



Baker Tilly Corporate Advisory Services (Thailand) Limited

Precious Shipping Public Company Limited

**USD Restatement Report for the Three-Month Periods
Ended 31st March 2010**

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NOTICE TO ALL RECIPIENTS

SCOPE OF WORK

Baker Tilly Corporate Advisory Services (Thailand) Limited (“BTCAS”) has not performed an audit examination of Precious Shipping Public Company Limited’s (“PSL” or “the Company”) accounts or of the management information, nor has BTCAS verified the underlying transactions. Therefore, BTCAS give no opinion on the financial statements. This is only a restatement of the Thai Baht audited financial statements into US dollars.

In no event shall BTCAS be liable for any loss liability, cost, damage or expense arising in any way from fraudulent acts, misrepresentation or willful default on the part of the Company, its directors, employees, or agents.

The Report has been prepared for the use of the Company, its creditors, legal and financial advisors. BTCAS does not accept any responsibility or liability to other parties.

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1. EXECUTIVE SUMMARY

Precious Shipping Public Company Limited (“PSL” or “the Company”) on 3 February 2004 engaged Baker Tilly Corporate Advisory Services (Thailand) Limited¹ (formerly Baker Tilly FAS (Thailand) Limited) (“BTCAS”) to prepare a quarterly report on the restatement of the Thai Baht audited / reviewed consolidated financial statements into US dollars, prepared by the Company. The engagement includes a review of the Company’s mathematical calculation and the basis of US dollar restatement of both the balance sheet and income statement.

Accordingly, a summary of the basis of the restatement of the Thai Baht financial statements into US dollars is attached- see Appendix 2.

BTCAS has undertaken to report on its review of the restated US dollar consolidated financial statements for the three-month periods ended 31st March 2010. In undertaking the above, BTCAS was accorded the full assistance and co-operation of the PSL staff and management.

The restated US dollar Balance Sheet as at 31st March 2010 indicates that the total assets and liabilities of PSL were US\$ 643 million and US\$ 152 million, respectively. The equity of PSL as at 31st March 2010 was therefore US\$ 491 million.

With regards to the income statement, PSL’s total revenue and expenses, excluding interest and finance cost, for the three-month periods ended 31st March 2010 were US\$ 35 million and US\$ 17 million, respectively. Net income, after deducting interest and finance cost and corporate income tax of US\$ 3 million, equates to US\$ 15 million. The retained earnings at the end of the period stood at US\$ 406 million.

¹ Baker Tilly FAS (Thailand) Limited changed its name to Baker Tilly Corporate Advisory Services (Thailand) Limited effective from 25 April 2006.

FINANCIAL STATEMENTS

Table 1: Consolidated Balance Sheet as at 31st March 2010 – Assets

Assets	3/31/2010		12/31/2009	
	BAHT	US\$	BAHT	US\$
Current assets				
Cash and cash equivalents	5,661,706,026	175,721,873	5,848,782,201	176,058,367
Current investments - net	-	-	27,500,000	827,797
Trade accounts receivable - net	31,832,773	987,991	42,078,391	1,266,632
Other current assets				
Advances to vessel masters	46,617,032	1,446,849	54,093,717	1,628,314
Claim recoverables	14,742,191	457,552	35,304,785	1,062,734
Others	50,708,402	1,573,832	35,959,713	1,082,449
<i>Total other current assets</i>	<i>112,067,625</i>	<i>3,478,233</i>	<i>125,358,215</i>	<i>3,773,497</i>
<i>Total current assets</i>	<i>5,805,606,424</i>	<i>180,188,097</i>	<i>6,043,718,807</i>	<i>181,926,293</i>
Non-current assets				
Investment in associate held by a subsidiary	152,233,375	3,781,156	143,219,374	3,508,740
Other long-term investment	10,130,430	260,212	10,130,430	260,212
Receivables from cross currency swap contracts	13,803,880	639,551	-	-
Property, building and equipment at cost				
Vessels and vessels equipment	11,192,444,778	328,488,288	12,225,818,775	357,873,703
Drydock and special survey	653,940,255	19,120,483	740,517,966	21,758,957
Office equipment	27,973,845	868,222	27,958,925	841,612
Leasehold improvement	13,661,808	424,020	13,661,808	411,244
Vehicles	20,074,282	623,044	20,074,283	604,270
Buildings and improvement	446,527,928	14,710,024	446,527,928	14,710,024
Furniture and fixtures	28,181,156	874,656	28,153,256	847,461
<i>Total</i>	<i>12,382,804,052</i>	<i>365,108,737</i>	<i>13,502,712,941</i>	<i>397,047,271</i>
Less: Accumulated depreciation	(5,066,217,746)	(156,708,197)	(5,721,790,473)	(175,835,167)
<i>Property, building and equipment - net</i>	<i>7,316,586,306</i>	<i>208,400,540</i>	<i>7,780,922,468</i>	<i>221,212,104</i>
Other non-current assets				
Computer software - net	44,281,700	1,374,367	46,911,635	1,412,121
Advances for vessel purchase	76,521,787	2,375,000	-	-
Advances for vessel constructions	8,025,583,034	234,079,001	7,809,282,007	227,557,748
Deferred financial fees - net	394,314,009	11,379,775	291,253,234	8,274,534
Advance for share acquisition in associate held by a subsidiary	11,538,699	329,882	11,538,699	329,882
Others	2,921,134	90,663	3,152,306	94,890
<i>Total other non-current assets</i>	<i>8,555,160,363</i>	<i>249,628,688</i>	<i>8,162,137,881</i>	<i>237,669,175</i>
<i>Total non-current assets</i>	<i>16,047,914,354</i>	<i>462,710,147</i>	<i>16,096,410,153</i>	<i>462,650,231</i>
Total Assets	21,853,520,778	642,898,244	22,140,128,960	644,576,524

