

(Translation)

10 January 2008

Subject: Opinions of Independent Financial Advisor on Acquisition of Assets by Thoresen Thai Agencies Public Company Limited

To: Shareholders  
Thoresen Thai Agencies Public Company Limited

On 21 December 2007, the Board of Directors of Thoresen Thai Agencies Plc. ("TTA" or "the Company") resolved to propose to its Annual General Meeting of Shareholders No. 1/2008 to be held on 31 January 2008 the acquisition of four dry bulk vessels by Thoresen Shipping Singapore Pte. Ltd. ("TSS"), its wholly owned subsidiary company, for consideration and approval (the "Transaction"). TSS has agreed to enter into construction and sale agreements for the building of four new Handymax dry bulk vessels (altogether referred to as "Vessels") with PT PAL INDONESIA (PERSERO) ("PT PAL"), a shipbuilder in Indonesia which is not related to the Company. The contract value for the new Vessels is USD 157,568,000, equivalent to Bt. 5,319,495,680 based on the exchange rate of Bt. 33.76 per USD (as of 21 December 2007).

The Transaction is considered to be an acquisition of assets according to the Notification of the Stock Exchange of Thailand ("the SET") regarding Disclosure of Information and Procedures of Listed Companies Concerning the Acquisition and Disposal of Assets B.E. 2547 (2004). With the calculation of the Transaction size based on the value of assets acquired compared with the book value of total consolidated assets of the Company, the Transaction size equals 18.90% of the total consolidated asset value of the Company and its subsidiaries (altogether referred to as "the Group") as of 30 September 2007 (total asset value of the Group as of such date being Bt. 28,143,963,088).

Coupled with the TTA's other asset acquisitions during the past six months, the Transaction, if executed, would result in commitments of 59.62% of the total consolidated asset value of the Group as of 30 September 2007. As such, the Transaction is classified as a Class 1 transaction pursuant to the SET Notification regarding Criteria, Procedure, and Disclosure of the Acquisition or Disposition of Assets of Listed Companies. The Company is thus required to prepare a report and disclose the transaction to the SET, and to obtain approval for entering into the Transaction from the shareholders meeting with approval votes of at least three-fourths of the total votes of shareholders or proxy (if any) attending the meeting and having voting rights, excluding shareholders with vested interests.

In view of the above, the Board of Directors resolved to appoint Far East Securities Co., Ltd. as the Independent Financial Advisor ("Financial Advisor") to give opinions concerning the price fairness



and transaction reasonableness as well as benefits associated with the Transaction, to the Audit Committee, independent directors, and/or shareholders related to the acquisition of assets.

We, as the Financial Advisor approved by the Office of the Securities and Exchange Commission (the "SEC") and also independent from the Company, have studied the information related to this transaction, including the Board of Directors' resolutions, financial statements, list of shareholders, Certificate of Corporation, Memorandum of Association, agreements, financial projections and assumptions, and relevant documents. We also interviewed executives and related persons, and obtained industry overviews and other economic data. Our opinions expressed herein are based on the assumption that the information and documents obtained from the Company and the information disclosed to the SET are true and correct.

In this regard, our opinions in connection to the Transaction have been prepared and proposed to the Audit Committee and/or the shareholders concerning:

1. Reasonableness and benefits of the Transaction to the Company;
2. Fairness of the prices and conditions of the Transaction; and
3. Whether the shareholders should agree or disagree with the Transaction together with supporting reasons.

The opinions given are based on the assumptions and information known at present and under the current circumstances. Any future changes in the information and unprecedented incidents arising may have material impacts on the value of the assets.

Our opinion can be summarised as follows:

#### **Summary of the Opinion of the Financial Advisor**

##### **1. The reasonableness of the Transaction**

TTA will have 24 vessels to reach 25 years of age during the next four years, representing 55.81% of the existing fleet. To replace the vessels that will gradually be sold or scrapped in the future, to renew and expand the fleet, and to reduce the average age of the fleet, the Company has from time to time ordered newbuild vessels. Before this Transaction, it ordered five newbuild vessels, which, coupled with the four newbuild ones to be acquired this time, will result in nine newbuild vessels to be delivered between 2009 and 2011.

Newbuild vessels instead of second-hand ones will be acquired due to the prevailing high prices of second-hand ones. If the Company acquires second-hand vessels at high prices, it will have to put much effort to generate and maintain charter hire income at the current rate for the next 2-3 years. The prices of newbuild vessels, though on a rising trend, have grown slower than those second-



hand prices. However, the Company will still consider acquiring second-hand vessels, if the prices are considered appropriate.

## 2. Fairness of Terms and Conditions

As figured out by the discounted cash flow approach using the projected cash flows from the hire income from the vessels acquired, the value of the acquisition of four newbuild vessels will be USD 17,659.49 or Bt. 600,422.60 equivalent, which has an average internal rate of return of 14.45%, while the acquisition value of second-hand vessels will be negative USD 71,440.01 or Bt. 2,428,960.35, which has an average internal rate of return of 11.13%. Thus, the acquisition of newbuild vessels will generate better returns than acquiring second-hand vessels under the current circumstances. Besides, the prices of the newbuild vessels ordered under this Transaction are lower than the independent appraisal prices by an average of USD 9.36 million per vessel.

## 3. Recommendation to the Shareholders of the Company

Based on the above information and consideration, we are of the opinion that the shareholders should vote for the acquisition of the assets under this transaction at the Shareholders' Meeting to be held on 31 January 2008. Although the net present value so calculated is marginally positive, under the current circumstances, we view that the Company has only four options in maintaining its overall loading capacity size, namely order for newbuild vessels, acquisition of second-hand vessels, rescheduling of sale or scrapping of vessels reaching 25 years of age, and lease of vessels to fill up its fleet. In view of this, the Transaction to be made by the Company to order newbuild vessels is considered essential and reasonable.

## 1. Characteristics and Details of Transaction

### 1.1. Type and Size of Transaction

The size of the Transaction equals 18.90% of the total asset value of the Group as of 30 September 2007 (total asset value of the Company as of such date being Bt. 28,143,963,088). Coupled with TTA's other asset acquisitions during the past six months, the Transaction would result in commitments of 59.62% of the total asset value of the Group as of 30 September 2007. As such, the Transaction is classified as a Class 1 transaction (total transaction value being 50% or higher, but lower than 100%) pursuant to the SET Notification. The Company is thus required to prepare a report and disclose the Transaction to the SET, and to obtain approval for entering into the Transaction from the shareholders meeting with approval votes of at least three-fourths of the total votes of shareholders or proxy (if any) attending the meeting and having voting rights, excluding shareholders with vested interests.



## 1.2 Details of Assets

TSS has agreed to sign construction and sale agreements for the building of four new Handymax dry bulk vessels (each with a loading capacity of 50,223 DWT) with PT PAL at the latter's shipyard in Indonesia.

The delivery value of the Vessels is a total of USD 157,568,000, equivalent to Bt. 5,319,495,680 based on the exchange rate of Bt. 33.76 per USD. Details are as below:

### 1.2.1 Nature of the Assets (4 Newbuild Vessels)

Details	2 Vessels to be delivered in 2009		2 Vessels to be delivered in 2010	
	Type of Vessels	Open-hatch box-shaped bulk carriers		
Vessel Size	Vessels between 35,000 dwt and 60,000 dwt. Handymax vessels operate in a large number of geographically dispersed global trades, mainly carrying grains and minor bulks including steel products, forest products, and fertilisers. Vessels less than 60,000 dwt are usually built with on-board cranes that enable them to load and discharge cargo in countries and ports with limited infrastructure.			
Properties of Vessels	The Vessels have wider hatch openings than that of general cargo or standard dry bulk vessels. This should lead to higher efficiency when loading unitised cargo, such as steel sheets and forest products.			
Loading capacity (DWT)	50,223	50,223	50,223	50,223
Contract value <sup>1/</sup>	The delivery price of the Vessels is USD 157,568,000 which is equivalent to Bt. 5,319,495,680 (average of USD 39,392,000, or Bt. 1,329,873,920 per vessel)			
Appraisal price <sup>2/</sup>	USD 50,000,000		USD 47,500,000	
Delivery schedule	July 2009	October 2009	April 2010	July 2010
Years of useful life (years)	25	25	25	25
Maintenance and infrastructure	The Vessels shall be built with machinery and equipment installed under the regulations and criteria of an international ship classification society.			
Ownership holder	Thoresen Shipping Singapore Pte. Ltd., a subsidiary of TTA			

*Notes* : 1. Exchange rate of Bt. 33.76 per USD

2. Appraised by Simpson Spence & Young Ltd. on 7 December 2007 by the comparative market approach based on the accord price between the buyer and the seller, together with the opinion of the appraiser of the market condition at the time of the Transaction. The appraisal price for 2009 is higher than that for 2010 is because normally the buyer who is the contractor for the building of the vessel will take into account any advance payment, opportunity cost and earning from the sale of the ownership under the circumstances in a given period.



## Salient Points of Construction and Sale Agreements

The agreements carry standard terms and conditions applicable in present market conditions, especially as regards to refund guarantees provided by banks acceptable to the Company to cover instalment payments and interest payments on amounts already paid by the Company in the event that the shipbuilder fails to comply with the agreements. The agreements also specify indemnification/penalties in case of late delivery of the Vessels and the Vessels failing to match the specifications as specified therein, such as vessel quality, vessel size, loading capacity, speed, and fuel consumption. In the event of any change in the Vessel specifications, the shipbuilder shall seek prior consent from the Company. A 12-month warranty shall also be provided for the Vessel hull, engine, and equipment counting from the Vessel delivery date, whereby the shipbuilder shall, at its expense, repair the Vessel or change damaged parts to normal conditions.

As per the Contract, the parties have determined damages based on estimated loss of revenue to the Company for delayed deliveries as defined in the Contract. Similarly, there is an incentive for early deliveries as defined in the Contract. It is also agreed that the maximum damages that can be deducted by the Company from delayed deliveries.

- If the delivery of the Vessel is delayed more 30 days after the Delivery Date, the Contract Price shall be reduced by USD 11,000 for each day (per vessel) of delay up to 150 days. However the aggregate amount of such reductions shall in no event exceed USD 1.32 million (per vessel).

- If the delay in the delivery of the Vessel continues for a period of more than 150 days after the agree Delivery Date, then, the Company may elect to either accept the Vessel at the maximum reduction in the Contract Price or rescind this Contract. In the event that the Company opts to terminate the agreements due to the shipbuilder's failure to comply with the agreements, it may demand the return of the instalment payment duly made together with interest thereon at the rate of 5.5% p.a. A bank acceptable to the Company acts as payment guarantor under the agreements.

- On the other hand, the Company may request in writing that the delivery of the Vessel be make earlier than the Delivery Date. If such request is accepted by PT PAL and the Vessel is so delivered, the Contract Price shall be increased by the amount USD 6,000 for each day (per vessel) that such earlier delivery is effected in advance of the Delivery Date.

