

(UNAUDITED BUT REVIEWED)

PRECIOUS SHIPPING PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED  
30 SEPTEMBER 2006 AND 2005

**1. GENERAL INFORMATION**

**1.1 Corporate information**

Precious Shipping Public Company Limited was incorporated as a public limited company under Thai laws and then listed on the Stock Exchange of Thailand. The Company engages the business in Thailand as a holding company for investment in the business of marine transportation. Its registered office is located at No. 8 Cathay House, 7th Floor, North Sathorn Road, Silom, Bangrak, Bangkok.

**1.2 Basis for the preparation of the interim financial statements**

These interim financial statements are prepared in accordance with Accounting Standards Pronouncement No. 41 “Interim financial statements”, with the Company choosing to present condensed interim financial statements. However, the Company has presented the balance sheets, and the statements of earnings, changes in shareholders’ equity, and cash flows in the same format as that used for the annual financial statements.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

**1.3 Basis of consolidation**

These consolidated financial statements include the financial statements of Precious Shipping Public Company Limited and subsidiaries (“the Group”) and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2005. There have been no changes in the composition of the Group during the current period.

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#### **1.4 Significant accounting policies**

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2005.

## **2. TRADE ACCOUNTS RECEIVABLE**

The balances of trade accounts receivable are classified by aging as follows: -

(Unit: Thousand Baht)

	CONSOLIDATED	
	30 September 2006	31 December 2005
Less than 3 months	145,949	149,571
3 - 6 months	27,431	23,773
6 - 12 months	19,177	2,916
More than 12 months	43,510	23,554
Total	236,067	199,814
Less: Allowance for doubtful accounts	(43,380)	(23,411)
Trade accounts receivable - net	192,687	176,403

## **3. RELATED PARTY TRANSACTIONS**

During the periods, the Company had significant business transactions with its subsidiary, associated and related companies which are related by way of common shareholders and/or directors. The transactions are summarised below.

## (UNAUDITED BUT REVIEWED)

(Unit: Thousand Baht)

	CONSOLIDATED		THE COMPANY ONLY		
	For the three-month periods ended 30 September				Pricing policy
	2006	2005	2006	2005	
<b><u>Transactions with subsidiaries</u></b>					
(Eliminated from consolidated financial statements)					
Service income	-	-	23,122	24,038	USD 125 per day per vessel
Dividend received	-	-	744,821	1,192,981	As declared
Rental expenses	-	-	2,672	2,660	Baht 30,000 to Baht 41,250 per month
<b><u>Transactions with related companies</u></b>					
Air ticket expenses	6,203	7,264	1,228	846	Market price
Rental and service expenses	198	449	10	306	Market price

(Unit: Thousand Baht)

	CONSOLIDATED		THE COMPANY ONLY		
	For the nine-month periods ended 30 September				Pricing policy
	2006	2005	2006	2005	
<b><u>Transactions with subsidiaries</u></b>					
(Eliminated from consolidated financial statements)					
Service income	-	-	70,069	69,952	USD 125 per day per vessel
Dividend received	-	-	1,806,184	3,932,758	As declared
Rental expenses	-	-	8,019	7,998	Baht 30,000 to Baht 41,250 per month
<b><u>Transactions with related companies</u></b>					
Dividend received	8,339	-	-	-	As declared
Air ticket expenses	19,143	19,092	3,360	3,783	Market price
Rental and service expenses	1,335	3,250	887	1,810	Market price

## (UNAUDITED BUT REVIEWED)

The outstanding balances of the above transactions have been separately shown in the balance sheets. Details of balances are as follows: -

(Unit: Thousand Baht)

