

(UNAUDITED BUT REVIEWED)

PRECIOUS SHIPPING PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
NOTES TO INTERIM FINANCIAL STATEMENTS  
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED  
30 SEPTEMBER 2004 AND 2003

**1. GENERAL INFORMATION**

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

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

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

**1.2 Basis of consolidation**

These consolidated financial statements include the financial statements of Precious Shipping Public Company Limited and subsidiaries (“the Group”) and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2003, but with the following change in the structure of the Group during the current period: -

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In June 2004, the Company disposed the whole of its investment in the ordinary shares of Geepee Corporation Limited and its subsidiaries (Cargo Systems International Limited and Geepee Bulk Handlers Private Limited) to another party, as discussed in Note 4. The Company has therefore stopped using the equity method to account for its investment in these former subsidiaries and has not included their balance sheets in the consolidated balance sheet as at 30 September 2004. However, the consolidated earnings statement for the period ended 30 September 2004 includes the revenues and expenses of the former subsidiaries for the period as from 1 January 2004 to 30 June 2004 (the termination date of the Company's control over these former subsidiaries).

The net asset value of Geepee Corporation Limited and its subsidiaries as at 30 June 2004, the date of the disposal of the investment, was as follows: -

(Unit: Thousand Baht)

Assets	
Cash and deposits at financial institutions	182
Other current assets	86
Equipment - net	26,953
Other non-current assets	26
Total assets	<u>27,247</u>
Liabilities	
Payable to and advances from other company	18,032
Other current liabilities	17,285
Total liabilities	<u>35,317</u>
Minority interest - Equity attributable to minority shareholders of subsidiaries	4,301
Net assets	<u>(12,371)</u>

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### 1.3 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2003, with the following additional accounting policies for the current period: -

#### Treasury stock

Treasury stock is stated at cost and presented as a deduction from shareholders' equity. Gains on disposal of treasury stock are determined by reference to the carrying amount and are presented as premium on treasury stock. Losses on disposal of treasury stock are determined by reference to the carrying amount and are presented in premium on treasury stock and retained earnings, consecutively.

#### Earnings per share

Basic earnings per share is determined by dividing net earnings for the period by the weighted average number of ordinary shares held by outsiders outstanding during the period.

## 2 TRADE ACCOUNTS RECEIVABLE

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

(Unit: Thousand Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	30 September 2004	31 December 2003	30 September 2004	31 December 2003
Less than 3 months	81,773	62,016	-	-
3 - 6 months	3,510	1,111	-	-
6 - 12 months	4,522	6,292	-	-
More than 12 months	77,534	89,759	1,936	1,849
Total	167,339	159,178	1,936	1,849
Less: Allowance for doubtful accounts	(71,584)	(88,992)	(1,936)	(1,849)
Trade accounts receivable - net	<u>95,755</u>	<u>70,186</u>	<u>-</u>	<u>-</u>

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### 3 RELATED PARTY TRANSACTIONS

During the periods, the Company had significant business transactions with its subsidiary, 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. The transactions included advances to Nedtex Limited and Precious Storage Terminals Limited, on which interest is charged at a rate of 8 percent per annum and advances to/from subsidiaries and other related companies on which no interest is charged. The transactions are summarised below: -

	(Unit: Thousand Baht)			
	CONSOLIDATED		THE COMPANY ONLY	
	For the three-month periods ended 30 September			
	2004	2003	2004	2003
<b><u>Transactions with subsidiaries</u></b>				
(Eliminated from consolidated financial statements)				
Dividends received	-	-	1,440,432	-
Administrative expenses	-	-	2,480	1,653
<b><u>Transactions with related companies</u></b>				
Rental and related expenses	336	336	168	168
Air ticket expenses	5,404	2,925	505	692

	(Unit: Thousand Baht)			
	CONSOLIDATED		THE COMPANY ONLY	
	For the nine-month periods ended 30 September			
	2004	2003	2004	2003
<b><u>Transactions with subsidiaries</u></b>				
(Eliminated from consolidated financial statements)				
Dividends received	-	-	1,953,059	-
Interest income	-	-	-	642
Administrative expenses	-	-	7,439	4,959
<b><u>Transactions with related companies</u></b>				
Rental and related expenses	1,008	1,029	504	504
Air ticket expenses	17,300	8,449	2,858	2,613

