2005       | 29,870                   | 16.50                          | 17.10                          |               |
| 20                               | Nalinee Naree    | Thai      | 2005       | 31,699                   | 17.97                          | 18.60                          |               |
| 21                               | Chamchuri Naree  | Thai      | 2005       | 33,733                   | 16.44                          | 16.45                          |               |
| 22                               | Charana Naree    | Thai      | 2005       | 33,720                   | 16.46                          | 16.50                          |               |
| 23                               | Mookda Naree     | Thai      | 2009       | 30,162                   | 15.64                          | 16.25                          |               |
| 24                               | Mayuree Naree    | Thai      | 2008       | 30,193                   | 15.14                          | 15.15                          |               |
| 25                               | Mallika Naree    | Thai      | 2008       | 30,195                   | 15.27                          | 15.30                          |               |
| 26                               | Lanna Naree      | Thai      | 2012       | 33,843                   | 18.28                          | 18.75                          |               |
| 27                               | Latika Naree     | Thai      | 2012       | 33,869                   | 18.38                          | 18.75                          |               |
| 28                               | Ananya Naree     | Singapore | 2011       | 33,857                   | 27.12                          | 27.15                          |               |
| 29                               | Benjamas Naree   | Singapore | 2012       | 33,780                   | 27.44                          | 27.45                          |               |
| 30                               | Chintana Naree   | Singapore | 2013       | 33,945                   | 22.99                          | 23.00                          |               |
| <b>Handysize 30 Vessels</b>      |                  |           |            | <b>Total</b>             | <b>833,300</b>                 | <b>345.45</b>                  | <b>356.15</b> |
|                                  |                  |           |            | <b>Average</b>           | <b>27,777</b>                  | <b>11.52</b>                   | <b>11.87</b>  |
| 31                               | Kanchana Naree   | Thai      | 2011       | 56,920                   | 24.38                          | 24.35                          |               |
| 32                               | Kirana Naree     | Thai      | 2011       | 56,823                   | 24.31                          | 24.40                          |               |
| 33                               | Warisa Naree     | Thai      | 2010       | 53,839                   | 12.34                          | 16.50                          |               |
| 34                               | Wariya Naree     | Thai      | 2011       | 53,833                   | 13.44                          | 17.00                          |               |
| 35                               | Wikanda Naree    | Thai      | 2013       | 53,857                   | 15.46                          | 18.00                          |               |
| 36                               | Apiradee Naree   | Singapore | 2012       | 56,512                   | 25.72                          | 25.75                          |               |
| 37                               | Baranee Naree    | Singapore | 2012       | 56,441                   | 25.71                          | 25.75                          |               |
| 38                               | Chayanee Naree   | Singapore | 2012       | 56,548                   | 25.80                          | 25.80                          |               |
| 39                               | Daranee Naree    | Singapore | 2012       | 56,588                   | 26.00                          | 26.00                          |               |
| <b>Supramax 9 Vessels</b>        |                  |           |            | <b>Total</b>             | <b>501,361</b>                 | <b>193.16</b>                  | <b>203.55</b> |
|                                  |                  |           |            | <b>Average</b>           | <b>55,707</b>                  | <b>21.46</b>                   | <b>22.62</b>  |
| 40                               | Inthira Naree    | Thai      | 2014       | 63,468                   | 27.99                          | 28.00                          |               |
| 41                               | Issara Naree     | Thai      | 2014       | 63,516                   | 28.00                          | 28.00                          |               |
| <b>Ultramax 2 Vessels</b>        |                  |           |            | <b>Total</b>             | <b>126,984</b>                 | <b>55.99</b>                   | <b>56.00</b>  |
|                                  |                  |           |            | <b>Average</b>           | <b>63,492</b>                  | <b>28.00</b>                   | <b>28.00</b>  |
| 42                               | Apinya Naree     | Singapore | 2014       | 21,136                   | 24.55                          | 37.10                          |               |
| 43                               | Boonya Naree     | Singapore | 2014       | 21,159                   | 24.99                          | 37.10                          |               |
| 44                               | Chanya Naree     | Singapore | 2014       | 21,114                   | 24.70                          | 37.10                          |               |
| <b>Cement Carriers 3 Vessels</b> |                  |           |            | <b>Total</b>             | <b>63,409</b>                  | <b>74.24</b>                   | <b>111.30</b> |
|                                  |                  |           |            | <b>Average</b>           | <b>21,136</b>                  | <b>24.75</b>                   | <b>37.10</b>  |
| <b>44 Vessels</b>                |                  |           |            | <b>Total</b>             | <b>1,525,054</b>               | <b>668.84</b>                  | <b>727.00</b> |
|                                  |                  |           |            | <b>Average</b>           | <b>34,660</b>                  | <b>15.20</b>                   | <b>16.52</b>  |

Remarks \* Net Book Value is as per US Dollars (functional currency) financial statements as on 31<sup>st</sup> December 2014  
 \*\* Insured Value means agreed value to be received from the insurer in case of total loss of the Vessel

# REVENUE STRUCTURE

Revenue Structure from the Operation of the Company and Subsidiaries for the last 2 years

| Revenues   | 2014            |               | 2013            |               |
|--|-----------------|---------------|-----------------|---------------|
|  | Baht Million    | %             | Baht Million    | %             |
| Vessel operating income                                    | 4,575.03        | 98.14         | 3,857.64        | 79.89         |
| Gains on sales of vessel and equipment                     | 26.98           | 0.58          | 0.05            | 0.00          |
| Gains on novation / cancellation of shipbuilding contracts | 39.55           | 0.85          | 935.41          | 19.37         |
| Other income   | 20.04           | 0.43          | 35.51           | 0.74          |
| <b>Total Revenues</b>                                      | <b>4,661.60</b> | <b>100.00</b> | <b>4,828.61</b> | <b>100.00</b> |



# THE BOARD OF DIRECTORS



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## 1. Mr. Thira Wipuchanin

- Chairman of the Board of Directors
- Independent Director

## 2. Mr. Suphat Sivasriamphai

- Chairman of Audit and Corporate Governance Committee
- Nomination Committee Member
- Independent Director

## 3. Mr. Khalid Moinuddin Hashim

- Director & Executive Director
- Managing Director

## 4. Mr. Munir Moinuddin Hashim

- Director & Executive Director\*
- Director - Commercial

(\* Ceased from the position of Executive Director with effect from 12 January 2015)

## 5. Mr. Khushroo Kali Wadia

- Director & Executive Director
- Director - Finance

## 6. Mr. Jaipal Mansukhani

- Director\*

(\* Appointed as an Executive Director with effect from 12 January 2015)



7



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10



11



12

**7. Ms. Nishita Shah**

- Director

**8. Mr. Kirit Shah**

- Director
- Remuneration Committee Member

**9. Mr. Chaipatr Srivisarvacha**

- Chairman of Nomination Committee
- Independent Director

**10. Associate Professor**

**Pavidia Pananond, Ph. D.**

- Audit and Corporate Governance Committee Member
- Remuneration Committee Member
- Independent Director

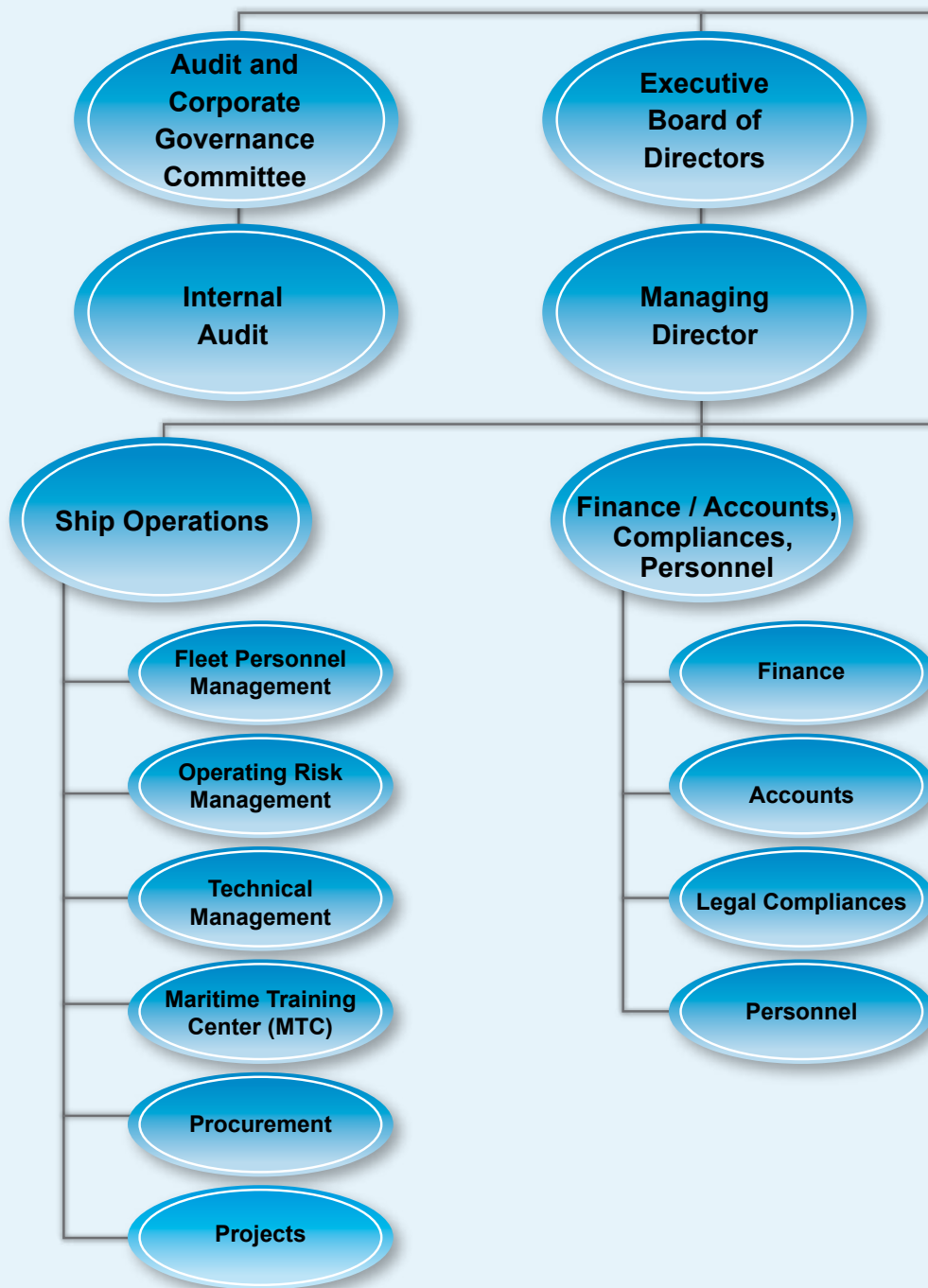
**11. Mr. Kamtorn Sila-On**

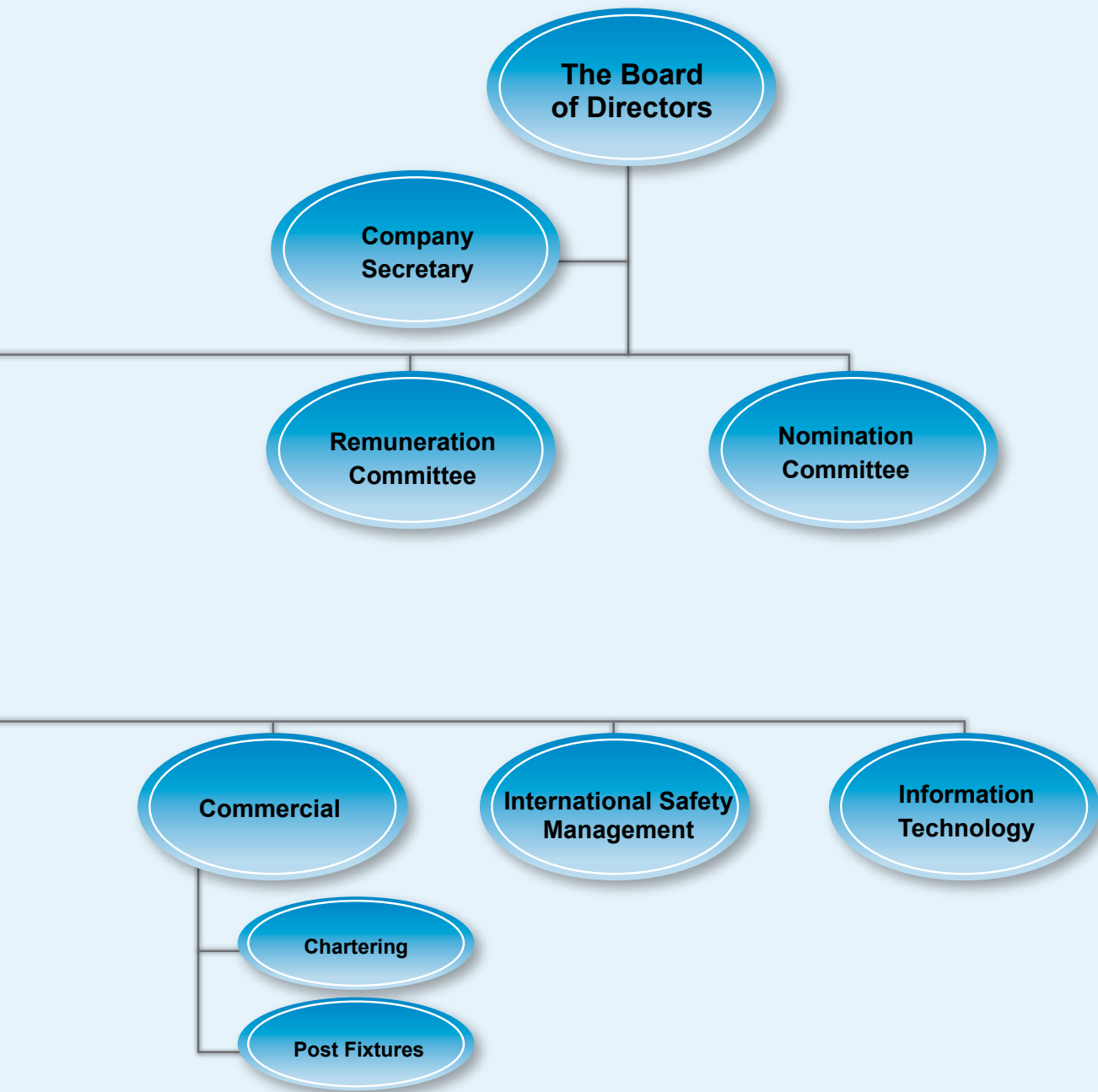
- Chairman of Remuneration Committee
- Audit and Corporate Governance Committee Member
- Nomination Committee Member
- Independent Director

**12. Mr. Ishaan Shah**

- Director

# ORGANIZATION CHART





# BOARD OF DIRECTORS' REPORT



**Mr. Khalid Moinuddin Hashim**  
Managing Director

## TO THE SHAREHOLDERS:

The directors are pleased to present the 26<sup>th</sup> Annual Report of the Company along with the Audited Financial Statements as on 31<sup>st</sup> December 2014.

**2014 the year of the unexpected:** 2013 was a year of contrasts with the second half outperforming the first half creating the perfect conditions for the maritime world to expect a sterling performance in 2014 with the long-awaited recovery almost in sight. And we could not have been more wrong. 2014 was, for the maritime world, what Queen Elizabeth once referred to as the 'Annus Horribilis', a year that we would not look back with undiluted pleasure. The average BDI at 1,105 points for the year, the 6<sup>th</sup> lowest in history, tells the story. As a result of this disappointing year, the consensus opinion is that 2015 will be a very challenging year.

The difference between the second half of 2014 compared to the second half of 2013 was that iron ore from Brazil to China did not perform as well in 2014 as compared to 2013. The ton-mile intensity of Brazil as compared to Australia is about 3/3.5 times. In 2014 Australia supplied the entire excess of about 110 MMT of iron ore that China imported over the quantity imported in 2013. Normally all such increases, between any two years, are shared equally between Australia and Brazil. It apparently did not happen in 2014 and hence the dismal rates for the cape sector. The other difference was the complete absence in 2014 of any form of seasonality. The dry bulk market thrives on spikes or seasonality. The Chinese did not do any 'binge' buying due to tighter credit conditions and the South American grain season simply did not happen as the farmers preferred to hold their grain in silos rather than sell and be faced with the constant devaluation of their local currency. As a result, during June 2013 more than 100 ships were waiting to load grain outside just one port in Brazil, Paranagua, versus ZERO ships waiting to load grain during June 2014 in Brazilian waters.

The dry bulk markets propensity to surprise, therefore seems to be alive, and in good health! We were very bullish this time last year about the prospects in 2014 and got a 'rude shock', we are similarly bearish about the prospects for 2015, and we could be 'pleasantly surprised' with results that defy current expectations. It is now almost 7 years since the dry bulk markets have been in a crisis. Even the scriptures forecast a maximum of 7 years of famine so hopefully we have seen the last of the 'bad' years.

Hartland Shipping Services neatly summed up all that had gone wrong in 2014. "One thing is clear: 2014 dealt us a series of bad hands on the demand side. In dry cargo there is a chronological list of things that went wrong. A harsh winter in the US and mild one in Europe drastically reduced eastbound transatlantic coal volumes. Indonesia's January ban on the export of unprocessed minerals is still in place and has taken a lot of bauxite and nickel ore shipments from the market. In the spring, China cancelled 2 MMT of South American soya bean imports as a resurgence of bird flu hit demand for soya bean meal as feed. A wet summer in China increased hydropower by 40% year-on-year in August at the expense of thermal coal imports. Now all coal





**Mr. Khushroo Kali Wadia**  
Executive Director

imports may be affected by October's introduction of import taxes designed to protect Chinese miners. Our view is that most of these negative factors could dissipate or even reverse, dealing us a better hand in 2015 just as tonnage supply growth is set to moderate. End October capesize rates soared as Chinese steel mills took advantage of lower iron ore prices to build inventories from Australia and Brazil. It shows that low prices can stimulate shipping activity regardless of the fact that final demand is soft. In China, steel is now as cheap as cabbage, so mills are exporting more with volumes up 73% year-on-year in September. Brent crude is down since mid June and US gasoline prices have fallen [significantly] from a peak of \$3.64 per gallon in April. That is a big tax cut for consumers. Hopefully it will feed through into rising consumption, ultimately leading to increased seaborne demand for a wide variety of processed and unprocessed goods. Most commodities have also fallen in price this year, extending losses from previous years. Iron ore has [more than] halved in price since its early 2013 peak of \$160 per ton. Corn is down almost 60% since its mid 2012 peak. Cotton is 70% cheaper than it was in early 2011. Copper is down 35% and thermal coal down 45% over the same period, and off 10% and 13% respectively this year alone. If lower commodity prices stimulate real global consumption, in ways that low interest rates have not, then 2015 could turn out to be a much better year for shipping than many are now expecting. Lots of things have to align themselves in just the right order, but we are overdue some luck after a really unhelpful sequence of events in 2014."

**Shipping banks** that contributed to the current debacle with 'easy loans', during the boom years prior to and including 2008, allowing ship owners to over-order/buy ships with little equity and no forward contract coverage, have for the most part taken big hits and where possible have sold their existing loan books at cents to the dollar. Restructuring, inside or outside the bankruptcy courts, has happened in quite a few cases and others are in negotiation. As a result many traditional shipping banks have sold their loans in specifically targeted companies. Others have reduced their shipping loan portfolio via a bulk sale to others or have simply exited this business all together and have retired or disbanded their shipping teams. All these actions have resulted in losses so banks are loath to lend any more funds to our industry. Ship finance is, therefore, not getting easier.

The situation at the **newbuilding shipyards**, especially those that had been newly developed in the boom years of 2006 to 2008, has become impossible. Those that have managed to survive have reduced their existing capacity via consolidation; some have gone back to block-building and ship repairing; and others have converted to 'green' recyclers. China and South Korea are home to many newbuilding shipyards that have been reported in the shipping press as having closed down or being in deep financial distress.

**Low Oil Prices and the world economy:** According to Deutsche Bank research, for every USD 10 drop in the price of oil on an annual basis, world GDP increases by 0.40%. As shipping derives its demand from world GDP growth rates, any increase in world GDP growth rates would therefore be beneficial for our business. The rule of thumb is that dry bulk demand increases by about 1.5/2.0 times world GDP growth rates. A lot depends

on how well the lower oil prices help push world GDP growth rates higher. For those of you old enough to have lived and worked through the Asian crisis of 1997 you would recall that oil prices had more than halved during that time (USD 20/23 down to USD 9/10 per barrel). That was one of the major factors that helped the Asian economies survive and eventually export and consume their way out of trouble. We are confident that low oil prices could, once again, be of great assistance in saving the current world economy and allowing individual countries to export and consume their way out of their current economic woes. Besides, most commodities incur about 50% of their cost of production on energy. If oil prices stay very low, then this would mean that all commodity prices must come down and stay low for a sustained period of time. Lower prices, in general, result in greater demand and that would mean more cargoes for ships. Let us see how this low oil price theme plays out during 2015.

**Low Oil Prices and its impact on slow steaming:** Lower bunker prices in theory should result in a reduction of slow steaming but only if the day rates are high enough. At current charter rates no one will speed up their ships. In fact every charterer still insists on getting the ships 'eco' speed and they instruct Masters to prosecute their voyages at these 'eco' speeds.

**Scrapping** in 2012 had a stellar all time record of 35.97 MDWT dry bulk ships being scrapped. However, 2013 and 2014 scrapping came in at a disappointing 21.39 and 16.72 MDWT respectively. Scrapping rates are dependent on two main variables: the freight market (primary mover) and the price of scrap (secondary mover) and have no connection with lower or higher oil prices. The latest scrap prices at just below USD 400 per steel ton of scrapped dry bulk ships is probably at the trough and industry expectations are that scrap prices should go up from here onwards. If scrap prices do improve, and the freight markets remain as low as it currently is, we expect many more ships to be scrapped in 2015 than were scrapped in 2014. Basically, in a poor rate environment, where charterers are spoiled for choice of ships, they will not fix an older ship as they generally consume more oil, are more expensive to insure for their cargoes, their customers don't want shipment in older ships and younger ships are available at almost the same rates as the older ships. Therefore, older ships don't get employed in a low rate environment and cost their owners even to keep idle. Hence in a low rate environment, with no hope for employment, most owners of older ships would look at the scrapping route more closely and with a rise in scrap prices the decision making becomes easier.

**Slippage** is the difference between the DWT of new ships on order at shipyards at the beginning of the year and the actual deliveries of DWT of new ships at the end of the same year. Slippage in 2014 came in at 35.4% which was close to the average for the past 5 years. As a result, the net increase in supply for 2014 was 35.15 MDWT with a yearend number of 770.34 MDWT. This amounted to a 4.78% net increase in the World Dry Bulk fleet, the smallest in the last 9 years! With slippage and scrapping demonstrating such volatility, the net increase in DWT of ships in future years will remain difficult to predict with any real accuracy. We think that slippage and scrapping will retain their unpredictability and will fluctuate inversely with the strength of the Baltic Dry Index (BDI). If we assume annual slippage at 35% and scrapping at 20 MDWT, then net increase in the Dry Bulk Sector would be 4.61% or 28.64 MDWT to 805.84 MDWT at the start of 2016. Applying the same assumptions we get a net fleet growth of 26.79 MDWT or 5.30% to 848.51 MDWT by the start of 2017.

On the **demand front**, the large clouds of uncertainty are still on the horizon. **China**, the big mainstay of the dry bulk markets, has struggled with GDP growth at an anemic, at least for China, 7.4% in 2014. China's economy in 2015 is expected to grow around 7% based on the assumptions of modest easing, prudent monetary policy, a clampdown on corruption, increase in domestic consumption and an increase in exports due to the healthy macro economic trends exhibited in their largest market, the USA. China is trying to stimulate its domestic economy and curb its dependence on its export markets. In terms of actual imports for 2014, China surprised the markets by increasing iron ore imports dramatically to 933.11 MMT (13.75% y-o-y), soya beans to 71 MMT (12.6% y-o-y) and logs/lumber at 67 MMT (11.1% y-o-y) whilst disappointing on coal at 292 MMT (down 9.4% y-o-y). Chinese steel exports have sky rocketed by 50.5% over the 2013 figure to reach 93.78 MMT. All this growth has taken place whilst the headlines were screaming 'China is slowing down!' During 2014 the IMF has calculated that China has become the largest economy in the world at USD 17.6 trillion on a purchasing power parity basis pipping America (17.4 trillion) into second place. The Chinese economic juggernaut is supposed to

grow at 'just' 7% during 2015 and newspaper headlines all over the world are screaming gloom and doom whilst the 4 to 5% growth rate of the US economy seems to hold the same newspapers spell bound as if genuflecting to their creator!

Economic growth is beginning to take a firm hold in the **USA**, the largest market in the world, where the Federal Reserve has not only stopped QE but is even contemplating raising interest rates, albeit in a very gradual manner towards the second half of 2015 as the economy is able to stand on its own two feet.

The **EU** is the second largest economy in the world after the USA and one of the largest exporting blocs in the world. Their economy has disappointed to such an extent that the EU Central Bank is on the verge of commencing their very own QE program. As a result the Euro has fallen sharply versus the USD and there is talk that it could soon head to party or below. This combination of QE and a falling currency could be the ingredients that finally spark their moribund economy into life. Their propensity to export must not be underestimated as Germany used to be one of the largest exporters in the world not too long ago. If they manage to grow their economy they will need more bulk imports to convert to semi-finished and finished products that would need to be shipped out requiring the services of our industry.

**Japan**, the second largest dry bulk player in the world, is facing economic uncertainty under Abenomics. However, Nuclear power remains shuttered so more coal is being imported. Japanese companies have made windfall profits, thanks to the Yen being allowed to depreciate from 75 to 115/120 Yen to the Dollar, and will likely reinvest in Japan as well as all their manufacturing plants in Asia/around the world requiring more dry bulk imports.

**India**, with its weak currency and new market oriented government could become a very large exporter of Agricultural products from their smaller, shallower drafted and inefficient ports which would result in massive congestion and consequently a reduction in effective supply of smaller ships. This would push the small handy sector in the right direction.

The consequence of increased demand would be a reduction in the scrapping of older ships. In the next four years time i.e. before the end of 2018, 17.4% of the current dry bulk fleet of 770.34 MDWT would be over 20 years of age, equal to 133.7 MDWT, and some part or all of them could head for the scrap yards.

To keep things in perspective with regards to PSL, we would like to highlight the annual net profit/loss over the past few years.

| Year                             | 2003  | 2004  | 2005  | 2006  | 2007  | 2008  | 2009  | 2010  | 2011  | 2012  | 2013  | 2014   |
|----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| <b>Av. BDI</b>                   | 2,617 | 4,510 | 3,371 | 3,180 | 7,065 | 6,390 | 2,617 | 2,758 | 1,549 | 920   | 1,206 | 1,105  |
| <b>Net Profit(loss) \$m</b>      | 24.8  | 110.1 | 154.2 | 92.6  | 125.1 | 148.1 | 88.1  | 35.5  | 23.6  | 4.5   | 17.5  | (2.5)  |
| <b>Av. No. of Ships</b>          | 28.39 | 44.63 | 52.89 | 54.00 | 44.97 | 44.12 | 32.79 | 21.39 | 21.91 | 30.44 | 38.93 | 41.66  |
| <b>Net Profit(loss)/Ship \$m</b> | 0.87  | 2.47  | 2.92  | 1.72  | 2.78  | 3.36  | 2.69  | 1.66  | 1.08  | 0.15  | 0.45  | (0.06) |

Our results for 2014 must be viewed against the average BDI for the year of 1,105 points, being the 6<sup>th</sup> lowest figure in BDI history. Whilst most of our peers were seeking protection under Chapter 11 or undergoing restructuring of some sort or the other, we managed to turn in a marginal loss. 2009 to 2011 will be remembered as the 'consolidation years' at PSL when we shrank our balance sheet, reduced our fleet size and prepared for the rejuvenation of our fleet with modern, efficient and larger ships.

## AWARDS AND ACCOLADES:

The Stock Exchange of Thailand recognized PSL as one of the companies with a prominent CSR program. The Stock Exchange of Thailand also recognized PSL as one of the companies with the Best Investor Relations in 2014. As if to validate this recognition from the SET, we were chosen as 'the best in class' in Corporate Governance in Thailand, and ranked second best when compared with companies from 12 different countries, involving a total of 322 select analysts and investors voicing their opinions in the largest ever poll conducted by Asiamoney. We were finalists for the IBJ Awards 2014 for the Bulk Ship Operator of the Year. We were also finalists for the Lloyd's List Asia Awards 2014 in the Ship Operator of the Year category.

## FINANCIAL HIGHLIGHTS (THAI BAHT TERMS) AND REVIEW OF THE YEAR:

In terms of operations, during the year under review, the Total Revenues of the Company were Baht 4,661.59 million [2013: Baht 4,828.61 million] and the Company incurred a Net Loss of Baht 80.22 million [2013: Net Profit of Baht 527.77 million]. The Shareholders' Equity of the Company is Baht 15,283.85 million [2013: Baht 15,631.03 million] and the Total Assets of the Company have increased during the year to Baht 27,908.53 million [2013: Baht 25,509.76 million] mainly due to the delivery of 5 Ships in 2014. The increase in Total Assets would have been higher had internal cash reserves not been utilized for prepayment of loans, payment of dividends and advance payments towards new buildings during the year. It is also to be noted that Total Assets in Thai Baht (Reporting Currency) being restated from U.S. Dollars (Functional Currency) was marginally higher due to depreciation of the Thai Baht against the U.S Dollar as at the end of year 2014 as compared that at the end of year 2013.

During the year, the Company incurred Baht 82.31 million [2013: profit of Baht 522.34 million] as Net Loss before Exchange gain of Baht 4.33 million [2013: Exchange Gain of Baht 13.33 million] and Income Tax of Baht 2.24 million [2013: Baht 7.90 million]. In terms of the Earnings, the Company's ships achieved an average time-charter equivalent earnings of USD 8,096 per day per ship as compared to USD 7,508 per day per ship for year 2013. The Net Ship Operating Income (net of voyage disbursements and bunker consumption) in absolute terms was higher than that of the previous year, mainly due to higher average ships operated in 2014 (42 ships) as compared to 2013 (39 ships) and average time-charter equivalent earnings per day per ship in year 2014 were higher as compared to year 2013. Absolute ship running expenses (Opex), also increased by about 19%, mainly due to an increase in average number of Ships operated in 2014 as compared to 2013. Average ship running cost per day per ship (Average Opex per Day) during the year was marginally higher as compared to 2013. The technical downtime was an average of 10.67 days per Ship, which is very good considering the average age of the fleet of about 10 years in 2014. The Company received Baht 1,454.28 million through cancellation proceeds and recorded gain of Baht 39.55 million on account of cancellation of 1 shipbuilding contract during the year. The Company has paid dividends of Baht 311.82 million during the year 2014.

We conducted an "in-house" exercise again this year to determine Total Return to Shareholders, which was calculated for the 21 years that we have been operating as a listed entity. Based on the closing share price as on Monday the 16<sup>th</sup> September 2014 of Baht 25.75 per share (we started trading on the SET on the 16<sup>th</sup> September 1993) and assuming you had subscribed at the IPO, then, at the end of 21 years, you would have 18.24 times your initial investment. This return does not assume any re-investment of the dividends into shares or any interest on the dividends received.

## FLEET REJUVENATION:

At the start of 2015, our fleet had 44 ships in the water (2 Ultras, 9 Supras and 33 Handy sizes) with an aggregate capacity of 1,525,040 DWT. This worked out to an average 34,660 DWT per ship, and an average age of about 10.5 years.

In a highly capital intensive business with very high leverage characterized by unpredictable and wildly swinging cycles, the timing of the purchase of ships is possibly the single most important decision that has to be made.

The Fleet Rejuvenation Plan is being realized. 2015 will be the real challenging year from an operational stand point. We plan to dispose of 21 older, and some younger but not so eco engine ships whilst taking delivery of 18 brand new eco engine ships. Another 7 brand new eco engine ships will be delivered during the early part of 2016 to take our fleet to 48 ships in the water with an average age of just 3.5 years and an average size close to 50,000 DWT!

**ABG Shipyard:** We had contracted a total of 21 ships (12X34K, 6X54K and 3X20K Cement ships) to be built at ABG. From these the first 34K ship was delivered in the middle of June 2011, the second in the end of March 2012 and the third in January 2013. We then profitably 'sold', through novations, nine shipbuilding contracts (5X34K and 4X54K) to an unrelated third party during 2011 to 2013. Thereafter, we cashed refund guarantees on another 9 ship building contracts (4X34K, 2X54K and 3X20K Cement ships) during 2013 and July 2014. With that action we have come to an end of the ABG saga.

## HIGHLIGHTS OF 2014:

**The dry bulk market** disappointed during 2014 with the impending recovery, which was promised to be just round the corner, failing to materialize. As a result most shipping companies found their share values tanking to almost all time lows by the end of the year. The year was characterized by Brazil steadily losing ground to the Australian iron ore export behemoth. Of the approximately 110 MMT of additional iron ore imported into China during 2014, Australia supplied almost all of it thereby reducing the ton-mile impact of this huge annual increase. This year also felt the complete and utter absence of any form of seasonality with the Chinese 'binge' buying being curtailed by tight credit conditions prevailing there. Grain shipments from South America were largely absent with not a single ship having to wait for grain cargoes in Brazilian waters as compared to the more than 100 ships that were waiting during June 2013.

**The Supply Side** numbers are finally showing light at the end of the proverbial dark tunnel. A total of 749 dry bulk ships or 51.88 MDWT entered the supply side during 2014. At the same time, owners have recycled as many ships as possible. Scrapping this year has not matched last year's 21.39 MDWT with 26 Capes, 26 Panamaxs, 47 Ultras, 59 Supras, 54 Handymaxes and 132 Handy sizes scrapped, equivalent to 16.72 MDWT. This has resulted in the global dry bulk fleet strength, at the start of 2015, reaching 770.34 MDWT. 2015 and 2016 have 85.40/66.52 MDWT of brand new ships scheduled for delivery. If we assume annual scrapping of 20 MDWT (it was 16.72 for 2014) and apply a 35% slippage (it was 35.40% in 2014) in expected annual deliveries, 2015 ends with a world fleet of 805.84 MDWT for a growth rate of just 4.6% over the year. Under the same twin assumptions, 2016 ends with 848.51 MDWT for a growth rate of just 5.3% over the end-year total of 2015. The tsunami of newbuilding deliveries has finally come to an end!

The effect of the **Global Financial Crisis** is finally dissipating with the major economies starting on an upward economic growth pattern. As highlighted in earlier parts of this report, the **USA** has taken the decisive step of stopping QE and indicating that interest rates would probably start being increased in the second half of 2015 as the Federal Reserve feels confident that the US economy is well enough to stand on its own two feet.

The largest economies within the **EU** block are exhibiting very mixed economic growth rates; the UK and Spain are in the ascendancy; Germany, Italy and France are showing weakness; and Greece looks set to exit the EU post their elections on the 25<sup>th</sup> January 2015. As a result the EU Central Bank plans to commence a QE program shortly. The news of this program has resulted in the Euro falling sharply versus the USD and there is talk that the Euro could soon head to parity or below. This combination of QE and a falling currency could be the ingredients that finally spark the moribund EU economy into life. The EU is the second largest economy in the world, just a bit smaller than the massive US economy, and an extremely large exporter. Positive growth rates in the EU block would have a substantial impact on the dry bulk markets with large quantities of raw materials being shipped in and semi-finished/finished goods being shipped out.

**Japan**, the 'sick man' of the OECD under Prime Minister Abe, Abenomics has had mixed success in managing their economy. With the yen depreciating from 75 to about 115/120 to the USD acting as a 'get out of jail free' card, most Japanese corporate have been making record profits, which will be ploughed back into capital assets not just in Japan but including other countries where they have manufacturing units. This should have a multiplier effect with even greater demand for dry bulk commodities to feed the ever growing and hungry manufacturing facilities at Japanese units all over the world. Coal imports into Japan have started to increase as a result of the Japanese population's distaste for all things Nuclear following the Fukushima reactor melt-down post the Tsunami in March 2013.

**India**, the country that always flatters to deceive, may yet prove its support for the Dry Bulk markets, under its new market-oriented government, as more and more coal fired port based Power Plants come on stream. Reports by the Paris-based International Energy Agency suggest that India could overtake China as the world's biggest buyer of seaborne coal and increase its annual coal imports to the 300-350 MMT mark before the end of 2016. India's coal imports rose 19% to 196.12 MMT during 2014 as power producers bought more due to low prices and a domestic shortage and shipments could rise to 230 MMT during 2015. India is the No.

3 importer of coal, behind China and Japan. With its weak currency and bumper crops, India might become a very large exporter of Agricultural products from its smaller, shallower drafted and inefficient ports. This would result in massive congestion and a consequent reduction in effective supply of smaller ships. This would help push the small handy sector in the right direction.

**China**, the big mainstay of the dry bulk markets, has struggled with GDP growth figures decreasing quarterly from 7.4% to 7.5% to 7.3% before finally rounding off the year at 7.3% for an annual average of 7.4%. However, China's economy in 2015 is expected to grow around 7% based on the assumptions of the continuation of modest easing, prudent monetary policy, increased domestic consumption and an increase in exports due to the strengthening macro economic conditions in the world. The fact that the once-in-a-decade political transition occurred in the middle of a five-year economic plan suggests that there will be no fundamental change in economic policy and economic reforms will continue under the New Leadership.

China's Iron Ore imports were an astonishing 933.11 MMT in 2014 or 13.75% higher than the 820.3 MMT in 2013! The December 2014 import figure of 86.85 MMT of iron ore was the highest monthly figure ever for any commodity anywhere in the world! Future import figures are contingent on import pricing parity versus domestic production and transportation costs. Provisional Chinese steel production for 2014 reached a staggering figure of about 813 MMT or about 4.96% higher than the already phenomenal figure of 774.57 MMT in 2013. Coal represents about 80% of China's energy requirements. Historically, China was self-sufficient in coal, but that is no longer the case. China imported 126 MMT of coal in 2009, 164 MMT in 2010, 182 MMT in 2011, 288.9 MMT in 2012, a whopping 322.01 MMT in 2013 and a lower 291.63 MMT in 2014 making it the single largest importer of coal in the world, four years in a row, and displacing Japan from the pole position it had occupied continuously since 1975! Coal imports are expected to grow steadily but are contingent on import pricing parity versus domestic coal production/transportation costs. In a country that currently produces and consumes some 3,800 MMT of Coal per annum, with the figure expected to grow to 4,150 MMT in the near future, even a small change in China's coal imports could have a dramatic impact on the Dry Bulk freight markets.

**The BDI** started the year at 2,113 points, but ended the year at 782 points. This was despite the fact that China imported 13.75% more iron ore or about 110 MMT more in 2014 than in 2013. Most other imports into China were stronger during 2014 except Coal which fell from 322.01 MMT to 291.63 MMT or about 9.43% lower. Finally, it was the scrapping of 19.11 MDWT of dry bulk ships that kept the BDI on life support.

The BDI average for 2014 was 1,105 points the sixth lowest average in BDI history. And this was in the year that the recovery was supposed to have taken strong roots! To give this some perspective, the long term average for the BDI (1985 – 2003) prior to the recent Bull Run was 1,358 points; including the Bull Run period (1985 – 2010) was 2,133 points; and during the Bull Run (2004 – 2010) was 4,265 points.

The Time Charter Equivalent (TCE) earnings of our Fleet during 2014 averaged USD 8,096 per day per ship. In terms of daily average Operating Expenses (Opex), we were marginally higher than our target of USD 4,600 per day per ship reaching a figure of USD 4,695 per day per ship.

**Market Segmentation/Benchmarking:** During 2014, the Baltic Handy Size Index averaged 524 points derived from the average Time Charter (TC) rate of USD 7,681. Compared to that, our Handies earned USD 7,895 outperforming the BHSI TC rate by 2.79%. Further, the Baltic Supramax Index (BSI) averaged 939 points derived from the average TC rate of USD 9,818. Compared to that, our Supramaxes earned USD 9,034, underperforming the BSI TC rate by 7.99%.

## THE INDUSTRY OUTLOOK:

**Scrapping:** 132 ships were removed or scrapped whilst 119 ships were added, resulting in a decrease of 13 ships or 0.47%, with the world fleet decreasing from 2,770 ships to 2,757 ships in the Small Handy Size sector (10 – 30,000 DWT) during 2014. The continued weakness of the freight market is the main force driving the acceleration of scrapping rates. It also helps that scrap steel prices have remained reasonably robust. It is, however, impossible to escape the conclusion that the age profile of ships in our sector will lead to a continued healthy scrapping rate in the future.

## A 'normal' supply of new ships is expected for 2015 and 2016:

**The Cape sector (90,000+ DWT: 1,934 ships of 336 MDWT at the start of 2015):** 386 ships of 74.2 MDWT or 22.1% of the existing DWT are scheduled for delivery up to end of 2018. In this sector, 282 ships of 52.4 MDWT or 15.6% will be over 20 years of age by 2018 and some or all of them are likely to be scrapped during 2015 to 2018.

**The Panamax sector (70 – 90,000 DWT: 1,972 ships of 154 MDWT at the start of 2015):** 366 ships of 29.8 MDWT or 19.4% of the existing DWT are to be delivered up to the end of 2018. The saving grace in the Panamax sector is that 271 ships of 19.9 MDWT or 13.0% of the fleet will be over 20 years of age by 2018 and some or all of them are likely to be scrapped during 2015 to 2018.

**The Ultramax sector (60 – 70,000 DWT: 394 ships of 25.5 MDWT at the start of 2015):** 613 ships of 38.6 MDWT or 151% of the existing DWT are scheduled for delivery up to the end of 2018. In this sector, 163 ships of 11.0 MDWT or 43.2% will be over 20 years of age by 2018 and some or all of them are likely to be scrapped during 2015 to 2018.

**The Supramax sector (40 – 60,000 DWT: 2,767 ships of 145.5 MDWT at the start of 2015):** 173 ships of 9.0 MDWT or 6.2% of the existing DWT are scheduled for delivery up to the end of 2018. In this sector, 491 ships of 22.2 MDWT or 15.2% will be over 20 years of age by 2018 and some or all of them are likely to be scrapped during 2015 to 2018.

**The Handymax sector (30 – 40,000 DWT: 1,573 ships of 54.4 MDWT at the start of 2015):** 446 ships of 16.4 MDWT or 30.2% of the existing DWT are scheduled for delivery up to the end of 2018. In this sector, 230 ships of 8.27 MDWT or 15.2 % will be over 20 years of age by 2018 and some or all of them are likely to be scrapped during 2015 to 2018.

**The Small Handy sector (10 – 30,000 DWT: 2,757 ships of 55.3 MDWT at the start of 2015):** 135 ships of 2.1 MDWT or 3.7% of the existing DWT are scheduled for delivery up to the end of 2018. In this sector, 939 ships of 20.0 MDWT or 36.1 % will be over 20 years of age by 2018 and some or all of them are likely to be scrapped during 2015 to 2018. With this extremely large overhang of very old ships, the supply dynamics appear to be the strongest in the small handy size sector, the sector in which we operate, of the Dry Bulk Tramp Freight market.

When reading the above numbers please keep in mind that Slippage has averaged 35% over the recent past and fluctuates inversely with the BDI and availability of finance.

Our **Competitive Position** based on our existing 44 ships-in-the-water plus the 25 ships on order, makes us one of the larger players in the market. With the ownership structure being extremely fragmented, we are recognized as an established brand name with clients wanting to do business with us first before they take their custom to any of the other smaller, and potentially weaker, players.

Additionally, our plan to rejuvenate our fleet with younger, larger, better geared and more economical vessels from the market at historically low levels will enhance our competitive position for years to come.

## THE ISSUES FACING OUR INDUSTRY:

With the Freight Markets increasingly more volatile than ever before, most prudent companies that have very little debt on their balance sheets and a lot of cash in their pockets will likely consolidate the industry. This could happen through the judicious purchase of second-hand tonnage or new building ships at historically low prices or via mergers and acquisitions or via PE entities consolidating their disparate holdings into any one, preferably, listed entity. By whatever means consolidation takes place, it is to be welcomed, as it can only make life a bit better for the remaining participants.

**Operating Costs** of our Company continued steady in 2014. Most components have remained at their previous levels. Crew wages however were revised upwards and are expected to increase further in the years to come for us as well as the Industry. The requirement for experienced senior personnel continues to remain a serious issue. The shortage is due to reasonable employment available ashore and in the offshore industry -

a much safer environment. Technological advancements on board modern ships both in navigation systems and machinery operations demand highly trained officers which only serves to exacerbate the situation.

**The Protection & Indemnity (“P&I”) insurers**, (‘P&I Clubs’), got a welcome respite by way of lower claims, and coupled with decent investment income, raked up the free reserves to record high levels. The “churn effect”, whereby old vessels paying high premium are scrapped/sold/replaced with new young & modern ones paying lower rates, was lower than in previous years, and this has also helped. Nevertheless, all Clubs belonging to the International Group of P&I Clubs continue to imposed a ‘general increase’, i.e. a fixed percentage increase in premium for the new policy year commencing 20<sup>th</sup> February 2014, in order to compensate for inflationary increases in cost of claims and to shore up finances generally. As reported earlier, the P&I insurance is unique and unavoidable as it provides almost limitless cover with top-quality claims-handling service for any situation that could arise from owning/operating ships. As such, shipowners have to contend with the increases, even if burdensome.

For all the reasons cited above, our average operating costs per day per ship for 2014 was marginally higher than the previous year; whilst we do not have figures for the industry norm, we expect we would have done better than others based on past experience.

**International Maritime Organization (IMO) conventions** are constantly updated to match demands for enhanced steps to protect the environment.

2014 saw a welcome drop in Fuel prices and a shift of focus to the impending use of ultra low sulphur fuel to comply with new onerous regulations for the protection of the environment.

Among several other requirements, engine exhaust emission standards are also controlled by the MARPOL regulations. Caribbean Emission Control Area (ECA) became mandatory from 01 January 2014. The emission standards applicable will be the same as those for the North American, North sea and Baltic ECA, i.e. vessels were allowed to use only Low Sulphur Fuel Oil (LSFO) with maximum 1% sulphur content during the first phase from January 2014 until January 2015. The second phase begins in January 2015, when vessels in all ECAs must use fuel with a maximum sulphur content of 0.1%. Due to non availability of suitable fuel worldwide, ships will need to burn Low Sulphur Marine Gas oil (MGO) which is much more expensive than heavy fuel oil being used now. Use of MGO in Main Engine is also a very big challenge technically as engines and fuel oil systems are not designed for its use on existing vessels. Technological challenges of the future will include operation of dual fuel engines (LNG/Fuel oil), as emission control laws become more strict. We are making efforts to install (on our new buildings) engines which can be adapted to dual fuel technology with some modifications.

More countries are insisting on stringent ballast water management practices on board ships. Ballast water management Convention will enter into force 12 months after ratification by 30 States representing 35% of world merchant shipping tonnage. Ballast water on board need to be treated to remove micro organism and mud etc to achieve minimum standards specified by IMO. Installation schedule for Ballast water treatment system applicable to our existing vessels have been relaxed recently. As per amended schedule, vessels are required to comply only at the time of first renewal survey of the International oil pollution prevention certificate (IOPP) following the date of entry into force of the convention. However the US environmental protection agency (EPA) has stipulated a slightly different schedule for compliance in the case of new building vessels. All new building vessels of the company (keel laid after 1<sup>st</sup> Dec 2013) are being equipped with ballast water treatment plants in accordance with US EPA requirement. As of now the convention has attained ratification by 43 countries amounting to only 32.54% of the required tonnage. Hence it is expected that ratification status of this convention will be achieved during the year 2015.

As a result of initiatives from the International Labor Organization (ILO), working and living conditions of crewmembers on board are receiving increased importance. In order to formalize this and ensure uniform compliance, (ILO) has adopted the Maritime Labour Convention 2006 (MLC 2006). A Maritime Labour Certificate (MLC) and a Declaration of Maritime Labour Compliance (DMLC) will be required on board to ensure compliance with the Convention for all ships above 500 tons in international trade. These certificates are to be obtained from the Flag state and their recognized organizations after thorough verification and surveys on board each



vessel. The MLC 2006 has attained the required number of member state ratifications in August 2012. All ships were required to meet the compliance requirement and have valid certificate for compliance with MLC convention before 20 August 2013. Since many flag states, including Thailand, have not fully complied with the MLC requirements, a grace period of one year expiring on 19 August 2014 has been agreed by ILO for all ships to be fully compliant. Thai flagged vessels operated by the Company have obtained a Statement of Compliance with the MLC 2006 after inspections and verification by the flag recognized organization. It is not clear if Thailand would ratify MLC convention any time soon. The Statement of Compliance with Maritime labour convention carried by Thai flag vessels may not be acceptable in countries that have ratified the convention. This may cause uncertainty in smooth trading of Thai flagged vessel worldwide. The Company is in discussion with the Thai Government authorities to address this issue at the earliest.

Singapore has ratified the MLC convention. Hence the Company's vessels flying the Singapore flag vessels are fully compliant with the MLC requirements.

Focus on the environment is becoming even more important. It is no longer just fashionable to say we are "Going Green"; organizations world-over are being pushed by their stakeholders to become more environment-conscious, guided by compliance with the newer regulations. The various measures adopted voluntarily by the Company to reduce its Carbon footprint has been explained in our Sustainability Report; besides, there are specific IMO Conventions and regulations mandated by individual countries, to control the emission of Sulphur dioxide, Nitrogen oxides, Halons and CFCs from our ships which contribute to Green House Gases. These regulations are expected to become more stringent in the coming years. In addition, certain states in the USA are likely to require ships calling their ports to use shore power which is greener than the power generated on board ships. 'Bonnet' technology is another concept, presently available only in certain ports, which can receive the exhaust gas from ships for treatment before discharging into the atmosphere. These measures are still evolving and there will likely be operational problems; besides, these will most likely result in additional expenses for the ship owners/operators. To formalize the Company's commitment towards preserving and conserving environment and to reduce carbon footprint, the Company has obtained ISO 14001:2004 certification from Class NK of Japan. The ISO 14001:2004 provides a framework for a holistic and strategic approach to the Company's environmental policy, plans and actions, and will demonstrate that the Company is an environmentally responsible organization. PSL vessels have implemented "Ship Energy Efficiency Management Plan" (SEEMP) required by MARPOL Annex VI regulations from January 2013. Vessels have also fully implemented the more stringent garbage disposal regulations required by MARPOL Annex V which came into force from January 2013.

**Maritime Training Center:** As previously reported, the Company set up a full-fledged Maritime Training Center at its Head Office in Bangkok in March 2008. The PSL Training Center includes a state-of-the-art Bridge Navigation Simulator for training of maritime personnel. Vessel-type specific Bridge Navigation Simulator recreates the actual maneuvering characteristics of the ship and its bridge controls as it enters a specific major port and provides ideal conditions in which to train Officers in hands-on practices for effective bridge teamwork and competence in ship-handling and navigation. This is a significant step taken by the Company to train and equip its Officers and Crew to take better care of themselves and their ships, all with a view to ensuring safety of the crew, cargo and the ship by preventing accidents, thus also helping to preserve the environment. In the current scenario of a worldwide shortage of trained personnel, and the rapid promotions that is a natural result of such a shortage, this is a major step to provide specialized training that would otherwise have been acquired 'on the job'.

**Maritime Resource Management (MRM):** MRM is a training program for ship's officers, engineers, pilots and shore-based personnel. The aim is to increase knowledge about human capabilities and limitations and to reinforce positive attitudes towards safety and teamwork. MRM is generally accepted to be one of the most efficient means of improving crew cooperation and minimizing the risk of accidents caused by human errors as well as failures in effective teamwork and resource management. The MRM course is authorized and licensed by The Swedish Club, a member of the International Group of P&I Clubs, and one of the few insurers providing Hull as well as P&I insurance covers. Apart from the MRM courses, the PSL Training Center has classrooms, Video-Based Training (VBT) and Computer based training (CBT) for the ship staff. Courses include MRM, Bridge

Team Management (BTM), Bridge Team Competency (BTC), Officer Of the Watch (OOW), Chief Mate Course (CMC), Command Course (Command), Shipboard Safety Course (SSC), Maritime Professional Briefing (MPB), Maritime English training (divided into 5 course levels) programs for safety and efficient ship operations of deck and engine departments. The Training Center also conducts lectures on VTS (Vessel Traffic Separation) & SMCP (Standard Marine Communication Phrases) within the BTM and MRM courses, with the aim of developing our officers' communication skills in communicating with a VTS officer using standard maritime phrases in various simulations. The courses are upgraded regularly and provide a solid foundation to the Company's training activities and enable our Officers and Engineers to keep abreast of the latest developments in ship operations.

The PSL Training Center liaises very closely with the Technical Department in order to identify the training needs of officers and crew and special training courses are designed to suit them. Accordingly, certain new training courses were introduced for Engineer officers: MAN Diesel Engine and Turbo "ME course", "Engine Room Management and Competency Enhancement" - "EMC" for Senior Engineers, and "Engineer on Watch" - "EOW" for Junior Engineers. Future plans include courses on "stern tube sealing systems" and "ships' cargo gears with special focus on hydraulic", and "Shipboard Safety for Ratings" (SSR) for crew. The PSL Training Center has certain basic (but important) equipment such as a turbocharger and a purifier for practical training to accompany class-room theoretical courses. These will augment the Bridge Simulator (which is essentially for Deck Officers) and enable the Training Centre to address the requirements of both Deck and Engine officers & crew. Considering the fact that the new vessels acquired (and on order) are fitted with more fuel efficient modern engines using advanced electronic controls and technology, the Company's senior engineers, Electrical Officers and shore-based Technical Superintendents are put through the engine-maker's specific training courses designed to better understand the operation and for effective trouble-shooting. Junior engineers are in turn trained at the Company's Training Center and by trickle-down method on board ships.

The use of "Electronic Chart Display and Information System" (ECDIS) is becoming mandatory for new ships built from July 2013. Many new vessels are already equipped with ECDIS. For existing vessels, ECDIS will become mandatory from 2018. ECDIS requires special generic training as well as specific training for each manufacturer's equipment. Navigating officers using ECDIS need to be suitably trained and certified before they can use it as a primary means for navigation.

With every other technical advance in navigation, such as radar, AIS and GPS, officers have gained an additional navigational aid. With mandatory ECDIS, on the other hand, a navigational aid will be taken away from them – the paper chart. ECDIS has to work and officers have to know how to work it. Any operational error could have disastrous consequence.

There are already conceptual designs on small crafts that try to eliminate or minimize the human effort onboard ships. Some experts in automation visualize that in the next twenty years or so, ships may be totally un-manned with automated equipment onboard, which can be monitored and controlled from shore based stations. Although this concept seems unrealistic at present, if and when such development takes place, it will drastically change the present model of shipping operations.

PSL is committed to ensure that navigating officers working on board vessels fitted with ECDIS are fully conversant with the equipment prior joining the vessel. Officers are given generic ECDIS training at approved institutes. They are also required to undergo maker specific familiarization training by the ECDIS manufacturer. Realizing the fact that certification alone does not make an officer fully familiar and confident to use ECDIS, PSL Training Centre has equipped itself and developed ECDIS training course. After attending approved ECDIS training course, officers are required to undergo further ECDIS familiarization course at our in-house facility.

**The scourge of piracy**, continues to be a cause for great concern.

No pirate attacks were reported in the two years 2013-14 in the Somali basin as opposed to 35 incidents in the previous year. There also was no confirmed reports of suspicious activity in the Horn of Africa High Risk Area during the year under review.

The recent decline in pirate successes was not taken lightly. The industry was fearful of possible revamping of the pirates' tactics to counter the protective measures now being employed by most vessels transiting the

dangerous areas. However, the presence of international Navies and their patrolling the high risk areas, and the use of security guards on board, have succeeded in making piracy for the Somalis less lucrative. It is now hoped that the insurance underwriters recognize this trend.

Apart from the Somali pirates and their attacks in the Arabian Sea/Indian Ocean, Nigeria and its offshore oil installations in the Gulf of Guinea continues to be vulnerable to pirate attacks. Recent months have seen an alarming increase in this region. The primary difference between the two is that Nigeria has an elected Government with clear policies to deter piracy in its waters and that helps localize the menace and also control/handle it.

Attacks in the South East Asia region appeared on the increase, targeted vessels usually smaller oil tankers with their cargo as the primary aim of the pirates. PSL has taken an active role in reporting to the IFC (Information Fusion Centre) a centre for monitoring the movement of all vessels in South East Asian waters. The IFC is based in the Singapore Naval Base and relays information to all regional Marine Coastguard units and has been effective in tackling piracy in the region.

## JOINT VENTURES:

The status of our joint-venture investments is as follows:

- Southern LPG Pvt Ltd. (SLPG): The process of closing down this entity is going on but close to completion now.
- International Seaports (Haldia) Pvt Ltd: This is now our only operational investment in Ports in the Haldia Dock Complex (about 22.4% of the total capital) under our port projects investments. This JV continues to operate very well and we have to-date received total dividends of USD 2.48 million, which works out to about 121% of our original Investment made in years 2002-2003. We find strategic value in this investment and hope to increase our shareholding at an opportune time in the future.

## IN CONCLUSION:

**Demand:** The environment for 2015 is going to be characterized by extreme volatility. Downside risks for 2015 will include, amongst others, Geopolitical tensions; China economically slowing down; BRICS economically slowing down; The Euro zone economically slowing down; Protectionism increasing; Surplus vessel supply not being absorbed fast enough; and excess Shipyard capacity holding the promise of more ships to come. But it is not all gloom and doom. The upside potential for 2015 consists of, amongst others, Slower ordering at shipyards due to poor markets; Higher slippage rates due to poor markets; Higher scrapping rates due to poor markets; The US economy continues to outperform expectations; Low oil prices lead to greater World economic growth rates; Low oil prices help to reduce all commodity prices resulting in more cargoes being shipped; and weaker currencies in Euro zone and Japan will help them export their economies out of trouble. The ban imposed on Nickel and Alumina ores from Indonesia which robbed 2014 of a lot of cargoes could finally turn out to be a positive event with China being forced to source these same cargoes from countries that are much further away thereby increasing the ton-mile demand. The excess stock of these ores, which China had built up during the last half of 2013 to beat the ban that was imposed by Indonesia on 12<sup>th</sup> January 2014, would have been fully absorbed and new supply has to now come from much longer distances. Time will tell in 2015 will end up with a pleasant surprise.

**Supply:** Due to the favourable freight markets of the past (2004 to 2008) most ship-owners have kept their older ships operating beyond their useful economic lives. Under normal freight market conditions, approximately 17.37% (133.77 MDWT) of the existing world fleet that would be over 20 years of age during 2015 to 2018, should head for the breakers yards, and would only be constrained by the available scrapping capacity.

With respect to the approximately 19.72% by DWT of new ships (151.92 MDWT) scheduled to be delivered to the end of 2017, the lack of funding coupled with delays in deliveries at ship yards would subject them to a slippage of about 35% which was the average over the last few years.

The supply side should come into balance with the demand side of the equation sometime during 2015/2016. We think that 2014 would therefore be remembered as the very last year of an extremely challenging environment for bulk shipping.

**Financing:** The Years 2011/2012 were the years of the Bond when shipping companies raised about USD 34 billion in this period through the Bond markets. This dropped to just about USD 11 billion in 2013 when the Private Equity (PE) Investor in search of quick returns made his “strategic” entry into the shipping space when shipping companies raised USD 12 billion through the private placement/equity route which was a whopping 3 times over that of year 2012. The PE Investor’s appetite for shipping paper remained quite robust until the 1<sup>st</sup> quarter of 2014 when it started to dawn on them that making quick returns on shipping investments is not as easy as it sounded. The promised upturn in the market and the consequent expected spike in asset prices never came last year and the PE Investor community is now waiting for the upturn to come belatedly or some of them are now actually looking at ways to make a graceful exit without hurting too much. As such the total fund raising from this avenue dropped substantially in year 2014 as compared to the previous year.

Traditional bank finance has a slightly different story to tell. The amount raised through this source by shipping companies in 2013 was a very healthy USD 56 billion which was an increase of about 40% over that of the previous year. Year 2014 figures are awaited but the spectacular growth seen in this source is not expected to be repeated for 2014.

So what does this foretell for us this year? We expect the PE Investors to remain at the sidelines and/or make their exits even with some losses. The Bond market as a source of financing for shipping companies again may not show the froth and enthusiasm seen in years 2011/2012 particularly if the Fed starts raising interest rates sooner rather than later. As such, the industry will continue to remain heavily dependent for its funding needs through the traditional Bank finance route, which, although available would remain in short supply given the weak risk appetite of Banks to increase exposure in a poor market environment. We will then likely see many more shipping companies getting into more stress situations with a possible new bout of bankruptcies and/or restructurings. We would only hope that the restructurings again do not adopt the “amend and extend” approach which is merely another way of kicking the can down the road with no final solution.

**Concluding Remark:** Considering all the above, we are taking advantage of the opportunities that are present in the market. We hope to deliver to all our stakeholders the promise of this potential. This will in no small measure be due to the very dedicated and hardworking professionals that make up the office, as well as, the floating staff at PSL.

**For and on behalf of the Board of Directors of  
Precious Shipping Public Company Limited**

**Mr. Khalid Moinuddin Hashim**  
Managing Director

**Mr. Khushroo Kali Wadia**  
Executive Director

30<sup>th</sup> January 2015

# 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 Sivasriamphai as Chairman of the Audit & Corporate Governance Committee, Mr. Kamton Sila-On and Associate Professor Pavida Pananond, Ph. D., both, as Audit & Corporate Governance Committee members. Mr. Suphat Sivasriamphai who ended his term on 24<sup>th</sup> August 2014 was re-elected by a resolution of the Board of Directors in the Board of Directors meeting No. 6/2014 held on 31<sup>st</sup> July 2014.

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 2014, 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 2014, 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. 2/2015 held on 30<sup>th</sup> January 2015. 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 2014, 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 2014, 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 2014, Audit & Corporate Governance Committee held 4 regular meetings (2013: 4 regular meetings) and 2 special meetings (2013: 2 special meetings). The record of attendance of the members of Audit & Corporate Governance Committee is summarized as follows:

| Name  | Number of Attendance/Total Meeting (Times) |                 |                 |                 |
|---|--|-----------------|-----------------|-----------------|
|   | 2014                                       |                 | 2013            |                 |
|   | Regular Meeting                            | Special Meeting | Regular Meeting | Special Meeting |
| 1. Mr. Suphat Sivasriumphai                   | 4/4  | 2/2             | 4/4             | 2/2             |
| 2. Mr. Kamtorn Sila-On                        | 4/4  | 2/2             | 4/4             | 2/2             |
| 3. Associate Professor Pavida Pananond, Ph.D. | 4/4  | 2/2             | 4/4             | 2/2             |

Audit & Corporate Governance Committee Meeting No.1/2015 held on 29<sup>th</sup> January 2015 considered the appointment of Auditors and resolved to propose for shareholders’ approval, the appointment of any one of the following auditors of EY Office Limited as the auditor of the Company for the years 2015.

1. Ms. Vissuta Jariyathanakorn (Certified Public Accountant (Thailand) No. 3853) in place of Ms. Sumalee Reewarabandith who has been the auditor of the Company for five consecutive years (from the year 2010 to 2014), which is the maximum allowed according to SEC regulations.
2. Mr. Termphong Opanaphan (Certified Public Accountant (Thailand) No. 4501).
3. Mr. Khitsada Lerdwana (Certified Public Accountant (Thailand) No. 4958).

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, EY Office Limited is authorized to nominate a qualified and competent auditor from EY Office Limited to conduct the Audit.

EY Office Limited is a reputable independent audit firm, and has shown satisfactory performance according to past records. EY 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 2015 (2014 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 EY Office Limited acted as the auditor of all the Thai Subsidiaries and one Foreign Subsidiary for 2014 and is expected to continue in a similar role for 2015 for total proposed Audit Fees of Baht 3.40 million (2014 actual: Baht 3.36 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 (2014 actual: Baht 0.31 million) and fees of an amount not exceeding Baht 0.60 million (2014 actual: Baht 0.60 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

30<sup>th</sup> January 2015

# CORPORATE GOVERNANCE REPORT

## DEFINITION

Corporate Governance is a set of structures and processes of relationships between a 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.

Precious Shipping Public Company Limited ("the Company") recognizes that Good Corporate Governance is important and necessary for sustainable growth in business and long term shareholder value, and accordingly, the Board has set up a Corporate Governance Policy Manual, Business Ethics and Code of Conduct Manual which have been informed to all the employees via email and disclosed on the Company's website under the subject of "**Corporate Governance**".

The Company has won the following awards including awards for Good Corporate Governance in the past few years:

- Classified as one of the companies with "Excellent" Corporate Governance for five consecutive years 2010, 2011, 2012, 2013 and 2014, by Thailand's National CG Committee.
- Classified as one of the top 50 publicly listed companies in Thailand from ASEAN Corporate Governance Scorecard guidelines for 2013/2014 by ASEAN Capital Markets Forum (ACMF) and the Asian Development Bank (ADB).
- Adjudged as the Second Best Company in Asia and the Best Company in Thailand for Overall Corporate Governance in the Corporate Governance Poll conducted by "SIAMONEY", the results of which were published in SIAMONEY's December, 2014 issue.
- Classified as one of the companies as "Excellent" for conducting Annual General Meetings for three consecutive years; 2012, 2013 and 2014, by Thai Investors Association.
- Conferred the "CSR Recognition" Award in 2013 and 2014, this award for honoring Thai Listed Companies which have shown that they are committed to continuously operating with social responsibility and are good role models of sustainable businesses by Thailand's Corporate Social Responsibility Institute (CSRI) and the SET.
- Nominated as a finalist for "The Ship Owner/Operator Award" at the Seatrade Asia Awards 2014.
- Selected as one of three finalists for "Shipping Company of the Year" award at the BIMCO Awards 2014.
- Nominated as a finalist for "Ship Operator of the Year" award at the 'Lloyd's List Asia Awards 2014'.
- The Company's wholly owned subsidiary, Great Circle Shipping Agency Limited, was nominated as a finalist for "Ship Manager of the Year" award at the 'Lloyd's List Asia Awards 2014'.
- Nominated as a finalist for "The Bulk Ship Operator of the Year Award" at the IBJ (International Bulk Journal) Awards in 2012, 2013 and 2014.
- Conferred the "Best Investor Relations" Award by the SET at the "SET AWARDS 2013".
- Adjudged as the Winner of the Maritime Security & Safety Awards at the Seatrade Asia Awards 2013.
- Nominated as a finalist in "The Wet / Dry Bulk Operator Award" category at the Seatrade Asia Awards 2013.



- Mr. Khalid Hashim, Managing Director, was awarded the Seatrade Lifetime Achievement Award at the Seatrade Asia Awards 2012.
- Adjudged as the Best Ship Operator in Asia at the Lloyd's List Asia Awards 2012.
- Nominated as a finalist for "The Bulk Operator Award" at the Seatrade Asia Awards 2012.
- In 2010, the Company was selected to present information about Corporate Social Responsibility of the Company for CSR Awards 2010 by the Stock Exchange of Thailand.
- Adjudged as the Best Managed Company in Thailand in the medium market cap sector and one of the Best in Investor Relations in the Asia's Best Managed Companies Poll conducted by "FinanceAsia", the results of which were published in April 2010.
- Nominated as a finalist for "The Bulk Operator Award" at the Seatrade Asia Awards 2010.
- Adjudged as the Best Company in Thailand for Overall Corporate Governance, Disclosure and Transparency, Shareholders' Rights and Equitable Treatment, Investor Relations and also Best Investor Relations Officer (Mr. Khalid Hashim, Managing Director) in the Corporate Governance Poll 2010 conducted by "SIAMONEY".
- In 2009, Mr. Khalid Hashim, Managing Director, was adjudged the Best CEO among all companies in the small and medium market cap sector by the Thai Securities Analysts Association (SAA).
- Adjudged as the Best Company in Thailand for Overall Corporate Governance, Disclosure and Transparency, Investor Relations and Investor Relations Officers (Mr. Khalid Hashim, Managing Director) in the Corporate Governance Poll conducted by "SIAMONEY", the results of which were published in SIAMONEY's January 2010 issue.
- Ranked as one of the Top 3 Companies with the highest Corporate Governance by "CLSA ASIA - PACIFIC MARKETS" in their Thailand Corporate Governance Survey Report of 3<sup>rd</sup> February 2009.
- Ranked in 2007 by "The Asset" Magazine of Hong Kong as the Best Company in Thailand for Corporate Governance in the annual list of the Best Governed 60 Companies in Asia.
- Conferred the "Best Corporate Governance Report" and "Best Performance" Awards by the SET at the "SET AWARDS 2006".



*Mr. Khalid Hashim, Managing Director, receiving the Best Investor Relation Award at the SET Awards 2013.*



*Mr. Jaipal Mansukhani, Director, receiving the Maritime Security & Safety Award at the Seatrade Asia Awards 2013.*

**The Company's implementation of Good Corporate Governance Principles is outlined in 5 sections hereunder:**

## **1. RIGHTS OF SHAREHOLDERS**

The Company recognizes the rights and equitable treatment of shareholders and maintains a smooth working relationship to safeguard the best interests of all the shareholders. The basic legal rights comprise the right to buy/ sell or to transfer securities held, the right to share in profits of the Company, the right to receive dividend, the right to attend the shareholders meeting, the right to propose agenda in the shareholders meeting, the right to vote for the appointment of auditor and fixing of auditor fee and the right to take part in decision-making of the Company's material issues such as approval of key activities affecting business direction.

Apart from the basic rights of shareholders above, the shareholders have the right to receive information on operating performance, the newsletter from management and other key information via the Company's website. In accordance with good corporate governance guidelines, the Company has conducted its affairs with a view to protecting shareholders' rights and also encouraging all shareholders to exercise their rights. The policy for maintaining rights of shareholders is part of the Company's Corporate Governance Policy Manual which is disclosed on the Company's website.

The Company is responsible to the shareholders in terms of information disclosure, accounting methods, internal information usage and conflict of interests. The Board of Directors and Management are expected to 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:

### **1.1 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, and include the following:

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

### **1.2 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 disclosed guidelines/procedures for determining Directors' remuneration in 5.6 hereunder.

### **1.3 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).

#### **1.4 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.

#### **1.5 Consideration of the share repurchase plan**

The Company obtained the approval for the share repurchase plan from the shareholders in the shareholders' meeting in the year 2003, 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.

#### **1.6 Shareholders' Meetings**

The Company has followed the recommended practices of SET/SEC for holding shareholders' meeting as follows:

- For the Annual General Meeting of shareholders (AGM) of 2014, the Company provided an opportunity to the shareholders to propose agenda items for the AGM and opportunity to the shareholders to nominate suitable candidates to be a member of the Board of Directors of the Company. This practice is continued for AGM 2015 as well. In practice, shareholders with a combined holding of at least 2,000,000 shares could propose agenda items or nominate qualified Directors from 3 October 2014 until 31 December 2014, which exceeds the privileges provided by law to shareholders. The Company 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 and nominate candidates to be Director for consideration in the AGM.
- Providing an opportunity to the shareholders to post questions in advance, to be addressed at the AGM 2014.
- Providing a complete and correct notice with full information to call shareholders' meeting is the normal policy of the Company. The notice includes the objective and reasons for each agenda item apart from the Board of Directors' 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.
- For AGM 2014, the Company disclosed the AGM schedule and the AGM Agenda through the SET on 7<sup>th</sup> February 2014 (51 days before the AGM date) for shareholders to plan their schedule for the meeting.
- For AGM 2014, the Company disclosed the notice of shareholders' AGM on the Company's website on 24<sup>th</sup> February 2014 (34 days before the AGM date) The Company also assigned the Thailand Securities Depository Co., Ltd. which is the Company's Registrar to send the AGM notice to shareholders on 28<sup>th</sup> February 2014 (30 days in advance of the AGM).
- The Company publishes the notice of shareholders' meeting in both Thai and English language newspapers for three consecutive days and at least 14 days prior to shareholders' meeting.
- 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.

- 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, voting method, vote counting procedure and voting results.
- 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 correct and complete information required for their decision. An example of this was the acquisition of 15 ships during the year 2004, the signing of contracts for 12 new buildings during the year 2007 and 3 new buildings during the year 2008, the signing of contracts for 12 new buildings during the year 2014, for which, the Company also appointed an Independent Financial Advisor to advise the shareholders in all three cases.
- The Company follows the policy of regularly reviewing the outstanding unpaid dividends and tries to contact each shareholder who may have, for some reason, not received the dividends. Thereafter, the Company helps shareholders in terms of reminding and advising them on the required procedures to collect the dividends.

During the year 2014, the Company held two shareholders' meetings: the Annual General Meeting (AGM), on 31<sup>st</sup> March 2014 at AVANI Atrium Hotel, formerly known as the Atrium Hotel and one Extraordinary General Meeting (EGM), on 30<sup>th</sup> April 2014 at Swissotel Nai Lert Park Hotel. All Board members attended both the AGM of 2014 and EGM No.1/2014, which also included the Chairman of the Board of Directors, the Chairmen of all the sub-committees, all Audit & Corporate Governance Committee Members and Independent Directors. The Auditors also attended the AGM 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 items and resolutions including questions and answers were properly recorded in the minutes of the meeting. Thereafter, the minutes of shareholders' meetings were also sent to the SET and also disclosed on the website of the Company, including a video recording of the proceedings, under the subject of "Investor Relations" within 14 days after the meetings.

## 2. EQUITABLE TREATMENT OF SHAREHOLDERS

The Company ensures the equitable treatment of all shareholders whether major shareholders or minority shareholders, foreign shareholders and institutional shareholders on a fair and equal basis and in terms of calling and holding shareholders meetings and for protecting the Rights of Shareholders for other matters by taking the following steps:

- Ascertaining that the 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 sending out the Notice to the extent possible under the regulations, to the Company's shareholders at least 4 weeks prior to the meeting date. For shareholders who are unable to attend in each meeting, the Company has designated the Chairman and/or Independent Director to attend and to vote on their behalf in each meeting. Full details for this purpose are provided in the Notice of shareholders' meetings. Moreover, the Notice, including Proxy (Form B.), was disclosed on the Company's website to facilitate its download by shareholders.
- Registration period is commenced at least 1 hour in advance to keep adequate time for completion of registration.
- Providing ballot papers for each agenda item.
- Arranging barcode system for registration and vote counting for shareholders' convenience and accuracy of the vote-count.

- Providing an opportunity to shareholders to propose agenda items and to nominate candidates to be Director in advance for the Annual General Meeting of Shareholders (AGM) through various channels including the Company's website.
- Providing an opportunity for shareholders to elect Director by voting on the given ballot papers for each of the Directors separately.
- Not adding any new agenda item without notice to shareholders in advance.
- Directors disclosing their interests and those of their related parties to the Board.
- Directors reporting their ownership of Company's shares to the Board regularly.
- Directors and Executives disclose and report their conflict of interests, including dealings with their relatives, if any, to the Company for the Company's use in complying with the regulation about connected transactions. Such report on interest is also useful in monitoring their adherence to their duties, by the following practices;
  - A new director/executive submits the Form **"Report on Conflict of Interest Transaction"** within 30 days after appointment.
  - Thereafter when there is a change, director/executive submits the updated Form **"Report on Conflict of Interest Transaction"** immediately or no later than 7 working days from the transaction date.
  - The Company Secretary submits a copy of report on interest to the Chairman of the Board of Directors and the Chairman of Audit & Corporate Governance Committee within seven working days from the date on which the Company has received such a report.
- The Board of Directors has established a guideline to prohibit a director/executive, who has a conflict of interest on the issue, to participate in the decision-making process. Normally a director/executive, who has a conflict of interest on an issue, will leave from the meeting and join back once the issue has been discussed and a decision is made.
- Providing detailed explanation of related-party transactions characterizing names, relationship, policy, and value of each transaction as explained under the **"Connected Transactions"** section of this Annual Report. No non-compliance cases involving related-party transactions have been detected.
- Following an appropriate policy and laying down procedures for monitoring the use of insider information as explained under the **"Insider Trading Controls"** section of this Annual Report. No cases of insider trading involving the Directors and/or the Management have been detected.

### 3. ROLE OF STAKEHOLDERS

The Company 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 website to include under the subject of "Stakeholder Activities", the Policy and Code of Conduct towards stakeholders in Business Ethics and Code of Conduct Manual 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. The Board will treat such information seriously and will maintain utmost confidentiality. If the complaints are not unfounded, the Board would take all remedial action that may be necessary.

**Management:** The Company recognizes that Management is one of the key success factors for the Company's operations and accordingly, Management remuneration is appropriately structured and comparable with the Industry norms and other equivalent listed companies in Thailand. The Management is also 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's business, and understand relevant code of conduct and practice and are encouraged to gain knowledge and ability and keep them updated following Industry trends. The subject of safety and occupational health of all seafarers serving onboard the Company's ships has been explained under the subject of "**Sustainability Report**" of this Annual Report.

The Company provides remuneration to 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/bonuses 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 ship-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 Financial Creditors as one more important success factor who provide funds which are particularly required for the Company's highly capital intensive business. 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 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 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 more than what the laws require, including making efforts to absorb social accountability. The Company has provided a separate detailed report under the subject of "**Sustainability Report**" of this Annual Report.

**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 compliance with related laws and regulations and has included its review of 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 the Audit & Corporate Governance Committee as explained under the "**Audit & Corporate Governance Committee Report**" of 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. The Company has provided a separate detailed report under the subject of "**Sustainability Report**" of this Annual Report detailing the steps taken by the Company and its compliance with various regulations/norms.

**Respect for International Human Rights Principles:** The Company requires that all of its directors, the management and staff strictly respect International human rights principles including forced labor or child labor as part of the operations and the Company does not tolerate any violations thereof. All stakeholders are treated fairly on human dignity and non-discrimination of national origin, race, gender, age, skin color, religion, physical condition, status, or birth. The Company also promotes the monitoring of human rights compliance within the Company and encourages subsidiary companies, investors, business partners, and all stakeholders to observe the international standards of human rights principles.

**Ethics for Intellectual Property Rights:** The Company requires that all of its directors, the management and staff respect the intellectual property rights of others with care and caution, whether in trademarks, patents, copyrights, classified commercial information, or other stipulated categories of intellectual property, such as using only licensed software that has been inspected and installed by the Company's Information Technology Department, and encouraging our staff to ensure that the application of research findings or other data in their work does not constitute a violation of other people's intellectual property rights.

**Policy on preventing corruption and offering a bribe:** The Company has a policy prohibiting all forms of bribery or corruption, either directly or indirectly to advance its business interests or those of its associates. The Company has a zero tolerance policy for fraudulent and/or corrupt behavior and takes corruption and bribery transactions, if any, very seriously. Any violation of this policy is regarded as a serious matter by the Company and will result in disciplinary action, including termination, consistent with local law.

In 2013, on countering corruption, the Company had signed a Declaration of Intent of the Thai Institute of Directors' Private Sector Collective Action Coalition Against Corruption, whereby the Company vowed to adhere to the Coalition's aim to fight corruption in all forms.

In 2014, the Company maintained high ethical standards, with a view to upholding its position against any form of bribery and corruption. The continual activities throughout the year are as follows:

- A regular bribery and corruption risk assessment to review the mitigation measures and ensure they are appropriate.
- Prepare a training program for all employees to recognize the use of bribery and corruption by themselves or others so they can avoid it.
- A regular review of the internal control systems and procedures to ensure they are effective in countering bribery and corruption.
- A monitoring system to ensure that the policy and procedures are effective.

- Compulsory corruption self-assessment on CAC's anti-corruption measures, followed by submission to the Chairman of the Board to sign and submit to CAC to request member certification.
- The Audit & Corporate Governance Committee reviewed the Self-Evaluation Tool for Countering Bribery of the Company.

Moreover, the Company has established channels for reporting any misconduct, fraudulent act or corruption and provides protection and remedies for any person who files a complaint or cooperates in the investigation of the charge.

The Company also provides the guideline for preventing corruption and offering a bribe such as the guideline for giving and receiving Gifts and Gratuities, transactions with government, etc. Details of this policy and guidelines are presented in the Company's "Business Ethics and Code of Conduct" which is informed to all the employees and posted on the Company's website.

**Whistleblowing Policy:** To ensure fair treatment of all stakeholders under the Code of Conduct, the Company has set up a channel to contact the Board of Directors directly (without passing through the Management of the Company) for any business suggestions, complaints, or recommendations indicating impact or risks of impact on stakeholders arising from its business or from wrongful action, or violation of the Code of Conduct, and complaints for special cases like immoral/dishonest acts of Management, breach of Code of Conduct, illegal acts, etc. Any staff member or any other stakeholder is accordingly welcome to send a message by email or mail a letter to Khun Thira Wipuchanin, Independent Director and Chairman, at the following address:

By mail:

Mr. Thira Wipuchanin  
256 Lad Phrao Road, Soi Sannibathtedtaban,  
Chankasem, Chatuchak,  
Bangkok 10900 Thailand.

