

**Precious Shipping Public Company Limited and subsidiaries**

**Notes to interim financial statements**

**For the three-month and nine-month periods ended 30 September 2008 and 2007**

**1. General information**

**1.1 Corporate information**

Precious Shipping Public Company Limited (The Company) is a public company incorporated and domiciled in Thailand. The Company is principally engaged as a holding company for investment in the marine transportation business and its registered address is Cathay House, 7th floor, 8 North Sathorn Road, Silom, Bangrak, Bangkok 10500.

**1.2 Financial crisis**

The U.S. financial system is going through turbulence, as are many financial markets around the world. The loss in real estate values, more restricted credit and the steep liquidity concerns have all contributed to this significant unrest in the markets. The crisis has sent a strong effect to the financial and capital markets throughout the world and Thailand is no exception. The consequences of the crisis could include a risk that overseas bank deposits may not be recovered in full, bank's unwillingness to extend credits and rising bad debts.

The Company is well aware of the financial crisis and has taken and is in the process of taking additional measures in order to prepare itself for the impact of the financial crisis. At this stage, the management does not foresee any adverse effect to the Company.

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

These interim financial statements are prepared in accordance with Accounting Standard No. 41 (revised 2007) Interim Financial Reporting, with the Company choosing to present condensed interim financial statements. However, the Company has presented the balance sheets, the statements of income, changes in shareholders' equity, and cash flows in the same format as that used for the annual financial statements.

(Unaudited but reviewed)

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.

The interim financial statements in Thai language are the official statutory financial statements of the Company. The interim financial statements in English language have been translated from the official statutory financial statements.

#### **1.4 Accounting standards which are effective for the current year**

TAS 25 (revised 2007)	Cash Flow Statements
TAS 29 (revised 2007)	Leases
TAS 31 (revised 2007)	Inventories
TAS 33 (revised 2007)	Borrowing Costs
TAS 35 (revised 2007)	Presentation of Financial Statements
TAS 39 (revised 2007)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 41 (revised 2007)	Interim Financial Reporting
TAS 43 (revised 2007)	Business Combinations
TAS 49 (revised 2007)	Construction Contracts
TAS 51	Intangible Assets

These accounting standards become effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of these accounting standards and believes that TAS 29 (revised 2007), TAS 33 (revised 2007), TAS 43 (revised 2007) and TAS 49 (revised 2007) are not relevant to the business of the Company, whereas TAS 25 (revised 2007), TAS 31 (revised 2007), TAS 35 (revised 2007), TAS 39 (revised 2007), TAS 41 (revised 2007) and TAS 51 do not have any significant impact on the financial statements for the current period.

#### **1.5 Basis of consolidation**

These interim 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 2007. There have been no changes in the composition of the Group during the current period.

(Unaudited but reviewed)

## 1.6 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 2007, with the following addition in accounting policy during the period.

### Software and amortisation

Software is stated at cost less accumulated amortisation. Amortisation is calculated by reference to cost on a straight-line basis over the expected future period, for which the asset is expected to generate economic benefit of 5 and 10 years.

The amortisation is included in determining income.

No amortisation is provided on software under development.

## 2. Change in accounting estimation

As of 1 January 2008, the Group changed the estimated residual value of its vessels by increasing the assumed steel price to USD 400 per tonne from USD 135 per tonne (residual value is calculated by multiplying steel weight of the vessel (Light Displacement Tonnage) with assumed steel price per tonne). This change in estimation was made in line with current steel prices in the market which have significantly increased from previous estimation. However, there was no change made in estimated useful life of vessels. This change in estimation has resulted in increase of net income for the three-month and nine-month periods ended 30 September 2008 by Baht 154.8 million (Baht 0.15 per share) and Baht 506.9 Million (Baht 0.49 per share), respectively, in the Group's consolidated income statements.

## 3. Current investments

(Unit: Thousand Baht)

Consolidated financial statements								
Paid-up capital		Shareholding		Cost		Carrying amounts		
		percentage				based on equity method		
30	31	30	31	30	31	30	31	
September	December	September	December	September	December	September	December	
2008	2007	2008	2007	2008	2007	2008	2007	
Thousand	Thousand	%	%					
INR	INR							
<b><i>Investment in associate held by a subsidiary</i></b>								
Southern LPG Limited	64,592	64,592	50	50	<u>31,716</u>	<u>31,716</u>	19,365	19,365
Less: Allowance for loss on investment							<u>(19,365)</u>	<u>(19,365)</u>
Current investment - net							<u>-</u>	<u>-</u>

(Unaudited but reviewed)

A subsidiary (Precious Shipping (Mauritius) Limited) recorded investment in an associated company incorporated in India under equity method only until 31 December 2000, since the Company's management is making efforts to sell this investment. The investment has therefore been classified as current investment, under current assets, and allowance for loss on investment in full has been set up.