Table 2: Consolidated Balance Sheet as at 31st March 2010 – Liabilities and Shareholders' Equity

Liabilities and Shareholders' Equity	3/31/2010		12/31/2009	
	BAHT	US\$	BAHT	US\$
Liabilities				
Current liabilities				
Trade accounts payable	29,284,433	900,317	44,727,575	1,334,482
Advances received from charterers	72,581,617	2,231,440	79,029,033	2,357,893
Other current liabilities				
Advances received from vessel sale	39,030,826	1,199,959	29,158,895	869,979
Accrued crew accounts	42,737,645	1,313,921	49,382,671	1,473,371
Current portion of accrued employee benefits	130,564,516	4,014,060	165,690,296	4,943,500
Accrued expenses	45,596,479	1,401,813	45,489,571	1,357,217
Provision for income tax	47,571,576	1,462,535	24,631,203	734,891
Withholding tax payable	49,840,407	1,532,287	31,427,877	937,675
Others	13,350,242	410,438	19,347,683	577,253
<i>Total other current liabilities</i>	<i>368,691,691</i>	<i>11,335,013</i>	<i>365,128,196</i>	<i>10,893,886</i>
<i>Total current liabilities</i>	<i>470,557,741</i>	<i>14,466,770</i>	<i>488,884,804</i>	<i>14,586,261</i>
Non-current liabilities				
Accrued employee benefits - net of current portion	56,066,939	1,723,715	173,011,023	5,161,920
Provisions for maritime claims	35,424,938	1,089,100	42,050,177	1,254,600
Payables from cross currency swap contracts	-	-	8,124,620	47,140
Long-term loans - net	4,379,411,034	134,708,842	4,291,698,801	128,081,813
<i>Total non-current liabilities</i>	<i>4,470,902,911</i>	<i>137,521,657</i>	<i>4,514,884,621</i>	<i>134,545,473</i>
<i>Total Liabilities</i>	<i>4,941,460,652</i>	<i>151,988,427</i>	<i>5,003,769,425</i>	<i>149,131,734</i>
Shareholders' Equity				
Share capital - Issued and paid-up	1,039,520,600	35,308,137	1,039,520,600	35,308,137
Paid-in capital				
Premium on ordinary shares	411,429,745	16,134,500	411,429,745	16,134,500
Premium on treasury stock	172,445,812	4,818,466	172,445,812	4,818,466
Revaluation surplus on assets of subsidiary - net	189,603,376	5,494,073	203,452,059	5,897,294
Translation adjustments	(15,701,869)	5,119,465	(22,850,674)	6,210,819
Retained earnings				
Appropriated				
Statutory reserve - the Company	103,952,060	2,796,327	103,952,060	2,796,327
Statutory reserve - subsidiaries	516,620,000	14,264,091	513,220,000	14,161,363
Corporate social responsibility reserve	15,906,889	465,323	37,782,784	1,086,170
Unappropriated	14,450,596,930	405,658,242	14,652,874,052	408,299,750
<i>Total equity attributable to the Company's shareholders</i>	<i>16,884,373,543</i>	<i>490,058,624</i>	<i>17,111,826,438</i>	<i>494,712,826</i>
Minority interest - equity attributable to minority shareholders of subsidiaries	27,686,583	851,193	24,533,097	731,964
<i>Total Shareholders' Equity</i>	<i>16,912,060,126</i>	<i>490,909,817</i>	<i>17,136,359,535</i>	<i>495,444,790</i>
<i>Total Liabilities and Shareholders' Equity</i>	<i>21,853,520,778</i>	<i>642,898,244</i>	<i>22,140,128,960</i>	<i>644,576,524</i>