### 1.3 Total Value of Consideration

The total value of consideration of the four Vessels is USD 157,568,000, equivalent to Bt. 5,319,495,680 based on the exchange rate of Bt. 33.76 per USD. Terms of payment are as follows:



### Vessels to be Delivered in 2009

Instalment no.	Details of payment terms
1	A 10% deposit is payable within seven business days after signing the agreements and upon the shipbuilder's presentation of refund guarantees.
2	The remaining balance of 90% is payable upon delivery of the Vessels, which is expected in July and October 2009.

### Vessels to be Delivered in 2010

Instalment no.	Details of payment terms
1	A 25% deposit is payable within seven business days after signing the agreements and upon the shipbuilder's presentation of refund guarantees.
2	A 25% deposit is payable on the steel cutting date.
3	A 20% deposit is payable on the keel laying date.
4	A 20% deposit is payable on the launching date.
5	The remaining balance of 10% is payable upon delivery of the Vessels, which is expected in April and July 2010.

An estimated payment schedule for the aggregate 4 Vessels price, incorporating the above instalment payments, is summarized below:

*(U.S. dollars)*

	1H'08	2H'08	1H'09	2H'09	1H'10	2H'10
Amount	27,574,400	19,696,000	7,878,400	86,662,400	11,817,600	3,939,200

*Notes : Payment schedule will be adjusted depends on current situation on such period.*

The above price includes the cost of modifying the Vessels to be above the normal specifications of PT PAL such as main engine modification to cut lube oil consumption, larger sewage and oily water separator systems, increased paint specification in cargo holds and ballast tank to ensure longer lasting structural steel protection. All of the above modifications will ensure durability and protect the environment.

#### 1.4 Sources of Funds

Sources of funds will mainly (about 60%) come from USD syndicated loans, while the remaining (about 40%) from equity of TSS, which is funded by a combination of its operating cash flows and TTA equity injection. TSS has current paid-up and registered capital of Singapore Dollar 58.90 million, or Bt. 1,358.56 million based on the exchange rate of Bt. 23.0656 per Singapore Dollar. TSS will raise its capital from time to time to fund the instalment payments for the



Vessels, according to agreed payment terms TTA will invest in the new share capital of TSS in full from time to time as requested.

As of 30 September 2007, TTA had cash and cash equivalents of Bt. 3,745 million and operating cash flows of Bt. 6,832 million. TTA has taken active steps to increase its liquidity and capital resources to finance significant investments. In October 2007, Mermaid Maritime Plc. ("Mermaid" or "MML"), of which TTA previously owned 78.09%, made an initial public offering of its new ordinary shares and listed the shares on the Singapore Exchange. TTA shareholding has been reduced to 55.29%, as it did not participate in the IPO. In September 2007, TTA issued and offered convertible bonds of USD 169.80 million, or Bt. 5,773.20 million based on the exchange rate of Bt. 34.00 per USD. These bonds are listed on the Singapore Exchange. Exercise of conversion right began since 30 October 2007, and the last redemption will fall on 24 September 2012. TTA has the option to pay for the bond redemption in either ordinary shares or cash.

Moreover, TTA's liquidity as of 30 September 2007, including cash, cash equivalents, and undrawn borrowings, was Baht 4,646.28 million, up from Baht 2,900.43 million as of 30 September 2006. The increase in total liquidity was mainly the result of higher cash flows from operations, mainly reflecting the increase in the average fleet TC rate and higher offshore service income.

In view of the above sources of funds, TTA has funds available to make instalment payments for the Vessels according to the agreements and as considered appropriate under the circumstances, using such sources as loans from financial institutions (On 9 November 2007, TSS entered into senior secured credit facilities with 7 foreign financial institutions to provide part finance for newbuild and second-hand vessels. The facilities comprise i) a revolving credit facility of up to USD 36 million for general corporate purposes, which has repayment terms within 6 years and ii) a term loan facility and guarantee facility of up to USD 360 million to issue of letters of guarantee and to part finance the purchase of newbuild and second-hand vessels, which have the repayment term of 10 years. The facilities are secured by mortgages of two of the Group's ocean vessels and subsequently by the newbuild or second-hand vessels that have been acquired, assignment of insurance for the collateral vessels, pledge or charge over bank accounts, and a corporate guarantee by the Group. The loans bear interest at the rate of LIBOR plus a certain margin.), operating cash flows, funds from convertible bonds, and others.

## 2. Profiles of Thoresen Thai Agencies Plc., Thoresen Shipping Singapore Pte. Ltd., PT PAL (shipbuilder), and Simpson Spence & Young Ltd. (price appraiser)



## 2.1 Thoresen Thai Agencies Plc.

### 2.1.1 Background

TTA is one of the leading integrated maritime business groups in South-East Asia. The Company and its subsidiaries have provided shipping-related services since 1904, dry bulk shipping services since 1985, and offshore oil and gas services since 1995. The Company was listed on the SET on 25 September 1995. As of 31 December 2007, TTA owned a fleet of 43 general cargo and dry bulk vessels. The Group also owned a fleet of four offshore support vessels and two tender drilling rigs.

### 2.1.2 Nature of Business Operations

TTA acts as the holding company for 66 consolidated subsidiaries and three affiliates and joint ventures. The Company has three core business groups: dry bulk shipping group, offshore services group, and shipping services group, as described below:

1. Dry bulk shipping group provides services to major dry bulk and container vessel owners and operators, trading companies, and logistics companies. As of 31 December 2007, TTA owned fleet of 43 general cargo and dry bulk vessels comprised 28 Handysize (vessels up to 35,000 dwt) and 15 Handymax vessels (vessels between 35,000 dwt and 60,000 dwt), with an additional 6 Handymax vessels (vessel chartered-in through 2010). The dry bulk shipping group provides both liner and tramp services. The liner services are regular services along major voyage routes from South-East Asia and China to the Persian Gulf, the Red Sea, and the Mediterranean Sea, while the tramp services offer no fixed schedules and according to the bespoke requirements of TTA's clients. The liner and tramp services segments complement each other, as vessels being used on the liner services on their outbound voyages to the Middle East may frequently be used to provide tramp services on their return voyages. The tramp services are operated under period time charters, contracts of affreightment, short-term fixed contracts, and spot rate contracts.
2. Offshore services group provides offshore oil and gas related services, emphasising sub-sea engineering and contract drilling, through its owned fleet of four offshore support vessels and two tender drilling rigs. This group also chartered-in two offshore support vessels through 2010. The offshore services group operates primarily in South-East Asia. Mermaid is the main operating and holding company for the offshore services group. As of 30 September 2007, TTA owned 78.09% of Mermaid,





but after its initial public offering of shares and listing on the Singapore Exchange on 16 October 2007, TTA currently owns 55.29% of Mermaid.

3. Shipping services group provides shipping-related services, including ship agency services in Thailand, Vietnam and the UAE, vessel supplies, stevedoring services, warehouse rentals and logistics in Thailand, and ship brokerage services around the region.

#### Revenue structure

(Baht millions)

Revenues	Type of business	2005		2006		2007	
		Revenues	%	Revenues	%	Revenues	%
1. Freight	Dry bulk shipping	14,518.55	96.02	12,820.99	75.17	15,865.29	74.42
2. Services	Shipping services	203.18	1.34	263.75	1.55	259.48	1.22
3. Services	Offshore services	-	-	2,752.82	16.14	4,025.55	18.88
4. Brokerages	Shipping services	165.25	1.10	159.65	0.94	205.75	0.97
5. Share of profits in associated companies		28.94	0.19	-	-	9.40	0.04
6. Other		203.84	1.35	1,059.79	6.20	953.12	4.47
<b>Total</b>		<b>15,119.76</b>	<b>100.00</b>	<b>17,057.00</b>	<b>100.00</b>	<b>21,318.59</b>	<b>100.00</b>

#### 2.1.3 Industry Outlook

The year 2007 saw a continued prospective condition of the maritime industry in line with the strong demand for dry bulk vessels which had been on the rising trend. As reported by Drewry, global maritime trade volume in 2006 reached 8,282 million tons (compared with 6,288 million tons in 2001). Healthy demand came principally from China, India and the Middle East which recorded a rapid growth. World demand for dry bulk cargo during 2001-2006 grew at an average annual rate of 6.9% while supply or volume of world dry bulk vessels, on the deadweight ton basis, recorded an average annual growth rate of 4.6%, hence a demand-supply imbalance. This has accordingly tightened the maritime transportation market. World vessel utilization rate has remained at a high level. (The Company's vessel utilization rate as of the fiscal period ended 30 September 2007 was 96.89%.) The freight rates of dry bulk cargo have been increasing at a rapid pace since 2004 according to Drewry report.

With the sharp increase in charter hire rate, the newbuild dry bulk vessels have been high-priced significantly since 2003 due to tightened shipbuilding capability of shipyards in the face of huge orderbooks and rising shipbuilding costs. Amidst this situation where newbuild vessels have been traded at high prices and freight rates have been strong and attractive, prices of second-hand vessels surged in 2004 before declining in the first half



of 2006 and rebounding in the second half of that year. In 2007, prices of second-hand vessels remained high, and even reached new highs from time to time. Some types of second-hand vessels, especially the low-age ones, are priced higher than the newbuild ones, or some at the age of around five years are of higher prices than the newbuild ones of similar sizes.

#### 2.1.4 Operating Results

##### Financial position and working performance

The Company's financial status and working results as of 30 September 2005-2006 have duly been examined by Pricewaterhouse Coopers ABAS by Mrs. Anothai Leekitwattana, CPA no 3442. For 2007, the audit was handled by Ms. Nangnoi Charoenthaweessap, CPA no. 3044.