	THE COMPANY ONLY			
	31 December			30 September
	2005	Increase	Decrease	2006
<b><u>Receivable from and advances to subsidiaries</u></b>				
Precious Stones Shipping Limited	83,181	266,300	151,027	198,454
Precious Minerals Limited	58,663	301,904	228,937	131,630
Precious Lands Limited	-	250,362	249,636	726
Precious Rivers Limited	90,460	335,749	287,571	138,638
Precious Lakes Limited	-	101,325	100,611	714
Precious Seas Limited	23,941	182,578	205,502	1,017
Precious Stars Limited	105,670	124,167	229,394	443
Precious Planets Limited	3,656	246,737	249,759	634
Precious Diamonds Limited	198	776,716	656,609	120,305
Precious Sapphires Limited	74,027	118,313	114,411	77,929
Precious Emeralds Limited	493,661	231,112	323,946	400,827
Precious Rubies Limited	-	135,228	134,886	342
Precious Garnets Limited	506,545	181,341	309,552	378,334
Precious Pearls Limited	-	377,698	342,928	34,770
Precious Flowers Limited	-	285,190	282,966	2,224
Precious Forests Limited	-	303,079	302,858	221
Precious Trees Limited	486	239,816	229,637	10,665
Precious Ponds Limited	8,043	185,093	192,835	301
Precious Capitals Limited	1,238	-	1,238	-
Precious Jasmines Limited	945	-	945	-
Precious Orchids Limited	283,345	103,507	378,591	8,261
Precious Lagoons Limited	925	119,636	120,161	400
Precious Cliffs Limited	108,652	154,168	261,559	1,261
Precious Hills Limited	3,584	118,668	120,140	2,112
Precious Mountains Limited	16,838	89,368	105,878	328
Precious Resorts Limited	83,072	61,033	98,438	45,667
Precious Cities Limited	30,806	163,780	160,684	33,902
Precious Comets Limited	-	260,845	244,329	16,516

## (UNAUDITED BUT REVIEWED)

(Unit: Thousand Baht)

	THE COMPANY ONLY			
	31 December			30 September
	2005	Increase	Decrease	2006
Precious Storage Terminals Limited	13	10	7	16
Precious Shipping (Panama) S.A.	70,789	252,951	285,510	38,230
Precious Shipping (Mauritius) Limited	113,943	10,051	8,390	115,604
Precious Shipping (UK) Limited	26,145	392,944	350,010	69,079
Great Circle Shipping Agency Limited	100,437	9,059	21,437	88,059
Total	<u>2,289,263</u>	<u>6,378,728</u>	<u>6,750,382</u>	<u>1,917,609</u>
<b><i>Payable to and advances from subsidiaries</i></b>				
Precious Metals Limited	119,652	311,177	393,632	37,197
Precious Wishes Limited	119,958	229,380	315,306	34,032
Precious Lands Limited	31,769	-	31,769	-
Precious Lakes Limited	2,306	-	2,306	-
Precious Oceans Limited	96,289	136,570	166,746	66,113
Precious Rubies Limited	10,005	-	10,005	-
Precious Opals Limited	39,738	127,298	146,646	20,390
Precious Pearls Limited	15,400	-	15,400	-
Precious Flowers Limited	50,694	-	50,694	-
Precious Forests Limited	8,344	-	8,344	-
Precious Ventures Limited	44,523	192,636	194,780	42,379
Precious Capitals Limited	-	357,067	331,485	25,582
Precious Jasmines Limited	-	363,483	340,163	23,320
Precious Comets Limited	95,557	-	95,557	-
Precious Ornaments Limited	33,414	169,876	186,623	16,667
Nedtex Limited	4,753	7	12	4,748
Thebes Pte. Limited	12	37	35	14
Precious Shipping (Singapore) Pte. Limited	<u>421,301</u>	<u>814,368</u>	<u>486,157</u>	<u>749,512</u>
Total	<u>1,093,715</u>	<u>2,701,899</u>	<u>2,775,660</u>	<u>1,019,954</u>

The outstanding balances of the amounts due from/to subsidiaries represent current accounts between the Company and those companies. The Company's management believes that no allowance for doubtful accounts is necessary. No interest was charged on advances to/from subsidiaries.

## (UNAUDITED BUT REVIEWED)

As at 30 September 2006, the Company repaid subordinated interest-free loans from subsidiaries amounting to Baht 662.8 million by offsetting such loans against the amounts receivable from/payable to subsidiaries in the balance sheets.

