CHAIRMAN'S AND CHIEF EXECUTIVE'S STATEMENT

OVERVIEW

For the six months ended 30 June 2004, Group profits increased to US$43.1 million from US$7.1 million in 2003 on revenues of US$71.6 million in 2004 compared with US$21.1 million in 2003. Earnings per share were 4.74 US cents (as compared with 0.90 US cents in 2003). The strong growth achieved in both profits and revenues reflects two key factors: the expansion of our fleet of modern Handysize vessels, which increased from an average of 14 owned and chartered vessels in the first half of 2003 to an average of 21 vessels in the first half of 2004; and the strong improvement in freight markets, which saw those vessels earn an average of approximately US$18,000 per day, a substantial increase over the average of approximately US$8,300 per day achieved in the first half of 2003.

As our initial public offering on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") was only completed on 14 July 2004 (the "Listing"), these results do not include any revenues or earnings from the deployment of around US$72 million (net of listing expenses) of proceeds raised in that offering. We have sought to deploy those funds by expanding the fleet as quickly as possible to benefit from the continuing strong market conditions, whilst ensuring that we buy vessels of the right age, size and design specification at appropriate prices. In addition to the four vessels and two newbuildings identified for acquisition at the time of our Listing, we have acquired another five second hand vessels and one newbuilding for delivery in 2006, including the two vessel acquisitions announced earlier today. Accordingly, we have been able to reinforce our position as one of the world's leading dry bulk shipping companies and now command a fleet of 44 vessels (39 owned and chartered, and five managed) with an average age of five years.

DIVIDEND

As set out in our prospectus dated 30 June 2004 (the "Prospectus"), our current dividend policy is that not less than 50% of profits available for distribution in each financial year will be paid out as dividends by way of interim and final dividends.

These interim results cover a period that falls entirely before the Listing of the Company and interim dividends were paid from retained earnings to 31 May 2004 to shareholders prior to the reorganisation of the Group and the Listing. Consequently, no further interim dividend is being paid from these earnings. As stated in the Prospectus, our final dividend payment for the year 2004 will be based on and will not be less than 50% of the results of the period 1 June 2004 to 31 December 2004. The final dividend for the year will be declared when the year end results are announced.

MARKET REVIEW

Strong demand for dry bulk commodities resulted in a steady improvement in charter rates throughout 2003. As we entered 2004, the demand for tonnage and the supply available to meet that demand was already finely balanced. Increased Chinese demand for bulk commodities, iron ore and coal in particular, resulted in freight rates reaching unprecedented levels during the first quarter of 2004. Rates in the second quarter moderated but remained well above the levels reached in 2003 and the underlying strong, upward trend that started last year remains intact. Indeed, we are greatly encouraged by the substantial strengthening in rates that has occurred in the last few weeks. Rates have improved steadily throughout July and August and we are now regularly seeing our vessels earn in the region of US$18,000 to US$20,000 per day. Market strength over the summer is unusual as this is a period that is traditionally quiet and rate improvements more typically occur in the autumn. Sustained strength of this magnitude so early bodes well for a strong finish to the year.

On the supply side, the handysize market remains constrained. With a limited number of vessels on order and yard capacity generally full through 2007, the world handysize fleet, which already has an average age of 19 years, is only likely to grow older and less efficient. Even if older vessels are not scrapped, we do not foresee any material increase in the supply of vessels for the foreseeable future.

BUSINESS REVIEW

In addition to the substantial effort involved in preparing the Company for the Listing, the first half of 2004 was a period of significant growth for the Group. Our International Handybulk Carriers pool strengthened its position as the leading provider of Handysize vessels to the major commodities companies in the Asia Pacific region, offering modern tonnage backed by flexible and reliable services. This enabled us to expand our fleet of owned vessels from an average of 12 in the first half of 2003 to 16 in the same period of 2004 and our chartered fleet from two vessels to five vessels over those periods. As a result the number of revenue days generated by our fleet in the first half of 2004 grew to around 3,800 (2003: 2,500 days).

