

Report of the Directors

The directors present their report and the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 19 to the financial statements. There were no significant changes in the nature of the Group’s principal activities during the year.

RESULTS AND DIVIDENDS

The Group’s profit for the year ended 31 December 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 50 to 107.

The directors do not recommend the payment of any dividend for the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 108. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in the Company’s authorised share capital during the year. Details of movements in the Company’s issued share capital and share options during the year are set out in note 31 and note 32 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the byelaws of the Company or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2006, the Company’s reserves available for distribution, calculated in accordance with the provision of the laws of Bermuda, amounted to approximately HK\$110,133,000. Under the laws of Bermuda, the Company’s share premium account of approximately HK\$1,004,602,000 as at 31 December 2006 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group’s five largest customers accounted for less than 30% of the total sales for the year.

Purchases from the Group’s five largest suppliers accounted for 52% of the total purchases for the year and purchases from the largest supplier included therein amounted to 28%.

None of the directors of the Company nor any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors

Mr. Tsoi Tin Chun

Mr. Cheung Chun Yuen Barry

Mr. Ib Fruergaard

Non-executive director

Mr. Cheong Soo Kiong

Independent non-executive directors

Mr. John William Crawford (appointed on 27 February 2006)

Mr. Abraham Shek Lai Him (appointed on 27 February 2006)

Ms. Tam Wai Chu Maria

Mr. Wong Kong Hon

Mr. Liu Hongru (resigned on 27 February 2006)

In accordance with the Company's byelaws, Mr. Ib Fruergaard and Ms. Tam Wai Chu Maria will retire and, being eligible, offer themselves for re-election, and Mr. Cheong Soo Kiong will retire and not offer himself for re-election at the forthcoming annual general meeting.

Independent non-executive directors are appointed for a period of two years and are subject to retirement by rotation and re-election in accordance with the Company's byelaws.

The Company has received annual confirmations of independence from Mr. John William Crawford, Mr. Abraham Shek Lai Him, Ms. Tam Wai Chu Maria and Mr. Wong Kong Hon.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 38 to 40 of the Annual Report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The fees of the directors are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties and responsibilities together with the performance and results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 39 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

At 31 December 2006, the interests and short positions of the directors and the chief executive in the share capital, underlying shares and debentures of the Company or its associated corporations (within the meaning of part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

Name of director	Capacity	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Tsoi Tin Chun	Interest of a controlled corporation	2,755,480,202 (Note 1)	56.64

Short positions in ordinary shares of the Company:

Name of director	Capacity	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Tsoi Tin Chun	Interest of a controlled corporation	438,836,815 (Note 1)	9.02

Note: Mr. Tsoi Tin Chun ("Mr. Tsoi") is deemed to be interested in the shares of the Company held by Great Logistics Holdings Limited ("Great Logistics") as a result of his shareholding in Titan Oil Pte. Ltd. ("Titan Oil"), the ultimate holding company of Great Logistics. The issued share capital of Great Logistics is beneficially and wholly-owned by Titan Oil, which is in turn owned as to 95% by Mr. Tsoi and as to 5% by Ms. Tsoi Yuk Yi, the spouse of Mr. Tsoi. Mr. Tsoi is also a director of Titan Oil and Great Logistics.

Long positions in ordinary shares of associated corporations:

Name of Associated Corporation	Name of director	Capacity	Number of ordinary shares held/ Amount of capital contribution	Percentage of the company's issued share capital/ amount of capital contribution
Sea Venture Holdings Pte. Ltd	Mr. Tsoi Tin Chun	Interest of a controlled corporation	1 share (Notes 6)	100%
Fujian Shishi Titan Sailor Administer Co., Ltd	Mr. Tsoi Tin Chun	Interest of a controlled corporation	RMB20,000,000 (Notes 7)	100%

Options outstanding under the share option scheme of the Company:

Name of director	Capacity	Total number of underlying shares (options granted) held	Approximate percentage of the Company's issued share capital
Mr. Cheung Chun Yuen Barry	Beneficial owner	20,000,000	0.41
Mr. Ib Fruergaard	Beneficial owner	5,000,000	0.10

Note: Share options carrying rights to subscribe for 20,000,000 ordinary shares and 5,000,000 ordinary shares of the Company were granted to Mr. Cheung Chun Yuen Barry and Mr. Ib Fruergaard on 21 September 2005 and 20 February 2006, respectively, pursuant to the share option scheme adopted by the Company on 31 May 2002.

Save as disclosed above, at 31 December 2006, none of the directors or the chief executive had registered any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as required to be recorded pursuant to Divisions 7 and 8 of Part XV of the SFO, Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and chief executive's interests and short positions in shares and underlying shares and debentures" above and in the share option scheme disclosures in note 32 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Concerning the share options granted during the year to Mr. Ib Fruergaard under which 5,000,000 shares are issuable, the directors have estimated the theoretical value of the options to be HK\$652,000 at the date of grant using the Binomial model, taking into account the terms and conditions upon which the options were granted. The Binomial model is a generally accepted method of valuing options. The significant assumptions used in the calculation of the value of the share options are set out in note 32 to the financial statements.