#### 4. Trade accounts receivable

The outstanding balances of trade accounts receivable are aged, based on invoice date, as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	
	30 September 2008	31 December 2007
<u>Age of receivables</u>		
Not over 3 months	30,564	33,268
3 - 6 months	248	531
6 - 12 months	1,183	723
Over 12 months	25,820	34,037
Total	57,815	68,559
Less: Allowance for doubtful accounts	(25,702)	(33,920)
Trade accounts receivable - net	<u>32,113</u>	<u>34,639</u>

#### 5. Related party transactions

During the periods, the Company and subsidiaries had significant business transactions with related parties which have been concluded on commercial terms and bases agreed upon in the ordinary course of business between the Company and those companies. Below is a summary of those transactions.

## (Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated		Separate		Transfer pricing policy
	financial statements		financial statements		
	For the three-month periods ended 30 September				
	2008	2007	2008	2007	
<b><u>Transactions with subsidiaries</u></b>					
(Eliminated from consolidated financial statements)					
Service income - management fees	-	-	23,736	23,736	Fixed rate per vessel per day set with reference to the administrative cost of the Company
Dividend received	-	-	1,133,122	1,123,093	As declared
Condominium rental expenses	-	-	2,310	2,387	Market price
<b><u>Transactions with related companies</u></b>					
Dividend received	-	12,807	-	-	As declared
Air ticket expenses	4,182	3,240	883	690	Market price
Rental and service expenses	1,410	1,805	696	639	Market price

(Unit: Thousand Baht)

	Consolidated		Separate		Transfer pricing policy
	financial statements		financial statements		
	For the nine-month periods ended 30 September				
	2008	2007	2008	2007	
<b><u>Transactions with subsidiaries</u></b>					
(Eliminated from consolidated financial statements)					
Service income - management fees	-	-	70,692	72,564	Fixed rate per vessel per day set with reference to the administrative cost of the Company
Dividend received	-	-	3,447,315	3,405,265	As declared
Condominium rental expenses	-	-	6,934	7,162	Market price
<b><u>Transactions with related companies</u></b>					
Dividend received	3,682	12,807	-	-	As declared
Air ticket expenses	11,929	12,921	3,062	2,401	Market price
Rental and service expenses	6,742	4,810	3,854	2,463	Market price

(Unaudited but reviewed)

The balances of the accounts as at 30 September 2008 and 31 December 2007 between the Company and those related companies are as follows:

(Unit: Thousand Baht)

	Separate financial statements			
	31			30
	December	Increase	Decrease	September
	2007			2008
<b><u>Receivables from and advances to subsidiaries</u></b>				
Precious Stones Shipping Limited	41,146	71,537	74,110	38,573
Precious Rivers Limited	72,120	63,464	128,497	7,087
Precious Lakes Limited	1,948	-	1,948	-
Precious Stars Limited	-	180,053	175,752	4,301
Precious Planets Limited	814	-	814	-
Precious Sapphires Limited	-	195,035	178,790	16,245
Precious Emeralds Limited	181,426	251,738	389,204	43,960
Precious Garnets Limited	4,089	-	4,089	-
Precious Ponds Limited	4,203	164,997	158,840	10,360
Precious Orchids Limited	40,302	434,482	461,905	12,879
Precious Hills Limited	5,881	-	5,881	-
Precious Cities Limited	3,624	121,151	123,786	989
Nedtex Limited	108	21	-	129
Precious Storage Terminals Limited	64	21	-	85
Thebes Pte. Limited	904	139	69	974
Precious Shipping (Panama) S.A.	304,682	110,574	125,346	289,910
Precious Shipping (Mauritius) Limited	120,834	2,052	750	122,136
Precious Shipping (UK) Limited	-	22,586	562	22,024
Great Circle Shipping Agency Limited	216,410	23,192	71,884	167,718
Precious Projects Pte. Limited	1	204	92	113
Total	<u>998,556</u>	<u>1,641,246</u>	<u>1,902,319</u>	<u>737,483</u>

