

PRECIOUS SHIPPING PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

## 1. GENERAL 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.

## 2. BASIS OF CONSOLIDATION

2.1 The consolidated financial statements included the financial statements of Precious Shipping Public Company Limited (hereinafter referred to as “the Company”), and the financial statements of its subsidiary companies (“the subsidiaries”) for the years ended 31 December 2003 and 2002. The percentage of subsidiaries owned by the Company, assets and revenues of the subsidiaries included in the consolidated financial statements are as follows:

Subsidiaries	Country of incorporation	Percentage		Nature of business	Percentage of total assets included in the consolidated total assets		Percentage of total revenues included in the consolidated total revenues	
		directly and indirectly owned						
		by the Company						
		2003	2002		2003	2002	2003	2002
1. Precious Shipping (Singapore) Pte. Limited	Singapore	100	100	Marine transportation	1.54	1.80	0.01	0.95
2. Thebes Pte. Limited	Singapore	100	100	Holding company*	-	-	-	-
3. Regidor Pte. Limited	Singapore	100	100	Holding company*	-	-	-	-
4. Precious Metals Limited	Thailand	99.99	99.99	Marine transportation	1.96	2.34	3.06	2.65
5. Precious Wishes Limited	Thailand	99.99	99.99	Marine transportation	1.38	2.14	3.12	4.47
6. Precious Capitals Limited	Thailand	99.99	99.99	Marine transportation	5.63	7.08	7.42	6.50
7. Precious Oceans Limited	Thailand	99.99	99.99	Marine transportation	3.74	4.47	3.09	3.03
8. Precious Minerals Limited	Thailand	99.99	99.99	Marine transportation	4.53	-	1.77	-
9. Precious Stones Shipping Limited	Thailand	99.99	99.99	Marine transportation	1.35	-	-	-
10. Precious Mountains Limited	Thailand	99.99	99.99	Marine transportation	5.86	7.65	3.42	3.83
11. Precious Hills Limited	Thailand	99.99	99.99	Marine transportation	5.75	7.11	3.37	3.66
12. Precious Resorts Limited	Thailand	99.99	99.99	Marine transportation	6.86	8.39	3.75	3.68
13. Precious Lagoons Limited	Thailand	99.99	99.99	Marine transportation	4.79	5.81	3.95	3.38

14. Precious Cities Limited	Thailand	99.99	99.99	Marine transportation	2.73	-	-	-
15. Precious Cliffs Limited	Thailand	99.99	99.99	Marine transportation	5.00	6.22	3.93	3.77
Subsidiaries	Country of incorporation	Percentage		Nature of business	Percentage of total assets included in the consolidated total assets		Percentage of total revenues included in the consolidated total revenues	
		directly and indirectly owned						
		by the Company						
		2003	2002		2003	2002	2003	2002
16. Precious Stars Limited	Thailand	99.99	99.99	Marine transportation	4.56	6.20	3.54	3.46
17. Precious Seas Limited	Thailand	99.99	99.99	Marine transportation	5.07	6.19	3.43	4.05
18. Precious Planets Limited	Thailand	99.99	99.99	Marine transportation	1.12	1.71	3.39	3.94
19. Precious Jasmines Limited	Thailand	99.99	99.99	Marine transportation	3.28	4.60	6.57	8.03
20. Precious Ventures Limited	Thailand	99.99	99.99	Marine transportation	2.14	3.33	7.41	6.00
21. Precious Diamonds Limited	Thailand	99.99	99.99	Marine transportation	1.76	2.62	3.64	3.44
22. Precious Orchids Limited	Thailand	99.99	99.99	Marine transportation	2.00	2.63	3.81	4.48
23. Precious Rivers Limited	Thailand	99.99	99.99	Marine transportation	1.12	1.46	2.42	3.49
24. Precious Forests Limited	Thailand	99.99	99.99	Marine transportation	0.74	0.95	2.73	4.66
25. Precious Trees Limited	Thailand	99.99	99.99	Marine transportation	1.10	1.75	3.25	3.53
26. Precious Flowers Limited	Thailand	99.99	99.99	Marine transportation	0.92	1.43	3.42	3.38
27. Precious Pearls Limited	Thailand	99.99	99.99	Marine transportation	0.78	1.53	4.84	2.97
28. Precious Emeralds Limited	Thailand	99.99	99.99	Marine transportation	1.14	1.33	3.26	2.21
29. Precious Ponds Limited	Thailand	99.99	99.99	Marine transportation	0.87	1.51	3.63	2.44
30. Precious Garnets Limited	Thailand	99.99	99.99	Marine transportation	0.79	1.22	3.34	2.22
31. Precious Rubies Limited	Thailand	99.99	99.99	Marine transportation*	-	-	0.01	-
32. Precious Lands Limited	Thailand	99.99	99.99	Marine transportation*	-	-	-	-
33. Precious Opals Limited	Thailand	99.99	99.99	Marine transportation*	-	-	-	-
34. Precious Lakes Limited	Thailand	99.99	99.99	Marine transportation	0.47	-	-	-
35. Precious Sapphires Limited	Thailand	99.99	99.99	Marine transportation	7.54	0.07	0.43	0.57
36. Great Circle Shipping Agency Limited	Thailand	99.99	99.99	Ship technical management	1.96	2.51	0.15	0.23
37. Precious Shipping (UK) Limited	England	99.99	99.99	Chartering	0.81	0.05	0.01	0.03
38. Precious Shipping (Panama) S.A.	Panama	99.99	99.99	Chartering	0.50	0.08	-	0.02
39. Precious Shipping (Mauritius) Limited	Mauritius	99.99	99.99	Holding company*	-	-	0.01	0.01
40. Rapid Port Leasing Pte. Limited	Singapore	99.99	99.99	Holding company*	-	-	-	-
41. PSL Bulk Terminal Company Limited	Mauritius	99.99	99.99	Holding company*	0.03	0.04	-	-
42. Geepee Corporation Limited	Thailand	99.88	99.88	Holding company *	-	0.04	-	-
43. Precious Comets Limited	Thailand	99.40	99.40	Marine transportation*	-	-	-	-
44. Precious Ornaments Limited	Thailand	99.40	99.40	Marine transportation*	-	-	-	-
45. International Lighterage Limited	Mauritius	79.99	79.99	Holding company*	1.50	1.16	-	-
46. Precious Storage Terminals Limited	Thailand	69.99	69.99	Bulk storage barges*	-	-	-	0.01
47. Nedtex Limited	Thailand	69.99	69.99	Bulk storage barges*	-	0.01	0.01	0.01
48. PSL Investments Limited	Mauritius	68.96	68.96	Holding company*	-	-	-	-
49. PSL Thun Shipping Pte. Limited	Singapore	64.06	64.06	Marine transportation	2.98	3.13	3.34	4.29
50. Cargo Systems International Limited	Mauritius	59.93	59.93	Holding company*	-	-	-	-
51. Multi Cargo Systems (India) Private	India	59.93	59.93	Handling services*	-	-	-	-