By e-mail:

acthira@hotmail.co.th

The Complaint handling procedure and guidelines to protect whistleblower have been presented in the "Business Ethics and Code of Conduct" which is informed to all employees and posted on the Company's website.

In 2014, the Company was engaged in no significant dispute with any stakeholders.

## 4. DISCLOSURE AND TRANSPARENCY

The Company has tightened procedures to take care of important information to be disclosed, including both financial and non-financial statements and Reports. The information is disclosed correctly, accurately, on a timely basis and transparently through the proper channels that users could fairly and trustfully access.

### 4.1 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 on the Board of Directors' Responsibilities for Financial Statements is presented along with the Report of Independent Auditor and Audited Financial Statements in this Annual Report.

### 4.2 Directors and Management Remuneration

The Board of Directors appointed the Remuneration Committee in its meeting held on 15<sup>th</sup> November 2007 in order to oversee the remuneration of Directors and Management. The proposal of the Directors' Remuneration and the recommendations and opinion of the Board of Directors regarding the Directors'



Remuneration would be presented for approval in shareholders' meeting. The details of Remuneration Committee such as members, qualification, duties, responsibilities and criteria to determine remuneration are disclosed on the website of the Company and under the subject "**Management Structure**" of this Annual Report.

In the years 2014 and 2013, the Company proposed the Directors' Remuneration for the year as a fixed retainer fee without any other compensation which was paid quarterly in equal instalments for each respective quarter, which was approved in the Shareholders' Meeting as follows:

(In million Baht)

| Name of Director                               | Position   | Amount             |  |             |                    |  |             |
|--|--|--------------------|--|-------------|--------------------|--|-------------|
|  |  | 2014               |  |             | 2013               |  |             |
|  |  | Board of Directors | Audit & Corporate Governance Committee | Total       | Board of Directors | Audit & Corporate Governance Committee | Total       |
| 1 Mr. Thira Wipuchanin                         | Chairman of the Board of Directors, Independent Director | 1.20               |  | 1.20        | 1.20               |  | 1.20        |
| 2 Mr. Khalid Moinuddin Hashim                  | Managing Director  | 0.55               |  | 0.55        | 0.55               |  | 0.55        |
| 3 Mr. Munir Moinuddin Hashim                   | Executive Director                                       | 0.55               |  | 0.55        | 0.55               |  | 0.55        |
| 4 Mr. Khushroo Kali Wadia                      | Executive Director                                       | 0.55               |  | 0.55        | 0.55               |  | 0.55        |
| 5 Mr. Jaipal Mansukhani *                      | Director   | 0.55               |  | 0.55        | 0.55               |  | 0.55        |
| 6 Mr. Suphat Sivasriumphai                     | Independent Director                                     | 0.55               | 0.40                                   | 0.95        | 0.55               | 0.40                                   | 0.95        |
| 7 Ms. Nishita Shah                             | Director   | 0.55               |  | 0.55        | 0.55               |  | 0.55        |
| 8 Mr. Kirit Shah                               | Director   | 0.55               |  | 0.55        | 0.55               |  | 0.55        |
| 9 Mr. Chaipatr Srivisarvacha                   | Independent Director                                     | 0.55               |  | 0.55        | 0.55               |  | 0.55        |
| 10 Mr. Kamtorn Sila-On                         | Independent Director                                     | 0.55               | 0.20                                   | 0.75        | 0.55               | 0.20                                   | 0.75        |
| 11 Associate Professor Pavida Pananond, Ph. D. | Independent Director                                     | 0.55               | 0.20                                   | 0.75        | 0.55               | 0.20                                   | 0.75        |
| 12 Mr. Ishaan Shah                             | Director   | 0.55               |  | 0.55        | 0.55               |  | 0.55        |
| <b>Total Annual Remuneration**</b>             |  | <b>7.25</b>        | <b>0.80</b>                            | <b>8.05</b> | <b>7.25</b>        | <b>0.80</b>                            | <b>8.05</b> |

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

\*\* Paid quarterly to the Chairman of the Board of Directors Baht 300,000 per quarter, each Board member Baht 137,500 per quarter, the Chairman of Audit & CG Committee an additional Baht 100,000 per quarter and each Audit & CG Committee member an additional Baht 50,000 per quarter.

The remuneration of the Executive Directors and Senior Management included their salary, bonus (which was paid during the year but the amount is mainly based on the Company's performance in the last 3 years), and other remuneration (income tax and house rental). During the years 2014 and 2013, the Company (and subsidiary) paid the remuneration to Executive Directors and Senior Management, totaling 15 persons (2013: 15 persons) of Baht 102.97 million and Baht 101.67 million, respectively.

The following 3 directors have been appointed by the Board of Directors as the Executive Directors of the Company and constitute the Executive Board of Directors as of 31 December 2014.

| Name                           | Position              |
|--------------------------------|-----------------------|
| 1. Mr. Khalid Moinuddin Hashim | Managing Director     |
| 2. Mr. Munir Moinuddin Hashim  | Director (Commercial) |
| 3. Mr. Khushroo Kali Wadia     | Director (Finance)    |

Senior Management of the Company and subsidiary as of 31 December 2014 comprises of the following:

| Name |                                   | Position  |
|------|-----------------------------------|---|
| 1.   | Mr. Khalid Moinuddin Hashim       | Managing Director   |
| 2.   | Mr. Munir Moinuddin Hashim        | Director (Commercial)   |
| 3.   | Mr. Khushroo Kali Wadia           | Director (Finance)  |
| 4.   | Mr. Jaipal Mansukhani             | Director of the Company<br>(full time employed in the Company's subsidiary) |
| 5.   | Mr. Shrilal Gopinathan            | Vice President (Commercial)   |
| 6.   | Mr. Koka Venkataramana Sudhakar   | Vice President (Fleet Management)   |
| 7.   | Mr. Kodakara Veettil Murali Menon | Vice President (Technical)  |
| 8.   | Mr. Neelakantan Vasudevan         | Vice President (Risk Management)  |
| 9.   | Mr. Stephen Korah                 | Vice President (International Safety Management)                            |
| 10.  | Mr. Kamal Kumar Dua               | Vice President (Information Technology)                                     |
| 11.  | Mr. Nishikant Govind Desai        | Vice President (Projects)   |
| 12.  | Mr. Prashant Mahalingam           | Vice President (Procurement)  |
| 13.  | Ms. Somprathana Thepnaplern       | Assistant Vice President (Finance & Accounts)<br>& Company Secretary        |
| 14.  | Mr. Kiran Kesarinath Vaidya       | Senior Manager (Accounts & MIS)   |
| 15.  | Mr. Yingyong Kanghae              | Senior Manager - Group Accounts   |

The comparison of remuneration of the Chairman, Directors, the Chairman of Audit & Corporate Governance Committee, Audit & Corporate Governance Committee Member and Management between the Company and other listed companies and listed companies in the transportation and logistics sector and listed companies in the services sector is as follows:

(In Thousand Baht/Person/Year)

| Description                          | * PSL    |          | ** Other Listed Companies  |        |          |   |          |           |                      |        |           |
|--------------------------------------|----------|----------|----------------------------|--------|----------|---|----------|-----------|----------------------|--------|-----------|
|                                      | 2014     | 2013     | Transportation & Logistics |        |          | All Listed Companies with revenue >3,000 - <5,000 MB. |          |           | All Listed Companies |        |           |
|                                      |          |          | Mean                       | Min    | Max      | Mean  | Min      | Max       | Mean                 | Min    | Max       |
| Chairman of the BOD                  | 1,200.00 | 1,200.00 | 1,534.00                   | 65.00  | 4,073.00 | 980.00  | 50.00    | 5,492.00  | 1,065.00             | 5.00   | 11,592.00 |
| Executive Directors                  | 550.00   | 550.00   | 574.00                     | 25.00  | 2,376.00 | 405.00  | 50.00    | 1,123.00  | 539.00               | 5.00   | 7,728.00  |
| Non-Executive Directors              | 550.00   | 550.00   | 988.00                     | 66.00  | 2,654.00 | 597.00  | 60.00    | 2,846.00  | 725.00               | 33.00  | 8,392.00  |
| Management                           | 6,864.59 | 6,777.93 | 4,101.00                   | 252.00 | 8,560.00 | 4,620.00  | 1,200.00 | 24,343.00 | 4,612.00             | 203.00 | 47,648.00 |
| Chairman of Audit & CG Committee *** | 400.00   | 400.00   | 320.00                     | 20.00  | 672.00   | 227.00  | 40.00    | 548.00    | 252.00               | 10.00  | 4,800.00  |
| Audit & CG Committee members ***     | 200.00   | 200.00   | 226.00                     | 30.00  | 480.00   | N.A.  | N.A.     | N.A.      | 177.00               | 5.00   | 2,298.00  |

\* PSL's figures are actuals of respective years.

\*\* From SET's Remuneration Report for the year 2013.

\*\*\* Additional Remuneration as Chairman of Audit & CG Committee/Audit & CG Committee Member.

N.A. Not available since not reported.

(In Thousand Baht/Person/Year)

| Description                          | * PSL    |          | ** Service Sector     |                              |                       |                              |                       |                              |                       |                              |
|--------------------------------------|----------|----------|-----------------------|------------------------------|-----------------------|------------------------------|-----------------------|------------------------------|-----------------------|------------------------------|
|                                      | 2014     | 2013     | Mean                  |                              | Median                |                              | Min                   |                              | Max                   |                              |
|                                      |          |          | Retainer & Attendance | Retainer, Attendance & Bonus | Retainer & Attendance | Retainer, Attendance & Bonus | Retainer & Attendance | Retainer, Attendance & Bonus | Retainer & Attendance | Retainer, Attendance & Bonus |
| Chairman of the BOD                  | 1,200.00 | 1,200.00 | 1,071.22              | 2,191.56                     | 637.50                | 1,237.50                     | 237.50                | 402.50                       | 3,460.00              | 7,925.00                     |
| Executive Directors                  | 550.00   | 550.00   | 453.24                | 1,174.35                     | 410.00                | 778.32                       | 134.00                | 216.50                       | 900.00                | 3,750.00                     |
| Non-Executive Directors              | 550.00   | 550.00   | 477.75                | 1,196.67                     | 412.14                | 794.64                       | 134.00                | 216.50                       | 1,070.00              | 3,750.00                     |
| Management                           | 6,864.59 | 6,777.93 | N.A.                  | N.A.                         | N.A.                  | N.A.                         | N.A.                  | N.A.                         | N.A.                  | N.A.                         |
| Chairman of Audit & CG Committee *** | 400.00   | 400.00   | 549.25                | 1,469.25                     | 380.00                | 1,300.00                     | 134.00                | 189.00                       | 1,900.00              | 3,685.00                     |
| Audit & CG Committee members ***     | 200.00   | 200.00   | 397.00                | 1,080.75                     | 283.00                | 966.75                       | 127.40                | 154.90                       | 1,605.00              | 2,945.00                     |

\* PSL's figures are actuals of respective years.

\*\* From IOD's Thai Directors Compensation Survey 2014

\*\*\* Additional Remuneration as Chairman of Audit &amp; CG Committee/Audit &amp; CG Committee Member.

N.A. Not available since not reported.

(In Thousand Baht/Person/Year)

| Description                          | * PSL    |          | ** All Listed Companies with revenue 1,001 - 5,000 MB. |                              |                       |                              |                       |                              |                       |                              |
|--------------------------------------|----------|----------|--|------------------------------|-----------------------|------------------------------|-----------------------|------------------------------|-----------------------|------------------------------|
|                                      | 2014     | 2013     | Mean   |                              | Median                |                              | Min                   |                              | Max                   |                              |
|                                      |          |          | Retainer & Attendance                                  | Retainer, Attendance & Bonus | Retainer & Attendance | Retainer, Attendance & Bonus | Retainer & Attendance | Retainer, Attendance & Bonus | Retainer & Attendance | Retainer, Attendance & Bonus |
| Chairman of the BOD                  | 1,200.00 | 1,200.00 | 880.95   | 1,366.31                     | 591.50                | 1,065.25                     | 137.50                | 177.50                       | 5,260.00              | 6,760.00                     |
| Executive Directors                  | 550.00   | 550.00   | 490.02   | 840.04                       | 405.00                | 705.00                       | 74.00                 | 134.28                       | 3,110.00              | 4,110.00                     |
| Non-Executive Directors              | 550.00   | 550.00   | 414.69   | 750.86                       | 345.00                | 645.00                       | 134.00                | 164.00                       | 1,070.00              | 2,070.00                     |
| Management                           | 6,864.59 | 6,777.93 | N.A.   | N.A.                         | N.A.                  | N.A.                         | N.A.                  | N.A.                         | N.A.                  | N.A.                         |
| Chairman of Audit & CG Committee *** | 400.00   | 400.00   | 437.68   | 761.43                       | 380.00                | 680.00                       | 54.00                 | 109.00                       | 1,333.60              | 1,973.60                     |
| Audit & CG Committee members ***     | 200.00   | 200.00   | 323.74   | 598.11                       | 321.28                | 536.28                       | 54.00                 | 81.50                        | 1,158.60              | 1,798.60                     |

\* PSL's figures are actuals of respective years.

\*\* From IOD's Thai Directors Compensation Survey 2014

\*\*\* Additional Remuneration as Chairman of Audit &amp; CG Committee/Audit &amp; CG Committee Member.

N.A. Not available since not reported.

(In Thousand Baht/Person/Year)

| Description                          | * PSL    |          | ** All Listed Companies |                              |                       |                              |                       |                              |                       |                              |
|--------------------------------------|----------|----------|-------------------------|------------------------------|-----------------------|------------------------------|-----------------------|------------------------------|-----------------------|------------------------------|
|                                      | 2014     | 2013     | Mean                    |                              | Median                |                              | Min                   |                              | Max                   |                              |
|                                      |          |          | Retainer & Attendance   | Retainer, Attendance & Bonus | Retainer & Attendance | Retainer, Attendance & Bonus | Retainer & Attendance | Retainer, Attendance & Bonus | Retainer & Attendance | Retainer, Attendance & Bonus |
| Chairman of the BOD                  | 1,200.00 | 1,200.00 | 1,174.32                | 2,337.97                     | 775.00                | 1,375.00                     | 134.00                | 174.00                       | 5,662.50              | 14,302.50                    |
| Executive Directors                  | 550.00   | 550.00   | 574.96                  | 1,402.48                     | 405.00                | 755.00                       | 74.00                 | 119.00                       | 4,044.60              | 9,804.60                     |
| Non-Executive Directors              | 550.00   | 550.00   | 550.18                  | 1,343.57                     | 405.00                | 766.70                       | 62.00                 | 87.00                        | 4,176.00              | 9,936.00                     |
| Management                           | 6,864.59 | 6,777.93 | N.A.                    | N.A.                         | N.A.                  | N.A.                         | N.A.                  | N.A.                         | N.A.                  | N.A.                         |
| Chairman of Audit & CG Committee *** | 400.00   | 400.00   | 533.43                  | 1,094.68                     | 475.00                | 875.00                       | 54.00                 | 109.00                       | 2,092.00              | 3,877.00                     |
| Audit & CG Committee members ***     | 200.00   | 200.00   | 393.99                  | 849.93                       | 340.00                | 665.00                       | 39.00                 | 66.50                        | 1,626.00              | 2,966.00                     |

\* PSL's figures are actuals of respective years.

\*\* From IOD's Thai Directors Compensation Survey 2014

\*\*\* Additional Remuneration as Chairman of Audit &amp; CG Committee/Audit &amp; CG Committee Member.

N.A. Not available since not reported.

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

|                              |  |
|------------------------------|--|
| Mr. Khalid Moinuddin Hashim  | Managing Director (voted "Best Investor Relations Officer" in Thailand in the Corporate Governance Poll in December 2010 by "ASIAMONEY")<br>Telephone 66 2696 8801, Email: kh@preciousshipping.com |
| Mr. Khushroo Kali Wadia      | Executive Director<br>Telephone 66 2696 8836, Email: kw@preciousshipping.com   |
| Khun Somprathana Thepnaplern | AVP (Finance & Accounts) and Company Secretary<br>Telephone 66 2696 8856, Email: 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 |
|--------------|------------------|-------------------|--------------------------|----------------------|-------|
| 2014         | 38               | 31                | 18                       | 6                    | 93    |
| 2013         | 69               | 51                | 18                       | 6                    | 144   |
| 2012         | 50               | 35                | 12                       | 8                    | 105   |

## 5. RESPONSIBILITIES OF THE BOARD

### 5.1 Board Structure

The number of members on the Board of Directors is commensurate with the size and complexity of the Company's business. Currently, there are 12 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), 3 Non-Executive Directors and 5 Independent Directors (more than one-third of Board of Directors). The Audit & Corporate Governance Committee and Nomination Committee comprises entirely of Independent Directors.

#### Board Diversity

The Company considers increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and sustainable development. The Board members represent diversity from a range of perspectives including gender, age, educational background, skills, knowledge and professional experience.

#### Definition

##### Executive Director:

An Executive Director is a Director who is involved in the Management of the Company on a full-time basis and receives regular monthly remuneration from the Company in the form of salary or its equivalent.

##### Independent Director:

The Independent Directors are independent from the Management and have no business or

activities with the Company and must not be involved in the day-to-day management of the Company or an affiliated company which may compromise the Interests of the Company and/or the Shareholders.

The qualifications of Independent Director of the Company are more rigorous than the requirements set by the Stock Exchange of Thailand and the Securities and Exchange Commission, Thailand.

#### **Qualifications of Independent Directors of the Company:**

- The Independent Director must not hold shares exceeding 0.5 percent each, including shares held by a related person, of paid-up capital of the Company, a subsidiary or of an affiliated, associated or a related company.

- The Independent Director must not be involved in the day-to-day management and must not be an executive director, employee or advisor who receives salary or other kinds of compensation from the Company, its subsidiaries, or affiliated companies, associated companies or related companies or with the major shareholders of the Company during the period of two (2) years before the date of appointment as Independent Director.

- The Independent Director must not have any business relationship pursuant to the regulations of the Securities and Exchange Commission and also 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 during the period of two (2) years before the date of appointment as Independent Director.

The term 'business relationship' under the above paragraph, such as any normal business transaction, rental, or lease of immovable properties, transaction relating to assets or services, or grant or receipt of financial support through receiving or extending loans, guarantee, providing assets as collateral, including any other similar action whose value exceeds THB 20 million or more than 3% of the net tangible assets, whichever is lower.

- The Independent Director must not be the external auditor of the Company, its subsidiaries, or affiliated companies, associated companies or related companies, or with its major shareholders nor be a significant shareholder, a controlling person or a partner of such audit firm which employs external auditors of the Company, its subsidiaries, or affiliated companies, associated companies or related companies, or with its major shareholders during the period of two (2) years from the date of appointment as Independent Director.

- The Independent Director must not be a provider of any professional services, such as legal advisor, financial advisor or asset appraisal who receives service fees exceeding Baht 2,000,000 per year from the Company, its subsidiaries or affiliated companies, associated companies or related companies, or with its major shareholders during the period of two (2) years from the date of appointment as Independent Director.

- The Independent Director must not be a blood relative or legal relative of any Executive Director, executive officer, major shareholder or significantly influential person in/of the Company.

- The Independent Director 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.

- The Independent Director must be able to carry out their duties, exercise their judgment, 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 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 Roles and Duties**

Independent Directors should have access to adequate financial and other business information for them to perform their duties effectively.

They should regularly attend every board meeting, including committee meetings, and raise questions to ensure the interests of Company's shareholders' and the protection of rights of other stakeholders', and that the Company complies with best practices.

Independent Directors should possess abilities and display willingness to learn the 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 are expected to 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 must also be 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.

### **Other Committees**

The Board of Directors appointed several committees as part of the good corporate governance policy of the Company viz. Audit and Corporate Governance Committee, Remuneration Committee and Nomination Committee. The details of these committees such as names and number of members, qualifications, duties and responsibilities are disclosed on the website of the Company and under the subject "**Management Structure**" of this Annual Report.

### **Aggregation or Segregation of Positions**

The Chairman of the 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.

The Chairman of the Board is the leader of the Board, and has duties as the chairman of both Board and shareholders' meetings. His role includes promoting corporate governance and compliance, and ensuring its effectiveness. He engages directly with the Managing Director to monitor performance and oversees the implementation of the Company strategies. The Managing Director is the head and leader of the Company's executives and is responsible to the Board for managing the Company in order to achieve all planned objectives.

### **Company Secretary**

In keeping with Good Corporate Governance, the Company designated a Company Secretary viz. Ms. Somprathana Thepnapalern, having duties and responsibilities in accordance with the Securities and Exchange Act and to be responsible for overseeing and advising the Board and the Management regarding applicable laws, rules, regulations and Good Corporate Governance, and responsible for holding the Board and shareholders' meetings. The additional tasks include assisting the Board to comply with resolutions and safeguard the Company's documents and information.

The detailed profile of the Company Secretary, Ms. Somprathana Thepnaplern, has been disclosed under the subject “**Management Team**” of this Annual Report.

## **5.2 Roles, Duties and Responsibilities**

### **Leadership and Vision**

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

### **Explicit responsibilities of the Board of Directors**

The Board of Directors performs its duties and carries on the business of the Company in conformity with applicable laws, the Company's objectives and the memorandum and articles of association, as well as the resolutions of the shareholders' meetings. The Board shall be involved in any matters that may have a significant impact on the Company's business. The following matters require decision or approval from the Board:

- Designation of the authorized Directors to bind the Company.
- Appointment of Executive Directors and members of the Sub Committees, in the manner prescribed by law.
- Authorizing the sale or mortgage any of the Company's immovable properties, to let any of the Company's immovable properties for the period more than three years, to make a gift, to compromise, to file complaints to the Court and to submit the dispute to the Arbitration.
- Approval of annual and quarterly financial results.
- Approval of the Mission Statement, Core Values and Code of Business Conduct.
- Approval of major decisions in respect of the Company's business direction and policies.
- Decision on major investments and contracts with significant impact to the Company.
- Any matters and/or transactions within the ambit of the Board pursuant to the memorandum and articles of association of the Company, the Public Limited Companies Act B.E. 2535, and other relevant laws and regulations.

The Board of Directors has clearly defined and demarcated powers, duties and responsibilities between each committee as mentioned under the “**Management Structure**” section of this Annual Report.

### **Succession Plan**

The Board of Directors shall ensure a systematic nomination for the proper candidate to replace a significant director or executive position suitably in line with the succession planning policy. The Nomination Committee is appointed to propose the appointments of new Directors and key Executives (Managing Directors and Executive Directors) to the Board by considering the proper candidate both from internal and external candidates. To support its succession planning process, in 2014 the Company has hitherto been quite successful in sourcing and retaining such highly skilled and qualified personnel. The Company continues to take a number of initiatives including establishing a detailed Succession plan to attract and retain talent. Moreover, the Company has prepared and enhanced critical mechanisms, for instance, knowledge management, succession plan management and leadership development program as part of our Management Development and Succession Planning cycle.

### **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, the Board of Directors has set up a Corporate Governance Policy for the Company. The Board of Directors has reinforced corporate governance by including policies

and directions on operating the business, set up adequate internal controls and internal audit systems and monitoring management to perform effectively under the policy to ensure long term interests of shareholders under applicable laws with full transparency and correct business ethics. A Corporate Governance Policy Manual outlining its features has 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 website.

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.

The Board of Directors conducts an annual review of Corporate Governance Policy and evaluation of the policy implementation so that the Corporate Governance Policy of the Company is up to date and appropriate with the current situation.

In the Board of Directors' meeting held on 31<sup>st</sup> July 2014, the Board conducted a corporate governance self-assessment through a questionnaire following the SET and IOD guidelines. The scores of corporate governance self-assessment fall in the level of "Very Good". The Board of Directors intends to use this result to further improve its corporate governance. The Company intends that the corporate governance self-assessment be done every year in order to comply with Good Corporate Governance practice and accordingly, this exercise will be conducted again in year 2015.

#### **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 website.

#### **Conflict of Interest**

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

#### **Potential conflict of interest transactions**

Any transaction which could lead to a potential conflict of interest and/or a related party transaction is considered very carefully by the Board of Directors with a view to full compliance with the relevant rules and regulations of the Stock Exchange of Thailand and the Securities and Exchange Commission, 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 this Annual Report and also in Form 56-1.

In addition to the above, the Audit & Corporate Governance Committee and the Internal Audit Department prepared the annual audit plan to review transactions that may cause conflict of interest. For the year 2014, the internal auditors audited the aforesaid transactions and reported the results thereof to the Audit & Corporate Governance Committee in the Audit & Corporate Governance Committee's Meeting No. 1/2015 held in January 2015. The Audit & Corporate Governance 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 this Annual Report.



Moreover, the Internal Audit Department has reviewed the compliance of the Company in respect of 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. TorChor. 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 details of the connected transactions have been explained under the topic “**Connected Transactions**” of 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.

### **Reporting changes in Company share ownership**

To prevent abuse of inside information, all company directors, including their spouses, must report any changes in their company share ownership to the Company in case of sale or purchase of Company’s shares. The changes in Company share ownership is reported to the Board of Directors meeting every quarter.

### **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 the 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 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 & Corporate Governance Committee on all matters, in order to make the Internal Audit Department completely independent of the management.

The detailed profile of the chief of Internal Audit Department is shown below:

#### **MS. PANIDA SATJADECHACHAI**

|                     |  |
|---------------------|--|
| <b>POSITION</b>     | Internal Audit Manager   |
| <b>AGE</b>          | 38 years   |
| <b>EDUCATION</b>    | Master of Accounting Program (MAP), Thammasat University   |
| <b>TRAINING</b>     |  |
| October 2014        | Attended the training course “GRI Sustainability Reporting Process” held by Thaipatr Institute   |
| June-September 2014 | Attended the training course “Certification Program Internal Auditors (Thailand)” held by the Institute of Internal Auditors of Thailand |
| January 2014        | Attended the training course “COSO Internal Control Framework 2013” held by Federation of Accounting Professions                         |
| October 2013        | Attended the training course “CSR Knowledge Management” held by Corporate Social Responsibility Institute (CSRI).                        |
| February 2013       | Attended the training course “New CG Principles 2012” held by IOD and the SET.   |
| March - April 2010  | Attended the training course “Updating International Financial Reporting Standard (IFRS)” held by KPMG Poomchai Business                 |

## EXPERIENCE

|                       |  |
|-----------------------|--|
| August 2012 – Present | Internal Audit Manager, Precious Shipping Public Company Limited           |
| 2006 – 2012           | Assistant Internal Audit Manager, Precious Shipping Public Company Limited |

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.

The Board of Directors recognizes the importance of risk management and is responsible directly for the risk management of the organization with the objectives to support the work performance of the management of the Company to be efficient and effective and to achieve the business objectives. The Board of Directors has specified the Company's policy on risk management and internal control on the website of the Company and under the topic "**Internal Control**" of this Annual Report.

The Company also established the Legal & Compliance Department to review and evaluate compliance issues/concerns within the organization in order to mitigate legal risk and to ensure the Board of Directors, Management and employees are in compliance with the rules and regulations of regulatory agencies, that company policies and procedures are being followed, and that behavior in the organization meets the company's Standards of Conduct.

The detailed profile of the chief of Legal and Compliance Department is shown below:

### MS. SIRASA SUPAWASIN

|                  |  |
|------------------|--|
| <b>POSITION</b>  | Senior Legal and Compliance Manager  |
| <b>AGE</b>       | 31 years   |
| <b>EDUCATION</b> | Bachelor of Law, Thammasat University<br>Lawyer License, Lawyers Council of Thailand<br>Notarial Service Attorney License, Lawyers Council of Thailand |

### TRAINING

|                |   |
|----------------|---|
| October 2013   | Attended the training course "CSR Knowledge Management" held by Corporate Social Responsibility Institute (CSRI). |
| February 2013  | Attended the training course "New CG Principles 2012" held by IOD and the SET.                                    |
| October 2010   | Effective Minute Taking Program, the Thai Institute of Directors  |
| October 2008   | Business Law Training Course, Faculty of Law, Thammasat University  |
| October 2007   | Company Secretary Program, the Thai Institute of Directors  |
| September 2006 | Human Resource Law Training Course, Faculty of Law, Thammasat University  |

### EXPERIENCE

|                     |  |
|---------------------|--|
| July 2011 - Present | Legal and Compliance Manager, Precious Shipping Public Company Limited |
| 2007 - 2011         | Senior Legal Officer, United Thai Shipping Corporation Limited         |
| 2005 - 2006         | Legal Officer, Daikin Industries (Thailand) Limited                    |

## 5.3 Board of Directors' Meetings

The Board of Directors' meetings are scheduled in advance to convene at least 7 times per year, but extraordinary or special meetings, if required, may be called at any time during the year.

For each meeting, through the year, an agenda is predetermined by the Chairman of the Board of Directors and Managing Director. The meeting has a specific agenda, which would include a 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 the Audit & Corporate Governance Committee meeting so that the minutes of the Audit & Corporate Governance Committee meeting can be sent to the Board of Directors for their consideration and discussion during the Board meeting. However, in case a Director either feels suspicious or has any questions, the Director can seek answers or clarifications directly from the Executive Directors at all times.

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.

Details of Directors' attendance for Board of Directors and Sub Committee meetings held in 2014 are set out in the following table;

| Director's Name                                 | Board of Directors and Sub Committee Meetings |                      |                        |                      |
|---|---|----------------------|------------------------|----------------------|
|   | Attendance / Total Meetings (Times)           |                      |                        |                      |
|   | Board of Directors                            | Audit & CG Committee | Remuneration Committee | Nomination Committee |
| 1. Mr. Thira Wipuchanin                         | 7/7   | -                    | -                      | -                    |
| 2. Mr. Khalid Moinuddin Hashim                  | 7/7   | -                    | -                      | -                    |
| 3. Mr. Munir Moinuddin Hashim                   | 6/7   | -                    | -                      | -                    |
| 4. Mr. Khushroo Kali Wadia                      | 7/7   | -                    | -                      | -                    |
| 5. Mr. Jaipal Mansukani                         | 7/7   | -                    | -                      | -                    |
| 6. Mr. Suphat Sivasriumphai                     | 7/7   | 6/6                  | -                      | 2/2                  |
| 7. Ms. Nishita Shah                             | 5/7   | -                    | -                      | -                    |
| 8. Mr. Kirit Shah                               | 6/7   | -                    | 2/2                    | -                    |
| 9. Mr. Chaipatr Srivisarvacha                   | 6/7   | -                    | -                      | 2/2                  |
| 10. Associate Professor Pavidia Pananond, Ph.D. | 7/7   | 6/6                  | 2/2                    | -                    |
| 11. Mr. Kamtorn Sila-On                         | 7/7   | 6/6                  | 2/2                    | 2/2                  |
| 12. Mr. Ishaan Shah                             | 7/7   | -                    | -                      | -                    |

On 28<sup>th</sup> October 2014, the Non-Executive Directors hold a meeting among themselves for discussing the business management issues and performance of the Executive Directors.

#### 5.4 Board Self Assessment

In the Board of Directors Meeting held on 28<sup>th</sup> October 2014, Board members conducted a self-assessment through a questionnaire following the SET guidelines which covered the subjects as follows:

- Structure and characteristics of the Board
- Roles and responsibilities of the Board
- 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' meetings
- The Board's performance of duties
- Relationship with Management
- Self-development of Directors and Executive Development
- Nomination
- Remuneration
- Performance Assessment for CEO/MD

The scores of Board's Self Assessment fall in the level of "Excellent". The Board of Directors intends to use this result to further improve its performance. The Company intends that the self assessment be done every year in order to comply with the Good Corporate Governance practice and accordingly this exercise will be conducted again in year 2015.

### **5.5 Managing Director Evaluation**

In the Board of Directors Meeting held on 28<sup>th</sup> October 2014, the Board members conducted a Managing Director Evaluation through a questionnaire following the SET guidelines which covered the subjects as follows:

- Leadership
- Strategy formulation
- Strategy execution
- Financial planning/ Performance
- Relationships with the Board
- External Relations
- Human Resources Management/ Relations
- Succession
- Product/ Service Knowledge
- Personal Qualities

The score of Managing Director Evaluation fell in the level of "Excellent". The Company intends that the Managing Director Evaluation be done every year in order to comply with Good Corporate Governance practice and accordingly this exercise will be conducted again in year 2015.

### **5.6 Directors and Management Remuneration**

The Management remuneration is fixed in accordance with the principles and policies set by the Board of Directors. The Board of Directors directly and specifically approves the remuneration of the Executive Board and the Director employed in an executive capacity in the Company's subsidiary based on the remuneration in the Industry for equivalent positions, financial status/performance of the Company and their respective individual performances.

Since the year 2007, the Board appointed and assigned the Remuneration Committee to set procedures for consideration of the remuneration of the Directors and Management in accordance with international standards and comparable with other equivalent listed companies including companies in the transportation industry.

The remuneration of the Senior Management included their salary, bonus, and other remuneration (income tax, house rent and provident fund contributions) and the Directors' Remuneration was a fixed annual amount which was approved in Shareholders' Meeting. The remuneration of Directors and Management has been disclosed hereinabove under the subject of "Disclosure and Transparency".

### **5.7 Directors and Management Training**

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

In year 2012, 2 Directors, Mr. Kamtorn Sila-On and Associate Professor Pavida Pananond, Ph. D., attended the "Audit Committee Program (ACP)" conducted by the Thai Institute of Directors.

In year 2013, Associate Professor Pavida Pananond, Ph. D., attended the 'Financial Statements for Directors (FSD)' training course conducted by the Thai Institute of Directors.

In year 2014, Mr. Thira Wipuchanin, attended 'Chartered Director Class (CDC)' the training course conducted by the Thai Institute of Directors.

#### **Directors' Orientation**

If someone is newly appointed on the Board of Directors by the shareholders, the Company Secretary will inform and provide relevant documents for new Directors such as Director's handbook, the Company's corporate documents, CG Policy Manual, Business Ethics and Code of Conduct Manual, laws, regulations and practices which are related to the trading of Company's shares.

The Company arranged such a Directors' Orientation program for the 4 new Directors who were appointed in year 2011.

**The following principles below are the Corporate Governance Principles 2012 recommended by the Stock Exchange of Thailand (SET) which the Company has not yet complied within year 2014:**

| <b>Principle</b>   | <b>Opinion from the Board of Directors</b>  |
|--|---|
| The Board of Directors does not have any Independent Directors who have served more than nine consecutive years. | It is difficult to obtain suitable and qualified Candidates repeatedly and therefore such a term limit cannot be implemented presently.                 |
| The Board of Directors should establish an annual performance assessment conducted of Individual Directors.      | This has not been adopted for the present but may be considered in future.  |
| The Board of Directors should establish an annual performance assessment conducted of the sub-committees.        | This has not been adopted for the present but may be considered in future.  |
| The Company should establish a proper incentive and remuneration policy for its Executives and Directors.        | The Company may consider this and structure a plan based on advise from external expert but it was not possible to complete this immediately this year. |

# INSIDER TRADING CONTROLS

Precious Shipping Public Company Limited has the policy to ensure correct and adequate disclosure of information such as financial statements and other significant data or information related to the business, on a transparent and timely basis to shareholders, investors and general public.

The Board is committed to comply with rules and regulations with regard to the disclosure of information in a timely manner with full transparency. The monitoring of the use of insider information of the Company is considered the responsibility of the Directors, executives and senior staff who are obliged to strictly monitor and prevent any leaks of the Company's confidential and privileged information including information not yet revealed to the public or any data that might affect the Company's operations or share price. This includes the prohibition on use of Company's information obtained from directorships or employment for personal benefit or conducting business or other activities in competition with the Company. The Company has determined it as policy and guideline in the Business Ethics and Code of Conduct Manual which is disclosed on the website of the Company under the subject of Corporate Governance.

Pursuant to section 59 of the Securities and Exchange Act B.E. 2535, all Directors and Management personnel are required to report the changes in their (and that of their spouse and minor children) shareholding to the Office of the Securities and Exchange Commission, which was fully complied by the Company's Directors and Management during the previous year. Moreover, all Directors and Senior Management, are not allowed to trade/transfer in the Company's shares during the period of 3 weeks before and two days after the annual audited results (2 weeks before in case of quarterly reviewed results) 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 year, all members of management have complied fully with this policy and no non-compliance cases have been observed.

According to the Company's Corporate Governance Policy, all Directors and Senior Management, including their spouses and minor children, are encouraged to inform the Company their intention to trade in the Company shares at least a day in advance.

# INTERNAL CONTROLS

Precious Shipping Public Company Limited recognizes the importance of Internal Control Systems on an operational level to ensure that the operations are conducted efficiently within risk parameters acceptable to the Company and prevailing business circumstances for the activities of each of the individual departments. To ensure suitable control measures in keeping with prevailing circumstances, environment, and risks, the internal audit department regularly monitors the internal controls in place and the internal control practices. The Company has implemented Internal Control Systems in accordance with the recommendations of The Committee of Sponsoring Organizations of the Treadway Commission (COSO) as follows:

## 1. CONTROL ENVIRONMENT

The Company has forged ahead with setting up a proper control environment and accordingly set up the Corporate Governance Policy and Business Ethics Manual in writing. These are recognized by the staff of the Company as the basis of working. In addition, the Company has established the alignment of the organization structure with the Company's goals and business direction, including clear definition of functions, roles/responsibilities, and reporting lines of each business division. 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 is 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 for various activities are reported periodically to Management and the Board of Directors 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 good control systems and conforms to the related risks to decrease/distribute all risks of the Company with a view to ensuring efficiency and effectiveness of operations. In terms of the Company's functional management, the Managing Director clearly delegates authority to the Company's functional management, resulting in practical and easily - tracked courses of action. The Company has allocated responsibilities to four main departments to verify, control and supervise the business to ensure strict compliance with laws and regulations. These consist of the Company Secretarial and Compliances Department, Internal Audit Department, Accounting and Finance Department and International Safety Management (ISM) Department.

## 4. INFORMATION & COMMUNICATION

The Company recognizes the importance of accurate, reliable and prompt Information & Communication, including the continuous development of IT systems and database which include financial, operational, and compliance systems. This 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. As an internal channel, all staff and Management can easily communicate through the Intranet System enabling the efficiency and effectiveness of communication to achieve the Company's objectives. As an external channel, the Company provides the information through the channel of SET, the Company's website 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. In addition, the Internal Audit Department monitors and assesses internal control procedures and outcomes, and then reports its findings to the Audit & Corporate Governance Committee. The findings of internal control assessment for 2014 have been provided in the "**Audit & Corporate Governance Committee Report**" section of the Annual Report.

At the Board of Directors' Meeting No.2/2015 on 30<sup>th</sup> January 2015, which the Audit & Corporate Governance Committee also attended, the Board agreed with the Audit & Corporate Governance Committee's opinion about internal control evaluation results. It was concluded that the Company and its subsidiaries have properly maintained the internal control systems and have effectively improved control measures to correspond with changing situations, which lead to the achievement of Company and subsidiaries' objectives and compliance with regulatory requirements.

Moreover, the result of the Year 2014 Audit of the Company by EY Office Limited, the independent and external auditors, have not identified any significant weakness in internal controls which may have a material impact or cause disruption in business operations.



# SUSTAINABILITY REPORT

## MESSAGE FROM THE BOARD OF DIRECTORS ON SUSTAINABILITY REPORT

### To the Shareholders,

We are pleased to present the Company's Sustainability Report in accordance with the Global Reporting Initiative ("GRI") G4 guidelines. This report covers the Company's performance on material issues that matter most to stakeholders in the year 2014 and is meant to be a tool to communicate our material analysis and identify economic, environment, social, sustainability governance and ethical issues that are relevant to stakeholders and may potentially impact the Company.

The Company's mission is to be the most respected shipping company in the world, providing the best services and solutions to facilitate International dry-bulk trade. We believe this can be achieved with an unwavering focus on the Company's stakeholders, namely customers, governments & other statutory/industry organisations, employees, shareholders, and society & the community, and serving their respective needs in a constructive manner. The Company has also included elements of Corporate Social Responsibility as its core values which are followed at all times on a day-to-day level by all in the Company.

The Sustainability Report summarises the Company's interactions with its stakeholders and reflects the Company's continuous search for ways to improve at all levels. We welcome comments, suggestions and views on this Report, and we assure you that each and every response is and will be taken very seriously and considered for appropriate action.

On behalf of the Board of Directors of Precious Shipping Public Company Limited, we would like to express our gratitude to all those who have contributed to the success of the Company.

**For and on behalf of the Board of Directors of  
Precious Shipping Public Company Limited**



**Mr. Khalid Moinuddin Hashim**  
Managing Director



**Mr. Khushroo Kali Wadia**  
Executive Director

30<sup>th</sup> January 2015

## Overview of Sustainability Report [G4-28, G4-29, G4-30, G4-32]

The Company places the highest priority on delivery of long-term value and sustainable returns to its shareholders. The Report also includes information relating to the performance of the Company and its subsidiaries based locally and internationally. The focus of the Report is on the main businesses which have a material impact on the achievement of the long-term sustainability. The Company acknowledges that its unique character, having all of its ships trade all over the world, most of which are flying the Royal Thai flag, obliges it to act as the country's ambassador to the world, and the Company takes this responsibility very seriously.

The Company's previous report for 2013, published on 24<sup>th</sup> February 2014, was made pursuant to the GRI G3 guidelines. For the year 2014, this Sustainability Report is the third such Report to be included in the Annual Report, to present the Company's performance in terms of economic, environmental, social and sustainable governance to create a balanced combination as a socially responsible company. Through this approach, the Company strives to create added value for stakeholders by complying with all applicable regulations and carrying out its business activities according to its vision and core values. In executing its business strategies and achieving its performance targets, the Company gives the highest regard to transparency, accountability, responsibility, independence and fairness.

Further information on the Company's Corporate Governance, risk management and mitigation strategies, all of which are part of the Company's sustainability measures, can be found in the relevant chapters under the **Board of Directors' Report, Corporate Governance Report, Internal Controls and Significant Risk Factors** sections of this Annual Report.

This edition of the Sustainability Report is the first one to use the reporting principles and framework of GRI G4 'in accordance' reporting at the Core level, in terms of materiality, stakeholder engagements, sustainability context, completeness, accuracy and comparability. This Report addresses activities and data that fall within the Company's financial year for the period from 1<sup>st</sup> January to 31<sup>st</sup> December 2014.

### The scope of the Report [G4-17, G4-20]

The data and information contained in this Report relates to Precious Shipping Public Company Limited and all its wholly-owned subsidiaries.

### The boundary and limitations of the Report [G4-21, G4-22, G4-23]

Data in this Report has been collected from the Company's operations as listed above and there are no changes with respect to the boundary as compared to our 2013 Report.

### The process for defining the content of the Report [G4-18, G4-33]

We have defined the content of the Report through research with key stakeholder groups in order to gain their feedback on requirements and preferences. Data is provided and reviewed by Senior Management prior to submission to the Managing Director for approval. The Final Report is approved by the Company's Board of Directors.

### The Materiality Assessment [G4-19]

The content of this Sustainability Report is geared to highlight the Company's policies, achievements and challenges towards sustainability within the reporting period. The Company has ascertained this content by carrying out a Materiality assessment. The Company has conducted this Materiality Assessment through internal representatives of the business units with assistance from Senior Management, including considering feedback from outside stakeholders through multiple channels, such as Opportunity Day/Investor meetings, the Company website, Regulatory Authorities, and press coverage of the Company.

In alignment with the principles of the GRI G4 reporting guidelines, the Company has used a four step process in determining its Materiality Assessment: 1) identification of relevant topics 2) prioritization of topics against stakeholder and Company influence and impact 3) validation of prioritization and identification through review and evaluation 4) review of context on annual basis.

This materiality matrix below presents 11 aspects for each sustainability-related category, which the Company focuses on. These 11 aspects are the most material for this year's Sustainability Report. The Company recognizes the value of broadening its engagement with its stakeholders to improve its Materiality Assessment and increasing the relevance of information within its Report based on stakeholder priorities.

### **Materiality Matrix**

|                                     |             |   |
|-------------------------------------|-------------|---|
| <b>Significance to Stakeholders</b> | <b>High</b> | <ul style="list-style-type: none"> <li>• Economic Performance</li> <li>• Customer Privacy</li> <li>• Occupation Health &amp; Safety</li> <li>• Employment</li> <li>• Biodiversity</li> <li>• Product and services</li> <li>• Training &amp; Education</li> <li>• Anti-Corruption</li> <li>• Human Rights</li> </ul> |
|                                     | <b>Low</b>  | <ul style="list-style-type: none"> <li>• Effluents and waste</li> <li>• Diversity &amp; Equal Opportunity</li> </ul>  |
|                                     |             | <b>Significance to the Company</b>  |
|                                     |             | <span style="float: left;"><b>Low</b></span> <span style="float: right;"><b>High</b></span>   |

### **Stakeholder Engagements** [G4-24, G4-25, G4-26, G4-27]

The Company 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 whom the Company has an ongoing relationship and impact as a result of its business operations. The Company engages its stakeholder groups in a variety of ways, with the frequency and communication mechanisms based on the most effective means of facilitating dialogue. The Company has also provided channels on its website 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. The Board has, and will continue to treat such information seriously and with utmost confidentiality.

Currently, the Company categorises stakeholders into eight groups, which are presented below. All business units are responsible for creating and maintaining good relationships with these groups, communicating, taking their suggestions, and assessing their expectations.

| Stakeholders        | Expectations   | Key Action and Engagements  |
|---------------------|--|---|
| Customers           | <ul style="list-style-type: none"> <li>Professional service with fair charter rate</li> <li>On time trouble-free delivery</li> </ul>   | <ul style="list-style-type: none"> <li>Develop services to respond to diverse needs</li> <li>Provide efficient, reliable and professional services and solutions to all our customers</li> <li>Provide substantive reply to any query promptly</li> </ul>   |
| Shareholders        | <ul style="list-style-type: none"> <li>Share in profits by way of dividends</li> <li>Business growth and sustainability</li> <li>Fair and transparent operations</li> <li>Risk Management</li> </ul>   | <ul style="list-style-type: none"> <li>Creation, preservation and enhancement of long term value for our shareholders</li> <li>Disclosing timely, concise and relevant information</li> <li>Responsive to all inquires</li> <li>Frequent communications through company visit, road shows and meetings</li> <li>Direct channel of communication to Board/Management open for every Shareholder</li> <li>Shareholder Meetings at least once a year, plus quarterly Opportunity Day Meetings</li> <li>Regular newsletters from CEO</li> </ul> |
| Employees           | <ul style="list-style-type: none"> <li>Appropriate compensation and welfare</li> <li>Career advancement and succession</li> <li>Competency enhancement</li> <li>Positive and good work environment</li> <li>Security and safety at work</li> </ul> | <ul style="list-style-type: none"> <li>Respecting human rights, diversity</li> <li>Ensuring equal opportunity</li> <li>Ensuring a safe and healthy work environment</li> <li>Providing skill enhancement via sophisticated training</li> <li>Annual review of compensation, welfare and benefits structure to remain competitive with industry standards</li> <li>Open channels for accepting opinions and suggestions</li> </ul>   |
| Investors           | <ul style="list-style-type: none"> <li>Return on investment</li> <li>Business growth and sustainability</li> <li>Fair and transparent operations</li> <li>Risk Management</li> </ul>   | <ul style="list-style-type: none"> <li>Direct &amp; Open channel of communication to Board/Management</li> <li>Frequent meetings and conference calls/ Q&amp;A sessions</li> <li>Regular disclosures through SET</li> <li>Roadshows 18 times in 2014</li> <li>Annual Report and other reports, such as Form 56-1, press releases, etc.</li> </ul>   |
| Community & Society | <ul style="list-style-type: none"> <li>Improvement of quality of life</li> <li>Support of community activities</li> <li>Maintenance of environment</li> </ul>  | <ul style="list-style-type: none"> <li>Support and get involved with community and society-based activities on a regular basis</li> <li>Arrange meetings with Merchant Marine Training Center for planning and progress of community development projects</li> </ul>  |
| Regulators          | <ul style="list-style-type: none"> <li>Compliance with relevant laws, rules and regulations</li> <li>Good Corporate Governance and transparency</li> <li>Sufficient and timely information disclosure</li> </ul>                                   | <ul style="list-style-type: none"> <li>Follow guidelines in doing transactions with the State, code of conduct and participate in academic collaboration</li> <li>Periodic internal assement of regulatory compliance</li> <li>Regular disclosures through SET</li> <li>Regular participation in meetings and activities of related agencies</li> <li>Annual Report and other reports, such as Form 56-1, press releases, etc.</li> <li>Complaint handling channels and remedial measures</li> </ul>  |
| Suppliers           | <ul style="list-style-type: none"> <li>Fairness and equal opportunity in procurement process</li> <li>Fair prices</li> <li>Reputation and credibility</li> </ul>   | <ul style="list-style-type: none"> <li>Ensure that terms and conditions for suppliers are based on industry norms and practices</li> <li>Follow agreed terms and conditions</li> <li>On time payment</li> <li>Complaint handling channels on websit</li> </ul>  |
| Creditors           | <ul style="list-style-type: none"> <li>Ability to repay debts and punctual payment</li> <li>Fair returns on loans and service fees</li> <li>Commitment to agreements</li> </ul>  | <ul style="list-style-type: none"> <li>Full compliance with all terms in borrowings including compliance with the objectives of using the borrowed funds, repayment, collateral, and other conditions as may be agreed</li> <li>Regular meetings for information exchange and to maintain good relationship</li> <li>Financial and annual operating reports</li> </ul>  |

## Corporate Governance, Ethics and Integrity

The Company is committed to conducting business under Good Corporate Governance principles; doing business ethically and striving for the betterment of society and the environment. The Board of Directors has promoted corporate governance practices to help fulfill its responsibility to the shareholders. It is the duty of the Board of Directors to serve in a prudent fiduciary relationship with shareholders and to oversee the management of the Company's business. The Company has provided the governance structure of the Company, including committees under the subject of **"Management Structure"** of this Annual Report.

The Company has set up a Business Ethics and Code of Conduct Manual to commit to the key principles of integrity, ethical business conduct and accountability for Directors, Executives and staff as a guideline in carrying out their respective work for the Company in a transparent, honest, faithful and justifiable manner. These guidelines can be accessed through the Company's website.

### Anti-Corruption <sup>[SO4]</sup>

The Company, since over two decades of operations in the industry, has a reputation for having zero tolerance towards any form of corruption or unethical behavior. The senior management has always enforced this policy throughout the history of the Company, and recently, the Board of Directors has approved a new Self-Evaluation Tool for Countering Bribery and Anti-Corruption Policy.

These newly adopted policies, which are the embodiment of the age old stance of the Company, against any form of corruption or unethical behavior, have been communicated to every member of the Board of Directors and each of the Company's employees, each of whom are apprised of every facet of the same.

The Company extends the application of these policies beyond itself and applies the same to each individual/corporation/organization that the Company deals with. The Company has set up a channel to contact the Board of Directors directly for any business suggestions, complaints, or recommendations indicating impact or risks of impact on stakeholders arising from its business or from wrongful action, or violation of the Code of Conduct, illegal acts, etc. As such, the Company ensures that none of its affairs are conducted with/through any unethical individual/corporation/ organization.

### Precious Shipping has been certified as a member of the Collective Action Coalition against Corruption



*Mr. Khalid Hashim, Managing Director, received the Certificate of Membership of the Collective Action Coalition against Corruption on 2 February, 2015. The ceremony was held at the office of the Thai Institute of Directors Associations (Thai IOD), the Capital Market Academy Building, North Park, Bangkok*

## Sustainable Management Performance

### Economic Performance

For 2014, the Company's Senior Management had set up goals for the next year with targets that were both realistic and aggressive as follows:

- Daily earnings per vessel to be at least 10% higher than the corresponding industry average;
- Daily Operating costs per vessel to be at least 15% lower than the industry average as published by Moore Stephens;
- Target quarterly dividend payments to the shareholders; and
- Additional bonus to employees linked to the Company's annual net profits.

The Company's operations contribute to national economies by generating economic benefits for different stakeholder groups. The related direct monetary flows indicate the extent of added value.

#### Direct Economic Value Generated and Distributed (Million USD) <sup>[EC1]</sup>

| Description  | 2010          | 2011          | 2012          | 2013          | 2014          |
|--|---------------|---------------|---------------|---------------|---------------|
| <b>Direct Economic Value Generated:</b>            |               |               |               |               |               |
| Revenues:-   |               |               |               |               |               |
| Vessel Operating Income                            | 92.40         | 100.51        | 112.34        | 124.76        | 140.66        |
| Revenue from financial investments                 | 0.82          | 0.85          | 0.65          | 0.27          | 0.16          |
| Revenues from sale of assets                       | 13.37         | 0.06          | 0.01          | 0.00          | 0.83          |
| Other income                                       | 0.34          | 10.77         | 10.24         | 31.69         | 1.69          |
| <b>Direct Economic Value Generated</b>             | <b>106.93</b> | <b>112.19</b> | <b>123.24</b> | <b>156.72</b> | <b>143.34</b> |
| <b>Economic Value Distributed:</b>                 |               |               |               |               |               |
| Operating Costs (excluding crew costs)             | 10.76         | 26.33         | 40.17         | 42.93         | 43.54         |
| Employee wages and benefits (including crew costs) | 24.62         | 26.23         | 32.55         | 42.89         | 46.38         |
| Payment to providers of loans                      | 9.29          | 14.20         | 13.85         | 14.82         | 15.31         |
| Dividend distribution                              | 40.37         | 21.14         | 15.08         | 13.76         | 9.66          |
| Tax payments to governments                        | 3.32          | 0.36          | 0.15          | 0.31          | 0.27          |
| Community Investments                              | 0.80          | 0.08          | 0.06          | 0.04          | 0.04          |
| Other payments                                     | 1.24          | 1.93          | 2.09          | 1.10          | 1.54          |
| <b>Economic Value Distributed</b>                  | <b>90.40</b>  | <b>90.27</b>  | <b>103.95</b> | <b>115.85</b> | <b>116.74</b> |
| <b>Economic Value Retained as under:</b>           | <b>16.53</b>  | <b>21.92</b>  | <b>19.29</b>  | <b>40.87</b>  | <b>26.60</b>  |
| Depreciation and amortization                      | 21.70         | 21.40         | 29.63         | 37.09         | 39.01         |
| Provisions   | 0.48          | 0.00          | 0.39          | 0.04          | 0.06          |
| Transfer to (from) Reserves                        | (5.65)        | 0.52          | (10.73)       | 3.74          | (12.47)       |

For Financial Performance: see the **Financial Highlights** and **Management Discussions and Analysis** sections in this Annual Report.

### Environment Performance

The Company recognizes that irresponsible shipping operations will inevitably lead to catastrophic environmental impact, particularly in terms of air and/or water pollution. Therefore, the Company is firmly committed to the protection and conservation of the environment, and ranks environmental considerations equally with commercial and operational factors.

However, over years of operation the Company has realized that simply complying with regulations is not enough, but what is needed is to go above and beyond the mandatory regulations by developing internal emergency response plans and quality control systems, constantly searching for new technologies to employ to help reduce our environmental impact, and also a firm commitment to reducing CO<sub>2</sub> emissions and waste generation.

This Report outlines the most significant environment-related maritime regulations and the Company's compliance therewith; the Report also outlines the Company's internal emergency and quality control systems and CO<sub>2</sub> reduction efforts. This Report concludes with a statement of goals and objectives set by the Company for the coming year.

## Environment Performance Highlights <sup>[EN27]</sup>:

1. Annual review meetings conducted every year are utilized as a platform to discuss and address issues related to review of the maritime regulations.
2. The Environment Protection Policy Statement, as below, has been made public in line with ISO 14001 requirement: It is the Company's policy to conduct its operations in an environmentally sustainable manner in order to protect the environment and Planet Earth for a better life for the present and future generations (please see details below in "**ISO 14001 Certification**").
3. For use of new technology and innovations, the Company has signed contracts for new-build vessels with specifications exceeding those mandated by the regulations and which enhance the vessels' ability to protect and conserve the environment.
4. Environmental objectives and targets are set and assigned to all levels of employees in the Company, both ashore and afloat, with stipulated time frames and action plans. The Company recognizes that training and improving awareness at all levels is the key to achieving the environmental policy and seeks to accomplish these through in-house training described herein under.
5. The Company has evaluated significant environmental impacts for all shipboard and company activities that have been analysed and it has been found that the Company's existing procedures can effectively reduce the environmental impact of any incident.
6. In-house training programs are conducted for all staff (serving at shore office as well as on vessels) on the EMS policy, objectives that have been set, and for general awareness. These training programs are conducted at the Company's training center and through internal audit visits to vessels.
7. The Company uses best endeavors to influence and encourage all vendors associated with the Company to comply with environmental standards / good practices.

## Compliance with Regulations & Conventions <sup>[LA8]</sup>

In order to have the Company's ships sailing in international waters, the Company is legally required to be fully compliant with the regulations imposed by the International Maritime Organization (IMO) and other regulatory bodies.

Safety of Life at Sea (SOLAS), Maritime Regulations for Prevention of Pollution (MARPOL), Standards for Training Certification and Watchkeeping (STCW) & Maritime Labour Convention (MLC) are the four pillars of the international maritime industries regulatory frame work.

Some of the other regulatory instruments are:

- International Convention for the Control and Management of Ships' Ballast Water and Sediments 2004.
- International Maritime Dangerous Goods code (IMDG)
- International Maritime Solid Bulk Cargoes code (IMSBC)
- International Convention on the Control of Harmful Anti-Fouling Systems 2001.
- International Convention on Civil Liability for Bunker Oil Pollution Damage 2001.
- National, Regional and Local regulations more stringent than the international requirements like US environment protection acts, European Union air pollution directives etcetera.

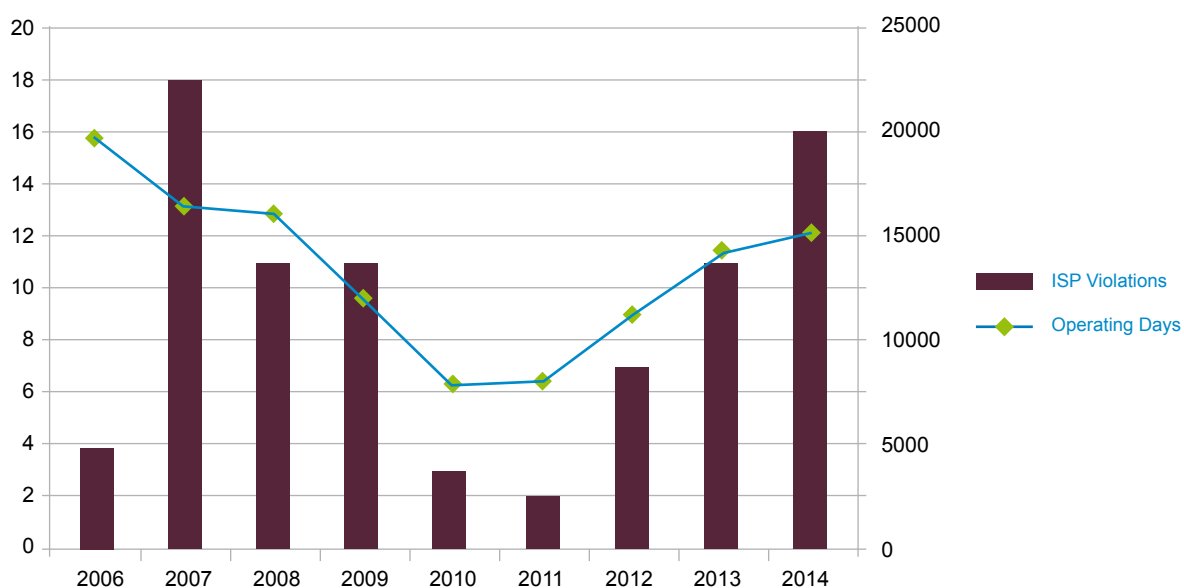
In addition to the above, the most significant regulations are outlined below, and the Company's efforts to remain compliant.

**International Safety Management Code (ISM Code):** 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. The ISM Code became mandatory on 1<sup>st</sup> July 1998 for passenger ships including passenger high-speed crafts, oil tankers, chemical tankers, gas carriers, bulk carriers and cargo high-speed crafts of 500 gt and upwards, but the Company implemented this in 1995 itself after obtaining due certification.

The Code is implemented on board the vessels and offices ashore in order to provide an international standard for the following objectives:

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

Below is a graphical account of the Company’s ISM Code violations viewed against Operating days from 2006-2014. For the purpose of this analysis, violations are considered as any incident that results in a fire, explosion, injury or death to crew members, collisions, groundings, etc., Operating days hit a peak with 19,710 days in 2006, while ISM code violations peaked in 2007 with 18 violations. However, between 2007 and 2011 the code violations declined by 94%; there has been an uptick in 2013 & 2014, and the Company has analysed each violation in detail to identify the root-cause and initiate appropriate corrective actions. The results are then conveyed to all senior employees as case-studies to avoid recurrence. On a violation per operating day basis, 2006 and 2011 were the Company’s best years with the violation at the lowest at 0.02%, while even at worst, in 2007, the violations were a negligible fraction, at only 0.11%. Across the period, the average violation for the whole fleet was only 0.06%.



As per the ISM code requirements, annual internal audits are conducted on board by a dedicated team of qualified and experienced ship auditors reporting directly to the Managing Director. All incidents of non-compliances, accidents and near misses are thoroughly investigated and analyzed, after which procedures are reviewed immediately. Furthermore, 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 Nautical Institute, London, which publishes the MARS reports every month, has appreciated the Company’s participation in MARS and for promotion and sharing “lessons to learn” incidents and case studies from its own fleet for the benefit of the industry. This is in compliance with the Company’s highest ideals of quality management and social responsibility.



In addition to the above, the Company is undertaking following initiatives to limit ISM Code violations through preventative action:

- **Enhanced staff training:** An increasing trend in the industry is that Port State Control inspectors are getting more stringent in their enforcement of the ISM Code. As such the Company's ship staff are given regular checks on their ISM knowledge, sharing of experiences from across the fleet.
- **Enhanced maintenance of vessels:** The head office has stressed that all machinery checks and inspections be carried out with greater frequency, and any difference observed by ship staff are immediately reported. Also, the Company's management has stressed that internal auditors enforce the Code more stringently than ordinary inspectors, to achieve a higher level of compliance and safety for the Company's ships, cargoes and crew.
- **Timely warnings and reminders to vessels:** Vessels entering North American and Australian waters often require additional certificates for compliance with local regulations. As a preventative measure, the head office gives instructions to the crew well in advance of the vessel's arrival in such waters to ensure that all documents are in order and the vessel is in full compliance with regulations at all times.
- In 2012, the Company became a member of INTERCARGO, the International Association of Dry Cargo Shipowners. Intercargo, quoting their own words, 'exists in order to link industry stakeholders in a commitment to a safe, efficient and environmentally friendly dry cargo maritime industry, and our vision is for a safe, efficient and environmentally friendly dry cargo maritime industry where its member's ships serve world trade – operating competitively, safely and profitably'. This perfectly fits in with the Company's philosophy and the Intercargo membership reflects Company's resolve towards sustainability.
- In 2012, the Company also became a member of RightShip, an independent ship-vetting organization formed by BHP Billiton, Rio Tinto and Cargill, three of the world's largest trans-national corporations and major users of sea transport services. RightShip's ship vetting model is known for its exacting and stringent standards, and focuses on ship safety (including crew and cargo) and marine environmental protection; and the Company's membership is yet another affirmation towards sustainability.

The Company has set an internal target of zero ISM Code violations resulting in injury or death, fire, collisions or groundings or any vessel detentions resulting from an ISM Code violation.

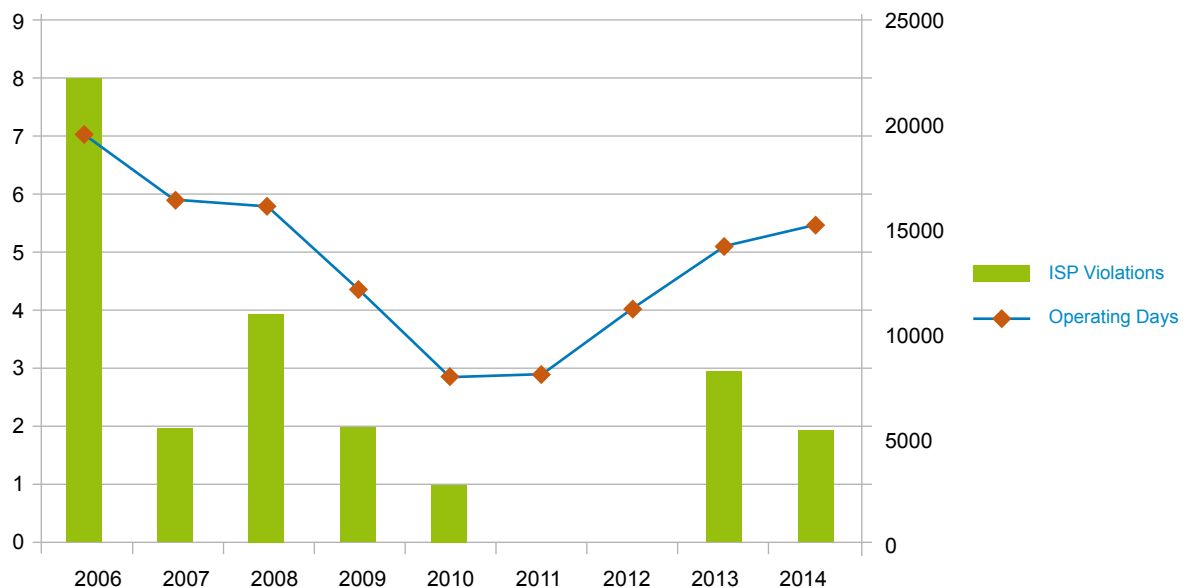
**International Ship and Port Safety (ISPS) Code:** In light of changing security circumstances across the globe, the International Ship and Port Safety Code was adopted in 2004. The code is an amendment to the Safety of Life At Sea (SOLAS) Convention that encompasses a greater level of security arrangements for ships and ports. The code assigns responsibilities to governments, shipping companies, shipboard personnel, and port/facility personnel to "detect security threats and take preventative measures against security incidents affecting ships or port facilities used in international trade" (ISPS Code Part A 1.2.1).

In implementing the ISPS Code the Company has developed standard operating procedures for vessels entering ports prone to drug smuggling and stowaways. This includes employing sniffer dogs and armed guards where appropriate. Furthermore, standard policies are employed whenever vessels call European, British, American, Australian or Canadian ports, and to date, the Company has had only 1 detention from an ISPS violation.

Annual internal reviews are conducted on preventative measures including the performance of the companies providing the sniffer dogs and guards. Like the ISM audits mentioned above, these are carried out by a dedicated team of qualified and experienced ship auditors reporting directly to the Managing Director. All incidents of non-compliance, accidents and near misses are thoroughly investigated and analyzed. In the event of any failures of the standard operating procedures, reviews are immediately conducted.

Below is a graph displaying the number of ISPS Code Violations (left-hand axis) against the number of Operating days (right-hand axis) from 2006-2014. ISPS violations peaked in 2006 with 8 violations occurring that year, while operating days peaked in 2006 with 19,710 days. Both operating and ISPS violations reached their lowest levels in 2011 with 0 code violations during 5,842 operating days. There were no ISPS violations in 2011 and 2012 but the fleet witnessed 2 violations in 2014, being incidents when stowaways secreted onboard – these stowaways are typically very poor and desperate to escape to a foreign country for a better living. Even though the stowaways were detected by ship-staff and were taken off at the same port where they came onboard, the Company has counted them as ISPS violations for reporting purposes, in line with the Company's zero tolerance for such lapses.

The Company has set an internal target of zero violations for the coming year.

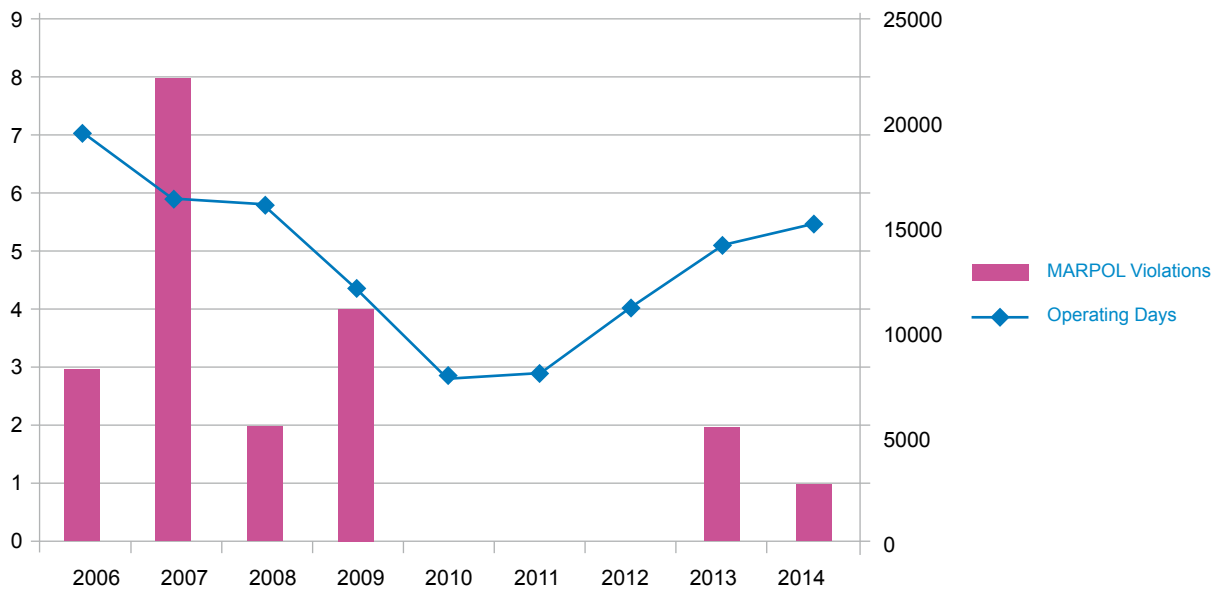


**MARPOL:** is one of the most important environmental regulations in the maritime industry and aims “to preserve the marine environment through the complete elimination of pollution by oil and other harmful substances and the minimization of accidental discharge of such substances.” This convention is divided into 6 distinct sub-areas (IMO, 2011):

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.

There is a company wide acknowledgment that the risk posed to the marine environment from a marine incident is severe. The Company has adopted a great deal of preventative measures to limit this risk factor. The first is to limit human error, and the second is to maintain the vessel's machinery to the highest possible standard.

In order to limit human error the Company has developed an internal training program for all seagoing staff. This includes simulator exercises designed to improve navigational skills and awareness by putting officers through various weather, sea and port conditions. Furthermore, the Company also ensures that all engineers employed on ships with new modern engines have undergone engine model specific rigorous training program aimed at enhancing their ability to maintain engines and avoid any fuel or sludge discharge or any breakdowns.



The above graph demonstrates the number of MARPOL violations (left-hand axis) resulting in an insurance claim and Operating days (right-hand axis) from 2006-2014. For the purpose of the analysis, any incident counts as a violation if it is resulted in an insurance claim. MARPOL violations were most numerous in 2007 with 8 violations, while operating days peaked in 2006. The average number of violations for the period was less than 3, while the average number of operating days was 13,805 days. From 2007 to 2012, the total number of incidents declined by 100% while operating days declined by 32%. On a per day basis in 2007, the Company violated MARPOL 0.03% of all Operating days, while in 2010, 2011 and 2012, the Company obtained a rate of 0% violations per Operating day. The Company witnessed 1 MARPOL violation in 2014, both more in the sense of lack of awareness of ship-staff than any actual physical loss of pollutants from any of our vessels. This incident was analysed and the findings have been circulated by way of fleet memorandum to all the vessels in the fleet. As is the case with the 2 previous codes outlined, the Company aims to have zero MARPOL violations in 2015 and that none of our vessels are detained as a result of a MARPOL violation.

**Upcoming regulations:** Following are some of the regulations coming into force within the immediate future:

- IMDG Code and IMSBC Code require more stringent requirements to be met for carriage of certain dangerous cargo. ISM code amendments require that company's responsibility of ensuring manning of the ship shall also encompass all aspects of maintaining safe operations on board, referring to the Principles of minimum safe manning, as adopted by IMO. It is also required that the Company periodically verifies whether all those undertaking delegated ISM-related tasks are acting in conformity with the Company's responsibilities under the Code.
- Fuel used on ships in all Emission Control Areas (ECA) must have Sulphur content less than or equal to 0.1% from 1<sup>st</sup> Jan 2015.
- Non-compliant Lifeboat simultaneous release mechanisms need to be replaced at the time of first dry docking after 1 July 2014.

Having successfully outlined and explained the significant maritime regulations that safe guard the environment and those that will soon play a significant role, the next section details the Company's internal environmental control system.

## Protection and conservation of the environment:

**ISO 14001 Certification:** With an increasing demand for environmental conservation the Company has established an "Environment Protection Policy." In addition to minimum requirements based on international conventions and regulations, the Company implements an Environment Management System (EMS) complying with the ISO 14001 standards. ISO 14001:2004 provides a framework for a holistic, strategic approach to the

Company's environmental policy, plans and actions, and demonstrates that the Company is an environmentally responsible organization. Upon completion of one year after initial certification, the Company has successfully completed annual audit verification conducted by Class NK, confirming compliance with the standards. The EMS supplements the Quality Management System, meeting ISO 9001 standard, and the International Safety Management (ISM) code. This integrated Management System is known as Safety Quality and Environment Management System (SQEMS). According to the SQEMS, the Technical Manager, who also heads the Management Company, is appointed as the "Management Representative" and is also the "Designated Person" for the purpose of the ISM code. In 2008, ClassNK issued the Company a QMS certificate - the new 2008 version of ISO 9001. In general, dry bulk shipping companies do not go for this certification which is more or less the exclusive preserve of tanker companies where protection of the environment is the paramount issue.

#### **Objectives of the EMS:**

- Minimize pollution caused to the environment.
- Comply with all national, international legislations and other regulations pertaining to pollution of the environment.
- Establish procedures for the efficient use of natural resources.
- Improve environmental awareness of all employees.
- Ensure effective monitoring of the environmental performance of the Company is carried out.
- Ensure continual improvement of environmental performance and pollution prevention.

Through periodic review and continual improvement of our SQEMS, the Company hopes to elevate environmental performance over the coming years and make significant contribution to conservation of the environment and reducing the Company's carbon footprint. Another tangible effort being made by the Company to reduce the environmental impact of the business is the adoption of new environment friendly technology on new ships acquired.

The Company is the proud recipient of Port of Long Beach Green Environment Achievement Flag from the Port of Long Beach ('the green port'), California, USA, for our commitment to reducing air pollution in Southern California. Besides the citation, our fleet also gained an additional 25% off on dockage dues payable to the Port of Long Beach!

**Use of New Technology and Innovations:** The Company's commitment to protection and conservation of the environment and prevention of pollution is reflected in the new building contracts the Company has signed with various shipyards in China as explained in this Annual Report. These vessels are being built to comply with all regulations presently in force and also those which are known to be applicable in the foreseeable future. In addition, wherever practical, the vessel's specifications exceed those mandated by regulations, both for ease of operations as well as to enhance the vessels' ability to protect and conserve the environment.

#### **Some of the "Green" features of these new ships are:**

1. Double Hull construction is utilized (for 38,500 DWT bulkers) to minimize environmental pollution in case of accidental hull damage.
2. The vessels' hull form has been perfected after several rounds of careful design analysis using the latest technology, with a view to arrive at the most optimal combination of ship-size & shape to achieve the desired speed at minimum fuel consumption. The fuel consumption of these vessels will be far less than comparable sized older ships: the main engine on the 38,500 DWT ships will consume about 19T/day as compared to about 25T/day for older ships of similar size, whereas the main engine fuel consumption on 64,000 DWT ships will be about 26.4T/day as compared to 30T/day on the older 57,000 DWT ships. Such low fuel consumption has been made possible by combining highly fuel efficient main engine with a new design of slow-speed high-efficiency propeller on an optimized hull form. These new generation ships will have EEDI (Energy Efficiency Design Index) of about 25% below the permissible limits.
3. To reduce carbon footprint and increase thermal efficiency of these ships, the exhaust of auxiliary engines are routed through the composite boiler. This will improve waste-heat recovery and reduce the burning of oil burner in the furnace.

4. These new ships will be fitted with onboard treatment plants for water ballast which will fully comply with regulations to be enforced in the future. These treatment plants will kill harmful bacteria and invasive species of micro-life in sea water which have been found to be responsible for destroying native marine environment.
5. Engines fitted will be in compliance with the latest Nitrogen oxide (NOx) emission standards.
6. The 38,500 DWT ships will have flush, box-type ship-sides for cargo holds. This will reduce accumulation of cargo residues in the holds, thereby reducing the need for harmful cleaning chemicals for removal of the same, since the holds can be cleaned using water only.
7. Deep-well sump pumps for Main Engine oil circulating system - this will reduce the overall quantity of lubricating oil required for the Main Engines, which will in due course reduce the quantities of waste oil.
8. Large capacity Incinerator compliant with IMO performance standards (capable of incinerating plastics if required).
9. The vessels will be fitted with large incinerators, well above the requirements of MEPC.76 (40) Standards, to burn waste and sludge. This will ably supplement the Company's garbage and waste management system which is already in operation on all of the Company's vessels.
10. Larger capacity Bilge water/sludge storage tanks - these will enable environmentally friendly waste disposal ashore by allowing more flexibility in selecting the best waste disposal facilities ashore separately for oily water and sludge.
11. Improved Sewage Treatment Plants are being installed on the ships.
12. Ships will be in compliance with IMO's "Ship Recycling Convention": The Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships, 2009, was adopted in May 2009. It is aimed at ensuring that ships, when being recycled after reaching the end of their operational lives, do not pose any unnecessary risk to human health and safety or to the environment. Presently the Convention is open for accession by States. It will enter into force 24 months after the date on which 15 States, representing 40% of world merchant shipping by gross tonnage, have either signed it without reservation as to ratification, acceptance or approval or have deposited instruments of ratification, acceptance, approval or accession with the Secretary General. Furthermore, the combined maximum annual ship recycling volume of those States must, during the preceding 10 years, constitute not less than 3 percent of their combined merchant shipping tonnage. As it stands, all ships contracted for building before 2015 will need to comply by the year 2020. New ships contracted from 2015 need to comply upon delivery. Our new building contracts will ensure compliance with this requirement. We will also be preparing all existing vessels to meet the requirements before the deadline arrives. Vessels will be maintaining an inventory of Hazardous material in compliance with the convention recommendation, specifically by prohibiting/restricting the use of hazardous materials at the ship construction stage. If any hazardous materials are used in the construction, a continuous inventory of the same will be maintained, so that all the vessels are eligible to apply for an International Certificate of Inventory of Hazardous Material.

A few significant developments in respect of new ship-design and construction are outlined below. As far as practically possible, the Company will take these into consideration while acquiring new ships in the future.

**Eco-friendly ships:** Shipping is one of the cleanest and greenest industries among all international industries. It is also an environmentally friendly and fuel-efficient industry. It is estimated that shipping carries roughly 90% of world trade, and yet, according to the latest figures from IMO, it is responsible for just 2.7% of global carbon dioxide emissions. Nevertheless, the shipping industry continues to look for ways to reduce that figure still further.

Shipping industry has not yet solved all its green issues; rather it is far from it. Present endeavors of the industry and the IMO are two-fold:

- For existing vessels: Adoption of a number of established “good management practices” to conserve and save fuel burned by ships.
- For new vessels: Use of improved hull designs and more fuel efficient engines and technology.

**Ballast Water Treatment** <sup>[EN12]</sup>: Ballast water, if discharged irresponsibly, can cause severe damage to the local ecosystem at the point of discharge. Presently, the Company’s policy is to carry out mid ocean ballast water exchange, as a means to get rid of unwanted species, which would otherwise damage local species at the point of discharge. This already serves to mitigate, if not totally cut out, the damage to the indigenous biodiversity of the ports the Company’s vessels visit. When the Ballast Water Management Convention enters into force 12 months after ratification by 30 States, representing 35% of world merchant shipping tonnage, ballast water on board will need to be treated to achieve standards specified by IMO. Installation schedule for Ballast water treatment system applicable to our vessels have been relaxed. As per amended schedule, vessels are required to comply only at the time of first renewal survey of the International oil pollution prevention certificate (IOPP) following the date of entry into force of the convention. As of now the convention has attained ratification by 38 countries amounting to only 30.38% of the total tonnage. Nonetheless, even though it is not yet mandatory at this stage, the Company has ensured that all its new buildings under order will be outfitted with ballast water treatment facilities, so as to comprehensively expunge any harm that may be caused by ballast water discharge.