## (UNAUDITED BUT REVIEWED)

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

(Unit: Thousand Baht)

	THE COMPANY ONLY				
	30 June			30 September	31 December
	2004	Increase	Decrease	2004	2003
<b><i>Receivable from and advances to subsidiaries</i></b>					
Precious Seas Limited	18,914	108,718	76,675	50,957	89,858
Precious Stars Limited	56,813	51,617	29,438	78,992	62,504
Precious Orchids Limited	-	718,756	142,339	576,417	-
Precious Cliffs Limited	68,979	65,358	50,508	83,829	122,708
Precious Mountains Limited	9,703	-	9,703	-	-
Precious Resorts Limited	41,870	79,499	71,259	50,110	58,667
Precious Shipping (Panama) S.A.	895,404	22,971	276,680	641,695	27,879
Precious Shipping (Mauritius) Limited	85,335	450	514	85,271	91,518
Pecious Shipping (UK) Limited	-	46,232	12,522	33,710	28,107
Great Circle Shipping Agency Limited	117,255	3,625	72	120,808	117,108
Total	1,294,273	1,097,226	669,710	1,721,789	598,349
<b><i>Receivable from and advances to other related companies</i></b>					
International Seaports Pte. Limited	440	-	-	440	440
<b><i>Payable to and advances from subsidiaries</i></b>					
Precious Metals Limited	303,057	119,842	95,458	327,441	249,164
Precious Wishes Limited	290,597	197,496	185,507	302,586	270,449
Precious Stones Shipping Limited	72,769	253,940	62,809	263,900	57,939
Precious Minerals Limited	179,620	225,231	97,206	307,645	83,763
Precious Lands Limited	45,436	88,959	45,130	89,265	21,291
Precious Rivers Limited	83,853	383,758	174,755	292,856	48,775
Precious Lakes Limited	136,602	55,115	41,600	150,117	39,122
Precious Oceans Limited	137,113	60,162	54,815	142,460	130,754
Precious Planets Limited	210,086	157,028	156,268	210,846	134,761
Precious Diamonds Limited	38,484	325,793	96,110	268,167	92,516

## (UNAUDITED BUT REVIEWED)

(Unit: Thousand Baht)

	THE COMPANY ONLY				
	30 June 2004	Increase	Decrease	30 September 2004	31 December 2003
Precious Sapphires Limited	164,582	56,772	46,759	174,595	133,415
Precious Emeralds Limited	155,754	114,150	107,666	162,238	57,991
Precious Rubies Limited	117,392	32,834	41,320	108,906	26,219
Precious Opals Limited	64,049	38,389	36,794	65,644	23,845
Precious Garnets Limited	109,427	111,300	76,518	144,209	58,638
Precious Pearls Limited	149,665	162,271	171,972	139,964	75,966
Precious Flowers Limited	139,567	104,307	106,149	137,725	77,873
Precious Forests Limited	179,828	127,481	150,250	157,059	69,964
Precious Trees Limited	127,647	160,174	118,916	168,905	67,842
Precious Ponds Limited	117,436	102,593	124,364	95,665	29,883
Precious Ventures Limited	186,190	86,948	148,654	124,484	129,059
Precious Capitals Limited	114,759	86,808	184,808	16,759	1,714
Precious Jasmines Limited	115,672	132,782	164,405	84,049	59,743
Precious Orchids Limited	39,557	-	39,557	-	11,858
Precious Lagoons Limited	91,205	48,455	92,975	46,685	50,755
Precious Hills Limited	3,483	58,073	58,796	2,760	5,672
Precious Mountains Limited	-	97,249	88,555	8,694	5,750
Precious Cities Limited	176,590	91,274	60,963	206,901	8,304
Precious Comets Limited	67,662	39,105	28,348	78,419	8
Precious Ornaments Limited	70,969	72,430	48,459	94,940	8
Nedtex Limited	4,762	-	-	4,762	4,767
Regidor Pte. Limited	-	-	-	-	16
Thebes Pte. Limited	9	9	9	9	16
Geepee Corporation Limited	-	-	-	-	9,203
Precious Shipping (Singapore) Pte. Limited	405,506	18,830	409,308	15,028	495,475
Precious Shipping (UK) Limited	3,893	-	3,893	-	-
Total	4,103,221	3,609,558	3,319,096	4,393,683	2,532,518