**Table 3: Consolidated Income Statement for the Three-Month Periods
Ended 31st March 2010 and 2009**

Consolidated Income Statement	3/31/2010		3/31/2009	
	BAHT	US\$	BAHT	US\$
Revenues				
Vessel operating income				
Hire income	784,098,584	23,692,286	1,783,762,669	50,906,178
Freight income	16,973,532	512,871	177,948,021	5,078,396
<i>Total vessel operating income</i>	<i>801,072,116</i>	<i>24,205,157</i>	<i>1,961,710,690</i>	<i>55,984,574</i>
Service income	2,235,131	67,537	12,290,194	350,746
Gains on sales of vessels and equipment	326,527,425	10,776,444	-	-
Interest income	4,714,465	142,452	8,287,399	236,511
Exchange gains	-	-	-	12,780
Other income	375,276	11,339	20,861,615	595,362
<i>Total revenues</i>	<i>1,134,924,413</i>	<i>35,202,929</i>	<i>2,003,149,898</i>	<i>57,179,973</i>
Expenses				
Vessel operating costs				
Vessel running expenses	239,174,399	7,226,883	500,948,198	14,296,385
Voyage disbursements	7,358,641	222,348	56,659,802	1,616,994
Bunker consumption	2,953,907	89,255	53,234,810	1,519,250
<i>Total vessel operating costs</i>	<i>249,486,947</i>	<i>7,538,486</i>	<i>610,842,810</i>	<i>17,432,629</i>
Depreciation	197,996,295	5,705,635	285,413,670	8,128,442
Cost of services	932,427	28,174	1,003,747	28,645
Administrative expenses	63,697,905	1,924,693	50,291,548	1,435,253
Management remuneration including perquisites	34,317,369	1,036,932	29,906,952	853,504
Losses on sales of vessels and equipment	-	-	12,503,659	255,826
Bad debts and doubtful accounts	14,242,390	430,347	9,910,232	282,825
Exchange losses	77,863,002	15,067	5,989,752	-
<i>Total expenses</i>	<i>638,536,335</i>	<i>16,679,334</i>	<i>1,005,862,370</i>	<i>28,417,124</i>
<i>Income before share of income from investment in associate</i>	<i>496,388,078</i>	<i>18,523,595</i>	<i>997,287,528</i>	<i>28,762,849</i>
Share of income from investment in associate held by a subsidiary	5,090,385	153,839	6,670,554	190,382
<i>Income before finance cost and corporate income tax</i>	<i>501,478,463</i>	<i>18,677,434</i>	<i>1,003,958,082</i>	<i>28,953,231</i>
Less: Finance cost	(84,850,000)	(2,563,824)	(119,071,809)	(3,398,149)
<i>Income before corporate income tax</i>	<i>416,628,463</i>	<i>16,113,610</i>	<i>884,886,273</i>	<i>25,555,082</i>
Less: Corporate income tax	(24,454,004)	(738,901)	(39,286,521)	(1,121,184)
<i>Net income for the period</i>	<i>392,174,459</i>	<i>15,374,709</i>	<i>845,599,752</i>	<i>24,433,898</i>
Net income attributable to:				
Equity holders of the parent	389,020,945	15,279,424	843,088,646	24,362,234
Minority interests of the subsidiaries	3,153,514	95,285	2,511,106	71,664
<i>Net income for the period</i>	<i>392,174,459</i>	<i>15,374,709</i>	<i>845,599,752</i>	<i>24,433,898</i>

Table 3: Consolidated Income Statement for the Three-Month Periods Ended 31st March 2010 and 2009 (Continued)

