

AUDIT AND CORPORATE GOVERNANCE COMMITTEE'S REPORT

TO THE SHAREHOLDERS

The Audit & Corporate Governance Committee of Precious Shipping Public Company Limited consists of 3 independent directors viz., Mr. Kamtorn Sila-On as Chairman of the Audit & Corporate Governance Committee, Ms. Lyn Yen Kok and Associate Professor Dr. Pavida Pananond, both, as Audit & Corporate Governance Committee members. Mr. Kamtorn Sila-On and Associate Professor Dr. Pavida Pananond were reappointed by a resolution of the Board of Directors in the Board of Directors Meeting No.1/2017 held on 8 February 2017.

During year 2017, the membership of the Audit & Corporate Governance Committee was changed, as summarized below:

- 1) Mr. Suphat Sivasriumphai, who was the Chairman of the Audit & Corporate Governance Committee retired from the Board of Directors by a resolutions of the shareholders in the Annual General Meeting of the Shareholders (AGM) No.1/2017 held on 4 April 2017 since he had passed the maximum age limit of a director per the Company's Corporate Governance Policy, and therefore, retired from all sub-committees of the Company also, including the Audit & Corporate Governance Committee.
- 2) Mr. Kamtorn Sila-On who was a member of the Audit & Corporate Governance Committee was appointed as the Chairman of the Audit & Corporate Governance Committee by a resolution of the Board of Directors in the Board of Directors Meeting No. 2/2017 held on 4 April 2017.
- 3) Ms. Lyn Yen Kok was appointed as a member of the Audit & Corporate Governance Committee by a resolution of the Board of Directors in the Board of Directors Meeting No. 2/2017 held on 4 April 2017.

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 (SEC) and the Stock Exchange of Thailand (SET), which is summarized as follows:

Review of financial reports

In the year 2017, 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.

Internal audit and internal control systems

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 2017, Internal Audit Department reviewed the risk assessment (including fraud 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.

Compliance with laws and regulations

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 subject. 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.

Review of Connected Transactions

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 SEC 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, consultant fees for ship chartering services, and supply of air conditioners including their maintenance expenses for air conditioning system at the main operational office and the condominium apartments of the Company and its subsidiary are classified as Type 2 which are supporting transactions for core business. Office lease rental is classified as Type 3 which is short term office rental. The details of these transactions have been explained under the topic “**Connected Transactions**” in this Annual Report. The result of the review has been discussed in the Board of Directors Meeting No. 1/2018 held on 6 February 2018. 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.

Review of the Asset Acquisition and Disposal Transactions of the Company and its subsidiaries

During the year 2017, the Audit & Corporate Governance Committee reviewed the Asset Acquisition and Disposal Transactions of the Company’s subsidiaries, according to the Notification of the 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.

Review of the Company’s Corporate Governance

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 2017, 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 between Baht 3,000 million to Bath 9,999 million.

Meetings of the Audit & Corporate Governance Committee

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

The members of the 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 2017, Audit & Corporate Governance Committee held 4 meetings (2016: 4 meetings). The record of attendance of the members of Audit & Corporate Governance Committee is summarized as follows:

Name	Number of Attendance/Total Meeting (Times)	
	2017	2016
1. Mr. Suphat Sivasriumphai*	1/1	4/4
2. Mr. Kamtorn Sila-On	4/4	4/4
3. Associate Professor Dr. Pavida Pananond	4/4	4/4
4. Ms. Lyn Yen Kok**	3/3	-

* Audit & Corporate Governance Committee member who retired in year 2017.

** Audit & Corporate Governance Committee member appointed in year 2017.

Selection and proposal for appointment of the Company's external auditors

Audit & Corporate Governance Committee Meeting No.1/2018 held on 6 February 2018 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 2018.

1. Ms. Vissuta Jariyathanakorn (Certified Public Accountant (Thailand) No. 3853). She has been the Company's Auditor since the year 2015.
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, details of the audit fees and fees for other services (non-audit related) of the Company and subsidiaries for the year 2018 charged by EY Office Limited are as follows:

Details	Proposed for 2018	2017
Audit fees for the Company	Baht 2.00 million	Baht 2.00 million
Audit fees for Thai subsidiaries and 1 Foreign subsidiary	Baht 2.52 million	Baht 3.03 million
Fees for other services:		
• Fee for certification purposes by BOI	Baht 0.42 million	Baht 0.40 million
• Fees for review of the accounts of certain foreign subsidiaries (for consolidation purpose)	Baht 0.85 million	Baht 0.85 million
Total	Baht 5.79 million	Baht 6.28 million

The Audit & Corporate Governance Committee self-assessment

The Audit & Corporate Governance Committee conducted a self-assessment for 2017 as per SET guidelines, the score of which fell within the "Very Good" level. The Audit & Corporate Governance Committee intends to use this result as an indicator to further improve its performance.

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



Mr. Kamtorn Sila-On

Chairman of the Audit & Corporate Governance Committee

6 February 2018