(UNAUDITED BUT REVIEWED)

(Unit: Thousand Baht)

	CONSOLIDATED				
	30 June 2004	Increase	Decrease	30 September 2004	31 December 2003
<b><u>Receivable from and advances to other related companies</u></b>					
International Seaports Pte. Limited	440	-	-	440	440
Kakinada Seaports Limited	-	-	-	-	1,859
Total	440	-	-	400	2,299

The outstanding balances of the amounts receivable from/payable to subsidiaries/other related companies represent 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	
	30 September 2004	31 December 2003
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	662,818	662,818

(UNAUDITED BUT REVIEWED)

## 4 INVESTMENTS

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

(Unit: Thousand Baht)

	THE COMPANY ONLY					
	Percentage of ownership		Cost method		Equity method	
	30	31	30	31	30	31
	September 2004	December 2003	September 2004	December 2003	September 2004	December 2003
<b><i>Investments accounted for under equity method</i></b>						
<b><i>Subsidiaries</i></b>						
Precious Metals Limited	99.99	99.99	250,000	250,000	298,680	282,056
Precious Wishes Limited	99.99	99.99	229,999	229,999	303,264	257,356
Precious Stones Shipping Limited	99.99	99.99	260,000	140,000	267,799	137,026
Precious Minerals Limited	99.99	99.99	230,000	140,000	262,207	161,156
Precious Lands Limited	99.99	99.99	84,000	24,000	97,000	21,250
Precious Rivers Limited	99.99	99.99	234,000	44,000	301,379	58,634
Precious Lakes Limited	99.99	99.99	99,000	99,000	130,479	70,977
Precious Seas Limited	99.99	99.99	100,000	100,000	160,602	131,312
Precious Stars Limited	99.99	99.99	105,000	105,000	127,703	135,996
Precious Oceans Limited	99.99	99.99	175,000	175,000	204,267	204,418
Precious Planets Limited	99.99	99.99	100,000	100,000	185,222	129,611
Precious Diamonds Limited	99.99	99.99	205,000	55,000	247,562	94,285
Precious Sapphires Limited	99.99	99.99	143,999	143,999	164,462	127,659
Precious Emeralds Limited	99.99	99.99	86,000	32,000	144,654	52,028
Precious Rubies Limited	99.99	99.99	84,000	24,000	102,640	26,390
Precious Opals Limited	99.99	99.99	74,000	24,000	40,574	23,872
Precious Garnets Limited	99.99	99.99	78,999	30,999	128,851	54,520
Precious Pearls Limited	99.99	99.99	72,999	38,999	124,277	66,227
Precious Flowers Limited	99.99	99.99	75,999	38,999	120,733	65,949
Precious Forests Limited	99.99	99.99	95,999	39,999	142,337	57,088
Precious Trees Limited	99.99	99.99	79,999	39,999	152,831	61,803
Precious Ponds Limited	99.99	99.99	83,999	31,999	152,024	61,206
Precious Ventures Limited	99.99	99.99	79,999	79,999	163,116	140,697
Precious Capitals Limited	99.99	99.99	199,999	199,999	294,869	269,727
Precious Jasmines Limited	99.99	99.99	97,999	97,999	186,830	174,434

## (UNAUDITED BUT REVIEWED)

(Unit: Thousand Baht)