With the successful completion of the Listing, further significant growth in the fleet has been achieved. The four second hand vessels that had been acquired conditionally upon the Listing, as disclosed in the Prospectus, have now all been delivered and we have purchased a further five vessels in the second hand market since then, three of which have already been delivered with the other two arriving in the fourth quarter of 2004. Our fleet now stands at 44 vessels, of which 31 are owned, eight are chartered in and five are managed on behalf of third parties. This fleet expansion means that we now capture a significantly greater proportion for our own account of the revenues that we generate through the IHC pool and we expect to have approximately 6,100 revenue days in the second half of the year, an increase of about 60% over the first half.

Furthermore, our newbuilding programme remains active and will provide further growth going forward. We now have four handysize vessels on order (including the one announced today), three of which we own and one of which is on long term charter to us. Two of these vessels will deliver in 2005 and two deliver in 2006. We are also just about to take delivery of our first handymax vessel which is on period charter to a major Chinese shipping group with a second sister vessel scheduled to arrive in the early part of next year. A third handymax newbuilding is expected to enter our managed fleet in the spring.

In addition to expanding the fleet, we have also expanded and strengthened our sales and marketing capabilities around the region. In particular, our Shanghai office is growing rapidly and we have opened a new office in Melbourne, Australia to complement existing operations in Hong Kong, London and Tokyo. With plans to open in Vancouver, Canada at an advanced stage, we now have the ability to service all of our major customers in their own markets and in their own time zones.

OUTLOOK AND PROSPECTS

The rebound in rates that has occurred since the end of June has come sooner and has been stronger than anticipated. Accordingly, we are increasingly optimistic about our prospects for the second half of this year and for 2005. In particular, the recent strengthening in the charter market, together with a greater number of vessel revenue days in the second half, following the expansion of the fleet, are expected to translate into another period of strong earnings performance in the second half of this year.

The market for handysize bulk carriers continues to be very buoyant, supported by broadly based, strong demand for the minor bulk commodities that we carry and positive economic indicators in our main delivery destinations of China, Japan and Korea. We are now approaching the key season for negotiation and renewal of cargo contracts for 2005 and beyond and, whilst we are still at an early stage, we are seeing a healthy level of inquiry that should allow us to set firm pricing for a significant portion of our fleet capacity for 2005 and provide an adequate volume of booked cargoes upon which to base our operations and maintain our fleet utilisation levels.

Based on our expanded owned and chartered fleet, we expect to see a 60% increase in revenue days from approximately 3,800 days in the first half of 2004 to approximately 6,100 days in the second half of 2004. With the months of July and August now complete and cargo cover in place for 55% for the balance of the year, some 68% of those 6,100 revenue days are already confirmed at an average rate of about US$15,700 per day.

Looking into 2005, our current owned and chartered fleet plus scheduled new deliveries should see revenue days expand to approximately 14,100, an increase of over 40% from the 9,900 days expected in 2004. Currently, some 22% of those days are already fixed at an average rate of approximately US$15,600 as we approach the 2005 cargo contract renewal season.

The current buoyant level of demand in the market and the positive economic news, both regionally and globally, give us increasing confidence about the prospects for next year. Rates have already moved up, driven by robust cargo demand with no realistic prospect of this being alleviated by additional vessel supply. 2005 cargo contract renewals provide the opportunity for both us and our customers to reduce exposure to volatility in rates. Shippers exposed to the spot market, however, face the possibility of increasing freight costs and, as the prospect of rate volatility remains high, the likelihood of further freight rate spikes occurring should not be dismissed.

Finally, 2004 has been a year of considerable achievement and expansion for the Group and we would like to take this opportunity to thank everyone involved for their unstinting hard work, commitment and enthusiasm.

Christopher R. Buttery	**Mark M. Harris**
Chairman	*Chief Executive*

Hong Kong, 15 September 2004