Consolidated Income Statement	3/31/2010		3/31/2009	
	BAHT	US\$	BAHT	US\$
Net income attributable to equity holders of the parent	389,020,945	15,279,424	843,088,646	24,362,234
Statutory reserve - subsidiaries	(3,400,000)	(102,728)	(17,200,000)	(487,633)
Corporate social responsibility reserve - net	21,875,895	620,847	(4,215,443)	(119,511)
Amortisation of revaluation surplus on assets of subsidiary	13,848,710	403,221	5,008,810	137,221
Dividend paid	(623,622,672)	(18,842,272)	(831,504,240)	(23,573,793)
Retained earnings, Beginning of the period	14,652,874,052	408,299,750	13,694,533,528	380,886,722
<i>Retained earnings, Ending of the period</i>	<i>14,450,596,930</i>	<i>405,658,242</i>	<i>13,689,711,301</i>	<i>381,205,240</i>
Basic earning per share				
Net income attributable to equity holders of the parent	0.37	0.01	0.81	0.02

APPENDICES

- 1. BAKER TILLY CORPORATE ADVISORY SERVICES (THAILAND) LIMITED, (FORMERLY BAKER TILLY FAS (THAILAND) LIMITED) ENGAGEMENT LETTER**
- 2. POLICY OF RESTATEMENT FROM THAI BAHT TO US DOLLAR CURRENCY**

APPENDIX 2: POLICY OF RESTATEMENT FROM THAI BAHT TO US DOLLAR CURRENCY

In restating the Company's Thai Baht denominated financial statements into US dollars, consideration has been given to Thai GAAP. However, due to the unique nature of this restatement the provisions of Thai GAAP may not necessarily have been complied with. A significantly unique feature is that many of the assets, liabilities and transactions of the Company were originally denominated in US dollars ("US dollar") and translated into Thai Baht ("Baht") as required by the Stock Exchange of Thailand ("SET"). In these instances these assets, liabilities and transactions have been restated into US dollars at the exchange rate obtained from the Bank of Thailand ("BoT"), or estimated exchange rate, at which they were converted into Baht. This, however, was not always possible in relation to transactions recorded in the income statement, as this would require matching each transaction with the exchange rate at that date, in which case the weighted average exchange rate (as further explained below) was applied.

Based on the uniqueness of the restatement discussed above, BTCAS has sought to ensure the application of the most appropriate methods of restatement to reflect the underlying valuation and performance of the Company.

BTCAS's responsibility in this assignment is to check and certify that the US dollar Restated Financial Statements (quarterly, semi-annual and annual Thai Baht denominated financial statements prepared by the Company), are correctly based in terms of exchange rates used and formulae adopted. This includes verification of the Bank of Thailand rates on every given date. As such, the scope is limited only to a review on the accuracy of the restatement of the US dollar Restated Financial Statements based upon the existing set of Thai Baht accounts which have previously been reviewed and audited by the statutory auditors.

Accordingly, the policy regarding Company's balance sheet and income statement items can be described as follows:

Balance Sheet

Most items in the Company's audited or reviewed balance sheet are converted from Baht into US dollar using the exchange rate as at the balance sheet date announced by the BoT. The Baht to US dollar buying rate is applied on the asset side while the Baht to US dollar selling rate is used on the liability side. This policy, however, is not applied to some items as BTCAS and the Company considers an alternative policy, as described below, would provide a more accurate restatement into US dollars.

- Investments originally made in US dollars and translated by the Company into Baht at the historical exchange rate as at the date of the investment are reversed and restated back into US dollars at such historical exchange rate.

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- Vessels, dry-dock and the special survey expenses that were originally purchased or incurred in US dollars and translated into Baht at the historical exchange rate as at the acquisition date are reversed and restated back into US dollars at such historical exchange rate.

Property, building and equipment originally purchased in Baht are converted into US dollars at the historical exchange rates as at the acquisition date for major Baht assets such as building and building improvement. However, others items such as office equipment, leasehold improvement, vehicles, furniture and fixtures, and work in process, are converted in US dollars as at the balance sheet date.

Please note that any items existing in the accounts before July 1997 such as building and building improvements are converted at an exchange rate of Baht 25.5 = US\$1.00 since the floatation of Baht commenced in July 1997 as before such date the Baht to US dollar exchange rate was relatively stable at Baht 25.5 = US\$1.00.

Depreciation of assets which were originally acquired in US dollars is restated using the historical exchange rate as at the date of acquisition. However, where the assets were originally purchased in Baht, the depreciation is converted into US dollars at the balance sheet date. As mentioned, the historical exchange rates as at the acquisition date is applied for the major Baht fixed assets.

