
Supply
Distribution
Titan
Storage

Management Discussion and Analysis :

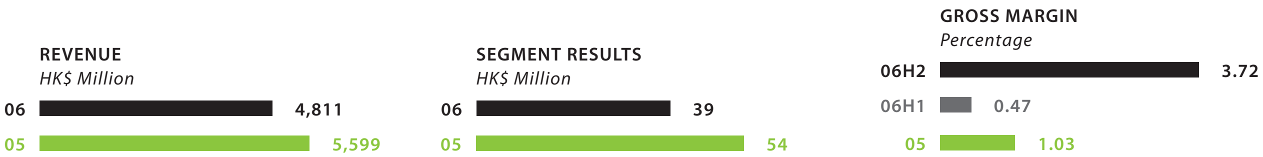
BUSINESS REVIEW

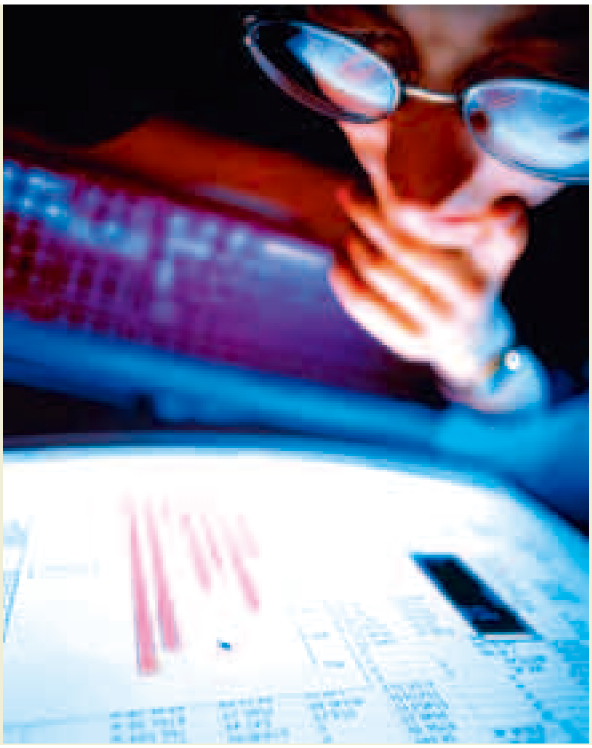
Transportation

Supply

The Group's supply business provides a comprehensive service to both the Group's other businesses and external customers, using an extensive network of relationships around the world to source and trade oil products.

- Decline of revenue and segment results were due to lower trading volume in first half 2006
- Overall improvement in structure and strategy achieved by new Oil Services team introduced in June resulting in :
  - — Substantial increase in **segment results for second half compared to first half of year**
  - — Greater synergies from the Group's transportation, storage and distribution operations





For 2006, revenue results decreased 14% to HK$4,811 million and segment results also decreased by 28% to HK$39 million. This was largely attributable to the lower results in the first half of the year — the outcome of a reversal of the unrealized mark-to-market gain from 2005 and the negative import margins in the China market — as previously reported.

The Group, however, has made substantial improvements in this business sector by an overhaul of the supply operations with the establishment of a new Oil Services Team, comprised of experienced individuals under new senior management. Although revenue for the second half of 2006 was lower by 38% at HK$1,842 million compared to the first six months of the year, segment results by contrast increased more than tenfold to HK$37 million. The Team has made gains by extracting greater synergies from the Group's transportation, floating storage and distribution businesses. In the fourth quarter, the Team was able to take advantage of the market price structure through the use of the Group's newly opened storage facility at Nansha.

In addition to generating more business, the supply business is executing more profitable trading strategies, and this trend is expected to accelerate as our China terminals expand their operations.

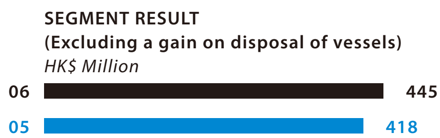
During the year, we also implemented a new trading system to strengthen control and enhance integration. To gain maximum benefit from the system and avoid any unforeseen risks, we engaged the consulting firm Ernst & Young to undertake an audit, which was completed in December.

