Ref.: 2004-025

14th May 2004

To: Director and Manager of the Stock Exchange of Thailand

Subject: Management Discussion and Analysis on the results of Q1, 2004

QUARTERLY FINANCIAL RESULTS: The quarterly financial results in Thai Baht, reviewed by Ernst & Young, as well as the Translated US Dollars Financial Statements, certified by Baker Tilly, show the latest financial position of the Company. The net profit for Q1 2004 was USD 14.78 million. The earnings per day per ship during Q1 exceeded our expectations though operating costs were also above our projections, although not in the same magnitude. In this quarter, operating costs included supplies of shipping stores and spares for the whole year. The average daily operating costs for the year are still expected to be below USD 2,700. The net operating profit has increased mainly due to increase in earnings per day per ship along with an increase in Vessel operating days during Q1 2004 as compared to Q1 2003. The EBITDA (after depreciation on capitalized Dry-docking and Special Survey expenses) has also increased quite substantially, nearly triple than that during the previous year's period under comparison. The earnings per share (EPS) in Thai Baht stood at Baht 1.20 per share for this quarter. Approximately Baht 168 million was booked in this quarter representing one-time advisory fees and costs associated with the purchase of the 15 ships from MISC as well as the raising of the USD 170 million additional credit facility from KTB. If we exclude these extraordinary, one-time items, then the EPS would have been Baht 1.52 per share or more than half the entire EPS for 2003!

KEY FIGURES	**Q1, 2004**	**Q1, 2003**
Highest Earnings per day per ship in USD	25,650	11,898
Average Earnings per day per ship in USD	12,526	6,474
Operating cost per day per ship in USD	2,896	2,571
EBITDA in million USD	23.68	8.18
Net Profit/(Loss) in million USD (including exchange Gain (loss)) before Extraordinary items/One time costs	19.08	2.44
Net Profit/(Loss) in million USD	14.78	2.05
Earnings Per Share (EPS) in Thai Baht	1.20	0.36

PROSPECTS: over the next 12 months still look pretty amazing. The low point in daily earnings on our ships was reached in Q2 2002 at USD 5,497. In the past, the best rates that we had ever seen were under USD 8,000 per day and the worst rates that we had ever seen in the last decade were about USD 5,000 per day per ship. We suspect that there has been a paradigm shift in the rates for our size and type of ships. We estimate that the rates per day per ship in the foreseeable future will fluctuate between USD 9,000 and USD 16,000 for our size and type of ships. If our estimates hold true, then we would expect the low point in future cycles to be higher than the highest point of the previous cycles.

SHORT TERM VERSUS LONG TERM CHARTERS: In the past, we only did all our business on a short term or spot basis. However, since the freight markets have climbed into uncharted territories we have changed the way we conduct our business. Instead of doing all our business on a spot basis, we are doing more and more of our business on a longer term, time charter basis. The long term charters already booked comprise about 82% of our expected capacity based on 50 ships at a healthy average rate in excess of USD 12,950 per day per ship. 38% of the ships have been fixed on one year or longer contracts with another 44% on shorter term period contracts and the balance 18% being on the spot market. Though we have faith that the freight markets are going to continue to remain fairly strong for the foreseeable future we felt it prudent to ‘lock-in’ some of these very high charter rates and have a steady guaranteed source of income for the coming year and beyond. This strategy would also allow us to lock in rates when ever the markets are at their high points by putting away the spot ships and those where the shorter term time charters have expired, on to longer term, time charters, at healthy rates.

THE CHINA FACTOR: The recent statements from the Chinese leadership about their desire and efforts to cool down their rapidly expanding economy has taken the shine off the dry bulk freight markets with the Baltic Dry Index (BDI) coming under a lot of pressure. The reasons for the decline in the BDI are a direct consequence of China slowing down its bulk iron ore and coal imports for a couple of weeks. This has resulted in the Capesize and Panamax sectors getting rather bloodied, ergo; the Baltic Dry Bulk Index (BDI) which is quite heavily weighted by these two sectors has come down almost as quickly as it went up. The Chinese government has been using this mini hiatus in imports to clear up their congested bulk cargo ports. These bulk cargo ports had become heavily congested due to the inability of the road and rail infrastructure to keep pace with the magnitude of the import orders arriving on bulkers which were then forced to wait for long periods of time with the importers picking up the demurrage bill. The fact of the matter is that iron and steel production in China is racing away at break-neck speed. The figures for the first two months of 2004 indicate that, on an annualized basis, China is heading for a record steel production of about 240 to 250 million tones for 2004 up from the already staggering figure of 220 million tones for 2003. Not only that, the demand for steel is still to be satisfied so once the current ‘crack-down’ on imports is eased and the bulk cargo ports in China have been effectively de-bottlenecked, things could go right back to where we left off at the start of this year. Only time will tell if we will see the BDI trace back to the high point of 5,681 points reached in the early part of this year or even breach it. If this were to happen, then some experts in shipping say that it will do so around the 3rd/4th quarters of this year. As far as our sector is concerned, we have not seen too much of pressure from the current slow-down in China and the consequent drop in the BDI. Spot rates are slightly lower now than they were at the peak of the market but as most of our ships are fixed on period, as explained in the previous paragraph, we are more or less immune to the current correction taking place in the dry bulk tramp freight market.

THE FLEET: Renewal program that began in Q3, 2003 continued with great gusto. We had been on the look out for an en-bloc deal that would allow us to increase our fleet strength in a sort of quantum leap. We managed to do this with the en-bloc purchase of 15 ships at USD 98 million from Malaysian International Shipping Corporation Berhad (MISC). These ships are expected to be delivered to us prior to the end of Q2 of this year. Besides the MISC ships we have also contracted to purchase two more ships which should enter our fleet in the month of June or July bringing our fleet strength up to 50 ships! At a time when the greatest challenge facing ship-owners was how to expand their fleet, we managed to overcome this obstacle quite easily.

SHARE BUY BACK: commenced in the month of April 2004 and as on date we have repurchased 3.55 million shares at an average purchase price of Baht 35.01 per share. The corporate governance guidelines we have instituted for this share repurchase scheme in respect of restrictions on share trading before and after results are declared, are identical to that which is applicable for the Company's officers (full-time working directors) as disclosed in our Annual Report.

SHIP SCRAPPING: continued with 38 ships being scrapped while 13 ships were delivered during Q1 in our sector (10 to 30,000 DWT) worldwide. This resulted in shrinkage of 25 ships or 0.82% for the quarter leaving just 3,003 ships in the world fleet in our sector at the end of Q1, 2004. Scrapping which had noticeably slowed down during Q2, 2003 has started to pickup pace despite the extremely strong freight market. We expect that this pace should be maintained for the foreseeable future.

For: Precious Shipping Public Company Limited

Khalid Hashim
Managing Director