#### 4. INVESTMENTS

These represent investments in the following subsidiary, associated and other companies: -

(Unit: Thousand Baht)

	THE COMPANY ONLY							
	Percentage of ownership		Cost method		Equity method		Dividend received	
	30	31	30	31	30	31	For the nine-month periods	
	September	December	September	December	September	December	ended 30 September	
	2006	2005	2006	2005	2006	2005	2006	2005
<i><b>Investments accounted for under equity method</b></i>								
<i><b>Subsidiaries</b></i>								
Precious Metals Limited	99.99	99.99	250,000	250,000	301,797	332,353	136,250	130,750
Precious Wishes Limited	99.99	99.99	229,999	229,999	275,102	291,541	93,150	214,819
Precious Stones Shipping Limited	99.99	99.99	260,000	260,000	442,176	332,517	-	121,420
Precious Minerals Limited	99.99	99.99	230,000	230,000	442,815	332,812	-	229,079
Precious Lands Limited	99.99	99.99	84,000	84,000	120,107	106,764	28,560	85,427
Precious Rivers Limited	99.99	99.99	234,000	234,000	503,519	375,493	-	125,190
Precious Lakes Limited	99.99	99.99	99,000	99,000	167,808	142,680	17,820	76,823
Precious Seas Limited	99.99	99.99	100,000	100,000	235,075	289,334	130,999	89,999
Precious Stars Limited	99.99	99.99	105,000	105,000	204,239	195,848	68,249	26,250
Precious Oceans Limited	99.99	99.99	175,000	175,000	220,188	246,729	119,874	91,875
Precious Planets Limited	99.99	99.99	100,000	100,000	236,388	164,858	55,000	194,299
Precious Diamonds Limited	99.99	99.99	205,000	205,000	429,876	370,233	71,750	215,454
Precious Sapphires Limited	99.99	99.99	143,999	143,999	294,490	210,327	-	27,360
Precious Emeralds Limited	99.99	99.99	366,000	366,000	725,077	613,926	-	107,155
Precious Rubies Limited	99.99	99.99	84,000	84,000	112,712	105,326	17,640	58,631
Precious Opals Limited	99.99	99.99	74,000	74,000	90,904	118,600	53,649	45,880
Precious Garnets Limited	99.99	99.99	378,999	378,999	667,380	538,416	-	103,805
Precious Pearls Limited	99.99	99.99	72,999	72,999	135,387	109,942	18,250	150,233
Precious Flowers Limited	99.99	99.99	75,999	75,999	194,941	163,220	83,219	202,006
Precious Forests Limited	99.99	99.99	95,999	95,999	177,634	174,841	83,519	192,863
Precious Trees Limited	99.99	99.99	79,999	79,999	212,276	153,528	-	180,239
Precious Ponds Limited	99.99	99.99	83,999	83,999	269,401	234,580	30,240	53,256
Precious Ventures Limited	99.99	99.99	79,999	79,999	142,448	124,332	71,999	190,478

## (UNAUDITED BUT REVIEWED)

(Unit: Thousand Baht)