In 2007, the supply business will seek to take full advantage of the operation of the first phases of the Nansha and Fujian storage terminals to strengthen its customer relationships in China. The Group is also setting up a similar Oil Services team in the mainland to provide the Team in Singapore with an on-the-ground presence in the Chinese domestic market. Through an improved understanding of the needs of Chinese customers, Titan aims to become a trusted source of supply, offering diversification, security and price stability.

Transportation

Following two years of rapid growth, the Group's fleet capacity was 3.51 million deadweight tons (dwt) at the end of 2006, which included 12 VLCCs (very large crude carriers), two Aframaxes and a range of product tankers. Our VLCC fleet mainly transports crude oil between oil producing centers such as the Middle East to refineries in China, India and South-east Asia. In addition, we operate smaller product tankers that transport oil products and petrochemicals within Asia.

- Focus on operational excellence helped mitigate the effects of a soft market
- Product tanker fleet performed well in favorable market environment
- Conversion of an old VLCC into FSU in second half 2006 helped capture strong demand in that market



Revenues for 2006 were HK$2,082 million, an increase of 18%. Segment results for 2006, which were without the net gain on disposal of vessels of HK$131 million recorded in 2005, decreased 19% to HK$445 million. Excluding this exceptional item, segment results would have increased by 7%.

The improved performance of the transportation business was achieved despite lower average vessel earnings from the VLCC fleet, caused by an extremely weak market in the fourth quarter that was compounded by significantly higher average fuel prices. During 2006, the OPEC countries reduced production in order to support the oil price. In particular, the usual pattern of global demand for oil peaking for the fourth quarter failed to materialize. This was primarily due to the unusually warm winter, which led to reduced demand from key OECD countries in North America, Europe and Japan. As a result, after a promising start to the year, World Scale rates declined to an average WS69.5 for the TD3 (Middle East – Japan) route in fourth quarter 2006 versus WS156.4 in fourth quarter 2005. This resulted in an average of WS95.75 for the whole year of 2006, against WS103.96 in 2005. Not only were VLCC earnings lower, but fuel cost was significantly higher, impacting profitability. Bunker fuel prices rose by an average of 20% in 2006.

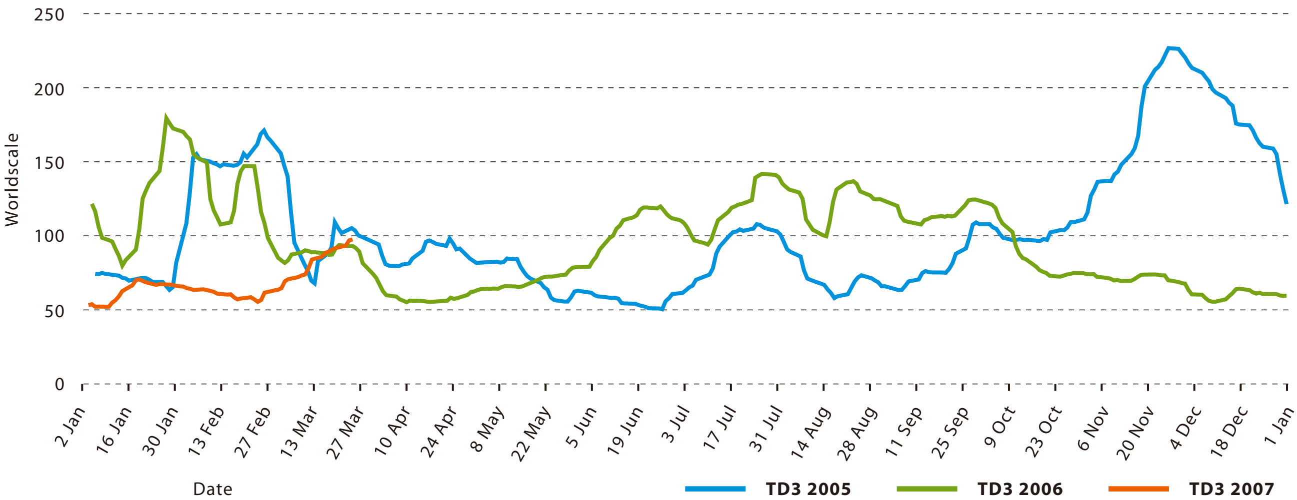
Notwithstanding this, Titan's VLCC fleet registered an

average of WS94 on our usual Middle East-Asia routes. Our focus in 2006 on operational excellence for this existing tonnage also helped mitigate the effect of the soft market. We also placed six VLCCs into dry-docking during the second and third quarters of the year, and this had the effect of reducing average utilization to 82%. The VLCC fleet continues to be the main revenue contributor with a share of 75.6%, whilst the Aframaxes contribute 9.7% and the rest of the tankers 14.7% of the segment revenues in 2006.