#### **Carbon Footprint and Waste Generation** <sup>[EN23]</sup>:

The most recognized and constant source of CO<sub>2</sub> comes from the burning of fuel oil onboard ships. In order to reduce CO<sub>2</sub> emission, the only alternative available is to reduce the fossil fuel burnt. But that seems impossible without sacrificing growth and development. The need therefore is to achieve higher efficiency while reducing the quantity of fuel oil burnt, and the Company has taken the following steps to achieve this:

- Improved voyage planning with reduced/minimized ballast passage.
- Weather routing.
- Speed Optimization.
- Optimized ship handling by Trim, Ballast condition.
- Hull Maintenance.
- Use of improved Hull coatings like Silicon based anti-fouling that does not release biocides like other anti-fouling paints.
- Improved cargo handling.
- Good Engine Maintenance.

The Company has consciously opted to acquire larger ships, of 54,000 – 64,000 DWT; these ships can carry almost twice the amount of cargo, i.e. 100% more, compared to smaller ships in the fleet. However, more importantly, the larger ships burn just about 40-45% more fuel than the smaller ships per day of sailing. On this basis, the fuel burnt per unit load of cargo reduces drastically; this is yet another example of the Company’s efforts towards sustainability and to reduce the carbon footprint.

The Company additionally uses environmental compliance as one of the major criteria in the screening process of each of its numerous suppliers of spares etc.

The Company’s stated goal is to own approximately 60-70 ships in the near future, and as such the aim is to endeavor to reduce the fuel and diesel oil consumption on a progressive basis every year. To accomplish this, the Company continuously looks at new technologies available in the market and examines their applicability for its type & size of ships. Ship builders the world-over are actively marketing their vessels as ‘eco friendly’ and describing them with speed and consumption figures that were previously never achieved. The Company seriously evaluates all new developments, but realized that the builders’ claims are often sensationalised to grab attention and when technical parameters such as calorific value of fuel, design and scantling draft and ‘sea margins’ are taken into consideration, the so-called benefits simply do not exist or they are not cost-effective. In any event, the Company looks very closely at the machinery installed on all new acquisitions, whether new

buildings or second hand vessels, and monitor their performance very carefully to arrive at optimum speed and consumption variables, while ensuring that emissions are kept to a minimum.

Another source of harmful substances generated by our ship's consumption of fuel and diesel oil is sludge. Sludge is a product of 'on board' fuel oil purification and as an alternative to incinerating sludge and releasing even more harmful gasses into the environment, the Company has made a substantial effort to dispose of such material to shore based reception facilities. This is a much more expensive way for dealing with this issue but the Company is committed to reducing its carbon footprint and reflects the Company's efforts towards environmental conservation. Waste oil or sludge generated on each ship is about 1% of all fuel burnt. Empirical research suggests that every ton of oil burnt generates approximately 3 tons of CO<sub>2</sub>.

Between 2013 and 2014, the Company increased the disposal of sludge ashore by 14% from 1,149 tons to 1,311 tons of sludge. This accounts for approximately 3,933 tons less CO<sub>2</sub> emitted into the atmosphere had the sludge been incinerated on board. By delivering sludge to a suitable reception facility, this waste can be recycled to make products like grease which is a lubricant widely used in multiple industries.

## Conclusion and Environmental Objectives and Goals

Having explained all facets of the Company's efforts to protect the environment this section concludes with a summary of all objectives put forward and how each will be monitored. Compliance with the ISM, ISPS and MARPOL codes will be monitored by the Company's internal audit team, and all initiatives subsequently employed to minimize violations will be subject to half-yearly reviews by the Company's senior management and technical team. As previously stated the target set by the Company's management is to have zero violations in 2015. Additionally, the Company will also strive to maintain our SQEMS ISO certification. The Company will constantly look for ways to improve the SQEMS and look to incorporate all new regulations into the initiative even before they become effective. Likewise, the Company will also constantly be on the lookout for newer technology that can be employed on its ships to reduce its environmental impact.

Company recognizes that the most significant environmental impact for the company is the emission of CO<sub>2</sub> from burning fossil fuel in the ships engine. Hence given the Company's rapid fleet expansion programme, the Company has set a highly ambitious target of a 3-5 percent reduction for fuel and diesel oil consumption again for the year 2015. During the year 2014, the Company saw significant reduction in fuel consumption close to the set target.

Company has now fully implemented the use of IMO voluntary guidelines to determine the Ship Energy Efficiency Operational Indicator (EEOI). As the amount of CO<sub>2</sub> emitted from a ship is directly related to the consumption of bunker fuel oil, the EEOI can also provide useful information on a ship's performance with regard to fuel efficiency.

The Guidelines present the concept of an indicator for the energy efficiency of a ship in operation, as an expression of efficiency expressed in the form of CO<sub>2</sub> emitted per unit of transport work, or in other words: Tonnes of CO<sub>2</sub> emitted per ton cargo carried per nautical mile.

EEOI data is available for all company vessels starting from year 2014. Hence in future years this will be a very useful tool to assess the energy efficiency of our ships.

**We are happy to report that the Company's Annual Report this year is printed on recycled paper, our token contribution to the conservation of the natural environment and in line with our stated desire to reduce our carbon footprint.**

## Social Performance

The Company treats Corporate Social Responsibility (CSR) as one of its highest priorities and has built it into the Company's Mission Statement and Core Values. The Company allocates an amount of 0.50% of net profit every year to CSR Reserve which is subject to a minimum of Baht 1.75 million and a maximum of Baht 25 million per year. The actual utilisation out of this Reserve is decided by the Company's senior management and/or the Board of Directors, and is periodically, or at least once a year, reviewed by the Board of Directors.

## Customer Relationship Management

The Company recognises that it is in the sea transportation industry and its success depends on adding value to customers by way of transporting goods from place of production to the place of consumption. As part of its commitment to add value to its Customers, the Company is committed to provide substantive reply to any query from a Customer promptly, but in any event within 24 hours including weekends and national/international holidays. Further, whilst operating within the scope of the agreed contract, the Company tries to provide solutions to any situation/problem the Customer may face, even if any of its vessels are not involved at that moment. The Company is happy to report that its service is well appreciated and some typical comments from Customers are quoted below:

“...CHARTERERS(sic) ARE VERY IMPRESSED AND MUCH APPRECIATE YR PROMPT REACTIONS...”

“...Just wanted to thank you for a great cooperation during your port call... It truly was a pleasure and privilege to work with you and your crew - really professional and efficient...”

**New computer-based Management Information System:** As reported in the previous years, the new Computer Program implemented by the Company covers all the operations in the Head Office and also links all the vessels in the fleet. This software gives real-time information on vessel operations, costs, etc. and keeps the Head Office in close contact with the Master of each and every vessel; and assists in effective decision making on all issues. This System has enhanced the Company’s ability to better serve its Customers, and to provide support to its employees serving onboard the ships.

### Customer Privacy <sup>[PR8]</sup>

For customer privacy, the Company insists on protecting customer’s confidential information from loss, theft, misuse, unauthorized disclosure, modification, and unauthorized destruction. The Company handles complaints through phone lines, emails and letters to/from customers. The Company always prioritizes the principles of transparency and responsibility in providing services to its customers in order to meet the commitment to provide the best service for its customers, provide a rapid response to various requests and customer complaints as part of a service commitment and maintain the confidentiality of its customers. Therefore, during the reporting period, there have been no complaints whatsoever regarding the mentioned issues and no financial penalties or other sanctions associated with the violation of the confidentiality of customers’ data.

## Employee

The Company has committed to be a fair and caring employer offering its staff equitable opportunities to develop and grow.

In line with its commitment to high ethical standards and good corporate governance practices, the Company has in place a group-wide whistle-blowing policy and encourages all employees to report any possible improprieties on a confidential basis without fear of recrimination. The employees may also provide feedback via email or mail.

### Employee Recruitment

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 skilled to perform their jobs for the Company’s business, and understand the relevant code of conduct and practice and are encouraged to gain knowledge and ability and keep them updated following Industry trends.

**Directors’ Orientation:** If someone is newly appointed on the Board of Directors by the shareholders, the Company Secretary will inform and provide relevant documents for new Directors such as Director’s handbook,



the Company's corporate documents, CG Policy Manual, Business Ethics and Code of Conduct Manual, laws, regulations and practices which are related to the trading of Company's shares.

### Employee Development

The Company provides in-house and external training for officers of the Company both at Head Office as well as on the vessels. 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.

**Directors and Management Training:** The Board of Directors continues 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 important training courses that are available such as the Director Certification Program (DCP) or the Director Accreditation Program (DAP) held by the Thai Institute of Directors Association (IOD).

### Employees Benefits

The Company provides remuneration to 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/bonuses 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.

| Performance Data  | 2011  | 2012  | 2013  | 2014  |
|---|-------|-------|-------|-------|
| <b>Social Performance</b>                                 |       |       |       |       |
| Employee Information                                      |       |       |       |       |
| Number of Employees* (persons)                            | 111   | 117   | 124   | 130   |
| <b>Number of Employees by Gender (persons)</b>            |       |       |       |       |
| • Male  | 47    | 49    | 53    | 57    |
| • Female  | 64    | 68    | 71    | 73    |
| <b>Proportion of Employees by Level (%)</b>               |       |       |       |       |
| • Senior Management                                       | 12.6  | 11.9  | 12.1  | 11.6  |
| • Middle Management                                       | 19.8  | 18.8  | 18.5  | 26.1  |
| • Operations  | 67.6  | 69.3  | 69.4  | 62.3  |
| <b>Proportion of Employees by Gender (%)</b>              |       |       |       |       |
| • Male  | 42.3  | 41.9  | 42.7  | 43.8  |
| • Female  | 57.7  | 58.1  | 57.3  | 56.2  |
| <b>Proportion of Employees by types of employment (%)</b> |       |       |       |       |
| • Full time   | 100.0 | 100.0 | 100.0 | 100.0 |
| • Part time   | -     | -     | -     | -     |
| <b>Proportion of Employees by Age groups (%)</b>          |       |       |       |       |
| • Under 30 years old                                      | 4.5   | 5.9   | 10.4  | 8.5   |
| • 30-50 years old   | 72.0  | 71.9  | 68.6  | 67.7  |
| • Over 50 years old                                       | 23.5  | 22.2  | 21.0  | 23.8  |
| <b>Proportion of Absence by Type (%)</b> <sup>[LA6]</sup> |       |       |       |       |
| • Sickness  | 0.8   | 1.1   | 1.1   | 1.1   |
| • Work-Related Injuries                                   | 0     | 0     | 0     | 0     |
| • Others  | -     | -     | -     | -     |

| Performance Data   | 2011 | 2012 | 2013 | 2014 |
|--|------|------|------|------|
| <b>Return to Work after Parental Leave of Female Employees**</b> [LA3]   |      |      |      |      |
| • Number of Employees that were Entitled to Parental Leave.  | 64   | 68   | 71   | 73   |
| • Number of Employees that Took Parental Leave   | 3    | 3    | 1    | 3    |
| • Number of Employees who Returned to Work after Parental Leave Ended  | 3    | 3    | 1    | 3    |
| • Number of Employees who Returned to Work after Parental Leave Ended who were still Employed Twelve Months after Their Return to Work | 3    | 2    | 1    | 3    |
| <b>Proportion of Management by Age Group (%)</b>   |      |      |      |      |
| • Under 30 years old   | -    | -    | -    | -    |
| • 30-50 years old  | 52.8 | 52.8 | 55.3 | 53.1 |
| • Over 50 years old  | 47.2 | 47.2 | 44.7 | 46.9 |

Note : \* Includes Employees in a subsidiary company at the office.

\*\* Only female employees are entitled to parental leave by Thai law.

#### Number and proportion of employees at Company's Offices ashore, by gender and nationality \*

| Occupational levels [LA12] | Male         |              |             | Female       |          |             | Total      |
|----------------------------|--------------|--------------|-------------|--------------|----------|-------------|------------|
|                            | Thai         | Indian       | Singaporean | Thai         | Indian   | Singaporean |            |
| <b>Senior Management</b>   |              |              |             |              |          |             | <b>15</b>  |
| • Under 30 years old       | -            | -            | -           | -            | -        | -           | 0          |
| • 30-50 years old          | 1            | 2            | -           | 1            | -        | -           | 4          |
| • Over 50 years old        | -            | 10           | 1           | -            | -        | -           | 11         |
| <b>Middle Management</b>   |              |              |             |              |          |             | <b>34</b>  |
| • Under 30 years old       | -            | -            | -           | -            | -        | -           | 0          |
| • 30-50 years old          | 16           | 3            | -           | 4            | -        | -           | 23         |
| • Over 50 years old        | -            | 11           | -           | -            | -        | -           | 11         |
| <b>Operator</b>            |              |              |             |              |          |             | <b>81</b>  |
| • Under 30 years old       | 4            | -            | -           | 7            | -        | -           | 11         |
| • 30-50 years old          | 6            | 1            | -           | 55           | -        | -           | 62         |
| • Over 50 years old        | 2            | -            | -           | 6            | -        | -           | 8          |
| <b>Total permanent</b>     | <b>29</b>    | <b>27</b>    | <b>1</b>    | <b>73</b>    | <b>0</b> | <b>0</b>    | <b>130</b> |
| Temporary/contract         | -            | -            | -           | -            | -        | -           | 0          |
| <b>2014 Grand total</b>    | <b>29</b>    | <b>27</b>    | <b>1</b>    | <b>73</b>    | <b>0</b> | <b>0</b>    | <b>130</b> |
| <b>Percentage (%)</b>      | <b>22.30</b> | <b>20.76</b> | <b>0.76</b> | <b>56.15</b> | <b>0</b> | <b>0</b>    | <b>100</b> |

Note : \* Includes Employees in a subsidiary company based at the Company's office

**Safety & Occupational Health:** The Company recognizes that respect for human rights is the foundation of Human Resources' improvement, which adds value to the business. Moreover, Human Resource is a key success factor for business and adds value to the Company in all aspects. It is the Company's policy to conduct its activities in a manner that promotes the health and safety of its employees so that the actions of the Company, and its employees, promote the health and safety of others too. The Company considers health and safety to poise equally with commercial and operational factors and is considered a management responsibility. To this end, the health and safety responsibilities of all personnel have been defined and allocated. The Company's Safety Management System (SMS) 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 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.

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. Both these conventions have undergone considerable amendments. As a result, the requirements have become more stringent. STCW 2010 Manila amendments are effective from January 2012 whereas ILO 2006, which is known as MLC (Maritime Labor Convention) 2006, has been ratified in August 2012 and has become effective in August 2013. Thai flagged vessels operated by the company are obtaining a Statement of Compliance with the MLC 2006 after inspections and verification by a Recognized organization. However, Thailand has not ratified the Maritime Labour Convention until now. It is not clear if Thailand would ratify MLC in the near future. The grace period of one year proposed by ILO expired in August 2014, the Statement of Compliance with Maritime labour convention carried by Thai flag vessels may not be acceptable to countries that have ratified the convention. This may cause uncertainty in smooth trading of Thai flagged vessel worldwide.

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.

**PIRACY:** As outlined in the **Board of Directors' Report**, piracy is a major threat faced by the Company's ships and the officers/crew sailing onboard are under tremendous pressure when sailing through areas where armed pirates are known to attack. This is especially true of the Indian Ocean / Arabian Sea area, extending from the mouth of the Persian Gulf in the north to the south of Madagascar. The Company takes this threat very seriously and ensures all ships are routed outside these areas and closer to the Indian coast; where this is not possible for any reason, the Company engages security guards to sail with the vessel for the passage through these high risk areas. In any case, all ships transiting through the high risk areas are 'hardened', amongst other things, by rigging barbed razor wire around the ship thereby making it harder for the pirates to climb onboard the Company's ships. The Company is committed to doing everything possible to ensure safety of the ship and officers/crew.

**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 Limited (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 certified for Quality Management System "ISO 9001: 2008", and has obtained certification for their Environment Management System "ISO 14001:2004."

**Training & Development:** 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.

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 introducing a mechanism whereby the officers and crew serving onboard our ships can send in their complaints and/or suggestions to the office. This will encourage the ship-staff to make effective contribution to the shipboard operations, and help further improve the Company's performance.

The Company has provided, on board the vessels, selected video training programs from the best 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.

**Maritime Training Center & Bridge Navigation Simulator:** The Company has set up a full-fledged Maritime Training Center at its Head Office in Bangkok which includes a state-of-the-art Bridge Navigation Simulator. The PSL Training Center, which commenced operations in March 2008, has given a solid foundation to the Company's training activities and has enabled its Officers and Crew to keep abreast of the latest developments in ship operations. The Bridge Navigation Simulator recreates the actual bridge on a ship as it enters a major port and provides ideal conditions in which to train officers and crew in ship-handling and navigation. The Training Center continually develops new training courses for marine engineers, navigating officers and crew at all levels. The PSL Maritime Training Center is a significant step taken by the Company to train and equip its Officers and Crew to take better care of themselves and their ships, all with a view to ensure Safety of the Crew and preventing accidents, thus preserving the environment.

List of Major Training Programs conducted by The Company's Maritime Training Center for the year 2014 [LA9, LA10]

| Training Courses  | Course Overview   | For year 2014 | Participants in Y2014 |       |       |              |       |       | Average hours (per person) |       |       |       | Total Man-hours |
|---|---|---------------|-----------------------|-------|-------|--------------|-------|-------|----------------------------|-------|-------|-------|-----------------|
|   |   |               | Ship's staff          |       |       | Ship's staff |       |       | Ship's staff               |       |       |       |                 |
|   |   |               | S/Off                 | J/Off | S/Eng | J/Eng        | S/Off | J/Off | S/Eng                      | J/Eng | S/Off | J/Off |                 |
| Maritime Resource Management Course (MRM)   | The course, supported by the Swedish Club under a license agreement, is aimed at training masters, officers & senior engineers as well as key shore-based personnel. The course aims to create good teamwork & resource management attitudes and skills that are required to avoid management error-caused accidents.   | 4 days        | 21                    | 55    | 24    | n/a          | 24    | 24    | 24                         | 24    | 24    | n/a   | 2,400           |
| Bridge Team Competency Simulator Course I (BTC - I)                               | This training course aims to improve various competency skills & knowledge of navigating officers for safe conduct of voyages.  | 3 days        | n/a                   | 46    | n/a   | n/a          | n/a   | 18    | n/a                        | n/a   | n/a   | n/a   | 828             |
| Bridge Team Competency Simulator Course II (BTC - II)                             | Hands-on practices to gain competence, knowledge & experiences on Ship Handling, Maneuvering, Turning and Anchoring in various conditions and under various effects of controllable forces.   | 3 days        | 42                    | n/a   | n/a   | n/a          | 18    | n/a   | n/a                        | n/a   | n/a   | n/a   | 756             |
| Bridge Team and Resource Management Course (BTM) and Vessel Traffic Service (VTS) | This training course aims to train the ship's masters and officers in effective bridge teamwork and resource management in various situations as well as bridge operations in emergencies. The course also develops our officers' communication skills in communicating with a vessel traffic service (VTS) using various SMCP's through the VHF and GMDSS communication equipment in our Bridge Simulator.                           | 5 days        | 26                    | 48    | n/a   | n/a          | 30    | n/a   | n/a                        | n/a   | n/a   | n/a   | 2,220           |
| Maritime Professional Briefing Course (MPB)                                       | This training course aims to keep senior officers and engineers updated on new regulations and information. Senior staff from several departments co-conduct this course which covers 1. Marine Insurance & Loss Prevention 2. Ship Commercial & Cargo Operations 3. Port State Control-Ship Inspection & Pollution Prevention 4. ISPS and ISM Implementation & Documentation, Paint Maintenance 5. EMS Awareness & Shipboard Safety. | 2 days        | 56                    | n/a   | 40    | n/a          | 12    | n/a   | 12                         | n/a   | n/a   | n/a   | 1,125           |
| Officer Of the Watch (OOW) and Shipboard Safety Course                            | To enhance the standards of watchkeeping at sea as well as in port. It is designed to help junior watchkeeping officers to understand his duties on board, and realize their significance. It also enables them to make a positive contribution to success of the entire commercial venture.  | 3 days        | n/a                   | 25    | n/a   | n/a          | n/a   | 18    | n/a                        | n/a   | n/a   | n/a   | 450             |
| Chief Mate Course (CMC)   | To strengthen the professionalism and competence of chief officers and prepare experienced second officers for the chief mate rank.   | 3 days        | 12                    | 32    | n/a   | n/a          | 18    | n/a   | 18                         | n/a   | n/a   | n/a   | 792             |
| Command Course (Command)  | The purpose of this course is to further train Masters in all necessary skills and topics and prepare chief officers for the command. It includes modules for Leadership, Business & Law, International Sale of Goods and related rules/conventions, Time Charter & Voyage Charter, Cargo matters and Ship's Certificates, Documentation, Ship Handling/ Anchoring techniques, etc.   | 5 days        | 28                    | n/a   | n/a   | n/a          | 30    | n/a   | n/a                        | n/a   | n/a   | n/a   | 840             |

| Training Courses  | Course Overview   | For year 2014 | Participants in Y2014 |       |       |              |       |       | Average hours (per person) |       |       |       | Total Man-hours |
|---|---|---------------|-----------------------|-------|-------|--------------|-------|-------|----------------------------|-------|-------|-------|-----------------|
|   |   |               | Ship's staff          |       |       | Ship's staff |       |       | Ship's staff               |       |       |       |                 |
|   |   |               | S/Off                 | J/Off | S/Eng | J/Eng        | S/Off | J/Off | S/Eng                      | J/Eng | S/Off | J/Off |                 |
| Electronic Chart Display and Information Systems (ECDIS)                                    | To ensure that users of ECDIS are properly trained in the operation and use of electronic charts and are familiar with the shipboard equipment. This course aims to enhance navigational safety with the safe operation of ECDIS equipment, proper use of ECDIS related information and knowledge of the limitations of ECDIS equipment. (new IMO requirement)  | 2 days        | 14                    | 9     | n/a   | n/a          | 12    | 12    | n/a                        | n/a   | n/a   | n/a   | 276             |
| E/R Management & Competency Enhancement course and Engineer Of the Watch Course (EMC & EOW) | This course aims to train senior engineers (C/E & 2/E) in various management & competency knowledge and skills that are required for safe and efficient running of the ship. The junior engineers taking this course are trained in watch-keeping duties, engine parameters monitoring, operation & maintenance, safety & pollution prevention, record keeping.   | 5 days        | n/a                   | n/a   | 17    | 65           | n/a   | n/a   | 30                         | 30    | 30    | 2,460 |                 |
| Wartsila RT-Flex Engine Familiarization (MC/ME)   | To familiarise the engineers with the company's new type of engine "Wartsila RT-Flex Electronic Engine" before they join a ship equipped with this type of engine. This course focuses mainly on the practice part.   | 3 days        | n/a                   | n/a   | 37    | 106          | n/a   | n/a   | 18                         | 18    | 18    | 2,574 |                 |
| Basic English Course (Basic)  | To familiarise the engineers with the company's new "MAN Diesel Engine" (ME) before they join a ship equipped with this type of engine. This course focuses mainly on the practice part.  | 5 days        | n/a                   | n/a   | 35    | 61           | n/a   | n/a   | 30                         | 30    | 30    | 2,880 |                 |
| Elementary Maritime English Course level-I (EMT-I)  | This course is designed to help the students to be able to understand and use the English language correctly and provide them with all the basic language skills such as the pronunciation of the Standard English sound system, practical and useful listening, speaking, reading and writing practices with suitable grammar and vocabulary in various functional contexts.                                     | 10 days       | 1                     | 19    | 2     | 15           | -     | 30    | -                          | 30    | 30    | 1,110 |                 |
| Elementary Maritime English Course level-II (EMT-II)  | This course is designed to improve and raise the students' competence in English to elementary-II level and offer the students' opportunities to gradually overcome their individual difficulties in English usage, as well as to improve their English knowledge and abilities in daily life.  | 10 days       | 2                     | 25    | 1     | 12           | -     | 30    | 30                         | 30    | 30    | 1,200 |                 |
| Intermediate English Course level-I   | This course is designed to improve and raise the students' competence in English to intermediate level and give the students' wide-ranging opportunities to practice communicating in English for both maritime and general purposes at elementary-II level.  | 10 days       | 7                     | 8     | 1     | 10           | 30    | 30    | 30                         | 30    | 30    | 780   |                 |
| Intermediate English Course level-II  | This course aims to improve the students' pronunciation and develop the four English skills- speaking, listening, reading and writing. After the course, the students will be able to speak English with better pronunciation, accent and intonation, communicate more effectively in daily situations, using appropriate vocabulary, expressions and idioms, and make sentences with fewer grammatical mistakes. | 10 days       | 8                     | 1     | 3     | -            | 30    | 30    | 30                         | 30    | 30    | 360   |                 |
| Intermediate English Course level-III   | This advanced course aims to further develop the students' English skills with an emphasis on advanced grammar structures, business-related vocabulary and letter & email writing (main focus). The students will learn typical words and phrases used in English correspondence and learn how to write letters and emails with proper word choices, styles, and level of formality for different occasions.      | 10 days       | 3                     | 2     | -     | -            | 30    | 30    | 30                         | 30    | 30    | 150   |                 |

| Training Courses  | Course Overview   | For year 2014 | Participants in Y2014 |       |       |              |       |       | Average hours (per person) | Total Man-hours |
|---|---|---------------|-----------------------|-------|-------|--------------|-------|-------|----------------------------|-----------------|
|   |   |               | Ship's staff          |       |       | Ship's staff |       |       |                            |                 |
|   |   |               | S/Off                 | J/Off | S/Eng | J/Eng        | S/Off | J/Off |                            |                 |
| Maritime English Computer and Video-Based Training Programs (Maritime English CBT)                              | To increase the learners' knowledge of Maritime English, IMO Standard Marine Communication Phrases (SMCP), vocabulary and phrases frequently used in navigation, engineering, cargo handling, ship operation, etc | 10 days       | 21                    | 56    | 7     | 37           | 30    | 30    | 30                         | 3,630           |
| Total Participants Average Hours training per year per employee = $24831 / (241 + 326 + 167 + 306) / 2 = 47.75$ |   |               | 241                   | 326   | 167   | 306          |       |       |                            | 24,831          |

S/Off = Senior Officer (Masters & Chief Officers)  
J/Off = Junior Officer (Second, Third, Fourth Officers & Cadets)  
S/Eng = Senior Engineer (Chief & Second Engineers)  
J/Eng = Junior Engineer (Third, Fourth, Fifth Engineers & Cadets)

| Course                           | Summary Training by Rank |               |                         |   |                                    |  |  |  |
|----------------------------------|--------------------------|---------------|-------------------------|---|------------------------------------|--|--|--|
|                                  | Master                   | Chief Officer | 2 <sup>nd</sup> Officer | 3 <sup>rd</sup> , 4 <sup>th</sup> , Junior Officers | Chief and 2 <sup>nd</sup> Engineer | 3 <sup>rd</sup> , 4 <sup>th</sup> , 5 <sup>th</sup> , Junior Engineers |  |  |
| MRM                              | 24                       | 24            | 24                      | 24  | 24                                 | -  |  |  |
| BTM                              | 30                       | 30            | 30                      | 30  | 30                                 | -  |  |  |
| BTC - I                          | -                        | -             | 18                      | 18  | 18                                 | -  |  |  |
| BTC - II                         | 18                       | 18            | -                       | -   | -                                  | -  |  |  |
| CMC                              | -                        | 18            | 18                      | -   | -                                  | -  |  |  |
| MPB                              | 12                       | 12            | -                       | -   | 12                                 | -  |  |  |
| OOW & SS                         | -                        | -             | 18                      | 18  | -                                  | -  |  |  |
| Command                          | 30                       | 30            | -                       | -   | -                                  | -  |  |  |
| English Course                   | 30                       | 30            | 30                      | 30  | 30                                 | 30   |  |  |
| Maritime English CBT             | 30                       | 30            | 30                      | 30  | 30                                 | 30   |  |  |
| ECDIS                            | 12                       | 12            | 12                      | 12  | -                                  | -  |  |  |
| EMC & EOW                        | -                        | -             | -                       | -   | 30                                 | 30   |  |  |
| Wartsila RT-Flex Engine          | -                        | -             | -                       | -   | 18                                 | 18   |  |  |
| MC/ME Course (new course)        | -                        | -             | -                       | -   | 30                                 | 30   |  |  |
| <b>Total hours/year/employee</b> | <b>186</b>               | <b>204</b>    | <b>180</b>              | <b>162</b>  | <b>192</b>                         | <b>108</b>   |  |  |

**“Automated Mutual assistance Vessel Rescue System” (AMVER):** Sponsored by the United States Coast Guard (“USCG”), AMVER is a 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 continues to be involved in the AMVER program and its good performance is recognized by the USCG in the form of AMVER awards given to the Company every year through their representative at the United States Embassy in Bangkok. A quote from the USCG citation letter would perhaps reflect what this award is all about: “...you can take pride in the voluntary commitment of your officers and crew to the safety of life at sea.”

### **Social and Community Development**

The Company recognizes that a solid community and society are significant factors which support the Company’s business. Therefore, the Company supports and gets involved in many community and society-based activities on a regular basis. The Company fully recognizes its responsibility to the community and is 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. The creation and expansion of the Company’s CSR Fund will provide a permanent and formal framework to enhance the Company’s CSR activities.

The unprecedented floods in Thailand in 2011 affected millions of people and wrought damage and destruction not witnessed before. The Company’s employees were also affected and many had their homes under 2 meters of water! Keeping aside the misery of living in such appalling conditions and despite their precious valuables being completely damaged, the Company’s employees continued to perform their duties normally and the Company records its appreciation of the employees’ commitment. The Company, for its part, issued a policy directive that all possible assistance be extended to those affected by the floods, and the Human Resources Development (‘HRD’) Department was designated as the nodal point for this purpose. Those who were unable to travel to the office were granted special leave and excused from attending office; where the houses were inundated, the employees and their families were provided accommodation in the city center, and for others who made their own arrangements, their expenses were reimbursed by the Company.

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

- The Company contributed to a fund to assist in securing freedom of Thai fishermen (not Company employees) held hostage for over 4years in Somalia for their eventual return to Thailand.
- The Company takes an active interest in the Merchant Marine Training Center, Thailand (MMTC) and has awarded Gold medals for graduates finishing at the top of the class since 1998. Besides, the Company also donates text-books to MMTC on a regular basis.
- The Company has instituted Scholarship scheme for students of MMTC. In 2014, 2013, 2012, 2011 and 2010, an aggregate of Baht 1,100,000, Baht 1,345,400, Baht 2,131,900, Baht 2,339,800 and Baht 2,355,120, respectively, have been disbursed to outstanding students in need of funding.
- The Company employs most of the cadets passing out from the MMTC, 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.
- As reported in the past, the Company had signed a MOU with the Vocational Education Commission to implement knowledge and promote teaching and learning for Nakhon Si Thammarat Industrial and Shipbuilding College (NASIC). Pursuant to this MOU, the Company built and handed over a student dormitory facility at NASIC, at a total cost of about Baht 25.40 million. The Company continues to provide financial assistance to the students by purchasing books & other materials for their library. For their part, NASIC has introduced new courses and curriculum under consultation with the Company to develop/train Engineering Officer graduates for a career in shipping, thus developing a new career option for Thai youth. The Ministry of Education, Vocational Education Department, awarded an Honor Shield to the Company in recognition of its participation with NASIC.



- The Company awarded Baht 165,000 Scholarship to a student of The International Maritime College, Kasetsart University, Si Racha Campus to support his entire Maritime Science degree course in the University. The final installment under this scholarship award was paid in April 2010.
- In 2013, the Company donated Baht 137,000 to the project Hom Bah Hai Nong 15<sup>th</sup> by cadets of MMTC to build toilets facilities, repair the building, renovate school infirmary and surrounding areas at Ban Nong Kaie School in Sakaew Province. This is further to the donation made by the Company in the previous years of: 1) In 2011, the Company donated Baht 113,160 to the project Hom Bha Hai Nong 14<sup>th</sup> by cadets of MMTC to build canteen for Wat Ta Phang Klee school, Chachoengsaoprovince. 2) In 2010, Baht 139,000 to the project Hom Bha Hai Nong 13<sup>th</sup> by cadets of MMTC to build toilet facilities at Bann Non Pha Suk School, Sa Kaew province. 3) In 2009, Baht 80,466 to the project Hom Bha Hai Nong 12<sup>th</sup> by cadets of MMTC to buy a projector and build an activities stage for Wat Bang Kra Jao School in Samut Sakorn province; and 4) In 2008, Baht 100,000 to the project “Hom Bha Hai Nong 11<sup>th</sup>” by cadets of MMTC to repair classrooms and renovate the library for Ban Bhai See Thong School in Suphanburi province.
- In January 2013, The Company donated Baht 5,000 to Department of Labour Protection and Welfare for gifts to children on the Children Day at Suapa Field, Dusit Palace.
- During the year 2010, the Company donated 28 used computers to Mathayom Warichpoom School, Sukhothai School, Bann Koh School, Sathya Sai School and to Pak-Kret Community Administration Office. This is in continuation of the Company’s tradition to assist in the education of needy children, when the Company has reported the donation of 15 computers for teaching program to Bann Koh School in Surin province which was followed up by further three computers of modern vintage (Dell Celeron 2 GHZ, Hard Disk 40 GB) to upgrade the teaching facilities.
- The Company donated Baht 40,000 for Muslim youth center Bann Pak Lad at Prapadaeng, Samutprakarn to support educational equipments and scholarship for Children day activity held on 19<sup>th</sup> January 2008.
- The Company makes regular donations to the needy and poor and for various causes. For instance, the Company, in collaboration with employees, donated over Baht 1 million to the Thai Red Cross for those affected by the Tsunami in Thailand, and in early 2004, donated computers to four primary/secondary schools in Rayong province for use by 877 students studying in these schools.
- 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 very favorable impression of Thailand.
- The Company readily responded to the needs of the people living in South Thailand affected by the deadly Tsunami of December 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). Moreover, with a view to provide a source of livelihood to the youth, 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 sailors on the Company’s ocean-going ships for a fruitful and fulfilling career in international shipping.
- The Company along with the staff and crew donated Baht 1,325,867 in year 2008 to construct a new building for housing the Physics, Chemistry and Computer laboratories in a school in Semmangudi, Tamil Nadu, India. This school is in a very poor village and was seriously affected by the Tsunami of Dec 2004.
- 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. In 2014, 2 donation camps were organized in January and July with a total collection of 32,400 cc.

- Every year, the Company organizes a 5-KM run “PSL Annual Maritime Day Run” at the Lumpini Park to encourage all its employees to inculcate a habit of doing regular exercise to maintain good health.
- In 2012, the PSL Run was not held and instead the Company decided to utilize the funds for providing assistance to those affected by the devastating floods in Thailand.
- The Company is one of the sponsors of the annual sports day function at the MMTC. The co-operation with MMTC thus extends to Sports, besides academics (as outlined above), and helps in all-round development of Officer Cadets.
- The Company is setting up schemes to provide assistance by way of annual scholarships or otherwise, to our own staff members who are not able to afford school admission and/or tuition fees for their children.
- The Company donated money and equipment to make a scientific laboratory that supported study activities at Ban Koh School in Surin province in September 2006. The Company donated Baht 100,000 and books to cadets of Merchant Marine Training Centre to repair classrooms and build up the library for Bannwangsuan School in Nakhonratchasima province in September 2007.
- The Company contributed Baht 100,000 to The Council for Social Welfare of Thailand under The Patronage of His Majesty the King to develop knowledge and foster career skills of disabled people, supporting them to seek their own income, on the 43rd Cripple Day in November 2007.
- The Company donated Baht 68,000 to Ban Koh School in Surin province in year 2008 to support the “Student Field Trip” to Skaerat Environmental Research Station in Nakhon Ratchasima province.

#### CSR Recognition 2014



Khun Somprathana Thepnaplern, the Company Secretary, receiving the “**CSR Recognition 2014**” at the CSR Recognition 2014 ceremony from the SET.



#### **Show in this photograph:**

Capt. Nopphong Ratanachaiphomphan, Senior Manager–Post Fixture, and Khun Somprathana Thepnaplern, the Company Secretary, at the CSR Recognition 2014 ceremony.

**Scholarships to MMTC 2014**



In September 2014 Precious Shipping PCL. (PSL) awarded Baht 1,100,000 worth of scholarships to selected students of Merchant Marine Training Center (MMTC) to support their entire education year. The photograph shows MMTC scholarship students along with Mr. Koka V. Sudhakar, PSL's Vice President in Fleet Management.



**Show in this photograph:**

MMTC students along with Mr. Koka V. Sudhakar, PSL's Vice President of Fleet Management on the graduation day at MMTC.



## Blood Donation 2014

The company organizes blood donation camps on a regular basis in collaboration with the Thai Red Cross. In 2014, the company organized 2 blood donations in January and July with a total collection of 32,400 cc



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# SIGNIFICANT RISK FACTORS

The Company has classified the various risk factors the Company is exposed to into three categories viz. Operating Risk, Financial Risk and Market Risk. In view of the continued weakness in the Dry Bulk Shipping Market since the second half of 2008, the Company additionally identified and categorized a special risk associated with maintaining and expanding capacity, which has been classified as “**Capacity Replacement and Expansion Risk**”. Although the Company has made considerable progress in mitigating this risk since the Year 2013, this has been retained this year also as the Company continues to be exposed to this risk until the Company’s stated objectives in this respect are fully achieved. Further, the Company remains exposed to the significant risk factors arising out of the Global Financial Crisis and its aftermath, exacerbated by the continued crisis in the Euro Zone, which are classified hereunder as “**Effect of Global Financial Crisis**”. The significant risk factors under each of these categories are explained as under.

Apart from the above risks which the Company is exposed to, an investor (or shareholder) in the Company’s shares is also exposed to additional risks on the investment in the Company’s shares and the risks associated with this investment are explained hereunder as “**Investment Risk**”.

## OPERATING RISK

The Company, as an owner and operator of ocean-going vessels operating without any geographical limitations is exposed to risks of marine disaster, environmental mishaps resulting in substantial claims, cargo/property loss or damage and business interruptions due to accidents or other events caused by mechanical failure, human error, political action in various countries, labor strikes, terrorist actions, piracy, adverse weather conditions and other such circumstances and events. These could result in increased costs or loss of revenues. However, to cover against most of these risks, which are standard for an International Ship Owner/Operator, insurance covers are available in the international insurance industry. Accordingly, the Company is adequately covered against such aforesaid circumstances and events.

The operations of the Company depend on extensive and changing environment protection laws and other maritime regulations, non-compliance with which may entail the risk of detention of ships, leading to loss of time, which would lead to loss of revenues or claims from charterers, significant expenses including expenses for ship modifications and changes in operating procedures. However, the Company is vigilant on these issues and maintains internationally prescribed safety and technical standards.

The operations of ships and the management of the Company as a public company listed on the Stock Exchange of Thailand require skilled personnel to be employed as crew to operate its ships and managers at the corporate level with appropriate knowledge and experience. Sourcing and retaining such personnel is crucial for the business operations of the Company. This continues to remain a crucial risk factor especially in light of the rejuvenation plan for the Company. However, due to the adoption of fair and reasonable staffing policies, the Company has hitherto been quite successful in sourcing and retaining such highly skilled and qualified personnel. The Company continues to take a number of initiatives including establishing a detailed Succession plan to attract and retain talent, and therefore does not expect any future cause for concern in this regard, although International Shipping is facing a shortage of qualified crew, particularly in the officers’ cadre, required on board the ships.

As a publicly listed company, the Company is required to comply with various laws and regulations and failure to comply with any one or more of such laws and/or regulations could expose the Company to penalties or other legal action against the Company and its senior management. The Company remains vigilant on this issue and has taken adequate steps to employ qualified staff and also adopted adequate and effective systems to ensure full compliance with all laws and regulations.

The Company is not directly exposed to any risk of increased costs due to fluctuations in international oil prices. Whenever the fuel costs are on the Company's account (in case of a Voyage Charter), increase/decrease in oil price is passed on to the Customers since the freight rates are quoted and charged after incorporating the increased/decreased fuel cost. In case the business is done on a Time Charter, the fuel cost is directly on the Customer's account.

## FINANCIAL RISK

Almost the entire Revenues and Expenses of the Company are denominated in US Dollars. Further, almost all the Fixed Assets of the Company, viz., ships are US Dollar based assets, since they are readily salable in US Dollars in the International market. Therefore, the Company is exposed to the risk of realising a Foreign Exchange loss in respect of its liabilities in any currency other than US Dollars. The US Dollar equivalent figure of such "Non-USD" denominated debt may increase or decrease with a fluctuation in the respective exchange rate. In recognition of this risk, the Company has attempted to maintain least possible exposure in other currencies and accordingly always maintained US Dollar denominated credit facilities and loans. As on 31<sup>st</sup> December 2014 the Company's loans and Credit Facilities for financing the new ships ordered by the Company are denominated in US Dollars only. However, due to the effect of the Global Financial Crisis and the inability of the Company's Local Lenders to extend a loan in US Dollars in the beginning of 2009, one of the Company's facilities originally denominated in US Dollars was converted into Thai Baht when the availability period of the facility was extended by one year. However, in recognition of this risk, the Company obtained commitment from the same Lenders to convert the Thai Baht liability into US Dollars through the use of a USD/THB Swap whereby the principal portion of the Loan is converted into US Dollars, thereby eliminating the Foreign Exchange risk associated with the loan principal. Accordingly, the liability against this facility of Thai Baht 1,502.35 million drawn for financing two vessels was immediately converted (swapped) to US Dollars with a matching amortization schedule to the Thai Baht Loan. The interest on the loan is payable in Thai Baht and to that extent, the Company continues to be exposed to this risk. Other than this, all other loans and financing facilities of the Company are denominated in US Dollars only.

The Company also maintains almost all its Bank balances in US Dollars whereby there is no risk of realizing any loss on these balances, in US Dollar terms. However, it must be noted that the Company is exposed to an exchange loss in Thai Baht terms on translation of its US Dollar denominated Assets, Liabilities, Income and Expenses, arising out of the Currency translation from US Dollars to Thai Baht in the Thai Baht Financial Statements and also on the expenses of the Company which are incurred in Thai Baht.

The Company's debt facilities carry interest at floating rates based on LIBOR (London Inter-Bank offered rate) and as such, the Company is exposed to fluctuations in its interest rates due to changes in the LIBOR. The Company monitors market interest rates regularly and remains vigilant on this issue. Moreover, the Company believes that since the Company's Revenues are not fixed and somewhat correlated directly to US Dollar interest rates, the floating interest rates are naturally hedged and there is no need to fix interest rates. In the year 2012, to take advantage of very low swap rates in the market, the Company entered into an Interest rate Swap (IRS) whereby the Company's interest liability on a part of its Loans on a Loan amount of USD 64.82 million was converted from floating to fixed but since the Company was of the opinion that the interest rates would not increase appreciably until Year 2014, the fixed rate is only payable by the Company from Year 2015. The Company has also entered into IRS agreements on certain loans aggregating USD 77.45 million during 2014 since these loans are obtained to fund the Cement Carriers which have been contracted on fixed rates for a long period (more than the period of the loans) and hence the natural hedge as mentioned above is not available and the Company would be exposed to fluctuations in Interest rates if the interest rate was not fixed.

The Company's Assets, i.e. ships, have a finite life and as and when the ships reach a certain age, they need to be sold for onward trading or scrapped. This leads to a decrease in capacity as it has happened in the previous years when the Company had sold 35 ships out of its fleet of 54 ships, and if the Company wants to maintain capacity in terms of fleet size, the Company has to continuously follow a program of replacement of

its older scrapped (or sold) vessels. Purchase of ships requires considerable funding, which may be through equity or debt or both. If the Company is not able to raise the necessary funds required for the purchases of ships to maintain capacity, the Company's capacity will continuously deplete, and as such, the Company is exposed to a funding risk. However, in recognition of this risk, the Company has put in place credit facilities for a majority of the newbuilding contracts signed in the Years 2013 and 2014.

## MARKET RISK

The shipping industry and market has been cyclical, experiencing volatility in profitability, vessel values and freight rates, resulting from changes in the supply of and demand for shipping capacity. This has been explained in the section on **"Nature of Business and Industry"** of this Report. The Company had, in the past, marketed all its ships in the spot market and had therefore been exposed to market fluctuations and the cyclical nature of the business. The Company believes that with the majority of its assets being in the 'niche' small handy size sector of the industry, there is a fundamental advantage of demand over supply, hence there is some downside protection against the cyclical nature of the business. Traditionally, clients in this sector of the market did not take ships on long term contracts and preferred to do the majority or all their business only on the spot market. This situation had, of course, changed intermediately between the Years 2005 and 2009, because of the increase in freight market volatility, leading to a change in strategy of the Company as well as that of its clients. Since then, the Company has been fixing a portion of its fleet on longer term charters, keeping the Company insulated somewhat from the volatility of the spot markets and ensuring visibility and stability in its revenue stream. However, due to the very soft market conditions this past two/three years, it has not been possible for the Company to fix most of its vessels on long term charters and to this extent, the Company remains exposed to the volatile conditions of the freight markets.

The demand side of the Company's business is generated by the quantity of cargo its vessels are required to transport. The generation of this demand is mainly dependent on World Trade and Economic Growth. Severe depression in Growth and Trade could reduce the demand for ships. The spurt in demand for dry bulk shipping capacity in the past 7/8 years has largely been driven by the demand from China (supplemented by India and countries in the Middle-East) which is importing commodities and raw materials in huge quantities for major infrastructure projects. If there is a significant reduction in the Demand from China, particularly in the next few years when a significant number of new ships have entered the market over the last few years (2009 – 2014), it could have an adverse impact on the overall demand/supply balance in Shipping Capacity, which could lead to a further fall in freight rates coupled with a fall in ship values. The Company had acquired a number of second hand ships at market values mainly in 2003 and a couple in 2004, and therefore, the Company was exposed to the risk of reduced earnings and/or fall in asset values if there had been a significant downturn in the market. This did not happen and the Company was able to generate substantial revenues and extremely good returns on its acquisitions. Further, in December 2006/first Quarter 2007, the Company sold 10 of its oldest vessels in the fleet with an average age greater than 26 years, at attractive sales prices which reduced the risk to a large extent as this risk is higher in respect of the older vessels. The Company also sold 25 of its oldest vessels in 2009-2010 at reasonably attractive prices and thereby avoided exposure of these older vessels to unemployment and/or very low rates in the spot market once their long term contracts had expired. In respect of revenues on the rest of the fleet, the Company attempted to continue its strategy to mitigate this risk for its fleet by entering into period charters or contracts for a longer period for most of its ships, wherever possible, whereby the Company was able to "lock-in" future earnings at higher freight rates. This was a significant change made in 2004 in the Company's strategy of doing business, whereby the Company had deviated from its traditional policy of trading on the spot market with Voyage Charters and/or Time Charters of very short durations. During the year 2007, the market continued to move significantly higher until it reached a peak in the middle of the year 2008, after which the industry witnessed a sharp drop in market rates to levels close to all time lows. There was a recovery in the dry bulk markets in 2009 from the second quarter and which lasted till the end of the second quarter of 2011 but the situation deteriorated thereafter because of the large supply of new vessels which entered the market between 2009 and 2014. As expressed earlier, in the Company's opinion, given the uncertainty and

the extreme volatility in the market where rates can shoot up or collapse very quickly, it is always prudent to “lock-in” future earnings, at reasonable freight rates whenever possible, as a cushion against a sudden and, more particularly, sustained collapse of the freight rates in the spot market. This strategy had been vindicated with the Company’s earnings outperforming the market in the volatile market circumstances of the previous few years but as explained above, it has not been possible to book long term charters at reasonable rates in the present difficult conditions and it is expected that the Company shall remain exposed to the spot markets for some more time to come.

The above strategy of locking in future earnings via long term contracts (period charters) at high rates when the markets are performing well exposes the Company to counterparty risk of its customers. In case of a fall in the market and consequent fall in freight rates, the Company’s customers (charterers) with whom the period charters are signed could default on their obligations, as a result of which, the Company will not be able to achieve the higher contracted freight rates and would be forced to contract these ships in a depressed market, when rates would be lower. The Company is always conscious of the counterparty risk associated with its period charters and accordingly takes steps in analysing the counterparty risk of its potential charterers, particularly those with whom the Company signs longer period charters, and such contracts (charters) are signed only with first class charterers with the highest possible credibility. It is for this reason that right through the depressed market, the Company did not suffer any losses on account of defaults by the Company’s charterers and even during the current weak period, there has been no default by any of the Company’s long term contracts.

The Company’s ships ply in international waters quite evenly distributed all over the world without any concentration in any particular area. As such, the Company is not exposed to a risk of geographical concentration of the Company’s market and its customers. Therefore, any major adverse change in the market conditions in any one particular area of the world due to war, political action, or any other reason shall not result in a significant drop in revenues.

The Company’s revenues are generated from a number of customers and the Company is not dependent on any single customer for the majority of its business. As such, the Company is not exposed to any risk of concentration of its business with any one customer and any loss of business from one such customer shall not have any significant impact on the Company’s business and will not result in sudden and significant loss of revenues.

## **CAPACITY REPLACEMENT AND EXPANSION RISK**

As explained above, the Company’s Assets, i.e. ships, have a finite life and as and when the ships reach a certain age, they need to be sold or scrapped. This leads to a decrease in capacity and if the Company wants to maintain capacity in terms of fleet size, the Company has to continuously follow a program of replacement of its older scrapped (or sold) vessels. In about three years (2007- 2010) the Company sold 35 of its oldest vessels thereby reducing its Fleet size substantially. If the Company wishes to maintain capacity, a replacement of the sold ships has to be undertaken. Replacement of scrapped/sold ships could be achieved by purchase of second-hand ships from the open “Sale & Purchase” market. However, due to the boom in the International Shipping market in the past few years, the values (cost) of second-hand vessels were at unprecedented highs and the Company did not deem it prudent to be buying ships at such inflated values and exposing itself to the risks of an impairment charge on its assets as a result of a fall in the market values of ships in case of a sustained downturn, that appeared to have been triggered in the latter half of the Year 2008. If the ship values had not fallen appreciably or in fact increased, although the Company may have wanted to replace all its scrapped/ sold ships with younger and bigger ships, the Company may not have been able to buy enough second-hand (or new ships for immediate/early delivery) ships and the inability to buy reasonably priced ships exposed the Company to the risk that the Company could not replace its capacity as a result of the sale of the Company’s very old ships. However, since the last quarter of the Year 2011 the Company has been able to acquire new/ second-hand vessels at reasonable values.

In the Years 2012 and 2014, the Company has signed a number of newbuilding contracts with three different Chinese Shipyards for deliveries of Cement Carriers and Dry Bulk Vessels as explained elsewhere in this Annual Report. This will serve to mitigate the risk of depletion of the Company's fleet, while simultaneously expanding the fleet in terms of deadweight tonnage and significantly decreasing the fleet's average age, among other benefits. While the Operating and Market risks associated with the ships as and when delivered have been discussed above, the specific risks associated with the newbuilding contracts are summarized as under:

- **Risks associated with the Ship Builders:** The Company is exposed to a default risk by the respective Ship Builders in terms of adhering to delivery schedules and/or achieving the right quality of the ships whereby the ships may not be delivered for any reason or delivery of the ships is delayed and/or the ships delivered are not of the expected and contracted quality. The Company has attempted to mitigate these risks by not only carefully evaluating the capacity of each Ship Builder in terms of meeting contracted delivery schedules and maintaining quality but has also obtained bank guarantees to cover refund of pre-delivery installments and/or delay in deliveries apart from including stringent penalties in the contracts, both, for delays as well as departure from specified quality parameters. Further, the Company has also appointed and deployed a team of highly qualified and experienced marine personnel to supervise the construction of the ships at the respective shipyards. In the event that one or more of the vessels are not delivered in time, the Company could sell/novate these Contracts as was done in the past, or could cancel the respective vessel's order in accordance with the Contracts, against which, there would not be any direct financial loss for the Company since all payments made would be refunded with interest, although the Company loses the opportunity of replacing capacity and earning revenues from the delayed/cancelled vessels. However, the Company remains exposed to the counter-party risk of the respective Ship Builders and if each Ship Builder is unable to refund the installments paid by the Company, the Company would have to resort to making claims against the bank guarantees obtained from such Ship Builder and when these bank guarantees are honored, it is possible that the Company may have to suffer a delay in receiving the proceeds from the refund guarantor against the claims made due to arbitration proceedings (if any) initiated by the Shipyard under relevant Shipbuilding Contract or for other reasons. Similarly in case of a Novation, even if an interested New Buyer is found, it is possible that the New Buyer may default in the performance of the Novation Agreements and thereby the entire Novation Proceeds may not be received, in which case, once again, the Company will have to make claims against the bank guarantees received from the respective Ship Builders.
- **Risks associated with a Cyclical Industry:** The Company is exposed to the risk that when the newbuildings are delivered, or soon after acquiring a number of second-hand ships, the Shipping Market remains in a cyclical downturn for a sustained period and in such case, apart from a fall in the ship values, it may not be possible to charter out these ships at the expected rates which would lead to operating losses (including cash losses) for the Company. These losses or low rates achieved by the Company for a sustained period could lead to default by the Company to meet its debt obligations including a default of the financial covenants applicable to the Company under its various Debt facilities. However, the Company actively monitors its compliance with all its financial covenants, and ensures that it takes all steps necessary to remain in compliance with all its obligations.

Further, if the newbuildings are delivered while the industry continues in the midst of this cyclical and prolonged downturn, the market values of the new ships could drop to levels much lower than cost and if this drop is considered permanent, it may expose the Company to an impairment charge in the Company's accounts and the Company may also default under the "Loan to Value" Covenant required to be maintained in accordance with the Loan Facility Agreement.

- **Risks associated with funding:** The Company is exposed to the risk that the funding required for the newbuildings is not tied up through external sources in which case, the Company would be forced to utilize internal operating cashflows for this purpose, which, may not have left sufficient or any excess cash for dividends or other capital expenditure. In order to mitigate this risk, the Company has tied

up credit facilities to fund a majority of the newbuilding contracts entered into by the Company in the Years 2013 and 2014. These credit facilities have been discussed at length elsewhere in this Annual Report. However, it is also to be noted that the funds required for the newbuilding contracts signed are not sourced fully through new debt facilities and the Company is required to utilize its own cash generated internally to fund such differences between the cost and debt amounts of each new building contract. If this amount (Cost less debt) is not available to the Company, the Company may default in its obligations under the new building contracts.

## EFFECT OF GLOBAL FINANCIAL CRISIS

The most significant risk factors arising as a direct effect of the Global Financial Crisis on the Shipping Industry and consequently on the Company, are summarised as under:

- **Demand Loss Risk:** The financial crisis led to a closure or downsizing of a number of businesses and business units all over the developed world coupled with reduced access to Trade Finance, thereby affecting World Trade and resulting in a loss in demand for shipping services and consequent collapse in freight rates in 2008 and early 2009. Although there was a small recovery in demand in the second half of 2009 till the first half of 2011, the Company's strategy of signing longer term charters for the Company's ships at reasonably high rates, somewhat cushioned the Company's revenues from the effects of any sudden and appreciably large falls in Freight rates. However, with the continued crisis in the Euro Zone and the absence of appreciable growth in US, demand growth could not keep pace with the supply of new Vessels as evidenced from the sustained fall in the Freight markets from the second half of 2011 right until the end of the present Year 2014. In case of a prolonged period of low freight rates, the Company's revenues may be significantly affected because the Company is being forced to charter those ships, which are not chartered on long periods or those of which have expired, at very low rates on a sustained basis. Further, if the situation continues, the Company may be forced to scrap its ships which are not very old because of the absence of demand for such ships or because of its inability to charter these ships even at their respective break-even rates.
- **Counterparty Risk:** In case of a relapse of the Global Financial Crisis or its spread to other regions after the US and Europe, a number of companies which are users of shipping services including the Companies' customers or charterers with whom the Company has signed longer term period charters at high rates may close down or become insolvent or face financial difficulties in the future, resulting in nonpayment of charter revenues to the Company and/or termination of the charters. However, as explained hereinabove, the Company is conscious of the counter-party risk associated with its period charters and accordingly has taken steps in analysing the counter-party risk of its potential charterers, particularly those with whom the Company signed longer period charters, and such contracts (charters) were signed only with first class charterers with the highest possible credibility.
- **Credit Crunch:** The Financial Crisis has led to a Credit crunch because of the risk aversion policy adopted by Global banks to bolster or maintain Capital reserves, whereby it is still extremely difficult to raise new debt from International Banks, particularly, European Banks, which are the traditional Lenders to the Shipping Industry. If this situation continues, the Company may not be able to raise new credit facilities or renew existing credit facilities required by the Company for capital expenditure, i.e. for purchase or order of ships to maintain or expand the Company's fleet of ships. However, to mitigate this risk, so far, the Company already has credit facilities in place to fund a majority of the newbuilding orders.

## INVESTMENT RISK

Apart from the above risks which the Company is exposed to, an Investor investing in equity shares of the Company is exposed to the risks associated with the equity investment in the Company as a company listed in Thailand, which include the following:

- The value of the stocks listed on the Stock Exchange of Thailand (SET) may fluctuate due to factors affecting the Thai Stock Market as a whole without any connection to the performance of the Company. Such factors affecting the Thai Stock Market could include political instability or political disturbances, slowdown in growth of the Thai economy, US Federal Reserve action, withdrawal of economic stimulus by governments of key export markets, general slowdown in regional, Asian or other developed economies and so on.
- Since the investment in the equity shares is made in Thai Baht currency, the Investor is exposed to the exchange risk associated with the investment due to the fluctuation of the investor's investment currency as against the Thai Baht whereby the Investor may suffer a loss in the Investor's own investment currency terms if the Thai Baht depreciates against the same when the equity shares are sold and the proceeds thereof are remitted back to the Investor after converting the same into the Investor's investment currency.
- The Investor may suffer a loss on his investment in the event one or more Thai laws pertaining to the investment are amended adversely. An example of such an adverse change in law would be imposition of taxes or other duties on the investment or sale of investment in equity shares.
- If the Thai Government introduces exchange controls on investment proceeds or on the repatriation of investment proceeds, the Investor's cost of the investment may increase and/or the Investor may not be able to repatriate the sale proceeds of the investment.
- Further, the Investor is exposed to additional risks like lower standards of Corporate Governance of the companies listed on the SET, insufficient legal checks and balances on company management, high proportion of concentrated shareholding with one individual or one group leading to unduly high control exercised by the individual or group, unavailability of qualified and experienced persons to act as Directors, etc.

# MAJOR SHAREHOLDERS AND DIVIDEND POLICY STATEMENT

| Major Shareholders per share register as on 31 <sup>st</sup> December 2014 and 2013 |  |   |                |   |                |
|---|--|---|----------------|---|----------------|
| No.   | Name   | As on<br>31 <sup>st</sup> December 2014 |                | As on<br>31 <sup>st</sup> December 2013 |                |
|   |  | No. of shares                           | Percentage     | No. of shares                           | Percentage     |
|   | Globex Corporation Limited   | 266,625,206                             | 25.65%         | 266,625,206                             | 25.65%         |
|   | Ms. Nishita Shah   | 98,586,000                              | 9.48%          | 98,586,000                              | 9.48%          |
|   | Graintrade Limited   | 74,668,000                              | 7.18%          | 74,668,000                              | 7.18%          |
|   | Unistretch Limited   | 7,600,400                               | 0.73%          | 7,600,400                               | 0.73%          |
| <b>1</b>  | <b>* Total shares under control of Ms. Nishita Shah</b>                              | <b>447,479,606</b>                      | <b>43.04%</b>  | <b>447,479,606</b>                      | <b>43.04%</b>  |
|   | Mr. Khalid Moinuddin Hashim<br>(20,000 shares held at Securities Company included)   | 87,610,850                              | 8.43%          | 87,610,850                              | 8.43%          |
|   | Mr. Munir Moinuddin Hashim<br>(1,728,000 shares held at Securities Company included) | 94,567,850                              | 9.10%          | 94,567,850                              | 9.10%          |
| <b>2</b>  | <b>** Total shareholding of Hashim family</b>  | <b>182,178,700</b>                      | <b>17.53%</b>  | <b>182,178,700</b>                      | <b>17.53%</b>  |
| <b>3</b>  | Thai NVDR Limited  | 64,344,886                              | 6.19%          | 76,026,758                              | 7.31%          |
| <b>4</b>  | STATE STREET BANK EUROPE LIMITED   | 25,567,411                              | 2.46%          | 34,600,500                              | 3.33%          |
| <b>5</b>  | STATE STREET BANK AND TRUST COMPANY  | 15,919,318                              | 1.53%          | 15,309,518                              | 1.47%          |
| <b>6</b>  | HSBC (SINGAPORE) NOMINEES PTE LTD  | 13,305,600                              | 1.28%          | 14,479,000                              | 1.39%          |
| <b>7</b>  | GEDRA ENTERPRISES INC  | 11,634,294                              | 1.12%          | 11,634,294                              | 1.12%          |
| <b>8</b>  | BANQUE PICTET & CIE SA   | 9,794,800                               | 0.94%          | 9,619,000                               | 0.93%          |
| <b>9</b>  | NORBAX INC., 179   | 9,349,818                               | 0.90%          | 0                                       | 0.00%          |
| <b>10</b>   | CHASE NOMINEES LIMITED   | 7,420,500                               | 0.71%          | 5,010,200                               | 0.48%          |
| <b>11</b>   | Other shareholders<br>(apart from the Top Ten shareholders as mentioned above)       | 252,525,667                             | 24.29%         | 243,183,024                             | 23.39%         |
| <b>Grand total</b>  |  | <b>1,039,520,600</b>                    | <b>100.00%</b> | <b>1,039,520,600</b>                    | <b>100.00%</b> |
|   |  | <b>Total : 6,084 shareholders</b>       |                | <b>Total : 4,692 shareholders</b>       |                |

**Note:** \* Ms. Nishita Shah who is the Director of the Company is also the Director and Shareholder of Globex Corporation Limited, Graintrade Limited and Unistretch Limited

\*\* Mr. Khalid Moinuddin Hashim is the brother of Mr. Munir Moinuddin Hashim  
No shareholder agreement between the Shareholders Nos. 1 and 2

## Dividend Policy Statement

"The Company's dividend policy approved by the Annual General Meeting of Shareholders No. 1/2004 dated 30<sup>th</sup> April 2004 is to pay out not less than 25% of Net Profits after taxes and appropriation to any reserves required by law. Upon approval by the Board of Directors, the annual dividend payout is to be presented to the shareholders' annual general meeting for approval. As regards the interim dividend, however, the Board is authorised to pay it and then report the payout at the next shareholders' general meeting."



# MANAGEMENT STRUCTURE

## The Company has 5 Boards / Committees

1. The Board of Directors
2. The Executive Board of Directors
3. The Audit & Corporate Governance Committee
4. The Remuneration Committee
5. The Nomination Committee

## ELECTION OF THE BOARD OF DIRECTORS

The election of Directors is conducted by the meeting of shareholders. Each shareholder has one vote per share and each shareholder exercises all votes applicable in appointing one or more persons to be a Director. The candidates are ranked in descending order from the highest number of votes to the lowest, and are appointed as Directors in that order until the Director positions are filled. Where the votes for candidates are tied, which would otherwise cause the number of directors to be exceeded, the Chairman has the casting vote.

### 1. THE BOARD OF DIRECTORS

There are 12 Directors on the Board of Directors of the Company which consists of

- 9 Non-Executive Directors 5 of whom are Independent Directors.
- 3 Executive Directors.

The Board of Directors' members as of 31<sup>st</sup> December 2014 are as follows:

| Director's Name                                  | Position   | The last re-appointment Date |
|--|--|------------------------------|
| 1. Mr. Thira Wipuchanin                          | The Chairman of the Board of Directors<br>Independent Director | 26 <sup>th</sup> March 2012  |
| 2. Mr. Khalid Moinuddin Hashim                   | Managing Director  | 26 <sup>th</sup> March 2012  |
| 3. Mr. Munir Moinuddin Hashim                    | Executive Director   | 31 <sup>st</sup> March 2014  |
| 4. Mr. Khushroo Kali Wadia                       | Executive Director   | 31 <sup>st</sup> March 2014  |
| 5. Mr. Jaipal Mansukhani                         | Director   | 31 <sup>st</sup> March 2014  |
| 6. Mr. Suphat Sivasriamphai                      | Independent Director   | 31 <sup>st</sup> March 2014  |
| 7. Ms. Nishita Shah                              | Director   | 26 <sup>th</sup> March 2012  |
| 8. Mr. Kirit Shah                                | Director   | 26 <sup>th</sup> March 2012  |
| 9. Mr. Chaipatr Srivisarvacha                    | Independent Director   | 1 <sup>st</sup> April 2013   |
| 10. Associate Professor Pavidia Pananond, Ph. D. | Independent Director   | 1 <sup>st</sup> April 2013   |
| 11. Mr. Kamtorn Sila-On                          | Independent Director   | 1 <sup>st</sup> April 2013   |
| 12. Mr. Ishaan Shah                              | Director   | 1 <sup>st</sup> April 2013   |

### **Powers, duties and responsibilities of the Board of Directors are as follows:**

1. The Board of Directors performs its duties in conformity with applicable laws, and carries on the business of the Company in accordance with the laws, the Company's objectives and the articles of association as well as the resolutions of the shareholders' meetings. The Board of Directors is authorized to carry out the Company's activities as prescribed in the memorandum or those related thereto under the Public Limited Companies Act B.E. 2535. The Board of Directors is responsible to the Company's shareholders. Each Director represents all shareholders and takes part in supervisory and regulatory functions in the Company's operations, in an independent and impartial manner, for the benefit of all shareholders and other stakeholders.
2. The Directors, in their business conduct, are expected to generally act with care to preserve the interest of the Company.
3. The quorum for the Board of Directors meeting is at least two-thirds of Board size. However, in emergency cases, this can be waived and the quorum required by the Articles and Law will be followed.
4. The Board of Directors or the Shareholders at their meeting is entitled to designate the authorized Directors to bind the Company and accordingly, any two of the following with the Company's Seal are the present authorized signatories:
  - 1) Mr. Khalid Moinuddin Hashim
  - 2) Mr. Munir Moinuddin Hashim
  - 3) Mr. Khushroo Kali Wadia
5. The Board of Directors is inter alia authorized to sell or mortgage any of the Company's immovable properties, to let any of the Company's immovable properties for the period more than three years, to make a gift, to compromise, to file complaints to the Court and to submit the dispute to the Arbitration.
6. Review and approve the Mission Statement, Core Values and Code of Business Conduct whenever appropriate but at least once every 5 years.
7. Review and discuss Management's proposed strategies and options and approve major decisions in respect of the Company's business direction and policies. The Board of Directors also reviews and approves the Business and performance goals proposed by the Management.
8. Monitor the Company's performance and progress toward achieving set objectives as well as compliance with the laws, regulations and related policies.
9. Ensure the existence of an effective internal control system and appropriate risk management framework.
10. Ensure an effective audit system executed by both internal and external auditors.
11. Approve quarterly and annual financial reports to ensure that the reports are prepared under generally accepted applicable accounting standards.
12. Ensure that the Company has a proper system in place to communicate effectively with all stakeholders and the public.
13. Define policy and guidelines for risk management and monitor the management to ensure the efficiency of risk management system.
14. Define policy and guidelines for good corporate governance and ensure that the duties and responsibilities of Directors and the management comply with Corporate Governance principles.
15. Define policy and guidelines to implement Corporate Social Responsibility.

## 2. THE EXECUTIVE BOARD OF DIRECTORS

The following 3 directors are appointed by the Board of Directors as the Executive Directors on the Executive Board of Directors.

| Name                           | Position              |
|--------------------------------|-----------------------|
| 1. Mr. Khalid Moinuddin Hashim | Managing Director     |
| 2. Mr. Munir Moinuddin Hashim  | Director (Commercial) |
| 3. Mr. Khushroo Kali Wadia     | Director (Finance)    |

**Powers, duties and responsibilities of the Executive Board of Directors are summarized hereunder:**

1. To manage the Company's business under the resolutions / regulations of the Board of Directors.
2. To execute any agreements / contracts binding the Company the terms and conditions of which must be in their scope of authority vested by the Board of Directors. Such agreements / contracts must be affixed with signatures of any two Executive Directors together with the Company's seal.
3. To generally act on behalf and in the interest of the Company and its subsidiaries as may be required to carry on the business.
4. The Executive Board of Directors shall report on the business operations conducted by the Executive Board to the Board of Directors for acknowledgement and discussions. However, policy-related issues, or issues likely to have significant and major impact on the Company's business, or issues requiring action by the Board of Directors in compliance with laws, or the Company's Articles of Association, must be approved by the Board of Directors. This also includes issues for which the Executive Board of Directors considers it appropriate to seek the approval of the Board of Directors on a case-by-case basis, or per the criteria designated by the Board of Directors.
5. Prepare and review strategic objectives, financial plans and key policies of the Company, to be submitted to the Board of Directors for approval.
6. Review management authority in various aspects stipulated in the approval authority hierarchy, to be submitted for approval to the Board of Directors.
7. Appoint, monitor and evaluate the performance of employees from the level of department head down to middle managers.
8. Monitor and report on the Company's operating results to the Board of Directors as well as on other work in progress to achieve the Company's objectives.
9. Communicate with external stakeholders, per designated authority, and as deemed appropriate.
10. Prepare and review policy and guidelines for risk management and monitor the management to ensure the efficiency of risk management system.
11. Prepare and review policy and guidelines for good Corporate Governance and guidelines to implement Corporate Social Responsibility.

## 3. THE AUDIT & CORPORATE GOVERNANCE COMMITTEE

The Audit & Corporate Governance Committee has been appointed by Board of Directors with the objective of having a mechanism to assist the Board independently in accordance with the regulations and the recommendations in respect of Good Corporate Governance, to give an opinion of the accuracy of the Company's Financial Statements and their credibility and transparency, to encourage the good corporate governance including coordination with the Board of Directors for risk management and internal control systems in the Company. This is expected to create efficiencies in operations and also provide for an independent check on the functioning of the Management of the Company including checks on conflict of interest issues and connected party transactions, if any.

The Board of Directors has appointed the Audit Committee since 24<sup>th</sup> August 1998 with the term of 2 years for each member. Thereafter on 3<sup>rd</sup> February 2012 the Board has resolved to amend the name of Audit Committee from Audit Committee to “Audit & Corporate Governance Committee” since the existing roles and responsibilities of the Audit Committee of the Company include Corporate Governance also and in also to ensure that the Audit & Corporate Governance Committee emphasizes consistently on the compliance of relevant regulations and continue the development of Corporate Governance of the Company. The current Audit & Corporate Governance Committee Members are as follows:

| Name  | Position   | Status               | Duration on the Committee |
|---|--|----------------------|---------------------------|
| 1. Mr. Suphat Sivasriumphai *,**                  | Chairman of the Audit & Corporate Governance Committee | Independent Director | 2 Years                   |
| 2. Mr. Kamtorn Sila-on **                         | Audit & Corporate Governance Committee Member          | Independent Director | 2 Years                   |
| 3. Associate Professor Pavida Pananond, Ph. D. ** | Audit & Corporate Governance Committee Member          | Independent Director | 2 Years                   |

\* Mr. Suphat Sivasriumphai was reappointed by resolution of the Board of Directors in the Board of Directors Meeting No. 6/2014 held on 31<sup>st</sup> July 2014.

\*\* Each of the above three Audit & Corporate Governance Committee members has knowledge and experience in accounting and financial field and details of the experience have been presented in the “**Board of Directors - Profile**” section of this Annual Report.

**The Audit & Corporate Governance Committee is responsible for reviewing and reporting the following matters to the Board of Directors.**

- To review the Company’s financial reporting process to ensure accuracy with adequate and complete disclosure.
- To ensure that the Company has an appropriate and efficient internal control system subject to internal audit and to also ensure that there is an efficient internal audit system in place and to ensure the independence of internal audit department, including approval of the selection, promotion, rotation or termination process of the internal audit head.
- Review risk management system of the Company and recommend improvements on a regular basis.
- Review guidelines for the Company’s Corporate Governance as compared with those of International organizations and present its recommendations to the Board of Directors.
- To review the performance of the Company to ensure compliance with the securities and exchange law, regulations of the Exchange and other laws relating to the business of the Company.
- To select and nominate for the shareholders’ approval, the external auditor of the Company, including recommendation of remuneration of the external auditor after considering the independence of the external auditor and to freely discuss significant matters, the Audit & Corporate Governance Committee shall meet privately with the external auditor at least once a year, without the management team being present.
- To review connected party transactions that may lead to conflict of interest to comply with all related rules and to ensure the transactions are reasonable and for the full benefit of the Company and to ensure accurate and complete disclosure of the same.

8. To prepare a report on the monitoring activities of the Audit & Corporate Governance Committee, in accordance with the required details per SET regulations and disclose it in the annual report, such report to be signed by the Chairman of the Audit & Corporate Governance Committee.
9. To perform any other acts as delegated by the Board of Directors and accepted by the Audit & Corporate Governance Committee.

#### 4. THE REMUNERATION COMMITTEE

The Remuneration Committee has been appointed by the Board of Directors as a mechanism to assist the Board in independently proposing the criteria of and setting guidelines for the Remuneration of Directors and Senior Management and to propose the remuneration of the Board of Directors who will then act (accept fully, partially or reject totally) in accordance with the regulations and good governance practices based on the recommendations made by the Remuneration Committee. The Board of Directors is not empowered to fix the Remuneration of the Directors but is required to place their recommendations on the same to the shareholders for their approval.

The Board of Directors appointed the Remuneration Committee in their meeting held on 15<sup>th</sup> November 2007, which consists of 3 Directors as follows:

| Name   | Position                               | Status               | Duration on the Committee |
|--|--|----------------------|---------------------------|
| 1. Mr. Kamtorn Sila-on                         | Chairman of the Remuneration Committee | Independent Director | 2 Years                   |
| 2. Associate Professor Pavida Pananond, Ph. D. | Remuneration Committee Member          | Independent Director | 2 Years                   |
| 3. Mr. Kirit Shah                              | Remuneration Committee Member          | Director             | 2 Years                   |

For the year 2014, in performing its role as assigned by the Board, the remuneration committee put in its best efforts with due care, prudence, independence, and thoroughness in compliance with its mandate. Two meetings were held during the year with 100% attendance.

##### Duties and Responsibilities of the Remuneration Committee

The Remuneration Committee is responsible for duties assigned by the Board of Directors as follows:

1. Set out compensation guidelines for Directors and Senior Management and propose the same to the Board of Directors.
2. Propose the Directors' Remuneration for the Board to make its recommendations and express its opinion for approval in shareholders' meeting.
3. Update the Board of Directors about compensation norms being followed by Companies in Thailand and abroad.
4. Other specific jobs assigned by the Board of Directors.

## Remuneration Criteria

- The Directors' Remuneration must be agreed by Board of Directors and recommended to the Shareholders for their approval.
- The Directors' Remuneration shall be a fixed amount per annum.
- The remuneration criterion shall include consideration of financial status and performance of the Company and in accordance with International Standards and comparable with other listed companies in general and should also be comparable with listed companies in the same sector in Thailand and abroad.

## 5. THE NOMINATION COMMITTEE

The Nomination Committee has been appointed by the Board of Directors in order to set up a mechanism to assist the Board to independently propose the criteria and set guidelines for nomination of new Directors and recruitment and selection of Senior Management and thereafter propose to the Board of Directors who could then consider the proposal and decide to accept or reject the same or amend it for further approval by shareholders if required (for the appointment of Directors).

The Board of Directors appointed the Nomination Committee in their meeting held on 15<sup>th</sup> November 2007, which consists of 3 Directors as follows:

| Name                          | Position                             | Status               | Duration on the Committee |
|-------------------------------|--------------------------------------|----------------------|---------------------------|
| 1. Mr. Chaipatr Srivisarvacha | Chairman of the Nomination Committee | Independent Director | 2 Years                   |
| 2. Mr. Suphat Sivasriamphai   | Nomination Committee Member          | Independent Director | 2 Years                   |
| 3. Mr. Kamtorn Sila-on        | Nomination Committee Member          | Independent Director | 2 Years                   |

For the year 2014, in performing its roles as assigned by the Board, the Nomination Committee put in its best efforts with due care, prudence, independence, and thoroughness in compliance with its mandate. Two meetings were held during the year with 100% attendance.

### Duties and Responsibilities of the Nomination Committee

The Nomination Committee is responsible for duties assigned by the Board of Directors as follows:

1. Set out selection and nomination guidelines of appropriate persons and propose the same to the Board of Directors.
2. Review the Board structure and propose a succession plan for Directors and Senior Management.
3. Propose to the Board, names of potential candidates for appointment as Directors.
4. If requested by the Board of Directors, assist in the process of review of performance of Directors.
5. Prepare specific reports on latest trends and practices in the appointment of the Directors and Senior Management for consideration by the Board of Directors.
6. Other jobs assigned by the Board of Directors.

## **Nomination Criteria**

The Company recognises that diversity at the Board level is an essential element in supporting the attainment of its strategic objectives and its sustainable development. All Board appointments are based on meritocracy, and candidates are considered against appropriate criteria which are as follows;

- Consideration is based on a range of diversity perspectives, including gender, age and education background, skills, knowledge, and professional experience, and devotion of potential candidates expected to add value to the Board.
- Consideration of the qualities of leadership, vision, ethics, and honesty to uphold the highest principles of Good Corporate Governance.
- The candidate should not be a person blacklisted by any organization (including the SEC) or convicted of any crime.
- The candidate as an Independent Director must be qualified in accordance with the independent director's qualification.
- Consider other qualifications as may be advisable.

## **6. COMPANY SECRETARY**

In keeping with good Corporate Governance, the Company designated a Company Secretary viz. Ms. Somprathana Thepnaplern, having duties and responsibilities in accordance with the Securities and Exchange Act and to be responsible for overseeing and advising the Board and the Management regarding applicable laws, rules, regulations and good Corporate Governance, and responsible for holding the Board and Shareholders' meetings. The additional tasks include assisting the Board to comply with resolutions and safeguard the Company's documents and information.