Limited									
52. Geepee Bulk Handlers Private Limited	India	50.94	50.94	Port management*	0.55	0.86	0.01	0.01	

\*Currently suspended their businesses

- 2.2 The financial statements of the subsidiaries and associated incorporated overseas are translated into Thai Baht at the average closing exchange rate at the balance sheet date as to assets and liabilities, and at the average exchange rate during the year as to revenues and expenses. The resultant difference has been shown under the caption of “Translation adjustment” in the shareholders’ equity.
- 2.3 Material balances and transactions between the Company and its subsidiaries, investments in the subsidiaries in the Company’s accounts and shareholders’ equity of the subsidiaries have been eliminated from the consolidated financial statements.
- 2.4 The acquisition cost of investments in the subsidiaries and the net book value of the subsidiaries at the time of acquisition have been offset and the difference thereof have been shown as intangible asset under the heading of “Goodwill” in balance sheet and has been amortised over a period of 20 years.

### **3 SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with accounting standards pronounced by the Institute of Certified Accountants and Auditors of Thailand and with the Accounting Act B.E. 2543. The financial statements have been prepared on the basis of historical cost, with certain items, such as condominium units, adjusted to reflect their appraised values.

Significant accounting policies adopted by the Company and subsidiaries are summarised below:

#### **3.1 Revenue and expense recognition**

Vessel operating income consist of

- |                 |   |  |
|-----------------|---|--|
| Time charters   | - | Income and expenses are recognised on an accrual basis.                                      |
| Voyage charters | - | Income and expenses are recognised on the percentage of completion basis (completed voyage). |

Service income is recognised when service has been rendered.

Interest is recognised as income on a time proportion basis taking into accounts the effective yield rate of assets, except for the uncertainty in the collection.

### **3.2 Cash and cash equivalents**

Cash and cash equivalents consist of cash and deposits at financial institutions with an original maturity of three months or less and not subject to restriction.

### **3.3 Trade accounts receivable and allowance for doubtful accounts**

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided to cover the estimated losses that may be incurred in the collection. The allowance is based on collection experience and current status of receivables outstanding at the balance sheet date. Bad debts will be written off for the accounts considered uncollectible.

### **3.4 Bunker Oil**

Bunker oil is valued at cost (first-in, first-out method).

### **3.5 Investments**

Investments in associated companies in the consolidated financial statements, investments in subsidiaries and associated companies in the Company's financial statements are valued under equity method. Under this method, the investment is recorded at cost and for each subsequent year the investment is adjusted to incorporate the Company's proportionate share of the operating results in the subsidiaries and associated companies.

Investments in non-marketable equity securities, which the Company holds as other investments, are valued at cost. Allowance for possible loss on other investments is included in determining earnings when the carrying amount exceeds its recoverable amount.

### **3.6 Vessels, condominium and equipment**

Vessels and equipment are valued at cost less accumulated depreciation.

Condominium, acquired before 1996, are valued at appraisal value less accumulated depreciation. The condominium acquired subsequent to the appraisal dates are valued at cost less accumulated depreciation. The surplus resulted from the revaluation is belongs

to a subsidiary, which has been presented by netting off investments accounted for under equity method.

### 3.7 Depreciation

Depreciation of vessels and equipment is calculated by reference to their costs (after deducting residual value), depreciation of condominium and other equipment is calculated by reference to their costs or appraised value, using the straight-line method over the estimated useful lives as follows:

Vessels and equipment	5 - 20	years
Dry-dock and special survey expenses	2 years and 4	years
Condominium	20	years
Berth equipment	10	years
Leasehold improvement	lease periods (3 years and 20 years)	
Others	5	years

As at 31 December 2003, a subsidiary (2002: 4 subsidiaries) has a vessel and equipment at cost of approximately Baht 228.9 million (USD 9.2 million) (2002: Baht 701.9 million (USD 27.7 million)), with residual value of approximately Baht 56.2 million (USD 2.2 million) (2002: Baht 223.6 million (USD 8.8 million)). The subsidiary depreciated its vessel and equipment since its acquisition by the straight-line method for a period of 8 years (2002: 5 years and 7 years) on cost net of residual value. During the year 2003 and 2002 the subsidiaries have fully depreciated their vessels ; however, the subsidiaries made a survey of the estimated useful life and residual value of their vessels and expected that the useful life should be extended for another five years with the residual value of USD 0.7 million per vessel. Those subsidiaries, therefore, depreciate their vessels and equipment by the straight-line method for another period of five years on their net book value since the date first fully depreciated. Additional depreciation expenses for the year 2003 are approximately Baht 73.5 million (2002: Baht 77.6 million).