The product tanker fleet comprises vessels in the 6,000 to 7,500 dwt range, which operate largely under contract to international and national oil companies. This fleet performed well in a strong market to achieve an average utilization in 2006 of 97%, higher revenues and improved profitability. In addition, there are two Aframaxes primarily operating in the fuel oil trade.

Transportation

TD3 VLCC WORLD SCALE RATES



While global demand for oil may rise in 2007, the tanker order book currently stands at over 135 million dwt, implying an average growth of 4% a year for the next few years. This imbalance is likely to give pressure to VLCC rates, and the Group will make certain steps to address this challenge. We intend to rationalize our fleet operations, convert the older and smaller VLCCs to floating storage to capitalize on the strong demand in this area. By the end of 2007, we expect to be operating no more than six VLCCs compared to the 12 in operation as at 2006 year-end. Titan is pursuing more period charter business to increase the stability of revenues and maximize utilisation. Our transport business will also capitalize more on the synergies of the other Group's businesses to ensure optimal utilization and, overall, greater profitability of our assets.

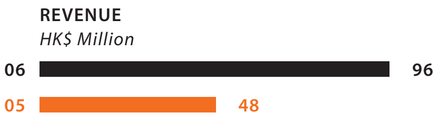
FLEET LIST (at 28 March 2007)

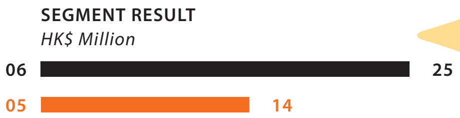
No	Ship Name	DWT (mt)	Class	Year Built	Flag
	Very Large Crude Carrier (VLCC)	**2,686,967**			
1	Titan Virgo	299,993	LR	1993	Singapore
2	Front Lady	284,497	DNV	1991	Singapore
3	Front Highness	284,317	DNV	1991	Singapore
4	Titan Mercury	275,341	LR	1989	Singapore
5	Titan Neptune	265,322	LR	1988	Panama
6	Titan Aries	265,243	LR	1988	Singapore
7	Titan Pisces	261,343	LR	1990	Singapore
8	Titan Taurus	254,991	LR	1992	Hong Kong
9	Titan Venus	250,267	LR	1986	Singapore
10	Titan Leo	245,653	LR	1988	Singapore
	Aframax Tanker	**188,450**			
1	Scorpius	94,225	RINA	1994	Italy
2	Four Springs	94,225	RINA	1992	Italy
	Coastal Tanker	**63,656**			
1	Alpha Prosperity	7,590	DNV	1995	Singapore
2	Alpha Prestige	7,574	DNV	1995	Singapore
3	Alpha Power	7,503	DNV	1996	Singapore
4	Jurong Herring	6,902	ABS	1995	Singapore
5	Orchid	6,901	ABS	1993	Singapore
6	Jurong Krapu	6,887	ABS	1996	Singapore
7	Lantana	6,881	ABS	1995	Singapore
8	Mimosa	6,881	ABS	1995	Singapore
9	Neptra Premier	6,537	DNV	1994	Singapore
	Harbour Tanker	**13,614**			
1	Neptank VIII	5,471	DNV	1990	Singapore
2	Capricorn	4,280	ABS	1989	Singapore
3	Neptank VII	3,863	BV	1988	Singapore
	TOTAL DWT (mt)	**2,952,687**			

Storage

The Group operates two Floating Storage Units (FSU) in Tanjong Pelapas, near the port of Singapore, with a total of 375,000 tons of storage capacity at the end of 2006. Titan is also developing three major onshore facilities at strategic locations in China. Phase I of Titan Nansha Petrochemical Terminal in the Pearl River Delta, providing 410,000 cubic meters of capacity, commenced operations in October.

