

# Chairman's Message



Dear Stakeholders,

The year 2004 was of tremendous significance for Titan, going well beyond the impressive rise in revenues and earnings that was achieved, which allowed us to recommend our first dividend of HK 1 cent per share.

I first began working in the oil services industry in 1982. I immediately saw the enormous potential represented by the industrialisation of Asia, in particular China, and the consequent rise in demand for the oil and oil products needed to fuel not just industry but a more affluent way of life. Since this realisation, I have been driven by the vision of creating a major international company based in Asia that could be one of the main channels by which oil and its derivatives could be delivered from oil producers in regions such as the Middle East to corporate and individual end users in Asia.

Titan is the embodiment of that vision and its development in such a short space of time has been a remarkable achievement. The Group began life in 2002 and even at the beginning of 2004 was largely an oil transportation business focused on the long range carrying of crude oil between the Arabian Gulf and Asia using a fleet of one Suezmax and three very large crude carriers (VLCCs). A sound business model, deeply rooted customer relationships and favourable market conditions enabled us during 2004 not only to expand rapidly, but to begin the process of diversification into non-crude oil products and into areas beyond transportation, which will be our growth path in the years ahead.

## To build an integrated oil services company covering the spectrum from transportation and storage, to supply and distribution, and from crude oil to oil products

We achieved this in a number of ways. We expanded and upgraded our fleet through both the purchase and leasing of vessels, and the acquisition of Neptune Associated Shipping Pte. Ltd. (NAS), the tanker arm of Neptune Orient Lines Limited (NOL). Thus, we nearly tripled the fleet size to 2.64 million dead weight tonnes (dwt), making it one of the largest in Asia. We began development of three major oil storage facilities in China, following agreements signed in December 2003, March 2004 and March 2005. These will significantly expand our storage revenues beginning in 2006 and pave the way for entry into onshore distribution. When completed, the probable combined final capacity of 5 million m<sup>3</sup> would make Titan a major force in storage not just in China, but North Asia. We entered the oil distribution markets, by establishing ship refueling businesses in Singapore and Hong Kong. The Group also significantly expanded its oil supply business through the acquisition of the supply business of its controlling shareholder. Finally, at the end of the year, we signed a contract for a major fuel oil transportation contract, that will build our presence in transportation beyond crude oil.

Our ability to grow and diversify as rapidly as we have reflects the strong cash flows we achieve, and our ability to attract both debt and equity capital. A placement in January 2004 raised HK\$392 million from diverse institutional shareholders and in March 2005 we raised further capital via a US\$400 million bond issue that was well supported by international fixed-income investors.

The stage is set, in other words, for continued rapid expansion and diversification in pursuit of our vision. There seems little doubt that in the broadest sense, history is on our side. The awakening of the Chinese "giant" (to borrow from Napoleon) should ensure relentless increase in oil and oil products imports into Asia. We have deep relationships with customers who are the gatekeepers of this logistics chain and our growth is constrained only by our ability to meet their increasing needs and manage our growth.

I have no doubt that we will do so. In July 2004 I welcomed on board a new Chief Executive, Barry Cheung, who brings with him many years of experience in the oil services industry, combined with broad-based financial expertise. He is building a team of experienced and dedicated managers able to take the Group forward. I feel confident, therefore, that 2005 will be another year of strong growth for Titan that will reward shareholders. Equally, however, it will be a year of building for the much larger future we aim to achieve.

**Tsoi Tin Chun**  
*Chairman*

An aerial photograph of a large oil tanker ship sailing on the ocean. The ship is viewed from a high angle, showing its deck, superstructure, and the wake it leaves in the water. The water is a deep blue, and the ship's hull is dark with a red stripe along the bottom. The text is overlaid on the left side of the image.

Titan occupies  
a unique position  
in Asia's energy  
markets