### **3.8 Allowance for assets impairment**

Allowance for assets impairment has been set up when there are indications that the carrying value of the assets may be higher than their net realisable value or fair value. The impairment losses will be recognised in the earnings statement, or reduce the revaluation increment in assets in case that those assets are previously revalued. The reversal of impairment losses will be recognised as part of other income or as a revaluation increment in assets when there is an indication that the impairment losses are no longer exist or decreased.

### **3.9 Foreign currencies**

Foreign currency transactions during the year are translated into Baht at the average rates ruling on the previous transaction month. Monetary assets and liabilities in foreign currency outstanding on the balance sheet date are translated into Thai Baht at the rates ruling on the balance sheet date. Exchange gains and losses are included in determining earnings.

### **3.10 Employees' benefits**

The Company and subsidiaries and their employees have jointly registered provident fund scheme under Provident Fund Act B.E. 2530. The funds are contributed at the rate of 5 percent of their basic salaries by both the Company/the subsidiaries and the employees and managed by Bangkok Bank Public Company Limited. The funds will be paid to the employees upon retirement, resignation and termination in accordance with the rules of staff provident fund. During the years 2003 and 2002, approximately Baht 0.9 million and Baht 0.8 million, respectively, have been contributed to the fund by the Company and subsidiaries (The Company only: Baht 0.6 million and Baht 0.6 million, respectively).

### **3.11 Use of accounting estimates**

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates for certain accounting transactions, affecting the amounts reported in the financial statements and notes related thereto. Subsequent actual results may differ from these estimates.

### 3.12 Financial instruments

The Company and subsidiaries have no policy to hold or issue derivative instruments for speculative or trading purposes.

Financial instruments carried in the balance sheet include cash and cash equivalents, trade accounts receivable, trade accounts payable and loans from financial institutions. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

### 3.13 Earnings per share

Basic earnings per share is determined by dividing net earnings for the year by the weighted average number of ordinary shares in issue during the year, after adjusting the number of ordinary shares in proportion to the change in the number of shares as a result of the change in par value as discussed in Note 11. The number of ordinary shares has been adjusted as if it had changed in par value since the beginning of the reported period.

No diluted earnings per share for 2002 has been presented since the conditions for converting debentures to the Company's ordinary shares were cancelled in accordance with the result of the bondholders' meeting as discussed in Note 10.

## 4 TRADE ACCOUNTS RECEIVABLE

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

	CONSOLIDATED		THE COMPANY ONLY	
	2003	2002	2003	2002
Less than 3 months	62,016	131,366	-	-
3 - 6 months	1,111	4,907	-	-
6 - 12 months	6,292	5,518	-	-
More than 12 months	89,759	93,170	1,849	2,016
Total	159,178	234,961	1,849	2,016
Less: Allowance for doubtful accounts	(88,992)	(92,942)	(1,849)	(2,016)
Trade accounts receivable - net	70,186	142,019	-	-



## 5. RELATED PARTY TRANSACTIONS

During the years, the Company had significant business transactions with its subsidiaries, associated and related companies (related by way of common shareholders and/or directors). Such transactions, have been concluded on the terms and basis as stipulated in the agreements between the Company and those companies, were in the normal course of business. The transactions included advances to Nedtex Limited and Precious Storage Terminals Limited charging interest at a rate of 8% per annum and advances to/from subsidiary and other associated companies on which no interest is charged. The transactions are summarised below:

		(Unit: Thousand Baht)	
		CONSOLIDATED	THE COMPANY ONLY
		<u>2003</u>	<u>2002</u>
<b><u>Transactions with subsidiaries</u></b>			
(Eliminated from consolidated financial statements)			
Interest income	-	-	642
Administrative expenses	-	-	6,612
<b><u>Transactions with related companies</u></b>			
Rental and related expenses	1,365	1,569	672
Air ticket expenses	11,731	13,382	3,300

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	
		<u>2002</u>	<u>2003</u>
<b><u>Receivable from and advances to subsidiaries</u></b>			
Precious Hills Limited	90,691	-	90,691
Great Circle Shipping Agency Limited	134,201	99,539	116,632
Precious Capitals Limited	180,514	-	180,514
Precious Jasmines Limited	61,796	-	61,796
Precious Orchids Limited	9,020	-	9,020
Precious Seas Limited	39,738	495,638	445,518
Precious Resorts Limited	113,639	432,927	487,899
Precious Shipping (Mauritius) Limited	48,350	104,818	61,650

Precious Trees Limited	2,058	-	2,058	-
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(Unit: Thousand Baht)

	THE COMPANY ONLY			
	2002	Increase	Decrease	2003
Precious Stars Limited	137,948	358,978	434,422	62,504
Precious Ponds Limited	208	-	208	-
Precious Cliffs Limited	48,167	817,711	743,170	122,708
Geepee Corporation Limited	22,148	-	22,148	-
Nedtex Limited	6,350	-	6,350	-
Precious Lakes Limited	3,993	-	3,993	-
Precious Shipping (Panama) S.A.	-	449,246	421,367	27,879
Precious Shipping (UK) Limited	-	337,639	309,532	28,107
Precious Mountains Limited	51,339	-	51,339	-
Total	950,160	3,096,496	3,448,307	598,349
<b><i><u>Payable to and advances from subsidiaries</u></i></b>				
Precious Shipping (Singapore) Pte. Limited	479,206	442,145	425,876	495,475
Precious Wishes Limited	272,285	300,853	302,689	270,449
Precious Metals Limited	252,014	261,943	264,793	249,164
Precious Minerals Limited	139,924	85,512	141,673	83,763
Precious Cities Limited	139,447	30,000	161,143	8,304
Precious Stones Shipping Limited	137,667	-	79,728	57,939
Precious Flowers Limited	136,394	753,154	811,675	77,873
Precious Forests Limited	123,036	256,334	309,406	69,964
Precious Planets Limited	167,820	536,977	570,036	134,761
Precious Diamonds Limited	59,274	301,862	268,620	92,516
Precious Lagoons Limited	61,076	555,872	566,193	50,755
Precious Opals Limited	23,876	-	31	23,845
Precious Lands Limited	21,322	-	31	21,291
Precious Rubies Limited	65,933	1,016	40,730	26,219
Precious Sapphires Limited	1,902	186,774	55,261	133,415
Precious Pearls Limited	54,143	605,753	583,930	75,966
Precious Garnets Limited	57,195	221,947	220,504	58,638
Precious Ornaments Limited	-	8	-	8
Precious Oceans Limited	111,517	284,759	265,522	130,754
Precious Rivers Limited	11,189	182,259	144,673	48,775
Precious Emeralds Limited	36,390	351,105	329,504	57,991
Precious Mountains Limited	-	476,207	470,457	5,750
Precious Storage Terminals Limited	1,166	19,272	20,438	-