	THE COMPANY ONLY					
	Percentage of ownership		Cost method		Equity method	
	30	31	30	31	30	31
	September 2004	December 2003	September 2004	December 2003	September 2004	December 2003
Precious Orchids Limited	99.99	99.99	101,999	51,999	159,039	89,708
Precious Lagoons Limited	99.99	99.99	139,999	139,999	177,829	168,277
Precious Cliffs Limited	99.99	99.99	139,999	139,999	190,934	138,638
Precious Hills Limited	99.99	99.99	139,999	139,999	162,971	166,685
Precious Mountains Limited	99.99	99.99	139,999	139,999	179,887	166,608
Precious Resorts Limited	99.99	99.99	139,999	139,999	180,190	165,275
Precious Cities Limited	99.99	99.99	169,999	169,999	199,694	168,342
Precious Comets Limited	99.40	99.40	71,099	99	60,110	(95)
Precious Ornaments Limited	99.40	99.40	68,099	99	84,548	(96)
Nedtex Limited	69.99	69.99	648	648	(4,794)	(4,783)
Precious Storage Terminals Limited	69.99	69.99	4,199	4,199	15	26
Regidor Pte. Limited	-	100.00	-	0.0503	-	(678)
Thebes Pte. Limited	100.00	100.00	0.0365	0.0365	(642)	(615)
Geepee Corporation Limited	-	99.88	-	5,874	-	(9,204)
Precious Shipping (Panama) S.A.	99.99	99.99	250	250	46,976	(2,338)
Precious Shipping (Mauritius) Limited	100.00	99.99	250	250	(181,008)	(173,236)
Precious Shipping (Singapore) Pte. Limited	100.00	100.00	363,338	363,338	675,630	631,413
Precious Shipping (UK) Limited	99.99	99.99	250	250	6,184	6,690
Great Circle Shipping Agency Limited	99.99	99.99	121,995	121,995	(73,662)	(64,617)
<b>Total net investments in subsidiaries</b>			<u>4,928,110</u>	<u>3,703,984</u>	<u>6,368,263</u>	<u>4,311,677</u>
Investments accounted for under equity method					6,628,370	4,567,339
Share of losses over investments					(260,107)	(255,662)
<b>Total net investments in subsidiaries</b>					<u>6,368,263</u>	<u>4,311,677</u>

The Company has presented shares of losses of subsidiaries in excess of the value of the investments by netting them against amounts receivable from/payable to these subsidiaries in the balance sheets.

As at 30 September 2004, the Company has pledged the shares of 35 subsidiaries, valued at Baht 5,825.9 million (31 December 2003: 27 subsidiaries amounting to Baht 3,416.7 million) under the equity method, with a bank to secure the long-term loans referred to in Note 6.

(UNAUDITED BUT REVIEWED)

During the first quarter of 2004, an overseas subsidiary (Precious Shipping (Singapore) Pte. Limited) received dividend amounting to SGD 1.7 million from an overseas subsidiary (PSL Thun Shipping Pte. Limited).

During the second quarter of 2004, there have been the following changes in the investments in subsidiaries: -

- a) The Company disposed of the whole of the Company's investment in the ordinary shares of Geepee Corporation Limited and its subsidiaries (Cargo Systems International Limited and Geepee Bulk Handlers Private Limited), to another party at a price of Baht 14.2 million. The Company offset the cash received from the sale of the investment in these subsidiaries against "advance receipt for sale of investments" and recorded a gain of Baht 33.5 million in the earnings statement of the current period.

In addition, the remaining balance of advance receipt for sale of investments, amounting to Baht 56.0 million, was paid to the Company on behalf of an account receivable arising from the sale of an investment in an overseas associated company, which the Company wrote off as bad debt in the year 2002. The Company therefore recorded the amount as "bad debt recovery" in the earnings statement of the current period.

- b) The Company has acquired 1 additional ordinary share in an overseas subsidiary (Precious Shipping (Mauritius) Limited) at par value, a total of USD 1. As a result the Company holds 100.0 percent of the registered share capital of that subsidiary.
- c) The Company transferred all ordinary shares of Regidor Pte. Limited to Precious Shipping (Singapore) Pte. Limited. However, based on its indirect holding, the Company still holds 100.0 percent of the registered capital of that company.
- d) The 12 local subsidiaries issued new ordinary shares, which the Company purchased in proportion to its shareholding at the acquisition date, at par value, or for a total of Baht 630 million.