*(Baht millions)*

Consolidated financial statements	Audited		
	30 Sep 05	30 Sep 06	30 Sep 07
Current assets			
Cash and cash equivalents	1,698.03	1,372.48	3,745.16
Short-term investments	562.73	245.72	300.59
Accounts receivable of non-related business - net	1,026.82	1,827.23	2,169.55
Materials and supplies for vessels	535.30	698.56	724.94
Other current assets	390.72	651.06	922.41
<b>Total current assets</b>	<b>4,213.60</b>	<b>4,795.05</b>	<b>7,862.65</b>
Non-current assets			
Investments in affiliates and joint ventures	920.64	79.11	81.70
Land, property, and equipment - net	13,772.59	16,943.10	18,735.68
Other non-current assets	562.55	1,323.13	1,463.93
<b>Total non-current assets</b>	<b>15,255.78</b>	<b>18,345.34</b>	<b>20,281.31</b>
<b>Liabilities</b>	<b>19,469.38</b>	<b>23,140.39</b>	<b>28,143.96</b>
Current liabilities			
O/D and short-term borrowings	-	200.06	231.05
Accounts payable of non-related business	932.33	1,403.75	1,713.61
Long-term loans - current portion	1,208.24	1,450.13	1,227.13
Accrued expenses	447.02	396.86	642.00
Other current liabilities	264.48	354.80	670.11
<b>Total current liabilities</b>	<b>2,852.07</b>	<b>3,805.60</b>	<b>4,483.90</b>
Non-current liabilities			



(Baht millions)

Consolidated financial statements	Audited		
	30 Sep 05	30 Sep 06	30 Sep 07
Convertible debentures – net	-	-	5,665.20
Long-term loans	7,473.40	7,302.03	1,921.88
Obligations under financial leases	-	9.70	18.45
<b>Total non-current liabilities</b>	<b>7,473.40</b>	<b>7,311.73</b>	<b>7,605.53</b>
<b>Total liabilities</b>	<b>10,325.47</b>	<b>11,117.33</b>	<b>12,089.43</b>
Registered capital	693.68	693.68	868.68
Issued and paid-up capital	643.68	643.68	643.68
Retained earnings	6,938.87	9,057.65	13,103.77
<b>Shareholders' equity</b>	<b>9,143.91</b>	<b>12,023.06</b>	<b>16,054.53</b>
<b>Total liabilities and shareholders' equity</b>	<b>19,469.38</b>	<b>23,140.39</b>	<b>28,143.96</b>
Total revenues (exclude foreign exchange gains)	15,103.58	16,314.91	20,595.23
Foreign exchange gains	16.17	742.09	723.36
Total costs and expenses	8,629.92	12,470.26	15,450.26
Interest expenses	445.32	701.08	665.47
Net profit (loss)	5,948.65	3,502.44	4,968.52
Net profit (loss) per share (Bt.)	9.24	5.44	7.72
Book value per share (Bt.)	14.20	18.68	24.94

As of 30 September 2007, the Company had total assets of Bt. 28,143.96 million (core items being cash and cash equivalents, accounts receivable of non-related business, materials and supplies for vessels, etc., while non-current assets being vessels, drilling rigs, land, property, and equipment). Total liabilities and shareholders' equity accounted for Bt. 12,089.43 million and Bt. 16,054.53 million, respectively. Compared with the figures as of 30 September 2006, the Group had total assets of Bt. 23,140.39 million, total liabilities of Bt. 11,117.33 million, and shareholders' equity of Bt. 12,023.06 million.

As of 30 September 2007, the Group posted net profit of Bt. 4,968.52 million, which included foreign exchange gains of Bt. 723.36 million, compared with Bt. 3,502.44 million of net profit, including Bt. 742.09 million in foreign exchange gains, in the same period of the previous year). The better performance was attributable to increases in average dry bulk freight rates. Freight income in 2006 amounted to Bt. 12,820.99 million, rising to Bt. 15,865.29 million in 2007. Income from offshore services was posted at Bt. 2,752.82 million in 2006, which increased to Bt. 4,025.55 million in 2007. Other service and brokerage income accounted for Bt. 423.41 million in 2006, going up to Bt. 465.22 million



in 2007. Vessel operating expenses increased from Bt. 8,167.24 million in 2006 to Bt. 9,280.36 million in 2007, and offshore service expenses from Bt. 1,566.28 million to Bt. 2,713.75 million respectively. According to the income statement for the period ended 30 September 2007, the dry bulk shipping group recorded better performance than in 2006 while the performance of the offshore service group was on a decline.

Despite a high freight rate environment, demand for dry bulk shipping is expected to increase in 2008. The Company has placed 22.16% of the total dry bulk fleet's available capacity on period time charters for the financial year that will end on 30 September 2008. It has also secured contracts of affreightment, or forward fixed-price delivery contracts, for another 2,780 vessel days. The Company expects to its share of Mermaid profits to rise due to higher demand for and higher day rates for offshore services.

As of 30 September 2007, the Group recorded long-term liabilities of USD 261.38 million (equivalent to around Bt. 8,987.58 million, based on the average selling of the rates posted by the Bank of Thailand at the end of the business days in September 2007 : Bt. 34.3851 per USD), compared with USD 231.30 million (around Bt. 7,953.27 million) as of 30 September 2006. Loan borrowing of the Group has mainly been for the purpose of acquiring vessels. In making each loan transaction, one vessel or more has to be mortgaged as loan security, together with assignment of right of beneficiary to insurance claims, freight income and compensations, as well as other conditions, such as prohibition of the Company from additional incurrence of debts or commitments in such assets with any third party, etc.

In addition, on 24 September 2007, the Company issued unsecured convertible debenture worth USD 169.80 million. The debenture was issued and listed on the Singapore stock exchange on 25 September 2007. As of 30 September 2007, the net asset value was Bt. 5,665.20 million (as per notes to financial statements no. 19).

#### Significant financial ratios

Consolidated financial statements	Audited		
	30 Sep 05	30 Sep 06	30 Sep 07
<b>Liquidity ratios</b>			
Current ratio (times)	1.48	1.26	1.75
Quick current ratio (times)	1.15	0.91	1.39
Cash flow liquidity ratio (times)	2.91	1.26	1.65
Accounts receivable turnover ratio (times)	16.55	9.28	8.17



Consolidated financial statements	Audited		
	30 Sep 05	30 Sep 06	30 Sep 07
Average collection period (days)	21.75	38.79	44.05
Accounts payable turnover ratio (times)	8.26	7.95	7.02
Account payable days	43.58	45.29	51.25
<b>Profitability ratios</b>			
Gross profit margin (%)	55.76	38.89	40.29
Net profit margin (%)	39.34	20.54	23.31
Return on equity (%)	75.45	34.54	37.73
<b>Operating performance ratios</b>			
Return on assets (%)	33.76	16.44	19.38
Return on fixed assets (%)	58.45	33.31	37.91
Asset turnover ratio (times)	0.86	0.80	0.83
<b>Financial policy ratios</b>			
Total debt to equity ratio (times)	1.13	0.99	0.80
Interest payment coverage ratio (times)	14.51	6.54	8.80
Commitment coverage ratio (times)	0.59	0.44	1.49
Dividend payout ratio (%)	37.87	24.81	21.38

### Liquidity

Based on the consolidated financial statements for the period ended 30 September 2007, net cash flows rose Bt. 2,372.68 million, with net cash flows from operations amounting to about Bt. 6,848.65 million. Net cash flows from financing activities fell by Bt. 99.07 million (excluding Bt. 10.63 million due to divestments of subsidiary companies). Mainly were dividend payout and repay long-term loans. Cash outflows from investing activities amounted to Bt. 4,366.27 million, as the Company paid for fixed assets and intangible assets, amounting to Bt. 3,807.81 million (primarily as a result of 5 newbuild dry bulk vessels and orders for new offshore equipment), and expenses for vessel dry-docking, amounting to Bt. 679.08 million.

From the above financial ratios, the financial year ended 30 September 2007 saw an increase in the current ratio from 1.26 times in 2006 to 1.75 times in 2007. The quick ratio went up from 0.91 times in 2006 to 1.39 times in 2007, and the cash flow liquidity ratio went up from 1.26 times in 2006 to 1.65 times in 2007 following the increase in net cash flows from operations. Accounts payable turnover ratio slipped from 7.95 times in 2006 to 7.02 times in 2007, and account payable period lengthened from 45 days in 2006 to 51



days in 2007. Accounts receivable turnover decreased from 9.28 times in 2006 to 8.17 times in 2007, while average debt collection period increased from 39.79 days in 2006 to 44.05 days in 2007, primarily due to accounts receivable of Mermaid. Most of such customers are multi-national corporations, state agencies and large oil and natural gas companies. Thus, terms of payments for the Company's services may differ contract by contract and depending on the nature of services and the contract parties. In this regard, the terms of payments for this service group are usually longer than those for dry bulk shipping group.

#### 2.1.5 Shareholders

List of shareholders as of 28 September 2007, the latest date of share register closing, is shown as below:

Name	Number of shares	%
1. Thai NVDR Co., Ltd.	178,612,132	27.75
2. Goldman Sachs International	39,675,000	6.16
3. The Bank of New York (Nominee) Limited	26,300,449	4.09
4. State Street Bank and Trust Company	18,958,689	2.95
5. State Street Bank and Trust Company, For London	15,603,300	2.42
6. State Street Bank and Trust Company, For Australia	15,226,500	2.37
7. HSBC (Singapore) Nominee Pte Ltd	14,814,380	2.30
8. UOB Kay Hian Private Limited	10,692,000	1.66
9. Somers (U.K.) Limited	10,652,600	1.65
10. Mellon Bank, N.A.	10,407,262	1.62
<b>Total</b>	<b>340,942,312</b>	<b>52.97</b>
11. Others	302,742,110	47.03
<b>Total</b>	<b>643,684,422</b>	<b>100.00</b>

#### 2.1.6 Board of Directors

List of Board of Directors as of 10 January 2008 is as follows:

Name	Position
1. M.R. Chandram S. Chandratat	Chairman
2. M.L. Chandchutha Chandratat	Managing Director
3. Mr. Stephen Fordham	Independent Director, Chairman of Nomination Committee
4. Dr. Pichit Nithivasin	Independent Director, Chairman of Remuneration Committee
5. Mr. Bjorn Ostrom	Independent Director, Chairman of Audit Committee



Name	Position
6. Mr. Sak Euarchukiati	Independent Director
7. Dr. Siri Ganjarerndee	Independent Director, Audit Committee Member
8. Mrs. Pratana Manomaiphiboon	Independent Director, Audit Committee Member
9. Mr. Lance Karl Depew	Director
10. Mr. Andrew John Airey	Director
11. Mr. Anders Soedergren	Director

## 2.2 Thoresen Shipping Singapore Pte. Ltd.

### 2.2.1 Background and nature of business operations

Date of incorporation	:	5 June 2006
Country of Incorporation	:	Singapore
Type of Business	:	A vessel owning, vessel chartering, and/or holding company investing in vessel owning companies.
Registered and Paid-up Capital	:	TSS has current paid-up and registered capital of Singapore Dollar 58.90 million, or Bt. 1,358.56 million based on the exchange rate of Bt. 23.0656 per Singapore Dollar (as of 7 January 2008).

### 2.2.2 Objective

Singapore has developed the AISE scheme (the "Approved International Shipping Enterprise") under the Singapore Income Tax Act to provide tax incentives for companies in the international maritime sector.

TSS applied and was granted AISE status for an initial period of 10 years. As evidence of its success in the shipping industry, eighty shipping companies have been granted the AISE status.

The establishment of TSS will allow TTA to reduce freight taxes, because Singapore has comprehensive double tax agreements with a larger number of countries than Thailand. TTA plans to operate some key liner routes and vessels through TSS to reduce our freight taxes. TTA might also use TSS or its subsidiaries as vessel owning companies in the future.