Precious Ventures Limited	65,969	516,581	453,491	129,059
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(Unit: Thousand Baht)

	THE COMPANY ONLY			
	2002	Increase	Decrease	2003
Regidor Pte. Limited	17	137	138	16
Thebes Pte. Limited	17	129	130	16
Precious Shipping (Panama) S.A.	3,623	-	3,623	-
Precious Shipping (UK) Limited	8,357	-	8,357	-
Nedtex Limited	-	28,416	23,649	4,767
Precious Orchids Limited	-	347,865	336,007	11,858
Precious Hills Limited	-	383,501	377,829	5,672
Precious Comets Limited	-	8	-	8
Geepee Corporation Limited	-	26,708	17,505	9,203
Precious Lakes Limited	-	75,000	35,878	39,122
Precious Trees Limited	-	274,518	206,676	67,842
Precious Ponds Limited	-	277,624	247,741	29,883
Precious Capitals Limited	-	562,689	560,975	1,714
Precious Jasmines Limited	-	521,410	461,667	59,743
Total	<u>2,430,759</u>	<u>8,868,338</u>	<u>8,766,579</u>	<u>2,532,518</u>

(Unit: Thousand Baht)

	CONSOLIDATED			
	2002	Increase	Decrease	2003
<b><u>Receivable from and advances to other related companies</u></b>				
International Seaports Pte. Ltd.	440	-	-	440
International Seaports (Haldia) Private Limited	23,683	-	23,683	-
Kakinada Seaports Limited	1,860	-	-	1,860
Total	<u>25,983</u>	<u>-</u>	<u>23,683</u>	<u>2,300</u>

During the year 2003, the Company has waived debts of Baht 14.2 million and Baht 18.8 million, respectively, due from Nedtex Limited and Precious Storage Terminals Limited. Payable to and advances from Nedtex Limited as presented above was derived from the Company recognised share of loss from investment accounted for under equity method of that company over its investment.

The outstanding balances of the amounts due from/to subsidiaries / other related companies represents current accounts between the Company and those companies. The Company's management believes that no allowance for doubtful accounts is necessary.

Details of subordinated interest-free loans from subsidiaries, which are repayable within 2006, are as follows:

(Unit: Thousand Baht)		
	THE COMPANY ONLY	
	2003	2002
Precious Cliffs Limited	143,000	143,000
Precious Capitals Limited	143,000	143,000
Precious Jasmines Limited	100,750	100,750
Precious Stars Limited	96,525	96,525
Precious Seas Limited	95,693	95,693
Precious Orchids Limited	57,850	57,850
Precious Ponds Limited	21,450	21,450
Precious Lakes Limited	4,550	4,550
Total	<u>662,818</u>	<u>662,818</u>

In addition, during the year 2002, the Company recorded guarantee obligation of Baht 31.6 million as an expense in the 2002 earnings statement. This obligation is payable to claimant on account of guarantee issued. The Company paid Baht 10.5 million to that creditor in 2002, and the remaining Baht 21.1 million was repaid in 2003.

## 6 INVESTMENTS

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

(Unit: Thousand Baht)					
	Percentage of	Cost		THE COMPANY ONLY	
	Ownership	Method		Equity Method	
	2003/2002	2003	2002	2003	2002
<u><i>Investments accounted for under equity method</i></u>					
<u><i>Subsidiaries</i></u>					
Precious Shipping (Singapore)					
Pte. Limited	100.00	363,338	363,338	631,413	607,050
Precious Metals Limited	99.99	250,000	250,000	282,056	354,449
Precious Wishes Limited	99.99	229,999	229,999	257,356	309,575

(Unit: Thousand Baht)

	Percentage of	Cost		THE COMPANY ONLY	
	Ownership	Method		Equity Method	
	2003/2002	2003	2002	2003	2002
Precious Capitals Limited	99.99	199,999	199,999	269,727	226,207
Precious Oceans Limited	99.99	175,000	175,000	204,418	333,884
Precious Minerals Limited	99.99	140,000	140,000	161,156	139,890
Precious Stones Shipping Limited	99.99	140,000	140,000	137,026	137,688
Precious Mountains Limited	99.99	139,999	139,999	166,608	191,467
Precious Hills Limited	99.99	139,999	139,999	166,685	260,418
Precious Resorts Limited	99.99	139,999	139,999	165,275	171,900
Precious Lagoons Limited	99.99	139,999	139,999	168,277	189,775
Precious Cities Limited	99.99	169,999	139,999	168,342	139,442
Precious Cliffs Limited	99.99	139,999	139,999	138,638	79,498
Great Circle Shipping Agency Limited	99.99	121,995	121,995	(64,617)	(44,821)
Precious Stars Limited	99.99	105,000	105,000	135,996	115,965
Precious Seas Limited	99.99	100,000	100,000	131,312	216,810
Precious Planets Limited	99.99	100,000	100,000	129,611	190,220
Precious Jasmines Limited	99.99	97,999	97,999	174,434	254,729
Precious Ventures Limited	99.99	79,999	79,999	140,697	164,906
Precious Diamonds Limited	99.99	55,000	55,000	94,285	155,623
Precious Orchids Limited	99.99	51,999	51,999	89,708	152,174
Precious Rivers Limited	99.99	44,000	44,000	58,634	54,340
Precious Forests Limited	99.99	39,999	39,999	57,088	119,656
Precious Trees Limited	99.99	39,999	39,999	61,803	47,337
Precious Flowers Limited	99.99	38,999	38,999	65,949	146,839
Precious Pearls Limited	99.99	38,999	38,999	66,227	125,836
Precious Emeralds Limited	99.99	32,000	32,000	52,028	98,913
Precious Ponds Limited	99.99	31,999	31,999	61,206	79,548
Precious Garnets Limited	99.99	30,999	30,999	54,520	113,569
Precious Rubies Limited	99.99	24,000	24,000	26,390	65,847
Precious Lands Limited	99.99	24,000	24,000	21,250	21,253
Precious Opals Limited	99.99	24,000	24,000	23,872	23,904