# BOARD OF DIRECTORS - PROFILE

| <b>MR. THIRA WIPUCHANIN</b>  |  |
|--|--|
| <b>POSITION</b>  | Chairman of the Board of Directors / Independent Director  |
| <b>DATE OF APPOINTMENT ON THE BOARD</b>  | 13 July 2000   |
| <b>AGE</b>   | 65 years   |
| <b>EDUCATION</b>   | B.Sc. in Economics and Business Administration,<br>University of Wisconsin - Stevens Point, U.S.A.   |
| <b>TRAINING</b>  |  |
| • 2014   | Attended training course on the topic "Chartered Director Class" (CDC) held by Thai Institute of Directors (IOD).  |
| • 2005   | Attended training course on the topic "Audit Committee Program" (ACP) held by Thai Institute of Directors (IOD).   |
| • 2001   | Graduate member of Thai Institute of Directors (IOD) – Completed "Directors Certificate Program" (DCP), Class 6/2001.  |
| <b>EXPERIENCE TO REVIEW CREDITIBILITY OF THE FINANCIAL STATEMENTS</b>                  |  |
| • 2008 - March 2011  | Audit Committee Member,<br>Precious Shipping Public Company Limited.   |
| • 2005 – Present   | Chairman of the Audit Committee,<br>United Palm Oil Industry Public Company Limited.   |
| • 2003 – Present   | Audit Committee Member, Siam Makro Public Company Limited.   |
| • Present  | Chairman of the Audit Committee, Bangkok First Investment & Trust Public Company Limited.  |
| <b>OTHER EXPERIENCE</b>  |  |
| • 2000 – Present   | Director, Precious Shipping Public Company Limited.  |
| • 2000 – 2003  | Senior Executive Vice President, Export - Import Bank of Thailand.<br>Director, Sanyo Universal Electric Public Company Limited.<br>Treasurer, The Community Support Foundation, Thailand.<br>Member, Company Establishment Preparatory Committee/ T.O.T. and C.A.T.<br>Member, Company Establishment Preparatory Committee/ P.T.T.<br>Board member, Capital Market Opportunity Center / SET.<br>Senior Vice President, Premier Group of Companies.  |
| • 1994 – 1997  | Thailand Representative, Prudential Asset Management Asia Limited.   |
| • 1990 – 1994  | Vice President (Investment), American International Assurance Company Limited.   |
| • 1975 – 1990  | Business Loan Manager, Commercial Credit Corporation (Thailand) Limited.<br>Served the Royal Thai Army.  |
| • 1974 – 1975  | Company Director.  |
| • 1973 – 1974  |  |
| <b>OCCUPATION</b>  |  |
| <b>DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS</b>      |  |
| • LISTED COMPANIES<br>4 Companies  | <ol style="list-style-type: none"> <li>1. Chairman of the Board of Directors, Chairman of the Audit Committee, Independent Director, Nomination Committee Member and Remuneration Committee Member, United Palm Oil Industry Public Company Limited.</li> <li>2. Independent Director, Audit Committee Member, Nomination and Remuneration Committee Member, Siam Makro Public Company Limited.</li> <li>3. Chairman of the Audit Committee, Independent Director, Nomination and Remuneration Committee Member, Bangkok First Investment &amp; Trust Public Company Limited.</li> <li>4. Chairman of the Board of Directors and Independent Director, Interhides Public Company Limited.</li> </ol> |
| • NON - LISTED COMPANIES 1 Company   | Aira Advisory Co., Ltd.  |
| • CONNECTED COMPANIES  | Nil  |
| • OTHER RELATED COMPANIES<br>(SUBSIDIARIES / ASSOCIATED COMPANIES)                     | Nil  |
| • OTHER ORGANISATIONS  | Nil  |
| <b>NO. OF SHARES HELD AS OF YEAR END 2014</b>  |  |
| • BY HIMSELF   | Nil  |
| • BY HIS SPOUSE AND MINOR CHILDREN (IF ANY)  | 60,000 shares (0.00% of total paid-up shares)  |
| <b>INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2014</b>                            |  |
| • BY HIMSELF   | Nil  |
| • BY HIS SPOUSE AND MINOR CHILDREN (IF ANY)  | Nil  |
| No family relationship with any of the other Directors and any of the Management Team. |  |



## MR. SUPHAT SIVASRIAUMPHAI

|   |   |
|---|---|
| <b>POSITION</b>   | Chairman of the Audit and Corporate Governance Committee* / Independent Director / Nomination Committee Member  |
| <b>DATE OF APPOINTMENT ON THE BOARD</b>   | 11 January 1994   |
| <b>AGE</b>  | 68 years  |
| <b>EDUCATION</b>  | Assumption Commercial College.  |
| <b>TRAINING</b>   | Working/training & Experience with many joint venture companies including large Japanese, American and Indian companies.<br>Completed "Director Accreditation Program" (DAP), Class 57/2006 of Thai Institute of Directors (IOD). |
| <ul style="list-style-type: none"><li>• 2006</li></ul>  |   |
| <b>EXPERIENCE TO REVIEW CREDITIBILITY OF THE FINANCIAL STATEMENTS</b>   |   |
| <ul style="list-style-type: none"><li>• March 2011 – Present</li></ul>  | Chairman of the Audit and Corporate Governance Committee, Precious Shipping Public Company Limited.   |
| <ul style="list-style-type: none"><li>• 1998 – 2011</li></ul>   | Audit Committee Member, Precious Shipping Public Company Limited.   |
| <b>OTHER EXPERIENCE</b>   |   |
| <ul style="list-style-type: none"><li>• 1994 – present</li><li>• 1989 – 1993</li></ul>  | Director, Precious Shipping Public Company Limited.<br>Director, Precious Shipping Limited.<br>(Converted into Public Company Limited in 1994)  |
| <ul style="list-style-type: none"><li>• 2007 – 2011</li></ul>   | President, India - Thai Chamber of Commerce (2 terms).<br>Managing family owned companies.  |
| <b>OCCUPATION</b>   |   |
| <b>DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS</b>   |   |
| <ul style="list-style-type: none"><li>• LISTED COMPANIES</li><li>• NON - LISTED COMPANIES</li></ul>   | Nil<br>3 Companies  |
| <ul style="list-style-type: none"><li>• CONNECTED COMPANIES</li><li>• OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)</li><li>• OTHER ORGANISATIONS</li></ul> | 1. Managing Director, Thai Filament Textiles Company Limited.<br>2. Managing Director, Thai Ambica Chemicals Company Limited.<br>3. Managing Director, Rembrandt Hotel Corporation Limited.<br>Nil<br>Nil<br>Nil                  |
| <b>NO. OF SHARES HELD AS OF YEAR END 2014</b>   |   |
| <ul style="list-style-type: none"><li>• BY HIMSELF</li><li>• BY HIS SPOUSE AND MINOR CHILDREN (IF ANY)</li></ul>  | Nil<br>Nil  |
| <b>INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2014</b>   |   |
| <ul style="list-style-type: none"><li>• BY HIMSELF</li><li>• BY HIS SPOUSE AND MINOR CHILDREN (IF ANY)</li></ul>  | (800,000) shares<br>Nil   |

\*Note : Audit Committee Member who has adequate expertise and experience to review creditability of the financial statement. No family relationship with any of the other Directors and any of the Management Team.

## MR. KHALID MOINUDDIN HASHIM

|   |   |
|---|---|
| <b>POSITION</b>   | Managing Director / Executive Director  |
| <b>DATE OF APPOINTMENT ON THE BOARD</b>   | 11 January 1994   |
| <b>AGE</b>  | 61 years  |
| <b>EDUCATION</b>  | Master's Degree in Management Studies specializing in Finance, University of Bombay.  |
| <b>TRAINING</b>   |   |
| <ul style="list-style-type: none"><li>• 2005</li></ul>  | Graduate member of Thai Institute of Directors (IOD) – Completed "Directors Certificate Program" (DCP), Class 57/2005.  |
| <b>EXPERIENCE</b>   |   |
| <ul style="list-style-type: none"><li>• 1994 - Present</li><li>• 1991 - 1993</li></ul>  | Managing Director, Precious Shipping Public Company Limited.<br>Managing Director, Precious Shipping Limited.<br>(Converted into Public Company Limited in 1994)                                      |
| <ul style="list-style-type: none"><li>• 1984 - 1991</li><li>• 1979 - 1983</li></ul>   | Head of Shipping Department, Geepee Corporation Limited.<br>Senior Executive, Pan Ocean Navigation & Trading Pte. Ltd.  |
| <b>OCCUPATION</b>   | Managing Director and Executive Director, Precious Shipping Public Company Limited.   |
| <b>DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS</b>   |   |
| <ul style="list-style-type: none"><li>• LISTED COMPANIES</li><li>• NON - LISTED AND CONNECTED COMPANIES</li><li>• OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)</li></ul> | Nil<br>Nil<br>62 Companies  |
| <ul style="list-style-type: none"><li>• OTHER ORGANISATIONS</li></ul>   | 3 Organisations   |
| <ul style="list-style-type: none"><li>• OTHER ORGANISATIONS</li></ul>   | 1. Deputy Chairman of the Board of Directors, The Swedish Club, Sweden.<br>2. Regional Committee Member, American Bureau of Shipping.<br>3. Austral - Asia Regional Committee Member, Bureau Veritas. |
| <b>NO. OF SHARES HELD AS OF YEAR END 2014</b>   |   |
| <ul style="list-style-type: none"><li>• BY HIMSELF</li><li>• BY HIS SPOUSE AND MINOR CHILDREN (IF ANY)</li></ul>  | 87,610,850 shares (8.43% of total paid-up shares)<br>Nil  |

**INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2014**

- BY HIMSELF Nil
- BY HIS SPOUSE AND MINOR CHILDREN (IF ANY) Nil

Mr. Khalid Moinuddin Hashim is the elder brother of Mr. Munir Moinuddin Hashim but has no family relationship with any of the other Directors or any of the Management Team.

**MR. MUNIR MOINUDDIN HASHIM**

|   |  |
|---|--|
| <b>POSITION</b>   | Director / Executive Director*<br>(* Ceased from the position of Executive Director with effect from 12 January 2015)  |
| <b>DATE OF APPOINTMENT ON THE BOARD</b>   | 11 January 1994  |
| <b>AGE</b>  | 59 years   |
| <b>EDUCATION</b>  | Master's Degree in Management Studies specializing in Marketing, University of Bombay.                                 |
| <b>TRAINING</b>   |  |
| • 2005  | Graduate member of Thai Institute of Directors (IOD) - Completed "Directors Certificate Program" (DCP), Class 57/2005. |
| <b>EXPERIENCE</b>   |  |
| • 1994 - Present  | Director (Commercial), Precious Shipping Public Company Limited.   |
| • 1991 - 1993   | Director (Commercial), Precious Shipping Limited.<br>(Converted into Public Company Limited in 1994)                   |
| • 1986 - 1991   | Head of Operations, Geepee Corporation Limited.  |
| • 1981 - 1985   | Head of Commercial Operations, Maldives Shipping Limited.  |
| <b>OCCUPATION</b>   | Director (Commercial) and Executive Director, Precious Shipping Public Company Limited.                                |
| <b>DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS</b> |  |
| • LISTED COMPANIES  | Nil  |
| • NON - LISTED AND CONNECTED COMPANIES  | Nil  |
| • OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)                   | Nil  |
| • OTHER ORGANISATIONS   | Nil  |
| <b>NO. OF SHARES HELD AS OF YEAR END 2014</b>                                     |  |
| • BY HIMSELF  | 94,567,850 shares (9.10% of total paid-up shares)  |
| • BY HIS SPOUSE AND MINOR CHILDREN (IF ANY)                                       | Nil  |
| <b>INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2014</b>                       |  |
| • BY HIMSELF  | Nil  |
| • BY HIS SPOUSE AND MINOR CHILDREN (IF ANY)                                       | Nil  |

Mr. Munir Moinuddin Hashim is the younger brother of Mr. Khalid Moinuddin Hashim but has no family relationship with any of the other Directors or any of the Management Team.

**MR. KHUSHROO KALI WADIA**

|  |   |
|--|---|
| <b>POSITION</b>  | Director / Executive Director   |
| <b>DATE OF APPOINTMENT ON THE BOARD</b>  | 20 August 1999  |
| <b>AGE</b>   | 51 years  |
| <b>EDUCATION</b>   | Bachelor's Degree in Science, University of Bombay. Chartered Accountant, Institute of Chartered Accountants of India.  |
| <b>TRAINING</b>  |   |
| • 2005   | Graduate member of Thai Institute of Directors (IOD) – Completed "Directors Certificate Program" (DCP), Class 64/2005.  |
| <b>EXPERIENCE</b>  |   |
| • 2013 - Present   | Managing Director, Christiani & Nielsen (Thai) Public Company Limited.  |
| • 1999 - Present   | Director (Finance), Precious Shipping Public Company Limited.   |
| • 1994 - 1999  | Director (Finance & Accounts), Maxwin Group of Companies.   |
| • 1997 - 1998  | Vice President (Finance & Administration), Suretex Limited.   |
| • 1990 - 1994  | Financial Controller, Maxwin Group of Companies.  |
| • 1988 - 1990  | Assistant Manager, A.F. Ferguson & Co.  |
| <b>OCCUPATION</b>  | Director (Finance) and Executive Director, Precious Shipping Public Company Limited.                                    |
| <b>DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS</b>        |   |
| • LISTED COMPANIES <sup>1</sup> Company  | Director on the Board of Directors and Managing Director, Christiani & Nielsen (Thai) Public Company Limited.           |
| • NON - LISTED AND CONNECTED* COMPANIES<br>2 Companies                                   | 1. Director, Maxwin Builders Ltd.*<br>(Provider of hotel and management services)<br>2. Director, The Atrium Hotel Ltd. |
| * Note : Please refer to "CONNECTED TRANSACTIONS" on page 261-262 of this Annual Report. |   |
| • OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)<br>62 Companies          | Director in the Company's subsidiaries<br>(Subsidiary Companies Nos. 1 - 62 on page 9 - 10 of this Annual Report)       |
| • OTHER ORGANISATIONS  | Nil   |

**NO. OF SHARES HELD AS OF YEAR END 2014**

- BY HIMSELF 745,100 shares (0.07% of total paid-up shares)
- BY HIS SPOUSE AND MINOR CHILDREN (IF ANY) Nil

**INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2014**

- BY HIMSELF Nil
- BY HIS SPOUSE AND MINOR CHILDREN (IF ANY) Nil

No family relationship with any of the other Directors or any of the Management Team.

**MR. JAIPAL MANSUKHANI****POSITION**

Director\*  
(\* Appointed as an Executive Director with effect from 12 January 2015)

**DATE OF APPOINTMENT ON THE BOARD**

11 January 1994

**AGE**

64 years

**EDUCATION**

Directorate of Marine Engineering Training 1967 - 1971.

**TRAINING**

- 2005

Graduate member of Thai Institute of Directors (IOD) - Completed.  
"Directors Certificate Program" (DCP), Class 64/2005.

**EXPERIENCE**

- 1994 - Present
- 1991 - 1993

Director, Precious Shipping Public Company Limited.  
Director, Precious Shipping Limited.  
(Converted into Public Company Limited in 1994)  
Technical Manager, Great Circle Shipping Agency Limited.  
Deputy Engineer Superintendent, Scindia Steam Navigation Limited.  
Assistant Engineer Superintendent, Scindia Steam Navigation Limited.  
Chief Engineer, Scindia Steam Navigation Limited.  
Marine Engineer, Scindia Steam Navigation Limited.  
Director, Precious Shipping Public Company Limited.  
Director, Great Circle Shipping Agency Limited. (Company's subsidiary)

- 1988 - 2001
- 1985 - 1987
- 1981 - 1984
- 1977 - 1981
- 1971 - 1976

**OCCUPATION****DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS**

- LISTED COMPANIES Nil
- NON - LISTED COMPANIES AND CONNECTED COMPANIES Nil
- OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)  
62 Companies  
Director in the Company's subsidiaries  
(Subsidiary Companies Nos. 1 - 61 on page 9 - 10 of this Annual Report)
- OTHER ORGANISATIONS  
4 Organisations

1. Member, Regional Committee, Nippon Kaiji Kyokai.
2. Member, Regional Technical Committee, American Bureau of Shipping.
3. Member, Regional Committee, Lloyds Register of Shipping.
4. Member, Regional Technical Committee, Bureau Veritas.

**NO. OF SHARES HELD AS OF YEAR END 2014**

- BY HIMSELF 280,000 shares (0.03% of total paid-up shares)
- BY HIS SPOUSE AND MINOR CHILDREN (IF ANY) Nil

**INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2014**

- BY HIMSELF 10,000 shares
- BY HIS SPOUSE AND MINOR CHILDREN (IF ANY) Nil

No family relationship with any of the other Directors or any of the Management Team.

**MS. NISHITA SHAH****POSITION**

Director

**DATE OF APPOINTMENT ON THE BOARD**

23 August 2002

**AGE**

34 years

**EDUCATION**

Bachelor of Science in Business Administration; concentration in Finance and Business Law, Boston University, School of Management.

**TRAINING**

- 2007
- 2006
- 2004

Graduate member of Thai Institute of Directors (IOD) - Completed  
"Directors Certificate Program" (DCP) Class 83/2007.  
Completed "Director Accreditation Program" (DAP),  
Class 57/2006 of Thai Institute of Directors (IOD).  
Completed "Anatomy of Shipping" course, Seatrade Academy/Cambridge  
Academy of Transport.

**EXPERIENCE**

- 2002 - Present

Director, Precious Shipping Public Company Limited.  
Management, GP Group of Companies.

**OCCUPATION****DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS**

- LISTED COMPANIES Nil

- NON - LISTED AND CONNECTED\* COMPANIES  
6 Companies

1. Director, Globex Corporation Limited.
2. Director, Graintrade Limited.
3. Director, Unistretch Limited.\*  
(Lessor of the main operations office space leased by the Company)
4. Director, Ambika Tour Agency Limited.\*  
(Seller of air-tickets to the Company)
5. Director, Maestro Controls Limited.\*  
(Provider of maintenance and management services for the air-conditioning systems of Company's main operations offices and apartments owned by a subsidiary)
6. Director, Maxwin Builders Ltd.\*  
(Provider of hotel and management services)

\* Note : Please refer to "CONNECTED TRANSACTIONS" on page 260-262 of this Annual Report.

- OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)  
37 Companies

Director in the Company's subsidiaries  
(Subsidiary Companies Nos.1 - 37 on page 9 - 10 of this Annual Report)  
Nil

- OTHER ORGANISATIONS

#### NO. OF SHARES HELD AS OF YEAR END 2014

- BY HERSELF 98,586,000 shares (9.48% of total paid-up shares)
- BY HER SPOUSE AND MINOR CHILDREN (IF ANY) Nil

#### INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2014

- BY HERSELF Nil
- BY HER SPOUSE AND MINOR CHILDREN (IF ANY) Nil

Ms. Nishita Shah is the daughter of Mr. Kirit Shah and the elder sister of Mr. Ishaan Shah but has no family relationship with any of the other Directors or any of the Management Team.

## MR. KIRIT SHAH

#### POSITION

Director / Remuneration Committee Member

#### DATE OF APPOINTMENT ON THE BOARD

24 April 2007

#### AGE

61 years

#### EDUCATION

Studied Commerce from H.R. College of Commerce, Bombay, India.

#### TRAINING

- 2005

Graduate member of Thai Institute of Directors (IOD) - Completed "Directors Certificate Program" (DCP), Class 57/2005.

#### EXPERIENCE

- 2007 - Present

Director, and Remuneration Committee Member, Precious Shipping Public Company Limited.  
Vice Chairman and Executive Director, Phoenix Pulp and Paper PCL, Bangkok.  
Director, Precious Shipping PCL, Bangkok.  
Managing Director, G. Premjee Ltd., Bangkok.  
Company Executive.

- 1999 - 2003

- 1989 - 2002

- 1980 - 2003

#### OCCUPATION

#### DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS

- LISTED COMPANIES

2 Companies

1. Director & Vice-Chairman, Christiani & Nielsen (Thai) Public Company Limited.
2. Director, Mega Lifesciences Public Company Limited.

- NON - LISTED AND CONNECTED\* COMPANIES

6 Companies

1. Director, Globex Corporation Limited.
2. Executive Director, Graintrade Limited.
3. Director, Premthai International Limited.
4. Director, Unistretch Limited.\*  
(Lessor of the main operations office space leased by the Company)
5. Director, Maxwin Builders Ltd.\*  
(Provider of hotel and management services)
6. Director, Maestro Controls Limited.\*  
(Service provider of management of the offices leased and apartments owned by the Company and its subsidiary respectively)

\* Note : Please refer to "CONNECTED TRANSACTIONS" on page 260-262 of this Annual Report.

- OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)

2 Companies

1. Director, Southern LPG Limited, India.
2. Director, International Seaports (Haldia) Private Limited, India.  
(Subsidiary Company No. 62 and Associated Company No. 63 on page 10 of this Annual Report)

- OTHER ORGANISATIONS

Nil

#### NO. OF SHARES HELD AS OF YEAR END 2014

- BY HIMSELF Nil
- BY HIS SPOUSE AND MINOR CHILDREN (IF ANY) Nil

**INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2014**

- BY HIMSELF Nil
- BY HIS SPOUSE AND MINOR CHILDREN (IF ANY) Nil

Mr. Kirit Shah is the father of Ms. Nishita Shah and Mr. Ishaan Shah but has no family relationship with any of the other Directors or any of the Management Team.

**MR. CHAIPATR SRIVISARVACHA**

|   |  |
|---|--|
| <b>POSITION</b>   | Chairman of Nomination Committee / Independent Director  |
| <b>DATE OF APPOINTMENT ON THE BOARD</b>   | 14 March 2011  |
| <b>AGE</b>  | 55 years   |
| <b>EDUCATION</b>  |  |
| • 1984  | Illinois Benedictine College, MBA (Finance).   |
| • 1981  | Lehigh University, Bachelor of Science (Metallurgy).   |
| <b>TRAINING</b>   |  |
| • 2003  | Diploma, Directors Certification Program (DCP),<br>Thai Institute of Directors Association (IOD).  |
| • 2005  | Certificate, Chairman 2000, Thai Institute of Directors Association (IOD).   |
| <b>EXPERIENCE TO REVIEW CREDITIBILITY OF THE FINANCIAL STATEMENTS</b>             |  |
| • 2003 - 2013   | Independent Director and Audit Committee,<br>The Brooker Group Public Co. Ltd.   |
| • 2010 - November 2011  | Independent Director and Chairman of the Audit Committee,<br>Dhanarak Asset Development Company Limited.                                   |
| • 2001 - 2007   | Independent Director and Audit Committee,<br>Thanachart Bank Public Company Limited.   |
| <b>OTHER EXPERIENCE</b>   |  |
| • June 2013- May 2014   | Member of Audit Committee, The Stock Exchange of Thailand.   |
| • June 2012 – June 2013   | Director, Thailand Futures Exchanges Public Company Limited.   |
| • May 2012 – May 2014   | Governor, The Stock Exchange of Thailand.  |
| • March 2011 - Present  | Independent Director and Chairman of Nomination Committee,<br>Precious Shipping Public Company Limited.                                    |
| • 2009 - Present  | Executive Chairman and Chief Executive Officer,<br>KT ZMICO Securities Company Limited.  |
| • 2007 - Present  | Executive Chairman and Chief Executive Officer,<br>Seamico Securities Public Company Limited.  |
| • Present   | Director and Secretary, The Srivisarvacha Foundation.  |
| • Present   | Director, Population and Community Development Association (PDA).  |
| • 2004 - 2009   | Director (Independent), G Steel Public Company Limited.  |
| • 2003 - 2008   | President of the Board, New International School of Thailand<br>(Affiliated with United Nations).  |
| • 2003 - 2007   | Chairman of the Board, EQHO Communications Limited.  |
| • 1999 - 2007   | Managing Partner, CapMaxx Company Limited.   |
| • 1999 - 2003   | Director (Independent), Pacific Assets Public Company Limited.   |
| • 1999 - 2000   | Advisor to the Chairman of the Board of Directors,<br>The Telephone Organization of Thailand.  |
| • 1999  | Director and Executive Director, Krung Thai Bank Public Company Limited.   |
| • 1995 - 1999   | Director and Head of Thailand Investment Banking, Salomon Smith Barney.  |
| • 1995 - 1999   | Director, Phoenix Pulp & Paper Public Company Limited.   |
| • 1993 - 1995   | Deputy Managing Director, Premier Finance & Securities.  |
| • 1991 - 1995   | Director, Head of Thailand Investment Banking, Swiss Bank / SBC Warburg.   |
| • 1989 - 1991   | Manager, Thailand Private Banking, Lloyds Bank.  |
| • 1988 - 1989   | Manager, Investment Banking Department, Phatra Thanakit.   |
| • 1985 - 1988   | Business Development Officer, Industrial Finance Corporation of Thailand.<br>Chief Executive Officer, KT ZMICO Securities Company Limited. |
| <b>OCCUPATION</b>   |  |
| <b>DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS</b> |  |
| • LISTED COMPANIES 1 Company  | Chief Executive Officer, Seamico Securities Public Company Limited.  |
| • NON-LISTED COMPANIES 1 Company  | Chief Executive Officer, KT ZMICO Securities Co. Ltd.  |
| • CONNECTED COMPANIES   | Nil  |
| • OTHER RELATED COMPANIES<br>(SUBSIDIARIES / ASSOCIATED COMPANIES)                | Nil  |
| • OTHER ORGANISATIONS<br>2 Organisations  | 1. Director and Secretary, The Srivisarvacha Foundation.<br>2. Director, Population & Community Development Association (PDA).             |
| <b>NO. OF SHARES HELD AS OF YEAR END 2014</b>                                     |  |
| • BY HIMSELF  | Nil  |
| • BY HIS SPOUSE AND MINOR CHILDREN (IF ANY)                                       | Nil  |
| <b>INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2014</b>                       |  |
| • BY HIMSELF  | Nil  |
| • BY HIS SPOUSE AND MINOR CHILDREN (IF ANY)                                       | Nil  |

No family relationship with any of the other Directors or any of the Management Team.

## ASSOCIATE PROFESSOR PAVIDA PANANOND, Ph.D.

|  |   |
|--|---|
| <b>POSITION</b>  | Independent Director / Audit and Corporate Governance Committee Member*<br>/ Remuneration Committee Member  |
| <b>DATE OF APPOINTMENT ON THE BOARD</b>  | 14 March 2011   |
| <b>AGE</b>   | 47 years  |
| <b>EDUCATION</b>   |   |
| • 2001   | Doctor of Philosophy, Department of Economics, University of Reading, United Kingdom.   |
| • 1992   | Master of Business Administration (International Business),<br>Diploma in Management (Asian Studies), McGill University, Canada.                            |
| • 1989   | Bachelor of Accountancy (Accounting), Chulalongkorn University.   |
| <b>TRAINING</b>  |   |
| • 2011   | Director Certificate Program (DCP 148) by Institute of Directors (IOD).   |
| • 2012   | Audit Committee Program (ACP 41) by Institute of Directors (IOD).   |
| • 2013   | Financial Statements for Director (FSD 22) by Institute of Directors (IOD).   |
| <b>AWARDS AND SCHOLARSHIPS</b>   |   |
| • 2013-2014  | Thailand Research Fund Grant Number 5610054<br>(Assessing the merit of home-country support for outward foreign direct investment in neighboring countries) |
| • 2013   | Department Nominee for Thammasat University's 2014 Best Teacher in Social Sciences  |
| • 2009 - 2012  | Thailand Research Fund Grant Number 5280032<br>(Competitive Strategies of Thai Multinationals in the Global Economy).                                       |
| • 2008   | Best Teacher Award, Thammasat Business School, Thammasat University.  |
| • 1996 - 2001  | Doctoral scholarship from Thammasat Business School, Thammasat University.  |
| • 1992 - 1994  | MBA scholarship from Thammasat Business School, Thammasat University.   |
| <b>EXPERIENCE</b>  |   |
| • March 2011 – Present   | Independent Director, Audit and Corporate Governance Committee Member and Remuneration Committee Member, Precious Shipping Public Company Limited.          |
| • 2010 - 2012  | Department Head, Department of International Business, Logistics and Transport, Thammasat Business School, Thammasat University.                            |
| • 2006 - Present   | Associate Professor, Thammasat Business School, Thammasat University.   |
| • 2003 - 2006  | Assistant Professor, Thammasat Business School, Thammasat University.   |
| • 1992 - 2003  | Lecturer, Thammasat Business School, Thammasat University.  |
| <b>OTHER POSITIONS</b>   |   |
| • 2013 – 2014  | Conference Chair, Euro-Asia Management Studies Association Annual Conference 2014, Bangkok, Thailand.   |
| • 2013 – 2014  | Track Chair (Home Economies and the MNE), Academy of International Business Annual Conference 2014, Vancouver, Canada.                                      |
| • April 2013   | Visiting Fellow, Henley Business School, University of Reading, United Kingdom.   |
| • 2013 – Present   | Vice President (Asia), Euro-Asia Management Studies Association.  |
| • 2010 – 2013  | Member of Advisory Board, Euro-Asia Management Studies Association.   |
| • 2009 - Present   | Member of Editorial Advisory Board, Southeast Asia Research.<br>University Professor.   |
| <b>OCCUPATION</b>  |   |
| <b>DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS</b>  |   |
| • LISTED COMPANIES   | Nil   |
| • NON-LISTED COMPANIES   | Nil   |
| • CONNECTED COMPANIES  | Nil   |
| • OTHER RELATED COMPANIES<br>(SUBSIDIARIES / ASSOCIATED COMPANIES)   | Nil   |
| • OTHER ORGANISATIONS  | Nil   |
| <b>NO. OF SHARES HELD AS OF YEAR END 2014</b>  |   |
| • BY HERSELF   | Nil   |
| • BY HER SPOUSE AND MINOR CHILDREN (IF ANY)  | Nil   |
| <b>INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2014</b>  |   |
| • BY HERSELF   | Nil   |
| • BY HER SPOUSE AND MINOR CHILDREN (IF ANY)  | Nil   |
| * Note : Audit Committee Member who has adequate expertise and experience to review creditability of the financial statement.<br>No family relationship with any of the other Directors or any of the Management Team. |   |

## MR. KAMTORN SILA-ON

|  |  |
|--|--|
| <b>POSITION</b>  | Chairman of Remuneration Committee / Independent Director / Audit and Corporate Governance Committee Member* / Nomination Committee Member   |
| <b>DATE OF APPOINTMENT ON THE BOARD</b>  | 14 March 2011  |
| <b>AGE</b>   | 44 years   |
| <b>EDUCATION</b>   |  |
| • 1995 - 1997  | MIT Sloan School, Massachusetts, USA Master of Business Administration; Financial Engineering Track GPA: 4.6/5.0.  |
| • 1988 - 1992  | Imperial College of Science Technology and Medicine, London, England Master of Engineering; Chemical Engineering; Associate of the City and Guilds Institute Upper Second Class Honours. |
| <b>TRAINING</b>  |  |
| • 2008   | Completed Executive Development Program (EDP) by the Capital Markets Academy and Thai Listed Companies Association.  |
| • 2011   | Director Certification Program (DCP) by Institute of Directors (IOD).  |
| • 2012   | Audit Committee Program (ACP) by Institute of Directors (IOD).   |
| <b>EXPERIENCE</b>  |  |
| • July 2014 - Present  | Vice President, Supply Chain Management, S&P Syndicate Public Company Limited.   |
| • March 2011- Present  | Independent Director, Chairman of Remuneration Committee, Audit and Corporate Governance Committee Member, and Nomination Committee Member, Precious Shipping Public Company Limited.    |
| • 2011 – 2014  | Deputy Managing Director, Head of Private Client Investment Management Group, Bualuang Securities Plc., Bangkok, Thailand.   |
| • 2004 - 2011  | Deputy Managing Director, Co-head of Investment Banking, Bualuang Securities Plc., Bangkok, Thailand.  |
| • 1999 - 2004  | Senior Vice President, Investment Banking Asset Plus Securities Plc., Bangkok, Thailand.   |
| • 1997 - 1999  | Associate, Global Investment Banking Chase Securities, Inc., New York, USA and Singapore.  |
| • 1994 - 1995  | Analyst, Investment Banking Dept. SCB Securities Co., Ltd., Bangkok, Thailand.   |
| • 1992 - 1994  | Manager, Money Market Dept. Tisco Plc., Bangkok, Thailand.   |
| <b>OCCUPATION</b>  | Managing the group production and logistics of multi-store restaurant and bakery chain of S&P Syndicate Public Company Limited.  |
| <b>DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS</b>  |  |
| • LISTED COMPANIES   | Nil  |
| • NON-LISTED COMPANIES   | Nil  |
| • CONNECTED COMPANIES  | Nil  |
| • OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)  | Nil  |
| • OTHER ORGANISATIONS  | Member of Academic Committee, Department of International Business, Logistics and Transport, Thammasat Business School, Thammasat University.  |
| <b>NO. OF SHARES HELD AS OF YEAR END 2014</b>  |  |
| • BY HIMSELF   | Nil  |
| • BY HIS SPOUSE AND MINOR CHILDREN (IF ANY)  | Nil  |
| <b>INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2014</b>  |  |
| • BY HIMSELF   | Nil  |
| • BY HIS SPOUSE AND MINOR CHILDREN (IF ANY)  | Nil  |
| * Note: Audit Committee Member who has adequate expertise and experience to review creditability of the financial statement. |  |
| No family relationship with any of the other Directors or any of the Management Team.  |  |

## MR. ISHAAN SHAH

|   |   |
|---|---|
| <b>POSITION</b>                         | Director  |
| <b>DATE OF APPOINTMENT ON THE BOARD</b> | 14 March 2011   |
| <b>AGE</b>                              | 26 years  |
| <b>EDUCATION</b>                        |   |
| • 2010                                  | Bachelor of Science in Business Administration, Concentrations in Finance and Law, University of Southern California, Los Angeles, CA, The United States. |
| • 2006                                  | Rugby School, Rugby, The United Kingdom.  |
| <b>TRAINING</b>                         |   |
| • 2011                                  | Director Certificate Program (DCP) by Institute of Directors (IOD).   |
| • 2011                                  | Seatrade Academy, University of Cambridge, The United Kingdom.  |
| <b>EXPERIENCE</b>                       |   |
| • March 2013 - Present                  | Director, Mega Lifesciences Public Company Limited.   |
| • January 2012 - Present                | Director, Christiani & Nielsen (Thai) Public Company Limited.   |
| • March 2011 - Present                  | Director, Precious Shipping Public Company Limited.   |
| • 2008 - Present                        | Director, Globex Corporation Limited.   |

- 2008 - Present

Director, Graintrade Limited.  
Company Director

#### **OCCUPATION**

#### **DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS**

- LISTED COMPANIES

2 Companies

1. Director, Christiani & Nielsen (Thai) Public Company Limited.
2. Director, Mega Lifesciences Public Company Limited.

- NON-LISTED AND CONNECTED\* COMPANIES

5 Companies

1. Director, Globex Corporation Limited.
2. Director, Graintrade Limited.
3. Director, Unistretch Limited.\*  
(Lessor of the main operations office space leased by the Company)
4. Director, Ambika Tour Limited.\*  
(Seller of air-tickets to the Company)
5. Director, Maxwin Builders Ltd.\*  
(Provider of hotel and management services)

\* Note: Please refer to "CONNECTED TRANSACTIONS" on page 260-262 of this Annual Report.

- OTHER RELATED COMPANIES

Nil

(SUBSIDIARIES / ASSOCIATED COMPANIES)

- OTHER ORGANISATIONS

Nil

#### **NO. OF SHARES HELD AS OF YEAR END 2014**

- BY HIMSELF

Nil

- BY HIS SPOUSE AND MINOR CHILDREN (IF ANY)

Nil

#### **INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2014**

- BY HIMSELF

Nil

- BY HIS SPOUSE AND MINOR CHILDREN (IF ANY)

Nil

Mr. Ishaan Shah is the son of Mr. Kirit Shah and the younger brother of Ms. Nishita Shah but has no family relationship with any of the other Directors or any of the Management Team.



# MANAGEMENT TEAM

|                                     |  |
|-------------------------------------|--|
| <b>Mr. Khalid Moinuddin Hashim*</b> | Managing Director  |
| <b>Mr. Munir Moinuddin Hashim*</b>  | Director (Commercial)  |
| <b>Mr. Khushroo Kali Wadia*</b>     | Director (Finance)   |
| <b>Mr. Jaipal Mansukhani*</b>       | Director of Great Circle Shipping Agency Ltd. (Company's Subsidiary) |

\* For profile and shareholding changes, please refer to **BOARD OF DIRECTORS - PROFILE**

## MR. SHRILAL GOPINATHAN

|  |  |
|--|--|
| <b>POSITION</b>  | Vice President (Commercial)  |
| <b>AGE</b>   | 57 years   |
| <b>EDUCATION</b>   | Bachelor of Commerce, the University of Bombay, India<br>Diploma in Shipping, the Norattam Morarjee Institute of Shipping, Bombay, India |
| <b>EXPERIENCE</b>  |  |
| • 1999 - Present   | Vice President (Commercial), Precious Shipping Public Company Limited  |
| • 1989 - 1998  | Chartering Manager, Precious Shipping Public Company Limited   |
| <b>POSITIONS HELD IN OTHER COMPANIES</b>                     | Nil  |
| <b>NO. OF SHARES HELD AS OF YEAR END 2014:</b>               |  |
| • BY HIMSELF:  | 700,000 shares (0.07% of total paid-up shares)   |
| • BY HIS SPOUSE AND MINOR CHILDREN (IF ANY):                 | Nil  |
| <b>INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2014:</b> |  |
| • BY HIMSELF:  | Nil  |
| • BY HIS SPOUSE AND MINOR CHILDREN (IF ANY):                 | Nil  |

No family relationship with any of the Directors or any of the others in Management Team.

## MR. KOKA VENKATARAMANA SUDHAKAR

|  |   |
|--|---|
| <b>POSITION</b>  | Vice President (Fleet Management)   |
| <b>AGE</b>   | 66 years  |
| <b>EDUCATION</b>   | Cadet, Directorate of Marine Engineering Training                           |
| <b>EXPERIENCE</b>  |   |
| • 1999 - Present   | Vice President (Fleet Management), Precious Shipping Public Company Limited |
| • 1989 - 1998  | Fleet Manager, Great Circle Shipping Agency Limited                         |
| <b>POSITIONS HELD IN OTHER COMPANIES</b>                     | Nil   |
| <b>NO. OF SHARES HELD AS OF YEAR END 2014:</b>               |   |
| • BY HIMSELF:  | 10,000 shares (0.00% of total paid-up shares)                               |
| • BY HIS SPOUSE AND MINOR CHILDREN (IF ANY):                 | Nil   |
| <b>INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2014:</b> |   |
| • BY HIMSELF:  | Nil   |
| • BY HIS SPOUSE AND MINOR CHILDREN (IF ANY):                 | Nil   |

No family relationship with any of the Directors or any of the others in Management Team.

## MR. NEELAKANTAN VASUDEVAN

|                   |   |
|-------------------|---|
| <b>POSITION</b>   | Vice President (Risk Management)  |
| <b>AGE</b>        | 53 years  |
| <b>EDUCATION</b>  | Post Graduate Diploma in International Trade from Indian Institute of Foreign Trade, New Delhi, India<br>Master's Degree in Management Studies (M.M.S), University of Mumbai, Mumbai, India |
| <b>EXPERIENCE</b> |   |
| • 2005 - Present  | Vice President (Risk Management), Precious Shipping Public Company Limited  |
| • 1999 - 2004     | Assistant Vice President (Risk Management), Precious Shipping Public Company Limited  |

- 1995 - 1998 Insurance & Claims Manager, Precious Shipping Public Company Limited
- 1985 - 1995 Deputy Manager, Shipping Corporation of India Limited

**POSITIONS HELD IN OTHER COMPANIES**

Nil

**NO. OF SHARES HELD AS OF YEAR END 2014:**

- BY HIMSELF: 80,000 shares (0.00% of total paid-up shares)
- BY HIS SPOUSE AND MINOR CHILDREN (IF ANY): 17,000 shares (0.00% of total paid-up shares)

**INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2014:**

- BY HIMSELF: Nil
- BY HIS SPOUSE AND MINOR CHILDREN (IF ANY): (5,000) shares

No family relationship with any of the Directors or any of the others in Management Team.

## MR. STEPHEN KORAH

|                   |   |
|-------------------|---|
| <b>POSITION</b>   | Vice President (International Safety Management) (ISM)  |
| <b>AGE</b>        | 58 years  |
| <b>EDUCATION</b>  | First Class Marine Engineer<br>Graduate Directorate of Marine Engineering Training, Kolkatta, India           |
| <b>EXPERIENCE</b> |   |
| • 2005 - Present  | Vice President (International Safety Management) (ISM),<br>Precious Shipping Public Company Limited           |
| • 2004 - 2005     | Assistant Vice President (International Safety Management) (ISM),<br>Precious Shipping Public Company Limited |
| • 1996 - 2004     | Quality Systems Manager (ISM Team),<br>Precious Shipping Public Company Limited                               |
| • 1994 - 1996     | Technical Superintendent, Great Circle Shipping Agency Limited  |
| • 1988 - 1994     | Technical Superintendent, ESSAR SISCO Ship Management Co,<br>Chennai, India                                   |
| • 1986 - 1988     | Chief Engineer on ships   |
| • 1978 - 1986     | Marine Engineer on ships  |

**POSITIONS HELD IN OTHER COMPANIES**

Nil

**NO. OF SHARES HELD AS OF YEAR END 2014:**

- BY HIMSELF: 70,000 shares (0.00% of total paid-up shares)
- BY HIS SPOUSE AND MINOR CHILDREN (IF ANY): Nil

**INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2014:**

- BY HIMSELF: 20,000 shares
- BY HIS SPOUSE AND MINOR CHILDREN (IF ANY): Nil

No family relationship with any of the Directors or any of the others in Management Team.

## MR. KODAKARAVEETIL MURALI MENON

|                   |  |
|-------------------|--|
| <b>POSITION</b>   | Vice President (Technical)   |
| <b>AGE</b>        | 59 years   |
| <b>EDUCATION</b>  | Marine Engineer (Class One), Marine Engineering College, India<br>Qualified for membership of the Institute of Chartered Shipbrokers |
| <b>EXPERIENCE</b> |  |
| • 2005 - Present  | Vice President (Technical), Precious Shipping Public Company Limited   |
| • 1998 - 2004     | Assistant Vice President (Technical), Precious Shipping Public<br>Company Limited  |
| • 1992 - 1998     | Superintendent (Technical), Precious Shipping Public Company Limited   |
| • 1988 - 1992     | Chief Engineer, Precious Shipping Public Company Limited   |
| • 1984 - 1988     | Chief Engineer, Seaarland Ship management, Austria   |

**POSITIONS HELD IN OTHER COMPANIES**

Nil

**NO. OF SHARES HELD AS OF YEAR END 2014:**

- BY HIMSELF: 248,000 shares (0.02% of total paid-up shares)
- BY HIS SPOUSE AND MINOR CHILDREN (IF ANY): Nil

**INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2014:**

- BY HIMSELF: Nil
- BY HIS SPOUSE AND MINOR CHILDREN (IF ANY): Nil

No family relationship with any of the Directors or any of the others in Management Team.

## MR. KAMAL KUMAR DUA

|  |   |
|--|---|
| <b>POSITION</b>  | Vice President (Information Technology)   |
| <b>AGE</b>   | 49 years  |
| <b>EDUCATION</b>   | Master's Degree in Computer Science, Assumption University                                  |
| <b>EXPERIENCE</b>  |   |
| • 2005 - Present   | Vice President (Information Technology), Precious Shipping Public Company Limited           |
| • 2000 - 2004  | Assistant Vice President (Information Technology), Precious Shipping Public Company Limited |
| • 1996 - 2000  | Senior Manager (ISM), Precious Shipping Public Company Limited                              |
| • 1996   | Master, Great Circle Shipping Agency Limited  |
| • 1988 - 1996  | Deck Officer, Great Circle Shipping Agency Limited  |
| <b>POSITIONS HELD IN OTHER COMPANIES</b>                     | Nil   |
| <b>NO. OF SHARES HELD AS OF YEAR END 2014:</b>               |   |
| • BY HIMSELF:  | 15,000 shares (0.00% of total paid-up shares)   |
| • BY HIS SPOUSE AND MINOR CHILDREN (IF ANY):                 | Nil   |
| <b>INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2014:</b> |   |
| • BY HIMSELF:  | Nil   |
| • BY HIS SPOUSE AND MINOR CHILDREN (IF ANY):                 | Nil   |

No family relationship with any of the Directors or any of the others in Management Team.

## MR. NISHIKANT GOVIND DESAI

|  |  |
|--|--|
| <b>POSITION</b>  | Vice President (Projects)  |
| <b>AGE</b>   | 62 years   |
| <b>EDUCATION</b>   | Naval Architecture Engineering,<br>Indian Institute of Technology (IIT-Kgp), India |
| <b>EXPERIENCE</b>  |  |
| • November 2010 - Present                                    | Vice President (Projects) of Precious Shipping Public Company Limited              |
| • 1998 - November 2010                                       | Assistant Vice President (Projects) of Precious Shipping Public Company Limited    |
| • 1995 - 1998  | Project Manager (New Building) at CKMI Shipyard, Korea                             |
| <b>POSITIONS HELD IN OTHER COMPANIES</b>                     | Nil  |
| <b>NO. OF SHARES HELD AS OF YEAR END 2014:</b>               |  |
| • BY HIMSELF:  | 40,000 shares (0.00% of total paid-up shares)                                      |
| • BY HIS SPOUSE AND MINOR CHILDREN (IF ANY):                 | Nil  |
| <b>INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2014:</b> |  |
| • BY HIMSELF:  | Nil  |
| • BY HIS SPOUSE AND MINOR CHILDREN (IF ANY):                 | Nil  |

No family relationship with any of the Directors or any of the others in Management Team.

## MR. PRASHANT MAHALINGAM

|  |   |
|--|---|
| <b>POSITION</b>                                | Vice President (Procurement)  |
| <b>AGE</b>                                     | 51 years  |
| <b>EDUCATION</b>                               | Directorate of Marine Engineering Training<br>Bachelor's degree in Marine Engineering<br>Diploma in Ship Management; Lloyd's Maritime Academy, UK |
| <b>EXPERIENCE</b>                              |   |
| • May 2013 - Present                           | Vice President (Procurement), Precious Shipping Public Company Limited  |
| • 1995 - 2013                                  | Senior Manager (Technical), Precious Shipping Public Company Limited  |
| • 1994 - 1995                                  | Chief Engineer, Precious Shipping Public Company Limited  |
| • 1993 - 1994                                  | Engineer, Precious Shipping Public Company Limited  |
| <b>POSITIONS HELD IN OTHER COMPANIES</b>       | Nil   |
| <b>NO. OF SHARES HELD AS OF YEAR END 2014:</b> |   |
| • BY HIMSELF:                                  | 37,000 shares (0.00% of total paid-up shares)   |
| • BY HIS SPOUSE AND MINOR CHILDREN (IF ANY):   | 1,000 shares (0.00% of total paid-up shares)  |

**INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2014:**

- BY HIMSELF: 37,000 shares
- BY HIS SPOUSE AND MINOR CHILDREN (IF ANY): 1,000 shares

No family relationship with any of the Directors or any of the others in Management Team.

**MR. KIRAN KESARINATH VAIDYA**

**POSITION** Senior Manager (Accounts & MIS)  
**AGE** 45 years  
**EDUCATION** Bachelor of Commerce, University of Bombay, India  
 Chartered Accountant from the Institute of Chartered Accountants of India

**EXPERIENCE**

- 1993 - Present Senior Manager (Accounts & MIS), Precious Shipping Public Company Limited

**POSITIONS HELD IN OTHER COMPANIES**

Nil

**NO. OF SHARES HELD AS OF YEAR END 2014:**

- BY HIMSELF: Nil
- BY HIS SPOUSE AND MINOR CHILDREN (IF ANY): Nil

**INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2014:**

- BY HIMSELF: Nil
- BY HIS SPOUSE AND MINOR CHILDREN (IF ANY): Nil

No family relationship with any of the Directors or any of the others in Management Team.

**MS. SOMPRATHANA THEPNAPALERN**

**POSITION** Assistant Vice President (Finance & Accounts), Company Secretary  
**AGE** 44 years  
**EDUCATION** Master of Science in Accounting, Thammasat University  
 Certified Public Accountant of Federation of Accounting professions

**TRAINING**

- June 2010 Attended the training course on the topic "Effective Minute Taking" held by the Thai Institute of Directors
- October 2004 Attended the training course on the topic "Company Secretary Program" held by the Thai Institute of Directors

**EXPERIENCE**

- May 2008 - Present Company Secretary, Precious Shipping Public Company Limited
- 1999 - Present Assistant Vice President (Finance & Accounts), Precious Shipping Public Company Limited
- 1996 - 1999 Finance Executive, Precious Shipping Public Company Limited
- 1992 - 1996 Senior Auditor, SGV-Na Thalang & Co., Ltd.

**POSITIONS HELD IN OTHER COMPANIES**

Nil

**NO. OF SHARES HELD AS OF YEAR END 2014:**

- BY HERSELF: Nil
- BY HER SPOUSE AND MINOR CHILDREN (IF ANY): Nil

**INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2014:**

- BY HERSELF: Nil
- BY HER SPOUSE AND MINOR CHILDREN (IF ANY): Nil

No family relationship with any of the Directors or any of the others in Management Team.

**MR. YINGYONG KANGHAE**

**POSITION** Senior Manager - Group Accounts  
**AGE** 44 years  
**EDUCATION** Master of Business Administration (Accounts), Ramkhamhaeng University

**EXPERIENCE**

- 1996 - Present Senior Manager - Group Accounts, Precious Shipping Public Company Limited
- 1993 - 1996 Auditor, Deloitte Touche Tohmatsu Jaiyos Co., Ltd.

**POSITIONS HELD IN OTHER COMPANIES** Nil

**NO. OF SHARES HELD AS OF YEAR END 2014:**

- BY HIMSELF: Nil
- BY HIS SPOUSE AND MINOR CHILDREN (IF ANY): Nil

**INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2014:**

- BY HIMSELF: Nil
- BY HIS SPOUSE AND MINOR CHILDREN (IF ANY): Nil

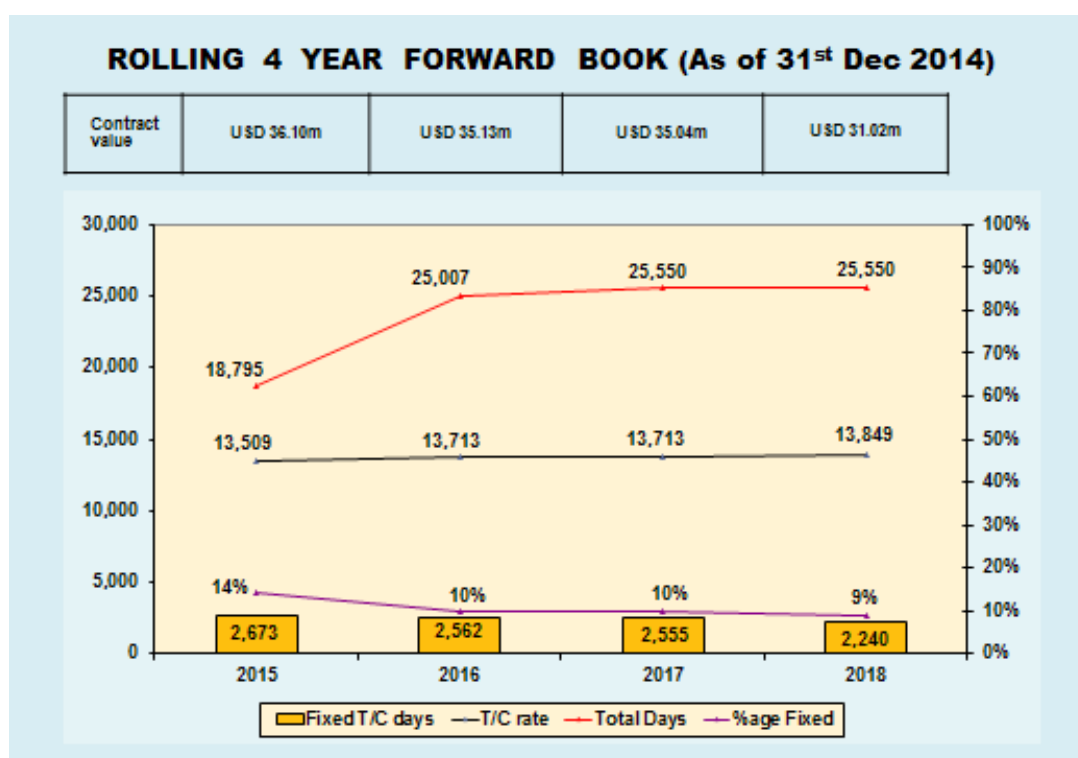
No family relationship with any of the Directors or any of the others in Management Team.

**None of the Directors or anyone from the Management Team have been penalized for criminal and/or civil offences by the SEC under the Securities and Exchange Act B.E. 2535 and all relevant laws and regulations.**

# MANAGEMENT DISCUSSION AND ANALYSIS

## 1. MARKET CONDITIONS (TO BE READ WITH THE BOARD OF DIRECTORS' REPORT PRESENTED SEPARATELY IN THIS ANNUAL REPORT)

Precious Shipping PCL (hereinafter referred to as PSL or the Company) continues to own and operate its ships on a tramp-shipping basis in the small handy size sector of the Dry Bulk International Shipping market. However, with the acquisition of 2 Supramax vessels in the 4th Quarter of 2011, the Company also started operating in the Supramax Sector and started operating in the Ultramax Sector in 2014 with the orders placed for 20 Newbuildings in this Sector. PSL had put in place its business strategy, started from year 2004, to enter into long term time charters (Period Charters) at reasonably high freight rates, whenever possible, for periods ranging from 3 months to 5 years or longer at opportune times. This policy was successfully applied right until the third quarter of 2008 after which the market dropped sharply due to which it was not possible to renew or enter into new period charters at attractive rates. During 2014, the Company managed to enter into very few period charters of long duration as Freight Markets remained at very low levels, particularly in the second half of 2014. With the recent BDI trend, it is expected that the markets will be challenging in 2015 but the Company is hopeful that it may improve in the second half of 2015 as a result of which, the Company's forward book reproduced below should improve accordingly as compared to the recent past:

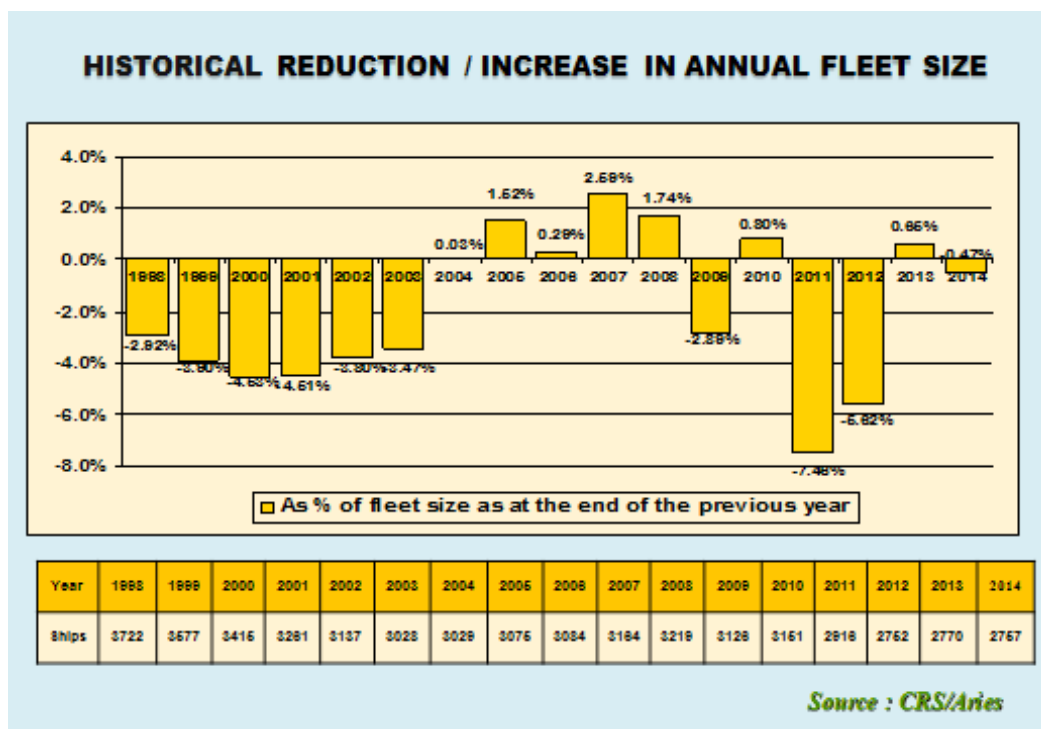


Total Days in the above chart is based on our existing fleet of 44 ships as at the end of the year 2014. The Company has not assumed any ships acquired except 6 Handy size 39K DWT Newbuildings to be delivered during 2015-16, 18 Ultramax 64K DWT Newbuildings to be delivered in 2015-16 and also 1 Cement Carrier delivered in Jan 2015 which are assumed to be added to the fleet on their respective delivery dates in accordance with the Shipbuilding Contracts.

For further discussions and analysis of the market conditions, please refer to the **Board of Directors' Report** presented separately in this Annual Report.

## 2. INDUSTRY OVERVIEW - WORLD DEMAND-SUPPLY OUTLOOK

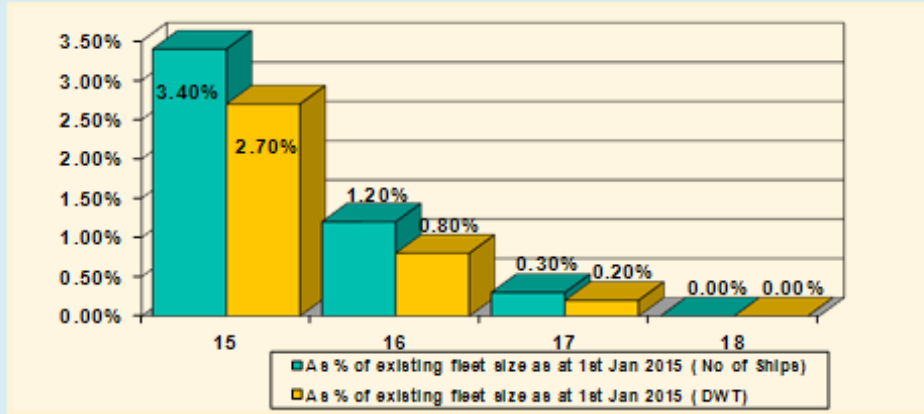
(SMALL HANDY SIZE SECTOR ONLY) – (TO BE READ WITH THE BOARD OF DIRECTORS' REPORT PRESENTED SEPARATELY IN THIS ANNUAL REPORT)



It will be observed from the above chart that there has been a continuous reduction in world fleet size until 2003. However, during the year 2004, a net increase of one ship to the world fleet took place. During the years 2005, 2006, 2007 and 2008, 46, 9, 80 and 55 ships respectively were added to the world fleet. This is due to the slowdown in the scrapping rate, the reason for which was the higher rates witnessed in the freight markets during the years 2004-2008. However since Q4 2008, the scrapping rate has increased due to the sharp downturn in the shipping market, thereby reducing the net supply rate and only 55 ships were added to the world fleet in 2008 as compared to 80 ships in year 2007. The increased scrapping rate continued during the early part of 2009 which resulted in a net reduction of 93 ships in the world fleet in year 2009. However, due to the recovery in the freight markets from end 2009, the scrapping rates went down again, which, coupled with the increased supply of new ships, resulted in an increase of 25 Ships in year 2010. During the second half of 2011 and the whole of 2012, the freight market witnessed very sluggish movements due to increased supply of new Ships into the World Fleet, thereby resulting in record scrapping of Ships which reduced the world fleet size by 235 and 164 Ships during these two years respectively. However during 2013, the market improved in the last quarter of 2013 and accordingly the rate of scrapping slowed down marginally and with increased supply of new ships resulted in a net increase of 18 ships in the world fleet. During 2014, the scrapping rate for the year was not substantially higher but due to the slippage factor, and a marginal increase in the scrapping rate in the end of the year resulted in a net decrease of 13 ships in the world fleet.

**NEW BUILDINGS ON ORDER UPTO DEC 2018  
(3.7% of existing Fleet in DWT)**

|                    |        |        |        |    |
|--------------------|--------|--------|--------|----|
| Number of Ships    | 94     | 34     | 7      | 0  |
| Average Size (DWT) | 16,112 | 13,681 | 12,214 | NA |

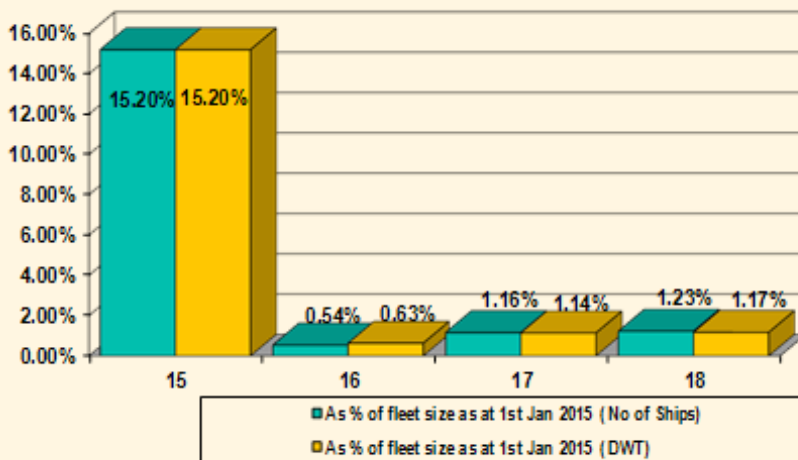


Source : CRS/Aries

It is evident from the above chart that, although the supply of new ships in 2015 appears healthy, in the next three years, just about 3% more new ships have been contracted to be delivered as against the existing fleet, which has 17% aged over 25 years of age in terms of number of ships. Therefore, the supply side in our sector appears to be quite favorable.

**POTENTIAL SCRAPPING OF SHIPS 27 YEARS OR OLDER  
UPTO DEC 2018 (18.14% of existing Fleet in DWT)**

|                    |        |        |        |        |
|--------------------|--------|--------|--------|--------|
| Number of Ships    | 419    | 15     | 32     | 34     |
| Average Size (DWT) | 20,062 | 23,355 | 19,781 | 19,047 |



Source : CRS/Aries



As observed from the above chart and the chart for fleet age (please refer to No. 1.2 of Nature of Business and Industry section of this Annual Report), with about 25% of the world fleet in PSL's sector being greater than 20 years of age in terms of number of ships, any downward movement in freight markets will increase the scrapping rate of older tonnage. The scrapping rate has decreased from 2012 level due to improved freight markets witnessed during last quarter of 2013. During 2014, the market witnessed a weak freight rates in the beginning of the year with intermittent but small spikes in between but ended at low levels mainly because of the sharp fall in the Cape size Sector. If the market stays at this low level then we can expect scrapping rates to increase further thereby reducing the gap between demand and supply.

For further discussions and analysis of the market conditions, please refer to the **Board of Directors' Report** presented separately in this Annual Report.

### 3. BUYING AND SELLING OF SHIPS:

#### 3.1 Shipbuilding Contracts for 18 Ships Ordered In Years 2007 And 2008

The Company entered into 12 Shipbuilding Contracts for construction of 12 Handysize Bulk Carriers of a design deadweight size of 32,000 DWT (these ships are actually allowed to carry 34,000 DWT and therefore, these ships are classified as 34,000 DWT size in other sections of this Annual Report) and 6 Shipbuilding Contracts for construction of 6 Supramax Bulk Carriers of 54,000 DWT each, with ABG Shipyard Limited, India (ABG or Builder) in 2007 and 2008, out of which only 3 ships have been delivered by January 2013.

Out of the above orders, the Company recorded the novation of 3 Shipbuilding Contracts in 2011, 2 Shipbuilding Contracts in 2012, novation/cancellation of 9 Shipbuilding Contracts in 2013 and cancellation of 1 Shipbuilding Contract in 2014 as these Ships were delayed beyond the respective contract cancellation dates.

| No.  | Agreement Date             | Hull No. | DWT    | Shipbuilding Contract Date | Installments paid to the Builder by the Company | Date of Final Receipt of Cancellation Proceed | Sale Price (THB million) | Gain on sale (THB million) | Sale Price (USD million) | Gain on sale (USD million) |
|--|----------------------------|----------|--------|----------------------------|---|---|--------------------------|----------------------------|--------------------------|----------------------------|
| 1  | 29 <sup>th</sup> July 2014 | 342      | 32,000 | 20 <sup>th</sup> July 2007 | 17,999,997                                      | 15-Jul-14                                     | 629.69                   | 39.55                      | 19.37                    | 1.23                       |
| <b>Gain on Cancellation of Newbuilding</b> |                            |          |        |                            |   |   | <b>629.69</b>            | <b>39.55</b>               | <b>19.37</b>             | <b>1.23</b>                |

#### 3.2 Cement Carrier Contracts:

##### (a) MOU and Time Charter Contracts with Ultratech Cement Limited.

The Company signed a Memorandum of Understanding (MOU) on 14<sup>th</sup> October 2009 and Long Term Time Charter Contracts (the "Charters") on 2<sup>nd</sup> December 2009 with Ultratech Cement Limited, Mumbai, India (the "Charterer") for 4 new Cement Carriers (3 definite ships, plus an additional ship at Charterer's option to be declared before 25<sup>th</sup> February 2012 but extended thereafter and subsequently declared by the Charterer) (the "Ships") to be delivered per details hereunder:

##### Delivery Schedule per Charters:

- 1<sup>st</sup> Ship - between 30 July 2011 and 15 August 2011
- 2<sup>nd</sup> Ship - between 1 November 2012 and 31 January 2013
- 3<sup>rd</sup> Ship - between 1 November 2013 and 31 January 2014
- 4<sup>th</sup> Ship (after option exercised by the Charterer) - between 1 February 2014 and 30 April 2014

##### Description of the Charters:

The Company or its nominee (the "Owners") will own and charter 3 definite Ships, plus the additional Ship (at the Charterer's option to be exercised within 25<sup>th</sup> February 2012 subsequently extended), to the Charterer for a period of 15 years, plus in the Charterer's option, for an additional 5 years' period and further, in the Charterer's option, another 5 years' period (15+5+5=25 years) for each Ship.

The Charterer has exercised the option for the 4th Ship subject to certain conditions and thus the Company has 4 Time Charter Contracts under this MOU.

#### **Ships:**

The Ships shall be new custom-made cement carriers built according to the specifications as laid down and agreed with the Charterer.

#### **Charter Rate:**

The Charter rate for the first 15 years' period shall be USD 15,000 per day for each Ship and shall be reduced thereafter by USD 2,000 per day for each Ship, for each block of the 5 years' option period if exercised by the Charterer. Accordingly, if the option for an additional 5 years' period is exercised by the Charterer, the Charter rate for this 5 years' period commencing from the 16<sup>th</sup> year upto the end of the 20<sup>th</sup> year shall be USD 13,000 per day for each Ship. Thereafter, if the option for a further 5 years' period is also exercised by the Charterer, the Charter rate shall be USD 11,000 per day period for each Ship for this 5 years' commencing from the 21<sup>st</sup> year upto the end of the 25<sup>th</sup> year.

However, in case the Charterer requires the Ships to be registered (flagged) in India, the Owners shall agree to do so, but, in such case, the charter rate shall be increased by USD 2,000 per day for each Ship in each of the above periods as may be applicable. Accordingly, the charter rate in such case shall then be USD 17,000 per day for each Ship for the first 15 years' period and this shall be reduced thereafter by USD 2,000 per day for each Ship, for each block of the 5 years' option periods.

#### **Liquidated Damages:**

If the Owners fail to deliver the Ships within the agreed respective delivery schedules as above, liquidated damages of USD 4,250 per Ship for each day of delay shall be payable by the Owners. The details of liquidated damages paid as on 31<sup>st</sup> December 2014 is as follows:

| Company           | Name         | Paid from Per Contract | Paid up to Delivery of Ship to the Charterer | Amount in US\$ |
|-------------------|--------------|------------------------|--|----------------|
| ABC One Pte.Ltd   | Danaya Naree | 01-May-14              | 31-Dec-14                                    | 1,041,250      |
| ABC Two Pte.Ltd   | Apinya Naree | 16-Aug-11              | 15-Apr-14                                    | 4,136,542      |
| ABC Three Pte.Ltd | Boonya Naree | 01-Feb-13              | 03-Jul-14                                    | 2,198,542      |
| ABC Four Pte.Ltd  | Chanya Naree | 01-Feb-14              | 25-Sep-14                                    | 1,005,656      |

#### **(b) The signing and cancellation of 3 Shipbuilding Contracts for 3 Cement Carriers:**

In order to perform the long term Time Charters already signed by the Company, the Company through three special purpose subsidiaries (the SPV) of Associated Bulk Carriers Pte. Ltd (ABC), viz., ABC One, ABC Two and ABC Three Pte. Ltd. (ABC Three), each entered into a Shipbuilding Contract for a Cement Carrier with ABG Shipyard Limited, India (Builder) for a price of USD 28.50 million per Vessel.

The construction of the Cement Carriers were delayed and therefore, in 2012 – 2013 the Company (through the 3 SPV's, ABC Two, ABC Three and ABC Four Pte. Ltd. (ABC Four)) entered into 3 Shipbuilding Contracts for construction of 3 Cement Carriers with a Chinese Shipyard which were delivered as explained hereunder in (c)(i) and during 2013 the Company cancelled all the three Shipbuilding Contracts with ABG Shipyard.

#### **(c) The signing of 4 Shipbuilding Contracts for 4 Cement Carriers:**

In order to be able to deliver 4 Cement Ships to the Charterers at the earliest (in replacement of the Ships ordered and cancelled earlier with ABG Shipyard), the Company through each of its three Singapore Subsidiaries viz., ABC Two, ABC Three and ABC Four (each as Buyer) entered

into three Shipbuilding Contracts for construction of three 20,000 DWT Cement Carriers with China Shipbuilding & Offshore International Co., Ltd. and Shanhaiguan New Shipbuilding Industry Co., Ltd. (collectively as Seller).

Apart from the above 3 Ships, ABC had entered into an Option Agreement with the Seller on 5<sup>th</sup> December 2012 under which, ABC had the option to nominate a company from its group to order one more 20,000 DWT Cement Carrier ("Option Vessel") with the similar terms that of the 3 Ships ordered with them. The Option Vessel was exercised by ABC during 2013 and therefore the number of Newbuildings of Cement Carriers were four out of which 3 were delivered in 2014 and one ship was delivered in January 2015 per details below:

(i) Details of Deliveries of 3 Cement Carriers

| No                                 | Ship Owning Subsidiary | Ship name    | Year Built | DWT           | Delivery Date | Purchase Price (US\$ Million) |
|------------------------------------|------------------------|--------------|------------|---------------|---------------|-------------------------------|
| 1                                  | ABC Two Pte.Ltd.       | Apinya Naree | 2014       | 21,136        | 25-Mar-14     | 24.02                         |
| 2                                  | ABC Three Pte.Ltd.     | Boonya Naree | 2014       | 21,159        | 12-Jun-14     | 24.18                         |
| 3                                  | ABC Four Pte.Ltd.      | Chanya Naree | 2014       | 21,114        | 03-Sep-14     | 24.18                         |
| <b>Cement Carriers - 3 Vessels</b> |                        |              |            | <b>63,409</b> |               | <b>72.38</b>                  |

(ii) Details of Installments for 4<sup>th</sup> Cement Carrier (Danaya Naree)

| No                               | Buyer/ Ship Owning Subsidiary | Ship name    | Contract Date | Delivery Date | DWT           | Contract Amount US\$ | Paid in 2013 US\$ | Paid in 2014 US\$ | Total As on 31 <sup>st</sup> Dec 2014 |
|----------------------------------|-------------------------------|--------------|---------------|---------------|---------------|----------------------|-------------------|-------------------|---------------------------------------|
| 1                                | ABC One Pte.Ltd.              | Danaya Naree | 30-Aug-13     | 06-Jan-15     | 20,000        | 24,480,000           | 4,896,000         | 4,896,000         | 9,792,000                             |
| <b>Cement Carrier - 1 Vessel</b> |                               |              |               |               | <b>20,000</b> | <b>24,480,000</b>    | <b>4,896,000</b>  | <b>4,896,000</b>  | <b>9,792,000</b>                      |

The above cement carrier was delivered on 6<sup>th</sup> January 2015

### 3.3 Fleet Rejuvenation plan:

In our Annual Reports of recent years, we had mentioned that the Company's short/medium term plans for buying second-hand ships or signing / acquiring newbuilding contracts are opportunistic and the Company would always be on the lookout for opportunities which may come its way to acquire newer and economically priced ships. These opportunities started coming in the latter part of 2011, when the Company received a number of offers to sell very economically priced newer Vessels. Accordingly, the Company (through its wholly owned subsidiaries) acquired 6 Ships in 2012. Also continuing this plan in year 2013, the Company signed 12 Shipbuilding Contracts for construction of 12 Bulk Carriers with various Chinese shipyards as explained below:

- (a) On 25<sup>th</sup> November 2013, the Company entered into two Shipbuilding Contracts for two 64,000 DWT Bulk Carriers with Sainty Marine Corporation Ltd against which Company took the delivery of the two ships per following details:

| No                          | Ship Owning Subsidiary  | Ship name     | Year Built | DWT            | Delivery Date | Purchase Price (US\$ Million) |
|-----------------------------|-------------------------|---------------|------------|----------------|---------------|-------------------------------|
| 1                           | Precious Opals Limited  | Inthira Naree | 2014       | 63,468         | 03-Jul-14     | 27.40                         |
| 2                           | Precious Rubies Limited | Issara Naree  | 2014       | 63,516         | 16-Jul-14     | 27.40                         |
| <b>Ultramax - 2 Vessels</b> |                         |               |            | <b>126,984</b> |               | <b>54.80</b>                  |

- (b) On 25<sup>th</sup> November 2013, the Company entered into two Shipbuilding Contracts for two 38,500 DWT Bulk Carriers with China Shipbuilding & Offshore International Co., Ltd. and Shanhaiguan New Shipbuilding Industry Co., Ltd. (collectively as the Seller) per details of cost, schedule of installments, and expected dates of deliveries as on 31<sup>st</sup> December 2014 as follows:

| No | Buyer/Ship Owning Subsidiary      | Hull number | Contract Date | Delivery Date | DWT           | Contract Amount US\$ | Paid in 2013 US\$ | Paid in 2014 US\$ | Total As on 31 <sup>st</sup> Dec 2014 US\$ |
|----|-----------------------------------|-------------|---------------|---------------|---------------|----------------------|-------------------|-------------------|--|
| 1  | Precious Shipping Public Co.,Ltd. | BC385-11    | 25-Nov-13     | 31-May-15     | 38,500        | 22,318,000           | 2,231,800         | 6,695,400         | 8,927,200                                  |
| 2  | Precious Shipping Public Co.,Ltd. | BC385-12    | 25-Nov-13     | 31-Dec-15     | 38,500        | 22,318,000           | 2,231,800         | 2,231,800         | 4,463,600                                  |
|    | <b>Handysize - 2 Vessels</b>      |             |               |               | <b>77,000</b> | <b>44,636,000</b>    | <b>4,463,600</b>  | <b>8,927,200</b>  | <b>13,390,800</b>                          |

The Contract Price of each Vessel is payable in installments as follows:

| Instalment Number | Milestone                                     | % Percentage |
|-------------------|---|--------------|
| 1 <sup>st</sup>   | On signing the contract                       | 10%          |
| 2 <sup>nd</sup>   | Steel cutting of the first steel plate        | 10%          |
| 3 <sup>rd</sup>   | After completion of Keel Laying of the Vessel | 10%          |
| 4 <sup>th</sup>   | Launching of the Vessel                       | 10%          |
| 5 <sup>th</sup>   | Delivery of the Vessel                        | 60%          |
| <b>Total</b>      |   | <b>100%</b>  |

- (c) On 20<sup>th</sup> December 2013, the Company entered into eight Shipbuilding Contracts for four 39,000 DWT Bulk Carriers and four 64,000 DWT Bulk Carriers with Taizhou Sanfu Ship Engineering Co., Ltd. per details of cost, schedule of installments, and expected dates of deliveries as on 31<sup>st</sup> December 2014 as follows:

| No | Buyer/Ship Owning Subsidiary     | Hull number | Contract Date | Delivery Date | DWT            | Contract Amount US\$ | Paid in 2013 US\$ | Paid in 2014 US\$ | Total As on 31 <sup>st</sup> Dec 2014 US\$ |
|----|----------------------------------|-------------|---------------|---------------|----------------|----------------------|-------------------|-------------------|--|
| 1  | Precious Shipping Public Co.,Ltd | SF130120    | 20-Dec-13     | 31-Aug-15     | 38,625         | 21,960,000           | 200,000           | 3,094,090         | 3,294,090                                  |
| 2  | Precious Shipping Public Co.,Ltd | SF130121    | 20-Dec-13     | 30-Nov-15     | 38,625         | 21,960,000           | 200,000           | 3,094,090         | 3,294,090                                  |
| 3  | Precious Shipping Public Co.,Ltd | SF130122    | 20-Dec-13     | 28-Feb-16     | 38,625         | 21,960,000           | 200,000           | 3,094,090         | 3,294,090                                  |
| 4  | Precious Shipping Public Co.,Ltd | SF130123    | 20-Dec-13     | 31-May-16     | 38,625         | 21,960,000           | 200,000           | 3,094,090         | 3,294,090                                  |
|    | <b>Handysize - 4 Vessels</b>     |             |               |               | <b>154,500</b> | <b>87,840,000</b>    | <b>800,000</b>    | <b>12,376,360</b> | <b>13,176,360</b>                          |
| 1  | Precious Shipping Public Co.,Ltd | SF130124    | 20-Dec-13     | 31-Jul-15     | 63,345         | 27,477,500           | 200,000           | 3,921,625         | 4,121,625                                  |
| 2  | Precious Shipping Public Co.,Ltd | SF130125    | 20-Dec-13     | 31-Oct-15     | 63,345         | 27,477,500           | 200,000           | 3,921,625         | 4,121,625                                  |
| 3  | Precious Shipping Public Co.,Ltd | SF130126    | 20-Dec-13     | 31-Jan-16     | 63,345         | 27,477,500           | 200,000           | 3,921,625         | 4,121,625                                  |
| 4  | Precious Shipping Public Co.,Ltd | SF130127    | 20-Dec-13     | 30-Apr-16     | 63,345         | 27,477,500           | 200,000           | 3,921,625         | 4,121,625                                  |
|    | <b>Ultramax - 4 Vessels</b>      |             |               |               | <b>253,380</b> | <b>109,910,000</b>   | <b>800,000</b>    | <b>15,686,500</b> | <b>16,486,500</b>                          |
|    | <b>Grand Total</b>               |             |               |               | <b>407,880</b> | <b>197,750,000</b>   | <b>1,600,000</b>  | <b>28,062,860</b> | <b>29,662,860</b>                          |

The Contract Price of each Vessel is payable in installments as follows:

| Instalment Number | Milestone                             | % Percentage |
|-------------------|---------------------------------------|--------------|
| 1 <sup>st</sup>   | On signing the contract as a deposit  | 1%           |
| 2 <sup>nd</sup>   | After the receipt of Refund Guarantee | 14%          |
| 3 <sup>rd</sup>   | Launching of the Vessel               | 10%          |
| 4 <sup>th</sup>   | Delivery of the Vessel                | 75%          |
| <b>Total</b>      |                                       | <b>100%</b>  |

- (d) On 24<sup>th</sup> February 2014, the Company entered into two Shipbuilding Contracts for two 64,000 DWT Bulk Carriers with Sainty Marine Corporation Ltd. per details of cost, schedule of installments, and expected dates of deliveries as follows:

| No | Buyer/Ship Owning Subsidiary     | Hull number | Contract Date | Delivery Date | DWT            | Contract Amount US\$ | Paid in 2014 US\$ | Total As on 31 <sup>st</sup> Dec 2014 US\$ |
|----|----------------------------------|-------------|---------------|---------------|----------------|----------------------|-------------------|--|
| 1  | Precious Shipping Public Co.,Ltd | SAM14017B   | 24-Feb-14     | 31-Mar-15     | 64,000         | 27,900,000           | 8,370,000         | 8,370,000                                  |
| 2  | Precious Shipping Public Co.,Ltd | SAM14018B   | 24-Feb-14     | 31-Mar-15     | 64,000         | 27,900,000           | 8,370,000         | 8,370,000                                  |
|    | <b>Ultramax - 2 Vessels</b>      |             |               |               | <b>128,000</b> | <b>55,800,000</b>    | <b>16,740,000</b> | <b>16,740,000</b>                          |

The Contract Price of each Vessel is payable in installments as follows:

| Instalment Number | Milestone  | % Percentage |
|-------------------|--|--------------|
| 1 <sup>st</sup>   | After the receipt of the First Installment Refund Guarantee  | 10%          |
| 2 <sup>nd</sup>   | After the receipt of the Second Installment Refund Guarantee | 10%          |
| 3 <sup>rd</sup>   | After completion of Keel Laying of the Vessel                | 10%          |
| 4 <sup>th</sup>   | Launching of the Vessel                                      | 10%          |
| 5 <sup>th</sup>   | Delivery of the Vessel                                       | 60%          |
| <b>Total</b>      |  | <b>100%</b>  |

- (e) On 26<sup>th</sup> February 2014, the Company entered into ten Shipbuilding Contracts for ten 64,000 DWT Bulk Carriers with Saintry Marine Corporation Ltd. and two Shipbuilding Contracts for 64,000 DWT Bulk Carriers with Taizhou Sanfu Ship Engineering Co., Ltd. per details of cost, schedule of installments, and expected dates of deliveries as follows:

| No                                     | Buyer/Ship Owning Subsidiary     | Hull number | Contract Date | Delivery Date | DWT            | Contract Amount US\$ | Paid in 2014 US\$ | Total As on 31 <sup>st</sup> Dec 2014 US\$ |
|--|----------------------------------|-------------|---------------|---------------|----------------|----------------------|-------------------|--|
| 1                                      | Precious Shipping Public Co.,Ltd | SAM14019B   | 26-Feb-14     | 31-May-15     | 64,000         | 27,900,000           | 5,580,000         | 5,580,000                                  |
| 2                                      | Precious Shipping Public Co.,Ltd | SAM14020B   | 26-Feb-14     | 31-May-15     | 64,000         | 27,900,000           | 5,580,000         | 5,580,000                                  |
| 3                                      | Precious Shipping Public Co.,Ltd | SAM14021B   | 26-Feb-14     | 31-Aug-15     | 64,000         | 27,900,000           | 5,580,000         | 5,580,000                                  |
| 4                                      | Precious Shipping Public Co.,Ltd | SAM14022B   | 26-Feb-14     | 31-Aug-15     | 64,000         | 27,900,000           | 5,580,000         | 5,580,000                                  |
| 5                                      | Precious Shipping Public Co.,Ltd | SAM14023B   | 26-Feb-14     | 31-Oct-15     | 64,000         | 27,400,000           | 2,740,000         | 2,740,000                                  |
| 6                                      | Precious Shipping Public Co.,Ltd | SAM14024B   | 26-Feb-14     | 31-Oct-15     | 64,000         | 27,400,000           | 2,740,000         | 2,740,000                                  |
| 7                                      | Precious Shipping Public Co.,Ltd | SAM14025B   | 26-Feb-14     | 15-Dec-15     | 64,000         | 27,900,000           | 2,790,000         | 2,790,000                                  |
| 8                                      | Precious Shipping Public Co.,Ltd | SAM14026B   | 26-Feb-14     | 15-Dec-15     | 64,000         | 27,900,000           | 2,790,000         | 2,790,000                                  |
| 9                                      | Precious Shipping Public Co.,Ltd | SAM14027B   | 26-Feb-14     | 31-Mar-16     | 64,000         | 27,900,000           | 2,790,000         | 2,790,000                                  |
| 10                                     | Precious Shipping Public Co.,Ltd | SAM14028B   | 26-Feb-14     | 31-Mar-16     | 64,000         | 27,900,000           | 2,790,000         | 2,790,000                                  |
| <b>Ultramax - 10 Vessels – Saintry</b> |                                  |             |               |               | <b>640,000</b> | <b>278,000,000</b>   | <b>38,960,000</b> | <b>38,960,000</b>                          |

The Contract Price of each Vessel is payable in installments as follows:

| Instalment Number | Milestone  | % Percentage |
|-------------------|--|--------------|
| 1 <sup>st</sup>   | After the receipt of the First Installment Refund Guarantee  | 10%          |
| 2 <sup>nd</sup>   | After the receipt of the Second Installment Refund Guarantee | 10%          |
| 3 <sup>rd</sup>   | After completion of Keel Laying of the Vessel                | 10%          |
| 4 <sup>th</sup>   | Launching of the Vessel                                      | 10%          |
| 5 <sup>th</sup>   | Delivery of the Vessel                                       | 60%          |
| <b>Total</b>      |  | <b>100%</b>  |

| No                                  | Buyer/Ship Owning Subsidiary     | Hull number | Contract Date | Delivery Date | DWT            | Contract Amount US\$ | Paid in 2014 US\$ | Total As on 31 <sup>st</sup> Dec 2014 US\$ |
|-------------------------------------|----------------------------------|-------------|---------------|---------------|----------------|----------------------|-------------------|--|
| 1                                   | Precious Shipping Public Co.,Ltd | SF130128    | 17-Mar-14     | 30-Nov-15     | 63,345         | 27,900,000           | 4,185,000         | 4,185,000                                  |
| 2                                   | Precious Shipping Public Co.,Ltd | SF130129    | 17-Mar-14     | 15-Mar-16     | 63,345         | 27,900,000           | 4,185,000         | 4,185,000                                  |
| <b>Ultramax - 2 Vessels – Sanfu</b> |                                  |             |               |               | <b>126,690</b> | <b>55,800,000</b>    | <b>8,370,000</b>  | <b>8,370,000</b>                           |

The Contract Price of each Vessel is payable in installments as follows:

| Instalment Number | Milestone                                 | % Percentage |
|-------------------|---|--------------|
| 1 <sup>st</sup>   | After the receipt of the Refund Guarantee | 15%          |
| 2 <sup>nd</sup>   | After Launching of the Vessel             | 10%          |
| 3 <sup>rd</sup>   | Delivery of the Vessel                    | 75%          |
| <b>Total</b>      |   | <b>100%</b>  |

## 4. GLOSSARY OF TERMS:

The Financial Analysis part of this Management Discussion and Analysis (MD&A) is based on the Company's consolidated financial statements prepared in accordance with Thai Generally Accepted Accounting Principles ("GAAP") and the US Dollar (Functional Currency) Financial Statements. A variety of financial and operational terms has been used in the MD&A and some of these terms are explained below:

**Average Daily Ship Operating expenses in USD (Opex)** - Average Ship Operating Expenses per day per ship is computed over a 365 days operating cycle. These exclude depreciation but include amounts amortised per accounting policy (note 4.6 of audited financial statements) for Dry-docking and Special Survey (DD/SS) expenses and the amortization is included as "depreciation" in the financial statements. Ship operating expenses generally represent fixed costs which include crewing, repairs and maintenance, insurance, stores, lube oils, management cost and amortised portion of Dry-docking and Special survey expenses.