## (UNAUDITED BUT REVIEWED)

	Amount (Million Baht)
Precious Garnets Limited	48
Precious Lands Limited	60
Precious Pearls Limited	34
Precious Forests Limited	56
Precious Rubies Limited	60
Precious Ponds Limited	52
Precious Opals Limited	50
Precious Comets Limited	71
Precious Emeralds Limited	54
Precious Ornaments Limited	68
Precious Trees Limited	40
Precious Flowers Limited	37
Total	<u>630</u>

- e) The annual general meetings of the shareholders of subsidiaries approved the following dividend payments from the subsidiaries' earnings for the year ended 31 December 2003 to the shareholders: -

	Number of shares (Shares)	Dividend per share (Baht)	Amount (Million Baht)
Precious Rivers Limited	440,000	23.00	10.12
Precious Mountains Limited	1,400,000	13.00	18.20
Precious Wishes Limited	2,300,000	6.00	13.80
Precious Metals Limited	2,500,000	7.00	17.50
Precious Minerals Limited	1,400,000	12.00	16.80
Precious Flowers Limited	760,000	28.50	21.66
Precious Forests Limited	960,000	12.50	12.00
Precious Planets Limited	1,000,000	19.00	19.00
Precious Diamonds Limited	550,000	61.00	33.55
Precious Lagoons Limited	1,400,000	15.00	21.00
Precious Pearls Limited	730,000	30.00	21.90
Precious Garnets Limited	790,000	24.00	18.96

(UNAUDITED BUT REVIEWED)

	Number of shares	Dividend per share	Amount
	(Shares)	(Baht)	(Million Baht)
Precious Oceans Limited	1,750,000	6.00	10.50
Precious Emeralds Limited	860,000	18.50	15.91
Precious Ventures Limited	800,000	65.00	52.00
Precious Hills Limited	1,400,000	10.00	14.00
Precious Capitals Limited	2,000,000	21.00	42.00
Precious Jasmines Limited	980,000	53.00	51.94
Precious Orchids Limited	520,000	47.00	24.44
Precious Seas Limited	1,000,000	8.00	8.00
Precious Resorts Limited	1,400,000	13.00	18.20
Precious Trees Limited	800,000	21.00	16.80
Precious Stars Limited	1,050,000	12.00	12.60
Precious Ponds Limited	840,000	26.00	21.84
Total			<u>512.72</u>

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

During the third quarter of 2004, there have been the following changes in the investments in subsidiaries: -

- f) The 5 local subsidiaries issued new ordinary shares, which the Company purchased in proportion to its shareholding at the acquisition date, at par value, or for a total of Baht 600 million.

	Amount
	(Million Baht)
Precious Rivers Limited	190
Precious Diamonds Limited	150
Precious Orchids Limited	50
Precious Stones Shipping Limited	120
Precious Minerals Limited	90
Total	<u>600</u>

## (UNAUDITED BUT REVIEWED)

- g) The Board of Directors Meeting of subsidiaries approved the following interim dividend payments from the subsidiaries' earnings for the six-month period ended 30 June 2004 to the shareholders: -

	Number of shares	Dividend per share	Amount
	(Shares)	(Baht)	(Million Baht)
Precious Rivers Limited	2,340,000	26.00	60.84
Precious Mountains Limited	1,400,000	29.00	40.60
Precious Wishes Limited	2,300,000	31.00	71.30
Precious Metals Limited	2,500,000	15.00	37.50
Precious Minerals Limited	2,300,000	23.00	52.90
Precious Flowers Limited	760,000	71.00	53.96
Precious Forests Limited	960,000	61.00	58.56
Precious Planets Limited	1,000,000	89.00	89.00
Precious Diamonds Limited	2,050,000	19.00	38.95
Precious Lagoons Limited	1,400,000	35.00	49.00
Precious Pearls Limited	730,000	120.00	87.60
Precious Garnets Limited	790,000	25.00	19.75
Precious Oceans Limited	1,750,000	12.00	21.00
Precious Emeralds Limited	860,000	58.00	49.88
Precious Ventures Limited	800,000	135.00	108.00
Precious Hills Limited	1,400,000	13.00	18.20
Precious Capitals Limited	2,000,000	60.00	120.00
Precious Jasmines Limited	980,000	116.00	113.68
Precious Orchids Limited	1,020,000	51.00	52.02
Precious Seas Limited	1,000,000	70.00	70.00
Precious Resorts Limited	1,400,000	29.00	40.60
Precious Trees Limited	800,000	73.00	58.40
Precious Stars Limited	1,050,000	16.00	16.80
Precious Ponds Limited	840,000	69.00	57.96
Precious Lakes Limited	990,000	9.00	8.91
Precious Rubies Limited	840,000	6.00	5.04
Precious Cliffs Limited	1,400,000	20.00	28.00
Precious Cities Limited	1,700,000	7.00	11.90
Total			<u>1,440.35</u>