(Unit: Thousand Baht)

	Percentage of Ownership	Cost Method		THE COMPANY ONLY Equity Method	
	2003/2002	2003	2002	2003	2002
Precious Lakes Limited	99.99	99,000	24,000	70,977	(3,725)
Precious Sapphires Limited	99.99	143,999	23,999	127,659	672
Geepee Corporation Limited	99.88	5,874	5,874	(9,204)	(3,878)
Precious Storage Terminals Limited	69.99	4,199	4,199	26	(12,669)
Nedtex Limited	69.99	648	648	(4,783)	(14,290)
Precious Shipping (UK) Limited	99.99	250	250	6,690	7,729
Precious Shipping (Panama) S.A.	99.99	250	250	(2,338)	(97)
Precious Shipping (Mauritius) Limited	99.99	250	250	(173,236)	(171,692)
Precious Comets Limited	99.40	99	99	(95)	(64)
Precious Ornaments Limited	99.40	99	99	(96)	(64)
Thebes Pte. Limited	100.00	0.0365	0.0365	(615)	(479)
Regidor Pte. Limited	100.00	0.0503	0.0503	(678)	(532)
<b>Total net investments in subsidiaries</b>		<b>3,703,984</b>	<b>3,478,984</b>	<b>4,311,677</b>	<b>5,044,802</b>
Investments accounted for under equity method				4,567,339	5,297,114
Share of losses over investments				(255,662)	(252,312)
<b>Total net investments in subsidiaries</b>				<b>4,311,677</b>	<b>5,044,802</b>

(Unit: Thousand Baht)

	Percentage of Ownership		Cost method		CONSOLIDATED Equity Method		THE COMPANY ONLY Equity Method	
	2003	2002	2003	2002	2003	2002	2003	2002
<b><u>Other investments</u></b>								
International Seaports Pte. Limited	33.33	33.33	17,225	17,225	22,955	22,955	22,955	22,955
Dhamra Port Company Private Limited	26.37	26.37	96,889	96,889	96,889	96,889	-	-
Southern LPG Limited	39.96	39.96	31,716	31,716	19,365	19,365	-	-
Kakinada Seaports Limited	16.65	16.65	22,144	22,144	22,144	22,144	-	-
International Seaports (Haldia) Private Limited	17.92	17.83	87,701	35,556	87,701	35,556	-	-
<b>Total</b>			<b>255,675</b>	<b>203,530</b>	<b>249,054</b>	<b>196,909</b>	<b>22,955</b>	<b>22,955</b>
Less: Allowance for possible loss on investments					(161,353)	(161,353)	(22,955)	(22,955)
<b>Net other investments</b>					<b>87,701</b>	<b>35,556</b>	<b>-</b>	<b>-</b>
Net current investments					-	-	-	-
Net long-term investments					87,701	35,556	-	-
<b>Total net other investments</b>					<b>87,701</b>	<b>35,556</b>	<b>-</b>	<b>-</b>



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

As at 31 December 2003, the Company has pledged the shares of 27 subsidiaries amounting to Baht 3,416.7 million (2002: 23 subsidiaries amounting to Baht 3,840.4 million), stated under the equity method, with banks to secure the long-term loans referred to in Note 8.

During the year 2003, an overseas subsidiary has additionally acquired 5,855,207 of ordinary shares of International Seaports (Haldia) Private Limited at par value, a total of Baht 52.2 million. This represents 22.4% of registered share capital of that company. Based on indirect holding, the Company holds 17.9% of the registered capital of that company, which is engaged in the design, construction, development and operation of a berth in India. The berth is currently still under construction.

On 18 November 2003, the Board of Directors Meeting of subsidiaries approved the following interim dividend payments to the shareholders:

	Number of shares	Dividend per share	Amount
	(Shares)	(Baht)	(Million Baht)
Precious Rivers Limited	440,000	80.40	35.38
Precious Mountains Limited	1,400,000	70.20	98.28
Precious Wishes Limited	2,300,000	44.35	102.01
Precious Metals Limited	2,500,000	48.20	120.50
Precious Minerals Limited	1,400,000	3.35	4.69
Precious Flowers Limited	390,000	385.35	150.29
Precious Forests Limited	400,000	262.85	105.14
Precious Planets Limited	1,000,000	129.25	129.25
Precious Diamonds Limited	550,000	253.40	139.37
Precious Lagoons Limited	1,400,000	62.75	87.85
Precious Rubies Limited	240,000	165.10	39.62
Precious Pearls Limited	390,000	339.75	132.50
Precious Garnets Limited	310,000	369.00	114.39
Precious Oceans Limited	1,750,000	107.20	187.60
Precious Emeralds Limited	320,000	304.10	97.31
Precious Ventures Limited	800,000	203.10	162.48
Precious Hills Limited	1,400,000	104.00	145.60
Precious Capitals Limited	2,000,000	38.85	77.70
Precious Jasmines Limited	980,000	192.80	188.94

	Number of shares	Dividend per share	Amount
	(Shares)	(Baht)	(Million Baht)
Precious Orchids Limited	520,000	235.25	122.33
Precious Seas Limited	1,000,000	143.35	143.35
Precious Resorts Limited	1,400,000	48.35	67.69
Precious Trees Limited	400,000	138.80	55.52
Precious Stars Limited	1,050,000	37.30	39.17
Precious Ponds Limited	320,000	283.85	90.83
			<u>2,637.79</u>

The Company offset the above dividend income against amount payable to and advances from subsidiaries.