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Separate financial statements			
	31			30
	December	Increase	Decrease	September
	2007			2008
<b><u>Payables to and advances from subsidiaries</u></b>				
Precious Metals Limited	113,395	565,785	524,326	154,854
Precious Wishes Limited	103,181	286,754	264,506	125,429
Precious Minerals Limited	16,682	286,905	285,672	17,915
Precious Lands Limited	26,702	192,592	139,990	79,304
Precious Lakes Limited	-	188,186	101,691	86,495
Precious Seas Limited	28,834	340,814	340,153	29,495
Precious Stars Limited	32,287	-	32,287	-
Precious Oceans Limited	87,260	149,218	220,606	15,872
Precious Planets Limited	-	584,291	521,791	62,500
Precious Diamonds Limited	24,408	295,838	306,764	13,482
Precious Sapphires Limited	32,517	-	32,517	-
Precious Rubies Limited	43,267	222,391	201,987	63,671
Precious Opals Limited	54,435	218,382	209,117	63,700
Precious Garnets Limited	-	235,882	217,032	18,850
Precious Pearls Limited	45,358	223,820	198,899	70,279
Precious Flowers Limited	29,573	334,134	277,454	86,253
Precious Forests Limited	34,592	118,832	118,537	34,887
Precious Trees Limited	21,576	230,423	220,706	31,293
Precious Ventures Limited	43,502	229,361	222,651	50,212
Precious Capitals Limited	36,325	209,047	160,152	85,220
Precious Jasmines Limited	86,241	393,983	381,976	98,248
Precious Lagoons Limited	5,566	124,553	120,627	9,492
Precious Cliffs Limited	2,922	133,699	100,581	36,040
Precious Hills Limited	-	121,445	83,984	37,461
Precious Mountains Limited	5,629	124,189	91,622	38,196
Precious Resorts Limited	356	110,177	70,820	39,713
Precious Comets Limited	9,280	450,806	433,393	26,693
Precious Ornaments Limited	9,397	508,841	430,348	87,890
Precious Shipping (Singapore) Pte. Limited	467,082	233,261	597,037	103,306
Precious Shipping (UK) Limited	75	-	75	-
Total	<u>1,360,442</u>	<u>7,113,609</u>	<u>6,907,301</u>	<u>1,566,750</u>

(Unaudited but reviewed)

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

Directors and management's remuneration

During the periods, the Company and subsidiaries paid salaries, bonuses, personal income tax, house rental, contributions to provident fund, other allowance, and meeting allowances to their directors and management. Details of directors and management's remuneration included in administrative expenses can be summarised as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	For the three-month periods ended 30 September			
	2008	2007	2008	2007
Directors	1,462	1,833	1,462	1,833
Management	18,214	29,079	16,070	25,072
Total	19,676	30,912	17,532	26,905

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	For the nine-month periods ended 30 September			
	2008	2007	2008	2007
Directors	5,487	5,278	5,487	5,278
Management	100,459	85,104	88,575	74,729
Total	105,946	90,382	94,062	80,007

(Unaudited but reviewed)

**6. Investments in subsidiaries**

These represent investments in ordinary shares in the following subsidiaries:

(Unit: Thousand Baht)