### 2.2.3 Major Shareholder

Thoresen Thai Agencies Plc., holding 100%.



## 2.3 PT PAL INDONESIA (PERSERO) (Shipbuilder)

### 2.3.1 Background and Nature of Business Operations

Although the reputation of PT PAL may not be regarded being on par with that of top-tier shipyards in Japan and South Korea (and some parts of China), it is acceptable, taking into account its highest market share in Indonesia. PT PAL is also a leading state enterprise that is owned by the Indonesian government. It has over 26 years experience in shipbuilding, design, manufacturing, and repair and maintenance of various types of vessels, e.g. commercial and naval ships and high-speed vessels.

Considering its past track record, PT PAL experienced some delays in the delivery of vessels to clients. However, it has improved its internal work processes to enhance its operational efficiency and hence limit such problems. Before signing the shipbuilding contract, TTA has had its team inspect PT PAL's operations to obtain assurance that steps are being taken to limit future problems.

PT PAL is the largest shipbuilder in Indonesia. With the website of [www.pal.co.id](http://www.pal.co.id), its shipyard and head office is in Ujung Surabaya, with a representative office in Jakarta. It is not a related party to TTA.

PT PAL was established in 1939 by the Netherlands government under the name of Marina Ship Docking, which was later changed to Kaigun SE 2124 during the Japanese occupation. After Indonesia's declaration of independence, this company was renamed by the Indonesian government as Penataran Angkatam Laut (PAL). Its status has since 15 April 1980 changed to a limited liability company (Perusahaan Umum). A total manpower of 2,576 was recorded as of the end of 2006.

As of 31 December 2006, PT PAL had a registered of Rupiah 1,500,000 million, equivalent to Bt. 5,698.80 million (based on the exchange rate of 1,000 Rupiah per Bt. 3.7992 as of 7 January 2008) and paid-up capital Rupiah 1,137,331 million, equivalent to 4,320.95 million. PT PAL has all along since 1999 recorded profitable operations, except for 2006 when it operated at a loss of Rupiah 119.50 million, equivalent to Bt. 454.01 million as a result of foreign exchange losses of Rupiah 41.06 million, equivalent to Bt. 155.99 million and an allowance for doubtful accounts of Rupiah 35.86 million equivalent to Bt. 136.24 million.

In 2006, sales revenues from commercial ship building accounted for 50.6%, design and engineering 34.2%, naval ship building 8.50%, and repair & maintenance 6.7%. Domestic and export sales were in a proportion of 62.62% and 37.74%, respectively.





### 2.3.2 Summarised financial status and operating results

Consolidated financial statements	31 December 2006		31 December 2005	
	Rupiah Million	Baht Million	Rupiah Million	Baht Million
Current assets	2,084,210.07	7,918.33	1,707,429.18	6,486.86
Long-term receivables (net)	207,819.91	789.55	260,730.97	0.99
Long-term investments	67,615.49	256.88	56,045.91	212.93
Fixed assets	486,690.52	1,849.03	474,275.94	2,791.45
Other assets	100,993.74	383.70	43,443.27	165.05
<b>Total assets</b>	<b>2,947,329.73</b>	<b>11,197.49</b>	<b>2,541,925.27</b>	<b>9,657.28</b>
Current liabilities	1,443,110.55	5,482.67	951,891.35	3,616.43
Long-term liabilities	319,619.36	1,214.30	281,945.49	1,071.17
<b>Total liabilities</b>	<b>1,762,729.92</b>	<b>6,696.96</b>	<b>1,233,836.84</b>	<b>4,687.59</b>
Shareholders' equity	1,184,599.81	4,500.53	1,308,088.43	4,969.69
<b>Total liabilities and shareholders' equity</b>	<b>2,947,329.73</b>	<b>11,197.50</b>	<b>2,541,925.27</b>	<b>9,657.28</b>
<b>Profit/Loss</b>				
Operating income	(84,515.62)	(321.09)	11,708.33	44.48
Net income	(119,502.49)	(454.01)	6,610.75	25.12

*Notes : As of 31 December 2006, is the latest available financial statements of PT PAL.*

### 2.3.3 Shareholders

PT PAL is majority owned by the Indonesian government and supported by joint co-operation agreements with Mitsui Engineering and Shipbuilding, Friedrich Lurssen (Germany), General Electric, and Mitsubishi Heavy Industries.

### 2.3.4 Board of Directors

Board of Directors of PT PAL comprises Ir. Harsusanto, Ir. Sewoko Kartanegara, Ir. Herbandi Novianto, Drs. Imam Sulistiyanto, Ir. IBP. Jelantik, and Ir. Musphyadi Chalida Putra.

### 2.3.5 PT PAL Orderbook – 2003 to 2007 (as of December 2007)

Year / Type of Vessel	Loading Capacity (DWT)	Owner	Delivery
2003			
Products	3,500	Pertamina	2003
Open hatch	45,000	Meranti maritime	September 2003
Open hatch	45,000	Meranti maritime	December 2003
Products	30,000	Pertamina	2005



Year / Type of Vessel	Loading Capacity (DWT)	Owner	Delivery
<b>2004</b>			
Bulk	18,500	Italtech S.r.L	2006
Bulk	50,000	Lauterjung	February 2006
Bulk	18,500	Italtech S.r.L	February 2006
Bulk	50,000	Lauterjung	June 2006
Bulk	50,000	Geden	September 2006
Bulk	50,000	Geden	November 2006
<b>2005</b>			
Bulk	18,500	Sider Shipping Ltd	2006
Bulk	50,000	Lauterjung	February 2006
Bulk	18,500	Sider Shipping Ltd	February 2006
Bulk	50,000	Lauterjung	June 2006
Bulk	50,000	Geden	September 2006
Bulk	50,000	Geden	November 2006
Chem & Oil	24,000	G.D'Alesio SAS	September 2007
Chem & Oil	24,000	G.D'Alesio SAS	May 2008
<b>2006</b>			
Bulk	50,000	Seven Seas	August 2006
Bulk	50,000	Lauterjung	November 2006
Bulk	50,000	Seven Seas	January 2007
Bulk	50,000	Geden	May 2007
Bulk	18,500	Sider Shipping Ltd	May 2007
Bulk	18,500	Sider Shipping Ltd	July 2007
Chem & Oil	24,000	G.D'Alesio SAS	September 2007
Chem & Oil	6,000	Med. De Navigazione	2008
Chem & Oil	24,000	G.D'Alesio SAS	May 2008
Bulk	50,000	Lauterjung	October 2008
Bulk	50,000	Lauterjung	March 2009
<b>2007</b>			
Chem & Oil	24,000	G.D'Alesio SAS	September 2007
Bulk	50,000	Seven Seas	December 2007
Chem & Oil	6,200	Med. De Navigazione	2008
Chem & Oil	6,200	Med. De Navigazione	2008
Bulk	50,000	Seven Seas	April 2008
Chem & Oil	24,000	G.D'Alesio SAS	May 2008
Bulk	50,000	Geden	July 2008
Bulk	50,000	Lauterjung	October 2008
Bulk	50,000	Lauterjung	March 2009



### 2.3.6 Risk associated with PT PAL which is a shipyard

There may be a risk of breach of the agreements. However, PT PAL is a leading shipbuilder with dependable experience in shipbuilding for over 26 years and is a state enterprise of Indonesia. Ship construction will be handled in Sura Baya in Indonesia under the supervision of TTA's team. Any delay by PT PAL will affect the anticipated sale or scrapping schedule, as well as the delivery schedule, to the Company. However, the Company had steps to be taken to limit the said risk such as enter into an agreement carefully.

### 2.3 Simpson Spence & Young Ltd. (Independent Appraiser)

In 1880, two shipbrokers, Ernest Louis Simpson, an Englishman, and Lewis H. Spence, an American, founded the firm of Simpson and Spence and set up an office in New York. In 1882, Captain William Young was invited to join the partnership and open an office in Newcastle-upon-Tyne, England. From then on the firm was known as Simpson Spence & Young ("SSY").

In the years following, offices were opened in London and other UK cities in order to service local principals. New York and London became the focal points of worldwide shipping for several decades, and in these two centres, SSY built up specialist teams of brokers and back-up staff, which provided a strong foundation for future development and expansion.

In the mid-1960's, the partnership made a decision to expand internationally, and in 1966, an office was opened in Australia. Over the next 25 years, SSY encouraged by the success of this venture, opened further offices in Vancouver (1973), Hong Kong (1975), Bogota (1986), Singapore (1991), Shanghai (1997), Jakarta (2001), Naples (2001), Oslo (2003), Zug (2003), a joint venture in Hamburg (2004), Beijing (2005), and Mumbai (2007). This service covers dry cargo chartering, power projects, freight futures, tanker chartering, gas and chemical chartering, newbuild contracting, and sales and purchases of second-hand tonnage.

Today, with all the offices linked by an excellent communication network, the flow of information and market intelligence circulating throughout the organisation enables all offices to give their clients a comprehensive worldwide service, unique amongst shipbroking companies.

Simpson Spence & Young has remained an independent private partnership since 1880, and today, they are one of the largest international shipbroking organizations in the world with the website of [www.ssyonline.com](http://www.ssyonline.com). The London Sale & Purchase Department has 20 Brokers at present, and SSY have other Brokers around the world. SSY provide valuations for many Banks/Financial institutions, Shipowners and Lawyers, Insurance Companies and Average Adjusters. Recently SSY turn-over has been around 5,000 valuations each year.