In addition, during the year 2003, 3 local subsidiaries - Precious Cities Limited, Precious Lakes Limited and Precious Sapphires Limited - issued new ordinary shares, which the Company purchased in proportion to its shareholding at the acquisition date, at par value, or a total of Baht 225 million.

The Company and subsidiaries have recorded investments in 3 overseas associated companies under the equity method upto 31 December 2000 since the management of the Company and subsidiaries are making efforts to sell these investments and the investment in other company. Therefore, the above investments have been reclassified to current investments in current assets. During the year 2002, the Company and subsidiaries set up the provision for possible loss on other investments of Baht 161.4 million (The Company Only: Baht 22.9 million).

## 7. VESSELS, CONDOMINIUM AND EQUIPMENT

(Unit: Thousand Baht)

	CONSOLIDATED									
	Assets at appraisal	Assets at cost								
		Vessels and equipment								
	Condominium	Condominium	Vessels and equipment	Dry-dock and special survey expenses	Total	Berth equipment	Furniture, fixtures and office equipment	Motor vehicles	Leasehold improvement	Total
<b>Cost / Appraised value</b>										
31 December 2002	175,063	8,654	7,566,468	558,325	8,124,793	114,582	34,671	13,113	750	8,471,626
Acquisitions	-	-	601,837	189,528	791,365	-	358	1,176	-	792,899
Disposals	-	-	-	(279,693)	(279,693)	-	(83)	(583)	-	(280,359)
31 December 2003	175,063	8,654	8,168,305	468,160	8,636,465	114,582	34,946	13,706	750	8,984,166
<b>Accumulated depreciation</b>										
31 December 2002	65,773	3,995	3,520,096	338,959	3,859,055	72,160	32,585	10,461	532	4,044,561
Depreciation for the year	4,708	433	430,840	148,861	579,701	10,342	1,004	1,022	67	597,277
Depreciation on revaluation surplus	4,688	-	-	-	-	-	-	-	-	4,688
Depreciation on disposals	-	-	-	(279,693)	(279,693)	-	(585)	(81)	-	(280,359)
31 December 2003	75,169	4,428	3,950,936	208,127	4,159,063	82,502	33,004	11,402	599	4,366,167
<b>Net book value</b>										
31 December 2002	109,290	4,659	4,046,372	219,366	4,265,738	42,422	2,086	2,652	218	4,427,065
31 December 2003	99,894	4,226	4,217,369	260,033	4,477,402	32,080	1,942	2,304	151	4,617,999
<b>Depreciation for the year</b>										
2002										634,971
2003										601,965
<b>Net book value as presented at historical cost</b>										
31 December 2002	70,795									
31 December 2003	65,143									

(Unit: Thousand Baht)

	THE COMPANY ONLY			
	Furniture, fixtures and office equipment	Motor vehicles	Leasehold improvement	Total
<b><u>Cost</u></b>				
31 December 2002	11,524	10,593	750	22,867
Acquisitions	138	-	-	138
31 December 2003	11,662	10,593	750	23,005
<b><u>Accumulated depreciation</u></b>				
31 December 2002	10,183	7,955	532	18,670
Depreciation for the year	760	787	67	1,614
31 December 2003	10,943	8,742	599	20,284
<b><u>Net book value</u></b>				
31 December 2002	1,341	2,638	218	4,197
31 December 2003	719	1,851	151	2,721
<b><u>Depreciation for the year</u></b>				
2002				2,182
2003				1,614

During the year 2003, certain subsidiaries have purchased 2 second-hand vessels of USD 15.6 million.

As at 31 December 2003, the subsidiaries have mortgaged 30 vessels with net book value of Baht 4,217.4 million (2002: 28 vessels amounting to Baht 4,046.4 million) and condominium units with net book value of Baht 104.1 million (2002: Baht 113.9 million) with banks to secure long-term loans as referred to in Note 8.

During the year 2002, certain subsidiaries disposed of their 3 vessels and 2 condominium units with gain of Baht 23.7 million.

As at 31 December 2003 and 2002, the Company and subsidiaries has fully depreciated equipment which are still in use, the costs of such assets amounted to Baht 40.6 million and Baht 37.4 million, respectively (The Company Only: Baht 15.9 million and Baht 12.4 million, respectively).

## 8 LONG-TERM LOANS

The long-term loans were the loans resulting from the restructuring of debts under the debt restructuring agreement dated 6 July 2000 and 10 July 2000, and credit facilities agreement dated 16 June 2003 with Krung Thai Bank Public Company Limited.

The outstanding balances of long-term loans as at 31 December 2003 and 2002 were as follows:

	(Unit: Thousand Baht)			
	CONSOLIDATED		THE COMPANY ONLY	
	2003	2002	2003	2002
Original loans	-	1,463,931	-	-
Commercial loans	-	1,618,368	-	1,618,368
Other loan	34,367	55,483	-	-
New loans	3,387,984	-	242,582	-
Total	3,422,351	3,137,782	242,582	1,618,368
Less: Current portion	(938,579)	(393,386)	(242,582)	-
Long-term portion	<u>2,483,772</u>	<u>2,744,396</u>	<u>-</u>	<u>1,618,368</u>

### Original loans

As at 31 December 2003, the subsidiaries had no outstanding balance of original loans (2002: Baht 241.4 million and USD 28.2 million) on which interest were charged at fixed and floating rates specified in the agreements. According to the repayment schedule, the loans were to be repaid in quarterly installments commencing 31 March 2000 until the end of 2005. During the year 2003, the subsidiaries paid all outstanding original loans by Baht 241.4 million and USD 28.2 million (2002: Baht 48.2 million, USD 17.2 million and INR 15 million).

