

Ref. : 2007-040

2<sup>nd</sup> November 2007

To : Director and Manager of the Stock Exchange of Thailand

Subject: Submitting the Interim Consolidated Financial Statements for the three months and nine months period ended 30 September 2007 and 2006.

We hereby report the Interim Consolidated Financial Statements of Precious Shipping Public Company Limited and Subsidiaries for the three months and nine months period ended 30 September 2007 and 2006 together with the summarized operating results (Form 45-3). The reasons for changes in the operating results are explained below.

For the three months period ended 30 September 2007, the Company and subsidiaries ("the Company") have earned a consolidated net income of Baht 560.16 million as compared to net income of Baht 1,064.68 million earned during the same period in 2006. The main reasons for changes are as follows:

1. The Net Vessel Operating Income (Vessel Operating Income net of voyage disbursements and bunker consumption) for the third quarter of 2007 has decreased by about 21 percent over the Net Vessel Operating Income for the same period of 2006 mainly due to the reduction in the average number of vessels operated during the quarter because of the sale of the 10 oldest vessels of the fleet. The income has been realized from an average of 44 vessels during the third quarter of 2007 as against an average of 54 vessels in the same period of 2006, because of the sale and delivery of 10 vessels in the first half of the year 2007. The fleet size as on 30<sup>th</sup> September 2007 was 44 vessels. Moreover, the lower average US Dollar/Thai Baht exchange rate during the third quarter of 2007 compared to the same period of 2006 has also contributed to the lower vessel operating income of the quarter. However, due to the continued upsurge in the International Freight markets, the average earnings per day per Vessel were USD 13,281 in the third quarter of 2007 as compared to USD 12,261 in the same period of 2006. This represents an increase of about 8 percent over the same period of the previous year.
2. For the third quarter of 2007, the absolute Vessel running expenses are lower by 19 percent as compared to the same period of 2006 mainly due to the reduction in the average number of vessels operated during the quarter as explained in 1 above. However, the average Vessel operating expenses per day per Vessel are USD 3,976 in the third quarter of 2007 as compared to USD 3,586 in the same period of 2006 (including depreciation/amortisation of the Drydocking/Special Survey expenses in both years.) This represents an increase of about 11 percent over the same period of the previous year.

3. For the third quarter of 2007, the Company recorded interest income of Baht 42.08 million which was earned from the cash balances with the Company, as against interest income of Baht 4.82 million in the same period of 2006.
4. The Company recorded loss on financial instruments of Baht 235.27 million in the third quarter of 2007. For the proposed issue of Debentures, with the intention of locking in the Treasury rate, which would have been the basis of pricing of the Debentures, the Company entered into Treasury Lock Contracts with a Foreign Bank for an aggregate principal amount of USD 200 million, which would have served as a hedging tool to fix the interest rate on the Debentures, had the Debentures been issued. The aforesaid Contracts have been “marked to market” as on 30th September 2007, which has resulted in a loss of USD 6.84 million (Baht 235.27 million).

For the nine months period ended 30 September 2007, the Company has earned a consolidated net income of Baht 3,525.67 million as compared to net income of Baht 2,722.77 million incurred during the same period in 2006. The main reasons for changes are as follows:

1. The Net Vessel Operating Income (Vessel Operating Income net of voyage disbursements and bunker consumption) for the nine months of 2007 has decreased by about 12 percent over the Net Vessel Operating Income for the same period of 2006 mainly due to the reduction in the average number of vessels operated during the period because of the sale of the 10 oldest vessels of the fleet. The income has accrued from an average of 45 vessels during the nine months of 2007 as against an average of 54 vessels in the same period of 2006. Moreover, the lower average US Dollar/Thai Baht exchange rate during the nine months of 2007 compared to the same period of 2006 has also contributed to the lower vessel operating income of the period. However, due to the continued upsurge in the International Freight markets, the average earnings per day per Vessel were USD 12,834 for the nine months of 2007 as compared to USD 11,045 for the same period of 2006. This represents an increase of about 16 percent over the same period of the previous year.
2. For the nine months of 2007, the absolute Vessel running expenses are lower by 16 percent as compared to the same period of 2006 mainly due to the reduction in the average number of vessels operated during the period as explained above. However, the average Vessel operating expenses per day per Vessel are USD 3,963 for the nine months of 2007 as compared to USD 3,562 in the same period of 2006 (including depreciation/amortisation of the Drydocking/Special Survey expenses in both years.) This increase of about 11 percent can be attributed mainly to the one-time provision, made out of abundant caution in the nine months of 2007, of USD 1.80 million (USD 143 per day per Vessel) in respect of cargo related claims made over a number of previous years, by

Charterers, against the Company (respective ship-owning subsidiaries) and also higher Drydocking/Special Survey expenses. Hitherto, the Company accounted for the aforesaid cargo related claims on a cash basis, as and when the claims were paid. Therefore, the regular average operating expenses per day per vessel without the one-time charge, is USD 3,820 only.

3. For the nine months of 2007, the Company recorded interest income of Baht 112.53 million which was earned from the cash balances with the Company, as against interest income of Baht 17.95 million in the same period of 2006.
4. The Company recorded gain on disposal of 10 vessels of Baht 1,558.22 million in the nine months of 2007. This represents the gain on sale of 10 vessels, which were delivered in the first half of 2007.
5. The depreciation for the nine months of 2007 is lower by Baht 198.79 million due to the decrease in number of vessels as a consequence of the sale of the 10 vessels.
6. Administrative expenses for the nine months of 2007 are higher than that of the same period of 2006 by Baht 111.39 million as compared to the same period of 2006 due to an increase in personnel expenses and a change in accounting policy of accounting for staff bonus from cash basis to accrual basis.
7. The Company recorded loss on financial instruments of Baht 235.27 million in the third quarter of 2007. For the proposed issue of Debentures, with the intention of locking in the Treasury rate, which would have been the basis of pricing of the Debentures, the Company entered into Treasury Lock Contracts with a Foreign Bank for an aggregate principal amount of USD 200 million, which would have served as a hedging tool to fix the interest rate on the Debentures, had the Debentures been issued. The aforesaid Contracts have been “marked to market” as on 30th September 2007, which, has resulted in a loss of USD 6.84 million (Baht 235.27 million).
8. The Company recorded exchange loss of Baht 157.16 million for the nine months of 2007 as against exchange gain of Baht 150.11 million for the same period of 2006. The exchange loss is due to the appreciation of the Thai Baht against the US Dollar, which resulted mainly from the translation of the US Dollar cash balances into Thai Baht.
9. The interest and financial costs for the nine months of 2007 are lower by Baht 78.90 million as compared to the same period of 2006 due to the decrease in amount of loans. Since the end of the year 2006, the Company does not have any loans from banks. The interest and financial costs for this period do not comprise any interest but, is only on account of the commitment fees and other fees paid for maintaining the two secured debt facilities.

We trust you will find the above in order.

Yours sincerely,  
**For : Precious Shipping Public Company Limited**

**(Khalid Moinuddin Hashim)**  
**Managing Director**

**(Khushroo Kali Wadia)**  
**Director**