- Successful opening of Nansha terminal marks a major milestone
- Good progress achieved on construction at Fujian and Yangshan terminals
- Growth in both revenue and profits due to increased integration of FSU with Group's other operations and a small initial contribution from Nansha





Revenues for the year doubled to HK$96 million, and segment results were 81% higher at HK$25 million. The improved result was due to both a small initial contribution from the Nansha terminal and the increasing integration of the Group's oil services, which has seen turnover increase by more than 90% in the FSU business.

Titan is adding more capacity to its FSU operations in 2007 by converting a few of the Group's VLCCs to meet the increasingly strong demand in this market.

China Terminals

The successful opening of Phase I of the Nansha terminal marks a major milestone in Titan's storage business as we enter the fast developing China storage market. Oil demand in China is forecast to increase at some 6% a year for the foreseeable future, with the dependence on imports continuing to rise.

Much of the demand for oil and petrochemical products lies in the newly industrialized areas of the southern and eastern coastal regions. Since China's oil-related infrastructure is located largely in the north-east, these regions face a shortage of modern, large-scale and efficient oil storage facilities.

Titan is addressing this shortage by building its large, state-of-the-art storage terminals in southern and eastern China. All have deepwater access and excellent communications links. In addition, the facilities have bonded zone status for customs purposes, allowing international cargo to avoid incremental duty and excise tax. This facilitates the international transfer, delivery, purchase and transit of cargos.

They are built to the highest international standards with advanced technology and equipment, including Enraf radar measurement, Honeywell automation control and SAP systems. The equipment includes double screw pumps for high viscosity oil delivery, tanks for blending and comprehensive HSE management systems. Efficiency is further enhanced by the use of a shared service centre providing financial, HR, IT, legal, administrative and other services, which entered operation in July.

Funding for the Group's onshore storage projects will come largely from non-recourse project financing arrangements. For the Nansha terminal, a Rmb380 million facility had previously been arranged for Phase I. A further Rmb270 million credit facility has been arranged for the chemical storage section of Phase II. For Phase I of the Fujian terminal, a total of Rmb195 million of loan facilities has been arranged.

Storage

Nansha, Guangdong

Phase I of the Nansha terminal began operations in October 2006 and comprises 410,000 m^3 of fuel oil storage together with eight berths for vessels of between 1,000 dwt and 100,000 dwt. The inaugural delivery in November of an 80,000 dwt vessel marked the first time in the history of the Pearl River Delta that cargo of this size was discharged in less than 24 hours. The discharge rate achieved is some three to four times faster than those currently achievable in the region, representing a huge step up in efficiency and consequently significant cost savings to customers. The direct ship-to-shore transfer also significantly reduces risk to the marine environment.

The response from the market to the Nansha terminal has been extremely positive, validating the Group's earlier decision to accelerate the facility's development. During the year progress was made in land improvement and site preparation works on the expanded Phase II, which will add a further 270,000 m^3 of fuel oil, 830,000 m^3 of diesel and gasoline and 290,000 m^3 of chemicals storage together with a further 13 berths for vessels of various sizes. Land improvement work was completed by year end, and construction of the tank foundation will begin in the first half of 2007.

Titan holds 70% of the Nansha terminal, and the remaining 30% is held by Nansha Assets Operation Co. Ltd, an investment arm of the Guangzhou Nansha Municipal Government.

Quanzhou, Fujian

Progress at the Fujian terminal, located at the port of Quanzhou in Fujian Province, was accomplished despite delays caused by adverse weather conditions. The construction of Phase I, comprising 90,000 m^3 of storage for chemicals and diesel together with a 5,000 dwt berth and a 3,000 dwt berth, is now complete. Trial operations began early this year, following full inspection and acceptance by the authorities, and we expect Phase I to become fully operational by April 2007.

During the year, construction of all 42 storage and six utility tanks was completed, together with testing and corrosion protection. Installation and testing of the piping system was completed together with all associated buildings and other facilities, including the waste water treatment plant. All the systems including electrical, instrumentation, Honeywell DCS system, survillence system and fire fighting system were installed and tested.