### Commercial loans

These were Thai Baht loans which carried interest at fixed rates per annum. If the Company failed to repay at the applicable repayment dates, interest rate was to be increased by 1% per annum from those dates. However, the loans were finally due for repayment on 17 July 2005. During the year 2003, the Company paid all outstanding commercial loans by Baht 1,618.4 million (2002: Baht 83.4 million).

### Other loan

Other loan represents loan of an overseas subsidiary which charges interest at the rate of LIBOR plus margin per annum and is payable in semi-annual installments until 2005.

As at 31 December 2003, the subsidiary had outstanding other loan of USD 0.9 million (2002: USD 1.3 million). During the year 2003, the subsidiary repaid other loan of USD 0.4 million (2002: USD 0.4 million). The loan is secured by the mortgage and the assignment of the insurance policy of its vessel to a creditor (Note 7).

### New loans

On 16 June 2003, the Company and subsidiaries have entered into an agreement with Krung Thai Bank Public Company Limited to obtain credit facilities of USD 100 million for the following purposes:

- a) USD 65 million is to be used to refinance all outstanding loans of the Company and subsidiaries. Such facility is to be drawn down within 12 months from the date of the agreement.
- b) USD 35 million is to be used to pay for purchases of vessels and/or to fund the redemption of the Bonds. Such facility can be drawn down until the end of 2005.

These loans carry interest at the rate of LIBOR plus margin per annum and are payable in quarterly installments over a period of 7.5 years, in accordance with the proportionate amounts stipulated in the agreement, with a waiver of debt repayment for one year.

As at 31 December 2003, USD 63.6 million and USD 21.7 million were drawn down from the loans against a) and b), respectively, by the Company and 26 subsidiaries.

As at 31 December 2003, these loans are secured by the following:

- a) The mortgage of 29 vessels and condominium units belonging to subsidiaries (Note 7).
- b) The pledge of the shares of 27 subsidiaries (Note 6).
- c) The assignment of the insurance policies of the subsidiaries' vessels and condominium units.

The Company and subsidiaries have to comply with certain conditions and restrictions provided in the credit facilities agreement such as:

- a) Maintenance of debt service coverage ratio of at least 1 : 1.
- b) Maintenance of debt to equity ratio of not exceeding 2 : 1.
- c) Maintenance of available liquidity reserve of no less than USD 100,000 per vessel.

## **9. ADVANCE RECEIPT FOR SALE OF INVESTMENTS**

On 24 November 2003 the Company received an advance from an overseas company in relation to its offer to sell its investments in overseas associated companies.

## **10. BONDS / REDEEMABLE CONVERTIBLE DEBENTURES**

These redeemable convertible debentures (RCDs) were issued under the terms of the debt restructuring agreement dated 17 July 2000.

On 17 July 2000, the Company issued Thai Baht 589,503,000 and USD 20,936,297 of zero coupon RCDs. Under the terms and conditions of the Thai Baht's and US dollar's RCDs, the Company had an option to redeem the bonds within a period of thirty months from the issue date due on 16 January 2003.

However, on 10 January 2003, the meeting of the holders of the USD redeemable convertible debentures passed a resolution approving new terms and conditions for the bonds, effective from 16 January 2003, which can be summarised as follows:

- a) The bonds are no longer convertible to shares of the Company.
- b) The coupon rate is to be 4.25% per annum, with interest paid quarterly commencing on 31 March 2003.
- c) The bonds will be redeemed by the Company on 16 January 2009 or may be redeemed in part or in full at any time prior to maturity.

Subsequently, on 17 January 2003, the meeting of the holders of the Baht redeemable convertible debentures passed a resolution approving new terms and conditions for the bonds, effective from 17 January 2003, which can be summarised as follows:

- a) The bonds are no longer convertible to shares of the Company.
- b) The coupon rate is to be 5% per annum until 16 January 2006 and then 6% per annum from 17 January 2006 to 16 January 2009. Interest is to be paid quarterly, commencing on 17 April 2003.
- c) The bonds will be redeemed by the Company in quarterly installments, from 17 January 2006 to 17 January 2009.

During the year 2003, the Company had redeemed all outstanding Bonds by buy-back of the USD Bonds of USD 13.2 million nominal value at the amount of USD 9.9 million and the Baht Bonds of Baht 316.5 million nominal value at the amount of Baht 306.0 million. The redemption resulted in a gain of Baht 147.6 million which was recorded as an extraordinary item in the 2003 earnings statement.

During the year 2002, the Company had redeemed USD RCDs of USD 1.5 million nominal value at the amount of USD 0.9 million and the THB RCDs of Baht 163 million nominal value at the amount of Baht 98 million. The redemption resulted in a total gain of Baht 90.8 million which was recorded as an extraordinary item in the 2002 earnings statement.

## **11. SHARE CAPITAL**

On 30 April 2003, the Annual General Meeting of shareholders of the Company passed a resolution approving a decrease of its authorised share capital from Baht 1,973 million (197.3 million ordinary shares of Baht 10 each) to be Baht 520 million (52 million ordinary shares of Baht 10 each). The Company registered the reduction of its authorised share capital with the Ministry of Commerce on 20 May 2003.

On 10 September 2003, the Extraordinary General Meeting of shareholders of the Company approved the following resolutions:

- a) The changing of the Company's par value of share from Baht 10 per share to Baht 1 per share with the authorised and paid-up share capital of Baht 520 million (520 million ordinary shares of Baht 1 each).



- b) The transfer of amounts of Baht 60.5 million from its statutory reserve and Baht 514.6 million from its premium on ordinary shares to reduce its accumulated losses in compliance with the Public Limited Companies Act.

The Company registered the changing of its par value of share with the Ministry of Commerce on 15 September 2003.

