



**BAKER TILLY CORPORATE ADVISORY
SERVICES (THAILAND) LIMITED,
(formerly Baker Tilly FAS (Thailand) Limited)**

Precious Shipping Public Company Limited

**USD Restatement Report for Six Months
Ended 30th June 2007**

BAKER TILLY CORPORATE ADVISORY SERVICES (THAILAND) LIMITED
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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, BTCAS attaches a summary of the basis of the restatement of the Thai Baht financial statements into US dollars as Appendix 2.

BTCAS has undertaken to report on its review of the restated US dollar consolidated financial statements for the six-month period ended 30th June 2007. 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 30th June 2007 indicates that the total assets and liabilities of PSL were US\$412 million and US\$18 million, respectively. The equity of PSL as at 30th June 2007 was therefore US\$394 million.

In relation to the income statement, PSL’s total revenues and expenses, excluding interest and finance cost, for the six months ended 30th June 2007 were US\$147 million and US\$59 million, respectively. Net income, after including such items as interest and finance cost totaling US\$1 million, equals US\$87 million. The retained earnings at the end of the period stood at US\$312 million.

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

2. FINANCIAL STATEMENTS

Table 1: Consolidated Balance Sheet as at 30th June 2007 – Assets

Assets	30/6/2007		31/12/2006	
	BAHT	US\$	BAHT	US\$
Current assets				
Cash and cash equivalents	3,859,749,871	112,128,040	1,258,574,577	35,003,673
Current investments-net	35,973,407	1,045,049	-	-
Trade accounts receivable - net	22,166,851	643,960	101,106,910	2,812,001
Bunker oil	-	-	43,614,009	1,213,000
Other current assets	177,180,796	5,147,208	199,670,299	5,553,261
<i>Total current assets</i>	<i>4,095,070,925</i>	<i>118,964,257</i>	<i>1,602,965,795</i>	<i>44,581,935</i>
Non-current assets				
Investment in associate held by a subsidiary	124,799,839	2,998,982	119,767,616	2,855,228
Other long-term investment	10,130,430	260,212	10,130,430	260,212
Fixed assets at cost				
Vessels and vessels equipment	16,261,193,994	480,077,929	18,092,031,980	552,939,745
Drydock and special survey	1,144,333,532	30,100,093	1,488,085,459	37,545,546
Office equipment	19,876,384	577,421	18,837,972	523,925
Leasehold improvement	12,998,873	377,625	12,998,873	361,527
Vehicles	20,568,282	597,521	17,907,807	498,055
Buildings and improvement	325,977,794	11,078,023	325,977,795	11,078,023
Furniture and fixtures	25,185,513	731,654	24,648,932	685,540
Work in progress	39,613,403	1,150,793	37,599,722	1,045,729
<i>Total</i>	<i>17,849,747,775</i>	<i>524,691,059</i>	<i>20,018,088,540</i>	<i>604,678,090</i>
Less: Accumulated depreciation	(7,814,706,986)	(243,649,849)	(8,994,236,845)	(295,496,902)
<i>Total Fixed assets - net</i>	<i>10,035,040,789</i>	<i>281,041,210</i>	<i>11,023,851,695</i>	<i>309,181,188</i>
Deferred financial fees	297,974,519	8,656,338	-	-
Other non-current assets	1,344,606	39,062	1,429,706	39,763
<i>Total non-current assets</i>	<i>10,469,290,183</i>	<i>292,995,804</i>	<i>11,155,179,447</i>	<i>312,336,391</i>
<i>Total Assets</i>	<i>14,564,361,108</i>	<i>411,960,061</i>	<i>12,758,145,242</i>	<i>356,918,326</i>

Table 2 : Consolidated Balance Sheet as at 30th June 2007 – Liabilities and Shareholders' Equity