Company's name	Separate financial statements							
	Paid-up capital		Shareholding percentage		Cost		Dividend received	
	30	31	30	31	30	31	For the nine-month periods	
	September	December	September	December	September	December	ended 30 September	
	2008	2007	2008	2007	2008	2007	2008	2007
			%	%				
Precious Metals Limited	250,000	250,000	99.99	99.99	250,000	250,000	150,000	63,750
Precious Wishes Limited	230,000	230,000	99.99	99.99	229,999	229,999	167,899	110,400
Precious Stones Shipping Limited	260,000	260,000	99.99	99.99	260,000	260,000	-	-
Precious Minerals Limited	230,000	230,000	99.99	99.99	230,000	230,000	172,500	94,300
Precious Lands Limited	84,000	84,000	99.99	99.99	84,000	84,000	83,159	61,739
Precious Rivers Limited	234,000	234,000	99.99	99.99	234,000	234,000	-	156,779
Precious Lakes Limited	99,000	99,000	99.99	99.99	99,000	99,000	21,780	64,350
Precious Seas Limited	100,000	100,000	99.99	99.99	100,000	100,000	201,999	89,999
Precious Stars Limited	105,000	105,000	99.99	99.99	105,000	105,000	124,949	94,499
Precious Oceans Limited	175,000	175,000	99.99	99.99	175,000	175,000	68,250	70,000
Precious Planets Limited	100,000	100,000	99.99	99.99	100,000	100,000	381,998	137,999
Precious Diamonds Limited	205,000	205,000	99.99	99.99	205,000	205,000	174,249	32,800
Precious Sapphires Limited	144,000	144,000	99.99	99.99	143,999	143,999	136,799	38,880
Precious Emeralds Limited	366,000	366,000	99.99	99.99	366,000	366,000	73,200	-
Precious Rubies Limited	84,000	84,000	99.99	99.99	84,000	84,000	122,639	50,400
Precious Opals Limited	74,000	74,000	99.99	99.99	74,000	74,000	134,679	66,969
Precious Garnets Limited	379,000	379,000	99.99	99.99	378,999	378,999	37,900	-
Precious Pearls Limited	73,000	73,000	99.99	99.99	72,999	72,999	89,789	183,228
Precious Flowers Limited	76,000	76,000	99.99	99.99	75,999	75,999	195,318	281,198
Precious Forests Limited	96,000	96,000	99.99	99.99	95,999	95,999	4,800	167,999
Precious Trees Limited	80,000	80,000	99.99	99.99	79,999	79,999	121,599	295,198
Precious Ponds Limited	84,000	84,000	99.99	99.99	83,999	83,999	8,400	146,999
Precious Ventures Limited	80,000	80,000	99.99	99.99	79,999	79,999	139,999	224,798
Precious Capitals Limited	200,000	200,000	99.99	99.99	199,999	199,999	97,000	209,999
Precious Jasmines Limited	98,000	98,000	99.99	99.99	97,999	97,999	226,379	154,349
Precious Orchids Limited	217,000	217,000	99.99	99.99	216,999	216,999	249,549	167,089
Precious Lagoons Limited	140,000	140,000	99.99	99.99	139,999	139,999	56,000	46,200
Precious Cliffs Limited	140,000	140,000	99.99	99.99	139,999	139,999	25,200	63,000
Precious Hills Limited	140,000	140,000	99.99	99.99	139,999	139,999	9,800	65,800
Precious Mountains Limited	140,000	140,000	99.99	99.99	139,999	139,999	25,200	67,200
Precious Resorts Limited	140,000	140,000	99.99	99.99	139,999	139,999	7,000	35,000
Precious Cities Limited	170,000	170,000	99.99	99.99	169,999	169,999	68,000	85,000
Precious Comets Limited	71,100	71,100	99.99	99.99	71,099	71,099	27,018	40,527
Precious Ornaments Limited	68,100	68,100	99.99	99.99	68,099	68,099	44,264	38,817
Nedtex Limited	2,500	2,500	69.99	69.99	648	648	-	-

(Unaudited but reviewed)

(Unit: Thousand Baht)

Separate financial statements									
Company's name	Shareholding						Dividend received		
	Paid-up capital		percentage		Cost		For the nine-month periods		
	30	31	30	31	30	31	ended 30 September		
	September	December	September	December	September	December	2008	2007	
		2008	2007	2008	2007	2008	2007		
				%	%				
Precious Storage Terminals Limited	6,000	6,000	69.99	69.99	4,199	4,199	-	-	
Thebes Pte. Limited	0.0365	0.0365	100.00	100.00	0.0365	0.0365	-	-	
Precious Shipping (Panama) S.A.	250	250	99.99	99.99	250	250	-	-	
Precious Shipping (Mauritius) Limited	250	250	100.00	100.00	250	250	-	-	
Precious Shipping (Singapore) Pte. Limited	363,338	363,338	100.00	100.00	363,338	363,338	-	-	
Precious Shipping (UK) Limited	250	250	99.99	99.99	250	250	-	-	
Great Circle Shipping Agency Limited	60,000	15,000	99.99	99.99	166,995	121,995	-	-	
Precious Projects Pte. Limited	0.0345	0.0345	100.00	100.00	0.0345	0.0345	-	-	
Total investments in subsidiaries					5,668,110	5,623,110	3,447,315	3,405,265	
Less: Allowance for loss on investments in subsidiaries					(5,097)	(5,097)			
Investments in subsidiaries - net					5,663,013	5,618,013			

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

As at 22 January 2008, a local subsidiary (Great Circle Shipping Agency Limited) issued new ordinary shares, to the Company at par value, for a total value of Baht 45 million.