**Ship Running Expenses** - Ship running expenses in the Financial Statements refer to Ship operating expenses excluding amortised Dry-docking and Special Survey expenses.

**Voyage Expenses** - Voyage expenses mean all expenses related to a particular voyage including bunker fuels and voyage disbursements at the ports of call. Voyage disbursements include port fees, cargo loading and unloading expenses, canal tolls, agency fees and other expenses at the ports of call. Voyage costs are typically paid by the client (charterer) under Time Charter and by the Company under Voyage Charter. However, when the Company pays the voyage expenses, Company typically adds them while calculating freight rate so that the desired Time Charter rate is achieved had the Company negotiated the Voyage as a Time charter.

**Total Ship Operating Cost** - Total Ship Operating cost in the Financial Statements means the aggregate of Ship running expenses and voyage expenses.

**Average Daily Ship Earnings in USD (TC Rate)** - Average time-charter equivalent earnings per day per ship computed over a 350 days cycle. The TC rate is calculated by dividing net Ship Operating Income by 350 days per Ship.

**Ship Operating Income** - Ship Operating Income in the financial statements means total of Hire and Freight received. In other words, this is total income earned through Time and Voyage Charters.

**Net Ship Operating Income** - Net Ship Operating Income means Ship Operating Income less Voyage expenses, and is also known as Net Time Charter Equivalent Revenue.

**Dry-docking and Special survey** - The Company must periodically dry-dock each of its ships for inspection, repairs and maintenance and any modifications to comply with industry certification and or various regulations applicable to the Company's ships. Generally each ship is dry-docked every 2.5 years and 5 years to carry out intermediate and special survey, respectively. The Company capitalizes these costs and depreciates them over a period of 2 years for dry-docking cost related to an Intermediate survey and 4 years for dry-docking cost related to a special survey. The depreciation amount of dry-docking and special survey costs is included in Depreciation and do not form part of ship operating cost in the Financial Statements. However, while calculating average Ship Operating expenses per day per ship (Opex), The Company includes amortised portion of dry-dock and special survey cost for ascertaining complete Opex.

**Depreciation** - The main component of depreciation cost is depreciation on Ships. It also includes amortisation of Dry-docking and Special survey cost as explained above, in the Financial Statements.

**Ship Idle /Down Time** - Ship idle time refers to downtime (in days) due to technical reasons only and it means the ship was "off-hire" at dry-dock or at sea or port for repairs of a routine nature or in case of a breakdown.

**Gross Profit** - Gross Profit means Ship operating income less Ship operating costs.

**Gross Profit Margin** - Gross Profit margin means gross profit divided by Ship operating income denominated in percentage.

**Administrative Expenses** - Administrative expenses include onshore (office) personnel payroll costs, office rent, legal and professional expenses and other expenses of an administrative nature. Administrative expenses in the financial statements also include cost of personnel employed for technical management of ships. However, for calculating average Ship operating expenses per day per ship (Opex), such relevant portion of administrative expenses is considered and included in the Opex as Management Fees.

## 5. CREDIT/LOAN FACILITIES

### 5.1 Secondhand Ships acquisition credit/loan facility from BTMU and other 3 Banks

The Company executed a USD 250 million Secured Term Loan Facility Agreement with The Bank of Tokyo-Mitsubishi UFJ, Ltd., Bank of Ayudhya PCL, KASIKORNBANK PCL, Export-Import Bank of Thailand and Thanachart Bank PCL (as Mandated Lead Arrangers and Lenders) to fund the Company's acquisition of additional second-hand vessels on 14<sup>th</sup> January 2010.

On 28<sup>th</sup> June 2013, the Company executed the Amending and Restating Agreement No. 3 of the Secured Term Loan Facility Agreement mainly to extend the availability period of the Facility up to 30<sup>th</sup> June 2014. In 2014, the Company did not extend this facility further and it was automatically cancelled.

### 5.2 Secondhand Ships acquisition credit/loan facilities from Krung Thai Bank PCL (KTB) and 2 other local Banks

Since 2008, the Company also had in place, a loan facility of US\$ 300 million with 3 local banks to fund the acquisition of second-hand ships, the availability period of which expired on 18<sup>th</sup> January 2009. Due to the effect of the Global Financial Crisis and the inability of the Company's Local Lenders to extend the loan in US Dollars, in the beginning of year 2009, this facility which was originally denominated in US Dollars, was converted into Thai Baht and the availability period of the facility was extended upto 18<sup>th</sup> January 2010. However, in recognition of this risk, the Company obtained commitment of a Swap facility from the same Lenders to convert the Thai Baht liability into US Dollars through the use of a USD/THB Swap whereby the principal portion of the Loan as and when drawn by the Company would have immediately been converted into US Dollars, thereby eliminating the Foreign Exchange risk associated with the loan principal. Accordingly, the liability against this facility of Thai Baht 1,502.35 million drawn for financing two vessels acquired in 2010 was immediately converted (swapped) to US Dollars with a matching amortization schedule to the Thai Baht Loan.

On 31 January 2011, the Company executed the amendment of the Secured Loan Facility Agreement to (i) convert the unutilised portion of the Tranche A Facility at the end of the Tranche A Availability Period into a USD facility in the amount of USD 200 million which was be designated as the Tranche C Facility, (ii) extend the availability period of the Tranche C Facility upto 29 December 2011, (iii) expand the scope of the utilisation of the Hedging Facility to allow for interest rate swaps and extend the Hedging Availability Period.

**The main terms (after the amendment) of the extended and amended facility were as follows:**

|                         |   |
|-------------------------|---|
| <b>Borrowers</b>        | : Precious Shipping Public Company Limited ("PSL") / jointly and severally with the respective ship-owning subsidiaries (collectively defined as "the Borrowers")   |
| <b>Lender(s)</b>        | : Krung Thai Bank PCL, Bank of Ayudhya PCL and Siam City Bank PCL.  |
| <b>Facility Amounts</b> | : Tranche A: Term Loan of Thai Baht 1,502.35 million (already drawn)<br>Tranche B : Foreign Currency Exchange facility upto US\$ 5 Million<br>Tranche C : Term Loan of upto USD 200 Million<br>Hedging Facility : Hedging commitment upto Baht 8.75 Billion |
| <b>Purpose</b>          | : Tranche A: To finance the acquisition of new or secondhand "handy-size" dry bulk ships of age up to 10 years and/or over 10 years but less than 15 years for up to 20% of the Facility amount   |

Tranche B: To use as protection against foreign Currency exposure as a result of inward and outward remittances incurred by the normal business operations on account of termination of foreign currency contracts based on mark to market valuations.

Tranche C: To finance the acquisition of new or secondhand “handy-size” dry bulk ships of age up to 10 years and/or over 10 years but less than 15 years for up to 20% of the Facility amount

Hedging Facility: To use as cover against a change in Baht value of Tranche A outstanding in the form of Principal swap and cross currency Swap.

- Availability Period** : with respect to the Tranche A Facility, Completely drawn.  
with respect to the Tranche B, C and Hedging Facility, upto 29 December 2011
- Facility Period** : with respect to the Tranche A Facility, 13 years from December 2009  
with respect to the Tranche C Facility, 12 years from the date of first drawdown
- Grace Period (for principal Repayments)** : with respect to the Tranche A Facility, the period of twelve (12) months, starting on 11 December 2009. Accordingly, repayment commenced on 30 December 2010. with respect to the Tranche C Facility, the period from 30 December 2010 and ending on 11 December 2011;
- Interest Rate** : with respect to the Tranche A Facility, Three months’ Thai Baht MLR minus 1%. with respect to the Tranche C Facility, LIBOR plus 2.75% for first five years and LIBOR plus 2.85% thereafter
- Principal Repayment** : with respect to the Tranche A Facility, 48 equal quarterly installments (i.e. over twelve years) of the aggregate loan outstanding from 30 December 2010. Accordingly, repayment commenced on 30 December 2010.  
with respect to the Tranche C Facility, 44 equal quarterly installments of the aggregate loan outstanding from the end of Tranche C Availability Period.
- Commitment Fee** : 1% per annum of undrawn facility payable quarterly
- Security** : The Facility shall be secured mainly by:
- i) Before first drawdown, first priority mortgage over certain ships owned by the Borrowers valued at least at US\$ 50 million in aggregate.
  - ii) First priority mortgage over the secondhand “handy-size” dry bulk ships to be acquired.
  - iii) Assignments of insurances and earnings of the secured ships.
  - iv) Pledge of shares of each of the subsidiary borrowers.
- Security Covenant** : During Availability Period: The aggregate valuations of the ships secured to be at least 167% of the total outstanding amount of the facility.  
After Availability Period: The aggregate valuations of the ships secured to be at least 154% of the total outstanding amount of the facility.
- Financial Covenants** : PSL to comply with the following, to be measured quarterly based on PSL’s consolidated Restated Financial Statements in US Dollars:
- i) Maximum Debt / Total Shareholder’s Equity of 2.0 times;
  - ii) Maximum Debt / EBITDA of 5.0 times.(The ratio was amended in year 2014 to 6.0 till December 2015 and 5.0 times thereafter)
  - iii) Maintain a minimum Free Cash Balance of US\$100,000 per ship that PSL owns.
  - iv) Minimum Debt Service Cover of 1.1 times.
- Non-Financial covenants** : PSL is not subject to any significant restrictive non-financial covenants.



During 2010, the Company drew Thai Baht 1,502 million equivalents to US\$ 45.90 Million against tranche A for funding the purchase of 2 Ships out of which, US\$ 29.64 million is outstanding at the end of 2014.

During 2011, the Company drew US\$ 92 Million against Tranche C for funding the purchase of 4 Ships out of which, US\$ 54.36 million is outstanding at the end of 2014.

The Company (thru its 4 Subsidiaries) further entered into Interest Rate Swap agreements on 18th May 2012 and 27th December 2012 for Notional value of US\$ 64.82 million covering USD outstanding loans, whereby floating interest rates are to be swapped for fixed interest rates. The swap periods and payments are quarterly and correspond to the interest payment schedules of the underlying USD loans. The swap agreements are effective for interest payable during the period from after 31 December 2014 to 30 September 2022.

### 5.3 Secondhand Ships acquisition credit/loan facilities from Thanachart Bank PCL (Tbank)

On 9 March 2012, the Company executed a USD 50 million Term Loan Facility with Thanachart Bank Public Company Limited ("TBank") with availability period upto the end of March 2012.

#### Summary of main terms and conditions of the USD 50 million Term Loan Facility:

|                            |   |
|----------------------------|---|
| <b>Borrowers</b>           | : Precious Shipping Public Company Limited and/or its wholly owned subsidiaries.  |
| <b>Lender</b>              | : Thanachart Bank Public Company Limited ("TBank").   |
| <b>Purpose</b>             | : To finance the acquisition of new or second-hand handysize bulk carriers or supramax bulk carriers ("New Ships"); or to reimburse any Borrowers for the amount up to the purchase price of the relevant New Ships purchased between January and March 2012.   |
| <b>Facility Amount</b>     | : Up to USD 50 million in multiple drawdowns.   |
| <b>Interest Rate</b>       | : 3 months LIBOR plus margin.   |
| <b>Commitment Fees</b>     | : 1% per annum of undrawn facility payable quarterly.   |
| <b>Other Fees</b>          | : 0.65% of the Facility amount is payable as an Extension Fee.  |
| <b>Availability Period</b> | : Up to 31 March 2012.  |
| <b>Repayment</b>           | : The total loan outstanding shall be repaid in 44 equal quarterly installments, beginning at the end of June 2012.   |
| <b>Security</b>            | : The Facility shall be secured mainly by: <ul style="list-style-type: none"><li>i) Before first drawdown, first priority mortgage over certain ships owned by the Borrowers such that the Security Value is at least 167% of the Total Outstandings during the drawdown.</li><li>ii) First priority mortgage over the New Ships to be acquired.</li><li>iii) Assignments of insurances and earnings of the secured ships.</li><li>iv) Pledge of shares of each of the subsidiary borrowers.</li></ul>  |
| <b>Financial Covenants</b> | : At the end of any such financial quarter, the Borrower will be subject to the following financial covenants based on its consolidated financial statements in US Dollars: <ul style="list-style-type: none"><li>i) Debt Service Coverage Ratio shall be at least 1.1 : 1;</li><li>ii) Debt to EBITDA shall not exceed 5:1; (The ratio was amended in year 2014 to 6.0 till December 2016 and 5.0 times thereafter)</li><li>iii) Debt to Equity Ratio shall not exceed 2:1; and</li><li>iv) Maintain a minimum Liquidity Reserve of US\$100,000 per vessel owned by any member of the Group.</li></ul> |

- Vessel Covenants** : During Availability Period: The aggregate valuations of the ships secured to be at least 167% of the total outstanding amount of the Facility.  
After Availability Period: The aggregate valuations of the ships secured to be at least 154% of the total outstanding amount of the facility.
- Other Covenants** : It will be an Event of Default if any of Khalid Moinuddin Hashim, Munir Moinuddin Hashim and Khushroo Kali Wadia ceases to play an active role in the management of the Borrower other than by reason of death or incapacity except if a replacement acceptable to the Lenders is in place within 90 days.

The Company has drawn US\$ 50 Million in full against this facility and US\$ 28.41 Million was outstanding at the end of 2014.

#### **5.4 Credit facility from DNB Asia Ltd., Kasikornbank, and certain other International Banks (Newbuildings Facility)**

With a view to availing long term funding for the new ships ordered by the Company from ABG Shipyard, on 3<sup>rd</sup> July 2008, the Company executed a USD 398,400,000 Secured Loan Agreement with DNB Asia Ltd., Kasikornbank, and certain other International Banks to finance 15 (out of the 18 ordered) new ships (9 Handysize ships of 32,000 DWT each and 6 Supramax ships of 54,000 DWT each) ordered by the Company.

##### **The main terms of the Credit Facility are summarized as follows:**

- Borrowers** : Precious Shipping Public Company Limited (“PSL”) and / or upto 15 wholly owned subsidiaries to be incorporated in Singapore or Thailand or any other jurisdiction acceptable to the Lenders.
- Guarantor** : PSL.
- Lenders** : DNB Asia Ltd. (“DNB”), Kasikornbank, and certain other International Banks.
- Bookrunners /** : DNB.
- Underwriters / Mandated Lead Arranger (“MLA”) / Facility Agent and Security Agent**
- Joint Mandated** : Kasikornbank PCL.
- Lead Arranger**
- FACILITY** :
- Purpose** : Pre and Post Delivery Secured Term Loan Facility to finance the construction and acquisition of the 15 Ships (Vessels) as follows:  
**Handysize Bulkers :**  
9 Handysize Bulkers of 32,000 DWT each to be constructed by ABG Shipyard Ltd, India. The Construction Price of each Vessel is about USD 30 million.  
**Supramax Bulkers:**  
6 Supramax Bulkers of 54,000 DWT each to be constructed by ABG Shipyard Ltd, India. The Construction Price of each Vessel is about USD 38 million.
- Facility Amount** : Up to USD 398.40 million (80% of Construction Price as above) divided into 15 tranches comprising:  
For the Handysize Bulkers, upto USD 216 million divided into 9 Tranches.  
**Pre-Delivery Facility Amount (Per Tranche):**  
USD 18 million per Vessel or 60% of the Construction Price of the Vessel, whichever is lower.

**Post-Delivery Facility Amount (Per Tranche):**

USD 24 million per Vessel or 80% of the Construction Price of the Vessel, whichever is lower.

For the Supramax Bulkers, upto USD 182.40 million divided into 6 Tranches.

**Pre-Delivery Facility Amount (Per Tranche):**

USD 22.80 million per Vessel or 60% of the Construction Price of Vessel, whichever is lower.

**Post-Delivery Facility Amount (Per Tranche):**

USD 30.40 million per Vessel or 80% of the Construction Price of the Vessel, whichever is lower.

**UTILISATION / AVAILABILITY AND REPAYMENT:****Availability /**

: **Pre-Delivery Facility:**

**Drawing**

As per milestones in the shipbuilding contracts.

**Post-Delivery Facility:**

100% of the Post-Delivery Facility Amount is to be drawn upon delivery of the respective vessels.

**Repayment**

: **Pre-Delivery Facility:**

The Pre-Delivery Facility shall be repaid in one lump sum upon delivery of the respective vessel.

**Post-Delivery Facility:**

Each Tranche shall be amortised (repaid) as quarterly repayment installments, each equivalent to 1/60th of the Post-Delivery Facility Amount and a balloon amount equal to the balance under such Tranche on Final Maturity. The first quarterly repayment shall commence 3 months after delivery of each respective vessel.

At Final Maturity, all amounts outstanding shall be repaid and the respective Tranches reduced to Zero.

**Final Maturity**

: 10 years from the delivery drawdown of the first Vessel, and accordingly, Final Maturity is expected to be in March 2020.

**INTEREST AND FEES:****Interest Rate**

: The aggregate of LIBOR and the Margin.

**Interest Period**

: 3 months.

**Commitment fee**

: 0.35% per annum of undrawn amount of the aggregate facility amount.

**SECURITY**

: The Borrowers and Guarantor shall deliver / execute the following security:

**Pre-Delivery Facility:**

- a) A pledge over the shares of the Borrowers (wholly owned subsidiaries) other than PSL.
- b) Corporate Guarantee from the Guarantor if not a Joint Borrower.
- c) 1<sup>st</sup> priority assignment of the shipbuilding contracts.
- d) 1<sup>st</sup> priority assignment of the refund guarantees by the refund guarantors given in relation to the shipbuilding contracts with PSL.

**Post-Delivery Facility:**

- a) 1<sup>st</sup> priority mortgage over the vessels.
- b) A pledge over the shares of the Borrowers (wholly owned subsidiaries) other than PSL.
- c) Corporate Guarantee from the Guarantor if not a Joint Borrower.
- d) 1<sup>st</sup> priority assignment of requisition compensation in respect of the vessels.
- e) 1<sup>st</sup> priority assignments of all insurance proceeds.

- f) 1<sup>st</sup> priority assignment of the earnings of the vessels and pledge over the Earnings Accounts (accounts to be opened up for each of the Vessels) and Retention Account.

All of the above securities to be cross collateralised.

## COVENANTS

**Financial Covenants** : PSL shall comply with the following to be measured quarterly based on its consolidated Restated Financial Statements in USD:

- Maximum Funded Debt / Total Shareholder's Equity of 2.0 times.
- Maximum Funded Debt / Earnings Before Income Tax Depreciation and Amortisation (EBITDA) of 5.0 times. (The ratio was amended in year 2014 to 6.0 till December 2016 and 5.0 times thereafter)
- Maintain a minimum Free Cash Balance of USD 100,000 per vessel that the Guarantor owns.

**Vessel Covenants** : **Vessel registration**: The Vessels shall be registered in a Registry acceptable to the Facility Agent, if other than Thailand or Singapore, but, only a maximum of 7 vessels can be registered in Thailand.

**Minimum Value Clause** : The combined fair market value of all the delivered Vessels shall always be at least 125% of the combined outstanding amount under the Post-Delivery Facility.

**Other Covenants** : **Dividends** : No restrictions on dividend payments by PSL. The other Joint Borrowers (wholly owned subsidiaries) are also allowed to pay out dividends or make any other distributions to shareholders without any restrictions unless an Event of Default or Potential Event of Default has occurred and is continuing.

**Listing** : PSL to remain listed on the Stock Exchange of Thailand at all times during the period of the Facility.

During the years 2011-13, the Company prepaid and cancelled the Facility for the following Hulls explained as under:

| Year               | Hull No. | Prepayment           | Cancellation         | Total                |
|--------------------|----------|----------------------|----------------------|----------------------|
| 2011               | 329      | \$11,999,998         | \$12,000,002         | \$24,000,000         |
| 2011               | 330      | \$11,999,998         | \$12,000,002         | \$24,000,000         |
| 2011               | 313      | \$15,199,999         | \$15,200,001         | \$30,400,000         |
| 2011               | 331      | \$0                  | \$2,400,000          | \$2,400,000          |
| 2011               | 333      | \$11,999,998         | \$12,000,002         | \$24,000,000         |
| <b>Sub- Total</b>  |          | <b>\$51,199,993</b>  | <b>\$53,600,007</b>  | <b>\$104,800,000</b> |
| 2012               | 315      | \$7,599,999          | \$22,800,001         | \$30,400,000         |
| 2012               | 316      | \$7,599,999          | \$22,800,001         | \$30,400,000         |
| 2012               | 336      | \$0                  | \$24,000,000         | \$24,000,000         |
| 2012               | 334      | \$0                  | \$5,600,000          | \$5,600,000          |
| 2012               | 335      | \$0                  | \$9,500,002          | \$9,500,002          |
| 2012               | 347      | \$7,599,999          | \$22,800,001         | \$30,400,000         |
| <b>Sub- Total</b>  |          | <b>\$22,799,997</b>  | <b>\$107,500,005</b> | <b>\$130,300,002</b> |
| 2013               | 348      | \$7,599,999          | \$22,800,001         | \$30,400,000         |
| 2013               | 349      | \$7,599,999          | \$22,800,001         | \$30,400,000         |
| 2013               | 337      | \$0                  | \$24,000,000         | \$24,000,000         |
| 2013               | 338      | \$11,999,998         | \$12,000,002         | \$24,000,000         |
| <b>Sub- Total</b>  |          | <b>\$27,199,996</b>  | <b>\$81,600,004</b>  | <b>\$108,800,000</b> |
| <b>Grand Total</b> |          | <b>\$101,199,986</b> | <b>\$242,700,016</b> | <b>\$343,900,002</b> |

Therefore, the revised Facility amounts against each Hull, drawdowns made against each Hull and Loan outstanding as on 31<sup>st</sup> December 2014 (after repayment/prepayment) is as under:

| Hull No.             | Post delivery facility | Drawdown made       | Loan outstanding    |
|----------------------|------------------------|---------------------|---------------------|
| 331 (Ananya Naree)   | \$21,600,000           | \$21,600,000        | \$14,203,509        |
| 334 (Benjamas Naree) | \$18,400,000           | \$18,400,000        | \$10,728,421        |
| 335 (Chintana Naree) | \$14,499,998           | \$14,499,998        | \$12,808,332        |
| <b>Total</b>         | <b>\$54,499,998</b>    | <b>\$54,499,998</b> | <b>\$37,740,261</b> |

### 5.5 New credit facility of USD 45.60 million from Bangkok Bank Public Company Limited, Singapore:

On 15<sup>th</sup> February 2012, ABC TWO Pte. Ltd. and ABC THREE Pte. Ltd., the Singapore registered subsidiaries (the “Subsidiaries”) of Associated Bulk Carriers Pte. Ltd., the Joint Venture Company (ABC) where the Company held 50% interest at that time, executed a USD 45.60 million Term Loan Facility with Bangkok Bank Public Company Limited, Singapore Branch to finance up to 80% of the Contract Price of two new 20,000 DWT Cement Carriers i.e. Hull No. 379 and Hull No. 380 ordered by the Subsidiaries. On 18 January 2013, the Company acquired 50% of the issued share capital of ABC from Varada Marine Pte. Ltd. who held the other 50% interest before the acquisition in order to take 100% control of ABC and all of its subsidiaries.

#### Summary of main terms and conditions of The USD 45,600,000 Loan Agreement:

|                                    |  |
|------------------------------------|--|
| <b>Borrowers</b>                   | : ABC TWO Pte. Ltd. and/or ABC THREE Pte. Ltd. (the “Subsidiaries”) of Associated Bulk Carriers Pte. Ltd. (“ABC”).   |
| <b>Lender</b>                      | : Bangkok Bank Public Company Limited, Singapore Branch.   |
| <b>Facility Agent</b>              | : Bangkok Bank Public Company Limited, Singapore Branch.   |
| <b>Security Agent</b>              | : Bangkok Bank Public Company Limited, Singapore Branch.   |
| <b>Interest Rate Swap Provider</b> | : Bangkok Bank Public Company Limited, Singapore Branch.   |
| <b>Purpose</b>                     | : To finance the Pre and Post-delivery of two new cement carriers i.e. Hull No. 379 and Hull No. 380 of up to 80% of the Contract Price.   |
| <b>Loan Amount</b>                 | : The Loan for both vessels shall not exceed USD 45,600,000 (the “Loan Amount”) on a joint and several basis comprising: <ol style="list-style-type: none"> <li>i) Two vessel loans each not exceeding USD 22,800,000 per vessel (the “Vessel Loans” and each a “Vessel Loan”); and</li> <li>ii) Each Vessel Loan comprising two vessel tranches for each Vessel (the “Vessel Tranche”).</li> </ol>  |
| <b>Vessel Tranche</b>              | : Each Vessel Loan shall be divided into two tranches as follows: <ul style="list-style-type: none"> <li>• <b>Pre-Delivery Tranche:</b> USD 17,100,000 or 60% of the respective Contract Price to be made available in 3 separate disbursements.</li> <li>• <b>Post-Delivery Tranche:</b> USD 22,800,000 or 80% of the respective Contract Price to be made available in a single disbursement, part of which will be used to repay the Pre-Delivery Tranche.</li> </ul> |
| <b>Availability Period</b>         | : The Vessel Loans shall be made available for drawdown by the Borrowers on a joint and several basis for the respective Pre-Delivery Tranche for each Vessel from execution of the Loan Agreement up to and including the respective Delivery Date for each Vessel, or such other date as may be agreeable to the Lender.   |
| <b>Interest Rate</b>               | : US Dollar LIBOR plus Margin.   |
| <b>Commitment Fees</b>             | : 1.20% per annum of undrawn facility payable quarterly.   |

|                            |   |  |
|----------------------------|---|--|
| <b>Drawdown</b>            | : <b>Pre-Delivery Tranche</b><br>Drawdown of the Pre-Delivery Tranche shall be in accordance with the payment schedule under the Shipbuilding Contract.   | <b>Post-Delivery Tranche</b><br>100% of the Post-Delivery Tranche Amount is to be drawn upon delivery of the respective vessels.   |
| <b>Repayments</b>          | : <b>Pre-Delivery Tranche</b><br>The Pre-Delivery Tranche shall be repaid in one lump sum upon delivery of the respective Vessel from the proceeds of the post-delivery drawdown.   | <b>Post-Delivery Tranche</b><br>Each Vessel Loan will be repaid over 39 quarterly installments of USD 380,000 from the end of the first quarter after Delivery and a final installment of USD 7,980,000 at the end of the Term.  |
| <b>Security</b>            | : <b>Pre-Delivery Tranche for each Vessel</b> <ul style="list-style-type: none"> <li>• First priority assignment of the Shipbuilding Contract;</li> <li>• First priority assignment of the Refund Guarantees;</li> <li>• Pledge of shares of the Borrowers held by ABC;</li> <li>• Corporate Guarantee from ABC;</li> </ul> <ul style="list-style-type: none"> <li>• Corporate Guarantee from the Company.</li> </ul> | <b>Post-Delivery Tranche for each Vessel</b> <ul style="list-style-type: none"> <li>• First priority mortgage on the Vessels;</li> <li>• First priority assignment of all earnings, insurance policies and requisition compensation on the Vessels;</li> <li>• First priority assignment of Time-Charter contracts;</li> <li>• First priority charge over the Earnings Account and Retention Account;</li> <li>• Corporate Guarantee from ABC;</li> <li>• Corporate Guarantees from the Company for an aggregate amount of up to USD 8 million.</li> </ul> |
| <b>Financial Covenants</b> | : Commencing from the respective Delivery Date, each Borrower shall ensure it maintains throughout the Facility Period: <ol style="list-style-type: none"> <li>1. Debt Service Coverage Ratio ("DSCR") of no less than 1.1 times;</li> <li>2. Equity Ratio (ratio of Equity to aggregate of Equity and Total Debt) of no less than 20%;</li> </ol>  |  |
| <b>Other Covenants</b>     | : No restrictions on dividend payments by the Company. Borrowers also allowed to pay out dividends to shareholders without any restriction unless DSCR is less than 1.1 times or a Default has occurred and is continuing.  |  |

On 18 September 2013, the Borrowers executed the First Supplemental Agreement in relation to the above Term Loan Facility mainly to give effect to the following amendments:

|                    |  |
|--------------------|--|
| <b>Purpose</b>     | : To finance the Pre and Post-delivery Instalments of the construction of two new cement carriers i.e. Hull Nos. CC200-01 and CC200-02 ordered with Shanhaiguan New Shipbuilding Industry Co., Ltd., China, of up to 80% of the contract price which were ordered to replace the two cement carriers (Hulls 379 and 380) ordered with ABG Shipyard Ltd., India, which were subsequently cancelled. |
| <b>Loan Amount</b> | : The Loan for both Vessels shall not exceed USD 38,688,000 of which, each vessel loan shall not exceed USD 19,344,000 per vessel.   |

|   |   |   |  |   |  |
|---|---|---|--|---|--|
| <b>Vessel Tranche</b>   | : Each Vessel Loan shall be divided into two tranches as follows:<br><br><b>Pre-Delivery Tranche:</b> USD 4,836,000 or 20% of the respective Contract Price to be made available in 2 separate disbursements.<br><br><b>Post-Delivery Tranche:</b> USD 19,344,000 or 80% of the respective Contract Price to be made available in a single disbursement, part of which will be used to repay the Pre-Delivery Tranche.  |   |  |   |  |
| <b>Repayments</b>   | : <table border="0" style="display: inline-table; vertical-align: top;"> <tr> <td style="text-align: center; vertical-align: top;"><b>Pre-Delivery Tranche</b></td> <td style="text-align: center; vertical-align: top;"><b>Post-Delivery Tranche</b></td> </tr> <tr> <td style="vertical-align: top;">The Pre-Delivery Tranche shall be repaid in one lump sum upon delivery of the respective Vessel from the proceeds of the Post-Delivery Tranche.</td> <td style="vertical-align: top;">Each Vessel Post-Delivery Tranche will be repaid over 39 quarterly instalments of USD 322,400 from the end of the first quarter after Delivery and a final instalment of USD 6,770,400 at the end of the Term.</td> </tr> </table> | <b>Pre-Delivery Tranche</b>                 | <b>Post-Delivery Tranche</b>                 | The Pre-Delivery Tranche shall be repaid in one lump sum upon delivery of the respective Vessel from the proceeds of the Post-Delivery Tranche. | Each Vessel Post-Delivery Tranche will be repaid over 39 quarterly instalments of USD 322,400 from the end of the first quarter after Delivery and a final instalment of USD 6,770,400 at the end of the Term. |
| <b>Pre-Delivery Tranche</b>   | <b>Post-Delivery Tranche</b>  |   |  |   |  |
| The Pre-Delivery Tranche shall be repaid in one lump sum upon delivery of the respective Vessel from the proceeds of the Post-Delivery Tranche. | Each Vessel Post-Delivery Tranche will be repaid over 39 quarterly instalments of USD 322,400 from the end of the first quarter after Delivery and a final instalment of USD 6,770,400 at the end of the Term.  |   |  |   |  |
| <b>Security</b>   | : <table border="0" style="display: inline-table; vertical-align: top;"> <tr> <td style="text-align: center; vertical-align: top;"><b>Pre-Delivery Tranche for each Vessel</b></td> <td style="text-align: center; vertical-align: top;"><b>Post-Delivery Tranche for each Vessel</b></td> </tr> <tr> <td style="vertical-align: top;">100% Corporate Guarantee from the Company.</td> <td style="vertical-align: top;">Corporate Guarantee from the Company for up to USD 8 million per ship.</td> </tr> </table>  | <b>Pre-Delivery Tranche for each Vessel</b> | <b>Post-Delivery Tranche for each Vessel</b> | 100% Corporate Guarantee from the Company.  | Corporate Guarantee from the Company for up to USD 8 million per ship.   |
| <b>Pre-Delivery Tranche for each Vessel</b>   | <b>Post-Delivery Tranche for each Vessel</b>  |   |  |   |  |
| 100% Corporate Guarantee from the Company.  | Corporate Guarantee from the Company for up to USD 8 million per ship.  |   |  |   |  |

The Company has drawn US\$ 38.52 million against this facility and US\$ 37.56 million is outstanding as on 31<sup>st</sup> December 2014

#### **5.6 New credit facility of USD 84.96 million from ING Bank N.V., Singapore and DNB Asia Ltd.**

On 14<sup>th</sup> October 2011, the four Single Purpose Subsidiaries (SPCs) in Singapore of the Company's Singapore subsidiary, viz. Precious Comforts Pte Ltd. (formerly OSW6 Pte. Ltd.), Precious Sparks Pte Ltd. (formerly OSW7 Pte. Ltd.), Precious Visions Pte Ltd. (formerly OSW8 Pte. Ltd.) and Precious Bridges Pte Ltd. (formerly OSW9 Pte. Ltd.), executed a USD 84.96 million Term Loan Facility with ING Bank N.V., Singapore Branch and DNB Asia Ltd., to finance up to 80% of the Total Acquisition Cost of the 4 new Supramax 57,000 DWT Dry Bulk vessels ordered by the SPCs built at Guoyu shipyard in China. In 2012 all 4 Vessels were delivered to the respective SPCs of the Company.

#### **Summary of Main terms and Conditions**

|                         |  |
|-------------------------|--|
| <b>Borrowers/Owners</b> | : Precious Comforts Pte Ltd. (formerly OSW6 Pte. Ltd.)<br>Precious Sparks Pte Ltd. (formerly OSW7 Pte. Ltd.)<br>Precious Visions Pte Ltd. (formerly OSW8 Pte. Ltd.) and<br>Precious Bridges Pte Ltd. (formerly OSW9 Pte. Ltd.)   |
| <b>Lenders</b>          | : ING Bank N.V., Singapore Branch ("ING") and DNB Asia Ltd. ("DNB")  |
| <b>Swap Providers</b>   | : ING and DNB  |
| <b>Facility Agent</b>   | : ING  |
| <b>Security Agent</b>   | : DNB  |
| <b>Guarantor</b>        | : Precious Shipping Public Company Limited, Thailand ("PSL")   |
| <b>Purpose</b>          | : To provide up to 80% financing of the Total Acquisition Cost of USD 106,200,004 (i.e. USD 26,550,001 per Vessel) of four new 57,000 DWT dry bulk Vessels. Total Acquisition Cost being the aggregate of:<br>i) Total purchase price of shares acquired in the 4 Borrowers: USD 6,800,004;<br>ii) Total shipbuilding contract price of the Vessels: USD 98,000,000; and<br>iii) Expenses relating to fulfillment of PSL regulations: USD 1,400,000. |

|   |  |                               |                                |   |  |
|---|--|-------------------------------|--------------------------------|---|--|
| <b>Facility Amount</b>  | <p>: Maximum USD 84,960,000 to be divided into 4 Vessel Tranches comprising:</p> <p><b>Pre-Delivery Facility Amount per Vessel Tranche</b><br/>Up to USD 16,060,000</p> <p><b>Post-Delivery Facility Amount per Vessel Tranche</b><br/>Up to USD 21,240,000 or 80% of the Fair Market Value, whichever is lower.</p> <p>The Facility Amount shall be split among the Lenders as follows:<br/>ING: USD 53,960,000<br/>DNB: USD 31,000,000</p>   |                               |                                |   |  |
| <b>Interest Rate</b>  | : USD LIBOR plus Margin.   |                               |                                |   |  |
| <b>Commitment Fees</b>  | : 50% of margin per annum of undrawn facility payable quarterly.   |                               |                                |   |  |
| <b>Final Maturity Dates</b>   | : 8 years after Final Drawdown of each Vessel Tranche.   |                               |                                |   |  |
| <b>Availability Period and Drawdown</b>   | <table border="0" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"><b>Pre-Delivery Facility:</b></td> <td style="width: 50%; vertical-align: top;"><b>Post-Delivery Facility:</b></td> </tr> <tr> <td style="vertical-align: top;">Each request for drawdown, other than the portion of acquisition cost pertaining to the share purchase consideration shall be in accordance with the relevant shipbuilding contract(s).</td> <td style="vertical-align: top;">100% of the Post-Delivery Facility Amount is to be drawn upon delivery of the respective vessels.</td> </tr> </table>  | <b>Pre-Delivery Facility:</b> | <b>Post-Delivery Facility:</b> | Each request for drawdown, other than the portion of acquisition cost pertaining to the share purchase consideration shall be in accordance with the relevant shipbuilding contract(s).   | 100% of the Post-Delivery Facility Amount is to be drawn upon delivery of the respective vessels.  |
| <b>Pre-Delivery Facility:</b>   | <b>Post-Delivery Facility:</b>   |                               |                                |   |  |
| Each request for drawdown, other than the portion of acquisition cost pertaining to the share purchase consideration shall be in accordance with the relevant shipbuilding contract(s).   | 100% of the Post-Delivery Facility Amount is to be drawn upon delivery of the respective vessels.  |                               |                                |   |  |
| <b>Repayment</b>  | <table border="0" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"><b>Pre-Delivery Facility:</b></td> <td style="width: 50%; vertical-align: top;"><b>Post-Delivery Facility:</b></td> </tr> <tr> <td style="vertical-align: top;">The Pre-Delivery Facility shall be repaid in one lump sum upon delivery of the respective Vessel from the proceeds of the post-delivery drawdown.</td> <td style="vertical-align: top;">For each Vessel, in 32 equal quarterly installments of USD 354,000 and a balloon repayment of USD 9,912,000 together with the last installment. The first repayment installment to be due 3 months after the Final Drawdown of each Vessel. At Final Maturity, all amounts outstanding shall be repaid and the respective Vessel Tranches reduced to zero. Corporate Guarantee from the Guarantor; and All the above Post- Delivery securities to be cross collateralised.</td> </tr> </table>   | <b>Pre-Delivery Facility:</b> | <b>Post-Delivery Facility:</b> | The Pre-Delivery Facility shall be repaid in one lump sum upon delivery of the respective Vessel from the proceeds of the post-delivery drawdown.   | For each Vessel, in 32 equal quarterly installments of USD 354,000 and a balloon repayment of USD 9,912,000 together with the last installment. The first repayment installment to be due 3 months after the Final Drawdown of each Vessel. At Final Maturity, all amounts outstanding shall be repaid and the respective Vessel Tranches reduced to zero. Corporate Guarantee from the Guarantor; and All the above Post- Delivery securities to be cross collateralised.   |
| <b>Pre-Delivery Facility:</b>   | <b>Post-Delivery Facility:</b>   |                               |                                |   |  |
| The Pre-Delivery Facility shall be repaid in one lump sum upon delivery of the respective Vessel from the proceeds of the post-delivery drawdown.   | For each Vessel, in 32 equal quarterly installments of USD 354,000 and a balloon repayment of USD 9,912,000 together with the last installment. The first repayment installment to be due 3 months after the Final Drawdown of each Vessel. At Final Maturity, all amounts outstanding shall be repaid and the respective Vessel Tranches reduced to zero. Corporate Guarantee from the Guarantor; and All the above Post- Delivery securities to be cross collateralised.   |                               |                                |   |  |
| <b>Security</b>   | <table border="0" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"><b>Pre-Delivery Facility:</b></td> <td style="width: 50%; vertical-align: top;"><b>Post-Delivery Facility:</b></td> </tr> <tr> <td style="vertical-align: top;"> <ul style="list-style-type: none"> <li>• Pledge of shares of the Borrowers;</li> <li>• First priority assignment of Refund Guarantees issued by the China Merchants Bank, or any other banks/ financial institutions acceptable to the Lenders;</li> <li>• First priority assignment of the Shipbuilding Contracts; and</li> <li>• Corporate Guarantee from the Guarantor.</li> </ul> </td> <td style="vertical-align: top;"> <ul style="list-style-type: none"> <li>• Pledge of shares of the Borrowers;</li> <li>• First priority mortgage on the Vessels;</li> <li>• First priority assignment of earnings and time charters;</li> <li>• First priority charge over the Earnings Accounts with the Security Agent;</li> <li>• First priority assignment of all insurances and requisition compensation of the Vessels; Corporate Guarantee from the Guarantor; and</li> <li>• All the above Post-Delivery securities to be cross collateralised.</li> </ul> </td> </tr> </table> | <b>Pre-Delivery Facility:</b> | <b>Post-Delivery Facility:</b> | <ul style="list-style-type: none"> <li>• Pledge of shares of the Borrowers;</li> <li>• First priority assignment of Refund Guarantees issued by the China Merchants Bank, or any other banks/ financial institutions acceptable to the Lenders;</li> <li>• First priority assignment of the Shipbuilding Contracts; and</li> <li>• Corporate Guarantee from the Guarantor.</li> </ul> | <ul style="list-style-type: none"> <li>• Pledge of shares of the Borrowers;</li> <li>• First priority mortgage on the Vessels;</li> <li>• First priority assignment of earnings and time charters;</li> <li>• First priority charge over the Earnings Accounts with the Security Agent;</li> <li>• First priority assignment of all insurances and requisition compensation of the Vessels; Corporate Guarantee from the Guarantor; and</li> <li>• All the above Post-Delivery securities to be cross collateralised.</li> </ul> |
| <b>Pre-Delivery Facility:</b>   | <b>Post-Delivery Facility:</b>   |                               |                                |   |  |
| <ul style="list-style-type: none"> <li>• Pledge of shares of the Borrowers;</li> <li>• First priority assignment of Refund Guarantees issued by the China Merchants Bank, or any other banks/ financial institutions acceptable to the Lenders;</li> <li>• First priority assignment of the Shipbuilding Contracts; and</li> <li>• Corporate Guarantee from the Guarantor.</li> </ul> | <ul style="list-style-type: none"> <li>• Pledge of shares of the Borrowers;</li> <li>• First priority mortgage on the Vessels;</li> <li>• First priority assignment of earnings and time charters;</li> <li>• First priority charge over the Earnings Accounts with the Security Agent;</li> <li>• First priority assignment of all insurances and requisition compensation of the Vessels; Corporate Guarantee from the Guarantor; and</li> <li>• All the above Post-Delivery securities to be cross collateralised.</li> </ul>   |                               |                                |   |  |



- Financial Covenants** : The Guarantor shall comply with the following to be measured quarterly based on its consolidated USD Financial Statements:
- Maximum Funded Debt to Total Shareholders' Equity ratio of 2:1;
  - Maximum Funded Debt to EBITDA ratio of 5:1; (The ratio was amended in year 2014 to 6.0 till December 2016 and 5.0 times thereafter) and
  - Maintain a minimum Free Cash Balance of USD100,000 per vessel owned by the Precious Group.
- Vessel Covenants** : The aggregate market value of the Vessels shall be at least 125% of the aggregate loan outstanding under the Post-Delivery Facility at all times.
- Other Covenants** :
- The Guarantor shall remain listed on the Stock Exchange of Thailand at all times;
  - It will be an Event of Default if any of Khalid Moinuddin Hashim, Munir Moinuddin Hashim and Khushroo Kali Wadia cease to play an active role in the management of the Guarantor save by reason of death or incapacity except if a replacement acceptable to the Lenders is in place within 90 days;
  - No restrictions on dividend payments by PSL. Borrowers allowed to pay out dividends to shareholders without any restriction unless an Event of Default or Potential Event of Default has occurred and is continuing and there is an outstanding amount due on the Loan.

During 2012, the respective Borrowers drew USD 53.2 Million against this facility for 3 Ships and subsequently drew USD 18 million for the fourth Ship in January 2013, and accordingly, the Company has drawn only USD 71.2 Million against this facility which is now closed.

Therefore, the Facility amounts against each Hull, drawdowns made against each Hull and Loan outstanding as on 31<sup>st</sup> December 2014 (after repayment) is as under:

| Hull No.       | Post delivery facility | Drawdown made       | Loan outstanding    |
|----------------|------------------------|---------------------|---------------------|
| Apiradee Naree | \$18,200,000           | \$18,200,000        | \$15,014,000        |
| Baranee Naree  | \$17,000,000           | \$17,000,000        | \$14,168,000        |
| Chayanee Naree | \$18,000,000           | \$18,000,000        | \$15,168,000        |
| Daranee Naree  | \$18,000,000           | \$18,000,000        | \$15,522,000        |
| <b>Total</b>   | <b>\$71,200,000</b>    | <b>\$71,200,000</b> | <b>\$59,872,000</b> |

### 5.7 New or Secondhand Ships acquisition credit facility from Export-Import Bank of Thailand

On 17<sup>th</sup> February 2012, the Company executed a USD 100 million Term Loan Facility with Export-Import Bank of Thailand ("EXIM") to finance up to 80% of the Acquisition Cost of new or second-hand Dry Bulk Vessels that may be acquired by the Company.

#### Summary of main terms and conditions of the USD 100 million Loan Agreement:

- Borrowers** : Precious Shipping Public Company Limited and/or its wholly owned subsidiaries.
- Lender** : Export-Import Bank of Thailand ("EXIM").
- Purpose** : To provide up to 80% financing of the Acquisition Cost of new or second-hand Dry Bulk Vessel(s), provided that such Vessel(s) are:
- not more than 15 (Fifteen) years old; and
  - not less than 18,000 (Eighteen Thousand) DWT.
- Facility Amount** : Up to USD 100 million in multiple drawdowns.
- Interest Rate** : 6 months LIBOR plus margin.

|                            |   |
|----------------------------|---|
| <b>Management fee</b>      | : 1% per annum of the total outstanding loan for the first 5 years after first drawdown.  |
| <b>Commitment Fees</b>     | : 0.7% per annum of undrawn facility payable quarterly.   |
| <b>Availability Period</b> | : Up to 30 <sup>th</sup> December 2012.   |
| <b>Repayment</b>           | : The total loan outstanding shall be repaid in 8.5 years in 34 equal quarterly installments, beginning 3 months after the end of the Availability Period.  |
| <b>Security</b>            | : <ul style="list-style-type: none"> <li>• First priority mortgage on the financed Vessels; and</li> <li>• Pledge of shares of the Subsidiary Borrowers.</li> </ul>   |
| <b>Financial Covenants</b> | : <ul style="list-style-type: none"> <li>• At the end of each calendar year, the Borrower will be subject to the following financial covenants based on its consolidated financial statements in US Dollars: Debt Service Coverage Ratio shall be at least 1.1 : 1;</li> <li>• Net Funded Debt to EBITDA shall not exceed 5:1; (The ratio was amended in year 2014 to 6.0 till December 2016 and 5.0 times thereafter)</li> <li>• Debt to Equity Ratio shall not exceed 2:1.</li> </ul> |
| <b>Vessel Covenants</b>    | : <ul style="list-style-type: none"> <li>• Financed vessels have to be registered in Thailand</li> <li>• If the value of the financed vessels is less than 125% of the total outstandings to be tested on an annual basis, the Borrower will provide additional security or prepay the excess part of the total outstandings.</li> </ul>  |
| <b>Other Covenants</b>     | : No restriction on dividend payments by PSL. Borrowers allowed to pay out dividends to shareholders without any restriction unless an Event of Default or Potential Event of Default has occurred and is continuing and there is an outstanding amount due on the Loan.  |

The Shipowning Subsidiaries of the Company have drawn USD 64.82 Million against this facility to finance 5 Ships acquired during 2012-2013 and the balance outstanding against this facility after repayment as on 31<sup>st</sup> December 2014 is USD 51.76 million.

On 12<sup>th</sup> December 2013, the Company executed the Amendment Agreement to this Facility mainly to extend the availability period of the balance Facility of USD 35.18 million from 30<sup>th</sup> December 2013 to 30<sup>th</sup> December 2014 which was cancelled in 2014.

#### **5.8 New credit facility of USD 19.34 million from Bangkok Bank Public Company Limited, Singapore:**

On 9 April, 2014, the Company's subsidiary in Singapore, ABC Four Pte. Ltd (the "Subsidiary"). executed a USD 19.34 million Term Loan Facility with Bangkok Bank Public Company Limited, Singapore Branch to finance up to 80% of the Contract Price of one new 20,000 DWT Cement Carrier i.e. Hull No CC200-03 ordered by the Subsidiary.

#### **Summary of main terms and conditions of the USD 19,344,000 Loan Agreement:**

|                                    |   |
|------------------------------------|---|
| <b>Borrower</b>                    | : ABC Four Pte. Ltd. (the "Subsidiary") of Associated Bulk Carriers Pte. Ltd. ("ABC")   |
| <b>Lender</b>                      | : Bangkok Bank Public Company Limited, Singapore Branch   |
| <b>Facility Agent</b>              | : Bangkok Bank Public Company Limited, Singapore Branch   |
| <b>Security Agent</b>              | : Bangkok Bank Public Company Limited, Singapore Branch   |
| <b>Interest Rate Swap Provider</b> | : Bangkok Bank Public Company Limited, Singapore Branch   |
| <b>Purpose</b>                     | : To finance the Pre and Post-delivery Instalments of the construction of one new cement carrier i.e. Hull No. CC200-03 ("Vessel") ordered with Shanhaiguan New Shipbuilding Industry Co., Ltd., China, of up to 80% of the Contract Price. |

|  |  |                             |                              |  |   |
|--|--|-----------------------------|------------------------------|--|---|
| <b>Loan Amount</b>   | : The Loan shall not exceed USD 19,344,000 (the “Loan Amount”), comprising of two vessel tranches (the “Vessel Tranche”).  |                             |                              |  |   |
| <b>Vessel Tranche</b>  | : The Loan Amount shall be divided into two tranches as follows: <ul style="list-style-type: none"> <li>• <b>Pre-Delivery Tranche:</b> USD 4,836,000 or 20% of the Contract Price to be made available in 2 separate disbursements.</li> <li>• <b>Post-Delivery Tranche:</b> USD 19,344,000 or 80% of the Contract Price to be made available in a single disbursement, part of which will be used to repay the Pre-Delivery Tranche.</li> </ul>   |                             |                              |  |   |
| <b>Availability Period</b>   | : The Vessel Loans shall be made available for drawdown by the Borrower for the Pre-Delivery Tranche for the Vessel from execution of the Loan Agreement up to and including the Delivery Date for the Vessel, or such other date as may be agreeable to the Lender.   |                             |                              |  |   |
| <b>Interest Rate</b>   | : US Dollar LIBOR plus Margin.   |                             |                              |  |   |
| <b>Commitment Fees</b>   | : 0.60% per annum of undrawn facility payable quarterly.   |                             |                              |  |   |
| <b>Drawdown</b>  | : <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;"><b>Pre-Delivery Tranche</b></td> <td style="width: 50%;"><b>Post-Delivery Tranche</b></td> </tr> <tr> <td>Drawdown of the Pre-Delivery Tranche shall be in accordance with the payment schedule under the Shipbuilding Contract.</td> <td>100% of the Post-Delivery Tranche Amount is to be drawn upon delivery of the Vessel.</td> </tr> </table>  | <b>Pre-Delivery Tranche</b> | <b>Post-Delivery Tranche</b> | Drawdown of the Pre-Delivery Tranche shall be in accordance with the payment schedule under the Shipbuilding Contract.   | 100% of the Post-Delivery Tranche Amount is to be drawn upon delivery of the Vessel.  |
| <b>Pre-Delivery Tranche</b>  | <b>Post-Delivery Tranche</b>   |                             |                              |  |   |
| Drawdown of the Pre-Delivery Tranche shall be in accordance with the payment schedule under the Shipbuilding Contract.   | 100% of the Post-Delivery Tranche Amount is to be drawn upon delivery of the Vessel.   |                             |                              |  |   |
| <b>Repayments</b>  | : <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;"><b>Pre-Delivery Tranche</b></td> <td style="width: 50%;"><b>Post-Delivery Tranche</b></td> </tr> <tr> <td>The Pre-Delivery Tranche shall be repaid in one lump sum upon delivery of the Vessel from the proceeds of the Post-Delivery Tranche.</td> <td>The Vessel Loan will be repaid over 39 quarterly installments of USD 322,400 from the end of the first quarter after the Commencement Date and a final installment of USD 6,770,400 at the end of the Term.</td> </tr> </table>   | <b>Pre-Delivery Tranche</b> | <b>Post-Delivery Tranche</b> | The Pre-Delivery Tranche shall be repaid in one lump sum upon delivery of the Vessel from the proceeds of the Post-Delivery Tranche.   | The Vessel Loan will be repaid over 39 quarterly installments of USD 322,400 from the end of the first quarter after the Commencement Date and a final installment of USD 6,770,400 at the end of the Term.   |
| <b>Pre-Delivery Tranche</b>  | <b>Post-Delivery Tranche</b>   |                             |                              |  |   |
| The Pre-Delivery Tranche shall be repaid in one lump sum upon delivery of the Vessel from the proceeds of the Post-Delivery Tranche.   | The Vessel Loan will be repaid over 39 quarterly installments of USD 322,400 from the end of the first quarter after the Commencement Date and a final installment of USD 6,770,400 at the end of the Term.  |                             |                              |  |   |
| <b>Security</b>  | : <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;"><b>Pre-Delivery Tranche</b></td> <td style="width: 50%;"><b>Post-Delivery Tranche</b></td> </tr> <tr> <td> <ul style="list-style-type: none"> <li>• First priority assignment of the Shipbuilding Contract;</li> <li>• First priority assignment of the Refund Guarantee;</li> <li>• Pledge of shares of the Borrower held by ABC; and</li> <li>• Corporate Guarantees from the Company and ABC.</li> </ul> </td> <td> <ul style="list-style-type: none"> <li>• First priority mortgage on the Vessel;</li> <li>• First priority assignment of all earnings, insurance policies and requisition compensation on the Vessel;</li> <li>• First priority assignment of Time-Charter contracts;</li> <li>• First priority charge over the Earnings Account and Retention Account;</li> <li>• Corporate Guarantee from ABC; and</li> <li>• Corporate Guarantee from the Company for up to USD 8 million.</li> </ul> </td> </tr> </table> | <b>Pre-Delivery Tranche</b> | <b>Post-Delivery Tranche</b> | <ul style="list-style-type: none"> <li>• First priority assignment of the Shipbuilding Contract;</li> <li>• First priority assignment of the Refund Guarantee;</li> <li>• Pledge of shares of the Borrower held by ABC; and</li> <li>• Corporate Guarantees from the Company and ABC.</li> </ul> | <ul style="list-style-type: none"> <li>• First priority mortgage on the Vessel;</li> <li>• First priority assignment of all earnings, insurance policies and requisition compensation on the Vessel;</li> <li>• First priority assignment of Time-Charter contracts;</li> <li>• First priority charge over the Earnings Account and Retention Account;</li> <li>• Corporate Guarantee from ABC; and</li> <li>• Corporate Guarantee from the Company for up to USD 8 million.</li> </ul> |
| <b>Pre-Delivery Tranche</b>  | <b>Post-Delivery Tranche</b>   |                             |                              |  |   |
| <ul style="list-style-type: none"> <li>• First priority assignment of the Shipbuilding Contract;</li> <li>• First priority assignment of the Refund Guarantee;</li> <li>• Pledge of shares of the Borrower held by ABC; and</li> <li>• Corporate Guarantees from the Company and ABC.</li> </ul> | <ul style="list-style-type: none"> <li>• First priority mortgage on the Vessel;</li> <li>• First priority assignment of all earnings, insurance policies and requisition compensation on the Vessel;</li> <li>• First priority assignment of Time-Charter contracts;</li> <li>• First priority charge over the Earnings Account and Retention Account;</li> <li>• Corporate Guarantee from ABC; and</li> <li>• Corporate Guarantee from the Company for up to USD 8 million.</li> </ul>  |                             |                              |  |   |
| <b>Financial Covenants</b>   | : Throughout the Facility Period, the Borrower shall ensure that it retains Equity Ratio of no less than 20%; and<br><br>After the Delivery Date, the Borrower shall ensure that it retains EBITDA of no less than 1.1 times the Total Debt Service.   |                             |                              |  |   |

- Other Covenants** :
- No change in management or ownership of the Borrower; and
  - No restrictions on dividend payments by the Company. The Borrower also allowed to pay out dividends to shareholders without any restriction unless Debt Service Coverage Ratio is less than 1.1 times or a Default has occurred and is continuing.

The Company has drawn US\$ 19.34 million against this facility and US\$ 19.34 million was outstanding as on 31<sup>st</sup> December 2014

### 5.9 New credit facility of USD 19.58 million from TMB Bank Public Company Limited:

On 22 May, 2014, the Company's subsidiary in Singapore, ABC One Pte. Ltd. (the "Subsidiary"), executed a USD 19.58 million Term Loan Facility with TMB Bank Public Company Limited, to finance up to 80% of the Contract Price of one new 20,000 DWT Cement Carrier i.e. Hull No CC200-04 ordered by the Subsidiary.

#### Summary of main terms and conditions of the USD 19,584,000 Loan Agreement:

|                                    |  |   |
|------------------------------------|--|---|
| <b>Borrower</b>                    | : ABC One Pte. Ltd. (the "Subsidiary") of Associated Bulk Carriers Pte. Ltd. (the "Parent") which is the Singapore subsidiary of the Company   |   |
| <b>Lender</b>                      | : TMB Bank Public Company Limited  |   |
| <b>Facility Agent</b>              | : TMB Bank Public Company Limited  |   |
| <b>Security Agent</b>              | : TMB Bank Public Company Limited  |   |
| <b>Interest Rate Swap Provider</b> | : TMB Bank Public Company Limited  |   |
| <b>Purpose</b>                     | : To finance the Pre and Post-delivery Instalments of the construction of one new cement carrier i.e. Hull No. CC200-04 ("Vessel") ordered with Shanhaiguan New Shipbuilding Industry Co., Ltd., China, of up to 80% of the Contract Price.  |   |
| <b>Loan Amount</b>                 | : The Loan shall not exceed USD 19,584,000 (the "Loan Amount"), comprising of two vessel tranches (the "Vessel Tranche").  |   |
| <b>Vessel Tranche</b>              | : The Loan Amount shall be divided into two tranches as follows: <ul style="list-style-type: none"> <li>• <b>Pre-Delivery Tranche:</b> USD 4,896,000 or 20% of the Contract Price</li> <li>• <b>Post-Delivery Tranche:</b> USD 19,584,000 or 80% of the Contract Price to be made available in a single disbursement, part of which must be used to repay the Pre-Delivery Tranche.</li> </ul> |   |
| <b>Availability Period</b>         | : The Vessel Loans shall be made available for drawdown by the Borrower for the Pre-Delivery Tranche for the Vessel from execution of the Loan Agreement up to and including the Delivery Date for the Vessel, or such other date as may be agreeable to the Lender.   |   |
| <b>Interest Rate</b>               | : US Dollar LIBOR plus Margin.   |   |
| <b>Commitment Fees</b>             | : 0.60% per annum of undrawn facility payable quarterly.   |   |
| <b>Drawdown</b>                    | <b>Pre-Delivery Tranche</b>  | <b>Post-Delivery Tranche</b>  |
|                                    | Drawdown of the Pre-Delivery Tranche shall be in accordance with the payment schedule under the Shipbuilding Contract.   | 100% of the Post-Delivery Tranche Amount is to be drawn upon delivery of the Vessel.  |
| <b>Repayments</b>                  | <b>Pre-Delivery Tranche</b>  | <b>Post-Delivery Tranche</b>  |
|                                    | The Pre-Delivery Tranche shall be repaid in one lump sum upon delivery of the Vessel from the proceeds of the Post-Delivery Tranche.   | The Vessel Loan will be repaid over 40 quarterly installments of USD 489,600 from the end of the first quarter after the Commencement Date. |

|                            |   |  |
|----------------------------|---|--|
| <b>Security</b>            | : <b>Pre-Delivery Tranche</b>   | <b>Post-Delivery Tranche</b>   |
|                            | <ul style="list-style-type: none"> <li>• First priority assignment of the Shipbuilding Contract;</li> <li>• First priority assignment of the Refund Guarantee;</li> <li>• Pledge of shares of the Borrower held by the Parent; and</li> <li>• Corporate Guarantees from the Company and the Parent.</li> </ul>  | <ul style="list-style-type: none"> <li>• First priority mortgage on the Vessel;</li> <li>• First priority assignment of all earnings, insurance policies and requisition compensation on the Vessel;</li> <li>• First priority assignment of Time-Charter contracts;</li> <li>• First priority charge over the Earnings Account and Retention Account;</li> <li>• Corporate Guarantee from the Parent; and</li> <li>• Corporate Guarantee from the Company for up to USD 8 million.</li> </ul> |
| <b>Financial Covenants</b> | : Throughout the Facility Period, the Borrower shall ensure that it retains Equity Ratio of no less than 20%; and   |  |
|                            | After the Delivery Date, the Borrower shall ensure that it retains EBITDA of no less than 1.1 times the Total Debt Service.   |  |
| <b>Other Covenants</b>     | : <ul style="list-style-type: none"> <li>• No change in management or ownership of the Borrower; and</li> <li>• No restrictions on dividend payments by the Company. The Borrower also allowed to pay out dividends to shareholders without any restriction unless Debt Service Coverage Ratio is less than 1.1 times or a Default has occurred and is continuing.</li> </ul> |  |

The Company has drawn US\$ 4.90 million against this facility as on 31<sup>st</sup> December 2014

#### **5.10 New Credit Facility of USD 81.50 million from Export-Import Bank of Thailand:**

On 29 May, 2014, the Company executed a USD 81.50 million Term Loan Facility with Export-Import Bank of Thailand ("EXIM") to finance up to 80% of the Contract Price of new Dry Bulk Carriers ordered for construction by the Company.

|                            |  |
|----------------------------|--|
| <b>Borrowers</b>           | : Precious Shipping Public Company Limited (the Company) and/or its wholly owned subsidiaries.   |
| <b>Lender</b>              | : Export-Import Bank of Thailand ("EXIM").   |
| <b>Purpose</b>             | : To provide up to 80% financing of the Contract Price of new Dry Bulk Vessel(s), provided that such Vessel(s) are not less than 35,000 DWT.   |
| <b>Facility Amount</b>     | : Up to USD 81.50 million in multiple drawdowns.   |
| <b>Interest Rate</b>       | : 6 months LIBOR plus margin.  |
| <b>Management fee</b>      | : 1% per annum on the outstanding loan payable quarterly until 21 March 2018.  |
| <b>Commitment Fees</b>     | : 0.7% per annum of undrawn facility payable quarterly.  |
| <b>Availability Period</b> | : Up to 30 December, 2015.   |
| <b>Repayment</b>           | : The loan shall be repaid in 10 years in 39 equal quarterly installments of 1/55 <sup>th</sup> of each drawdown amount, beginning from the end of the next quarter after the respective each drawdown with balance amount repayable at the end of the 40 <sup>th</sup> quarter. |
| <b>Security</b>            | : <ul style="list-style-type: none"> <li>• First priority mortgage on the financed Vessels; and</li> <li>• Pledge of shares of the Subsidiary Borrowers.</li> </ul>  |

- Financial Covenants** : At the end of each calendar year, the Company will be subject to the following financial covenants based on its consolidated financial statements in US Dollars;
- Debt Service Coverage Ratio shall be at least 1.1 : 1;
  - Net Funded Debt to EBITDA shall not exceed 5:1(The ratio was amended in year 2014 to 6.0 till December 2016 and 5.0 times thereafter);
  - Debt to Equity Ratio shall not exceed 2:1.
- Vessel Covenants** :
- Financed vessels have to be registered in Thailand;
  - If the value of the financed vessels is less than 125% of the total outstandings as tested on an annual basis, the Borrower will provide additional security or prepay the excess part of the total outstandings.

The Company has drawn US\$ 43.84 million for financing 2 Ships (Inthira naree and Issara naree) against this facility as on 31<sup>st</sup> December 2014

**5.11 New Secured Loan Agreement of USD 41.85 million from Norddeutsche Landesbank Girozentrale, Singapore Branch ("NordLB"):**

On 30<sup>th</sup> September, 2014, the Company executed a USD 41.85 million Secured Loan Agreement with NordLB to finance up to 75% of the Contract Price of two new 64,000 DWT Ultramax Dry Bulk Vessels bearing Hull Nos. SAM14019B and SAM14020B, ordered by the Company in February 2014 and currently under construction in China.

- Borrowers** : Precious Shipping Public Company Limited ("PSL") jointly and severally with certain ship-owning subsidiaries to be incorporated in Singapore before the delivery of the respective Vessels ("Subsidiary Borrowers")
- Lender** : Norddeutsche Landesbank Girozentrale, Singapore Branch ("NordLB")
- Agent** : NordLB
- Security Agent** : NordLB
- Purpose** : To provide up to 75% financing of the Contract Price of two new 64,000 DWT Ultramax Dry Bulk Vessels bearing Hull Nos. SAM14019B and SAM14020B, ordered with Sainty Marine Corporation Ltd., China ("Vessel" or "Vessels").
- Loan Amount** : The Maximum Loan Amount of USD 41.85 million divided into two vessel loans ("Vessel Loan" or "Vessel Loans"). Each Vessel Loan shall not exceed the lower of:
- i) USD 20,925,000;
  - ii) 75% of the market value of the Vessel to which the Vessel Loan relates.
- Interest Rate** : USD LIBOR plus Margin.
- Commitment Fees** : 1.02% per annum of undrawn facility payable on a three monthly basis.
- Availability Period** : Up to 27th November, 2015, or, if earlier, the date on which the Vessel Loans are fully borrowed, cancelled or terminated.
- Repayment** : The loans shall be repaid over 8 years, in 32 equal quarterly installments of USD 348,750 per Vessel, beginning from three calendar months after each drawdown (to be made on or around delivery date of the relevant Vessel) and a balloon repayment of USD 9,765,000 per Vessel on each of the final instalments.
- Security** :
- First priority mortgage on the Vessels;
  - Pledge of shares of the Subsidiary Borrowers;
  - First priority charge over the Earnings Accounts and Retention Accounts of the Subsidiary Borrowers;
  - First priority assignment of all insurances and requisition compensation of the Vessels; and
  - First priority assignment of the shipbuilders' warranties of the Vessels.

**Financial Covenants** : PSL shall comply with the following to be measured quarterly based on its consolidated USD Financial Statements:

- a) Maximum Funded Debt to Total Shareholders' Equity ratio of 2:1;
- b) Maximum Funded Debt to EBITDA ratio shall not exceed 6:1 between the date of the Agreement and ending on 30<sup>th</sup> June, 2017 and thereafter shall not exceed 5:1; and
- c) Maintain a minimum Free Cash Balance of USD100,000 per vessel owned by PSL and its subsidiaries.

**Vessel Covenants** : • The Vessels have to be registered in Singapore; and  
• The aggregate market value of the Vessels shall be at least 125% of the aggregate outstanding Vessel Loans at all times.

**Other Covenants** : • PSL shall remain listed on the Stock Exchange of Thailand at all times;  
• No restrictions on dividend payments by PSL. The Subsidiary Borrowers are allowed to pay out dividends to shareholders without any restriction unless an Event of Default has occurred and is continuing.

The Company has not drawn any amount against this facility as on 31<sup>st</sup> December 2014

#### **5.12 New Secured Loan Agreement of USD 200 million from DNB Asia Ltd. (“DNB”) and the Export-Import Bank of China (“CEXIM”):**

On 13<sup>th</sup> November, 2014, the Company executed a USD 200 million Secured Loan Agreement with DNB and CEXIM (“Agreement”) to finance up to 75% of the Contract Price of two new 38,500 DWT Handysize Dry Bulk Vessels and eight new 64,000 DWT Ultramax Dry Bulk Vessels, ordered by the Company earlier and currently under construction at two shipyards in China.

**Borrowers** : Precious Shipping Public Company Limited (“PSL”) jointly and severally with certain ship-owning subsidiaries (“Subsidiary Borrowers”) to be incorporated in Singapore before the delivery of the respective Vessels

**Lenders** : DNB Asia Ltd. (“DNB”) and Export-Import Bank of China (“CEXIM”)

**Agent** : DNB

**Security Agent** : DNB

**Purpose** : To provide pre and post-delivery financing up to 75% of the Contract Price of the respective Dry Bulk Vessels (“Vessel” or “Vessels”) ordered with Shanhaiguan New Shipbuilding Industry Co. Ltd. (“SHG”) and Sainty Marine Corporation Ltd. (“Sainty”), China:

| <b>Vessel No.</b> | <b>DWT</b> | <b>Seller</b> |
|-------------------|------------|---------------|
| Vessel One        | 38,500     | SHG           |
| Vessel Two        | 38,500     | SHG           |
| Vessel Three      | 64,000     | Sainty        |
| Vessel Four       | 64,000     | Sainty        |
| Vessel Five       | 64,000     | Sainty        |
| Vessel Six        | 64,000     | Sainty        |
| Vessel Seven      | 64,000     | Sainty        |
| Vessel Eight      | 64,000     | Sainty        |
| Vessel Nine       | 64,000     | Sainty        |
| Vessel Ten        | 64,000     | Sainty        |

|   |   |                                   |                                    |   |   |
|---|---|-----------------------------------|------------------------------------|---|---|
| <b>Loan Amount</b>  | : The Maximum Loan Amount of USD 200 million is divided into ten vessel loans (“Vessel Loan” or “Vessel Loans”) comprised of:   |                                   |                                    |   |   |
|   | <table border="0" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"><b>Pre-Delivery Vessel Loans:</b></td> <td style="width: 50%; vertical-align: top;"><b>Post-Delivery Vessel Loans:</b></td> </tr> <tr> <td style="vertical-align: top;"> <ul style="list-style-type: none"> <li>a. For Vessel One and Two: Up to USD 3,347,700 each;</li> <li>b. For Vessel Three, Four, Seven, Eight, Nine and Ten: Up to USD 4,185,000 each; and</li> <li>c. For Vessel Five and Six: Up to USD 4,110,000 each.</li> </ul> </td> <td style="vertical-align: top;"> <ul style="list-style-type: none"> <li>a. For each of Vessel One and Two: Up to lesser of (i) USD 16,738,500 and (ii) 75% of the Market Value of the relevant Vessel;</li> <li>b. For each of Vessel Loans Three, Four, Seven, Eight, and Nine: Up to lesser of (i) USD 20,900,000 and (ii) 75% of the Market Value of the relevant Vessel;</li> <li>c. For each of Vessel Five and Six: Up to lesser of (i) USD 20,550,000 and (ii) 75% of the Market Value of the relevant Vessel; and</li> <li>d. For Vessel Ten: Up to lesser of (i) USD 20,923,000 and (ii) 75% of the Market Value of this Vessel.</li> </ul> </td> </tr> </table>                         | <b>Pre-Delivery Vessel Loans:</b> | <b>Post-Delivery Vessel Loans:</b> | <ul style="list-style-type: none"> <li>a. For Vessel One and Two: Up to USD 3,347,700 each;</li> <li>b. For Vessel Three, Four, Seven, Eight, Nine and Ten: Up to USD 4,185,000 each; and</li> <li>c. For Vessel Five and Six: Up to USD 4,110,000 each.</li> </ul> | <ul style="list-style-type: none"> <li>a. For each of Vessel One and Two: Up to lesser of (i) USD 16,738,500 and (ii) 75% of the Market Value of the relevant Vessel;</li> <li>b. For each of Vessel Loans Three, Four, Seven, Eight, and Nine: Up to lesser of (i) USD 20,900,000 and (ii) 75% of the Market Value of the relevant Vessel;</li> <li>c. For each of Vessel Five and Six: Up to lesser of (i) USD 20,550,000 and (ii) 75% of the Market Value of the relevant Vessel; and</li> <li>d. For Vessel Ten: Up to lesser of (i) USD 20,923,000 and (ii) 75% of the Market Value of this Vessel.</li> </ul>   |
| <b>Pre-Delivery Vessel Loans:</b>   | <b>Post-Delivery Vessel Loans:</b>  |                                   |                                    |   |   |
| <ul style="list-style-type: none"> <li>a. For Vessel One and Two: Up to USD 3,347,700 each;</li> <li>b. For Vessel Three, Four, Seven, Eight, Nine and Ten: Up to USD 4,185,000 each; and</li> <li>c. For Vessel Five and Six: Up to USD 4,110,000 each.</li> </ul> | <ul style="list-style-type: none"> <li>a. For each of Vessel One and Two: Up to lesser of (i) USD 16,738,500 and (ii) 75% of the Market Value of the relevant Vessel;</li> <li>b. For each of Vessel Loans Three, Four, Seven, Eight, and Nine: Up to lesser of (i) USD 20,900,000 and (ii) 75% of the Market Value of the relevant Vessel;</li> <li>c. For each of Vessel Five and Six: Up to lesser of (i) USD 20,550,000 and (ii) 75% of the Market Value of the relevant Vessel; and</li> <li>d. For Vessel Ten: Up to lesser of (i) USD 20,923,000 and (ii) 75% of the Market Value of this Vessel.</li> </ul>   |                                   |                                    |   |   |
| <b>Interest Rate</b>  | : USD LIBOR plus Margin.  |                                   |                                    |   |   |
| <b>Commitment Fees</b>  | : 1.00% per annum of undrawn facility payable on a three monthly basis.   |                                   |                                    |   |   |
| <b>Termination Date</b>   | : The earlier of (i) the 7 <sup>th</sup> anniversary of the delivery date of the last Vessel and (ii) 27 September 2023.  |                                   |                                    |   |   |
| <b>Availability Period</b>  | : Up to: <ul style="list-style-type: none"> <li>a. 25 February, 2016 for Vessel One;</li> <li>b. 26 September, 2016 for Vessel Two;</li> <li>c. 27 February, 2016 for Vessel Three and Four;</li> <li>d. 28 April, 2016 for Vessel Five and Six;</li> <li>e. 12 June, 2016 for Vessel Seven and Eight;</li> <li>f. 27 September, 2016 for Vessel Nine and Ten.</li> </ul>   |                                   |                                    |   |   |
| <b>Repayment</b>  | : <table border="0" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"><b>Pre-Delivery Vessel Loans:</b></td> <td style="width: 50%; vertical-align: top;"><b>Post-Delivery Vessel Loans:</b></td> </tr> <tr> <td style="vertical-align: top;">Each Pre-Delivery Vessel Loan shall be repaid in one lump sum upon delivery of the respective Vessel from the proceeds of the respective Post-Delivery Vessel Loan.</td> <td style="vertical-align: top;">           Each Post-Delivery Vessel Loan shall be repaid in quarterly instalments based on a 15-year profile as follows:           <ul style="list-style-type: none"> <li>a. USD 278,975 for each of Vessel One and Two;</li> <li>b. USD 348,333 for each of Vessel Three, Four, Seven, Eight and Nine;</li> <li>c. USD 342,500 for each of Vessel Five and Six; and</li> <li>d. USD 348,717 for Vessel Ten.</li> </ul>           All amounts outstanding under each Post-Delivery Vessel Loan after the above quarterly instalments have been paid shall be repaid in full and the respective Post-Delivery Vessel Loan shall be reduced to zero on the Termination Date by way of a single Balloon Repayment of all such amounts.         </td> </tr> </table> | <b>Pre-Delivery Vessel Loans:</b> | <b>Post-Delivery Vessel Loans:</b> | Each Pre-Delivery Vessel Loan shall be repaid in one lump sum upon delivery of the respective Vessel from the proceeds of the respective Post-Delivery Vessel Loan.   | Each Post-Delivery Vessel Loan shall be repaid in quarterly instalments based on a 15-year profile as follows: <ul style="list-style-type: none"> <li>a. USD 278,975 for each of Vessel One and Two;</li> <li>b. USD 348,333 for each of Vessel Three, Four, Seven, Eight and Nine;</li> <li>c. USD 342,500 for each of Vessel Five and Six; and</li> <li>d. USD 348,717 for Vessel Ten.</li> </ul> All amounts outstanding under each Post-Delivery Vessel Loan after the above quarterly instalments have been paid shall be repaid in full and the respective Post-Delivery Vessel Loan shall be reduced to zero on the Termination Date by way of a single Balloon Repayment of all such amounts. |
| <b>Pre-Delivery Vessel Loans:</b>   | <b>Post-Delivery Vessel Loans:</b>  |                                   |                                    |   |   |
| Each Pre-Delivery Vessel Loan shall be repaid in one lump sum upon delivery of the respective Vessel from the proceeds of the respective Post-Delivery Vessel Loan.   | Each Post-Delivery Vessel Loan shall be repaid in quarterly instalments based on a 15-year profile as follows: <ul style="list-style-type: none"> <li>a. USD 278,975 for each of Vessel One and Two;</li> <li>b. USD 348,333 for each of Vessel Three, Four, Seven, Eight and Nine;</li> <li>c. USD 342,500 for each of Vessel Five and Six; and</li> <li>d. USD 348,717 for Vessel Ten.</li> </ul> All amounts outstanding under each Post-Delivery Vessel Loan after the above quarterly instalments have been paid shall be repaid in full and the respective Post-Delivery Vessel Loan shall be reduced to zero on the Termination Date by way of a single Balloon Repayment of all such amounts.   |                                   |                                    |   |   |



- Security** : **Pre-Delivery Vessel Loans:**
- First priority assignment of Refund Guarantees; and
  - First priority assignment of the Shipbuilding Contracts.
- Post-Delivery Vessel Loans:**
- First priority mortgage on the Vessels;
  - Pledge of shares of the Subsidiary Borrowers;
  - First priority assignment of the Earnings Accounts of the Subsidiary Borrowers; and
  - First priority assignment of all insurances and requisition compensation of the Vessels.
- Financial Covenants** : PSL shall comply with the following to be measured quarterly based on its consolidated USD Financial Statements:
- a) Maximum Funded Debt to Total Shareholders' Equity ratio of 2:1;
  - b) Maximum Funded Debt to EBITDA ratio shall not exceed 6:1 between the date of the Agreement and 30<sup>th</sup> June, 2017 and thereafter shall not exceed 5:1; and
  - c) Maintain a minimum Free Cash Balance of USD100,000 per vessel owned by PSL and its subsidiaries.
- Vessel Covenants** :
- The Vessels have to be registered in Singapore; and
  - The aggregate market value of the Vessels shall be at least 125% of the aggregate outstanding Vessel Loans at all times.
- Other Covenants** :
- PSL shall remain listed on the Stock Exchange of Thailand at all times;
  - No restrictions on dividend payments by PSL. The Subsidiary Borrowers are allowed to pay out dividends to shareholders without any restriction unless an Event of Default has occurred and is continuing.