## (UNAUDITED BUT REVIEWED)

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

(Unit: Thousand Baht)

	CONSOLIDATED					
	Percentage of ownership		Cost method		Equity method	
	30	31	30	31	30	31
	September 2004	December 2003	September 2004	December 2003	September 2004	December 2003
<b><i>Associate held by a subsidiary</i></b>						
International Seaports (Haldia) Private Limited	22.40	17.92	<u>87,701</u>	<u>87,701</u>	<u>85,371</u>	<u>87,701</u>

During the second quarter of 2004, Precious Shipping (Mauritius) Limited acquired an additional 2,000 ordinary shares of International Lighterage Limited, meaning that Precious Shipping (Mauritius) Limited now holds 100.0 percent of the registered share capital of that company. As a result of this transaction, the shareholding of the Company in International Seaports (Haldia) Private Limited has increased from 17.92 percent to 22.40 percent of registered share capital.

(Unit: Thousand Baht)

	Percentage of ownership		Cost method		CONSOLIDATED Equity method		THE COMPANY ONLY Equity method	
	30	31	30	31	30	31	30	31
	September	December	September	December	September	December	September	December
	2004	2003	2004	2003	2004	2003	2004	2003
<b><i>Current investments</i></b>								
International Seaports Pte. Limited	34.30	34.30	19,501	19,501	25,231	25,231	25,231	25,231
Dhamra Port Company Private Limited	33.33	33.33	96,889	96,889	96,889	96,889	-	-
Southern LPG Limited	47.99	47.99	31,716	31,716	19,365	19,365	-	-
Kakinada Seaports Limited	16.65	16.65	22,144	22,144	22,144	22,144	-	-
Total			<u>170,250</u>	<u>170,250</u>	163,629	163,629	25,231	25,231
Less: Allowance for possible loss on investments					(163,629)	(163,629)	(25,231)	(25,231)
Net current investments					<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(UNAUDITED BUT REVIEWED)

The Company and subsidiaries recorded investments in 3 overseas associated companies under the equity method only until 31 December 2000, since the management of the Company and the subsidiaries are making efforts to sell these investments and an investment in another company. The investments have therefore been reclassified as current investment, under current assets. However, the Company and subsidiaries have set up provision for possible loss on investments of Baht 163.6 million (The Company Only: Baht 25.2 million).

## 5 VESSELS, CONDOMINIUM AND EQUIPMENT

During the current period, subsidiaries have purchased 22 second-hand vessels for a total of USD 199.2 million (During the year 2003: 2 second-hand vessels for USD 15.6 million).

As at 30 September 2004, the subsidiaries have mortgaged 51 vessels with net book values amounting to Baht 10,691.9 million (31 December 2003: 30 vessels amounting to Baht 4,217.4 million) and condominium units with net book values amounting to Baht 96.8 million (31 December 2003: Baht 104.1 million) with banks to secure long-term loans as referred to in Note 6.

## 6 LONG-TERM LOANS

The outstanding balances of long-term loans as at 30 September 2004 and 31 December 2003 were as follows: -

	(Unit: Thousand Baht)			
	CONSOLIDATED		THE COMPANY ONLY	
	30 September 2004	31 December 2003	30 September 2004	31 December 2003
New loans	9,980,835	3,387,984	-	242,582
Other loan	18,652	34,367	-	-
Total	9,999,487	3,422,351	-	242,582
Less: Current portion	(2,287,657)	(938,579)	-	(242,582)
Long-term portion	<u>7,711,830</u>	<u>2,483,772</u>	<u>-</u>	<u>-</u>

(UNAUDITED BUT REVIEWED)

New loans

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

- a) A facility of USD 65 million 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) A facility of USD 35 million 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.