### 3. Reasonableness of the Transaction

#### 3.1 Objective and Necessity of the Transaction

To expand its fleet and replace the existing vessels

TTA mainly engages in owning and operating sea-borne vessels, most of which are Handysize and Handymax dry bulk vessels. As of 30 September 2007, the Company had a fleet of 45 vessels with total loading capacity of 1,266,518 DWT, or an average of 28,145 DWT, and an average age of 18.04 years. It is awaiting the delivery of five newbuild vessels. Taking into account the four new Vessels under this Transaction, the Company's newbuild fleet will have nine vessels, the delivery of which will gradually be made during 2009-2011. Details of the newbuild vessels/country of origin, delivery period, and loading capacity are as follows:

Newbuild vessel/Country	Delivery period	Capacity per vessel (DWT)	Total contract value
1. Oshima # 1 / Japan	December 2009	53,350	Total contract value is Yen 8,170,000,000, equivalent to Bt. 2,482,454,500.
2. Oshima # 2 / Japan	September 2011	53,350	
3. Vinashin # 1 / Vietnam	October 2010	53,000	Total contract value is USD 123,796,344, equivalent to Bt. 4,275,925,721.76.
4. Vinashin # 2 / Vietnam	February 2011	53,000	
5. Vinashin # 3 / Vietnam	June 2011	53,000	
6. PT Pal # 1 / Indonesia	July 2009	50,223	Total contract value is USD 157,568,000, equivalent to Bt. 5,319,495,680.
7. PT Pal # 2 / Indonesia	October 2009	50,223	
8. PT Pal # 3 / Indonesia	April 2010	50,223	
9. PT Pal # 4 / Indonesia	July 2010	50,223	
<b>Total loading capacity</b>		<b>466,592</b>	

On 23 October and 1 November 2007, TTA sold Thor Triumph (23,245 DWT) and Thor Sailor (16,248 DWT), which are general cargo vessels, respectively. Thus, at present, the Company has a fleet of 43 vessels (excluding six chartered-in vessels, the terms of which shall expire through 2010). The Company plans to gradually renew and expand its fleet. For conservative planning purposes, the Company plans to sell or scrap 24 vessels that shall reach the age of 25-26 years (constituting 55.81% of the current fleet) as can be summarised below:

Vessel expected to be sold or scrapped	Sale or discharge year	Age (Years)	DWT (Deadweight Ton)	Total DWT (Deadweight Ton)
1. Thor Master	2008	25.18	17,298	
2. Thor Merchant	2008	24.93	17,326	
3. Thor Champion	2008	24.85	25,150	
4. Thor Mariner	2008	24.72	17,298	



Vessel expected to be sold or scrapped	Sale or discharge year	Age (Years)	DWT (Deadweight Ton)	Total DWT (Deadweight Ton)
5. Thor Captain	2008	24.43	25,085	
6. Thor Confidence	2008	24.28	24,900	127,057
7. Thor Commander	2009	23.43	26,140	
8. Thor Alliance	2009	23.27	40,940	
9. Thor Mercury	2009	23.26	17,322	84,402
10. Thor Tribute	2010	22.75	23,224	
11. Thor Lotus	2010	22.63	35,458	
12. Thor Guardian	2010	22.35	41,876	
13. Thor Jasmine	2010	22.12	36,633	
14. Thor Orchid	2010	22.02	34,800	171,991
15. Thor Trader	2011	21.87	24,126	
16. Thor Star	2011	21.87	16,248	
17. Thor Traveller	2011	21.85	24,126	
18. Thor Sea	2011	21.44	16,248	
19. Thor Pilot	2011	21.37	33,400	
20. Thor Spirit	2011	21.32	16,248	
21. Thor Venture	2011	21.31	41,824	
22. Thor Sun	2011	21.25	16,223	
23. Thor Transporter	2011	21.16	23,930	
24. Thor Jupiter	2011	21.13	36,992	249,364
			632,814	632,814

*Note : Data from the Company.*

Under such circumstances, by the end of 2011, the Company will have a fleet of 28 vessels (Current fleet of 43 vessels – 24 vessels to be sold or discharged + 9 new vessels), which is inadequate to serve the Company's projected dry bulk cargo demand. Global dry bulk cargo volumes grew 39.66% from 2001-2006, or a compounded annual growth rate of 6.9%, as tabulated below:

Cargo type	2001	2002	2003	2004	2005	2006	CAGR 2001-2006 %
Coal	2,532	2,531	2,852	3,319	3,565	3,716	8.0
Iron ore	2,580	2,741	3,050	3,463	3,905	4,259	10.5
Grains	1,319	1,218	1,251	1,277	1,301	1,347	0.4
Light-weight cargo	3,292	3,481	3,610	3,919	4,021	4,257	5.3
<b>Total</b>	<b>9,723</b>	<b>9,971</b>	<b>10,763</b>	<b>11,978</b>	<b>12,792</b>	<b>13,579</b>	<b>6.9</b>

*Source : Information provided by Drewry. Drewry ([www.drewry.co.uk](http://www.drewry.co.uk)) is an independent shipping consultant provides commercial, economic and technical consulting services to the international shipping industry.*

*Note : Demand for dry bulk cargo computed as ton-mile and classified by cargo type.*



To maintain total loading capacity and average loading capacity of the existing fleet

TTA currently has 43 vessels with a total loading capacity of 1,227,025 DWT, or an average capacity of 28,535 DWT per vessel, and with an average age of 18.21 years. However, the Company plans to renew and improve its fleet during the next 3 – 5 years through either newbuild vessels or acquisition of second-hand vessels as deemed proper, in addition to the sale or disposal of older vessels. Based on this plan, the total loading capacity of the dry bulk shipping fleet will drop at the end of 2011 as tabulated below:

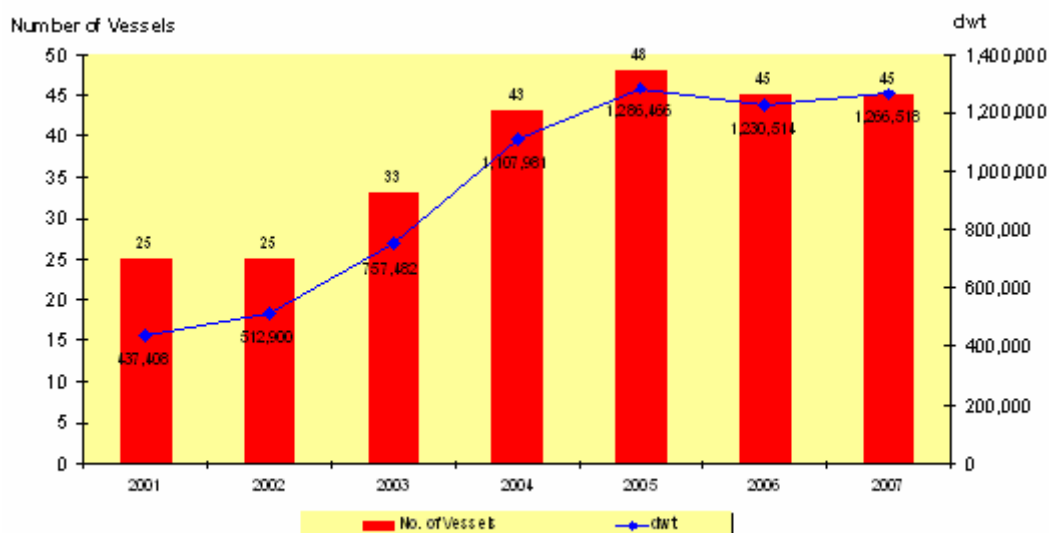
(Unit: DWT)

Projection year	2007A)	2008	2009	2010	2011
Total loading capacity (1 October)	1,230,514 (45 vessels)	1,266,518 (45 vessels)	1,099,968 (37 vessels)	1,065,789 (35 vessels)	1,097,817 (34 vessels)
<u>Less</u> Total loading capacity of vessels to be sold	15,240 (1 vessel)	166,550 (8 vessels)	84,402 (3 vessels)	171,991 (5 vessels)	249,364 (10 vessels)
<u>Plus</u> Total loading capacity of vessels newly acquired	47,111 (1 vessel)	-	50,223 (1 vessel)	204,019 (4 vessels)	212,350 (4 vessels)
Total loading capacity (30 September)	1,266,518 (45 vessels)	1,099,968 (37 vessels)	1,065,789 (35 vessels)	1,097,817 (34 vessels)	1,060,803 (28 vessels)
Average loading capacity per vessel (30 September)	28,145	29,729	30,451	32,289	37,886
Average vessel age (years)	18.04	18.18	17.79	14.34	10.06

*Notes : The Company's accounting period ended 30 September.*

Based on the projected dry bulk shipping demand growth and its significant market share, especially on the Asia to Middle East liner routes, TTA has to acquire further vessels to maintain its total loading capacity near current levels. With higher cargo volumes, it is also prudent to increase the average capacity per vessel. TTA's fleet has grown consistently since 2002, when its total loading capacity was 512,900 DWT, or a growth of 138.43% to date. The following chart summarises the Company's fleet development from 2001 to 2007 (ended 30 September 2007). On 23 October and 1 November 2007, TTA sold Thor Triumph (23,245 DWT) and Thor Sailor (16,248 DWT), with a total loading capacity of 39,493 DWT. Thus, at present, TTA has a fleet of 43 vessels.





To reduce the average age of its fleet and modernise the vessels

As of 31 December 2007, TTA's fleet had an average age of 18.21 years (For the past five years, the average age of the dry bulk vessels was 26 years. A large number of well maintained vessels can further provide service until the age of 30.). According to Fearnleys (The Fearnleys group is one of the largest ship broking companies in the world with activities in dry cargo, sale & purchase, tanker, gas, offshore, and consultancy), the average age of the world dry bulk fleet is 10.4 years, as shown in the table below:

Date	Loading capacity (DWT '000)							Average (years)
	10-25	25-50	50-60	60-100	100-150	150-200	200+	
30 November 2007	20.9	17.0	5.2	11.0	8.4	2.7	10.4	10.4

Source : Fearnleys - Bulk Fleet Update of 30 November 2007 issue

However, the past average age of the world dry bulk fleet was around 12 years as in the following table:

Year	Loading capacity (DWT '000)									Average (years)
	10-25	25-50	50-60	60-80	80-120	120-145	145-160	160-180	180+	
2547	19.3	15.3	5.6	10.7	11.2	19.0	11.8	6.1	12.7	12.1
2548	19.9	15.8	5.1	10.9	9.8	19.9	12.9	6.3	12.4	12.2
2549	20.5	16.4	5.0	11.2	7.2	20.8	13.9	6.4	11.6	12.2

Source : Fearnleys - Bulk Fleet Update of 30 November 2007 issue

The decline in the average age of the world dry bulk fleet in 2007 was attributable to a larger amount of new vessels, particularly the large sizes, being delivered worldwide. If the

Company's nine newbuild vessels are delivered and the existing 24 vessels reaching the age of 25 years are gradually sold out or scrapped according to the timeframe set out above, the average age of the Company's fleet will drop to only 10.16 years. With the reorganized fleet of new, modern, and low-average-age vessels, the Company will be able to save expenses on fuel/energy (old-aged vessels consuming higher fuel/energy than new ones and fuel cost for the past five years being at 22.48% – 27.73% of vessel operating expenses, and fuel price trends expected to rise) and insurance premiums (old-aged vessels paying higher insurance premiums than newer ones).

