

# CHAIRMAN'S STATEMENT



**Tsoi Tin Chun**  
*Chairman*

Since its establishment, Titan (Holdings) Limited (the "Company") has been fully committed to developing into a vertically integrated oil services company that offers an efficient oil service supply chain platform to clients in China and the Asia Pacific region. This integration embraces every level of service in the oil industry, including oil transportation, storage, bunkering, trading and ship management.

During the year, the Company and its subsidiaries (collectively, the "Group") achieved several important goals, the first of which has been the acquisition of the two floating storage units ("FSU") situated at both ends of the Singapore Harbour, thereafter the establishment of two oil storage joint venture projects in Fujian and Guangzhou of China followed by the signing of the Yangshan Letter of Intent in January 2004, to establish another storage facilities at Yangshan Port in Shanghai. At the same time, we successfully disposed of our garment business, enabling us to better concentrate resources on the development of the Group's comprehensive oil related businesses, and better position the Group for current and future opportunities arising from the China's rapid economic growth and increasing demand for oil and oil products.

In December 2003, the Group received a "BB-" corporate credit rating with a "stable" outlook from international rating agency Standard & Poor's Ratings Services, demonstrating the Group's financial strength and dedication to corporate transparency.

Our progress in the development of all the key business sectors in 2003 is reflected in our final results. Turnover for the year ended 31 December 2003 increased a significant 224% to HK\$1,107,136,000, while net profit attributable to shareholders rose by 235% to HK\$100,512,000. Basic earnings per share was up 196% from last year's HK0.9 cent to HK2.66 cents.



## OIL TRANSPORTATION

The Group operates a continuously expanding fleet of oil tankers. Following the completion of the acquisition of Neptune Associated Shipping Pte. Ltd. ("NAS") in March 2004, the oil transportation service provider originally belonging to Neptune Orient Lines Limited ("NOL"), the Group now operates a fleet of more than 20 oil tankers, mainly transporting crude oil and product oil to customers in China and around the Asia Pacific region, and provide bunkering and other related services to tankers passing through the Asia Pacific region.

Supported by our solid business foundations, the Group entered into a long-term oil transportation joint venture contract in late 2003 with Zhen Rong International Petroleum Co. Ltd. and its parent company, Zhuhai Zhen Rong Corporation, one of four state-approved oil import companies in China. This move will further underpin our income stream and strengthen our operating scope and position in the oil industry in China.



## OIL STORAGE

In May 2003, the Group commenced floating storage operation in Malaysian waters near Singapore with two FSUs at the eastern and western entrances to the Singapore harbour. This is a major move for the Group and one which will facilitate its oil shipping and trading operations and could enhance profitability in its forthcoming bunkering service. The Group also acquired an equity stake in Fujian Titan Petrochemical Storage Development Company Limited ("Titan Petrochemical") from its parent company Titan Oil Pte. Ltd. ("Titan Oil") in November 2003. Construction work on petrochemical storage facilities and berthing terminals in Quanzhou in Fujian Province is proceeding as planned. These facilities are expected to offer oil storage, transshipment and blending services to customers based all around East Asia.

In December 2003, the Group entered into an agreement in principle to form a joint venture company – Guangzhou Nansha Titan Petrochemical Development Limited – with Guangzhou Xiaohu Island Investment and Construction Company Limited and China Arts Huahai Import and Export Corporation Limited. The joint venture agreement was signed in March 2004. The joint venture will principally engage in the trading, storage and transshipment of oil and chemical products, and bunkering services through oil storage facilities located in the Guangzhou Nansha Economic and Technological Development Zone. This facility is strategically located in the Pearl River Delta, itself a sea transportation artery and a trading hub for oil imports to China, offers many strategic benefits to the development of the Group's oil business.

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In January 2004, the Group signed a letter of intent with Zhejiang Shengsi Haixin Oil Company to form a joint venture company to set up an oil storage facility in Zhejiang province. This new joint venture, provisionally named Zhejiang Shengsi Titan Petrochemical Storage Company Limited, will provide storage facilities, bunkering services and engage in the trading of product oil and petrochemicals at the Yangshan Deepwater Port, south of Shanghai. It is estimated that by the end of 2006, Yangshan Port will be on its way to becoming a major harbour port servicing vessels of different types, as well as a major future source of revenue for the Group.

Upon completion of the petrochemical storage joint venture projects in Quanzhou in Fujian province, in Nansha near Guangzhou in Southern Guangdong province, and at the Yangshan Port near Shanghai, Titan will be well positioned to capture the vast business opportunities from China's coastal areas and better able to extend its business network to surrounding countries and regions including Hong Kong and Macau.

## **BUNKERING**

With the acquisition of NAS, the Group will be able to leverage on its small to medium-sized tanker fleet and its well-established bunkering capabilities, to offer premium bunkering services to customers in Singapore and Malaysia.

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## OIL TRADING

With years of experience in oil trading, the Group has established a strong business foundation and supply network, extending from the Middle East, South America, Europe and Russia. Our markets now stretch from Singapore, Vietnam, and Hong Kong to China and neighboring countries. With China's entry into the World Trade Organization, the country's oil import quota system will be completely deregulated by 2006 and a steady increase in oil trading volumes is expected.

## SHIP MANAGEMENT

In respect of ship management, the Group is continuously upgrading its risk management systems. Our wholly-owned, Singapore-based subsidiary, Titan Ocean Pte. Ltd, was awarded the ISO 14001 accreditation by Lloyd's Register in 2004. This demonstrates the Group's world-class management capability and should enhance our corporate image, increase competitiveness, facilitate our business expansion and help broaden our client base.



## OUTLOOK

Looking ahead, the Group will further strengthen and develop its core oil related businesses, aiming to achieve better synergies and create the highest economies of scale. Meanwhile, we will continue to explore suitable investment opportunities through strategic alliances, to further expand our fleet and accelerate business development. With our unique oil services business model, we are optimistic towards the Group's future and will achieve satisfactory returns for our shareholders.

## ACKNOWLEDGEMENT

Today's achievements have been attributable to the hard work and contribution of our staff over the years. The continuous support from our business partners, clients and shareholders have also been key to our success. On behalf of the Board of Directors and the management, I would like to extend my sincere gratitude to them all.

**Tsoi Tin Chun**  
*Chairman*

Hong Kong, 29 March 2004