## 7. Investment in associate held by a subsidiary

### 7.1 Details of associate held by a subsidiary

(Unit: Thousand Baht)

Consolidated financial statements											
Company's name	Nature of business	Country of incorporation	Shareholding						Carrying amounts based on		Dividend received
			percentage		Cost		equity method		For the nine-month periods ended		
			30	31	30	31	30	31		30 September	
			September	December	September	December	September	December			
		2008	2007	2008	2007	2008	2007	2008	2007		
International Seaports (Haldia) Private Limited	Design, construction, development and operation of a berth	India	22.40	22.40	87,701	87,701	124,730	134,282	3,682	12,807	

(Unaudited but reviewed)

(Unit: Thousand Baht)

Company's name	Consolidated financial statements			
	Share of income from investment in associate held by a subsidiary			
	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
	2008	2007	2008	2007
International Seaports (Haldia) Private Limited	17,692	10,338	5,897	15,370

Shares of income from investment in associate held by a subsidiary for the three-month and nine-month periods ended 30 September 2008 and 2007, included in the consolidated income statements, were calculated based on the financial statements as at 30 June 2008 and 2007, respectively, prepared by the management of that company and not reviewed by its auditor.

## 7.2 Summarised financial information of associate held by a subsidiary

(Unit: Thousand Baht)

Company's name	Paid-up capital as at		Total assets as at		Total liabilities as at		Total revenues for the		Net income for the	
	30 June		30 June		30 June		nine-month periods ended		nine-month periods ended	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	Thousand INR	Thousand INR								
International Seaports (Haldia) Private Limited	440,580	440,580	811,239	1,001,785	360,110	505,991	338,165	395,482	26,327	68,615

## 8. Property, plant and equipment

Movements of the property, plant and equipment account during the nine-month period ended 30 September 2008 are summarised below.

(Unit: Thousand Baht)

	Consolidated	Separate
	financial statements	financial statements
Net book value as at 1 January 2008	9,526,015	25,124
Acquisitions of equipment and payment of dry-dock and special survey expenses during period - at cost	338,734	12,032
Write-off during period - net book value at write-off date	(538)	(15)
Depreciation for period	(799,083)	(6,997)
Net book value as at 30 September 2008	9,065,128	30,144

(Unaudited but reviewed)

## 9. Software

Movements of the software account during the nine-month period ended 30 September 2008 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements / Separate financial statements
Net book value as at 1 January 2008	43,496
Acquisitions during period - at cost	11,029
Amortisation for period	(414)
Net book value as at 30 September 2008	<u>54,111</u>

## 10. Advances for vessel construction

On 20 July 2007, 14 September 2007 and 11 February 2008, the Company entered into 18 contracts with a builder to construct 18 vessels (12 handysize vessels and 6 supramax vessels) classified as bulk carriers at an aggregate price of approximately USD 588 million (or approximately USD 30 million per handysize vessel and USD 38 million per supramax vessel). The contract price will be paid in 5 installments of 20% each, with each installment (except the fifth) paid only on the submission of a bank guarantee in favour of the Company, guaranteeing the refund of each installment (with interest at 7.5% per annum) in case of a failure by the builder to perform per the contract. The vessels are expected to be delivered in the years 2010 to 2013. However, if the builder can deliver the vessels earlier, the Company has to pay an aggregate sum of incentive amount not exceeding USD 18.5 million to the builder for all the 18 vessels.

During the current period, the Company made payment of the first installment to the shipbuilder for the building of 3 additionally-ordered vessels, amounting to USD 22.8 million (approximately Baht 742.5 million). Such amounts were recorded as advances for vessel construction in non-current assets in the balance sheet.

## 11. Long-term loan facilities

11.1 On 22 August 2005, 28 December 2006 and 6 March 2008, the Company and local subsidiaries entered into a main secured revolving loan facility agreement and amended and restated agreements, respectively with overseas banks to obtain credit facilities of USD 200 million carrying interest at the rate of LIBOR plus 1.00% to 1.40% per annum, the margin of which is based on the USD Restated Financial Statements of the Company and subsidiaries of each quarter. Details are as follows:

- A Revolving Acquisition Facility (RAF) is to be used for purchasing of vessels. Such facility was to be drawn down by 31 December 2008 and was automatically to be converted to a Revolving Reducing Credit Facility (RRCF) as at 31 December 2008, or earlier if mutually agreed between the borrowers and the lenders.
- The Revolving Reducing Credit Facility (RRCF) is to be repaid in 32 quarterly installments, per the proportions stipulated in the agreement, from March 2009 or three months after conversion of the RAF to RRCF if earlier.