- Advances for vessel constructions is mostly denominated in US dollars and are translated into Baht at the corresponding average exchange rate of the previous month in which the transaction had occurred. And therefore, the item was restated back into US dollars at such exchange rate. *However*, this is not applied to interest payment for vessel construction loan in US dollars and the respective withholding tax which are translated into Baht at the selling rate of the date before the transaction date and restated back into US dollars at such exchange rate.
- Accounts receivable and payable, and advances received from charterers originally denominated in US dollars and translated into Baht at the exchange rate as at the balance sheet date are reversed and restated back into US dollars at such exchange rate as at the balance sheet date.
- The nature of other current assets and liabilities is mostly very current and therefore the exchange rate as at the balance sheet date is applied.
- Other assets denominated in US dollars and translated into Baht at the exchange rate as at the balance sheet date are reversed and restated back into US dollars at such exchange rate.
- Deferred financial fees were originally denominated in US dollars and translated into Baht at the corresponding average exchange rate of the previous month in which the transaction had occurred. And therefore, the item

was restated back into US dollars at such exchange rate. *However*, this is not applied to financial fee payment in US dollars and the respective withholding tax which is translated into Baht at the selling rate of the date before the transaction date and restated back into US dollars at such exchange rate.

- Advance for share acquisition in associate held by a subsidiary were originally denominated in US dollars and translated into Baht at the corresponding average exchange rate of the previous month in which the transaction had occurred. And therefore, the item was restated back into US dollars at such exchange rate.
- Loans from banks and interest payable are mostly denominated in US dollars and are translated into Baht at the exchange rate as at the balance sheet date. The restatement into US dollars therefore has been done at such exchange rate to reverse the translation.
- Minority interest is derived from minority shareholders' portion in the retained earnings of subsidiaries of the Company calculated at the balance sheet date and therefore the exchange rate as at the balance sheet date is applied.
- Translation adjustment primarily relates to Baht denominated assets and liabilities restated at different exchange rates to US dollars resulting in an imbalance in the balance sheet. This should not occur for assets and liabilities originally denominated in US dollars as we have sought to restate the Baht amounts to the original US dollar amounts. It should therefore be understood that the US dollar cumulative translation adjustment is not the translation of the Baht translation adjustment.
- Share capital and legal reserves are restated at the historical exchange rates. Any increase or decrease is restated at such corresponding average exchange rate of the previous month. However corporate social responsibility reserve is restated at the corresponding average exchange rate of the previous month in which the transaction has occurred.

Income Statement

Most items in the Company's audited or reviewed Baht denominated income statement were originally denominated in US dollars and translated into Baht at the prevailing exchange rate¹ at that time. In order to perfectly restate these transactions it would be necessary to match each transaction with its historical exchange rate. This is outside the scope of our review. These items have been translated using the weighted average exchange rates² for the three-month periods ended 31st March 2010, which should approximate (where income, expenses and exchange rates are relatively

¹ The foreign exchange rate used is the monthly average rate of the previous month, obtained from the Bank of Thailand, e.g. average Baht to US dollar rate of April is applied as the basis for the month of May.

² The weighted average rate is the monthly average rate, obtained from BoT, weighted by the number of operating days of the Company's vessels for each month

stable) the historical exchange rates of each transaction. This policy, again, is not applied to some items as BTCAS and the Company considers an alternative policy, as described below, would provide more accurate restatement in US dollars.

- Depreciation of assets originally acquired in US dollars is similar to the depreciation item in the balance sheet. This item is not directly translated using the weighted monthly average exchange rate but the historical acquisition exchange rates. As mentioned in the balance sheet section, the historical exchange rates are also applied to major Baht fixed assets. However, the other items such as vehicles, furniture and fixtures and office equipment are restated at the weighted monthly average exchange rate.
- Gains / losses on sales of vessels and equipment can be categorized into the following groups;
 1. Gains / losses on sales of vessels is converted at the corresponding average exchange rate of the previous month in which the asset had disposed.
 2. Gains / losses on sales of other assets (such as equipment etc.) is translated using the corresponding weighted average exchange rates for the three-month periods in which the transaction had occurred in such period.
- The exchange gain (loss) in the US dollar income statement arises from Baht denominated monetary assets and liabilities, minor fixed assets and current assets and liabilities which in US dollar terms have changed in value from the previous period. Due to the complexity in obtaining detailed figures for each item, it is then assumed that the total amount of these Baht denominated monetary assets and liabilities remain unchanged from the previous period and thus the gain (loss) in US dollar restated income statement is derived by comparing the US dollar amount of those items in the current period with that of the previous period.
- Dividend paid denominated in Baht is restated at the corresponding average exchange rates of the previous month in which the transaction occurred.
- Retained earnings at the beginning of the year are restated into US dollars at the actual historical exchange rate for the periods in which retained earnings were recorded.