The Company has drawn US\$ 1.12 million as pre-delivery loan against this facility and US\$ 1.12 million was outstanding as on 31<sup>st</sup> December 2014

### **5.13 New Secured Loan Agreement of USD 13.50 million from Krung Thai Bank Public Company Limited. ("KTB"):**

On 2 December 2014, the Company and 5 subsidiaries (Precious Seas Limited, Precious Stars Limited, Precious Hills Limited, Precious Mountains Limited and Precious Resorts Limited ("Subsidiaries")) executed a Credit Facility Agreement with Krung Thai Bank Public Company Limited to finance certain pre-delivery payments under the Shipbuilding Contracts of up to USD 13.50 million. The loan carries interest at LIBOR plus margin which is to be paid monthly.

The amount of the loan facility, drawdown, final maturity, repayment and security of the loan facility are summarised as follows.

- Loan Facility** Up to USD 13,500,000 in multiple drawdowns
- Drawdown** A minimum of USD 1,000,000, with increments of multiples of USD 100,000 while not exceeding the relevant pre-delivery payment to be drawn within 6 months from the date of loan agreement.
- Maturity Date** 12 months after first drawdown of the loan facility ("Maturity Date"), with the option to request for a further 12 months extension
- Repayment** The loan shall be repaid in one lump sum on the Maturity Date or if extended, then paid in equal quarterly installments starting from the quarter after the Maturity Date.
- Security**
- a) Pledge of all issued shares of the Subsidiaries
  - b) 1<sup>st</sup> priority mortgage on vessels of the Subsidiaries
  - c) 1<sup>st</sup> priority assignment of all earnings, insurance policies and requisition compensation of the vessels

The loan agreement contains covenants that, among other things, require the Company to maintain certain financial ratios on its consolidated USD financial statements which include:

- a) maintenance of Debt Service Coverage Ratio at least 1.1:1
- b) maintenance of Debt to Equity ratio not exceeding 2:1
- c) maintenance of Debt to EBITDA ratio not exceeding 6:1
- d) maintenance of a minimum free cash balance of USD 100,000 per vessel owned by the Group.

The Company has not drawn any amount against this facility as on 31<sup>st</sup> December 2014

#### **5.14 New Secured Loan Agreement of USD 42 million from BNP Paribas Ltd. (“BNP”):**

On 29<sup>th</sup> December, 2014, the Company executed a USD 42 million Secured Loan Agreement with BNP (“Agreement”) to finance up to 75% of the Contract Price of two new 64,000 DWT Ultramax Dry Bulk Vessels, ordered by the Company from Taizhou Sanfu Ship Engineering Co., Ltd. China

|                       |  |
|-----------------------|--|
| <b>Borrowers</b>      | : Precious Shipping Public Company Limited (“PSL”) jointly and severally with certain ship-owning subsidiaries to be incorporated in Singapore before the delivery of the respective Vessels (“Subsidiary Borrowers”)  |
| <b>Lender</b>         | : BNP  |
| <b>Agent</b>          | : BNP  |
| <b>Security Agent</b> | : BNP  |
| <b>Purpose</b>        | : To provide up to 75% financing of the Contract Price of two new 64,000 DWT Ultramax Dry Bulk Vessels (“Vessel” or “Vessels”) bearing Hull Nos. SF130128 and SF130129, ordered with Taizhou Sanfu Ship Engineering Co., Ltd., China.  |
| <b>Loan Amount</b>    | : The Maximum Loan Amount of USD 42 million divided into two vessel loans (“Vessel Loan” or “Vessel Loans”). Each Vessel Loan shall not exceed the lower of: <ol style="list-style-type: none"><li>i) USD 21,000,000;</li><li>ii) 75% of the market value of the Vessel to which the respective Vessel Loan relates.</li></ol>   |
| <b>Interest Rate</b>  | : USD LIBOR plus Margin.   |
| <b>Commitment</b>     | : 1.00% per annum of undrawn facility payable on a three monthly basis.  |
| <b>Fees</b>           |  |
| <b>Availability</b>   | : For each Vessel Loan, up to 31 <sup>st</sup> December, 2016, or, if earlier, the date on which such Vessel Loan is fully borrowed, cancelled or terminated.  |
| <b>Period</b>         |  |
| <b>Repayment</b>      | : Each Vessel Loan shall be repaid over 8 years, in 32 quarterly installments beginning from three calendar months after each drawdown (to be made on or around delivery date of the relevant Vessel). The 1 <sup>st</sup> to 16 <sup>th</sup> such quarterly installment shall be an amount of USD 350,000 and the 17 <sup>th</sup> to 32 <sup>nd</sup> such quarterly installment shall be an amount of USD 525,000, along with a balloon repayment of USD 7,000,000 on each of the final instalments. |
| <b>Security</b>       | : <ul style="list-style-type: none"><li>• First priority mortgage on the Vessels;</li><li>• Pledge of shares of the Subsidiary Borrowers;</li><li>• First priority charge over the Earnings Accounts and Retention Accounts of the Subsidiary Borrowers; and</li><li>• First priority assignment of all insurances and requisition compensation of the Vessels.</li></ul>  |

## Financial Covenants

: PSL shall comply with the following to be measured quarterly based on its consolidated USD Financial Statements:

- Maximum Funded Debt to Total Shareholders' Equity ratio of 2:1;
- Maximum Funded Debt to EBITDA ratio shall not exceed 6:1 between the date of the Agreement and 30<sup>th</sup> June, 2017 and thereafter shall not exceed 5:1; and
- Maintain a minimum Free Cash Balance of USD 100,000 per vessel owned by PSL and its subsidiaries.

## Vessel Covenants

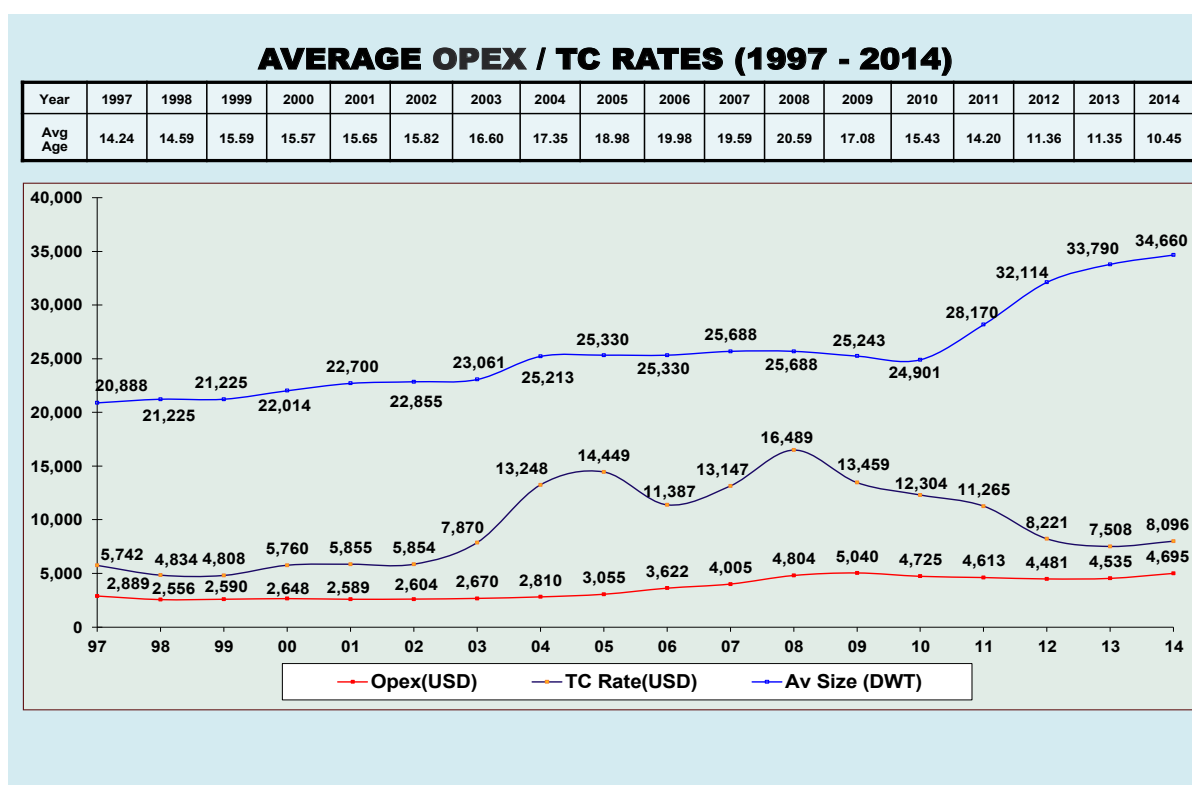
- The Vessels have to be registered in Singapore; and
- The aggregate market value of the Vessels shall be at least 125% of the aggregate outstanding Vessel Loans at all times.

## Other Covenants

- PSL shall remain listed on the Stock Exchange of Thailand at all times;
- No restrictions on dividend payments by PSL. The Subsidiary Borrowers are allowed to pay out dividends to shareholders without any restriction unless an Event of Default has occurred and is continuing.

The Company has not drawn any amount against this facility as on 31<sup>st</sup> December 2014

## 6. SHIP OPERATING EXPENSES AND SHIP EARNINGS



The average earnings per day per ship (TC Rate) reached USD 8,096 in 2014, while average daily operating expenses per ship (Opex) was USD 4,695.

The Baltic Dry Index (BDI) started falling in the beginning of 2014 but recovered towards the end of the first quarter of 2014, after which it fell and remained low right through 2014 with intermittent small spikes to close the year with the BDI at 782 points. The average BDI was 1,105 points in 2014 as compared to 1,206 points in 2013. The movement in the BDI for the year 2014 was mainly attributable to the movement in cape size ship earnings. The other sectors remained mostly stable during whole of year except for 3<sup>rd</sup> quarter when Handysize sector also followed the trend of the Cape Size and remained at low levels. The Company

has achieved average daily earnings per ship (TC Rate) of USD 8,096 about 8% higher as compared to 2013, due to improved fleet profile and also because of the benefit of some period charters fixed during 4th quarter of year 2013 at the then prevailing higher rates which effect was seen in the first half of 2014 when markets were at lower levels.

PSL's daily Ship operating Expenses per ship (Opex) have increased marginally from USD 4,535 per day (including USD 522 per day on account of higher Dry-dock and Special Survey costs) in 2013 to USD 4,695 per day (including USD 470 per day on account of Dry-dock and Special Survey costs) in 2014 which is, as always, far below the Industry Average (excluding Dry-dock and Special Survey costs which are not reported in Opex) as explained in the following Table:

**PSL OPEX comparison with Industry (compiled by Moore Stephens & Co.)**

| For years<br>Particulars               | Industry 2013<br>US\$ (Per Day) | PSL 2013<br>US\$ (Per Day) | PSL 2014<br>US\$ (Per Day) |
|--|---------------------------------|----------------------------|----------------------------|
| Crew Wages                             | 2,062                           | 2,039                      | 2,220                      |
| Provisions                             | 173                             | 175                        | 177                        |
| Crew Other                             | 334                             | 199                        | 251                        |
| <b>Crew Cost Total</b>                 | <b>2,569</b>                    | <b>2,413</b>               | <b>2,648</b>               |
| Lubricants                             | 306                             | 259                        | 233                        |
| Stores Other                           | 314                             | 232                        | 226                        |
| <b>Stores Total</b>                    | <b>620</b>                      | <b>491</b>                 | <b>459</b>                 |
| Spares                                 | 363                             | 232                        | 242                        |
| Repairs & Maintenance                  | 408                             | 126                        | 146                        |
| <b>Repairs &amp; Maintenance Total</b> | <b>771</b>                      | <b>358</b>                 | <b>388</b>                 |
| P& I Insurance                         | 231                             | 193                        | 182                        |
| Insurance                              | 233                             | 204                        | 177                        |
| <b>Insurance Total</b>                 | <b>464</b>                      | <b>397</b>                 | <b>359</b>                 |
| Registration Costs                     | 26                              | 10                         | 10                         |
| Management Fees                        | 561                             | 279                        | 273                        |
| Sundries                               | 211                             | 65                         | 88                         |
| <b>Administration Total</b>            | <b>798</b>                      | <b>354</b>                 | <b>371</b>                 |
| <b>Total Operating Costs</b>           | <b>5,222</b>                    | <b>4,013</b>               | <b>4,225</b>               |

Further, specifically for the Company, the major reasons for the decrease in certain components of Opex as compared to previous years are summarised as under:

- Management expenses which are “fixed” in nature did not increase due to the tight control exercised on costs and were lower in 2014 on an average per ship basis because of the slightly higher number of vessels operated in 2014 as compared to the previous year. Management expenses which are “variable” in nature and depend mainly on the remuneration of the technical staff were lower as they were charged basis total remuneration paid for previous year (2013) which was lower due to the reduced profitability of the Company.
- Crew costs rose this year as compared to the previous year because crew salaries across the fleet were enhanced and kept at level with international standards. This rising trend will probably continue in the next year as well.
- The cost of spare parts increased as against the previous year due to higher cost of spares required for some of the ships which are equipped with advanced engines.
- Due to more modern engines on the recent acquisitions, lubricant costs were slightly lower and made up for the inflationary increase in the cost of other consumable stores.
- Insurance cost in 2014 was lower than in 2013 reflecting reductions granted by the insurers on the back of the fleet's good record (especially on H&M).

## 7. FINANCIAL PERFORMANCE BASED ON US DOLLAR (FUNCTIONAL CURRENCY) FINANCIAL STATEMENTS

The following table summarises the financial performance of the Company for the last 2 years. All figures quoted are from the US Dollar (Functional Currency) Financial Statements (per Note 37 to Audited Consolidated Financial Statements)

| For the year ended / as at  | 31 <sup>st</sup> Dec-13 | 31 <sup>st</sup> Dec-14 |
|---|-------------------------|-------------------------|
|   | Million US\$            | Million US\$            |
| <b>Income Statement</b>   |                         |                         |
| Total Revenues  | 156.72                  | 143.34                  |
| Net Ship Operating Income   | 101.41                  | 117.76                  |
| <b>Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)*</b> | <b>28.48</b>            | <b>41.61</b>            |
| Depreciation*   | 28.44                   | 31.24                   |
| EBIT  | 0.04                    | 10.37                   |
| Finance cost  | 14.88                   | 15.37                   |
| Operating profit (loss)   | (14.84)                 | (5.00)                  |
| Non-Operating profit  | 32.58                   | 2.53                    |
| <b>Net Profit (loss) before Tax</b>   | <b>17.74</b>            | <b>(2.47)</b>           |
| Income Tax  | 0.25                    | 0.07                    |
| <b>Net Profit (loss)</b>  | <b>17.49</b>            | <b>(2.54)</b>           |
| <b>Financial Position</b>   |                         |                         |
| Investments in Associated Companies   | 3.12                    | 2.90                    |
| Ships at Cost   | 764.44                  | 892.48                  |
| Dry-docking and Special Survey  | 20.61                   | 20.49                   |
| Cash & Cash Equivalents   | 89.65                   | 16.23                   |
| Current Assets  | 150.42                  | 35.58                   |
| Advances for vessels constructions - net of current portion                   | 42.06                   | 121.78                  |
| <b>Total Assets</b>   | <b>777.41</b>           | <b>846.66</b>           |
| Long-term loans - net of current portion                                      | 262.66                  | 336.78                  |
| Current Liabilities   | 29.78                   | 38.40                   |
| Non-Current Liabilities   | 8.62                    | 7.81                    |
| <b>Total Liabilities</b>  | <b>301.06</b>           | <b>382.99</b>           |
| Equity Share Capital  | 35.31                   | 35.31                   |
| <b>Total Shareholder's Equity or Tangible Net Worth</b>                       | <b>476.36</b>           | <b>463.67</b>           |
| Net Book Value per share (US\$)   | 0.46                    | 0.45                    |
| Return on Assets  | 2%                      | 0%                      |
| Return on Equity  | 4%                      | -1%                     |
| <b>Ratios (times)</b>   |                         |                         |
| Current Ratio   | 5.05                    | 0.93                    |
| Funded Debt/Equity  | 0.59                    | 0.73                    |
| Total Liabilities/Equity  | 0.63                    | 0.83                    |
| Funded Debt/EBITDA **   | 4.32                    | 5.98                    |
| Debt Service Cover **   | 2.58                    | 1.36                    |
| EBITDA/Interest   | 1.91                    | 2.71                    |
| Dividend yield ***  | 2%                      | 2%                      |

\* EBITDA and Depreciation are considered after depreciation on dry-docking and special survey expenses. These expenses are included in ship operating cost for the purpose of computing EBITDA, which is in line with Company's policy of disclosing average daily ship operating expenses (Opex) after including dry docking and special survey expenses.

\*\* The ratios are calculated in compliance with the financial covenants stated in the credit facility agreements.

\*\*\* Dividend yield is presented as a percentage of the closing share price as at the end of the year.

## 7.1 Revenues and Profitability

Total revenues have decreased from US\$ 156.72 million (including gain on novation of Newbuilding Contracts of US\$ 30.82 million) in 2013 to US\$ 143.34 million (including gain on cancellation of Newbuilding Contracts of US\$ 1.23 million) in 2014. The net ship operating income has increased from US\$ 101.41 million in 2013 to US\$ 117.76 million in 2014 due to increase in average ship earnings per day per ship and average number of ships in 2014 as compared to 2013. The average ship earnings per day per ship (TC Rate) in 2014 was higher as compared to 2013. The average number of ships operated in 2014 was 42 as compared to 39 in 2013. Consequently, operating cash flows or Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) have increased from US\$ 28.48 million in 2013 to US\$ 41.61 million in 2014. The average earnings per day per ship (TC rate) have increased from US\$ 7,508 in 2013 to US\$ 8,096 in 2014 while average daily ship running expenses (Opex) have increased from US\$ 4,535 in 2013 to US\$ 4,695 in 2014. As a result of higher net ship operating income, gross profit for 2014 was higher as compared to 2013.

The average daily ship operating expenses have increased marginally but remain far below the Industry average as explained in Section 6 above.

Depreciation (excluding depreciation of dry-dock and special survey cost) has increased from US\$ 28.44 million in 2013 to US\$ 31.24 million in 2014 due to the increase in average number of ships operated during 2014 as compared to 2013. During 2014, the Company took delivery of five ships and sold one Ship,4.

Finance costs have increased from US\$ 14.88 million in 2013 to US\$ 15.37 million in 2014. During 2014, Interest expenses increased due to loans drawn for financing 5 Ships in year 2014 as explained in Section 5 above.

Due to the depreciation of the Thai Baht against the US Dollar in the year, the exchange rate (THB/US\$) applied at the end of 2014 was higher as compared to the previous year. As a result of the translation of the Thai Baht denominated current liabilities into U.S. Dollars at the higher rate, there was an exchange gain which is one of the main reasons for exchange gain of US\$ 0.13 million in 2014.

With increase in gross profit margin, the Company has managed to reduce the operating loss at US\$ 5.00 million as compared to operating loss of US\$ 14.84 million incurred in 2013. However, non-operating profit has decreased from US\$ 32.58 million in 2013 to US\$ 2.53 million in 2014 due to decrease in Gain on Novation/Cancellation of Newbuilding Contracts during 2014 as compared to 2013 as explained in Section 3.1.

Income Tax has decreased slightly from US\$ 0.25 million in 2013 to US\$ 0.07 million in 2014 being the Income-tax on non-shipping income.

As a result of the above factors, the Company's has incurred a loss of US\$ 2.54 million as compared to Net Profit of US\$ 17.49 million earned in 2013.

## 7.2 Assets, Liabilities and Shareholders' Equity, Investments

The following table summarises the position of all Investments in Foreign Joint Ventures in the Financial Statements as of 31<sup>st</sup> December 2014 (figures in US Dollars):

| Jt. Venture Projects        | Investment       |                |                  | **Advance      | Total            | ***Provision made for |                |                  | Balance as on 31 <sup>st</sup> December 2014 |           |                  |
|-----------------------------|------------------|----------------|------------------|----------------|------------------|-----------------------|----------------|------------------|--|-----------|------------------|
|                             | Cost             | *Equity Adj    | Total            |                |                  | Investment            | **Advance      | Total            | Investment                                   | **Advance | Total            |
| <b>Current Investment</b>   |                  |                |                  |                |                  |                       |                |                  |  |           |                  |
| SLPG                        | 872,727          | (323,596)      | 549,131          | 567,829        | 1,116,960        | 549,131               | 567,829        | 1,116,960        | 0  | 0         | 0                |
| <b>Long Term Unvestment</b> |                  |                |                  |                |                  |                       |                |                  |  |           |                  |
| ISPL-Haldia                 | 2,037,650        | 862,024        | 2,899,674        | 0              | 2,899,674        | 0                     | 0              | 0                | 2,899,674                                    | 0         | 2,899,674        |
| <b>Total</b>                | <b>2,910,377</b> | <b>538,428</b> | <b>3,448,805</b> | <b>567,829</b> | <b>4,016,634</b> | <b>549,131</b>        | <b>567,829</b> | <b>1,116,960</b> | <b>2,899,674</b>                             | <b>0</b>  | <b>2,899,674</b> |

\* Equity adjustment means adjustments (+/-) made to value at equity method.

\*\* Advance means contributions made as shareholders and are presented under "other current assets".

\*\*\* Provisions made for "Investments" towards "Equity" component were presented as "Allowance for loss on current investments" and Provisions made for "Others" towards "Advance" were presented as Bad debts and allowance for doubtful accounts" both of which were made in the year 2002.

During the year 2006, the Company invested in 2,026,086 ordinary shares of par value of Baht 10 each, in TMN Company Limited, registered in Thailand (TMN) of which Baht 5 per share is paid-up, which works out to US\$ 0.26 million. The Company has made a further investment of US\$ 0.16 million in TMN in year 2014 and now total investment stands at US\$ 0.42 million.

### **Current Assets**

As compared to the end of the previous year (2013), there is a decrease of US\$ 114.84 million in the current assets as at 31<sup>st</sup> December, 2014, mainly due to decrease in Cash and Cash equivalents by US\$ 73.42 million and current portion of advance for vessel constructions by US\$ 18.08 million as compared to 2013. During 2013 there was US\$ 25.47 million due from Refund Guarantors on account of cancellation of shipbuilding contracts of Hulls 339 and 378 and were classified as other receivables. There were no such other receivables in 2014. Trade Receivables, net of all provisions, which are part of current assets increased marginally by US\$ 2.37 million during the year as compared to the previous year. In any case, as is customary in the shipping business, the Company actually collects almost all its income in advance (95% of Freight in case of a Voyage Charter and 15 days' Hire in case of Time Charter) and as such, there is no concern on collection of receivables and consequently, the amount presented as receivables is only on account of miscellaneous dues from Agents, Charterers and accrual of income on the basis of percentage of voyage completed. Bunker oil Stock increased from US\$ 3.12 million to US\$ 3.50 million.

### **Property, Plant and Equipment**

The value of Property, Plant and Equipment of the Company has increased from previous year's levels mainly on account of delivery of three Cement Carriers from Shanhaiguan New Shipbuilding Industry Co.,Ltd, Shipyard, China and two 64K Ultramax Vessels from Saintry Marine Corporation Ltd. delivered during the year. The company sold its share in old Cement Carrier (Fujisan Maru) and realized US\$ 0.83 million as Gain on its sale. As at 31<sup>st</sup> December 2014, the Company owned 44 ships, details of which have been provided in the Fleet List separately in this Report.

The details of Ship Purchases and Deliveries in 2014 have been provided in Section 3.3 above.

### **Advances for vessel constructions**

The Company has capitalized US\$ 10.72 million (including supervision and other costs of US\$ 0.93 million) for one Cement Carrier as explained in Section 3.2 (c).

The Company has capitalized US\$ 13.76 million (including supervision and other costs of US\$ 0.37 million) for two Bulk Carriers as explained in Section 3.3 (b).

The Company has capitalized US\$ 30.80 million (including supervision and other costs of US\$ 1.14 million) for four Bulk Carriers and four Ultramax Ships as explained in Section 3.3 (c).

The Company has capitalized US\$ 18.27 million (including supervision and other costs of US\$ 1.53 million) for two Ultramax Ships as explained in Section 3.3 (d).

The Company has capitalized US\$ 39.62 million (including supervision and other costs of US\$ 0.66 million) for twelve Ultramax Ships and US\$ 8.61 million (including supervision and other costs of US\$ 0.24 million) for two Ultramax Ships as explained in Section 3.3 (e).

In accordance with the above, the Company has a balance of US\$ 121.78 million in aggregate as Advances for vessel constructions as of 31<sup>st</sup> December 2014 which is presented mainly as a non-current asset.

## Total Liabilities

The Company's secured debt (net of current portion) is US\$ 336.78 million and aggregate secured debt balance is US\$ 361.41 million as at the end of year 2014.

The Company had US\$ 282.59 million loans outstanding after deducting for deferred financial fees of US\$ 5.26 million at the beginning of 2014.

During the year, the Company repaid US\$ 21.95 million as contractual repayments and prepaid US\$ 6.88 million as voluntary prepayments.

The Company has drawn US\$ 38.52 million for financing two Cement Carriers from BBL as explained in 5.5

The Company has drawn US\$ 19.34 million for financing one Cement Carrier from BBL as explained in 5.8

The Company has drawn US\$ 4.90 million for financing one Cement Carrier from TMB as explained in 5.9

The Company has drawn US\$ 43.84 million for financing two 64K Ultramax Ships from EXIM as explained in 5.10

The Company has drawn US\$ 1.12 million for financing one pre-delivery installment of one 38K Bulk Carrier from DNB and CEXIM as explained in 5.12

During the year 2014, the Company amortised US\$ 0.07 million on account of financial fees (net). Deferred financial fees of US\$ 5.54 million are presented as deduction from Secured loan basis proportionate amount of drawdown made so far from all the secured loan facilities.

Consequently, the total liabilities have increased from US\$ 301.06 million in 2013 to US\$ 382.99 million in 2014.

## Shareholders' Equity

Due to the net loss of US\$ 2.54 million incurred during the year, dividends pay-out of US\$ 9.66 million (Baht 0.30 per share including Final Dividend of 2013) during 2014, and net decrease of US\$ 0.49 million on account of cumulative effect of change in Accounting policy for employee benefits, CSR Reserve, other components of shareholders equity, translation adjustment and minority interest, the Shareholders' Equity is now at US\$ 463.67 million, which is a decrease of US\$ 12.69 million in the Shareholders' Equity as compared to the end of the previous year. As a result of the decrease in Shareholder's Equity as explained above, the net book value per share has decreased marginally from US\$ 0.46 per share as at the end of 2013 to US\$ 0.45 share as at the end of 2014.

## 7.3 Leverage, Liquidity and Coverage

As the Company's EBITDA remained at moderate levels during 2014 and the Company had US\$ 366.95 million outstanding secured debt (including the pre-delivery debt for payment of advances for newbuildings) at the end of the year, the leverage ratios now have come under stress due to the lower EBITDA levels. As at 31<sup>st</sup> December 2014, the Company's funded debt level is 5.98 times its EBITDA. The Company's overall gearing (Total Liabilities/Tangible Networth) is 0.83 times as at 31<sup>st</sup> December 2014, which has marginally increased from 0.63 times as at 31<sup>st</sup> December 2013, due to increase in secured debt as explained above.

The Company's debt service cover for 2014 was a reasonably healthy 1.36 times. The ratio of EBITDA/Interest is 2.71 times as of 31<sup>st</sup> December 2014. This ratio is a healthy 4.42 if we include just interest paid for funded debt and exclude all other finance costs such as loan arrangement fees and extension fees for arranging various credit facilities.



## 8. REVIEW AND ANALYSIS OF AUDITED CONSOLIDATED THAI BAHT FINANCIAL STATEMENTS

### 8.1 Analysis of Income Statements

The Net Ship Operating Income (net of voyage disbursements and bunker consumption) for 2014 has increased by about 22 percent due to an increase in average ship earnings per day per ship (TC Rate) and average number of ships in 2014 as compared to 2013. The average number of ships operated in 2014 was 42 as compared to 39 in 2013.

During 2014, the ship running expenses increased by about 19 percent in absolute terms as compared to 2013 mainly due to higher average number of vessels operated during the year and increase in average vessel operating expenses per day as explained above. Average Vessel operating expenses per day per Vessel (Opex) have gone up from USD 4,535 for the year 2013 to USD 4,695 in the year 2014 (including depreciation/amortisation of the Drydocking/Special Survey expenses in both years).

During 2014, the total ship operating costs increased by about 14 percent in absolute terms, over the total ship operating costs of the previous year. During 2014, ship disbursements and bunker consumption increased marginally due to marginal increase in cost at port of call during the year as compared to the previous year. The increase in total ship operating costs is mainly due to higher average number of vessels operated during the year and increase in average vessel operating expenses per day as explained above.

Absolute Gross Profit has increased by about 26 percent as compared to the previous year and the Gross Profit Margin has increased from 38 percent to 40 percent as compared to the previous year because of the increase in average ship earnings per day per ship (TC Rate). However, Gain on Novation/Cancellation of Newbuilding Contracts has decreased from Baht 935.41 million in 2013 to Baht 39.55 million in 2014 as explained in Section 3.1. As a result of the decrease in non-operating profit as explained above, the total revenues during the year, in absolute terms, are lower than that of the previous year.

Administrative expenses for 2014 have increased by Baht 75.23 million as compared to 2013.

Finance costs have increased from Baht 458.55 million in 2013 to Baht 499.62 million in 2014. During 2014, Interest expenses increased due to loans drawn for financing the 5 Ships in year 2013. It is to be noted that apart from Interest cost for financing 5 ships, the finance costs for 2014 mainly comprise of fees paid for availing new secured debt facilities as explained in 5.8 to 5.13, the commitment fees paid for maintaining the secured debt facilities during 2014 and deferred expenses written off for the reduction in loan amounts which is explained separately in Section 5.1, 5.5 and 5.7 above.

The total expenses (excluding depreciation) in 2014, as compared to the previous year, are higher due to the increase in total ship operating costs as explained hereinabove. The Depreciation for 2014 has increased from Baht 1,136.72 million in 2013 to Baht 1,267.08 million in 2014 due to increase in average number of ships operated during 2014 as compared to 2013 as a result of the additional depreciation on 5 Ships that were delivered in 2014.

The Company recorded exchange gain of Baht 4.33 million for 2014 as against exchange gain of Baht 13.33 million for 2013. The corporate income tax was Baht 7.90 million for the year 2013 and Baht 2.24 million for the year 2014 which in both the years mainly represented the income tax on interest income. The Company has recorded Baht 39.55 million as Gain on Novation/Cancellation of Newbuilding Contracts during 2014 as compared to Baht 935.41 million in 2013 as explained in Section 3.1.

As a result of the above factors, the Company has reported Net Loss of Baht 80.22 million for 2014 as compared to Net profit of Baht 527.77 million in the previous year.

### 8.2 Analysis of Statements of Comprehensive Income

The Company reported Baht 56.35 Million as other comprehensive income for year 2014 as compared to Loss of Baht 1,025.61 million for year 2013. This was mainly due to appreciation of U.S. Dollars in terms of Thai Baht, thereby increasing the value of Net Assets, mainly Property, Plant, and Equipment

and advances paid to Ship Builders under new shipbuilding Contracts as explained in 3 above, while translating into Thai Baht which is Company's Presentation Currency. Due to the above, the Company reported Baht 26.00 Million as Total Comprehensive loss for Year 2014 as against Total Comprehensive gain of Baht 1,562.27 Million for Year 2013.

### 8.3 Analysis of Statements of Financial Position

As compared to the end of the previous year (2013), there is a decrease of Baht 3,762.94 million in current assets as at 31<sup>st</sup> December, 2014, mainly due to decrease in Cash and Cash equivalents by Baht 2,406.78 million and current portion of advance for vessel constructions by Baht 593.14 million. As at 31<sup>st</sup> December 2013, there were other receivables of Baht 835.69 million due from Refund Guarantors on account of cancellation of shipbuilding contracts of Hulls 339 and 378. There were no such receivables at the end of 2014.

Receivables, net of all provisions which are part of current assets increased marginally by Baht 79.29 million and Bunker oil Stock increased by Baht 13.26 million as compared to the previous year.

The value of Property, Plant and Equipment of the Company has increased from previous year's levels on account of delivery of three Cement Carriers from Shanhaiguan New Shipbuilding Industry Co.,Ltd, Shipyard, China and two 64K Ultramax Vessels from Sainy Marine Corporation Ltd. delivered during the year. The company also sold its share in an old Cement Carrier (Fujisan Maru) and realized Baht 26.97 million as Gain on its sale. The Company has paid Baht 4,014.21 million towards advances for newbuilding ships as at the end of 2014 as explained in Section 3 above. The Total Assets have increased mainly due to increase in Property, Plant and Equipment as explained above.

Total current liabilities have increased by Baht 288.90 million as compared to the previous year mainly due to increase in current portion of long term loan by Baht 158.07 million and pre-delivery installment of Baht 73.57 paid for Hull BC 385-11 classified as Accounts payable as explained in 3.3 (b). As at the end of 2014, the Company's Long term Loan (net of current portion) is Baht 11,101.33 million and aggregate long term loan is Baht 11,913.30 million.

During the year, the Company repaid Baht 714.03 million as contractual repayments and prepaid Baht 225.26 million as voluntary prepayments.

The Company has drawn Baht 1,255.89 million for financing two Cement Carriers from BBL as explained in 5.5

The Company has drawn Baht 621.04 million for financing one Cement Carrier from BBL as explained in 5.8

The Company has drawn Baht 160.40 million for financing one Cement Carrier from TMB as explained in 5.9

The Company has drawn Baht 1,407.49 million for financing two 64K Ultramax Ships from EXIM as explained in 5.10

The Company has drawn Baht 36.56 million for financing one 38K Bulk Carrier from DNB and CEXIM as explained in 5.12

Thus, the Company has drawn in aggregate Baht 3,481.38 million for financing newbuildings against various credit facilities as explained hereinabove.

During the year 2014, the Company amortised Baht 1.82 million on account of financial fees (net) and translation adjustment. Deferred financial fees of Baht 182.39 million are presented as deduction from Secured loan basis proportionate amount of drawdowns made so far from all the secured loan facilities.

The total liabilities have increased from Baht 9,878.73 million in 2013 to Baht 12,624.67 million in 2014.

Due to the net Losses of Baht 80.22 million and other comprehensive gain of Baht 56.35 million of the year, dividends of Baht 311.82 million (Baht 0.30 per share including final dividend of 2013) paid during 2014, and net decrease of Baht 11.48 million on account of cumulative effect of change in Accounting policy for employee benefits, CSR Reserve, other components of shareholders equity and minority interest, the Shareholders' Equity is now at Baht 15,283.85 million, which is marginally lower by Baht 347.17 million over the Shareholders' Equity as compared to the end of the previous year.

#### **8.4 Analysis of Statements of Cash flows**

During the year under review, Baht 1,560.08 million was generated from operations. This is about 44% more as compared to the cash generated from operations in the previous year due to higher ship operating days and higher TC rate for year 2014 as compared to year 2013.

After adjusting for the Working Capital Changes, the net cash generated from operations of Baht 1,354.82 million was available for use in investing and financing activities.

During the year, Baht 1,454.28 million was received as proceeds from cancellation of 3 newbuilding contract and Baht 3,433.21 million was paid for acquisition of 5 Ships and dry docking/special survey expenses. The Company has also paid Baht 3,585.55 million towards advances against orders for new ships. After adjustments, the net cash flow used in investing activities was Baht 5,511.84 million.

During the year, the Company has drawn Baht 3,481.38 million against the various Newbuilding credit facilities as explained in 8.3 above. The Company paid Baht 714.03 million on account of contractual principal repayments, and voluntary prepayments of Baht 225.26 million made as explained in Section 5.2 and 5.7 above, resulting in total repayments (including prepayments) of Baht 939.29 million of long term loans. Baht 311.82 million was paid out as Dividends. After adjustments, the net cash flow from financing activities was Baht 1,777.56 million.

# REPORT ON THE BOARD OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Board of Directors is responsible for the Company's financial statements and financial information presented in this Annual Report. The aforementioned financial statements have been prepared in accordance with Thai Generally Accepted Accounting Principles, using appropriate accounting policies consistently employed by the Company after applying prudent judgment and best estimation. Important information is adequately disclosed in the notes to the financial statements.

The Board of Directors has provided for and maintained efficient internal control systems to ensure that accounting records are accurate, complete and adequate to protect the Company's assets and uncover weaknesses in order to prevent fraud or materially irregular operations.

To accomplish this task, the Board of Directors has appointed an Audit & Corporate Governance Committee, which consists fully of Independent Directors and the Committee is, inter alia responsible for the quality of financial statements and internal control systems, with the Committee's comments on these issues included in the Audit & Corporate Governance Committee Report in this Annual Report.

The Board of Directors is of the opinion that the Company's overall internal control system has functioned up to a satisfactory level to render credibility and reliability to the Company's financial statements for the year ended December 31, 2014.

**For and on behalf of the Board of Directors of  
Precious Shipping Public Company Limited**



**Khalid Moinuddin Hashim**  
Managing Director



**Khushroo Kali Wadia**  
Executive Director

30<sup>th</sup> January 2015

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Precious Shipping Public Company Limited

I have audited the accompanying consolidated financial statements of Precious Shipping Public Company Limited and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2014, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of Precious Shipping Public Company Limited for the same period.

## **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Precious Shipping Public Company Limited and its subsidiaries and of Precious Shipping Public Company Limited as at 31 December 2014, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.



Sumalee Reewarabandith  
Certified Public Accountant (Thailand) No. 3970

EY Office Limited  
Bangkok: 30 January 2015

# STATEMENT OF FINANCIAL POSITION

Precious Shipping Public Company Limited and its subsidiaries  
As at 31 December 2014

(Unit: Baht)

|  | Note     | Consolidated financial statements |                       | Separate financial statements |                       |
|--|----------|-----------------------------------|-----------------------|-------------------------------|-----------------------|
|  |          | 2014                              | 2013                  | 2014                          | 2013                  |
| <b>Assets</b>  |          |                                   |                       |                               |                       |
| <b>Current assets</b>                                |          |                                   |                       |                               |                       |
| Cash and cash equivalents                            | 6        | 535,001,673                       | 2,941,784,496         | 84,076,966                    | 2,122,520,960         |
| Current investment                                   | 7        | -                                 | -                     | -                             | -                     |
| Trade and other receivables                          | 8        | 317,561,137                       | 1,073,957,161         | 1,503,991,429                 | 1,880,363,584         |
| Short-term loans to a subsidiary                     | 10       | -                                 | -                     | 1,661,335,200                 | 2,342,891,040         |
| Current portion of advances for vessel constructions | 17       | -                                 | 593,136,394           | -                             | 593,136,394           |
| Bunker oil   |          | 115,495,892                       | 102,231,828           | -                             | -                     |
| Other current assets                                 |          |                                   |                       |                               |                       |
| Advances to vessel masters                           |          | 134,794,628                       | 124,109,259           | -                             | -                     |
| Claim recoverables                                   |          | 30,380,041                        | 27,910,018            | -                             | -                     |
| Others   |          | 39,524,366                        | 72,566,409            | 15,561,357                    | 47,717,019            |
| Total other current assets                           |          | 204,699,035                       | 224,585,686           | 15,561,357                    | 47,717,019            |
| <b>Total current assets</b>                          |          | <b>1,172,757,737</b>              | <b>4,935,695,565</b>  | <b>3,264,964,952</b>          | <b>6,986,628,997</b>  |
| <b>Non-current assets</b>                            |          |                                   |                       |                               |                       |
| Long-term loans to a subsidiary                      | 11       | -                                 | -                     | 319,807,026                   | 505,395,067           |
| Investments in subsidiaries                          | 12       | -                                 | -                     | 8,110,938,244                 | 7,716,554,518         |
| Investment in associate held by a subsidiary         | 13       | 95,581,951                        | 102,372,355           | -                             | -                     |
| Other long-term investment                           | 14       | 13,731,526                        | 8,538,481             | 13,731,526                    | 8,538,481             |
| Receivables from cross currency swap contracts       |          | -                                 | 1,783,980             | -                             | -                     |
| Property, plant and equipment                        | 15       | 22,070,925,175                    | 18,669,560,324        | 5,448,058                     | 7,084,753             |
| Intangible assets                                    | 16       | 2,795,441                         | 4,066,394             | 2,776,175                     | 4,033,955             |
| Other non-current assets                             |          |                                   |                       |                               |                       |
| Claim recoverables - maritime claims                 |          | 144,524,065                       | 139,368,908           | -                             | -                     |
| Advances for vessel constructions - net of           |          |                                   |                       |                               |                       |
| current portion                                      | 17       | 4,014,210,287                     | 1,380,194,340         | 3,660,902,839                 | 468,696,337           |
| Deferred financial fees                              | 18       | 124,190,631                       | 97,337,213            | 120,953,991                   | 75,457,170            |
| Deferred contract costs                              | 19, 33.4 | 266,733,863                       | 167,767,733           | -                             | -                     |
| Others   |          | 3,077,357                         | 3,074,057             | 2,395,608                     | 2,394,603             |
| Total other non-current assets                       |          | 4,552,736,203                     | 1,787,742,251         | 3,784,252,438                 | 546,548,110           |
| <b>Total non-current assets</b>                      |          | <b>26,735,770,296</b>             | <b>20,574,063,785</b> | <b>12,236,953,467</b>         | <b>8,788,154,884</b>  |
| <b>Total assets</b>                                  |          | <b>27,908,528,033</b>             | <b>25,509,759,350</b> | <b>15,501,918,419</b>         | <b>15,774,783,881</b> |

The accompanying notes are an integral part of the financial statements.

# STATEMENT OF FINANCIAL POSITION (CONTINUED)

Precious Shipping Public Company Limited and its subsidiaries  
As at 31 December 2014

(Unit: Baht)

|   | Note | Consolidated financial statements |                      | Separate financial statements |                      |
|---|------|-----------------------------------|----------------------|-------------------------------|----------------------|
|   |      | 2014                              | 2013                 | 2014                          | 2013                 |
| <b>Liabilities and shareholders' equity</b>     |      |                                   |                      |                               |                      |
| <b>Current liabilities</b>                      |      |                                   |                      |                               |                      |
| Trade and other payables                        |      |                                   |                      |                               |                      |
| Trade accounts payable                          | 9    | 128,024,368                       | 21,568,698           | 98,393,785                    | 204,014              |
| Advances received from related parties          | 9    | -                                 | -                    | 1,403,844,229                 | 2,023,147,663        |
| Accrued crew accounts                           |      | 113,499,321                       | 86,065,976           | -                             | -                    |
| Accrued expenses                                |      | 155,652,048                       | 70,177,623           | 21,975,998                    | 761,349              |
| Current portion of accrued employee bonus       | 20   | 14,159,437                        | 43,460,626           | 12,901,420                    | 40,080,620           |
| <b>Total trade and other payables</b>           |      | <b>411,335,174</b>                | <b>221,272,923</b>   | <b>1,537,115,432</b>          | <b>2,064,193,646</b> |
| Advances received from charterers               |      | 17,214,218                        | 65,637,282           | -                             | -                    |
| Current portion of long-term loans              | 21   | 811,972,034                       | 653,903,696          | -                             | -                    |
| Income tax payable                              |      | 3,732,540                         | 7,872,528            | -                             | -                    |
| Other current liabilities                       |      | 21,661,725                        | 28,329,648           | 6,174,985                     | 6,237,765            |
| <b>Total current liabilities</b>                |      | <b>1,265,915,691</b>              | <b>977,016,077</b>   | <b>1,543,290,417</b>          | <b>2,070,431,411</b> |
| <b>Non-current liabilities</b>                  |      |                                   |                      |                               |                      |
| Accrued employee bonus - net of current portion | 20   | -                                 | 30,680,984           | -                             | 28,216,803           |
| Payables to cross currency swap contracts       |      | 2,439,466                         | -                    | -                             | -                    |
| Long-term loans - net of current portion        | 21   | 11,101,329,726                    | 8,618,853,404        | 36,410,473                    | -                    |
| Provision for maritime claims                   | 22   | 181,705,142                       | 175,620,553          | -                             | -                    |
| Provision for long-term employee benefits       | 23   | 73,284,618                        | 76,561,675           | 66,727,634                    | 70,297,223           |
| <b>Total non-current liabilities</b>            |      | <b>11,358,758,952</b>             | <b>8,901,716,616</b> | <b>103,138,107</b>            | <b>98,514,026</b>    |
| <b>Total liabilities</b>                        |      | <b>12,624,674,643</b>             | <b>9,878,732,693</b> | <b>1,646,428,524</b>          | <b>2,168,945,437</b> |

The accompanying notes are an integral part of the financial statements.



# STATEMENT OF FINANCIAL POSITION (CONTINUED)

Precious Shipping Public Company Limited and its subsidiaries  
As at 31 December 2014

(Unit: Baht)

|   | Note | Consolidated financial statements |                       | Separate financial statements |                       |
|---|------|-----------------------------------|-----------------------|-------------------------------|-----------------------|
|   |      | 2014                              | 2013                  | 2014                          | 2013                  |
| <b>Shareholders' equity</b>                       |      |                                   |                       |                               |                       |
| Share capital                                     |      |                                   |                       |                               |                       |
| Registered share capital                          |      |                                   |                       |                               |                       |
| 1,039,520,600 ordinary shares                     |      |                                   |                       |                               |                       |
| of Baht 1 each                                    |      | 1,039,520,600                     | 1,039,520,600         | 1,039,520,600                 | 1,039,520,600         |
| Issued and paid-up share capital                  |      |                                   |                       |                               |                       |
| 1,039,520,600 ordinary shares                     |      |                                   |                       |                               |                       |
| of Baht 1 each                                    |      | 1,039,520,600                     | 1,039,520,600         | 1,039,520,600                 | 1,039,520,600         |
| Paid-in capital                                   |      |                                   |                       |                               |                       |
| Premium on ordinary shares                        |      | 411,429,745                       | 411,429,745           | 411,429,745                   | 411,429,745           |
| Premium on treasury stock                         |      | 172,445,812                       | 172,445,812           | 172,445,812                   | 172,445,812           |
| Retained earnings                                 |      |                                   |                       |                               |                       |
| Appropriated                                      |      |                                   |                       |                               |                       |
| Statutory reserve - the Company                   | 24   | 103,952,060                       | 103,952,060           | 103,952,060                   | 103,952,060           |
| - subsidiaries                                    | 24   | 523,320,000                       | 523,320,000           | -                             | -                     |
| Corporate social responsibility reserve           | 25   | 16,587,639                        | 16,107,479            | 16,587,639                    | 16,107,479            |
| Unappropriated                                    |      | 13,907,253,962                    | 14,299,768,791        | 11,618,389,129                | 11,433,273,222        |
| Other components of shareholders' equity          |      | (889,507,521)                     | (945,955,606)         | 493,164,910                   | 429,109,526           |
| Equity attributable to owners of the Company      |      | 15,285,002,297                    | 15,620,588,881        | 13,855,489,895                | 13,605,838,444        |
| Non-controlling interests of the subsidiaries     |      | (1,148,907)                       | 10,437,776            | -                             | -                     |
| <b>Total shareholders' equity</b>                 |      | <b>15,283,853,390</b>             | <b>15,631,026,657</b> | <b>13,855,489,895</b>         | <b>13,605,838,444</b> |
| <b>Total liabilities and shareholders' equity</b> |      | <b>27,908,528,033</b>             | <b>25,509,759,350</b> | <b>15,501,918,419</b>         | <b>15,774,783,881</b> |

The accompanying notes are an integral part of the financial statements.

# INCOME STATEMENT

Precious Shipping Public Company Limited and its subsidiaries  
For the year ended 31 December 2014

(Unit: Baht)

|   | Note  | Consolidated financial statements |                      | Separate financial statements |                      |
|---|-------|-----------------------------------|----------------------|-------------------------------|----------------------|
|   |       | 2014                              | 2013                 | 2014                          | 2013                 |
| <b>Revenues</b>   |       |                                   |                      |                               |                      |
| Vessel operating income   |       |                                   |                      |                               |                      |
| Hire income   |       | 3,307,649,614                     | 2,618,006,617        | -                             | -                    |
| Freight income  |       | 1,267,377,264                     | 1,239,638,215        | -                             | -                    |
| Total vessel operating income   |       | 4,575,026,878                     | 3,857,644,832        | -                             | -                    |
| Service income  | 9     | 10,455,636                        | 11,248,164           | 92,791,839                    | 89,987,229           |
| Gains on sales of vessel and equipment  | 15    | 26,975,835                        | 104,003              | -                             | 104,003              |
| Gains on novation/cancellation of<br>shipbuilding contracts   | 17    | 39,554,472                        | 935,412,070          | 39,554,472                    | 896,604,149          |
| Interest income   | 9     | 5,218,949                         | 8,503,458            | 6,042,774                     | 13,819,162           |
| Exchange gains  |       | 4,326,627                         | 13,332,083           | 196,814                       | 15,805,505           |
| Other income  |       | 37,933                            | 2,420,873            | 38,678                        | 2,421,466            |
| Dividend received   | 9, 12 | -                                 | -                    | 702,599,250                   | 551,149,410          |
| <b>Total revenues</b>   |       | <b>4,661,596,330</b>              | <b>4,828,665,483</b> | <b>841,223,827</b>            | <b>1,569,890,924</b> |
| <b>Expenses</b>   |       |                                   |                      |                               |                      |
| Vessel operating costs  |       |                                   |                      |                               |                      |
| Vessel running expenses   |       | 1,980,274,880                     | 1,665,314,857        | -                             | -                    |
| Voyage disbursements  |       | 207,585,794                       | 172,268,652          | -                             | -                    |
| Bunker consumption  |       | 535,746,927                       | 548,350,934          | -                             | -                    |
| Total vessel operating costs  |       | 2,723,607,601                     | 2,385,934,443        | -                             | -                    |
| Depreciation  | 15    | 1,267,075,761                     | 1,136,718,983        | 2,477,506                     | 2,774,920            |
| Cost of services  |       | 4,635,132                         | 4,864,667            | -                             | -                    |
| Administrative expenses   | 9     | 173,167,527                       | 218,329,458          | 144,660,498                   | 187,257,414          |
| Management remuneration including perquisites   | 9     | 79,174,357                        | 109,250,657          | 76,161,293                    | 103,025,080          |
| Bad debts and doubtful accounts   |       | 2,063,553                         | 2,032,805            | -                             | -                    |
| <b>Total expenses</b>   |       | <b>4,249,723,931</b>              | <b>3,857,131,013</b> | <b>223,299,297</b>            | <b>293,057,414</b>   |
| <b>Profit before share of profit from<br/>    investment in associate, finance cost<br/>    and income tax expenses</b> |       | <b>411,872,399</b>                | <b>971,534,470</b>   | <b>617,924,530</b>            | <b>1,276,833,510</b> |
| Share of profit from investment in associate<br>held by a subsidiary  | 13.1  | 7,631,022                         | 31,580,216           | -                             | -                    |
| <b>Profit before finance cost and income tax<br/>    expenses</b>   |       | <b>419,503,421</b>                | <b>1,003,114,686</b> | <b>617,924,530</b>            | <b>1,276,833,510</b> |
| Finance cost  |       | (499,622,667)                     | (458,553,674)        | (120,511,673)                 | (121,140,111)        |
| <b>Profit (loss) before income tax expenses</b>   |       | <b>(80,119,246)</b>               | <b>544,561,012</b>   | <b>497,412,857</b>            | <b>1,155,693,399</b> |
| Income tax expenses   | 27    | (2,237,374)                       | (7,898,134)          | -                             | -                    |
| <b>Profit (loss) for the year</b>   |       | <b>(82,356,620)</b>               | <b>536,662,878</b>   | <b>497,412,857</b>            | <b>1,155,693,399</b> |

The accompanying notes are an integral part of the financial statements.

# INCOME STATEMENT (CONTINUED)

Precious Shipping Public Company Limited and its subsidiaries  
For the year ended 31 December 2014

(Unit: Baht)

|   | Note | Consolidated financial statements |                    | Separate financial statements |                      |
|---|------|-----------------------------------|--------------------|-------------------------------|----------------------|
|   |      | 2014                              | 2013               | 2014                          | 2013                 |
| <b>Profit (loss) attributable to:</b>                       |      |                                   |                    |                               |                      |
| Equity holders of the Company                               |      | (80,217,879)                      | 527,765,488        | 497,412,857                   | 1,155,693,399        |
| Non-controlling interests of the subsidiaries               |      | (2,138,741)                       | 8,897,390          | -                             | -                    |
| <b>Profit (loss) for the year</b>                           |      | <u>(82,356,620)</u>               | <u>536,662,878</u> | <u>497,412,857</u>            | <u>1,155,693,399</u> |
| <b>Basic earnings (loss) per share</b>                      |      |                                   |                    |                               |                      |
|   | 29   |                                   |                    |                               |                      |
| Profit (loss) attributable to equity holders of the Company |      | <u>(0.08)</u>                     | <u>0.51</u>        | <u>0.48</u>                   | <u>1.11</u>          |

The accompanying notes are an integral part of the financial statements.

# STATEMENT OF COMPREHENSIVE INCOME

Precious Shipping Public Company Limited and its subsidiaries  
For the year ended 31 December 2014

(Unit: Baht)

|  | Consolidated financial statements |                             | Separate financial statements |                             |
|--|-----------------------------------|-----------------------------|-------------------------------|-----------------------------|
|  | 2014                              | 2013                        | 2014                          | 2013                        |
| <b>Profit (loss) for the year</b>  | <u>(82,356,620)</u>               | <u>536,662,878</u>          | <u>497,412,857</u>            | <u>1,155,693,399</u>        |
| <b>Other comprehensive income:</b>   |                                   |                             |                               |                             |
| Exchange differences on translation of foreign operation's financial statements                          | (4,639,822)                       | (19,176,151)                | -                             | -                           |
| Exchange differences on translation of functional currency to presentation currency financial statements | 60,991,449                        | 1,044,782,063               | 64,055,384                    | 905,405,551                 |
| <b>Other comprehensive income for the year</b>   | <u>56,351,627</u>                 | <u>1,025,605,912</u>        | <u>64,055,384</u>             | <u>905,405,551</u>          |
| <b>Total comprehensive income for the year</b>   | <u><u>(26,004,993)</u></u>        | <u><u>1,562,268,790</u></u> | <u><u>561,468,241</u></u>     | <u><u>2,061,098,950</u></u> |
| <b>Total comprehensive income attributable to:</b>   |                                   |                             |                               |                             |
| Equity holders of the Company  | (23,769,794)                      | 1,553,058,635               | 561,468,241                   | 2,061,098,950               |
| Non-controlling interests of the subsidiaries  | (2,235,199)                       | 9,210,155                   | -                             | -                           |
|  | <u>(26,004,993)</u>               | <u>1,562,268,790</u>        | <u>561,468,241</u>            | <u>2,061,098,950</u>        |

The accompanying notes are an integral part of the financial statements.

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Precious Shipping Public Company Limited and its subsidiaries  
For the year ended 31 December 2014

(Unit: Baht)

|  | Consolidated financial statements                |                           |                   |              |             |   |                |   |  |             |                            |
|--|--|---------------------------|-------------------|--------------|-------------|---|----------------|---|--|-------------|----------------------------|
|  | Equity attributable to the parent's shareholders |                           |                   |              |             |   |                |   |  |             | Total shareholders' equity |
|  | Retained earnings                                |                           |                   |              |             | Other components of shareholders' equity - other comprehensive income |                |   |  |             |                            |
|  | Appropriated                                     |                           | Statutory reserve |              |             | Corporate social responsibility reserve                               |                | Exchange differences on translation of financial statements |  |             |                            |
| Issued and paid-up share capital                                   | Premium on ordinary shares                       | Premium on treasury stock | The Company       | Subsidiaries | 14,951,051  | Unappropriated  | Unappropriated | Total equity attributable to shareholders of the Company    | Equity attributable to non-controlling interests of the subsidiaries |             |                            |
| <b>Balance as at 1 January 2013</b>                                | 1,039,520,600                                    | 411,429,745               | 172,445,812       | 103,952,060  | 518,120,000 | 14,951,051  | 14,193,833,311 | (1,371,248,753)   | 14,483,003,826   | 1,227,621   | 14,484,231,447             |
| Dividend paid to the Company's shareholders (Note 32)              | -  | -                         | -                 | -            | -           | -   | (415,473,580)  | -   | (415,473,580)  | -           | (415,473,580)              |
| Total comprehensive income for the year                            | -  | -                         | -                 | -            | -           | -   | 527,765,488    | 1,025,293,147   | 1,553,058,635  | 9,210,155   | 1,562,268,790              |
| Appropriated to statutory reserve (Note 24)                        | -  | -                         | -                 | -            | 5,200,000   | -   | (5,200,000)    | -   | -  | -           | -                          |
| Appropriated to corporated social responsibility reserve (Note 25) | -  | -                         | -                 | -            | -           | 1,156,428   | (1,156,428)    | -   | -  | -           | -                          |
| <b>Balance as at 31 December 2013</b>                              | 1,039,520,600                                    | 411,429,745               | 172,445,812       | 103,952,060  | 523,320,000 | 16,107,479  | 14,299,768,791 | (945,955,606)   | 15,620,588,881   | 10,437,776  | 15,631,026,657             |
| <b>Balance as at 1 January 2014</b>                                | 1,039,520,600                                    | 411,429,745               | 172,445,812       | 103,952,060  | 523,320,000 | 16,107,479  | 14,299,768,791 | (945,955,606)   | 15,620,588,881   | 10,437,776  | 15,631,026,657             |
| Dividend paid to the Company's shareholders (Note 32)              | -  | -                         | -                 | -            | -           | -   | (311,816,790)  | -   | (311,816,790)  | (9,351,484) | (321,168,274)              |
| Total comprehensive income for the year                            | -  | -                         | -                 | -            | -           | -   | (80,217,879)   | 56,448,085  | (23,769,794)   | (2,235,199) | (26,004,993)               |
| Appropriated to corporated social responsibility reserve (Note 25) | -  | -                         | -                 | -            | -           | 480,160   | (480,160)      | -   | -  | -           | -                          |
| <b>Balance as at 31 December 2014</b>                              | 1,039,520,600                                    | 411,429,745               | 172,445,812       | 103,952,060  | 523,320,000 | 16,587,639  | 13,907,253,962 | (889,507,521)   | 15,285,002,297   | (1,148,907) | 15,283,853,390             |

The accompanying notes are an integral part of the financial statements.

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

Precious Shipping Public Company Limited and its subsidiaries  
For the year ended 31 December 2014

(Unit: Baht)

|  | Separate financial statements |                           |   |   |                |   |   |   |                |                | Total shareholders' equity |
|--|-------------------------------|---------------------------|---|---|----------------|---|---|---|----------------|----------------|----------------------------|
|  | Retained earnings             |                           |   |   |                | Other components of shareholders' equity - other comprehensive income |   |   |                |                |                            |
|  | Appropriated                  |                           | Corporate social responsibility reserve |   |                | Unappropriated  |   | Exchange differences on translation of financial statements |                |                |                            |
| Issued and paid-up share capital                                   | Premium on ordinary shares    | Premium on treasury stock | Statutory reserve                       | Corporate social responsibility reserve | Unappropriated | Unappropriated  | Exchange differences on translation of financial statements | Unappropriated  | Unappropriated | Unappropriated | Total shareholders' equity |
| <b>Balance as at 1 January 2013</b>                                | 1,039,520,600                 | 411,429,745               | 172,445,812                             | 103,952,060                             | 14,951,051     | 10,694,209,831  | 10,694,209,831  | (476,296,025)   |                |                | 11,960,213,074             |
| Dividend paid to the Company's shareholders (Note 32)              | -                             | -                         | -                                       | -                                       | -              | (415,473,580)   | (415,473,580)   | -   |                |                | (415,473,580)              |
| Total comprehensive income for the year                            | -                             | -                         | -                                       | -                                       | -              | 1,155,693,399   | 1,155,693,399   | 905,405,551   |                |                | 2,061,098,950              |
| Appropriated to corporated social responsibility reserve (Note 25) | -                             | -                         | -                                       | -                                       | 1,156,428      | (1,156,428)   | (1,156,428)   | -   |                |                | -                          |
| <b>Balance as at 31 December 2013</b>                              | 1,039,520,600                 | 411,429,745               | 172,445,812                             | 103,952,060                             | 16,107,479     | 11,433,273,222  | 11,433,273,222  | 429,109,526   |                |                | 13,605,838,444             |
| <b>Balance as at 1 January 2014</b>                                | 1,039,520,600                 | 411,429,745               | 172,445,812                             | 103,952,060                             | 16,107,479     | 11,433,273,222  | 11,433,273,222  | 429,109,526   |                |                | 13,605,838,444             |
| Dividend paid to the Company's shareholders (Note 32)              | -                             | -                         | -                                       | -                                       | -              | (311,816,790)   | (311,816,790)   | -   |                |                | (311,816,790)              |
| Total comprehensive income for the year                            | -                             | -                         | -                                       | -                                       | -              | 497,412,857   | 497,412,857   | 64,055,384  |                |                | 561,468,241                |
| Appropriated to corporated social responsibility reserve (Note 25) | -                             | -                         | -                                       | -                                       | 480,160        | (480,160)   | (480,160)   | -   |                |                | -                          |
| <b>Balance as at 31 December 2014</b>                              | 1,039,520,600                 | 411,429,745               | 172,445,812                             | 103,952,060                             | 16,587,639     | 11,618,389,129  | 11,618,389,129  | 493,164,910   |                |                | 13,855,489,895             |

The accompanying notes are an integral part of the financial statements.

# CASH FLOW STATEMENT

Precious Shipping Public Company Limited and its subsidiaries  
For the year ended 31 December 2014

(Unit: Baht)

|  | Consolidated financial statements |                      | Separate financial statements |                      |
|--|-----------------------------------|----------------------|-------------------------------|----------------------|
|  | 2014                              | 2013                 | 2014                          | 2013                 |
| <b>Cash flows from operating activities</b>  |                                   |                      |                               |                      |
| Profit (loss) before tax   | (80,119,246)                      | 544,561,012          | 497,412,857                   | 1,155,693,399        |
| Adjustments to reconcile profit (loss) before tax<br>to net cash provided by (paid from) operating activities: |                                   |                      |                               |                      |
| Depreciation and amortisation  | 1,268,348,338                     | 1,145,845,857        | 3,736,944                     | 11,889,321           |
| Bad debt and doubtful accounts   | 2,063,553                         | 2,032,805            | -                             | -                    |
| Write-off equipment  | 7,586                             | 50,784               | 7,586                         | 50,784               |
| Gains on sales of vessel and equipment   | (26,975,835)                      | (104,003)            | -                             | (104,003)            |
| Gains on novation/cancellation of shipbuilding contracts   | (39,554,472)                      | (935,412,070)        | (39,554,472)                  | (896,604,149)        |
| Write-off deferred financial fees  | 74,773,968                        | 34,506,915           | 74,773,968                    | 20,518,589           |
| Amortisation of deferred contract costs  | 9,418,209                         | -                    | -                             | -                    |
| Share of profit from investment in associate<br>held by a subsidiary   | (7,631,022)                       | (31,580,216)         | -                             | -                    |
| Provision for maritime claims  | 850,574                           | 11,753,682           | -                             | -                    |
| Provision for long-term employee benefits  | 5,530,005                         | 6,261,294            | 5,233,461                     | 6,012,945            |
| Unrealised exchange losses (gains)   | 2,274,622                         | (3,829,591)          | 1,161,903                     | (7,065,065)          |
| Amortised financial fees to interest expense   | 43,941,035                        | 36,074,967           | -                             | -                    |
| Interest expense   | 308,329,031                       | 280,730,257          | -                             | -                    |
| Interest income  | (1,173,609)                       | (5,351,083)          | (3,507,403)                   | (11,558,584)         |
| Profit from operating activities before<br>changes in operating assets and liabilities                         | 1,560,082,737                     | 1,085,540,610        | 539,264,844                   | 278,833,237          |
| Operating assets (increase) decrease   |                                   |                      |                               |                      |
| Trade and other receivables  | (79,542,628)                      | (3,556,070)          | 463,231,958                   | 296,703,505          |
| Bunker oil   | (16,050,956)                      | 49,348,257           | -                             | -                    |
| Other current assets   | 16,019,453                        | (9,094,100)          | 26,752,394                    | 2,768,637            |
| Other non-current assets   | (106,260,584)                     | (89,590,104)         | -                             | -                    |
| Operating liabilities increase (decrease)  |                                   |                      |                               |                      |
| Trade and other payables   | 69,668,412                        | (47,281,442)         | (646,836,104)                 | (741,116,957)        |
| Advances received from charterers  | (48,239,419)                      | 27,648,064           | -                             | -                    |
| Other current liabilities  | (7,767,466)                       | 1,276,329            | 138,863                       | (8,395,521)          |
| Other non-current liabilities  | (33,242,990)                      | 7,884,493            | (30,675,316)                  | 7,166,221            |
| Cash flows from (used in) operating activities   | 1,354,666,559                     | 1,022,176,037        | 351,876,639                   | (164,040,878)        |
| Cash paid for corporate income tax and<br>withholding tax deducted at source                                   | (8,842,334)                       | (9,413,042)          | (2,554,162)                   | (3,395,197)          |
| <b>Net cash flows from (used in) operating activities</b>  | <b>1,345,824,225</b>              | <b>1,012,762,995</b> | <b>349,322,477</b>            | <b>(167,436,075)</b> |

The accompanying notes are an integral part of the financial statements.

# CASH FLOW STATEMENT (CONTINUED)

Precious Shipping Public Company Limited and its subsidiaries  
For the year ended 31 December 2014

(Unit: Baht)

|   | Consolidated financial statements |                        | Separate financial statements |                        |
|---|-----------------------------------|------------------------|-------------------------------|------------------------|
|   | 2014                              | 2013                   | 2014                          | 2013                   |
| <b>Cash flows from investing activities</b>   |                                   |                        |                               |                        |
| Acquisitions of vessels and equipment and payment of dry-dock and special survey expenses | (3,433,213,024)                   | (1,730,111,575)        | (840,333)                     | (1,539,800)            |
| Cash received from sales of vessel and equipment  | 46,146,986                        | 105,360                | -                             | 104,004                |
| Cash paid for advances for vessel constructions and other direct costs                    | (3,585,553,887)                   | (1,395,140,073)        | (3,356,193,553)               | (690,080,980)          |
| Cash received from novation/cancellation of shipbuilding contracts                        | 1,454,278,055                     | 4,708,882,657          | 853,863,479                   | 4,120,491,117          |
| Cash paid for acquisition of a subsidiary   | -                                 | (414,474,224)          | -                             | (414,474,224)          |
| Cash paid for investments in subsidiaries   | -                                 | (30)                   | (350,720,000)                 | (197,800,030)          |
| Cash paid for other long-term investment  | (5,065,215)                       | -                      | (5,065,215)                   | -                      |
| Decrease in short-term loans to a subsidiary  | -                                 | -                      | 678,147,000                   | 149,450,100            |
| Decrease in long-term loans to a subsidiary   | -                                 | -                      | 186,311,340                   | 195,242,994            |
| Dividend received from associate held by a subsidiary                                     | 10,396,014                        | 25,262,901             | -                             | -                      |
| Interest income   | 1,173,609                         | 5,351,083              | 3,507,403                     | 11,558,584             |
| <b>Net cash flows from (used in) investing activities</b>                                 | <b>(5,511,837,462)</b>            | <b>1,199,876,099</b>   | <b>(1,990,989,879)</b>        | <b>3,172,951,765</b>   |
| <b>Cash flows from financing activities</b>   |                                   |                        |                               |                        |
| Cash paid for interest expense and commitment fees  | (321,589,545)                     | (312,577,551)          | -                             | (8,845,080)            |
| Cash paid for deferred financial fees   | (121,762,583)                     | (3,197,054)            | (112,303,572)                 | -                      |
| Cash received from long-term loans  | 3,481,381,624                     | 2,025,831,431          | 36,558,558                    | -                      |
| Repayment of long-term loans  | (714,031,860)                     | (725,682,087)          | -                             | (355,544,341)          |
| Prepayment of long-term loans   | (225,264,715)                     | (1,024,288,485)        | -                             | -                      |
| Prepayment of long-term loans due to cancellation of loan facility                        | -                                 | (833,968,477)          | -                             | (833,968,477)          |
| Dividends paid to the Company's shareholders  | (311,816,790)                     | (415,473,580)          | (311,816,790)                 | (415,473,580)          |
| Dividend paid to non-controlling interests of the subsidiary                              | (9,351,484)                       | -                      | -                             | -                      |
| <b>Net cash flows from (used in) financing activities</b>                                 | <b>1,777,564,647</b>              | <b>(1,289,355,803)</b> | <b>(387,561,804)</b>          | <b>(1,613,831,478)</b> |
| Increase (decrease) in translation adjustments  | (18,334,233)                      | 115,720,524            | (9,214,788)                   | 84,560,393             |
| <b>Net increase (decrease) in cash and cash equivalents</b>                               | <b>(2,406,782,823)</b>            | <b>1,039,003,815</b>   | <b>(2,038,443,994)</b>        | <b>1,476,244,605</b>   |
| Cash and cash equivalents at beginning of year  | 2,941,784,496                     | 1,901,014,613          | 2,122,520,960                 | 646,276,355            |
| Cash increased from acquisition of a subsidiary   | -                                 | 1,766,068              | -                             | -                      |
| <b>Cash and cash equivalents at end of year</b>   | <b>535,001,673</b>                | <b>2,941,784,496</b>   | <b>84,076,966</b>             | <b>2,122,520,960</b>   |

The accompanying notes are an integral part of the financial statements.



# CASH FLOW STATEMENT (CONTINUED)

Precious Shipping Public Company Limited and its subsidiaries  
For the year ended 31 December 2014

(Unit: Baht)

|  | Consolidated financial statements |             | Separate financial statements |             |
|--|-----------------------------------|-------------|-------------------------------|-------------|
|  | 2014                              | 2013        | 2014                          | 2013        |
| <b>Supplemental cash flows information</b>   |                                   |             |                               |             |
| Non-cash transactions  |                                   |             |                               |             |
| Dividend income from subsidiaries offset against receivable from/payable to subsidiaries | -                                 | -           | 702,599,250                   | 551,149,410 |
| Transfer of interest expenses and commitment fee to advances for vessel constructions    | 11,398,712                        | 28,993,789  | 63,889                        | 6,500,632   |
| Amortisation of financial fees to advances for vessel constructions                      | 40,659                            | 605,904     | 3,427                         | 175,283     |
| Transfer of deferred financial fees to present as a deduction from long-term loans       | 41,790,923                        | 24,512,775  | 374,086                       | 1,256,547   |
| Transfer of deferred financial fees to subsidiaries in proportion to the drawdown amount | -                                 | -           | 13,452,169                    | 12,223,336  |
| Transfer of advances for vessel constructions to vessel and equipment of subsidiaries    | 1,089,918,100                     | 580,028,663 | 296,698,813                   | 580,028,663 |
| Transfer investment in jointly controlled entity to investment in a subsidiary           | -                                 | -           | -                             | 31          |

The accompanying notes are an integral part of the financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Precious Shipping Public Company Limited and its subsidiaries  
For the year ended 31 December 2014

## 1. General information

Precious Shipping Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged as a holding company for investment in the marine transportation business. The registered office of the Company is at Cathay House, 7th Floor, 8 North Sathorn Road, Silom, Bangrak, Bangkok 10500.

## 2. Basis of preparation

- 2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

These financial statements are presented in Thai Baht which is different from the functional currency of the Company, which is US Dollar. The presentation is in Thai Baht in accordance with the regulatory requirements in Thailand.

The USD functional currency financial statements are translated into the Thai Baht presentation currency financial statements at the rate of exchange prevailing on the end of reporting period in respect of assets and liabilities, and at a rate that approximates the actual rate at the date of the transaction in respect of revenues and expenses, differences being recorded as “Exchange differences on translation of financial statements” in other comprehensive income, other components of shareholders' equity.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

## 2.2 Basis of consolidation

- a) The consolidated financial statements include the financial statements of Precious Shipping Public Company Limited and the following subsidiaries and associate (“the Group”).

| Company's name                          | Nature of business   | Country of incorporation | Percentage directly and indirectly owned by the Company |       |
|---|----------------------|--------------------------|---|-------|
|   |                      |                          | 2014  | 2013  |
|   |                      |                          | %   | %     |
| <u>Subsidiaries held by the Company</u> |                      |                          |   |       |
| 1. Precious Metals Limited              | Shipowner            | Thailand                 | 99.99   | 99.99 |
| 2. Precious Wishes Limited              | Shipowner            | Thailand                 | 99.99   | 99.99 |
| 3. Precious Stones Shipping Limited     | Shipowner            | Thailand                 | 99.99   | 99.99 |
| 4. Precious Minerals Limited            | Shipowner            | Thailand                 | 99.99   | 99.99 |
| 5. Precious Lands Limited               | Shipowner            | Thailand                 | 99.99   | 99.99 |
| 6. Precious Rivers Limited              | Shipowner            | Thailand                 | 99.99   | 99.99 |
| 7. Precious Lakes Limited               | Shipowner            | Thailand                 | 99.99   | 99.99 |
| 8. Precious Seas Limited                | Shipowner            | Thailand                 | 99.99   | 99.99 |
| 9. Precious Stars Limited               | Shipowner            | Thailand                 | 99.99   | 99.99 |
| 10. Precious Oceans Limited             | Shipowner            | Thailand                 | 99.99   | 99.99 |
| 11. Precious Planets Limited            | Shipowner            | Thailand                 | 99.99   | 99.99 |
| 12. Precious Diamonds Limited           | Shipowner            | Thailand                 | 99.99   | 99.99 |
| 13. Precious Sapphires Limited          | Shipowner            | Thailand                 | 99.99   | 99.99 |
| 14. Precious Emeralds Limited           | Shipowner            | Thailand                 | 99.99   | 99.99 |
| 15. Precious Rubies Limited             | Shipowner            | Thailand                 | 99.99   | 99.99 |
| 16. Precious Opals Limited              | Shipowner            | Thailand                 | 99.99   | 99.99 |
| 17. Precious Garnets Limited            | Shipowner            | Thailand                 | 99.99   | 99.99 |
| 18. Precious Pearls Limited             | Shipowner            | Thailand                 | 99.99   | 99.99 |
| 19. Precious Flowers Limited            | Shipowner            | Thailand                 | 99.99   | 99.99 |
| 20. Precious Forests Limited            | Shipowner            | Thailand                 | 99.99   | 99.99 |
| 21. Precious Trees Limited              | Shipowner            | Thailand                 | 99.99   | 99.99 |
| 22. Precious Ponds Limited              | Shipowner            | Thailand                 | 99.99   | 99.99 |
| 23. Precious Ventures Limited           | Shipowner            | Thailand                 | 99.99   | 99.99 |
| 24. Precious Capitals Limited           | Shipowner            | Thailand                 | 99.99   | 99.99 |
| 25. Precious Jasmines Limited           | Shipowner            | Thailand                 | 99.99   | 99.99 |
| 26. Precious Orchids Limited            | Shipowner            | Thailand                 | 99.99   | 99.99 |
| 27. Precious Lagoons Limited            | Shipowner            | Thailand                 | 99.99   | 99.99 |
| 28. Precious Cliffs Limited             | Shipowner            | Thailand                 | 99.99   | 99.99 |
| 29. Precious Hills Limited              | Shipowner            | Thailand                 | 99.99   | 99.99 |
| 30. Precious Mountains Limited          | Shipowner            | Thailand                 | 99.99   | 99.99 |
| 31. Precious Resorts Limited            | Shipowner            | Thailand                 | 99.99   | 99.99 |
| 32. Precious Cities Limited             | Shipowner            | Thailand                 | 99.99   | 99.99 |
| 33. Precious Comets Limited             | Shipowner            | Thailand                 | 99.99   | 99.99 |
| 34. Precious Ornaments Limited          | Shipowner            | Thailand                 | 99.99   | 99.99 |
| 35. Nedtex Limited                      | Bulk storage barges* | Thailand                 | 69.99   | 69.99 |
| 36. Precious Storage Terminals Limited  | Bulk storage barges* | Thailand                 | 69.99   | 69.99 |

| Company's name   | Nature of business                    | Country of incorporation | Percentage directly and indirectly owned by the Company |        |
|--|---------------------------------------|--------------------------|---|--------|
|  |                                       |                          | 2014  | 2013   |
|  |                                       |                          | %   | %      |
| 37. Thebes Pte. Limited                                | Maritime Business*                    | Singapore                | 100.00  | 100.00 |
| 38. Precious Shipping (Panama) S.A.                    | Shipowner/ Chartering                 | Panama                   | 99.99   | 99.99  |
| 39. Precious Shipping (Mauritius) Limited              | Holding company*                      | Mauritius                | 100.00  | 100.00 |
| 40. Precious Shipping (Singapore) Pte. Limited         | Holding company/<br>Chartering        | Singapore                | 100.00  | 100.00 |
| 41. Precious Shipping (UK) Limited                     | Chartering                            | England                  | 100.00  | 100.00 |
| 42. Great Circle Shipping Agency Limited               | Technical manager of<br>ships         | Thailand                 | 99.99   | 99.99  |
| 43. Precious Projects Pte. Limited                     | Investment holding<br>company*        | Singapore                | 100.00  | 100.00 |
| 44. Associated Bulk Carriers Pte. Limited              | Holding company                       | Singapore                | 100.00  | 100.00 |
| <u>Subsidiaries held by subsidiaries</u>               |                                       |                          |   |        |
| 45. PSL Investments Limited                            | Holding company*                      | Mauritius                | 100.00  | 100.00 |
| 46. International Lighterage Limited                   | Holding company*                      | Mauritius                | 100.00  | 100.00 |
| 47. PSL Thun Shipping Pte. Limited                     | Chartering                            | Singapore                | 64.06   | 64.06  |
| 48. Regidor Pte. Limited                               | Maritime business *                   | Singapore                | 100.00  | 100.00 |
| 49. Precious Forests Pte. Limited                      | Shipowner                             | Singapore                | 100.00  | 100.00 |
| 50. Precious Fragrance Pte. Limited                    | Shipowner                             | Singapore                | 100.00  | 100.00 |
| 51. Precious Thoughts Pte. Limited                     | Shipowner                             | Singapore                | 100.00  | 100.00 |
| 52. Precious Comforts Pte. Limited                     | Shipowner                             | Singapore                | 100.00  | 100.00 |
| 53. Precious Sparks Pte. Limited                       | Shipowner                             | Singapore                | 100.00  | 100.00 |
| 54. Precious Visions Pte. Limited                      | Shipowner                             | Singapore                | 100.00  | 100.00 |
| 55. Precious Bridges Pte. Limited                      | Shipowner                             | Singapore                | 100.00  | 100.00 |
| 56. Precious Tides Pte. Limited                        | Shipowner                             | Singapore                | 100.00  | -      |
| 57. Precious Skies Pte. Limited                        | Shipowner                             | Singapore                | 100.00  | -      |
| 58. ABC One Pte. Limited                               | Shipowner                             | Singapore                | 100.00  | 100.00 |
| 59. ABC Two Pte. Limited                               | Shipowner                             | Singapore                | 100.00  | 100.00 |
| 60. ABC Three Pte. Limited                             | Shipowner                             | Singapore                | 100.00  | 100.00 |
| 61. ABC Four Pte. Limited                              | Shipowner                             | Singapore                | 100.00  | 100.00 |
| <u>Associate held by a subsidiary</u>                  |                                       |                          |   |        |
| 62. International Seaports (Haldia)<br>Private Limited | Berth construction and<br>development | India                    | 22.40   | 22.40  |

\*Business suspended

- b) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.