THE COMPANY ONLY								
	Percentage of ownership		Cost method		Equity method		Dividend received	
	30	31	30	31	30	31	For the nine-month periods	
	September	December	September	December	September	December	ended 30 September	
	2006	2005	2006	2005	2006	2005	2006	2005
Precious Capitals Limited	99.99	99.99	199,999	199,999	267,267	370,712	246,999	249,999
Precious Jasmines Limited	99.99	99.99	97,999	97,999	159,250	204,542	144,059	195,019
Precious Orchids Limited	99.99	99.99	216,999	216,999	634,503	479,687	-	130,200
Precious Lagoons Limited	99.99	99.99	139,999	139,999	219,269	218,203	57,400	35,000
Precious Cliffs Limited	99.99	99.99	139,999	139,999	235,520	266,262	91,000	63,000
Precious Hills Limited	99.99	99.99	139,999	139,999	277,582	262,614	56,000	35,000
Precious Mountains Limited	99.99	99.99	139,999	139,999	285,768	256,569	23,800	56,000
Precious Resorts Limited	99.99	99.99	139,999	139,999	296,996	260,139	-	63,000
Precious Cities Limited	99.99	99.99	169,999	169,999	372,970	288,832	27,200	49,300
Precious Comets Limited	99.99	99.99	71,099	71,099	130,328	132,141	53,680	85,746
Precious Ornaments Limited	99.99	99.99	68,099	68,099	112,952	101,160	25,878	57,203
Nedtex Limited	69.99	69.99	648	648	(4,824)	(4,817)	-	-
Precious Storage Terminals Limited	69.99	69.99	4,199	4,199	(16)	(9)	-	-
Thebes Pte. Limited	100.00	100.00	0.0365	0.0365	(832)	(795)	-	-
Precious Shipping (Panama) S.A.	99.99	99.99	250	250	38,554	44,138	-	-
Precious Shipping (Mauritius) Limited	100.00	100.00	250	250	(19,715)	(28,750)	-	-
Precious Shipping (Singapore) Pte. Limited	100.00	100.00	363,338	363,338	750,990	729,590	-	-
Precious Shipping (UK) Limited	99.99	99.99	250	250	4,381	5,004	-	-
Great Circle Shipping Agency Limited	99.99	99.99	121,995	121,995	(111,495)	(93,303)	-	-
<b>Total net investments in subsidiaries</b>			<u>5,623,110</u>	<u>5,623,110</u>	<u>10,251,188</u>	<u>9,220,119</u>	<u>1,806,184</u>	<u>3,932,758</u>
Investments accounted for under equity method					10,388,070	9,347,793		
Share of losses over investments					(136,882)	(127,674)		
<b>Total net investments in subsidiaries</b>					<u>10,251,188</u>	<u>9,220,119</u>		

The Company has presented share of losses from subsidiaries over investments by net off the amounts receivable from/payable to subsidiaries in the balance sheets.

The Company offset the above dividend income against amounts receivable from/payable to subsidiaries in the balance sheets.

(UNAUDITED BUT REVIEWED)

As at 30 September 2006, the Company has pledged the shares of 35 subsidiaries amounting to Baht 9,482.7 million (31 December 2005: 35 subsidiaries amounting to Baht 8,475.8 million), stated under the equity method, with a bank to secure the long-term loans referred to in Note 7.

(Unit: Thousand Baht)

CONSOLIDATED								
Percentage of ownership		Cost method		Equity method		Dividend received		
30 September	31 December	30 September	31 December	30 September	31 December	For the nine-month periods ended 30 September		
2006	2005	2006	2005	2006	2005	2006	2005	
<b><i>Associate held by a subsidiary</i></b>								
International Seaports (Haldia)								
Private Limited	22.40	22.40	87,701	87,701	115,038	113,306	8,339	-

Share of profit/loss from investment in associate held by a subsidiary was recorded based on the financial statements as at 30 June 2006 prepared by the management of that company and not reviewed by its auditor.

(Unit: Thousand Baht)

CONSOLIDATED						
Percentage of ownership		Cost method		Equity method		
30 September	31 December	30 September	31 December	30 September	31 December	
2006	2005	2006	2005	2006	2005	
<b><i>Current investment</i></b>						
Southern LPG Limited	50.00	50.00	31,716	31,716	19,365	19,365
Less: Allowance for loss on investment					(19,365)	(19,365)
Net current investment					-	-

A subsidiary recorded investment in an overseas associated company under the equity method only until 31 December 2000, since the management of the subsidiary are making efforts to sell this investment. The investment has therefore been reclassified as current investment, under current assets. The subsidiary has set up provision for loss on investment in full.



(UNAUDITED BUT REVIEWED)

## 5. OTHER LONG-TERM INVESTMENT

During the current period, the Company invested in 2,026,086 ordinary shares of par value of Baht 10 each, in TMN Company Limited of which Baht 5 per share is paid up. The Company has paid a total of Baht 10.1 million.

## 6. VESSELS, CONDOMINIUM AND EQUIPMENT

Movements of the vessels, condominium and equipment account during the nine-month period ended 30 September 2006 are summarised below.

(Unit: Thousand Baht)

	CONSOLIDATED	THE COMPANY ONLY
Net book value as at 1 January 2006	12,496,748	53,979
Acquisitions of fixed assets and payment of dry-dock and special survey expenses during period - at cost	404,999	9,413
Disposals during period - net book value at disposal date	(21)	(21)
Depreciation for period	(1,569,034)	(4,440)
Net book value as at 30 September 2006	11,332,692	58,931

As at 30 September 2006, the subsidiaries have mortgaged 50 vessels with net book value of Baht 8,731.3 million (31 December 2005: 50 vessels amounting to Baht 9,761.4 million) and condominium units with net book value of Baht 76.5 million (31 December 2005: Baht 83.7 million) with a bank to secure long-term loans as referred to in Note 7.