The loan is secured by the mortgage of the subsidiaries' vessels, the assignment of the beneficiary rights under the insurance policies for the mortgaged vessels of the subsidiaries, and the assignment of the revenues earned from the mortgaged vessels of the subsidiaries to the lenders.

The loan agreement includes certain covenants and restrictions pertaining to, among other things, non-payment of dividend in an event of default, the pledge/mortgage of assets, the provision of guarantees for liabilities, conditions on the disposal of certain vessels, and the maintenance of financial ratios such as:

- a) Maintenance of a funded debt to total shareholders' equity ratio not exceeding 2:1.
- b) Maintenance of a funded debt to EBITDA ratio not exceeding 5:1.
- c) Maintenance of minimum free liquidity of USD 100,000 per vessel.

(Unaudited but reviewed)

11.2 On 18 January, 21 May and 29 October 2007, the Company and local subsidiaries entered into a main agreement and amended and restated agreements, respectively with local commercial banks to obtain credit facilities, as detailed below.

- a) A term loan of USD 300 million carrying interest at LIBOR plus 2.2% per annum. The loan is to be used to pay for purchases of vessels and is to be drawn down within 18 January 2009, and is to be repaid in quarterly installments over a period of 12 years (commencing after the completion of a grace period of one year from the date of first drawdown), in accordance with the proportionate amounts stipulated in the agreement.
- b) A foreign currency exchange facility of USD 5 million.

The credit facilities have to be secured by the mortgage of the subsidiaries' vessels, the pledge of the subsidiaries' shares, the assignment of the beneficiary rights under the insurance policies for the mortgaged vessels of the subsidiaries, and the assignment of the revenues earned from the mortgaged vessels of the subsidiaries to the lenders when the facility is drawn down.

The credit facility agreements contain covenants that, among other things, require the Company and subsidiaries to maintain certain financial ratios such as:

- a) Maintenance of a total debt to total shareholders' equity ratio not exceeding 2:1.
- b) Maintenance of a total debt to EBITDA ratio not exceeding 5:1.
- c) Maintenance of minimum free liquidity of USD 100,000 per vessel.
- d) Maintenance of a debt service coverage ratio of at least 1.1:1.

The covenants a), c) and d) above are applicable from 18 January 2007 whereas covenant b) is applicable from the first draw down date.

11.3 On 3 July 2008, the Company entered into a secured loan agreement with overseas and local commercial banks to obtain a loan facility of USD 398.4 million carrying interest at LIBOR plus margin. The loan is to be used to finance the construction and acquisition of 15 new vessels (9 handysizes and 6 supramaxes) out of the 18 new vessels already ordered by the Company and the total loan amount is equivalent to 80% of the aggregate contract prices of the 15 vessels. The drawing, final maturity, repayment and security of the loan are summarised as follows:

(Unaudited but reviewed)

Facility / Description	Pre-delivery facility	Post-delivery facility
Drawing	As per milestones in the shipbuilding contracts whereby the aggregate of all drawings per vessel would be equivalent to 60% of the contracted price of each vessel	100% of the post-delivery facility amount equivalent to 80% of the contracted price of each vessel is to be drawn upon delivery of the respective vessel out of which the entire pre-delivery facility amount of each vessel will be repaid
Final maturity	Delivery of each vessel	10 years from delivery of the first vessel
Repayment	To be repaid in one lump sum upon delivery of the respective vessel	Each tranche (aggregate drawings in respect of each vessel) is to be amortised (repaid) in quarterly instalments, each equivalent to 1/60th of the post-delivery facility amount, and in a balloon amount equal to the balance under such tranche on final maturity. The first quarterly repayment of each tranche shall commence 3 months after delivery of each respective vessel
Security	<ul style="list-style-type: none"><li>a) Corporate guarantee from the Company if the Company is not a joint borrower</li><li>b) 1st priority assignment of the shipbuilding contracts</li><li>c) 1st priority assignment of the refund guarantees by the refund guarantors given in relation to the shipbuilding contracts with the Company</li></ul>	<ul style="list-style-type: none"><li>a) 1st priority mortgage over the vessels</li><li>b) Pledge of the vessel-owning subsidiaries' shares</li><li>c) Corporate guarantee from the Company if the Company is not a joint borrower</li><li>d) 1st priority assignment of requisition compensation in respect of the vessels</li><li>e) 1st priority assignment of all insurance proceeds</li><li>f) 1st priority assignment of the earnings of the vessels and pledge over the earnings and retention account of each vessel</li></ul>

The credit facility agreement contains covenants that, among other things, require the Company to maintain certain financial ratios such as:

- a) Maintenance of a funded debt to total shareholders' equity ratio not exceeding 2:1.