Liabilities and Shareholders' Equity	30/6/2007		31/12/2006	
	BAHT	US\$	BAHT	US\$
Liabilities				
Current liabilities				
Trade accounts payable	54,387,126	1,568,804	82,603,363	2,279,921
Advance received from vessel sales	-	-	160,060,832	4,385,000
Advance received from charterers	143,849,381	4,149,354	176,407,290	4,868,987
Other current liabilities	383,289,207	11,056,026	301,367,123	8,317,981
<i>Total current liabilities</i>	<i>581,525,714</i>	<i>16,774,184</i>	<i>720,438,608</i>	<i>19,851,889</i>
Non-current liabilities				
Accrued employee bonus	55,074,453	1,588,630	-	-
<i>Total non-current liabilities</i>	<i>55,074,453</i>	<i>1,588,630</i>	<i>-</i>	<i>-</i>
<i>Total Liabilities</i>	<i>636,600,167</i>	<i>18,362,814</i>	<i>720,438,608</i>	<i>19,851,889</i>
Shareholders' Equity				
Share capital - Issued and paid - up	1,039,520,600	35,308,137	520,000,000	20,392,157
Translation adjustment	102,025,437	6,383,904	126,689,683	4,864,116
Premium on ordinary shares	411,429,745	16,134,500	411,429,745	16,134,500
Premium on treasury stock	172,445,812	4,818,467	21,114,984	578,463
Revaluation surplus on assets of subsidiary	134,205,706	3,676,677	144,278,576	3,952,632
Statutory reserve - the Company	103,952,060	2,796,328	52,000,000	1,304,730
Statutory reserve - subsidiaries	440,420,000	12,026,760	424,620,000	11,572,749
Treasury stock reserve	-	-	414,918,176	10,323,444
Retained Earnings	11,512,631,926	312,131,438	10,325,110,201	277,923,089
<i>Total equity attributable to the Company's shareholders</i>	<i>13,916,631,286</i>	<i>393,276,211</i>	<i>12,440,161,365</i>	<i>347,045,880</i>
Less: Treasury stock	-	-	(414,918,176)	(10,323,444)
<i>Equity attributable to the Company's shareholders - net</i>	<i>13,916,631,286</i>	<i>393,276,211</i>	<i>12,025,243,189</i>	<i>336,722,436</i>
Minority interest - equity attributable to minority shareholders of subsidiaries	11,129,655	321,036	12,463,445	344,001
<i>Total Shareholders' Equity</i>	<i>13,927,760,941</i>	<i>393,597,247</i>	<i>12,037,706,634</i>	<i>337,066,437</i>
<i>Total Liabilities and Shareholders' Equity</i>	<i>14,564,361,108</i>	<i>411,960,061</i>	<i>12,758,145,242</i>	<i>356,918,326</i>

**Table 3: Consolidated Income Statement for the Three Months Periods
Ended 30th June 2007 and 2006**

Consolidated Income Statement	3 Months to 30/6/2007		3 Months to 30/6/2006	
	BAHT	US\$	BAHT	US\$
Revenues				
Hire income	1,618,816,652	46,509,166	1,514,847,614	39,575,716
Freight income	47,246,573	1,357,411	628,963,035	16,431,794
<i>Total vessel operating income</i>	<i>1,666,063,225</i>	<i>47,866,577</i>	<i>2,143,810,649</i>	<i>56,007,510</i>
Service income	2,142,279	61,548	4,344,102	113,491
Interest income	50,577,326	1,453,104	7,858,640	205,309
Other income	1,701,371	48,881	626,272	16,361
Gain on sales of vessels and equipment	205,034,351	5,749,809	-	-
Share of profit from investment in associate held by a subsidiary	8,105,614	229,604	3,643,109	93,093
Exchange gains	-	71,962	14,722,891	27,647
<i>Total revenues</i>	<i>1,933,624,166</i>	<i>55,481,485</i>	<i>2,175,005,663</i>	<i>56,463,411</i>
Expenses				
Vessel running expenses	420,251,288	12,073,966	520,492,074	13,597,966
Voyage disbursements	524,298	15,063	106,340,955	2,778,180
Bunker consumption	10,222,888	293,707	152,080,902	3,973,146
<i>Total vessel operating costs</i>	<i>430,998,474</i>	<i>12,382,736</i>	<i>778,913,931</i>	<i>20,349,292</i>
Cost of services	8,288,994	238,146	4,438,475	115,956
Administrative expenses	142,418,956	4,091,746	54,277,590	1,418,014
Bad debt and allowance for doubtful accounts	5,684,229	164,691	2,305,657	60,236
Depreciation	440,124,843	11,993,189	524,876,237	14,112,240
Exchange losses	47,687,140	-	-	-
<i>Total expenses</i>	<i>1,075,202,636</i>	<i>28,870,508</i>	<i>1,364,811,890</i>	<i>36,055,738</i>
<i>Income before interest and financial costs</i>	<i>858,421,530</i>	<i>26,610,977</i>	<i>810,193,773</i>	<i>20,407,673</i>
Less: Interest and financial costs	(26,652,815)	(765,745)	(39,348,168)	(1,027,979)
<i>Income after interest and financial costs</i>	<i>831,768,715</i>	<i>25,845,232</i>	<i>770,845,605</i>	<i>19,379,694</i>
Less: Net income attributable to minority interest	(1,922,080)	(55,222)	(2,273,511)	(59,396)
<i>Net income</i>	<i>829,846,635</i>	<i>25,790,010</i>	<i>768,572,094</i>	<i>19,320,298</i>
Statutory reserve - the Company	(51,952,060)	(1,491,598)	-	-
Statutory reserve - subsidiaries	(12,500,000)	(361,552)	(400,000)	(10,536)
Depreciation of revaluation surplus of fixed assets	5,064,463	138,745	-	-
Dividend paid	(2,135,229,416)	(61,415,376)	(784,504,135)	(20,674,933)
Retained earnings, Beginning of the period	12,877,402,304	349,471,209	9,278,886,891	251,165,063
<i>Retained earnings, Ending of the period</i>	<i>11,512,631,926</i>	<i>312,131,438</i>	<i>9,262,554,850</i>	<i>249,799,892</i>
Earnings per share	0.80	0.02	0.75	0.02