### 3.2 Advantages of the Transaction (Acquisition of Four New Vessels)

The Company has opted to acquire newbuild vessels instead of mid-life second-hand vessels as in the past, because the trading prices of second-hand vessels are rather high at present due to the elevated freight markets as can be seen from the 1-year time charter rate data below:

(Unit : USD)

Loading capacity (DWT)	Handysize 26-28,000 10-15 yrs.	Inc. / (Dec.) (%)	Handymax 50-55,000 1-5 yrs.	Inc. / (Dec.) (%)	Panamax 70-75,000 1-5 yrs.	Inc. / (Dec.) (%)	Capesize 170,000+ 1-5 yrs.	Inc. / (Dec.) (%)
2001	5,629	-	8,472	-	9,543	-	14,431	-
2002	4,829	(14.21)	7,442	(12.16)	9,102	(4.62)	13,608	(5.70)
2003	8,289	71.65	13,736	84.57	17,781	95.35	30,021	120.61
2004	14,413	73.88	31,313	127.96	36,708	106.45	55,917	86.26
2005	12,021	(16.60)	23,038	(26.43)	27,854	(24.12)	49,333	(11.77)
2006	12,558	4.47	21,800	(5.37)	22,475	(19.31)	45,646	(7.47)
2007*	21,600	72.00	40,475	85.67	47,275	110.34	90,550	98.37
October 2007	30,500	142.87	62,000	184.40	79,000	251.50	155,000	239.57

Source : Drewry

Note : \*Average 1-year time charter for 2007 year-to-date (October 2007)

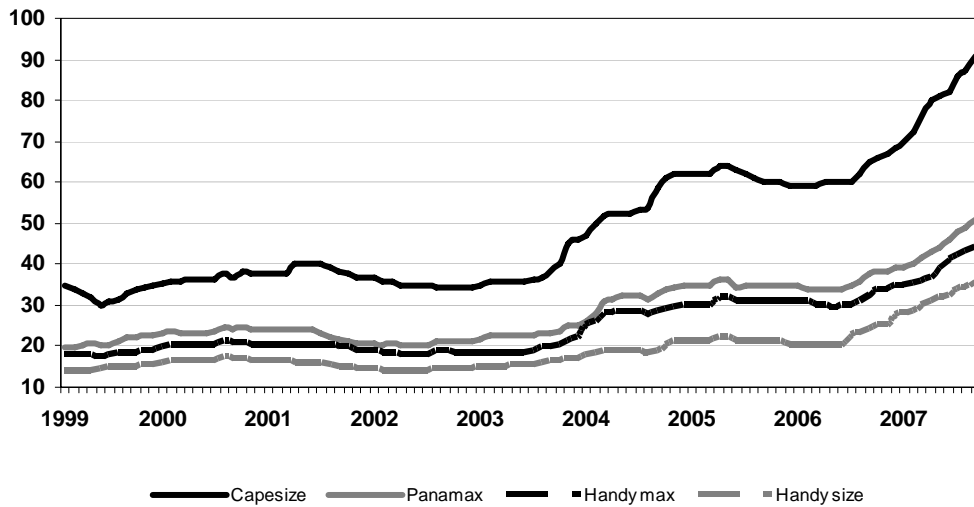
With the record high charter hire rates over the past few years, a significant increase has been recorded in the building of new vessels. However, delivery of newbuild vessels before the end of 2009 is expected to remain inadequate to meet market demand. Thus, a sharp increase in prices of newbuild vessels can be seen due to the rising demand coupled with the shortage of shipbuilding raw materials and increasing steel prices. The following chart shows the price trend of newbuild dry bulk vessels:





### Dry Bulk Carrier Newbuilding Prices: 1999 to 2007

(Millions of US Dollars)

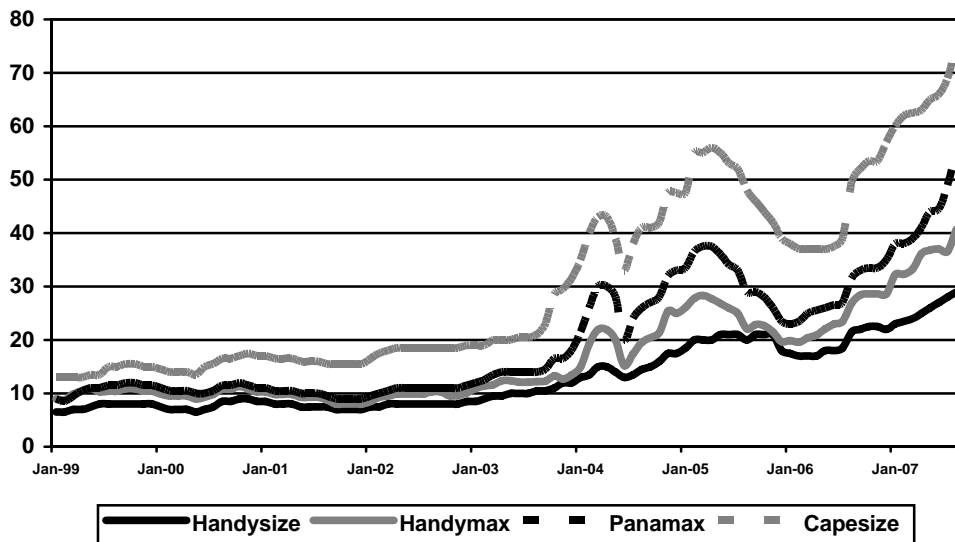


Source: Drewry

The rising price trend of newbuild vessels and the growth of charter hire rates have influenced the prices of second-hand vessels. The following chart shows the price trend of second-hand dry bulk vessels with an average age of 5 years:

### Dry Bulk Carrier Secondhand Prices – 5 year old Ships (Period Averages)

(Millions of US Dollars)



Source: Drewry

From the above table, the prices of second-hand vessels are relatively higher than the new ones of the same size, type, and specifications. The Company has thus intended to acquire newbuild vessels based on the following grounds:



### **3.2.1 Newbuild vessels will be modern and better serve client requirements.**

The Company's new vessels will be furnished with new and high technology equipment suited for TTA's clients. Higher client satisfaction that comes from building vessels that meet their requirements will ensure continued use of the Company's vessels and services.

### **3.2.2 Competitive advantage will be enhanced.**

The newbuild vessels will help boost the Company's competitiveness, with the declining average age of the fleet and the increase of the average loading capacity per vessel. Higher charter income will be generated by the Company. Old-aged vessels would result in lower operational efficiency and higher maintenance costs, hence there is a possible disadvantage in term of costs when compared with modern vessels. As the shipping industry has typically been cyclical, increasing income and reducing operating costs with the use of new and modern vessels will significantly bolster the Company's competitiveness.

### **3.2.3 Market share will be maintained.**

TTA is one of the leading integrated maritime businesses in the region, particularly in respect of transporting dry bulk cargo from Asia to the Middle East. The dry bulk shipping business is highly competitive. The Thai domestic market is fragmented, TTA's competitors have significantly smaller operations than TTA. The international market is also fragmented, and TTA competes with a number of prominent shipping companies in Asia, including STX Pan Ocean Co., Ltd. (31 Handysize vessels (864,528 DWT) and 19 Handymax vessels (808,289 DWT)), Hyundai Merchant Marine Co., Ltd. (13 Handysize vessels (301,751 DWT) and 13 Handymax vessels (712,451 DWT)), China Ocean Shipping (Group) Company (159 Handysize vessels (3.6 million DWT) and 113 Handymax vessels (4.9 million DWT)). The Company has for the past few months sold two vessels and will sell or scrap another 24 vessels during the next four years. Thus, to maintain its market share, it has to acquire second-hand vessels with a low average age (not less than 5 years of age on average) or order new vessels or do both concurrently. Acquiring newbuild vessels serves as one measure to maintain the Company's market share in the long run.

### **3.2.4 The acquisition of new vessels is to serve management's operational strategy.**

TTA has plans to renew and expand its fleet within the next 3-5 years. After considering the prices of second-hand vessels, management has found that the prices are not reasonable despite the persistently high freight rates. Management has thus decided to



order the building of four new vessels. Coupled with an earlier order of five vessels, the Company will be able to expand and improve its fleet within the next 3-5 years. TTA will maintain level of revenues, net profits and an appropriate return on shareholders' equity.

### 3.3 Disadvantages of the Transaction (Acquisition of four newbuild vessels)

#### 3.3.1 Volatility of the time charter equivalent rate will affect revenues.

The determination of the time charter equivalent rate is related to the balance between the demand for and supply of vessels in a given period. Any changes in the demand/ supply situation may result in the deviation of the charter rate. Other influencing factors also include demand for and production of dry bulk cargo, transportation distance, changes in maritime environment and transportation modes, emergence of new vessels in the market, discharge of old vessels, global economic conditions and outlook, international trade development, competition from other transportation modes, congestion of ports and canals, and number of vessels that are not available for service. A large impact may be created on the Company, if the charter rates decrease in the future. Acquisition of new vessels during the period of high demand which has stimulated expansion of fleets may impact the financial status in the long run, if the Company fails to generate adequate income due to declining charter rates to compensate for the higher capital costs.

#### 3.3.2 Risk of acquisition of high proportion of newbuild vessels

According to Fearnleys – Bulk Fleet Update dated 30 November 2007, the number of vessels in the world dry bulk fleet was 6,619, with a loading capacity of 387.698 million DWT, or a 5.83% increase from 2006. The existing orders for newbuild vessels account for 2,065 vessels, with a total loading capacity of 186.976 DWT, or 48.23% of the whole world fleet. Details of the ordered newbuild dry bulk vessels are as follows:

Size (DWT)	Number of vessels		Total loading capacity	
	Vessels	%	Million DWT	%
10-25,000	33	1.60	586	0.31
25-40,000	420	20.34	13,807	7.38
40-50,000	29	1.40	1,381	0.74
50-60,000	598	28.96	33,562	17.95
60-100,000	465	22.52	37,981	20.31
100-150,000	56	2.71	6,377	3.41
150-200,000	340	16.46	60,143	32.17
200,000+	124	6.00	33,139	17.72
<b>Total</b>	<b>2,065</b>	<b>100.00</b>	<b>186,976</b>	<b>100.00</b>

*Source : Fearnleys - Bulk Fleet Update dated 30 November 2007*



Viewing the newbuild vessel orders in the above table, with delivery and serviceability in global fleets scheduled for 2007-2014, competition in the maritime market will intensify from the existing already competitive market environment. Considering demand for dry bulk cargo worldwide which had an average growth rate of about 6.9% (2001-2006), against the emerging supply, i.e. global newbuild fleet of around 48.23% of the whole world fleet of dry bulk vessels at present, the charter hire rate is expected to level down. In this regard, the shipping industry has typically been cyclical in line with the fluctuations of the charter hire rates which would go up or down approximately every 3-5 years.

### **3.3.3 Risk of the cyclical nature of the industry**

The maritime industry is cyclical with fluctuations in demand. This is considered normal, since world economic and international trade conditions are changing all the time. Particularly for the past few years, there has been rising demand for maritime transportation in line with globalisation, free trade, and significant economic growth of BRICs, comprising Brazil, Russia, India, and China. Moreover, the delivery of the vessels to the Company amid a downward trend of the industry will affect the Company's charter rate and hence its time charter capability for the next 3-4 years.

To hedge against such risk, the Company has placed 22.16% of the fleet's total available capacity on period time charters and another 2,780 vessel days on contracts of affreightment for the 2008 financial year. In addition, with the long useful life of each vessel, i.e. average of 25 years, the cyclical nature of the industry should not have much impact on the Company in the long run.