In addition, on 18 March 2004 the Company and subsidiaries entered into an amendment and restatement agreement with Krung Thai Bank Public Company Limited to obtain the following additional credit facilities: -

- c) A facility of USD 170 million to be used to pay for purchases of vessels. Such facility is to be drawn down by 31 December 2004.
- d) Credit facilities for use as working capital consisting of:
  - an overdraft facility up to an aggregate amount not exceeding Baht 10 million.
  - a letter of guarantee facility up to an aggregate amount not exceeding Baht 105 million.
  - a foreign currency exchange facility up to an aggregate amount not exceeding USD 20 million.

As at 30 September 2004, no draw down has been made from facility d).

Facilities a) and b) carry interest at the rate of LIBOR plus a margin per annum. They are payable in quarterly installments over a period of 7.5 years, in accordance with the proportionate amounts stipulated in the agreement, after a one year grace period.

(UNAUDITED BUT REVIEWED)

Facility c) carries interest at the rate of LIBOR plus a margin per annum and is payable in quarterly installments of the proportionate amounts stipulated in the agreement, over a period of 9 years.

As at 30 September 2004, the Company and 34 subsidiaries have drawn down USD 63.6 million, USD 35.0 million and USD 163.9 million against facilities a), b) and c), respectively. In addition, during the current period, the Company and its subsidiaries made loans repayments amounting to USD 6.1 million and USD 22.5 million, respectively.

As at 30 September 2004, these loans are secured by the following: -

- a) The mortgage of 50 vessels and condominium units belonging to subsidiaries (Note 5).
- b) The pledge of the shares of 35 subsidiaries (Note 4).
- c) The assignment of the beneficiary rights under insurance policies for the subsidiaries' vessels and condominium units.
- d) The assignment of the revenues from vessels and deposit accounts of the Company and subsidiaries if they breach the conditions in the loan agreements.

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

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

#### Other loan

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

As at 30 September 2004, the outstanding balance of other loan was USD 0.5 million (31 December 2003: USD 0.9 million), with the subsidiary repaying approximately USD 0.4 million in the current period (during the year 2003: USD 0.4 million). The loan is secured by the mortgage of the subsidiary's vessel and the assignment of the beneficiary rights under the insurance policy for the vessel to a creditor (Note 5).

## **7. TREASURY STOCK RESERVE**

During the current quarter, the Office of the Council of State considered the issue the treasury stock in accordance with Section 66/1 (2) of the Public Limited Companies Act B.E. 2535, as amended by the Public Limited Companies Act (Volume 2) B.E. 2544, and concluded that any reacquisition of shares by a public limited company should not exceed its retained earnings. The Office also noted that there should be a regulation requiring a public limited company to set aside a reserve from its retained earnings equal to the amount paid for the treasury stock, until such time as either the treasury stock has been disposed of or paid-up capital has been reduced by writing off any remaining unsold stock. The Company has complied with these procedures, setting aside a reserve for treasury stock from retained earnings, in an amount equal to that paid for the treasury stock.

## **8 TREASURY STOCK**

On 26 March 2004, a meeting of the Board of Directors of the Company approved a share repurchase scheme for the purpose of the financial management of the Company's surplus liquidity and to increase both earnings per share and book value per share. The details are as follows: -

- a) The maximum budget for the share repurchase plan is Baht 1,000 million.
- b) The number of shares to be repurchased is not to exceed 26 million shares at par value of Baht 1 per share, equal to 5 percent of the total issued shares.
- c) The period for the share repurchase is 10 April 2004 to 9 October 2004.
- d) The period for disposal of the repurchased shares is 10 April 2005 to 8 October 2007 (at least 6 months but not more than 3 years after the date the share repurchase scheme is completed). In the event, the Company does not or is unable to dispose of the repurchased shares within such period, the Company will reduce its capital by cancelling the remaining unsold shares.

(UNAUDITED BUT REVIEWED)

As at 30 September 2004, details of treasury stock are as follows: -

	CONSOLIDATED		THE COMPANY ONLY	
	30 September 2004	31 December 2003	30 September 2004	31 December 2003
Value of treasury stock (Baht)	450,880,716	-	450,880,716	-
Number of treasury shares (Shares)	13,386,300	-	13,386,300	-
Average price per share (Baht)	33.6823	-	33.6823	-
The percentage of number of treasury shares per the shares capital issued by the Company	2.57	-	2.57	-

## 9 EXCHANGE GAINS (LOSSES)

Exchange gains (losses) for the three-month and nine-month periods ended 30 September 2004 and 2003 are summarised below: -