## 12. STATUTORY RESERVE

Under the Public Limited Companies Act B.E. 2535, the Company is required to set aside a reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any) until the reserve reaches 10 percent of the registered share capital. This reserve is not available for dividend distribution.

In accordance with Section 1202 of the Civil and Commercial Code, each time the subsidiaries (incorporated under Thai laws) declares a dividend payment, it must allocate not less than 5 percent of its earnings to its statutory reserve, until this statutory reserve reaches not less than 10 percent of registered share capital. This reserve is not available for dividend distribution.

## 13. EXCHANGE GAINS

Exchange gains for the years ended 31 December 2003 and 2002 were summarised below:

	(Unit: Thousand Baht)			
	CONSOLIDATED		THE COMPANY ONLY	
	2003	2002	2003	2002
Realised exchange gains	23,154	32,725	14,764	3,069
Unrealised exchange gains	161,037	40,396	7,496	14,030
Exchange gains - net	<u>184,191</u>	<u>73,121</u>	<u>22,260</u>	<u>17,099</u>

## 14. DIRECTORS' REMUNERATION

Directors' remuneration represents the benefits paid to the Company's directors in accordance with Section 90 of the Public Limited Companies Act, exclusive of salaries and related benefits payable to executive directors.

## 15. CORPORATE INCOME TAX

The Company does not have corporate income tax liabilities on its net earnings for the years 2003 and 2002 because tax losses brought forward exceed the net earnings of these years.

In accordance with the Director - General's Notification on Income Tax No. 72 dated 1 January 1998, the subsidiaries have received an exemption from the payment of income tax for their marine transportation income.

## 16. DIVIDEND PAID

On 18 November 2003, the Board of Directors Meeting of the Company approved the payment of an interim dividend of 520 million shares of Baht 0.50 per share, to the Company's shareholders, a total of Baht 260 million.

## 17. EMPLOYEES AND RELATED COSTS

	CONSOLIDATED		THE COMPANY ONLY	
	2003	2002	2003	2002
Number of employees at end of year	886	833	66	66
Employee costs for the year (Thousand Baht)	766,545	773,621	141,231	113,116

## 18. PROMOTIONAL PRIVILEGES

Under the provisions of the Investment Promotion Act B.E. 2520, the 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 5 - 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. As at 31 December 2003, the 26 subsidiaries have registered their 29 vessels under the Thai flag (2002: 24 subsidiaries have registered their 27 vessels under the Thai flag).

Revenues and expenses for 2003 and 2002 (before eliminating related transactions), classified between promoted and non-promoted business can be summarised below:

(Unit: Thousand Baht)

	Promoted Business		Non-Promoted Business		Total	
	2003	2002	2003	2002	2003	2002
Revenues	2,485,892	2,873,452	2,113,674	1,311,021	4,599,566	4,184,473
Costs and expenses	1,404,889	2,088,472	1,458,933	1,358,117	2,863,822	3,446,589
Net earnings (loss)	1,081,003	784,980	654,741	(47,096)	1,735,744	737,884

## 19. COMMITMENTS AND CONTINGENT LIABILITIES

19.1 As at 31 December 2003, the subsidiaries have commitments of Baht 1,450.4 million (USD 36.5 million) as a result of the acquisition of 3 vessels.

19.2 As at 31 December 2003, the Company and subsidiaries have contingent liabilities as a result of being sued for damages in maritime claims totalling USD 0.8 million (2002: USD 0.6 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.

## 20. FINANCIAL INSTRUMENTS

### 20.1 Foreign Currency Risk

Almost all revenues and expenditures of the Company and subsidiaries are denominated in U.S. dollars, which provides a natural hedge against the currency risk associated with transactions in U.S. dollars. Consequently, the Company and subsidiaries are exposed to a currency risk in respect of its financial instruments denominated in other currencies. However, the Company's management has decided to maintain an open position of this exposure.

Exchange rate applied for translation of foreign currency liabilities as at 31 December 2003 was USD 1 : Baht 39.7378 (2002: Baht 43.3039).

### 20.2 Interest Rate Risk

As at 31 December 2003, the Company and subsidiaries had the following financial assets and financial liabilities exposed to interest rate risk:

(Unit: Thousand Baht)

	Amounts of assets/liabilities			Average interest rate (% p.a.)
	Floating interest rate	Non-interest bearing	Total	
				USD
<b>Financial assets:</b>				
Cash and cash equivalents	896,967	303	897,270	0.25
Trade accounts receivable	-	70,186	70,186	-
Receivable from and advances to related parties				
- other related companies	-	2,299	2,299	-
Total	896,967	72,788	969,755	

(Unit: Thousand Baht)

	Amounts of assets/liabilities			Average interest rate (% p.a.) USD
	Floating interest rate	Non-interest bearing	Total	
<b>Financial liabilities:</b>				
Trade accounts payable	-	52,291	52,291	-
Long-term loans	3,422,351	-	3,422,351	3.55
Total	<u>3,422,351</u>	<u>52,291</u>	<u>3,474,642</u>	

### 20.3 Credit Risk

The Company has established a credit policy of evaluating the creditworthiness of its charterers and other parties and restricts its dealings to only sound parties along with tight and adequate documentation to minimize the risk of financial loss from default. The Company's management believes that the maximum exposure to credit risk is limited to the carrying amount of receivables less allowance for doubtful debts as stated in the balance sheets.

### 20.4 Fair Value

Since the majority of financial assets are short-term and loans carry interest at rates close to current market rates, the management believes that the fair value of the Company's and subsidiaries' financial assets and liabilities do not materially differ from their carrying value.

## 21. 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.

## **22. PRESENTATION**

The presentation of the financial statements has been made in compliance with the Notification of the Business Development Department dated 14 September 2001, issued under the Accounting Act B.E. 2543.

Certain amounts in the financial statements for the year ended 31 December 2002 have been reclassified to conform to the current year's classifications, with no effect on net earnings or shareholders' equity previously reported.

## **23. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements have been approved by the Company's directors.