To limit this volatility, the Company's objective is a diversified and balanced fleet employment. The Company employs a certain percentage of the fleet on period time charters. The liner services, where freight rates are less volatile, remain an integral part of the business and are supplemented by contracts of affreightment and tramp services. The Company also diversifies its cargo types and prefers not to specialise in any one cargo type.

### **3.3.4 Risk from borrowing**

The Company will make payment for these four newbuild Vessels by using borrowings and cash flows from operations in a 60 : 40 proportion. In view of its consolidated financial statements of the Group as of 30 September 2007, debt to equity ratio was 0.80 times. If the Company opts for funding the newbuild Vessels payment in the above proportion or USD 94.54 million, its debt to equity ratio would go up to 1.01 times.



Therefore, in view of the Company's financial status, TTA has funds available to make instalment payments for the Vessels.

#### 4. Fairness of Price and Conditions of Transaction

After reviewing the information and documents obtained as well as other relevant information, the Financial Advisor's opinion is as follows:

##### Reasonableness and Appropriateness of the Acquisition Price

We have assessed the appropriateness of the Transaction to order four new Vessels by the discounted cash flow (DCF) approach to figure out the net present value of the projected net cash flows to be generated from the time charter of the four newbuild vessels from the vessel delivery date to the next 25 years thereafter (July 2009 – July 2035), and the weighted average cost of capital (WACC) was used as the discount rate in calculating the net present value. The calculation is based on the assumptions in operations and financial projections prepared by the Company. We have worked out the asset prices by various valuation approaches to compare them with the acquisition prices. Details are as follows:

##### 4.1 Valuation by Independent Appraiser with Expertise in Vessel Valuation

In making the Transaction, TTA engaged Simpson Spence & Young Ltd. (profile in 2.4), an appraiser well accepted for the expertise and experience in the vessel price appraisal, under the assumption that the order for the building of the new vessels is intended for the normal course of operations. The vessels will be delivered as scheduled and ready for use in seaborne transportation. The standards for the construction of the vessels and the equipment furnished comply with and are acceptable to the classification societies.

The Independent Appraiser issued a letter dated 7 December 2007 (copy of letter in the summary of information memorandum under List 2) assessing that the vessels to be delivered in 2009 will cost around USD 50,000,000 per vessel, while those to be delivered in 2010 will cost USD 47,500,000 per vessel. The total value of consideration for the four vessels will be around USD 195,000,000.

Simpson Spence & Young has used in its appraisal the comparative market approach based on the accord price between the buyer and the seller, together with the opinion of the appraiser of the market condition at the time of the Transaction.



#### 4.2 Market Price of Vessels (new/second-hand)

Management has provided information on the prices of the new and second-hand vessels to the Financial Advisor. After a preliminary survey of second-hand vessels, there are a very small number of new and modern second-hand vessels on sale, and their prices are very high (Thor Horizon (purchased price was USD 37 million, 47,111 DWT), which was delivered to the TTA fleet on 2 February 2007, was the first second-hand vessel purchase since Thor Energy was delivered in July 2005). The latest prices of new and/or second-hand vessels based on the combination of data from several sources of vessel experts as tabulated below:

##### 1. Banchero Costa Research (Weekly Market Report, 9 December – 14 December 2007)

Vessel name	Capacity (Dwt)	Built in year	Age (years)	Yard	Buyer	Price (USD mil.)
Midas	35,208	1976	32	NKK Corp	C. of Elenbulk Sh	2.40
Orchid Star	73,981	1997	11	Tsuneishi Zosen	undisclosed	70.00
Angele N	69,315	1990	18	Imabari S.B.	Koreans	60.00

##### 2. Clarkson Research Services Limited (Shipping Intelligence Weekly, 7 December 2007)

Vessel name	Capacity (Dwt)	Built in year	Age (years)	Yard	Buyer	Price (USD mil.)
Dorothea	22,025	1984	24	Tohoku S.B. Co	Undisclosed interests	17.00
DD Master	25,912	1983	25	CCN maua	Indian interests	15.20
E Duckling	52,055	2001	7	Sanoyas	Clients of Star Bulk	72.00
Star Masaya	42,585	1998	10	I.H.I	Greek interests	40.00
Shin Sendai	42,304	1988	20	Sumitomo H.I.	Clients of Parkroad	25.00
Sara Al Jaber	54,669	2002	6	New Century S/Y	Middle Eastern interests	58.00

Based on the above information, we are of the view that second-hand vessels traded on the market are high-priced, higher than newbuild ones, which means that the buyers have to buy at premium prices if the vessels are required immediately. Although the Baltic Dry Index (international maritime transportation index) has dropped from its peak of 11,039 points to 9,143 points at present, freight rates remain at historically high levels. If the Company acquires second-hand vessels (at high prices), it will be exposed to the risk of putting much effort to generate high income and returns to cover such high cost. In this connection, if the freight rates decline, there will be impact on the Company's profitability. Moreover, several shipbuilders are operating at maximum production capacity, and a number of new shipbuilders are being established. It is thus possible that supplies of vessels will be greater than demand for maritime transportation in the near future.

However, as many shipbuilders have orderbooks running into 2011-2012, it is difficult to secure earlier delivery slots. Details of orders for newbuild vessels of the world's leading shipbuilders are shown in the following table:



Shipyard	Country	Loading capacity (DWT)				Total (vessels)
		10,000-50,000	50,000-100,000	100,000-200,000	200,000+	
OSHIMA	Japan	7	115	9	-	131
USC	Japan	-	20	1	45	66
TSUNEI	Japan	8	58	-	-	66
MITSUJEN	Japan	-	43	2	-	45
SANOYAS	Japan	-	37	5	-	42
IMABARI	Japan	4	17	8	6	35
<b>Subtotal</b>		<b>19</b>	<b>290</b>	<b>25</b>	<b>51</b>	<b>385</b>
STXJIN	China	-	38	22	-	60
JIANGSU	China	12	44	-	-	56
SPP	China	34	19	-	-	53
SHANGX	China	-	34	12	-	46
STXCHINA	China	-	43	2	-	45
YANG	China	2	33	10	-	45
BOHAI	China	-	28	9	6	43
SHANGW	China	-	-	38	-	38
NEWTIMES	China	-	4	32	-	36
HUDON	China	-	36	-	-	36
TSUJI	China	35	-	-	-	35
<b>Subtotal</b>		<b>83</b>	<b>279</b>	<b>125</b>	<b>6</b>	<b>493</b>
SUNGD	S. Korea	4	11	25	-	40
ORIENTS	S. Korea	14	11	9	-	34
<b>Subtotal</b>		<b>18</b>	<b>22</b>	<b>34</b>	<b>0</b>	<b>74</b>
TSUNCEBU	Philippines	-	31	2	-	33
<b>Subtotal</b>		<b>-</b>	<b>31</b>	<b>2</b>	<b>-</b>	<b>33</b>
<b>Grand Total</b>		<b>120</b>	<b>622</b>	<b>186</b>	<b>57</b>	<b>985</b>

Source : Fearnleys - Bulk Fleet Update dated 30<sup>th</sup> November 2007

Before this newbuild vessel order, management approached shipbuilders in several countries, i.e. Japan, South Korea, China, Vietnam, and Indonesia. Shipbuilders in Japan and South Korea cannot meet the Company's projected delivery schedule, particularly with Japan's shipyards now occupied until 2011, while shipyards in China and Vietnam, though being able to meet the delivery schedule, set very stringent payment terms, such as an initial down payment of 30%-40% of the vessel price. Therefore, considering the past relationship and expertise in vessel design and construction of PT PAL (Thor Harmony and Thor Horizon, which were acquired on the second-hand market, were built by PT PAL.) as well as acceptable prices, delivery schedule and payment terms, the Company has ordered the construction of four new Vessels, which would take place at the shipyard of PT PAL in Sura Baya in Indonesia under the supervision of TTA's team. In view of this, we consider the transaction appropriate. In addition, considering that TTA used to order newbuild



vessels from Japan and Vietnam (5 vessels), this transaction will help diversify and hedge against the risk that shipbuilders in any of these countries fail to meet the delivery schedules. Moreover, the contract is denominated in U.S. dollars which is the functional currency for the international maritime industry. Therefore, TTA has no foreign exchange risk for this Transaction.

#### 4.3 Valuation by the Financial Advisor by Net Present Value and Return on Investment

##### Assumptions in the Financial Projections

The principles used in the assessment of net present value of the cash inflow and outflow from the time charter of the vessels:

1) Projected cash inflow and outflow from the delivery time until the date of vessel sale or disposition cover an average of about 25 years from the delivery time.

2) Scrap value used for the disposition of each vessel based on the actual weight of the vessel approximately 10,700 tons per vessel, at the average price of about USD 140 per ton. This is based on the Company's past record.

3) We have conducted financial projections using U.S. dollars in lieu of Baht to correspond with the international maritime industry that utilises U.S. dollars as its functional currency (1 USD per Baht 34.00). Consequently, virtually all of our revenues and most of our operating costs are in U.S. dollars.

##### Key assumptions

1. Newbuild vessels carry certain delivery times and terms pursuant to the relevant agreements, which are different from one another. The four Vessels is expected to deliver in July 2009, October 2009, April 2010 and July 2010, respectively. The four Vessels will be registered in Singapore.

2. Time charter equivalent rates come from net voyage revenues divided by calendar-ship-days, with the operation period assumed to be an average of 355 days in one calendar year, which is a conservative basis, as normally the Company has to have the vessels undergo dry docking on an average of 10-15 days so that they can be inspected, repaired, and maintained under the regulatory criteria and rules. The inspection is made regularly every two and a half years, thus shortening the vessel days. For the projection, this is set to be averaged on an equal basis every year. This is based on the Company's past record, together with assumptions and information known at present and under current circumstances.

The time charter rates for the new vessels are averaged based on the following assumptions:

Delivery Year	Charter rate for newbuild vessels (USD per day per vessel)	Notes
1	37,375	Average of freight derivatives of the charter rates worked out





Delivery Year	Charter rate for newbuild vessels (USD per day per vessel)	Notes
		by four vessel experts for 2009 calendar year
2	27,500	Average of freight derivatives of the charter rates worked out by three vessel experts for 2010 calendar year
3-5	22,000	Projected by Company management on conservative basis
6-12	18,000	Projected by Company management on conservative basis
13-25	16,000	Projected by Company management on conservative basis

*Notes* : 1. Year means the commencing of services.

2. It is difficult to project charter rates over 20 years in advance. Thus, the Company's management has projected charter rates in the later years based on current market conditions and the vessel's age. The projected rates are lower than the existing rate (spot rate). Any future material changes in economic growth or international trade could affect charter rates.