Investment in associate is accounted for using the equity method and is recognised initially at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investee from the date that significant influence incurs until the date that significant influence ceases.

- c) The financial statements of the subsidiaries are prepared for the same reporting period as the Company and using the same significant accounting policies as the Company.

The financial statements of the associate are prepared for a reporting date that differs from that of the Company by no more than three months. In this respect, the accounting periods and differences are consistent and the financial statements are prepared using the same significant accounting policies as the Company.

- d) The financial statements of all subsidiaries and associate are prepared in their respective functional currencies. Where the functional currency is not USD, the financial statements are translated into USD using the exchange rate prevailing on the end of reporting period in respect of assets and liabilities, and at a rate that approximates the actual rate at the date of the transaction in respect of revenues and expenses. The resultant differences have been shown under the caption of "Exchange differences on translation of financial statements" in other comprehensive income, other components of shareholders' equity.
- e) Material balances and transactions between the Company and subsidiaries, and investments in subsidiaries by the Company and shareholders' equity of the subsidiaries have been eliminated from the consolidated financial statements.
- f) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position.

2.3 The separate financial statements, which present investments in subsidiaries under the cost method, have been prepared solely for the benefit of the public.

### 3. New accounting standards

Below is a summary of accounting standards that became effective in the current accounting year and those that will become effective in the future.

#### (a) Accounting standards that became effective in the current accounting year

Conceptual Framework for Financial Reporting (revised 2014)

Accounting Standards:

|                       |  |
|-----------------------|--|
| TAS 1 (revised 2012)  | Presentation of Financial Statements             |
| TAS 7 (revised 2012)  | Statement of Cash Flows                          |
| TAS 12 (revised 2012) | Income Taxes                                     |
| TAS 17 (revised 2012) | Leases   |
| TAS 18 (revised 2012) | Revenue  |
| TAS 19 (revised 2012) | Employee Benefits                                |
| TAS 21 (revised 2012) | The Effects of Changes in Foreign Exchange Rates |
| TAS 24 (revised 2012) | Related Party Disclosures                        |
| TAS 28 (revised 2012) | Investments in Associates                        |
| TAS 31 (revised 2012) | Interests in Joint Ventures                      |
| TAS 34 (revised 2012) | Interim Financial Reporting                      |
| TAS 36 (revised 2012) | Impairment of Assets                             |
| TAS 38 (revised 2012) | Intangible Assets                                |

Financial Reporting Standards:

|                       |   |
|-----------------------|---|
| TFRS 2 (revised 2012) | Share-based Payment   |
| TFRS 3 (revised 2012) | Business Combinations   |
| TFRS 5 (revised 2012) | Non-current Assets Held for Sale and Discontinued<br>Operations |
| TFRS 8 (revised 2012) | Operating Segments  |

Accounting Standard Interpretations:

|         |   |
|---------|---|
| TSIC 15 | Operating Leases - Incentives   |
| TSIC 27 | Evaluating the Substance of Transactions Involving the<br>Legal Form of a Lease |
| TSIC 29 | Service Concession Arrangements: Disclosures                                    |
| TSIC 32 | Intangible Assets - Web Site Costs  |

Financial Reporting Standard Interpretations:

|         |   |
|---------|---|
| TFRIC 1 | Changes in Existing Decommissioning, Restoration and<br>Similar Liabilities |
| TFRIC 4 | Determining whether an Arrangement contains a Lease                         |

|  |   |
|--|---|
| TFRIC 5  | Rights to Interests arising from Decommissioning,<br>Restoration and Environmental Rehabilitation Funds     |
| TFRIC 7  | Applying the Restatement Approach under TAS 29<br><i>Financial Reporting in Hyperinflationary Economies</i> |
| TFRIC 10   | Interim Financial Reporting and Impairment  |
| TFRIC 12   | Service Concession Arrangements   |
| TFRIC 13   | Customer Loyalty Programmes   |
| TFRIC 17   | Distributions of Non-cash Assets to Owners  |
| TFRIC 18   | Transfers of Assets from Customers  |
| Accounting Treatment Guidance for Stock Dividend |   |

These accounting standards were amended primarily to align their content with the corresponding International Financial Reporting Standards. Most of the changes were directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of the accounting standards. These accounting standards do not have any significant impact on the financial statements.

**(b) Accounting standards that will become effective in the future**

The Federation of Accounting Professions has issued a number of revised and new accounting standards that become effective for fiscal years beginning on or after 1 January 2015. These accounting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of accounting standards. The management of the Group believes they will not have any significant impact on the financial statements in the year in which they are adopted. However, some of these accounting standards involve changes to key principles, as discussed below.

**TAS 19 (revised 2014) Employee Benefits**

This revised standard requires that the entity recognise actuarial gains and losses immediately in other comprehensive income while the existing standard allows the entity to recognise such gains and losses immediately in profit or loss, or in other comprehensive income, or to recognise them gradually in profit or loss.

This revised standard does not have any impact on the financial statements as the Group already recognised actuarial gains and losses immediately in other comprehensive income.

## **TFRS 10 Consolidated Financial Statements**

TFRS 10 prescribes requirements for the preparation of consolidated financial statements and replaces the part dealing with consolidated financial statements as included in TAS 27 *Consolidated and Separate Financial Statements*. This standard changes the principles used in considering whether control exists. Under this standard, an investor is deemed to have control over an investee if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns, even if it holds less than half of the shares or voting rights. This important change requires the management to exercise a lot of judgement when reviewing whether the Company and its subsidiaries have control over the investees and determine which entities have to be included for preparation of the consolidated financial statements.

The management of the Group believes that this standard will not have any significant impact on the Group's financial statements.

## **TFRS 11 Joint Arrangements**

TFRS 11 supersedes TAS 31 *Interests in Joint Ventures*. This standard requires an entity to account for an investment in a jointly controlled entity using the equity method, while TAS 31 allows the entity to apply either the proportionate consolidation method or the equity method to account for such an investment.

The management of the Group believes that this standard will not have any impact on the Group's financial statements.

## **TFRS 12 Disclosure of Interests in Other Entities**

This standard stipulates disclosures relating to an entity's interests in subsidiaries, joint arrangements and associates, including structured entities. This standard therefore has no financial impact to the Group's financial statements.

## **TFRS 13 Fair Value Measurement**

This standard provides guidance on how to measure fair value and stipulates disclosures related to fair value measurements. Entities are to apply the guidance under this standard if they are required by other accounting standards to measure their assets or liabilities at fair value. The effect of the change from the adoption of this standard is to be recognised prospectively.

Based on the preliminary analysis, the management of the Group believes that this standard will not have any significant impact on the Group's financial statements.



#### **4. Significant accounting policies**

##### **4.1 Revenue and expense recognition**

###### ***Vessel operating income***

Vessel operating income (consisting of Hire income from Time charter and Freight income from Voyage charter) and related expenses are recognised on an accrual basis.

###### ***Rendering of services***

Service revenue is recognised when services have been rendered taking into account the stage of completion.

###### ***Interest income***

Interest income is recognised as interest accrues based on the effective rate method.

###### ***Dividend received***

Dividends received are recognised when the right to receive the dividends is established.

##### **4.2 Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

##### **4.3 Trade accounts receivable**

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debt aging.

##### **4.4 Bunker oil**

Bunker oil is valued at the lower of cost (first-in, first-out method) and net realisable value and is charged to vessel operating costs whenever consumed.

## 4.5 Investments

- a) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for loss on diminution in value (if any).
- b) Investment in associate is accounted for in the consolidated financial statements using the equity method.
- c) Investments in subsidiaries are accounted for in the separate financial statements using the cost method.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in the income statement. If the Company disposes only part of the investment, the carrying value per share used to calculate the cost of the portion sold is determined using the weighted average method.

## 4.6 Property, plant and equipment

Land and condominium units, vessels and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Depreciation of vessels, condominium units and equipment is calculated by reference to their costs, after deducting residual value, on the straight-line basis over the following estimated useful lives.

|                                      |                                    |
|--------------------------------------|------------------------------------|
| Vessels and equipment                | 25 years and 5 years, respectively |
| Dry-dock and special survey expenses | 2 years and 4 years, respectively  |
| Condominium units                    | 20 years                           |
| Leasehold improvement                | 5 years                            |
| Others                               | 5 years                            |

Depreciation is included in determining income.

No depreciation is provided on land and asset under construction.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

#### **4.7 Borrowing costs**

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### **4.8 Intangible assets and amortisation**

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at least at each financial year end. The amortisation expense is charged to the income statement.

The estimated useful lives of computer software are 5 years and 10 years.

#### **4.9 Deferred financial fees**

Financial expenses related to borrowings that are typically incurred on or before signing facility agreements and before actual draw down of the loans are recorded as deferred financial fees. A portion of deferred financial fees proportionate to the amount of the loan facility already drawn is presented as a deduction against the related loan account and amortised using the effective interest rate method over the term of the loans.

#### **4.10 Deferred contract costs**

The delay penalties, which the Group paid to the charterer of Cement Carriers before delivery of the vessels in order to maintain respective long-term time charter contracts, are recorded as deferred contract costs and amortised on a straight-line basis over the committed term of the charter under the contract, which is 15 years. The vessel operating income is presented net of this amortisation in the income statement.

#### **4.11 Related party transactions**

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

#### **4.12 Long-term leases**

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

#### **4.13 Foreign currencies**

The Group's financial statements are presented in Thai Baht, which is different from the Group's functional currency of USD. Each entity in the Group determines its own functional currency. Items of each entity included in the consolidated financial statements are measured using the functional currency of that entity.

##### **a) Transactions and balances**

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency. Foreign currency transactions during a particular month are translated into functional currency at the average exchange rates ruling during the previous transaction month.

Monetary assets and liabilities denominated in foreign currencies are retranslated into functional currency at the exchange rate ruling at the end of reporting period. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

##### **b) Group companies**

The assets and liabilities of Group companies whose functional currency is not USD are translated into USD at the exchange rate ruling at the end of reporting period and their income statement and statements of comprehensive income are translated at a rate that approximates the actual rate at the date of the transaction.

The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

#### **4.14 Impairment of assets**

At the end of each reporting period, the Group performs impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount.

An impairment loss is recognised in the income statement.

#### **4.15 Employee benefits**

##### **a) Short-term employee benefits**

Short-term employee benefit obligations, which include salaries, wages, bonuses, and contributions to the social security fund, are measured on an undiscounted basis and are expensed when they are incurred.

##### **b) Post-employment benefits**

The Group provides post-employment benefits through a defined contribution plan (under the Provident Fund Act B.E. 2530 (1987)) and a defined benefit plan (obligations for retired employees under the Thai Labor Protection Act B.E. 2541 (1998)).

##### **- Defined contribution plan**

A defined contribution plan comprises a provident fund which is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the income statement in the periods during which services are rendered by employees.

- Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. Such benefits are discounted to determine its present value using the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed by an independent actuary using the Projected Unit Credit Method.

The Group recognised all actuarial gains or losses arising from defined benefit plans in other comprehensive income in the period in which they arise.

c) Other long-term employee benefits

The Group's obligation in respect of accrued bonuses is classified as long-term employee benefits other than retirement benefit plans, and is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Actuarial gains and losses arising from other long-term benefits are recognised immediately in the income statement.

d) Termination benefits

The Group recognised termination benefits when it is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

#### **4.16 Provisions**

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

### *Provisions for maritime claims*

Provisions for maritime claims are recorded by the subsidiaries upon receipt of the claim advices from the charterers, based on the best estimate of the expenditure required to settle the subsidiaries present obligation.

#### **4.17 Income tax**

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

##### **Current tax**

Income tax of the Company and subsidiaries in Thailand is provided for in the accounts based on the taxable income determined in accordance with tax legislation in Thailand. Overseas subsidiaries and associate calculate corporate income tax in accordance with the method and tax rates stipulated by tax laws in those countries.

##### **Deferred tax**

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Group recognised deferred tax liabilities for all taxable temporary differences while it recognised deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Group reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Group records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

#### **4.18 Premium on treasury stock**

Gains on disposal of treasury stock are determined by reference to the carrying amount and are presented as premium on treasury stock. Losses on disposal of treasury stock are determined by reference to the carrying amount and are presented in premium on treasury stock and retained earnings, consecutively.

## 4.19 Derivatives

### **Cross currency swap contracts**

Receivables and payables arising from cross currency swap contracts are translated into USD at the exchange rates ruling at the end of reporting period. Unrecognised gains and losses from the translation are recognised in the income statement.

### **Interest rate swap contracts**

The net amount of interest to be received from or paid to the counterparty under an interest rate swap contract is recognised as income or expenses on an accrual basis.

## 5. Significant accounting judgments and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ. The significant accounting judgments and estimates are as follows.

### **Leases**

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

### **Allowance for doubtful accounts**

Allowances for doubtful accounts are intended to adjust the value of receivables for probable credit losses. The management uses judgment to establish reserves for estimated losses for each outstanding debtor. The allowances for doubtful accounts are determined through a combination of specific reviews, collection experience, and analysis of debtor aging, taking into account changes in the current economic conditions. However, the use of different estimates and assumptions could affect the amounts of allowances for receivable losses and adjustments to the allowances may therefore be required in the future.

### **Fair value of financial instruments**

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercises judgment, using a variety of valuation techniques. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and long-term volatility of financial instruments.



## Property, plant and equipment/Depreciation

In calculating depreciation on vessels, condominium units and equipment, the management estimates useful lives and residual values of the Company's and subsidiaries' vessels, condominium units and equipment and reviews estimated useful lives and residual values if there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

## Intangible assets

The initial recognition and measurement of intangible assets and subsequent impairment testing require management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

## Deferred tax assets

Deferred tax assets are recognised in respect of temporary differences only to the extent that it is probable that taxable profit will be available against which these differences can be recognised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

## Post-employment benefits under defined benefit plans and other long-term employee benefits

The obligation under the defined benefit plan and other long-term employee benefit plans is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

## 6. Cash and cash equivalents

|               | (Unit: Thousand Baht)             |           |                               |           |
|---------------|-----------------------------------|-----------|-------------------------------|-----------|
|               | Consolidated financial statements |           | Separate financial statements |           |
|               | 2014                              | 2013      | 2014                          | 2013      |
| Cash          | 848                               | 689       | 837                           | 678       |
| Bank deposits | 534,154                           | 2,941,095 | 83,240                        | 2,121,843 |
| Total         | 535,002                           | 2,941,784 | 84,077                        | 2,122,521 |

As at 31 December 2014, bank deposits carried interest between 0.10% and 0.30% per annum for USD savings deposits and between 0.37% and 0.50% per annum for Baht savings deposits (2013: between 0.13% and 0.45% per annum for USD savings deposits, 0.50% per annum for Baht savings deposits and between 0.74% per annum for USD fixed deposits).

## 7. Current investment

(Unit: Thousand Baht)

| Consolidated financial statements                   |              |                         |       |       |        |  |          |          |  |
|---|--------------|-------------------------|-------|-------|--------|--|----------|----------|--|
| Paid-up capital                                     |              | Shareholding percentage |       | Cost  |        | Carrying amount based on equity method |          |          |  |
| 2014  | 2013         | 2014                    | 2013  | 2014  | 2013   | 2014                                   | 2013     |          |  |
| Thousand INR  | Thousand INR | %                       | %     |       |        |  |          |          |  |
| <b>Investment in associate held by a subsidiary</b> |              |                         |       |       |        |  |          |          |  |
| Southern LPG Limited                                | 64,592       | 64,592                  | 50.00 | 50.00 | 28,768 | 28,637                                 | 18,101   | 18,019   |  |
| Less: Allowance for loss on investment              |              |                         |       |       |        |  | (18,101) | (18,019) |  |
| Current investment - net                            |              |                         |       |       |        |  | -        | -        |  |

On 23 December 2013, PSL Investments Limited and International Lighterage Limited, (“PSL Inv” and “Lighterage”), two subsidiaries of the Company that are registered in Mauritius (shareholding is through Precious Shipping (Mauritius) Limited), sold all 3,229,575 shares of their investments in the ordinary shares of Southern LPG Limited (“SLPG”) to Precious Shipping (Singapore) Pte. Limited (“Precious Singapore”), another subsidiary of the Company, at a price of INR 5.00 per share, totaling INR 16.15 million (or approximately Baht 8.31 million). This restructuring of shareholding was made in order to improve administrative convenience. The change of ownership does not affect the Group’s holding in SLPG, which is unchanged at 50.00%. This transaction was approved by a Directors’ Meeting of Precious Singapore on 20 May 2013 and a Directors’ Meeting of PSL Inv and Lighterage on 30 May 2013. The transactions are considered as sales of investments under common control of the Group.

The change in cost of current investment is from the exchange differences on translation of financial statements from functional currency to presentation currency.

The Group is currently processing the voluntary winding-up of Southern LPG Limited with the relevant authority in India, and so the investment in Southern LPG Limited is still presented as a current investment, under current assets, and has made a full provision for loss on this investment.

## 8. Trade and other receivables

(Unit: Thousand Baht)

|  | Consolidated         |           | Separate             |           |
|--|----------------------|-----------|----------------------|-----------|
|  | financial statements |           | financial statements |           |
|  | 2014                 | 2013      | 2014                 | 2013      |
| <u>Trade receivables - unrelated parties</u>     |                      |           |                      |           |
| Aged on the basis of invoice date                |                      |           |                      |           |
| Past due   |                      |           |                      |           |
| Up to 3 months                                   | 314,821              | 231,870   | -                    | -         |
| 3 - 6 months                                     | 1,967                | 6,366     | -                    | -         |
| 6 - 12 months                                    | 773                  | 30        | -                    | -         |
| Over 12 months                                   | 22                   | 4,805     | -                    | -         |
| Total  | 317,583              | 243,071   | -                    | -         |
| Less: Allowance for doubtful debts               | (22)                 | (4,805)   | -                    | -         |
| Total trade receivables - unrelated parties, net | 317,561              | 238,266   | -                    | -         |
| <u>Other receivables - unrelated parties</u>     |                      |           |                      |           |
| Guarantor receivables (Note 17)                  | -                    | 835,691   | -                    | 232,937   |
| <u>Other receivables - related parties</u>       |                      |           |                      |           |
| Advances to related parties (Note 9)             | -                    | -         | 1,503,991            | 1,647,427 |
| Total other receivables                          | -                    | 835,691   | 1,503,991            | 1,880,364 |
| Total trade and other receivables - net          | 317,561              | 1,073,957 | 1,503,991            | 1,880,364 |

## 9. Related party transactions

In addition to relationship between the Company and its subsidiaries as stated in Note 12 to the financial statements, and its associate as stated in Note 13 to the financial statements, the other related party transactions and relationship are summarised below.

| Related party's name       | Transaction                        | Relationship   |
|----------------------------|------------------------------------|--|
| Globex Corporation Limited | None                               | Major shareholder holding 25.65% ordinary shares in the Company and related by way of the Company's directors as shareholders and directors in the related party |
| Unistretch Limited         | Office rental and service expenses | Related by way of common shareholders and directors  |
| Ambika Tour Agency Limited | Air ticket expenses                | Related by way of common shareholders and directors  |

| Related party's name                           | Transaction                                   | Relationship  |
|--|---|---|
| Maestro Controls Limited                       | Air-conditioning service expenses             | Related by way of common shareholders and directors   |
| Maxwin Builders Limited                        | Hotel service and management service expenses | Related by way of common shareholders and directors   |
| InsurExcellence Insurance Brokers Limited      | Insurance expense                             | Related by way of Company Directors' close family member as the related party's shareholder   |
| InsurExcellence Life Insurance Brokers Limited | Insurance expense                             | Related by way of Company Directors' close family member as the related party's shareholder   |
| Quidlab Company Limited                        | Computer hardware or software purchases       | Related by way of Company Senior Manager's close family member as the related party's shareholder and director in the related party |

During the years, the Group had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms agreed upon between the Company and those related parties.

(Unit: Thousand Baht)

|  | Consolidated         |      | Separate             |         | Transfer pricing policy  |
|--|----------------------|------|----------------------|---------|--|
|  | financial statements |      | financial statements |         |  |
|  | 2014                 | 2013 | 2014                 | 2013    |  |
| <b>Transactions with subsidiaries</b>  |                      |      |                      |         |  |
| (Eliminated from consolidated financial statements)  |                      |      |                      |         |  |
| Service income - management fees   | -                    | -    | 92,792               | 83,861  | Fixed rate per vessel per day set with reference to the administrative cost of the Company |
| Vessel construction supervision income   | -                    | -    | -                    | 6,126   | In accordance with contract based on market practice                                       |
| Dividend received  | -                    | -    | 702,599              | 551,149 | As declared  |
| Interest income  | -                    | -    | 2,334                | 8,613   | At interest rate of 0.40% per annum until 31 March 2014                                    |
| Condominium rental expenses  | -                    | -    | 8,533                | 8,846   | Market price   |
| Sales of new building vessels<br>(as part of advances for vessel construction and other direct cost) | -                    | -    | 296,699              | 580,029 | At cost  |

(Unit: Thousand Baht)

|  | Consolidated         |        | Separate             |       | Transfer pricing policy |
|--|----------------------|--------|----------------------|-------|-------------------------|
|  | financial statements |        | financial statements |       |                         |
|  | 2014                 | 2013   | 2014                 | 2013  |                         |
| <b>Transaction with associate</b>          |                      |        |                      |       |                         |
| Dividend received                          | 10,396               | 25,263 | -                    | -     | As declared             |
| <b>Transactions with related companies</b> |                      |        |                      |       |                         |
| Air ticket expenses                        | 12,679               | 11,432 | 4,022                | 3,259 | Market price            |
| Rental and service expenses                | 6,761                | 6,599  | 5,057                | 5,192 | Market price            |
| Computer purchases                         | 1,734                | 381    | 1,281                | 381   | Market price            |

The balances of the accounts as at 31 December 2014 and 2013 between the Company and those related parties are as follows.

(Unit: Thousand Baht)

|   | Consolidated         |      | Separate             |           |
|---|----------------------|------|----------------------|-----------|
|   | financial statements |      | financial statements |           |
|   | 2014                 | 2013 | 2014                 | 2013      |
| <b>Other receivables - related parties (Note 8)</b> |                      |      |                      |           |
| Subsidiaries  | -                    | -    | 1,503,991            | 1,647,427 |
| Total other receivables - related parties           | -                    | -    | 1,503,991            | 1,647,427 |
| <b>Trade and other payables - related parties</b>   |                      |      |                      |           |
| Subsidiaries  | -                    | -    | 1,403,844            | 2,023,148 |
| Related companies                                   | 444                  | 27   | 192                  | 27        |
| Total trade and other payables - related parties    | 444                  | 27   | 1,404,036            | 2,023,175 |

The outstanding balances of the amounts due from/to subsidiaries represent current accounts between the Company and those subsidiaries. The Company's management believes that no allowance for doubtful accounts is necessary. No interest was charged on advances to/from subsidiaries.

#### Directors and management's benefits

During the years ended 31 December 2014 and 2013, the Group had employee benefit expenses of their directors and management as below.

(Unit: Thousand Baht)

|                              | Consolidated         |         | Separate             |         |
|------------------------------|----------------------|---------|----------------------|---------|
|                              | financial statements |         | financial statements |         |
|                              | 2014                 | 2013    | 2014                 | 2013    |
| Short-term employee benefits | 77,950               | 94,715  | 74,939               | 89,762  |
| Post-employment benefits     | 1,224                | 1,940   | 1,222                | 1,940   |
| Other long-term benefits     | -                    | 12,596  | -                    | 11,323  |
| Total                        | 79,174               | 109,251 | 76,161               | 103,025 |

### Guarantee obligations with related parties

The Company has outstanding guarantee obligations with its subsidiaries in relation to the loans from banks. There was no guarantee fee charged.

#### **10. Short-term loans to a subsidiary**

As at 31 December 2014, short-term loans to a wholly owned subsidiary, Precious Shipping (Singapore) Pte. Limited, are in the form of promissory notes in US Dollar, amounting to USD 50.40 million (2013: USD 71.40 million), which carried interest at the rate of 0.40% per annum until 31 March 2014, and bearing no interest after 31 March 2014 (2013: 0.40% per annum), and are due at call. Movements in the balance of the loans during the year were as follows.

(Unit: Thousand Baht)

|                              | Separate financial statements |                  |
|------------------------------|-------------------------------|------------------|
|                              | 2014                          | 2013             |
| Balance at beginning of year | 2,342,891                     | 2,352,507        |
| Increase                     | -                             | 294,981          |
| Decrease                     | (678,147)                     | (444,431)        |
| Translation adjustment       | (3,409)                       | 139,834          |
| Balance at end of year       | <u>1,661,335</u>              | <u>2,342,891</u> |

#### **11. Long-term loans to a subsidiary**

As at 31 December 2014, long-term loans to a wholly owned subsidiary, Associated Bulk Carriers Pte. Limited ("ABC Company"), are in the form of promissory notes in US Dollar, bearing no interest and are due at call. The Company does not intend to call for the loans repayment in the foreseeable future; therefore, the loans are classified as long-term loans.

The details of long-term loans were as follows.

- (a) As at 31 December 2013, the loan amounting to USD 5.70 million was made available by the Company to enable ABC One Pte. Limited, the subsidiary of ABC Company to pay the installment due to ABG Shipyard Ltd., India per Shipbuilding Contract signed on 22 April 2010. During the year ended 31 December 2014; the Company received all repayment of the loan due to the cancellation of shipbuilding contract of the subsidiary.
- (b) The loan amounting to USD 9.70 million (31 December 2013: USD 9.70 million) was made available by the Company to enable 4 subsidiaries of ABC Company per details below to pay the installments due to China Shipbuilding & Offshore International Co., Ltd. and Shanhaiguan New Shipbuilding Industry Co., Ltd., China, per respective Shipbuilding Contracts.

| Subsidiaries' name     | Shipbuilding Contract date |
|------------------------|----------------------------|
| ABC Two Pte. Limited   | 5 December 2012            |
| ABC Three Pte. Limited | 5 December 2012            |
| ABC Four Pte. Limited  | 3 April 2013               |
| ABC One Pte. Limited*  | 30 August 2013             |

\* On 13 January 2014, ABC Company ("Original buyer") entered into an agreement with its subsidiary, ABC One Pte. Limited. ("New buyer") and China Shipbuilding & Offshore International Co. Ltd. and Shanhaiguan New Shipbuilding Industry Co., Ltd. ("Sellers") to transfer all the rights, title, interest, benefits, obligation and/or liabilities of the shipbuilding contract dated 30 August 2013 for construction of one 20,000 DWT Cement Carrier having builder hull No. CC200-04.

Movements in the balance of the loans during the year were as follows.

|   | (Unit: Thousand Baht) |                |
|---|-----------------------|----------------|
|   | Separate              |                |
|   | financial statements  |                |
|   | 2014                  | 2013           |
| Balance at beginning of the year                              | 505,395               | -              |
| Transferred from long-term loans to jointly controlled entity | -                     | 410,035        |
| Increase from acquisition of a subsidiary                     | -                     | 253,325        |
| Increase  | -                     | 153,795        |
| Decrease  | (186,311)             | (349,038)      |
| Translation adjustment  | 723                   | 37,278         |
| Balance at end of the year                                    | <u>319,807</u>        | <u>505,395</u> |

## 12. Investments in subsidiaries

These represent investments in ordinary shares in the following subsidiaries.

| Subsidiaries' name               | (Unit: Thousand Baht)         |         |                         |       |         |         |                     |                   |
|----------------------------------|-------------------------------|---------|-------------------------|-------|---------|---------|---------------------|-------------------|
|                                  | Separate financial statements |         |                         |       |         |         |                     | Dividend received |
|                                  | Paid-up capital               |         | Shareholding percentage |       | Cost    |         | for the years ended |                   |
|                                  | 2014                          | 2013    | 2014                    | 2013  | 2014    | 2013    | 2014                | 2013              |
|                                  |                               |         | %                       | %     |         |         | 31 December         |                   |
| Precious Metals Limited          | 275,000                       | 275,000 | 99.99                   | 99.99 | 349,265 | 347,682 | -                   | -                 |
| Precious Wishes Limited          | 230,000                       | 230,000 | 99.99                   | 99.99 | 297,313 | 295,965 | -                   | 23,000            |
| Precious Stones Shipping Limited | 260,000                       | 260,000 | 99.99                   | 99.99 | 277,727 | 276,468 | 91,000              | 39,000            |
| Precious Minerals Limited        | 230,000                       | 230,000 | 99.99                   | 99.99 | 252,545 | 251,401 | -                   | 46,000            |
| Precious Lands Limited           | 306,000                       | 306,000 | 99.99                   | 99.99 | 319,615 | 318,167 | -                   | -                 |
| Precious Rivers Limited          | 234,000                       | 234,000 | 99.99                   | 99.99 | 210,071 | 209,119 | 46,800              | 35,100            |

(Unit: Thousand Baht)

## Separate financial statements

| Subsidiaries' name                            | Paid-up capital |         | Shareholding percentage |        | Cost    |         | Dividend received<br>for the years ended |        |
|---|-----------------|---------|-------------------------|--------|---------|---------|--|--------|
|   |                 |         |                         |        |         |         | 31 December                              |        |
|   | 2014            | 2013    | 2014                    | 2013   | 2014    | 2013    | 2014                                     | 2013   |
| Precious Lakes Limited                        | 184,000         | 184,000 | 99.99                   | 99.99  | 184,342 | 183,506 | -  | -      |
| Precious Seas Limited                         | 100,000         | 100,000 | 99.99                   | 99.99  | 129,266 | 128,680 | 30,000                                   | -      |
| Precious Stars Limited                        | 105,000         | 105,000 | 99.99                   | 99.99  | 135,730 | 135,114 | 63,000                                   | 21,000 |
| Precious Oceans Limited                       | 175,000         | 175,000 | 99.99                   | 99.99  | 226,216 | 225,191 | -  | -      |
| Precious Planets Limited                      | 270,000         | 270,000 | 99.99                   | 99.99  | 306,736 | 305,346 | -  | 13,500 |
| Precious Diamonds Limited                     | 205,000         | 205,000 | 99.99                   | 99.99  | 192,039 | 191,168 | -  | 30,750 |
| Precious Sapphires Limited                    | 144,000         | 144,000 | 99.99                   | 99.99  | 130,289 | 129,699 | 28,800                                   | 64,800 |
| Precious Emeralds Limited                     | 366,000         | 366,000 | 99.99                   | 99.99  | 312,414 | 310,998 | 109,800                                  | 36,600 |
| Precious Rubies Limited                       | 259,360         | 84,000  | 99.99                   | 99.99  | 260,847 | 80,854  | -  | -      |
| Precious Opals Limited                        | 249,360         | 74,000  | 99.99                   | 99.99  | 252,480 | 72,525  | -  | -      |
| Precious Garnets Limited                      | 379,000         | 379,000 | 99.99                   | 99.99  | 322,236 | 320,775 | 75,800                                   | 37,900 |
| Precious Pearls Limited                       | 173,000         | 173,000 | 99.99                   | 99.99  | 184,047 | 183,213 | -  | -      |
| Precious Flowers Limited                      | 336,000         | 336,000 | 99.99                   | 99.99  | 354,857 | 353,249 | -  | -      |
| Precious Forests Limited                      | 96,000          | 96,000  | 99.99                   | 99.99  | 98,558  | 98,111  | -  | -      |
| Precious Trees Limited                        | 202,000         | 202,000 | 99.99                   | 99.99  | 215,366 | 214,390 | -  | 20,200 |
| Precious Ponds Limited                        | 124,000         | 124,000 | 99.99                   | 99.99  | 129,540 | 128,953 | -  | -      |
| Precious Ventures Limited                     | 202,000         | 202,000 | 99.99                   | 99.99  | 233,607 | 232,548 | -  | 10,100 |
| Precious Capitals Limited                     | 200,000         | 200,000 | 99.99                   | 99.99  | 258,533 | 257,361 | -  | -      |
| Precious Jasmines Limited                     | 147,000         | 147,000 | 99.99                   | 99.99  | 175,645 | 174,849 | -  | -      |
| Precious Orchids Limited                      | 217,000         | 217,000 | 99.99                   | 99.99  | 198,486 | 197,586 | 43,400                                   | 21,700 |
| Precious Lagoons Limited                      | 140,000         | 140,000 | 99.99                   | 99.99  | 180,973 | 180,153 | -  | 21,000 |
| Precious Cliffs Limited                       | 140,000         | 140,000 | 99.99                   | 99.99  | 180,973 | 180,153 | 49,000                                   | 14,000 |
| Precious Hills Limited                        | 140,000         | 140,000 | 99.99                   | 99.99  | 180,973 | 180,153 | 21,000                                   | 35,000 |
| Precious Mountains Limited                    | 140,000         | 140,000 | 99.99                   | 99.99  | 180,973 | 180,153 | 27,999                                   | 41,999 |
| Precious Resorts Limited                      | 140,000         | 140,000 | 99.99                   | 99.99  | 180,973 | 180,153 | 14,000                                   | 14,000 |
| Precious Cities Limited                       | 170,000         | 170,000 | 99.99                   | 99.99  | 205,789 | 204,857 | 102,000                                  | 25,500 |
| Precious Comets Limited                       | 141,000         | 141,000 | 99.99                   | 99.99  | 137,590 | 136,967 | -  | -      |
| Precious Ornaments Limited                    | 156,000         | 156,000 | 99.99                   | 99.99  | 151,007 | 150,323 | -  | -      |
| Nedtex Limited                                | 2,500           | 2,500   | 69.99                   | 69.99  | 838     | 834     | -  | -      |
| Precious Storage Terminals Limited            | 6,000           | 6,000   | 69.99                   | 69.99  | 5,429   | 5,404   | -  | -      |
| Thebes Pte. Limited                           | 0.0365          | 0.0365  | 100.00                  | 100.00 | -       | -       | -  | -      |
| Precious Shipping (Panama) S.A.               | 250             | 250     | 99.99                   | 99.99  | 330     | 328     | -  | -      |
| Precious Shipping (Mauritius)<br>Limited      | 250             | 250     | 100.00                  | 100.00 | 330     | 328     | -  | -      |
| Precious Shipping (Singapore)<br>Pte. Limited | 363,338         | 363,338 | 100.00                  | 100.00 | 345,799 | 344,232 | -  | -      |
| Precious Shipping (UK) Limited                | 250             | 250     | 100.00                  | 100.00 | 330     | 328     | -  | -      |
| Great Circle Shipping Agency<br>Limited       | 210,000         | 210,000 | 99.99                   | 99.99  | 357,457 | 355,837 | -  | -      |



(Unit: Thousand Baht)

## Separate financial statements

| Subsidiaries' name                                      | Paid-up capital                |        | Shareholding percentage |        | Cost      |           | Dividend received<br>for the years ended<br>31 December |         |
|---|--------------------------------|--------|-------------------------|--------|-----------|-----------|---|---------|
|   | 2014                           | 2013   | 2014                    | 2013   | 2014      | 2013      | 2014  | 2013    |
|   | Precious Projects Pte. Limited | 0.0345 | 0.0345                  | 100.00 | 100.00    | -         | -   | -       |
| Associated Bulk Carries Pte. Limited                    | 0.0664                         | 0.0664 | 100.00                  | 100.00 | -         | -         | -   | -       |
| Total investments in subsidiaries                       |                                |        |                         |        | 8,117,534 | 7,723,121 | 702,599   | 551,149 |
| Less: Allowance for loss on investments in subsidiaries |                                |        |                         |        | (6,596)   | (6,566)   |   |         |
| Total investments in subsidiaries - net                 |                                |        |                         |        | 8,110,938 | 7,716,555 |   |         |

The Company offsets the dividend income against amounts receivables from/payables to subsidiaries in the statement of financial position.

As at 31 December 2014, the Company has pledged the shares of 34 subsidiaries amounting to Baht 7,665.92 million (2013: 27 subsidiaries amounting to Baht 6,071.25 million), stated under the cost method, with banks to secure the long-term loans referred to in Note 21 to the financial statements.

The change in cost of investments in subsidiaries other than the changes below in the investments is from the exchange differences on translation of financial statements from functional currency to presentation currency.

There were changes in cost of investments in subsidiaries as below.

### Additional investments in subsidiaries

#### 2014

During the year 2014, the Company subscribed and paid for newly issued ordinary shares of subsidiaries as detailed below.

| Subsidiaries' name      | Date           | New ordinary shares |                  |                |
|-------------------------|----------------|---------------------|------------------|----------------|
|                         |                | Par value           | No. of shares    | Total value    |
|                         |                | (Baht)              | (Million Shares) | (Million Baht) |
| Precious Rubies Limited | 3 October 2014 | 100.00              | 1.75             | 175.36         |
| Precious Opals Limited  | 3 October 2014 | 100.00              | 1.75             | 175.36         |

## 2013

1. During the year 2013, the Company subscribed and paid for newly issued ordinary shares of subsidiaries as detailed below.

| Subsidiaries' name         | Date          | New ordinary shares |                  |                |
|----------------------------|---------------|---------------------|------------------|----------------|
|                            |               | Par value           | No. of shares    | Total value    |
|                            |               | (Baht)              | (Million Shares) | (Million Baht) |
| Precious Ponds Limited     | 25 April 2013 | 100.00              | 0.40             | 40.00          |
| Precious Comets Limited    | 25 April 2013 | 100.00              | 0.70             | 69.90          |
| Precious Ornaments Limited | 31 July 2013  | 100.00              | 0.88             | 87.90          |

2. On 1 June 2013, the Company purchased one ordinary share of Precious Shipping (UK) Limited from the non-controlling interests of the subsidiary at par value of USD 1.00.

### 13. Investment in associate held by a subsidiary

#### 13.1 Details of associate held by a subsidiary

(Unit: Thousand Baht)

| Consolidated financial statements               |                                    |                          |                         |       |        |        |   |         |
|---|------------------------------------|--------------------------|-------------------------|-------|--------|--------|---|---------|
| Associate's name                                | Nature of business                 | Country of incorporation | Shareholding percentage |       | Cost   |        | Carrying amounts based on equity method |         |
|   |                                    |                          | 2014                    | 2013  | 2014   | 2013   | 2014                                    | 2013    |
|   |                                    |                          | %                       | %     |        |        |   |         |
| International Seaports (Haldia) Private Limited | Berth construction and development | India                    | 22.40                   | 22.40 | 67,167 | 66,863 | 95,582                                  | 102,372 |

The change in cost of investment in associate held by a subsidiary is from the exchange differences on translation of financial statements from functional currency to presentation currency.

(Unit: Thousand Baht)

| Consolidated financial statements               |   |        |   |        |
|---|---|--------|---|--------|
| For the years ended 31 December                 |   |        |   |        |
| Associate's name                                | Share of profit from investment in associate held by a subsidiary |        | Dividend received from associate held by a subsidiary |        |
|   | 2014  | 2013   | 2014  | 2013   |
| International Seaports (Haldia) Private Limited | 7,631   | 31,580 | 10,396  | 25,263 |

Share of profit from investment in associate held by a subsidiary for the years ended 31 December 2014 and 2013, included in the consolidated income statements, was calculated based on the financial information of that associate as at 30 September 2014 and 2013, respectively.

### 13.2 Summarised financial information of associate held by a subsidiary

(Unit: Thousand Baht)

| Associate's name         | Paid-up capital as at |              | Total assets as at |         | Total liabilities as at |         | Total revenues      |         | Profit              |         |
|--------------------------|-----------------------|--------------|--------------------|---------|-------------------------|---------|---------------------|---------|---------------------|---------|
|                          | 30 September          |              | 30 September       |         | 30 September            |         | for the years ended |         | for the years ended |         |
|                          | 2014                  | 2013         | 2014               | 2013    | 2014                    | 2013    | 2014                | 2013    | 2014                | 2013    |
|                          | Thousand INR          | Thousand INR |                    |         |                         |         |                     |         |                     |         |
| International Seaports   |                       |              |                    |         |                         |         |                     |         |                     |         |
| (Haldia) Private Limited | 440,580               | 440,580      | 484,368            | 566,800 | 57,662                  | 109,781 | 423,174             | 531,596 | 34,067              | 140,983 |

On 11 September 2013, International Lighterage Limited, (“Lighterage”), a subsidiary of the Company, which is registered in Mauritius (shareholding is through Precious Shipping (Mauritius) Limited), sold all 9,868,287 shares of its investment in the ordinary shares of International Seaports (Haldia) Private Limited (“Haldia”) to Precious Shipping (Singapore) Pte. Limited (“Precious Singapore”), another subsidiary of the Company, at a price of INR 10.00 per share, totaling INR 98.68 million (or approximately Baht 46.21 million). This restructuring of shareholding was made in order to improve administrative convenience. The change of ownership does not affect the Group’s holding in Haldia, which is unchanged at 22.40%. This transaction was approved by Directors’ Meeting of Precious Singapore on 20 May 2013 and Directors’ Meeting of Lighterage on 30 May 2013. The transaction is considered as sales of investment under common control of the Group.

### 14. Other long-term investment

On 9 May 2014, the Company paid an additional called portion of 2,026,086 ordinary shares of Baht 2.50 each amounting to Baht 5.07 million in TMN Company Limited. As a result, as at 31 December 2014, the Company paid up Baht 7.50 per share, or a total of Baht 15.20 million, representing 3% of total issued and paid-up share capital (31 December 2013: Baht 5.00 per share, or a total of Baht 10.13 million, representing 3% of total issued and paid-up share capital).

The change in cost of other long-term investment, other than the above, is from the exchange differences on translation of financial statements from functional currency to presentation currency.

## 15. Property, plant and equipment

(Unit: Thousand Baht)

|  | Consolidated financial statements |                          |  |            |   |                          |        |                          |       |
|--|-----------------------------------|--------------------------|--|------------|---|--------------------------|--------|--------------------------|-------|
|  | Land and<br>condominium<br>units  | Vessels and equipment    |  |            | Furniture,<br>fixtures<br>and office<br>equipment |                          |        | Leasehold<br>improvement | Total |
|  |                                   | Vessels and<br>equipment | Dry-dock and<br>special survey<br>expenses | Total      | Motor<br>vehicles                                 | Leasehold<br>improvement | Total  |                          |       |
| <b>Cost</b>  |                                   |                          |  |            |   |                          |        |                          |       |
| 1 January 2014                                       | 236,979                           | 25,084,020               | 676,194                                    | 25,760,214 | 58,551  | 14,251                   | 13,491 | 26,083,486               |       |
| Acquisitions/transfer in                             | 307                               | 4,286,169                | 235,585                                    | 4,521,754  | 890   | -                        | 180    | 4,523,131                |       |
| Disposals/transfer out/write-off                     | -                                 | (152,957)                | (239,846)                                  | (392,803)  | (15)  | -                        | -      | (392,818)                |       |
| Translation adjustment                               | 1,085                             | 201,498                  | 3,557                                      | 205,055    | 277   | 65                       | 63     | 206,545                  |       |
| 31 December 2014                                     | 238,371                           | 29,418,730               | 675,490                                    | 30,094,220 | 59,703  | 14,316                   | 13,734 | 30,420,344               |       |
| <b>Accumulated depreciation</b>                      |                                   |                          |  |            |   |                          |        |                          |       |
| 1 January 2014                                       | 219,513                           | 6,749,699                | 366,873                                    | 7,116,572  | 53,686  | 12,542                   | 11,613 | 7,413,926                |       |
| Depreciation for the year                            | 380                               | 1,012,366                | 251,256                                    | 1,263,622  | 2,032   | 541                      | 501    | 1,267,076                |       |
| Depreciation on disposals/transfer out/<br>write-off | -                                 | (138,314)                | (239,846)                                  | (378,160)  | (7)   | -                        | -      | (378,167)                |       |
| Translation adjustment                               | 1,005                             | 43,570                   | 1,613                                      | 45,183     | 272   | 65                       | 59     | 46,584                   |       |
| 31 December 2014                                     | 220,898                           | 7,667,321                | 379,896                                    | 8,047,217  | 55,983  | 13,148                   | 12,173 | 8,349,419                |       |
| <b>Net book value</b>                                |                                   |                          |  |            |   |                          |        |                          |       |
| 1 January 2014                                       | 17,466                            | 18,334,321               | 309,321                                    | 18,643,642 | 4,865   | 1,709                    | 1,878  | 18,669,560               |       |
| 31 December 2014                                     | 17,473                            | 21,751,409               | 295,594                                    | 22,047,003 | 3,720   | 1,168                    | 1,561  | 22,070,925               |       |
| <b>Depreciation for the year</b>                     |                                   |                          |  |            |   |                          |        |                          |       |
| 2014   |                                   |                          |  |            |   |                          |        | 1,267,076                |       |

(Unit: Thousand Baht)

## Consolidated financial statements

|  | Vessels and equipment      |                       | Furniture, fixtures and office equipment |            | Motor vehicles | Leasehold improvement | Total      |
|--|----------------------------|-----------------------|--|------------|----------------|-----------------------|------------|
|  | Land and condominium units | Vessels and equipment | Dry-dock and special survey expenses     | Total      |                |                       |            |
| <b>Cost</b>                                      |                            |                       |  |            |                |                       |            |
| 1 January 2013                                   | 220,427                    | 21,315,998            | 557,235                                  | 21,873,233 | 13,638         | 12,595                | 22,173,494 |
| Acquisitions/transfer in                         | 792                        | 2,072,191             | 235,600                                  | 2,307,791  | -              | -                     | 2,310,140  |
| Disposals/transfer out/write-off                 | -                          | -                     | (170,553)                                | (170,553)  | (350)          | -                     | (171,435)  |
| Translation adjustment                           | 15,760                     | 1,695,831             | 53,912                                   | 1,749,743  | 963            | 896                   | 1,771,287  |
| 31 December 2013                                 | 236,979                    | 25,084,020            | 676,194                                  | 25,760,214 | 14,251         | 13,491                | 26,083,486 |
| <b>Accumulated depreciation</b>                  |                            |                       |  |            |                |                       |            |
| 1 January 2013                                   | 200,046                    | 5,438,027             | 252,951                                  | 5,690,978  | 11,534         | 10,230                | 5,960,922  |
| Depreciation for the year                        | 4,909                      | 870,017               | 258,201                                  | 1,128,218  | 514            | 610                   | 1,136,719  |
| Depreciation on disposals/transfer out/write-off | -                          | -                     | (170,553)                                | (170,553)  | (350)          | -                     | (171,383)  |
| Translation adjustment                           | 14,558                     | 441,655               | 26,274                                   | 467,929    | 844            | 773                   | 487,668    |
| 31 December 2013                                 | 219,513                    | 6,749,699             | 366,873                                  | 7,116,572  | 12,542         | 11,613                | 7,413,926  |
| <b>Net book value</b>                            |                            |                       |  |            |                |                       |            |
| 1 January 2013                                   | 20,381                     | 15,877,971            | 304,284                                  | 16,182,255 | 2,104          | 2,365                 | 16,212,572 |
| 31 December 2013                                 | 17,466                     | 18,334,321            | 309,321                                  | 18,643,642 | 1,709          | 1,878                 | 18,669,560 |
| <b>Depreciation for the year 2013</b>            |                            |                       |  |            |                |                       |            |
|  |                            |                       |  |            |                |                       | 1,136,719  |

(Unit: Thousand Baht)

|  | Separate financial statements                     |                   |                          |        |
|--|---|-------------------|--------------------------|--------|
|  | Furniture,<br>fixtures<br>and office<br>equipment | Motor<br>vehicles | Leasehold<br>improvement | Total  |
| <b>Cost</b>  |   |                   |                          |        |
| 1 January 2014                                       | 25,610  | 12,882            | 10,730                   | 49,222 |
| Acquisitions/transfer in                             | 840   | -                 | -                        | 840    |
| Disposals/transfer out/write-off                     | (15)  | -                 | -                        | (15)   |
| Translation adjustment                               | 126   | 59                | 50                       | 235    |
| 31 December 2014                                     | 26,561  | 12,941            | 10,780                   | 50,282 |
| <b>Accumulated depreciation</b>                      |   |                   |                          |        |
| 1 January 2014                                       | 21,353  | 11,934            | 8,850                    | 42,137 |
| Depreciation for the year                            | 1,708   | 270               | 500                      | 2,478  |
| Depreciation on disposals/<br>transfer out/write-off | (7)   | -                 | -                        | (7)    |
| Translation adjustment                               | 121   | 58                | 47                       | 226    |
| 31 December 2014                                     | 23,175  | 12,262            | 9,397                    | 44,834 |
| <b>Net book value</b>                                |   |                   |                          |        |
| 1 January 2014                                       | 4,257   | 948               | 1,880                    | 7,085  |
| 31 December 2014                                     | 3,386   | 679               | 1,383                    | 5,448  |
| <b>Depreciation for the year</b><br>2014             |   |                   |                          | 2,478  |

(Unit: Thousand Baht)

|  | Separate financial statements                     |                   |                          |        |
|--|---|-------------------|--------------------------|--------|
|  | Furniture,<br>fixtures<br>and office<br>equipment | Motor<br>vehicles | Leasehold<br>improvement | Total  |
| <b>Cost</b>  |   |                   |                          |        |
| 1 January 2013                                       | 22,867  | 12,361            | 10,016                   | 45,244 |
| Acquisitions/transfer in                             | 1,540   | -                 | -                        | 1,540  |
| Disposals/transfer out/write-off                     | (532)   | (350)             | -                        | (882)  |
| Translation adjustment                               | 1,735   | 871               | 714                      | 3,320  |
| 31 December 2013                                     | 25,610  | 12,882            | 10,730                   | 49,222 |
| <b>Accumulated depreciation</b>                      |   |                   |                          |        |
| 1 January 2013                                       | 18,511  | 11,222            | 7,652                    | 37,385 |
| Depreciation for the year                            | 1,909   | 256               | 610                      | 2,775  |
| Depreciation on disposals/<br>transfer out/write-off | (480)   | (350)             | -                        | (830)  |
| Translation adjustment                               | 1,413   | 806               | 588                      | 2,807  |
| 31 December 2013                                     | 21,353  | 11,934            | 8,850                    | 42,137 |
| <b>Net book value</b>                                |   |                   |                          |        |
| 1 January 2013                                       | 4,356   | 1,139             | 2,364                    | 7,859  |
| 31 December 2013                                     | 4,257   | 948               | 1,880                    | 7,085  |
| <b>Depreciation for the year</b>                     |   |                   |                          |        |
| 2013   |   |                   |                          | 2,775  |

On 9 January 2014, Precious Shipping (Panama) S.A., (“the overseas subsidiary”), which held 41 of 64 shares in the Fujisan Maru Vessel (“Vessel”), and the Joint Owner (held 23 of 64 shares) entered into a Memorandum of Agreement with an overseas company to sell the Vessel for USD 2.31 million. According to the shareholding in the Vessel, the sale price of the Vessel to be paid to the overseas subsidiary is USD 1.48 million (or approximately Baht 48.86 million). On 15 January 2014, the vessel is already delivered to the buyer. The overseas subsidiary already received the selling price (net of direct selling expense) of USD 1.41 million (or approximately Baht 46.15 million). The Group recorded gains from sales of vessel amounting to USD 0.83 million (or approximately Baht 26.98 million) in the consolidated income statement for the year ended 31 December 2014.

As at 31 December 2014, certain condominium units, vessels and equipment items have been fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation) of those assets amounted to Baht 295.46 million (2013: Baht 442.85 million) in the consolidated financial statements and Baht 37.65 million (2013: Baht 37.17 million) in the separate financial statements.

As at 31 December 2014, the subsidiaries have mortgaged 37 vessels (2013: 34 vessels) with net book value of Baht 20,788.82 million (2013: Baht 17,651.83 million) with banks to secure long-term loans as referred to in Note 21 to the financial statements.

## 16. Intangible assets

Details of intangible assets which are computer software are as follows.

(Unit: Thousand Baht)

|   | Consolidated<br>financial statements |              | Separated<br>financial statements |              |
|---|--------------------------------------|--------------|-----------------------------------|--------------|
|   | 2014                                 | 2013         | 2014                              | 2013         |
| <b>Cost</b>                                   |                                      |              |                                   |              |
| Cost at beginning of year                     | 55,031                               | 51,372       | 54,965                            | 51,310       |
| Translation adjustment                        | 250                                  | 3,659        | 250                               | 3,655        |
| Cost at end of year                           | 55,281                               | 55,031       | 55,215                            | 54,965       |
| <b>Accumulated amortisation</b>               |                                      |              |                                   |              |
| Accumulated amortisation at beginning of year | 50,965                               | 38,516       | 50,931                            | 38,497       |
| Amortisation for the year                     | 1,272                                | 9,127        | 1,259                             | 9,114        |
| Translation adjustment                        | 249                                  | 3,322        | 249                               | 3,320        |
| Accumulated amortisation at end of year       | 52,486                               | 50,965       | 52,439                            | 50,931       |
| <b>Net book value as at 31 December</b>       | <b>2,795</b>                         | <b>4,066</b> | <b>2,776</b>                      | <b>4,034</b> |
| <b>Amortisation for the year</b>              | <b>1,272</b>                         | <b>9,127</b> | <b>1,259</b>                      | <b>9,114</b> |



### 17. Advances for vessel constructions

The Group has outstanding orders for Newbuilding Vessels as at 31 December 2014 as follows.

|                       |  |  |  |   |   |  |
|-----------------------|--|--|--|---|---|--|
| <b>Vessel type</b>    | 1 Cement Carrier   | 2 Dry Bulk Carriers (Handysize vessel)   | 8 Dry Bulk Carriers (4 Handysize vessels and 4 Ultramax vessels)   | 2 Dry Bulk Carriers (Ultramax Vessel)                         | 10 Dry Bulk Carriers (Ultramax Vessel)  | 2 Dry Bulk Carriers (Ultramax Vessel)  |
| <b>Acquirer</b>       | ABC One Pte. Limited ("new buyer") Associated Bulk Carriers Pte. Limited ("Original buyer")                      | The Company  | The Company  | The Company   | The Company   | The Company  |
| <b>Seller</b>         | China Shipbuilding & Offshore International Co., Ltd. and Shanhaiguan New Shipbuilding Industry Co., Ltd., China | China Shipbuilding & Offshore International Co., Ltd. and Shanhaiguan New Shipbuilding Industry Co., Ltd., China | Taizhou Sanfu Ship Engineering Co., Ltd., China  | Sainty Marine Corporation Ltd., China                         | Sainty Marine Corporation Ltd., China   | Taizhou Sanfu Ship Engineering Co., Ltd. and Jiangsu Ruihai International Trade Co., Ltd., China |
| <b>Contract date</b>  | 30 August 2013 and amendment agreement dated 13 January 2014   | 25 November 2013   | 20 December 2013   | 24 February 2014  | 26 February 2014 and addendum dated 18 August 2014  | 17 March 2014  |
| <b>Contract price</b> | USD 24.48 million  | USD 22.32 million per vessel (USD 44.64 million in aggregate)  | USD 21.96 million per Handysize vessel and USD 27.48 million per Ultramax vessel (USD 197.75 million in aggregate) | USD 27.90 million per vessel (USD 55.80 million in aggregate) | USD 27.90 million per vessel for 8 vessels and USD 27.40 million per vessel for 2 vessels ("original contract price") plus USD 70,382 per vessel, according to the addendum (USD 278.70 million in aggregate) | USD 27.90 million per vessel (USD 55.80 million in aggregate)                                    |

|                      |   |   |   |  |  |  |                               |              |             |                        |                            |                        |                        |
|----------------------|---|---|---|--|--|--|-------------------------------|--------------|-------------|------------------------|----------------------------|------------------------|------------------------|
| <b>Payment terms</b> | The contract price will be paid in 5 installments. The first installment of 10% of contract price would be payable on the submission of a bank guarantee in favor of ABC One Pte. Limited to secure the refunds of the 4 installments paid before delivery. Each of the next 3 installments of 10% of contract price would be payable on the submission of relevant milestone certificates. The last installment of 60% of contract price would be payable on delivery. | The contract price of each vessel will be paid in 5 installments. The first installment of 10% of contract price would be payable on the submission of a bank guarantee in favor of the Company to secure the refunds of the 4 installments paid before delivery. Each of the next 3 installments of 10% of contract price would be payable on the submission of relevant milestone certificates. The last installment of 60% of contract price would be payable on delivery. | The contract price of each vessel will be paid in 4 installments. The first installment of USD 200,000 on signing the contract and the second installment of 15% of contract price with deduction of the first installment (USD 200,000) would be payable on the submission of a bank guarantee in favor of the Company to secure the refunds of the Pre-Delivery Installments. The third installment of 10% of contract price would be payable on the submission of relevant milestone certificates. The last installment of 75% of contract price would be payable on delivery. | The contract price will be paid in 5 installments. The first to the fourth installment each of 10% of contract price would be payable on the submission of a bank guarantee in favor of the Company and relevant milestone certificates. The last installment of 60% of contract price would be payable on delivery. | The contract price will be paid in 5 installments. The first to the fourth installment each of 10% of original contract price would be payable on the submission of a bank guarantee in favor of the Company and relevant milestone certificates. The last installment of 60% of original contract price plus 70,382 USD would be payable on delivery. | The contract price of each vessel will be paid in 3 installments. The first installment of 15% of contract price would be payable on the submission of a bank guarantee in favor of the Company to secure the refunds of the Pre-Delivery Installments. The second installment of 10% of contract price would be payable on the submission of relevant milestone certificates. The last installment of 75% of contract price would be payable on delivery. | <b>Expected delivery date</b> | January 2015 | Within 2015 | Year 2015 to Year 2016 | On or before 31 March 2015 | Year 2015 to Year 2016 | Year 2015 to Year 2016 |
|----------------------|---|---|---|--|--|--|-------------------------------|--------------|-------------|------------------------|----------------------------|------------------------|------------------------|

Movements of the advances for vessel constructions account during the years ended 31 December 2014 and 2013 are summarised below.

(Unit: Thousand Baht)

|  | Consolidated         |             | Separate             |             |
|--|----------------------|-------------|----------------------|-------------|
|  | financial statements |             | Financial statements |             |
|  | 2014                 | 2013        | 2014                 | 2013        |
| Balance at beginning of year               | 1,973,330            | 4,942,348   | 1,061,832            | 4,250,803   |
| Additions                                  | 3,449,378            | 1,351,228   | 3,288,375            | 670,233     |
| Increase from acquisition of investment in |                      |             |                      |             |
| a subsidiary                               | -                    | 533,026     | -                    | -           |
| Capitalisation of finance cost             | 11,399               | 28,994      | 64                   | 6,501       |
| Amortisation of financial fees             | 41                   | 606         | 3                    | 175         |
| Other direct costs                         | 231,450              | 43,912      | 163,094              | 19,848      |
| Novation/cancellation of shipbuilding      |                      |             |                      |             |
| contracts                                  | (582,277)            | (4,580,770) | (582,277)            | (3,443,374) |
| Transfer to cost of vessels and equipment  |                      |             |                      |             |
| of subsidiaries                            | (1,089,918)          | (580,029)   | (296,699)            | (580,029)   |
| Translation adjustment                     | 20,807               | 234,015     | 26,511               | 137,675     |
| Balance at end of year                     | 4,014,210            | 1,973,330   | 3,660,903            | 1,061,832   |
| Less: Current portion                      | -                    | (593,136)   | -                    | (593,136)   |
| Advances for vessel constructions - net    |                      |             |                      |             |
| of current portion                         | 4,014,210            | 1,380,194   | 3,660,903            | 468,696     |

During the year ended 31 December 2014, the amount of borrowing costs capitalised was Baht 11.40 million (2013: Baht 28.99 million) in the consolidated financial statements and Baht 0.06 million (2013: Baht 6.50 million) in the separate financial statements. The weighted average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 2.74% - 2.93% (2013: 1.43% - 2.64%) in the consolidated financial statements and was 2.74% (2013: 1.43% - 1.56%) in the separate financial statements.

During the year 2014 the Group recognised gains from novation/cancellation of shipbuilding contract as detailed below.

### **Submission the Letter of Demand for Hull No. 342**

On 30 June 2014, the Company issued the letter to ABG Shipyard Ltd. (“Shipbuilder”) under Shipbuilding Contract for Hull No. 342 (“SBC”) to procure extensions to all the Letters of Guarantee by no later than 30 June 2014. Since the Shipbuilder failed to fulfill the Shipbuilder’s obligation in accordance with the SBC, on 4 July 2014, the Company then invoked the Guarantees available with the Company and submitted the Letters of Demand (Claim) against the Irrevocable Letters of Guarantee and Performance Guarantee to an Indian Bank in India (“Guarantor”) in accordance with the SBC. Subsequently, on 15 July 2014, the Company received USD 19.37 million (or approximately Baht 621.83 million) towards the claim for Hull No. 342 from the Guarantor and recorded gains on Cancellation of Shipbuilding Contract of USD 1.23 million (or approximately Baht 39.55 million) in the consolidated and separate income statements for the year ended 31 December 2014.

During the year 2013 the Group recognised gains from novation/cancellation of shipbuilding contracts as detailed below.

### **Novation of new Shipbuilding Contracts**

During the year ended 31 December 2013, the Company completed 4 Novations of Shipbuilding Contracts for Hull Nos. 316, 336, 340 and 347 and recorded gains on Novation of Shipbuilding Contracts of USD 21.80 million (or approximately Baht 650.83 million) in the consolidated and separate income statements for the year ended 31 December 2013.

### **Cancellation of Shipbuilding Contract**

During the year ended 31 December 2013, ABC Three Pte., Limited received the cancellation proceeds of USD 6.70 million or approximately Baht 198.66 million and recorded gain on Cancellation of Shipbuilding Contract of USD 0.75 million or approximately Baht 22.14 million in the consolidated income statement.

Moreover in 2013, the Company, ABC One Pte. Limited and ABC Two Pte. Limited (the “Buyers”) issued 7 Cancellation Notices to ABG Shipyard Ltd. (“Shipbuilder”) under 7 Shipbuilding Contracts (“SBCs”). The Buyers made claims of advance installments paid and interest thereon under the SBCs. Since the Shipbuilder failed to fulfill the Shipbuilder’s obligation in accordance with the SBCs and did not make the payment demanded to the Buyers for the claims, the Buyers then invoked the Guarantees available with the Buyers and submitted the Letters of Demand against the Irrevocable Letters of Guarantee and/or Performance Guarantees to the various Indian Banks in India (“Guarantors”) in accordance with the SBCs.

During the year ended 31 December 2013, the Buyers received an aggregate amount of USD 101.18 million (or approximately Baht 3,205.50 million) being all the guaranteed amounts with applicable interest pursuant to 5 SBCs for Hull Nos. 337, 348, 379, 349, and 338 from the Guarantors as a result of the claims submitted, and for Hull No. 339, the Company received USD 13.08 million (or approximately Baht 418.64 million) and recorded the remaining balance of USD 25.47 million (or approximately Baht 835.69 million) for Hull Nos. 339 and 378 under “Trade and other receivables” account in the statement of financial position as at 31 December 2013 and recorded gains on Cancellation of Shipbuilding Contracts for all the 7 Hulls of USD 8.27 million (or approximately Baht 262.44 million) in the consolidated income statement and USD 7.75 million (or approximately Baht 245.77 million) in the separate income statement for the year ended 31 December 2013. Subsequently, on 7 January 2014, the Group received the remaining total balance of USD 25.47 million (or approximately Baht 832.45 million) towards the claims for Hull No. 339 and 378 from the Guarantors.

**Delivery of vessels under the Shipbuilding Contracts with China Shipbuilding & Offshore International Co., Ltd. and Shanhaiguan New Shipbuilding Industry Co., Ltd., China**

During the year ended 31 December 2014, 3 cement carriers were completed and delivered to the Company’s indirect subsidiaries incorporated in Singapore as detailed below.

| <b>Delivery date</b> | <b>Subsidiary’s name</b> | <b>Hull No.</b> | <b>Cost of vessel construction and other direct costs</b>   |
|----------------------|--------------------------|-----------------|---|
| 25 March 2014        | ABC Two Pte. Limited     | CC200-01        | USD 25.27 million<br>(or approximately Baht 819.72 million) |
| 12 June 2014         | ABC Three Pte. Limited   | CC200-02        | USD 25.50 million<br>(or approximately Baht 827.55 million) |
| 3 September 2014     | ABC Four Pte. Limited    | CC200-03        | USD 24.99 million<br>(or approximately Baht 809.14 million) |

## Delivery of vessels under the Shipbuilding Contracts with Sainty Marine Corporation Ltd., China

During the year ended 31 December 2014, 2 dry bulk vessels were completed and delivered to 2 local subsidiaries as detailed below.

| Delivery date | Subsidiary's name       | Hull No.  | Cost of vessel construction and other direct costs          |
|---------------|-------------------------|-----------|---|
| 3 July 2014   | Precious Opals Limited  | SAM13010B | USD 28.50 million<br>(or approximately Baht 922.63 million) |
| 16 July 2014  | Precious Rubies Limited | SAM13009B | USD 28.47 million<br>(or approximately Baht 921.71 million) |

## Delivery of vessel under the Shipbuilding Contract with ABG Shipyard Ltd., India

During the year ended 31 December 2013, 1 vessel was completed and delivered to 1 indirect subsidiary incorporated in Singapore as detailed below.

| Delivery date   | Subsidiary's name              | Hull No. | Cost of vessel construction and other direct costs          |
|-----------------|--------------------------------|----------|---|
| 15 January 2013 | Precious Thoughts Pte. Limited | 335      | USD 24.58 million<br>(or approximately Baht 728.17 million) |

## 18. Deferred financial fees

Movements of the deferred financial fees account during the years ended 31 December 2014 and 2013 are summarised below.

|  | (Unit: Thousand Baht)             |          |                               |          |
|--|-----------------------------------|----------|-------------------------------|----------|
|  | Consolidated financial statements |          | Separate financial statements |          |
|  | 2014                              | 2013     | 2014                          | 2013     |
| Balance at beginning of year                               | 97,337                            | 125,212  | 75,457                        | 100,561  |
| Additions  | 135,241                           | 3,197    | 125,782                       | -        |
| Increase from acquisition of investment in a subsidiary    | -                                 | 12,811   | -                             | -        |
| Transfer to present as a deduction against long-term loans | (41,791)                          | (24,513) | (374)                         | (1,257)  |
| Transfer to subsidiaries as a borrower                     | -                                 | -        | (13,452)                      | (12,223) |
| Write-off deferred financial fee                           | (74,774)                          | (25,942) | (74,774)                      | (16,355) |
| Transfer from other current assets                         | 8,008                             | -        | 8,008                         | -        |
| Translation adjustment                                     | 170                               | 6,572    | 307                           | 4,731    |
| Balance at end of year                                     | 124,191                           | 97,337   | 120,954                       | 75,457   |

During the year 2014, the Group has written off Baht 74.77 million (2013: Baht 25.94 million) in the consolidated financial statements and Baht 74.77 million (2013: Baht 16.36 million) in the separate financial statements being a part of the deferred financial fees paid in earlier years due to the prepayment, cancellation, reduction and expiration of loan facilities. The amount of write-off has been estimated on a pro-rata basis to the amount of reduction of the facilities.

## 19. Deferred contract costs

Movements of the deferred contract costs account during the year ended 31 December 2014 are summarised below.

|                              | (Unit: Thousand Baht)                |
|------------------------------|--------------------------------------|
|                              | Consolidated<br>financial statements |
| Balance at beginning of year | 167,768                              |
| Additions                    | 106,256                              |
| Amortisation for the period  | (9,418)                              |
| Translation adjustment       | 2,128                                |
| Balance at end of year       | <u>266,734</u>                       |

## 20. Accrued employee bonus

As at 31 December 2014 and 2013, accrued employee bonus can be separated based on the year the payment is to be made to employees, as follows.

|                | Consolidated         |               | Separate             |               |
|----------------|----------------------|---------------|----------------------|---------------|
|                | financial statements |               | financial statements |               |
| Payable within | 2014                 | 2013          | 2014                 | 2013          |
| 1 year         | 14,159               | 43,461        | 12,901               | 40,080        |
| 2 - 3 years    | -                    | 30,681        | -                    | 28,217        |
| Total          | <u>14,159</u>        | <u>74,142</u> | <u>12,901</u>        | <u>68,297</u> |

## 21. Long-term loan facilities

As at 31 December 2014 and 2013, long-term loans accounts are presented below.

(Unit: Thousand Baht)

|  | Consolidated financial statements   |           |            |           |            |           |            |   |            |          |            |           |            |        |            |           |            |           |           |            |           |
|--|---|-----------|------------|-----------|------------|-----------|------------|---|------------|----------|------------|-----------|------------|--------|------------|-----------|------------|-----------|-----------|------------|-----------|
|  | Loan facilities for financing the construction and acquisition of new vessels |           |            |           |            |           |            | Loan facilities for purchasing of vessels |            |          |            |           |            |        |            |           |            |           |           |            |           |
|  | Facility 1  |           | Facility 2 |           | Facility 3 |           | Facility 4 |   | Facility 5 |          | Facility 6 |           | Facility 8 |        | Facility 1 |           | Facility 3 |           | Total     |            |           |
| 2014                                     | 2013  | 2014      | 2013       | 2014      | 2013       | 2014      | 2013       | 2014                                      | 2013       | 2014     | 2013       | 2014      | 2013       | 2014   | 2013       | 2014      | 2013       | 2014      | 2013      | 2014       | 2013      |
| Long-term loans                          | 1,244,032   | 1,339,379 | 1,973,561  | 2,150,472 | 1,238,133  | 1,238,133 | -          | 637,637                                   | -          | 161,387  | -          | 1,392,549 | -          | 96,783 | -          | 3,694,331 | 3,944,267  | 1,706,000 | 2,011,080 | 12,084,413 | 9,445,198 |
| Less: Deferred financial fees            | (6,399)   | (7,926)   | (32,046)   | (38,304)  | (20,441)   | (20,441)  | -          | (4,568)                                   | -          | (1,041)  | -          | (6,005)   | -          | (373)  | -          | (98,203)  | (112,789)  | (2,015)   | (13,422)  | (171,111)  | (172,441) |
| Total                                    | 1,237,633   | 1,331,453 | 1,941,515  | 2,112,168 | 1,217,692  | 1,217,692 | -          | 633,049                                   | -          | 160,346  | -          | 1,386,544 | -          | 96,410 | -          | 3,596,128 | 3,831,478  | 1,703,985 | 1,997,658 | 11,913,302 | 9,272,757 |
| Less: Current portion                    | (100,925)   | (100,390) | (183,669)  | (182,545) | (83,256)   | (83,256)  | -          | (42,203)                                  | -          | (12,026) | -          | (78,484)  | -          | -      | -          | (123,085) | (122,381)  | (188,322) | (248,588) | (811,972)  | (653,904) |
| Long-term loans - net of current portion | 1,136,708   | 1,231,063 | 1,757,846  | 1,929,623 | 1,134,434  | 1,134,434 | -          | 590,846                                   | -          | 148,320  | -          | 1,308,060 | -          | 96,410 | -          | 3,473,043 | 3,709,097  | 1,515,663 | 1,749,070 | 11,101,330 | 8,618,853 |



(Unit: Thousand Baht)

|                               | Separate financial statements   |      |
|-------------------------------|---|------|
|                               | Loan facility for financing<br>the construction and<br>acquisition of new vessels |      |
|                               | Facility 8  |      |
|                               | 2014  | 2013 |
| Long-term loans               | 36,783  | -    |
| Less: Deferred financial fees | (373)   | -    |
| Total                         | 36,410  | -    |

The details of each loan facility are summarised as follows.

## 21.1 Loan facilities for financing the construction and acquisition of new vessels (Newbuildings)

### Facility 1

On 3 July 2008, the Company entered into a secured loan agreement with overseas and local commercial banks to obtain a loan facility of USD 398.40 million carrying interest at LIBOR plus margin which is to be paid quarterly. The loan was to be used to finance the construction and acquisition of 15 new vessels (9 handysize vessels and 6 supramax vessels) out of the 18 new vessels already ordered by the Company with ABG Shipyard Limited and the total loan amount was equivalent to 80% of the aggregate contract prices of the 15 vessels.

During the years 2011 to 2013, the Company drawn the loans to finance 3 new vessels amounting to USD 54.50 million. The Company prepaid the loans drawn towards the Pre-delivery facility for financing the new shipbuildings ordered amounting to USD 101.20 million and cancelled the undrawn balance loan facility amounting to USD 242.70 million.

On 16 June 2014, DNB Asia Ltd. as agent and security agent of the facility has approved the amendment of financial covenant regarding to the maintenance of funded debt to EBITDA ratio from not exceeding 5:1 to be not exceeding 6:1 during 30 June 2014 to 31 December 2016.

The final maturity, repayment and security of the loan facility are summarised as follows.

| Facility /<br>Description | Post-delivery facility  |
|---------------------------|---|
| <b>Final maturity</b>     | 10 years from delivery of the first vessel (15 March 2020)  |
| <b>Repayment</b>          | Each tranche (aggregate drawings in respect of each vessel) is to be amortised (repaid) in quarterly installments, each equivalent to 1/60th of the post-delivery facility amount, and in a balloon amount equal to the balance under such tranche on final maturity. The first quarterly repayment of each tranche shall commence 3 months after delivery of each respective vessel.   |
| <b>Security</b>           | <ul style="list-style-type: none"> <li>a) 1st priority mortgage over the vessels</li> <li>b) Pledge of the vessel-owning subsidiaries' shares</li> <li>c) Corporate guarantee from the Company if the Company is not a joint borrower</li> <li>d) 1st priority assignment of requisition compensation in respect of the vessels</li> <li>e) 1st priority assignment of all insurance proceeds</li> <li>f) 1st priority assignment of the earnings of the vessels and pledge over the earnings and retention account of each vessel</li> </ul> |

The loan agreement contains covenants that, among other things, require the Company to maintain certain financial ratios which include:

- a) maintenance of a funded debt to total shareholders' equity ratio not exceeding 2:1
- b) maintenance of a funded debt to EBITDA ratio not exceeding 6:1
- c) maintenance of a minimum free cash balance of USD 100,000 per vessel owned by the Group

## Facility 2

On 14 October 2011, 4 indirect subsidiaries incorporated in Singapore ("SPCs") have executed an USD 84.96 million Loan Agreement with ING Bank N.V., Singapore Branch and DNB Asia Ltd. to finance up to 80% of the Total Acquisition Cost of the 4 new Supramax 57,000 DWT Dry Bulk vessels ordered by each SPC to be built in China. The loan carries interest at LIBOR plus margin which is to be paid quarterly.

During 2012 to 2013, 4 indirect subsidiaries drawn the facility to finance the delivered 4 new Supramax vessels.

On 11 June 2014, ING Bank N.V., Singapore Branch has approved the amendment of financial covenant regarding to the maintenance of funded debt to EBITDA ratio from not exceeding 5:1 to be not exceeding 6:1 and maintenance of a minimum free cash balance of USD 200,000 per vessel owned by the Group, if funded debt to EBITDA is more than 5:1 but less than or equal to 6:1 and maintenance of a minimum free cash balance of USD 100,000 per vessel if funded debt to EBITDA is no more than 5:1 during 30 June 2014 to 31 December 2016.

The final maturity, repayment and security of the loan facility are summarised as follows.

| Facility /<br>Description | Post-delivery facility  |
|---------------------------|---|
| <b>Final maturity</b>     | 8 years after final drawdown of each vessel tranche (10 January 2021)   |
| <b>Repayment</b>          | For each Vessel, in 32 equal quarterly installments of USD 354,000 and a balloon repayment of USD 9,912,000 together with the last installment. The first repayment installment to be due 3 months after the final drawdown of each vessel.   |
| <b>Security</b>           | <ul style="list-style-type: none"> <li>a) Pledge of shares of the borrowers</li> <li>b) 1st priority mortgage on the vessels</li> <li>c) 1st priority assignment of earnings and time charters</li> <li>d) 1st priority pledge over the earnings accounts with the security agent</li> <li>e) 1st priority assignment of all insurances and requisition compensation of the vessels</li> <li>f) Corporate guarantee from the Company</li> <li>g) All the above post-delivery securities to be cross collateralised</li> </ul> |

The loan agreement contains covenants that, among other things, require the Company to maintain certain financial ratios on its consolidated USD financial statements which include:

- a) maintenance of the maximum funded debt to total shareholders' equity ratio of 2:1
- b) maintenance of the maximum funded debt to EBITDA ratio of 6:1
- c) maintenance of a minimum free cash balance of USD 200,000 per vessel owned by the Precious Group, if funded debt to EBITDA is more than 5:1 but less than or equal to 6:1 and maintenance of a minimum free cash balance of USD 100,000 per vessel if funded debt to EBITDA is no more than 5:1

### Facility 3

On 15 February 2012, ABC Two Pte. Limited and ABC Three Pte. Limited ("ABC Two Company and ABC Three Company"), SPC subsidiaries of Associated Bulk Carriers Pte. Limited, ("ABC Company") executed a USD 45.60 million Term Loan Facility with Bangkok Bank Public Company Limited (Singapore Branch) to finance up to 80% of the Contract Price of 2 new Cement Carriers ordered with ABG Shipyard Ltd., India, which were subsequently cancelled.

On 18 September 2013, ABC Two Company and ABC Three Company have executed the First Supplemental Agreement to amend the Term Loan Facility dated 15 February 2012, mainly to amend the purpose, maximum loan facility, repayment term and security as a consequence of the cancellation of the 2 cement carriers ordered with ABG Shipyard Ltd., India and replacement with the orders from China Shipbuilding & Offshore International Co., Ltd. and Shanhaiguan New Shipbuilding Industry Co., Ltd., China. The loan carries interest at LIBOR plus margin which is to be paid quarterly.

After the amendment, the drawdown, final maturity, repayment and security of the loan facility are summarised as follows.

| Facility / Description                                    | Post-delivery facility  |                   |  |                     |                 |                   |                     |             |             |   |               |               |                                |              |             |
|---|---|-------------------|--|---------------------|-----------------|-------------------|---------------------|-------------|-------------|---|---------------|---------------|--------------------------------|--------------|-------------|
| <b>Maximum Loan Facility</b>                              | Maximum loan facility for both Vessels shall not exceed USD 38,688,000 of which, each vessel loan shall not exceed USD 19,344,000 per vessel.   |                   |  |                     |                 |                   |                     |             |             |   |               |               |                                |              |             |
| <b>Drawdown</b>   | USD 19,344,000 or 80% of the contract price to be made available in a single disbursement for each vessel loan part of which will be used to repay the pre-delivery facility.   |                   |  |                     |                 |                   |                     |             |             |   |               |               |                                |              |             |
| <b>Final maturity</b>                                     | 10 years after drawdown of each vessel loan   |                   |  |                     |                 |                   |                     |             |             |   |               |               |                                |              |             |
| <b>Repayment</b>  | For each Vessel, in 39 equal quarterly installments and a balloon repayment together with the last installment. The first repayment installment to be due 3 months after the final drawdown of each vessel.   |                   |  |                     |                 |                   |                     |             |             |   |               |               |                                |              |             |
|   | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Detail of repayment</th> <th style="text-align: center;">ABC Two Company</th> <th style="text-align: center;">ABC Three Company</th> </tr> </thead> <tbody> <tr> <td><b>Installments</b></td> <td style="text-align: center;">USD 319,650</td> <td style="text-align: center;">USD 322,400</td> </tr> <tr> <td><b>The remaining together with the final installments</b></td> <td style="text-align: center;">USD 6,712,650</td> <td style="text-align: center;">USD 6,770,400</td> </tr> <tr> <td><b>Final installment dates</b></td> <td style="text-align: center;">2 April 2024</td> <td style="text-align: center;">1 July 2024</td> </tr> </tbody> </table> |                   |  | Detail of repayment | ABC Two Company | ABC Three Company | <b>Installments</b> | USD 319,650 | USD 322,400 | <b>The remaining together with the final installments</b> | USD 6,712,650 | USD 6,770,400 | <b>Final installment dates</b> | 2 April 2024 | 1 July 2024 |
| Detail of repayment                                       | ABC Two Company   | ABC Three Company |  |                     |                 |                   |                     |             |             |   |               |               |                                |              |             |
| <b>Installments</b>                                       | USD 319,650   | USD 322,400       |  |                     |                 |                   |                     |             |             |   |               |               |                                |              |             |
| <b>The remaining together with the final installments</b> | USD 6,712,650   | USD 6,770,400     |  |                     |                 |                   |                     |             |             |   |               |               |                                |              |             |
| <b>Final installment dates</b>                            | 2 April 2024  | 1 July 2024       |  |                     |                 |                   |                     |             |             |   |               |               |                                |              |             |
| <b>Security</b>   | <ul style="list-style-type: none"> <li>a) 1st priority mortgage over the vessel</li> <li>b) 1st priority assignment of all earnings insurance policies and requisition compensation of the vessels</li> <li>c) 1st priority assignment of Time Charter contracts</li> <li>d) 1st priority charge over the Earnings Account and Retention Account</li> <li>e) Corporate guarantee from ABC Company</li> <li>f) Corporate guarantee from the Company for up to USD 8 million per vessel</li> </ul>  |                   |  |                     |                 |                   |                     |             |             |   |               |               |                                |              |             |

The secured loan agreement contains covenants that, among other things, require ABC Two Company and ABC Three Company to maintain certain financial ratios which include:

- a) Debt Service Coverage Ratio (“DSCR”) of no less than 1.1 times
- b) Equity Ratio (ratio of Equity to Total Assets) of no less than 20%.