PROJECT INFORMATION	Nansha, Guangdong	Quanzhou, Fujian	Yangshan, Shanghai
Project Size	1,800,000 m^3	1,490,000 m^3	2,370,000 m^3
Phase I	410,000 m^3 completed	90,000 m^3 completed	420,000 m^3 by 2008
Phase II	1,390,000 m^3 by 2008	600,000 m^3 by end 2008	600,000 m^3 by 2009
Phase III	–	800,000 m^3 by 2010	1.35 million m^3 by 2011
Number of Berths	21	8	16
Maximum Berth Capacity	100,000 dwt	300,000 dwt	300,000 dwt
Products	Fuel Oil, Chemicals, Petroleum products	Fuel Oil, Chemicals, Petroleum products	Fuel Oil, Chemicals, Petroleum products

Phase II, with a capacity of 600,000 m^3, is scheduled to enter operation late 2008, and Phase III with a further 800,000 m^3 in 2010, adding storage of petroleum products and fuel oil. The later phases will also add six additional berths capable of accommodating VLCCs up to 300,000 dwt.

Titan owns 100% of the Fujian terminal. This follows the acquisition, announced in July, of the remaining shareholding for Rmb227.6 million (HK$219 million)

Yangshan, Shanghai

The Yangshan terminal near Shanghai obtained approval from the National Development and Reform Commission during the year, and work began in August on Phase I, due for completion in 2008.

Phase I comprises 420,000 m^3 of storage for fuel oil, one berth for vessels up to 100,000 dwt and four berths for vessels up to 5,000 dwt. Work on the jetty is underway, and foundations for the tank farm are complete. Construction of the tank farm and pipelines will commence in April 2007.

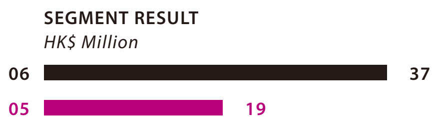
The plan is for Phase II, with a capacity of 600,000 m^3, to be completed in 2009. Depending upon demand, Phase III of a further 1.35 million m^3 is planned for 2011. These two subsequent phases will add storage for various petroleum and chemical products.

Titan owns 28% of the Yangshan terminal, with three other parties, including Petrochina, holding the remainder.

Distribution

The Group's distribution business consists of bunkering or ship refueling operations in Singapore and Hong Kong. Titan Bunkering is an accredited supplier in the port under the Singapore's Accreditation Scheme for Bunker Suppliers (ASBS.)

- Strong growth achieved in both revenue and segment results
- Singapore bunkering business climbs from No. 15 to No. 10 in the market
- Synergies achieved with the Group's storage and supply operations



Revenues for 2006 grew strongly by 46% to HK$4,471 million, while segment results increased significantly by 97% to HK$37 million.

The growth came primarily from the Singapore market, the world's largest bunker market. Not only was demand strong, but we were able to increase market share as we strengthened our relationships with the major shipping companies who are our customers.

Titan has now risen from the top 15 to the top 10 suppliers of bunkering services in Singapore in 2006, with an approximate market share of 8%. On average, we moved about 150,000 – 200,000 tonnes per month in 2006. Last year, the port of Singapore moved a record 28.4 million tonnes of bunkers, 11.4% more than the 25.5 million tonnes for 2005.

We aspire to grow our market share in 2007, despite a likely increase in competition with more players entering the market to serve new and expanded terminals. Like the rest of the other businesses, we are increasingly deriving more synergies from a closer integration with the Group's supply, FSU and onshore storage businesses and expect performance to improve further.

To capture the growing demand in bunkering and to increase our delivery capabilities, the Group has ordered six new double-hulled bunker barges in the second half of 2006, with an option to buy another four more. The firsts of the barges are schedule for delivery in late 2007.

In Hong Kong, the year was devoted to reorganizing the business in order to be able to fully exploit the opportunities that will arise from the operations of the Nansha terminal across the border.

Financial Review

Financial Results

The Group's turnover for the year was up 10% to HK$11,460 million. Cost of sales rose by 10% to HK$10,797 million in line with the expansion of operations. No exceptional net gain was recorded from the disposal of vessels during the year. Earnings before interest expenses, tax, depreciation and amortization (EBITDA) rose by 0.15% over 2005 to HK$868 million. Finance costs rose from HK$313 million to HK$386 million as the Group increased its debt to finance expansion, and profit before tax decreased by 64% to HK$110 million. The profit for the year attributable to ordinary equity holders of the parent decreased to HK$100 million from HK$303 million for the previous year, resulting in a return on equity of 5%.

Supply

The contribution to the Group's turnover and the segment result dropped by 14% to HK$4,811 million and by 28% to HK$39 million respectively as compared to HK$5,599 million and HK$54 million for 2005. The business accounted for 42% of Group revenues.