(Unaudited but reviewed)

- b) Maintenance of a funded debt to EBITDA ratio not exceeding 5:1.
- c) Maintenance of minimum free liquidity of USD 100,000 per vessel.

As at 30 September 2008, no draw down had been made from the facilities.

## **12. Debenture offering plan**

On 6 July 2007, the Extraordinary General Meeting of shareholders passed a resolution to approve the Company or a newly established subsidiary of the Company to issue debentures in an amount not exceeding USD 1,000 million or the equivalent in another currency to foreign investors, and to empower the Board of Directors to subsequently determine details of the debenture issue and offering such as the nature of the debentures, the value, the currency, the interest rate, the maturity, the redemption period, the selling method, the subscription period, the allocation method and others. As at 30 September 2008, the debentures have yet to be issued by either the Company or the subsidiary.

## **13. Segment information**

The Company and subsidiaries' operations involve the business of owning and internationally operating (chartering) small handy sized dry bulk ships, on a tramp shipping basis without any set routes. This is the only industry segment in which the Company and subsidiaries mainly operate and almost entire revenues are generated from this segment. As such, no segmental bifurcation is applicable since the operations are mainly limited to only one aforesaid segment.

The business activity in the segment, i.e. the chartering of the ships, is undertaken in two ways, viz., Time charter and Voyage charter. Under Time charter, the charterer (customer) pays charter hire (at an agreed daily rate, almost always in US Dollars) to operate the vessel for an agreed time period. In this case, the charterer bears all voyage expenses including port disbursements and costs of bunker oil. Under Voyage charter, the charterer pays freight on a per tonne basis (almost always in US Dollars) to transport a particular cargo between two or more designated ports. In this case, the Company (or subsidiary) bears all the voyage expenses. The voyage expenses are presented in the financial statements as voyage disbursements and bunker consumption. Under Time charter, the ship routes are determined or controlled exclusively by the charterers and under Voyage charters, the route varies from time to time for each voyage, which is determined by a number of factors which are totally beyond the Company's and subsidiaries' control. As such, reporting by geographical segments would not be practical or meaningful, and could in fact be misleading.

(Unaudited but reviewed)

In view of the above, segment information is limited to the bifurcation of the total vessel operating income (and voyage expenses in respect of Voyage charter) for the three-month and nine-month periods ended 30 September 2008 and 2007 derived from Time charter and Voyage charter presented as “Hire income” and “Freight income” respectively, as under:

(Unit: Thousand Baht)

Consolidated financial statements										
For the three-month periods ended 30 September										
	Time charter		Voyage charter		Total		Elimination		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Hire income	2,281,979	1,730,047	-	-	2,281,979	1,730,047	-	-	2,281,979	1,730,047
Freight income	-	-	40,993	25,418	40,993	25,418	(20,157)	8,740	20,836	34,158
Total vessel operating income	2,281,979	1,730,047	40,993	25,418	2,322,972	1,755,465	(20,157)	8,740	2,302,815	1,764,205
Voyage disbursements	-	-	(35,280)	215	(35,280)	215	20,157	(8,740)	(15,123)	(8,525)
Bunker consumption	-	-	(6,451)	(2,445)	(6,451)	(2,445)	-	-	(6,451)	(2,445)
Total voyage expenses	-	-	(41,731)	(2,230)	(41,731)	(2,230)	20,157	(8,740)	(21,574)	(10,970)
Net vessel operating income/time charter equivalent income	2,281,979	1,730,047	(738)	23,188	2,281,241	1,753,235	-	-	2,281,241	1,753,235

(Unit: Thousand Baht)

Consolidated financial statements										
For the nine-month periods ended 30 September										
	Time charter		Voyage charter		Total		Elimination		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Hire income	6,179,991	5,122,936	-	-	6,179,991	5,122,936	-	-	6,179,991	5,122,936
Freight income	-	-	156,418	314,302	156,418	314,302	(20,157)	(54,384)	136,261	259,918
Total vessel operating income	6,179,991	5,122,936	156,418	314,302	6,336,409	5,437,238	(20,157)	(54,384)	6,316,252	5,382,854
Voyage disbursements	-	-	(72,578)	(89,309)	(72,578)	(89,309)	20,157	54,384	(52,421)	(34,925)
Bunker consumption	-	-	(16,725)	(49,841)	(16,725)	(49,841)	-	-	(16,725)	(49,841)
Total voyage expenses	-	-	(89,303)	(139,150)	(89,303)	(139,150)	20,157	54,384	(69,146)	(84,766)
Net vessel operating income/time charter equivalent income	6,179,991	5,122,936	67,115	175,152	6,247,106	5,298,088	-	-	6,247,106	5,298,088