3. As regards to the useful life and scrap value for the cash flow projection in this financial model, we expect that the Company will make full use of the newbuild vessels from the start of service in 2009 and 2010, respectively under the condition of normal repair and maintenance. A projected useful life of 25 years means that the vessels will be sold or scrapped in 2034 and 2035, respectively. (Normally, dry bulk vessels are depreciated over 25 years. The ones with special and quality repair and maintenance may stay in use until the age of 30 years before being sold or scrapped.).

4. Vessel operating expenses are normally categorized as fixed expenses, which will increase according to the growing size of the fleet and other factors beyond the Company's control. For example, more frequent occurrence of seaborne accidents than in the past should result in the payment of higher insurance premiums. The following table shown the last 3 years of vessel operating expenses:

(Baht millions)

Year	2005	2006	2007
Vessel operating expenses	2,465.08	2,738.11	2,519.71
USD per calendar-ship-day	3,576	4,177	4,422

Vessel operating expenses per day per vessel are projected, using the historical data of the Company for the previous three years from 2005-2007 and adjusted to match the loading capacity of the four new vessels, to be in an average of USD 4,000 per day per vessel and set to increase constantly at 5% per year until such expenses reach USD 7,000 per day per vessel, then they will remain constant throughout the remaining useful life of the vessel. With the acquisition of these newbuild vessels, vessel operating expenses in the initial period will not be so high, especially as



compared with the expenses borne by vessels of higher ages. As of 30 September 2007, the average age of TTA's fleet was 18.04 years.

5. Dry-docking costs for inspection, repair, and maintenance are amortised by the straight line method over a period of time until the next dry-docking period. This amortisation charge is included in vessel operating expenses (as detailed in key assumption 4).

6. General and administrative expenses are expenses related to on-land staff, e.g. salary, office rent, legal and other professional expenses, etc., which are set to increase in line with the growing size of the fleet. The following table shown the last 3 years of vessel operating expenses:

	30 Sep. 2005	30 Sep. 2006	30 Sep. 2007
General and Administrative Expenses (Baht millions)	384.68	388.35	638.71
Average Exchange Rate as of 30 September* (1 USD per Baht)	41.1075	37.6373	34.3851
General and Administrative Expenses (USD millions)	9.36	10.32	18.58
Calendar-Ship-Days Owned Vessels (days)	17,217	17,031	16,402
General and Administrative Expenses (USD per day)	543.65	609.95	1,132.79

*Notes : \* Based on the average selling rates of the rates posted by the Bank of Thailand at the end of the business days for Years 2005, 2006 and 2007, respectively.*

General and administrative expenses per day per vessel are projected, using the historical data of the Company for the previous three years from 2005-2007 and adjusted to match the loading capacity of the four new vessels, to be in an average of USD 900 per day per vessel and set to increase constantly at 5% per year until such expenses reach USD 1,100 per day per vessel, then they will remain constant throughout the remaining useful life of the vessel. The Company has currently taken various measures to control such expenses, such as IT development, etc.

#### Discount rate

The Financial Advisor has applied the Capital Asset Pricing Model (CAPM) in determining the discount rate to figure out future free cash flow. This is a widely used method of working out the risk adjusted rate of return or the cost of equity (Ke).

The discount rate calculated by the CAPM is as below:

$$K_e = R_f + \beta (R_m - R_f)$$



$R_f$  : Risk free rate of investment based on the 20-year government bond yields as of 21 December 2007, which is around 5.61% (data from Thai Bond Dealing Center).

$R_m$  : Rate of return of the Thai stock exchange ("the SET"), which is 13.83% (data from Bloomberg as of 21 December 2007).

$\beta$  : Factor used to measure systematic risk, which is the variance between the return of the SET and the share price of the Company, which is 1.229 (data from Bloomberg as of 21 December 2007).

From the above variables, we have worked out the cost of equity as shown here:

$$K_e: 5.61 + 1.229 \times (13.83 - 5.61) = 15.71\%$$

Thus, the Company's weighted average cost of capital (WACC) can be derived as follows:

$$\text{WACC} = D / V (K_d) + E / V (K_e)$$

Whereas  $D / V =$  Total debt to cost = 29.10%

$E / V =$  Total equity to cost = 70.90%

$K_e =$  Cost of equity by the CAPM = 15.71%

$K_d =$  The Company's weighted average interest rate x (1-tax rate\*) = 4.14%

*\* Maritime and Port Authority of Singapore (MPA) has approved the award of Approved International Shipping Enterprise (AIS) to Thoresen Shipping Singapore Pte. Ltd., with effect from 8 September 2006 for an initial period of 10 years. At the end of the 10<sup>th</sup> year, TSS can submit an application for the renewal of the AIS status. Shipowners under AIS scheme are assured that vessel sales, income from forex, interest rate swaps, and other derivative gains will be treated as tax exempt.*

Thus,  $\text{WACC} = 11.98\%$

#### Net present value (NPV) calculation

We have found that the present value of future cash flows (after deduct an initial investment Bt. 157,568,000) would come out to be USD 157,585,659.49 throughout the project life. In this regard, the net present value of the projected cash flow generated from time charter of vessels under the said assumptions to be USD 17,659.49, or about Bt. 600,422.60 (exchange rate of Bt. 34.00 per USD) equivalent. The projected cash flows generate an average internal rate of return of 14.45%, which is higher than the Company's WACC of 11.98%.

The net present value approach has been widely used in the analysis of the economic viability of projects or assessment of projects that are worthwhile for investment. In principle, there must be a cash flow projection throughout the project life. Future cash flows are required to be converted into those at the present value before summing up the present value of the future cash flows. Then, the



present value of future cash flows is offset with the initial investment. In theory, any project with net present value over or equal to zero is considered viable and worth investment.

Based on the above principle, we are of the opinion that the discounted cash flow approach reflects the optimum utilization of the assets and is widely used and accepted at present. It is the most appropriate method for the valuation of the four newbuild Vessels to be acquired. Moreover, the acquisition price is lower than the appraisal price worked out by the independent appraiser by an average of USD 9,358,000 per vessel.

However, for comparison reasons, besides ordering newbuild vessels, we have calculated the net present value in case of acquiring second-hand vessels instead of ordering new ones in the equal number under the same key assumptions as those applicable to ordering new ones, except:

1. Price of the second-hand vessel with the size close to that of the newbuild one: The vessel used for calculation was built in 2002, hence in use for five years, and has loading capacity of 54,669 DWT (details in 4.1.2). It was put on sale around early December 2007 at USD 58 million (covering the vessel hire rate until December 2008 which is USD 23,300 per day). Thus, the net price of the vessel after advance hire rate deduction will be approximately USD 49.989 million.

2. Projected cash inflows and outflows start from April 2008 until the vessel reaches the age of 25 years.

3. Second-hand vessel hire rate can be calculated under the following assumptions:

Delivery Year	Year	Second-hand vessel charter rate (USD per day per vessel)	Notes
1	2008	40,000	Average 1-year charter rate throughout 2007 and at which clients are accessible right away.
2	2009	35,506	Average of freight derivatives of the charter rate worked out by four vessel experts for 2009 calendar year
3	2010	26,125	Average of freight derivatives of the charter rates worked out by three vessel experts for 2010 calendar year
4-5	2011-2012	20,900	Projected by Company management on conservative basis
6-12	2013-2019	17,100	Projected by Company management on conservative basis
13-20	2020-2027	15,200	Projected by Company management on conservative basis

*Notes* : Second-hand vessel charter rates are estimated to be 5% lower than newbuild vessels, because they will be older than new one. The assumed second-hand vessel will reach 7-9 years when TTA's new vessels are delivered.

4. Average useful life of a vessel is 25 years. Hence, the second-hand vessel used for comparison has remaining useful period of 20 years with scrap value of USD 140 per ton.

From the above calculation, the net present value of the cash flows from four second-hand Vessels would be negative USD 71,440.01, or Bt. 2,428,960.35 equivalent. An average internal rate



of return of 11.13% would be generated, which is lower than the WACC of 11.98%. In view of this, the acquisition of newbuild vessels will give better yields than the purchase of second-hand vessels under the above assumptions, as briefed below:

Options for vessel acquisition	Net present value		Average rate of return (%)
	USD	Baht	
1. Newbuild vessels	17,659.49	600,422.60	14.45
2. Second-hand vessels	(71,440.01)	(2,428,960.35)	11.13

## 5. Summary of the Opinion of the Financial Advisor

### 5.1 The reasonableness of the Transaction

TTA will have 24 vessels to reach 25 years of age during the next four years, representing 55.81% of the existing fleet. To replace the vessels that will gradually be sold or scrapped in the future, to renew and expand the fleet, and to reduce the average age of the fleet, the Company has from time to time ordered newbuild vessels. Before this Transaction, it ordered five newbuild vessels, which, coupled with the four newbuild ones to be acquired this time, will result in nine newbuild vessels to be delivered between 2009 and 2011.

Newbuild vessels instead of second-hand ones will be acquired due to the prevailing high prices of second-hand ones. If the Company acquires second-hand vessels at high prices, it will have to put much effort to generate and maintain charter hire income at the current rate for the next 2-3 years. The prices of newbuild vessels, though on a rising trend, have grown slower than those second-hand prices. However, the Company will still consider acquiring second-hand vessels, if the prices are considered appropriate.

### 5.2 Fairness of Terms and Conditions

As figured out by the discounted cash flow approach using the projected cash flows from the hire income from the vessels acquired, the value of the acquisition of four newbuild vessels will be USD 17,659.49 or Bt. 600,422.60 equivalent, which has an average internal rate of return of 14.45%, while the acquisition value of second-hand vessels will be negative USD 71,440.01 or Bt. 2,428,960.35, which has an average internal rate of return of 11.13%. Thus, the acquisition of newbuild vessels will generate better returns than acquiring second-hand vessels under the current circumstances. Besides, the prices of the newbuild vessels ordered under this Transaction are lower than the independent appraisal prices by an average of USD 9.36 million per vessel.



### 5.3 Recommendation to the Shareholders of the Company

Based on the above information and consideration, we are of the opinion that the shareholders should vote for the acquisition of the assets under this transaction at the Shareholders' Meeting to be held on 31 January 2008. Although the net present value so calculated is marginally positive, under the current circumstances, we view that the Company has only four options in maintaining its overall loading capacity size, namely order for newbuild vessels, acquisition of second-hand vessels, rescheduling of sale or scrapping of vessels reaching 25 years of age, and lease of vessels to fill up its fleet. In view of this, the Transaction to be made by the Company to order newbuild vessels is considered essential and reasonable.

As the Independent Financial Advisor, we hereby certify that we have considered all the information and rendered our opinion with discretion, based on professional standards and in the interest of the minor shareholders.

Yours sincerely,

**Far East Securities Company Limited**

*Chaipant Pongtanakorn*

*Pornpin Chaivikrai*

.....

.....

(Dr. Chaipant Pongtanakorn)

(Miss Pornpin Chaivikrai)

Chief Executive Officer

Senior Executive Vice President