Transportation

The oil transportation business remained an important profit contributor to the Group. This business recorded turnover of HK$2,082 million for the year, up 18% over the HK$1,761 million recorded for the year 2005. The segment result from oil transportation business decreased by 19% from HK$548 million to HK$445 million, which included a net disposal gain of vessels of approximately HK$131 million in 2005. The transportation business accounted for 18% of Group revenues.

Storage

The oil storage business recorded turnover of HK$96 million in 2006, as compared to HK$48 million for the year of 2005. The segment result was HK$25 million as compared to HK$14 million for the year of 2005. The oil storage business accounted for 1% of Group revenues.

Distribution

The contribution to the Group's turnover and the segment results for the year was HK$4,471 million and HK$37 million respectively. The business accounted for 39% of Group revenues.

Liquidity, Financial Resources, Charges on Assets and Gearing

The Group finances its operations through internally generated cash flows, term loans and trade finance facilities provided by banks in Hong Kong, Singapore and China. At 31 December 2006, the Group had cash and cash equivalents of HK$300 million (31 December 2005 : HK$644 million) and pledged deposits of HK$73 million (31 December 2005 : HK$13 million), comprising an equivalent of HK$337 million denominated in US dollars, an equivalent of HK$10 million denominated in Singapore dollars, an equivalent of HK$18 million in Renminbi, an equivalent of HK$4 million in Euro and HK$4 million in Hong Kong dollars. At 31 December 2006, the Group had interest-bearing bank and other loans of HK$1,845 million (31 December 2005 : HK$1,553 million), of which 69% were floating rate interest bearing and denominated in US dollars. HK$643 million of the Group's bank loans at 31 December 2006 had maturities within one year.

At 31 December 2006, the Group's banking facilities were largely secured or guaranteed by cash deposits amounting to HK$73 million, deposits of HK$10 million held in a collateral account, vessels with carrying values of HK$2,560 million, prepaid land/seabed lease payments of HK$269 million, oil storage facilities with carrying values of HK$159 million, inventories with carrying values of HK$321 million, a personal guarantee executed by a director of the Company, corporate guarantees executed by the Company, a corporate guarantee executed by a subsidiary of Titan Oil Pte. Ltd ("Titan Oil"), the Company's ultimate holding company and an unlimited corporate guarantee executed by Titan Oil.

At 31 December 2006, the fixed rate guaranteed senior notes (the "Notes") of HK$3,124 million were secured by shares of certain subsidiaries.

At 31 December 2006, the Group had current assets of HK$2,851 million (31 December 2005 : HK$2,442 million). The Group's current ratio decreased from 1.85 at 31 December 2005 to 1.24 as at 31 December 2006. At 31 December 2006, the Group had total assets of HK$8,947 million (31 December 2005 : HK$7,602 million), total bank and other loans of HK$1,845 million (31 December 2005 : HK$1,553 million), finance lease payables of HK$138 million (31 December 2005 : HK$165 million) and the Notes of HK$3,124 million (31 December 2005 : HK$3,114 million). The gearing of the Group, calculated as total bank and other loans, finance lease payables and the Notes to total assets, was 0.57 at 31 December 2006 (31 December 2005 : 0.64).

The Group's business contracts are mostly settled in US dollars. The reporting currency of the Group is Hong Kong dollars. Since the exchange rate of the US dollar against the Hong Kong dollar was stable during the year, the directors consider that the Group has no significant exposure to foreign exchange rate fluctuations. During the year, the Group had oil price swap contracts, an interest rate swap agreement and a forward freight rate agreement to hedge exposures on fluctuations in commodity prices, interest rates and freight rates. The Group did not use any financial derivative instruments for speculative purposes.

Contingent Liabilities

At 31 December 2006, the banking facilities granted to certain subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of HK$2,615 million (31 December 2005 : HK$1,944 million).

At 31 December 2006, a guarantee of HK$138 million (31 December 2005 : HK$164 million) was given by the Company in connection with a finance lease arrangement granted to a subsidiary.

At 31 December 2006, a guarantee of HK$38 million given by the Company to suppliers in connection with the bunkering refueling business was utilised by a subsidiary of the Company (31 December 2005 : HK$9 million).