(Unaudited but reviewed)

#### 14. Cash dividends

Dividends declared during the current period consist of the following:

	<u>Approved by</u>	<u>Total dividends</u>	<u>Dividend per share</u>
		(Million Baht)	(Baht)
a) Interim dividends on operating results for the six-month period ended 30 June 2008	Board of Directors' meeting on 14 August 2008	<u>779.5</u>	<u>0.75</u>

As at the closing date of the share register, 1,039,380,300 of the Company's ordinary shares were qualified to receive dividend, after deduction of 140,300 shares disqualified to receive this dividend held by the registrar (Thailand Securities Depository Co., Ltd. for Depositors both Thai and Foreign shareholders) from the total number of shares outstanding (1,039,520,600 shares). The total dividend paid was thus Baht 779.5 million.

	<u>Approved by</u>	<u>Total dividends</u>	<u>Dividend per share</u>
		(Million Baht)	(Baht)
b) Interim dividends on operating results for the three-month period ended 31 March 2008	Board of Directors' meeting on 22 May 2008	<u>519.7</u>	<u>0.50</u>

As at the closing date of the share register, 1,039,304,995 of the Company's ordinary shares were qualified to receive dividend, after deduction of 215,605 shares disqualified to receive this dividend held by the registrar (Thailand Securities Depository Co., Ltd. for Depositors both Thai and Foreign shareholders) from the total number of shares outstanding (1,039,520,600 shares). The total dividend paid was thus Baht 519.7 million.

	<u>Approved by</u>	<u>Total dividends</u>	<u>Dividend per share</u>
		(Million Baht)	(Baht)
c) Final dividends of 2007 income	Annual General Meeting of the shareholders on 27 March 2008	<u>779.5</u>	<u>0.75</u>

(Unaudited but reviewed)

As at the closing date of the share register, 1,039,311,395 of the Company's ordinary shares were qualified to receive final dividend, after deduction of 209,205 shares disqualified to receive this final dividend held by the registrar (Thailand Securities Depository Co., Ltd. for Depositors both Thai and Foreign shareholders) from the total number of shares outstanding (1,039,520,600 shares). The total final dividend paid was thus Baht 779.5 million.

## 15. Commitments and contingent liabilities

### 15.1 Vessel building contracts commitments

As at 30 September 2008, the Company's future minimum payment commitments under vessel building contracts amounting to USD 470.4 million or approximately Baht 16,076.0 million (31 December 2007: USD 379.2 million or approximately Baht 12,849.2 million).

### 15.2 Obligations in respect of charges for management of the undrawn portion of loan facilities

As at 30 September 2008, the Company and its subsidiaries had obligations in respect of the charges for management of the undrawn portion of loan facilities, which can be summarised as follows:

Facility	Percentage of obligation	Maximum facility amount per contract (million USD)	Undrawn loan balance as at 30 September 2008 (million USD)	Term of payment	Drawdown period ending
Facility 1	30% of the applicable margin per annum on the difference between the facility outstanding and the applicable maximum facility amount	200.0	200.0	Every three months starting from 22 August 2005 until the end of the drawdown period	31 December 2008
Facility 2	0.375% per annum of undrawn loan balance	300.0	300.0	Quarterly starting from 18 January 2007 until the end of the drawdown period	18 January 2009
Facility 3	0.35% per annum of undrawn loan balance	398.4	398.4	Every three months starting from 3 July 2008 until the end of the drawdown period	Upon delivery of each vessel

(Unaudited but reviewed)

**15.3 Uncalled portion of other long-term investment**

As at 30 September 2008, the Company has a commitment of Baht 10.1 million in respect of the uncalled portion of other long-term investment (31 December 2007: Baht 10.1 million).

**16. Subsequent event**

On 24 October 2008, the Company has drawn down USD 21.2 million (approximately Baht 725.9 million) from long-term loan facility, as discussed in Note 11.3, to use in the payment of the second installment to the shipbuilder for the construction of 3 new vessels.

**17. Approval of interim financial statements**

These interim financial statements were authorised for issue by the Company's authorised directors on 30 October 2008.