## 7. LONG-TERM LOANS

Movements of the long-term loans account during the nine-month period ended 30 September 2006 are summarised below.

(Unit: Thousand Baht)

	CONSOLIDATED
Balance as at 1 January 2006	3,293,968
Less: Repayment	(3,088,095)
Less: Unrealised gain on exchange	(17,686)
Balance as at 30 September 2006	188,187

(UNAUDITED BUT REVIEWED)

As at 30 September 2006, the 34 subsidiaries (31 December 2005: 34 subsidiaries) have outstanding loan balance of USD 5.0 million (31 December 2005: USD 80.0 million) from Krung Thai Bank Public Company Limited, under the credit facilities agreement dated 16 June 2003 and the amendment and restatement agreement dated 18 March 2004. On 10 October 2006, the subsidiaries had repaid all of the outstanding loans to the bank.

## 8. EXCHANGE GAINS (LOSSES)

Exchange gains (losses) for the three-month and nine-month periods ended 30 September 2006 and 2005 were summarised below.

(Unit: Thousand Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	For the three-month periods ended 30 September			
	2006	2005	2006	2005
Realised exchange gains (losses)	8,862	(10,370)	(9,082)	(4,436)
Unrealised exchange gains (losses)	2,374	35,399	(11)	(7)
Exchange gains (losses) - net	11,236	25,029	(9,093)	(4,443)

(Unit: Thousand Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	For the nine-month periods ended 30 September			
	2006	2005	2006	2005
Realised exchange gains (losses)	139,667	61,516	(20,454)	16,197
Unrealised exchange gains (losses)	10,438	(222,906)	(18)	(157)
Exchange gains (losses) - net	150,105	(161,390)	(20,472)	16,040

(UNAUDITED BUT REVIEWED)

## 9. DIVIDENDS

Dividends declared in the current period consist of the following: -

	<u>Approved by</u>	<u>Total dividends</u>	<u>Dividend per share</u>
		(Million Baht)	(Baht)
a) Final dividends on 2005 earnings	Annual General Meeting of the shareholders on 20 April 2006	<u>785.3</u>	<u>1.55</u>

On the closing date of the shareholders registration, 506,131,700 of the Company's ordinary shares were held by parties other than the Company itself and were entitled to receive dividend. The total dividend paid was thus Baht 784.5 million.

b) Interim dividends on operating results for the six-month period ended 30 June 2006	Board of Directors' Meeting on 28 August 2006	<u>506.6</u>	<u>1.00</u>
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On the closing date of the shareholders registration, 506,132,700 of the Company's ordinary shares were held by parties other than the Company itself and were entitled to receive dividend. The total dividend paid was thus Baht 506.1 million.

## 10. COMMITMENT

As at 30 September 2006, the Company has a commitment of Baht 10.1 million in respect of the uncalled portion of other long-term investment.

## 11. CONTINGENT LIABILITIES

As at 30 September 2006, the Company and subsidiaries have contingent liabilities as a result of being sued for damages in maritime claims totalling USD 1.6 million (31 December 2005: USD 0.8 million). The ultimate outcome of these claims cannot be determined at this time, but management anticipates that no material liability will arise. Accordingly, no provision has been provided in the accounts.

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## **12. FINANCIAL INFORMATION BY SEGMENT**

The Company and its subsidiaries' activities predominantly involve the shipping businesses and carries cargo operations to various locations worldwide. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain mainly to the aforementioned industry segment and geographic area.

## **13. RECLASSIFICATION**

Certain amounts in the financial statements, as presented herein for comparative purposes, have been reclassified to conform to the current period's classifications, with no effect on previously reported net earnings or shareholders' equity.

## **14. APPROVAL OF INTERIM FINANCIAL STATEMENTS**

These interim financial statements were authorised for issue by the Company's authorised directors on 7 November 2006.