On 24 June 2014, ABC Two Company entered into Interest Rate Swap Transaction to swap the interest of the loan facility of USD 19.18 million, from floating interest rate (LIBOR) to fixed interest rate at 2.39% per annum for interest payable during the period from 24 June 2014 to 2 April 2024 with Bangkok Bank Plc. (Singapore Branch).

On 16 July 2014, ABC Three Company entered into Interest Rate Swap Transaction to swap the interest of the loan facility of USD 19.34 million, from floating interest rate (LIBOR) to fixed interest rate at 2.35% per annum for interest payable during the period from 16 July 2014 to 1 July 2024 with Bangkok Bank Plc. (Singapore Branch).

#### Facility 4

On 9 April 2014, ABC Four Pte. Limited (“ABC Four Company”), a subsidiary of Associated Bulk Carriers Pte. Limited, (“ABC Company”) executed a USD 19.34 million Term Loan Facility with Bangkok Bank Plc. (Singapore Branch) to finance up to 80% of the Contract Price of 1 new Cement Carrier. The loan carries interest at LIBOR plus margin which is to be paid quarterly.

The amount of loan facility, drawdown, final maturity, repayment and security of the loan facility are summarised as follows.

| Facility /<br>Description | Post-delivery facility  |
|---------------------------|---|
| <b>Loan Facility</b>      | USD 19,344,000 or 80% of the Contract Price to be made available in a single disbursement, part of which will be used to repay the pre-delivery facility.   |
| <b>Drawdown</b>           | 100% of the post-delivery facility amount is to be drawn upon delivery of the vessel.   |
| <b>Final maturity</b>     | 10 years after full drawdown of the loan facility but not later than 28 April 2025.   |
| <b>Repayment</b>          | To be repaid in 39 quarterly installments of USD 322,400 from the end of the first quarter after the delivery of vessel and a final installment of USD 6,770,400 at the end of the Term (1 October 2024)  |
| <b>Security</b>           | <ul style="list-style-type: none"> <li>a) 1st priority mortgage on the vessel</li> <li>b) 1st priority assignment of all earnings insurance policies and requisition compensation of the vessel</li> <li>c) 1st priority assignment of Time Charter contract</li> <li>d) 1st priority charge over the Earnings Account and Retention Account</li> <li>e) Corporate guarantee from ABC Company</li> <li>f) Corporate guarantee from the Company for up to USD 8 million</li> </ul> |

The loan agreement contains covenants that, among other things, require ABC Four Company to maintain certain financial ratios which include:

- a) maintain Equity Ratio of no less than 20%
- b) maintain EBITDA of no less than 1.1 times of Total Debt Service

On 5 September 2014, ABC Four Company entered into Interest Rate Swap Transaction to swap the interest of the loan facility of USD 19.34 million, from floating interest rate (LIBOR) to fixed interest rate at 2.33% per annum for interest payable during the period from 5 September 2014 to 1 October 2024 with Bangkok Bank Plc. (Singapore Branch).

### Facility 5

On 22 May 2014, ABC One Pte. Limited ("ABC One Company"), a subsidiary of Associated Bulk Carriers Pte. Limited, ("ABC Company") executed a USD 19.58 million Term Loan Facility with TMB Bank Plc. to finance up to 80% of the Contract Price of 1 new Cement Carrier. The loan carries interest at LIBOR plus margin which is to be paid quarterly.

The amount of loan facility, drawdown, final maturity, repayment and security of the loan facility are summarised as follows.

| <b>Facility / Description</b> | <b>Pre-delivery facility</b>  | <b>Post-delivery facility</b>   |
|-------------------------------|---|---|
| <b>Loan Facility</b>          | USD 4,896,000 or 20% of the Contract Price  | USD 19,584,000 or 80% of the Contract Price to be made available in a single disbursement, part of which will be used to repay the pre-delivery facility. |
| <b>Drawdown</b>               | Up to 10% of the Contract Price but not more than USD 2,448,000 on Keel Laying milestone and up to 10% of the Contract Price but not more than USD 2,448,000 on Launching milestone | 100% of the post-delivery facility amount is to be drawn upon delivery of the vessel.   |
| <b>Final maturity</b>         | Delivery of vessel  | 10 years after full drawdown of the loan facility but not later than 30 November 2024.  |
| <b>Repayment</b>              | To be repaid in one lump sum (from post-delivery facility) upon delivery of vessel  | To be repaid in 40 quarterly installments of USD 489,600 from the end of the first quarter after the delivery of vessel                                   |

| Facility /<br>Description | Pre-delivery facility  | Post-delivery facility   |
|---------------------------|--|--|
| <b>Security</b>           | a) 1st priority assignment of the shipbuilding contract<br>b) 1st priority assignment of the refund guarantee<br>c) Pledge of the shares of ABC One Company held by ABC Company<br>d) Corporate guarantee from the Company and ABC Company | a) 1st priority mortgage on the vessel<br>b) 1st priority assignment of all earnings insurance policies and requisition compensation of the vessel<br>c) 1st priority assignment of Time Charter contracts<br>d) 1st priority charge over the Earnings Account and Retention Account<br>e) Corporate guarantee from ABC Company<br>f) Corporate guarantee from the Company for up to USD 8 million |

The loan agreement contains covenants that, among other things, require ABC One Company to maintain certain financial ratios which include:

- a) maintain Equity Ratio of no less than 20%
- b) maintain EBITDA of no less than 1.1 times of Total Debt Service

On 25 August 2014, ABC One Company entered into Interest Rate Swap Transaction to swap the interest of the loan facility of USD 19.58 million, from floating interest rate (LIBOR) to fixed interest rate at 2.35% per annum for interest payable during the period from 31 January 2015 to 31 December 2024 with TMB Bank Plc.

### Facility 6

On 29 May 2014, the Company executed a USD 81.50 million Term Loan Facility with Export-Import Bank of Thailand to finance up to 80% of the Contract Price of new Dry Bulk Carriers ordered for construction by the Company. The loan carries interest at LIBOR plus margin which is to be paid quarterly.

On 18 December 2014, Export-Import Bank of Thailand has approved the amendment of financial covenant regarding to the maintenance of net funded debt to EBITDA ratio from not exceeding 5:1 to be not exceeding 6:1 during 31 December 2014 to 31 December 2016.

The amount of loan facility, drawdown, final maturity, repayment and security of the loan facility are summarised as follows.

|                       |  |
|-----------------------|--|
| <b>Loan Facility</b>  | Up to USD 81,500,000 in multiple drawdowns   |
| <b>Drawdown</b>       | 80% of the contract price to be drawn upon delivery of each vessel   |
| <b>Final maturity</b> | 10 years after full drawdown of the loan facility but not later than 30 December 2025  |
| <b>Repayment</b>      | The loan shall be repaid in 39 equal quarterly installments of 1/55th of each drawdown amount, beginning from the end of the next quarter after the respective each drawdown with balance amount repayable at the end of the 40th quarter. |
| <b>Security</b>       | a) 1st priority mortgage on the financed vessels<br>b) Pledge of shares of the Subsidiary Borrowers  |

The loan agreement contains covenants that, among other things, require the Company to maintain certain financial ratios on its consolidated USD financial statements which include:

- a) maintenance of Debt Service Coverage Ratio at least 1.1:1
- b) maintenance of Net Funded Debt to EBITDA ratio not exceeding 6:1
- c) maintenance of Debt to Equity ratio not exceeding 2:1

#### **Facility 7**

On 30 September 2014, the Company executed a USD 41.85 million Term Loan Facility with Norddeutsche Landesbank Girozentrale, Singapore Branch to finance up to 75% of the Contract Price of 2 new 64,000 DWT Ultramax Dry Bulk Carriers (Hull Nos. SAM14019B and SAM14020B), ordered by the Company from Sainty Marine Corporation Ltd., China. The loan carries interest at LIBOR plus margin which is to be paid quarterly.

The amount of loan facility, drawdown, final maturity, repayment and security of the loan facility are summarised as follows.

|                       |  |
|-----------------------|--|
| <b>Loan Facility</b>  | Up to USD 41,850,000 divided into two vessel loans ("Vessel Loan" or "Vessel Loans")   |
| <b>Drawdown</b>       | The lower of USD 20,925,000 or 75% of the market value of each vessel to be drawn upon delivery of each vessel.  |
| <b>Final maturity</b> | 8 years after drawdown of each Vessel Loan   |
| <b>Repayment</b>      | The loans shall be repaid over 8 years, in 32 equal quarterly installments of USD 348,750 per vessel, beginning from three calendar months after each drawdown (to be made on or around delivery date of the relevant vessel) and a balloon repayment of USD 9,765,000 per vessel on each of the final installments.   |
| <b>Security</b>       | a) 1st priority mortgage on the vessels<br>b) Pledge of shares of the Subsidiary Borrowers<br>c) 1st priority charge over the Earnings Account and Retention Account of the Subsidiary Borrowers<br>d) 1st priority assignment of all earnings insurance policies and requisition compensation of the vessels<br>e) 1st priority assignment of the shipbuilders' warranties of the vessels |



The loan agreement contains covenants that, among other things, require the Company to maintain certain financial ratios on its consolidated USD financial statements which include:

- a) maintenance of funded debt to total shareholders' equity ratio not exceeding 2:1
- b) maintenance of funded debt to EBITDA ratio not exceeding 6:1 between the date of the loan agreement and ending on 30 June 2017, and thereafter not exceeding 5:1
- c) maintenance of a minimum free cash balance of USD 100,000 per vessel owned by the Group

### Facility 8

On 13 November 2014, the Company executed a USD 200.00 million Secured Loan Facility with DNB Asia Ltd. ("DNB") and the Export-Import Bank of China ("CEXIM"). The loan carries interest at LIBOR plus margin which is to be paid quarterly.

The purpose, the amount of loan facility, drawdown, final maturity, repayment and security of the loan facility are summarised as follows.

| Facility /<br>Description | Pre-delivery facility  | Post-delivery facility |        |        |
|---------------------------|--|------------------------|--------|--------|
| <b>Purpose</b>            | To provide pre-delivery and post-delivery financing up to 75% of the Contract Price of the respective Dry Bulk Vessels ("Vessel" or "Vessels") ordered with Shanhaiguan New Shipbuilding Industry Co. Ltd. ("SHG") and Sainty Marine Corporation Ltd. ("Sainty"), China: |                        |        |        |
|                           | Vessel No.   | Hull Nos.              | DWT    | Seller |
|                           | Vessel One   | BC385-11               | 38,500 | SHG    |
|                           | Vessel Two   | BC385-12               | 38,500 | SHG    |
|                           | Vessel Three   | SAM14021B              | 64,000 | Sainty |
|                           | Vessel Four  | SAM14022B              | 64,000 | Sainty |
|                           | Vessel Five  | SAM14023B              | 64,000 | Sainty |
|                           | Vessel Six   | SAM14024B              | 64,000 | Sainty |
|                           | Vessel Seven   | SAM14025B              | 64,000 | Sainty |
|                           | Vessel Eight   | SAM14026B              | 64,000 | Sainty |
|                           | Vessel Nine  | SAM14027B              | 64,000 | Sainty |
|                           | Vessel Ten   | SAM14028B              | 64,000 | Sainty |

| Facility / Description | Pre-delivery facility   | Post-delivery facility  |
|------------------------|---|---|
| <b>Loan Facility</b>   | <p>The Maximum Loan Amount of USD 200.00 million is divided into ten vessel loans ("Vessel Loan" or "Vessel Loans") comprised of Pre-delivery facility and Post-delivery facility.</p> <p>a) for Vessel One and Two: up to USD 3,347,700 each;</p> <p>b) for Vessel Three, Four, Seven, Eight, Nine and Ten: up to USD 4,185,000 each; and</p> <p>c) for Vessel Five and Six: up to USD 4,110,000 each.</p> <p>Total loan facilities for Pre-delivery are up to USD 40,025,400.</p> | <p>a) for each of Vessel One and Two: up to lesser of (i) USD 16,738,500 and (ii) 75% of the Market Value of the relevant Vessel;</p> <p>b) for each of Vessel Loans Three, Four, Seven, Eight, and Nine: up to lesser of (i) USD 20,900,000 and (ii) 75% of the Market Value of the relevant Vessel;</p> <p>c) for each of Vessel Five and Six: up to lesser of (i) USD 20,550,000 and (ii) 75% of the Market Value of the relevant Vessel; and</p> <p>d) for Vessel Ten: Up to lesser of (i) USD 20,923,000 and (ii) 75% of the Market Value of this Vessel.</p>  |
| <b>Drawdown</b>        | <p>On Keel Laying milestone</p> <p>a) for Vessel One and Two: USD 1,115,900 each;</p> <p>b) for Vessel Three, Four, Seven, Eight, Nine and Ten: USD 1,395,000 each; and</p> <p>c) for Vessel Five and Six: USD 1,370,000 each.</p> <p>On Launching milestone</p> <p>a) for Vessel One and Two: USD 2,231,800 each;</p> <p>b) for Vessel Three, Four, Seven, Eight, Nine and Ten: USD 2,790,000 each; and</p> <p>c) for Vessel Five and Six: USD 2,740,000 each.</p>                 | <p>100% of the Post-delivery facility amount is to be drawn upon delivery of each vessel.</p>   |
| <b>Final maturity</b>  | <p>Delivery of each vessel</p>  | <p>The earlier of (i) the 7th anniversary of the delivery date of the last Vessel and (ii) 27 September 2023.</p>   |
| <b>Repayment</b>       | <p>To be repaid in one lump sum upon delivery of each vessel from the proceeds of the respective Post-delivery facility.</p>  | <p>Each Post-delivery facility shall be repaid in quarterly installments, beginning from the end of the next quarter after the respective each drawdown, based on a 15-year profile as follows:</p> <p>a) USD 278,975 for each of Vessel One and Two;</p> <p>b) USD 348,333 for each of Vessel Three, Four, Seven, Eight and Nine;</p> <p>c) USD 342,500 for each of Vessel Five and Six;</p> <p>d) USD 348,717 for Vessel Ten.</p> <p>All amounts outstanding under each Post-delivery facility after the above quarterly installments have been paid shall be repaid in full and the respective Post-delivery facility shall be reduced to zero on the Termination Date by way of a single Balloon Repayment of all such amounts.</p> |

| Facility / Description | Pre-delivery facility   | Post-delivery facility  |
|------------------------|---|---|
| <b>Security</b>        | a) 1st priority assignment of refund guarantees<br>b) 1st priority assignment of the shipbuilding contracts | a) 1st priority mortgage on the vessels<br>b) Pledge of shares of the Subsidiary Borrowers<br>c) 1st priority assignment of the Earnings Accounts of the Subsidiary Borrowers<br>d) 1st priority assignment of all insurances and requisition compensation of the vessels |

The loan agreement contains covenants that, among other things, require the Company to maintain certain financial ratios on its consolidated USD financial statements which include:

- a) maintenance of funded debt to total shareholders' equity ratio not exceeding 2:1
- b) maintenance of funded debt to EBITDA ratio not exceeding 6:1 between the date of the loan agreement and ending on 30 June 2017, and thereafter not exceeding 5:1
- c) maintenance of a minimum free cash balance of USD 100,000 per vessel owned by the Group

#### Facility 9

On 2 December 2014, the Company and 5 subsidiaries (Precious Seas Limited, Precious Stars Limited, Precious Hills Limited, Precious Mountains Limited and Precious Resorts Limited ("Subsidiaries")) executed a Credit Facility Agreement with Krung Thai Bank Public Company Limited to finance certain pre-delivery payments under the Shipbuilding Contracts of up to USD 13.50 million. The loan carries interest at LIBOR plus margin which is to be paid monthly.

The amount of the loan facility, drawdown, final maturity, repayment and security of the loan facility are summarised as follows.

|                      |   |
|----------------------|---|
| <b>Loan Facility</b> | Up to USD 13,500,000 in multiple drawdowns  |
| <b>Drawdown</b>      | A minimum of USD 1,000,000, with increments of multiples of USD 100,000 while not exceeding the relevant pre-delivery payment to be drawn within 6 months from the date of loan agreement.                                  |
| <b>Maturity Date</b> | 12 months after first drawdown of the loan facility ("Maturity Date"), with the option to request for a further 12 months extension   |
| <b>Repayment</b>     | The loan shall be repaid in one lump sum on the Maturity Date or if extended, then paid in equal quarterly installments starting from the quarter after the Maturity Date.  |
| <b>Security</b>      | a) Pledge of all issued shares of the Subsidiaries<br>b) 1st priority mortgage on vessels of the Subsidiaries<br>c) 1st priority assignment of all earnings, insurance policies and requisition compensation of the vessels |

The loan agreement contains covenants that, among other things, require the Company to maintain certain financial ratios on its consolidated USD financial statements which include:

- a) maintenance of Debt Service Coverage Ratio at least 1.1:1
- b) maintenance of Debt to Equity ratio not exceeding 2:1
- c) maintenance of Debt to EBITDA ratio not exceeding 6:1
- d) maintenance of a minimum free cash balance of USD 100,000 per vessel owned by the Group.

### Facility 10

On 29 December 2014, the Company has executed a USD 42.00 million Secured Loan Facility with BNP Paribas to finance up to 75% of the Contract Price of 2 new 64,000 DWT Ultramax Dry Bulk Vessels (Hull Nos. SF130128 and SF130129), ordered by the Company from Taizhou Sanfu Ship Engineering Co., Ltd. China. The loan carries interest at LIBOR plus margin which is to be paid quarterly.

The amount of loan facility, drawdown, final maturity, repayment and security of the loan facility are summarised as follows.

|                       |  |
|-----------------------|--|
| <b>Loan Facility</b>  | Up to USD 42,000,000 divided into two vessel loans ("Vessel Loan" or "Vessel Loans")   |
| <b>Drawdown</b>       | The lower of USD 21,000,000 or 75% of the market value of each vessel to be drawn upon delivery of each vessel.  |
| <b>Final maturity</b> | 8 years after drawdown of each Vessel Loan   |
| <b>Repayment</b>      | Each Vessel Loan shall be repaid over 8 years, in 32 quarterly installments beginning from three calendar months after each drawdown. The 1st to 16th such quarterly installment shall be an amount of USD 350,000 and the 17th to 32nd such quarterly installment shall be an amount of USD 525,000, along with a balloon repayment of USD 7,000,000 on the due date of each of the final installments of the respective Vessel Loan. |
| <b>Security</b>       | <ul style="list-style-type: none"> <li>a) 1st priority mortgage on the vessels</li> <li>b) Pledge of shares of the Subsidiary Borrowers</li> <li>c) 1st priority charge over the Earnings Account and Retention Account of the Subsidiary Borrowers</li> <li>d) 1st priority assignment of all insurance and requisition compensation of the vessels</li> </ul>  |

The loan agreement contains covenants that, among other things, require the Company to maintain certain financial ratios on its consolidated USD financial statements which include:

- a) maintenance of funded debt to total shareholders' equity ratio not exceeding 2:1
- b) maintenance of funded debt to EBITDA ratio not exceeding 6:1 between the date of the loan agreement and ending on 30 June 2017, and thereafter not exceeding 5:1
- c) maintenance of a minimum free cash balance of USD 100,000 per vessel owned by the Group

## **21.2 Loan facilities for purchasing of vessels**

### **Facility 1**

The Company and local subsidiaries entered into the Loan Agreement dated 18 January 2007 to mainly fund the purchase of vessels. During 2009 to 2011, the Loan Agreement had been amended for certain terms and conditions.

The summarised details of drawdown of this facility are as follows.

- a) During the years 2011 and 2010, 2 local subsidiaries had drawn down Baht 1,502.35 million for purchase of 2 vessels.
- b) During the year 2011, 4 local subsidiaries had drawn down USD 92.00 million from this facility and the undrawn facility was reduced to USD 108.00 million. In order to extend the availability period of the undrawn facility, on 9 March 2012, the Company and local subsidiaries executed a USD 50.00 million Term Loan Facility on same terms and conditions with one of the three local commercial banks and the loan was used for purchase of vessels by 2 local subsidiaries and thereafter the balance of USD 58.00 million was cancelled.
- c) During the years 2011 and 2010, 2 local subsidiaries swapped the Thai Baht loan of Baht 1,502.35 million into USD 45.90 million.
- d) During the year 2012, 4 local subsidiaries swapped the interest of the USD loans of USD 64.82 million, from floating interest rates (LIBOR) to fixed interest rate (2.10%) for interest payable during the period from 31 December 2014 to 30 September 2022.

The loan facilities have been secured by the mortgage of the subsidiaries' vessels, the pledge of the subsidiaries' shares, the assignment of the beneficiary rights under the insurance policies for the mortgaged vessels of the subsidiaries, and the assignment of the revenues earned from the mortgaged vessels of the subsidiaries to the lenders.

On 27 June 2014, Krung Thai Bank Plc. as the facility agent of the original facility has approved the amendment of financial covenant regarding to the maintenance of funded debt to EBITDA ratio from not exceeding 5:1 to be not exceeding 6:1 during 30 June 2014 to 31 December 2015. Thanachart Bank Plc. as the facility agent of the another USD 50.00 million facility has approved the amendment of financial covenant regarding to the maintenance of funded debt to EBITDA ratio from not exceeding 5:1 to be not exceeding 6:1 during 30 June 2014 to 31 December 2016.

The loan facility agreement contains covenants that, among other things, require the Company and subsidiaries to maintain certain financial ratios which include:

- a) maintenance of a total debt to total shareholders' equity ratio not exceeding 2:1
- b) maintenance of a total debt to EBITDA ratio not exceeding 6:1
- c) maintenance of minimum free cash balance of USD 100,000 per vessel
- d) maintenance of debt service coverage ratio of at least 1.1:1

### **Facility 2**

On 14 January 2010, the Company entered into a new Secured Term Loan Facility Agreement of USD 250.00 million with the Bangkok Branch of an international bank and 4 local banks to fund additional second-hand vessels which the Company may want to buy. The loan is carrying interest at LIBOR plus margin which is to be paid quarterly. The loan is to be used for purchase of vessels and to be repaid in equal quarterly installments over a period of 8 years commencing from the end of the availability period.

During 2011 to 2013, the Loan Facility Agreement has been amended mainly to extend the availability period of the loan facility to 30 June 2014 with the balance of loan facility of USD 150.00 million.

As at 31 December 2014, the loan facility has expired without any drawings and has thereby been automatically cancelled.

### **Facility 3**

On 17 February 2012, the Company executed a USD 100.00 million Term Loan Facility with Export-Import Bank of Thailand to finance up to 80% of the Acquisition Cost of new or second-hand Dry Bulk Vessels which the Company may want to buy. The loan carries interest at LIBOR plus margin which is to be paid quarterly. The loan is to be repaid in equal quarterly installments over a period of 8.5 years commencing from the end of the availability period.

On 12 December 2013, the Company executed the Amendment Agreement to the Term Loan Facility to extend the availability period of the balance facility of USD 35.18 million up to 30 December 2014.

The loan facility has to be secured by the mortgage of the shipowning subsidiaries' vessels, the pledge of the subsidiaries' shares and the assignment of the beneficiary rights under the insurance policies for the mortgaged vessels of the subsidiaries.

On 18 December 2014, Export-Import Bank of Thailand has approved the amendment of financial covenant regarding to the maintenance of net funded debt to EBITDA ratio from not exceeding 5:1 to be not exceeding 6:1 during 31 December 2014 to 31 December 2016.

The loan agreement contains covenants that, among other things, require the Company and subsidiaries to maintain certain financial ratios which include:

- a) maintenance of debt to total shareholders' equity ratio not exceeding 2:1
- b) maintenance of net funded debt to EBITDA ratio not exceeding 6:1
- c) maintenance of debt service coverage ratio of at least 1.1:1

As at 31 December 2014, the balanced loan facility of USD 35.18 million was expired.

The Group's bank loan facilities and the undrawn loan balances as at 31 December 2014 and 2013 are summarised below.

(Unit: Million USD)

| Facility  | Bank   | Borrower  | Interest rate per loan/amendment agreement | Maximum facility amount per loan/amendment agreement |       | Undrawn loan balance |       |
|---|--|---|--|--|-------|----------------------|-------|
|   |  |   |  | 2014   | 2013  | 2014                 | 2013  |
| <b>Loan facilities for financing the construction and acquisition of new vessels (Newbuildings)</b> |  |   |  |  |       |                      |       |
| Facility 1  | DNB Asia Ltd. and 5 other banks, total 6 banks         | The Company and subsidiaries                    | LIBOR + margin                             | 54.50  | 54.50 | -                    | -     |
| Facility 2  | ING Bank N.V. (Singapore Branch) and DNB Asia Ltd.     | 4 indirect subsidiaries in Singapore            | LIBOR + margin                             | 84.96  | 84.96 | -                    | -     |
| Facility 3  | Bangkok Bank Plc. (Singapore Branch)                   | ABC Two Pte. Limited and ABC Three Pte. Limited | LIBOR + margin                             | 38.69  | 38.69 | -                    | 38.69 |
| Facility 4  | Bangkok Bank Plc. (Singapore Branch)                   | ABC Four Pte. Limited                           | LIBOR + margin                             | 19.34  | -     | -                    | -     |
| Facility 5  | TMB Bank Plc.  | ABC One Pte. Limited                            | LIBOR + margin                             | 19.58  | -     | 14.69                | -     |
| Facility 6  | Export-Import Bank of Thailand                         | The Company and subsidiaries                    | LIBOR + margin                             | 81.50  | -     | 37.66                | -     |
| Facility 7  | Nordeutsche Landesbank Girozentrale (Singapore Branch) | The Company and subsidiaries in Singapore       | LIBOR + margin                             | 41.85  | -     | 41.85                | -     |
| Facility 8  | DNB Asia Ltd. and Export-Import Bank of China          | The Company and subsidiaries in Singapore       | LIBOR + margin                             | 200.00   | -     | 198.88               | -     |
| Facility 9  | Krung Thai Bank Public Company Limited                 | The Company and 5 local subsidiaries            | LIBOR + margin                             | 13.50  | -     | 13.50                | -     |
| Facility 10   | BNP Paribas  | The Company and subsidiaries in Singapore       | LIBOR + margin                             | 42.00  | -     | 42.00                | -     |



(Unit: Million USD)

| Facility   | Bank  | Borrower                           | Interest rate per loan/amendment agreement               | Maximum facility amount per loan/amendment agreement |  | Undrawn loan balance |
|--|---|------------------------------------|--|--|--|----------------------|
|  |   |                                    |  | 2014   | 2013   |                      |
| <b>Loan facilities for purchasing of vessels</b> |   |                                    |  |  |  |                      |
| Facility 1                                       | Krung Thai Bank Plc. and 2 other banks, total 3 banks                                   | The Company and local subsidiaries | MLR-1 for Thai Baht loan and LIBOR + margin for USD loan | USD 142.00 million and Baht 1,502.35 million         | USD 142.00 million and Baht 1,502.35 million | -                    |
| Facility 2                                       | The Bank of Tokyo-Mitsubishi UFJ, Ltd., Bangkok Branch and 2 other banks, total 3 banks | The Company and subsidiaries       | LIBOR + margin   | -  | 150.00                                       | 150.00               |
| Facility 3                                       | Export-Import Bank of Thailand  | The Company and subsidiaries       | LIBOR + margin   | 64.82  | 100.00                                       | 35.18                |

## 22. Provision for maritime claims

(Unit: Thousand Baht)

|                              | Consolidated financial statements |          |
|------------------------------|-----------------------------------|----------|
|                              | 2014                              | 2013     |
| Balance at beginning of year | 175,621                           | 67,699   |
| Increase during the year     | 92,192                            | 179,748  |
| Decrease during the year     | (86,721)                          | (83,319) |
| Translation adjustment       | 613                               | 11,493   |
| Balance at end of year       | 181,705                           | 175,621  |

## 23. Provision for long-term employee benefits

Provision for long-term employee benefits, which is compensation payable on employees' retirement, was as follows.

(Unit: Thousand Baht)

|   | Consolidated         |        | Separate             |        |
|---|----------------------|--------|----------------------|--------|
|   | financial statements |        | financial statements |        |
|   | 2014                 | 2013   | 2014                 | 2013   |
| Defined benefit obligation at beginning of year           | 76,562               | 70,312 | 70,297               | 64,298 |
| Current service cost                                      | 3,839                | 4,247  | 3,611                | 4,057  |
| Interest cost   | 1,691                | 2,015  | 1,622                | 1,956  |
| Benefits paid during the year                             | (1,335)              | -      | (1,335)              | -      |
| Transfer to accrued expenses                              | (7,360)              | -      | (7,360)              | -      |
| Translation adjustment                                    | (112)                | (12)   | (107)                | (14)   |
| Defined benefit obligation at end of year                 | 73,285               | 76,562 | 66,728               | 70,297 |
| Provisions for long-term employee benefits at end of year | 73,285               | 76,562 | 66,728               | 70,297 |

Long-term employee benefit expenses included in the income statement were as follows.

|   | (Unit: Thousand Baht) |              |                      |              |
|---|-----------------------|--------------|----------------------|--------------|
|   | Consolidated          |              | Separate             |              |
|   | financial statements  |              | financial statements |              |
|   | 2014                  | 2013         | 2014                 | 2013         |
| Current service cost  | 3,839                 | 4,247        | 3,611                | 4,057        |
| Interest cost   | 1,691                 | 2,015        | 1,622                | 1,956        |
| Total expenses recognised in the income statement                         | <u>5,530</u>          | <u>6,262</u> | <u>5,233</u>         | <u>6,013</u> |
| Line items under which such expenses are included in the income statement |                       |              |                      |              |
| Administrative expenses   | 4,306                 | 4,322        | 4,011                | 4,073        |
| Management remuneration including perquisites                             | 1,224                 | 1,940        | 1,222                | 1,940        |

Principal actuarial assumptions at the valuation date were as follows.

|   | Consolidated         |               | Separate             |               |
|---|----------------------|---------------|----------------------|---------------|
|   | financial statements |               | financial statements |               |
|   | 2014                 | 2013          | 2014                 | 2013          |
|   | (% per annum)        | (% per annum) | (% per annum)        | (% per annum) |
| Discount rate                             | 3.80                 | 3.80          | 3.80                 | 3.80          |
| Future salary increase rate               | 6.50                 | 6.50          | 6.50                 | 6.50          |
| Staff turnover rate<br>(depending on age) | 2.00 - 5.00          | 2.00 - 5.00   | 2.00 - 5.00          | 2.00 - 5.00   |

Amounts of defined benefit obligation for the current and previous four periods are as follows.

|           | (Unit: Thousand Baht)                |                                  |  |                                  |
|-----------|--------------------------------------|----------------------------------|--|----------------------------------|
|           | Defined benefit obligation           |                                  | Experience adjustments arising on the plan liabilities |                                  |
|           | Consolidated<br>financial statements | Separate<br>financial statements | Consolidated<br>financial statements                   | Separate<br>financial statements |
| Year 2014 | 73,285                               | 66,728                           | -  | -                                |
| Year 2013 | 76,562                               | 70,297                           | -  | -                                |
| Year 2012 | 70,312                               | 64,298                           | (3,392)  | (2,937)                          |
| Year 2011 | 63,023                               | 57,001                           | -  | -                                |
| Year 2010 | 57,408                               | 51,551                           | -  | -                                |

## 24. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5% of its profit for the year after deducting accumulated deficit brought forward (if any), until the reserve reaches 10% of the registered capital. The statutory reserve is not available for dividend distribution. At present, the statutory reserve has fully been set aside.

According to Section 1202 of the Thai Civil and Commercial Code, a subsidiary (incorporated under Thai Laws) is required to set aside a statutory reserve equal to at least 5% of its profit each time the company pays out a dividend, until such reserve reaches 10% of its registered share capital. The statutory reserve can neither be offset against deficit nor used for dividend payment.

## 25. Corporate social responsibility (CSR) reserve

The Company has earmarked 0.5% of its profit for the year as a reserve towards CSR activities. The Company expects to earmark amounts based on the same percentage of profit annually on a cumulative basis, but subject to a minimum of Baht 1.75 million and a maximum of Baht 25.00 million per year. The reserve was approved by a meeting of the Board of Directors of the Company on 14 August 2008.

During the year 2014, the Company set aside Baht 1.75 million (2013: Baht 2.64 million) to a reserve for CSR activities and reversed Baht 1.27 million (2013: Baht 1.48 million) from the reserve when the Company made related payments against the reserve.

## 26. Expenses by nature

Significant expenses by nature are as follows.

(Unit: Thousand Baht)

|   | Consolidated         |           | Separate             |         |
|---|----------------------|-----------|----------------------|---------|
|   | financial statements |           | financial statements |         |
|   | 2014                 | 2013      | 2014                 | 2013    |
| Salary, wages and other benefits of employees and crews | 1,508,011            | 1,323,853 | 180,015              | 243,102 |
| Rental expenses from operating lease agreements         | 5,293                | 5,310     | 3,854                | 3,856   |

## 27. Income tax

No corporate income tax was payable for the years 2014 and 2013, since the Company had tax losses brought forward from previous years.

### Local subsidiaries

- a) In accordance with the Director - General's Notification on Income Tax No. 72 dated 20 March 1998, the local subsidiaries are exempted from the payment of income tax on their marine transportation income. In addition, the subsidiaries are exempted from the payment of income tax on their marine transportation business under the provisions of the Investment Promotion Act B.E. 2520.
- b) Corporate income tax for the year ended 31 December 2014 has been calculated at a rate of 20% (2013: 20%) on net profit, after adding back certain provisions and expenses which are disallowed for tax computation purposes.

### Overseas subsidiaries and associate

Corporate income tax of the overseas subsidiaries and associate has been calculated by applying the applicable statutory rates of the relevant countries.

As at 31 December 2014 the Group has deductible temporary differences, temporary differences arising from exchange difference occurring while translating financial statements in functional currency into presentation currency and unused tax losses totaling Baht 1,199.42 million (2013: Baht 1,115.89 million) (the Company Baht 124.04 million, 2013: Baht 94.99 million). However, the Group did not recognise deferred tax assets as the Group believes that it is not probable that future taxable profit will be available to allow the entire deferred tax assets to be utilised.

As at 31 December 2014, the Company has temporary difference arising from exchange difference from the translation of the financial statements from functional currency into presentation currency associated with investments in subsidiaries for which deferred tax liability has not been recognised, aggregating Baht 595.89 million (2013: Baht 552.20 million).

## 28. Promotional privileges

The Company has been granted promotional privileges under the Investment Promotion Act, as approved by the Board of Investment under BOI certificate No. 1405/2550 dated 23 March 2007. Subject to certain imposed conditions, the significant privileges are the rights to employ skilled foreigners to work within the scope of duties approved by the Board of Investment and for the period for which they are permitted to stay in Thailand, permission to own land in an amount considered appropriate by the Board of Investment, and permission to transfer funds in or out of Thailand in foreign currencies.

Under the provisions of the Investment Promotion Act B.E. 2520, the local subsidiaries were granted certain promotional privileges for their marine transportation. The promotional privileges include, among other things, exemption from the payment of income tax for a period of 8 years commencing as from the date of first earning operating income on the condition that the vessels owned by the subsidiaries are registered in Thailand. During the year ended 31 December 2014, the subsidiaries have 16 vessels (2013: 16 vessels) under investment promoted operations.

Revenues and expenses for 2014 and 2013 (before eliminating related transactions), classified between promoted and non-promoted operations can be summarised below.

(Unit: Thousand Baht)

|                    | Promoted operations |             | Non-promoted operations   |             |  |             | Total       |             |
|--------------------|---------------------|-------------|---|-------------|--|-------------|-------------|-------------|
|                    | 2014                | 2013        | Operations exempted from corporate income tax in accordance with the Director-General's Notification on Income Tax No. 72 |             | Operations not eligible for corporate income tax exemption |             | 2014        | 2013        |
|                    |                     |             | 2014  | 2013        | 2014   | 2013        |             |             |
| Revenues           | 1,726,759           | 1,533,042   | 1,732,712   | 1,363,448   | 2,250,768  | 1,856,540   | 5,710,239   | 4,753,030   |
| Costs and expenses | (1,691,918)         | (1,638,502) | (1,892,223)   | (1,572,174) | (1,580,001)  | (1,371,636) | (5,164,142) | (4,582,312) |

## 29. Basic earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing profit (loss) for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year.

## 30. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance.

The Group's operations involve the business of owning and internationally operating (chartering) small handy sized and supramax dry bulk vessels, on a tramp shipping basis without any set routes. This is the only industry segment in which the Group mainly operates and almost entire revenues are generated from this segment. As such, no segmental bifurcation is applicable since the operations are mainly limited to only one aforesaid segment.

The business activity in the segment, i.e. the chartering of the vessels, is undertaken in two ways, viz., Time charter and Voyage charter. Under Time charter, the charterer (customer) pays charter hire (at an agreed daily rate, almost always in US Dollars) to operate the vessel for an agreed time period. In this case, the charterer bears all voyage expenses including port disbursements and costs of bunker fuel. Under Voyage charter, the charterer pays freight on a per ton basis (almost always in US Dollars) to transport a particular cargo between two or more designated ports. In this case, the Group bears all the voyage expenses. The voyage expenses are presented in the financial statements as voyage disbursements and bunker consumption. Under Time charter, the vessel routes are determined or controlled exclusively by the charterers and under Voyage charters, the route varies from time to time for each voyage, which is determined by a number of factors which are totally beyond the Groups' control. As such, reporting by geographical segments would not be practical or meaningful, and could in fact be misleading.

In view of the above, segment information is limited to the bifurcation of the total vessel operating income (and voyage expenses in respect of Voyage charter) derived from Time charter and Voyage charter presented as "Hire income" and "Freight income" respectively.

The following table presents net vessel operating income from Time charter and Voyage charter of the Group for the years ended 31 December 2014 and 2013.

(Unit: Thousand Baht)

|  | Consolidated financial statements |           |                |           |             |           |             |           |           |           |
|--|-----------------------------------|-----------|----------------|-----------|-------------|-----------|-------------|-----------|-----------|-----------|
|  | Time charter                      |           | Voyage charter |           | Total       |           | Elimination |           | Total     |           |
|  | 2014                              | 2013      | 2014           | 2013      | 2014        | 2013      | 2014        | 2013      | 2014      | 2013      |
| Hire income  | 3,308,675                         | 2,668,205 | -              | -         | 3,308,675   | 2,668,205 | (1,025)     | (50,198)  | 3,307,650 | 2,618,007 |
| Freight income   | -                                 | -         | 1,534,519      | 1,306,987 | 1,534,519   | 1,306,987 | (267,142)   | (67,349)  | 1,267,377 | 1,239,638 |
| Total vessel operating income                              | 3,308,675                         | 2,668,205 | 1,534,519      | 1,306,987 | 4,843,194   | 3,975,192 | (268,167)   | (117,547) | 4,575,027 | 3,857,645 |
| Voyage disbursements                                       | -                                 | -         | (475,753)      | (289,816) | (475,753)   | (289,816) | 268,167     | 117,547   | (207,586) | (172,269) |
| Bunker consumption   | -                                 | -         | (535,747)      | (548,351) | (535,747)   | (548,351) | -           | -         | (535,747) | (548,351) |
| Total voyage expenses                                      | -                                 | -         | (1,011,500)    | (838,167) | (1,011,500) | (838,167) | 268,167     | 117,547   | (743,333) | (720,620) |
| Net vessel operating income/time charter equivalent income | 3,308,675                         | 2,668,205 | 523,019        | 468,820   | 3,831,694   | 3,137,025 | -           | -         | 3,831,694 | 3,137,025 |

For the year 2014, the Group has revenues from one major customer for amount of Baht 472.96 million.

For the year 2013, the Group has no major customer with revenues of 10% or more of the Group's revenues.

### **31. Provident fund**

The Company and subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company/the subsidiaries contributed to the fund monthly at the rate of 5% of basic salary. The fund, which is managed by Kasikornbank Public Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2014, the Company and subsidiaries contributed Baht 3.68 million (2013: Baht 3.40 million) to the provident fund (Separate financial statements: Baht 3.32 million, 2013: Baht 3.12 million).

### **32. Dividends paid**

The dividends were approved for paying to the Company's ordinary shareholders as at the closing date of the share register, after deduction of the shares held by the registrar (Thailand Securities Depository Co., Ltd. for Depositors who are both Thai and Foreign shareholders), which are disqualified from receiving dividend, from the total number of shares outstanding (1,039,520,600 shares).



Dividends declared during the year 2014 consist of the following.

|   | Approved by   | Qualified ordinary share (shares) | Shares held by the registrar (shares) | Dividend per share (Baht) | Dividend paid (Million Baht) | Paid date      |
|---|---|-----------------------------------|---------------------------------------|---------------------------|------------------------------|----------------|
| a) Interim dividend based on the retained earnings as of 30 June 2014   | Board of Directors' meeting on 31 July 2014                 | 1,039,388,799                     | 131,801                               | 0.10                      | 103.94                       | 29 August 2014 |
| b) Interim dividend based on the retained earnings as of 31 March 2014  | Board of Directors' meeting on 30 April 2014                | 1,039,393,299                     | 127,301                               | 0.10                      | 103.94                       | 29 May 2014    |
| c) Final dividend based on the retained earnings as of 31 December 2013 | Annual General Meeting of the shareholders on 31 March 2014 | 1,039,385,799                     | 134,801                               | 0.10                      | 103.94                       | 11 April 2014  |
| Total   |   |                                   |                                       | 0.30                      | 311.82                       |                |

Dividends declared during the year 2013 consist of the following.

|  | Approved by  | Qualified ordinary share (shares) | Shares held by the registrar (shares) | Dividend per share (Baht) | Dividend paid (Million Baht) | Paid date        |
|--|--|-----------------------------------|---------------------------------------|---------------------------|------------------------------|------------------|
| a) Interim dividend based on the retained earnings as of 30 September 2013 | Board of Directors' meeting on 31 October 2013             | 1,038,587,599                     | 933,001                               | 0.10                      | 103.85                       | 28 November 2013 |
| b) Interim dividend based on the retained earnings as of 30 June 2013      | Board of Directors' meeting on 31 July 2013                | 1,038,373,899                     | 1,146,701                             | 0.10                      | 103.84                       | 28 August 2013   |
| c) Interim dividend based on the retained earnings as of 31 March 2013     | Board of Directors' meeting on 30 April 2013               | 1,038,394,700                     | 1,125,900                             | 0.10                      | 103.84                       | 29 May 2013      |
| d) Final dividend based on the retained earnings as of 31 December 2012    | Annual General Meeting of the shareholders on 1 April 2013 | 1,039,379,600                     | 141,000                               | 0.10                      | 103.94                       | 11 April 2013    |
| Total  |  |                                   |                                       | 0.40                      | 415.47                       |                  |

### 33. Commitments and contingent liabilities

#### 33.1 Shipbuilding contracts commitments

As at 31 December 2014 and 2013, the Group had future minimum payment commitments under shipbuilding contracts as detailed below.

|              | 2014          |                              | 2013          |                              |
|--------------|---------------|------------------------------|---------------|------------------------------|
|              | (Million USD) | (Equivalent to Million Baht) | (Million USD) | (Equivalent to Million Baht) |
| The Company  | 525.57        | 17,324.32                    | 294.91        | 9,676.89                     |
| Subsidiaries | 14.69         | 484.16                       | 70.36         | 2,308.83                     |
| Total        | 540.26        | 17,808.48                    | 365.27        | 11,985.72                    |

#### 33.2 Obligations in respect of charges for management of the undrawn portion of loan facilities

As at 31 December 2014 and 2013, the Group had obligations in respect of the charges for management of the undrawn portion of loan facilities, which are summarised as follows.

| Facility  | Commitment fees payable by the Group    | Undrawn loan balance as at |               | Terms of payment of commitment fees                     | Payable upto                 |
|---|---|----------------------------|---------------|---|------------------------------|
|   |   | 2014                       | 2013          |   |                              |
|   |   | (Million USD)              | (Million USD) |   |                              |
| <b>Loan facilities for financing the construction and acquisition of new vessels (Newbuildings)</b> |   |                            |               |   |                              |
| Facility 3  | 1.20% per annum of undrawn loan balance | -                          | 38.69         | Every three months until the end of the drawdown period | Upon delivery of each vessel |
| Facility 5  | 0.60% per annum of undrawn loan balance | 14.69                      | -             | Every three months until the end of the drawdown period | Upon delivery of vessel      |
| Facility 6  | 0.70% per annum of undrawn loan balance | 37.66                      | -             | Every three months until the end of the drawdown period | Upon delivery of each vessel |
| Facility 7  | 1.02% per annum of undrawn loan balance | 41.85                      | -             | Every three months until the end of the drawdown period | Upon delivery of each vessel |
| Facility 8  | 1.00% per annum of undrawn loan balance | 198.88                     | -             | Every three months until the end of the drawdown period | Upon delivery of each vessel |

| Facility   | Commitment fees payable by the Group    | Undrawn loan balance as at |               | Terms of payment of commitment fees                     | Payable upto                 |
|--|---|----------------------------|---------------|---|------------------------------|
|  |   | 2014                       | 2013          |   |                              |
|  |   | (Million USD)              | (Million USD) |   |                              |
| Facility 9                                       | 0.50% per annum of undrawn loan balance | 13.50                      | -             | Every three months until the end of the drawdown period | 2 June 2015                  |
| Facility 10                                      | 1.00% per annum of undrawn loan balance | 42.00                      | -             | Every three months until the end of the drawdown period | Upon delivery of each vessel |
| <b>Loan facilities for purchasing of vessels</b> |   |                            |               |   |                              |
| Facility 2                                       | 0.70% per annum of undrawn loan balance | -                          | 150.00        | Every three months until the end of the drawdown period | 30 June 2014                 |
| Facility 3                                       | 0.70% per annum of undrawn loan balance | -                          | 35.18         | Every three months until the end of the drawdown period | 30 December 2014             |

### 33.3 Uncalled portion of other long-term investment

As at 31 December 2014, the Company has a commitment of Baht 5.06 million in respect of the uncalled portion of other long-term investment (TMN Company Limited) (31 December 2013: Baht 10.13 million).

### 33.4 Long-term time charter commitments

Pursuant to a Memorandum of Understanding signed in October 2009, on 2 December 2009 and on 7 September 2012, the Company signed Long-Term Time Charter Contracts with a company incorporated in India (the charterer) for 4 new cement carriers. The charter periods under the contracts are 15 years, with a fixed charter rate per day as stipulated in the contracts. There is an option to extend the charter period twice by blocks of 5 years, with reduced charter rates as stipulated in the contracts. The vessels are new custom-built cement carriers, which have to be delivered to the charterer as per the committed schedule during 2011 to 2014. If the vessels are not delivered to the charterer within the agreed schedule, there is a fine payable of USD 4,250 per vessel per day.

The Company has nominated the 4 Long-Term Charter Contracts to ABC One Pte. Limited, ABC Two Pte. Limited, ABC Three Pte. Limited, and ABC Four Pte. Limited.

As discussed in Note 17 to the financial statements, during the year ended 31 December 2014, 3 cement carriers were delivered to 3 ABC Company's subsidiaries. As a result, as at 31 December 2014, ABC One Pte. Limited has commitment of fine payable under its Long-Term Time Charter Contract.

### **33.5 Commitment from option deed agreement**

As part of the Share Sale and Purchase Agreement between the Company (“the Buyer”) and Varada Marine Pte. Ltd. (“the Seller”) dated 18 January 2013 to purchase one ordinary share of jointly controlled entity, Associated Bulk Carriers Pte. Limited (“ABC Company”), which currently is the Company’s subsidiary. ABC Company (as Grantor) has also entered into an Option Deed with the Seller on 18 January 2013 under which, the Seller shall have the option to purchase 50% of the issued share capital of each of the existing Subsidiaries (“Option Securities”) at the Price of ABC Company’s cost of investment (including Shareholder Loans) together with interest at 7.50% per annum. Each of the Option Securities for each of the subsidiary, may be exercised at any time during the period of 60 days commencing 30 days after the date of actual delivery of each Vessel of each of the Subsidiaries under the respective Shipbuilding Contracts.

## **34. Financial instruments**

### **34.1 Financial risk management**

The Group’s financial instruments, as defined under Thai Accounting Standard No.107 “Financial Instruments: Disclosure and Presentations”, principally comprise cash and cash equivalents, trade and other receivables, investments, trade and other payables and loans. The financial risks associated with these financial instruments and how they are managed is described below.

#### ***Credit risk***

The Group is exposed to credit risk primarily with respect to trade accounts receivable. The Group manages the risk by adopting a credit policy whereby they evaluate the creditworthiness of charterers and other parties and restricts dealings to financially sound parties, and strictly attend to the preparation and completeness of documentation and therefore do not expect to incur material financial losses. In addition, the Group does not have high concentration of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables as stated in the statement of financial position.

#### ***Interest rate risk***

The Group’s exposure to interest rate risk relates primarily to its cash at banks and long-term loans. However, since most of the Group’s financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Thousand Baht)

| Consolidated financial statements |                         |                  |                  |                        |                      |                   |                        |                   |             |
|-----------------------------------|-------------------------|------------------|------------------|------------------------|----------------------|-------------------|------------------------|-------------------|-------------|
| As at 31 December 2014            |                         |                  |                  |                        |                      |                   |                        |                   |             |
|                                   | Fixed interest rate     |                  |                  | Floating interest rate | Non-interest bearing | Total             | Interest rate (% p.a.) |                   |             |
|                                   | Within 1 year           | 1-5 years        | Over 5 years     |                        |                      |                   | Fixed USD              | Floating USD Baht |             |
|                                   | <b>Financial assets</b> |                  |                  |                        |                      |                   |                        |                   |             |
| Cash and cash equivalents         | -                       | -                | -                | 533,508                | 1,494                | 535,002           | -                      | 0.10 - 0.30       | 0.37 - 0.50 |
| Trade and other receivables       | -                       | -                | -                | -                      | 317,561              | 317,561           | -                      | -                 | -           |
| <b>Total</b>                      | <b>-</b>                | <b>-</b>         | <b>-</b>         | <b>533,508</b>         | <b>319,055</b>       | <b>852,563</b>    |                        |                   |             |
| <b>Financial liabilities</b>      |                         |                  |                  |                        |                      |                   |                        |                   |             |
| Trade accounts payable            | -                       | -                | -                | -                      | 128,024              | 128,024           | -                      | -                 | -           |
| Long-term loans                   | 112,503                 | 1,495,117        | 1,980,848        | 8,324,834              | -                    | 11,913,302        | 4.85 - 5.33            | 1.36 - 3.00       | 6.00        |
| <b>Total</b>                      | <b>112,503</b>          | <b>1,495,117</b> | <b>1,980,848</b> | <b>8,324,834</b>       | <b>128,024</b>       | <b>12,041,326</b> |                        |                   |             |

(Unit: Thousand Baht)

| Separate financial statements          |  |  |                        |                      |                  |                        |                   |             |  |
|--|--|--|------------------------|----------------------|------------------|------------------------|-------------------|-------------|--|
| As at 31 December 2014                 |  |  |                        |                      |                  |                        |                   |             |  |
|  | Fixed interest rate with maturity date within 1 year | Fixed interest rate with maturity date at call | Floating interest rate | Non-interest bearing | Total            | Interest rate (% p.a.) |                   |             |  |
|  |  |  |                        |                      |                  | Fixed USD              | Floating USD Baht |             |  |
|  | <b>Financial assets</b>                              |  |                        |                      |                  |                        |                   |             |  |
| Cash and cash equivalents              | -  | -  | 83,217                 | 860                  | 84,077           | -                      | 0.10 - 0.30       | 0.37 - 0.50 |  |
| Trade and other receivables            | -  | -  | -                      | 1,503,991            | 1,503,991        | -                      | -                 | -           |  |
| Short-term loans to a subsidiary       | -  | -  | -                      | 1,661,335            | 1,661,335        | -                      | -                 | -           |  |
| Long-term loans to a subsidiary        | -  | -  | -                      | 319,807              | 319,807          | -                      | -                 | -           |  |
| <b>Total</b>                           | <b>-</b>   | <b>-</b>                                       | <b>83,217</b>          | <b>3,485,993</b>     | <b>3,569,210</b> |                        |                   |             |  |
| <b>Financial liabilities</b>           |  |  |                        |                      |                  |                        |                   |             |  |
| Trade accounts payable                 | -  | -  | -                      | 98,394               | 98,394           | -                      | -                 | -           |  |
| Advances received from related parties | -  | -  | -                      | 1,403,844            | 1,403,844        | -                      | -                 | -           |  |
| Long-term loans                        | -  | -  | 36,410                 | -                    | 36,410           | -                      | 2.74              | -           |  |
| <b>Total</b>                           | <b>-</b>   | <b>-</b>                                       | <b>36,410</b>          | <b>1,502,238</b>     | <b>1,538,648</b> |                        |                   |             |  |

(Unit: Thousand Baht)

## Consolidated financial statements

As at 31 December 2013

|                              | Fixed              |                  |                  | Total            | Interest rate (% p.a.) |             |      |
|------------------------------|--------------------|------------------|------------------|------------------|------------------------|-------------|------|
|                              | interest rate with |                  |                  |                  | Fixed                  | Floating    |      |
|                              | maturity date      | Floating         | Non-interest     |                  |                        | USD         | USD  |
|                              | within 1 year      | interest rate    | bearing          |                  | USD                    |             | Baht |
| <b>Financial assets</b>      |                    |                  |                  |                  |                        |             |      |
| Cash and cash equivalents    | 409,894            | 2,530,666        | 1,224            | 2,941,784        | 0.74                   | 0.13 - 0.45 | 0.50 |
| Trade and other receivables  | -                  | -                | 1,073,957        | 1,073,957        | -                      | -           | -    |
| <b>Total</b>                 | <b>409,894</b>     | <b>2,530,666</b> | <b>1,075,181</b> | <b>4,015,741</b> |                        |             |      |
| <b>Financial liabilities</b> |                    |                  |                  |                  |                        |             |      |
| Trade accounts payable       | -                  | -                | 21,569           | 21,569           | -                      | -           | -    |
| Long-term loans              | -                  | 9,272,757        | -                | 9,272,757        | -                      | 1.35 - 3.00 | 6.25 |
| <b>Total</b>                 | <b>-</b>           | <b>9,272,757</b> | <b>21,569</b>    | <b>9,294,326</b> |                        |             |      |

(Unit: Thousand Baht)

## Separate financial statements

As at 31 December 2013

|                              | Fixed              |                  | Floating         | Non-interest     | Total            | Interest rate (% p.a.) |             |              |
|------------------------------|--------------------|------------------|------------------|------------------|------------------|------------------------|-------------|--------------|
|                              | interest rate with |                  |                  |                  |                  | Fixed                  | Floating    |              |
|                              | maturity date      | Fixed            |                  |                  |                  |                        | USD         | USD          |
|                              | within 1 year      | interest rate    |                  |                  |                  | with maturity          |             | date at call |
| <b>Financial assets</b>      |                    |                  |                  |                  |                  |                        |             |              |
| Cash and cash equivalents    | 328,136            | -                | 1,794,091        | 294              | 2,122,521        | 0.74                   | 0.35 - 0.45 | 0.50         |
| Trade and other receivables  | -                  | -                | -                | 1,880,364        | 1,880,364        | -                      | -           | -            |
| Short-term loans to          |                    |                  |                  |                  |                  |                        |             |              |
| a subsidiary                 | -                  | 2,342,891        | -                | -                | 2,342,891        | 0.40                   | -           | -            |
| Long-term loans to           |                    |                  |                  |                  |                  |                        |             |              |
| a subsidiary                 | -                  | -                | -                | 505,395          | 505,395          | -                      | -           | -            |
| <b>Total</b>                 | <b>328,136</b>     | <b>2,342,891</b> | <b>1,794,091</b> | <b>2,386,053</b> | <b>6,851,171</b> |                        |             |              |
| <b>Financial liabilities</b> |                    |                  |                  |                  |                  |                        |             |              |
| Trade accounts payable       | -                  | -                | -                | 204              | 204              | -                      | -           | -            |
| Advances received from       |                    |                  |                  |                  |                  |                        |             |              |
| related parties              | -                  | -                | -                | 2,023,148        | 2,023,148        | -                      | -           | -            |
| <b>Total</b>                 | <b>-</b>           | <b>-</b>         | <b>-</b>         | <b>2,023,352</b> | <b>2,023,352</b> |                        |             |              |

### Foreign currency risk

Almost all revenues and expenditures of the Group is denominated in US Dollars, which provide a natural hedge against the currency risk associated with transactions in US Dollars. Consequently, the Group is exposed to a currency risk in respect of financial instruments denominated in other currencies. However, the Group's management has decided to maintain an open position with regard to this exposure, but endeavors to limit this exposure to the minimum possible amounts by not holding significant amounts of financial instruments denominated in other currencies or use derivative instruments, as and when it considers appropriate, to manage such risks.

The Group does not use foreign currency forward contracts or purchased currency options for trading purposes.

The Group has the following significant financial assets and liabilities denominated in foreign currencies (currencies other than US Dollars which is the Group's functional currency).

| Foreign currency | Financial assets  |           | Financial liabilities |           | Average exchange rate             |        |
|------------------|-------------------|-----------|-----------------------|-----------|-----------------------------------|--------|
|                  | as at 31 December |           | as at 31 December     |           | as at 31 December                 |        |
|                  | 2014              | 2013      | 2014                  | 2013      | 2014                              | 2013   |
|                  | (Million)         | (Million) | (Million)             | (Million) | (USD per 1 foreign currency unit) |        |
| Baht loan        | -                 | -         | 970.27                | 1,095.46  | 0.0302                            | 0.0303 |

Foreign currency swap contracts outstanding are summarised below.

| As at 31 December 2014   |                      |                                   |  |
|--------------------------|----------------------|-----------------------------------|--|
| Bought amount            | Sold amount          | Contractual exchange rate         | Contractual maturity date  |
|                          |                      | (USD per 1 foreign currency unit) |  |
| Baht 970.27<br>million   | USD 29.64<br>million | 0.0302, 0.0309                    | Quarterly corresponding to the<br>loan repayment schedule<br>upto September 2022 |
| As at 31 December 2013   |                      |                                   |  |
| Bought amount            | Sold amount          | Contractual exchange rate         | Contractual maturity date  |
|                          |                      | (USD per 1 foreign currency unit) |  |
| Baht 1,095.46<br>million | USD 33.47<br>million | 0.0302, 0.0309                    | Quarterly corresponding to the<br>loan repayment schedule<br>upto September 2022 |



### **34.2 Fair values of financial instruments**

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instruments or by using an appropriate valuation technique, depending on the nature of the instruments.

Since the majority of the Group's financial assets and liabilities are short-term in nature or bear floating interest rates and long-term loans bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in the statement of financial position.

### **35. Capital management**

The primary objective of the Group's capital management is to ensure that it has an appropriate financial structure and preserves the ability to continue its business as a going concern.

The Group manages its capital position with reference to its debt-to-equity ratio also to comply with a condition in the long-term loan agreements, which require the Group to maintain a consolidated debt-to-equity ratio of not more than 2:1.

As at 31 December 2014, the Group's debt-to-equity ratio was 0.83:1 (2013: 0.63:1) and the Company's was 0.12:1 (2013: 0.16:1) which is calculated from USD functional currency financial statements.

### **36. Event after the reporting period**

On 6 January 2015, a cement carrier under a shipbuilding contract with China Shipbuilding & Offshore International Co., Ltd. and Shanhaiguan New Shipbuilding Industry Co., Ltd., China, was completed and delivered to the Company's indirect subsidiary incorporated in Singapore (ABC One Pte. Limited). The contract price of the vessel with Hull No. CC200-04 is USD 24.48 million or approximately Baht 805.43 million.

### 37. Functional currency financial statements

The USD functional currency statements of financial position as at 31 December 2014 and 2013 and income statements for the years ended 31 December 2014 and 2013 are as follows.

#### Precious Shipping Public Company Limited and its subsidiaries

#### Statement of financial position

As at 31 December 2014

(Unit: Thousand USD)

|  | Consolidated         |                      | Separate             |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | financial statements | financial statements | financial statements | financial statements |
|  | 2014                 | 2013                 | 2014                 | 2013                 |
| <b>Assets</b>  |                      |                      |                      |                      |
| <b>Current assets</b>                                      |                      |                      |                      |                      |
| Cash and cash equivalents                                  | 16,230               | 89,651               | 2,551                | 64,684               |
| Current investment   | -                    | -                    | -                    | -                    |
| Trade and other receivables                                | 9,634                | 32,729               | 45,626               | 57,304               |
| Short-term loans to a subsidiary                           | -                    | -                    | 50,400               | 71,400               |
| Current portion of advances for vessel constructions       | -                    | 18,076               | -                    | 18,076               |
| Bunker oil   | 3,504                | 3,116                | -                    | -                    |
| Other current assets                                       |                      |                      |                      |                      |
| Advances to vessel masters                                 | 4,089                | 3,782                | -                    | -                    |
| Claim recoverables   | 922                  | 851                  | -                    | -                    |
| Others   | 1,199                | 2,211                | 472                  | 1,454                |
| Total other current assets                                 | 6,210                | 6,844                | 472                  | 1,454                |
| <b>Total current assets</b>                                | <b>35,578</b>        | <b>150,416</b>       | <b>99,049</b>        | <b>212,918</b>       |
| <b>Non-current assets</b>                                  |                      |                      |                      |                      |
| Long-term loans to a subsidiary                            | -                    | -                    | 9,702                | 15,402               |
| Investments in subsidiaries                                | -                    | -                    | 246,062              | 235,163              |
| Investment in associate held by a subsidiary               | 2,900                | 3,120                | -                    | -                    |
| Other long-term investment                                 | 417                  | 260                  | 417                  | 260                  |
| Receivables from cross currency swap contracts             | -                    | 54                   | -                    | -                    |
| Property, plant and equipment                              | 669,567              | 568,958              | 165                  | 216                  |
| Intangible assets  | 85                   | 124                  | 84                   | 123                  |
| Other non-current assets                                   |                      |                      |                      |                      |
| Claim recoverables - maritime claims                       | 4,384                | 4,247                | -                    | -                    |
| Advances for vessel constructions - net of current portion | 121,779              | 42,062               | 111,061              | 14,284               |
| Deferred financial fees                                    | 3,767                | 2,966                | 3,669                | 2,300                |
| Deferred contract costs                                    | 8,092                | 5,113                | -                    | -                    |
| Others   | 93                   | 94                   | 73                   | 73                   |
| Total other non-current assets                             | 138,115              | 54,482               | 114,803              | 16,657               |
| <b>Total non-current assets</b>                            | <b>811,084</b>       | <b>626,998</b>       | <b>371,233</b>       | <b>267,821</b>       |
| <b>Total assets</b>  | <b>846,662</b>       | <b>777,414</b>       | <b>470,282</b>       | <b>480,739</b>       |

Precious Shipping Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2014

(Unit: Thousand USD)

|   | Consolidated   |                | Separate       |                |
|---|----------------|----------------|----------------|----------------|
|   | 2014           | 2013           | 2014           | 2013           |
| <b>Liabilities and shareholders' equity</b>       |                |                |                |                |
| <b>Current liabilities</b>                        |                |                |                |                |
| Trade and other payables                          |                |                |                |                |
| Trade accounts payable                            | 3,884          | 657            | 2,985          | 6              |
| Advances received from related parties            | -              | -              | 42,588         | 61,656         |
| Accrued crew accounts                             | 3,443          | 2,623          | -              | -              |
| Accrued expenses                                  | 4,722          | 2,139          | 667            | 23             |
| Current portion of accrued employee bonus         | 430            | 1,324          | 391            | 1,222          |
| Total trade and other payables                    | 12,479         | 6,743          | 46,631         | 62,907         |
| Advances received from charterers                 | 522            | 2,000          | -              | -              |
| Current portion of long-term loans                | 24,633         | 19,928         | -              | -              |
| Income tax payable                                | 113            | 240            | -              | -              |
| Other current liabilities                         | 657            | 864            | 187            | 190            |
| <b>Total current liabilities</b>                  | <b>38,404</b>  | <b>29,775</b>  | <b>46,818</b>  | <b>63,097</b>  |
| <b>Non-current liabilities</b>                    |                |                |                |                |
| Accrued employee bonus - net of current portion   | -              | 935            | -              | 860            |
| Payables to cross currency swap contracts         | 74             | -              | -              | -              |
| Long-term loans - net of current portion          | 336,782        | 262,661        | 1,105          | -              |
| Provision for maritime claims                     | 5,512          | 5,352          | -              | -              |
| Provision for long-term employee benefits         | 2,223          | 2,333          | 2,024          | 2,142          |
| <b>Total non-current liabilities</b>              | <b>344,591</b> | <b>271,281</b> | <b>3,129</b>   | <b>3,002</b>   |
| <b>Total liabilities</b>                          | <b>382,995</b> | <b>301,056</b> | <b>49,947</b>  | <b>66,099</b>  |
| <b>Shareholders' equity</b>                       |                |                |                |                |
| Share capital                                     |                |                |                |                |
| Registered share capital                          | 35,308         | 35,308         | 35,308         | 35,308         |
| Issued and paid-up share capital                  | 35,308         | 35,308         | 35,308         | 35,308         |
| Paid-in capital                                   |                |                |                |                |
| Premium on ordinary shares                        | 16,135         | 16,135         | 16,135         | 16,135         |
| Premium on treasury stock                         | 4,819          | 4,819          | 4,819          | 4,819          |
| Retained earnings                                 |                |                |                |                |
| Appropriated                                      |                |                |                |                |
| Statutory reserve - the Company                   | 2,802          | 2,802          | 2,802          | 2,802          |
| - subsidiaries                                    | 14,460         | 14,460         | -              | -              |
| Corporate social responsibility reserve           | 527            | 511            | 527            | 511            |
| Unappropriated                                    | 391,438        | 403,659        | 360,744        | 355,065        |
| Other components of shareholders' equity          | (1,787)        | (1,654)        | -              | -              |
| Equity attributable to owner of the Company       | 463,702        | 476,040        | 420,335        | 414,640        |
| Non-controlling interests of the subsidiaries     | (35)           | 318            | -              | -              |
| <b>Total shareholders' equity</b>                 | <b>463,667</b> | <b>476,358</b> | <b>420,335</b> | <b>414,640</b> |
| <b>Total liabilities and shareholders' equity</b> | <b>846,662</b> | <b>777,414</b> | <b>470,282</b> | <b>480,739</b> |

**Precious Shipping Public Company Limited and its subsidiaries**  
**Income statement**  
**For the year ended 31 December 2014**

(Unit: Thousand USD)

|   | <b>Consolidated</b>         |                | <b>Separate</b>             |               |
|---|-----------------------------|----------------|-----------------------------|---------------|
|   | <b>financial statements</b> |                | <b>financial statements</b> |               |
|   | 2014                        | 2013           | 2014                        | 2013          |
| <b>Revenues</b>   |                             |                |                             |               |
| Vessel operating income   |                             |                |                             |               |
| Hire income   | 101,639                     | 84,746         | -                           | -             |
| Freight income  | 39,024                      | 40,011         | -                           | -             |
| Total vessel operating income   | 140,663                     | 124,757        | -                           | -             |
| Service income  | 321                         | 368            | 2,854                       | 2,917         |
| Gains on sales of vessel and equipment  | 825                         | 1              | -                           | 1             |
| Gains on novation/cancellation of<br>shipbuilding contracts   | 1,232                       | 30,824         | 1,232                       | 29,550        |
| Interest income   | 160                         | 274            | 185                         | 444           |
| Exchange gains  | 133                         | 423            | 60                          | 502           |
| Other income  | 1                           | 78             | 1                           | 78            |
| Dividend received   | -                           | -              | 21,600                      | 17,932        |
| <b>Total revenues</b>   | <b>143,335</b>              | <b>156,725</b> | <b>25,932</b>               | <b>51,424</b> |
| <b>Expenses</b>   |                             |                |                             |               |
| Vessel operating costs  |                             |                |                             |               |
| Vessel running expenses   | 60,898                      | 53,874         | -                           | -             |
| Voyage disbursements  | 6,391                       | 5,583          | -                           | -             |
| Bunker consumption  | 16,516                      | 17,766         | -                           | -             |
| Total vessel operating costs  | 83,805                      | 77,223         | -                           | -             |
| Depreciation  | 38,968                      | 36,790         | 76                          | 91            |
| Cost of services  | 143                         | 158            | -                           | -             |
| Administrative expenses   | 5,328                       | 7,091          | 4,452                       | 6,082         |
| Management remuneration including perquisites   | 2,436                       | 3,547          | 2,344                       | 3,344         |
| Bad debts and doubtful accounts   | 63                          | 39             | -                           | -             |
| <b>Total expenses</b>   | <b>130,743</b>              | <b>124,848</b> | <b>6,872</b>                | <b>9,517</b>  |
| <b>Profit before share of profit from<br/>investment in associate, finance cost and<br/>income tax expenses</b> | <b>12,592</b>               | <b>31,877</b>  | <b>19,060</b>               | <b>41,907</b> |
| Share of profit from investment in<br>associate held by a subsidiary  | 234                         | 1,025          | -                           | -             |
| <b>Profit before finance cost and<br/>income tax expenses</b>   | <b>12,826</b>               | <b>32,902</b>  | <b>19,060</b>               | <b>41,907</b> |
| Finance cost  | (15,366)                    | (14,881)       | (3,703)                     | (3,963)       |
| <b>Profit (loss) before income tax expenses</b>   | <b>(2,540)</b>              | <b>18,021</b>  | <b>15,357</b>               | <b>37,944</b> |
| Income tax expenses   | (68)                        | (250)          | -                           | -             |
| <b>Profit (loss) for the year</b>   | <b>(2,608)</b>              | <b>17,771</b>  | <b>15,357</b>               | <b>37,944</b> |
| <b>Profit (loss) attributable to:</b>   |                             |                |                             |               |
| Equity holders of the Company   | (2,542)                     | 17,493         | 15,357                      | 37,944        |
| Non-controlling interests of the subsidiaries   | (66)                        | 278            | -                           | -             |
| <b>Profit (loss) for the year</b>   | <b>(2,608)</b>              | <b>17,771</b>  | <b>15,357</b>               | <b>37,944</b> |
| (Unit: USD)   |                             |                |                             |               |
| <b>Basic earnings (loss) per share</b>  |                             |                |                             |               |
| Profit (loss) attributable to equity holders<br>of the Company  | (0.0024)                    | 0.0168         | 0.0148                      | 0.0365        |

### **38. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Directors on 30 January 2015.

# CONNECTED TRANSACTIONS

The following significant transactions entered into by the Company and Subsidiaries constitute transactions with related parties

## 1. Office lease agreement between the Company and Unistretch Limited

### The Relation

The Office lease agreement is between the Company and Unistretch Limited. Ms. Nishita Shah and Mr. Ishaan Shah, Directors of the Company, are directly interested as Directors and Shareholders and Mr. Kirit Shah, Director of the Company, is also interested as Director of Unistretch Limited.

### The Significance of the related transaction

The Office lease agreement is necessary for operating the Company.

### The Fairness of Terms and Conditions of the Transaction

For the year 2014, the Company has rental and related expenses for other services from such transaction amounting to Baht 2.04 million (2013: Baht 1.93 million) which is 0.01% (2013: 0.01%) of Net Tangible Assets. The Company has signed a lease for the office premises with Unistretch Limited at the rate of Baht 210 per square metre per month. The Company has also signed a lease for other office premises from a third party on other floors of the same building at the same rate of Baht 210 per square metre per month.

### Policy in respect of future transactions with connected parties

The Office is essential for operating the business of the Company so the Company has to continue to enter into lease agreement for the year 2015 on similar (or more beneficial) terms as that of year 2014.

## 2. Purchase of air tickets from Ambika Tour Agency Limited

### The Relation

The Company and subsidiaries purchased air tickets from Ambika Tour Agency Limited in which Ms. Nishita Shah and Mr. Ishaan Shah are directly interested as Directors and Shareholders.

### The Significance of the related transaction

Given the nature of business, apart from air tickets for foreign travel by office Executives, air tickets are also required for the crew on a regular basis to allow them to sign on/off in different ports around the world on commencement and completion of their contracts, respectively. Ambika Tour Agency Limited has been selected for this purpose in view of their competitive rates and service and also for their proximity to the Company's office since this allows much quicker and efficient service.

### The Fairness of Terms and Conditions of the Transaction

For the year 2014, the Company and subsidiaries purchased air tickets amounting to Baht 12.68 million (2013: Baht 11.43 million) which is 0.09% (2013: 0.08%) of Net Tangible Assets.

### **Policy in respect of future transactions with connected parties**

For the year 2015, the Company and subsidiaries would have similar air ticket expenses, possibly higher in value than 2014 due to the bigger Fleet of the Company. The Company regularly reviews the pricing and service standards of the various Vendors of tickets including Ambika Tour Agency Limited. If the pricing and service standards of these present Vendors are found uncompetitive with market levels and/or if the terms and conditions are not for the benefit of the Company, the Company could change the Vendors.

### **3. Maintenance and Management services from Maestro Controls Ltd.**

#### **The Relation**

The Company and its subsidiary paid maintenance expenses and related expenses for other services from such transaction to Maestro Controls Ltd. for the air conditioning system at the main operational offices and the condominium apartments of the Company and its subsidiary respectively. This is a connected transaction since Ms. Nishita Shah, Director of the Company is directly interested as Director and Shareholder of Maestro Controls Ltd., Mr. Kirit Shah, Director of the Company, is also Director of Maestro Controls Ltd., and Mr. Ishaan Shah, Director of the Company, is Shareholder of Maestro Controls Ltd.

#### **The Significance of the related transaction**

The maintenance of air conditioning system at the main operational offices and the condominium apartments including the management thereof is essential for operating the business of the Company and the assets of the Company's subsidiary, i.e. the residences of the Company's expatriate staff. Maestro Controls Ltd. has been selected for this purpose in view of their competitive rates and service.

#### **The Fairness of Terms and Condition of the Transaction**

For the year 2014, the Company and its subsidiary have paid for maintenance and management expenses for the air conditioning system and the offices and condominium apartments of the Company and its subsidiary amounting to Baht 0.97 million (2013: Baht 0.91 million) which is 0.01% (2013: 0.01%) of Net Tangible Assets.

### **Policy in respect of future transactions with connected parties**

For the year 2015, the Company and its subsidiary would have similar expenses for the maintenance of air conditioning system and supply of air conditioners if required, from Maestro Controls Ltd. The Company regularly reviews such maintenance and management contracts for pricing and service standards and if the same are not competitive and/or for the benefit of the Company, the Company could change the existing service provider.

### **4. Expenses for Hotel and Management services from Maxwin Builders Limited**

#### **The Relation**

The Company and its subsidiary paid expenses for hotel and management services to Maxwin Builders Limited. This is a connected transaction since Ms. Nishita Shah and Mr. Ishaan Shah, Director of the Company, are directly interested as Directors and Shareholders. Mr. Khushroo Kali Wadia and Mr. Kirit Shah, Directors of the Company, are Directors of Maxwin Builders Ltd.

#### **The Significance of the related transaction**

The expenses for hotel services (like holding AGM and other meetings) and management services are required for the operating the business of the Company and its subsidiary. Maxwin Builders Ltd. has been selected for this purpose in view of their competitive rates and service.

## **The Fairness of Terms and Condition of the Transaction**

For the year 2014, the Company and its subsidiary have paid expenses for hotel and management services amounting to Baht 1.44 million (2013: Baht 1.42 million) which is 0.01% (2013: 0.01%) of Net Tangible Assets.

### **Policy in respect of future transactions with connected parties**

For the year 2015, the Company and its subsidiary would have similar expenses for the hotel and management services from Maxwin Builders Ltd. The Company regularly reviews pricing and service standards and if the same are not competitive and/or for the benefit of the Company, the Company could change the existing service provider.

## **5. Insurances from InsurExcellence Insurance Brokers Group as Insurance Brokers**

### **The Relation**

The Company and its subsidiary paid insurance premiums for the cars and properties owned by the Company and subsidiary to InsurExcellence Insurance Brokers Limited and also paid life insurance premium for the Company's staff from such transaction to InsurExcellence Life Insurance Brokers Limited. This is a connected transaction since Ms. Nishita Shah, Mr. Ishaan Shah and Mr. Kirit Shah, Directors of the Company are related to Miss Sameera Shah who is a Director and Shareholder in InsurExcellence Insurance Brokers Limited and InsurExcellence Life Insurance Brokers Limited.

### **The Significance of the related transaction**

The insurance of life of staff and motor vehicles and properties is part of the conduct of normal business of the Company and its subsidiary and the insurances are essential for the security of the assets of the Company and Company's subsidiary. InsurExcellence Insurance Brokers Limited and InsurExcellence Life Insurance Brokers Limited have been selected for this purpose in view of their competitive rates and service after a thorough comparison of Insurance Premiums and allied services offered by other Insurance Brokers in the market.

### **The Fairness of Terms and Conditions of the Transaction**

For the year 2014, the Company and its subsidiary have paid for various insurance premiums amounting to Baht 2.31 million (2013: Baht 2.35 million) which is 0.02% (2013: 0.02%) of Net Tangible Assets.

### **Policy in respect of future transactions with connected parties**

For the year 2015, the Company and its subsidiary would have similar expenses for insurance from InsurExcellence Insurance Brokers Limited and InsurExcellence Life Insurance Brokers Limited. The Company regularly reviews such insurance premiums for pricing and service standards and if the same are not competitive and/or for the benefit of the Company, the Company could change the existing service provider.

## **6. Computer supply and related services from Quidlab Company Limited**

### **The Relation**

The Company and subsidiaries purchased computer hardware, software and computer related services from Quidlab Company Limited. This is a connected transaction since Mr. Kamal Kumar Dua, Vice President - IT, as part of Management of the Company is related to Mrs. Charu Dua who is directly interested as Director and Shareholder of Quidlab Company Limited.



## **The Significance of the related transaction**

Given the nature of business, computer hardware, software and related services are required for operating the business. Quidlab Company Limited is just one of the Vendors considered on a case by case basis for this purpose and whenever selected for a particular service or supply, is selected because of their competitive rates and services after a thorough comparison of rates and services offered by other companies in the market.

## **The Fairness of Terms and Conditions of the Transaction**

For the year 2014, the Company and subsidiaries have paid for computer supply and related services amounting to Baht 1.73 million (2013: 0.38 million) which is 0.01% (2013: 0.003%) of Net Tangible Assets.

## **Policy in respect of future transactions with connected parties**

The computer hardware, software and computer related services are essential for operating the business of the Company and subsidiaries so in the year 2015, the Company and subsidiaries may purchase computer hardware, software and related services from Quidlab Company Limited on a case-by-case basis after a thorough evaluation and comparison with other suppliers/service providers. Further, the Company will always review the pricing and service standards of other various Vendors of computer hardware, software and related services along with that of Quidlab Company Limited. If the pricing and service standards of Quidlab Company Limited are found uncompetitive with market levels and/or if the terms and conditions are not for the benefit of the Company, the Company will not enter into any such transaction with the Vendors (Quidlab).

Directors and Executives disclose their and their relatives' shareholdings, directorships and other interests in other Companies and Firms, and report their conflict of interest if any, to the Company for the company's use in complying with the regulations pertaining to connected party transactions. Such a report disclosing all their interests is also useful in monitoring their adherence to their duties regarding conflict of interest transactions. The Internal Auditors have reviewed the above connected transactions and reported the results of their review to the Audit & Corporate Governance Committee who in turn have discussed and reviewed the transactions in their Audit & Corporate Governance Committee Meeting No. 1/2015 held on 29<sup>th</sup> January 2015 and then reported these transactions to the Board of Directors. The Board of Directors Meeting No. 2/2015 held on 30<sup>th</sup> January 2015 reviewed the transactions and based on the findings and report of the Audit & Corporate Governance Committee, the Board is of the opinion that the Company has adequate rules, regulations and policies for prevention of conflict of interest transactions and that the above interested party transactions are entered solely based on the market prices and for the full benefit of the Company. Adequate disclosures have also been made in the financial statements and the Annual Report.

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# REFERENCES

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**Note:** For more details of the Company, please refer to Form 56-1 at  
<http://market.sec.or.th/public/idisc/FinancialStatement.aspx?lang=th&reportcode=PP06> or  
<http://www.preciousshipping.com/investor-relations/form-56-1>

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