**Table 4: Consolidated Income Statement for the Six Months Periods Ended
30th June 2007 and 2006**

Consolidated Income Statement	6 Months to 30/6/2007		6 Months to 30/6/2006	
	BAHT	US\$	BAHT	US\$
Revenues				
Hire income	3,392,888,748	96,071,451	3,213,892,926	82,051,212
Freight income	225,759,914	6,344,542	1,081,426,008	27,743,198
<i>Total vessel operating income</i>	<i>3,618,648,662</i>	<i>102,415,993</i>	<i>4,295,318,934</i>	<i>109,794,410</i>
Service income	7,125,133	200,754	8,775,711	224,280
Interest income	70,442,908	2,008,089	13,129,935	337,089
Other income	1,763,919	50,629	3,416,975	86,128
Gain on sales of vessels and equipment	1,558,219,821	42,060,309	-	-
Share of profit from investment in associate held by a subsidiary	5,032,222	143,753	-	-
Exchange gains	-	334,078	138,869,060	120,564
<i>Total revenues</i>	<i>5,261,232,665</i>	<i>147,213,605</i>	<i>4,459,510,615</i>	<i>110,562,471</i>
Expenses				
Vessel running expenses	910,291,283	25,764,223	1,061,485,903	27,122,609
Voyage disbursements	26,400,065	737,955	198,369,165	5,078,851
Bunker consumption	47,395,637	1,332,203	272,036,651	6,971,995
<i>Total vessel operating costs</i>	<i>984,086,985</i>	<i>27,834,381</i>	<i>1,531,891,719</i>	<i>39,173,455</i>
Cost of services	15,539,694	440,709	10,885,003	277,117
Administrative expenses	202,460,866	5,769,137	108,684,225	2,778,159
Bad debt and allowance for doubtful accounts	9,310,722	266,004	2,800,358	72,603
Share of loss from investment in associate held by a subsidiary	-	-	466,308	9,676
Depreciation	912,809,151	24,704,131	1,039,087,492	27,942,618
Exchange losses	128,321,774	-	-	-
<i>Total expenses</i>	<i>2,252,529,192</i>	<i>59,014,362</i>	<i>2,693,815,105</i>	<i>70,253,628</i>
<i>Income before interest and financial costs</i>	<i>3,008,703,473</i>	<i>88,199,243</i>	<i>1,765,695,510</i>	<i>40,308,843</i>
Less: Interest and financial costs	(40,098,481)	(1,141,377)	(102,539,206)	(2,607,731)
<i>Income after interest and financial costs</i>	<i>2,968,604,992</i>	<i>87,057,866</i>	<i>1,663,156,304</i>	<i>37,701,112</i>
Less: Net income attributable to minority interest	(3,093,240)	(87,941)	(5,069,071)	(129,284)
<i>Net income</i>	<i>2,965,511,752</i>	<i>86,969,925</i>	<i>1,658,087,233</i>	<i>37,571,828</i>
Treasury stock reserve - reverse	414,918,176	10,323,444	-	-
Statutory reserve - the Company	(51,952,060)	(1,491,598)	-	-
Statutory reserve - subsidiaries	(15,800,000)	(454,012)	(6,710,000)	(170,876)
Depreciation of revaluation surplus of fixed assets	10,073,273	275,966	-	-
Dividend paid	(2,135,229,416)	(61,415,376)	(784,504,135)	(20,674,933)
Retained earnings, Beginning of the period	10,325,110,201	277,923,089	8,395,681,752	233,073,873
<i>Retained earnings, Ending of the period</i>	<i>11,512,631,926</i>	<i>312,131,438</i>	<i>9,262,554,850</i>	<i>249,799,892</i>
Earnings per share	2.87	0.08	1.62	0.04

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, Baker Tilly has sought to ensure the application of the most appropriate methods of restatement to reflect the underlying valuation and performance of the Company.

Please note that BTCAS's responsibility is limited only to check and certify the US dollar Restated Financial Statements, which were prepared by the Company, based on the quarterly, semi-annual and annual Thai Baht denominated financial statements already reviewed or audited by statutory auditors. 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 accounts maintained in Baht.

Accordingly, the policy of the restatement of the items in the Company's balance sheet and income statement 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 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 consider an alternative policy, as described below, would provide 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.
- Vessels, drydock 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.

Fixed assets originally purchased in Baht are converted into US dollars at the historical exchange rates as at the acquisition date for major Baht fixed assets such as building and building improvement. However, the others, 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 used to major Baht fixed assets.

- Accounts receivable and payable, and advance 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.
- 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 reserves are restated at the historical exchange rates. Any increase or decrease is restated at the corresponding average exchange rate of the 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 months ended June 30th, 2007, which should approximate (where income, expenses and exchange rates are relatively stable) the historical exchange rates of each transaction. This policy, again, is not applied to some items as Baker Tilly and the Company consider 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 others are restated at the weighted monthly average exchange rate such as vehicles, furniture and fixtures and office equipment etc.
- Gains / losses on disposal of fixed assets are converted at the actual Baht to US dollar exchange rate as at the date of asset disposal for both US dollar and Baht sales.
- 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 historical exchange rates in which the dividend payment occurred.

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

- 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.