(Unit: Thousand Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	For the three-month periods ended 30 September			
	2004	2003	2004	2003
Realised exchange gains (losses)	27,602	(8,030)	17,479	4,778
Unrealised exchange gains (losses)	(144,389)	137,717	(58)	5,225
Exchange gains (losses) - net	(116,787)	129,687	17,421	10,003

(Unit: Thousand Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	For the nine-month periods ended 30 September			
	2004	2003	2004	2003
Realised exchange gains (losses)	80,439	27,780	47,562	17,781
Unrealised exchange gains (losses)	(472,031)	136,264	(190)	5,252
Exchange gains (losses) - net	(391,592)	164,044	47,372	23,033



(UNAUDITED BUT REVIEWED)

## **10 CORPORATE INCOME TAX**

The Company does not have corporate income tax liabilities on its net earnings for the three-month and nine-month periods ended 30 September 2004 and 2003 because tax losses brought forward exceed the net earnings.

In accordance with the Director - General's Notification on Income Tax No. 72 dated 1 January 1998, the subsidiaries are exempted from the payment of income tax on their marine transportation income. In addition, the subsidiaries are exempted from the payment of income tax on their marine transportation business under the provisions of the Investment Promotion Act B.E. 2520.

## **11. DIVIDENDS**

11.1 On 30 April 2004, the Annual General Meeting of the Company's shareholders approved the payment of a dividend of Baht 0.75 per share from its earnings for the year 2003 to the holders of its 520 million shares, a total of Baht 390 million.

However, as at the closing date of the share register 517,665,600 of the Company's ordinary shares were held by parties other than the Company itself, and the total dividend paid was thus Baht 388.2 million.

11.2 On 20 August 2004, a meeting of the Board of Directors of the Company approved the payment of an interim dividend of Baht 1 per share from its earnings for the six-month period ended 30 June 2004 to the holders of its 520 million shares, a total of Baht 520 million.

However, as at the closing date of the share register 506,713,700 of the Company's ordinary shares were held by parties other than the Company itself, and the total dividend paid was thus Baht 506.7 million.

(UNAUDITED BUT REVIEWED)

## 12 CONTINGENT LIABILITY

As at 30 September 2004, the Company and subsidiaries are defendants against maritime claims whereby total liabilities may aggregate up to USD 0.7 million (31 December 2003: USD 0.8 million). The ultimate outcome of these claims cannot be determined at this time, but management anticipates that no material liability will arise. Accordingly, no provision has been made in the accounts.

## 13 FINANCIAL INSTRUMENTS

### 131 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 foreign currency risk in respect of their financial instruments denominated in other currencies. However, the Company's management has decided to maintain an open position on this exposure.

The exchange rate applied for translation of foreign currency liabilities as at 30 September 2004 was USD 1: Baht 41.5942 (31 December 2003: Baht 39.7378).

### 132 Interest Rate Risk

As at 30 September 2004 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	Fixed interest maturing in 1 year or less	Non-interest bearing	Total	Floating	Fixed
					g	
					USD currency	USD currency
<b>Financial assets:</b>						
Cash and cash equivalents	379,836	1,140,582	24,916	1,545,334	0.50	1.60
<b>Financial liabilities:</b>						

Long-term loans	9,999,487	-	-	9,999,487	4.485	-
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(UNAUDITED BUT REVIEWED)

### **133 Credit Risk**

The Company has established a credit policy of evaluating the creditworthiness of its charterers and other parties. It restricts its dealings to only sound parties and maintains tight and adequate documentation, in order 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.

### **134 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.

## **14 FINANCIAL INFORMATION BY SEGMENT**

The Company and its subsidiaries' activities predominantly involve shipping businesses and 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.

## **15 SUBSEQUENT EVENTS**

On 18 October 2004, an Extraordinary General Meeting of the shareholders of a subsidiary (Precious Orchids Limited) approved an increase in the registered capital of that company from Baht 102 million to Baht 217million, through the issuance of 1,150,000 shares with a par value of Baht 100 each.

## **16 PRESENTATION**

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

## **17. APPROVAL OF INTEREIM FINANCIAL STATEMENTS**

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