The value of the option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2006, so far as is known to the directors and the chief executive of the Company, the following persons had interests or short positions in the shares and underlying shares of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

Long positions:

Name	Capacity	Number of ordinary shares held	Percentage of the Company's issued share capital
Great Logistics	Beneficial owner	2,755,480,202 (Note 1)	56.64
Titan Oil	Interest of a controlled corporation	2,755,480,202 (Note 2)	56.64
Ms. Tsoi Yuk Yi	Interest of spouse	2,755,780,202 (Note 3)	56.64
HSBC Trustee (C.I.) Limited	Trustee	556,423,009	11.44
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.	Holding the Company's shares as security	356,971,112	7.34
The State of the Netherlands	Interest of a controlled corporation	356,971,112 (Note 4)	7.34
Ms. Tse Lai Hing	Beneficial owner	280,000,000	5.76
Mr. Tse Yin Tuen	Interest of spouse	280,000,000 (Note 5)	5.76

Short positions:

Name	Capacity	Number of ordinary shares held	Percentage of the Company's issued share capital
Great Logistics	Beneficial owner	438,836,815 (Note 1)	9.02
Titan Oil	Interest of a controlled corporation	438,836,815 (Note 2)	9.02
Ms. Tsoi Yuk Yi	Interest of spouse	438,836,815 (Note 3)	9.02

Note 1: Mr. Tsoi is deemed to be interested in such ordinary shares held by Great Logistics as a result of his shareholding in Titan Oil, the ultimate holding company of Great Logistics. The issued share capital of Great Logistics is beneficially and wholly-owned by Titan Oil, which in turn is owned as to 95% by Mr. Tsoi and as to 5% by Ms. Tsoi Yuk Yi, the spouse of Mr. Tsoi. Mr. Tsoi is also a director of Titan Oil and Great Logistics.

Note 2: Titan Oil is beneficially interested in the entire issued share capital of Great Logistics. Therefore, it is deemed to be interested in such ordinary shares held by Great Logistics.

Note 3: Ms. Tsoi Yuk Yi is beneficially interested in 5% of the issued share capital of Titan Oil, which in turn holds the entire issued share capital of Great Logistics. Mr. Tsoi is beneficially interested in 95% of the issued share capital of Titan Oil. As Ms. Tsoi Yuk Yi is the spouse of Mr. Tsoi, she is deemed to be interested in the ordinary shares held by Great Logistics.

Note 4: The State of the Netherlands is interested in such ordinary shares through its shareholding in Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.

Note 5: Mr. Tse Yin Tuen is the spouse of Ms. Tse Lai Hing. Therefore, Mr. Tse Yin Tuen is deemed to be interested in such ordinary shares held by Ms. Tse Lai Hing.

Note 6: Mr. Tsoi is deemed to be interested in the shares of Sea Venture Holdings Pte. Ltd ("Sea Venture") which held by SV Global Pte. Ltd ("SV Global") as a result of his shareholding in Titan Oil, the ultimate holding company of SV Global. SV Global's issued share capital is beneficially and wholly owned by Titan Oil. Mr. Tsoi is also a director of SV Global and Sea Venture.

Note 7: Mr. Tsoi is deemed to be interested in the equity of Fujian Shishi Titan Sailor Administer Co. ("Fujian Shishi"), as a result of his shareholding in Titan Oil, the holding company of Fujian Shishi. Mr. Tsoi is also a director of Fujian Shishi.

Save as disclosed above, at 31 December 2006, no person, other than the directors and the chief executive of the Company whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares and debentures" above, had an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept under Section 336 of the SFO, or which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of the Company.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTION

Connected transactions

The detail of connected transactions were set out in note 39 (a) (ii) and (iii) to the financial statements.

Continuing connected transaction

On 28 December 2004, Petro Titan Pte. Ltd. ("Petro Titan"), a wholly-owned subsidiary of the Company, entered into a tenancy agreement (the "Previous Agreement") with Titan Oil, pursuant to which Petro Titan leased an office space located at 8 Temasek Boulevard, #29-02, Suntec Tower 3, Singapore from Titan Oil for a term of three years from 1 January 2005 to 31 December 2007, inclusive, at an aggregate rental of S\$212,660 per annum on the basis of S\$17,722 per month. On 30 November 2005, Titan Resources Management (S) Pte. Ltd. ("TRMS"), a wholly-owned subsidiary of the Company, entered into a revised tenancy

agreement (the "Revised Agreement") with Petro Titan and Titan Oil by which TRMS replaced Petro Titan as the tenant of the office with effect from 1 January 2006 and all the terms and conditions remain the same as the Previous Agreement. The Revised Agreement is a continuing connected transaction of the Group under Chapter 14A of the Listing Rules as Titan Oil is the controlling shareholder of the Company and thus a connected person of the Company.

The above transaction was reviewed by the independent non-executive directors of the Company who confirmed that the transaction had been entered into:

- (a) in the ordinary and usual course of business of the Company;
- (b) on normal commercial terms; and
- (c) in accordance with the relevant agreement governing the transaction on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditors provided a confirmation in respect of the Revised Agreement in accordance with Rule 14A.38 (1), (3) and (4) of the Listing Rules.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to date of this report, no director is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, pursuant to the Listing Rules of the Stock Exchange, other than those businesses to which the directors were appointed as directors to represent the interest of the Company and/or the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to good corporate governance to enhance long term shareholder value, with an emphasis on transparency, responsibility, independence and accountability. Throughout the year, the Company was in full compliance with all code provisions of the Code on Corporate Governance Practices contained in the Listing Rules. Full details on the subject of corporate governance are set out in separately presented Corporate Governance Report, included in this Annual Report.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling approximately HK\$469,000.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiries of the Company's directors, they have complied with the required standards set out in the Model Code throughout the accounting period covered by the Annual Report.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 41 to the financial statements.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules, for the purposes of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The audit committee comprises the three independent non-executive directors of the Company. The Group's financial statements for the year ended 31 December 2006 have been reviewed by the audit committee, who are satisfied that such statements comply with the applicable accounting standards, including the Stock Exchange and legal requirements, and that adequate disclosures have been made.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Barry C. Cheung

Chief Executive

Hong Kong

28 March 2007